REPORT AND CONSOLIDATED ACCOUNTS '21

BANCO
INVEST

BANCO INVEST

GRUPO ALVES RIBEIRO

Índice

Board of Director's Report

1. Governing Bodies

1. Governing Bodies

General Meeting of Shareholders

Charmain

Francisco Xavier Ferreira da Silva

Secretaries

Helena Isabel Nunes Menúria Neves Francisco
Paula Alexandra Silva dos Santos Viegas

Board of Directors

Charmain

Afonso Ribeiro Pereira de Sousa

Deputy Charmain

António Miguel Rendeiro Ramalho Branco Amaral

Members

Francisco Manuel Ribeiro
Luís Miguel da Rocha Barradas Ferreira
Marília Boavida Correia Cabral
Alexandre Wende Dias da Cunha
Carlos António Antolin da Cunha Ramalho
Miguel Alves Ribeiro Fontão de Carvalho

Audit Board

Charmain

AJean-éric Gaign

Members

José Manuel Lopes Neves de Almeida
Luis Alberto Monsanto Póvoas Janeiro

Statutory Auditor

KPMG, SROC, SA, represented by Miguel Afonso

2. Mail Financial indicators

2. Main financial indicators

Indicators (Euros)	2017	2018	2019	2020	2021
Net interest income	16.433.483	20.415.619	25.287.537	29.257.925	31.602.344
Net income from financial operations	4.321.877	(689.976)	4.470.719	5.258.393	6.912.047
Net fees and commissions income	5.393.738	6.986.101	8.896.965	10.977.132	14.266.301
Other operating income / (losses)	134.391	1.993.808	1.350.654	1.821.454	905.795
Net operating revenue	**26.283.489**	**28.705.552**	**40.005.875**	**47.314.904**	**53.686.487**
Staff costs	(8.386.236)	(10.153.804)	(11.381.855)	(11.514.418)	(12.536.944)
Other administrative costs	(6.285.362)	(7.692.853)	(6.985.004)	(6.312.052)	7.315.663
Overheads	**(14.671.598)**	**(17.846.657)**	**(18.366.858)**	**(17.826.470)**	**(19.852.607)**
Amortisations and depreciations	(930.497)	(945.379)	(1.960.465)	(1.674.258)	(1.563.974)
Net provisions and impairments	(2.852.026)	(577.270)	(4.979.188)	(9.283.534)	(5.545.432)
Income before taxes	**7.829.368**	**9.336.246**	**14.699.364**	**18.530.641**	**26.724.474**
Provision for taxes	(1.981.164)	(248.955)	(2.482.867)	(4.626.826)	(7.721.935)
Net profit attributable to non-controlling interests	(31.181)	(54.216)	(31.181)	(69.045)	81.754
Net Income for the year	**5.817.023**	**9.033.075**	**12.185.316**	**13.834.770**	**18.920.785**
Comprehensive Income	**4.248.698**	**7.519.812**	**14.758.894**	**15.710.556**	**17.068.162**
Net credit extended (1)	328.848.647	545.042.001	619.806.815	644.437.591	712.718.687
Loans and advances to customers	257.045.841	312.163.551	392.573.397	401.376.720	413.379.017
Securitised loans	71.803.356	232.878.450	227.233.417	243.060.871	299.339.670
Funds attracted	686.802.304	643.052.322	685.196.634	753.579.712	914.973.245
Shareholders' equity	**106.391.777**	**112.896.361**	**126.815.255**	**141.685.811**	**156.913.972**
Net assets	**618.643.091**	**772.076.755**	**840.692.558**	**923.903.525**	**1.103.552.718**
Transformation Ratio (Loans and advances to customers/Resources from customers)	57.0%	53.5%	65.1%	67.0%	59.9%
Liquidity Coverage Ratio (LCR)	269.9%	220.4%	166.6%	232.3%	173.4%
Cost-to-income Ratio	59.4%	68.5%	51.0%	41.2%	39.9%
Net interest income (as % of Net operating revenue)	62.5%	71.1%	63.2%	61.8%	58.9%
Provisions and Impairments (as % of Net operating revenue)	10.9%	2.0%	12.4%	19.6%	10.3%
Common Equity Tier 1 ratio (CeT1)	20.3%	17.3%	16.9%	16.7%	17.0%
Total Capital Ratio	21.8%	18.1%	17.5%	17.0%	17.1%
RWAs (as % of Total Assets)	71.2%	74.2%	79.6%	82.4%	76.8%

(1) Financial assets at amortised cost, as of 2019

(2) Securities portfolio at amortised cost, as of 2019

3. Banco Invest

3. Banco Invest

Who we are

Banco Invest, S.A. (Banco Invest or the Bank) was incorporated in 1997 as Banco Alves Ribeiro, S.A., with head office in Lisbon and share capital of 20 million euros, wholly owned by the Alves Ribeiro Group.

In October 2005, the name was changed to Banco Invest, seeking to unequivocally reflect its Mission: to be recognised by the market as the financial institution that best meets the needs of private, corporate or institutional customers, in all the financial products that distance themselves from a routine bank relationship, and require greater involvement, proposing solutions which traditional banking, with its standardised offer, is unable to provide.

Banco Invest is a specialised and flexible bank, with highly qualified experts, devoted to the offer of sophisticated investment and savings operations. In a globalised and sophisticated world, investment opportunities are increasingly complex, requiring higher levels of specialisation and monitoring, which do not fall within the typical standardised offer of retail banks.

Since its foundation, the Bank has based its performance on principles of Ethics, Innovation, Independence and Security, values that cut across all areas of the Bank's operations. These values have allowed the Bank to achieve, since its incorporation, a sustained growth performance and levels of financial solidity far above the average of the national banking sector. At the end of 2021, the Bank's solvency ratio stood at 17.1% and Resources from Customers reached 738.5 million euros, corresponding to an annual average growth of 17.4% since 2008. Last year, net operating revenue surged 6.4 million euros (13.5%) to 53.7 million euros.

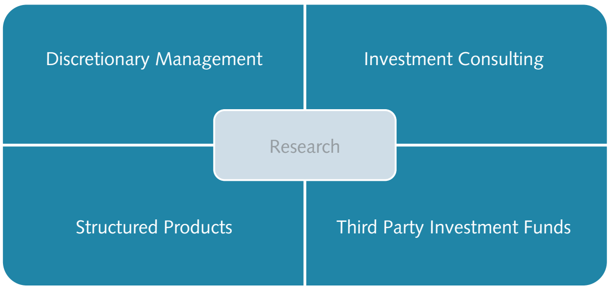
What we do

Banco Invest is specialised in the management of the Savings and Investments of its private, corporate and institutional customers, offering an open and independent structure, with a global and diversified offer of products and services.

The Bank's operations are currently divided into six main business areas: **Asset Management, Brokerage, Specialised Credit, Institutional Custody, Corporate Finance and Treasury and Capital Markets**.

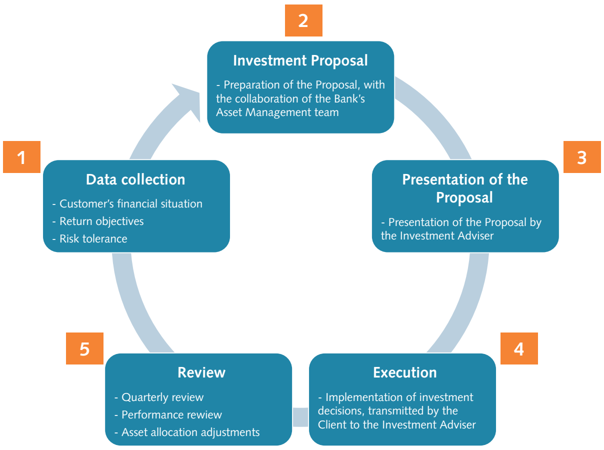
Banco Invest's **Asset Management** Department includes Discretionary Portfolio Management, Investment Consulting, the issue of Structured Products and the Distribution of Investment Funds managed by third parties.

Asset Management



The Discretionary Portfolio Management and Investment Consulting services are conducted in accordance with each Customer's risk profile and intended level of return. In both cases, management is based on the principles of Asset Allocation and on the advantages of diversification and investment in the medium and long term. The investment process is a function of the objectives, risk tolerance and time horizon of each Customer.

In the case of Investment Consulting, the service is based on a high degree of proximity to the Customer, namely in the assessment of his/her investment objectives and in the periodic and detailed follow-up of the investment portfolio, in a continuous process of interaction with the Consultant.

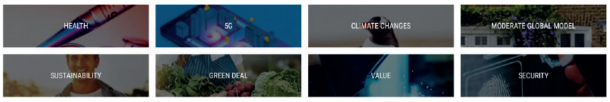


The Asset Management department structures and manages the Structured Products issued by the Bank, namely structured deposits. It is also responsible for the production of research and material supporting the sale of products on offer to Bank customers.

Structured Products

Finally, the Bank selects and distributes investment funds managed by other management companies (third party funds), offering its Customers around 1,000 investment funds managed by the most prestigious national and international management companies. The offer includes various asset classes and geographical regions, providing a wide range of diversification alternatives for different risk profiles. Most of these investment funds are available on the Bank's website. Customers can search and compare products independently or subscribe to thematic portfolios. The Bank, through Invest Trends, offers 41 thematic portfolios that reflect market trends and investment strategies that offer long-term growth potential. The portfolios are exclusively composed of investment funds and constructed by Banco Invest's Asset Management team.

Banco Invest, through Invest Trends provides investment solutions in categories such as Sustainability, New Trends and Lifestyle, among others.



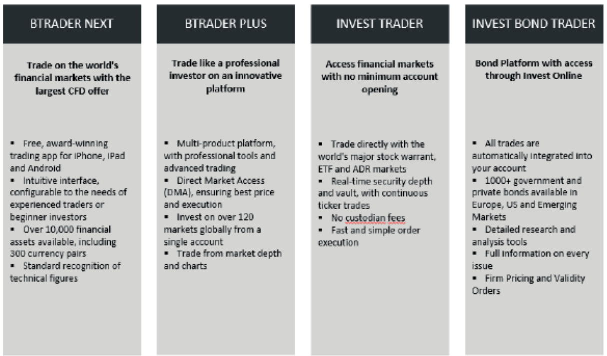
Invest Gestão de Activos – SGOIC, SA

Banco Invest also distributes funds managed by Invest Gestão de Activos - Sociedade Gestora de Organismos de Investimento Colectivo, S.A (Invest Gestão de Activos), a company wholly owned by the Bank. At the end of 2021, Invest Gestão de Activos managed three mutual funds - Alves Ribeiro PPR, Invest Ibéria and Smart Invest -, marketed exclusively by Banco Invest.

The **Brokerage** area includes the brokering and intermediation of shares, bonds, exchange traded funds, warrants and futures contracts. Banco Invest is present in the Prime Brokerage and Online Brokerage segments.

In the Prime Brokerage segment, the Bank offers a premium service, whereby Customers benefit from a direct relationship with traders. Traders' activity includes technical analyses, namely analyses of trends and of theoretically ideal levels of subscription and sale of securities, as well as the management of Customers' orders.

In the Online Brokerage segment, Bank customers can give orders through the website, from a desktop or mobile phone, or through the Invest Bond Trader, Invest Trader, Invest BTrader Plus and Invest BTrader Next trading platforms.



BTRADER NEXT	BTRADER PLUS	INVEST TRADER	INVEST BOND TRADER
Trade on the world's financial markets with the largest CFD offer	**Trade like a professional investor on an innovative platform**	**Access financial markets with no minimum account opening**	**Bond Platform with access through Invest Online**
▪ Free, award-winning trading app for iPhone, iPad and Android ▪ Intuitive interface, configurable to the needs of experienced traders or beginner investors ▪ Over 10,000 financial assets available, including 300 currency pairs ▪ Standard recognition of technical figures	▪ Multi-product platform, with professional tools and advanced trading ▪ Direct Market Access (DMA), ensuring best price and execution ▪ Invest on over 120 markets globally from a single account ▪ Trade from market depth and charts	▪ Trade directly with the world's major stock warrant, ETF and ADR markets ▪ Real-time security depth and vault, with continuous ticker trades ▪ No custodian fees ▪ Fast and simple order execution	▪ All trades are automatically integrated into your account ▪ 1000+ government and private bonds available in Europe, US and Emerging Markets ▪ Detailed research and analysis tools ▪ Full information on every issue ▪ Firm Pricing and Validity Orders

Invest BTrader

Winner 2021
#1 "Best Online Broker"
#1 for "Active Traders"
#1 for "International Traders"

Winner 2020
#1 for "Comissions & Fees"
#1 for "Offering of Investments"
#1 for "Professionals"
#1 "International Trading"
#1 "Futures Trading"
#1 "Innovation"

Winner 2021
"5 stars Offering of Investments"
"4.5 stars Commissions & Fees"
"4.5 Platform & Tools"
"4.5 Research"

Winner 2021
"Best Online Broker"
"Best Broker for Day Trading"

The **Institutional Custody** area is directed at independent management companies of mutual, venture capital and real estate funds. In addition to custody, the services offered include financial intermediation, risk hedging and management products and asset management for institutional customers.

The **Specialised Credit** area is divided into four types of offer: Margin Account, Mortgages, Popular Economic Credit (CEP) and BI Credit.

Margin Accounts
- Leveraging of own funds under the pledge of their security portfolios;
- Only securities with liquidity and listed on official markets are eligible.

Mortgages
- Medium and long-term loans, with real guarantee.

Crédito Económico Popular
- Loans with precious metals as collateral;
- Directed at Customers with a significant part of their savings invested in precious metals, and which intended to resort to this reserve value to obtain funding.

BI Credit
- Auto loans;
- Vehicle leasing;
- Stock credit (line of credit for traders and to finance car fleets);
- Financing for new and used cars.

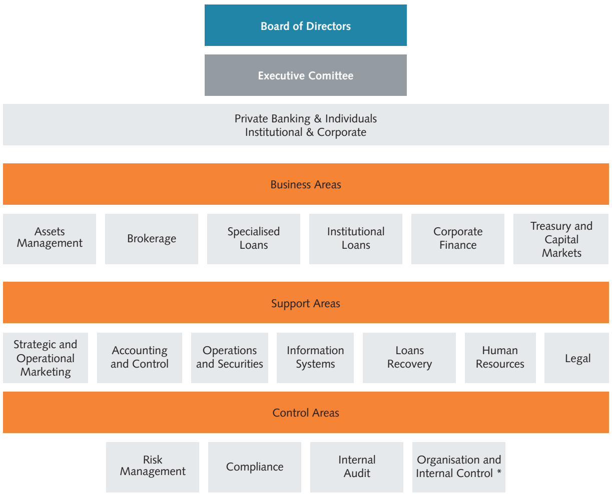
The Corporate Finance area, operating under the Invest Corporate Finance brand, is composed of a team with more than 25 years of experience in domestic and cross-border transactions. The services offered include Corporate Finance Advisory Services (e.g. Mergers and Acquisition Consultancy, Valuation of Companies, and Strategic and Financial Consulting, among others) and Capital Market Transaction Advisory Services (e.g. Bond Issuance, Syndicated Loans, Project Finance, and Commercial Paper, among others). Banco Invest is an exclusive member for Portugal of IMAP, an international network of merger and acquisition advisory services with a presence in 43 countries. In 2021, operations carried out by the IMAP network came to approximately 27 billion US dollars.

The **Treasury and Capital Markets** area focuses its activity on liquidity and balance sheet management, optimisation of the use of funding and management of Banco Invest's equity and bond portfolio.

The management of liquidity seeks to optimise the structure of the balance sheet in order to maintain the temporal structure of maturities between assets and liabilities under control, taking into account the foreseeable growth of the Bank. Management is also constrained by the need to maintain a level of sufficient liquidity reserves to maintain prudent levels of liquidity coverage. Liquidity risk is managed in such a way as to keep pace with the growth of the Bank's assets and to ensure that cash requirements are met without incurring abnormal losses, while maintaining in the portfolio marketable assets that constitute a sufficient liquidity reserve. The definition of overall and partial risk limits is based on statistical risk quantification methodologies, credit risk analysis - rating, stress tests and concentration limits per asset, per sector and per country.

The Financial Department is responsible for the management of the Bank's Cash Flow and Own Portfolio, according to the policies defined by the Bank's Investment Committee (CIB). The CIB, comprising the heads of the various areas involved, determines overall guidelines governing the Bank's position. It is then up to the Financial Department to manage the Bank's exposure to each market risk within the defined risk limits.

Organisation of the Bank



* The Department of Organisation and Internal Control was created in January 2021.

Over the course of the year, the Bank reinforced its commercial capacity with the creation and development of an external network of **Private Financial Advisors**, with extensive professional experience in banking and financial services, distributed throughout the various regions of the country. At the end of 2021, the physical distribution network of Private Banking was composed of the **Private Banking** unit, located at the Bank's head office, and 4 **Investment Centres**, located in Lisbon, Oporto, Leiria and Braga.

Awards

Banco Invest's good performance continued to be publicly acknowledged in several areas of financial activity by independent national and international entities.

BEST RETIREMENT SAVINGS PLAN
PORTUGAL 2021

Rankia

RANKED #1

BEST INVESTMENT BANK
PORTUGAL 2021

International Banker

INVEST AR PPR
PORTUGAL 2021

FundsPeople

FUNDS PEOPLE 2021 ABC

BEST PERFORMANCE
PORTUGAL 2021

Structured Retail Product

SRP
EUROPE AWARDS
2021
Best Performance Portugal
BANCO INVEST

In 2021, the Alves Ribeiro - Plano Poupança Reforma Fund was again recognised for its good results, winning the national "Best Retirement Savings Plan" award, for the second year running, attributed by Rankia Portugal.

The Alves Ribeiro - Plano Poupança Reforma (PPR) Fund celebrated its 20th anniversary in November 2021, having obtained an annualised return of 6.7% (since the beginning of the fund).

Also noteworthy was winning, for the third time, the Best Performance Portugal 2021 award, attributed by Structured Retail Products (SRP), a company of the prestigious Euromoney Institutional Investor PLC group, which assesses about 30 million structured products issued in 54 countries (values with reference to June 2021)..

Macroeconomic background

Global economy

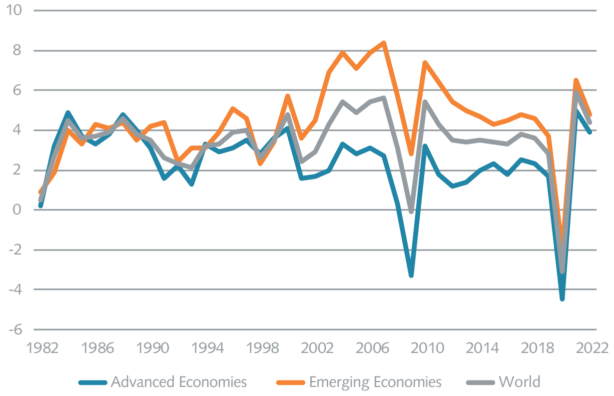
According to the International Monetary Fund (IMF), the world's Gross Domestic Product (GDP) grew 5.9% in 2021, thus recovering from the sharp contraction recorded in 2020 (-3.1%).

A slowdown to 4.4% is anticipated for 2022 (0.5 percentage points (p.p.) less in relation to the October 2021 estimate), in a natural normalisation movement and transition to a new recovery phase from the strong crisis in 2020. On the contrary, estimates for the inflation rate have been revised upwards, anticipating an average of 3.9% among advanced economies, and 5.9% in emerging countries, in 2022. Normalisation is expected to occur only during 2023, with expected average inflation rates of 2.1% and 4.7%, respectively.

The recovery remains very uneven across countries and economic sectors, in terms of output and employment. Indeed, although mobility indicators continue to recover, PMI indices show some slowdown since mid-2021, especially in the Asia-Pacific region, including China.

Among the main risks for the world economy, the IMF identifies the possibility of the emergence of new variants of COVID-19, causing new disruptions in production and global supply chains, along with volatility in energy prices and pressure on wages in some sectors of activity, adding uncertainty about the evolution of the inflation rate and interest rates.

World economic growth
(annual change, %)



Source: IMF, January-22

In the fourth quarter of 2021, US GDP grew 1.7% quarter-on-quarter (6.9% annualised) and registered a 5.5% year-on-year increase. The inflation rate ended the year at 7.0%, the highest value in almost four decades. Excluding food and energy costs, the inflation rate stands at 5.5%, also well above the Federal Reserve's (FED) reference of 2.0%. The unemployment rate continued to fall, standing at 3.9% in December, the lowest level since February 2020. Despite reported constraints in some sectors, in terms of labour shortages, employment continues to recover, with the number of people employed increasing to 156 million, up 6.1 million from the end of the previous year. Nonetheless, the labour participation rate remains 1.5 percentage points (p.p.) below the February 2020 figure at 61.9%.

According to the IMF, GDP is expected to register a real growth of 5.6% in 2021, recovering from the 2020 GDP decline in 2020 (-3.4%). For 2022 and 2023, growth rates of 4.0% and 2.6%, and inflation rates of 5.9% and 2.7%, respectively, are estimated.

In the Eurozone, GDP grew 0.3% quarter-on-quarter in the fourth quarter of 2021, the lowest value of the last three quarters, reflecting the restrictions caused by the Omicron variant, particularly in the services sector. The growth of the French (0.7%), Italian (0.6%) and Spanish (2.0%) economies partially offset the contraction of the German economy (-0.7%). In year-on-year terms, the Eurozone's GDP growth was 4.6%, after the 3.9% recorded in the previous quarter. For the year as a whole, the Eurozone grew 5.2%, following the 6.4% contraction recorded in 2020.

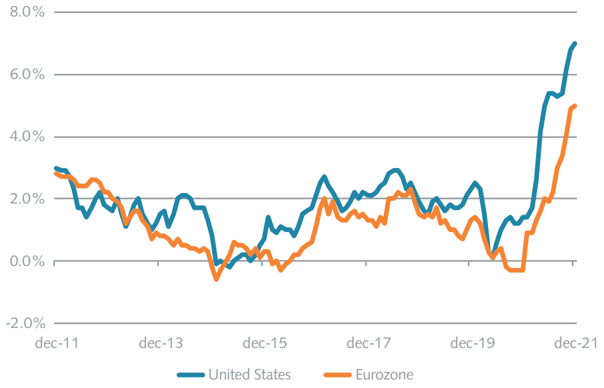
The unemployment rate fell to 7.2% in November, in line with market projections. This is the lowest reading since March last year and the number of unemployed people has fallen to 11.8 million. Among young people, the unemployment rate also fell, from 17.2% in June to 15.5% in November. Spain (14.1%), Italy (9.2%) and France (7.5%) remain the Euro countries with the highest unemployment rates, while the Netherlands (2.7%) and Germany (3.2%) have the lowest.

Similarly to the United States, the inflation rate has been rising in the Eurozone. In effect, in December the average inflation rate was confirmed at 5.0%, the highest value since records began and well above the European Central Bank (ECB) target of 2%. Still, several ECB officials have reaffirmed that inflationary pressures are temporary and justified by the base year effect and constraints in global supply chains. The cost of energy was responsible for much of the increase, with a 25.9% year-on-year rise in December. Excluding energy and food prices, core inflation rose to 2.6% (1.4% in January), the highest since March 2002.

According to the latest IMF forecasts, the Eurozone is expected to grow 5.2% in 2021 and 3.9% in 2022. In turn, the estimates for the average inflation rate are 3.0% and 1.7% in 2022 and 2023, respectively.

Among the main countries of the bloc, in 2021, Germany is expected to grow 2.7% (-4.6% in 2020), France 6.7% (-8.0%), Italy 6.2% (-8.9%) and Spain 4.9% (-10.8%). For 2022, the expected growth rates are 3.8%, 3.5%, 3.8% and 5.8%, respectively.

Inflation rate in the US and Eurozone
(annual change, %)



Source: Bloomberg

In turn, **Emerging Economies** are expected to grow by an average of 6.5% in 2021 and 4.8% in 2022. India stands out, with an expected growth of 9%, clearly above average for the period.

In turn, the Chinese economy grew 1.6% quarter-on-quarter in the fourth quarter, accelerating from 0.7% registered in the previous quarter. In year-on-year terms, GDP advanced 4.0%, slowing down from the 4.9% seen in the previous quarter. This was the slowest pace of expansion since the second quarter of 2020, due to various factors such as power shortages, supply chain constraints, slowdown in the real estate sector and fresh outbreaks of COVID-19. Considering the year's total, the economy grew 8.1%, the highest in almost a decade and above the government's 6% target, and well above the 2.3% recorded in 2020. According to the IMF, China is expected to grow 4.8% and 5.2% in 2022 and 2023, respectively.

Portuguese Economy

According to the National Institute of Statistics (INE), national GDP, in real terms, registered a year-on-year variation of 5.8% in the 4th quarter of 2021, accelerating from the 4.5% registered in the previous quarter. Contrary to the previous quarter, the contribution of net external demand to the year-on-year change in GDP was positive, as a result of the acceleration in volume of exports of goods and services. There was also a positive contribution from domestic demand, higher than that observed in the 3rd quarter. For 2021 as a whole, GDP grew 4.9% in volume, the highest since 1990, after the historic decline of 8.4% in 2020 following the markedly adverse effects of the COVID-19 pandemic on economic activity. Domestic demand made a significant positive contribution to GDP variation, after having been significantly negative in 2020, with a recovery in private consumption and investment. The contribution of net external demand was much less negative in 2021, with significant increases in imports and exports of goods and services.

In terms of inflation rate, in 2021, the Consumer Price Index (CPI) registered an average annual variation of 1.3%, following a zero-variation registered for the whole of 2020. Excluding energy and unprocessed foodstuffs, the average rate of change was 0.8% (nil in the previous year). The year-on-year rate of change of the total CPI showed a strong upward movement throughout 2021, particularly in the second half of the year when the variations observed were always higher than the value of the annual average. Thus, in December, the CPI registered a year-on-year change of 2.7%, 0.1 p.p. higher than in November. Excluding energy and unprocessed food from the CPI, the year-on-year change was 1.8% (1.7% in the previous month).

The unemployment rate stood at 5.9% in December 2021, 1.0 p.p. less than a year earlier. In turn, the employed population (4.9 million people) increased 3.7% compared to a year earlier. Labour underutilization stood at 11.7%, the same value as in the previous month and lower than in the same month of 2020 (down 2.0 p.p.).

According to the Directorate General for the Budget (DGO), the General Government recorded a deficit of 8.8 billion euros in December 2021, which represents a year-on-year improvement of 2.9 billion euros, as a result of the 9.3% growth in revenue, which was 4.1 p.p. higher than the growth in expenditure. The primary balance stood at -1.9 billion euros, up 2.2 billion euros from December 2020.

Thus, the total Direct State Debt continues to increase, rising to 278.5 billion euros at the end of December 2021 (about 132% of national GDP), according to the Treasury and Public Debt Management Agency (IGCP).

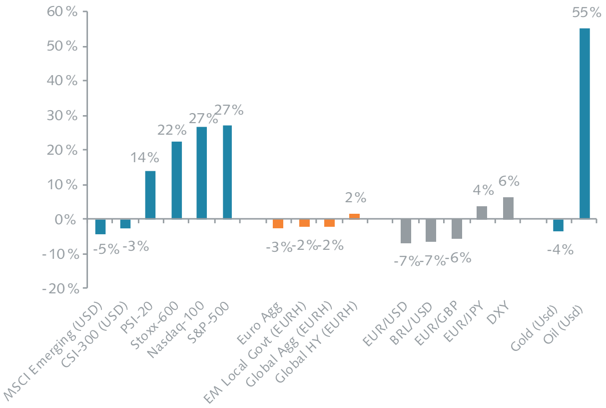
Finally, according to the European Commission forecasts (February 2020) the national economy is expected to grow 4.5% and 5.3% in 2021 and 2022, respectively. In turn, the inflation rate is expected to rise from 0.8% in 2021 to 1.7% in 2022, and the unemployment rate to fall to 6.5% (6.7% in 2021).

Financial markets

Despite the volatility caused by the appearance, in late November 2021, of another variant of the SARS-COV2 virus - the Omicron variant - stock markets ended the year with significant gains, supported by a robust macroeconomic scenario, still abundant liquidity and negative real interest rates.

Omicron has obviously added uncertainty to these variables, casting a shadow on growth estimates for next year and, in particular, on the future evolution of the inflation rate, a theme that has dominated the markets in recent months. Although forward interest rates discount a normalisation in the coming years, the inflation rate is expected to remain above the central banks' target (2%), so the US Federal Reserve (FED) is expected to accelerate the normalisation of its monetary policy, with an end to bond purchases and a rise in interest rates in 2022.

Financial Markets in 2021



Source: Bloomberg

In the United States, the S&P-500 and Nasdaq-100 indexes ended the year up 26.9% and 26.6%, respectively, since the beginning of the year. In Europe the Stoxx-600 index rose 22.2%, and the Iberian indices PSI-20 and Ibex-35 surged 13.7% and 7.9%, respectively. In turn, the emerging markets lost -4.6%, in USD, mainly due to the negative performance of the Chinese market (-2.6%), penalised throughout the year by increased regulation in the technological and education sectors, and by the sudden slowdown of the real estate sector, which weighs around 30% of Chinese GDP (for example, in the United States this figure is 18%).

In sectorial terms, considering the MSCI World Indexes, the leading returns were split between the Technology sector (+29.1%, in USD), associated with the Growth investment style, and the more cyclical sectors (Value) such as Financials (+25.1%, in USD) and Oil (+35.1%, in USD), the latter driven by the strong recovery in the price of the WTI oil barrel (+55.0%, in USD). In contrast, the worst relative performances were registered by the Basic Consumer (+10.8%, in USD) and Utilities (+7.1%, in USD) sectors.

Yields on Public Debt as of 31-Dec-21 (in %)

	2 Years	3 Years	5 Years	7 Years	10 Years	30 Years
Switzerland	-0.75	-0.60	-0.43	-0.33	-0.15	-0.04
Germany	-0.64	-0.66	-0.46	-0.36	-0.18	0.19
Netherlands	-0.73	-0.63	-0.45	-0.30	-0.04	0.31
Finland	-0.60	-0.57	-0.35	-0.19	0.08	0.51
Austria	-0.68	-0.60	-0.37	-0.23	0.07	0.66
France	-0.70	-0.57	-0.26	-0.13	0.20	0.92
Japan	-0.09	-0.10	-0.09	-0.06	0.07	0.68
Portugal	-0.66	-0.59	-0.26	0.06	0.46	1.37
Spain	-0.62	-0.43	-0.16	0.12	0.56	1.39
Italy	-0.07	0.03	0.41	0.70	1.17	1.99
United Kingdom	0.66	0.75	0.81	0.78	0.97	1.11
United Sates	0.73	0.96	1.26	1.44	1.51	1.90

Source: Bloomberg

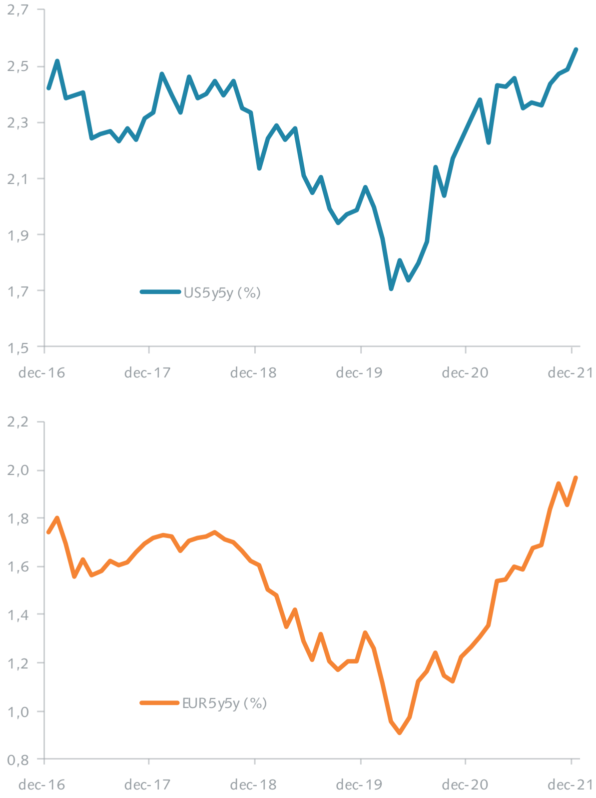
Among the bond markets, the High Yield segment stood out on the positive side, namely in Europe, with a return of +4.2% in euros. In fact, the High Yield continued to be supported by the economic recovery and corporate results, in a context of very low interest rates, demand for higher yields and low default rates.

Among Public Debt bonds, returns were globally negative as a consequence of the generalised increase in the respective yields. In the United States, 10-year Treasuries ended the year at 1.51% (+60 bps, relative to the end of last year) and, in the Eurozone, 10-year Bund yields rose 39 bps, to -0.18%. Peripheral European countries saw their spreads widen against Germany, particularly Greece (+32 bps) and Italy (+24 bps). In turn, the spread of the Portuguese debt remained relatively unchanged, with a variation in the order of +4 bps against German 10-year yields.

As mentioned above, one of the dominant themes during 2021 was the sharp rise in the inflation rate over the year and, in particular, the discussion about its persistence in the future. Indeed, in one of his last public speeches, Jerome Powell, chairman of the FED, stated that inflation could be more persistent than initially expected, which contributed to increased volatility in the markets at the beginning of December.

In any case, in the money markets, the 5Y5Y forward rates, generally used as a proxy for average expected future inflation (over the five years starting five years from now), remain very close to the central banks' target (1.97% in the Eurozone, and 2.56% in the United States), signalling that the market believes that the recent rise in inflation will be transitory.

5Y5Y forward interest rates (%)



Source: Bloomberg

Whether or not this expected normalisation of inflation occurs will depend on the action taken by central banks, particularly with regard to raising interest rates. For now, the market expects the Fed to end tapering in the first quarter of 2022, and to start raising interest rates thereafter. In the Eurozone, the European Central Bank (ECB) is expected to keep interest rates unchanged, with the prospect that inflation will start to ease over the next year.

Business

Balance Sheet and Net Income

According to the Portuguese Banking Association (APB), the national banking system is well capitalised, and has greater capacity to accommodate a possible deterioration of credit risk and an increase in non-productive assets. Even so, and despite the progress made in the sector since the great financial crisis of 2008, the national banking sector is currently facing increased pressure from the COVID-19 pandemic and uncertainty as to the persistence of its effects, high uncertainty as to the economic recovery, maintenance of the low interest rate environment, high indebtedness of the non-financial sector and a potential increase in credit defaults.

According to the APB, in the first nine months of 2021, total assets of the national banking system increased 7.0%, compared to the end of the previous year, largely as a result of the increase in cash and balances at central banks, debt securities, and loans and advances to customers. This development was accompanied by an improvement in the quality of assets, with the Non-Performing Loans (NPL) ratio falling to 4.0%, down 1.3 percentage points (pp) relative to the end of 2020. Despite the crisis caused by COVID-19, the Portuguese banking sector continued the downward trajectory of NPL, which has been recorded since 2014 (16.6%).

On the Liabilities side, Customer Deposits continued to increase significantly, up 12.2% in the same period, as a result of the maintenance of the savings rate at high levels and Resources from Central Banks rose 67.2% to 175.6 million euros, about 18.6% of Liabilities. This strong increase was transversal across European countries, as a result of the monetary policy measures adopted by the European Central Bank in response to the crisis. Considering the decrease in the transformation ratio, to 82.5% (2.7 pp less than at the end of 2020), the liquidity indicators have registered a very positive evolution, with the liquidity coverage ratio, average for the sector, standing at 257.7% in September 2021 (21.8 pp more than in December 2020).

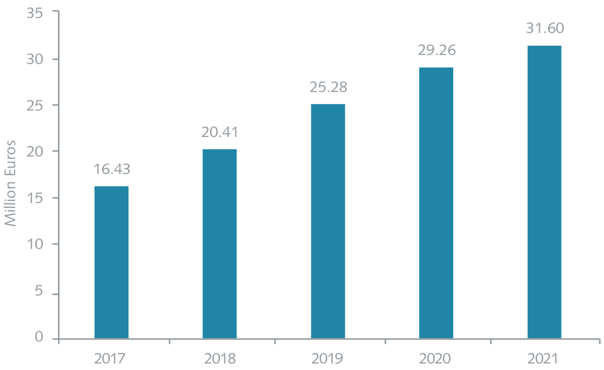
The solvency ratio of the domestic banking sector decreased slightly compared to the end of 2020. In September 2021, the Common Equity Tier 1 (CET1) was 15.2% (down 0.3 p.p. from December 2020) and the total solvency ratio decreased from 18.0% to 17.8% in the same period.

The return on equity (ROE) of the national banking system recorded, in the first nine months of 2021, a strong recovery to 5.4% from the 0.5% observed at the end of 2020, which was mainly due to the rise in operating income and the decrease in provisions and impairments, as a result of the relief of the containment measures and the recovery of economic activity.

In this environment, Banco Invest maintained a profitability above the sector average, with ROE at 12.7% (up 2.4 pp from December 2020) and ROA at 1.9% (up 0.3 pp from December 2020), also achieving higher growth, with net operating income increasing 13.5% to 53.7 million euros.

Net interest income increased 2.3 million euros (8.0%) to 31.6 million euros. This momentum is explained by the increase in the loan portfolio, which grew 68.3 million euros to 712.7 million euros.

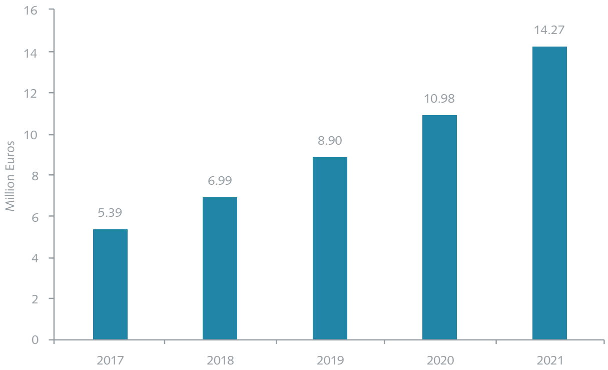
Net Interest Income



Source: Banco Invest

Net commissions increased 3.3 million euros (30.0%) to 14.3 million euros, as a result of the increase in commissions for services rendered that grew 3.5 million euros (45.8%).

Net Commissions



Source: Banco Invest

Net income from financial operations grew from 1.7 million euros to 6.9 million euros in 2021. This performance was mainly underpinned by realised gains in the portfolio at fair value, which totalled 5.1 million euros compared to 4.6 million euros in the previous year, and foreign exchange gains of 1.6 million euros compared to foreign exchange losses of 1.1 million euros recorded in the previous year.

Impairments for the year reached a total of 3.7 million euros, compared to 8.4 million euros in the previous year. In 2020, a more cautious policy of constituting impairments was implemented, taking into consideration the abrupt drop in economic activity and the existence of moratoria. Throughout 2021, with the improvement in economic activity, there was a decrease in impairments.

In the General Loan and Auto Loan portfolios, the moratoria associated with the pandemic situation ended: i) for exposures covered by the ASFAC sectoral moratorium (consumer credit) on 30 December 2020 and, ii) for those covered by the legal moratorium, (Decree-Law 10-J/2020), generally on 30 September 2021 and, for one-off situations that took advantage of the option provided for in Decree-Law 107/2020, on 31 December 2021.

Therefore, as of 31 December 2021, there were no longer any credit risk exposures covered by the moratoria, and the loans that benefited from them are subject to the fulfilment of the contracted repayment plans.

In the Auto Loan portfolio, the end of the ASFAC sectoral moratorium already recorded a history of 12 months after its expiry, while in the General Loan portfolio, the effective end of the legal moratorium accumulated only a history of 3 months.

The behaviour of post-moratorium customers is being carefully and regularly monitored, with periodic follow-up by the Bank's Risk Control and Management areas. It should be noted that, up to the date of preparation of this Report, no significant signs of change in behaviour or risk profile were identified in any of the aforementioned portfolios.

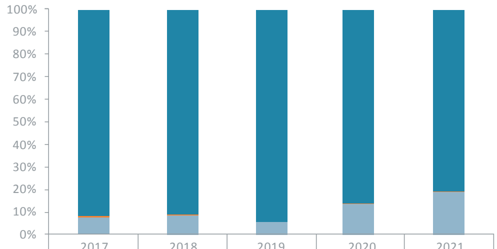
The provisions of 1.8 million euros correspond essentially to the commitments made to partners in activities that are intended to be segregated in the future into the Bank's subsidiaries.

Net Assets increased by 179.6 million euros (19.4%) to 1,103.6 million euros, highlighting the increase in Cash and Deposits at Central Banks by 84.8 million euros (198.5%) to 127.5 million euros, and financial assets at amortised cost by 68.0 million euros (10.5%), of which 12 million euros correspond to the increase in loans and advances to customers.

Liabilities grew 164.4 million euros (8.3%) to 946.6 million euros, with Resources from Central Banks increasing 70.6 million euros (10.6%) to 175.6 million euros, and **Resources from Customers** increasing 90.4 million euros to 738.5 million euros. Growth was significant in both Institutional and Corporate Customers, with increases of 208.9% and 27.6%, respectively, excluding interest payable. At the end of 2021, the Private Customers segment represented about 71.0% of Resources from Customers.

The portfolio of assets eligible for net lending from the Eurosystem increased 14.7% to 285.8 million euros (net of haircuts and valuations), of which 79.3 million euros were not used and therefore are likely to be converted into liquidity.

Structure of Resources



	2017	2018	2019	2020	2021
🟦 Deposits	453.3	583.4	644.9	648.1	738.5
🟧 Securitisations	0.0	0.0	0.0	0.0	0.0
⬜ Bonds issued	0.0	0.0	0.0	0.0	0.0
🟧 From other credit inst.	3.0	1.8	0.2	0.5	0.6
🟦 From Central Banks	39.2	56.7	39.2	105.0	175.6

Source: Banco Invest

The **transformation** ratio fell 7.1 pp to 59.9%.

The **total capital ratio**, calculated in accordance with the Bank of Portugal's rules is 17.1%, while the Common Equity Tier I ratio was 17.0%, compared with 17.0% and 16.7% respectively in the previous year.

In operating terms, the distribution of income and of the main balance sheet items, in 2021 and 2020, was as follows:

Distribution by Operating Segments

Indicators (Thousands of Euros)

	2021			2020		
	Commercial	Markets	Total	Commercial	Markets	Total
Net interest income	25.282	6.320	31.602	23.407	5.851	29.258
Income from equity instruments	-	-	-	-	-	-
Net fees and commissions income	14.266	-	14.266	10.977	-	10.977
Net Gains / (losses) from assets and liabilities assessed at fair value through profit and loss.	-	(1.243)	(1.243)	-	4.639	4.639
Income from financial assets at fair value through other comprehensive income	-	380	380	-	1.754	1.754
Other operating revenue and other	904	1.623	2.527	1.821	(1.135)	686
Net operating revenue	40.452	6.880	47.332	36.205	11.110	47.315
Staff costs and general administrative costs	(14.88)9	(4.963)	(19.852)	(13.370)	(4.457)	(17.827)
Amortisations and depreciations	(1.173)	(391)	(1.564)	(1.256)	(419)	(1.675)
Provisions and impairment	(5.314)	(231)	(5.545)	(8.957)	(327)	(9.284)
Income before taxes	19.076	1.295	20.371	12.623	5.908	18.531
Taxes	(1.468)	(6.025)	(7.493)	(736)	(3.891)	(4.627)
Consolidated net income for the year	17.543	(4.747)	12.796	11.832	2.003	13.835
Financial assets held for trading	-	42.474	42.474	-	39.972	39.972
Financial assets not held for trading mandatorily at fair value through profit or loss	-	16.013	16.013	-	16.013	16.013
Financial assets at fair value through other comprehensive income	-	151.951	151.951	-	126.065	126.065
Loans and advances to customers	413.379	-	413.379	401.377	-	401.377
Debt securities	-	299.340	299.340	-	243.061	243.061
Resources from Central Banks	-	176.510	176.510	-	105.000	105.000
Resources from credit institutions	-	562	562	-	251	251
Resources from customers and other loans	738.506	-	738.506	648.080	-	648.080
Non-subordinated debt securities issued	-	-	-	-	-	-

Source: Banco Invest. The ‘Markets’ segment includes the areas: Treasury and Own Portfolio

Asset Management

Investment Funds of Invest Gestão de Activos - SGOIC, S.A.

