2021 ANNUAL REPORT

BPI

Grupo CaixaBank

INDEX

MANAGEMENT REPORT

CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

CORPORATE GOVERNANCE REPORT

MANAGEMENT REPORT

ABOUT THIS REPORT

Banco BPI (hereinafter "BPI" or "the Bank") has prepared this 2021 Management Report in accordance with the international Integrated Reporting framework[1] with the objective of assembling in a single document the relevant information for the stakeholders and ensuring an integrated vision of economic, environmental, social and governance issues.

This report comprises the Bank's Non-Financial Statement, thus complying with Decree-Law no. 89 / 2017 of 28 July and with the voluntary application guidelines on disclosure of non-financial information issued by the CMVM, the Portuguese Securities Market Commission.

BPI, a signatory to the UN Global Compact[2], is committed to respecting its 10 Principles and to contributing to the United Nations' Sustainable Development Goals (SDGs)[3]. Accordingly, it reports both its initiatives with a material contribution to the achievement of these goals and those it develops together with the "la Caixa" Foundation.

In 2021, BPI continued to integrate ESG (Environmental, Social, and Governance) initiatives into its business model, and the metrics and indicators disclosed in this report are aligned with the Taxonomy[4] - European Regulation EU 2020/852.

This sustainability report is framed by international reference standards: the Global Reporting Initiative (GRI[5]) Standards (in accordance with "Core" reporting option) and the Sustainability Accounting Standards Board - SASB[6], in this case for the first time. For both standards a matching index has been prepared.

This document is a translation from the Portuguese original "Relatório e Contas Banco BPI 2021". In the event of any inconsistency the Portuguese version shall prevail.

[1] "Supplementary Information – Integrated Reporting"
[2] "Supplementary Information – Index of UN Global Compact Contents"
[3] "Our Performance – Socially Responsible Bank - Contribution to the SDG".
[4] "Our Performance – Socially Responsible Bank - Environment" and "Supplementary Information – European Taxonomy".
[5] "Supplementary Information – GRI Indicators".
[6] "Supplementary Information – Index of SASB Contents".

INTRODUCTION

STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

AN EXTRAORDINARY YEAR

The 6th of October 2021 marks 40 years since the foundation of Sociedade Portuguesa de Investimentos (SPI), which in 1985 would become BPI.

The project launched by Artur Santos Silva could not be better celebrated and honoured than by the extraordinary performance achieved by BPI in 2021.

In a year, which is already the second, deeply marked by the huge challenges that the pandemic posed to society as a whole, the Bank achieved excellent results in all areas of its activity. As a corollary of this performance BPI achieved a recurring domestic result of 200 million euros, a consolidated net profit of 307 million euros and closed the year with capital ratios that truly reflect the bank's strength: Core equity tier 1 of 14.2%, Tier 1 of 15.7%, and Total Capital ratio of 17.4%.

This position allowed the Board of Directors to approve a dividend distribution proposal (already considered in the calculation of the above-mentioned ratios) in the amount of 194 million euros, corresponding to half the net profit obtained in the activity in Portugal plus the dividends received from the equity holdings in BFA (Angola) and BCI (Mozambique).

"The year just ended was **an extraordinary year in many ways**, and extraordinary was the work done by everyone who works at BPI"

Fernando Ulrich

It should be noted that BPI's sole shareholder, CaixaBank, has as its largest shareholder the ”la Caixa” Foundation, with an equity holding of 30%. This means that this institution is the ultimate beneficiary of 30% of the dividends distributed by BPI, i.e. 58.2 million euros in 2021, a year in which the ”la Caixa” Foundation channelled 30 million euros to support initiatives in Portugal. In other words, through the "la Caixa" Foundation, a significant portion of the dividends distributed by BPI is used to support projects in Portugal.

In April 2021, António Farinha de Morais resigned from his position, thus ending a career of more than three decades of dedicated service to the BPI project. One of the Bank's brightest and most experienced professionals, he held positions of high responsibility in key areas such as Operations, the Commercial Network and Credit Risks. The Board of Directors would like to express its gratitude to him.

Francisco Artur Matos, until then head of the Risk Management Division, was co-opted to take his place. Francisco Matos represents a new generation of senior managers trained at BPI, who have distinguished themselves by their work and competence, and stand as the guarantee of the Bank's future and of its values.

The year just ended was an extraordinary year in many ways, and extraordinary was the work done by everyone who works at BPI, under the strong and enlightened leadership of João Pedro Oliveira e Costa, very well seconded by the Bank's Executive Committee and Senior Management. On behalf of the Board of Directors and in my own name, I express my recognition and congratulations to all.

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

ON THE RIGHT PATH

In 2021, the pandemic continued to be the main determinant of social and economic life, forcing a sharp downward revision of the optimistic expectations that had been harboured about its duration and impact. We faced a third particularly virulent and lethal wave in the first quarter, before the start of vaccination, which led to a second lockdown, and it was only after the summer that we arrived at an always uncertain, always incipient attempt to return to a new normality. A brief reminder of this framework is essential for any overview of the year, first of all to reiterate, as is only fair, the due recognition of the enormous effort of all those who allowed everything to continue working as if nothing was wrong, starting with the health professionals and other essential workers, without forgetting the capacity to adjust and the attitude of civic responsibility shown by the majority of the population. A reference should also be made to the prompt and progressively more structured response of State and Businesses, which managed to secure employment, adapt to an unprecedented regime of telework and support an economic recovery that is already quite evident, and which is expected to be reinforced in 2022.

"BPI strives to become a reference in **sustainable banking**, much as it is already in **digital banking** and has never ceased to be one in **best financial practices**."

João Pedro Oliveira e Costa

The banking sector, always ignored in this public recognition, has played an essential role in creating the conditions to sustain social life, under the regime of exception that we have been living under for two years. Firstly, because it has always ensured the smooth operation of essential financial services, starting with the payment system; secondly - a fundamental point - because it took the initiative of proposing, right at the outset, the loan moratoria - which allowed instant cash support to companies, under strict criteria, as has so far been abundantly demonstrated by the levels of impairment reported, which are well below the worst forecasts -, formulated in the context of a sudden recession, which led to a fall in GDP of 8% in a single year; and finally, because, unlike in the 2011 crisis, banks have substantially increased their credit flows to both businesses and households. And all of this was ultimately executed by people, with a commitment, discipline and team spirit that call for a special mention here.

People, our teams, were at the centre of the response to the crisis, just as they are now at the centre of the profound transformation in which BPI is engaged in order to address the markets' new challenges, at technological and environmental level. Putting people at the centre of this imperative transformation means investing in improving their working conditions, training and accountability, and in optimising the functional and organisational structure within which they operate, all of which are essential for improving productivity and customer service, the Bank's primary purpose in the coming years. In this context, new programmes were launched aimed at the health and well-being of the Employees, the conciliation of their professional, personal and family life, diversity and inclusion, human capital development, and the attraction and retention of talent.

In 2021, BPI obtained a consolidated net profit of 307 million euros and a recurrent domestic net profit of 200 million euros, which compare with 105 and 84 million euros, respectively, in the previous financial year. This is one of our best performances ever, reflecting a robust recovery solidly backed by the positive evolution of all commercial and financial indicators.

The growth of consolidated results benefits from an increase in BFA's contribution from 30 to 106 million euros, which includes 40 million euros corresponding to the 2020 dividend and 50 million euros from the extraordinary distribution of free reserves, as a consequence of a capital reduction that also allowed lowering the economic value of BPI's equity holding.

The domestic results express strong commercial dynamism, especially relevant in the already described adverse context, with loans growing by 7% and Customer resources by 9%, alongside a 7.6% rise in gross income, and market share gains in the main individual and corporate client segments. Regulatory costs rose once again, by 5.4% to 41.6 million euros, but operating expenses remained stable, despite the significant increase in amortisation and depreciation, an inevitable consequence of the strong technological investment of recent years. Summing up these developments, the cost-to-income ratio fell from 58 to 54.2%.

These results maintain strong qualitative consistency. The cost of credit risk, i.e., the ratio of loan impairments net of recoveries to the loan portfolio, fell from 0.57% to 0.17%, the default ratios continued to fall, and the degree of coverage increased to 150%. Moratoria, which had come to represent 22% of the loan portfolio at the end of 2020, reached, a year later, the residual amount of 2.5 million euros. In turn, pension liabilities were covered at 103%, liquidity stayed at very comfortable levels and capital indicators remained stable and well above the ECB's minimum requirements, allowing once again an adequate distribution of dividends.

Always with the unequivocal and indispensable support of the shareholder, the pace of modernization was intensified, in order to make the Bank closer, simpler and more immediate, focused on improving the customer experience, the centre of an omnichannel relationship. The automation of transactions, the mobility and digitisation of customer service and the simplification of the offer, all increased. Digital is increasingly relevant at BPI, with around 800 thousand regular digital customers, an important presence in the sales process and very high levels of satisfaction, fuelled by a permanent innovation effort, materialised in 2021 in areas such as access to data, payments, credit simulation and insurance contracting, to name just a few examples.

In the field of Social Responsibility, which has always distinguished BPI's identity throughout its history of 40 years, completed in October 2021, the Bank has been permanently associated with the support programme financed by the "la Caixa" Foundation, in a global amount close to 30 million euros, applied in Social Sector, Health, Science, Research, Education and Culture projects. In a specific initiative called *#Todos Juntos* (All Together), BPI and the Foundation joined a group of nine banks and more than 30 companies that raised 2.5 million euros for people in vulnerable situations in the context of the pandemic.

Internally, we highlight the launch of the BPI Volunteering Programme, in March, and the Volunteering Week, in October, which systematised the contribution of Employees in this domain and translated into a total of 5500 hours, spread over 120 initiatives, with 1300 volunteers and more than 10 thousand direct beneficiaries.

Externally, 2021 will be marked by a significant deepening of the Bank's social commitment: among other initiatives, the Bank subscribed to the ten principles of the United Nations Global Compact in the areas of human rights, labour practices, environmental protection and anti-corruption, and launched the process of preparing a Sustainability Master Plan, which will represent a structural change in the criteria and purposes that will guide its presence in the markets and in social life.

BPI strives to become a reference in sustainable banking, much as it is already in digital banking and has never ceased to be one in best financial practices, in financial strength and risk indicators, and in social responsibility. A solid bank, as always, and increasingly innovative, agile and competitive. The 2021 results warrant our conviction that we are on the right track.

Executive Committee
Ignácio Alvarez-Rendueles, Pedro Barreto, João Pedro Oliveira e Costa (Chairman), Francisco Barbeira, Francisco Artur Matos.

KEY INDICATORS IN 2021

41.4 Bi.€	27.5 Bi.€	40.3 Bi.€	1.8 million	4 478	349
Total assets	Loans	Customer resources	Customers	Employees	Commercial Units

Strong commercial dynamism

+7.1% loan portfolio (yoy)

+9.0% Customer resources (yoy)

11.1% in loans
11.4% in resources
market shares

Improved efficiency and profitability

307 M.€ consolidated
179 M.€ in Portugal
net income

54.2% core efficiency in Portugal

6.8% recurring ROTE in Portugal

Low risk profile and high capitalisation

1.6% NPE ratio
149% NPE coverage (by impairments and collaterals)

17.4% total capital
14.2% CET1
capital ratios (phasing in)

23.7% MREL ratio (as % RWA)

Comfortable liquidity position

91% transformation ratio (loans as % of deposits)

Rating

Investment grade

BBB	Fitch
Baa2	Moody's
BBB	S&P

(**Consolidated** amounts in M.€, except where otherwise stated)

	2017	2018	2019	2020	2021
Net profit	10.2	490.6	327.9	104.8	306.8
Activity in Portugal	123.7	396.3	230.2	66.2	178.6
Equity holdings in BFA and BCI	(113.5)	94.4	97.6	38.6	128.2
Return on tangible equity (ROTE) [1]	0.4%	16.3%	10.3%	3.0%	9.2%
Recurring ROTE in the activity in Portugal [1]	8.3%	8.8%	8.9%	2.7%	6.8%
Core efficiency ratio [2] in the activity in Portugal	64.8%	60.4%	60.2%	58.0%	54.2%
Return on assets (ROA)	0.0%	1.6%	1.0%	0.3%	0.8%
Total assets (net)	29 640	31 568	31 812	37 786	41 378
Loans to Customers (gross)	22 223	23 487	24 381	25 695	27 529
Total Customer resources	32 624 [3)]	33 195	34 382	36 989	40 305
Loan to deposit ratio	99%	100%	100%	93%	91%
NPE ratio (Non performing exposures; EBA criteria)	5.1%	3.5%	2.5%	1.7%	1.6%
NPE coverage by impairments and collaterals	117%	127%	124%	140%	149%
Cost of credit risk [4]	(0.02%)	(0.18%)	(0.17%)	0.57%	0.17%
Shareholders' equity attributable to BPI shareholders [5]	2 824	3 206	3 161	2 981	3 393
Common Equity Tier I ratio [6]	12.3%	13.8%	13.4%	14.1%	14.2%
Total capital ratio [6]	14.0%	15.5%	16.6%	17.3%	17.4%
Leverage ratio [6]	6.8%	7.3%	8.4%	7.3%	6.8%
Distribution network (no. units) [7]	510	498	480	425	349
BPI Group employees (no.)	4 931	4 888	4 840	4 622	4 478

1) The average equity considered in the calculation of ROTE is deducted from the average balance of AT1 instruments, intangible assets and goodwill of equity holdings.
2) Operating expenses (excluding non-recurring) as % of commercial banking gross income.
3) Proforma considering the sale of BPI Gestão de Ativos and BPI GIF.
4) Impairment losses and provisions for loans and guarantees, net of loan recoveries previously written off against assets as % of average gross loans and guarantees portfolio.
5) Excludes AT1 capital instruments (275 M.€ issued in September 2019).
6) Fully loaded capital ratios until 2019 and phasing in of the impact of IFRS9 implementation in 2020 and 2021.
7) Retail branches, mobile branch, Premier centres, Private Banking (2 centres in Portugal and one in Switzerland) and Corporate and Institutional centres.

KEY CORPORATE EVENTS IN 2021

2021

25 Jan. BPI and BPI Gestão de Ativos join the **United Nations Global Compact**

4 Feb. BPI presents **2020 results**

5 Feb. BPI discloses **MREL requirement.** BPI already meets MREL requirements established for 1 January 2022

3 Mar. BPI launches **BPI Voluntary Service Programme**

15 Apr. BPI shareholder approves **2020 Annual Report and dividend** (13.2 M.€), with payment suspended until October 2021

10 May BPI presents **1st quarter 2021 results**

Jan. to June BPI and BPI Gestão de Ativos participate in the **1st edition of the SDG Ambition international programme** (United Nations Global Compact)

13 July **Moody's upgrades Banco BPI and its senior debt ratings** to Baa2

12-16 July **BPI 1st Health and Well-being Week**

30 July BPI presents **1st half 2021 results**

1 Sep. BPI subscribes to the **Women's Empowerment Principles (WEPs)** of the UN Global Compact and UN Women

21 Sep. **Moody's improves** Banco BPI **deposits rating** to A3

1 Oct. BPI **pays 2019 and 2020 dividends**, approved in March 2020 and April 2021, but whose payment had been suspended

6 Oct. Issue of **700 M.€ senior non-preferred debt**, subscribed by CaixaBank, to reinforce eligible liabilities for compliance with the future MREL requirement

18-24 Oct. 1st week of **BPI Voluntary Service**

2 Nov. BPI presents **3rd quarter 2021 results**

2 Nov. **Certification of Environmental Management System** (banking and support activity at Casal Ribeiro building) ISO 14 001:2015

27 Dec. Certification as **family responsible company** (efr.)

2022

2 Feb. BPI presents **2021 results**

WHO WE ARE

OUR IDENTITY

Mission, Vision and Values

BPI's identity is marked by a strong financial and business culture, based on management independence, organisational flexibility, teamwork, recognition of merit, long-term vision and the ability to anticipate change, active management of risks and value creation for the Stakeholders.

The **Bank's adequate profitability, through best management and service practices**, is a fundamental goal of the activity.

Protecting the Customers' interests, with dedication, loyalty and confidentiality, is one of the principles of the **business ethics and rules of conduct** of the Bank's Employees.

BPI develops its activity under the motto **"Creating value with values"**:

- The **quality of service** to improve the experience of Customers and respond to their needs in an increasingly agile manner;
- The **trust** built on a daily basis that translates into honest and responsible conduct, transparent communication, the guarantee of depositors' security, protection of Customer data, high quality service, and financial strength;
- The **social commitment** to Families, Companies and Society, which has marked BPI's identity since its birth.

With BPI's entry into the CaixaBank Group, the **"la Caixa" Foundation** decided to extend its activity to Portugal, starting in 2018, **in collaboration with BPI**, to develop a set of initiatives in the social, research and health, culture and science, and education and scholarships areas.

In 2021, "la Caixa" Foundation's budget allocation amounted to close to 30 million euros. The "la Caixa" Foundation, created more than 110 years ago, is **the largest foundation in the European Union** and one of the most relevant globally by volume of social investment. Its mission is to build **a better and fairer Society**, providing support to those who need it most.

Creating **value** with **values**

Mission

To contribute to the financial well-being of Customers and to the progress of society

Vision

Leading and innovative financial group, with the best Customer Service, and a reference in Socially Responsible Banking

Values

Quality

Trust

Social Commitment

Commitment to Stakeholders

In its Social Responsibility Policy, BPI expresses its declaration of commitment to its **Stakeholders**.

CUSTOMERS

Customers are the prime reason for the existence of BPI, whom it wishes to serve well, doing more and better with less costs. BPI undertakes the commitments to deliver an offer suited to the Customers' needs; to ensure responsible selling; to promote the quality of service; to encourage dialogue; to establish accurate, accessible and transparent communication; to safeguard data protection; to strictly comply with the law; and to maintain a relevant presence in Portugal.

EMPLOYEES

BPI undertakes to respect human rights and labour rights; to ensure respect for diversity, equal opportunities and non-discrimination; to promote job stability, the conciliation of professional and family life, and well-being in the working environment; to manage the organisation's talent; to ensure the correct execution and monitoring of all legal obligations; and to encourage dialogue and internal communication, as well as to measure Employees' level of satisfaction.

SOCIETY

BPI is committed to supporting the more vulnerable groups, to having in place a sound management model for the country's socio-economic development, to respecting and protecting the environment, and to contributing to the Sustainable Development Goals.

SHAREHOLDER

BPI seeks to deserve the trust that the Shareholder has placed in it, generating long-term value, delivering an attractive return and maintaining with it a close and transparent relationship.

BPI Grupo CaixaBank

MATERIALITY

BPI conducts an annual **sustainability materiality survey in order to identify which issues are more relevant to the Bank and to its Stakeholders**.

In 2021, a benchmarking and consultation with relevant entities and individuals on the domestic scene were carried out, as well as an alignment with CaixaBank's themes. **24 potentially relevant topics were identified**, grouped into three thematic areas:

The Environment

Incorporation of environmental and social criteria into the business

Society

Innovation and digital transformation
Customer Satisfaction
Culture focused on People
Financial and digital inclusion
Social Commitment

Corporate Governance

Risk management
Profitability and financial strength
Corporate governance

Consultation process

The consultation process with BPI representatives and Stakeholders was carried out by means of a questionnaire on an online platform owned by the Bank, focusing exclusively on the valuation of the topics. The valuation phase obtained replies from 770 representatives of BPI Stakeholders and 24 representatives of the Bank.

The topics were represented in a **materiality matrix**, grouped into three distinct levels of relevance / priority.

The **material topics** are those considered very important, with a **score equal to or greater than 8.7** (on a scale of zero to 10), both for **BPI Representatives and for the organisation's Stakeholders** (see matrix on following page).

Online questionnaire
Valuation of 24 topics

24
BPI representatives

Internal vision

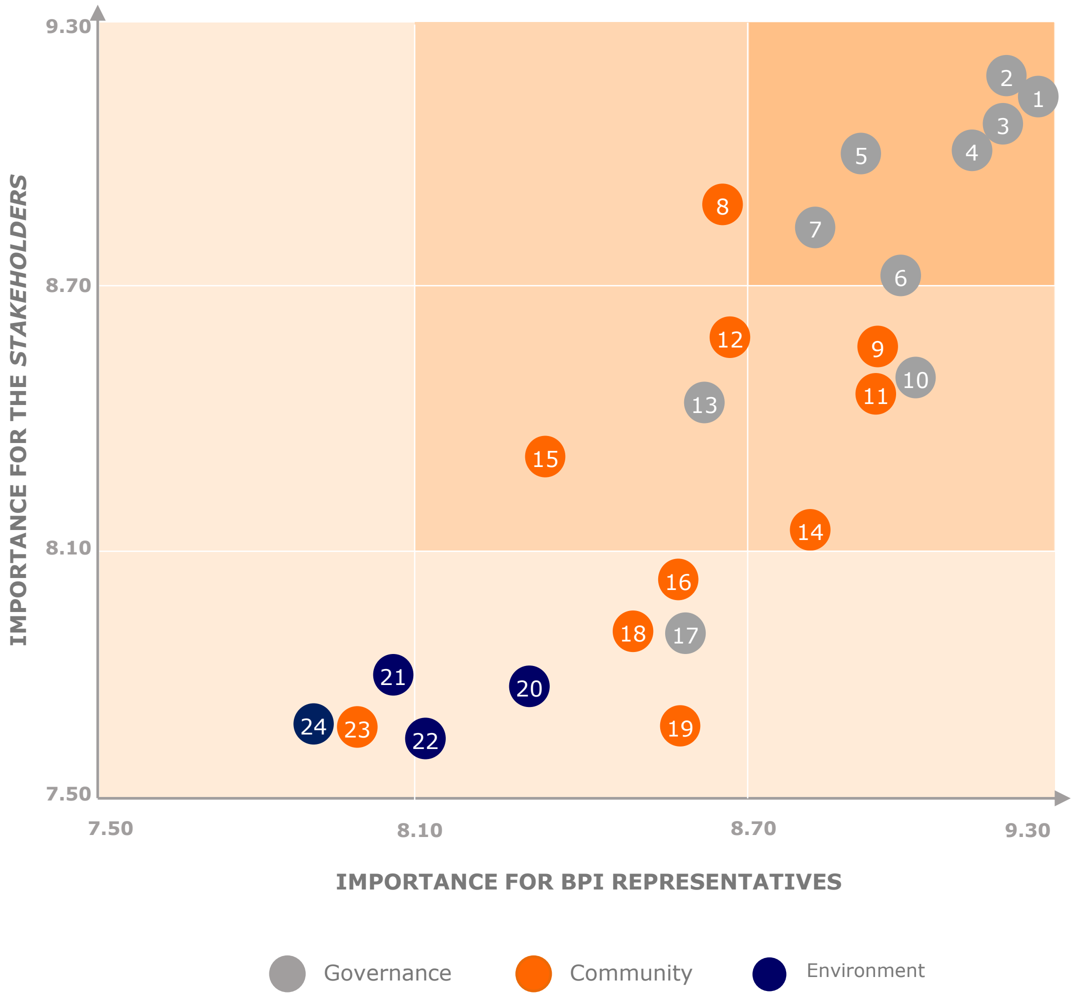
- Members of the Executive Committee
- First-line managers

770
Stakeholder representatives

External vision

- Shareholder
- Individual Customers
- Companies and Institutionals
- University and culture segments and social sector institutions
- Financial Community and Media Entities
- Employees
- Members of BPI's Social Responsibility Committee

BPI 2021 Materiality Matrix



Very important

1 **Cybersecurity and data protection**
2 **Good governance practices and principled conduct**
3 **Respect for and protection of human and labour rights**
4 **Financial strength and profitability**
5 **The Bank's reputation**
6 **Active risk management**
7 **Long-term vision and capacity to anticipate change**

Important

8 Attracting and retaining talent and developing human capital
9 Responsible marketing tailored to Customers' needs
10 Straightforward and transparent communication
11 Employee safety, health and well-being
12 Digital transformation and technological innovation
13 Sustainability strategy and governance
14 Proximity, expert advice and Customer satisfaction

Moderately important

15 Support to the community
16 Diversity, equality and conciliation
17 Responsible management and transparent contracting of Suppliers
18 Financial solutions for People with economic difficulties and/or special needs
19 Financial and digital literacy
20 The Bank's environmental management
21 Raising environmental awareness and promoting sustainable consumption
22 Management of climate and environmental risks in investment and financing
23 Corporate voluntary service
24 Marketing of green investment and financing products and services

Committed to establishing straightforward and transparent communication with its Stakeholders, BPI provides communication and dialogue channels to address the needs of every one.

Per Stakeholder	More relevant topics	Main channels of communication
CUSTOMERS	▪ Cybersecurity and data protection ▪ Good governance practices and principled conduct ▪ Respect for and protection of human and labour rights ▪ Straightforward and transparent communication ▪ Financial strength and profitability	▪ Specialised distribution networks: Branches, Premier Centres, Private Banking Centres, InTouch Centre, Corporate and Institutional Centres, Real Estate Business Centres, Corporate and Investment Banking Centres ▪ Homebanking services (BPI Net and BPI Net Empresas), Telephone Banking (BPI Direto) and mobile applications (BPI App) ▪ Mobile branch ▪ Institutional website ▪ Social networks ▪ Meetings with Customers ▪ Customer events, face-to-face and online ▪ Surveys
SHAREHOLDER	▪ Financial strength and profitability ▪ Good governance practices and principled conduct ▪ Cybersecurity and data protection ▪ Long-term vision and capacity to anticipate change ▪ Straightforward and transparent communication	▪ Meetings, namely corporate bodies meetings ▪ Face-to-face, e-mail or telephone contacts ▪ Management reports ▪ Surveys
SOCIETY	▪ Straightforward and transparent communication ▪ Respect for and protection of human and labour rights ▪ Good governance practices and principled conduct ▪ Support to the community ▪ Corporate voluntary service	▪ Omnichannel distribution networks ▪ Institutional website ▪ Social Networks ▪ Meetings open to the Community ▪ Surveys
EMPLOYEES	▪ Cybersecurity and data protection ▪ Financial strength and profitability ▪ The Bank's reputation ▪ Respect for and protection of human and labour rights ▪ Employee safety, health and well-being	▪ Intranet ▪ Surveys, namely organisational climate surveys ▪ Internal meetings or meetings with the Shareholder ▪ Performance assessment ▪ Whistleblowing channel

BUSINESS MODEL

BPI focuses its activity on commercial banking in Portugal and is the **fourth largest financial institution** in the country by business volume (loans, guarantees and total Customer resources). In December BPI had market shares of 11.1% in loans, 10.9% in deposits, and 14.0% in mutual funds, retirement saving plans and capitalisation insurance.

The business model of BPI, which is fully owned by CaixaBank, is based on the provision of a complete range of financial products and services, structured to meet the specific needs of each segment, through a specialised, fully integrated, omnichannel distribution network. Part of this offer relies on products and services provided by associated companies in Portugal and CaixaBank Group companies, shown in the table to the right, which also illustrates BPI's equity holdings in African banks.

BPI Structure and Business Model

Banco BPI

ACTIVITY IN PORTUGAL

Commercial Banking

- Retail and Premier
- Private Banking
- Small Businesses

- Companies and Institutions
- Corporate & Institutional Banking

Equity holdings

Allianz Portugal[1]	35.0%
Cosec[2]	50.0%

- Allianz Portugal: Non-life insurance
- Cosec: Export credit insurance

Investments in African Banks

BFA Angola	48.1%
BCI Mozambique	35.7%

% share capital held by Banco BPI

CAIXABANK GROUP COMPANIES

BPI Gestão de Ativos
- Mutual funds

CaixaBank Payments & Consumer[3]
- Debit and credit cards

CaixaBank Equipment Finance
- Equipment renting

BPI Vida e Pensões
- Capitalisation insurance
- Life risk insurance

Comercia Global Payments[4]
- Acquiring, POS

CaixaBank branch in Portugal
- Corporate finance
- Brokerage and *research*

[1] In partnership with Allianz, which holds 65% of the share capital.
[2] In partnership with Euler Hermes, a company of the Allianz Group, which holds 50% of the share capital.
[3] Spanish market leader.
[4] 80% held by Global Payments and 20% by CaixaBank Group.

To serve its Individual, Small Business, Corporate and Institutional Customers, BPI has **349 commercial units and 4 inTouch Centres**, the latter for Individual Customers with a digital profile who prefer to communicate and carry out operations remotely. This network articulates with the virtual channels, which include **homebanking** services (BPI Net and BPI Net Empresas), **telephone banking** (BPI Direto) and **mobile applications** (BPI Apps), thus ensuring the provision of banking services and products to all Clients.

BPI has been using the new technologies to improve the Customer experience in the relationship with the Bank, increasing its capacity to analyse and respond to the needs of each one and redesigning various processes to provide an increasingly innovative and multichannel offer.

As a result, BPI maintains high levels of Customer satisfaction in the digital channels, and at the end of December, reached a total of **772 thousand regular users of digital banking**, of which 537 thousand in the BPI App, which corresponds to increases of 9% and 16%, respectively, compared to 2020.

To serve the Individual, Small Business, Corporate and Institutional Customers, **BPI's business is organised around three areas**:

INDIVIDUALS, BUSINESSES, PREMIER AND INTOUCH BANKING

This area, mainly based on the **Branches**, is responsible for commercial initiatives with individual Customers, entrepreneurs, and small businesses. For the Affluent Customers – high net worth Customers or Customers with potential for wealth accumulation – BPI has a network of **Financial Advisors** working at Premier Centres or specific retail Branches, who provide specialised financial advisory services.

At the **inTouch Centres**, which started to deploy a differentiated commercial approach in 2020, Individual Customers have at their disposal a dedicated Account Manager with whom they can communicate by telephone or by chat via the BPI App, from anywhere and during extended hours.

PRIVATE BANKING

Through a team of experts in Portugal and a subsidiary in Switzerland – BPI Suisse – BPI provides specialised discretionary management and financial advisory services to high net worth individual Customers.
Its value proposition relies on the continuous innovation of its offer of products and services and the commitment to deliver the best Customer experience - together with his or her Financial Advisor, the Customer will find the investment solutions that best meet his or her objectives.

CORPORATE AND INSTITUTIONAL BANKING

Based on a relationship banking approach that enables a very close reach to companies, BPI has a **specialised network** dedicated to these Customers. This network includes a Real Estate Business Centre, which focuses its support on developer and builder clients involved in major residential real estate projects.

In addition, the Corporate and Institutional Banking teams manage the relationship with Institutional Clients and the largest Portuguese corporate groups, insurance companies and subsidiaries of the largest Spanish companies, under an Iberian approach aimed at providing the best level of service.

Distribution network and Customer segmentation

Individuals and businesses	Corporate and institutional

PRIVATE BANKING

3 centres (2 Portugal, 1 Switzerland)

INDIVIDUALS, BUSINESSES, PREMIER & INTOUCH BANKING

19 Premier centres

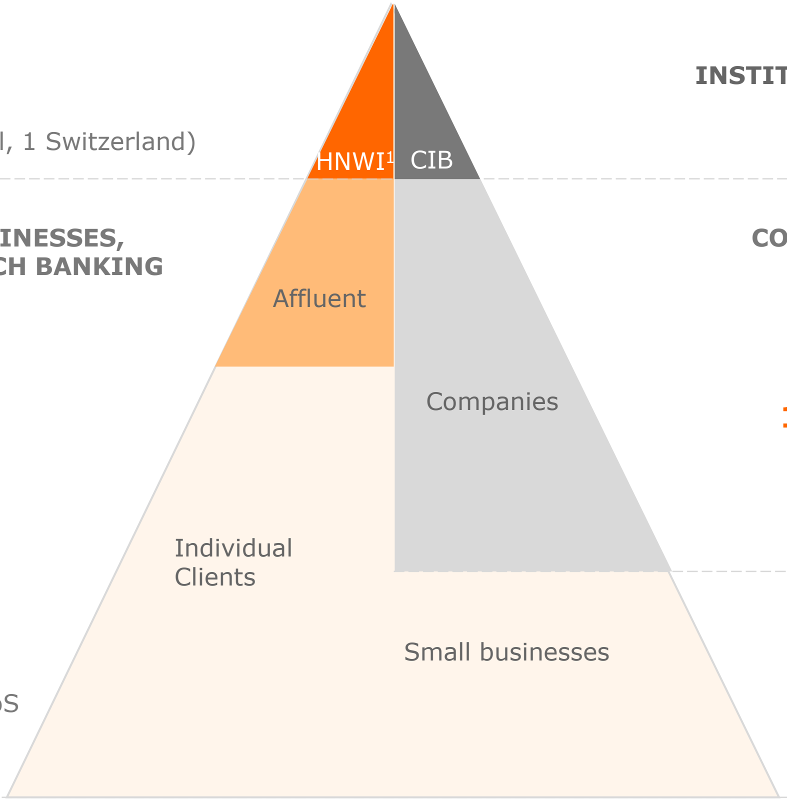
4 *inTouch* centres[2]

297 retail branches

1 in mobile branch

1 440 ATM

31 thousand PoS



CORPORATE & INSTITUTIONAL BANKING

6 centres

CORPORATE BANKING

22 corporate and institutional centres

1 real estate business centre

31 December 2021

1.8 M. **Customers**

349 **Commercial units** (physical network)

4 478 **Employees**

772 th. **Digital Banking** regular users

537 th. **BPI APP** regular users

52% Active digital clients[3]

[1] High net worth individuals.
[2] Without in-person servicing at the centre.
[3] Active customers 1st account holders; individuals and companies.