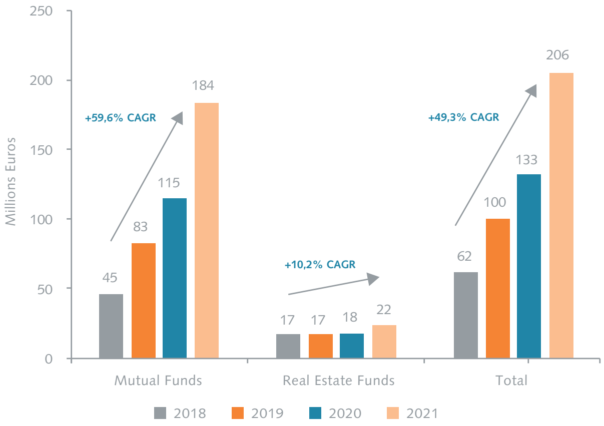
The Smart Invest PPR/OICVM – Fundo de Investimento Mobiliário Aberto de Poupança Reforma fund started its activity on 6 January 2021, and is composed of three open-end investment Sub-Funds:

i. Smart Invest PPR/ OICVM Conservador;
ii. Smart Invest PPR/OICVM Moderado;
iii. Smart Invest PPR/OICVM Dinâmico.

With the launch of this new fund, Invest Gestão de Activos has complemented its offer of securities investment funds with another tax attractive product directed at savers interested in diversifying their financial investments across various asset classes and geographic regions, in an efficient and low cost manner, adjusted for different levels of risk profile.

In the last year, the assets under management of the Investment Funds managed by Invest Gestão de Activos - SGOIC increased 74.1 million euros (56.1%) to 206.3 million euros. As in the previous year, the main contributor to this growth was the “Alves Ribeiro PPR” fund”, with a 51.7% increase in assets under management. The recently launched “Smart Invest” closed its first year of activity with 14.2 million euros under management.

In turn, total net assets under management by real estate investment funds rose to 22.2 million euros (+28.9%), mainly driven by the growth of the “Inspirar” fund (+52.0%).



Amounts under management

Source: Invest Gestão de Activos

The Alves Ribeiro - Plano Poupança Reforma Fund ended 2021 with an increase in value of 6.2%.

The equity component, corresponding to about 26.3% of the total average portfolio throughout the year, was the main contributor to this performance, with a 23.5% appreciation in 2021. Thus, the contribution of this class of assets to total return was 6.4%.

The bond component (about 61% of the average portfolio) contributed 1.7% to the total return, after a 2.5% appreciation. Despite the difficult environment for the asset class, the Fund benefited from clear underexposure to the Investment Grade Public and Private Debt segments, and overexposure to the European Hybrid and High Yield segments, which registered very positive relative performances.

In turn, the contribution of the 'Alternative Investments' component was marginal (0.03%). Throughout the year, the Fund gradually increased its allocation to this component (about 3.6% of the average portfolio), as a means of diversifying risk and as a source of returns less correlated with the financial markets.

During 2021, the Fund once again saw its good results recognised, with the awarding, for the second consecutive year of the national 'Best PPR' prize, attributed by Rankia Portugal, and registered expressive growth, with net subscriptions of 49.4 million euros. At the end of the year, the fund's net asset value (NAV) amounted to 167.9 million euros.

Since the start of activity, in November 2001, the annualised return stands at 7.2%.

The Invest Iberia Fund ended 2021 with a 14.7% increase in value. In the same period, the IBEX -35 and PSI -20 indices rose 7.9% and 13.8%, respectively.

In relative terms, compared to the Iberian indices, the Fund's return was very positive in 2021. The domestic equity component, corresponding to about 34.6% of the average portfolio over the year, rose 28.7%, thus contributing about 7.6% to the Fund's total return. In turn, the allocation to the Spanish market (61% of the average portfolio) contributed with 7.4%, as a result of a 17.2% increase in value.

In 2021, the Fund recorded negative net subscriptions of 2.4 million euros, ending the year with a NAV of 1.9 million euros.

Since the start of the new Iberian strategy in December 2016, the Fund has recorded a loss of 4.5%, which compares with -5.5% and +23.2% for the IBEX-35 and PSI-20 indices, respectively, over the same period.

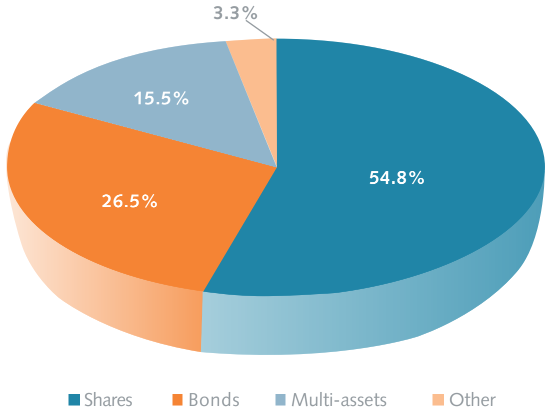
Finally, the Smart Invest fund closed the year with a total of 14.2 million euros under management, distributed as follows: Smart Conservador, 2.5 million euros; Smart Moderado, 5.1 million euros; and Smart Dinâmico, 6.6 million euros.

Despite the difficult situation in the bond markets, the Smart Conservador sub-fund closed the year with an appreciation, net of commissions, of 0.4%, benefiting, on the contrary, from the good performance of the equity markets in 2021. In turn, the Smart Moderado and Smart Dinâmico sub-funds, with allocations higher than the 'Shares' asset class, ended the year with gains of 5.7% and 12.7%, respectively. With the launch of the Smart Invest Fund, the Company aimed to complement its PPR offer. In effect, while the Alves Ribeiro Fund is characterised by active and very flexible management, without a defined benchmark, the Smart Invest focuses on passive management, allowing investors another savings instrument, globally diversified, cheap and equally tax efficient. Management is based on a robo-advisory model, guaranteeing investors automatic rebalancing of portfolios.

Third Party Investment Funds

In 2021, the amount distributed of investment funds managed by third parties registered an increased of 51.8% to 250.8 million euros. This growth reflected the Bank's focus on increasing its commercial network and investors' growing demand for investment alternatives, against a background of very low interest rates on traditional term deposits and positive prospects of economic recovery. Of the amount placed by customers, about 43% corresponded to equity funds, 34% to bond funds and 18% to multi-asset funds.

Distribution of Third Party Investment Funds



Source: Banco Invest Average values 4th Quarter 2021

At the end of the year, the Bank's offer included investment funds from 22 management companies, one more than the previous year, covering all asset classes, geographies and investment strategies. Among the latter, of note is the beginning of the commercialisation, exclusively for the national market, of a Private Equity fund managed by Schroders, with the possibility of quarterly redemption, especially designed for non-professional investors.

Discretionary Management

Despite the uncertainties surrounding the evolution of the inflation rate and, in the last quarter, the volatility caused by the emergence of the Omicron variant, equity markets ended 2021 with significant gains, supported by a robust macroeconomic scenario, still abundant liquidity and negative real interest rates. In the bond markets the returns on public debt were negative, given the generalised rise in yields. On the positive side, the European High Yield segment stood out (+4.2%, in 2021), supported by the economic recovery and corporate results, in a context of very low interest rates, demand for higher yields and low default rates.

In this context, the portfolios under discretionary management closed 2021 with returns ranging from 1.9% (Conservative Profile) to 9.0% (Dynamic Profile). Despite being positive, the relative performances suffered due to the defensive positioning of the portfolios, with a relevant weighting in Liquidity, awaiting more interesting valuations to reinforce positions.

At the end of 2021, the total amount under management was 15.1 million euros, up 45.1% from the end of the previous year. The Moderate risk profile continued to concentrate the largest share of this amount, with approximately 69.0% of assets under management.

Return and Risk

Source: Banco Invest Median net returns and volatilities by risk profile, since inception (except for the Dynamic Profile, last 10 years). Values on 31-Dec-21.

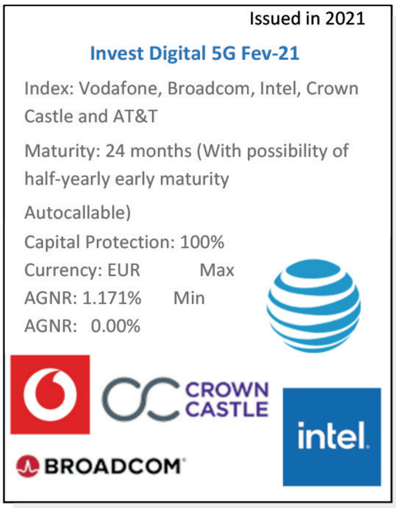
Investment Consulting

In 2021, the Bank continued to develop its Investment Advisory service, registering a 164% growth in the amount under advisory. In a context of high uncertainty surrounding the evolution of the world's major economies and financial markets, the Bank continues to identify a growing demand for professional and specialised advice and will therefore continue to strengthen its technical and human capacities in the area of Investment Consulting.

Structured Products

During 2021, the Bank continued its activity of issuance of structured products for Private Customers and financial derivatives for Institutional Customers.

In the Individual Customers segment, in a context of high uncertainty and volatility caused by the Covid-19 pandemic, the amounts issued registered a decrease of 33.0%, in 2021. In effect, the fall in interest rates and the high volatility of the equity markets made it difficult to place products with guaranteed capital, as is the case with the vast majority of the products marketed in this segment. Over the course of the year, 7 structured deposits were redeemed, with an annual average return of 0.18% (guaranteed capital), and 4 structured products, with an annual average return of 4.3% (risk up to 2.5% of the invested capital). Among the issues conducted, the following are noteworthy:



Issued in 2021

Invest Digital 5G Fev-21

Index: Vodafone, Broadcom, Intel, Crown Castle and AT&T

Maturity: 24 months (With possibility of half-yearly early maturity

Autocallable)

Capital Protection: 100%

Currency: EUR Max

AGNR: 1.171% Min

AGNR: 0.00%

Issued in 2021

Invest Water Mai-21

Index: Veolia, Environnement, Suez Environnement, Ecolab, Pentair and Geberit

Maturity: 24 months

Capital Protection: 100%

Currency: EUR

Max AGNR: 1.172%

Min AGNR: 0.000%

Issued in 2021

Invest Communication & Media Dez-21

Index: Telefónica, Orange, ViacomCBS Inc., Facebook and Google

Maturity: 24 months (With possibility of half-yearly early maturity

Autocallable)

Capital Protection: 100%

Currency: EUR

Max AGNR: 1.076%

Min AGNR: 0.000%

Issued in 2021

Invest PFC Sustentabilidade Jan-21

Index: Engie, ENEL, Infineon, Linde and Nextera

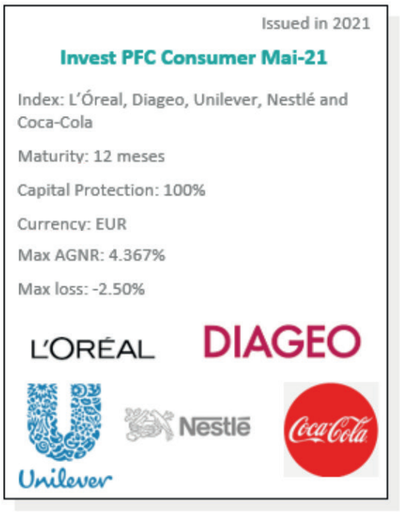
Maturity: 18 months

Capital Protection: 100%

Currency: EUR

Max AGNR: 3.450%

Max loss: -2.50%



Issued in 2021

Invest PFC Consumer Mai-21

Index: L'Óreal, Diageo, Unilever, Nestlé and Coca-Cola

Maturity: 12 meses

Capital Protection: 100%

Currency: EUR

Max AGNR: 4.367%

Max loss: -2.50%

Issued in 2021

Invest PFC Water Jul-21

Index: Bouygues, Geberit, Pentair, Veolia Environnement and United Utilities

Maturity: 12 meses

Capital Protection: 100%

Currency: EUR

Max AGNR: 4.161%

Max loss: -2.50%

Among the structured products that matured during the year, the following stand out:

Matured in 2021

Invest Top Health Dez-20

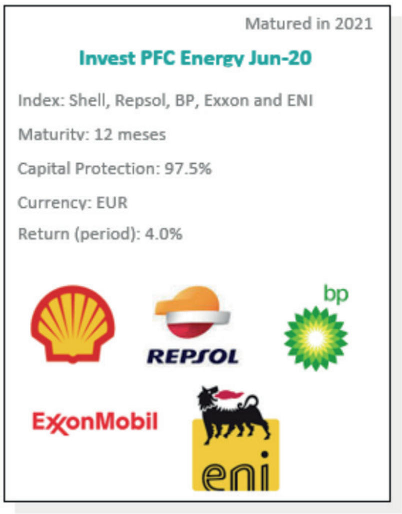
Index: Sanofi, Johnson & Johnson, Pfizer, Astrazeneca and Moderna

Maturity: 24 months (Matured in the 1st Semester – Autocallable)

Capital Protection: 100%

Currency: EUR

Return (period): 0.525%



Matured in 2021

Invest PFC Energy Jun-20

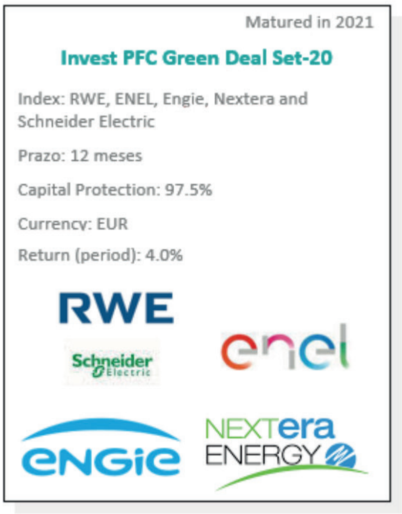
Index: Shell, Repsol, BP, Exxon and ENI

Maturity: 12 meses

Capital Protection: 97.5%

Currency: EUR

Return (period): 4.0%



Matured in 2021

Invest PFC Green Deal Set-20

Index: RWE, ENEL, Engie, Nextera and Schneider Electric

Prazo: 12 meses

Capital Protection: 97.5%

Currency: EUR

Return (period): 4.0%

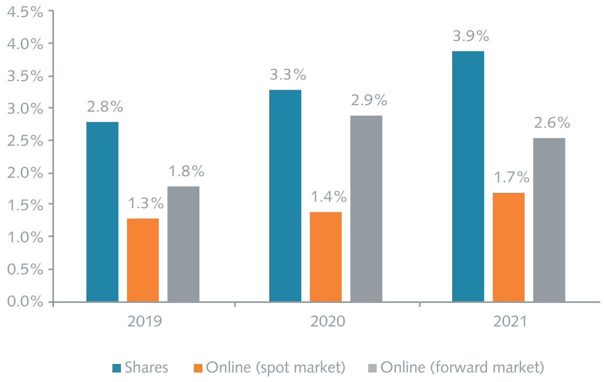
With regards to Institutional Customers, the Bank continued to serve domestic banks with risk coverages for their own issues. At the end of 2021, the portfolio under management came to 97.5 million euros, up 31.1% on the previous year, composed solely of equity option swaps.

Brokerage

During 2021, brokerage commissions increased 7.1% over the previous year to around 3.0 million euros. Customers' preference for online activity persisted, with a relative weight in total turnover of around 86%.

The value of orders received in shares by intermediaries in Portugal Increased 7.3% in 2021, according to the CMVM. In this context, the Bank recorded an increase in its market share of 0.6 percentage points in 2021, to 3.9%, due to an increase in the value of orders received that was significantly higher than that registered by the competition.

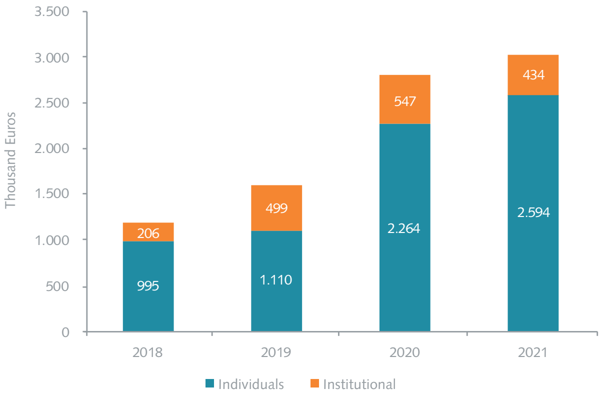
Market Shares of Banco Invest
Reception of orders



Source: CMVM and Banco Invest. Values accumulated in the year.

By type of customer, the Private Customers segment registered a 14% increase in 2021, representing about 69% of total Customer brokerage commissions. In the Institutional Customers segment, total brokerage commissions fell 18% compared to 2020.

Brokerage commissions



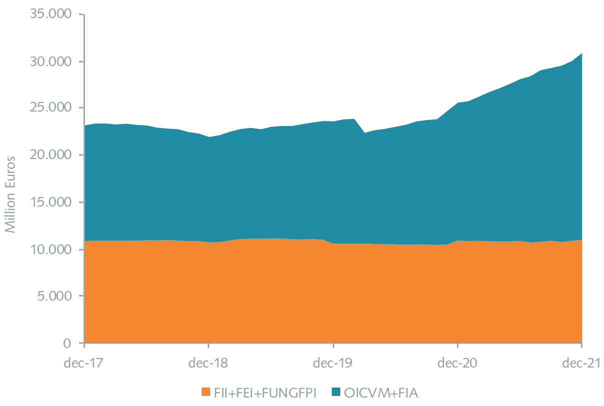
Source: Banco Invest

Financial Services and Institutional Custody

According to figures revealed by the CMVM, the value managed by Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs) totalled 19,859 million euros at the end of 2021, up 5,190 million euros (35.4%) from the same period in 2020.

In turn, the value under management of real estate investment funds (REIFs), special real estate investment funds (SREIFs) and real estate management funds (REMFs) reached 10,923 million euros (10,835 million euros at the end of 2020), up 88 million euros (0.8%) on the previous year.

Mutual and Real Estate Funds, value under management in Portugal



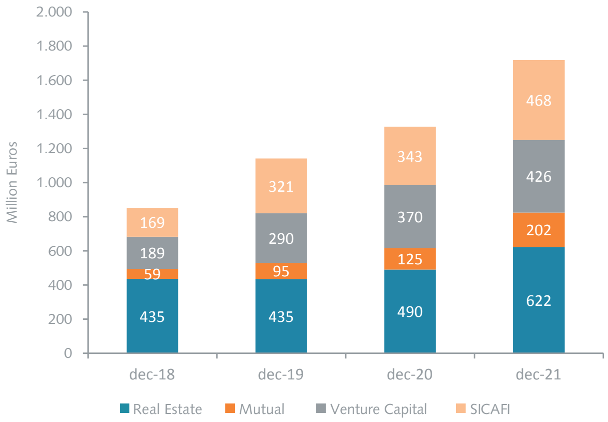
Source: CMVM

The Bank maintained a strong growth rate and strengthened its position as a reference custodian bank for the independent investment fund management companies operating in the domestic market.

As at December of 2021, the Bank provided custodian banking services to 47 (+2) Collective Investment Undertakings ("CIUs"), managed by 9 Management Entities, with a predominance of Real Estate Investment funds and FCICs. Venture Capital Funds represent approximately 25% of fund assets under custody and mutual funds 12%.

At the end of 2021, the total assets of the CIUs to which the Bank provides custody services came to approximately 1,800 million euros, a very significant increase relative to the figure at the end of 2020 and which reflects not only the market's recognition of the quality of the services provided, but the growth and success of the Bank's Customers.

Brokerage commissions



Source: Banco Invest

Corporate Finance

During the year, Invest Corporate Finance acted as Arranger and Lead Manager in about 60 Commercial Paper issues, for a total amount of 350 million euros. In the bond segment, operations in which Banco Invest participated exceeded 95 million euros.

Several Advisory and Euro Commercial Paper issues were also carried out, for both private companies and public entities.

Invest Corporate Finance

RIVERROCK
eliance
Acquisition of a participation in Eliance
Financial Advisor
2021

Banco Montepio
Advisor of Caixa Económica Montepio Geral on the disposal of its 19% equity stake in Almina Holding S.A
Financial Advisor
2021

sata
Advisory to SATA airline group on obtaining a €120.5Mn emergency liquidity support facility
Financial Advisor
2021

AQUILA CAPITAL
EUR 60,000,000
(Total Investees Bond Issue)
Sole Arranger, Manager and Paying Agent
2021

JOSÉ DE MELLO
Advisor of José de Mello Group in the debt financing of the Group's Holding company.
Financial Advisor
2021

BENFICA SAD
EUR 35,000,000
Bonds 2021-2024
Placement Syndicate
2021

AUTO-ESTRADAS DOURO
EIB Facility Agent, Facility Agent and Intercreditor Agent on AEDL's Project Finance Facility
Financial Advisor
2021

Nutrinveste SGPS S.A.
EUR 10,000,000
Commercial Paper
Arranger and Lead Manager
2021

Electricidade da Madeira
EUR 10,000,000
Commercial Paper
Arranger and Lead Manager
2021

EDA
EUR 10,000,000
Commercial Paper
Arranger and Lead Manager
2021

ARA
EUR 200,000,000
ECP
Joint Mandated Lead Arranger
2021

MOTA-ENGIL
Sold 40% of HAÇOR– Concessionária do Edifício do Hospital da Ilha Terceira,SA
Financial Advisor
2021

Financial assets at amortised cost
Loans and advances to customers

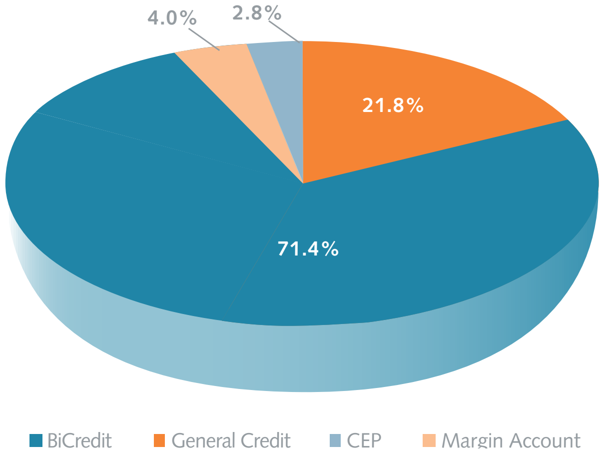
According to the Bank of Portugal, the amount of consumer credit exceeded 6.5 billion euros in 2021, representing a year-on-year increase of 11.6%. Of this total, loans for the acquisition of used vehicles represented 1.9 billion euros (28.8%), with annual growth of 6.4%.

In this context, the Bank, under the BI Credit brand, granted credit for the purchase of vehicles in the amount of 88.5 million euros (new production), of which 96% relates to the financing of used cars, a segment in which a market share, in number of loans, of 6.2% was reached in 2021. At the end of the year, BI Credit's gross loan portfolio totalled 305.8 million euros.

In turn, at the end of 2021, general credit, consisting essentially of financing secured by real estate assets, and which includes leasing operations, medium and long-term loans and current account credits, totalled 93.2 million euros, with the Bank also having personal guarantees from the respective debtors or guarantors in the vast majority of operations. Real estate guarantees are subject to periodic reassessments by certified and independent Technical Appraisers, in accordance with criteria that reflect the evolution of the corresponding regional real estate markets, nature of properties, usage potential and liquidity.

To a lesser extent, the amounts of gross loans from CEP, loans secured by precious metals, and of the Margin Accounts, ended the year at 11.9 and 17.3 million euros, respectively.

Total loans and advances to customers



Source: Banco Invest

Financial assets at amortised cost
Debt securities

At the end of 2021, total gross performing loans came to 709.1 million euros, of which 42.3% was securitised. In fact, the Bank has given priority to the concession of loans to medium-sized and large companies through securitised loans, considering their greater liquidity and lower raising and funding costs. Of this amount, about 27.2% was invested in government bonds and the remainder in corporate bonds. The largest sector exposures were to the Utilities (17.4%), Non-Cyclical Consumption (14.3%) and Energy (9.0%) sectors.

Treasury and Capital Markets

Over the course of 2021, customer deposits increased 92.8 million euros (excluding interest payable), a growth of 14.4% that allowed the growth in the loan portfolio to continue to be comfortably funded. In the capital markets, despite the volatility, the year was marked by the appreciation of the North American equity markets and the increase in yields, both in the Investment Grade and High Yield segments.

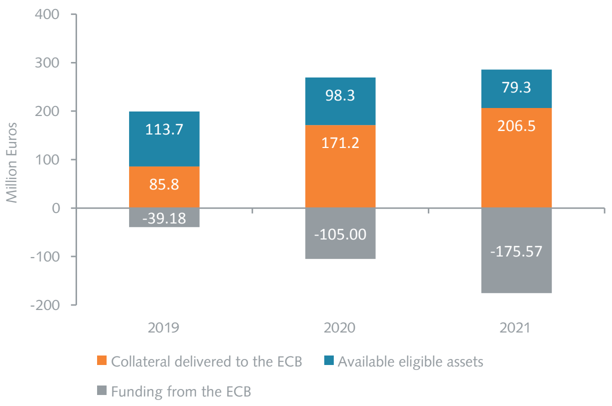
Liquidity and Funding

Since the entry into force of the Basel III rules in 2015, Banco Invest has presented a Liquidity Coverage Ratio clearly above the minimum required. Banco Invest's Liquidity Coverage Ratio in December 2021 came to 173.4% in December 2021, a value which remains far above the minimum legal level (100%).

In December 2021, Banco Invest held 285.8 million euros of net assets eligible for refinancing operations with the European Central Bank, with 175.6 million euros drawn on this date. There is thus 110.3 million euros of financing available from the Eurosystem. On the same date deposits with the Central Bank totalled 126.6 million euros.

These available liquid resources and the high capital ratio presented (16.9%), position Banco Invest as one of the most solid financial institutions operating in Portugal.

Eligible assets and funding from the ECB

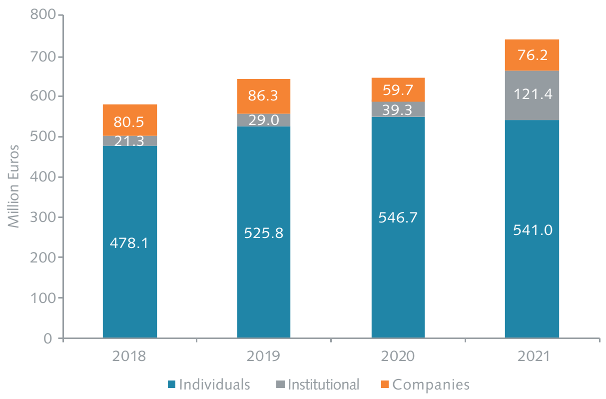


Source: Banco Invest

In 2021, the funding obtained from the ECB (175.6 million) corresponded to funds obtained under the Target Longer-Term Refinancing Operations, launched by the ECB in order to promote financing and the recovery of the economy.

Excluding interest payable, Resources from Customers increased 14.4% to 738.5 million euros. Growth was significant in both Institutional and Corporate Customers, with increases of 208.9% and 27.6%, respectively, excluding interest payable. At the end of 2021, the Private Customers segment represented about 73.3% of Resources from Customers.

Resources from Customers (excluding interest payable)



Source: Banco Invest

Capital Markets

The Bank proactively manages various market risks: equities, bonds, interest rates, exchange rates and respective derivatives.

• Equity Risk

The Bank intervenes in the equity markets through the Portfolio at Fair Value through Profit or Loss (JVR), according to two main approaches or strategies.

In the first approach, from a medium-term perspective, the operations undertaken are defined and approved by the Bank's Investment Committee and are based on the combination of a fundamental analysis of sectors and companies. In addition to a battery of macroeconomic and sectoral indicators, share evaluation models are used, together with a comparison of expected returns on equities and bonds.

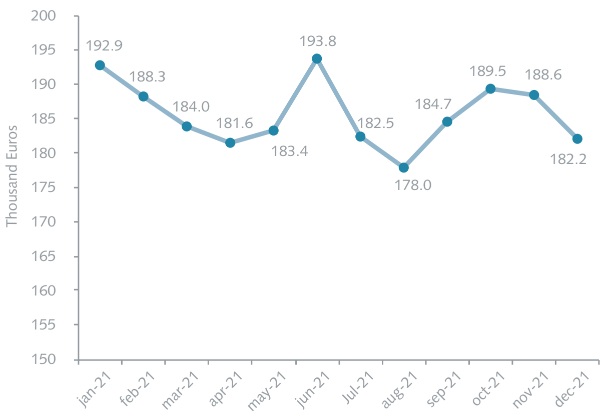
In turn, the second approach is based on a short-term perspective, with a view to achieving a pre-established objective.

The strategies, risk limits and the trading portfolio budget are approved before the year commences by the Bank's Investment Committee, and the manager may intervene in the market, throughout the year, within the parameters previously defined.

• Interest Rate Risk of the Securities Portfolio

In a context of very low or even negative interest rates and bond yields in the case of European public debt, the average duration of the Bank's securities portfolio fell slightly throughout 2021, from 5.2 to 4.4 years. As such, the interest rate risk of the securities portfolio, measured by the basis point value (BPV), decreased from 196 thousand euros at the end of 2020 to 182 thousand euros at the end of 2021.

PVBP Interest Rate

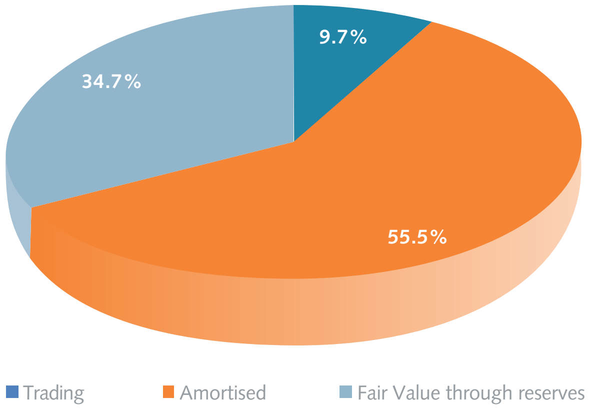


Source: Banco Invest

• Bond Risk

At the end of 2021, the Bank's bond portfolio came to 426.5 million euros, characterised by high geographical and sectoral diversification. The weight of sovereign debt was around 20.7% of the total portfolio, with Spanish public debt being the largest exposure to sovereign debt, representing 11.1% of the total portfolio. Portuguese public debt saw its weight decrease to 1.4%.

Breakdown of the Bond Portfolio

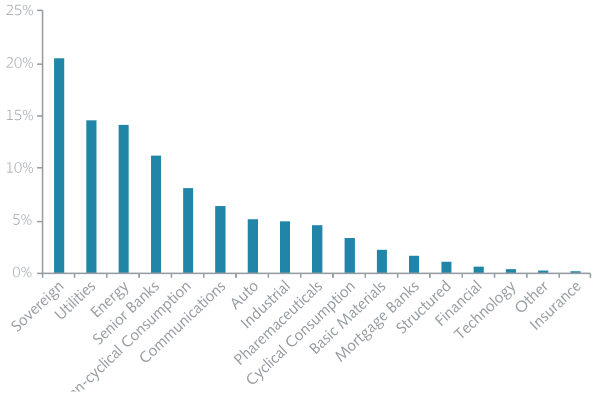


Source: Banco Invest

In geographical terms, European issuers accounted for 86.8% of the bond portfolio. In turn, the weight of emerging countries increased to 7.5% of the total, and US and Asian issuers (Australia) represented 5.1% and 0.6%, respectively.

Sector-wise, excluding public debt, the largest exposures were to the Utilities (14.7%), Energy (14.3%), Senior Banking (11.3%) and Consumer-non-cyclical (8.2%) sectors.

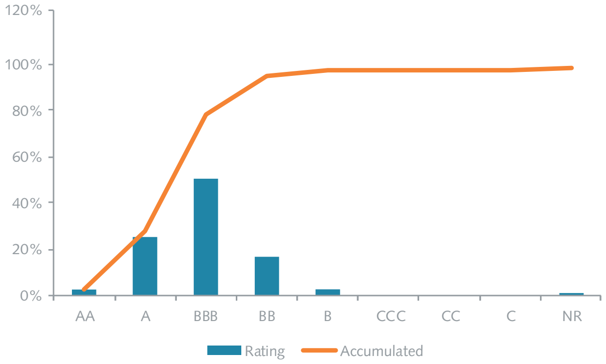
Sectoral allocation of the Bond Portfolio



Source: Banco Invest

Regarding the risk assessment of the debt securities portfolio, the Bank makes mainly use of external ratings. At the end of the year, 79.4% of the total portfolio had a rating equal to or higher than BBB, with the distribution of credit ratings being relatively similar among the various sub-portfolios.

Distribution of the Bond Portfolio by credit rating



Fonte: Banco Invest

Distribution of the Bond Portfolio by credit rating and by type of portfolio

Rating Bonds	Portfolio				Accumulated
	Amortised Cost	Fair Value through OCI	Trading	Total	
AAA	-	-	-	-	-
AA	4.00%	0.80%	-	2.60%	2.60%
A	26.60%	28.10%	11.60%	25.60%	28.20%
BBB	41.30%	67.70%	49.50%	51.30%	79.40%
BB	25.50%	1.00%	25.00%	16.90%	96.40%
B	2.60%	2.40%	3.60%	2.60%	99.00%
CCC	-	-	-	-	99.00%
CC	-	-	-	-	99.00%
C	-	-	-	-	99.00%
NR	-	-	10.30%	1.00%	100.00%
Total	100.00%	100.00%	100.00%	100.00%	

Source: Banco Invest

• Foreign Exchange Risk

Foreign exchange management is essentially centred on hedging the positions in dollars, sterling and Swiss francs. In terms of balance sheet exposure, the Bank's foreign exchange activity remained low-level.

• Volatility Risk

The "Volatility Portfolio" is part of Banco Invest's own portfolio investment policy aimed at managing the market risks arising from the issue of structured products and other financial derivatives for third parties. These products can take three main forms: Structured Products (term deposits issued by the Bank, with guaranteed capital and remuneration indexed to one of more financial assets), Structured Products, with or without guaranteed capital, and with remuneration indexed to one or more financial assets) and Financial Derivatives (swaps and options).

As a rule, the products issued by the Bank are managed internally, within the scope of the own portfolio. This means that the Bank assumes the risk of the remuneration payable for the products, such that the correct hedging of this risk is extremely important in order to preserve the estimated margin for the products. In other words, the objective of portfolio management is the hedging of risk, ensuring that the expected margin of the products is not undermined.

Exposure limits are defined in terms of the amount used to hedge structured products and derivatives issued by the Bank, in the dynamic risk management process known as Delta Hedging. These limits are defined by the Bank's Investment Committee and reviewed annually.

At the end of 2021, the maximum expected loss of the Portfolio, with a 99.9% confidence interval and a 10-day time horizon, calculated by Monte-Carlo simulations, amounted to 74 thousand euros, for a Notional of 155.3 million euros. Delta was approximately 3.5 million euros.

Carteira de Volatilidade

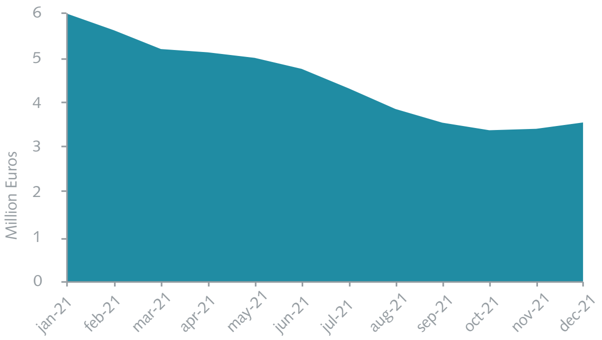
	Dec-21	Dec-20
Stress-test 10 days I 99,99%	74.237	236.414
Delta	(3.487.189)	(2.072.648)
Vega	3.376	3 428
Notional	155.326.266	135.600.295

Source: Banco Invest Values in euros.

• Global Risk

The Bank's global portfolio (excluding Volatility Risk) ended with a quarterly Value-at-risk (VaR), with a confidence interval of 99.9%, of 3 million euros. During the year, the 3-month VaR oscillated from a minimum of 3 million euros to a maximum of 6 million euros.

Quarterly VaR of the Global Portfolio (excluding Volatility Risk)

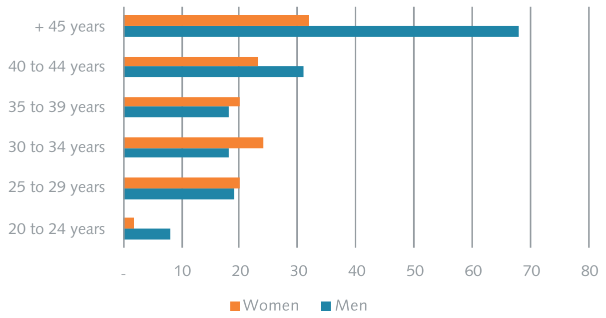


Source: Banco Invest

Human Resources

As at 31 December 2021, the Group had 288 employees, which represented an increase of 5 employees compared to the previous year, broken down as follows:

Human Capital



About 57% of employees have been with the company between 1 and 5 years, and about 66% of all employees have an academic degree or higher.

Environmental Responsibility

Banco Invest undertakes fundamental commitments in environmental policy through compliance with environmental legislation and other applicable requirements, a proactive attitude of pollution prevention and continuous improvement of environmental performance.

Banco Invest, through its "savings and investment" segment, presents and provides socially responsible investments in Companies that consider and incorporate environmental, social and governance factors in their investment decisions. The Invest Trends - Sustainability funds are made up of companies that reflect environmental concern and promote a sustainable lifestyle. In terms of Risk Framework, the Bank has included in its risk policy and respective risk matrices to be in force from 2022 onwards, a set of indicators relating to ESG, which include environmental risk indicators to be monitored. The evolution of these indicators will be analysed periodically.

In 2022, Environmental Risk monitoring indicators were integrated, such as: The monitoring of the evolution of the number of digital customers active in the Bank; the consumption of paper in the Bank's premises; the monitoring of investments in environmentally conditioned and/or prohibited sectors both for the Bank's own portfolio and for the issue of structured products to customers.

Russia-Ukraine Conflict

In February 2022, Russia invaded Ukraine. This escalation of the conflict puts Europe's economic recovery at risk and poses high geopolitical risks. The impact will depend on the duration and severity of the crisis.

Most European banks have limited direct exposure to the risk of conflict, with the Portuguese banking system being less exposed.

However, rising inflation and slowing economic growth in Europe are likely to impact the macroeconomic policy decisions of the ECB and other central banks. The economic and financial sanctions against Russia will continue, and it is expected that they will not directly cause any significant damage to Portuguese banks.

Transactions with Members of the Board of Directors and the Audit Board

The General Regime for Credit Institutions and Financial Companies establishes that the Bank may not grant credit to the members of its management or supervisory bodies, or to their related parties, either directly or indirectly, in any form or fashion, including the provision of guarantees.

However, the above does not apply to transactions of a social nature or purpose or arising from the personnel policy, as well as to loans granted as a result of the use of credit cards associated with the deposit account, under similar conditions to those practised with other customers of a similar profile and risk.

As at 31 December 2021, the balances under the Assets item with reference to members of the Board of Directors and of the Audit Board are related to two loans granted to two members of the Board of Directors, under the terms of the personnel policy, of a total amount of 273,671 euros.

The members of the Board of Directors or of the Audit Board, directors and other employees of the Bank may not intervene in the assessment and decision of transactions in which they, or their spouses, or persons with whom they live in a de facto union, relatives, siblings or first-degree relations are directly or indirectly involved, or legal persons, even if not legally incorporated, associations without legal personality, special committees, civil companies or condominiums over which they may exercise a dominant influence or in which they hold a participation of 2% or more.

Principles relating to transactions with related parties

The Bank applies the following rules in transactions with related parties:

(a) Transactions are always subject to prior review by the Compliance Department and the Risk Management Department, which issue their respective written opinions;

(b) Transactions are subsequently analysed by the Audit Board, which also issues a prior written opinion;

(c) The Board of Directors, after obtaining the prior opinions of the compliance function and the risk management function and the Audit Committee, ensures that transactions are carried out at arm's length and are approved by a minimum of two-thirds of its members..

Risk Control

The risk strategy is reviewed annually and defines the principles and limits for managing the different risks arising from the Bank's activity, which are formalised in its overall risk appetite.

Risk control is assumed at the highest levels at Banco Invest, with all risk limits – market, credit, liquidity and operational – defined and approved by the Bank's Board of Directors. Furthermore, there are seven functional bodies - the Investment Committee, ALCO Committee, Credit Committee, IT Committee, Investment and Asset Management Committee, Rating Committee and Product Committee - that work together to control approval processes, procedures and information circuits defined in advance, ensuring compliance with the limits set by the Board of Directors.

Autonomously, according to the requirements set out in Notice 3/2020 of the Bank of Portugal, issued in July 2020, there is still the Risk Management function, regarding which the person responsible reports directly to the Board of Directors, focusing its activity, among others, on the preparation of audits regarding the compliance of the risk models used by the Bank in different business areas and the verification of the adequacy of the same models in the valuation and mitigation of risks, according to the risk policies issued by the Board of Directors.

The risk control system developed at Banco Invest allows monitoring and continually assessing the risk of each functional area through risk matrices that ensure the timely prevention of unwanted situations for the Bank and the immediate adoption of corrective measures, if any unwanted situations are detected at a later stage.

The aim of the implemented system is to cover all Bank products, activities, processes and systems in order to permit the identification and prioritisation of all the material risks and the documentation of the associated assessment, follow-up and control processes.

The Risk Management process also involves the systematic monitoring of the size and composition of the Bank's assets and liabilities, which can change according to the activities of the customers and market conditions.

In March 2021, a Risk Committee was set up consisting of the non-executive members of the Board of Directors and a member of the Audit Board, whose main mission is to advise the Board of Directors on risk tolerance and risk management strategy.

Additionally, during 2021, the Committee for Monitoring and Validation of ICAAP Models was created, with the following main responsibilities: i) to monitor and confirm the validity of ICAAP models and analyse their suitability to reality and in accordance with the regulatory requirements in force; ii) to propose to the BD changes to the models and respective methodologies; iii) whenever necessary, to propose to the BD the outsourcing of the external validation of models; and iv) to monitor the models taking into consideration the provisions of the Policy for Validation of ICAAP Models.

Market Risk

Market risk control is designed to assess and monitor the potential devaluation of the Bank's assets, and the consequent reduction of profits, caused by an adverse movement of the market values of financial instruments, interest rates and/or exchange rates.

The Bank's securities portfolios are segmented according to investment objectives and their accounting treatment. The Bank calculates and monitors the market risk of all the portfolios it holds, defining risk limits per portfolio, considering the potential impacts of each one, both on results and on shareholders' equity.