VALUE CREATION MODEL

INPUTS

Economic, markets and operational framework

Capital	Description
Financial capital	*Equity, customer resources and debt issues.*
Fixed assets	*Distribution network, central buildings and equipment*
Intellectual capital	*Software, licences; Innovation; Service quality; Organisation and processes; Internal codes, policies and standards.*
Human capital	*Knowledge and experience; Personal attributes; Motivation and loyalty; Productivity; Professionalism and ethics*
Social capital	*Stakeholder trust; Reputation and recognition; Shareholder support; Partnerships; Social commitment.*
Natural capital	*Energy and water consumption in the commercial network and central buildings, fuel, paper and other consumables.*

WE CREATE VALUE THROUGH OUR BUSINESS MODEL

Business Management

Board of Directors
Executive Committee

Management is guided by:

- **Mission**
- **Vision**
- **Values**

- Strategic Plan
- Budget and multi-annual projections
- Business Objectives

BPI BUSINESS MODEL
Commercial Banking in Portugal

Risk Governance

Internal Control System

- Risks Catalogue
- *Risk Appetite Framework*
- Internal Policies and Codes
- Legal, regulatory and prudential rules

3 lines of defense model

1st line:	**2nd line:**	**3rd line:**
business areas and support functions	Risk Management and Compliance Divisions	Internal Audit Division

Gover-nance and Risk Manage-ment Bodies

- **Executive Committee**
- Global Risk Committee
- **Risk Committee**
- **Board of Directors**
- **Audit Committee**

Risk Culture established at all levels of BPI

External entities: **Supervision Authorities** | **External Auditors**

CREATING VALUE WITH VALUES

Stakeholders:

- **CUSTOMERS**
- **EMPLOYEES**
- **SHAREHOLDER**
- **SOCIETY** – *Joint action with the "la Caixa" Foundation*
- **SUPPLIERS**

GOVERNANCE MODEL

Governance

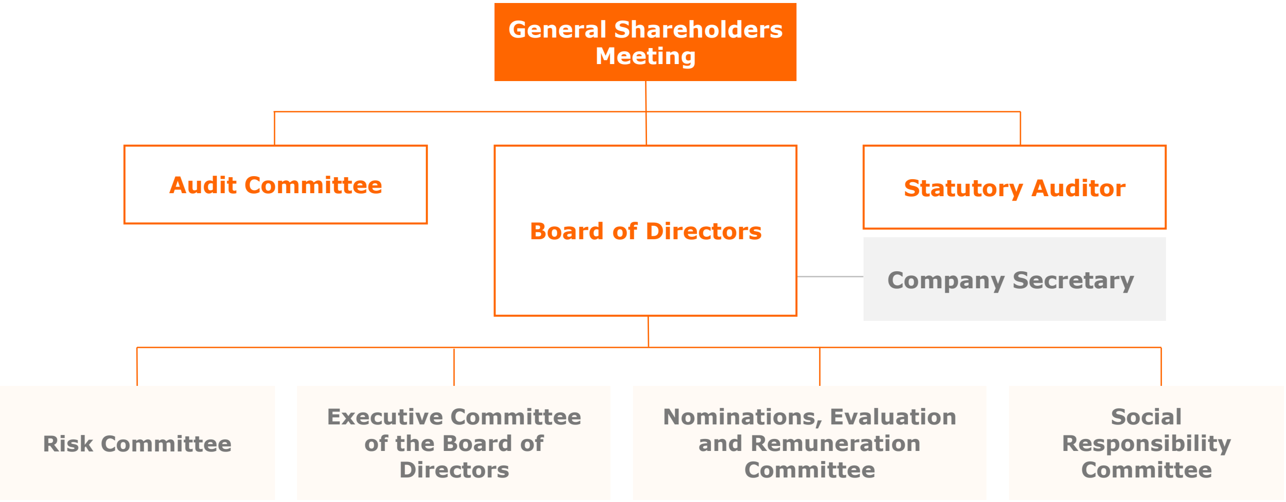
The Company is organically structured as provided for in article 278 (1) (b) of the Commercial Companies Code, commonly referred to as the "Anglo-Saxon Model", having as corporate bodies the General Meeting, the Board of Directors and the Audit Committee, and there is also a Statutory Auditor ("*Revisor Oficial de Contas - ROC*").

The regular term of office of the corporate bodies is three years, except for the Statutory Auditor, which has a term of office of four years.

General Meeting

The General Meeting, made up of all Shareholders, deliberates on matters especially attributed to it by law or by the Articles of Association, including the election of the corporate bodies, the approval of the annual report and accounts for the financial year, the distribution of profits, and capital increases.

Banco BPI's share capital is fully held by CaixaBank.



Board of Directors

The Board of Directors has the broadest powers to manage and represent the Company.

The Board of Directors is currently made up of 15 members, of whom 10 are non-executive, 4 are considered independent from the shareholder or any group with specific interests in the Company, and 5 are executive members.

The Board of Directors meets at least monthly and whenever a meeting is convened by its Chairman or by two Directors (11 meetings in 2021).

The resolutions of the Board of Directors are taken by an absolute majority of the votes of the members present or represented, and the Chairman has a casting vote in the event of a tie.

The Board of Directors appoints a Company Secretary and an alternate Secretary.

Executive Committee of the Board of Directors

The Board of Directors comprises an Executive Committee to which it delegates the day-to-day management of the Bank.

The Executive Committee is currently composed of 5 members.

As a rule, the Executive Committee meets weekly (52 meetings in 2021).

The resolutions of the Executive Committee are taken by an absolute majority of the votes, the CEO having a casting vote.

Specialised committees of the Board of Directors

Three specialised committees operate within the scope of the Board of Directors:

Nominations, Evaluation and Remuneration Committee

whose duties include issuing opinions on the filling of vacancies in the governing bodies and on the choice of Directors to be appointed to the Executive Committee, on the assessment and setting of the Executive Committee's remuneration, as well as issuing opinions, amongst others, on the policies relating to the appointment and succession to positions on Banco BPI's corporate bodies and senior management and on remuneration policies.

Risk Committee

which, without prejudice to the attributions of the Audit Committee in these matters, is responsible for monitoring the management policy covering all the risks attaching to the company's activities, as well as monitoring the BPI Pension Fund management policy.

Social Responsibility Committee

which is responsible for assisting and advising the Board of Directors on matters related to the Bank's social responsibility policy.

Audit Committee

The Audit Committee is responsible for supervising the management of the Company. In addition to other responsibilities attributed to it by law and by the Articles of Association, the Audit Committee is responsible for:

- monitoring the effectiveness of the internal control, internal audit, regulatory compliance and risk management processes;
- supervising the preparation and disclosure of financial information;
- monitoring the statutory audit;
- monitoring the evolution of all the risks to which the Bank is subject, in articulation with the Risk Committee;
- assessing and overseeing the independence of the statutory auditor;
- receiving reports on wrongdoings.

The Audit Committee met 12 times in 2021.

Statutory Auditor

The Statutory Auditor is responsible for conducting an independent examination of the Company's accounts, carrying out all the analyses and verifications required for the review and certification of the accounts.

Committees

In addition, there are a set of interdisciplinary Committees that monitor and control the whole activity of the institution, including the financial and non-financial risks, compliance, expense and investment management, coordination of commercial activities and product creation and marketing.

More detailed information is provided in the ***Corporate Governance Report****, which is an integral part of this Annual Report.*

RISK MANAGEMENT

General principles

BPI seeks to guarantee an adequate and effective **risk management**, based on the constant identification, evaluation, monitoring and reporting of the exposure to the various risks. This management work is essential to achieve the objectives of maximising results against the risks assumed, within the risk appetite framework defined by the corporate bodies and in accordance with the Bank's global risk strategy.

BPI has in place **control mechanisms** which seek an adequate monitoring and prevention of the risks arising from its activity, in line with the corporate policy and risk model implemented at CaixaBank Group level.

BPI's Strategic Risk processes include the annual self-assessment of the risk profile, by means of which the Bank appraises its risk profile, the associated management, control and governance structures and analyses the appearance of new risks (emerging or potential), included in the Risk Catalogue, so as to comply with the risk profile defined by the Board of Directors.

Risk management general principles, defined in **Banco BPI's Global Risk Management Policy**:

- **solid management structure**;
- **involvement of the entire organisation**, with an adequate segregation of functions according to the different lines of defence;
- **proactive management of risk**, taking into consideration the Bank's strategy and risk profile;
- management tools and methods in line with supervisors' **recommendations** and **best practices**;
- implementation of a **risk culture**;
- socially responsible management of all the risks underlying the **sustainability strategy**;
- **timely communication** of the different risks to stakeholders, with the appropriate level of detail and transparency.

Organisation

BPI's risk organisation transposes the guidelines issued by the regulator and seeks to follow the sector's best practices and adapt CaixaBank Group's corporate policies while respecting its own specific characteristics.

Risk management at BPI is structured into **three lines of defense**.

3 Lines of Defense
(3LoD)

Risk-taking (1LoD)	Control (2LoD)	Audit (3LoD)

This structure, set forth in the EBA Guidelines, attributes a fundamental role to the 2LoD as guarantor of an adequate management and holistic vision of all the risks faced by the Institution.

Risk Management Organisational Chart

Audit Committee

Responsibilities:

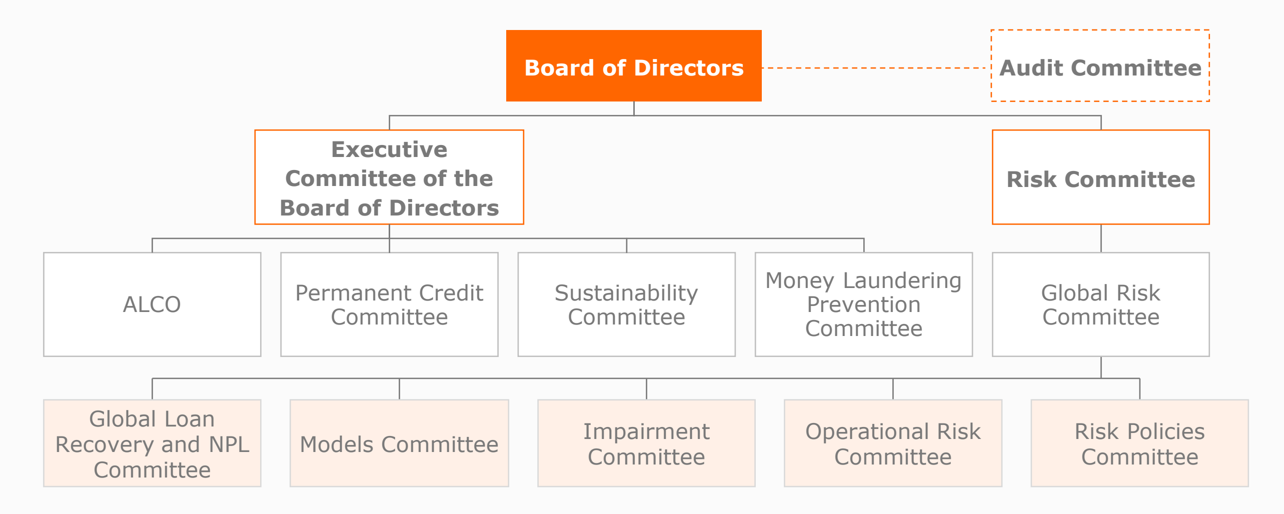
- Supervise the **Company's management**;
- Supervise the **3LoD activities**;
- Review the works developed by the **External Auditor** and the **2LoD**;
- Monitor the **situation and evolution of all the risks** to which the Bank is subject, with the assistance of the Risk Committee, and the work, analyses and recommendations submitted to it by the latter in this respect.

Risk Committee

- **Advisory body** of the Board of Directors with responsibility for the supervision of risks;
- Composed of **non-executive directors**;
- Its meetings **may be attended**, if deemed appropriate and upon its request, and without voting rights, by **members of the Executive Committee**, namely the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO), and by Managers, taking into account their expertise in risk matters;
- The participation of the Head of the Risk Management Function (**RMF**), as **secretary** of this committee, is particularly relevant, guaranteeing access and reporting to an independent governance body;
- Under the aegis of the Risk Committee there are **several Committees** that, together with the Board of Directors and the Risk Committee itself, constitute the Risk Governance and Management Bodies.

Responsibilities:

- Supervise the **activity of the 1LoD** and **2LoD** (including Committees and Departments under its dependence);
- Monitor BPI's **risk management** policies;
- Monitor the **financial-actuarial risk management** policy (applicable to the Company's Pension Fund);
- Submit to the Board of Directors **changes to risk policies**, and report on main exposures and risk indicators;
- Inform and advise the Board of Directors on **decision-making** with an impact on the Bank's strategy and risk profile.



Structure of the Risk Committees

The following committees stand out on account of their importance:

Global Risk Committee

- **Global risk management, control and monitoring**;
- Reports to the **Risk Committee.**

Responsibilities:

- **Internal control system**;
- Ensure that **risk levels** and **decisions** are **in accordance** with the **risk strategy** established by the Board of Directors through the Risk Appetite Framework;
- Ensure that **risk policies** are properly updated and implemented.
- **Monitor the activity of the Delegated Committees.**

Permanent Credit Committee

- Matters related to **loan granting** are delegated by the Board of Directors to this Committee.

Responsibilities:

- Decide on **credit proposals** (including Credit Recovery) as per internal regulations and in accordance with the Executive Committee of the Board of Directors' delegation of powers;
- Issue opinions on proposals to be decided by the Executive Committee of the Board of Directors and the Board of Directors;
- Ensure that the **limits set for Large Exposures** are met, both internally and at group level.

Asset-Liability Committee (ALCO)

- Reports to the **Executive Committee of the Board of Directors**.

Responsibilities:

- Management, monitoring and control of **liquidity and funding risks**, **market risk**, **interest rate risk on the banking book** (IRRBB) and **foreign exchange** risk;
- Optimisation of the balance sheet's **financial structure profitability**;
- Determine the **transfer rates** for the various businesses, and monitoring prices, maturities and volumes of asset- and liability-generating activities, in accordance with the policies, risk appetite and risk limits approved by the Board of Directors.

Money Laundering Prevention Committee

- Reports to the **Executive Committee of the Board of Directors**

Mission:

- Watch over **compliance with the corporate policies that apply** to its field of action.

Responsibilities:

- AML/CTF internal control, with deliberation and decision functions;
- Establish and propose AML/CTF policy and procedures.

Sustainability Committee

- Reports to the **Executive Committee of the Board of Directors** (approved in November 2021).

Mission:

- Contribute to BPI being recognised for its **excellent governance in terms of sustainability.**

Responsibilities:

- Approve and monitor BPI's **sustainability strategy and practices**;
- Propose and submit for approval to the corresponding governing bodies the **relevant policies** for **sustainability management**;
- Supervise BPI's **Sustainability Master Plan** and assess the level of compliance therewith.

3 Lines of Defense Model

The structure of BPI's Risk Management Division is based on the "three lines of defence model", in compliance with the provisions of Bank of Portugal Notice 3/2020:

1st Line of Defense (1LoD)
RISK-TAKING

Formed by the **business areas**, **risk-takers**, and their **support functions**.

Function: develop and maintain **effective controls** over the businesses; identify, manage and monitor, control, mitigate and report the **main risks** originated in the ongoing exercise of their activity.

The following stand out, on account of their importance:

- **Credit Division**: performs the functions of independent analysis of proponents, guarantors and operations, backed by various risk indicators and scoring models produced by the Risk Management Division;
- **Credit Recovery Division:** manages credit recovery processes of defaulting loans;
- **Business Development Division:** manages credit, business and conduct risk with regard to the monitoring of the loan portfolio and control of the business areas.

2nd Line of Defense (2LoD)
CONTROL

At Banco BPI, it is formed by the **Risk Management Division** and **Compliance Division.**

Function: ensure the **implementation of adequate measures** to identify, control, monitor, prevent and report **all the Bank's risks.**

- Acts **independently** from the business lines and first-line control.

Segregation of responsibilities:

- **Risk Management Division** (RMF), responsible for the identification, monitoring, analysis, measurement, management and reporting of the Bank's risks. Comprises the following areas:
  - **Internal validation of risk models:** the main objective is to issue an independent technical opinion on the adequacy of the internal and/or regulatory models used by the Bank;
  - **Financial Information Control:** acts as the 2LoD for Information Reliability risk regarding information sourced outside the Risk Management Division.
- **Compliance Division:** identifies, monitors and controls the Conduct, Legal, and Regulatory, and Reputational risks.

3rd Line of Defense (3LoD)
AUDIT

It is formed by the **Internal Audit Division**, which is functionally answerable and reports to the Audit Committee, so as to guarantee its independence and authority.

Objective: to provide the Bank's management and supervision bodies a **reasonable degree of assurance** about compliance with the legislation in force and the internal policies and regulations, the reliability and integrity of the financial and operational information, and the effectiveness of the risk mitigation systems in place.

Risk appetite

In the context of its **Risk Appetite Framework (RAF)**, BPI defines the levels of risk that it is prepared to assume, taking into consideration its risk and business strategies.

The RAF is updated on an annual basis, together with the remaining **Risk Strategic Processes.**

Risk Strategic Processes

Risks Catalogue	Risk Assessment
Facilitates risk monitoring and internal and external reporting	Identification, definition and assessment of the risks which the Bank incurs or may incur

Based on these processes the Bank ensures the **permanent assessment of its risk profile** (current, future and potential under stress scenarios), as well as its recurrent revision.

In addition, in the exercises subject to regulatory supervision (**ICAAP and ILAAP**), the Bank makes projections for the evolution of its risk profile under baseline and stress scenarios, which give its governance bodies a vision about the Bank's resilience to internal and/or external events.

Description and Structure

In a process consistent with its other strategic documents – Strategic Plan, Budget, Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan –, BPI defined its **risk appetite directives**, which are incorporated into the Bank's culture and strategy and are at the core of all its activities.

Strategic Documents

Strategic Plan	Budget	ICAAP	Recovery Plan

In line with the sector's best practices, the Board of Directors approved a set of **risk-appetite statements** that summarise the principles by which the Bank must govern itself:

- to maintain a **medium-low risk** profile, and comfortable capital adequacy position, strengthening customer confidence through its financial strength;
- to be permanently in a position to meet **contractual obligations** and provide to its **funding needs** in a timely manner, even under adverse market conditions;
- to have a **stable and diversified funding base** in order to preserve and protect the interests of its depositors;
- to generate **income** in a balanced and diversified manner;
- to align the business strategy and relationship with the clients with **responsible social action**, the highest ethical and governance standards and taking into consideration the potential impacts on climate change and the environment;
- to promote **its own risk culture** integrated into management through policies, communication and Employee training;
- to strive for **excellence, quality and operational resilience**, to continue providing financial services to clients in line with their expectations, even in adverse scenarios.

Monitoring and Governance of the Risk Appetite Framework

The Board of Directors is responsible for the approval, monitoring, and any correction to, the Framework metrics.
The monitoring of the metrics is aided by a set of objectives, tolerance levels and limits laid down by the Board of Directors.

Level 1 metrics

Objective

Optimum risk level, that defines the risk appetite and is aligned with the return sought by the Bank or the strategic goal pursued

Tolerance

Risk level considered significant by the Bank, which should lead to a debate where corrective action may be considered

Limit

Level at which risk represents a serious threat to the Bank's business, requiring immediate remedial measures, following an action plan prepared by the area responsible for risk control

Level 2 RAF: BPI also has a Framework in place for level 2 metrics.

RAF monitoring: the Risk Management Division is responsible for updating, monitoring and reporting on the RAF, under the guidance of the Board of Directors.

Governance structure: in order to ensure compliance with the best international practices, a RAF reporting structure was established that allows for exhaustive monitoring by the responsible divisions and bodies.

Such monitoring is carried out according to a **specific schedule of submissions to the following bodies**:

Global Risk Committee:

- Assesses, reviews and discusses the current risk situation, instances of overstepped limits / tolerances and a status update on individual metrics (RAF monitoring);
- Approves and monitors the action plan in the event of a breach of the appetite threshold (marked in yellow) of a Level 1 RAF metric and reports to the Risk Committee.

Risk Committee:

- Analyses the global risk performance;
- Assesses the status of overstepped metrics, discusses the status of individual metrics, checks for the continued effectiveness and adequacy of the RAF.

Audit Committee and Board of Directors

- Analyse BPI's global risk performance and decide on critical situations.

Risks Catalogue

Repository of definitions of all material risks faced by the Bank. Helps with risk monitoring and internal and external reporting and is regularly reviewed (at least on an annual basis). The results of this review are submitted to the Global Risk Committee and the Risk Committee, and finally to the Board of Directors, for approval.

BUSINESS MODEL RISKS

Business Profitability

The risk of BPI posting results below market expectations or below the targets set in its business plan and strategy, that prevent it from reaching a sustainable level of profitability above the cost of capital.

Capital and Solvency

The risk of constraints to BPI's capacity to comply with regulatory requirements for capital ratios, or of a change in its risk profile due to insufficient own funds.

Liquidity and Funding

Risk of insufficient liquid assets or limitations on access to market funding that prevent the Bank from meeting contractual obligations at maturity, complying with regulatory requirements or providing for its investment needs.

RISKS SPECIFIC TO FINANCIAL ACTIVITY

Credit

Risk of financial loss due to the loss of value of the Bank's assets as a result of the deterioration of clients' and counterparties' capacity to honour their commitments.

Actuarial

Risk of loss or deterioration of the value of commitments assumed under insurance or pension agreements entered into with clients or employees, as a result of differences between the assumptions taken to estimate the actuarial variables used to calculate the responsibilities and the actual figures.

Structural Rates

Negative financial impact on the economic value of balance sheet items, or on the Net interest income, as a result of changes in the time structure of interest rates or exchange rates that affect asset, liability or off-balance sheet products not booked in the trading book.

Market

Loss of value, with an impact on results or equity, of a portfolio (set of assets and liabilities), due to unfavourable price or market rate movements.

OPERATIONAL, REPUTATIONAL AND OTHER RISKS

Conduct and Compliance

The application of conduct criteria that run contrary to the interests of Customers and stakeholders, or acts or omissions on the part of the Bank that amount to non-compliance with the legal or regulatory framework, or with internal policies, standards and procedures, or codes of conduct and ethical and good practice standards.

Legal and Regulatory

Potential loss or decrease in the Bank's profitability as a result of changes in the legislation, the incorrect application of this legislation in BPI's processes, the inappropriate interpretation of the same in various operations, the inadequate management of court or administrative injunctions, or of claims or complaints received.

Technological

The risk of material or potential loss due to inadequate or failed technology infrastructure, due to cyber-attacks or other circumstances, and the inability to make changes to the ICT in a timely and cost-effective manner, compromising the availability, integrity, accessibility and security of infrastructure and data.

OPERATIONAL, REPUTATIONAL AND OTHER RISKS (cont.)

Data Reliability[1]

Weaknesses in the accuracy and integrity of and in the criteria for the preparation of the data required to assess BPI's financial situation and assets, or the information made available to stakeholders and disclosed to the market as a holistic view of the Bank's positioning in terms of environmental sustainability and ESG principles – environmental, social and governance.

Model[2]

Possible adverse consequences for the Bank that may arise as a result of decisions based primarily on the results of internal models with construction errors or errors in their application or use.

Other Operational Risks

Loss or damage caused by errors or failures in processes, due to external events, or actions of third parties outside the Group, whether accidental or intentional. It includes, among others, risk factors related to external events or external fraud.

Reputational

The risk of loss of competitiveness due to the deterioration of trust in BPI by any of its stakeholders, on account of the assessment made of acts or omissions by the Bank, its Senior Management or its Governing Bodies.

[1]Includes the reliability of financial and non-financial data.

[2]includes Model Quality, Model Governance and Model Control.

Risk monitoring in the context of COVID-19

Since March 2020, when COVID-19 was declared a pandemic, **BPI strengthened its internal risk control and management mechanisms**, focusing in particular on the risks most likely to be directly impacted by this crisis, such as **credit risk, liquidity risk and operational risk**, using and strengthening its internal governance mechanisms.

Reinforcement of risk control and management mechanisms

The current pandemic context has led to relevant changes in **BPI's credit risk** monitoring tools, with the following procedures deserving a note:

- reinforced reporting to the Bank's Governing Bodies on **loans in moratoria** and **protocoled lines**, including about post-moratoria defaults;
- definition of specific **risk policies** for the restructuring of loans in moratoria;
- more timely monitoring of **defaults of loans** in moratoria;
- reinforced procedures to **monitor** the behaviour of **loans** in **post-moratoria** periods;
- continuation of **sector-specific meetings** to assess the evolution of companies' credit risk;
- **monitoring of Customers** that had access to protocoled lines as a support measure to mitigate the impacts caused by the current situation.

Exposures are essentially monitored according to the amount at risk and the degree of risk of the operations/borrowers, with monitoring being segregated into areas. **Individual monitoring procedures** are applied in portfolios with material risk exposures and/or with specific characteristics. These procedures consist of drafting regular reports on the borrowers' economic groups with the aim of assessing the existence of objective evidence of impairment and/or a significant increase in credit risk since the initial recognition.

Liquidity and Funding risk

Management process

Liquidity risk is managed and monitored across its various **fronts**:

- the ability to **keep up with assets growth** and to meet cash requirements without incurring exceptional losses;
- maintaining tradable assets in portfolio that constitute a sufficient **liquidity buffer**;
- compliance with the various **regulatory requirements**.

The assets portfolio is monitored to assess for the possibility of transactions with the assets that compose it, according to several indicators (BPI market shares, number of days to unwind positions, spread size and volatility, etc.).

Liquidity management seeks to **optimise the balance sheet structure,** in order to keep under control the time frame of maturities between assets and liabilities. Management must also focus on the need to maintain an **appropriate level of liquidity reserves** in order to maintain the required levels of liquidity coverage that comply with **prudential and internal requirements**.

Liquidity and Funding

During 2021 the Bank reinforced its liquidity position:

+11.0% deposits (Δ yoy)
Significant cash inflow
(from Customer deposits)

91% transformation ratio
of deposits into loans (Customer resources are the main source of funding)

153% NSFR ratio
Net stable funding ratio

272% LCR ratio
Liquidity coverage ratio (12-month average[1])

€11.5 billion in eligible assets
for ECB funding

ECB funding

At the end 2021, BPI had €4.9 billion in funding from the ECB, obtained in the framework of TLTRO III.

€4.9 billion ECB funding
obtained through TLTRO III

In March 2021, the Bank increased by €0.4 billion the total amount of funding from the ECB, taking advantage of these transactions' advantageous conditions.

Net funding from the ECB

	2017	2018	2019	2020	2021
ECB funding (€ billion)	2.0	1.4	1.4	4.4	4.9
as % of assets of activity in Portugal	6.9%	4.4%	4.4%	11.8%	11.9%

[1] In accordance with EBA guidelines. Calculation components (12-month average): Liquidity reserves (10 548 M.€); Total net outflows (3 877 M.€).

Credit Risk

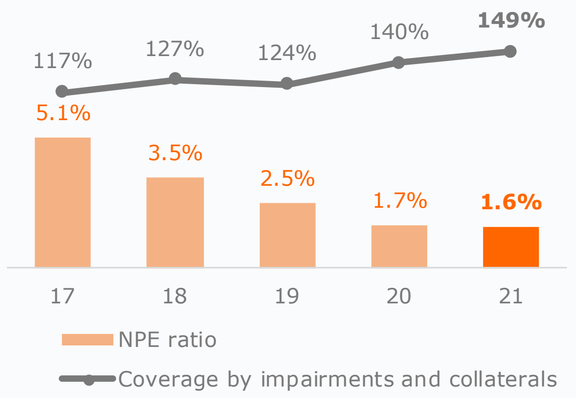
Default, provisioning and recovery levels

BPI maintains a **low risk profile**, as reflected in high asset quality and prudent coverage levels.

Non-Performing Exposures (NPE) EBA[1]

The **NPE ratio (EBA) was 1.6%** in December 2021 (-0.1 p.p. yoy), with coverage by impairments of 84%, and coverage by impairments and NPE exposure associated collaterals of 149%.

Non-performing exposures (NPE) and coverage



Non-Performing Loans (NPL) EBA

The **NPL ratio was 2.0%** at the end of 2021 (-0.1 p.p. yoy), well below the high-risk threshold for non-performing assets defined by EBA (5%).

The NPL coverage by impairments was 86%, or 150% if also considering the coverage by associated collaterals.

2.0%
NPL ratio

150%
coverage of NPL
by impairments and collaterals

For the main credit segments:

- **Corporate loans**, NPL ratio of 3.5% (3.2% in December 2020) and NPL impairment coverage of 93%;
- **Mortgage loans**, NPL ratio of 1.9% (2.2% in December 2020). In this segment, collaterals (real guarantees) have a very relevant effect in reducing the risk of loss. NPL coverage by impairments and collaterals is 135% (impairment coverage of 41%).

M.€	Dec.19	Dec.20	Dec.21
Non-performing exposures (NPE) [2]			
Gross credit risk exposure	30 019	36 264	39 859
Non-performing exposures	763	611	646
NPE ratio	2.5%	1.7%	1.6%
Loans impairments [3]	415	508	545
Coverage by impairments	54%	83%	84%
Coverage by impairments and collaterals	124%	140%	149%
Non-performing loans (NPL) [2]			
Gross credit risk exposure	24 543	28 980	31 758
Non-performing loans	750	598	634
NPL ratio	3.1%	2.1%	2.0%
Loans impairments [3]	415	508	545
Coverage by impairments	55%	85%	86%
Coverage by impairments and collaterals	124%	141%	150%
"Crédito duvidoso" (non-performing) [2]			
Gross loans and guarantees	26 007	27 260	29 297
"Crédito duvidoso"	765	630	683
"Crédito duvidoso" ratio	2.9%	2.3%	2.3%
Loans impairments [3]	413	508	545
Coverage by impairments	54%	81%	80%
Coverage by impairments and collaterals	115%	134%	140%

[1] In addition to the credit exposure considered in the NPL (EBA), also includes loan shareholders and debt securities in the loan portfolio.
[2] NPL and NPE according to the EBA criteria; *"Crédito duvidoso"* according to the Bank of Spain criteria.
[3] Impairments for loans and guarantees.

Restructured loans

The amount of **restructured loans** (forborne loans, under the EBA criteria) was 422 M.€ in December 2021. Of this, 44% were performing loans (Performing Exposures) and the remaining 56% were included in the balance of NPE. The forborne ratio was 1.0% (1.1% in Dec.20).

Forborne loans by segments:

- **Corporate loans**, 184 M.€ of forborne loans and forborne ratio of 2.2%. Of this, 40% are performing loans and the remaining 60% are included in NPE;
- **Mortgage loans**, 159 M.€ of forborne loans and forborne ratio of 1.2%. Of this, 42% are performing loans and the remaining 58% are included in NPE.

Cost of Credit Risk

In 2021 impairments and provisions for loans and guarantees totalled 79.3 M.€, and a total of 32.1 M.€ was recovered in loans, interest and expenses previously written off from assets. The cost of credit risk was 47.2 M.€.

47.2 M.€
cost of credit risk

0.17%
cost of credit risk
as % of loans and guarantees

At 31 December 2021 the balance of cumulative impairments on the balance sheet included **71.6 M€ in unallocated impairments** set up in 2020 in the context of the COVID-19 pandemic.

Forborne loans, EBA criteria (M.€)

	Dec.19		Dec.20		Dec.21	
	Forborne loans	Forborne ratio	Forborne loans	Forborne ratio	Forborne loans	Forborne ratio
Performing loans	192	0.6%	180	0.5%	187	0.4%
Included in NPE	352	1.1%	265	0.7%	235	0.5%
Total	**544**	**1.7%**	**445**	**1.1%**	**422**	**1.0%**

Foreclosed properties

The portfolio of foreclosed properties held by BPI is immaterial. At the end of 2021 it amounted to:

8.4 M.€
balance sheet gross value

4.3 M.€
net book value

These properties valuation corresponded to 248% of their net balance-sheet value.

Corporate recovery and restructuring funds

BPI has low exposure to specialised loan recovery funds, which were subscribed against the transfer of Customer loans (*Fundo de Recuperação, FRE* and *Fundo de Reestruturação Empresarial, FCR*).

At the end of 2021, the share capital subscribed in these funds was 92.0 M.€. Their balance sheet value, after revaluation, was 36.6 M.€.

Corporate recovery and restructuring funds (M.€)

	Dec.21
Subscribed capital	92.0
Revaluation	(55.4)
Net balance sheet value	**36.6**

[1] Realised capital was 84.0 M.€ in Dec.21.

Non-financial risks

The definition of **operational risk**[1] adopted by BPI is that provided in Regulation (EU) No 575/2013:

> *"the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk."*

Operational risk management at BPI is based on policies, processes, tools and methodologies consistent with best market practices, and based on **three dimensions**:

- **Identification and assessment:** each Division is responsible for identifying and assessing the operational risk inherent to its activities. This assessment is complemented by the definition and analysis of Operational Risk Indicators (KRIs), which allow anticipating the evolution of risks, and by the analysis of extreme scenarios;
- **Identification and monitoring of events:** the 1LoD is responsible for logging operational risk events in an internal application, incorporating the knowledge obtained from the critical analysis of events into the risk management cycle.
- **Mitigation:** the detection of situations that justify the need to put into place risk mitigation measures - to reduce or eliminate the probability of a future occurrence of a certain risk and/or the severity of its impacts - is the responsibility of every Division.

To guarantee that all operational risk sub-categories are correctly managed and controlled, **BPI's Risks Catalogue** defines the main Risk Management categories specific to each of them:

Risk Categories

- **Conduct and Compliance**
- **Legal and Regulatory**
- **Technology**
- **Model**
- **Data Reliability**
- **Other Operational Risks**

ISO22301 Certification

Operational Continuity Management System (OCMS)

Operational Risk Management Area

- Second line of defence;
- Integrated in the Risk Management Division;

Responsibilities:

- Assisting the Divisions in the assessment of operational risk;
- Monitoring the operational risk assessment processes;
- Centralising inputs on specific operational risk sub-categories, which will enrich the operational risk evaluation process carried out by the Divisions;
- Compiling and making a critical analysis of the information to enhance the quality of the analysis of the pattern of events with a view to improving risk management;
- Monitoring the mitigation measures up to their implementation;
- Assisting the first line of defence in the assessment and monitoring of KRIs.

The **COVID-19** pandemic called for a series of operational risk control and monitoring measures aimed, among others, at identifying **material changes in the risk profile**. This strategy was maintained during 2021, **no need for additional control measures having been identified**.

[1] This definition excludes strategy and reputational risks.

Emerging Risks

Risks with **increasing materiality or importance**, which may be subsequently included in the Risks Catalogue.

Sustainability Risk

Sustainability Risk is characterised by **potential negative impacts related to ESG** (Environmental, Social, Governance) factors.

Unlike the risks already presented in this report, this risk not only considers the negative impacts on the Bank, but also those that may be caused by the organisation, categorised according to their origin and effect:

- **BPI inside-out impacts**: impacts generated by BPI that have an effect on people, society or the planet;
- **Outside-in impacts on BPI**: impacts caused by environmental, social or governance factors that have an effect on the bank itself.

At BPI, **inside-out sustainability risks** consist of the potential loss arising from the failure to meet stakeholders' expectations in relation to the Bank's contribution, direct or indirect, to the achievement of global and sustainable development objectives on environmental, social and governance issues.

With the objective of striking a balance between return and risk, BPI implemented the **Environmental Risk Management Policy**, which seeks to establish a guide of global principles in order to avoid, mitigate and offset the factors which may represent a significant risk to the environment or to society.

Outside-in impacts on BPI provoked by ESG factors are currently embedded in other risks, namely:

- **Credit Risk,** through the deterioration in the debt service capacity of the Bank's debtors due to environmental factors;
- **Market Risk**, through the potential devaluation of financial instruments, also due to causes related to ESG factors.

Risk Management Function

At the end of 2021, a new area was created within the Risk Management Function, which will act as the second line of defence for sustainability risk and will be responsible for implementing the respective control model.

It will be responsible for integrating ESG factors into the Bank's risk governance model and into the management of other material risks, in particular credit monitoring, market, liquidity and funding risk analysis, and operational risk control.

Strategic Events

Relevant events that may result in a significant impact on BPI in the medium/long-term.

Only events which have not yet materialised and are not part of the Risks Catalogue, but to which BPI is exposed, are considered. Their impact may occur in one or more risks of the catalogue.

The more relevant strategic events

CHANGES TO THE LEGAL, REGULATORY OR SUPERVISORY FRAMEWORK

- The risk of increased pressure from the legal, regulatory or supervisory environment identified in the risk self-assessment exercise, which may have an impact in the short or medium term.
- The need to maintain constant monitoring of new regulatory proposals and their implementation.
- **Mitigants**: control and monitoring of regulations by BPI's different areas, control over the effective implementation of regulations.

NATIONAL AND INTERNATIONAL GEOPOLITICAL ENVIRONMENT

- Marked and persistent deterioration of the macroeconomic outlook and **increased aversion to risk in the financial markets**.
- **Possible causes**: drawing out of the pandemic; global geopolitical impacts; domestic political factors and social discontent; re-emergence of tensions in the euro zone increasing the risk of fragmentation.
- **Possible consequences**: increase in country risk premium; reduction in business volume; deterioration in credit quality; damage to physical assets.
- **Mitigants:** BPI believes that these risks are sufficiently mitigated by its capital and liquidity levels, which is validated by internal and external stress exercises, and reported in the annual ICAAP and ILAAP processes.

PANDEMICS AND OTHER EXTREME EVENTS

- Extreme events, such as future pandemics **or environmental events**. The impacts on each of the risks in the Catalogue are uncertain, as are the impacts of the economic and social measures and policies adopted to contain, mitigate and resolve the effects in the affected countries.
- **Mitigants**: BPI's capacity to implement initiatives to mitigate the impact on the risk profile from the deterioration of the economic environment as a result of an extreme operational event, as occurred in the specific case of COVID-19.

NEW COMPETITORS AND APPLICATION OF NEW TECHNOLOGIES

- An increase in competition from new players or **other players with disruptive proposals or technologies** is expected. This could lead to the disaggregation and disintermediation of part of the value chain **(impacting margins and cross-selling)**, through competition with more agile and flexible entities generally offering low-cost propositions to consumers. Impacts could be aggravated if the regulatory requirements applicable to these new competitors and services are not the same as those for current credit institutions.
- **Mitigants**: While considering the new competitors as a potential threat, Banco BPI also believes they could provide an opportunity, as a source of collaboration, learning and incentive to meet the Strategic Plan's objectives of business digitisation and transformation.

CYBERCRIME AND DATA PROTECTION

- Cybercrime evolves criminal schemes to try to profit from different types of digital attacks. In this sense, the dissemination of new technologies and the new services made available to Customers **makes access easier to cybercrime**.
- This **puts increased pressure on the Bank to constantly reassess the model for preventing, managing and responding to cyberattacks and fraud**, so as to respond effectively to the emerging risks. In view of the existing cybersecurity threats and the recent attacks received by other organisations, the **occurrence of these events in the Bank's digital environment may have serious impacts** of various kinds, and in addition entail significant sanctions by the competent bodies as well as potential reputational damage.
- **Mitigants**: Banco BPI maintains under constant review its technological and applications environment, focusing on information integrity and confidentiality, as well as systems availability and business continuity.

Banco BPI keeps **security protocols and mechanisms up to date** so as to adapt and be prepared for the threats that surface in the current context, and keep ongoing monitoring of the emerging risks. The evolution of security protocols and measures is included in the information security strategic plan in order to remain at the forefront of information protection, **in line with CaixaBank Group's strategic objectives** and in accordance with best market standards.

OUR PERFORMANCE

2021 ECONOMIC BACKDROP

Global and European Economy

2021 saw the start of the recovery of the pandemic's impacts, with **global growth reaching 5.9%**. For 2022 the IMF predicts global growth of 4.4%.

IMF projections for 2021 – 2022F [1]

Real GDP (%)	2020	2021F	2022F
World	(3.1)	5.9	4.4
Advanced economies	(4.5)	5.0	3.9
USA	(3.4)	5.6	4.0
Eurozone	(6.4)	5.2	3.9
Emerging and developing economies	(2.0)	6.5	4.8
China	2.3	8.1	4.8

The recovery will be divergent between advanced and emerging economies: the former will recover to pre-pandemic levels in 2022, while in the latter the process will be slower. **The IMF expects that by 2024, the advanced economies' GDP will exceed the 2019 level by 0.9%**, but that in emerging economies, excluding China, it will remain 5.5% below. Disparities in vaccination and the support policies adopted during the pandemic justify this divergence.

Risks remain biased downwards, and linked to the possible emergence of new COVID variants. The persistence of bottlenecks in the production sector input supply chains could also condition growth and lead to a prolonged period of high inflation rates, possibly forcing central banks to initiate the normalisation of monetary policy sooner than expected.

The IMF forecasts that inflation will reach 3.9% in the advanced economies in 2021, but the central scenario is that from mid-2022 it will return to a moderate path.

3.9%
inflation
in the advanced economies in 2021

Expected moderation in 2022

Monetary policy keeps strong expansionary bias

At the end of 2021, the FED began to **taper down its purchases of treasuries and MBS**. The pace of reduction will be thirty billion dollars per month, leading to the end of the programme in March 2022.

The benchmark **interest rate** remained in the range of 0.0%-0.25%. In 2022, the cycle of fed-funds rate hikes is expected to be more aggressive, starting from March, and increases may be announced at every meeting (7).

The **ECB kept its monetary policy unchanged**: the interest rate on the deposit facility at -0.50%, the refi rate at 0.00% and the rate on the marginal lending facility at 0.25%. The ECB announced the end of the Pandemic Emergency Purchase Programme (PEPP) in March 2022, together with an increase in net purchases under the Asset Purchase Programme to €40 billion in the 2nd quarter and €30 billion in the 3rd quarter. The **ECB expects the rise in inflation to be transitory**, although it does not rule out an increase in interest rate levels in 2022 (year-end).

[1] IMF, Economic Outlook update, January 2022.

Portuguese Economy

The first estimate for 2021 GDP growth published by the National Statistics Institute points to an advance of 4.9%, which brings forward the possibility of a recovery to the pre-pandemic level in the first half of 2022.

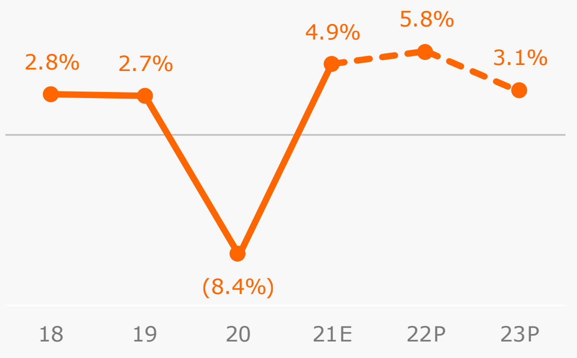
+4.9% GDP in 2021

+5.8% GDP in 2022 E [1]

Private consumption will be one of the pillars of the recovery, driven by the favourable evolution of income (supported by measures such as the simplified layoff) and by the forced savings accumulated since the beginning of the pandemic. In the 3rd quarter of 2021, the saving rate was 11.3% (7.2% in 2019). The labour market will be another factor supporting consumption. According to the European Commission, **in 2022 employment will grow by 0.8% and the unemployment rate will fall to 6.5%** (6.7% in 2021).

The **Recovery and Resilience Plan will be an important factor for growth.** €16.6 billion will be received in 2022-26 (€13.9 billion in non-repayable grants). €2.2 billion were received in 2021 (€1.6 billion for capitalisation of the business sector). €4.2 billion are expected for 2022, which, according to the European Commission, will add more than 0.8 p.p. to GDP.

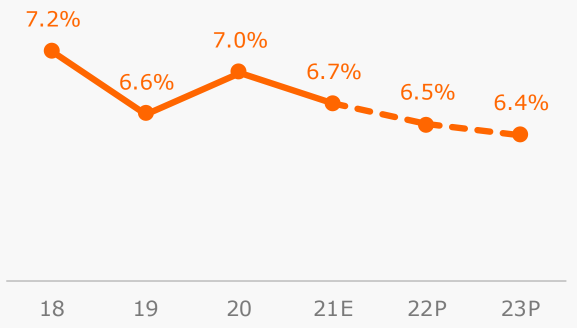
Real GDP growth [1]



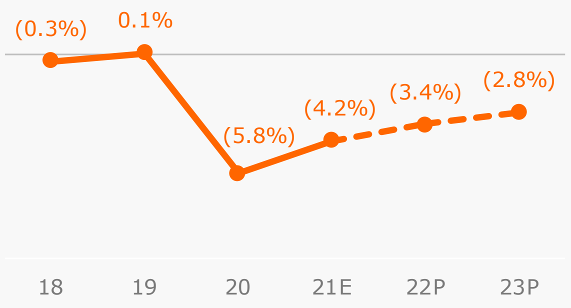
The **current and capital account surplus** stood at 616 M.€ in the 12 months to November, which is 92 M.€ less than in the same period of 2020, due to a sharper increase in the goods account deficit than in the services account surplus. In 2022, the financing capacity may improve, with the receipt of European funds and improved tourism movements.

The **public accounts** resumed the **consolidation path** in 2021, with the public deficit decreasing by 1.6 p.p. to 4.2% of GDP and the public debt to 127.5% of GDP (-7.7 p.p. vs. 2020). In 2022, the deficit and the public debt should decrease to 3.4% and 123.9% of GDP[2], respectively.

Unemployment rate in Portugal [2]



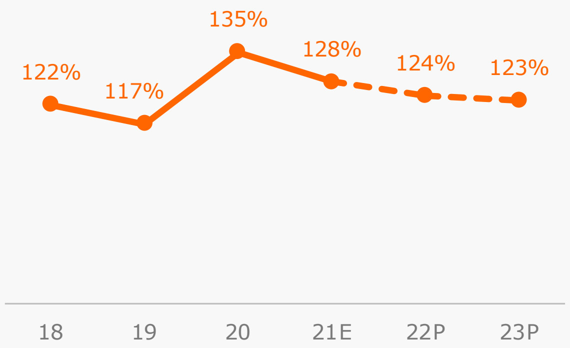
Fiscal deficit as % of GDP [2]



[1] Source: Bank of Portugal (Economic Bulletin projections, December 2021).
[2] Source: European Commission (Autumn 2021 Economic Forecast, November 2021).

The gradual withdrawal of measures to support the economy and the increase in tax revenue associated with the recovery will more than offset the expected increase in public investment. It should be noted that the new government formed as a result of the January 2022 elections will continue fiscal consolidation.

Public debt as % of GDP [1]



Portuguese financial system

In 2021, the stock of loans to the non-financial private sector increased by 2.9% yoy (2.2% increase in the corporate segment and 3.3% in loans to individuals).

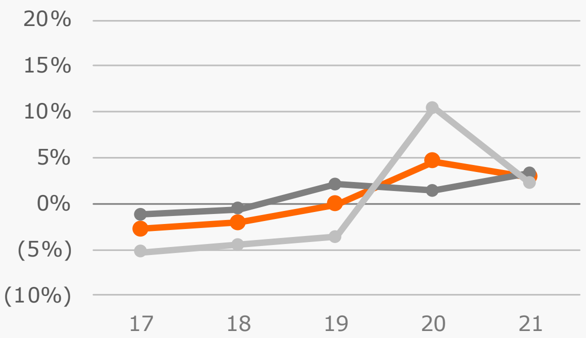
New production fell by 11.4% yoy in the full year, driven by a 33.5% reduction in new corporate loans origination. **If loans under the 2020 and 2021 Covid lines are excluded, the performance was less negative: -9.9%.** Loans to households increased by 24.5%, underpinned by a 34% increase in new mortgage loans.

Loan stock evolution in the private sector [2]

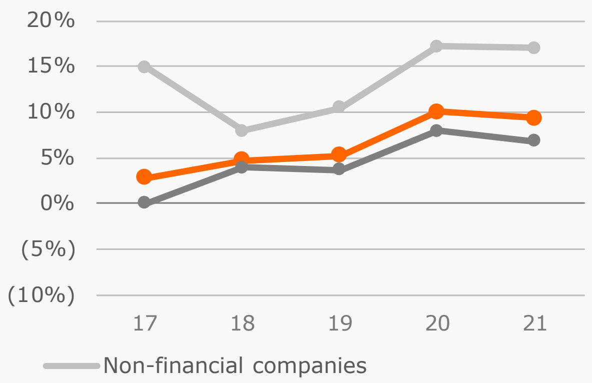
Δ yoy (%)	2020	2021
Individuals	**1.4**	**3.3**
Mortgage	2.1	3.3
Other	(1.1)	3.1
Of which: consumption	(0.3)	0.2
Non-financial companies	**10.5**	**2.2**
Total	**4.6**	**2.9**

Non-financial private sector deposits increased by 9.3% yoy in 2021 (6.8% in individuals and 17% in non-financial companies).

Credit evolution in Portugal (Δ yoy) [2]



Deposits evolution in Portugal (Δ yoy) [2]



[1] Source: European Commission (Autumn 2021 Economic Forecast, November 2021).
[2] Source: Bank of Portugal.

In September 2021, the **loan to deposit ratio** was **82.5%,** down by 2.4 p.p. relative to the end of 2020.

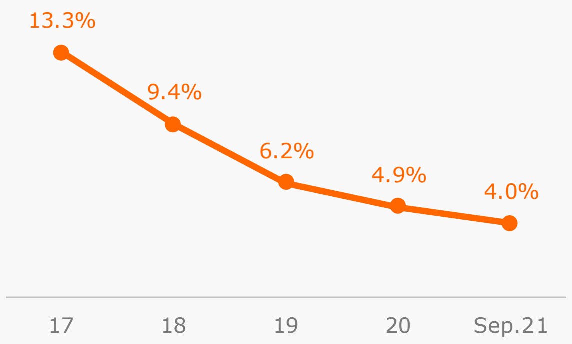
This, together with a CET 1 capital ratio of 15.2% on the same date, well above regulatory requirements, gives the banking system breathing space to support the economic recovery.

In turn, credit quality indicators suggest that the risk of a significant increase in defaults is moderate: the non-performing loans (NPL) ratio continues to improve, standing at 4% in September (0.9 p.p. less than at the end of 2020), due to a reduction in the NPL ratio of both non-financial companies (8.3% versus 9.7% in 2020) and individuals (3.1% versus 3.4%).

Notwithstanding these good indicators, the banking sector still faces **pressure on profitability**, given the low interest rate environment. In addition, the BoP, in its latest Financial Stability Report, drew attention to the **banking sector's exposure to public debt** and the risk of a **reduction in the value of property** used as collateral in mortgage loans.

The pandemic crisis may also bring solvency problems to businesses, aggravated by the asymmetry of economic recovery between sectors, with an impact on the **increase in defaults**.

Non-performing loans (NPL) ratio [1]



Financial Markets

In the interbank market, the Euribor rates remained low at the end of 2021 (3-month at -0.57% and 12-month at -0.50%) reflecting the ECB's continued expansionary policy.

In the **fixed-rate market**, the yields of the 10-year *Bunds* and Treasuries reflect increased expectations that inflation will remain higher than expected by central banks, which continue to consider the recent increases as transitory. The 10-year *Bund* yield thus closed the year at -0.18% (-0.58% at year-end 2020) and the 10-year UST yield at 1.5% (0.93% at year-end 2020).

The Portuguese and Spanish risk premia against the *Bund* closed 2021 at 64 bps and 74 bps, respectively, identical to the end of 2020. All major rating agencies maintain Portugal as investment grade.

Stock markets recorded **high gains** in 2021:

Δ in 2021

+14% PSI 20

+21% Euro Stoxx 50

+27% S&P 500

[1] Source: Bank of Portugal.

COMMERCIAL BANKING BUSINESS

Individuals, Businesses, Premier and InTouch Banking

At the end 2021, the Individuals, Businesses, Premier and inTouch Banking handled 1.6 million accounts and were responsible for a portfolio of Customer resources of 25 950 M.€ and a Loan and Guarantees portfolio of 17 181 M.€.

Strong commercial dynamism yielded an **8.3% increase** in total **Customer resources** and **9.1% growth in loans and guarantees**, as well as market share gains, despite the adverse context resulting from the pandemic.

BPI reached an all-time high in the mortgage loan portfolio market share, of 13.2% in December 2021 (+0.9 p.p. year-on-year) and in assets under management the share increased by 0.5 p.p. to 14.0%.

↑ **Total Customer resources**
of 25 950 M.€ (+8.3%)

↑ **Loans and Guarantees**
of 17 181 M.€ (+9.1%)

The Bank continued to improve the value proposition and customer experience, based on **digital transformation and the simplification of the offer and processes**. The **inTouch service** – which allows remote transactions to be carried out during extended hours, by phone or the digital channels, through a dedicated Account Manager –, was reinforced with the opening of three more centres and its expansion to the Non-Resident and Premier segments. At the end of 2021, the inTouch service monitored 891 M.€ in Customer resources and €1.6 billion in loans and guarantees.

Customer Resources

Total Customer resources grew by 8.3% in 2021, with deposits increasing by 11.2% and assets under management by 13.6%.

The diversification of Customers' investments continued to be a focus of commercial activity. In the Retail segment, the focus was on the need to save for retirement, and on regular saving.

In the Premier segment, the diversification of the Customers portfolio is based on the Advisory service, supported by Unit-Linked Capitalisation Insurance.

Customer resources

M.€	Dec.20[1]	Dec.21	Δ%
Deposits	**17 129**	**19 040**	**11.2%**
Assets under management	**5 626**	**6 389**	**13.6%**
BPI CaixaBank funds[2]	1 285	1 753	36.4%
Third-party funds	296	381	28.5%
Retirement Saving Plans[3]	2 079	2 276	9.4%
Capitalisation insurance[2]	1 965	1 980	0.8%
Portuguese treasury floating rate bonds (OTRV)	**1 207**	**521**	**(57%)**
Total Customer Resources	**23 962**	**25 950**	**8.3%**

[1] The amounts presented are corrected for Customer migrations between networks.
[2] Excludes Retirement Saving Plans.
[3] Retirement Saving Plans in the form of mutual funds and capitalisation insurance.

Loans to Customers

In 2021, the Mortgage Loans portfolio expanded by 9.1% and loans to Small Businesses by 11.0%.

Loans and guarantees portfolio (M.€)

M.€	Dec.20[1]	Dec.21	Δ%
Mortgage loans[2]	11 950	13 041	9.1%
Consumer loans	1 207	1 273	5.4%
Car finance	296	322	8.7%
Small Businesses (loans and guarantees)[3]	2 291	2 544	11.0%
Total Credit	**15 745**	**17 181**	**9.1%**

New mortgage loans production reached 2 443 M.€ in 2021, up by 40.2% yoy and corresponding to a market share of 16.1%. This growth was underpinned by the performance of the real estate partners channel, the increased speed of response and the reduction in the average contracting time. Fixed-rate loans accounted for 19% of the year's total production.

+40%
mortgage loans production (Δ yoy)

16.1%
market share in mortgage loans production (2021)

Personal Loans and Car Finance new production grew by 14%, to 571 M.€ (456 M.€ in personal loans and 115 M.€ in car finance).

The portfolio of loans and guarantees to **small businesses** increased by 11.0%. In this segment, the support lines to the economy with public guarantee maintained a relevant weight.

+11%
loans and guarantees to small businesses (Δ yoy)

Highlights of credit offer in 2021

- Extension of fixed-rate mortgage loans' maturity to 40 years;
- Mortgage Loan Simulator in the Digital Channels (BPI App and BPI Net) with online prior decision;
- 1st BPI Convention - My House 2021, dedicated to the Mortgage Loans business, in which the best BPI Loan Intermediaries were distinguished;
- Launch of Instant Loans for the acquisition of non-financial products, plus life insurance and credit protection associated with this type of loans;
- Launch of BPI/EIF - EGF 800 M.€ line, guaranteed by the European Investment Fund, aimed at supporting SMEs.

Credit and debit cards

At the end of the year the Bank had 1 766 thousand cards placed with Clients, corresponding to a yoy increase of 4.0%. This increase was mainly driven by the offer of '*Valor*' Accounts, which includes debit and credit cards, and by the increased provision of Credit Cards with pre-approved limits.

[1] The amounts presented are corrected for Customer migrations between networks.
[2] Loans secured by real estate. Essentially home loans and loans for home improvements works.
[3] Includes loans, equipment/real estate leasing, confirming, overdrafts, current account loans, discounted bills receivable and other loans included in the offer of credit products mainly targeting individual entrepreneurs and small businesses.

Acquiring

Targeting the small businesses segment, in 2021 BPI launched **its own Acquiring Visa/Mastercard offer**, in partnership with Comercia Global Payments, a CaixaBank group company specialised in Payments and market leader in Spain.

This new offer allows, through a single contract, BPI Point of Sale Terminals (POS) to accept transactions with most cards circulating in Portugal (including contactless by card or mobile phone) and introduces the possibility of choosing an innovative pricing - MyCommerce pricing - that automatically adjusts to the monthly turnover level of the business.

BPI thus reinforces its offer for the Small Businesses segment, which already included the Commerce Account, which provides the essential day-to-day management services.

At the end of 2021, there were 30.9 th. POS allocated to the Individuals, Businesses, Premier, and inTouch network.

Accounts

During 2021 BPI continued to **restructure its offer of Sight Accounts** for Individual Customers, maximising its value proposition:

- Accounts offering a range of products and services against a single monthly maintenance fee: *Conta Valor BPI*, *Conta BPI Premier*, *Conta Valor Protocolo BPI*;
- Accounts for younger people with no maintenance fee: *Conta Valor Junior* and *Conta Valor Jovem*;
- Accounts with additional services and offers: *Conta Valor + BPI* and *Conta Premier +*.

The offer was further enriched with the *Conta Valor Funcionários Públicos e IPSS* (account for civil servants and private charities) and the *Conta Valor BPI Citizen* (for resident foreign Clients).

1.1 million
***Valor* accounts with Individual Customers**

83%
of Customers with *Conta Valor*

Bancassurance

In 2021, BPI consolidated the sale of Life Risk insurance from BPI Vida e Pensões (CaixaBank Group) with the launch of a Life policy for small businesses - ***BPI Vida Negócios***. The partnership with Allianz Portugal for the distribution of Non-life Risk insurance was also maintained.

During the year, the strategy to position the Bank as a reference in the sale of Life and Non-Life insurance was reinforced with the launch of the "Safety Check Up for BPI Customers" questionnaire.

Insurance commissions reached 58.3 M.€, which represents a yoy increase of +4.8%. In non-life insurance, commissions increased by 22.5%.

Insurance commissions	**58.3 M€**	**+4.8%** (yoy)

Private Banking

The **business volume** of BPI Private Banking **increased by 6%**, to 8 679 M.€ at the end of 2021.

Assets under Discretionary Management and Advisory Services rose by 5%, to 7 570 M.€, in a context of fast recovering economies and good performance of risk assets, especially the equity component. Stable investments under custody reached 885 M.€ at the end of the year, while Loans and guarantees totalled 224 M.€.

In 2021, the commercial strategy was marked by a focus on **asset diversification** with the aim of increasing the return of Customers' portfolios in a low interest rate environment. Capitalisation insurance achieved strong growth, underpinned by the streamlining of the product offer and the launch of new products. The portfolio reached 1 947 M.€ at the end of 2021, having grown by 21% compared to the end of 2020.

Of particular note was the increase in financial involvement in the **investment advisory service** (non-independent), by approximately 37% (+825 M.€), driven by increased demand for specialised professional advisory services.

BPI continued to invest in digital transformation to the benefit of the relationship with Customers. By the end of 2021, 88% were already subscribers of the digital channels, and of these 58% were over 65 years old.

Innovation and digitisation once again earned BPI, for the third consecutive year, an award from PWM magazine to its Financial Advisors - 'Best Private Bank for Digitally Empowering Relationship Managers in Europe'.

BUSINESS VOLUME
8 679 M.€
+6%

DISCRETIONARY MANAGEMENT AND ADVISORY SERVICES
7 570 M.€
+5%

REINFORCEMENT OF CAPITALISATION INSURANCE
+21%

CUSTOMERS SUBSCRIBING TO DIGITAL CHANNELS
88%

Corporate and Institutional Banking

The Corporate and Institutional Banking gross loan portfolio reached 9 769 M.€ at the end of 2021. Customer loans, excluding specialised credit, grew by 4.8% yoy, with an increase of 4.5% in the SMEs segment.

Customer deposits grew by 13.1%, reaching 6 875 M.€ at the end of 2021.

Customer loans, guarantees and resources (M.€)

	Dec 20[1]	Dec 21	Δ%
Loans to Customers[2]			
Companies	**7 796**	**7 841**	**0.6%**
Large Companies	3 156	3 250	3.0%
Small and Medium-sized Companies	3 365	3 518	4.5%
Specialised credit	1 275	1 074	(15.7%)
Public Sector	**1 762**	**1 919**	**8.9%**
Other Loans	**13**	**9**	**(31.1%)**
Total	**9 571**	**9 769**	**2.1%**
Guarantees	**1 423**	**1 592**	**11.9%**
Customer resources[3]	**6 076**	**6 875**	**13.1%**

+ 4.8%
in Customer loans
(Excluding specialised credit)

+ 13.1%
in deposits

10.6%
Market share
in loans to non-financial companies

Proximity to Business

In 2021 most events continued to be held in digital format.

BPI pursued the **cycle "Talking about…"**, initiated in 2020, with **seven sessions** held on specific products that support the day-to-day management of companies (iFactoring BPI, COSEC insurance, Allianz insurance), trade finance issues and also the economy and the markets' recovery.

BPI also organised, in partnership with TSF and JN and with the high patronage of the Ministry of the Economy, the **2nd edition of *Retomar Portugal***, a cycle of digital **conferences** on the recovery of the Portuguese economy.

The events and conferences had the presence of leading experts from different sectors, covering various themes: Exports, Science and Innovation, Tourism, Startups, Sustainability, Education and Culture.

Events held in 2021:

"Talking about…"	**7**
RETOMAR PORTUGAL CONFERÊNCIAS	**9**
Award events	**10**
Other events (FNA, RRP, Incorpora Programme)	**3**

[1] Balances adjusted for Customer migrations between Retail, Premier, Businesses, InTouch, Private, and Corporate and Institutional Banking.
[2] Gross loans. Excludes loans to credit institutions.
[3] Sight and time deposits.

Reinforcement of the offer for Companies

BPI continued to reinforce its offer of support to companies, launching new solutions for treasury management, investment, and risk management.

- **Covid lines:** operationalisation of new support credit lines with mutual guarantee;
- **Moratoria:** new Legal Moratoria for Companies available in the 1st quarter; promotion of solutions and customised responses to prepare for the end of moratoria;
- **Maturities and grace periods:** Maturity extended and additional grace period of up to nine months for more than 5,000 operations under the Covid Lines, in a totally innovative full online subscription process;
- **Instant Loans:** new 100% digital solution for instant contracting of loans of up to 25 thousand euros, to finance treasury needs;
- **BPI/EIF EGF Line:** 800 M.€ for Portuguese small and medium-sized enterprises (SMEs), guaranteed by the EIF;
- ***Vida Negócios* insurance:** new insurance from BPI Vida e Pensões, for Individual Entrepreneurs, Employees, and Families;
- **Acquiring Visa/ Mastercard:** new offer that allows, through a single contract, BPI Point of Sale Terminals (POS) to accept transactions with Portuguese or foreign cards;
- **Batch payments:** provision of instant batch payments, using instant transfers;
- **BPI/RRP Line:** launch of credit line for entities that applied to the Recovery and Resilience Plan.

Strategic Segments

BPI provides close and specialised support to the **Agriculture** and **Tourism** segments, for which it has comprehensive and competitive solutions tailored to their needs and teams dedicated to structuring finance, offering, risk analysis and business promotion. The **Real Estate** and **Urban Renewal** and **International Trade** segments also benefit from specialised support.

Recovery and Resilience Plan

BPI is the partner of companies under the Resilience and Recovery Plan (RRP[1]), providing competitive financial solutions to support the projects submitted, in their different phases.

BPI pioneered the creation of a specific financing line - the BPI/RRP Line - for entities with applications to the RRP, which allows them to go ahead with the projects immediately upon submitting their applications, without having to wait for approval by the RRP Management Entities.

BPI promoted several initiatives linked to the RRP, namely a conference for Customers, which was attended by more than 400 People, in person and online.

[1] The RRP is a national implementation programme, financed by European funds (Next Generation EU), which aims to implement a set of reforms and investments that will allow Portugal to resume sustained economic growth, based on three structuring dimensions: Resilience; Climate Transition; Digital Transition.

AGRICULTURE
strategic segment

Main offers

- **BPI/EIF Agriculture Line:** financing with EIF guarantee;
- **BPI PDR 2020 Line:** financing of agricultural projects applying for PDR 2020 across mainland Portugal;
- **BPI Vitis Line:** advance disbursement of up to 100% of the incentive, without conditioning the project to IFAP's payment schedule.
- **BPI SGM Line:** with Agrogarante guarantee;
- **John Deere Protocol**: to finance the acquisition of new or second-hand John Deer agricultural equipment, under favourable conditions.

Partnerships in the sector

- Official Bank of National Agricultural Fair
- Official Bank of Ovibeja
- Sponsor of Agroglobal
- Sponsor of *Colóquio do Milho*

Leadership in Agricultural sector

BPI is leader in short-term lending to the agricultural sector:

59% Oct.21 — Total no. of advances on operating subsidies granted by IFAP and validated by CAP

61% Mar.21 — Farming-season credit with IFAP support to agriculture, livestock and forestry sectors' production units

National Agriculture Awards (2021)
10th edition, **+1 300 applications**

Co-organised by BPI and Cofina, with the support of the Ministry of Agriculture.

TOURISM
strategic segment

Main offers

- **Support Line for the Upgrading of Supply 2021 - Turismo de Portugal**.

Partnerships in the sector

- Official Sponsor of BTL – **Lisbon Travel Market**.
- Subscriber to the **Tourism Companies Programme 360** - Turismo de Portugal (aimed at accelerating the incorporation of Environmental, Social and Governance indicators by the sector's companies).
- **Founding partner of NEST – Centro de Inovação do Turismo**

National Tourism Awards (2021)
3rd edition, **439 applications**

Co-organised by BPI and Expresso, and supported by the Ministry of the Economy and Digital Transition.