Management rules subject each portfolio to restrictions in terms of size, composition, assets and risk levels. Risk limits are defined for credit exposure - concentration by country, activity segment and rating - as well as in terms of market and liquidity.

Additionally, thresholds are defined for internal capital requirements calculated within the framework of the models used in the Internal Capital Adequacy Assessment Process (ICAAP)

For assessment and quantification of market risk the bank uses the following indicators:

– Value-at-Risk, estimating for each portfolio, with a confidence interval of 99.9%, the daily maximum potential loss stemming from adverse variations to the underlying assets. Value-at-Risk takes into account not only the volatility of financial assets but also the correlation between them and the distribution of return rates of each one. The risk assumed by each trader, by type of financial asset is calculated daily;

- Present Value of Basis Point (PVBP) calculation, which determines potential losses in the Bank's results caused by a one-basis point change in interest rates.

- Economic value of the Banking portfolio, which is determined as the net fair value of the assets and liabilities in the balance sheet, sensitive to the interest rate and the fair value of the items. In addition, the Bank resorts to the periodic undertaking of stress tests, which involve the simulation of adverse historical and/or hypothetical scenarios for each portfolio and a sensitivity analysis based on changes in various factors, to measure the impact on assets, results and solvency. The stress tests are also an integral part of the annual assessment of the ICAAP process, with a view to assessing the suitability of the same to the development of economic activity. An example of this is assessing the sensitivity of the economic value of assets, liabilities and off-balance sheet items sensitive to interest rate changes resulting from hypothetical parallel and non-parallel shocks to interest rate curves.

Overall trading risks are kept in check using diversification strategies by asset class, bearing in mind the correlation between several markets and assets.

On a daily basis the Risk Management Department reports the evolution of the Value-at-Risk of the trading portfolio and monthly the other internal capital requirement calculation models.

Monthly concentration limits by market, by asset, by sector and by rating notation, proposed by the Investment Committee and approved by the Board of Directors, are monitored and reported by the Accounting and Control Department (Middle-Office Area).

All these indicators are additionally present in the risk matrices of the Risk Management Department and are permanently analysed by this Department. There are quarterly meetings with the Board of Directors and the Audit Board to evaluate their evolution and to take measures to mitigate risks, if necessary.

Credit Risk

Credit risk control involves assessing the degree of uncertainty and monitoring the possibility of a loss caused by the customer/counterparty's breach of its contractual obligations towards the Bank. Credit risk assumes a special purpose in banking activity, not only due to its materiality, but because of its connection with other risks as well.

In the loan concession activity, aimed at guaranteeing the correct determination of the risk profile of operations, the analysis and decision process passes through the autonomous opinions of the risk analysis area, the Credit Department and at least two executive members of the Bank´s Board of Directors, being supported by a battery of external and internal information elements considered relevant to the substantiated decision of any loan proposal. The consistency of the collateral is determined by systematic assessments conducted by duly certified external technicians, subject to regular periodic reassessments. The integrity of the said collateral is safeguarded by insurance policies, covering common risks, whose sufficiency in terms of capital and validity is permanently monitored by the Bank.

The impairments of the loan portfolio are calculated monthly, based on a collective analysis of the loan portfolio, and on the individual analysis of the larger loans and those that are in default. The impairment in the loans subject to collective analysis is calculated based on a proprietary model, duly validated by the external auditors, which estimates the probabilities of default and the amount of expected losses, based on information relative to the portfolio's past behaviour.

Effort tests, in accordance with the Bank of Portugal's rules, are also conducted periodically on the loan portfolio, with the aim of analysing the impact on the Bank's accounts of the adverse movement of some variables considered as sensitive, namely the default rate, interest rate and real estate market prices.

The credit risk of the securities portfolio is calculated and monitored based on the Credit Value-at-Risk methodology. Through this model, the maximum expected loss is calculated, with a specific level of confidence, resulting from the occurrence of defaults in the portfolio. The maximum loss is calculated based on the historical probabilities of default and recovery rate (loss given default) obtained from the main rating agencies in securities with a similar credit risk rating to those held in portfolio.

Within the scope of the concentration of credit risk, overall analyses of the portfolio (securitised credit and non-securitised credit) are undertaken, measuring exposure by sector of activity and the greatest individual exposures.

On a monthly basis, the Risk Management Department calculates and reports the internal capital requirements related to Credit Risk (Securitised and Non-securitised Portfolio, Counterparty, Concentration).

Liquidity Risk

Liquidity risk control is designed to evaluate and monitor the possibility of a loss stemming from the Bank's inability, at a given time, to finance its assets in order to meet its financial commitments on the scheduled dates.

Liquidity risk is evaluated on the basis of the assets and liability tables that allow the Bank's cash flow to be monitored and its cash requirements over a forecasting period of five years to be determined. Mismatch analyses and stress tests are undertaken to determine safe liquidity levels to cope with unexpected events.

To finance its short-term business and to ensure liquidity management with adequate safety margins, the Bank has interbank money market lines and securities contango lines negotiated with several banks, in addition to its growing customer fund attraction capacity..

Operating Risk

Operational risk arises from the probability of there being losses resulting from the inadequacy or failure of internal procedures, systems, people, or from external events.

The aim of controlling operating risk is to prevent possible failures in the Bank's internal control system that may give rise to fraud or unauthorised transactions, as well as avoid the possibility of the results of the Bank being negatively affected by the occurrence of an event that is not inherent to its activity.

Banco Invest's business is subject to several prevention and control mechanisms to mitigate the risk of the occurrence of losses of an operational nature, among which the following are worthy of mention:

- Code of Conduct and Internal Regulations of the Bank;
- Internal Regulations;
- Physical and logical access control;
- Reports of exceptions;
- Contingency planning.

The Bank has internal procedures that define the scope of responsibility of each area involved in the daily operation of the institution, the circuits of information and deadlines to be met, mitigating the possibility of the occurrence of operating losses.

Additionally, in the 1st quarter of 2021 a procedure manual for the management of operational risk events was prepared, where the process of recording and monitoring operational risk events was defined, and a database was created to record the events reported and detected, which is permanently monitored by the Risk Management Department.

Internal audits are carried out periodically to evaluate the control systems implemented, so as to guarantee compliance with the Internal Regulations and reduce the likelihood of mistakes in recording and accounting the various transactions.

On a daily basis, the Planning and Control Department assesses the liabilities of each functional area towards its counterparties, compliance with established limits and the levels of authorisation employed in approving transactions.

Future Prospects

Throughout 2022, the Bank will remain committed to improving the levels of efficiency and quality of services provided, while remaining close to customers and complying with all regulatory standards.

In addition, the Bank will continue the prudent management of its loan portfolio, and will continue to invest in digitalisation, with special emphasis on cybersecurity issues. At the same time, the Bank remains focused on developing its Corporate Finance and Credit activities, as well as its Savings and Investment related areas, namely Asset Management, Brokerage and Institutional Custody.

Subsequent events

To date, the following events with an impact on the Bank's business have occurred:

EU sanctions applied to the Russian Federation in connection with the conflict with Ukraine

The European Council introduced restrictive measures relating to the financial, defence, energy, aviation and space sectors in connection with the conflict between Russia and Ukraine.

The sanctions include the members of the National Security Council who supported Russia's immediate recognition of the two self-proclaimed republics of Donetsk and Luhansk, those who facilitated Russian military aggression from Belarus and the members of the State Duma who ratified government decisions on the Treaty of Friendship, Cooperation and Mutual Assistance between the Russian Federation and the Donetsk People's Republic and between the Russian Federation and the Luhansk People's Republic.

The European Council imposed restrictive measures prohibiting Russian air carriers, aircraft registered in Russia and aircraft not registered in Russia, but owned, chartered or otherwise controlled by any Russian natural or legal person, entity or body, from landing in, taking off from or overflying the territory of the Union. It also prohibits any transactions with the Central Bank of Russia.

Banco Invest, with reference to 31/12/2021, has an exposure of 5,690 thousand euros, in debt instruments, to entities of the Russian Federation. In 2022, Banco Invest increased the impairment on these assets by 3,144 thousand euros.

The Board of Directors is monitoring the evolution of the conflict and its impacts, considering, with the available information, that the Bank's solvency and liquidity are sufficient to continue its operations.

Net Income and its Appropriation

The year's accounts reflect the business carried on by Banco Invest within the established guidelines and its effects on the balance sheet and on results. The financial statements have been externally audited by a prestigious firm of auditors which has issued an opinion thereon and is presented hereunder.

Consolidated net income came to 18,920,783.44 euros.

Individual net income came to 20,059,168.06 euros. It is proposed that this amount be appropriated as follows:

Legal Reserve	2,005,916.81 euros
Free Reserves	18,.053,251,25 euros

Acknowledgements

The Board of Directors of Banco Invest would like to take this opportunity to extend its appreciation and gratitude:

- to all our Customers for their preference and trust, which constitute the Bank's greatest encouragement in confronting the challenges it faces;
- To the Bank of Portugal and the Securities Market Commission for their attention given to the Bank;
- To the Board of the General Meeting, and its Chairman in particular, for the availability shown in the performance of such important duties;
- To the Audit Board and the Firm of Statutory Auditors, for their cooperation and support in the management of the Bank's business;
- To those employees who, with a sense of responsibility and a spirit of dedication, have worked hard to achieve the established goals with full regard for the ethical, human and corporate values assumed and shared within the company.

Lisbon, 12 April 2022

The Board of Directors

4. Financial Stetements

Consolidated balance sheet as at 31 December 2021

(Amounts in euros)

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and deposits at central banks	4	127.509.487	42.722.541
Amounts at other credit institutions	5	24.505.278	20.351.813
Financial assets at amortised cost			
Loans and advances to credit institutions	6	695.730	968.068
Loans and advances to customers	7	413.379.017	401.376.720
Debt securities	8	299.339.670	243.060.871
Financial assets at fair value through profit and loss			
Financial assets held for trading	9	42.455.792	39.971.859
Financial assets not held for trading mandatorily at fair value through profit or loss		14.607.405	19.837.835
Hedging derivatives	21	361.023	-
Financial assets at fair value through other comprehensive income	10	151.950.571	126.064.925
Investments in subsidiaries. associated companies and joint ventures		12.500	12.500
Non-current assets held for sale	11	8.212.360	9.138.823
Investment properties	12	4.261.555	4.069.796
Other tangible assets	13	6.274.453	6.491.480
Intangible assets	14	467.677	403.426
Current tax assets	15	-	-
Deferred tax assets		3.429.350	4.619.850
Other assets	16	6.090.850	4.813.018
Total Assets		**1.103.552.718**	**923.903.525**
LIABILITIES			
Financial liabilities at amortised cost			
Resources from Central Banks	17	175.567.747	105.000.000
Resources from credit institutions	18	561.689	251.093
Resources from customers and other loans	19	738.505.535	648.080.017
Non-subordinated debt securities issued		-	-
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	20	338.274	239.905
Hedging derivatives	21	-	8.698
Provisions	22	4.330.139	2.525.657
Deferred tax liabilities	15	2.476.902	2.317.093
Deferred tax liabilities		1.164.498	1.560.205
Other liabilities	23	23.693.962	22.235.047
Total Liabilities		**946.638.746**	**782.217.715**
SHAREHOLDERS' EQUITY:			
Share capital	24	58.500.000	59.500.000
Revaluation reserves	25	2.233.343	4.167.720
Other reserves and retained earnings		76.056.390	63.061.620
Net income for the year attributable to the Bank's shareholders		18.920.785	13.834.770
Total Shareholders' Equity attributable to the Bank's shareholders		**155.710.518**	**140.564.110**
Non-controlling interests	26	1.203.454	1.121.700
Total Shareholders' Equity		**156.913.972**	**141.685.810**
Total Liabilities and Shareholders' Equity		**1.103.552.718**	**923.903.525**

Consolidated income statement for the year ended 31 December 2021

(Amounts in euros)

	Notes	2021	2020
Interest and similar income	28	40.038.307	37.979.146
Interest and similar charges	29	(8.435.963)	(8.721.220)
Net interest income		**31.602.344**	**29.257.926**
Income from equity instruments		-	-
Income from services and commissions	30	14.266.301	10.977.132
Gains / (losses) in financial operations at fair value through profit or loss	31	5.109.352	4.639.425
Net gains / (losses) from foreign exchange	32	1.623.293	(1.134.597)
Net income from hedge accounting	21	(200.524)	(211)
Income from financial assets at fair value through other comprehensive incomel	33	379.926	1.753.776
Income from sale of other assets	34	403.814	1.710.263
Other operating income / (losses)	35	501.981	111.191
Total Operating Revenue		**22.084.143**	**18.056.979**
Staff costs	36	(12.536.944)	(11.514.418)
Other administrative costs	37	(7.315.663)	(6.312.052)
Depreciations and amortisations	13 and 14	(1.563.974)	(1.674.258)
Total Operating Costs		**(21.416.581)**	**(19.500.728)**
Operating income before provisions and impairments		32.269.906	27.814.177
Impairment of financial assets at amortised cost		(3.833.804)	(8.036.744)
Impairment of financial assets at fair value through other comprehensive income	22	(3.471)	(103.983)
Impairment of other assets		96.326	(222.821)
Other provisions		(1.804.483)	(919.987)
Income before taxes		**26.724.474**	**18.530.642**
Taxes			
Current	15	(6.185.652)	(3.891.196)
Deferred		(1.536.283)	(735.631)
Profit after tax		**19.002.539**	**13.903.815**
Net income for the year attributable to:			
Shareholders of the Bank		18.920.785	13.834.770
Non-controlling interests	26	81.754	69.045
Net income for the year		**19.002.539**	**13.903.815**

Consolidated statement of comprehensive income for the year ended 31 December 2021

(Amounts in euros)

	2021	2020
Consolidated net income before non-controlling interests	**18.920.785**	**13.834.770**
Items that may be reclassified for the income statement		
Revaluation reserves of financial assets at fair value through other comprehensive income:		
Revaluation of financial assets at fair value through other comprehensive income	(2.296.013)	4.154.721
Impact on taxes	642.728	(1.127.134)
Transfer to profit or loss due to impairment	3.471	103.983
Impact on taxes	(902)	(27.036)
Transfer to profit or loss due to disposal	(379.926)	(1.753.776)
Impact on taxes	98.781	455.982
	(1.931.861)	**1.806.740**
Items that may not be reclassified for the income statement		
Revaluation reserves of financial assets at fair value through other comprehensive income:		
Revaluation of financial assets at fair value through other comprehensive income	(3.400)	-
Impact on taxes	884	-
Result not recognised in the income statement	**(2.516)**	**-**
Consolidated comprehensive income before non-controlling interests	**16.986.408**	**15.641.510**
Non-controlling interests	81.754	69.045
Consolidated comprehensive income	**17.068.162**	**15.710.555**

The notes form an integral part of the statement of comprehensive income for the year ended 31 December 2021

Consolidated statement of changes in equity for the year ended 31 December 2021

(Amounts in euros)

		Revaluation reserves			Other reserves and retained earnings								
	Capital	Fair value Reserves	Taxes Taxes	Total	Legal Reserves	Legal Free	Other Reservation	Retained Earnings	Total	Net income for the year attributable to the Bank's shareholders	Shareholders' Equity attributable to the Bank's shareholders	Non-controlling interests (Note 26)	Total
Balances as at 31 December 2019	**59.500.000**	**3.127.126**	**(766.146)**	**2.360.980**	**7.172.015**	**17.161.942**	**574.220**	**26.808.127**	**51.716.304**	**12.185.316**	**125.762.600**	**1.052.655**	**126.815.255**
Distribution of profit for 2019													
Profit appropriation	-	-	-	-	1.169.087	11.016.229	-	-	12.185.316	(12.185.316)	-	-	-
Comprehensive income for 2020	-	2.504.928	(698.188)	1.806.740	-	-	-	-	-	13.834.770	15.641.510	69.045	15.710.555
Distribution of reserves to shareholders (Note 25)	-	-	-	-	-	(840.000)	-	-	(840.000)	-	(840.000)	-	(840.000)
Balances as at 31 December 2020	**59.500.000**	**5.632.054**	**(1.464.334)**	**4.167.720**	**8.341.102**	**27.338.171**	**574.220**	**26.808.127**	**63.061.620**	**13.834.770**	**140.564.110**	**1.121.700**	**141.685.810**
Distribution of profit for 2020													
Profit appropriation	-	-	-	-	1.297.428	12.537.342	-	-	13.834.770	(13.834.770)	-	-	-
Comprehensive income for 2021	-	(2.675.868)	741.491	(1.934.377)	-	-	-	-	-	18.920.785	16.986.408	81.754	17.068.162
Distribution of reserves to shareholders (Note 25)	-	-	-	-	-	(840.000)	-	-	(840.000)	-	(840.000)	-	(840.000)
Remission of shares (Note 25)	(1.000.000)	-	-	-	-	-	-	-	-	-	(1.000.000)	-	(1.000.000)
Balances as at 31 December 2021	**58.500.000**	**2.956.186**	**(722.843)**	**2.233.343**	**9.638.530**	**39.035.513**	**574.220**	**26.808.127**	**76.056.390**	**18.920.785**	**155.710.518**	**1.203.454**	**156.913.972**

The Notes form an integral part of these financial statements.

Consolidated cash flow statements for the year ended 31 December 2021

(Amounts in euros)

		2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:			
Income from interest and commissions		56.926.783	49.862.455
Payment of interest and commissions		(13.234.440)	(11.903.428)
Payments to staff and suppliers		(19.646.091)	(17.794.791)
Payments of short-term and low-value leasing		(5.106)	(9.785)
Income tax (payable)/receivable		(5.817.816)	(1.661.695)
Other payments related to the operating activity		862.486	(537.717)
Operating income before changes in operating assets		**19.085.816**	**17.955.039**
(Increases) / reductions in operating assets:			
Financial assets at fair value through profit and loss		(54.828)	6.236.764
Dividends received		6.641.671	-
Financial assets at fair value through other comprehensive income		(27.396.538)	(41.515.407)
Loans and advances to credit institutions		-	(300.000)
Financial assets at amortised cost		(71.730.679)	.31.638.155)
Financial assets at amortised cost		1.188.991	2.440.276
Other assets		(1.390.577)	2.779.102
		(92.741.960)	**(61.997.420)**
Increases / (reductions) in operating liabilities:			
Resources from Central Banks		71.510.000	65.820.000
Resources from other credit institutions		310.596	44.197
Resources from other credit institutions		90.959.120	4.544.724
Other liabilities		4.150.523	(3.164.153)
		166.930.239	**67.244.768**
Cash net of operating activities		**93.274.095**	**23.202.387**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase and disposal of tangible and intangible assets		(1.353.646)	(448.186)
Dividends from financial holdings		-	-
Cash net of investment activities		**(1.353.646)**	**(448.186)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Distribution of reserves to shareholders (Note 25)		(840.000)	(840.000)
Remission of shares (Note 25)		(1.000.000)	-
Payments related to lease liabilities		(1.141.936)	(1.156.304)
Cash net of financing activities		**(2.981.936)**	**(1.996.304)**
Net increase / (decrease) in cash and equivalents		88.938.513	20.757.897
Cash and equivalents at the start of the year	Note 4	63.083.127	42.325.230
Cash and equivalents at the end of the year	and 5	152.021.640	63.083.127
		88.938.513	**20.757.897**

O The Notes form an integral part of the cash flow statement for the year ended 31 December 2021

5. Notes to the Financial Statem

1. INTRODUCTORY NOTE

Banco Invest, S.A. (Group, Bank or Banco Invest) is a limited liability company with its registered office in Lisbon. The Bank was incorporated on 14 February 1997 under the name Banco Alves Ribeiro, S.A., and started trading on 11 March 1997. The incorporation of the Bank was authorised by the Bank of Portugal on 4 December 1996. The Bank changed its name to its current designation on 16 September 2005.

The Bank is registered with the Commercial Registry Office of Lisbon under the sole number 503 824 810, with legal entity identifier (LEI Code) 529900GZL0HS66P9SW37 and registered office at Avenida Engenheiro Duarte Pacheco, Torre 1 - 11º andar, 1070-101 Lisboa.

The Bank is 99.68% owned by Alves Ribeiro - Investimentos Financeiros, Sociedade Gestora de Participações Sociais, S.A., and its financial statements are consolidated by the full integration method.

The corporate object of the Bank is to undertake financial transactions and to provide related services with such latitude as the law allows. It is primarily engaged in the asset management, capital markets, and loan and development capital business.

The Bank has six branches, located in Lisbon, Oporto Leiria and Leiria.

The Bank holds all the share capital of Invest Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. (Invest Gestão de Activos). This company was incorporated on 11 February 1998 and its corporate object is the management of mutual funds on behalf of the participants.

The financial statements as at 31 December 2021 were approved by the Board of Directors on 12 April 2022 and are presented in euros.

The Bank's financial statements as at 31 December 2021 are pending approval by the General Meeting. The Board of Directors believes, however, that the financial statements will be approved without any significant changes.

2. ACCOUNTING POLICIES

2.1. Basis of presentation

The Bank's financial statements have been prepared on a going concern basis.

The consolidated financial statements as at 31 December 2021 have been prepared based on the International Financial Reporting Standards (IFRS) as adopted in the European Union, under Regulation (EC) 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into Portuguese law by Decree-Law 35/2005 of 17 February.

2.2. Consolidation principles

The consolidated financial statements include the accounts of Banco Invest and the entities it directly or indirectly controls (Note 3), including special purpose entities.

Under the requirements of IFRS 10, the Bank considers that it exercises control when it is exposed or holds rights to the variable returns generated by a specific entity (designated as a "subsidiary") and has the ability, through its power over and the ability to direct the relevant activities of the entity, to affect the amount of its returns (de facto power).

The consolidation of the accounts of subsidiaries employed the full integration method, with significant transactions and balances between the companies in the consolidation being eliminated. In addition, consolidation adjustments have been made where applicable to ensure the consistent application of the Group's accounting criteria.

Third party shareholdings in subsidiaries are recorded in the "Non-controlling interests" item under shareholders' equity.

The consolidated profit is the aggregation of the net income of Banco Invest and its subsidiaries, in proportion to the effective shareholding, after consolidation adjustments, that is, the elimination of dividends received and gains or losses arising from transactions between companies included in the consolidation.

2.3. Comparability of information

The Group adopted the IFRS and interpretations of mandatory application for the financial years beginning on or after 1 January 2021. The accounting policies were applied in the Group and are consistent with those used in the preparation of the previous year's financial statements.

The financial statements were prepared under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments, financial assets and financial liabilities recognised at fair value through profit or loss and assets at fair value through other comprehensive income. Financial assets and financial liabilities that are hedged under hedge accounting are stated at fair value with respect to the hedged risk, when applicable.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for judgements about the values of assets and liabilities whose valuation is not evident from other sources. Actual results may differ from the estimates. The issues that require a higher degree of judgement or complexity or for which assumptions and estimates are considered significant, are presented in the accounting policy described in note 2.23.

2.4. Conversion of foreign currency balances and transactions

The Group's accounts are prepared in accordance with the currency used in the primary economic environment in which it operates (termed "operating currency"), namely the Euro.

Transactions in foreign currency are recorded based on exchange rates on the date of the transaction. Assets and liabilities expressed in foreign currency are converted into euros at the exchange rate displayed in each balance sheet date.

Exchange rate differences arising from currency conversion are shown in the profit or loss for the year, except where they arise from non-monetary financial instruments, such as equities, classified at fair value through other comprehensive income, which are recorded under shareholders' equity until they are sold.

2.5. Financial instruments

a) Financial assets

1. Classification, initial recognition and subsequent measurement

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

i) Financial assets at amortised cost;
ii) Financial assets at fair value through other comprehensive income; and
iii) Financial assets at fair value through profit or loss.

Classification is carried out taking into account the following aspects:
- the business model defined for the management of the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Group carried out an evaluation of the business model in which financial instruments are held at the portfolio level, since this approach reflects the best way in which assets are managed and how that information is made available to the management bodies.

Financial assets held for trading and financial assets designated at fair value through profit or loss are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows nor for the collection of contractual cash flows and sale of those financial assets.

Assessment of whether the contractual cash flows correspond only to the receipt of principal and interest (SPPI - Solely Payment of Principal and Interest)

For the purposes of this evaluation:
- "principal" is defined as the fair value of the financial asset at initial recognition;
- "interest" is defined as the counterpart for the time value of money, for the credit risk associated with the amount outstanding over a given period of time and for other risks and costs associated with the activity (e.g. liquidity risk and administrative costs), as well as a profit margin ("spread").

In evaluating the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Bank considered the original contractual terms of the instrument. This evaluation includes the analysis of the existence of situations in which the contractual terms may modify the periodicity and amount of cash flows sothat they do not comply with the SPPI - Solely Payments of Principal and Interest. In the evaluation process, the Bank took into consideration:
- contingent events that may change the periodicity and amount of cash flows;
- characteristics that result in leverage;
- prepayment and maturity extension terms;
- terms that may limit the Bank's right to claim cash flows in relation to specific assets (e.g. contracts with terms that prevent access to assets in case of default - "non-recourse asset"); and
- characteristics that may change the compensation for the time value of money.

In addition, a prepayment is consistent with the SPPI criterion, if:
- the financial asset is acquired or originated with a premium or discount to its contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued but unpaid contractual interest (may include reasonable compensation for prepayment); and
- the fair value of the prepayment is insignificant at initial recognition.

i) Financial assets at amortised cost;

A financial asset must be measured at amortised cost if it meets both of the following conditions:
- The financial asset is held within the framework of a business model whose primary objective is to hold assets to collect their contractual cash flows; and
- The contractual cash flows arise on specific dates and correspond only to principal repayments and interest payments on the outstanding principal (SPPI).

This category includes:
- Loans and advances to credit institutions;
- Loans and advances to customers
- Debt securities - managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, corporate bonds and commercial paper).

Financial assets at amortised cost are initially recorded at fair value plus costs directly attributable to the transaction and subsequently measured at amortised cost. In addition, they are subject, from their initial recognition, to the measurement of impairment losses.

Interest on financial assets at amortised cost is recognised under "Interest and similar income" based on the effective interest rate method.

Gains or losses generated at the time of derecognition are recorded under "Gains/(losses) on derecognition of financial assets and liabilities at amortised cost".

ii) Financial assets at fair value through other comprehensive income;

A financial asset must be measured at fair value through other comprehensive income if it meets both of the following conditions:
- The financial asset is held within the framework of a business model whose objective is the collection of contractual cash flows and the sale of that financial asset; and

- The contractual cash flows arise on specific dates and correspond only to principal repayments and interest payments on the outstanding principal (SPPI).

In addition, at initial recognition of an equity instrument, which is neither held for trading nor a contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, the Bank may irrevocably elect to classify it under "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case, investment-by-investment basis and is only available for financial instruments that comply with the definition of equity instruments provided for in IAS 32 and may not 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 to 16D of IAS 32.

Financial assets at fair value through other comprehensive income are initially recorded at fair value plus transaction costs and subsequently measured at fair value. Changes in the fair value of these assets are recorded against other comprehensive income and, at the time of their disposal, the respective accumulated gains or losses in other comprehensive income are reclassified to a specific profit or loss item. In addition, they are subject, from their initial recognition, to the measurement of impairment losses.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income. Dividends are recognised in profit or loss when the right to receive them is attributed.

No impairment is recognised for equity instruments at fair value through other comprehensive income, with the respective accumulated gains or losses recorded in changes in fair value being transferred to retained earnings at the time of derecognition.

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

An asset is classified in the category of "Financial assets at fair value through profit or loss" (FVPL) if the business model defined by the Bank for its management or the characteristics of its contractual cash flows do not meet the conditions described above to be measured at amortized cost, nor at fair value through other comprehensive income (FVOCI).

The Bank classified financial assets at fair value through profit or loss under the following headings:

- Financial assets held for trading

The financial assets classified under this heading are acquired with the purpose of short-term selling; at initial recognition they are part of a portfolio of identified financial instruments for which there is evidence of a recent pattern of short-term profit taking; or fall within the definition of a derivative (except for hedging derivatives).

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

This item classifies debt instruments whose contractual cash flows do not correspond only to principal repayments and interest payments on the outstanding principal (SPPI).

Considering that the transactions carried out by the Bank in the normal course of its business are in market conditions, the financial assets at fair value through profit or loss are initially recognised at fair value, with the costs or income associated with the transactions recognised in profit or loss at inception. Subsequent changes in the fair value of these financial assets are recognised in profit or loss

The accrual of interest and premium/discount (when applicable) is recognised under "Interest and similar income", based on the effective interest rate for each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category. Dividends are recognised in profit or loss when the right to receive them is attributed.

Trading derivatives with a positive fair value are included in the item “Financial assets held for trading”, while trading derivatives with a negative fair value are included in the item “Financial liabilities held for trading”.

2. *Reclassification between categories of financial assets*

Financial assets are reclassified to other categories only if the business model used in their management is changed. In this case, all affected financial assets are reclassified. Reclassification is applied prospectively from the reclassification date and therefore previously recognised gains, losses (including impairment gains or losses) or interest are not restated.

Reclassification of investments in equity instruments measured at fair value through other comprehensive income or financial instruments designated at fair value through profit or loss is not allowed.

3. *Modification and derecognition of financial assets*

i) The Bank derecognises a financial asset when, and only when:
  - the contractual rights to the cash flows resulting from the financial asset expire; or,
  - it transfers the financial asset as defined in (ii) and (iii) below and the transfer meets the conditions for derecognition in accordance with (iv).

(ii) The Bank transfers a financial asset if, and only if, one of the following occurs:
  - it transfers the contractual rights to receive the cash flows resulting from the financial asset; or,
  - it retains the contractual rights to receive the cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in (iii).

iii) When the Bank retains the contractual rights to receive the cash flows of a financial asset (referred to as the “original asset”), but assumes a contractual obligation to pay those cash flows to one or more entities (referred to as the “eventual recipients”), the Bank treats the transaction as a transfer of a financial asset if, and only if, all of the following three conditions are met:
  - the Bank has no obligation to pay amounts to the final recipients unless it receives equivalent amounts arising from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent, plus accrued interest at market rates, do not violate this condition;
  - the Bank is prohibited by the terms of the transfer agreement from selling or pledging the original asset other than as security to the final recipients for the obligation to pay them cash flows; and,
  - the Bank has an obligation to remit any cash flows it receives on behalf of the final recipients without significant delay. In addition, it does not have the right to reinvest these cash flows, except in the case of investments in cash or cash equivalents (as defined in IAS 7 - Statements of Cash Flows) during the short settlement period between the date of receipt and the date of required delivery to the final recipients, and interest received as a result of these investments is passed on to the final recipients.

iv) When the Bank transfers a financial asset (see ii) above), it should assess to what extent it retains the risks and rewards of ownership of that asset. In this case:
  - if the Bank transfers substantially all risks and rewards of ownership of the financial asset, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained with the transfer;
  - if the Bank retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the financial asset;
  - if the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it must determine whether it has retained control of the financial asset. In this case:
    a) if the Bank has not retained control, it must derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained with the transfer;
    b) if the Bank has retained control, it must continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

v) The transfer of risks and benefits referred to in the previous point is evaluated by comparing the Bank’s exposure, before and after the transfer, to the variability in the amounts and timing of the net cash flows resulting from the transferred asset.

vi) Whether or not the Bank has retained control (see (iv) above) of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity is deemed not to have retained control. In all other cases, the entity is considered to have retained control.

Purchased or originated credit impairment assets

Purchased or originated credit impaired (POCI) financial assets are assets that present objective evidence of credit impairment on initial recognition. An asset is credit-impaired if one or more events have occurred with a negative impact on the estimated future cash flows of the asset.

The following event leads to the origination of a POCI exposure: financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original contract, which presented objective evidence of impairment that resulted in its derecognition and recognition of a new contract that reflects the credit losses incurred.

On initial recognition, POCIs are not impaired. Instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of POCIs is equal to the net book value before being recognised as POCIs (difference between the initial balance and total discounted cash flows).

Write offs

When considering risk of loss due to default, the Bank fully respects, in recognising impairment, the guidelines of Circular Letter 02/2014/DSP of the Bank of Portugal.

The Credit Recovery Department monitors overdue exposures that meet the requirements for classification as irrecoverable and drafts a classification proposal and prepares the corresponding files.

An exposure to credit risk is classified as irrecoverable under the following conditions:

i. In enforcement proceedings, when the case is dismissed, due to a lack of seizable assets of the defendants (Debtor or Guarantors);

ii. In Insolvency proceedings, when of a limited nature (lack of seizable assets of the insolvent debtor), following a decision on the verification and ranking of claims;

iii. In Insolvency Plans or Credit Recovery Procedures when, based on the approved repayment plan, there is a full or partial writing off of the acknowledged debts;

iv. Overdue loans for more than two years in a scenario of total impairment, i.e. when the Bank, after undertaking all recovery efforts considered adequate and gathered available evidence, justifiably concludes that there are no reasonable expectations of recovery of the amounts at risk.

The following are objective indicators of the uncollectability of a debt:

i. The circumstance of a Debtor or Guarantors whose whereabouts are unknown;

ii. The fact that the out-of-court initiatives undertaken by the Bank, duly confirmed and deemed appropriate, proved ineffective in establishing a plan to restructure or recover the amounts at risk;

iii. The confirmation that the Debtor or Guarantors do not have a steady income to substantiate its seizure;

iv. Evidence, supported by the land register or vehicle registration, that the Debtor and Guarantors' assets, if any, has prior covenants or encumbrances that lead to conclude (in accordance with its probable realisation value) that their seizure, if carried out, would not enable the Bank to recover its credit;

v. The assessment that the enforcement of the debt, if possible, is not economically viable (unfavourable cost-benefit ratio) due to the cost and waiting time of court proceedings.

Significant increase in credit risk (SICR)

The significant increase in credit risk (SIRC) is determined according to a set of mostly quantitative, but also qualitative criteria. These criteria are mainly based on the degree of customer risk and its evolution, with a view to detecting significant increases in PD (Probability of default), complemented with other types of information in which customer behaviour towards entities of the financial system stands out.

4. *Impairment losses*

Under the adoption of IFRS 9, the model applied is based on expected losses.

The Bank recognises impairment for expected credit losses ("ECLs") for the following financial instruments:

- Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the item "Impairment of financial assets at amortised cost" - in the income statement.

- Debt instruments at fair value through other comprehensive income

Impairment losses on debt instruments at fair value through other comprehensive income are recognised in the income statement under "Impairment of financial assets at fair value through other comprehensive income", against other comprehensive income (they do not reduce the balance sheet amount of these financial assets).

- Financial guarantees

Impairment losses associated with financial guarantees are recognised in liabilities under "Provisions for guarantees and other commitments", against "Other provisions" (in the income statement).

b) *b) Classification of financial instruments by stages*

	Stage 1	**Stage 2**	**Stage 3**
Classification criteria	Initial recognition	Significant increase in credit risk since initial recognition	Impairment situation
Impairment losses	12-month expected credit losses	"Lifetime" expected credit losses	

Significant increase in credit risk?

Objective evidence ofloss?

The Bank determines the expected credit losses of each operation on the basis of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified into one of the following three stagess:

- Stage 1: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified in this stage correspond to expected credit losses resulting from a potential loss event that may occur within 12 months after the calculation date.

- Stage 2: operations where there is a significant increase in credit risk since its initial recognition but are not impaired are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from all potential loss events up to maturity, applied to the projection of contractual cash-flows - lifetime expected credit losses.

  The significant increase in credit risk is assessed through qualitative and quantitative evidence. The assessment of the significant increase in credit risk also involves comparing the current level of risk of an exposure with the level of risk at origination.

- Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from the difference between the amount outstanding and the present value of the cash flows that are estimated to be recovered from the exposure (lifetime expected credit losses).

In operational terms, two complementary models for calculating impairments coexist within the Bank:
i) for General Credit and for the Landing Activity, and
ii) For Auto Loans..

i) For General Credit and for Lending Activity:

The calculation process is autonomised for exposures subject to Collective Analysis and for exposures subject to Individual Analysis.

Values at risk (EAD) consider not only past due amounts (capital, interest and other charges) but also principal falling due and, in the case of active contracts, the respective accrued interest since the last payment, up to the date of calculation of the impairments.

The calculation of the Probability of Default (PD) for one year or until maturity (lifetime) is based on a logistic binomial linear regression model, using independent variables extracted from the portfolio management utility, covering the entire historical period on the system.
The Loss Given Default (LGD) is based on the historical record of the operations which generated a loss, and on the prediction of loss in operations considered unproductive (without regular payment of interest or amortisation of principal), taking into account the associated collateral, and its probable realisation time and value.

Three prospective analysis scenarios are considered: (i) base, (ii) favourable and (iii) unfavourable, with the final result being weighted by the estimated probability of occurrence for each of these scenarios.

The exposures classified in stages1 or 2 are subject to the calculation of impairment by Collective Analysis - in which PD and LGD are determinant - unless they had previously been subject to calculation by Individual Analysis, which justifies the continued use of this method.

On the other hand, exposures classified in Stage 3 are subject to impairment calculation by Individual Analysis - in which the following are determinant: a) the Value at Risk(EAD), b) the updated value of the probable net realisable value of the collateral, c) the probable time for its realisation and d) the effective interest rate of the contract - and, furthermore, regardless of the stage in which they are framed: i) have an exposure in excess of 300,000 euros; ii) that after 31 December 2017 have been subject to impairment calculation by the individual analysis method and iii) the exposures subject to a legal moratorium process, while the effects thereof remain active.

The probable realisation value of the collateral, in the case of General Credit, is determined by periodic and regular evaluations undertaken by external and CMVM accredited evaluators, whose final result will be subject to a hair cut according to its seniority date, as set out in Annex II of circular letter CC/2018/00000062 of the Bank of Portugal. In the case of Lending Activity, its evaluation is performed by Official, INCM accredited, Evaluators, according to the weight and precious metal content of the objects pledged and respective official quotation, determined both at the time the loan is granted and in all monthly impairment calculation periods.

If the process of calculation of impairment by the Individual Analysis method does not determine the quantification of any impairment, a minimum impairment will still be calculated by applying the value at risk of a one-year PD and its LGD.

ii) For Auto Loans

Taking into account the risk dispersion (portfolio granularity) and following the institutionalised practice of the other Market Operators, the calculation of impairments follows, solely, the Collective Analysis method.

Although historical data is still insufficient for the development of robust statistical models for estimating risk parameters, this limitation is mitigated by conducting several follow-up analyses and verifying the suitability of the parameters used, namely:

- Vintages analysis of the portfolios generated, by default maturities;
- Prospective analysis on portfolio default, with monitoring of the first instalments of the contracts;
- Benchmark analysis of the expected loss by segment/Stage, maintaining a conservative policy in terms of coverage ratios by Stage compared to other comparable operators.
- Impact of the evolution of macroeconomic variables on the PD;
- Test the transitions between Stage 1 and Stage 2;
- Testing the probability of default at 12 months for Stage 1.0 contracts - through monthly transition matrices at 12 months for default classes.
- Testing the adequacy of specific rules applied to credit moratoria.
- Sensitivity analysis (the responsibility of Banco Invest's General Risk Function).

The definition of the parameters and the Stage transition rules to be applied are based on the knowledge and constant monitoring of the business and of the credit risk levels underlying the type of financing that make up Bicredit's portfolio, based on principles of prudence and best effort. The parameters and rules applied are regularly validated and, if the findings so determine, adjusted as a result of the conclusions of the various follow-up analyses carried out.

In the first half of 2020 PDs and LGDs were increased following the pandemic and economic crisis situation, which in turn triggered:
- Revisions of macroeconomic forecasts by the Supervisor, which led to an adjustment of the parameters;
- The adhesion of clients to the Credit Moratorium regime, which led to a specific follow-up and treatment of these clients.

In the second half of 2020, the monitoring of the adequacy of the parameters applied in the various segments continued, with particular attention to customers in moratorium, adapting, consequently, the classification rules by risk class/Stage and/or the percentage of Expected Loss to be applied.

The methodologies used for early risk detection translate into coverage levels for future impairment losses, which reveal a high level of conservatism when compared with market peers.

In the Auto Loan portfolio the probability, as a percentage, of a contract going into default/becoming impaired in the following emerging periods:
- 12 months (PD 12m) - applied to contracts with no significant increase in risk in relation to the risk recognised at the time of contracting;
- During the life of the contract (PD life time) - applied to contracts in which there is a significant increase in risk in relation to the risk recognised at the time of contracting.

In turn, LGD has two components:
- Collateral LGD, which represents the loss after considering recovery via disposal of the collateral; and
- Litigation LGD, which represents the percentage of loss after the litigation process is completed.

c) *c) Financial liabilities*

An instrument is classified as a financial liability when there is a contractual obligation at settlement to deliver cash or another financial assets, regardless of its legal form. Financial liabilities are derecognised when the underlying obligation is settled, expires or is cancelled.

At initial recognition, financial liabilities are classified into one of the following categories:
i) Financial liabilities at amortised cost; and
ii) Financial liabilities at fair value through profit or loss.

i) Financial liabilities at amortised cost

The financial liabilities that were not classified at fair value through profit or loss, nor correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial liabilities at amortised cost" includes central bank resources, resources from credit institutions, resources from customers and other loans and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. Interest on financial liabilities at amortised cost is recognised under "Interest and similar charges". Based on the effective interest rate method.

ii) Financial liabilities at fair value through profit or loss

Financial liabilities classified as "Financial liabilities at fair value through profit or loss" refer to:

- Financial liabilities held for trading

The following liabilities are classified under this caption: liabilities issued with the objective of short-term repurchase; liabilities that are part of a portfolio of identified financial instruments and for which there is evidence of a recent pattern of short-term profit taking; or that meet the definition of a derivative (except for hedging derivatives).

Considering that the transactions carried out by the Bank in the normal course of its business are in market conditions, the financial liabilities at fair value through profit or loss are initially recognised at fair value, with the costs or income associated with the transactions recognised in profit or loss at inception.

Subsequent changes in the fair value of these financial liabilities are recognized as follows:

- the change in fair value attributable to changes in the credit risk of the liability is recognised in other comprehensive income;
- the remaining value of the change in fair value is recognised in profit or loss.

The accrual of interest and the premium/discount (when applicable) is recognised under "Interest and similar charges" on the basis of the effective interest rate for each transaction.

- *Garantias financeiras*

Contracts that require the issuer to make payments to compensate the holder for incurred losses arising from breaches of the contractual terms of debt instruments, namely the payment of principal and/or interest, are considered financial guarantees.

Issued financial guarantees are initially recognised at fair value. Subsequently, these guarantees are measured at the higher of (i) the fair value initially recognised and (ii) the amount of any obligation arising under the guarantee contract, measured at the balance sheet date. Any change in the value of the obligation associated with issued financial guarantees issued is recognised in profit or loss.

If they are not designated at fair value through profit or loss at initial recognition, the financial guarantee contracts are subsequently measured at the higher of the following amounts:

- the provision for losses determined in accordance with the criteria described in the section on impairment losses of financial assets;
- the amount initially recognised less, when appropriate, the accumulated amount of income recognised in accordance with IFRS 15 - Revenue from customer contracts.

The ECL of financial guarantee contracts that are not designated at fair value through profit or loss are shown under "Provisions".

Reclassification between categories of financial liabilities

Reclassifications between categories of financial liabilities are not allowed.

d) *Equity instruments*

An issued financial instrument is classified as an equity instrument only if (i) the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer and, (ii) the instrument will or may be settled in the issuer's own equity instruments and is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments, or a derivative that will be settled by the issuer only by exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, regardless of its legal form, evidences a residual interest in the assets of an entity after deducting all its liabilities.