REAL ESTATE AND URBAN RENEWAL
specialised support

Since 2018, BPI has focused on the residential and commercial real estate area, having set up structured finance teams and commercial teams specialising in the segment.

Main offers

- **IFRRU 2020 Line:** 393 M.€ to support Urban Renewal and Revitalisation operations, with very competitive spreads and maturities of up to 20 years.

298 M.€ financed by BPI (76% of total allocation)

98 projects

378 M.€ total investment

INTERNATIONAL TRADE
specialised support

BPI has an offer of products and services designed for **international trade** that confer greater security to international transactions and permit to finance the entire operation cycle, as well as a **team of product experts** to address companies' multiple needs.

Under a **partnership with COSEC**, BPI offers credit risk hedging solutions, and is this insurer's #1 broker, with a share of 23% of the number of global policies.

BPI offers its Customers close and personalised support, which includes holding **in-company information sessions, free of charge**, as well as various initiatives to strengthen companies' expertise in their approach to international activity.

2 "Businesses with the World" sessions

4th consecutive year

41 participants in 2021
Client meetings with CaixaBank representatives

6 markets (2021)
United States, Brazil, Chile, Algeria, Egypt and South Africa

4 Webinars

- "Short-term financing solutions"
- "New Swift standards"
- "Credit Insurance"
- "Additional Credit Protection Insurance Coverages".

32 in-company sessions

2019-2021 STRATEGIC PLAN

Global Results

2021 marks the **successful conclusion of the 2019-21 Strategic Plan**.

Under the motto "**Creating value with values**", over the last few years BPI has focused in particular on the evolution of the Customer experience, the development of its Employees and the consolidation of its position as a benchmark in the service to society, alongside a continuous improvement in operational efficiency and increasing revenue generation, viewing the sustainable increase in profitability.

In a particularly adverse pandemic context, BPI has adopted a priority focus on supporting Families, businesses and society in general.

Sustainable increase of **PROFITABILITY**

The 2019-21 period was marked by strong commercial dynamism, with expressive increases in **market shares** and **historical highs** in total loans, mortgage loans, corporate loans, Customer resources, and capitalisation insurance.

Despite the market volatility and demand for lower risk applications, BPI reached a 14.0% aggregate market share in mutual funds, retirement savings plans and capitalisation insurance, and 18.5% in capitalisation insurance alone.

It should be noted that these increases were achieved alongside a **solid solvency and liquidity position**, and while maintaining a **low risk profile**, despite the context of COVID-19 crisis.

Market shares (Dec.21 vs Dec.18)

Loans	11.1%	+ 0.9 p.p.
Corporate loans	10.6%	+ 0.8 p.p.
Mortgage loans	13.2%	+ 1.7 p.p.
Personal loans (origination) [1]	13.0%	
Customer resources [2]	11.4%	+ 0.4 p.p.
Deposits	10.9%	+ 0.5 p.p.
Mutual funds + RSP + Cap.insur.	14.0%	+ 0.4 p.p.
Capitalisation insurance	18.5%	+ 3.4 p.p.

Main business growth objectives fully achieved

	CAGR 19 - 21:
LOANS AND ADVANCES TO CUSTOMERS	5.6%
CONSUMER LOANS	9.5%
LOANS TO COMP. & SMALL BUSINESSES	6.2%
CUSTOMER RESOURCES	6.7%
DIVERSIFICATION[3]	7.8%
	SHARE DEC-21
MORTGAGE LOANS	13.2%

[1] (Jan.-Nov.21) [2] Excludes variable yield treasury bonds ("OTRV") [3] Mutual funds (except short-term), Unit-linked capitalisation insurance, retirement savings plans (RSP) and OTRV. Sources: Bank of Portugal, APFIPP, APS, INE and BPI.

The **financial results** achieved show **strong resilience in an adverse economic environment**.

The evolution of core income was naturally conditioned by the unfavourable evolution of market interest rates, contradicting the scenario expected at the end of 2018, which pointed to a recovery in rates. Even so, effective cost control in the period drove an improvement in the cost-to-income.

CORE INCOME[1]		**2.7%** CAGR 19-21
RECURRING COSTS		**-1%** CAGR 19-21
COST TO CORE INCOME RATIO	60.4% 2018	**54.2%** 2021
NPL RATIO (non-performing loans)	4.2% Dec -18	**2.3%** Dec -21

Accelerate the transformation of the CUSTOMER EXPERIENCE

In a context of increased challenges due to the Covid-19 crisis, BPI accelerated the Bank's digital transformation process, with a focus on digital mobility to leverage Customer service. The new technologies and the effort to simplify processes have improved the response to Customers' needs and the offer has become increasingly multi-channel.

537 thousand
BPI App active clients (+75% vs Dec.18)

71%
Sales initiated in the digital channels

	DEC-18	DEC-21
ACTIVE DIGITAL CLIENTS	41.8%	**52%**
BPI APP ACTIVE CLIENTS (THOUSAND)	307	**537**
% DIGITAL SALES TO INDIVIDUAL CLIENTS	47%	**71%**
% EMPLOYEES WITH ACCESS TO HYBRIDS AND BPI GOBANKING[2]	47%	**100%**

[1] Income from the activity in Portugal: includes net interest income, dividends, net fee and commission income and equity accounted earnings.
[2] Commercial network employees.

Developing the Bank's **HUMAN RESOURCES**

The unexpected challenges brought by the pandemic put to the test the management of teams and the flexibility to adapt to new constraints, and BPI was able to meet these challenges. The strong transformation undergone by the various economic sectors, and the banking sector in particular, actually gave particular visibility to the need to foster an agile culture.

In recent years BPI has been focused on three Human Resources key areas of intervention: Employee **training and development**; **talent management and promotion of an agile culture** fostering motivation and engagement.

The following stand out:

- in training, the launch of "Campus BPI", a new learning platform;
- reinforcement of internal communication for Employee alignment and motivation;
- improvement in external positioning as employer brand that attracts talent;

- review of compensation and benefits model;
- advances in diversity and inclusion.

Reflecting the actions undertaken, the results of the **Opinion Survey** launched in 2020, in which 92% of the Employees participated, **significantly improved** compared to 2018.

Award **"Internal Campaigns"**
From the Portuguese Association of Business Communication (COVID-19 Special Edition)

+ 9 p.p.
in Employee satisfaction
(2020 Opinion Survey)

Improve **OPERATING AND ORGANISATIONAL EFFICIENCY**

In 2019-21, BPI prioritised the **simplification, digitisation and centralised management** of processes, as well as the commercial networks' adjustment to the Customers' needs.

As a result, in the last three years the number of Branches and Premier Centres decreased from 461 to 317 (-31%), but on the other hand the inTouch Centres were introduced, where dedicated Account Managers remotely serve thousands of Individual Customers.

461
Branches and Premier Centres

317
(**-31%** in the last 3 years)

The various initiatives implemented in terms of centralisation of tasks, robotisation, outsourcing of processes and introduction of more advanced Customer support equipment allowed efficiency gains to be achieved, reduced costs and **freed up more than 700 thousand hours for commercial activities**. The sales teams could thus be more focused on Customer service and on selling and providing advice on financial products.

+700 thousand hours
freed up for commercial activities

The main operational processes continued to be monitored and, within the Plan horizon, significant improvements were achieved and **the compliance targets with service levels and quality control were met.**

In mortgage loans, the speed of BPI's process was recognised and rewarded.

Consolidate the Bank's reputation based on **QUALITY OF SERVICE** to the Customer and Society

BPI maintained the high levels of service quality that characterise it, and consolidated its position as a reference in social commitment and responsible management.

In 2021**, BPI was rated the Bank with the Best Reputation in Portugal** in the annual survey of OnStrategy, a consultant, thus exceeding the reputation target established in the Strategic Plan.

BPI maintained **high levels of Customer satisfaction**, especially among Individual Customers (BPI ranked 2nd in the CSI Banking index and CSI Digital Channels index).

In support to Society, the multiple initiatives launched by BPI and the "la Caixa" Foundation - a joint investment of 30.4 M.€ in 2021, gave a significant contribution to improve the **brand awareness**.

1# place
BPI is the Bank with the best Reputation in Portugal

SUSTAINABLE PROFITABILITY

Consolidated overview

Consolidated results and profitability

BPI reported a **consolidated net profit** of 306.8 M.€ in 2021, an increase compared to 104.8 M.€ in the previous year. Return on tangible equity (ROTE) was 9.2%.

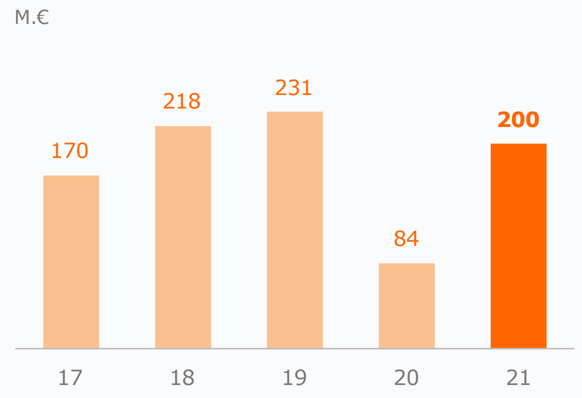
306.8 M.€
Consolidated net profit

In the **activity in Portugal the recurring net profit** increased from 84.3 M.€ in 2020 - a year when significant impairments had been booked to provide for potential impacts of the pandemic - to 200.3 M.€ in 2021.

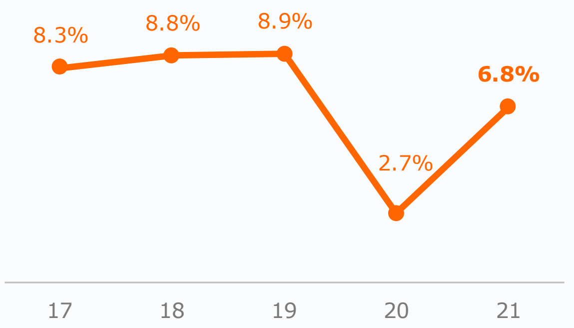
BPI maintained strong commercial dynamics which propelled a 7.6% growth in income and, combined with stable recurrent costs, led to an improvement in the cost-to-core income to 54.2%.

Net profit as reported in Portugal, which includes non-recurring expenses with early retirements and voluntary terminations, reached 178.6 M.€ in 2021.

Recurring net profit from the activity in Portugal



Recurring ROTE from the activity in Portugal



The contribution of the equity holdings in BFA (48.1%) and BCI (35.7%) to consolidated net profit reached 128.2 M.€ in 2021:

- BFA contributed with 105.7 M.€, essentially corresponding to the 2020 ordinary dividend (40 M.€) and the recognition in results of 50 M.€ relative to a distribution of free reserves approved by BFA[1], with phased payment to the shareholders;
- BCI's contribution (equity accounted) was 22.6 M.€.

Consolidated net profit (M.€)

	2020	2021
Activity in Portugal		
Recurring net profit	84.3	200.3
Non-recurring impacts	(18.1)	(21.7)
Net profit in Portugal	**66.2**	**178.6**
BFA contribution	30.2	105.7
BCI contribution	8.4	22.6
Consolidated net profit	**104.8**	**306.8**

[1] Plus 29 M.€ taken directly to equity. The total amount of this distribution allocated to BPI was therefore 79 M.€. Payment to the shareholders will be made in 3 instalments (40% in September 2021, 30% in June 2022 and 30% in June 2023).

Commercial activity

Despite the unfavourable context caused by the pandemic, Banco BPI's **commercial activity in Portugal maintained a growth trajectory**, underpinned by strong increases in loans and resources and respective market shares:

+7.1%
loan portfolio (+€1.8 billion)

+9.0%
Customer resources (+€3.3 billion)

↑ **market shares**
in loans and deposits

Asset quality

BPI has a **low-risk profile** as reflected in a low NPE ratio and high coverage:

1.6%
NPE ratio (-0.1 p.p.)

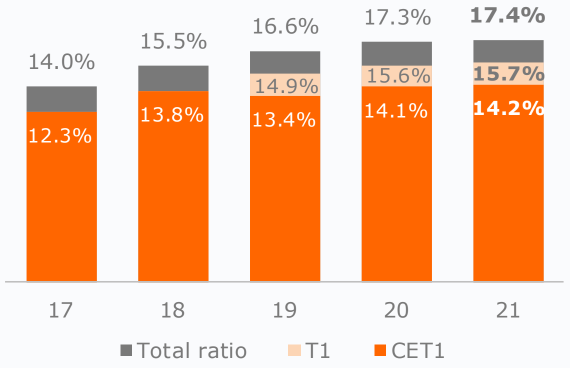
149%
NPE coverage (+9 p.p.)
by impairments and collaterals

BPI has low exposure to foreclosed properties (4.3 M.€) and specialised loan recovery funds (37 M.€).

Consolidated equity

BPI maintains a **solid solvency position**: CET1 ratio of 14.2%, Tier 1 ratio of 15.7% and total capital ratio of 17.4% at the end of 2021.

Consolidated capital ratios



Note: fully loaded until 2019; phasing-in in 2020 and 2021.

Funding and liquidity

BPI shows **a balanced funding structure and a strong liquidity position**. At the end of 2021, the loan to deposit ratio was 91%, the Net stable funding ratio (NSFR) was 153% and the Liquidity Coverage Ratio (LCR) was 272% (12-month average).

Geographic segmentation
For the reporting of financial information by businesses, BPI has defined two segments:

Activity in Portugal
Corresponds to the commercial banking activity, which constitutes the core of Banco BPI's activity in Portugal, and includes the Private Banking activity of BPI Suisse, a fully-held subsidiary. Also includes the contribution of equity holdings recognised by the equity method (Cosec, Allianz, Unicre and Inter-Risco) and others.

Equity holdings in BFA and BCI
Corresponds to the contribution of the 48.1% stake in BFA (commercial bank in Angola), booked in the portfolio of equity instruments at fair value through other comprehensive income, and the appropriation of results from the 35.7% stake in BCI (commercial bank in Mozambique), accounted for by the equity method.

Activity in Portugal

Income Statement

Recurring net income in Portugal increased by 116 M.€, to 200.3 M.€ in 2021. Underlying factors:

- 7.6% increase (+53 M.€) in gross income, underpinned by increases of 17.7% in net fee and commission income (+43 M.€) and 1.2% in net interest income as well as an increase in gains on financial assets and liabilities (+13 M.€);
- stable recurring operating expenses;
- reduction in loan impairments net of recoveries from 151.5 M.€ to 47.2 M.€ (includes in 2021 a 23.4 M.€ gain on the sale of non-performing loans written off).

Net income as reported (including non-recurring expenses) amounted to 178.6 M.€ (66.2 M.€ in 2020).

6.8% recurring ROTE
from the activity in Portugal

Return on tangible equity

	2020	2021
Average allocated capital (M.€)	2 497	2 672
Recurring ROTE	**2.7%**	**6.8%**

Income statement from the activity in Portugal (M.€)

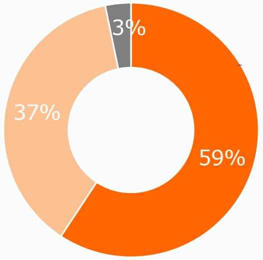
	2020	2021	Δ%
Net interest income	450.1	455.6	1.2%
Dividend income	2.4	1.9	(19.3%)
Equity accounted income	18.5	23.1	24.6%
Net fee and commission income	244.9	288.2	17.7%
Commercial banking gross income	715.9	768.7	7.4%
Gains / (losses) on financial assets and liabilities and other	(2.9)	10.0	-
Other operating income and expenses	(14.7)	(27.4)	(86.1%)
Gross income	**698.3**	**751.3**	**7.6%**
Recurring staff expenses	(239.4)	(231.1)	(3.5%)
Other administrative expenses	(138.2)	(135.6)	(1.9%)
Depreciation and amortisation	(48.7)	(61.2)	25.8%
Recurring operating expenses	**(426.3)**	**(427.9)**	**0.4%**
Non-recurring expenses	(25.0)	(29.8)	19.5%
Operating expenses	**(451.3)**	**(457.7)**	**1.4%**
Net operating income	**247.0**	**293.6**	**18.9%**
[Recurring net operating income]	*271.9*	*323.5*	*18.9%*
Impairment losses on financial assets	(151.5)	(47.2)	(68.9%)
Other impairments and provisions	(7.7)	(3.7)	(52.0%)
Gains and losses in other assets	0.3	(0.6)	(293.5%)
Net income before income tax	**88.1**	**242.2**	**175.0%**
Income tax	(21.9)	(63.6)	190.5%
Net Income	**66.2**	**178.6**	**169.9%**
[Recurring net income]	*84.3*	*200.3*	*137.6%*

Gross Income

In 2021, gross income grew by 7.6% yoy, driven by a 7.4% increase in commercial banking gross income, and in turn underpinned by the growth of fee and commissions (+17.7%).

7.4%
commercial banking gross income
(Δ 2021 / 2020)

Breakdown of commercial banking gross income (2021)



Net interest income

Net interest income proved resilient, having risen by 1.2% (+5.4 M.€). The following contributed to this performance:

- the positive "volume effect" of the expansion of the loan portfolio (+6.6% yoy in average balances terms), which largely offset the reduction in the unitary intermediation margin[1], from 1.67% in 2020 to 1.54% em 2021;
- a 4.0 M.€ increase in the contribution of the balance sheet management activity (Asset/Liability Management - ALCO) which is explained by the increase in funding from the ECB, under more favourable conditions;
- with a negative impact, the persistence of negative market rates, which lead to a negative margin of deposits and also feeds through to the average remuneration of short-term loans and mortgage credit, which are mostly at variable rates.

1.2%
net interest income
(Δ 2021 / 2020)

Net interest income (M.€)

	2020			2021			Δ Interest (%)
	Average balance	Average rate	Interest	Average balance	Average rate	Interest	
Loans to Customers[2)]	24 240	1.69%	409.6	25 837	1.55%	400.2	(2.3%)
Customer deposits in euro	23 037	0.02%	4.0	25 978	0.01%	2.7	(30.8%)
Intermediation margin		**1.67%**	**405.6**		**1.54%**	**397.5**	**(2.0%)**
Other revenues and costs			44.5			58.1	30.6%
Net interest income			**450.1**			**455.6**	**1.2%**

[1] Defined as the difference between income from interest on loans (excluding loans to employees) and the cost of Customer deposits in euro.
[2] Excluding loans to employees.

Net fee and commission income

Net fee and commission income increased by 17.7% (+43.3 M.€) relative to 2020, underpinned by the following:

- 19.1% increase in banking commissions, driven by the positive performance of loan and guarantee commissions (+8.6 M.€) and commissions on deposits and associated services (+13.3 M.€), while commissions on means of payment, the most affected by the pandemic context, fell by 0.6 M.€;
- 29.4% increase (+13.7 M.€) in commissions from mutual funds and capitalisation insurance, reflecting the expansion in assets under management;
- 4.5% increase in insurance brokerage commissions, reflecting the growing contribution from the placement of life risk products of BPI Vida e Pensões.

Net fee and commission income (M.€)

	2020	2021	∆%
Banking commissions			
Loan and guarantee commissions	32.1	40.7	26.7%
Cards, ATMs and POS	24.2	23.6	(2.5%)
Sight deposits and associated services	62.7	75.9	21.2%
Other banking commissions	22.6	28.3	25.5%
Banking commissions	141.6	168.5	19.1%
Mutual funds and capitalisation insurance	46.7	60.5	29.4%
Insurance brokerage	56.6	59.2	4.5%
Total	**244.9**	**288.2**	**17.7%**

17.7%
net fee and commission income
(∆ 2021 / 2020)

Gains / (losses) on financial assets and liabilities and other

Gains / (losses) on financial assets and liabilities, totalling 10.0 M.€ in 2021 (versus -2.9 M.€ in 2020), include 6.5 M.€ gains in the bonds portfolio, arising from the early redemption of securities in June.

Other operating income and expenses

Other operating income and expenses was negative in 2021, at -27.4 M.€. This includes regulatory costs of 41.6 M.€ corresponding to contributions to the Single Resolution Fund (10.7 M.€) and National Resolution Fund (8.5 M.€), the banking sector contribution (18.8 M.€), and the "solidarity surcharge on the banking sector" (3.6 M.€).

Operating expenses

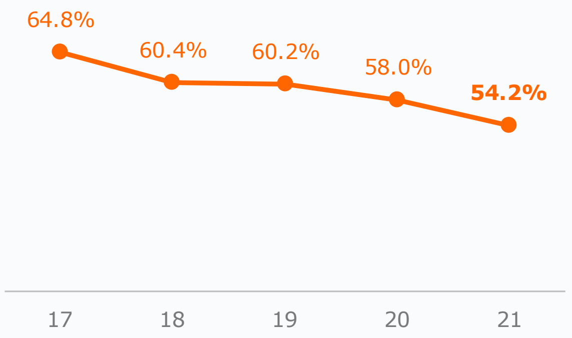
Recurring operating expenses increased by 0.4% in 2021:

- staff expenses contracted by 3.5% (-8.3 M.€), which includes the effect of early retirements and voluntary terminations. The average payroll decreased by 4.8% in 2021;
- other administrative expenses were down by 1.9% (-2.7 M.€);
- depreciation and amortisation increased by 25.8% (+12.6 M.€), mainly driven by investment in software and works in buildings.

Operating expenses "as reported" in 2021 (+1.4% yoy) include non-recurring expenses of 29.8 M.€ with 139 early retirements and voluntary terminations agreed in the year.

The cost-to-core income ratio improved by 3.8 p.p. to 54.2% in 2021.

Cost-to-core income ratio [1]



Operating expenses (M.€)

	2020	2021	Δ%
Staff expenses, excluding non-recurring expenses	239.4	231.1	(3.5%)
Other administrative expenses	138.2	135.6	(1.9%)
Depreciation and amortisation	48.7	61.2	25.8%
Operating expenses, excluding non-recurring	**426.3**	**427.9**	**0.4%**
Non-recurring expenses	25.0	29.8	19.5%
Operating expenses, as reported	**451.3**	**457.7**	**1.4%**

Pension liabilities

The net assets of the Employees' pension funds (1 944 M.€) cover 103% of the pension liabilities.

%

+7.2% pension funds return in 2021 (above the discount rate)

Positive actuarial and financial deviations of 103 M.€[2] in 2021 essentially resulted from a positive deviation in the fund's return (+104 M.€), the updating of the discount rate (+82 M.€), the adoption of more prudent mortality tables (-51 M.€) and the impact of the increase in the national minimum wage (-22 M.€).

Liabilities for Employee pensions and pension funds (M.€)

		2020	2021
Total past service pension liabilities		1 907	1 887
Net assets of the pension fund [3]		1 873	1 944
Coverage ratio of pension liabilities		98%	103%
Pension funds return		2.7%	7.2%
Discount rate		1.01%	1.26%
Mortality table	Men:	TV88/90	TV88/90–1 year
	Women:	TV88/90–3 years	TV99/01–2 years

[1] Operating expenses excluding non-recurring expenses minus income from services provided to CaixaBank Group, as % of commercial banking gross income.
[2] Booked directly in accounting shareholders' equity.
[3] In 2020, includes 90.1 M.€ contribution to the pension fund made at the beginning of 2021.

Impairments and provisions for loans and guarantees

Impairments for loans and guarantees net of recoveries amounted to 47.2 M.€ in 2021, which corresponds to a cost of credit risk of 0.17%[1]. This amount was reached through:

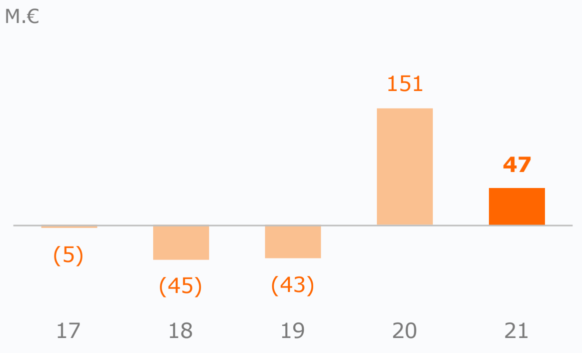
- loan impairments of 79.3 M.€. In 2020, loan impairments (163.6 M.€) included 97 M.€ in unallocated impairments set up preventively in the context of COVID;
- loan recoveries in the amount of 32.1 M.€, which include a 23.4 M.€ gain[2] on the sale of 30 M.€ non-performing loans and 266 M.€ loans written off from assets.

At the end of 2021, BPI had 72 M.€ of unallocated impairments on the balance sheet.

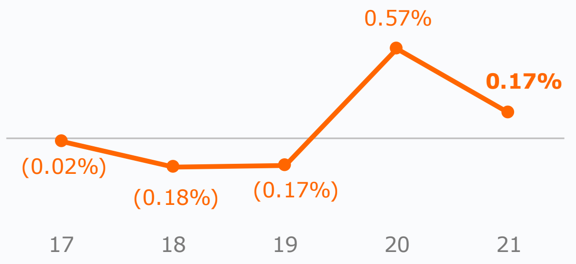
Impairments and provisions for loans and guarantees (M.€)

	2020		**2021**	
	Impairments	**% loan book[1)]**	**Impairments**	**% loan book[1)]**
Loans to individuals	34.8	0.26%	33.5	0.24%
Mortgage loans	20.2	0.17%	21.5	0.17%
Other loans to individuals	14.6	0.85%	12.0	0.68%
Companies	128.7	1.17%	45.1	0.39%
Public Sector	0.1	0.01%	0.6	0.03%
Impairments	**163.6**	**0.62%**	**79.3**	**0.28%**
Recovery of loans written off from assets	(12.1)	(0.05%)	(32.1)	(0.11%)
Total	**151.5**	**0.57%**	**47.2**	**0.17%**

Impairments for loans and guarantees net of recoveries



Cost of credit risk
(% of loan and guarantees portfolio)



[1] As % of average gross loans and guarantees.
[2] In addition, a 2.3 M.€ gain (impairments reversals) was booked in December, thus making a total gain of 25.7 M.€ from the sale of loans.

Loans to Customers

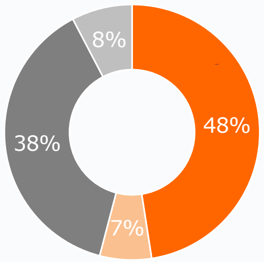
The portfolio of loans and advances to Customers (gross) expanded by 7.1% yoy (+€1.8 billion), with increases in all retail and corporate segments:

- the mortgage loan portfolio grew by 9.0%. New mortgage loans production in 2021 was €2.4 billion, which represents an expressive increase of 40%. The market share in loan production reached 16.1% 2021;
- the portfolio of other loans to individuals (personal and car loans) grew by 3.8%;
- the corporate loan book expanded by 4.5% in 2021. At the end of 2021, the loan portfolio included €1.1 billion in loan disbursements under the COVID-19 support lines[1].

Loans and advances to Customers (gross) (M.€)[2]

	2020	2021	Δ%
Loans to individuals	13 745	14 892	8.3%
Mortgage loans	12 008	13 089	9.0%
Other loans to individuals	1 737	1 803	3.8%
Companies	10 072	10 523	4.5%
Public Sector	1 879	2 115	12.5%
Total	**25 695**	**27 529**	**7.1%**
Note:			
Net loan portfolio	25 208	27 008	7.1%

Loan portfolio (31 Dec. 2021)



Loan moratoria

Faced with the challenges and demands posed by the pandemic crisis, the Bank reacted promptly with unprecedented support for families and companies. Loan moratoria for companies and individuals stand out among the support provided.

Loan moratoria reached a peak of €6.1 billion (24% of the loan portfolio) in September 2020.

The periods of suspension of payment of loan instalments under the moratoria ended in the course of 2021.

Breakdown by type of moratoria contracted (M.€)

	Jun.20	Sep.20	Dec.20	Mar.21	Jun.21	Sep.21	Dec.21
Mortgage loans	2 615	2 721	2 495	2 516	1 466	1 438	1
Personal and car loans	373	388	333	339	22	0	0
Corporate loans	2 662	3 018	2 792	2 768	2 378	2 309	1
Total	**5 650**	**6 127**	**5 620**	**5 624**	**3 866**	**3 746**	**2**

[1] Covid lines of support to the economy with public guarantee (SGM) and EIF guaranteed Covid-19 related credit line of support to SMEs.
[2] Loans to Customers (gross) corresponds to Loans and advances to Customers (24 802 M.€ in Dec.21), excluding collateral accounts, reverse repos and other assets (96 M.€ in Dec.21), added of debt securities issued by Customers (2 823 M.€ in Dec.21, excluding debt securities of credit institutions), recognised under Financial assets at amortised cost.

Financial assets portfolio

At 31 December 2021, BPI held a portfolio of sovereign debt securities in the amount of 4 897 M.€[1]. This portfolio corresponds to medium- and long-term debt of Portugal (49%), Spain (28%), Italy (15%), and USA (9%). The average residual maturity of this portfolio is 4.2 years.

The Bank uses this portfolio for balance sheet liquidity management purposes and to generate a positive contribution to net interest income.

Sovereign debt securities portfolio (M.€)

	2020	2021
Short-term (Portugal)	201	
Medium- and long-term		
Portugal	2 367	2 397
Spain	1 314	1 349
Italy	723	713
USA		438
Medium- and long-term	4 405	4 897
Total	**4 605**	**4 897**

Customer resources

Customer deposits increased by 11.0% in 2021 (+€2.9 billion), to €28.9 billion.

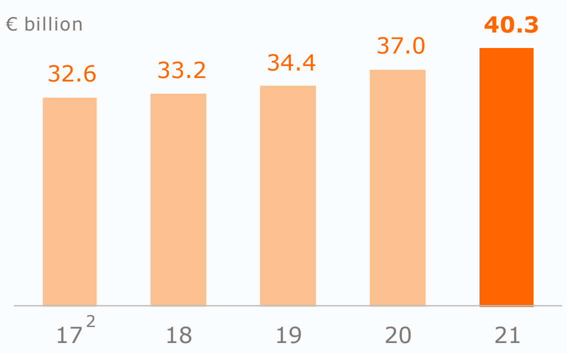
Assets under management expanded by 12.6% yoy (+€1.2 billion), with mutual funds growing by 18.2%. Capitalisation insurance grew by 5.9%, with a significant increase in unit linked capitalisation insurance (+27.5%).

Customer resources totalled €40.3 billion at the end of 2021, which represents a yoy increase of €3.3 billion (+9.0%).

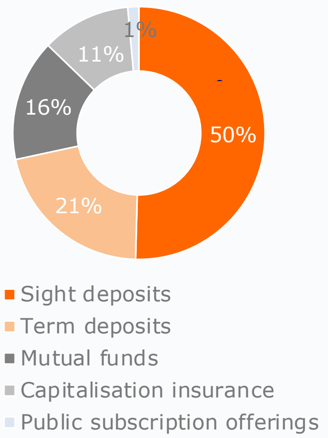
Customer Resources (M.€)

	2020	2021	Δ%
Customer deposits	**26 009**	**28 872**	**11.0%**
Sight deposits	17 500	20 325	16.1%
Term deposits	8 508	8 547	0.5%
Assets under management	**9 644**	**10 861**	**12.6%**
Mutual funds	5 309	6 273	18.2%
Capitalisation insurance	4 334	4 588	5.9%
Public subscription offerings	**1 336**	**572**	**(57%)**
Total	**36 989**	**40 305**	**9.0%**

Total Customer resources
2017 - 2021 evolution



Total Customer resources
Portfolio breakdown at 31 Dec. 2021



[1] Securities in financial asset portfolios at fair value through other comprehensive income and financial asset portfolios at amortised cost. Does not include the portfolio of financial assets held for trading.
[2] Proforma considering the sale of BPI Gestão de Ativos and BPI GIF.

Equity holdings in BFA and BCI

Banco BPI holds minority equity holdings in two commercial African banks:

- 48.1% in Banco de Fomento Angola (BFA). BFA has total assets of €4.2 billion and serves approximately 2.4 million Customers. Its market share of deposits was 14.5% in December.
- 35.7% in Banco Comercial e de Investimentos (BCI), in Mozambique. BCI is market leader in the Mozambique banking system, with total assets of €2.6 billion, approximately 2.1 million Customers and market shares of 22.9% in total assets, 26.3% in loans and 25.4% in deposits.

The equity holdings in BFA and BCI contributed with 128.2 M.€ to the 2021 consolidated results.

BFA and BCI contribution to consolidated net profit (M.€)

	2020	2021
BFA contribution	30.2	105.7
BCI contribution	8.4	22.6
Total	**38.6**	**128.2**

Banco de Fomento Angola (BFA)

BFA's contribution to the consolidated results amounted to 105.7 M.€ in 2021 and essentially corresponds to:

- the 2020 ordinary dividend attributed to BPI, in the amount of 40 M.€;
- the component taken to the income statement (50 M.€) of a distribution of free reserves approved by BFA's shareholders in 2021.

The total amount attributed to BPI from the distribution of free reserves approved by BFA totalled 79 M.€[1], with 29 M.€ being recognised directly in shareholders' equity and the remaining 50 M.€ referred to above taken to the income statement.

Payment to the shareholders will be made in three instalments: 40% in September 2021 (already paid), 30% in June 2022 and 30% in June 2023. The 79 M.€ will be recognised under Common Equity T1 (CET1) as they are received in Portugal.

At the end of 2021, the 48.1% stake in BFA was valued at 321 M.€[2].