Costs directly attributable to the issue of equity instruments are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Distributions made on behalf of equity instruments are deducted from equity as dividends when declared.

Preference shares are considered as equity instruments if they do not contain a repayment obligation and dividends, not cumulative, are only paid if and when declared by the Group.

e) *Derivatives*

The Bank carries out derivative transactions as part of its business with a view to satisfying the needs of its customers and to reduce its exposure to prices, foreign exchange and interest rate fluctuations.

Derivatives are recorded at fair value on the date of acquisition. Furthermore, they are shown in off-balance sheet items for their notional value.

Subsequently, they are measured at their fair value. Fair value is calculated:

- Based on prices in asset markets (e.g. relating to the futures traded on organised markets);
- Based on models that incorporate valuation techniques accepted on the market, including discounted cash flows and option valuation models.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument, which also includes a non-derivative host contract. If the host instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described for Financial assets at fair value through profit or loss.

Derivatives embedded in contracts that are not considered financial assets are treated separately whenever the economic risks and benefits of the derivative are not related to those of the host contract, provided that the hybrid instrument (whole) is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent changes in fair value recognised in profit or loss and presented in the trading derivatives portfolio.

Trading derivatives

Derivatives for trading are those derivatives that are not associated with effective hedge relations, including:

- Derivatives acquired to manage risk in assets or liabilities recorded at fair value through profit or loss, rendering the use of hedge accounting unnecessary;

- Derivatives acquired to hedge risk that are not effective hedges;
- Derivatives acquired for trading purposes.

Trading derivatives are stated at fair value, with gains and losses being recognised daily in income and costs for the year. Trading derivatives with a positive fair value are included in the item "Financial assets held for trading", while trading derivatives with a negative fair value are included in the item "Financial liabilities held for trading".

2.5. *Recognition of interest*

Interest income and expense for financial instruments measured at amortised cost are recognised under "Interest and similar income" or "Interest and similar costs" (net interest income), using the effective interest rate method. Interest at the effective interest rate on financial assets at fair value through other comprehensive income is also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the instrument (or, when appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider any impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all premiums or discounts directly related with the transaction, with the exception of financial assets and liabilities at fair value through profit or loss.

Interest income recognised in profit or loss associated to contracts classified in stage 1 or 2 is calculated based on the effective interest rate of each contract on its gross balance sheet value. The gross balance sheet value of a contract is its amortised cost before deduction of impairment. For financial assets included in stage 3, interest is recognised in the income statement based on their net book value (less impairment). The recognition of interest is always performed prospectively, i.e. for financial assets entering stage 3, interest is recognised on amortised cost (net of impairment) in subsequent periods.

For purchase or originated credit impairment assets (POCIs) the effective interest rate reflects the expected credit losses in determining the expected future cash flows to be received from the financial asset.

2.7. *Hedge Accounting*

As permitted by IFRS 9, the Bank has elected to apply the requirements for the application of hedge accounting under IAS 39.

The Bank designates derivatives and other financial instruments to hedge interest rate risk arising from financing and investment activities. Derivatives that do not qualify for hedge accounting are recorded as trading. Hedge derivatives are recorded at fair value and gains or losses arising from revaluation are recognised in accordance with the hedge accounting model adopted by the Bank.

A hedging relationship exists when:
- at the start date of the relationship, there is formal documentation of the coverage;
- coverage is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed on an ongoing basis and is determined to be highly effective throughout the financial reporting period;
- in relation to hedging a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

- Fair value hedge
  Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded through profit or loss, together with changes in the fair value of the asset, liability or group of assets and liabilities being hedged with respect to the hedged risk. If the hedging relationship ceases to comply with hedge accounting requirements, the cumulative gains or losses from changes in the hedged risk associated with the hedged item up to the date of discontinuation of the hedge are amortised through profit or loss over the remaining term of the hedged item.

- Effectiveness of hedging
  For a hedging relationship to be classified as such in accordance with IAS 39, its effectiveness must be demonstrated. Therefore, the Bank performs prospective tests at the inception date of the hedge, if applicable, and retrospective tests in order to confirm, at each balance sheet date, the effectiveness of the hedging relationships, demonstrating that the variations in the fair value of the hedging instrument are covered by variations in the fair value of the hedged item in the portion attributed to the hedged risk. Any ineffectiveness is recognised in the results at the time it occurs.

2.8. *Activos não correntes detidos para venda*

Non-current assets, or groups of assets and liabilities to be sold, are classified as held for sale whenever it is likely that their balance sheet value may be recovered by selling rather than by their continued use. The following requirements must be met so that an asset (or group of assets and liabilities) can be classified under this item:

- High probability of sale;
- The asset is available for immediate sale in its current state at a reasonable price relative to its current fair value;
- The sale is expected to take place within one year of classifying the asset in this item.

In those cases in which the asset is not sold within a year, the Bank assesses if the requisites continue to be fulfilled, namely the sale did not occur for reasons unconnected with the Bank, which undertook all the actions necessary for the sale to take place and that the asset continues to be actively publicised and at reasonable sales prices according to market circumstances.

Assets recorded under this item are valued at acquisition cost or fair value, whichever is lower, and adjusted by the costs incurred in the sale. The fair value of these assets is calculated based on assessment by independent experts, and the assets are not amortised.

2.9. *Investment properties*

Correspond to real estate held with the objective of obtaining income through rental and/or its increase in value.

Investment properties are stated at acquisition cost, less accumulated depreciation and impairment losses.

2.10. *Other tangible assets*

Other tangible assets are stated at acquisition cost, less accumulated depreciation and impairment losses. Repair and maintenance costs and other expenses associated with their use are recognised as costs for the year, under the item "General administrative costs".

Amortisation is calculated according to the straight-line method and recorded in costs in the year on a systematic basis over the estimated useful life of the asset, which corresponds to the period during which the asset is expected to be available for use, which is:

	Years of useful life
Premises	50
Leasehold expenses	4 - 10
Furniture and materials	8
Machines and tools	5 - 8
IT equipment	3 - 8
Fixtures and fittings	5 - 8
Vehicles	4
Safety equipment	8 - 10

Land and artistic heritage are not depreciated/amortised.

Whenever the net book value of tangible assets is greater than its recoverable value, under the terms of IAS 36 – "Impairment of assets", it is recognised as an impairment loss with an impact on profit or loss for the year. Impairment losses can be reversed, also with effect on the profit and loss for the period, if there is an increase in the recoverable amount of the asset in subsequent periods.

2.11. Leases

The Bank adopted IFRS 16 - Leases on 1 January 2019, replacing IAS 17 - Leases, which was in force until 31 December 2018. The Bank did not adopt any of the requirements of IFRS 16 in prior periods.

This standard sets out the new requirements for the scope, classification and measurement of leases:
- from the lessor's perspective, leases continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those whose lease term ends within 12 months or for those where the underlying asset is of low-value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with these contracts as an expense.

The Bank chose not to apply this standard to short-term lease contracts of less than or equal to one year and to lease contracts in which the underlying asset has a value of less than 5,000 euros. In addition, this standard was not applied to leases of intangible assets.

Lease definition

The new lease definition focuses on control of the identified asset, i.e. a contract constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e. the right to obtain substantially all the economic benefits of its use and the right to choose how to use the identified asset for a certain period in exchange for a payment..

Impacts from the lessee's perspective

At the start of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract or part of a contract that conveys the right to use an asset (the underlying asset) for a certain period of time in return for a payment.

To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:
- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. Even if an asset is specified, the Bank does not have the right to use an identified asset if the supplier has the substantive right to replace this asset during its period of use;
- the Bank has the right to obtain substantially all the economic benefits from the use of the identified asset, throughout its entire period of use; and
- the Bank has the right to direct the use of the identified asset. The Bank has this right when it has the most relevant decision-making rights to change the way and purpose for which the asset is used during its entire period of use. In cases where the decision on how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if:
  - the Bank has the right to make use of the asset (or order others to make use of the asset in the manner that it determines) throughout its entire period of use, where the supplier does not have the right to change these instructions on the asset's use; or
  - the Bank designed the asset (or specific aspects of the asset) in a manner that previously determines how and for what purpose the asset shall be used throughout its entire period of use.

The Bank applied this approach to all the contracts concluded or amended on or after 1 January 2019.

The Bank recognizes for all leases, except for those with a term of less than 12 months or for leases of low-value assets:
- A right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be borne by the lessee with the

dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently it will be measured according to the cost model (subject to depreciations/amortisations according to the lease term of each contract and impairment tests);
- A lease liability initially recorded at the present value of future lease cash flows (NPV), which includes:
    - Fixed payments deducted from any lease incentives receivable;
    - Variable lease payments that depend on an index or rate, initially measured using the existing index or rate on the starting date;
    - Amounts expected to be paid by the lessee under residual values guarantees;
    - The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and,
    - Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease. Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Bank's spread of risk, applied over the weighted average term of each lease contract. For fixed-term contracts, that date is taken to be the end date of the lease, while for other open-ended contracts, the date in which the contract is enforceable is assessed. When evaluating enforceability, the particular clauses of the contracts as well as the current legislation on urban lease are taken into account.

Subsequently, lease payments are measured as follows:
- By increasing their carrying amount to reflect the interest;
- By reducing their carrying amount to reflect lease payments; and,
- The carrying amount is remeasured to reflect any leases' revaluations or changes to the lease, as well as to reflect the review of in-substance fixed lease payments and the review of the lease term.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of an option to purchase the underlying asset, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and,
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The Bank did not make any adjustments for the periods presented.

Right-of-use assets are depreciated/amortised from the effective date to the end of the useful life of the underlying asset, or to the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that the Group will in the future exercise a purchase option, the right-of-use asset shall be depreciated/amortised from the effective date to the end of the useful life of the underlying asset. Depreciation/amortisation starts on the effective date of the lease.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, when there is a change in the Bank's estimate of the amount expected to be paid with a residual value guarantee, or whenever the Bank changes its assessment of whether or not it expects to exercise a call, renewal or termination option.

Whenever the lease liability is remeasured, the Bank recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero or there is another reduction in the measurement of the lease liability, the Bank recognizes that reduction in the income statement.

The Bank did not make any adjustments for the periods presented.

The entries in the Bank's financial statements are presented as follows:

- In the Income Statement:
    - (i) recording under Net interest income the interest expenses related to lease liabilities;
    - (ii) recording under General administrative costs the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
    - (iii) recording under Depreciation the depreciation cost related to right-of-use assets.

- On the balance sheet:
    - (i) recording under Other tangible assets the recognition of right-to-use assets; and,
    - (ii) recording under Other liabilities the amount of recognised lease liabilities.

- In the cash flow statement, Cash flows arising from operating activities - Payments (cash) to employees and suppliers includes amounts related to short-term lease contracts and to lease contracts of low-value assets and the Decrease in other liabilities includes amounts related to payments of lease liabilities' capital portions, as detailed in the Cash flow statements.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17.

2.12. Financial leases

From the lessee's perspective, finance leases were recorded at the inception date as assets and liabilities at the fair value of the leased property, which was equivalent to the present value of the outstanding lease payments. The lease payments were made up of the financial charge and the financial amortisation of the capital. Finance charges were charged to the periods during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.13. Intangible assets

This item essentially includes costs incurred with the acquisition, development or preparation for use of software used in the Group's business activities. Intangible assets are recorded at acquisition cost, less accumulated amortisation and impairment losses.

Amortisation is recorded as costs in the year on a systematic basis over the estimated useful life of the asset, which corresponds to a period of 3 years.

Software maintenance costs are accounted as a cost in the year in which they are incurred.

2.14. Investments in subsidiaries, associated companies and joint ventures

Investments in associates are carried in the Bank's individual financial statements at historical cost less impairment losses.

Financial investments in associates

Associated companies are entities over which the Bank has significant influence, but not control over their financial and operating policies. The Bank is presumed to have significant influence when it has the power to exercise more than 20% of the voting rights of the associate. If the Bank holds, directly or indirectly, less than 20% of the voting rights, it shall be presumed that the Bank does not have significant influence, except where such influence can be clearly demonstrated.

The existence of significant influence by the Bank is usually evidenced in one or more of the following ways:
- representation on the Board of Directors or equivalent governing body;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- interchange of the management team;
- provision of essential technical information.

These assets are recorded at acquisition cost and are subject to periodic impairment tests.

Impairment

The recoverable amount of investments in subsidiaries and associates is assessed annually, regardless of the existence of impairment indicators. Impairment losses are calculated based on the difference between the recoverable amount of investments in subsidiaries and associates and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Dividends are recorded as income in the year in which their distribution to subsidiaries is decided.

2.15. Income taxes

Alves Ribeiro – Investimentos Financeiros, SGPS, S.A., holds 99.68 % of the Group's share capital, and the latter is subject to corporate income tax (IRC) under the Special Taxation of Groups of Companies Scheme, as provided for in Articles 69 et seq. of the respective tax code. The perimeter of the group covered by said tax scheme includes the following companies:

- Alves Ribeiro – Investimentos Financeiros, SGPS, S.A.;
- Banco Invest, S.A.;
- Invest Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.;
- US - Gestar – Gestão de Imóveis, S.A..

The taxable income of the Group of which Alves Ribeiro – Investimentos Financeiros, SGPS, S.A. is the controlling company is calculated on the basis of the algebraic sum of the taxable profits and of the tax losses determined individually, taxed at a 21% rate. According to Article 14 of the Local Finances Law, the municipalities may deliberate an annual Municipal Surcharge, up to a maximum rate of 1.5% of taxable income subject and not exempt from corporate income tax (IRC).

In addition, taxable profits are still subject to a state surcharge as follows:

- 3% for taxable profits between 1,500,000 and 7,500,000 euros;
- 5% for taxable profits between 7,500,000 and 35,000,000 euros; and
- 9% for taxable profits of more than 35,000,000 euros

Under Article 51-C of the Corporate Income Tax Code (in the version in force until the financial year of 2021), distributed profits and reserves, as well as the capital gains and losses realised by the Group through the sale of participations held in the share capital of companies, are not included in taxable profit, provided that the following cumulative requirements are met: (i) the Bank has holdings of not less than 10% of the share capital or of the voting rights in the entity that distributes profits, or in the entity whose participations held in the share capital of companies was sold, and provided the participation was held for a period of no less than 12 months (or, in the case of dividends, if held for a shorter period, that it be held for the time necessary to complete that period); (ii) the taxable person does not fall under the fiscal transparency scheme; (iii) the entity that distributes the profits or reserves, or whose capital is sold, is subject to and not exempt from corporate income tax (IRC), from a tax referred to in Article 2 of Directive no. 2011/96/EU, of the Council, of 30 November, or from a tax of an identical or similar nature to corporate income tax and the applicable legal rate is not less than 60% of the corporate income tax rate; (iv) the entity that distributes profits or reserves, or the entity whose participations held in the share capital of companies were sold, do not reside in a tax haven.

Total taxes on the profits recorded include current and deferred taxes.

Current tax corresponds to the value payable calculated based on the taxable profits for the year. Taxable profits differ from the accounting result, since it excludes various costs and income that will only be deductible or taxable in subsequent financial years, or that were not deductible or taxable in previous financial years, as well as costs and income that will never be deductible or taxable according to the tax laws in force.

Deferred tax is related to the temporary differences between the amounts of the assets and liabilities for accounting reporting purposes and the respective amounts for taxation purposes, as well as results from tax benefits obtained and from differences between the taxable and the accounting result.

Deferred tax liabilities are recognised for all temporary taxable differences in the future.

As set out in the accounting standards, deferred tax assets are recognised for deductible temporary differences, conditioned by the existence of reasonable expectations of sufficient future taxable profits for those deferred tax assets to be used. At each reporting date, those deferred tax assets are reviewed and adjusted in accordance with the expectations relative to their future use.

The main situations for the Bank that give rise to temporary differences are impairments and provisions not accepted for tax purposes and increases in value of financial assets at fair value through other comprehensive income.

Deferred tax assets and liabilities are measured by using the tax rates that are expected to be in force at the date of the reversion of the corresponding temporary differences, based on the tax rates (and tax laws) that have been enacted or substantively enacted on the reporting date. As at 31 December 2021, the Bank used a rate of 26% to calculate deferred taxes. (2020: 26%).

Corporate income tax (current or deferred) is shown in the profit and loss for the year, except where the transactions giving rise to it have been carried in other shareholders' equity items (in the case of revaluation of financial assets at fair value through other comprehensive income). In these cases, the corresponding tax is also carried against shareholders' equity, and does not affect net income for the year.

2.16. *Provision, contingent assets and liabilities*

Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); (ii) it is probable that settlement will be required; and, (iii) a reliable estimate of the obligation can be made.

The measurement of provisions takes into account the principles defined in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of the lawsuits in progress and the risks and uncertainties inherent in the process.

In cases where the effect of discounting is material, provisions correspond to the present value of the expected future payments, discounted at a rate that considers the risk associated to the obligation.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the best estimate and are reversed through profit or loss in proportion to the payments that are not probable.

Provisions are derecognised through their use in the obligations for which they were originally created, or in the case that these obligations cease to exist.

Contingent assets

Contingent assets are not recognised in the financial statements, being disclosed when it is probable that there will be a future economic inflow of resources.

Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 and disclosed whenever the possibility of an outflow of resources encompassing economic benefits is not remote.

The Bank records a contingent liability when:

i) It is a possible obligation arising from past events and whose existence shall only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or,

ii) It is a present obligation arising from past events that is not recognised because:
    a) It is not probable that an outflow of resources embodying economic benefits will be required for settling the obligation; or,
    b) The amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources embodying economic benefits is remote.

2.17. *Employees' benefits*

Liabilities with employees' benefits are recognised in accordance with the principles established by IAS 19 - Employee Benefits.

The Group has not subscribed to the Collective Bargaining Agreement in effect for the banking industry since its staff is covered by the General Social Security Scheme. For this reason, the Group had no liabilities for pensions or retirement pension supplements or other long-term benefits in respect of its employees as at 31 December 2020 and 2019.

Short-term benefits, including productivity bonuses paid to staff for their performance, are recorded in "Personnel costs" in the financial year to which they relate, in accordance with the accruals principle.

2.18. *Commissions*

Commissions received for credit operations and other financial instruments, especially commissions on the origination of transactions, are recognised as earnings over the transaction period.

Commissions for services provided are usually recognised as earnings over the period the service is provided or on a one-off basis, if they arise from single acts.

2.19. *Amounts deposited*

Amounts deposited, namely customers' securities, are recorded at fair value in off-balance sheet items.

2.20. *Cash and equivalents*

For the preparation of the cash flow statements, the Group considers all the items of "Cash and balances at central banks" and "Claims on other credit institutions", which mature in less than three months and which can be mobilised immediately with insignificant risk of change in value, as "Cash and equivalents".

Cash and cash equivalents exclude deposits of a mandatory nature made with Central Banks.

2.21. *Offsetting*

Financial assets and liabilities are offset and recognised at their net book value in the balance sheet when the Group has a legal right to offset the amounts recognised and the transactions can be settled at their net value.

2.22. *Share-based payment*

IFRS 2 establishes the accounting treatment for transactions where payment is made through shares. The entity may record an increase in equity if transactions in goods and/or services are received through equity-settled share-based payment; or a liability if transactions in goods and/or services are received through cash-settled share based payment.

2.23. *Insurance contracts*

Banco Invest is an entity authorised by the Insurance and Pension Funds Supervisory Authority (ASF) for insurance mediation practice, in the category of Tied Insurance Intermediary, in accordance with Article 8, paragraph a), item i) of Decree-Law 144/2006, of 31 July, developing the life and non-life insurance intermediation business.

In the course of its business, the Bank sells insurance contracts, but does not assume the associated risk. As remuneration for insurance mediation services, they receive commissions for insurance contract mediation.

With regard to life insurance, the Bank receives commissions as remuneration for insurance mediation services that are recognised as income. This income is recorded as receivable under other assets as it is generated against commissions received, regardless of when they are received.

For non-life insurance, the remuneration (commission) is recorded as deferred income and the income is recognised monthly in the income statement according to the monthly premiums received from customers.

2.24. *Critical accounting estimates and issues of judgement most relevant to the application of the accounting policies*

The Group's Board of Directors has had to provide some estimates in the application of the accounting criteria described above. The estimates with the biggest impact on the Group's consolidated financial statements are listed below.

CLASSIFICATION AND MEASUREMENT - IFRS 9

The classification and measurement of the financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows, to conclude if the same correspond solely to payments of principal and interest on the outstanding principal) and of the business model test.

The Bank determines the business model based on the way groups of financial assets are managed collectively to achieve a specific business objective. This assessment requires judgement, since the following aspects, among others, have to be considered:
- the way in which the performance of the assets is assessed;
- the risks that affect the performance of assets and the way in which those risks are managed; and
- the way in which the asset managers are remunerated.

The Group monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to their maturity, to understand the reasons underlying their disposal and determine if they are consistent with the objective of the business model defined for those assets. This monitoring is included in the Bank's continuous assessment process of the business model of the financial assets remaining in portfolio, to determine if the latter is adequate and, if not, whether there was a change in the business model and, as a result, a prospective change of the classification of those financial assets.

CALCULATION OF IMPAIRMENT LOSSES IN FINANCIAL ASSETS - IFRS 9

Impairment losses in loans granted are calculated in accordance with the method defined in Note 2.5. and 41. As such, the calculation of impairment in individually analysed assets results from a specific assessment carried out by Banco Invest, using its knowledge of customers' circumstances and the guarantees associated with the operations in question.

The new procedures and criteria considered by the Bank in the preparation of accounting estimates in the context of the coronavirus pandemic ("Covid-19"), as well as the analysis of impacts of Covid-19 on the definition of stage, classification of significant increase in credit risk or default, and definition of impairment, are detailed in note 2.5.

The use of alternative methodologies and other assumptions and estimates, namely the effect of the pandemic coronavirus ("Covid-19"), could result in a different level of impairment losses with a consequent impact on the Bank's results.

This assessment is made on a case-by-case basis by the Bank based on its specific knowledge of its customers' circumstances and on the guarantees associated with the operations in question.

The determination of impairment losses for financial instruments involves judgements relative to the following aspects, among others:

Significant increase in credit risk:
Impairment losses correspond to the expected losses on a 12-month horizon for the assets in stage 1, and to the expected losses considering the probability of a default event occurring at some point up to the maturity date of the financial instrument for the assets in stage 2 and 3. An asset is classified in stage 2 whenever there is a significant increase in credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Bank takes into consideration qualitative and quantitative, reasonable and sustainable information.

Business model evaluation:
The classification and measurement of the financial assets depends on the characteristics of the contractual cash flows of the financial asset and the definition of the business model. The Bank determines the business model according to the way in which it wants to manage the financial assets and the business objectives. The Bank monitors whether the classification of the business model is appropriate based on the analysis of the early derecognition of the assets at amortised cost or at fair value through equity, evaluating whether a prospective change of the classification is necessary.

Definition of groups of assets with common credit risk characteristics:
When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Group monitors the adequacy of the credit risk characteristics in order to ensure that the reclassification of assets is carried out appropriately, in the event of a change in the credit risk characteristics.

Models and assumptions used:
The Group uses various models and assumptions to measure the estimated expected credit losses. Judgement is applied in the identification of the most appropriate model for each type of assets, as well as to determine the assumptions used in these models, including the assumptions related to the main credit risk drivers.

Probability of default:
The probability of default represents a determining factor in the measurement of the expected credit losses The probability of default corresponds to an estimate of the probability of default within a certain time period, whose calculation is based on historical data, assumptions and expectations regarding future conditions.

CALCULATION OF IMPAIRMENT LOSSES IN NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are measured at acquisition cost or fair value, whichever is lower, less the costs incurred by the sale, as mentioned in Note 2.8.

The fair value of these assets is calculated based on evaluations carried out by independent entities specialised in this type of service. The evaluation reports are analysed internally, namely by comparing the sales values with the revalued real estate values in order to maintain updated the parameters and processes of assessment of market developments.

The use of alternative methodologies and of different assumptions may result in a different level of fair value with an impact on the recognised balance sheet value.

CALCULATION OF INCOME TAX

Current and deferred taxes are determined by the Group using the rules established by the tax regulations in force. In certain situations the tax law may not be sufficiently clear and objective, and more than one interpretation may arise. In such situations, the amounts recorded are the outcome of the best judgement of the Bank's administrative bodies regarding the correct context for its operations, which may be questioned by the tax authorities.

2.24 Subsequent events

The Bank analyses events occurring after the balance sheet date, i.e., favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorised/approved. Two types of events can be identified in this context:

a) those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and

b) those that are indicative of conditions that arose 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 to be adjusting events, if significant, are disclosed in the notes to the financial statements.

3. GROUP COMPANIES

The main information on the business of the Bank's subsidiaries, as well as the consolidation method employed, may be summed up as follows:

Company	Business	Registered Office	Effective shareholding (%)	Consolidation method
Banco Invest, S.A.	Banking	Lisbon	n.a.	n.a.
Invest Gestão de Activos - SGFIM, S.A.	Mutual fund management	Lisbon	100%	Full
Fundo Tejo	Real estate purchase and sale	Lisbon	86.5%	Full

As at 31 December 2021 and 2020, the more significant financial highlights of the respective individual financial statements can be summed up as follows:

	2021			2020		
Company	Net assets	Net equity	Net income	Net assets	Net equity	Net income
Banco Invest, S.A.	1.108.935.731	156.196.272	20.059.169	925.203.322	136.820.734	12.974.285
Invest Gestão de Activos - SGFIM, S.A.	4.333.987	4.057.284	716.537	3.510.061	3.340.747	474.276
Fundo Tejo	9.530.534	9.409.000	604.981	8.925.173	8.804.019	510.936
Saldanha Holdings	-	-	-	1.499	1.499	(12.022)
Saldanha Finance	-	-	-	-	-	(10.921)

In the year 2021, the companies Saldanha Holdings and Saldanha Finance were liquidated.

4. CASH AND BALANCES AT CENTRAL BANKS

This item was made up as follows:

	31 December 2021	31 December 2020
Cash in hand	911.912	1.293.291
Demand deposits at the Bank of Portugal	126.597.575	41.429.250
	127.509.487	**42.722.541**

Demand deposits at the Bank of Portugal aim to comply with the minimum cash reserve requirements of the European System of Central Banks (ESCB). These deposits are not remunerated and exceed the required minimum of 2% of deposits and debt securities with an agreed maturity of up to two years, excluding deposits and debt securities of institutions subject to the ESCB's minimum reserve system.

5. AMOUNTS AND DEPOSITS AT OTHER CREDIT INSTITUTIONS

This item was made up as follows:

	31 December 2021	31 December 2020
Cheques payable		
- In Portugal	809.374	562.725
Demand deposits		
- In Portugal	2.759.294	2.685.363
- Abroad	20.943.485	17.112.498
Impairment losses	(6.875)	(8.773)
	24.505.278	**20.351.813**

The item Cheques payable represents essentially cheques drawn by third parties on other credit institutions that are due for collection. The balances of this item are settled in the first days of the following month.

6. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CREDIT INSTITUTIONS

As at 31 December 2021 and 2020, this item was made up as follows:

	31 December 2021	31 December 2020
Loanss and advances to credit institutions		
Credit Institutions in Portugal	700.000	700.000
Interest receivable	-	270.592
Impairment losses	(4.270)	(2.524)
	695.730	**968.068**

As at 31 December 2021 and 2020, the times to maturity of deposits at credit institutions were as follows:

	31 December 2021	31 December 2020
Up to 3 months	-	-
3 months to 1 uear	695.730	968.068
	695.730	**968.068**

7. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS

This item was made up as follows:

	31 December 2021	31 December 2020
Domestic loans		
Property leasing transactions	31.199.439	36.365.966
Medium and long-term loans	36.398.700	36.165.233
Curret account loans	19.502.610	22.353.610
Consumer and auto loans	295.952.511	276.669.980
Equipment finance leasing transactions	97.858	175.665
Current account overdrafts	11.987.292	8.096.363
Other loans	8.525.023	9.461.685
	403.663.433	**389.288.502**
Foreign loans		
Current account overdrafts	5.335.997	2.838.397
	408.999.430	**392.126.899**
Interest receivable	**1.817.463**	**2.244.119**
Commissions associated to amortised cost		
Deferred charges	19.502.533	18.245.673
Deferred income	(6.944.725)	(7.048.083)
	12.557.808	**11.197.590**
Past due principal and interest	**19.277.956**	**28.144.248**
	442.652.657	**433.712.856**
Impairment (Note 21)		
Impairment for non-securitised loans	(29.273.640)	(32.336.136)
	(29.273.640)	**(32.336.136)**
	413.379.017	**401.376.720**

As at 31 December 2021, the holders of a qualified shareholding in the Bank's capital and entities controlled by the Bank, identified in the Board of Directors report and in Note 37, and to whom the Bank granted a loan, represented in aggregate terms 29% of the share capital (2020: 34%).

As at 31 December 2021, the loan granted by the Bank to holders with qualified shareholdings and to companies controlled by them comes to 18,773,726 Euros (2020: 20,504,956 euros), according to Note 37. Business between the Group and qualifying shareholders or natural persons or legal entities related to the latter under the terms of Article 20 of the Portuguese Securities Code, regardless of the amount, is always subject to assessment and deliberation by the Board of Directors. The impairment amount set up for these contracts comes to 206,903 Euros as at 31 December 2021 (31 December 2020): 209,896 euros).

Commissions associated with amortised cost refer to the net value of commissions paid and commissions received for credit operations, deferred in accordance with the effective rate method, as referred to in Note 2.6.

Overdue loans and interest refer to the capital, interest and other expenses of overdue and uncollected instalments.

The movement under impairment in 2021 and 2020 is given in Note 22.

In September 2016, the Bank initiated its auto loan concession activity. At the end of 2021 the amount of credit concession comes to 295,952,511 euros (2020: 276,669,980 euros).

Within the scope of liquidity risk management, the Bank has a number of assets eligible for discount with the European Central Bank, in which some loans and advances to customers are included (see note 17).

As at 31 December 2021 and 2020, the breakdown of times to maturity of loans and advances to customers, excluding past due loans, is as follows:

	2021	2020
Up to 3 months	26.321.793	25.061.034
3 months to 1 year	3.921. 971	10.237.563
1 to 5 years	109.786.185	83..241.052
More than 5 years	268.969.481	273.587.250
	408.999.430	**392.126.899**

As at 31 December 2021 and 2020, the total loan portfolio broken down by stage, as defined in IFRS 9, is as follows:

	31 December 2021						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment	
Loans and advances to customers							
Property leasing transactions	28.746.343	(1.999.711)	1.173.260	(198.272)	1.573.094	(300.975)	28.993.739
Medium and long-term loans	31.479.719	(3.565.020)	804.278	(195.780)	9.791.747	(6.691.247)	31.623.697
Current account loans	19.502.610	(215.317)	-	-	85.462	(83.478)	19.289.277
Consumption and auto loans	281.265.142	(2.378.723)	10.678.736	(2.367.432)	13.846.163	(10.171.732)	290.872.154
Equipment finance lease transactions	97.858	(2.057)	-	-	-	-	95.801
Current account overdrafts	17.323.289	(21.434)	-	-	-	-	17.301.855
Other loans	4.315.433	(70.659)	1.196.306	(49.330)	6.397.946	(962.473)	10.827.223
	382.730.394	**(8.252.921)**	**13.852.580**	**(2.810.814)**	**31.694.412**	**(18.209.905)**	**399.003.746**

	31 December 2020						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment	
Loans and advances to customers							
Property leasing transactions	32.075.051	(2.434.316)	2.111.135	(421.253)	2.759.319	(740.717)	33.349.219
Medium and long-term loans	32.325.994	(3.768.793)	1.056.455	(377.766)	17.808.046	(9.671.145)	37.412.791
Current account loans	22.353.610	(245.578)	-	-	276.420	(181.756)	22.202.696
Consumption and auto loans	266.802.633	(2.808.553)	5.950.145	(1.453.161)	12.679.657	(9.314.346)	271.856.375
Equipment finance lease transactions	175.665	(2.033)	-	-	266.604	(106.642)	333.594
Current account overdrafts	10.934.760	(43.923)	-	-	-	-	10.890.837
Other loans	3.636.325	(64.671)	1.601.842	(83.954)	7.457.486	(657.529)	11.889.499
	368.304.038	**(9.367.867)**	**10.719.577**	**(2.296.134)**	**41.247.532**	**(20.672.135)**	**387.935.011**

As at 31 December 2021 and 2020, the breakdown of past due loans by age is as follows:

	2021	2020
Up to 3 months	969.468	983.999
3 months to 1 year	2.711.340	3.039.276
More than 1 year	15.597.148	24.120.973
	19.277.956	**28.144.248**

As at 31 December 2021 and 2020, the breakdown of past due loans by type of guarantee was as follows:

	2021	2020
Mortgage guarantee or financial leasing (property)	5.390.234	14.653.775
Commercial pledge of pharmacies	564.250	564.250
Other real guarantees	3.384.661	3.500.572
Personal guarantee	1.143.295	850.499
No guarantee	8.795.516	8.575.152
	19.277.956	**28.144.248**

As at 31 December 2021 and 2020, the breakdown of performing loans and past due loans and the fair value of the underlying guarantees by type of loan was as follows:

	2021			
	Performing	Past due	Total	Fair value of associated guarantees
Loans and advances to customers				
Property leasing transactions	31.199.439	293.258	31.492.697	73.548.424
Medium and long-term loans	36.398.700	5.677.044	42.075.744	79.543.915
Current account loans	19.502.610	85.462	19.588.072	6.131.265
Consumption and auto loans	295.952.511	9.837.530	305.790.041	-
Equipment finance lease transactions	97.858	-	97.858	253.132
Current account overdrafts	17.323.289	-	17.323.289	-
Other loans	8.525.023	3.384.662	11.909.685	19.735.580
	408.999.430	**19.277.956**	**428.277.386**	**179.212.316**

	2020			
	Performing	Past due	Total	Fair value of associated guarantees
Loans and advances to customers				
Property leasing transactions	36.365.966	579.539	36.945.505	82.706.756
Medium and long-term loans	36.165.233	15.025.262	51.190.495	92.092.752
Current account loans	22.353.610	276.420	22.630.030	6.242.836
Consumption and auto loans	276.669.980	8.762.455	285.432.435	-
Equipment finance lease transactions	175.665	266.604	442.269	253.132
Current account overdrafts	10.934.760	-	10.934.760	-
Other loans	9.461.685	3.233.968	12.695.653	20.371.931
	392.126.899	**28.144.248**	**420.271.147**	**201.667.407**

The Bank uses physical and financial collateral as instruments to mitigate credit risk. Physical collaterals correspond mainly to mortgages on residential properties within the scope of loan operations and medium and long-term loans, or to the legal property in the case of real estate leasing operations. In order to reflect their market value, these collaterals are reviewed regularly based on evaluations conducted by certified, independent appraisers. The financial collaterals are re-evaluated based on market values of their assets, when available, and certain depreciation coefficients are applied to reflect their volatility.

The breakdown of the loan portfolio, as at 31 December 2021 and 2020, by sector of activity, is as follows:

	2021		
	Performing loans	Past due loans	Total
Individuals	292.128.619	13.127.855	305.256.474
Individuals	32.445.459	1.938.503	34.383.962
Financial and insurance activities	24.926.634	254.624	25.181.258
Real estate activities	13.375.513	1.829.214	15.204.727
Public administration and defence; mandatory social security	-	-	-
Extractive industries	39.425	-	39.425
Manufacturing industries	7.396.329	457.058	7.853.387
Construction	8.369.085	474.468	8.843.553
Agriculture, livestock, hunting, forestry and fishing	4.126.056	355.125	4.481.181
Administrative and support services activities	3.133.135	73.158	3.206.293
Consultancy, scientific, technical and similar activities	3.035.585	36.563	3.072.148
Human health and social support activities	2.148.358	2.361	2.150.719
Hotels, restaurants and similar	7.033.204	180.450	7.213.654
Water supply, sewerage, waste managementand remediation activities	413.026	-	413.026
Other activities and services	3.813.717	96.209	3.909.926
Transportation and storage	3.263.615	331.039	3.594.654
Arts, entertainment, sports and recreational activities	1.332.873	65.363	1.398.236
Education	698.032	1.408	699.440
Electricity, gas, steam, hot and cold water and cold air	-	-	-
Information and communication activities	1.316.681	54.558	1.371.239
"Activities of households as employers of domestic staff and producing activities"	4.084	-	4.084
Total Loans	**408.999.430**	**19.277.956**	**428.277.386**

	2020		
	Performing loans	Past due loans	Total
Individuals	279.021.311	14.896.554	293.917.865
Wholesale and retail trade; repair of motor vehicles and motorbikes	34.464.530	4.738.414	39.202.944
Financial and insurance activities	23.614.073	249.009	23.863.082
Real estate activities	13.735.292	2.080.680	15.815.972
Public administration and defence; mandatory social security	-	-	-
Extractive industries	-	-	-
Manufacturing industries	7.806.756	624.750	8.431.506
Construction	7.084.201	1.131.977	8.216.178
Agriculture, livestock, hunting, forestry and fishing	2.236.336	3.270.264	5.506.600
Administrative and support services activities	2.656.389	47.074	2.703.463
Consultancy, scientific, technical and similar activities	3.210.338	55.057	3.265.395
Human health and social support activities	2.001.734	2.195	2.003.929
Hotels, restaurants and similar	5.484.136	476.522	5.960.658
Water supply, sewerage, waste managementand remediation activities	396.712	12	396.724
Other activities and services	4.838.910	18.728	4.857.638
Transportation and storage	2.784.185	236.564	3.020.749
Arts, entertainment, sports and recreational activities	1.210.337	23.715	1.234.052
Education	605.705	239.881	845.586
Electricity, gas, steam, hot and cold water and cold air	-	-	-
Information and communication activities	975.954	52.852	1.028.806
Actividades das famílias empregadoras de pessoal doméstico "Activities of households as employers of domestic staff and producing activities"	-	-	-
Total Loans	**392.126.899**	**28.144.248**	**420.271.147**

To comply with the requirements for disclosure of IFRS 16 – Leasings, the Bank prepared for the financial leasing portfolio, with reference to 31 December 2021 and 2020, the reconciliation between the minimum leasing payments and their present value, for each one of the periods defined in the standard, presented in the following table:

	2021	2020
Minimum lease payments		
Up tp 1 year	4.576.631	4.840.197
1 to 5 years	14.779.321	16.214.765
More than 5 years	18.150.043	23.682.489
	37.505.995	**44.737.451**
Unearned financial income	(6.208.698)	(8.195.820)
	31.297.297	**36.541.631**
Present value of minimum lease payments		
Up tp 1 year	3.503.349	3.528.928
1 to 5 years	12.012.050	12.743.315
More than 5 years	15.781.898	20.269.388
	31.297.297	**36.541.631**
Impairments for financial lease loans	(3.704.961)	(3.704.961)
	27.592.336	**32.836.670**

As at 31 December 2021 and 2020 the Bank´s financial leasing portfolio contains no contracts whose residual value is guaranteed by external entities, nor are there any contingent rents

The loan portfolio includes contracts that resulted from a formal restructuring with customers, in order to replace previous loans with new financing. In the year 2021, there were 1,034 (2020: 164) restructurings due to customer financial difficulties, which total 848,769 euros (2020: 2,160,270 euros).

The restructuring may result from an increase in collateral and/or the settlement of part of the loans and imply an extension of maturities or a change in the interest rate. The analysis of restructured loans, by sector of activity, is as follows:

	2021			
	Performing loans	Past due loans	Total	Impairment
Administrative and support services activities	37 489	-	37 489	9 479
“Arts, entertainment, sports and recreational activities”	47.850	-	47.850	10.195
Human health and social support activities	-	2.078	2.078	2.078
Financial and insurance activities	5.074	249.009	254.083	156.940
Real estate activities	686.564	-	686.564	52.250
Agriculture, livestock, hunting, forestry and fishing	1.505.931	302.502	1.808.433	779.156
Hotels. restaurants and similar	403.535	26.610	430.145	56.032
“Wholesale and retail trade; repair of motor vehicles and motorbikes”	1.469.418	833.972	2.303.390	542.281
Construction	47.439	1.117	48.556	4.899
Education	157.385	-	157.385	10.279
Manufacturing industries	341.945	407.573	749.518	209.802
Other activities and services	9.797	-	9.797	154
Individuals	5.148.322	955.429	6.103.751	1.298.826
Transportation and storage	72.111	274	72.385	24.465
Total loans	**9.932.860**	**2.778.564**	**12.711.424**	**3.156.836**

	2020			
	Performing loans	Past due loans	Total	Impairment
Administrative and support services activities	41.726	-	41.726	8.808
“Arts, entertainment, sports and recreational activities”	5.517	-	5.517	1.150
Human health and social support activities	-	2.078	2.078	2.078
Financial and insurance activities	-	249.009	249.009	127.192
Real estate activities	717.203	-	717.203	20.959
Agriculture, livestock, hunting, forestry and fishing	1.738.446	3.270.264	5.008.710	1.933.918
Hotels. restaurants and similar	377.530	146.586	524.116	147.404
“Wholesale and retail trade; repair of motor vehicles and motorbikes”	1.930.065	2.496.730	4.426.795	1.542.022
Construction	47.989	1.294	49.283	3.411
Education	164.204	-	164.204	27.681
Manufacturing industries	738.794	421.970	1.160.764	325.204
Other activities and services	63.980	-	63.980	24.496
Individuals	4.915.577	836.070	5.751.647	980.403
Transportation and storage	40.962	237	41.199	11.184
Total loans	**10.781.993**	**7.424.238**	**18.206.231**	**5.155.910**

The restructured loans are subject to an impairment analysis resulting from the reassessment of expectations to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

The Bank has implemented a process for marking operations restructured due to customers' financial difficulties. This marking is part of the credit analysis process. The information on operations restructured due to financial difficulties is available in the Bank's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment.

In particular:

- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations, implementation of grace periods longer than 24 months);
- in exposures marked as restructured due to customers' financial difficulties, the process of calculation of impairment is based on the model of individual analysis, allowing an objective and direct calculation of the potential risk of loss.

The operations marked as restructured due to customers' financial difficulties, maintain the referred marking, during a period of quarantine of not less than 12 months, during which the regularity of the fulfilment of the obligations is monitored monthly. After this period, although they are no longer classified as restructured due to non-compliance, they are carried over to a monthly probationary period of not less than 24 months.

The Value at Risk comprises, by exposure, the amounts overdue and not paid (principal, interest and other charges), the amounts due (principal not yet due) and the accrued and not yet due interest (from the last due date to the closing date of the accounts).

The classification of Non Performing Loans includes, i) besides the exposures marked as restructured due to customers' financial difficulties, active contracts: ii) with credit overdue for more than 90 days, iii) exposures without credit overdue or credit overdue for less than 90 days, but in a cure period; iv) exposures where credit overdue, regardless of seniority, represents more than 20% of the exposure value at risk, v) exposures identified as having risk signs, even without credit overdue (PER or PI requirement, execution by Third Parties of collaterals that mitigate the risk of exposure to our Bank). And, of course, vi) exposures associated with credit agreements that have been terminated due to default and are still under judicial execution.

As at 31 December 2021, the amount of NPL was 31,018,573 euros (31 December 2020: 41,292,300 euros).

The portfolio includes loans, which in view of the customers' financial difficulties, were subject to a change in the initial conditions of the contract in the amount of 12,711,424 euros (31 December 2020: 18,216,855 euros), which present an impairment of 3,156,836 euros (31 December 2020: 5,155,910 euros).

The two main loan portfolios on the Balance Sheet, associated with auto loans and mortgage loans (and real estate leasing) assimilated, during 2020, the framework and practices associated with moratoria: i) legal (Decree-Law 10-J/2020) and ii) sectoral (ASFAC).

The sectoral moratorium (applicable exclusively to consumer car loans) came to an end on 31 December 2020, and only the legal moratorium remained in force, which covered - as shown in note 37. Relevant facts - about 36.7 million euros of outstanding credit, corresponding to about 8.73% of the gross credit portfolio on that date. The legal moratorium expired in 2021, mostly in April and September.

Sensitivity analysis of the amount of impairment to changes in the main assumptions

Considering the types of the Bank's portfolios, as explained above in the report, the process of calculation of impairment is segregated by loans under individual analysis and those under collective analysis. For the former, the associated impairment is essentially dependent on the value of the associated collateral, while for the group of loans analysed collectively the impairment levels tend to be especially sensitive to the probability of default associated with each segment.

In this context, the sensitivity tests performed are segregated by the factors mentioned, according to the type of analysis performed and the associated credit typology, and the impacts obtained in relation to the impairment recorded on 31 December 2021 are presented in the following table:

Type of Credit	Impairment before the shock			Shock		Impairment after the shock			Variation %
	Individual	Collective	Total	Collateral	PD	Individual	Collective	Total	
General Real Estate Credit	13.130.075	198.347	13.328,.422	-7,6%	+30%	11.560.582	237.152	11.797.734	+6,5%
Loans with precious metals as collateral	964.125	118.337	1.082.462	-13,4%	+30%	976.970	127.880	1.104.850	+2,1%
Auto loans	-	14.917.888	14.917.888	-	+30%	-	16.341.734	16.341.734	+9,5%
Total	**14.094.200**	**15.234.572**	**29.328.772**			**12.537.552**	**16.706.766**	**29.244.318**	

With regard to the assumptions used in the sensitivity analysis, for loans subject to individual analysis, in the general credit segment a devaluation of the associated collateral of 7.6% was considered, which corresponds to the largest annual devaluation historically observed in this segment over the last five years, while for the precious metals secured lending segment a collateral devaluation of 13.4% was used, which corresponds to the largest intra-annual devaluation of the gold price over the last five years.

For loans subject to collective analysis an analogous shock was considered for all segments corresponding to a 30% percentage increase in the associated probability of default.

8. FINANCIAL ASSETS AT AMORTISED COST - DEBT SECURITIES

This item was made up as follows:

	31 December 2021	31 December 2020
Debt securities		
Portuguese government debt or public companies	5.824.135	10.808.520
Other residents		
Credit institutions	11.903.525	-
Companies	57.404.645	58.731.560
Commercial paper	58.350.683	16.147.017
Interest receivable	661.339	824.455
Non-residents		
Government debt	80.463.668	76.488.183
Credit institutions	10.500.996	10.499.180
Companies	72.686.925	67.401.306
Interest receivable	2.768.164	2.640.604
"Adjustments arising from the application of fair value hedge accounting"	(505.145)	8.487
	300.058.935	243.549.312
Impairment (Note 21)		
Other loans and receivables - debt securities	(719.265)	(488.441)
	(719.265)	(488.441)
	299.339.670	243.060.871

The carrying amounts of the hedged items arising from the application of fair value hedge accounting are as follows:

	31 December 2021	31 December 2020
Debt securities	28.284.863	28.244.838

The composition of the (non-resident) debt securities, excluding public issuers and credit institutions, as at 31 December 2021 and 2020, by sector of activity was as follows:

	31 December 2021	31 December 2020
Extractive industries	5.067.663	5.082.694
Manufacturing industries	31.706.693	30.770.009
Electricity, gas, steam, hot and cold water and cold air	19.743.531	19.398.226
Other activities and services	2.273.232	2.283.125
Transportation and storage	5.039.567	3.519.261
nformation and communication activities	6.009.867	3.383.700
Financial and insurance activities	835.136	949.484
Real estate activities	1.011.890	1.015.559
Administrative and support services activities	999.346	999.248
	72.686.925	**67.401.306**

As at 31 December 2021, the debt securities portfolio, excluding interest receivable, broken down by stage, as defined in IFRS 9, is as follows:

	31 December 2021						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment	
Debit securities	296.629.432	(719.265)	-	-	-	-	295.910.167
	296.629.432	**(719.265)**	**-**	**-**	**-**	**-**	**295.910.167**

	31 December 2020						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment	
Debit securities	240.084.253	(488.441)	-	-	-	-	239.595.812
	240.084.253	**(488.441)**	**-**	**-**	**-**	**-**	**239.595.812**

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Financial assets at fair value item through profit or loss is analysed as follows:

	31 December 2021	31 December 2020
Activos financeiros detidos para negociação		
Debt instruments	37.854.954	33.315.872
Interest receivable	375.660	350.354
Equity instruments	3.807.558	2.895.668
Derivatives	417.620	3.409.965
	42.455.792	**39.971.859**
Financial assets not held for trading mandatorily at fair value through profit or loss		
Equity instruments	14.607.405	19.837.835
	14.607.405	**19.837.835**

The Financial assets not held for trading mandatorily at fair value through profit or loss - equity instruments item resulted from the reclassification on 1 January 2018 of the investment units of the funds, since their characteristics did not permit their classification in comprehensive income under the accounting policy described in note 2.5.

These items were made up as follows:

	31 December 2021		31 December 2020	
	Financial assets held for trading	Financial assets not held for trading mandatorily at fair value through profit or loss	Financial assets held for trading	Financial assets not held for trading mandatorily at fair value through profit or loss
Debt instruments				
Other residents				
Other national public issuers	-	-	-	-
Credit institutions	475.665	-	-	-
Companies	950.650	-	-	-
Companies				
Foreign public issuers	1.465.579	-	2.470.208	-
Credit institutions	7.701.394	-	7.624.205	-
Companies	27.261.666	-	23.221.459	-
	37.854.954	**-**	**33.315.872**	**-**
Interest receivable	**375.660**	**-**	**350.354**	**-**
	38.230.614	**-**	**33.666.226**	**-**
Equity instruments				
Residents				
Shares	-	-	-	-
Investment units	-	14.606.380	-	19.764.198
Other	-	1.025	-	458
Non-residents				
Shares	3.516.478	-	2.168.261	-
Investment units	291.080	-	727.407	73.179
	3.807.558	**14.607.405**	**2.895.668**	**19.837.835**
Derivatives				
Swaps				
Interest rate	417.620	-	275.078	-
Others	-	-	3.085.322	-
Options embedded in structured deposits	-	-	49.565	-
	417.620	**-**	**3.409.965**	**-**
	42.455.792	**14.607.405**	**39.971.859**	**19.837.835**

As at 31 December 2021 and 2020, the portfolios are recorded at fair value through profit or loss, in accordance with the accounting policy described in note 2.5.

As at 31 December 2021, the Bank holds units of the following entities:
- Crest I - FCR;
- Crest II - FCR;
- Iberis Bluetech Fund, FCR;
- Invest Iberia – Fundo de Investimento Imobiliário Aberto de Ações; and
- Espírito Santo Iberia I – Fundo de Capital de risco.

The composition of (non-resident) debt instruments, excluding public issuers and credit institutions, as at 31 December 2021 and 2020, by sector of activity, was as follows:

	Financial assets held for trading	
	31 December 2021	**31 December 2020**
Manufacturing industries	6.485.400	8.501.741
Electricity, gas, steam, hot and cold water and cold air	8.144.997	5.881.603
Water supply, treatment and distribution; sanitation, waste management and depollution	2.029.390	1.541.160
Construction	979.400	-
Other activities and services	-	1.091.935
Wholesale and retail trade; repair of motor vehicles and motorbikes	2.057.675	-
Transportation and storage	1.203.590	2.024.276
Information and communication activities	2.788.698	2.330.981
Financial and insurance activities	3.279.714	1.325.614
Real estate activities	292.802	-
Administrative and support services activities	-	524.149
	27.261.666	**23.221.459**

As at 31 December 2021 and 2020, the nominal value of the debt instruments is as follows:

	31 December 2021	**31 December 2020**
Other residents		
Credit institutions	500.000	-
Companies	1.000.000	-
Non-residents		
Foreign public issuers	1.500.000	2.500.000
Credit institutions	11.700.000	11.400.000
Companies	26.850.000	22.500.000
	41.550.000	**36.400.000**

As at 31 December 2021 and 2020, the transactions with derivatives were valued in accordance with the criteria in Note 2.5. On these dates, the breakdown of the notional amount and book value was as follows:

	2021			
	Notional amount	**Book value**		
	Trading group derivaties	**Financial assets held for trading**	**Financial liabilities held for trading**	**Total**
			(Note 20)	
Derivatives				
Over the counter (OTC)				
- Swaps				
Interest rate	97.521.343	417.620	(122.975)	294.645
Others	-	-	-	-
- Options embedded in structured deposits	57.096.971	-	(215.299)	(215.299)
- Options				
Equities	-	-	-	-
	154.618.314	**417.620**	**(338.274)**	**79.346**
Traded on the stock exchange				
- Futures				
Interest rate	35.901.063	-	-	-
Equities	2.937.627	-	-	-
Foreign exchange	13.210.518	-	-	-
	52.049.208	**-**	**-**	**-**
	206.667.522	**417.620**	**(338.274)**	**79.346**

	2020			
	Notional amount	Book value		
	Trading group derivaties	Financial assets held for trading	Financial liabilities held for trading	Total
			(Note 20)	
Derivatives				
Over the counter (OTC)				
- Swaps				
Interest rate	73.699.945	275.078	(63.719)	211.359
Others	5.878.246	3.085.322	-	3.085.322
- Options embedded in structured deposits	61.154.069	49.565	(136.092)	(86.527)
- Options				
Equities	4.623.000	-	(40.094)	(40.094)
	145.355.260	**3.409.965**	**(239.905)**	**3.170.060**
Traded on the stock exchange				
- Futures				
Interest rate	87.345.050	-	-	-
Equities	242.121	-	-	-
Foreign exchange	6.113.174	-	-	-
	93.700.345	**-**	**-**	**-**
	239.055.605	**3.409.965**	**(239.905)**	**3.170.060**

The distribution of derivative transactions as at 31 December 2021 and 2020, by times to maturity, was as follows (by notional amount):

	2021					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Derivatives						
Over the counter (OTC)						
- Swaps						
Interest rate	13.045.544	14.181.624	20.930.135	49.364.040	-	97.521.343
Other	-	-	-	-	-	-
	13.045.544	**14.181.624**	**20.930.135**	**49.364.040**	**-**	**97.521.343**
- Options embedded in structured deposits	12.537.764	6.681.484	15.474.516	22.403.207	-	57.096.971
- Options						
Equities and exchange rates	-	-	-	-	-	-
- Futures						
Interest rate	1.820.513	-	17.561.300	16.519.250	-	35.901.063
Equities	2.937.627	-	-	-	-	2.937.627
Foreign exchange	13.210.518	-	-	-	-	13.210.518
	17.968.658	**-**	**17.561.300**	**16.519.250**	**-**	**52.049.208**
	43.551.966	**20.863.108**	**53.965.951**	**88.286.497**	**-**	**206.667.522**

	2020					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Derivatives						
Over the counter (OTC)						
- Swaps						
Interest rate	-	1.998.016	28.109.353	43.592.576	-	73.699.945
Other	-	-	-	-	5.878.246	5.878.246
	-	**1.998.016**	**28.109.353**	**43.592.576**	**5.878.246**	**79.578.191**
- Options embedded in structured deposits	3.711.646	866.586	19.638.571	36.937.266	-	61.154.069
- Options						
Equities and exchange rates	3.960.000	-	-	663.000	-	4.623.000
- Futures						
Interest rate	25.758.050	18.350.375	28.154.600	15.082.025	-	87.345.050
Equities	242.121	-	-	-	-	242.121
Foreign exchange	6.113.174	-	-	-	-	6.113.174
	32.113.345	**18.350.375**	**28.154.600**	**15.082.025**	**-**	**93.700.345**
	39.784.991	**21.214.977**	**75.902.524**	**96.274.867**	**5.878.246**	**239.055.605**

The distribution of derivative transactions as at 31 December 2021 and 2020, by type of counterparty, was as follows:

	2021	2020
Over the counter (OTC)		
Swaps		
Interest rate		
- Financial institutions	97.521.343	73.699.945
Other		
- Customers	-	5.878.246
Options embedded in structured deposits		
- Customers	57.096.971	60.302.957
Opções de cotações		
- Customers	-	4.623.000
	154.618.314	**144.504.148**
Traded on the stock exchange		
Futures		
- Interest rate	35.901.063	87.345.050
- Equities	2.937.627	242.121
- Foreign exchange	13.210.518	6.113.174
	52.049.208	**93.700.345**
	206.667.522	**238.204.493**

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item was made up as follows:

	31 December 2021	31 December 2020
Debit instruments		
Other residents		
Other national public issuers	203.170	104.346
Other	7.069.580	7.702.896
Non-residents		
Foreign public issuers	6.455.623	6.531.716
Credit instituons	20.708.034	15.539.080
Other	116.584.973	95.304.727
	151.021.380	**125.182.765**
Interesrt receicable	929.191	882.160
	151.950.571	**126.064.925**
Impairment of other securities	-	-
	151.950.571	**126.064.925**

The composition of (non-resident) debt instruments, excluding public issuers and credit institutions, as at 31 December 2021 and 2020, by sector of activity, was as follows:

	31 December 2021	31 December 2020
Extractive industries	1.060.270	1.084.830
Manufacturing industries	56.935.457	45.098.168
Electricity, gas, steam, hot and cold water and cold air	31.011.275	28.188.680
"Water supply, sewerage, waste management and remediation activities"	2.997.765	540.845
Other activities and services	-	5.230.985
Wholesale and retail trade; repair of motor vehicles and motorbikes	5.190.520	-
Information and communication activities	14.796.751	11.463.674
Information and communication activities	-	-
Administrative and support services activities	1.990.500	1.040.860
Human health and social support activities	2.602.435	2.656.685
	116.584.973	**95.304.727**

As at 31 December 2021 and 2020, the nominal value of the debt instruments is as follows:

	31 Dezembro 2021	31 Dezembro 2020
Other residents		
Other national public issuerss	200.000	100.000
Other	7.000.000	7.600.000
Non-residents		
Non-residents	7.000.100	7.000.100
Credit institutions	20.600.000	15.200.000
Other	113.400.000	90.400.000
	148.200.100	**120.300.100**

As described in the accounting policy referred to in Notes 2.5 and 41, the financial assets available for sale portfolio is presented at its market value, with the respective fair value recorded against fair value reserves (Note 25).

As at 31 December 2021 and 2020, the unrealised gains and losses in financial assets available for sale were as follows:

	31 December 2021	31 December 2020
Debt instruments		
Other residents		
Other residents	(2.056)	(455)
Other bonds	(76.124)	(114.202)
Non-residents		
Foreign public issuers	154.266	176.337)
Other bonds	(3.046.399)	(5.353.106)
	(2.970.313)	**(5.644.100)**
Equity instruments	190.146	186.746
Net potential gains (Note 24)	**(2.780.167)**	**(5.457.354)**

As at 31 December 2021 and 2020, the portfolio of financial Assets at fair value through other comprehensive income, excluding interest receivable, broken down by stage, as defined in IFRS 9, is as follows:

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	Gross value	Gross value	Gross value	
Financial assets at fair value through other comprehensive income	151.021.380	-	-	151.021.380

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	Gross value	Gross value	Gross value	
Financial assets at fair value through other comprehensive income	125.182.765	-	-	125.182.765

11. NON-CURRENT ASSETS HELD FOR SALE

This item was made up as follows:

	31 December 2021	31 December 2020
Real estate	11.439.201	13.181.868
Impairment (Note 22)	(3.226.841)	(4.043.045)
	8.212.360	**9.138.823**

Changes in this item in 2021 and 2020 are shown below:

	2021									
	31 December 2020							31 December 2021		
	Gross Value	Impairment	Acquisitions	Disposals	Transfers	Impairment Reinstatements / (Appropriations)	Use of Impairment	Gross Value	Impairment	Net value
		(Note 22)				(Note 22)	(Note 22)		(Note 22)	
Real estate	**13.181.868**	**(4.043.045)**	**1.141.772**	**(2.884.439)**	**-**	**109.655**	**706.549**	**11.439.201**	**(3.226.841)**	**8.212.360**

	2020									
	31 December 2020							31 December 2021		
	Gross Value	Impairment	Acquisitions	Disposals	Transfers	Impairment Reinstatements / (Appropriations)	Use of Impairment	Gross Value	Impairment	Net value
		(Note 22)				(Note 22)	(Note 22)		(Note 22)	
Real estate	**16.807.315**	**(5.203.033)**	**672.660**	**(4.268.643)**	**(29.527)**	**(238.006)**	**1.397.994**	**13.181.868**	**(4.043.045)**	**9.138.823**

As at 31 December 2021 and 2020, the breakdown of non-current assets held for sale is as follows, according to the Group acquisition date:

	2021			2020		
Year of acquisiyion	Gross value	Impairment	Net value	Gross value	Impairment	Net value
prior to 2011	3.520.454	(1.331.932)	2.188.522	4.359.713	(1.665.105)	2.694.608
2011	451.008	(217.050)	233.958	503.657	(204.652)	299.005
2012	736.826	(110.642)	626.184	1.261.467	(388.113)	873.354
2013	643.563	(39.555)	604.008	694.458	(57.864)	636.594
2014	186.532	(14.239)	172.293	782.422	(273.748)	508.674
2015	1.006.553	(319.321)	687.232	1.297.130	(211.058)	1.086.072
2016	1.215.060	(618.500)	596.560	1.454.121	(780.424)	673.697
2017	1.062.633	(128.143)	934.490	1.173.667	(181.536)	992.131
2018	930.079	(270.156)	659.923	969.579	(204.318)	765.261
2019	450.613	(46.747)	403.866	685.654	(76.227)	609.427
2020	1.235.880	(130.556)	1.105.324	-	-	-
	11.439.201	**(3.226.841)**	**8.212.360**	**13.181.868**	**(4.043.045)**	**9.138.823**

The real estate held in portfolio for more than 1 year corresponds to real estate that in spite of the commercial efforts undertaken by the Group to proceed with its immediate sale, has still not been sold, due mainly to the current climate of the real estate market. The Bank continues to focus its efforts on selling the real estate in the short-term.

During 2021, the Bank recorded net gains from the sale of real estate received in lieu of payment, totalling 156,522 euros (2020: net gains of 353,333 euros) (Note 34), which were determined in certain situations relative to the gross value of the real estate.

12. INVESTMENT PROPERTIES

This item was made up as follows:

	2021	2020
Gross value	5.137.826	5.183.801
Accumulated depreciation and impairment losses (Note 22)	(876.271)	(1.227.001)
	4.261.555	**3.956.800**

As at 31 December 2021 and 2020, the balance of this item corresponds to real estate which has been rented by the Group and for which there are no prospects of selling in the short term. On these dates the Group has recorded an impairment of 876,271 euros (in 2020): 1,268,135 euros), resulting from the updating of the real estate valuations of these assets (Note 22).

Investment properties are recorded at acquisition cost, less accumulated depreciation and impairment losses. As at 31 December 2021 and 2020, the Group did not record depreciation for the year due to the fact that all real estate presented a valuation value lower than its acquisition value less depreciation that would be calculated from the date of its acquisition until 31 December 2021. For the same reason, the balance sheet value of this real estate is similar to its fair value which at 31 December 2021 corresponds to 4,865,850 euros (31 December 2020: 5,883,931 euros).

During 2021 and 2020, the value of investment property rents charged by the Group came to 380,042 euros and 273,706 euros, respectively.

13. OTHER TANGIBLE ASSETS

Changes in the "Other tangible assets" items during 2021 and 2020 were as follows:

2021								
	31 December 2020					Disposals and write-offs		
Description	Gross value	Accumulated depreciation	Acquisitions	Depreciation for the year	Transfers	Gross value	Depreciations	Net value 31-12-2021
Real estate								
- Premises	708.264	(257.440)	157.750	(12.217)	-	-	-	596.357
- Leasehold expenses	3.155.910	(2.531.551)	724	(136.187)	37.412	-	-	526.308
	3.864.174	**(2.788.991)**	**158.474**	**(148.404)**	**37.412**	**-**	**-**	**1.122.665**
Equipment:								
- Furniture and materials	514.241	(416.199)	14.780	(21.253)	4.932	(20.077)	20.077	96.501
- Machines and tools	85.540	(57.716)	976	(7.049)	-	(912)	912	21.751
- IT equipment	914.758	(779.680)	366.379	(130.125)	-	(1.564)	1.564	371.332
- Fixtures and fittings	561.140	(549.646)	5.247	(5.090)	-	-	-	11.651
- Vehicles	2.349.486	(2.100.407)	556.385	(171.326)	-	(377.774)	376.883	633.247
- Safety equipment	9.578	(8.985)	-	(179)	-	-	-	414
	4.434.743	**(3.912.633)**	**943.767**	**(335.022)**	**4.932**	**(400.327)**	**399.436**	**1.134,896**
Other tangible assets:								
- Artistic assets	41.364	-	-	-	-	-	-	41.364
- Under construction	18.213	-	176.076	-	(42.344)	-	-	151.945
	59.577	**-**	**176.076**	**-**	**(42.344)**	**-**	**-**	**193.309**
Right-of-use - IFRS 16								
- Real estate	6.695.665	(1.861.055)	-	(933.953)	-	(84.082)	7.007	3.823.582
- Other	21.157	(21.157)	-	-	-	-	-	-
	15.075.316	**(8.583.836)**	**1.278.317**	**(1.417.379)**	**-**	**(484.409)**	**406.443**	**6.274.452**

	2020							
	31 December 2019					Disposals and write-offs		
Description	Gross value	Accumulated depreciation	Acquisitions	Depreciation for the year	Transfers	Gross value	Depreciations	Net value 31-12-2020
Real state								
- Premises	708.264	(246.603)	-	(10.837)	-	-	-	450.824
- Leasehold expenses	3.107.921	(2.369.848)	23.817	(161.703)	24.172	-	-	624.359
	3.816.185	**(2.616.451)**	**23.817**	**(172.540)**	**24.172**	**-**	**-**	**1.075.183**
Equipment:								
- Furniture and materials	496.551	(395.762)	17.690	(20.437)	-	-	-	98.042
- Machines and tools	72.702	(50.327)	12.838	(7.389)	-	-	-	27.824
- IT equipment	814.288	(687.218)	100.470	(92.462)	-	-	-	135.078
- Fixtures and fittings	557.800	(545.109)	3.340	(4.537)	-	-	-	11.494
- Vehicles	2.365.103	(1.853.764)	24.299	(286.559)	-	(39.916)	39.916	249.079
- Safety equipment	9.578	(8.807)	-	(178)	-	-	-	593
	4.316.022	**(3.540.987)**	**158.637**	**(411.562)**	**-**	**(39.916)**	**39.916**	**522.110**
Other tangible assets:								
- Artistic assets	41.364	-	-	-	-	-	-	41.364
- Under construction	6.840	-	35.545	-	(24.172)	-	-	18.213
	48.204	**-**	**35.545**	**-**	**(24.172)**	**-**	**-**	**59.577**
Right-of-use - IFRS 16								
- Real estate	6.812.837	(955.510)	-	(922.201)	-	(117.172)	16.656	4.834.610
- Other	21.157	(10.578)	-	(10.579)	-	-	-	-
	15.014.405	**(7.123.526)**	**217.999**	**(1 516.882)**	**-**	**(157.088)**	**56.572**	**6.491.480**

The item Right of use item corresponds essentially to leased properties (branches and central buildings) and a residual number of printers, amortised according to the lease term of each contract, as described in accounting policy 2.8 and note 41.

14. INTANGIBLE ASSETS

Changes in the "Intangible assets" items during 2021 and 2020 were as follows:

	2021							
	31 December 2020				Disposals and write-offs			
Description	Gross value	Accumulated amortisations	Acquisitions	Transfers	Gross value	Amortisations	Amortisations for the year	Net value 31-12-2021
Intangible assets								
Software	2.695.346	(2.478.195)	-	160.178	-	-	(145.705)	231.624
Intangible assets in progress	186.275	-	209.956	(160.178)	-	-	-	236.053
	2.881.621	**(2.478.195)**	**209.956**	**-**	**-**	**-**	**(145.705)**	**467.677**

	2020							
	31 December 2019				Disposals and write-offs			
Description	Gross value	Accumulated amortisations	Acquisitions	Transfers	Gross value	Amortisations	Amortisations for the year	Net value 31-12-2020
Intangible assets								
Software	2.583.214	(2.320.819)	71.454	40.678	-	-	(157.376)	217.151
Intangible assets in progress	186.642	-	40.311	(40.678)	-	-	-	186.275
	2.769.856	**(2.320.819)**	**111.765**	**-**	**-**	**-**	**(157.376)**	**403.426**

15. INCOME TAX

The asset and liability balances by income tax as at 31 December 2021 and 2020 were as follows:

	2021	2020
Deferred tax assets		
- By temporary differences	3.429.350	4.619.850
Deferred tax liabilities		
- By temporary differences	(1.164.498)	(1.560.205)
	2.264.852	**3.059.645**
Current tax assets / (liabilities)		
- Tax assessed	(4.755.837)	(2.904.278)
- Tax benefit	-	-
- Surcharge	(339.703)	(207.448)
- State surcharge	(937.342)	(465.896)
- Autonomous taxation	(119.515)	(131.576)
	(6.152.397)	**(3.709.198)**
- Payments on account	2.607.561	1.210.364
- Additional payments on account	380.853	154.120
- Tax withheld at source	687.081	27.621
	(2.476.902)	**(2.317.093)**

Current tax is calculated based on taxable income for the year, which differs from the accounting result due to adjustments to taxable income arising from costs or earnings not relevant for tax purposes, or which will only be considered in other reporting periods. The main situations that generate such adjustments are related with the Banking Sector Contribution and the difference between credit impairments and the relevant values for tax purposes.

In 2019, Law 98/2019 of 4 September was published, which establishes a new regime for impairment of credit institutions and other financial institutions for tax periods beginning on or after 1 January 2019.

Articles 28-A and 28-C of the Corporate Income Tax Code now provide for the deductibility, for the purposes of determining taxable profit, of impairment losses for credit risk, in securities and other investments (with certain exceptions), provided they are accounted for in accordance with the applicable accounting and regulatory rules (the reference to the rules/limits defined in a regulatory decree - which, in turn, referred to the minimum limits established in Bank of Portugal Notice 3/95 - which determined whether or not to accept the said impairment for tax purposes, having been eliminated).

The provisions of the revoked Bank of Portugal Notice 3/95 (“Notice 3/95”), as amended before its revocation by Bank of Portugal Notice 5/2015, shall continue to apply to impairment losses for specific credit risk recorded in tax periods prior to the application of the regime that have not yet been accepted for tax purposes.

With regard to impairment losses for specific credit risk recorded after the entry into force of Law 98/2019 of 4 September, an optional “adjustment period” of 5 years (up to and including 2023) was created, during which credit institutions and other financial institutions may continue to apply the previous tax regime, namely the limits set out in Bank of Portugal Notice 3/95 and other applicable tax rules.

In this sense, the possibility of early adoption of the new tax regime (the “definitive regime”) is also foreseen, an option subject to communication by the institutions to the Director General of the Tax and Customs Authority until the end of the tenth month of the current taxation period.

The Bank opted to adhere to the new regime for impairment of credit institutions and other financial institutions by reference to the tax period of 2019, and therefore considered the application of the definitive regime in its current tax estimate as at 31 December 2019 and 31 December 2020.

In general terms, according to that diploma:

(i) impairment losses for credit risk recorded in tax periods beginning on or after 1 January 2019 shall be recorded in the taxable income, except for rare executions;

(ii) impairment losses for credit risk recorded in previous tax periods continue to be subject to the previous tax framework, i.e. the mandatory minimum limits established in Bank of Portugal Notice 3/95.

(iii) reversals of impairment losses should be allocated to those impairment losses that were not fiscally relevant and, of these, to the oldest.

The exceptions referred to in point (i) refer to impairment losses on loans and other rights granted to natural or legal persons who hold more than 10% of the taxpayer's capital, as well as impairment losses on loans and other rights granted to entities in which the taxpayer holds more than 10% (this occurs when the loans were granted at a time subsequent to the acquisition of the holding).

The breakdown of changes in deferred taxes in 2021 and 2020 was as follows:

	2021			
	Balance as at	**Charge in**		**Balance as at**
	31-12-2020	**Income**	**Reserves**	**31-12-2021**
Deferred tax assets				
- Impairment of credit not recognised for tax purposes	3.260.352	(1.645.160)	-	1.615.192
- Impairment of securities	171.377	(139.453)	-	31.924
- Financial assets available for sale	95.871	-	101.141	197.012
- Impairment of properties recovered	435.579	29.143	(188.110)	276.612
- Provisions	422.691	458.145	427.774	1.308.610
	4.385.870	**(1.297.325)**	**340.805**	**3.429.350**
Deferred tax liabilities				
- Revaluation of Investment Units	-	(238.958)	-	(238.958)
- Financial assets at fair value through other comprehensive income	(1.560.205)	-	634.665	(925.540)
	(1.560.205)	**(238.958)**	**634.665**	**(1.164.498)**
	2.825.665	**(1.536.283)**	**975.470**	**2.264.852**

	2020			
	Balance as at	**Charge in**		**Balance as at**
	31-12-2019	**Income**	**Reserves**	**31-12-2020**
Deferred tax assets				
- Impairment of credit not recognised for tax purposes	4.498.739	(1.238.387)	-	3.260.352
- Impairment of securities	119.402	51.975	-	171.377
- Financial assets available for sale	49.118	-	46.753	95.871
- Impairment of properties recovered	218.778	216.801	-	435.579
- Provisions	422.691	233.980	-	656.671
	5.308.728	**(735.631)**	**46.753**	**4.619.850**
Deferred tax liabilities				
- Financial assets at fair value through other comprehensive income	(815.264)	-	(744.941)	(1.560.205)
	4.493.464	**(735.631)**	**(698.188)**	**3.059.645**

In 2014, the Bank adopted the special scheme applicable to deferred tax assets (REAID). The scheme, approved by Law 61/2014, of 26 August, covers the deferred tax assets arising from the non-deduction of expenses and negative variations in net worth resulting from credit impairment losses and post-employment or long-term employment benefits, being applicable to realities of this nature accounted for in fiscal years beginning on or after 1 January 2015, as well as to deferred tax assets that are recorded in the annual accounts as at 31 December 2014. According to Law 23/2016, of 19 August, this special scheme is not applicable to expenses and negative variations in net worth accounted for in fiscal years beginning on or after 1 January 2016, as well as to deferred tax assets associated to the latter.

The deferred tax assets arising from the non-deduction of expenses and negative variations in net worth resulting from credit impairment losses and post-employment or long-term employment benefits are converted into tax credits when the taxpayer records a negative net income in its annual accounts, after being approved by the governing bodies, in compliance with applicable legislation, or in the event of liquidation by voluntary dissolution, insolvency ordered by court decision or, when applicable, its authorisation for the exercise of the activity is revoked by the competent supervisory authorities. In a scenario of conversion arising from a negative net income, the amount of tax credit to be attributed will result from the proportion between the negative net income for the for the year and the total equity of the taxpayer (determined prior to the deduction of that result), applied to the eligible balance of the deferred tax assets. When the conversion arises from liquidation or insolvency or the taxpayer presents a negative equity, the conversion of the deferred tax assets into tax credit is conducted at full value.

The conversion into tax credit (not due to liquidation or insolvency) requires the creation of a special reserve in the amount of the respective credit increased by 10%, jointly with the issue of securities in the form of conversion rights to be assigned to the State. The exercise of the conversion rights results in the increase of the share capital of the taxpayer due to incorporation of the special reserve and the issue of new ordinary shares to be delivered to the State free of charge.

Regarding the deferred tax assets covered by REAID, their future deductibility is limited, in each financial year, to the value of the taxable profit calculated prior to the deduction of those expenses and negative variations in net worth, i.e. the deduction undertaken given that the conditions for the tax deductibility of those expenses and negative variations in net worth are met does not apply if it results in a tax loss or it only applies in proportion to the value required to obtain a nil tax result.

Given that a positive net income for the year was recorded in 2021 and 2020, there was no conversion of eligible assets into tax credit in the current financial year.

Tax costs recorded in profit and loss and the tax burden, measured by the relation between allocation for tax and the profit for the year before tax, is as follows:

	2021	2020
Current taxes		
For the year	6.152.397	3.709.198
Corrections from previous years	33.255	181.998
	6.185.652	**3.891.196**
Deferred taxes		
Entry and reversal of temporary differences	1.536.283	735.631
Total tax recognised in profit or loss	**7.721.935**	**4.626.827**
Income before taxes	**26.724.474**	**18.530.642**
Tax burden	28,89%	24,97%

Pursuant to current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years, except for financial years in which tax losses are carried forward, in which case the expiration period is the end of the period for which that right exists. In this way, therefore, the tax returns of the Bank for the years 2018 to 2021 are still subject to review and the taxable amount may be corrected.

However, The Bank's Board of Directors does not think that there will be any correction with a significant impact on the financial statements as at 31 December 2021.

The reconciliation between the nominal and effective rate of tax in 2021 and 2020 is given below:

	2021		2020	
	Rate	Tax	Rate	Tax
Income before taxes		26.724.474		18.530.642
Tax at nominal rate	22,50%	6.013.007	22,50%	4.169.394
State surcharge	3,51%	937.342	2,51%	465.896
		6.950.349		**4.635.290**
Impairment not accepted for tax purposes	1,31%	349.124	0,03%	5.019
Costs not accepted for tax purposes:				
- Write-ups	0,08%	21.737	0,04%	7.545
Tax benefits	(0,03%)	(7.891)	(0,05%)	(9.929)
Gains and losses	(0,08%)	(22.190)	(0,00%)	(910)
Autonomous taxation	0,45%	119.515	0,71%	131.576
Banking sector contribution	0,31%	82.732	0,45%	83.466
Other	0,86%	228.559	(1,22%)	(225.230)
	28,89%	**7.721.935**	**24,97%**	**4.626.827**

16. OTHER ASSETS

As at 31 December 2021 and 2020, this item was made up as follows:

	31 December 2021	31 December 2020
Debtors and other financial investments		
Debtors by transactions on futures	572.696	501.593
Other sundry debtors	376.054	381.642
Impairment sundry debtors	(118.779)	(105.450)
	829.971	**777.785**
Other		
Gold and other precious metals	213.634	288.524
Income receivable		
Commissions	854.146	655.770
Deferred charges		
Rents	86.312	87.959
Insurance	3.659	1.966
Other	290.747	385.496
	380.718	**475.421**
Other accruals and deferrals		
Stock market transactions pending settlement	2.301.992	217.821
Lending operations pending settlement	1.510.389	2.397.697
	3.812.381	**2.615.518**
	6.090.850	**4.813.018**

The margin accounts of futures contracts of customers and of the Bank are included in the "Debtors by transactions on futures" item.

As at 31 December 2021 and 2020, "Stock market transactions pending settlement" reflect transactions carried out on behalf of third parties, financial settlement of which took place after the balance sheet date.

The change in the item "Assets transactions pending settlement" is essentially due to the decrease in the Telemarketing insurance acquisition activity associated with auto loans.

17. RESOURCES FROM CENTRAL BANKS

As at 31 December 2021 and 2020 this item was made up as follows:

	31 December 2021	31 December 2020
Resources from the Bank of Portugal	176.510.000	105.000.000
Interest receivable	(942.253)	-
	175.567.747	**105.000.000**

As at 31 December 2021 and 2020, "Resources from the Bank of Portugal" corresponds to resources obtained by discounting securities at the European Central Bank.

As at 31 December 2021 and 2020, the times to maturity of resources obtained from the Bank of Portugal are as follows:

	31 December 2021	31 December 2020
Up to three months	-	-
Three months to one year	-	5.000.000
More than one year	175.567.747	100.000.000
	175.567.747	**105.000.000**

Resources obtained from the Bank of Portugal as at 31 December 2021 and 2020 are secured by a chattel mortgage on the Bank's own securities portfolio (Note 28).

As at 31 December 2021, central bank resources include the amount of 105 million in respect of funding obtained under the European Central Bank's (ECB) Third Targeted Extended Term Refinancing Operations Programme (TLTRO) on 18 June 2020, 17 March 2021, 23 September 2021 and 16 December 2021.

Based on the terms of this programme, compared to the market price of other loans with similar collateral, the Bank concludes that the TLTRO does not contain significant benefits with respect to the market price and financial liability accounts and therefore the TLTRO III Programme is fully considered as an indexed rate instrument under IFRS 9.

The Effective Interest Rate on these instruments includes the bonus on the special interest period and reflects the bank's determination on initial recognition as to the final amount of interest receivable at maturity.

This calculation at initial recognition also considers the bank's expectation that it will meet its lending targets over the life of the operations.

If there was a subsequent change in the bank's estimate of its lending targets, the bank would apply the revised IFRS 9 estimation guidance.

18. RESOURCES FROM OTHER CREDIT INSTITUTIONS

As at 31 December 2021 and 2020, this item was made up of demand deposits and resources from other credit institutions as follows

	31 December 2021	31 December 2020
Term deposits and other resources		
Credit institutions in Portugal	561.689	251.093
	561.689	**251.093**

19. RESOURCES FROM CUSTOMERS AND OTHER LOANS

As at 31 December 2021 and 2020, this item was made up as follows:

	31 December 2021	31 December 2020
At sight:		
- Demand deposits	352.822.872	199.099.717
With agreed maturity dates:		
- Term deposits	326.707.700	386.265.748
- Structured deposits	57.096.971	60.305.957
	383.804.671	**446.571.705**
	736.627.543	**645.671.422**
Interest payable:		
- Interest on resources from customers	1.877.992	2.411.595
	738.505.535	**648.083.017**

Under the terms of the law, the Deposit Guarantee was established to guarantee the reimbursement of funds deposited in Financial Institutions. The criteria that apply to the calculation of the annual contributions to said Fund are defined in Bank of Portugal Notice 11/94.

As at 31 December 2021 and 2020, the times to maturity of customers' resources are as follows:

	31 December 2021	31 December 2020
Up to three months	98.779.296	98.011.280
Up to three months	192.028.313	261.281.801
One to five years	92.886.062	90.604.141
More than five years	111.000	91.483
	383.804.671	**449.988.705**

20. FINANCIAL LIABILITIES HELD FOR TRADING

As at 31 December 2021 and 2020, this item relates to derivatives recorded at fair value offset against profit or loss (Note 9) and is broken down as follows:

	31 December 2021	31 December 2020
Interest rate swaps	122.975	63.719
Options	215.299	176.186
	338.274	**239.905**

21. HEDGE DERIVATIVES

The analysis of this item, by hedge instrument, is as follows:

	31 December 2021		31 December2020	
	Assets	Liabilities	Assets	Liabilities
Swaps	361.023	-	-	(8.698)
	361.023	**-**	**-**	**(8.698)**

Banco Invest holds a significant portfolio of fixed-rate securities recorded in the portfolio at amortised cost, with a residual maturity of more than five years. During 2020, in order to mitigate the interest rate risk associated with a possible change in interest rates over a time horizon of up to five years, a swap was contracted, exchanging the fixed rate associated with these securities for a variable rate.

Hedge derivatives are valued in accordance with internal valuation methodologies considering observable market data and, whenever not available, on information prepared by the Bank through the extrapolation of market data. Therefore, taking into consideration the hierarchy of the sources of valuation, as set out in IFRS 13, these instruments are categorised in level 2. The Bank contracts financial instruments to hedge its exposure to interest rate risks in the securities portfolio. The accounting treatment depends on the nature of the risk being hedged, namely whether the Bank is exposed to changes in fair value or cash flows or whether it is hedging future transactions.

As permitted by IFRS 9, the Bank opted to continue to apply the requirements for hedge accounting under IAS 39, using mainly interest rate derivatives. The fair value hedge model is adopted for fixed-rate loans, portfolio securities and joint hedging of variable-rate financial assets and fixed-rate financial liabilities. The cash flow hedge model is adopted for future transactions in foreign currency, for dynamic hedging of cash flow variations of loans and variable rate deposits in foreign currency and for mortgage loans in foreign currency.

The coverage start date was on 16 October 2020 and ends on 16 October 2025.

In the financial years 2021 and 2020, the relationships following the fair value hedge model recorded ineffectiveness in the amount of 200,524 euros and 211 euros in Results of hedge accounting, respectively; which corresponds to the difference between the variations in the fair value of the hedged securities and the variation in the fair value of the hedge swap.

The analysis of the hedging derivatives portfolio by maturity as at 31 December 2021 and 2020 is as follows:

	2021						
	<= 3 months	**> 3 months <= 6 months**	**> 6 months <= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**Total**	**Fair Value**
Derivatives							
Over the counter (OTC)							
Swaps							
Interest rate	-	-	-	25.000.000	-	25.000.000	361.023
	-	-	-	25.000.000	-	25.000.000	361.023
	-	**-**	**-**	**25.000.000**	**-**	**25.000.000**	**361.023**

	2020						
	<= 3 months	**> 3 months <= 6 months**	**> 6 months <= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**Total**	**Fair Value**
Derivatives							
Over the counter (OTC)							
Swaps							
Interest rate	-	-	-	25.000.000	-	25.000.000	(8.698)
	-	-	-	25.000.000	-	25.000.000	(8.698)
	-	**-**	**-**	**25.000.000**	**-**	**25.000.000**	**(8.698)**

22. PROVISIONS AND IMPAIRMENT

Changes in Banco Invest's provisions and impairment during 2021 and 2020 were as follows:

	2021			
	Balance as at 31-12-2020	**Net charges**	**Uses**	**Balance as at 31-12-2021**
Impairment of financial assets at amortised cost:				
- Non-securitised loans and advances to customers (Note 7)	32.336.136	3.606.299	(6.668.795)	29.273.640
- Impairment of securitised loans (Note 8)	488.441	227.657	3.167	719.265
Impairment of Loans and advances to credit institutions (Note 6)	2.523	1.746	-	4.269
Impairment of Amounts at other credit institutions (Note 5)	8.773	(1.898)	-	6.875
	32.835.873	**3.833.804**	**(6.665.628)**	**30.004.049**
Impairment of other assets:				
- Non-current assets held for sale (Note 11)	4.043.045	(109.655)	(706.549)	3.226.841
- Investment property (Note 12)	1.096.032	-	(219.761)	876.271
- Other assets (Note 16)	105.450	13.329	-	118.779
	5.244.527	**(96.326)**	**(926.310)**	**4.221.891**
Impairment of financial assets at fair value through other comprehensive income (Note 25)	170.701	3.471	1.847	176.019
Other provisions:				
- Provisions for guarantees and other commitments	75.056	(32.669)	-	42.387
- Other provisions	2.450.601	1.837.152	-	4.287.753
	2.525.657	**1.804.483**	**-**	**4.330.140**
	40.776.758	**5.545.432**	**(7.590.091)**	**38.732.099**

	2020			
	Balance as at 31-12-2019	Net charges	Uses	Balance as at 31-12-2020
Impairment of financial assets at amortised cost:				
- Non-securitised loans and advances to customers (Note 7)	27.081.575	7.969.340	(2.714.779)	32.336.136
- Impairment of securitised loans (Note 8)	418.080	73.514	(3.153)	488.441
Impairment from Loans and advances to credit institution (Note 6)	15.411	(12.888)	-	2.523
Impairment of Amounts at other credit institutions (Note 5)	1.995	6.778	-	8.773
	27.517.061	**8.036.744**	**(2.717.932)**	**32.835.873**
Impairment of other assets:				
- Non-current assets held for sale (Note 11)	5.203.033	238.006	(1.397.994)	4.043.045
- Investment property (Note 12)	1.227.001	-	(130.969)	1.096.032
- Other assets (Note 16)	-	(15.185)	120.635	105.450
	6.430.034	**222.821**	**(1.408.328)**	**5.244.527**
Impairment of financial assets at fair value through other comprehensive income (Note 25)	69.276	103.983	(2.558)	170.701
Other provisions:				
- Provisions for guarantees and other commitments	57.444	17.612	-	75.056
- Other provisions	1.548.226	902.375	-	2.450.601
	1.605.670	**919.987**	**-**	**2.525.657**
	35.622.041	**9.283.535**	**(4.128.818)**	**40.776.758**

The Other provisions item refers to the retained earnings up to 31 December 2021 of minority shareholders in the amount of 3,194,820 (2020: 1,990,601 euros), as well as the amount corresponding to the non-deferred portion of the difference between the amount paid by the Bank for the shareholding and its book value, in the amount of 575,000 euros (2020: 460,000 euros). This provision corresponds to the effect in the Bank's accounts of the separation of part of the business to take place during 2022, as mentioned in note 38, with the Bank remaining the majority shareholder.