Banco Comercial e de Investimentos (BCI)

BCI's contribution to the consolidated results was 22.6 M.€ in 2021.
The book value of this holding (recognised by the equity method) was 124 M.€ in 2021.

105.7 M.€
BFA contribution in 2021
(321 M.€ BFA stake book value)

22.6 M.€
BCI contribution in 2021
(124 M.€ BCI stake book value)

[1] Net of tax withheld in Angola, and the financial effect, which reflects the discounting of the present value of future amounts receivable.
[2] The equity holding in BFA is classified since the end of 2018 as a "financial investment", recognised under "shares at fair value through other comprehensive income".

Consolidated capital

Consolidated prudential capital

At the end of 2021 the consolidated capital ratios (phasing in) were: CET1 of 14.2%, Tier 1 of 15.7%, and total capital ratio of 17.4%.

Regulatory capital and MREL ratios (M.€)

	2020	2021
Common Equity Tier 1	2 529	2 600
Tier I	2 804	2 875
Tier II	300	300
Total own funds	3 104	3 175
Risk weighted assets	17 991	18 281
CET1 ratio	14.1%	14.2%
T1 ratio	15.6%	15.7%
Total ratio	17.3%	17.4%
Buffer MDA	4.4%	4.5%
Leverage ratio [1]	7.3%	6.8%
MREL (as % RWA)	19.8%	23.7%
MREL (as % LRE)	9.3%	10.3%

Note: The minimum capital requirements determined by the ECB for BPI in 2021 are: CET1 of 8.5%, T1 of 10.38% and total ratio of 12.88%.

The +0.17 p.p. increase in the CET1 ratio in 2021 is explained by:

- organic capital generation in Portugal +0.8 p.p.;
- dividends received from BFA +0.6 p.p.;
- pension actuarial deviations +0.2 p.p.;
- 194 M.€ dividend distribution -1.1 p.p;
- deduction relative to supervisory expectations of NPE coverage -0.3 p.p.

Considering the capital ratios at December 2021, BPI had an MDA (maximum distributable amount) buffer of 4.5%.

In October 2021 BPI issued 700 M.€ senior non-preferred debt, fully subscribed by CaixaBank, to reinforce eligible liabilities for compliance with the future MREL requirement.

At the end of 2021 BPI met the MREL requirements[2] established for 1 January 2022:

- MREL to RWAs ratio of 23.7%, versus the intermediate requirement of 19.05% for 1 Jan. 2022 and final requirement of 23.95% from 1 Jan. 2024 (includes combined capital buffer requirement).
- MREL ratio as a percentage of LRE of 10.3% versus final requirement of 5.91%.

Consolidated profitability and efficiency indicators
in accordance with Bank of Portugal Instruction 16/2004, as amended by Instruction 6/2018

	2020	2021
Gross income / ATA	2.1%	2.2%
Net income before income tax and minority interests / ATA	0.4%	1.0%
Net income before income tax and minority interests / avg. shareholders' equity and minority interests	3.8%	10.7%
Staff expenses / Gross income [3]	33%	26%
Operating expenses / Gross income [3]	58%	48%
Loan to deposit ratio [4]	97%	94%

ATA = average total assets.

[1] Calculated as the ratio of Tier 1 capital to the total value of balance sheet assets and off-balance sheet items, not subject to risk weighting coefficients.
[2] As disclosed to the market on 5 February 2021.
[3] Excluding costs with early retirements.
[4] Net customer loans / Customer deposits.

Individual financial information

Individual net income

The net income in Banco BPI's individual accounts was 293.4 M.€ in 2021 (87.8 M.€ in the previous year).

The recurring individual net income (excluding costs with early retirements and voluntary terminations) increased from 105.9 M.€ in 2020 to 315.0 M.€ in 2021.

The following contributed to this performance:

- 22% increase in gross income (+155 M.€), underpinned by a notable increase in dividends (+81 M.€, including 55 M.€[1] from the distribution of reserves approved by BFA), increases in net interest income (2.4% or +11 M.€) and net fee and commission income (17.9% or +43 M.€) and an increase in gains /(losses) on financial assets and liabilities (+39 M.€);
- reduction in loan impairments net of recoveries from 151.5 M.€ to 47.2 M.€ (includes 23.4 M.€ gain in 2021 with the sale of non-performing loans written off).
- stable recurring expenses.

[1] Gross amount of tax withheld in Angola.

Individual income statement (M.€)

	2020	2021	Δ%
Net interest income	449.9	460.6	2.4%
Dividend income	55.1	135.6	146.1%
Net fee and commission income	237.3	279.8	17.9%
Gains / (losses) on financial assets and liabilities and other	(12.3)	26.6	316.6%
Other operating income and expenses	(18.3)	(35.9)	(96.1%)
Gross income	**711.7**	**866.8**	**21.8%**
Recurring staff expenses	(235.7)	(227.8)	(3.4%)
Other administrative expenses	(136.9)	(134.3)	(1.9%)
Depreciation and amortisation	(48.5)	(61.1)	25.9%
Recurring operating expenses	**(421.1)**	**(423.2)**	**0.5%**
Non-recurring expenses	(25.0)	(29.8)	19.5%
Operating expenses	**(446.1)**	**(453.0)**	**1.5%**
Net operating income	**265.6**	**413.8**	**55.8%**
[Recurring net operating income]	*290.6*	*443.7*	*52.7%*
Impairment losses on financial assets	(151.5)	(47.2)	(68.9%)
Other impairments and provisions	(7.7)	(3.7)	(52.0%)
Gains and losses in other assets	0.3	(0.6)	(292.0%)
Net income before income tax	**106.7**	**362.4**	**239.7%**
Income tax	(18.9)	(69.0)	265.8%
Net Income	**87.8**	**293.4**	**234.0%**
[Recurring net income]	*105.9*	*315.0*	*197.4%*

In 2021 the caption "dividend income", in addition to ordinary dividends from equity holdings (43 M.€[1] from BFA, 36 M.€ from equity accounted holdings and 2 M.€ from other equity holdings), also includes 55 M.€[1] corresponding to the component taken to the income statement of the distribution of free reserves approved by BFA in 2021.

Individual balance sheet

Total assets (net) of Banco BPI (individual basis) amounted to €41.2 billion at the end of 2021. Individual accounting shareholders' equity was 3 218 M.€, excluding 275 M.€ in Additional Tier 1 (AT1) capital instruments issued in September 2019.

The portfolio of loans and advances to Customers (gross), on an individual basis, expanded by 7.1% yoy, to €27.5 billion. Total deposits increased by 11.0%, to €28.9 billion.

Individual balance sheet indicators (M.€)

	2020	2021	Δ%
Total assets (net)	37 630	41 193	9.5%
Loans to Customers (gross)	25 695	27 529	7.1%
Deposits	26 009	28 872	11.0%
Shareholders' equity [1)]	2 836	3 218	13.5%

The description of Banco BPI's consolidated performance also applies to the performance of the various items on an individual basis, since only BPI Suisse, a 100% held subsidiary in the area of private banking, is fully consolidated, with all other equity holdings included in the consolidation perimeter - Cosec, Allianz Portugal, Inter Risco, Unicre and BCI Moçambique – being recognised by the equity method.

Individual capital ratios

At 31 December 2021, the individual capital ratios (phasing in) were: CET 1 of 14.2%, Tier 1 of 15.7%, total capital of 17.4% and leverage ratio of 6.8%.

Regulatory capital ratios (M.€)

	2020	2021
Common Equity Tier 1	2 524	2 594
Tier I	2 799	2 869
Tier II	300	300
Total own funds	3 099	3 169
Risk weighted assets	17 985	18 251
CET1 ratio	14.0%	14.2%
T1 ratio	15.6%	15.7%
Total ratio	17.2%	17.4%
Leverage ratio	7.3%	6.8%

[1] Excludes AT1 instruments.

Rating

BPI currently holds investment grade ratings for its long-term debt, assigned by the three international agencies - Fitch Ratings, Moody's and S&P Global Ratings -, and for long-term deposits, by Fitch Ratings and Moody's.

The mortgage covered bonds issued by BPI are rated AA (Low) by DBRS and Aa2 by Moody's and qualify as level 1 assets for purposes of the LCR ratio calculation.

BPI ratings & Outlook

Fitch Ratings	**BBB**	Stable
Moody's	**Baa2**	Stable
S&P	**BBB**	Stable

To support these ratings, the agencies in general cite the high quality of BPI's assets, better than the average for the sector in Portugal, its adequate capitalisation and comfortable liquidity and funding position, alongside the support of its sole shareholder, CaixaBank.

At 31 December 2021

	DBRS	Fitch Ratings	Moody's	S&P Global Ratings
Banco BPI credit ratings				
Issuer Rating / Outlook		BBB / Stable	Baa2 / Stable	BBB / Stable
Long-Term Deposits / Outlook		BBB+	A3 / Stable	-
Long-Term Debt / Outlook		BBB+	Baa2	BBB / Stable
Short-Term Deposits		F2	Prime-2	-
Short-Term Debt		F2	Prime-2	A-2
Individual Rating		bb+ *(Viability rating)*	baa3 *(Baseline Credit Assessment)*	bb+ *(Stand-alone credit profile, SACP)*
Collateralised senior debt – Mortgage loans	AA (Low)		Aa2	
Collateralised senior debt – Public Sector			Aa3	
Senior non-preferred debt			Baa3	BBB-
Subordinated debt			Ba1	BB+
Junior subordinated debt			Ba2	
Portugal rating[1]				
Long-term / Outlook	BBB (high) / Stable	BBB / Stable	Baa2 / Stable	BBBu / Stable
Short-Term	R-1 (low)	F2	Prime-2	A-2u

[1] The ratings attributed by S&P Global Ratings to the Portuguese Republic are unsolicited ("u").

CUSTOMER EXPERIENCE

In 2021, BPI continued to invest in the improvement of the Customer Experience, focusing on digital transformation and innovation in processes, products and services.

Accelerating the Digital Transformation

The growing investment in the digital channels has converted an increasing number of Customers to their use. The number of **Clients who regularly use the digital channels increased by 9% yoy.**

The mobile Banking channel reported expressive growth, with **approximately 80% of the Individual Customers who actively use the digital channels opting for the App solution**. The number of regular users increased by **approximately 16%,** which is **75 thousand more users** than in the previous year.

52% **Active digital clients**[1]

+ 4pp (Dec/21 vs Dec/20)

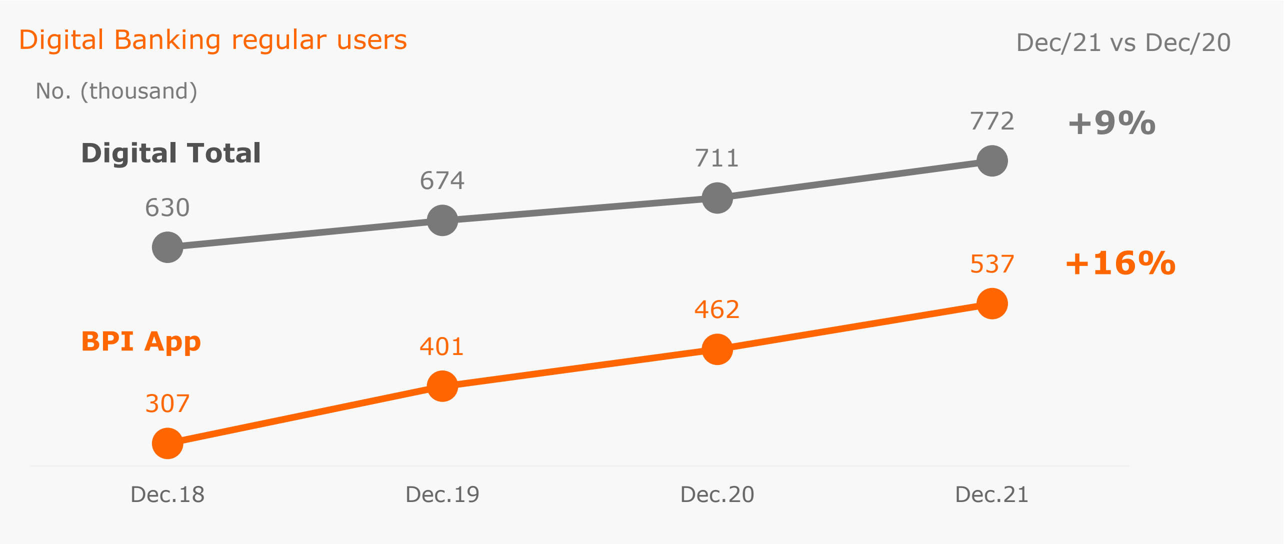


Digital Total

The number of Digital Banking users has seen consistent annual growth, with regular users reaching a total of **772 thousand** at the end of **December 2021**.

BPI App

The number of BPI App regular users increased by approximately **75% in the last 3 years,** reaching **537 thousand** by the end of 2021.



[1] Active clients, 1st account holders Individuals and Companies.

BPI Grupo CaixaBank

More Clients, more sales and greater proximity

The increasingly expressive adhesion to digital drives an increase in interactions that end up in sales and product subscriptions. 71% of sales were initiated on digital channels[1] (+7 p.p. compared to 2020), with a significant contribution from the number of savings. More than 97% of transactions are already carried out through digital channels (home and mobile banking and ATMs).

Interactions through the digital channels expanded, with the number of logins reaching an average of 16 million per month (+13% yoy).

71% of sales
initiated in the digital channels (+7 p.p. yoy)[1]

+97% of transactions
made on digital channels
(home and mobile banking and ATMs)

16 Million logins
on average per month (+13% yoy)

Leading position in digital channels satisfaction and penetration

BPI remained in the top places in digital channels penetration and in the satisfaction of its individual Clients with these channels, ranking **2#** in both indicators[2]. In the corporate segment, BPI reached **2nd position** in the homebanking channels' usage penetration[2].

2nd place [2]

Individual Customers	**Corporate Customers**
▪ Individual Customers Satisfaction ▪ Digital channels penetration	▪ Homebanking usage penetration

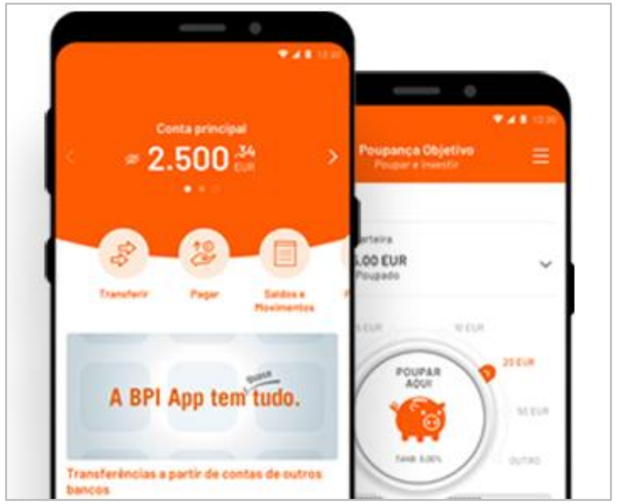
Innovation in the Digital Channels

In 2021, new developments were launched in the digital channels to **improve the Customer experience, efficiency, and support to Commercial Managers.**

The new developments and evolutions occurred in the digital channels for **Individual Customers** and **Corporate Customers**.

20
main evolutions
in the digital channels for Individual Customers

8
new digital solutions
for companies



[1] Term Deposits and Savings, Mutual Funds and Retirement Savings Plans, Personal Loans, Prestige Products, Credit and Prepaid Cards and Cash Advance on Credit Cards.
[2] Data from 'BASEF Banca November 2021' and 'Inmark 2021' market surveys - companies with turnover from 2 to 50 M.€.

Innovation in the Digital Channels | Main evolutions in the digital channels for Individual Customers

Simplification of daily routines

- **Digital Mobile Key** used to open an account and update personal details;
- **Self-confirmation of personal data** made easier, streamlining Customer Service and taking the operational load off the Commercial Networks;
- Easier access to **MB WAY** payments, without login;
- Increased support to Clients' financial management - **My Finance** service, with prediction of account movements and new proactive management functionalities;
- **Financial Diary** with a simpler, more intuitive and integrated vision of expected expenses;
- Improved payment experience and increase in **Credit Card** ceiling;
- Simplification of contracting, cancellation and replacement of **Debit Cards** through the Digital Channels;
- New **mobile responsive public website** - bancobpi.pt;
- Improvements in **digital documentation**;
- Continuous evolution of **Self Service Teller**: cards activation and multi language interface (PT, EN, FR, ES).

Sleeping peacefully

- **Security Check-up** to assess the Client's level of protection;
- **Insurance Protection** in Instant Loans;
- Purchase of **Life Insurance linked to Mortgage** or **Personal Loans**;
- **Simulator to define insured capital sum** when taking out "BPI Family Life" insurance;
- More information on policies and reporting of **Multi-Risk/Home Insurance Claims**;
- **Occupational Hazards** and **Civil Liability insurance**.

My home

- **Mortgage Loan Simulator** available in the Digital Channels;
- Start of **Mortgage Loan contracting**, with online decision.

Looking to the future

- Launch of **BPI Broker** on BPI Net, to facilitate monitoring the Markets and speeding up stock exchange trading.

Enjoying life

- Acquisition of **Prestige Products** through Instant Loans.

Innovation in the Digital Channels | New digital solutions for Companies

New app BPI Empresas

- Fully renovated **design, simpler browsing**, Biometric authentication and new functionalities.

Instant Loan

- **100% digital** with simulation and contracting in BPI Net Empresas, automatic decision, and funds **immediately** available.

Customer contact

- **Simplification** of Customer contact with the Commercial Networks, allowing **secure and fast dialogue between Customers and Account Managers.**

BPI Drive

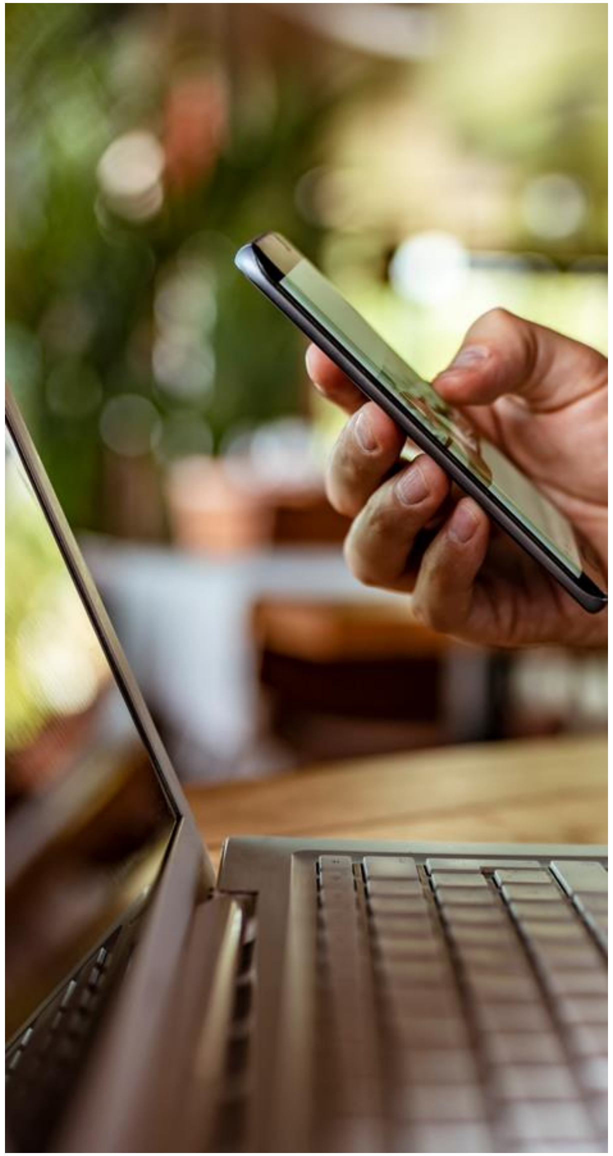
- Extension of BPI Drive solution to **new commercial partners.**

BPI Net empresas Offer

- **Credit Cards** offer and **Prestige Products catalogue;**
- More **closing information on the new POS** terminals (acquiring Visa/MasterCard).

Moratoria and other types of support

- **Assisted application** to Moratoria through BPI Net Empresas;
- Improved support to **subscription of products.**



Cybersecurity and Data Protection

Cybersecurity is an essential component in the protection of Customers' data and assets and as such is one of BPI's main priorities.

BPI has an **Information Security team** within the Security Division, and one of its areas of responsibility is cybersecurity. This team performs its functions independently from the other areas of the Bank. Investment in the development of this area's capabilities and skills is one of BPI's priorities.

In the context of CaixaBank Group, the cybersecurity function is globally supervised and carried out by the Corporate Security team, with the collaboration of BPI's security team. This gives BPI increased capacity to hold out against possible cyber-attacks.

The **corporate cybersecurity strategy** is based on the implementation of several layers of security with the capacity to effectively protect the bank from existing and emerging threats.

The cybersecurity ecosystem is subject to **continuous monitoring** that enables the automated detection and response to occurrences, or through the corporate incident response team (**24x7**). In addition, it also has the support of the National Cybersecurity Centre, an essential service.

Cognitive techniques are also used for threat detection.

ISO 27001: 2013 certification is annually renewed for CaixaBank Group's cybersecurity activities. These activities involve the establishment, review and management of controls designed to detect, prevent and neutralise any type of cyber-attack.

Accountability programmes are also promoted, through training and awareness actions, sharing of news and simulation of occurrences.

Main Cybersecurity Indicators	2020	2021
Investment (th. €)	850	**850**
Employees allocated (no.)	16	**19**
Outsourcing (%)	0	**0**
System attack simulations (no.)	3	**3**
Phishing simulations (no.)	12	**12**
Success rate of phishing simulations (%)	9.7	**12.7**
BPI BITSIGHT Rating (maximum score 900)	790	**800**

In 2021:

+ Dedicated employees (vs. 2020)

↑ of rating BPI BITSIGHT (vs. 2020)

Main information security policies and standards

Recognising the importance of security in the treatment of information for the entire Group, Customers, Suppliers and, in general, for all the institutions with which it maintains relations, BPI has in place a **General Information Security Policy**. The objectives of this policy are to define the technical and organisational measures required to mitigate the risks related to the security of BPI's information, to ensure that information security decisions are evaluated, to maintain an adequate management of risk and to comply with the regulatory requirements and supervisory expectations.

Data Protection

BPI has a **Data Protection Policy** that regulates the general framework for the management of data protection at the Bank, setting out the principles underlying the treatment of Customers and Employees' personal data as well as the corresponding management model.

The Data Protection Policy embodies the commitment assumed by BPI before the Shareholder, Customers, Suppliers, Supervisory Bodies and Society in general, to comply, within the scope of its activity, with the duties of supervision and control in matters of data protection. To this end, the Bank establishes the appropriate measures to prevent, or reduce, the risk of practices which violate the regulations in force and to ensure that due legal control is exercised over Directors, Employees and other related persons.

BPI also has a **Privacy Policy** which is designed to inform Customers of the terms and conditions under which the Bank processes their personal data, the rights to which they are entitled and how they can exercise them, while also providing the obligatory information under the terms of the General Data Protection Regulation and the national law that executes this regulation.

A separate governance structure has been set up, consisting of:

- **Privacy Committee**, which is responsible, by delegation of the Executive Committee of the Bank's Board of Directors, for deciding on all matters related to the protection of data of a personal nature;
- **Data Protection Officer** (DPO), who is responsible, under the terms of the law, for providing advice on and monitoring compliance with the General Data Protection Regulation and other applicable national legislation.

The policy and its execution reflect not only the applicable EU and national legislation, but also the best practices and guidelines of both the **National Data Protection Commission** and the **European Data Protection Board**. Given the nature of the Bank's activity, the implementation of the policy seeks to reflect the recommendations of the Portuguese Banking Association and the European Banking Federation in matters of data protection in banking activity.

The Data Protection Policy reflects:

Legislation
Community and national legislation

Best practices
of the National Data Protection Commission and European Data Protection Board

Recommendations
of the National Data Protection Commission and European Banking Federation

BPI's goal is to ensure that, in its activity, **the processing of the personal data of its Customers and Employees respects their rights and freedoms**, and to this end it adopts appropriate measures for the prevention, detection and mitigation of existing data protection risks.

In the pursuit of this objective:

- **organisational measures and procedures** were developed to put into practice the corresponding supervisory, decision-making and execution process;
- all BPI's activities which involve the processing of personal data were **identified and recorded**;
- a **methodology was implemented to assess the impact** that the processing of personal data may have on the rights and freedoms of the data subjects (Customers and Employees), by carrying out prior assessments to determine this risk and, where applicable, **Data Protection Impact Assessments** (DPIA), in accordance with the terms of the Regulation and the applicable national law.

Also noteworthy are the procedures to ensure the exercise by Customers and Employees of their data protection rights, as well as the **logging and analysis of incidents of data breaches and their reporting**, when appropriate, to the National Data Protection Commission and the data subjects.

BPI manages the main activities related to data protection through a **dedicated software application**, which allows it to optimise processes and ensure they comply with the **General Data Protection Regulation**, thus making them transparent and "auditable" to the supervising entities or auditors, both internal and external, namely the National Data Protection Commission.

The Bank provides its Customers and other Stakeholders with the **contact details of the Data Protection Officer**, including the email address dedicated exclusively to data protection, whereby clarifications or complaints may be conveyed.

HUMAN RESOURCES

Developing BPI's People

At 31st December 2021, BPI had 4 478 Employees, of whom 4 462 living in Portugal.

BPI activity in Portugal[1]

4 462
Employees[2]
(-3% yoy)

57% **women**

43% **men**

18.6
Average **seniority years**

99.8%
With open-end contract

BPI Employees

(End-of-period values)	2020	2021	Δ
Activity in Portugal - BPI	4 603	4 462	(3%)
Subsidiary abroad	19	16	(16%)
Total[2]	**4 622**	**4 478**	**(3%)**

BPI, in alignment with CaixaBank, bases its Employee management policy on the respect for **diversity, equal opportunities** and **non-discrimination**, steering its conduct by full and rigorous compliance with the law and high standards of ethical values, with particular emphasis on the following:

- equal opportunities and non-discrimination;
- respect for people and their dignity;
- reconciling work with personal and family life;
- prevention of occupational hazards.

In its relationship with its Employees and in the relationship among the Employees, **any form of individual discrimination** incompatible with human dignity **is forbidden**, in particular when based on origin, ethnicity, gender, sexual orientation, political opinion and/or religion. It is a paramount principle of the Bank to provide equal opportunities for access to work and career progression without any discrimination.

Concurrently, BPI promotes a work environment where each one can collaborate in detecting and reporting these undesirable practices, ensuring non-retaliation and providing an internal channel for this purpose.

In recruitment, selection and/or career progression processes, any form of discrimination is prohibited, and all actors, regardless of their position, must act objectively and promote equal opportunities with the sole purpose of identifying the applicants that best suit the profile and needs of the function and are better aligned with the Bank's culture and values.

[1] Data as of December 2021.
[2] Includes fixed-term contracts and excludes temporary work of people with no employment relationship with BPI.

All Employees, especially those who hold leadership or management positions, should promote, at all levels, relationships based on respect for the dignity, participation, equity and mutual collaboration, contributing to the creation and maintenance of a good work environment.

In respect of occupational hazards, BPI considers **safety and health in the work place** as crucial, and it is its primary objective to permanently improve working conditions. In compliance with current laws, the Bank ensures a safe and healthy work environment viewing the prevention of occupational accidents and diseases.

Increasing Employee training and development

Learning and training at BPI is based on the dynamisation of a formal and informal model of which the **"Campus BPI"** platform is the main tool.

An updated version of the BPI Campus (Campus BPI 3.0) was launched in 2021, based on a new learning approach and a more participative model adapted to the Employees' needs. This version of the Campus, easier and more intuitive, introduced new functionalities, namely based on artificial intelligence, such as course recommendations based on the interests of the users themselves.

The offer of informal learning was expanded through Campus BPI and **Campus BPI Tube**:

- **+10 thousand training videos**
- **+100 online courses from Linkedin Learning, Coursera and Edx** (duration < hour)
- **+300 book summaries**
- **+100 published documents**
- **+100 news and articles on blogs**

Investment in training totalled 1.4 million euros. In 2021, 4 688 Employees participated in training sessions (in-class and online), with the number of training hours per Employee having decreased 24% to 39, from 51 hours in 2020. This reduction is mostly justified by the courses' shorter duration and the focus on microlearning and short training videos.

Activity in Portugal 2021

- **1.4 M.€ investment** in training
- **4 688 participants** in training actions (in-class and online)
- **184 th. hours of training**
- **98% online training hours**
- **39 training hours** per Employee (-24% yoy)

The **training offer** was essentially designed for the Employees of the commercial networks, who accounted for 59% of the total number of participants, versus 41% from the Central Services.

The members of the Board of Directors took part in training sessions on AML&CTF, Internal Code of Conduct, Code of Ethics and Business Principles, GDPR, Health and Safety at Work and Emergency Response, as well as others in technology and business areas.

The weight of **regulatory training** was quite expressive in 2021:

50% activity
2021

+9 thousand hours
Prevention of Money Laundering and Terrorist Financing

+80 thousand hours
DMIF II

2 700 Employees
in DMIF II further training (initial and further training)

2 400 Employees
in New Insurance Directive (initial and further training)

Training in languages - nearly 6 600 hours provided to around 160 Employees - remained a focus of Employee qualification.

The range of training methodologies was increased, namely with **gamified training**. A gamified onboarding project was developed for new Employees, encompassing the entire training offer of compulsory and recommended courses.

Around 200 Employees in intermediate leadership positions underwent gamified training in **Leadership and Team Management**, with very positive results. This initiative is expected to continue in 2022.

The "**BPI Academy of Trainers**", which seeks to capitalise on Employees' training skills and capacity to share knowledge, continued to be developed. The Bank also invested in these Employees' capacity-building and qualification, mostly in digital teaching skills, and they were provided with a set of training support materials to support their training activities.

The sharing of good ideas through the **BPI Talks** was pursued. There were 18 sessions, held fortnightly, with approximately 2 000 participations. The themes included "Storytelling", "Financial Markets Post COVID-19", "How to negotiate in a digital context", "Make your Environmental Footprint more ECO Conscious", "Volunteering in the 1st Person", "Emojis in the BPI APP?", among others. Training on **health and well-being and teleworking** in the pandemic context was also reinforced: these themes were addressed in the BPI Talks and behavioural courses were launched.

Main Training Indicators	2019	2020	2021
Investment (M.€)	1.8	1.5	1.4
Total participants - in-class and e-learning (in thousands)	5.0	4.9	4.7
Total participations (in thousand)	73.2	68.3	85.7
In-class	5.9	3.2	0.4
e-learning	67.3	65.1	85.3
Total training hours (in thousand)	289	234	184
In-class	20	15	4
e-learning	270	219	180
No. of training hours per employee	58	51	39

Identifying and Developing Talent

The **Talent forums** with Managers, which serve to reflect on the performance and potential of the Bank's People, were pursued in 2021. Through this process, BPI identifies three segments and defines a succession plan for the leadership functions.

Three segments:

- **Young Talent** (under 30)
- **Talent**
- **High Performance**

The appointment of Employees for management functions and to coordinate commercial bodies is analysed independently and based on the principles of Meritocracy, Diversity and Transversality. Following the deactivation of the Talent Committee as part of the Bank's Simplification Project, a new Governance Model for appointment processes was defined in 2021.

The development of BPI leaders continued to be a priority, having involved:

17 **Assessments** of Skills

12 **Coaching** Programmes

Promote an agile culture driving motivation and involvement

The development of a culture that fosters Employee motivation, commitment and involvement has been a priority of the **Internal Communication and Culture** area.

The **#EstamosJuntosBPI** project continued to ensure daily contact with the Employees, disseminating the main measures taken by the Bank regarding the pandemic. In September, the project was renamed **#agoramaisjuntos** and featured welcoming messages to Employees who were returning to the central services.

In 2021:

389 News On the Intranet → **360 thousand views**

149 videos

Furthermore, several communications were developed, keeping the focus on "**People**" and "**Business**" themes and using informal, emotional language.

The **Conect@r** project was launched, consisting of seven measures to strengthen the balance between professional, personal and family life. Among other measures, it includes the possibility of Employees leaving earlier on Fridays, the optimisation of meetings and a reduction in the number of emails.

At the same time, the "**Simplify, now**!" dynamic was developed, promoting a culture of simplification among all Employees. In this context, the Employees were challenged to come up with new ideas.

+10 **divisions and projects** impacted	**117** **Employees**	**168** **ideas**

Under the simplification rationale, the **number of committees was reduced by 45%**, resulting in an estimated elimination of 370 annual meetings.

A basic regulation was produced to **standardise** the structure of the committees' regulations. The presentation of regulations, policies and organisational structures was simplified. Contents were created to showcase the areas of the Bank and their leaders in a friendlier manner.

Voluntary Service Programme

BPI Voluntary Service, launched in March 2021, challenged active or retired Employees and Group companies in Portugal to act as players of the Social Responsibility policy.

2 Partnerships

Entrajuda	Junior Achievement Portugal
Platform that matches the volunteering needs of institutions and the willingness and skills of BPI volunteers	Financial literacy and entrepreneurship actions in schools and universities across the country

1st week of BPI Voluntary Service

+120 **initiatives**

1 300 **volunteers workers**

5 500 **hours** of voluntary service

+ 10 th. direct **beneficiaries**

Health and well-being

The importance of the Employees' health and well-being led to the reinforcement of the "***Mais Movimento, mais saúde***" (More Movement, more health) programme, which promotes initiatives such as mindfulness classes, gymnastics at work, and others activities for the Employees.