23. OTHER LIABILITIES

As at 31 December 2021 and 2020, this item was made up as follows:

	31 December 2021	31 December 2020
Creditors and other resources		
- Creditors by transactions on futures	599.402	134.696
Public Administration Sector		
- Tax withheld at source	990.284	768.537
- VAT payable	99.386	127.156
- Social Security contributions	235.351	205.649
- Advances on account, third parties	23.623	3.243
Sundry creditors		
- Suppliers	965.932	558.408
- Other creditors	4.994.048	7.130.585
	7.908.026	**8.928.274**
Deferred income		
- Rents	38.836	33.500
- Commissions	434.632	951.384
	473.468	**984.884**
Charges payable		
- Staff costs	1.945.188	1.852.742
- General administrative costs	225.633	175.887
- Rental charges	3.988.650	6.011.815
- Other	63.443	233.626
	6.222.914	**8.274.070**
Rental charges		
- Stock market transactions pending settlement	1.696.248	762.709
- Other transactions pending settlement	7.393.306	7.340.759
	9.089.554	**8.103.468**
	23.693.962	**26.290.696**

The margin accounts of customers' futures contracts, according to Note 19, are carried against the "Creditors in transactions on futures" item.

The "Other creditors" item includes the insurance premium values relative to auto loans payable to the insurance companies in the amount of 576,342 euros (31 December 2018: 382,512 euros).

The "Securities transactions pending settlement" item reflect transactions carried out on behalf of third parties, financial settlement of which took place after the balance sheet date.

As at 31 December 2021, the item Rent charges in the amount of 3,988,650 euros (2020: 5,012,925 euros) corresponds to the value of lease liabilities recognised under IFRS 16 and as described in accounting policy 2.8.

The minimum future payments for non-revocable operating lease contracts by maturity are as follows:

	31 December 2021	31 December 2020
Rents		
- Up to 1 year	1.138.182	1.138.182
- 1 year 5 years	2.594.100	3.261.038
- 5 to 10 years	954.186	1.425.428
	4.686.468	**5.824.648**
Costs to defer in net interest income	(697.818)	(811.723)
	3.988.650	**5.012.925**

24. SHARE CAPITAL

As at 31 December 2021 and 2020, the Bank's shareholder structure is as follows:

	31 December 2021			31 December 2020		
Entity	**Number of shares**	**Amount**	**%**	**Number of shares**	**Amount**	**%**
Alves Ribeiro - IF, SGPS, S.A. (Ordinary Shares)	9.461.500	47.307.500	80,87%	9.461.500	47.307.500	79,51%
Alves Ribeiro - IF, SGPS, S.A. (Preferentias Shares)	2.400.000	11.000.000	18,80%	2.400.000	12.000.000	20,17%
Other	38.500	192.500	0,33%	38.500	192.500	0,32%
	11.900.000	**58.500.000**	**100%**	**11.900.000**	**59.500.000**	**100%**

As at 2 December 2008 the Bank carried out a share capital increase, through the issue of 2,400,000 redeemable preferential shares at the nominal value of 5 euros each, having been subscribed and fully paid up by the shareholder Alves Ribeiro – Investimentos Financeiros, SGPS, S.A.

The redeemable preferential shares without a set date may pay priority dividends to be deliberated at the General Meeting, which correspond to 7% of their nominal value. This dividend may only be paid if there are distributable funds according to the applicable regulations and if their payment does not imply the Bank's non-fulfilment of capital requirements. The priority dividend shall be paid annually in arrears on 30 June of each year.

In 2016, the minority shareholder of the Bank sold 1,000 shares of a nominal value of 5,000 euros to Alves Ribeiro – IF, SGPS, S.A., which now has a shareholding of 99.27%.

In 2018, the minority shareholder of the Bank sold 48,492 shares of a nominal value of 242,460 euros to Alves Ribeiro – IF, SGPS, S.A., which now has a shareholding of 99.68%.

In 2021, 1,000,000 euros of preferred shares were redeemed to Alves Ribeiro Investimentos Financeiros, SGPS, S.A.

25. RESERVES, RETAINED EARNINGS AND NET INCOME FOR THE YEAR

As at 31 December 2021 and 2020, the breakdown of the reserves and retained earnings items is as follows:

	31 December 2021	**31 December 2020**
Revaluation reserves		
- Reserves arising from fair value valuation		
Of financial assets at fair value through other comprehensive income (Note 9)	2.956.186	5.632.055
- Reserves for deferred taxes		
Of financial assets available for sale	(722.843)	(1.464.335)
	2.233.343	**4.167.720**
Legal reserve	9.638.530	8.341.102
Free reserve	39.035.513	27.338.171
Merger reserve	574.220	574.220
Retained earnings	26.808.127	26.808.127
	76.056.390	**63.061.620**

Revaluation reserves

Fair value reserves

The fair value reserve reflects the potential gains and losses in financial assets at fair value through other comprehensive income (note 10), net of the corresponding tax (Note 16). The changes, during 2021 and 2020, in the fair value reserve are analysed as follows.

		Change in fair value			
	Balance 31 Dezembro 2020	Acquisition	Change in fair value	Disposal	Balance 31 Dezembro 2021
Miscellaneous bonds	5.467.309	(319.915)	(1.911.268)	(113.602)	3.122.524
Public debt securities	180.791	(48.824)	(123.181)	(160.997)	(152.211)
Shares	(186.746)	-	(3.400)	-	(190.146)
Investment units	-	-	-	-	-
Net potential gains (Note 9)	5.461.354	(368.739)	(2.037.849)	(274.599)	2.780.167
			(2.681.187)		
Miscellaneous bonds	145.722	20.473	(8.138)	(4.720)	153.337
Public debt securities	24.979	978	4.667	(7.942)	22.682
Provisions and impairment (Note 23)	170.701	21.451	(3.471)	(12.662)	176.019
	5.632.055	**(347.288)**	**(2.041.320)**	**(287.261)**	**2.956.186**
			(2.675.869)		

		Change in fair value			
	Balance 31 Dezembro 2019	Acquisition	Change in fair value	Disposal	Balance 31 Dezembro 2020
Miscellaneous bonds	2.442.837	2.708.536	449.470	(133.534)	5.467.309
Public debt securities	805.521	59.970	115.931	(800.631)	180.791
Shares	(190.508)	-	3.762	-	(186.746)
Investment units	-	-	-	-	-
Net potential gains (Note 9)	3.057.850	2.768.506	569.163	(934.165)	5.461.354
			2.403.504		
Miscellaneous bonds	65.644	39.958	43.234	(3.114)	145.722
Public debt securities	3.632	18.288	6.691	(3.632)	24.979
Provisions and impairment (Note 23)	69.276	58.246	49.925	(6.746)	170.701
	3.127.126	**2.826.752**	**619.088**	**(940.911)**	**5.632.055**
			2.504.929		

Legal reserve

Under current legislation, the Bank must allocate a sum of not less than 10% of net profits for each year to the constitution of a legal reserve, up to a limit equal to the value of the share capital or to the sum of the free reserves and the retained earnings, if greater. The legal reserve cannot be distributed, except in the event that the Bank is wound up, and may only be used to increase share capital or offset losses, once other reserves have been used up.

Free reserve

By deliberation of the General Meeting held on 10 August 2020, the Bank distributed free reserves in the amount of 840,000 euros to the shareholder Alves Ribeiro - IF, SGPS, S.A., as holder of the redeemable preferential shares, which corresponds to 7% of the nominal value of the respective shares.

Credit reserve
Due to the revocation of Bank of Portugal Notice 3/95, in which provisions ceased and impairment losses were now set up, this situation generated a credit reserve of 8,628,717 euros. The value reflects the changeover of the credit provisions to credit impairments.

Merger reserve
The deed of merger by incorporation of Probolsa – Sociedade Corretora S.A. into the Bank was executed on 22 December 2004. In the wake of this process, the merged company was wound up and all its rights and obligations were transferred to the Bank. For accounting purposes the merger took effect on 1 January 2004, with the Probolsa assets and liabilities having been transferred to the Bank on the basis of their net book value as at that date. The difference between the accounting value of assets and liabilities transferred and the book value of the Bank's shareholding in Probolsa was recorded in the "Merger reserve" item. This reserve cannot be distributed, except in the event that the Bank is wound up, and may only be used to increase share capital or offset losses, once other reserves have been used up.

Net income for the year
In 2021 and 2020, the breakdown of the consolidated net income of the Bank was as follows:

	31 December 2021	**31 December 2020**
Individual results:		
Banco Invest	20.059.169	12.974.285
Invest Gestão de Activos	716.537	474.276
Fundo Tejo	604.981	510.936
Saldanha Holdings	-	(12.022)
Saldanha Finance	-	(10.921)
	21.380.687	**13.936.554**
Adjustments:		
Annulment of the positive valuation of the Tagus Fund Properties	(16.176)	(32.739)
Write-off of Equity Pickup - Invest Gestão de Activos	(716.537)	-
Annulment of the valuation of the Tagus Fund Investment Units	(1.644.715)	-
Other adjustments:		
Other adjustments	(720)	-
Income after taxes and before non-controlling interests	19.002.539	13.903.815
Income attributable to minority interests	(81.754)	(69.045)
Consolidated net income for the year	**18.920.785**	**13.834.770**

As of 1 January 2016, following the publication of Notice 5/2015 of the Bank of Portugal, the Bank adopted the International Financial Reporting Standards as endorsed by the European Union in the preparation of its individual accounts.

26. NON-CONTROLLING INTERESTS

As at 31 December 2021 and 2020, the balance of this item refers entirely to third-party shareholdings in the Fundo Especial de Investimento Imobiliário Fechado Tejo.

Changes in this item during 2021 and 2020 were as follows:

		2021	
	Balances as at 31-12-2020	**Net Result**	**Balances as at 31-12-2021**
Fundo Especial de Investimento Imobiliário Fechado Tejo	1.121.700	81.754	1 203.454

		2020	
	Balances as at 31-12-2019	**Net Result**	**Balances as at 31-12-2020**
Fundo Especial de Investimento Imobiliário Fechado Tejo	1.052.655	69.045	1.121.700

27. GUARANTEES AND OTHER COMMITMENTS

	2021	2020
Guarantees and stand-by-letters of credit provided	196.869.014	173.224.243
Commitments to third parties	17.470.042	14.687.958
Amounts deposited	532.576.881	562.927.763
Assets under management and custody		
- Wealth management	221.329.309	142.627.372

The Bank provides custody, wealth management, investment management and advisory services which involve making buying and selling decisions regarding various types of financial instruments. For specific services rendered, objectives and yield levels are established for assets under management. These assets under management are not included in the financial statements.

The Assets under management and custody - Wealth management item includes the funds managed by Invest Gestão de Activos.

As at 31 December 2021 and 2020, contingent liabilities and commitments are recorded in off-balance sheet items and are broken down as follows:

	2021	2020
Guarantees and stand-by-letters of credit provided		
Guarantees and stand-by-letters of credit provided	2.220.050	3.124.198
Assets pledged as collateral	194.648.964	170.100.045
	196.869.014	**173.224.243**
Assets under management and custody		
Portfolio management	15.068.956	10.385.171
Funds management	206.260.353	132.242.201
	221.329.309	**142.627.372**

The "Assets pledged as collateral" item relates to securities delivered by the Bank as a guarantee of repurchase of funds pledged to Central Banks or other Credit Institutions. As at 31 December 2021 and 2020, the total sum of this item corresponds to securities given as guarantee to the Bank of Portugal.

Resolution Fund

As part of a series of legislative changes that included the publication of Decree-Law 24/2013, the Resolution Fund ('RF') was created. The mission of this entity is to provide financial support to the resolution measures applied by the Bank of Portugal, as the national resolution authority, and to carry out all the other tasks entrusted by law within the scope of execution of such measures.

The following are participating institutions of the RF:

- The credit institutions with registered office in Portugal (with the exception of the associated mutual agricultural credit banks of the Central Mutual Agricultural Credit Bank);
- The investment companies that undertake trading activities on own account of one or more financial instruments or the underwriting and placement of financial instruments on a firm commitment basis;
- The branches in Portugal of credit institutions authorised in countries that are not members of the European Union or that do not belong to the European Economic Area;
- The branches of Portugal of financial institutions authorised in countries that are not members of the European Union and that undertake trading activities on own account of one or more financial instruments or the underwriting and placement of financial instruments on a firm commitment basis;
- The relevant companies for payment systems subject to the supervision of the Bank of Portugal.

Banco Invest is one of the participating entities of the RF. As provided for in Decree-Law 31-A/2012 which created the RF, the resources of the Resolution Fund come from the payment of the contributions due by the institutions participating in the Fund and from the contribution on the banking sector. In addition, it is also foreseen that when such resources prove to be insufficient to meet its obligations, other means of funding may be used, namely: (i) special contributions from credit institutions; and (ii) borrowed funds.

BES / Novo Banco

The Board of Directors of the Bank of Portugal decided, on 3 August 2014, to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), resulting in the transfer of the majority of the business and assets of BES to Novo Banco S.A. In line with the Community regulatory framework, the capitalisation of Novo Banco was ensured by the Resolution Fund.

Following the resolution measure applied to Banco Espírito Santo, S.A. (BES), in August 2014, the Bank of Portugal determined capital requirements of Novo Banco, S.A. to the value of 4,900 million euros, which were to be met by the Resolution Fund under existing legislation. Considering that the Resolution Fund only had own resources of approximately 377 million euros, the subscription of capital was made via two loans:

- 3,900 million euros from the Portuguese State; and
- 700 million euros from eight participating institutions in the Fund (not including the Bank).

Based on the exceptional nature of the resolution measure, and the need for the RF to have the necessary funds to implement said measure, the Management Commission of the RF, at a meeting held on 3 August 2014, decided to submit to the Ministry of Finance a proposal for the financing of that measure which foresaw (i) the obtainment of a loan granted by the State of 4,400 million euros, (ii) the collection of a special contribution from the participating institutions of the Fund, in the amount of 135 million euros, and (iii) the use of the RF's own resources, in the amount of 365 million euros.

However, a number of participating institutions of the RF expressed their willingness to, within a short period, grant a loan to the Fund, which permitted reducing the amount of the State loan by 500 million euros, replace the special contribution initially foreseen and provide the Fund with the means to cover the first interest payments due of the State loan. Subsequently, the Management Commission of the RF decided that the previous financing request submitted to the Ministry of Finance should be revised and that, alternatively, a State loan in the amount of 3,900 million euros should be requested.

In summary, the financial support granted by the RF for the paying-up of the share capital of Novo Banco, S.A., in the amount of 4,900 million euros resulted from:

- A loan granted by the State in the amount of 3,900 million euros;
- A loan granted by a group of participating credit institutions of the RF (Caixa Geral de Depósitos, S. A., Banco Comercial Português, S. A., Banco BPI, S. A., Banco Santander Totta, S. A., Caixa Económica Montepio Geral, Banco Popular, S. A., Banco BIC Português, S. A. and Caixa Central do Crédito Agrícola Mútuo, CRL), in the amount of 700 million euros; and
- Mobilisation of 365 million euros corresponding to available resources of the Fund, namely relative to revenue from contributions that have so far been paid by the financial sector, including the proceeds of the banking sector contribution.

In the interim, with the conclusion of the sales process of the shares held by the RF in Novo Banco, S.A. in October 2017, Lone Star, through the injection of 1 billion euros, acquired a 75% stake, with the RF maintaining the remaining 25% of the share capital.

The conditions agreed in the sales process of Novo Banco, S.A. also included a contingent capital mechanism, under which the Resolution Fund undertakes to make payments to Novo Banco, S.A. if certain cumulative conditions materialise, related to: i) the performance of a specific portfolio of assets and ii) the capital levels of the bank going forward.

The Resolution Fund announced that the amount to be paid to Novo Banco in 2019 and 2018 by the Resolution Fund, relative to the accounts of 2018 and 2017, came to 1,149 million euros and 792 million euros, respectively.

Banif – Banco Internacional do Funchal, S.A.

The Board of Directors of the Bank of Portugal deliberated, on 19 December 2015, the application of a resolution measure to Banif – Banco Internacional do Funchal, S.A ("Banif"), within the scope of which most of the activity of Banif and the majority of its assets and liabilities - with the exception of problematic assets that were transferred to an asset management vehicle - were transferred to Banco Santander Totta, S.A. (Oitante), created specifically for that purpose, and whose sole shareholder is the Resolution Fund Fund. To that end, Oitante issued bonds representative of the debt of this vehicle, amounting to 746 million euros, which were acquired in full by Banco Santander Totta, with a guarantee of the Resolution Fund and a counter-guarantee of the Portuguese State having been provided.

The operation involved an estimated amount of 2,255 million euros of public funds to cover future contingencies, of which 489 million euros was financed by the Resolution Fund and 1.766 million euros directly by the Portuguese State. The mentioned state support is deducted of the amount owed by Banco Santander Totta for the acquisition of the pool of assets, liabilities and activity of the former Banif. The 489 million euros secured by the Resolution Fund were financed through a State loan.

General aspects

To repay the loans received and other liabilities it may be required to assume relative to the abovementioned resolution measures, the Resolution Fund is financed by from the periodic and special contributions of the participating institutions (including the Bank) and from the contribution on the banking sector. Under Article 153-I of Decree-Law 345/98, of 9 November, if the resources of the Resolution Fund are insufficient to meet its obligations, participating institutions may be called upon, via a separate statute, to make special contributions. The amounts, instalments, deadlines and other terms of those contributions shall also be defined by said statute.

Within the context of the entry into force of the Single Resolution Fund (Decree-Law 23-A/2015, of 26 March), the periodic and special contributions made are intended to safeguard obligations undertaken, or to be undertaken, by the Resolution Fund following the resolution measures adopted until 31 December 2014.

In a press release of 28 September 2016, the Resolution Fund announced that it reached an agreement with the Ministry of Finance to review the loan of 3,900 million euros originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan aimed to ensure its capacity to meet its obligations through its regular income, regardless of the contingencies that the Resolution Fund is exposed to. That same day, the Minister of Finance's Office also announced that increases in liabilities arising from the materialisation of future contingencies will determine the adjustment of the maturity of the loans of the State and of the Banks of the Resolution Fund, in order to maintain the contributory effort required from the banking sector at current levels.

According to the press release of the Resolution Fund of 21 March 2017:

- *"The conditions of the loans obtained by the Fund for the financing of the resolution measures applied to Banco Espírito Santo, SA and Banif - Banco Internacional do Funchal, SA have been changed." These loans amount to 4,953 million euros, of which 4,253 million euros were granted by the Portuguese State and 700,000 thousand euros were granted by a syndicate of banks.*

- *"Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of revenues from the Resolution Fund. The maturity will be adjusted so as to guarantee the ability of the Resolution Fund to fully meet its obligations based on regular income and without the need for special contributions or any other extraordinary contributions."*

- *"The review of the loan conditions aimed to ensure the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable cost for the banking sector".*

- *"The new conditions allow for full payment of the Resolution Fund's liabilities and their remuneration, without the need for special contributions or any other extraordinary contributions from the banking sector".*

On the date of approval of these financial statements, the Bank does not have information that allows it to reliably estimate the effects on the Resolution Fund arising from the sale of the shareholding in Novo Banco, S.A. or of the various contingent liabilities undertaken by the Fund.

Notwithstanding the possibility provided for in applicable legislation for the collection of special contributions, given the recent developments regarding the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by a syndicate of banks, CEMG included, and the public announcements made by the Resolution Fund and by the Minister of Finance which state that this possibility will not be used, the financial statements, as at 31 December 2021, reflect the expectation of the Bank's Board of Directors that the institutions participating in the Resolution Fund will not be required to make special contributions or any other extraordinary contributions to finance the resolution measures applied to BES and Banif.

28. INTEREST AND SIMILAR INCOME

In 2021 and 2020 this item was made up as follows:

	2021	2020
Interest from deposits at Central Banks and at credit institutions	719.355	438.030
Interest from loans and advances to customers:		
- Domestic loans	27.056.133	25.658.427
- Foreign loans	109.447	78.738
- Other loans and receivables – debt securities	6.022.865	5.857.974
Interest from past due loans	801.301	814.284
JInterest from financial assets held for trading:		
- Securities	641.182	717.722
- Derivative instruments	403.377	303.513
Interest from financial assets at fair value through other comprehensive income		
- Securities	1.523.966	1.481.895
Interest from debtors and other financial investments	47.234	42.548
Other interest and similar income	69.072	91.543
Commissions received associated to amortised cost		
- Credit operations	2.953.129	2 851.431
Credit operations	(308.754)	(356.941)
	40.038.307	**37.979.146**

The change in the "Commissions associated to amortised cost" item corresponds to the commissions and other earnings recorded according to the effective interest rate method as referred to in the accounting policies (Note 2), including the effect of the business related to auto loans which recorded a significant increase over the course of 2021 and 2020.

The Interest on loans and advances to customers item includes the amount of 1,180,101 euros (31 December 2020: 1.721,531 euros) related to income from customers classified in stage 3.

The Interest on loans and advances to customers item incorporates the amount of 308,754 euros (2020: 356,941 euros) related to the adjustment in interest from customers classified in stage 3, in accordance with IFRS 9.

29. INTEREST AND SIMILAR CHARGES

In 2021 and 2020 this item was made up as follows:

	2021	2020
Interest on resources from other credit institutions		
- Abroad	61.021	29.479
Interest on resources from customers and other loans	2.266.892	3.155.163
Interest charges related to lease liabilities	194.736	257.928
Other interest and similar charges	79	-
Other commissions paid		
- Commissions paid associated to amortised cost	5.915.062	5.280.183
	8.437.790	**8.722 753**

The change in the "Commissions paid associated to amortised cost" item corresponds to the commissions and other costs recorded according to the effective interest rate method as referred to in the accounting policies (Note 2), including the effect of the business related to auto loans which recorded a significant increase over the course of 2021 and 2020.

The "Interest charges related to lease liabilities" item corresponds to the amount of interest on lease liabilities recognised under IFRS 16, as described in accounting policy 2.8.

30. INCOME FROM SERVICES AND COMMISSIONS

In 2021 and 2020 this item was made up as follows:

	2021	2020
Services and commissions received		
Guarantees provided	39.698	35.704
Services provided		
- Deposit and custody of securities	2.669.076	2.046.946
- Management of securities	1.438.775	872.341
- Collection of securities	116.281	80.623
- Transfer of securities	23.638	19.686
- Other services provided	10.038.717	6.126.484
Transactions carried out on behalf of third parties		
Brokerage commissions	1.072.666	1.003.687
Other commissions received	2.066.886	2.323.021
	17.469.051	**12.508.492**
Services and commissions paid		
Banking services provided by third parties		
Bank commissions	(571.536)	(676.768)
Bank of Portugal	(58.756)	(5.329)
Transactions carried out on behalf of third parties	(249.430)	(223.419)
Business procurement commissions	(2.314.512)	(612.482)
Other commissions	(8.516)	(13.362)
	(3.202.750)	**(1.531.360)**
	14.266.301	**10.977.132**

The "Other services provided" item includes commissions associated to auto loans in the amount of 2,167,720 euros (2020: 1,868,006 euros). The change in this item, as previously mentioned, is due to the increase observed in the concession of auto loans. Also included are commissions for setting up operations, in the amount of 4,903,242 euros (2020: 1.754,197 euros), which includes commissions associated with corporate finance projects; and commissions from other services provided, in the amount of 1,421,425 euros (2020: 1.405,747 euros), which includes the commissions associated with the BTRADER application.

Commissions associated with corporate finance projects increased significantly due to the increase in projects during the year.

The "Bank commissions" item includes the commissions paid to Euroclear which came to 188,917 euros in 2021 (2020: 162,605 euros).

31. GAINS / (LOSSES) IN FINANCIAL OPERATIONS AT FAIR VALUE THROUGH PROFIT OR LOSS

In 2021 and 2020 this item was made up as follows:

	2021	2020
Income from assets and liabilities assessed at fair value through profit or loss		
Securities		
Issued by residents		
- Bonds	6.854	60.287
- Shares	-	-
- Investment units	8.839.412	2.283.120
Issued by non-residents		
- Bonds	414.772	2.487.858
- Shares	746.957	822.333
- Investment units	120.263	219.361
Derivatives		
Swaps		
- Foreign currency swaps	213.676	1.361.051
- Interest rate swaps	271.931	530.157
Futures		
- On interest rates	783.833	1.091.970
- On equities	24.603	4.000
- On foreign currencies	1.975.051	2.015.779
Options		
- On equities	145.221	743.754
	13.542.573	**11.619.670**
Losses from assets and liabilities assessed at fair value through profit or loss		
Securities		
Issued by residents		
- Bonds	(58.195)	(853)
- Shares	-	-
- Investment units	(2.840.753)	(614.660)
Issued by non-residents		
- Bonds	(680.993)	(410.002)
- Shares	(291.789)	(1.559.785)
- Investment units	(213.124)	(11.826)
Derivatives		
Swaps		
- Foreign currency swaps	(176.483)	(989.607)
- Interest rate swaps	(338.320)	(415.114)
Futures		
- On interest rates	(898.318)	(978.037)
- On equities	(17.931)	(60)
- On foreign currencies	(2.589.871)	(1.712.565)
Options		
- On equities	(327.444)	(287.736)
	(8.433.221)	**(6.980.245)**
	5.109.352	**4.639.425**

32. EXCHANGE RATE GAINS / (LOSSES)

The balance for this item in 2021 and 2020 fully corresponds to the income calculated in the revaluation of the forward positions in foreign currency carried out by the Bank and is presented as follows:

	2021	2020
Revaluation of the spot currency position	1.620.930	(1.134.845)
Revaluation of the forward currency position	2.363	248
	1.623.293	**(1.134.597)**

33. INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In 2021 and 2020 this item was made up as follows:

	2021	2020
Debt instruments		
Residents		
- Other bonds	44.738	15.739
Non-residents		
- Foreign public issuers	104.744	1.488.292
- Foreign public issuers	230.444	249.745
	379.926	**1.753.776**

In 2020, the Results on financial assets at fair value through other comprehensive income - Non-resident issuers item includes the amount of 1,488,292 euros related to capital gains from the sale of Bonds of foreign public issuers.

34. INCOME FROM SALE OF OTHER ASSETS

In 2021 and 2020 this item was made up as follows:

	2021	2020
Non-current assets held for sale (Note 11)	156.522	353.333
Non-current assets held for sale (Note 11)	185.042	3.500
Gold and precious metals	(1.325)	126.157
Other	65.218	1.227.273
	405.457	**1.710.263**

The Non-current assets held for sale item reflects the gains and losses from the sale of properties recovered by the Bank. During 2021, 22 properties were sold for 2,254,400 Euros (2020: 7.758,647 Euros), having generated gains totalling 156,522 euros (2020: 353,333 euros).

The Other tangible assets item refers to the results obtained from the sale of vehicles that were recorded under the Other tangible assets item.

The Other item refers to gains on the disposal of securities from the portfolio of investments at amortised cost.

35. OTHER OPERATING INCOME / (LOSSES)

In 2021 and 2020 this item was made up as follows:

	2021	2020
Other operating income:		
- Reimbursement of expenses	160.640	108.782
- Recovery of loans	513.305	18.680
- Income from provision of sundry services	9.998	8.613
- Rents	504.021	413.721
- Other	208.183	274.453
	1.396.147	**824.249**
Other operating expenses:		
Other taxes		
- Special contribution on the banking sector	(367.697)	(321.023)
Other indirect taxes	(146.904)	(96.365)
Other operating expenses and losses:		
- Contributions to the Resolution Fund	(195.899)	(168.155)
- Levies and donations	(76.618)	(88.569)
- Contributions to the Deposit Guarantee Fund	(1.150)	(1.094)
- Other operating expenses and losses	(105.898)	(37.852)
	(894.166)	**(713.058)**
Other operating results	**501.981**	**111.191**

The Rents item reflects the rents received from properties recovered by the Bank and properties that belong to the assets of the Fundo Tejo that are rented out.

With the publication of Law 55 - A/2010, of 31 December, the Bank is subject to the banking sector contribution scheme. The banking sector contribution is levied on:

a) Liabilities deducted from tier 1 and tier 2 capital and from the deposits covered by the Deposits Guarantee Fund. The following are deducted from liabilities:
   - Elements that according to the applicable accounting standards are recognised as shareholders' equity;
   - Liabilities associated to defined benefit plans;
   - Provisions;
   - Liabilities resulting from the revaluation of derivatives;
   - Deferred income, without considering that which results from borrowing operations; and
   - Liabilities resulting from assets not derecognised in securitisation operations.

b) The notional amount of off-balance sheet derivative financial instruments determined by taxpayers.

The rates applicable to the bases defined by the previous sub-paragraphs a) and b) vary between 0.01% and 0.05% and 0.00010% and 0.00020%, respectively, according to the determined amount.

During 2013, the Bank initiated its contribution to the Resolution Fund, which was created by Decree-Law No. 31-A/2012, of 10 February, and which introduced a resolution regime in the General Regime for Credit Institutions and Financial Companies, approved by Decree-Law No. 289/92, of 31 December.

The measures provided for in the new scheme seek to, on a case-by-case basis, recover or prepare ordered liquidation of credit institutions and certain investment companies undergoing financial difficulty and they provide for three phases of intervention by the Bank of Portugal, namely corrective intervention, interim administration and resolution phases.

Accordingly, the main mission of the Resolution Fund consists of providing financial support in the application of resolution measures adopted by the Bank of Portugal.

In 2021 and 2020 the Bank recorded a periodic contribution of 308,407 euros and 267,748 euros, respectively.

Under the terms of Law 27-A/2020 of 27 July, an additional solidarity levy on the banking sector was created. In the year 2021 the Bank's contribution corresponded to 59,290 euros (2020: 53,275 euros).

Under the terms of Article 153-H of the General Regime for Credit Institutions and Financial Companies that transposed Articles 100, no. 4, sub-paragraph a), and 103, no. 1, of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and Article 20, of the Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation"), in 2015 the ex-ante contribution to the Single Resolution Fund (FUR) in the amount of 101,582 euros was made. It is incumbent on the Bank of Portugal, as the resolution authority, to determine these contributions in proportion to the risk profile of the participating institutions, based on the information provided by those same institutions and on the methodology defined in the Delegated Regulation. In 2021 and 2020 the contribution came to 185,624 euros and 167,303 euros, respectively.

36. STAFF COSTS

In 2021 and 2020 this item was made up as follows:

	2021	2020
Salaries and earnings		
- Governing Bodies	998.447	988.764
- Employees	9.083.018	8.224.443
	10.081.465	**9.213.207**
Social Security charges		
Charges related to remunerations:		
- Social Security	2.140.630	1.965.970
Other compulsory social charges:		
- Other	102.887	91.655
	2.243.517	**2.057.625**
Other staff costs:		
- Other	211.962	243.586
	12.536.944	**11.514.418**

As at 31 December 2021 and 2020, the average number of employees in the service of the Bank, broken down by professional category, was as follows:

	2021	2020
Directors	10	8
Executives and managers	41	44
Technical staff	231	220
Administrative staff	6	6
	288	**278**

37. GENERAL ADMINISTRATIVE COSTS

In 2021 and 2020 this item was made up as follows:

	2021	2020
Water, Energy and Fuel	364.195	313.928
Consumables	19.677	62.280
Publications	5.451	2.756
Hygiene and cleaning material	5.967	20.838
Other third party supplies	9.981	14.961
Rents and leases	5.106	9.785
Communications	960.286	796.489
Travel and accomodation	183.828	235.485
Advertising and publications	684.452	507.046
Maintenance and repair	467.268	358.218
Transport	-	-
Staff training	123.261	11.636
Insurance	107.307	98.799
Specialised services	3.988.118	3.532.703
Other third party services	390.766	347.128
	7.315.663	**6.312.052**

The Specialised services item includes the fees of the Statutory Auditor for the legal certification of the accounts of the Bank and other services for the year ended 31 December 2021, as follows:

	2021	2020
Statutory audit of accounts	59.963	61.785
Work arising from the duties of Statutory Auditor required by regulation and / or specifically requested by the supervisory bodies	39.668	69.150
Other non-audit services	55.043	10.000
	154.674	**140.935**

The Specialised services item also includes the litigation and notary costs which in 2021 came to 702,170 Euros (2020: 896.601) and IT costs which in 2021 came to 891,196 Euros (2020: 816,969 euros).

In 2019 and in accordance with IFRS16, the Bank opted not to recognize lease liabilities for short-term leases and/or for low value items, as referred to in note 2.8. As such, the costs related to leases and rentals came to 5,106 euros in 2021 (2020: 9,785), related to low value asset contracts.

38. RELATED PARTIES

As defined in IAS 24, the companies detailed below, the members of the Board of Directors and key management personnel are considered related parties of the Bank. The first line directors are considered key management elements. In addition to the members of the Board of Directors and the key management personnel, people close to them (family relationships) and entities that they control or in whose management they exercise significant influence are also considered related parties.

In accordance with Portuguese legislation, namely under Article 109 of the General Regime for Credit Institutions and Financial Companies (RGICSF), holders of a qualified shareholding in Banco Invest, S.A., as well as companies that directly or indirectly control these shareholders or are in a group relationship with them, are also considered related parties.

Governing bodies – members of the Board of Directors:
- Afonso Ribeiro Pereira de Sousa (Chairman);
- António Miguel R. R. Branco Amaral (Deputy Chairman);
- Francisco Manuel Ribeiro (Member);
- Luís Miguel Barradas Ferreira (Member);
- Marília Boavida Correia Cabral (Member);
- Carlos António A. da Cunha Ramalho (Non-executive Member);
- Alexandre Wende Dias da Cunha (Non-executive Member); and
- Miguel Alves Ribeiro F. de Carvalho (Non-executive Member).

Governing bodies – members of the Audit Board:
- Jean-éric Gaign (Chairman);
- José Manuel L. Neves de Almeida (Member); and
- Luís Alberto M. Póvoas Janeiro (Member).

Governing Bodies - alternate members of the Audit Board:
- Donato João Lourenço Viçoso (Alternate Member).

Governing Bodies – members of the General Meeting:
- Francisco Ferreira da Silva (Chairman); and
- Paula Viegas (Secretary).

Shareholders and entities controlled by the latter:
- AR France Invest SGPS(ARFI);
- Silk Road Paris 1;
- Silk Road Paris Gestion e Service;
- ALRISA Sociedade Imobiliária, S.A.;
- Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.;
- Parent company of the Financial Group;
- Alves Ribeiro Consultoria de Gestão, S.A.;
- Alves Ribeiro, S.A.;
- Amoreiras Center Soc. Imobiliária, S.A.
- Inspirar – Fundo Especial de Investimento Imobiliário Fechado (Fundo Inspirar);
- LERIMO, SGPS, S.A.;
- Monvest, SGPS, S.A.;
- Monvest - Urbanização Gestão Imóveis, Lda;
- Motor Park - Comércio de Veículos Automóveis, S.A.;
- MS - Participações, SGPS, S.A.;
- Mundicenter II - Gestão de Espaços Comerciais, S.A.;
- Mundicenter, S.A.;
- SOTIF Soc. Invest. Consultoria Técnica, S.A.;
- SOTIF, SGPS, S.A.;
- US Gestar – Gestão de Imóveis, S.A. (US Gestar); and
- VALRI, SGPS, S.A.

Other related entities:
- Crest Capital Partners - Sociedade de Capital de Risco, S.A.;
- CREST I - FCR (Crest Fund);
- CREST II - FCR (Crest Fund II);
- Soromenho & Ramos, Lda;
- AR4I - Imobiliário e Gestão, S.A.;
- M&V – Ginásio, Lda.;
- Netmais - Consultores em Internet e Telecomunicações Lda.;
- SOMORAIS - Sociedade de Investimento e Gestão Imobiliária, Lda;
- Quinta Das Tílias, Lda.;
- João Goulão - Pediatria Cirúrgica, Lda.;

- Sodaso - Sociedade de Mediação Imobiliária, Lda.;
- Drogaria Milénio - C.Retalho Ferragens Tinta vidro, Mat. Construção, Lda.;
- Senhora Do Mar - Consultoria e Gestão de Projetos, Lda.;
- MA2L – Mediação de seguros, Lda.;
- Vocábulo Positivo – Lda.;
- MVM Seguros – Mediação de Seguros, Lda.;
- Luis Portela Sociedade Agrícola, UNIPESSOAL Lda.;
- CAFOCA - Consultoria e Gestão de Projetos, UNIPESSOAL Lda.;
- BDO & ASSOCIADOS - SOCIEDADE DE REVISORES OFICIAIS DE CONTAS, LDA;
- BDO II ADVISORY, S.A.;
- SGPRE-SOCIEDADE GESTÃO PROMOÇÃO INVESTIMENTOS EMPRESARIAIS, LDA.;
- VISÃO E RESULTADOS, PRESTAÇÃO DE SERVIÇOS, LDA;
- TACHOS- PANELAS & AFINS - RESTAURANTES, LDA;
- VAR - Sociedade de Consultoria Técnica e Investimento S.A.;
- SCO - Sociedade de Investimento e Consultoria S.A.;
- Triamar - Gestão de Resíduos, S.A.;
- MDZAR – Consultoria e Imobiliário, S.A.;
- Chiripa S.A.;
- Kraken S.A;
- AEBT - Autoestradas Baixo Tejo S.A.;
- ARB Construções Ltda (Brasil);
- Transoceânica S.A (Angola);
- Construções ARC S.A.;
- Liscenter - Centros Comerciais de Lisboa S.A.;
- Urbaminho - Urbanizações do Minho S.A.;
- Mundiaveiro - Sociedade Imobiliária S.A.;
- Vialojas - Sociedade Imobiliária S.A.;
- Mundiparque - Parques Comerciais e de Lazer S.A.;
- VilaOeiras Sociedades Imobiliária S.A.;
- Servassiste - Serviços de Assistência e Manutenção Lda.;
- CPA - Actividades Educativas S.A.;
- ARFH HOTELS S.A.;
- AVEDON, S.A.;
- ALR PATRIMOINE;
- Luis Branco Amaral – Serviços Médicos, Lda.;
- CLINICA MÉDICA DRª. IVONE MIRPURI, LDA.;
- Notlim – Companhia Imobiliária de Belém Lda.;
- Quinta dos Penedinhos;
- Vumba Projectos e Investimentos Financeiros Lda.;
- Vumba Exploração Florestal Agro Pecuária e Turismo S.A.;
- Alenimo S.A.;
- Cunha & Castro Lda.;
- Fair Bazaar Plataforma Sustentável Lda.;
- Belém Critério Unipessoal, Lda.;
- Apoiar – Associação Portuguesa de Apoio a África;
- Hefesto – Sociedade de Titularização de Créditos, S.A.;
- Vargem das Colmeias, Lda.;
- The Fladgate Partnership;
- Marques & Casal Ribeiro, Imobiliária, S.A.;
- Sociedade Agrícola Lourentim e Lameiro, Lda.;
- GiantProgress Lda.;
- Eaglstone Capital Partners - Sociedade de Capital de Risco, S.A.;
- Wable - Well Advised Business Lda.; and
- Lampreia, Viçoso & Associados , Lda..

Balances with related entities, excluding governing bodies

As at 31 December 2021 and 2020, the main balances with related entities were as follows:

	31 December 2021	31 December 2020
Financial assets held for trading		
Alves Ribeiro Consultoria de Gestão, S.A.	-	3.085.322
Financial assets at fair value through profit and loss		
Fundo Inspirar	-	4.051.067
Fundo Inspirar	7.799.750	9.609.008
Fundo Crest II	2.422.000	2 500 000
Loans and advances to customers		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	14.218.767	16.736.855
US Gestar	1.976.862	3.292.000
Monvest, SGPS, S.A.	479.153	476.101
Crest Capital Partners - Sociedade de Capital de Risco, S.A.	211.536	-
Relatives of related parties	1.613.712	-
Resources from customers		
Alves Ribeiro, SA	27.990	28.082
VALRI, SGPS, S.A.	10.113.483	9.851.979
SOTIF, SGPS, S.A.	2.168.056	8.901.413
MS - Participações, SGPS, S.A.	7.810.358	5.435.939
US Gestar	47.995	5.640
Fundo Inspirar	3.752.685	1.437.661
LERIMO, SGPS, S.A.	359.937	354.207
Alves Ribeiro Consultoria de Gestão, S.A.	223.893	55.263
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	157.766	5.589
Mundicenter, S.A.	485	485
Amoreiras Center Soc. Imobiliária	-	689
Alrisa Sociedade Imobiliária, S.A.	2.075.809	2.301.904
Var - Soc. Consultoria Técnica e Inv, S.A.	218.134	218.227
SCO - Sociedade investimento e consultoria	556.741	485.122
SOTIF - Soc. Invest Consultoria Técnica, S.A.	243.088	242.816
Monvest - Urbanização Gestão Imóveis, Lda.	3.997	50.000
Crest Capital Partners - Sociedade de Capital de Risco, S.A.	3.212	-
Fundo Crest	803.868	-
Fundo Crest II	1.482.959	-
Relatives of related parties	15.270.974	-
Other liabilities		
Fundo Crest	1.066.459	2.160.091
Fundo Crest II	2.222.000	2.465.000

Transactions with related entities, excluding governing bodies

In 2021 and 2020, the main balances in the income statement with related entities were as follows:

	2021	2020
Interest and similar income		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	174.219	192.721
Monvest - SGPS, S.A.	10.660	9.522
US Gestar	45.005	2.628
Interest and similar charges		
VALRI, SGPS, S.A.	18 603	32 804
SOTIF, SGPS, S.A.	40 544	60 531
MS - Participações, SGPS, S.A.	22 736	33 825
LERIMO, SGPS, S.A.	978	2 269
SCO - Sociedade investimento e consultoria	2 693	1 409
SOTIF - Soc. Invest Consultoria Técnica SA	1 104	1 830
Var - Soc. Consultoria Técnica e Inv, SA	-	1 651
Alves Ribeiro, SA	-	140 433
Income from services and commissions		
Fundo Inspirar	52.144	50.187
Fundo Crest	39.715	15.191

The amount of rents that are recorded under IFRS16, paid to Alrisa, in the year 2021 amounts to 699,991 euros (2020: 703,331 euros).

In 2008, Banco Invest subscribed investment units of the Fundo Inspirar, Real Estate Investment Fund, whose shareholding was subsequently increased via the subscription to an increase in the Fund's capital in 2013.

In 2012 and taking into consideration the real estate market situation in Portugal and the expected evolution and risks to which the Bank could be exposed, a fixed-term sales contract was concluded between Banco Invest and Alves Ribeiro CG for the acquisition, by this entity, until 26 March 2017, of the units of investment held at that date by Banco Invest in the Fundo Inspirar. This acquisition would be carried out at acquisition cost on the referred date, plus a remuneration value.

In 2013, a capital increase of 1,933,000 euros, corresponding to 9,665 investments units subscribed by Banco Invest, was deliberated at a general meeting of the fund's participants. On this basis, and considering the additional exposure and rationale underlying the first operation, a new fixed-term sales contract was concluded under the same terms as the previous contract and which defines the possibility of acquiring the investment units until 26 March 2017.

These contracts were subject to a series of addendums over the last few years due to interest rate adjustments. On 22 March 2017 and taking into consideration the initial deadline for the fixed-term sale operations that ended on 26 March 2017 and in view of the maintenance of interest in the operation, 2 specific addendums were singed related to the prorogation of the deadline for the exercise of the acquisition option until 22 March 2022.

Under the IFRS accounting framework, the investment units are recorded as Financial assets not held for trading mandatorily at fair value through profit or loss, as described in accounting policy note 2.5 a) iii). The fixed-term sale contracts are recorded as Financial assets at fair value offset against profit or loss - Trading derivatives, as described in accounting policy note 2.5 d).

As at 31 December 2021, the Units and forward sale contracts ended.

Balances with the Governing Bodies

As at 31 December 2021, the amount of loans granted to members of the Board of Directors and the General Meeting came to 273,697 Euros (31 December 2020: 335.347 euros), with the same conditions having been applied to the other employees.

Employees that belong to the Governing Bodies

As at 31 December 2021, the amount of loans granted to members of the Board of Directors and the General Meeting came to 273,697 Euros (31 December 2020: 335.347 euros), with the same conditions having been applied to the other employees.

Remuneration Policy

The Remuneration Commission, made up of three shareholder representatives and elected in General Assembly, determines the remuneration policy of the members of the governing bodies of Banco Invest, as well as the social security schemes and of other supplementary contributions.

The remuneration policy was submitted to the General Meeting for approval, following a proposal from the Board of Directors and the opinion of the Remuneration Committee, in accordance with the following guidelines:
a) Obtaining the desirable alignment of interests between the members of the governing bodies and the company;
b) Promotion and coherence with a sound and prudent risk management, which does not encourage excessive and reckless risk-taking that is incompatible with the long-term interests of the Bank; and
c) Compatibility with the risk profile, risk appetite, corporate strategy, objectives, values and long-term interests of Banco Invest.

The remuneration policy is summarised as follows:
a) The fixed remuneration of the identified employees should reflect their professional experience and organisational responsibility, and shall represent between 75% and 100% of the overall remuneration;
b) The fixed component of the remuneration should remunerate the executive members of the Board of Directors for the responsibilities inherent to their functions and for their specific competencies, and shall represent between 65% and 100% of the overall remuneration;
c) The variable remuneration should adjust appropriately to the variations in performance of the specific staff member in the preceding year, of the business unit and of the overall results of the Bank;
d) The non-executive members of the Board of Directors and members of the Audit Board earn a fixed remuneration, not related, in any way, to the performance or results of the Bank;
e) The Remuneration Committee is solely responsible for assessing the performance of the members of the management and supervisory bodies and consequently determining their remuneration, while the Board of Directors is responsible for assessing the performance of the other employees identified and determining their remuneration;
f) The Remuneration Committee is responsible for supervising the remuneration awarded to the employees identified.

The latest version of the remuneration policy was approved at the General Meeting of Shareholders held on 2 February 2022 and may be consulted at any time on Banco Invest's website.

The annual remuneration paid to the members of the Board of Directors was 331,100 euros for Afonso Ribeiro Pereira de Sousa, Chairman of the Board of Directors, 273,717 euros for António Miguel R. R. Branco Amaral, Deputy Chairman, and 36,654 euros, 167,941 euros and 178,867 euros for the Members, Francisco Manuel Ribeiro, Luís Miguel Barradas Ferreira and Marília Cabral, respectively.

The remuneration earned by the executive members of the Board of Directors in 2021 and 2020 includes the variable remuneration (if any, as mentioned below) and the fixed remuneration received and paid in 14 instalments.

The annual remuneration earned by non-executive members in 2021 was 20,829 euros for Carlos Ramalho and 19,893 euros for Alexandre D. Cunha.

In 2021, the remuneration of the members of the Supervisory Board was 28,826 euros for Jean-éric Gaign, 14,088 euros for Luís Póvoas Janeiro and 14,088 euros for José Neves Almeida.

39. RELEVANT FACTS

COVID-19

The effects of the pandemic continued and, in some aspects, worsened during 2021.

And so, during the year under review the Bank consolidated and reinforced all the contingency measures adopted during 2020, which focused on i) maintaining the teleworking policy, in order to mitigate the risk of contagion among its Employees, ii) the effort to optimise technological solutions, ensuring a full level of operability, even when working remotely, and iii) preserving the full response capacity of all its operational areas. This ensured a normal level of response to Customers, Management Bodies, Risk Control and Supervisory Authorities.

In terms of the Bank's different areas of activity, the overall picture that can be formulated is one of relative resilience, evident in the growth of the Balance Sheet and Results,

a) In relation to Credit Risk exposures:
It can be assumed that, in general, the different types of credit portfolios have evolved in line with the expected trend already seen in the previous year. It should be pointed out that in the case of Auto Loans, although the trend was towards growth, the corresponding rate was more moderate than in previous years.

This restraint in the pace of growth, in this portfolio, had several reasons that came together:
a more restrictive risk acceptance policy, a drop in activity due to periods of confinement and closure of sales outlets and, also, iii) the rarefaction of the second-hand vehicle market as a result of the break in the supply chains in the automobile sector, with a reduction in the sale of new vehicles and consequently in the number of trade-ins and also the suspension of fleet renewal in the rent-a-car business due to the sharp drop in tourism.

Nevertheless,

b) In relation to the other business areas:
The Private Customers area, in its internal and external networks, continued to show double-digit growth rates in the number of active Customers and, close to double-digit growth in valued relationships.

The Private Customers' Brokerage area also grew above two digits, although the Institutional area showed a significant drop.

The Institutional Custody area also performed very well, with a very significant increase in revenues of over 30%.

The Market Room (Bonds) showed an equally expressive growth in margin, although perhaps one-off, exceeding 80% for the year.

Finally, with regard to the Corporate Finance area, total revenues registered a remarkable increase of more than 70%.

In the meantime, and linked to the topic of the pandemic, it is important to make reference to moratoria and, above all, to the behaviour noted after the corresponding end. To this end, it should be noted that the only two credit portfolios that benefited from the corresponding scope were General Credit (legal moratorium of Decree-Law 10-J/2020) and Car Credit (legal moratorium of Decree-Law 10-J/2020, for professional or business credit and, the ASFAC sectoral moratorium, for consumer credit).

Both moratoria were due to expire on 31 December 2021, and the ASFAC sector moratorium had already expired on 31 December 2020. In other words, at the end of the year under review, there was no longer any exposure to credit risk on the Balance Sheet, benefiting from any of the moratoria.

As these moratoria expired on 31 December 2021, private customers had already consolidated 12 months of experience in complying with their contracted repayment plans, and business and professional customers had resumed interest payments as of April. The capital shortage was almost totally extinguished in September, with the identical resumption of the repayment plans contracted.

Thus, up to the date of preparation of this report, monthly monitoring of collections in both portfolios has been carried out by the Supervisory, Control, Risk Management and Inspection Bodies. It should be noted that the evolutionary framework does not reveal, at the aggregate level of portfolios, behavioural changes that indicate deterioration of the corresponding risk profile. Even though, in Auto Loans, a less regular behaviour in the timely compliance with credit obligations is noted in the subgroup of Customers who benefited from moratoria.

The aforementioned monitoring has resulted in specific measures for the coverage of risk by impairments, highlighting that reinforcements, for security reasons, implemented at the end of 2020, are maintained, and there were defensive adjustments in both portfolios in 2021, which are detailed in a separate chapter.

Other

The Bank estimates that during 2022 there will be a segregation of the auto loans sector of activity. In order to reflect in the financial statements the non-controlling interests regarding the segregation of this sector of activity, a provision was set up for this purpose, according to note 22.

40. PROVISION OF INSURANCE AND REINSURANCE MEDIATION SERVICES

Under the terms of Article 4 of the Regulatory Standard of the Portuguese Insurance Institute 15/2009-R, of 12 January 2010, regarding the disclosure requirements applicable to the Company in its capacity as an insurance intermediary, the following information must be provided.

Total remuneration received, broken down by nature and type:

	Commissions	Fees	Other Remuneration
Net Remunerations Insurance 2021			
Nature - Cash	1.492.504	-	-
Nature - Kind	-	-	-
Net Remunerations Insurance 2020			
Nature - Cash	2.226.372	-	-
Natureza - espécie	-	-	-

Subparagraphs (c) and (d) Total commissions, broken down by branches and insurance companies

	Entidade	Comissões
Net Remunerations Insurance 2021		
Life Branch	Real Vida Seguros, S.A.	1.508.089
Non-Life Branch	Mapfre Asistência, S.A.	(15.585)
Net Remunerations Insurance 2020		
Life Branch	Real Vida Seguros, S.A.	2.165.168
Non-Life Branch	Mapfre Asistência, S.A.	61.204

Real Vida Seguros presents a remuneration higher than 25% of the total.

Subparagraph (e) Total commissions, broken down by branches and insurance companies

The Bank in the insurance mediation activity does not assume credit risk or default risk, i.e. if the client does not pay the insurance the insurer returns the chargeback for the exact amount that was not received.

Subparagraphs (f) and (g) Indication of aggregate values included in accounts receivable and payable

	2021	2020
Other Assets		
Debtors and other fibnancial investments		
- Outros devedores - seguros	3.865	2.754
Income receivable		
- Insurance collection commissions receible	350.993	218.311
Other accrual and deferrals		
- Insurance premiums to be invoiced	1.325.028	2.251.879
Other Liabilities		
Deferred income	434.633	728.956
Other accounts payable	545.463	327.113

As far as payables and receivables are concerned, they come from insurance companies.

Accounts payable are detailed as follows:

Entidade	2021	2020
Real Vida Seguros, S.A.	527.184	327.113
Mapfre Assistência, S.A.	18.279	-
	545.463	**327.113**

Subparagraph (h) Analysis of receivables past due at the reporting date

Seniority	2021	2020
Up to 6 months	2.595	2.363
From 6 to 12 months	702	366
More than 12 months	568	25
	3.865	**2.754**

There is no risk to the Bank in case of non-payment of insurance by the customer since the insurer returns the chargeback of all unpaid amounts.

Subparagraphs (i), (j), (k) and (l) shall not apply to the Bank.

41. Risk Management

Management policies for financial risks inherent to Banco Invest's business

Authorised risk limits and exposure levels are established and approved by the Board of Directors, bearing in mind the overall strategy of Banco Invest and its market positioning.

The institution's risk management procedure respects the due separation of functions and complementarity of operation of each of the areas involved. Proper cooperation between the Investment Committee, the Credit Division and the Planning and Control Division ensures compliance with the limits set by the Board of Directors.

The disclosures required by IFRS 7 – Financial Instruments: Disclosures are presented below, regarding the main types of risks inherent to the Bank's business.

Credit Risk

Credit risk is the possible loss of value of the Bank's assets through the non-fulfilment of a contract, insolvency or the inability of individuals or corporate persons to honour their commitments with Banco Invest.

The identification, assessment, follow-up and permanent control of credit risk leads to prompt monitoring. This permits the anticipation of a potential default, with the risks arising from all the Institution's activities being covered, at both the individual credit level and in terms of the Bank's entire portfolio.

Maximum exposure to credit risk

As at 31 December 2021 and 2020, the maximum exposure to credit risk by type of financial instrument was summarised as follows:

	2021		
	Gross value	**Provisions and impairment**	**Net value**
Assets			
Deposits at Central Banks	126.597.575	-	126.597.575
Amounts and deposits at other credit institutions	24.512.153	(6.875)	24.505.278
Financial assets held for trading:			
- Securities	38.230.614	-	38.230.614
- Derivatives	417.620	-	417.620
Financial assets at fair value through other comprehensive income	151.950.571	-	151.950.571
Financial assets at amortised cost:			
- Loans and advances to credit institutions;	700.000	(4.270)	695.730
- Loans and advances to customers	442.652.657	(29.273.640)	413.379.017
- Debt securities	300.058.935	(719.265)	299.339.670
Other assets:			
- Debtors and other financial investments	948.750	(118.779)	829.971
	1.086.068.875	**(30.122.829)**	**1.055.946.046**
Off-balance sheet			
Guarantees provided	2.220.050	(42.387)	2.177.663
	1.088.288.925	**(30.165.216)**	**1.058.123.709**

	2020		
	Gross value	Provisions and impairment	Net value
Assets			
Deposits at Central Banks	41.429.250	-	41.429.250
Amounts and deposits at other credit institutions	20.360.586	(8.773)	20.351.813
Financial assets held for trading:			
- Securities	33.666.226	-	33.666.226
- Derivatives	3.409.965	-	3.409.965
Financial assets at fair value through other comprehensive income	126.064.925	-	126.064.925
Financial assets at amortised cost:			
- Loans and advances to credit institutions	970.592	(2.524)	968.068
- Loans and advances to customers	433.712.856	(32.336.136)	401.376.720
- Debt securities	243.549.312	(488.441)	243.060.871
Other assets:			
- Debtors and other financial investments	501.593	-	501.593
	903.665.305	**(32.835.874)**	**870.829.431**
Off-balance sheet			
Guarantees provided	3.124.198	(75.056)	3.049.142
	906.789.503	**(32.910.930)**	**873.878.573**

Credit quality of financial assets without defaults or impairments

The Bank's loan portfolio, based on the information contained in the preceding Notes, includes three major homogeneous groups:

- A more significant group, consisting of real estate financing operations for acquisition or own construction, directed at corporate customers, with long-term maturities and having as collateral legal property (in real estate leasing operations) or a first degree mortgage (in the case of mortgage loans) on the financed properties;

- The second group of loans, comprising vehicle loan operations, directed at corporate and private customers, with medium-term maturities;

- A third less significant group, formed by financing operations for margin accounts, with the pledge of securities portfolios, listing on an official market and liquidity, and also very short-term operations with pledging of precious metals.

This third group of loans, due to its short term and very short-term nature, has an excellent turnover, allowing for a quick portfolio revitalisation. Rigorous risk monitoring policy and very prudent collateral eligibility policy, limited by a regulated market that is fluid, lead to significantly reduced exposure to risk.

The same cannot be said for real estate loans, which because of their long-term maturity lead to a portfolio marked by operations that originate in different periods of time and therefore have different degrees of exposure to risk.

As such, while it is true that the policy for granting new loans has adapted to successive economic climate scenarios, in line with more prudent policies, with regard to the existing portfolio, the main challenge that the Bank faced was implementing effective means for managing the portfolio in terms of monitoring, managing and evaluating risk.

Notwithstanding, the Bank will maintain and continue to reinforce the measures required to preserve the quality and integrity of its loan portfolio.

1. Regarding the risk management policy

With an experienced team, consolidated policies and over 21 years of operation, the Bank boasts a series of resources that allows for:
- Real time monitoring of impairment or risk signs;
- Daily control of non-compliance situations (total or partial) regarding contractual obligations, whether of a monetary nature or other nature;
- Automatic adjustment of the internal risk rating;
- Automatic issue of alerts sent to the Customer Managers and Credit Department, Recovery Department and Legal Department;
- Issuing and sending to Holders and their Guarantors, notifications related to non-compliance with explanation of origin, maturity date, charges owed, means of settlement and consequences of non-compliance;
- Historic record of all events, diligences taken and their results.

In terms of managing credit risk, the Bank undertakes to do the following in accordance with the Procedures Manual in effect:
- constantly monitor greatest risks, in terms of value;
- follow-up on sectoral risk, acting to safeguard its legitimate rights and the integrity of the credit guarantees, while respecting applicable legislation and seeking out means that always, as much as possible, favour negotiable solutions that do not involve the courts.

Practical application of specific legislation aimed at protecting bank customers that are in a difficult economic situation, within the scope of the PARI or PERSI scheme, always and when applicable, constitutes regular procedure for the Bank.

Signs of Impairment:
Exposures with signs of impairment are considered those that register at least one of the following conditions:
a) Default for a period of time exceeding 30 days and up to 90 days (see notes 1, 2 and 3);
b) Credit restructured due to financial difficulties of the debtor classified as performing;
c) Recognised impairments greater than 50% of the exposure, determined by the formula (impairments in the previous month /Value at risk in the month);
d) Any credit frauds identified before the recognition of default;
e) Credit whose debtor verifies, through monitoring with monthly frequency, at least two of the following criteria: i. Registration of at least one non-performing loan7 in the CRC of the Bank of Portugal; ii. Debts to the Tax Authority (AT) or the Social Security (SS); iii. Debts to the Tax Authority (AT) or Social Security (SS); iii. Record of unjustified returned cheques in the last 6 months.

2. Loan write-off policy:

When considering risk of non-fulfilment, the Bank fully respects, in recognising impairment, the guidelines of Circular Letter 02/2014/DSP, replaced by Circular Letter no. CC/2018/00000062 of 14- 11 of the Bank of Portugal.

The Credit Recovery Department monitors overdue exposures that meet the requirements for classification as irrecoverable and drafts a classification proposal and prepares the corresponding files.

An exposure to credit risk is classified as irrecoverable under the following conditions:
i. In enforcement proceedings, when the case is dismissed, due to a lack of seizable assets of the defendants (Debtor or Guarantors);
ii. In Insolvency proceedings, when of a limited nature (lack of seizable assets of the insolvent debtor), following a decision on the verification and ranking of claims;
iii. In Insolvency Plans or Credit Recovery Procedures when, based on the approved repayment plan, there is a full or partial writing off of the acknowledged debts;
iv. Overdue loans for more than two years in a scenario of total impairment, i.e. when the Bank, after undertaking all recovery efforts considered adequate and gathered available evidence, justifiably concludes that there are no reasonable expectations of recovery of the amounts at risk.

The following are objective indicators of the uncollectability of a debt:
i. The circumstance of a Debtor or Guarantors whose whereabouts are unknown;
ii. The fact that the out-of-court initiatives undertaken by the Bank, duly confirmed and deemed appropriate, proved ineffective in establishing a plan to restructure or recover the amounts at risk;
iii. The confirmation that the Debtor or Guarantors do not have a steady income to substantiate its seizure;
iv. Evidence, supported by the land register or vehicle registration, that the Debtor and Guarantors' assets, if any, has prior covenants or encumbrances that lead to conclude (in accordance with its probable realisation value) that their seizure, if carried out, would not enable the Bank to recover its credit;
vi. The assessment that the enforcement of the debt, if possible, is not economically viable (unfavourable cost-benefit ratio) due to the cost and waiting time of court proceedings.

3. Impairment reversal policy:

   Reversal of impairments that have already been recognised in the loan portfolio shall only occur in specific justified situations of reduction of potential risk of loss, namely,

   - Upon full or partial payment of values at risk;
   - Upon reinforcement of loan collateral;
   - Following justified alteration of impairment calculation parameters:
     i) reduction of expected default, reduction of loss probability, in the case of calculation of impairment in a collective manner;
     ii) increase of the market value of the collateral, reduction of the effective costs of maintaining and/or realising collateral, reduced market rates applied to the updating of the probable value of realising collateral, in the event of calculating impairment via individual analysis.

4. Description of the restructuring measures applied to past due loans, control and monitoring mechanisms:

   Credit restructuring measures are defined on a case-by-case basis in accordance with the risk analysis in question. They shall be based on a specific credit dossier to be submitted for approval in accordance with the applicable Manual.

   They may include: i) extension of the repayment deadline; ii) granting of a grace period for the principal; iii) deferral of repayment of part of the financed amount toward the end of maturity or iv) capitalisation of the overdue amount.

   Whenever possible, the Bank seeks to obtain reinforcement of loan guarantees and/or payment of past due interest.

   Restructured credit is marked and monitored pursuant to Bank of Portugal terms and depending on the difficulties of the Debtor, the corresponding credit impairments are then calculated via individual analysis.

As at 31 December 2021 and 2020, the Bank's loan portfolio according to the stages defined in note 2.5 is as follows:

	2021			
	Kisk category			
Type of contract	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current accounts	19.287.293	-	1.984	19.289.277
Medium and long-term loans	27 914 699	608 498	3 100 500	31 623 697
Real estate leasing	26.746.632	974.988	1.272.119	28.993.739
Equipment leasing	95.801	-	-	95.801
Other loans	4.244.774	1.146.976	5.435.473	10.827.223
Consumer credit and auto loans	278.886.419	8.311.304	3.674.431	290.872.154
Current account overdrafts	17.301.855	-	-	17.301.855
	374.477.473	**11.041.766**	**13.484.507**	**399.003.746**

	2020			
	Kisk category			
Type of contract	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current accounts	22.108.032	-	94.664	22.202.696
Medium and long-term loans	28.557.201	718.689	8.136.901	37.412.791
Real estate leasing	29.640.735	1.689.882	2.018.602	33.349.219
Equipment leasing	173.632	-	159.962	333.594
Other loans	3.571.654	1.517.888	6.799.957	11.889.499
Consumer credit and auto loans	263.994.080	4.496.984	3.365.311	271.856.375
Current account overdrafts	10.890.837	-	-	10.890.837
	358.936.171	**8.423.443**	**20.575.397**	**387.935.011**

The commissions associated to loans and accrued interest were not considered in the preparation of these tables.

The main collaterals received by the Bank relative to the financial assets identified above are as follows:

- In the case of real estate leasing transactions, the effective guarantee is comprised by the legal title of the property.
- In the case of medium and long-term loans, the collateral is generally comprised by a first mortgage of urban real property, a situation that is also common in loans associated with a current account regime.
- In one-off situations, the Bank also obtains commercial liens on financial assets, composed by liquid assets or securities quoted in official markets, as well as net intangible assets subject to current market valuation such as, for example, goodwill rights over pharmacy establishments.
- In general and considering the maturity date of the operations, independently of the form of ownership, the obtainment of personal guarantees (acceptances or sureties) is common practice.

The assets purchased for financial leasing operations, or received as mortgage guarantee, are covered in the event of an accident or act of God, via multi-risk insurance with the corresponding rights in favour of the Bank.

The Bank's loan portfolio is segmented according to nature, specific characteristics and types of collateral, as stated above.

As such, the following are submitted to a process of evaluation and calculation by homogeneous and autonomous groups: i) loans of a real estate nature and origin, ii) credit in margin accounts, guaranteed by securities portfolios, iii) loans with precious metals as collateral, and (iv) auto loans.

When calculating impairments, Banco Invest takes into account the general principles defined in the International Financial Reporting Standards and follows Bank of Portugal requirements stipulated in Circular Letter CC/2018/00000062 (which revokes Circular Letter CC/2018/00000006 and 02/2014/DSP).

The definition of the exposures to be analysed, collectively and individually, complies with the referred to precepts, and it should be noted that the Bank submits to individual analysis, in the mortgage credit portfolio, in addition to the exposures marked as NPL and in stage 3, the following groups of exposures to credit risk, regardless of the absence of default, signs of impairment or risk or even the stage in which they are classified: i) exposures considered relevant (values at risk higher than 300. 000 Euros); ii) exposures which, as at 31 December 2021, were under the effect of a legal moratorium; iii) exposures marked as NPL, after the end of the cure period; iv) exposures marked as restructured due to financial difficulties of the Debtor, after overcoming the quarantine and probationary periods and v) eventual exposures to entities of the Group or related entities.

In this portfolio and as at 31 December 2020, the computation of impairments by individual analysis covered about 82.5% of total exposures to credit risk.

It should be pointed out that when calculating impairments, not only are past due and unpaid amounts considered at risk when they exist, but also maturing principal and accrued interest that has not yet matured.

However, when calculating the execution amount of collateral, i.e. the probable amount of the realisation of the credits, the costs related to their realisation are considered, as regulated by the Bank of Portugal. In the particular case of real estate, said realisation value, less probable expenses related to maintenance and sale, is updated at the interest rate of the associated contract for the amount of time estimated for its recovery and sale.

Because real estate guarantees have a relevant impact on the overall Bank loan portfolio, it is important to note that properties are subject to multi-risk insurance, this practice being in fact implemented and effectively applied with the aim of maintaining the integrity of the collateral, safeguarding rights in case of indemnity; the Bank preventively acquires these insurance policies by its own initiative whenever the financing contracts enter into a situation of continuous non-fulfilment, litigation or the properties are recovered to settle own credit.

Maintenance of the recovered property when settling own credit is also assured by the Bank as a means of preserving its realisation amounts.

There is a well-defined practice of regular revaluation - based on objective and independent criteria - of the collaterals associated to credit operations with default, or recovered property when settling own credit, in order to guarantee that the records of the Bank reflect, at any moment, the realisation potential that is associated to them.

In relation to the credit risk control associated with capital markets, derivative product and exchange rate transactions, the Bank maintains procedures established through the investment approval process, the control of the fulfilment of strategies defined by the Board of Directors and the Investment Committee and the regular follow-up of the composition and evolution of the securities portfolio, which permit the adequate monitoring of the credit risk associated with the securities held in portfolio.

As of September 2016, the Bank began to grant loans for the acquisition of vehicles. Loans are granted in this segment for the acquisition of new and used vehicles, with financing maturities of up to 120 months.

The Bank undertakes a mark-to-market revaluation, at any moment, of its exposure to derivative, exchange rate and capital market products, thus evaluating its potential and global exposure and the fulfilment of the exposure limits defined by sector and by country.

As at 31 December 2021 and 2020, the credit risk associated with the Bank's security portfolio, can be demonstrated via the rating, being presented as follows:

	2021								
	Ratings								
	AA	A	BBB	BB	B	CCC	C	N.R.	Total
Assets									
Financial assets held for trading	-	3.318.447	22.532.683	10.546.150	1.514.695	-	-	318.639	38.230.614
Financial assets at fair value through other comprehensive income	3.734.453	40.742.238	102.751.285	1.481.005	3.241.590	-	-	-	151.950.571
Financial assets at amortised cost - Debt securities	5.855.232	74.986.598	95.725.276	71.886.881	24.556.164	7.493.187	18.836.332	-	299.339.670
	9.589.685	**119.047.283**	**221.009.244**	**83.914.036**	**29.312.449**	**7.493.187**	**18.836.332**	**318.639**	**489.520.855**

	2020								
	Ratings								
	AA	A	BBB	BB	B	CCC	C	N.R.	Total
Assets									
Financial assets held for trading	-	6.703.227	22.471.365	5.963.552	-	-	-	336.846	35.474.990
Financial assets at fair value through other comprehensive income	11.705.093	14.370.661	44.545.877	10.167.718	-	-	-	-	80.789.349
Financial assets at amortised cost - Debt securities	4.516.392	68.255.449	78.856.433	69.642.636	5.962.507	-	-	-	227.233.417
	16.221.485	**89.329.337**	**145.873.675**	**85.773.906**	**5.962.507**	**-**	**-**	**336.846**	**343.497.756**

N.R. – Not Rated

In preparation of this disclosure, relative to 2021 and 2020, the internal rating attributed by the Bank and the rating attributed by an external company specialised in risk assessment was considered.

As at 31 December 2021 and 2020, the exposure by country associated to the Bank's security portfolio, is presented as follows:

	2021				2020			
	Banks	**Government Debt**	**Other**	**Total**	**Banks**	**Government Debt**	**Other**	**Total**
Portugal	12.420.693	6.095.780	123.891.564	142.408.037	-	10.975.588	82.930.622	93.906.210
Spain	14.180.790	52.403.088	14.039.984	80.623.862	10.011.089	53.014.123	14.390.086	77.415.298
Netherlande	-	-	70.988.145	70.988.145	-	-	59.819.361	59.819.361
Italy	10.187.007	15.202.483	5.123.088	30.512.578	8.241.104	15.677.257	5.539.789	29.458.150
Great Britain	-	-	22.609.481	22.609.481	1.022.601	-	20.377.818	21.400.419
U.S.A.	14.820	-	14.131.215	14.146.035	37.880	-	8.694.670	8.732.550
Germany	8.582.480	-	24.892.844	33.475.324	11.471.012	-	16.487.926	27.958.938
France	3.712.571	1.007.810	23.824.520	28.544.901	3.752.229	1.016.160	20.326.522	25.094.911
Other	5.126.801	21.327.204	39.758.487	66.212.492	4.334.530	17.346.416	37.325.239	59.006.185
	54.225.162	**96.036.365**	**339.259.328**	**489.520.855**	**38.870.445**	**98.029.544**	**265.892.033**	**402.792.022**

Equity instruments and derivatives were not considered in the elaboration of these tables.

At 31 December 2021 and 2020, the financial instruments subject to impairment requirements laid down in IFRS 9, analysed by stage, are detailed in the following table:

	2021			
	Risk category			
Category	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial assets at amortised cost				
Loans and advances to credit institutions	700.000	-	-	700.000
Loans and advances to customers	374.477.473	11.041.766	13.484.507	399.003.746
Debt securities	295.910.167	-	-	295.910.167
Financial assets at fair value through profit and loss				
Financial assets held for trading	42.080.132	-	-	42.080.132
Financial assets not held for trading mandatorily at fair value through profit or loss	14.607.405	-	-	14.607.405
Financial assets at fair value through other comprehensive income	151.021.380	-	-	151.021.380
	878.796.557	**11.041.766**	**13.484.507**	**903.322.830**

	2020			
	Risk category			
Category	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
inancial assets at amortised cost				
Loans and advances to credit institutions	700.000	-	-	700.000
Loans and advances to customers	358.936.171	8.423.443	20.575.397	387.935.011
Debt securities	239.595.812	-	-	239.595.812
Financial assets at fair value through profit and loss				
Financial assets held for trading	39.621.505	-	-	39.621.505
Financial assets not held for trading mandatorily at fair value through profit or loss	26.330.175	-	-	26.330.175
Financial assets at fair value through other comprehensive income	125.182.765	-	-	125.182.765
	790.366.428	**8.423.443**	**20.575.397**	**819.365.268**

The commissions associated to loans and accrued interest were not considered in the preparation of these tables.

The following are the stages transfers that occurred during the years 2021:

	Stage 1	Stage 2	Stage 3	Total
Initial balance	**9.367.867**	**2.296.134**	**20.672.135**	**32.336.136**
Transfer between Stages	109.096	(565.455)	456.358	-
Net charges	(1.221.165)	1.155.942	3.671.522	3.606.299
Uses	(2.878)	(75.807)	(6.590.110)	(6.668.795)
Final balance	**8.252.921**	**2.810.814**	**18.209.905**	**29.273.640**

At 31 December 2021 and 2020, the main parameters used in the credit loss models of a real estate origin are detailed in the following table:

	2021			
	Credit of a real estate origin			
	Probability of passing from ... to ...			
# of years	**Stage 1 Stage 3**	**Stage 1/2 Stage 3**	**Stage 2 Stage 3**	
1	3,20%	5,17%	18,50%	**PD over 1 year**
2	4,64%	6,30%	14,35%	**PD lifetime**
3	6,05%	7,32%	11,61%	
4	7,60%	9,00%	16,90%	
5	8,58%	9,81%	19,37%	

	2020			
	Credit of a real estate origin			
	Probability of passing from ... to ...			
# of years	Stage 1 Stage 3	Stage 1/2 Stage 3	Stage 2 Stage 3	
1	4,19%	4,79%	22,50%	PD over 1 year
2	5,09%	9,35%	25,56%	PD lifetime
3	4,89%	5,41%	7,70%	
4	6,33%	7,18%	10,04%	
5	7,29%	8,08%	16,57%	
6	7,07%	6,69%	8,35%	
7	17,03%	15,72%	8,30%	
8	27,23%	25,55%	4,93%	
9	5,25%	5,48%	13,88%	
10	24,90%	23,20%	23,02%	

At 31 December 2021 and 2020, the main parameters used in the popular economic credit loss models are detailed in the following table:

	2021			
	Popular Economic Credit			
	Probability of passing from ... to ...			
# of months	Stage 1 Stage 3	Stage 1/2 Stage 3	Stage 2 Stage 3	
12	17,86%	27,04%	45,86%	PD over 1 year
13	14,85%	29,39%	37,51%	
14	19,79%	28,36%	45,74%	
15	00,00%	00,00%	00,00%	

2020				
Popular Economic Credit				
Probability of passing from ... to ...				
# of months	Stage 1 Stage 3	Stage 1/2 Stage 3	Stage 2 Stage 3	
12	19,29%	33,15%	62,65%	
13	14,85%	29,39%	37,51%	
14	23,04%	36,47%	69,64%	
15	00,00%	00,00%	00,00%	
16	00,00%	00,00%	00,00%	
17	00,00%	00,00%	00,00%	PD over 1 year
18	00,00%	00,00%	00,00%	
19	00,00%	00,00%	00,00%	
20	00,00%	00,00%	00,00%	
21	00,00%	00,00%	00,00%	
22	00,00%	00,00%	00,00%	

The Loss Given Default (LGD) for credit of a real estate origin and for popular economic credit, as at 31 December 2021, is 38.60% and 6.24%, respectively (31 December 2020: 37.34% and 6.39%, respectively).

Liquidity risk

Liquidity risk is the possibility that an entity may not be able to meet its commitments through an inability to access the market in a sufficient amount and at a reasonable cost.

The risk control policy is subordinate to the overall strategy of the Bank, and aims to adequately finance its assets, increase them and detect any loss of liquidity.

The policies and procedures that control and limit liquidity risk regularly review the limits of the liquidity positions for different time frames, analysing simulations using different scenarios to permit effective liquidity management.

The Financial Department is responsible for the effective implementation of the risk strategy and all the liquidity policies established and approved by the Board.

Times to maturity

As at 31 December 2021 and 2020, the breakdown of the times to maturity of the financial instruments was as follows:

2021								
	At sight	Up to 3 months	3 months to to 1 year	1 to to 5 years	More than 5 years	Indeterminate	Other (1)	Total
Assets								
Cash and deposits at central banks	127.509.487	-	-	-	-	-	-	127.509.487
Amounts and deposits at other credit institutions	24.505.278	-	-	-	-	-	-	24.505.278
Financial assets held for trading	-	17.196	69.744	18.338.398	20.222.896	3.807.558	-	42.455 792
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	-	-	-	14.607.405	-	14.607.405
Financial assets at fair value through other comprehensive income	-	-	-	108.759.457	43.191.114	-	-	151.950.571
Financial assets at amortised cost								
Loans and advances to credit institutions	-	-	695.730	-	-	-	-	695.730
- Loans and advances to customers	17.301.855	8.872.027	3.853.666	108.871.742	268.291.312	6.188.415	-	413.379.017
- Debt securities	-	60.435.704	4.227.052	159.257.228	75.419.686	-	-	299.339.670
Hedging derivatives	-	-	-	361.023	-	-	-	361.023
Other Assets	-	-	-	-	-	829.971	-	829.971
	169.316.620	**69.324.927**	**8.846.192**	**395.587.848**	**407.125.008**	**25.433.349**	**-**	**1.075.633.944**
Liabilities								
Resources from Central Banks	-	-	-	175.567.747	-	-	-	175.567.747
Resources from other credit institutions	561.689	-	-	-	-	-	-	561.689
Resources from customers and other loans	352.822.872	98.779.291	192.028.315	92.886.065	111.000	-	1.877.992	738.505.535
Hedging derivatives	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	57.182	255.898	25.194	-	-	-	338.274
Non-subordinated debt securities issued	-	-	-	-	-	-	-	-
	353.384.561	**98.836.473**	**192.284.213**	**268.479.006**	**111.000**	**-**	**1.877.992**	**914.973.245**
Liquidity gap	**(184.067.941)**	**(29.511.546)**	**(183.438.021)**	**127.108.842**	**407.014.008**	**25.433.349**	**(1.877.992)**	**160.660.699**

2020								
	At sight	Up to 3 months	3 months to to 1 year	1 to to 5 years	More than 5 years	Indeterminate	Other (1)	Total
Assets								
Cash and deposits at central banks	42.722.541	-	-	-	-	-	-	42.722.541
Amounts and deposits at other credit institutions	20.351.813	-	-	-	-	-	-	20.351.813
Financial assets held for trading	-	79.825	34.010	14.971.639	21.990.716	2.895.669	-	39.971.859
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	-	-	-	19.837.835	-	19.837.835
Financial assets at fair value through other comprehensive income	-	-	-	88.856.880	37.208.045	-	-	126.064.925
Loans and advances to credit institutions								
Loans and advances to credit institutions	-	-	700.000	-	-	-	268.068	968.068
- Loans and advances to customers	10.934.761	13.905.238	10.083.128	82.790.174	273.386.439	10.276.980	-	401.376.720
- Debt securities	-	21.318.981	10.277.374	136.616.119	74.848.397	-	-	243.060.871
Other Assets	-	-	-	-	-	501.593	-	501.593
	74.009.115	**35.304.044**	**21.094.512**	**323.234.812**	**407.433.597**	**33.512.077**	**268.068**	**894.856.225**
Liabilities								
Resources from Central Banks	-	-	5.000.000	100.000.000	-	-	-	105.000.000
Resources from other credit institutions	251.093	-	-	-	-	-	-	251.093
Resources from customers and other loans	199.099.717	98.011.275	257.861.802	90.604.147	91.482	-	2.411.594	648.080.017
Hedging derivatives	-	-	-	8.698	-	-	-	8.698
Financial liabilities held for trading	-	2.027	115.086	122.792	-	-	-	239.905
Non-subordinated debt securities issued	-	-	-	-	-	-	-	-
	199.350.810	**98.013.302**	**262.976.888**	**190.735.637**	**91.482**	**-**	**2.411.594**	**753.579.713**
Liquidity gap	**(125.341.695)**	**(62.709.258)**	**(241.882.376)**	**132.499.175**	**407.342.115**	**33.512.077**	**(2.143.526)**	**141.276.512**

(1) - The Column "Other" includes interest receivable and payable, and deferred sums already received or paid.

The main assumptions used to draw up the tables above are the following:

- the projected contractual cash flows of interest associated with financial assets and liabilities were not considered;
- the column "Other" corresponds to values already received or paid that are being deferred;
- for equity instruments their maturity was considered indeterminate, having been included in the "Indeterminate" column;
- in financial assets held for trading and available for sale it was considered that the instruments were only settled on their maturity date; and
- in loans and advances to customers it was considered that the principal repayment was made in full on the date of the last credit instalment.

The short-term liquidity gap is financed by resorting to the interbank monetary market, where the Bank has access to credit lines that allow it to finance this gap, and through discounts on securities issued by the ECB, which allows it to have access to immediate liquidity.

The short-term liquidity gap is associated to the funding of the Bank's bond portfolio. The total value of the securities portfolio is greater than the short-term gap. The Bank may at any moment reduce it by selling securities in the market. The said gap thus results from a strategic decision of the Bank to finance its securities portfolio in an efficient manner in economic terms and not from a structural deficiency of liquidity. The portfolio has been essentially financed through repurchase operations at the European Central Bank, although Banco Invest has repurchase contracts with different banking institutions.

Market risk

Banco Invest's business through financial instruments entails the assumption or transfer of one or several kinds of risk.

Market risks are those which arise from keeping financial instruments whose value can be affected by market fluctuations. Market risks include:

a) Exchange rate risk: this arises from fluctuations in foreign currency exchange rates;
b) Interest-rate risk: this arises from fluctuations in market interest rates;
c) Price risk: this arises from changes in market prices, either due to factors specific to the instrument or to factors that affect all the instruments traded on the market.

The control of market risk aims to assess and monitor the potential losses associated with changes in the price of the Bank's assets, discretionary portfolio management and the consequent loss of profits from an adverse movement of market prices. This assessment is conducted by defining procedures and limits for global portfolios and product categories. Strategies, positions and limits are assessed daily to generate income through trading and assets and liability management, while simultaneously controlling exposure to market risk.

Exchange risk

Exchange risk is the result of fluctuations in exchange rates, whenever there are "open positions" in these currencies.

The exchange rate activity of Banco Invest is of secondary importance and residual. The daily foreign currency balances and transactions carried out in foreign currency are controlled on a daily basis by the Operations Department and the Market Room.

Only US dollar and pound transactions have any relevance, with transactions in other currencies being almost non-existent.

As at 31 December 2021 and 2020, the breakdown of financial instruments by currency was as follows:

	2021 Currency				
	Euros Gross	**US Dollars**	**Pound**	**Other**	**Total**
Assets					
Cash and deposits at central banks	127.509.487	-	-	-	127.509.487
Amounts at other credit institutions	20.868.695	3.269.394	232.307	134.882	24.505.278
Financial assets held for trading	40.455.875	1.039.499	387.203	573.215.	42.455.792
Financial assets not held for trading mandatorily at fair value through profit or loss	14.607.405	-	-	-	14.607.405
Financial assets at fair value through other comprehensive income	148.966.548	2.984.023	-	-	151.950.571
Financial assets at amortised cost	690.795.502	19.138.213	3.480.702	-	713.414.417
Hedging derivatives	361.023	-	-	-	361.023
Other Assets	436.566	372.364	9.425	11.616	829.971
	1.044.001.101	**26.803.493**	**4.109.637**	**719.713**	**1.075.272.921**
Liabilities:					
Resources at central banks	175.567.747	-	-	-	175.567.747
Financial liabilities held for trading	338.274	-	-	-	338.274
Resources from other credit institutions	286.333	72.299	188.331	14.726	561.689
Resources from customers and other loans	727.122.307	10.963.141	326.368	93.719	738.505.535
Hedging derivatives	-	-	-	-	-
Non-subordinated debt securities issued	-	-	-	-	-
	903.314.661	**11.035.440**	**514.699**	**108.445**	**914.973.245**
Net Exposure (Currency Position)	**140.686.440**	**15.768.053**	**3.594.938**	**611.268**	**160.299.676**

	2020 Currency				
	Euros Gross	**US Dollars**	**Pound**	**Other**	**Total**
Assets					
Cash and deposits at central banks	42.722.541	-	-	-	42.722.541
Amounts at other credit institutions	17.643.618	2.387.028	203.518	117.649	20.351.813
Financial assets held for trading	37.634.012	1.756.603	219.214	362.030	39.971.859
Financial assets not held for trading mandatorily at fair value through profit or loss	19.837.835	-	-	-	19.837.835
Financial assets at fair value through other comprehensive income	123.048.198	3.016.727	-	-	126.064.925
Hedging derivatives	625.434.522	16.607.068	3.364.069	-	645.405.659
Other Assets	380.133	92.780	23.681	4.999	501.593
	866.700.859	**23.860.206**	**3.810.482**	**484.678**	**894.856.225**
Liabilities:					
Resources at central banks	105.000.000	-	-	-	105.000.000
Financial liabilities held for trading	236.201	3.704	-	-	239.905
Resources from other credit institutions	227.663	23.430	-	-	251.093
Resources from customers and other loans	639.189.994	8.549.624	253.696	86.703	648.080.017
Hedging derivatives	8.698	-	-	-	8.698
Títulos de dívida não subordinada emitidos	-	-	-	-	-
	744.662.556	**8.576.758**	**253.696**	**86.703**	**753.579.713**
Net Exposure (Currency Position)	**122.038.303**	**15.283.448**	**3.556.786**	**397.975**	**141.276.512**

The Bank considers that a 5% increase in the market exchange rates of the main currencies that the Bank is exposed to would not have a significant impact on the financial statements as at 31 December 2021 and 2020.