BPI launched the first BPI Health and Well-being Week, featuring several daily actions.

Diversity and Inclusion

BPI reinforced the **Wengage, Diversity and Inclusion** programme, which fosters:

- gender diversity;
- age diversity;
- inclusion of people with disabilities.

The following **initiatives** deserve a note:

- certification as **family responsible company** (efr.) by the Más Familia Association;
- endorsement of UN Global Compact and UN Women's **Women's Empowerment Principles** (WEP);
- signature of cooperation protocol with the **Professional Women's Network** (PWN) and support to their annual event;
- launch of a **Gender Diversity Guide**;
- redefinition of **Inclusive Customer Service** training;
- Participation in actions promoted by **Nova SBE's Inclusive Community Forum**.

Employer Branding Strategy

Within the scope of its Employer Branding strategy, BPI expanded its communication as an employer brand, mainly targeting university talent.

In this context, the "**Work in BPI**" area on the public website, where BPI's main advantages as an employer brand are communicated, continued to be dynamised.

1 011 **Applications** to **9** specific **offers**

2 252 spontaneous **applications**

BPI had an active presence in several events organised by Spark Agency, a partner in the approach to young talent.

BPI Employees participated in eight two-day Pitch Bootcamps held at various university centres and in several Fireside Talks (two of them addressed by BPI's CEO, another by the People and Organisation Manager and another by the Bank's Learning and Training Manager). BPI also took part in ten online recruitment events promoted by several Universities throughout the country, with a new image and a new motto "**Give More Value to Your Future**". All in all, BPI's value proposition was presented to more than 10 thousand students.

In July, BPI was considered the **banking sector brand with the best reputation as an employer** and the **15th best in the global ranking** in the "Employer Brand Reputation" survey carried out among university students by OnStrategy, an independent consultancy.

Best reputation
banking sector employer

Working on compensation and meritocracy

The **"Management by Objectives"** process was continued, with the aim of making the remuneration strategy more transparent, fair, adaptable, competitive and consistent with regulatory requirements. The variable remuneration of around 300 Employees is dependent on corporate and individual targets. The objective continues to be to extend this process, which already covers the commercial functions, to the entire organisation.

The Bank continued to invest in the **Benefits programme** for its Employees, which offers them a series of "extra-remuneration" advantages. To this end, an intranet page was created to concentrate all these benefits in the same area.

These benefits include: more advantages associated with the Employees' salary account; improved conditions of access to the Employees' Mortgage Loans; baby kit for parents of new-born babies; "Day-to-day" initiative, in which a Social Worker provides guidance and support, and others under the motto "It pays to be BPI".

Give **more Value** to your **Future**

Key Diversity Indicators in 2021

Activity in Portugal	Employees		Age bracket					Gender	
	No.	% of total	<30	30 to 39	40 to 49	50 to 59	>59	Men	Women
Employee breakdown by category, age, and gender (%)									
Management	**313**	7%	0%	3%	33%	57%	7%	67%	33%
Middle management	**643**	14%	0%	5%	57%	36%	2%	57%	43%
Other	**3 506**	79%	3%	17%	55%	24%	1%	38%	62%
Total	**4 462**	**100%**	**3%**	**14%**	**54%**	**28%**	**2%**	**43%**	**57%**
Of which: **Breakdown of Employees with disability by category, age, and gender (%)**									
Management	**7**	6%	0%	0%	29%	43%	29%	43%	57%
Middle management	**16**	13%	0%	0%	50%	44%	6%	31%	69%
Other	**97**	81%	1%	12%	38%	46%	2%	23%	77%
Total	**120**	**100%**	**1%**	**10%**	**39%**	**46%**	**4%**	**25%**	**75%**

OPERATIONAL AND ORGANISATIONAL EFFICIENCY

In 2021, BPI implemented a set of initiatives that increased efficiency through the simplification, digitisation and centralised management of processes, focusing the commercial teams on Customer service and the marketing and advising on financial products.

Simplification of the Offer

As regards the provision of a comprehensive offer suiting the Customers' needs, one of the focal points in 2021 was simplification, with 18 products and 412 business protocols having been eliminated.

-3 products
Mortgage Loans

-6 products
Diversification

-3 products
Sight Accounts

-3 products
Car Loan

-1 product
Cards

-2 products
Corporates

-412 protocols
Business Protocols in force

Simplification of Processes

The **centralisation of non-commercial tasks** in the Middle-office teams (Customer Service Centres), aiming to free up time for the networks' commercial activity, was pursued in 2021.

In Corporate Banking, the centralisation process was completed, with the Operational Support and Credit Customer Service Centres now including the Large Companies and Institutional Centres.

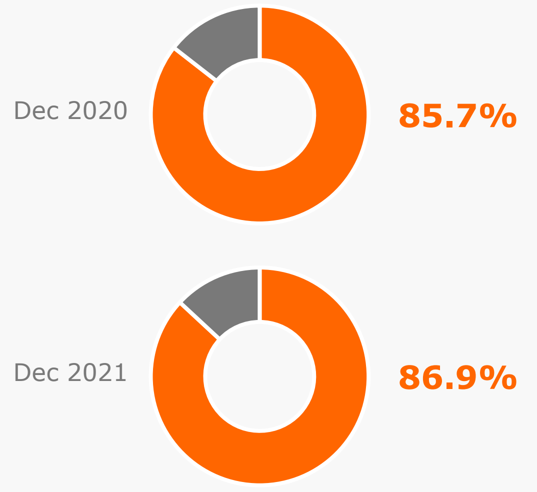
With regard to the Branch Network, Premier Centres and inTouch Centres, a number of new tasks were centralised, namely tasks related to probate processes, updating of Customer data, analysis of credit restructuring solutions, as well as the handling of transactions sourced by Commercial Partners and Credit Intermediaries.

During 2021, the process of reinforcing the Commercial Network's automated media functionalities was continued. New added functionalities included the issuance of cheques, activation of Debit/Credit Cards and Credit Card payments.

Improvements in their operation and usability were also implemented.

The automated areas' absorption rate reached 86.9% in December 2021, consolidating the significant growth achieved in recent years.

Automated Areas' Absorption Rate



In the **simplification of processes**, a number of improvements were implemented, with a very positive contribution to the global efficiency of processes. These improvements focused on decision and contracting processes, **Commercial Management Tools** and the expansion of the functionalities available in the "**Communication with Customers APP**" (a very relevant tool for remote communication).

Robotisation aims to improve the efficiency of the Central Services through the automation and improvement of processes. 24 robots were implemented in 2021, which permitted to automate loan recovery and credit-decision support processes, among others.

ACKNOWLEDGEMENTS AND REPUTATION

'22 Best Reputation in Industry – Onstrategy

Prémio Nacional de Sustentabilidade – Vencedor – Igualdade e Diversidade – Prémios BPI Fundação "la Caixa"

APEE – Reconhecimento Práticas Responsabilidade Social Sustentabilidade – Comunidade – 2021

Marca de Confiança 2021 – Votado pelos leitores – Selecções do Reader's Digest

Portugal Superbrands 2021 – Eleito pelos consumidores

Prémio Cinco Estrelas 2022 – Banca Produtos Prestígio

Prémio Cinco Estrelas 2022 – Planos Poupança Reforma

Prémio Cinco Estrelas 2022 – Simulador de Planeamento Financeiro

Best Treasury & Cash Management Award 2021 – Global Finance

PWM Wealth Tech Awards 2021 – Best Private Bank for Digitally Empowering Relationship Managers, Europe

Fernando Ulrich
"Personality of the Year"
for APFIPP - Portuguese Association of Investment Funds, Pensions and Wealth Management

Banking Tech Awards / Fintech Futures – Winner – Best Use of IT in Private Banking/Wealth Management

Euronext Lisbon Awards 2021

Morningstar Awards 2021

Prémios Melhores Fundos - 2021 – Jornal de Negócios/APFIPP

ComparaJá – Crédito Habitação – Processo mais rápido – 2021

ComparaJá – Crédito Habitação – Taxa Fixa – 2021

ISO 14001 – Bureau Veritas Certification

efr – certificado em conciliação 1000-1 – PO - 010 / 2021 / AENOR

bsi – ISO 22301 Business Continuity Management – Certified

apcer – Covid Safe Verified

CMMI DEV / 3

Reputation and strength of the brand

Consolidating BPI's reputation - one of the main intangible assets of an organisation - was one of the priorities of the 2019-2021 Strategic Plan.

BPI Brand[1]
(2021)

1st position in the financial sector
in reputation and social responsibility scores (the highest since the survey started)

Excellent awareness

9th most valuable **Portuguese Brand**

484 M.€ (+7.3% yoy)

BPI was considered the **Bank with the best reputation in Portugal** in the RepScore survey released by OnStrategy, an independent consultant.

The BPI brand obtained the highest score of the last five years in emotional reputation in the banking sector. BPI also ranked in first place in attributes such as admiration, relevance, preference and recommendation.

Reputational risk at BPI is monitored using internal and external selected reputational indicators and based on Stakeholders' perception and expectations.

The indicators are weighted according to their strategic importance and grouped by reputation value, which permits to obtain a **Global Reputation Index**. This metric, which has defined tolerance intervals for a more effective management of reputation, is calculated every six months.

Investment in advertising

In 2021, the financial sector remained the 11th largest investor from all business sectors, with a share of 3%, according to Mediamonitor.

BPI had a 8% share of the financial sector's total investment, ranking in 5th position, also according to Mediamonitor.

8%
BPI share of investment
(in total financial sector)

5th
Place in the ranking

BPI is a member of the Advertising Self-Regulation Association, and undertakes to advertise and publicise its products and services in an ethical and responsible manner.

[1] Source: annual RepScore survey by Onstrategy.

Brand Communication and Management

2021 New Campaigns

In 2021, BPI launched a new concept of communication under the motto "**BPI. THE FUTURE IS NOW**", under which it transmits messages along the year that are a call for action and achievements in the face of the uncertainty caused by the pandemic context.

By acting and living "now", the Portuguese are building and planning their future, for which they count on the **support of BPI, which is always on the side of families, companies and society**.

During 2021, BPI's solutions were communicated around the relationship with the Bank, organised into five experiences:

- managing daily life (*Valor* Account, Cards, BPI Net/BPI App) – **Simplify Now**;
- sleeping peacefully (insurance) – **Get Protection Now**;
- enjoying life (personal loans) – **Accomplish Now**;
- buying a home (mortgage loans) – **Dream Now**;
- plan for the future (saving) – **Diversify Now**.

BPI also launched the **Junior Campaign Start Now**, around the concept of Family, in order to promote the BPI savings solutions, the BPI Junior Account and the BPI Youth Account. The campaign targeted the parents, encouraging them to start preparing their children's future.

The launch of the **BPI Citizen** communication line, a service designed for foreign citizens residing in or wishing to move to Portugal, mainly from the International Customers segment, deserves a note on account of its innovative nature. BPI Citizen offers an exclusive and innovative assistance service - Citizen Living Solutions - which facilitates the integration and stay of international Customers in the country.

Communication by BPI's CEO

"The origin of BPI's success lies in its People." This was how the CEO thanked, on television, all those who work at BPI, for their attitude, rigour, professionalism and dedication to the Customers.

Sponsorships

Under the 4-year agreement entered into in 2018 with the Portuguese Football Federation, BPI is the Official Sponsor of the **A Teams** and **Under-21 Team**, and also the Main Sponsor of the **Women's Premier Football League**, named the **BPI League**.

As the "**Official Bank of the National Teams**", BPI challenged 30 students and teachers from the **Conservatório D'Artes de Loures (CAL)** - a charitable institution supported by BPI and the "la Caixa" Foundation, with the objective of promoting social inclusion, through art, of children and young people in vulnerable situations - to create an anthem in support of the Portuguese national football team playing in the EURO2020, which was postponed to 2021 due to the pandemic.

The song "**Portugal NOW**" was part of BPI's communication campaign for the European Football Championship.

Tourism

BPI and the Expresso newspaper launched in 2021 the 3rd edition of the **National Tourism Awards** (NTA), organised under the aegis of the Ministry for the Economy and Digital Transition, with the institutional support of Turismo de Portugal, and with Deloitte as Knowledge Partner. The "**Sustainable Tourism**" category, chosen with the commitment of national companies to sustainability in mind, rewards: environmental efficiency practices, with an impact on cost reduction, operations' efficiency, and the planet; social responsibility initiatives with a positive return for the communities; and practices with specific relevance in the context of the entities' operations that respond to the challenges of the Sustainable Development Goals. The winners will be announced in 2022.

Agriculture

BPI and Cofina have presented the 10th edition of the **National Agriculture Awards** (NAA), an initiative that aims to distinguish the best companies, practices and projects in the Agriculture and Agroindustry, Forestry and Livestock sectors, organised under the aegis of the Government, with technical support from PwC. One of the NAA categories – "Sustainable Companies" – aims to reward the commitment of national companies to sustainability: production of renewable biological resources and conversion of these resources, their flows and waste, into innovative added value products, bio-based products, and bioenergy; and promotion of innovation in the agri-food sector, in terms of production, transformation and development of products that contribute to reducing the ecological footprint. The winners will be announced in 2022.

Entrepreneurship and Innovation

Entrepreneur Awards XXI
(in partnership with CaixaBank)

BPI Woman Entrepreneur Awards
(in partnership with CaixaBank)

COTEC-BPI SME Innovation Awards
(sponsored by BPI since their creation)

The 5th edition of the **Entrepreneur XXI Awards** (which in 2021 celebrated their 15th edition in Spain) identifies, recognises and monitors the more innovative and with greater growth potential Portuguese companies that are less than three years old. The objective is to give a boost to companies that have already taken their first steps, allowing them to accelerate their process of growth and global expansion. The 31 companies that won cash awards and/or international monitoring programmes worth more than €500 thousand will be announced in 2022.

The 17th edition of the **COTEC-BPI SME Innovation Awards** was won by ebankIT, a company that develops an omnichannel platform to support the financial sector, offering a fast, smart and innovative digital banking experience, and standing as an inspiring example of excellence within the Portuguese business community.

The **BPI Woman Entrepreneur Awards** was born out of CaixaBank's collaboration with the International Women's Entrepreneurial Challenge (IWEC) Foundation, to recognise the professional career and business leadership of women in Portugal. In 2021 the award was won by Sandra Santos, CEO of BA Glass.

Social Networks

BPI has five social media profiles, four of them institutional - on **Facebook, LinkedIN, Twitter, and Instagram** - and another one on Facebook - the BPI Solidarity page. It also has a Youtube channel.

In its profiles, BPI discloses corporate events, economic studies and financial information, institutional and product campaigns, sponsorships - notably the "Bank of the National Teams" -, sustainability and innovation actions, and initiatives – in collaboration with the "la Caixa" Foundation or launched by the Bank itself – in areas of intervention such as social, research and health, culture and science, or education and scholarships.

11%
share of followers within Portuguese banks (average of all networks, 2021)

Average performance for all BPI networks:

+15.7%	0.8%
followers (yoy)	**engagement** (2021)

SOCIALLY RESPONSIBLE BANK

In 2021, BPI completed 40 years. Throughout these years the commitment to sustainable economic and social development of the communities where it operates has always been present in its activity.

This commitment is mirrored in the way BPI behaves - with integrity, accountability and sustainability; in a strong corporate and financial culture; in the pursuit of economic efficiency and safe value creation, guided by a long-term vision; in permanent innovation; and in the strong social commitment that aims at socially inclusive development, with respect for the environment.

BPI's performance as a "Socially Responsible Bank" is developed along three axes:

- Governance;
- Society;
- Environment.

Governance

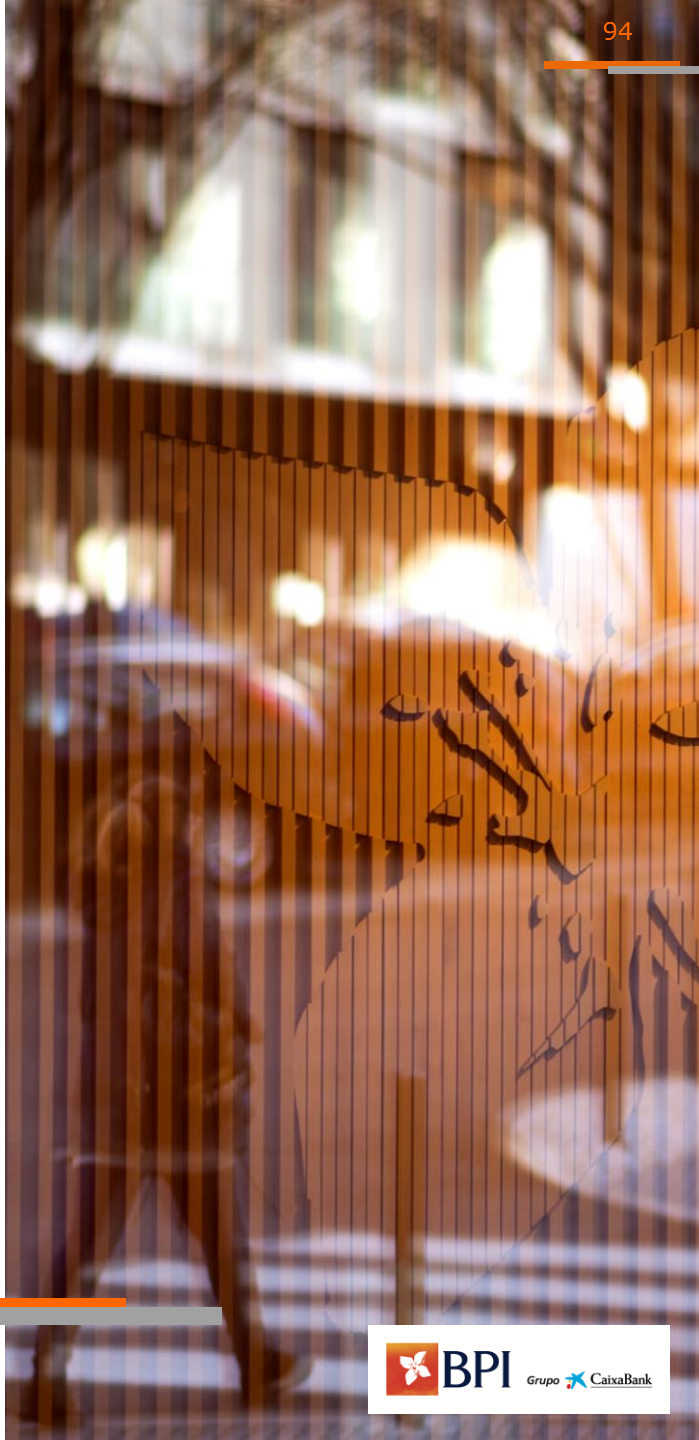
To ensure the Bank's transparency, independence and good management, through the definition of standards of action that guarantee an exemplary social conduct.

Society

To contribute to the advancement and well-being of society, especially of its most vulnerable groups, currently in collaboration with the ”la Caixa” Foundation.

Environment

To base the management of the business, projects, products and services on the respect for and protection of the environment, through business practices aimed at a rational, efficient and sustainable use of resources.



A long-term vision

The 2019-2021 Strategic Plan[1] ended in 2021, and a new Strategic Plan and a Sustainability Master Plan, which integrate the firm commitment to sustainable development and will guide BPI future action, will be defined next year. The risks and opportunities facing the Bank will also be mapped, so it can better develop its strategy.

The transition to a more sustainable and inclusive economy, more efficient in terms of the use of resources, circular and carbon neutral by 2050, harmonised with the United Nations Principles, of which BPI is a signatory, and aligned with the Sustainable Development Goals (SDGs), is essential to ensure the perpetual competitiveness of economic and social systems.

BPI recognises that it has, alongside the other financial institutions, an opportunity and a pivotal role in the pursuit of a long-term vision, given its power to influence the integration of ESG (Environmental, Social, Governance) criteria in businesses and investments.

An increased focus on ESG criteria is crucial to achieve this long-term vision, redirecting capital flows to investments in activities that do not jeopardise environmental sustainability and the society that depends on it.

Over the next few years, ESG criteria should continue to be integrated into business strategies, in the supply of products and services, in the disclosure and transparency of the results of that integration, and also in BPI's risk and supervision policy, to follow the main European guidelines on this matter.

Moreover, BPI, as part of the CaixaBank Group, will participate in the Climate Stress Test to be launched by the European Central Bank (ECB). This is one of the initiatives that seeks to internalise ESG factors in risk management, in compliance with the guidelines of the European Banking Authority (EBA).

Alongside this regulatory movement, the profile of consumers and investors is changing, with preferences shifting towards organisations whose purpose and behaviour are aligned with the sustainability agenda and value creation shared with and sustained by stakeholders and society in general.

BPI will continue to work to balance emerging short-term needs - such as the response to support Companies, Families and People in times of pandemic -, with a long-term vision, contributing to the financial well-being of its Customers, to the progress of Society and to the sustainable transition of Companies.

[1] More details on the results of the Strategic Plan in the chapter "Our Performance – 2019-2021 Strategic Plan".

GOVERNANCE

BPI's governance model seeks to replicate the sector's best practices within the applicable legal framework.

The governance framework defines organic responsibilities and standards of conduct that ensure **exemplary social conduct** and guarantee responsible marketing adapted to the Customers' needs.

This governance model comprises a **wide set of governance and conduct policies and codes of conduct** that reflect BPI's commitment to Customers, Employees, Suppliers and Society in general.

In 2021, BPI pursued the work of **revision/updating of governance and conduct policies**.

At the same time, **to reinforce the organisational and compliance culture**, and being aware that the application of values and ethical principles and the strict compliance with the established rules of conduct ultimately depends on each Employee, BPI developed a **training and communication plan where matters of Ethics and Conduct feature prominently.**

Regulatory Frameworks

Changes to Regulatory Framework

In 2021, BPI conducted an **in-depth review of its regulatory framework in matters of Ethics and Conduct**, on a path towards harmonisation with the CaixaBank Group and compliance with the new requirements of Bank of Portugal Notice no. 3/2020.

Hence,

- the following regulations **were updated**: the Code of Business Conduct and Ethics; the General Policy on Conflicts of Interest; the Anti-corruption Policy; and the Criminal Compliance Policy.
- the Whistleblowing Policy, which regulates the management and handling of reported misconduct allegedly committed within the scope of BPI's activity, was **approved**.

Changes in Associated Processes

The change in the regulatory framework triggered an extensive **reformulation of the processes** established for the management of corruption risk, the prevention of conflicts of interest and whistleblowing:

Gifts Management Channel

For all employees, it permits to **record gifts offered by third parties** to any employee, while in the service of BPI, and to validate that the rules of the Anti-corruption Policy have been complied with.

New Model for Registering and Managing Personal Conflicts of Interest

Permits to **identify, report and mitigate personal conflicts of interest** and ensures compliance with BPI's General Policy on Conflicts of Interest.

Enquiries and Whistleblowing channel

Allows any Employee or member of the corporate bodies to **report on irregularities and request clarification of doubts** on the application of the rules of ethics and conduct.

Main governance and conduct internal policies and codes

Codes

Code of Business Conduct and Ethics
Establishes the ethical values and principles that should govern the conduct of all Employees and members of the corporate bodies, based on the corporate values of Quality, Trust and Social Commitment.

Conduct principles:

a) Compliance with the Law;
b) Respect;
c) Integrity;
d) Transparency;
e) Excellence and professionalism;
f) Confidentiality; and
g) Social responsibility.

Internal Code of Conduct on Securities Markets
Aims to ensure that the Bank's conduct (as issuer and financial intermediary) is compliant with the provisions of Regulation (EU) 596/2014 on market abuse and respective standards and implementing rules, thus promoting market transparency and the protection of the legitimate interests of investors.

Policies

Human Rights Policy
BPI prohibits any discrimination, harassment, abuse or inappropriate treatment based on gender, race, colour, nationality, creed, religion, political opinion, affiliation, age, sexual orientation, marital status, disability, disadvantage or other situations protected by Law. BPI rejects forced labour and child labour.

These prohibitions apply to any Employee, Investor, Shareholder, Customer, potential Customer, Supplier or any other person.

Through this policy, BPI expresses its commitment to Human Rights in accordance with the highest international standards (UN International Charter of Human Rights, ILO Declaration on Fundamental Principles and Rights at Work).

Social Responsibility Policy
In this Policy, BPI highlights the purpose of developing an efficient and responsible business model, with a strong social commitment.

Anti-corruption Policy
Through this Policy's guiding principles, which are aligned with the highest international standards, BPI takes an active stance of refusal of any type of corruption in the different markets where it operates. This policy complements the Code of Business Conduct and Ethics.

Whistleblowing Policy
Aims to ensure compliance with legal and regulatory requirements regarding the receipt, treatment and filing of whistleblowing, ensuring that the identity of the whistleblower remains confidential.

Compliance Policy
Promotes the principles of business ethics, a corporate culture of respect for the law and the monitoring of the effectiveness of controls over the risk of non-compliance with obligations.

Criminal Compliance Corporate Policy
Provides for a Bank-wide prevention programme that reduces the risk of crimes being committed.

Related-party Transactions Policy

Aims to ensure that BPI transactions with related parties are carried out under similar conditions to those which would occur on the market. Transactions with related parties must be approved by a minimum of 2/3 of the members of the Board of Directors, with the prior opinions of the risk management and compliance functions and of the Audit Committee.

General Policy on Conflicts of Interest

Defines the general framework and treatment of potential situations of conflict of interests and the manner in which they should be prevented and managed.

Conflicts of Interest Policy Regarding the Securities Market

Aimed at compliance with the Financial Instruments Directive (MiFID II), which reinforced the requirements with regard to investor protection and transparency vis-à-vis all market agents.

Policy on the Prevention of Money Laundering and Terrorist Financing and Policy for Managing Sanctions and Restrictive Measures

These two policies reflect BPI's commitment to implementing internal control mechanisms that mitigate financial crime as a universal and global phenomenon.

Product Governance Policy

The adequate design of banking and financial products and services and their correct marketing is a priority for BPI, which seeks to make its offer suitable for the Customers' interests, objectives and characteristics.

To this end, the Product Governance Policy establishes the principles for the creation, development and marketing of Products and Services, as well as for the follow-up and monitoring of their life cycle and the definition of procedures for changing existing products and services. In 2021 the scope of the policy was extended to advertising campaigns.

Policy on Execution of Orders on Financial Instruments

It is based on the principle that Banco BPI must develop the best efforts and define the most appropriate circuits for the orders received from Customers to be executed under the best conditions, taking into account the characteristics of each order, in alignment with the EU Directive on markets in financial instruments ("MiFID II").

Customer Classification Policy (MiFID)

Establishes the criteria and factors that guide the Bank's attribution of a MiFID classification (Retail Investor, Professional Investor or Eligible Counterparty) to customers of financial intermediation services.

Policy on the Handling of Complaints and Grievances

Regulates the process for resolving complaints and grievances received and defines the terms under which they must be submitted, the channels of entry and the procedures and deadlines for response.

Processes in 2021

	Dissatis-faction	Complaint Grievance	Total
Entries	3 165	6 592	**9 757**
Treated	3 231	6 760	**9 991**
% Handled, agreeing with the Client	16%	15%	**15%**

Policy on the Treatment of Policyholders, Insured Persons, Beneficiaries and Injured Third Parties

It aims to ensure that BPI guarantees a transparent, diligent and equitable treatment of Policyholders, Insured Persons, Beneficiaries and injured Third Parties.

Products and services targeted at Customers' specific needs

BPI designs its **product and service offering to meet the specific needs of its Customers, and markets it in a transparent and responsible manner**.

Accordingly, the sales teams' attention and action model has evolved around the **assessment of Customers' needs and the presentation of the most appropriate offer** to suit these needs, progressively replacing the traditional approach based on the presentation of proposals for the subscription of products and services. BPI regularly conducts **market surveys and studies to gain a better understanding of its Customers' profile** and to outline actions aimed at improving service quality.

In execution of its Product Governance Policy, in 2021 the Product Validation Committee analysed a total of 124 products/services, with 85 product/service dossiers receiving comments and suggestions for improvement.

Offer for Individual Customers

BPI has a full range of products and services to meet the needs of People and Families, which is **organised around the Customer Experience**.

Financial Inclusion

To promote **financial inclusion**, BPI provides **Minimum Banking Services**, which enable lower-income people to have access to banking services considered essential in day-to-day life.
In 2021, a total of 2 739 Minimum Banking Services accounts were opened.

The 5 Customer experiences:

My daily life

Solutions that make day-to-day management easier:
- *Valor* Accounts, (include a range of products and services for a single monthly fee);
- Easy remote contact with Account Manager.

My home

Home buying solutions: mortgage loans for different purposes and with different maturities.

Enjoying life

Solutions that make it easier to develop personal and professional projects:
- Loans for personal projects, healthcare, training, works, etc.
- Instant loans;
- Renting under exclusive campaigns or product catalogue.

Sleeping peacefully

Protection and security solutions that ensure peace of mind when unpredicted events occur:
- Complete offer of life and non-life insurance;
- Alarm solutions (partnership with Securitas Direct)
- Security check-up on digital.

Thinking about the future

Investment and retirement solutions:
- Complete offer for diversification, savings or retirement;
- Advised sale consolidated service (Branches) and investment advisory service (BPI Premier Centres).

Private Banking

Private Banking provides specialised services to high networth Customers:

Mere execution
For Clients who make their own investment decisions

Investment advisory service
Professional personalised financial advice

Discretionary management
The management of the Customer's assets is entrusted to the Bank

The **Investment Advisory and Discretionary Management service**'s investment selection process takes into account environmental, social and governance (ESG) factors, in addition to financial and risk criteria.

Team of qualified professionals

Each Client is monitored, in terms of both daily account management and of investment decisions, by a qualified and experienced financial advisor, namely proficient in financial markets and asset management.

The financial advisors also have the support of a 100% dedicated Financial Advisory team.

Investment products offer

The Customer can access a wide range of products of different classes. BPI has privileged the launch of innovative and exclusive investment products. **Priority is given to products issued by entities which declare their commitment to the United Nations Principles for Responsible Investment (PRI).**

Offer for Corporates and Institutional Clients

BPI has a wide **range of products and services** specifically targeted at **Corporate and Institutional Clients**, to support their business and sustained growth:

Managing the daily routines

- Payments, transfers and collections
- Points-of-Sale
- Cash-pooling
- BPI Confirming
- Factoring
- '*BPI Tesouraria Já*'
- '*BPI Iva já*'
- Short-term loans

Investing in the future

- Medium and long-term investment
- Specialised credit (leasing)
- Bank guarantees

Protecting the business

- Credit risks (COSEC solutions)
- Market risks (interest and FX rates)
- Other risks (Allianz and BPI Vida insurance)

Specialised monitoring:

AGRICULTURE

TOURISM

INTERNATIONAL TRADE

REAL ESTATE AND URBAN RENEWAL

Under its offer for Companies, BPI has **Support Lines**, under favourable conditions, and with a focus on sustainable development. Among these, the following stand out:

Line of support to entrepreneurship and own job creation (IEFP)

Credit line under a protocol with Banco Português de Fomento, the Instituto do Emprego e Formação Profissional (IEFP) and the Mutual Guarantee Societies, to support unemployed people in the creation of companies and their own employment, as well as to support micro-entities and cooperatives covered by the National Microcredit Programme.

'*SIF crédito* - BPI' Line

50 M.€ credit line under a protocol with Banco Português de Fomento and the Mutual Guarantee Societies, provided through the Social Innovation Fund under the Portugal Social Innovation Initiative. To support entities that promote Social Innovation and Entrepreneurship Initiatives.

'2021 *Apoio à Qualificação da Oferta*' Line – Turismo de Portugal

Support line for the requalification or creation of tourism enterprises and establishments and for entrepreneurship projects in the tourism sector. Companies must envisage investments in the areas of environmental management and accessibility. Integrates social concerns, namely the condition of preserving jobs.

Decarbonisation and circular economy line

100 M.€ credit line under a protocol with Banco Português de Fomento and the Mutual Guarantee Societies, for SMEs' energy efficiency and circular economy projects.

BPI/EIB Energy Efficiency Line

EIB 50 M.€ credit line and guarantee with exclusive distribution in Portugal by BPI, for Energy Efficiency projects.

BPI/IFRRU Line

Credit line of up to 393 M.€ for urban rehabilitation of abandoned industrial buildings and facilities/units in selected urban areas, which enable improvements in energy performance.

JESSICA-BPI credit line (until 2021)

The JESSICA Programme was a joint initiative of the EC and the EIB to support sustainable urban development projects through long-term loans and using European Union structural funds. The contracting period for the JESSICA-BPI Line ended in Dec. 2021.

Financial Literacy

For the financial inclusion of the Portuguese, BPI promoted **regular literacy sessions** on saving and investment, for different audiences, provided through Global Media and *Público* newspaper.

The promotion of **financial literacy and entrepreneurship in schools is one of the pillars of the BPI Volunteering Programme**, developed in association with Junior Achievement Portugal.

In the first BPI Volunteering week, the financial literacy activities targeted people on Social Insertion Income as well as Children and Young People.