Interest-rate risk

Interest rate risk relates to the impact that interest rate changes have on income and on the entity's asset value. This risk arises from the varying times to maturity or re-appreciation of assets, liabilities and off-balance sheet positions with respect to the entity, in light of changes in the interest rate curve slope. Interest rate risk therefore corresponds to the risk that the present value of future cash flows of a financial instrument may fluctuate due to changes in market interest rates.

Management of the interest rate risk is subordinate to the overall strategy of the Bank, which aims to minimise the impact of interest rate changes on the Bank's overall profits.

The short-term interest rate risk basically arises from the mismatch of payments between the institution's liabilities and its loan assets.

As at 31 December 2021 and 2020, the type of exposure to interest rate risk was summarised as follows:

	2021			
	Not subject to interest rate risk	**Fixed rate**	**Variable rate**	**Total**
Assets				
Cash and deposits at central banks	911.912	-	126.597.575	127.509.487
Amounts at other credit institutions	2.106.351	-	22.398.927	24.505.278
Financial assets held for trading:				
- Securities	3.807.558	37.339.580	875.488	42.022.626
- Derivatives	-	-	433.166	433.166
Financial assets not held for trading mandatorily at fair value through profit or loss	21.689.683	-	-	21.689.683
Financial assets at fair value through other comprehensive income	-	151.950.571	-	151.950.571
Financial assets at amortised cost:				
- Loans and advances to credit institutions	-	-	695.730	695.730
- Loans and advances to customers	3.013.880	81.377.544	328.987.593	413.379.017
- Debt securities	-	200.870.256	98.469.414	299.339.670
Hedging derivatives	-	-	361.023	361.023
Other Assets	-	-	829.971	829.971
	31.529.384	**471.537.951**	**579.648.887**	**1.082.716.222**
Liabilities				
Resources from central banks	-	41.510.000	134.057.747	175.567.747
Financial liabilities held for trading	-	26.648	311.626	338.274
Resources from other credit institutions	-	-	561.689	561.689
Resources from customers and other loans	-	92.997.065	652.007.420	745.004.485
Hedging derivatives	-	-	-	-
Non-subordinated debt securities issued	-	-	-	-
	-	**134.533.713**	**786.938.482**	**921.472.195**
	31.529.384	**337.004.238**	**(207.289.595)**	**161.244.027**
Off-balance sheet				
Derivatives (notional amount)				
- Swaps	-	-	97.521.343	97.521.343
- Options	57.096.971	-	-	57.096.971
- Futures	16.148.145	-	35.901.063	52.049.208
	73.245.116	**-**	**133.422.406**	**206.667.522**

	2020			
	Not subject to interest rate risk	Fixed rate	Variable rate	Total
Assets				
Cash and deposits at central banks	1.293.291	-	41.429.250	42.722.541
Amounts at other credit institutions	1.664.209	-	18.687.604	20.351.813
Financial assets held for trading:				
- Securities	2.895.668	32.547.062	1.119.165	36.561.895
- Derivatives	-	-	3.409.964	3.409.964
Financial assets not held for trading mandatorily at fair value through profit or loss	19.837.835	-	-	19.837.835
Financial assets at fair value through other comprehensive income	-	126.064.925	-	126.064.925
Financial assets at amortised cost:				
- Loans and advances to credit institutions	-	-	968.068	968.068
- Loans and advances to customers	3.159.317	135.664.370	262.553.033	401.376.720
- Debt securities	-	197.598.104	45.462.767	243.060.871
Other Assets	-	-	501.593	501.593
	28.850.320	**491.874.461**	**374.131.444**	**894.856.225**
Liabilities				
Resources from central banks	-	100.000.000	5.000.000	105.000.000
Financial liabilities held for trading	-	88.080	151.825	239.905
Resources from other credit institutions	-	-	251.093	251.093
Resources from customers and other loans	-	84.241.662	563.838.355	648.080.017
Hedging derivatives	-	-	8.698	8.698
Non-subordinated debt securities issued	-	-	-	-
	-	**184.329.742**	**569.249.971**	**753.579.713**
	28.850.320	**307.544.719**	**(195.118.527)**	**141.276.512**
Off-balance sheet				
Derivatives (notional amount)				
- Swaps	-	-	79.578.191	79.578.191
- Options	64.925.957	-	-	64.925.957
- Futures	6.355.295	-	87.345.050	93.700.345
	71.281.252	**-**	**166.923.241**	**238.204.493**

The variable rate concept includes all transactions with maturity times of less than one year, and all others whose rate can be redefined in terms of market indicators, including the swaps whose remuneration is indexed to the performance of certain underlying assets (shares and market indices, among others).

As at 31 December 2021 and 2020, the exposure to interest rate risk was broken down into the following periods:

				2021			
	At sight	Up to to 3 months	3 months to to 1 year	1 to to 5 years	More than 5 years	Other (1)	Total
Assets							
Cash and deposits at central banks	127.509.487	-	-	-	-	-	127.509.487
Amounts at other credit institutions	24.505.278	-	-	-	-	-	24.505.278
Financial assets held for trading:							
- Securities	-	401.311	489.723	15.861.908	21.462.127	3.807.557	42.022.626
- Derivatives	-	-	433.166	-	-	-	433.166
Financial assets not held for trading mandatorily at fair value through profit or loss	14.607.405	-	-	-	-	-	14.607.405
Financial assets at fair value through other comprehensive income	-	-	-	108.759.457	43.191.114	-	151.950.571
Financial assets at amortised cost:							
- Loans and advances to credit institutions	-	-	695.730	-	-	-	695.730
- Loans and advances to customers	20.315.735	8.322.425	-	-	-	384.740.857	413.379.017
- Debt securities	-	81.402.119	17.572.893	125.996.361	74.368.297	-	299.339.670
Debt securities	-	-	-	361.023	-	-	361.023
Other Assets	-	-	-	-		829.971	829.971
	186.937.905	**90.125.855**	**19.191.512**	**250.978.749**	**139.021.538**	**389.378.385**	**1.075.633.944**
Liabilities							
Resources at central banks	-	-	134.057.747	41.510.000	-	-	175.567.747
Financial liabilities held for trading	-	8.412	303.214	26.648	-	-	338.274
Resources from other credit institutions	561.689	-	-	-	-	-	561.689
Resources from customers and other loans	352.822.872	98.779.296	192.028.310	92.886.065	111.000	1.877.992	738.505.535
Hedging derivatives	-	-	-	-	-	-	-
Non-subordinated debt securities issued	-	-	-	-	-	-	-
	353.384.561	**98.787.708**	**326.389.271**	**134.422.713**	**111.000**	**1.877.992**	**914.973.245**
	(166.446.656)	**(8.661.853)**	**(307.197.759)**	**116.556.036**	**138.910.538**	**387.500.393**	**160.660.699**

				2020			
	At sight	Up to to 3 months	3 months to to 1 year	1 to to 5 years	More than 5 years	Other (1)	Total
Assets							
Cash and deposits at central banks	42.722.541	-	-	-	-	-	42.722.541
Amounts at other credit institutions	20.351.813	-	-	-	-	-	20.351.813
Financial assets held for trading:							
- Securities	-	1.119.165	-	9.458.406	23.088.657	2.895.667	36.561.895
- Derivatives	-	41.945	282.697	3.085.322	-	-	3.409.964
Financial assets not held for trading mandatorily at fair value through profit or loss	19.837.835	-	-	-	-	-	19.837.835
Financial assets at fair value through other comprehensive income	-	-	-	86.147.849	39.917.076	-	126.064.925
Financial assets at amortised cost:							
- Loans and advances to credit institutions	-	-	700.000	-	-	268.068	968.068
- Loans and advances to customers	14.122.212	4.964.999	76.549.230	181.277.884	-	124.462.395	401.376.720
- Debt securities	-	36.669.324	22.105.953	107.600.658	76.684.936	-	243.060.871
Other Assets	-	-	-	-		501.593	501.593
	97.034.401	**42.795.433**	**99.637.880**	**387.570.119**	**139.690.669**	**128.127.723**	**894.856.225**
Liabilities							
Resources at central banks	-	-	5.000.000	100.000.000	-	-	105.000.000
Financial liabilities held for trading	-	2.027	149.798	88.080	-	-	239.905
Resources from other credit institutions	251.093	-	-	-	-	-	251.093
Resources from customers and other loans	199.099.717	94.591.280	261.281.797	90.604.147	91.482	2.411.594	648.080.017
Hedging derivatives	-	-	-	8.698	-	-	8.698
Non-subordinated debt securities issued	-	-	-	-	-	-	-
	199.350.810	**94.593.307**	**266.431.595**	**190.700.925**	**91.482**	**2.411.594**	**753.579.713**
	(102.316.409)	**(51.797.874)**	**(166.793.715)**	**196.869.194**	**139.599.187**	**125.716.129**	**141.276.512**

(1) - The Column “Other” includes interest receivable and payable, and deferred sums already received or paid, overdue loans and fixed rate loans.

According to the methodology described in Bank of Portugal Instruction 34/2018, the impact on own funds arising from a 200 bps shock to the interest rate curve comes to 11,109,499 euros (2018: 16,290,867 euros).

Concentration Risk

Concentration risk is conceptually encompassed within credit risk. Metrics have been integrated in the Bank to systematically identify aggregate exposure in relation to a Customer, geographical and sector exposure and concentration risk appetite limits.

Concentration on Customers or “large risks”

The Bank monitors compliance with regulatory limits (25% over Tier 1) and internal concentration risk appetite limits. As of December 31, 2021, there are no regulatory limits exceeded.

Concentration by geographic area and counterparty

The detail of the risk of financial assets and guarantees and sureties provided, by geographical area, is as follows:

	Portugal	Rest of the European Union	Rest of The World
Financial assets held for trading	1.436.825	31.473.599	9.545.368
Financial assets that are not trading assets mandatorily at fair value through profit or loss	21.689.683	-	-
Financial assets at fair value through other comprehensive income	7.333.545	121.477.079	23.139.946
Financial assets at amortised cost - Debt securities	133.637.668	124.868.110	40.833.892
Financial assets at amortized cost - Loans and advances	413.379.017	-	-

Concentration by economic sectors

As of December 31, 2021, the distribution of loans by economic sector is as follows:

	Financial assets held for trading	Financial assets that are not trading assets mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost - Debt securities	Financial assets at amortised cost - Loans and advances
Agriculture, forestry and fishing	-	-	-	-	3.783.280
Extractive Industries	-	-	1.062.157	5.160.490	42.728
Manufacturing industries	8.545.450	-	64.379.945	79.833.735	7.388.207
Production and distribution of electricity, gas, steam and air conditioning	9.489.398	-	31.298.887	49.131.720	-
Water Supply	2.148.717	-	3.002.217	-	411.303
Construction	1.047.229	-	-	499.886	8.420.553
Wholesale and retail trade	2.243.422	-	5.215.761	9.627.836	29.314.183
Transportation and storage	2.159.658	-	-	11.945.978	3.337.200
Accommodation and food service activities	-	-	-	3.618.003	6.213.105
Information and communication	3.416.596	-	14.862.491	13.558.232	7.174.283
Financial and insurance activities	12.304.223	14.607.405	20.772.839	33.072.992	21.685.247
Real estate activities	343.099	-	-	1.027.832	11.561.648
Consultancy, scientific, technical and similar activities	-	-	-	-	2.788.804
Administrative and support services activities	-	-	2.002.808	3.498.897	3.129.596
Public administration and defense, mandatory social security	749.025	-	6.714.660	85.308.430	-
Education	-	-	-	-	685.891
Human health services and social work activities	8.978	-	2.638.805	3.055.640	2.001.751
Artistic, entertainment and recreational activities	-	-	-	-	1.292.717
Other services	-	-	-	-	9.797.704
Institutions	-	-	-	-	695.730
Institutions	-	-	-	-	293.655.084
	42.455.792	**14.607.405**	**151.950.571**	**299.339.670**	**413.379.017**

Fair Value

The Bank calculates the fair value of financial instruments based on market prices. Where there is no market price, fair value is calculated using in-house models based on specific assumptions that vary in accordance with the financial instruments to be valued. Under exceptional circumstances, when it is not possible to reliably determine the fair value, assets are valued at historical cost.

The main considerations in the calculation of the fair value of financial assets and liabilities are:

- "Cash and deposits at Central Banks" and "Claims on other credit institutions": Given the short-term nature of these assets, the accounting value is considered a reasonable estimate of their fair value;

- "Amounts owed by and resources from other credit institutions" and "Resources from Central Banks": The calculation of fair value assumes that transactions are settled on the maturity dates and are updated in the "cash flows", using the rates curve created in the closing days of the year. Bearing in mind the maturity dates of the transactions and type of interest rate, Banco Invest estimates that the difference between the fair value and the book value is not significant;

- "Loans and advances to customers": Almost all loans and advances to customers bear interest at rates linked to the Euribor rate, the majority being re-fixed in the short-term. Regarding the portfolio spreads in force, the Bank considers that the current loan business takes place at a residual pace (and values) relative to the dimension of the portfolio, and that the transactions undertaken, as well as the respective spreads attributed, are affected by the specific characteristics of each transaction, not being representative of the remaining loan portfolio.

- Based on the fact that the current spreads in force exceed the average spread of the loan portfolio, the Bank calculated the fair value of the portfolio considering an additional spread of 1%. Based on this analysis, application of the fair value in the "Loans and advances to customers" item would result in a decline in its value of approximately 1,775,429 euros (31 December 2020: 2,048,940 euros).

- It is important to point out that loan operations with pledges on financial assets and loans attributed to employees and Group companies were not included in this analysis.

- "Resources from customers and other loans": For term deposits of less than a year, the accounting value is considered a reasonable estimate of fair value. For other deposits, the contracted spreads do not differ much from those practised in the most recent operations;

- "Financial assets and liabilities held for trading" and "Financial assets at amortised cost": These instruments are already recorded at fair value, calculated according to:
  - §Prices in an active market;
  - Indicative prices provided by the financial information media, namely Bloomberg, largely through the Bloomberg Generic index;
  - Valuation methods and techniques, where there is no active market, supported by:
    - mathematical calculations based on recognised financial theories; or,
    - prices calculated based on similar assets or liabilities traded in active markets or based on statistical estimates or other quantitative methods;
  - Indicative prices provided by issuers, essentially for those cases in which, given the specific characteristics of the security, it was not possible to use the valuation methods described above;
  - Acquisition cost when it is considered to be similar to the fair value.

A market is considered active and therefore liquid when transactions take place regularly.

As at 31 December 2021 and 2020, the calculation of the fair value of the financial assets and liabilities of the Bank can be summed up as follows:

	2021					
		Financial instruments valued at fair value				
		Prices in an	Valuation techniques based on:			
	Assets valued at acquisition cost	active market (Level 1)	Market data (Level 2)	Other (Level 3)	Total	Book value
Assets						
Financial assets held for trading (Note 8)						
- Securities	-	3.807.556	38.230.614	-	42.038.170	42.038.172
- Derivatives	-		417.620	-	417.620	417.620
Financial assets not held for trading mandatorily at fair value through profit or loss (Note 8)	-	-	-	14.607.405	14.607.405	14.607.405
Financial assets at fair value through other comprehensive income (Note 9)	-	-	151.950.571	-	151.950.571	151.950.571
Debt Securities (Note 7)	-	-	192.208.110	65.680.775	257.888.885	299.339.670
Hedging derivatives	-	-	361.023	-	361.023	361.023
	-	**3.807.556**	**383.167.938**	**80.288.180**	**467.263.674**	**508.714.461**
Liabilities						
Financial liabilities held for trading (Note 20)						
- Derivatives	-	-	338.274	-	338.274	338.274
Hedging derivatives	-	-	-	-	-	-

	2020					
		Financial instruments valued at fair value				
		Prices in an	Valuation techniques based on:			
	Assets valued at acquisition cost	active market (Level 1)	Market data (Level 2)	Other (Level 3)	Total	Book value
Assets						
Financial assets held for trading (Note 8)						
- Securities	-	2.895.667	33.666.227	-	36.561.894	36.561.894
- Derivatives	-		3.409.965	-	3.409.965	3.409.965
Financial assets not held for trading mandatorily at fair value through profit or loss (Note 8)	-	-	-	19.837.835	19.837.835	19.837.835
Financial assets at fair value through other comprehensive income (Note 9)	-	-	126.064.925	-	126.064.925	126.064.925
Debt Securities (Note 7)	-	-	249.816.449	25.081.886	274.898.335	243.060.871
	-	**2.895.667**	**412.957.566**	**44.919.721**	**460.772.954**	**428.935.490**
Liabilities						
Financial liabilities held for trading (Note 20)						
- Derivatives	-	-	239.905	-	239.905	239.905
Hedging derivatives	-	-	8.698	-	8.698	8.698

The main assumptions used to draw up the tables above are the following:

- The values relative to prices in an active market correspond to equity instruments listed on a Stock Exchange (Level 1);
- The portfolio securities whose valuation corresponds to indicative bids supplied by contributors external to the Bank or prices divulged through the financial information media, namely Bloomberg, were considered in "Valuation Techniques – Market data" (Level 2);

- The securities valued based on the Bank's internal models are presented in "Valuation techniques - Other" (Level 3). In addition, the financial assets and liabilities are classified at Level 3 if a significant proportion of its balance sheet value results from non-observable market inputs, namely:
  - Unlisted shares, bonds and derivative financial instruments that are valued based on internal models, with there being no general consensus in the market regarding which parameters to use; and
  - Bonds listed though indicative bids disclosed by third parties, based on theoretical models;
  - Closed Real Estate Investment Funds and Venture Capital Funds valued on the basis of the asset value disclosed by the respective Management Company;
  - Derivative financial instruments not valued by the market.

Regarding the securities valued through the internal model, the assumptions used were those that the Bank considered to be adequate to reflect the market value of those financial assets at the balance sheet date, including the market base interest rate, a spread reflecting the risk of each security calculated based on the rating and an expected date of reimbursement.

Short-term investments in commercial paper, recorded in the trading portfolio, are valued at amortised cost, which does not differ significantly from fair value.

42. OWN FUNDS

The Bank maintains a conservative policy with respect to own funds management, maintaining a solvency ratio above the minimum levels required by the regulatory authorities. The Bank maintains a capital base composed exclusively by shareholders' equity, in addition to the capacity to issue several debt instruments.

The Bank's own funds are monitored monthly to assess the institution's degree of solvency, with variations in relation to previous periods and the existing margin between real values and minimum capital requirements being analysed.

The procedures adopted to calculate the Bank's prudential ratios and limits are based on the regulations issued by the Bank of Portugal, the same being applicable to all the matters that fall within the scope of the supervisory functions of the banking system. Those standards represent the legal and regulatory framework of the various matters of prudential nature.

According to the calculation method indicated above and considering the net income for the year on 31 December 2021 and 2020, the Bank presents the following ratios:

	2021	2020
Common Equity Tier 1 capital		
Capital	47.500.000	47.500.000
Reserves and retained earnings	78.048.458	80.293.156
Regulatory adjustments to Common Equity Tier 1 capital	(675.973)	(589.541)
Common Equity Tier 1 capital	124.872.485	127.203.615
Complementary capital	1.100.000	2.400.000
Total Own Funds	**125.972.485**	**129.603.615**
RWA		
Credit risk	675.323.275	628.643.300
Market risk	90.867.436	63.694.062
Market risk	81.118.492	68.602.369
CVA	259.970	179.382
	847.569.173	**761.119.113**
Capital ratios		
Common Equity Tier 1	14,7%	16,7%
Total capital ratio	14,9%	17,0%

43. NEWLY ISSUED NOTES

The recently issued accounting standards and interpretations that the Group has applied in the preparation of its financial statements are as follows:

Covid 19 - Rental Concessions Amendment to IFRS 16

In May 2020, the IASB issued "Covid-19 - Rental Concessions," which amended IFRS 16 Leases.

If certain conditions are met, the amendment allows lessees, as a practical expedient, not to assess whether certain Covid-19 related rent concessions are lease modifications. Instead, lessees applying the practical expedient should account for such rent concessions as if they were not lease modifications, so that, for example, the amount of rent forgiven on or before 30 June 2021 is recognised in profit or loss in the same year in which the concession is granted, rather than being allocated over the life of the lease, as would be the case if the practical expedient were not permitted.

The amendment should be applied for annual periods beginning on or after 1 June 2020.

In 2021, the IASB, extended the practical expedient by 12 months - i.e. allowing lessees to apply it to rent concessions for which any reduction in lease payments only affects payments originally due on or before 30 June 2022.

The 2021 amendments are effective for annual reporting periods beginning on or after 1 April 2021. Lessees can apply them in advance.

The 2021 amendments are applied retrospectively with the cumulative effect of the initial application recognised in retained earnings. The disclosure requirements of paragraph 28 (f) 1 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors do not apply upon initial application.

The Group has not recorded significant changes in their adoption of these standards.

Reform of the Interest Rate Reference Index - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

In August 2020, the IASB issued the Interest Rate Reference Reform - Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

The purpose of the amendments is to assist entities in providing useful information to users of financial statements and to support preparers in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition from an IBOR reference rate to alternative reference rates in the context of the ongoing risk-free rate reform ('IBOR reform').

The amendments are the result of the second phase of the IASB project addressing the accounting impacts of the IBOR reform, which gave rise to the Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued by the IASB on 26 September 2019. They complement the first phase of the project that addressed the pre-replacement accounting impacts of the IBOR reform and were issued by the IASB in 2019.

The amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2021.

The Group has not recorded significant changes in their adoption of these standards.

Extension of the temporary exemption from application of IFRS 9 (amendments to IFRS 4)

The IASB issued 'Extension of the Temporary Exemption from Application of IFRS 9 (Amendments to IFRS 4) on 25 June 2020.

The objective of the amendments is to extend the expiry date of the temporary exemption from the application of IFRS 9 (i.e. to 2023) in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts.

The Group has not recorded significant changes in their adoption of these standards.

The Group decided not to early apply the following standards and/or interpretations adopted by the European Union::

References to the Framework (amendments to IFRS 3)

In May 2020, the IASB issued "References to the Conceptual Framework" amending IFRS 3 Business Combinations.

The amendments updated IFRS 3, replacing the reference to an older version of the Framework with a reference to the most recent version, which was issued in March 2018.

The amendments shall apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Early application is permitted if, at the same time or earlier, an entity also applies all the amendments made in "Amendments to references to the Conceptual Framework in IFRSs" issued in March 2018.

The Group is evaluating the impacts that these standards will have in its financial statements, and is not expecting significant changes in the adoption of these standards.

Property, Plant and Equipment - Revenues Before Intended Use, Amendments to IAS 16 Property, Plant and Equipment

In May 2020, the IASB issued "Property, Plant and Equipment - Revenue Before Intended Use," which amended IAS 16 Property, Plant and Equipment.

The amendments prohibit the deduction from the cost of an item of property, plant and equipment, of any proceeds from the sale of items produced in bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the entity shall recognise those sales revenues in profit or loss.

The amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2022, with earlier application permitted.

The Group is evaluating the impacts that these standards will have in its financial statements, and is not expecting significant changes in the adoption of these standards.

Onerous Contracts - Cost of fulfilling a contract

In May 2020, the IASB issued "Onerous Contracts - Cost of Fulfilling a Contract," which amended IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The objective of the amendments is to clarify the requirements of IAS 37 on onerous contracts regarding the assessment of whether, in a contract, the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

The amendments shall be applied for annual periods beginning on or after 1 January 2022, with earlier application permitted.

The Group is evaluating the impacts that these standards will have in its financial statements, and is not expecting significant changes in the adoption of these standards

2018-2020 Cycle Improvements

On May 14, 2020, the IASB issued Improvements to IFRS 2018-2020 containing the following changes to IFRSs:

(a) to permit an entity, as a subsidiary, associate or joint venture, that adopts IFRSs for the first time after its parent and elects to apply paragraph D16(a) of IFRS 1 First-time Adoption of International Financial Reporting Standards, to measure cumulative translation differences using the amounts reported by the parent on the basis of its date of transition to IFRSs;

(b) clarify that the reference to fees in the 10 per cent test includes only fees paid or received between the borrower and the lender, including fees paid or received by the borrower or the lender on behalf of the other (IFRS 9);

(c) remove potential confusion regarding the treatment of lease incentives by applying IFRS 16 Leases, as illustrated in Illustrative Example 13 accompanying IFRS 16; and

(d) remove the requirement in paragraph 22 of IAS 41 Agriculture for entities to exclude cash flows for taxation when measuring fair value by applying IAS 41.

The amendments will apply for annual periods beginning on or after 1 January 2022, with earlier application permitted.

The Group is evaluating the impacts that these standards will have in its financial statements, and is not expecting significant changes in the adoption of these standards..

Standards, amendments and interpretations issued, but not yet effective for the Group

Clarification of requirements for classifying liabilities as current or non-current (amendments to IAS 1 - Presentation of Financial Statements)

The IASB issued on 23 January 2020 an amendment to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current and non-current.

The amendments clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement that an entity has the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments aim to:
a) pecify that an entity's right to defer settlement must exist at the end of the reporting period;
b) clarify that the classification is not affected by management's intentions or expectations as to whether the entity will exercise its right to defer liquidation;
c) clarify how loan conditions affect the rating; and
d) clarify the requirements for classifying liabilities that an entity will, or can, settle by issuing its own equity instruments.

This amendment is effective for periods after 1 January 2023.

The Group is evaluating the impacts that these standards will have in its financial statements, and is not expecting significant changes in the adoption of these standards.

Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosures of accounting policies

Following feedback obtained on the need for more guidance to help companies decide what information to disclose regarding accounting policies, the IASB issued on 12 February 2021 amendments to IAS 1 - Presentation of financial statements and IFRS Practice Statement 2 - Making materiality judgements.

The main amendments to IAS 1 include: i) requiring entities to disclose information about material accounting policies rather than significant accounting policies, ii) clarifying that accounting policies related to immaterial transactions are also immaterial and as such do not need to be disclosed and iii) clarifying that not all accounting policies related to material transactions are themselves material to an entity's financial statements.

The IASB has also amended IFRS Practice Statement 2 to include guidance and two additional examples on applying materiality to accounting policy disclosures. These amendments are consistent with the revised definition of material:

"Information about accounting policies is material if, when considered in conjunction with other information included in an entity's financial statements, it could reasonably be expected to influence the decisions that the primary users of financial statements generally make on the basis of those financial statements."

The amendments take effect from 1 January 2023, but earlier application is permitted.

The Group is evaluating the impacts that these standards will have in its financial statements, and is not expecting significant changes in the adoption of these standards.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to clarify how entities should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition and clarification of accounting estimates.

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates, specifying that an entity develops an accounting estimate to achieve the objective established by an accounting policy. The effects of changes in such data or measurement techniques are changes in accounting estimates.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will be applied prospectively to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the first annual reporting period to which the entity applies the amendments.

The Group is evaluating the impacts that these standards will have in its financial statements, and is not expecting significant changes in the adoption of these standards.

Amendments to IAS 12: deferred tax related to assets and liabilities arising from a single transaction

The IASB issued amendments to IAS 12 - 'Income Taxes' on May 7, 2021.

The amendments require companies to recognise deferred tax on transactions which, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Under certain circumstances, companies are exempt from recognising deferred taxes when they first recognise assets or liabilities. Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning provisions, i.e. transactions under which companies recognise an asset and a liability. The amendments clarify that the exemption does not apply to these types of transactions and that companies are required to recognise deferred taxes. The purpose of the amendments is to reduce diversity in the disclosure of deferred tax on leases and decommissioning provisions.

The amendments come into force for annual periods beginning on or after 1 January 2023. Early application is permitted

The Group is evaluating the impacts that these standards will have in its financial statements, and is not expecting significant changes in the adoption of these standards.

Amendments to IFRS 17 - Insurance Contracts: Initial application of IFRS 17 and IFRS 9 - Comparative Information

The International Accounting Standards Board (IASB) has issued an amendment to the scope of the transition requirements of IFRS 17 - Insurance Contracts, providing insurers with an option with the aim of improving the usefulness of information for investors on initial application of the new Standard.

The amendment does not affect any other requirements of IFRS 17.

IFRS 17 and IFRS 9 - Financial Instruments have different transition requirements. For some insurers, these differences may cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in the financial statements when applying IFRS 17 and IFRS 9 for the first time.

The amendment will help insurers avoid such temporary accounting mismatches and therefore increase the usefulness of comparative information for investors.

IFRS 17, including this amendment, is effective for annual reporting periods beginning on or after 1 January 2023.

The Group is evaluating the impacts that these standards will have in its financial statements, and is not expecting significant changes in the adoption of these standards.

44. REQUIRED DISCLOSURES BY STATUTE

According to the information required by Art. 66-A and Art. 508-F of the Commercial Companies Code:

a) There are no transactions not included in the balance sheet, so there will be no financial impacts to report;
b) Total fees invoiced in the year ended 31 December 2021 by the Statutory Auditor came to 154,674 Euros, related with the Statutory Audit of the annual accounts (59,963 Euros) and additional services (‘ 94,711 Euros), as mentioned in Note 37.

According to the information required by Article 21 of Decree-Law 411/91 and Decree-Law No. 534/80:

a) The Company has no outstanding Social Security contributions;
b) The Company does not have any outstanding taxes to the State.

45. SUBSEQUENT EVENTS

The European Council introduced restrictive measures related to the financial, defence, energy, aviation and space sectors in connection with the conflict between Russia and Ukraine.

The sanctions include the members of the National Security Council who supported Russia’s immediate recognition of the two self-proclaimed republics of Donetsk and Luhansk, those who facilitated Russian military aggression from Belarus and the members of the State Duma who ratified government decisions on the Treaty of Friendship, Cooperation and Mutual Assistance between the Russian Federation and the Donetsk People’s Republic and between the Russian Federation and the Luhansk People’s Republic.

The European Council imposed restrictive measures prohibiting Russian air carriers, aircraft registered in Russia and aircraft not registered in Russia, but owned, chartered or otherwise controlled by any Russian natural or legal person, entity or body, from landing in, taking off from or overflying the territory of the Union. It also prohibits any transactions with the Central Bank of Russia.

Banco Invest, with reference to 31/12/2021, shows exposure of 5,690 thousand euros, in debt instruments, to entities of the Russian Federation. In 2022, Banco Invest increased the impairment on these assets by 3,144 thousand euros.

The Board of Directors is monitoring the evolution of the conflict and its impacts, considering, with the available information, that the Bank’s solvency and liquidity are sufficient to continue its operations.

6. Statutory Auditor's Report

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
Edifício FPM41 – Avenida Fontes Pereira de Melo, 41 – 15º
1069-006 Lisboa – Portugal
+351 210 110 000 – www.kpmg.pt

STATUTORY AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **Banco Invest, S.A.** (the Group), which comprise the consolidated balance sheet as at 31 December 2021 (showing a total of 1,103,552,718 euros and total equity of 156,913,972 euros, including non-controlling interests of 1,203,454 euros and a profit for the year attributable to the shareholders of 18,920,785 euros), and the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of **Banco Invest, S.A.** as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the consolidated Financial Statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese private limited company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
Capital Social: 3.916.000 Euros – Pessoa Colectiva Nº PT 502 161 078 –
Inscrito na O.R.O.C. Nº 189 – Inscrito na C.M.V.M. Nº 20161489
Matriculada na Conservatória do Registo Comercial de Lisboa sob o Nº PT 502 161 078

matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment for loans and advances to customers (29,273,640 euros)

Impairment losses on financial assets at amortized cost - loans and advances to customers are detailed in note 7 of the financial statements

The Risk

For the purpose of impairment calculation, the financial assets measured at amortised cost loans and advances to customers are classified into three stages (1, 2 or 3) taking into consideration whether a significant deterioration in credit risk is identified, since their initial recognition or if these are impaired assets. For the Group, determining this effect is a relevant process since it influences the associated Expected Credit Loss (‘ECL’) levels.

The impairment is calculated based on the expected loss estimated by the Group on an individual and collective basis, as disclosed in note 2.5.a) of the Financial Statements.

The individual analysis is based on the assessment of the existence of impairment losses on a case-by-case basis, considering the total exposure of a given client and expectations regarding the evolution of the activity and the market value of the associated collaterals and expectations regarding the evolution of future macroeconomic conditions.

The collective analysis is based on estimates and assumptions for determining the ECL taking into consideration (i) the historical information of losses in credit portfolios with similar risk determined taking into account the category to

Our response to the identified risk

Our audit procedures included, amongst others, those that we describe below:

- We evaluated the design and implementation of the main controls defined by the Group for the process of identifying and calculating impairment losses;
- We analysed the alignment of accounting policies with the applicable accounting standards;
- We analysed the classification process of loans and advances to customers based on their credit risk (Stage 1, 2 and 3);
- We evaluated the ECL estimation process;
- For credits which impairment losses are determined on an individual basis, we analysed, for a sample of operations the underlying assumptions related to the identification and quantification of impairment, including (i) the evaluation of existing collaterals and (ii) estimate the recoveries in case of default;
- For credits whose impairment losses are determined on a collective basis, we tested, with the support of our experts, the underlying models, including the approval process, their validation and the recalculation of the impairment accounted. Additionally, we tested the adequacy and accuracy of the significant assumptions used in the model including the relevant data elements;

which they are allocated; and (ii) the knowledge of the economic and credit environment and its influence on the level of historical and future losses (‘forward looking’), the latter especially relevant considering the uncertain economic environment arising from COVID-19. The impairment assessment process is highly complex in its design and implementation and includes several estimates and judgments made by the Group. This process considers factors such as the probability of default, risk ratings, the value of collateral associated with each transaction, recovery rates and estimates of both future cash flows and the time of collection. The evolution of the economic environment, in particular the effects of the new variant of COVID-19 and the measures to be taken by the government, the behavior of inflation and monetary policy measures to be taken, as well as the control and monitoring of the end of the moratoriums and their effects may create greater pressure on the liquidity of economic agents with an impact on the future calculation of impairment losses. On this basis, due to the uncertainty, complexity and judgment involved in calculating the estimate, the impairment for loans and advances to customers was considered a relevant audit matter.	▪ We assessed the adequacy of the respective disclosures to the financial statements, in accordance with the applicable accounting framework.

Responsibilities of management and the supervisory body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Group's consolidated financial position, financial performance and the consolidated cash flows, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the preparation of the consolidated management report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and,
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process

Auditors' responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in

the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and the events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes the verification that the information contained in the consolidated management report is consistent with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the consolidated management report

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the consolidated management report was prepared in accordance with the applicable legal and regulatory requirements, the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements.

On the additional matters provided 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 first appointed as auditors of the Group in the shareholders general assembly held on 17 September 2017 for a mandate from 2017 to 2020. We were reappointed as auditors of the Group in the shareholders general assembly held on 15 February 2022 for a second mandate from 2021 to 2024.

- Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud.
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Group on 18 April 2022.
- We declare that we have not provided any prohibited services as described in article 5 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and we have remained independent of the Group in conducting the audit.
- We inform that, in addition to the audit, we provided to the Group with the following services as permitted by law and regulations in force :
    - Issuance of reports regarding the impairment of the loan portfolio in accordance with Bank of Portugal Instruction no. 18/2018;
    - Issuance of an opinion regarding the Safeguarding of Assets as determined by the CMVM;
    - Support to the Supervisory Board in the scope of Notice nr. 03/2020 and the underlying work to be performed to support their report on the Internal Control System;
    - Report on factual conclusions regarding the assessment of the quality of data reported under Article 6(1) and (2) of Decision (EU) Nr. 2019/1311 of July 22, 2019 as amended by Decision (EU) Nr. 2021/124 of January 29, 2021;
    - Diagnosis report regarding Articles nr. 29 and nr. 30 of Notice nr. 3/2020 of the Bank of Portugal.

18 April 2022

SIGNED ON THE ORIGINAL

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A.
(no. 189 and registered at CMVM with the nr. 20161489)
represented by
Miguel Pinto Douradinha Afonso
(ROC no. 1454 and registered at CMVM with the nr. 20161064)

7. Report and Opinion of the Audit Board

REPORT AND OPINION OF THE AUDIT BOARD

FOR THE FINANCIAL YEAR 2021

To the Shareholders of

Banco Invest , S.A.

In accordance with Article 420(1)(g) of the Commercial Companies Code, it is our duty as members of the Audit Board of Banco Invest, S.A., to submit the Report of our supervisory activity and the opinion on the management report, consolidated accounts and proposals presented by the Board of Directors of Banco Invest, S.A. for the year ended 31 December 2021.

Within the scope of our duties, we developed contacts with the Board of Directors, obtained clarifications and collected information from the competent services, informed ourselves about the Company's activity and the management of the business carried out and verified the financial information produced during the year ended on 31 December 2021, carrying out the analyses deemed convenient in order to develop a reasonable understanding of Banco Invest, S.A.'s activity.

We verified compliance with the Law and the Company's Articles of Association, verified that the accounting records and supporting documentation were in order, verified that the accounting policies adopted by the Company and the disclosures included in the Notes lead to a correct representation of the consolidated assets and consolidated results and carried out other procedures deemed necessary under the circumstances.

After the closure of the consolidated accounts, we examined the documents rendering the consolidated accounts, namely the management report prepared by the Board of Directors, as well as the consolidated financial statements presented, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the consolidated statement of comprehensive income and the corresponding notes.

We have been informed of the Statutory Auditor's Report on the Company's consolidated accounts, with emphasis and without reservations, issued by KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A., dated 18 April 2022, and with whose content we agree.

From the Board of Directors and competent services we always obtained the documentation and clarifications requested, which we appreciate, concluding that:

a) The consolidated financial statements provide a fair understanding of the Company's consolidated financial situation and consolidated results;

b) The accounting policies adopted and the disclosures are appropriate;

c) The management report presents the evolution of the Company's business and situation, in accordance with the legal and statutory provisions.

In light of the work undertaken, we are of the opinion that the Company's Annual General Meeting should approve:

a) The Management Report and Consolidated Accounts for the year ended 31 December 2021;

b) The proposal for the appropriation of results set forth in the aforementioned Management Report.

Finally, we would like to highlight and acknowledge the excellent cooperation received in the performance of our duties from the Company's Board of Directors and the services with which we had the opportunity to contact.

Lisbon, 18 April 2022

The Audit Board

Jean-éric Gaign

José Manuel Lopes Neves de Almeida

Luís Alberto Monsanto Póvoas Janeiro

8. Summary of the Self-Assessment Report on the adequacy and effectiveness of the organisational culture and the governance and internal control systems

SUMMARY OF THE SELF-ASSESSMENT REPORT ON THE ADEQUACY AND EFFECTIVENESS OF THE ORGANISATIONAL CULTURE AND THE GOVERNANCE AND INTERNAL CONTROL SYSTEMS

The Self-Assessment Report ('Report') prepared under the provisions of Article 54 of Bank of Portugal Notice 3/2020 ('Notice'), in force since 16 July 2020, and Bank of Portugal Instruction 18/2020 ('Instruction') contains the results of the assessment carried out by Banco Invest S.A. ('Bank' or 'Banco Invest') regarding the adequacy and effectiveness of the Bank's organisational culture and its governance and internal control systems, including remuneration practices and policies and the other matters addressed in the Notice, with reference to 30 November 2021.

This Report includes a framework of the Bank's organisational structure, as well as the changes made, during the period in question, to its governance model and organic structure.

Within the scope of the Report, the total number of open deficiencies is presented, distinguishing between: i) deficiencies identified in the reporting period; and ii) deficiencies identified in previous periods. Thus, and at the reference date of the Report, a set of deficiencies classified as F1 "Low" or F2 "Moderate" and 10 classified as F3 "High" remain open, and there are no deficiencies classified with an F4 "Severe" level.

Within the scope of the Report, the self-assessment/independence reports of the heads of Risk Management, Compliance and Internal Audit were also prepared and included, under the terms of articles 27, 28 and 32 of the Notice, respectively. In these self-assessment/independence reports, each function presents its organisational structure, competencies and responsibilities, and the independence of each internal control function is confirmed by the respective managers, confirming the inexistence of any incidences. Additionally, each report identifies which open deficiencies were detected in each internal control function, with 9 deficiencies classified as F3 "High"', and no deficiencies classified as F4 "Severe".

The Report includes the assessment of the Bank's Governing Bodies, pursuant to Articles 56 and 57 of the Notice, on the adequacy and effectiveness of the organisational culture:

- In preparing the Audit Board's assessment of the adequacy and effectiveness of the Bank's organisational culture and its governance and internal control systems, and with regard to the work performed, the activity developed by the internal control functions, the cumulative evidence collected, the assessment of the adequacy of the risk classification attributed to the deficiencies that remain open, the monitoring of the work performed by the External Auditor and other external entities, the Report of Assurance on a set of components of the Bank's Internal Control System, under the terms of ISAE 3000, issued by KPMG, the reports and activities performed by the supervisor, and the discussions and meetings held with the Executive Committee and with the heads of the various organic units covered by the Notice, were taken into consideration.

Therefore, based on the work carried out and the evidence gathered, the Audit Board concludes, with the exception of the deficiencies classified as level F3 or others that aggregately jeopardise the Bank's risk profile, that the organisational culture in force in the Bank and its governance and internal control systems are adequate and effective, in all materially relevant aspects, under the terms of the requirements defined in the Notice.

Additionally, the Audit Board concludes that: i) the assessment of the status of implementation of the measures defined in the reporting period to correct the deficiencies detected is reasonable; ii) the quality of performance and independence of the internal control functions, including the operational sub-contracted tasks, are adequate; iii) the processes for preparation of prudential and financial reports and for preparation of information disclosed to the public are reliable; and iv) the public disclosure duties resulting from applicable legislation and regulations have been adequately fulfilled in the reporting period.

- The Board of Directors prepares its assessment of the adequacy and effectiveness of the Bank's organisational culture and governance and internal control systems, also analysing the set of existing deficiencies.

  As a result of this assessment, CA concludes that: (i) the adequacy of the classification attributed to the deficiencies classified under the methodology defined by the Bank with the level F3 'High' and F4 'Severe' is reasonable, noting that no deficiencies classified as F4 "Severe" were identified; and ii) the control functions act independently, adequately and effectively complying with the requirements set out in the Notice and that the outsourcing of specific operational tasks of the internal control functions complies with the provisions of Article 36 of Notice 3/2020, as it is considered that they will contribute to greater efficiency of the tasks and that they fall within the tasks that can be outsourced;

  Additionally, and taking into consideration the main aspects identified with regard to the development and improvement of the Internal Control System, the Board of Directors lists in its assessment a number of ongoing tasks aimed at strengthening the processes in certain areas.

  Therefore, and without prejudice to the deficiencies classified as level F3 "High" or others that aggregately jeopardise the Bank's risk profile, the Board of Directors concludes that the organisational culture and its systems of governance and internal control, including the Bank's remuneration policies and practices, are appropriate and effective.

BANCO
INVEST

Lisboa
Av. Eng. Duarte Pacheco, Torre 1 - 11°, 1070-101 Lisboa
Tel.: +351 213 821 700   Fax: +351 213 864 984   welcome@bancoinvest.pt

Porto
Pç. do Bom Sucesso, n° 131 - Ed. Península, Salas 502 a 504 - 5°, 4150-146 Porto
Tel.: +351 226 076 390   Fax: +351 226 095 297

www.bancoinvest.pt