Other contents were also developed in partnership with Impresa (Expresso), to be published as from the beginning of 2022 within the scope of the **savings and retirement offer**, and reinforcing **BPI's 30 years of Retirement Savings Plans**, to:

- help Portuguese Families to learn how to save;
- approach savings in a simple, intuitive and clear manner, demystifying some everyday hassles;
- focus on saving diversification and the importance to save for retirement.

ENVIRONMENT

BPI believes it is crucial to support the transition to a low-carbon economy that promotes sustainable development and is socially inclusive.

Its commitment to the environment is synthesised in the **Declaration on Climate Change** and in the **Environmental Risk Management Policy**, which clarify BPI's role in reducing the direct impact of its operations and in the financing of and investment in sustainable projects.

BPI participates in various Working Groups:

- **Sustainable Finance Reflection Group,** promoted by the Ministry for the Environment and Energy Transition, following the signing of the Letter of Commitment for Sustainable Financing in Portugal in 2019;
- **Sustainable Finance Working Group**, organised by the Portuguese Banking Association;
- **Sustainable Finance Working Group** of BCSD Portugal, the Business Council for Sustainable Development.

Declaration on Climate Change

BPI undertakes to:

- support viable projects compatible with a low carbon economy and solutions to tackle climate change;
- manage the risks arising from climate change;
- minimise the carbon footprint;
- collaborate with organisations dedicated to advancing environmental issues.

This commitment to the environment "arises from the will to take a proactive role in sustainable development". This role is also reflected in the Code of Ethics and Business Principles and in the Social Responsibility Policy.

Environmental Risk Management Policy

The **Environmental Risk Management Policy** establishes the overall principles on which all actions involving environmental and climate risks should be based, which are reflected in the approval process of Customer onboarding and financing operations.

Through this policy, the Bank has declared its willingness not to take credit risk on companies or projects that violate Human Rights, use child labour, do not have health and safety policies to protect their workers, or cause significant impacts on biodiversity, water, soil or air.

Besides these exclusions of a general nature, the policy also establishes a set of sector-specific exclusions for activities with particular impact on environmental risk, establishing a set of requirements, which, if not met, will prevent BPI from assuming credit risk.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Sectors with exclusions

- **Energy**
- **Mining Industry**
- **Infrastructures**
- **Agriculture, fisheries, livestock and forestry**

Environmental Risk Management Area

BPI's Credit Division, through its Environmental Risk Management Area, is responsible for the execution of the internal environmental management plan within the scope of credit risk taking and monitoring, with the objective of mitigating the potential negative impact on the environment of loans granted by the Bank to companies.

More specifically, it is directly responsible, since the end of 2019, for promoting the integration of environmental risk analysis into BPI's risk taking and monitoring.

The primary objective of this analysis is to ensure that the companies the Bank finances comply with the policy in force, while also enabling an assessment of how they manage their environmental risk, which permits to classify them on the basis of their control environment.

The materiality criteria established in this policy have been maintained for 2021, for both companies and investment financing operations, in line with CaixaBank's corporate model.

+1 170
Companies analysed

+3
Operations related to specific investments

In line with CaixaBank's endorsement of the Equator Principles, in 2007, BPI applies additional validation procedures in the assessment of ESG (environmental, social and governance) risks for operations falling within the Protocol's scope of application.

Environmental risk is currently the second most relevant risk in BPI's reputational risk, and is present in its Risk Catalogue.

The evolution of **environmental and climate risk management** must be aligned with CaixaBank Group's priorities policy and with the expectations of supervisors, namely under the EBA guidelines on the incorporation of ESG criteria in credit granting decision and monitoring; and, further downstream, to the results of the analysis of deviations from the ECB's guidelines on the integration by financial institutions of climate and environmental risks in business strategy, governance, risk management and respective disclosures.

The approach to environmental risks is also assessed in the context of compliance with the **Taxonomy Regulation** [Regulation (EU) 2020/852][1], which seeks to clarify and standardise the understanding and characterisation of environmentally sustainable investments, promote such investments and assist entities in reporting sustainable financial activities.

The key quantitative metrics of the Taxonomy, namely BPI exposures eligible and ineligible for classification under this Regulation, are presented below. For more detail on the qualitative metrics reported, see the section "European Taxonomy" in the "Supplementary Information" chapter.

Key metrics of the European Union Taxonomy

	Dec 2021
Proportion in total assets of exposures to Taxonomy-eligible economic activities	46.01%
Proportion in total assets of exposures to Taxonomy non-eligible economic activities	26.21%
Proportion in total assets of exposures to companies that are not required to publish non-financial information	26.34%
Proportion of total interbank loans in total assets	0.35%
Proportion in total assets of exposures to derivatives	0.09%
Proportion in total assets of exposures to central governments, central banks, supranational issuers	28.83%
Proportion in total assets of the trading book	0.24%

Note: Calculation process under development. In a context of limited availability of information the values were determined on a best effort basis to follow the criteria and guidelines defined within the framework of the EU Taxonomy, of recent application.

[1] On the establishment of a framework to facilitate sustainable investment, with the requirements of the climate-related goals entering into force in 2022, and the requirements related to the remaining environmental goals (protection of water and marine resources, transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems) in 2023.

Environmental Management System

BPI is committed to the protection of the environment, for which it creates mechanisms that encompass and are intrinsic to all its activity and which ensure the reduction of its environmental footprint. BPI strives to become a reference in the banking sector, ensuring the best environmental practices in the internal control of its business, setting transparent reporting practices and promoting a responsible attitude through its capacity to elicit a more conscious behaviour from its Employees, Customers, Suppliers and Partners.

BPI implemented its Environmental Management Principles in 2021, formally establishing its commitment:

BPI COMMITMENT
(Environmental Management Principles, 2021)

To adopt an environmental management of **excellence**, **distinctive** and as a fundamental condition for the **sustainable development of the Bank's business**, available to its Stakeholders through the different internal and external communication channels.

In 2021 BPI **received the first certification of its Environmental Management System (EMS)**, attributed to the banking and support activity of its Avenida Casal Ribeiro building. The certification proves the EMS effective implementation and compliance with ISO ISO 14001:2015. BPI intends to extend this certification to other facilities next year.

The **Environmental Management System** is a process of **continuous improvement**, involving the regular monitoring of the Bank's efficiency in relation to its main consumption and environmental impacts and the adoption of the best available techniques to make operational processes more eco-efficient.

The 2020-2022 Environmental Management Plan (EMP 20-22) sets out the objectives for reducing BPI's environmental impacts:

8
Commitments

79
Actions

(see next slide)

The Environmental Management Plan 20-22 is regularly monitored by the Environmental Manager within the Departments involved, checking for compliance with the legislation in force, significant environmental issues and the risks and opportunities arising from BPI's activity.

2020-2022 Environmental Management Plan

Commitment	In practice	Planned actions	2021 Status	
1. Environmental Management System Implementation and Certification	Continuous improvement of ISO 14001, assessing the effectiveness of environmental performance	6	The EMS was implemented in BPI in 2020, and was first certified in 2021	50%
2. Commitment to Carbon Neutrality	Calculation of CO2 emissions, reduction and offsetting of BPI's Carbon Footprint	9	100% of electricity purchased for BPI's facilities in mainland Portugal from renewable sources; BPI's path to carbon neutrality defined; Scope 3 of BPI's Carbon Footprint extended for greater control of emissions	44%
3. Consumption Reduction and Efficiency	Implementation of resource consumption efficiency measures	24	In 2021 energy consumption was reduced by -11%, water consumption by -28% and waste production by -6%; paper consumption increased by 22% yoy	54%
4. Environmental Awareness-raising within the Value Chain	Compliance with contracts' environmental rules and clauses	8	Environmental clauses introduced in new contracts with Suppliers and Service Providers	63%
5. Employee Awareness-raising and Sensitisation	Actions to raise awareness and disseminate good environmental practices	11	Creation of intranet page on environmental management and over 15 environmental awareness publications launched on the intranet; launch of internal video on BPI's Environmental Management System	82%
6. Consolidation of "Green" Image	Actions to improve the external visibility of BPI's environmental management	6	Disclosure of Banco BPI's environmental management milestones on social networks	33%
7. Sustainable Construction/ Remodelling	Definition of environmental and health and well-being criteria for installations	3	Application of environmental criteria in works' projects and design	33%
8. Development of Sustainable Products and Services	Application of environmental criteria in the entire life cycle of products and services	12	Green / ESG Bonds issued in Portugal; development of more sustainable products and services	58%

Lisbon European Green Capital 2020 – Lisbon Climate Action 2030

In 2020 BPI signed the **Lisbon European Green Capital 2020 Commitment – Lisbon 2030 Climate Action**, embracing the objectives defined by the Lisbon City Council under the Sustainable Energy and Climate Action Plan, as well as a vision for "Lisbon, a Carbon Neutral City by 2050, resilient to climate change: adapted in the present, preparing the future, pursuing and surpassing the goals for sustainability".

This commitment involves **19 measures** to be implemented by BPI by 2030, in six different areas.

In 2021, BPI reported to the Lisbon City Council on the evolution of the key performance indicators.

Environmental certification

Circular Economy

Citizenship and participation

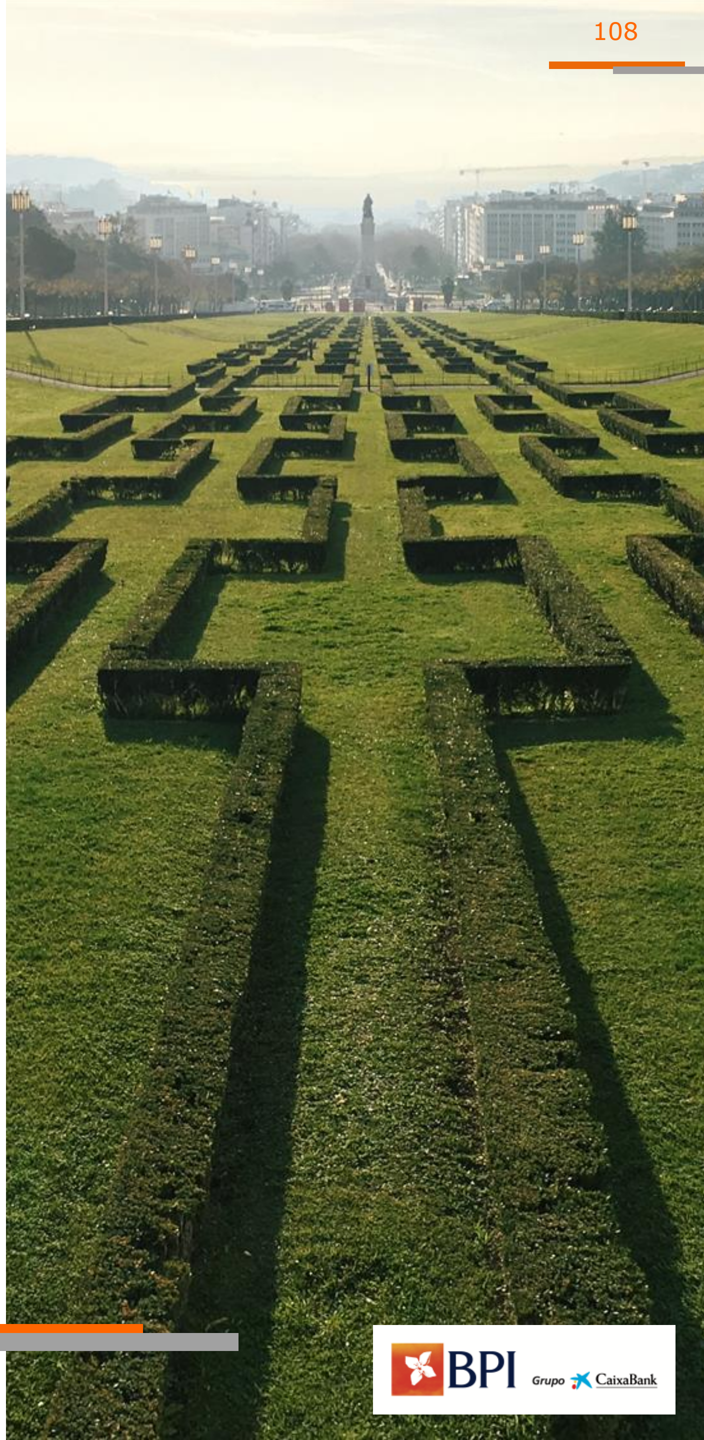
Energy

Mobility

Water

Environmental Certification - 1st EMS certification	Concluded
Waste reduction	In progress
Elimination of single-use plastic	In progress
Active Prints Reduction Policy	Concluded
Awareness-raising actions	*where applicable*
Communication actions	*where applicable*
Installation of Technical Management System	In progress
Led lighting - Central buildings	In progress
Led lighting - Commercial networks	Concluded
HVAC modernisation	Concluded
Creation of winter garden	Concluded
Use of water savers	Concluded
Use of water filtering fountains	In progress
Increased number of chargers in car parks	In progress
Bicycle parking near the entrance of the building	Concluded
Parking spaces for bicycles	Concluded
Installation of showers	Concluded
Remote meeting rooms	Concluded
Active policy for travel reduction	Concluded

Concluded   In progress



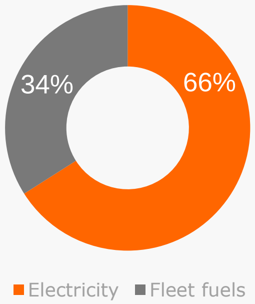
Energy Consumption

BPI's energy consumption comprises the fuel consumption of the car fleet (diesel and petrol) and of the Central Buildings (diesel and natural gas), and also the electricity consumption in all of BPI's facilities.

Electricity and Fleet Fuels

Electricity Consumption is the most significant within energy consumptions.

Banco BPI



Electricity

-15% in 2021
in the central buildings

-20% in 2021
in the commercial network

Fleet fuel

-35% diesel in 2021

+555% petrol in 2021

BPI has been gradually restructuring its car fleet, replacing diesel vehicles by electric, hybrid, and petrol vehicles.

BPI has adopted internal plans to encourage more sustainable mobility, involving the installation of electric vehicle chargers and slots for bicycles and motorbikes in the Central Buildings car parks.

Diesel consumption in the Central Buildings mainly results from the operation and testing of emergency equipment. In 2021, there was no need to replace this fuel.

Natural Gas

The consumption of natural gas decreased between 2020 and 2021.

-56% **natural gas consumption** (in 2021)

Consumption of natural gas in 2021 only occurred in the Casal Ribeiro building.

In 2021, the boiler in the Boavista Building was deactivated due to a change in this building's air conditioning system, which permitted to eliminate this fuel consumption.

The following were the main measures implemented to reduce energy consumption:

- Monitoring of central buildings' energy consumption, with optimisation of lighting and HVAC[1] schedules, as well as set-points for HVAC equipment;
- Monitoring of energy consumption in 70 units of the commercial network, with optimisation of lighting and HVAC schedules;
- Continuation of the project for the replacement and modernisation of HVAC equipment.

-11% **energy consumption** (in 2021)

In 2021, BPI continued to implement the energy efficiency improvement and energy rationalisation plan in the Casal Ribeiro Building, which was extended to a further 60 Commercial Network units during the year. The aim is to also carefully monitor and measure, based on **ISO 50001** requirements, energy consumption broken down by type of equipment.

[1] Heating, Ventilation and Air Conditioning.

Energy consumption and reduction within the organisation

	2020	**2021**	**Δ (%)**
Average no. of Banco BPI Employees and outsourced staff [1]	6 270	5 437	(13%)
Electricity [2] [GJ]	76 106	61 781	(19%)
Electricity / Employee[1] [GJ/ Employee]	12.14	11.36	(6%)
Natural gas [3] [GJ]	1 914	847	(56%)
Fleet Fuel - Diesel [GJ]	26 208	17 184	(34%)
Fleet Fuel - Petrol [GJ]	2 300	14 990	552%
Generator Fuel - Diesel [GJ]	14	0	(100%)
Total Energy [GJ]	**106 541**	**94 801**	**(11%)**
Energy per Employee[1] [GJ/ Employee]	**16.99**	**17.44**	**3%**

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

[1] Includes outsourced employees in BPI premises.
[2] The 2020 electricity consumption was updated. The last two months of 2021 were estimated based on the remaining months of the year.
[3] The 2020 natural gas consumption was updated. The value for December 2021 is an estimate based on the value for December 2020.

Materials Consumption

BPI has been reducing the consumption of materials, namely the most relevant ones, such as photocopy paper, envelopes and letter paper used for the **correspondence with Customers**.

BPI has implemented measures in terms of digital innovation and **dematerialisation of operations**.

When digital means are not possible, a single envelope is used to send account and other statements to Customers.

BPI uses white paper and FSC certified paper.

The measures implemented have had a direct impact on reducing the consumption of paper in the Central Buildings and in communications with Customers, and an indirect impact on reducing toner consumption.

However, in 2021 paper consumption increased by 22% due to the change of the Bank's tax address, which required the one-off printing of all the associated documentation.

In the last two years, measures were also taken to reduce the number of printers at the Central Buildings (-41%), and a default format (front and back / black and white) was set.

+22%
of paper
(in 2021)

-1%
of prints
(use of printers in 2021)

BPI has also been reducing the **use of disposables**, replacing plastic water bottles with glass bottles:

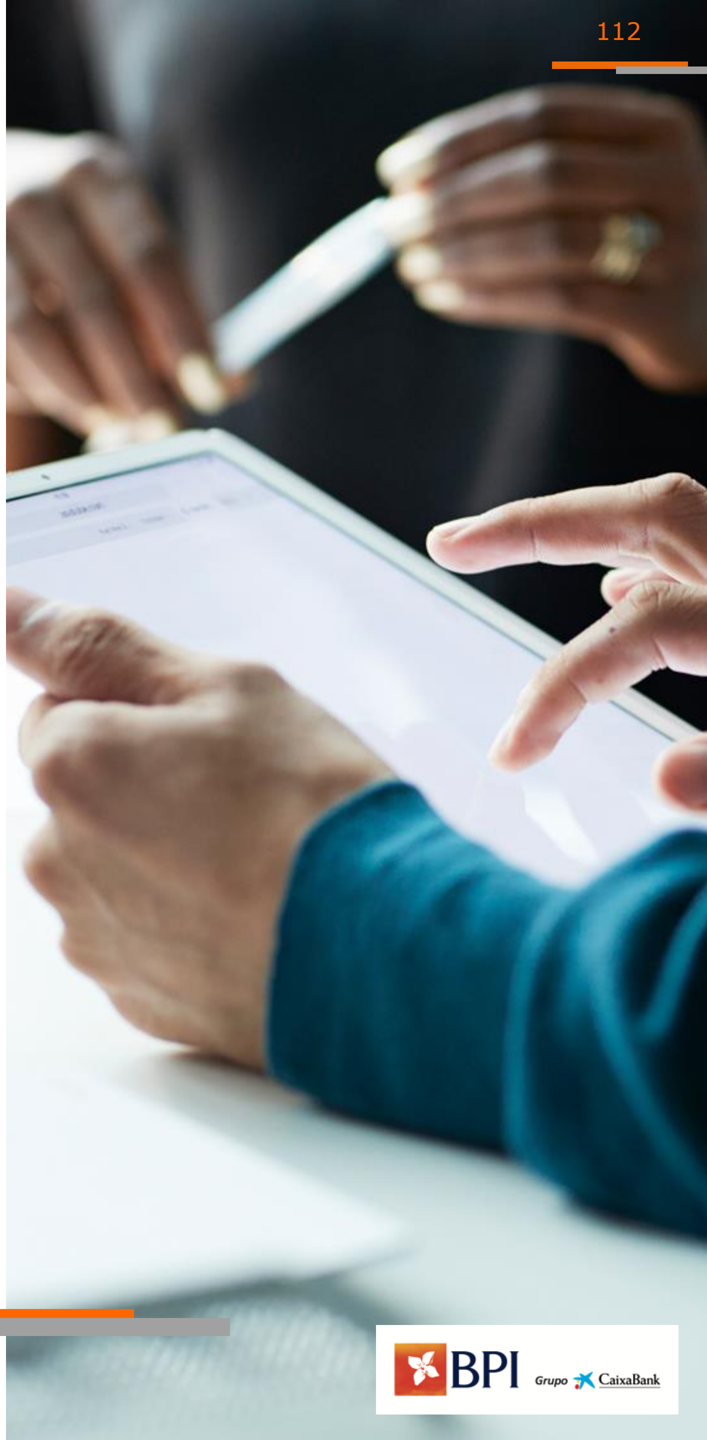
- Distribution of glass bottles to BPI Employees;
- In 2022, Commercial Network's meeting rooms, including in Premier Centres and Business Centres, will only have reusable glass bottles available for Customers.

-78%
of plastic bottles
(in 2021)

Consumption of materials broken down by weight or volume

	2020	2021	Δ (%)
Stationary paper for own use [t]	6	7	17%
Stationery paper for Client communication [t]	97	176	82%
Paper envelopes for Client communication [t]	91	91	(1%)
Paper deposit slips [t]	15	38	152%
Thermal paper rolls [t]	49	41	(17%)
Photocopy paper [t]	163	159	(3%)
Total paper [t]	**421**	**512**	**22%**

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Water consumption

BPI's business does not involve the consumption of large quantities of water. However, BPI considers it good practice to:

- monitor water consumption;
- encourage the conscious use of this natural resource.

Over the years, BPI has implemented **measures** to:

- reduce drinking water consumption;
- raise awareness to a rational management of water consumption through campaigns.

BPI's only source of water supply is the municipal mains. The premises, Central Buildings and Commercial Network are equipped with water flow reducers in all their equipment, and signs were placed near the taps in order to encourage a conscious use of water.

In 2021, total water consumption in the premises decreased:

-28%
of water consumption
in 2021

This was mainly due to the significant reduction in the occupancy of the premises and also to the reduction measures implemented in 2020, such as flow reducers on taps.

Total water consumption

	2020	2021	Δ (%)
Average no. of Banco BPI Employees and outsourced staff [1]	6 270	5 437	(13%)
Total Water [m^3]	**36 821**	**26 421**	**(28%)**
Water / Employee[1] [m^3/ Employee]	**5.87**	**4.86**	**(17%)**

[1] Includes outsourced employees in BPI premises.

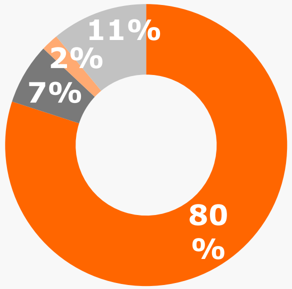
Waste Production

The priority of BPI's waste management is to **reduce waste**, and to do this it is essential to:

- establish mechanisms for controlling the quantities produced by each type of waste;
- ensure the implementation of actions to improve the management of each type of waste.

Paper and Cardboard are the main types of waste produced by BPI's operation.

Banco BPI in 2021



80% Paper and Cardboard

11% Other

7% Paper and Cardboard packaging

2% Plastic

It is important to adopt mechanisms for waste recovery through recycling.

In 2021, BPI improved the waste management conditions of the Central Buildings, by ensuring the following were **installed**:

- **recycling bins**;
- **specific waste streams** on each floor;
- **selective collection systems** that guarantee forwarding for recycling.

BPI intends to **reduce its solid urban waste by 50% up to 2030**, and is implementing awareness-raising initiatives for all Employees, including the Employees of outsourcing companies and service providers who work on the Bank's premises.

Waste produced by type (t)[2]

	2020	2021	Δ (%)
Average no. of Banco BPI Employees and outsourced staff[1]	6 270	5 437	(13%)
Paper and Cardboard [t]	134	94	(30%)
Paper and Cardboard packaging [t]	3	8	154%
Plastic [t]	1	3	333%
Other [t]	1	13	1422%
Total [t]	**139**	**116**	**(16%)**
Waste / Employee[1] [t/ Employee]	**0.02**	**0.02**	**(4%)**

[1] Includes outsourced employees in BPI premises.
[2] Waste calculated based on the Integrated Waste Registration Map.

Carbon Footprint

In 2021, BPI reinforced the importance of climate goals within its business strategy, and has already become **Carbon Neutral** in the categories which it is controlling and which integrate its Carbon Footprint. The Bank wants to keep reducing the CO_2 emissions from its operations, supply chain, and sale of Products and Services, based on the following:

- reduction of **direct emissions**;
- **reduction and efficient** use of electricity;
- acquisition of **100% renewable electricity in mainland Portugal;**
- reduction of the **value chain** emissions;
- **offsetting carbon emissions** that cannot be avoided.

The calculation of **BPI's Carbon Footprint** involved defining, for the emissions from the Bank's activities, the reporting scopes (1, 2 and 3) listed in the GHG Protocol Corporate Accounting and Reporting Standard.

Emissions

In 2021, BPI completed the calculation of Scope 1 emissions and extended the calculation of Scope 3 emissions of its Carbon Footprint.

35% of total emissions are **scope 1 direct emissions**

4% of total emissions are **scope 2[1] indirect emissions**

61% of total emissions are **scope 3 indirect emissions**

In 2021 it was possible to acquire Guarantees of Origin to ensure the consumption of 100% renewable electricity at Banco BPI's premises in mainland Portugal.

100% **Renewable Electricity** in Mainland Portugal

[1] Considers the energy producer's average intensity of GHG emissions associated - market based method.

To calculate the emissions associated with commuting to BPI's premises, for the first time a questionnaire was made to the Employees working at the Central Buildings and Commercial Network, as well as to Employees on outsourcing contracts who work at the Bank. The rate of validated responses was approximately 36%.

In 2021, BPI supported an international hydro project that provides 100% of the carbon credits required to offset its reported carbon emissions. The project is certified against international standards such as the Gold Standard and the Verified Carbon Standard.

Energy intensity

	2020	2021	Δ (%)
Average no. of Banco BPI Employees and outsourced staff [1]	6 270	5 437	(13%)
Location-based[2]	1.5	2.1	41%
Market-based[2]	1.7	1.3	(20%)

GHG emissions (t CO2e)

	2020	2021	Δ (%)
Direct GHG Emissions (Scope 1)	**1 999**	**2 548**	27%
Emergency Generators (diesel)	1	0	(100%)
BPI Fleet (diesel and petrol)	1 889	2 400	27%
Natural Gas Equipment	109	48	(56%)
Cooling gas leaks (air conditioning)	na	100	-
Indirect GHG Emissions (Scope 2)[3]	**7 632**	**282**	(96%)
Electricity (location-based method)	6 410	4 342	(32%)
Electricity (market-based method)	7 632	282	(96%)
Indirect GHG Emissions (Scope 3)	**872**	**4 483**	**414%**
3.1 Purchase of goods and services [4]	800	1 887	136%
3.2 Capital Goods	na	1 156	-
3.3 Other energy-related emissions	na	466	-
3.5 Waste Treatment	na	20	-
3.6 Business travel [4]	72	87	19%
3.7 Commuting	na	869	-
Total GHG emissions (Scopes 1+2 market based +3)	**10 503**	**7 313**	**(30%)**

[1] Includes outsourced employees in BPI premises.

[2] The 2020 Energy Intensity was amended to take into account the update of electricity consumption data and the scope of the number of employees.

[3] Includes two different approaches as required by the GHG Protocol: (i) location-based method, which takes into account the average intensity of GHG emissions associated with the production of electricity distributed through the national grid; (ii) market-based method, which reflects the GHG emissions associated with the energy mix provided by the electricity supplier.

[4] The 2020 data were corrected for new emission sources.

Suppliers

The **Procurement Principles and Supplier Code of Conduct**, disclosed at the beginning of 2021, contribute to establishing a balanced structure of collaboration between BPI and its Suppliers.

The principles and the code of conduct promote:

- **stable and consistent business relationships**;
- **adherence to the conduct requirements** related to inclusiveness, prevention of conflicts of interest and financial crime, human and labour rights, and preservation of the environment and sustainability within our Suppliers, Sub-Contractors and Partners.

Suppliers are selected according to objective criteria, taking into consideration technical and economic aspects and compliance with the required obligations and certifications.

The following are the most relevant types of services contracted:

- **Acquisition and maintenance of IT equipment**
- **Logistics**
- **Facilities Management**
- **Security**
- **Services Outsourcing**

+13%
BPI Suppliers (yoy)

- In 2021, BPI had 3 241 Suppliers, which represents a yoy increase of 13%.
- National suppliers account for **95% of total Suppliers**.
- The expense with national Suppliers corresponds to **80% of the total expense with Suppliers**.

This is also one of the ways in which BPI contributes to **promote the national economy**, while at the same time fostering the creation of indirect employment.

Since 2020, BPI's market consultation processes take into consideration **Supplier certification** under the following International Standards:

- OHSAS18001/ISO45000
- ISO 9001
- ISO 14 001

In 2021, there were no incidents of contracts with suppliers being terminated or not renewed due to corruption-related violations.

The involvement of the **entire value chain** is essential

- When making purchasing decisions, the **purchase of low carbon products or services** is privileged;
- As most environmental impacts manifest themselves indirectly through the performance of Suppliers, **an internal procedure** was drawn up that **defines the control or influence to be exercised over the Supplier or Business Partner**, from the standpoint of the life cycle of the product or service to be acquired, as a way of mitigating environmental risks in its supply chain;
- In the coming year BPI intends to evolve towards greater control of compliance with environmental and social criteria by Suppliers with high impact, and which operate daily at its premises. **This process is fundamental for identifying opportunities to improve the service provided and continuously improve Supplier management.**

In 2021, a total of **747** Receiving Entities were included, of which **74** formally entered new contracts with Banco BPI. All entities with new outstanding contracts in 2021 were assessed against the criteria provided in Banco BPI's Supplier Code of Conduct. From the total number of outstanding Supplier contracts, **10%** had environmental and social clauses.

Products and Services with Sustainable Criteria

Companies

BPI/EIB Energy Efficiency Line

BPI remains very committed to placing the BPI/EIB Energy Efficiency Line, a credit line that results from an agreement entered into with the EIB, of which BPI is the exclusive financial intermediary in Portugal, which makes it possible to finance investments that reduce companies' energy consumption.

BPI/EIB: Number and Volume of operations

in 2021	Since the Line launch
+13 operations	57 operations
+2.8 M.€ loans	21.8 M.€ loans

IFRRU/Jessica Lines

BPI has two lines of support for urban rehabilitation and revitalisation operations, promoting sustainable urban development – BPI/IFRRU and Jessica-BPI.

BPI/IFRRU Line: total financing granted by the Bank from the start in 2017 of the line up to December 2021 amounts to:

BPI/IFFRU: Number and Volume of operations

+52.0 M.€ of financing in 2021

+25 Eligible projects in 2021

298.4 M.€ in total financing

Jessica-BPI Line: total investment supported by BPI since the launch of the line in 2011 up to December 2021 amounted to:

Jessica-BPI: Number and Volume of operations

+2.1 M.€ of financing in 2021

+7 Eligible projects in 2021

276.9 M.€ total financing

Renewable energy - wind, solar, photovoltaic, hydro or biomass - or loans with ESG criteria

Bond issues or commercial paper: Number and Volume of operations

in 2021	Cumulative
+6 operations	10 operations
+225.4 M.€ financing	371.8 M.€ global amount

Project Finance: Number and Volume of operations

in 2021	Cumulative
+2 operations	44 operations
+50.5 M.€ financing	216.7 M.€ global amount

The following new bond issuance and project finance operations with environmental criteria stood out in 2021:

- **January| EDP Renováveis**: 112 M.€ financing for the construction and operation of two wind farms in Portugal, which will help Portugal meet its objectives under the European Climate Pact;
- **March| BA Glass**: 75 M.€ Commercial Paper Programme with conditions linked to water consumption and carbon emissions reduction KPIs;
- **July | NOS, SGPS, S.A.:** Commercial Paper and Bond Loan for a total of 30 M.€ with conditions linked to consumption of renewable electricity and reduction of greenhouse gas emissions KPIs;
- **July | The Navigator Company, S.A.:** 100 M.€ bond loan with conditions linked to KPIs in Co2 emission reduction and increase in the percentage of certified wood purchased on the domestic market;
- **October| Sonae Capital:** 40.8 M.€ Project Green Bonds issue (project finance) to refinance SIAF's investment in the construction of a new forest biomass power plant.

6 CLEAN WATER AND SANITATION · 7 AFFORDABLE AND CLEAN ENERGY · 11 SUSTAINABLE CITIES AND COMMUNITIES · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION · 15 LIFE ON LAND

Individual Clients

The following is noted regarding the internalisation of environmental criteria:

- in terms of mortgage loans, in the initial implementation phase, **classification of the portfolio of new loans granted by the energy efficiency class of the property financed by the loan**;
- special conditions on personal loans for the purchase and installation of renewable energy production equipment. Under the specific **BPI Personal Loans - Renewable Energies** offer, a total of 58 operations worth 1 million euros were contracted in 2021;
- the line of **non-financial products in the "Mobility" category**, which can be purchased through a personal loan or credit card, and includes, among others, electric bicycles;
- partnership with **TESLA for financing electric vehicles under preferential conditions**, and with **ARVAL**, which includes, among others, a **renting solution also for electric vehicles, as well as the promotion of these products in communication campaigns**;
- offer, as insurance agents, of digitally contracted insurance, reducing paper printing, as well as discount campaigns when taking out auto insurance for electric vehicles or reinforcement of offers in digitally-subscribed insurance;
- effort to **dematerialise / digitise the commercial activity**, as well as increase in Customers using the digital channels, and growing adhesion to Digital Documents;
- digital commercial and marketing communication by default through the institutional website, BPI Net and BPI App, email and SMS.

7 AFFORDABLE AND CLEAN ENERGY · 11 SUSTAINABLE CITIES AND COMMUNITIES · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SOCIETY

It has always been part of **BPI's identity** to contribute to the **progress and well-being** of the community where it operates, by supporting **social and cultural projects** promoted by institutions of recognised merit.

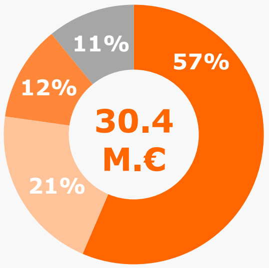
The scope of BPI's activities increased substantially following the extension of "la Caixa" Foundation's activities to Portugal.

BPI and the "la Caixa" Foundation's intervention is carried out under the following four drivers:

- **Extension or adaptation of "la Caixa" Foundation's own programmes** to the Portuguese reality;
- **BPI "la Caixa" Foundation Awards** to support projects by social entities;
- **Outreach support** to projects selected by BPI for financing by the "la Caixa" Foundation Awards (Social Responsibility Committee and Decentralised Social Initiative);
- **Programmes and initiatives** that respond to the **country's specific challenges**.

In 2021, the "la Caixa" Foundation executed a **budget of close to 30 million euros** in Portugal and **30.4 million euros** in joint investment with BPI.

Joint investment "la Caixa" Foundation and BPI in 2021



4 theme areas:

57% Social Programmes

21% Health Research and Innovation

12% Culture

11% Education and scholarships

5% yoy growth

Social Programmes

#TODOS JUNTOS Campaigns

For the first time BPI and the "la Caixa" Foundation joined nine Banks in Portugal and more than 30 companies to organise the ***#TodosJuntos*** solidarity initiative aimed to **support People in situations of social vulnerability** in the context of the crisis caused by the COVID-19 pandemic.

A total of **2.5 million euros** was raised for the **purchase of basic foodstuffs**, and of this total, 20% was earmarked for the acquisition of **urgent medicines**.

The amount raised was distributed by the **Food Emergency Network**, addressing situations of deprivation at national level resulting from the impact of the pandemic.

BPI "la Caixa" Foundation Awards

Under the motto "**Helping those who help**", there are five BPI "la Caixa" Foundation Awards that since 2010 have **promoted equality and the improvement of the quality of life of the most vulnerable**, being part of the **social sector change and empowerment**.

The awards differ among them by the **segment they target** and their **scope of action**, and are awarded through a **call for proposals**.

3 207 non-profit entities
have competed at least once

Since 2010 (33 editions)	**in 2021**
22.8 million euros	**4** million euros
781 projects supported	**142** projects supported
175 thousand beneficiaries	**22 thousand** beneficiaries
8 522 applications	**711** applications

In 33 editions, the BPI "la Caixa" Foundation Awards have **directly benefited more than 175 thousand people in situations of social vulnerability**, supporting 781 projects implemented by private non-profit institutions, with approximately 22.8 million euros.

During these 12 years, the **BPI "la Caixa" Foundation Awards** not only supported the social projects of the award-winning entities but also contributed to:

- **Extend the reach of their influence to the entire social sector system**. More than 3 200 non-profit entities have competed at least once for the Awards, and are estimated to represent around 65% of the Private Social Solidarity Institutions.
- The **creation of a more inclusive Society** by supporting projects that promote the participation of all in solving society's day-to-day problems.
- The **empowerment of the social sector** by providing financial resources that permit to create new social responses or improve the existing ones.
- Boost the use of EU funds under the **Portugal Social Innovation** programmes, having promoted the submission of nine applications in 2021 that mobilised an additional €220,000 from other social investors to apply for an additional €660,000 in non-refundable EU investment.
- The **humanisation of BPI's culture** by involving BPI's Employees in the assessment process, thus fostering awareness of the problems of the underprivileged, and empathy and contact with management philosophies focused on resilience and the greater good.

54 volunteers (2021)

226 applications (2021)

Capacitar

Autonomy for people with disabilities

Support to social projects that promote the improvement of the quality of life, employment and the autonomy of disabled people.

Since 2010 (12th edition)	In 2021
7.7 million euros	**0.8** million euros
252 projects supported	**33** projects supported
45 thousand beneficiaries	**2 thousand** beneficiaries

Seniors

Active and healthy ageing

Support to projects that improve the quality of life of senior citizens, especially those living alone, and help them be more self-reliant.

Since 2010 (9th edition)	In 2021
6.3 million euros	**1** million euros
252 projects supported	**34** projects supported
62 thousand beneficiaries	**4 thousand** beneficiaries

Rural

Social work in rural communities

Social projects in rural areas that seek to generate opportunities for families, children, the elderly and other groups at risk of social exclusion.

Since 2010 (3rd edition)	In 2021
2.2 million euros	**0.7** million euros
66 projects supported	**24** projects supported
19 thousand beneficiaries	**5 thousand** beneficiaries

Solidary

Labour integration and fight against social exclusion

Support to projects that promote full development and social inclusion of the most vulnerable people, fostering equal opportunities.

Since 2010 (6th edition)	In 2021
4.4 million euros	**0.7** million euros
129 projects supported	**24** projects supported
32 thousand beneficiaries	**5 thousand** beneficiaries

Childhood

Children living in poverty

Support to children in poverty and projects that facilitate the development and social inclusion process of children in vulnerable situations.

Since 2010 (3rd edition)	in 2021
2.3 million euros	**0.8** million euros
82 projects supported	**27** projects supported
17 thousand beneficiaries	**7 thousand** beneficiaries

Humaniza Programme

The "la Caixa" Foundation's Humaniza Programme supports various initiatives that ensure **comprehensive support** to **people with advanced illnesses and their families, and the improvement of palliative care**.

Among other initiatives, the programme supported another Psychosocial Support Team - there are now **11 Teams financed** by the Foundation -, as well as five teams of palliative care at home selected through a call for proposals launched in collaboration with the Ministry of Health.

A call for proposals was also launched to support **Innovative Intervention Projects in Palliative Care**, whereby seven projects were selected for intervention in the following vulnerable groups: people with dementia, adults with neurodegenerative diseases, older patients and informal carers.

In 2021

11 **Psychosocial support teams**

Incorpora Programme

The "la Caixa" Foundation, together with the Incorpora Programme promotes the **hiring of people at risk or in situations of exclusion** (young people not studying or working, unemployed people over 45, ex-prisoners, ex-drug addicts, victims of domestic violence and disabled people). Under this programme, the "la Caixa" Foundation, in collaboration with the IEFP (the Portuguese Employment and Professional Training Institute), of which BPI is a member, announced at the start of the year the increase of the **Incorpora Network** from 44 to **58 entities**, thus extending coverage to the entire mainland territory.

The programme offers the Incorpora Network entities training and support in the implementation of the Incorpora methodology, as well as non-refundable support to cover the costs of the implementation of the programme.

In 2021

744 participating / contracting **companies**

1 759 **integrations**

58 **social institutions**

Proinfância Programme

"la Caixa" Foundation's Proinfância Programme, under a partnership with the social network of municipal councils, **supports children and young people between the ages of 0 and 18 living in poverty or social exclusion**, with the objective of breaking the cycle of poverty passed on from parents to children.

Following the tender for selection of the social institutions that will implement the Programme with 300 Families in selected parishes of Lisbon and Porto, the **intervention networks** were structured in the 1st half of 2021 and the selection of and support to Families started in the 2nd half of the year.

In 2021

6 **social institutions in Lisbon and Porto**

16 **cooperating entities**

Promove Programme

The Promove Programme provides non-refundable support for innovative initiatives in strategic areas for the **development of inland and border regions in Portugal**.

The 2020-2021 edition, in partnership with the Foundation for Science and Technology (FCT), included a new line of support for mobilising R&D projects in areas of strategic activity for the interior of the country, in addition to lines for innovative pilot projects and awards for new ideas from higher education students.

In 2021, under the agreement between the "la Caixa" Foundation and the Foundation for Science and Technology, the programme **financed 3 mobilising R&D projects, 10 pilot projects** and **6 ideas**, for a total amount of around €2.6 million.

Decentralised Social Initiative

The Decentralised Social Initiative supports projects of private or public non-profit institutions that are BPI Clients, through the Bank's Commercial Networks - Individuals, Companies and Institutionals.

With 1.2 million euros funding from the "la Caixa" Foundation, the initiative relies on the collaboration of BPI's commercial units, which, in all districts of Portugal and in the autonomous regions of the Azores and Madeira, select the best social projects locally.

Its purpose is to foster the **quality of life and equal opportunities for people in situations of social vulnerability**: children, adolescents and young people in situations of social vulnerability, people over 65 years old, people with disabilities, labour insertion, health, permanent illness or disability, and interculturality and social cohesion.

In 2021:

42 thousand direct **beneficiaries**

188 projects

1.2 million € invested

Sundry Local Support

Support to social, research and health, culture, and science and education projects selected by BPI's Social Responsibility Committee. **Around 70 actions** were supported, for a total of **1.8 million euros.**

Donations Programme

BPI maintains the practice of donating, through Entrajuda, materials to be reused, thus fostering the circular economy. In 2021, around **500 pieces of furniture**, such as chairs and cabinets, were donated.

BPI | Fundação "la Caixa"

Social Equity Initiative

Partnership between the ”la Caixa” Foundation and the Nova School of Business & Economics (Nova SBE), with the collaboration of BPI, to **support the development of the social sector in Portugal under a long-term vision**, mapping the sector and developing research and capacity-building programmes.

With an investment of 2.2 million euros over three years, the Social Equity Initiative covers nine social transformation projects, including the Social Status Report - an annual report on the country's social reality -, and a survey on the impact of BPI's awards (2010-2018). It also maintains an aggregate database on the social sector and a programme for capacity building and acceleration of the management model of social organisations, among others.

2.2 million euros of investment in three years

9 Social transformation **projects**[1]

Social Research Call

The ”la Caixa” Foundation launches an annual Social Research call for proposals aimed at supporting **excellence in social research** projects that generate robust quantitative evidence and insights on current and emerging social challenges in Spain and in Portugal, through an original and innovative approach.

1.5 million euros available

to be allocated until

100 th. euros per project

Under the matching fund agreement between the ”la Caixa" Foundation and the Foundation for Science and Technology (FCT)[2], the latter will match the "la Caixa" Foundation's contribution to projects to be carried out in Portugal by selected national institutions.

”la Caixa" Foundation's Social Observatory was also launched in Portugal. The Observatory publishes contents that contribute to a **better understanding of the country's social reality**, namely in the educational and cultural areas.

4 projects[1] supported in 2021

"Window of Hope” Platform

BPI and the ”la Caixa" Foundation, in partnership with SIC Esperança and the Calouste Gulbenkian Foundation, have launched "Window of Hope", which is **set to become the largest platform of stories about the third sector**.

CooperantesCaixa Programme

In 2021, six BPI Employees participated in the 3rd edition of the CooperantesCaixa international corporate volunteering programme, which maintained the virtual format. The programme's objective is to contribute towards the improvement of the living conditions of vulnerable populations in developing countries through technical assistance in cooperation projects.

6 BPI Employees as volunteers (2021)

[1] For further information see "Supplementary Information".
[2] In January 2022 the Foundation for Science and Technology (FCT) and the "la Caixa" Foundation renewed their partnership for 3 more years with a view to jointly financing research projects in Portugal, integrated in programmes of the “la Caixa" Foundation: Social Research Call, CaixaResearch Health Research and Promove programmes, plus the newly introduced CaixaResearch's Validate and Consolidate Programme.

BPI | Fundação "la Caixa"

Global Platform for Syrian Students

The ”la Caixa” Foundation and BPI provide support to the Global Platform for Syrian Students in the development of the Rapid Response Mechanism for Higher Education in Emergencies.

50 study grants attributed

The grants ensure the continuation of studies and cover the maintenance and accommodation costs of students forced to leave their country.

ODSlocal Platform

With the support of the ”la Caixa” Foundation and BPI, a consortium led by the Lisbon University's Institute of Social Sciences develops and manages the **ODSlocal platform**, which monitors the progress made by **Municipalities** towards achieving their Local Sustainable Development Goals (SDGs). In a first edition promoted by the **ODSlocal Platform**, ODSlocal Seals and ODSlocal prizes were awarded in three areas - Planet, People and Prosperity.

SDG Observatory in the Portuguese Companies

The Católica Lisbon School of Business & Economics, in partnership with ”la Caixa” Foundation and BPI, is developing an Observatory of SDGs in Portuguese Companies. A pioneering project in Portugal, the observatory will follow the implementation of the United Nations 2030 Agenda by **monitoring a representative group of Portuguese companies** and publishing an Annual Report.

Rehabilitation of the Beira Central Hospital in Mozambique

With BPI's support, the Neonatology Unit of the Beira Central Hospital in Mozambique was inaugurated in May 2021.

100 thousand euros
for the installation of equipment (2020), by the NGO Health4Moz.

BPI Christmas Action

BPI's commercial areas once again hosted the solidarity initiative "**Help a child to smile**", through which the Bank's **Customers and Employees gave a Christmas present to children assisted by charitable institutions** from all the districts of mainland Portugal and the autonomous regions.

In 2021 BPI maintained the possibility of Customers and Employees contributing through the digital and mobile channels, BPI Net and BPI App.

9th consecutive year
"Help a child to smile"

BPI support	Support by BPI Clients and Employees
46 thousand euros distributed by all the institutions supported	Offer of presents in BPI Commercial Spaces and through the BPI Net and BPI App digital channels

Approximately:

5 000 presents

300 Solidarity Institutions

10 REDUCED INEQUALITIES

Health Research and Innovation

The "la Caixa" Foundation supports talent and the development of scientific knowledge with an impact on Society.

Health Research call by CaixaResearch

The fifth edition of this call for proposals was launched in 2021, to support biomedicine and health research projects in the areas of neurodegenerative, oncological, cardiovascular and infectious diseases and enabling technologies in these thematic areas.

Research centres in Portugal

The partnership between the "la Caixa" Foundation and the Foundation for Science and Technology (FCT) has made it possible to double the support for projects from Portuguese Research Centres selected through CaixaResearch's call for proposals in Health Research.

34
projects in progress

- Oncology
- Neuroscience
- Infectious diseases
- Cardiovascular diseases
- Other health sciences

CaixaResearch 2021 Validate and Consolidate Programme

CaixaResearch's Validate and Consolidate Programme aims to foster the **transfer of knowledge and technology to Society and the creation of new research-based companies**.

CaixaResearch's Validate and Consolidate calls for tenders target research centres, universities and hospitals and the transformation of scientific knowledge in the field of life and health sciences into products and companies generating value for Society.

In 2021:

3 projects selected in Portugal

231 thousand euros in Portugal

Culture

Under the commitment to bring art, culture, and science closer to Society, the following support and patronage actions undertaken by the ”la Caixa” Foundation and BPI stood out in 2021:

Support and patronage actions[1]

3 Institutional collaboration

Serralves Foundation, Casa da Música Foundation and Calouste Gulbenkian Foundation

6 Museums

National Museum of Ancient Art, Elvas Contemporary Art Museum, Caramulo Museum, Casa da Arquitetura, Casa de São Roque, and Lugar do Desenho

4 Orchestras

Orquestra XXI, Orquestra de Jazz de Matosinhos, Orquestra Sem Fronteiras, and Orquestra Metropolitana de Lisboa

5 Theatres

Teatro Nacional S. João (Porto), Teatro Nacional D. Maria II (Lisbon), Teatro Micaelense (Azores), Teatro Viriato (Viseu) and Theatro Circo (Braga)

Initiatives[1]

“Creactivity” itinerant workshop

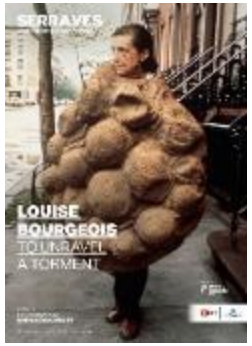
A workshop to awaken children’s ingenuity, dexterity and creativity in 140 locations across the country

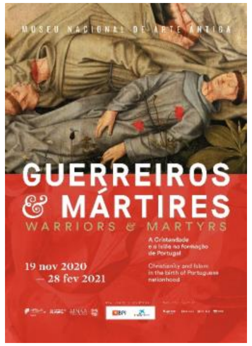
Itinerant exhibitions

Eight art exhibitions and three photography exhibitions under the ”la Caixa” Foundation's Art in the Streets Programme

Virtual concerts and tours

Concerts and virtual tours of exhibitions were broadcast via social networks due to the COVID-19 pandemic context





[1] For more information on the initiatives and entities supported in 2021 under "Culture and Science", see "Complementary Information".

Education and Scholarships

In the field of Education, the following initiatives stood out:

”la Caixa” Foundation Scholarship Programme

3 **Scholarships** Post-graduation abroad

6 **Scholarships** PhD

4 **Scholarships** Post-PhD

Young Entrepreneurs Programme

Educational programme created by the ”la Caixa” Foundation to support teachers in the development of entrepreneurial skills in students aged 14 to 18. 50 projects from 14 Portuguese schools were presented.

Entrepreneurs Challenge 2021

Under the Entrepreneurs Challenge 2021 Programme 3 schools were selected to participate in the EduCaixa Challenge Virtual Campus. The Nuno Álvares Secondary School of Castelo Branco was the winner, with the project "*Staper – Beata por Beata*".

TAX AND GDP CONTRIBUTION

Tax Contribution

This section deals with the total contribution of BPI and the companies of its group (BPI Group) in the area of taxation, comprising not only the payment of taxes and other levies for which the Bank and the companies of its group are taxable, but also compliance with a set of other duties of cooperation with the Tax Administration.

In 2021, **BPI Group's total tax contribution** was **393 M.€**, broken down as follows:

Taxable Person Taxation

118 M.€ in taxes for which BPI and the companies of BPI Group are taxable persons and, therefore, were effectively borne by them

Levies due by third parties

275 M.€ in levies due by third parties but collected and handed over to the State and other public entities by BPI Group

Levies borne by BPI and its Subsidiaries

Of the total levies borne by BPI and the companies of its group (118 M.€), the largest share corresponded to levies paid to the **Portuguese State / other Portuguese public entities** (118 M.€, or around 99%), since the BPI Group mostly develops its activity in Portugal.

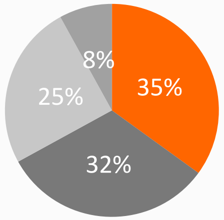
BPI Group has unused tax credits, which will have an impact on the current and future payment of income tax.

Levies due by Third Parties that are collected and handed over by BPI

The levies due by third parties that are collected and handed over by BPI to the State / Other Public Entities amounted to **275 M.€** in 2021 and mainly concerned the following:

118 M.€ in Taxes Paid

BPI GROUP in 2021



42 M.€ (35%)
Financial Sector Contributions

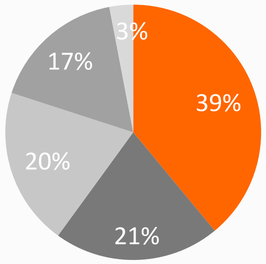
38 M.€ (32%)
Contributions to Social Security

30 M.€ (25%)
VAT borne and not deducted

8 M.€ (8%)
Direct taxes

275 M.€ in Taxes Due

BPI GROUP in 2021



108 M.€ (39%)
VAT paid

58 M.€ (21%)
Individual / corporate income tax withheld at source

55 M.€ (20%)
Stamp Duty charged

47 M.€ (17%)
Individual income tax withheld on the payment of employee remunerations

7 M.€ (3%)
Other

Total Tax Contribution

BPI Group not only effectively pays a **set of taxes for which the entities that compose it are taxable**, but also fulfils a set of legal duties that entail its cooperation with the State in the **collection of taxes and contributions due by third parties to the State and other public entities**.

This section reports on what we have chosen to designate as **Total Tax Contribution**, understood as the set of levies which BPI and the BPI Group hand over to the State and other public entities, about which it aims to provide a global, if not exhaustive indication.

The concept of Total Tax Contribution does not permit to capture a set of other collaborations provided by the BPI Group to the State (namely those involving compliance with the duty to provide information) but even so will provide a more comprehensive picture than the information on taxes included in its financial statements.

Levies for which BPI and the companies of the BPI Group are taxable persons

BPI and the companies of the BPI Group are taxable persons and as such pay several levies to the State and other public entities.

These levies include:

- **Direct taxes**, namely corporate income tax;
- **Indirect taxes**, such as Municipal Property Tax ("IMI"), Municipal Property Transfer Tax ("IMT"), Stamp Duty ("IS"), and non-deductible VAT;
- **Financial Sector Contributions**, namely Banking Sector Contribution ("CSB"), Solidarity Surcharge on the Banking Sector, Contribution to the Resolution Fund, Contribution to the Single Resolution Fund, and contributions to the Social Security.

Duties of cooperation with the State and other public entities

BPI and the companies of BPI Group are subject to and fulfil numerous duties of cooperation, which entail the collection and delivery of levies due by third parties to the State and other public entities, as well as compliance with a set of reporting duties that allow the latter to calculate and collect such levies.

BPI Group reports to:

the **Tax Authority and the Social Security** all information required by law, namely in **compliance with FATCA/CRS legislation**, as well as under the different ancillary obligations associated with the payment of income.

BPI Group cooperates:

with the State **in the seizure and transfer of valuables** in the scope of tax enforcement proceedings where it is requested to do so.

BPI Group collects and hands over to the State:

- the **individual income tax withheld** on the remunerations of its Employees, as well as their contributions to the Social Security;
- the **individual / corporate income tax withheld** on the payment to its Customers of income from the financial products it distributes within the scope of its activity.
- the **Stamp Duty** due on the operations and financial services provided to its Customers;
- the **VAT on services provided and assets transferred**, through the respective collection mechanism.

Tax Responsibility and Code of Good Tax Practices

Finally, one last note to highlight that BPI took part in the negotiations between the Tax and Customs Authority and several taxpayers regarding the **Code of Good Tax Practices**.

Scope

Created in the context of the Large Taxpayers Forum, of which BPI is a member, the Code came into force in 2020.

Description

The code incorporates a set of principles and recommendations to be followed by taxpayers that wish to adhere to it and by the Tax and Customs Authority, with a view to improving the tax system and increasing legal security and mutual cooperation, based on good faith, legitimate expectations and the implementation of responsible tax policies.

Tax risk management and control

BPI adopts, by definition, a **conservative tax strategy** governed by strict compliance with both the law and the applicable internal regulations and rules, which it reviews, when necessary, in the light of the most up-to-date consolidated tax jurisprudence.

In this context, the tax strategy as well as all tax matters are monitored by the **Tax unit, which is part of the Legal Division**.

In functional terms, the Legal Division reports to the executive director, who in turn discusses the most relevant issues in the Executive Committee of the Board of Directors and/or in the Audit Committee.

The process of **tax risk control** presupposes:

- The **daily monitoring of the publication of laws and tax jurisprudence**, as well as of the **applicable accounting and regulatory standards**, and their **critical analysis** to determine the need to adopt, implement, or adjust to them. On the other hand, it also involves monitoring the Bank's tax situation through the reception and management of notifications and summonses in tax proceedings, as well as the relationship with the Tax and Customs Authority within the scope of compliance with other tax and declarative obligations;
- **Monitoring by the Compliance Department**, which acts as the second line of defence, being responsible for establishing control procedures and for the independent review of their application, as well as by the **Internal Audit Department**, which acts as the third line of defence, responsible for assessing and improving risk management, control and corporate governance processes. Finally, tax risk management is also reviewed by the external auditors.

Within the context of risk management, the Bank has a specific channel for the communication of irregularities, whose scope is to receive communications of facts which, amongst others, violate or seriously compromise compliance with the legal, regulatory, ethical and deontological principles to which the Members of the Corporate Bodies and the Employees of the BPI Group's companies are bound in the performance of their professional functions, which naturally include conduct that entails tax risk.

The **communication of irregularities can be made by Shareholders, Employees of the company or others** to the following dedicated mailbox:

comunicacao.irregularidades@bancobpi.pt

Lastly, it should be pointed out that **BPI is monitored by the Large Taxpayers Unit of the Tax and Customs Authority**, with which it maintains a collaborative relationship, guided by good faith, and within the ambit of which it seeks to discuss all the matters that raise major concerns in the interpretation of the tax rules. In this context, the Bank was a party in the negotiations held between the Tax and Customs Authority and various taxpayers on the drafting of the Code of Good Tax Practices.

BPI also **plays an active role in the Large Taxpayers' Forum** and in its sectoral committee for banking and insurance.

BPI is a member of the Portuguese Banking Association where it actively participates in discussions about public policies and tax matters, and also takes part in various tax-related forums, namely those promoted by the Portuguese Tax Association, always seeking to safeguard its Customers' best interests.

Contribution to GDP and Employment

Through its banking activity in Portugal, BPI makes a sustainable contribution to the development of the economy and job creation, promoting the financial well-being of its Customers and Society. In order to quantify the positive impact of BPI's activity, BPI's total contribution to GDP and to indirect job creation was estimated.

In 2021
913 M.€ Contribution to GDP
0.43% as % of GDP
6.7 thousand jobs (indirect creation)

In 2021, the wealth generated by BPI's activity in Portugal amounted to **628 M.€**, corresponding to **6.8% of the financial sector's gross value added (GVA)**. **BPI's total contribution** to GDP, which includes the direct effect (GVA generated by BPI) and the indirect effect on the rest of the economy, is estimated at **913 M.€**, representing **0.43% of national GDP** and an increase over the previous year of 0.42%.

At the end of December 2021, BPI had a **staff of 4 478 Employees** in Portugal. Based on the Bank's indirect effect on the wealth generated by the rest of the economy, it is estimated that BPI contributed to the indirect creation of around **6.7 thousand jobs** during 2021.

8 DECENT WORK AND ECONOMIC GROWTH

CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

As a signatory of the **United Nations Global Compact**, BPI undertakes to apply and promote the Ten Principles of the United Nations initiative on Human Rights, Labour Practices, Environmental Practices and Anti-Corruption, and to contribute to the 2030 Agenda Sustainable Development Goals (SDGs).

BPI and BPI Gestão de Ativos were among the twelve companies in Portugal that participated in the **1st edition** of the UN Global Compact's **SDG Ambition international programme**, with the collaboration of the Global Compact Network Portugal.

In 2021, through recurrent or one-off initiatives, by itself or together with the "la Caixa" Foundation, BPI contributed to all of the **17 Sustainable Development Goals**:

Commitment to PEOPLE

Commitment to SOCIETY

Commitment to the PLANET

Strategic Alliances and Partnerships

Commitment to People

1 NO POVERTY

- Access to minimum banking services
- BPI Voluntary Service Programme
- Donations Programme

With "la Caixa" Foundation:

- BPI "la Caixa" Foundation Awards
- *Incorpora* Programme
- *Proinfância* Programme
- Decentralised Social Initiative
- CooperantesCaixa Voluntary service

2 ZERO HUNGER

- BPI Voluntary Service Programme

With "la Caixa" Foundation:

- Food Emergency Network

3 GOOD HEALTH AND WELL-BEING

- Promotion of Employee health and well-being
- Certification as Family Responsible Company (efr)
- BPI Voluntary Service Programme

With "la Caixa" Foundation:

- BPI "la Caixa" Foundation Awards
- *Humaniza* Programme
- Health Research call by CaixaResearch
- CaixaResearch Validate and Consolidate Programme
- Post-graduate, doctoral and post-doctoral scholarships
- Decentralised Social Initiative

4 QUALITY EDUCATION

- Campus BPI: Employee training and development
- BPI Voluntary Service Programme
- Financial literacy initiatives

With "la Caixa" Foundation:

- Post-graduate, doctoral and post-doctoral scholarships
- Scholarships from the Global Platform for Syrian Students
- Young Entrepreneurs Programme
- Creactivity

10 REDUCED INEQUALITIES

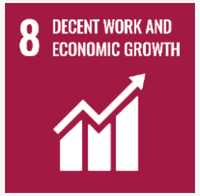
- Access to minimum banking services;
- Social housing or affordable rent;
- Wengage Programme: Diversity and Inclusion
- BPI Voluntary Service Programme
- Christmas Action: "Help a child to smile"
- Financial literacy initiatives
- *SIF Crédito* Line – BPI (Innovation and Social Entrepreneurship)

With "la Caixa" Foundation:

- BPI "la Caixa" Foundation Awards
- *Incorpora* Programme
- *Promove* Programme
- Decentralised Social Initiative
- *Proinfância* Programme
- Initiative for Social Equity
- Social Research Call
- Scholarships from the Global Platform for Syrian Students
- CooperantesCaixa Voluntary service
- Sundry Local Support
- Virtual concerts and tours
- Portugal Social Innovation - partnerships for impact

Commitment to Society

- Wengage Programme - Diversity and Inclusion
- Women's Football Official Bank
- Women's Empowerment Principles (WEP)
- BPI Entrepreneur Woman of the Year IWEC Award



- Loans to individuals, companies, small businesses and entrepreneurs
- Lines of Support to Entrepreneurship and Own Job Creation (IEFP)
- BPI/RRP Credit Line
- *SIF Crédito* Line (SMEs or Social Economy Entities)
- COVID-19 Economic Support Lines
- Solutions for agriculture, tourism and international trade
- BPI Voluntary Service Programme
- Investment in R&D: *Capitalizar Mais* Line
- National Tourism Awards
- Tourism Companies 360 Programme and Invest in Tourism Platform
- Tax and GDP Contribution

With "la Caixa" Foundation:

- *Incorpora* Programme
- BPI "la Caixa" Foundation Awards
- Decentralised Social Initiative
- *Promove* Programme
- Social Research Call

- Support to innovation credit lines
- Entrepreneur Awards XXI
- COTEC-BPI SMEs Innovation Awards
- Innovation in the digital channels
- Operating efficiency
- *FIS Crédito* Line

With "la Caixa" Foundation:

- *Promove* Programme
- Initiative for Social Equity
- Social Research Call
- CaixaResearch Validate and Consolidate Programme

- BPI IFRRU and Jessica Lines – Urban Renewal
- Financing of sustainable mobility products
- National Agriculture/Tourism Awards
- Products and services with sustainable criteria
- BPI Voluntary Service Programme

With "la Caixa" Foundation:

- *Promove* Programme
- Decentralised Social Initiative
- Initiatives of support to culture
- CaixaImpulse 2021 Programme

- Code of Business Conduct and Ethics
- Human Rights and Social Responsibility policies, among others
- Culture of compliance
- Information Security
- Materiality Matrix and dialogue with the Stakeholders
- Transparency and non-financial reporting
- Advertising Self-regulation Association, BCSD Portugal, Portuguese Banking Association, GRACE – Responsible Companies
- BPI Voluntary Service Programme

Commitment to the Planet

6 CLEAN WATER AND SANITATION

- BPI/PDR 2020 Line Operations - Rural Development Programme for the efficient use of water
- Sustainable finance (water consumption)

With "la Caixa" Foundation:

- *Promove* Programme

7 AFFORDABLE AND CLEAN ENERGY

- Personal Loans for renewable energy and electric cars
- BPI/EIB Energy Efficiency Line
- Bond issues with environmental criteria
- Project finance
- Reduction of internal energy consumption
- Environmental Management System and Environmental Footprint Dashboard

13 CLIMATE ACTION

- Declaration on Climate Change
- Environmental Risk Management Policy
- Environmental Management Principles
- Integration of climate risks into risk analysis and management
- Sustainable Financing to Businesses: ESG-linked Loan; Green Bond; Project Finance
- BPI Voluntary Service Programme
- Environmental Management System
- Reduction of Environmental Footprint

With "la Caixa" Foundation:

- *Promove* Programme

14 LIFE BELOW WATER

- BPI Voluntary Service Programme

15 LIFE ON LAND

- Sustainable finance (forest biomass)
- BPI Voluntary Service Programme

With "la Caixa" Foundation:

- *Promove* Programme

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Donations Programme

Offer of products with environmental criteria:

For Companies:

- BPI/EIB Energy Efficiency Line
- IFRRU and Jessica Lines – Urban Renewal
- Renewable Energies investment projects: wind, solar, photovoltaic, hydro or biomass
- Decarbonisation and Circular Economy Line
- ESG-linked loans and participation in the issuance of green bonds

For Individuals:

- BPI Renewable Energies Personal Loans
- Financing of sustainable mobility products
- Green Prestige products (sustainable mobility)

National Agriculture and Tourism Awards - Sustainable Companies / Sustainable Tourism Categories

Environmental Management System and Environmental Footprint dashboard

Responsible Policies:

- Environmental Risk Management Policy
- Suppliers Code and Procurement Principles
- Environmental Management Principles

BPI Voluntary Service Programme

Alliances/partnerships:

- Letter of Commitment for Sustainable Finance
- Lisbon European Green Capital 2020 Commitment

With "la Caixa" Foundation:

- *Promove* Programme

Strategic Alliances and Partnerships

Entity	Initiatives
”la Caixa” Foundation	Joint initiatives with the ”la Caixa” Foundation
UN Global Compact Network Portugal	Adhesion to and participation in SDG Ambition international programme
UN Global Compact and UN Women	Adhesion to Women’s Empowerment Principles
Lisbon City Council	Lisbon Green European Capital 2030 Commitment – Lisbon Climate Action 2030
Ministry of Agriculture, Forestry and Rural Development	National Agricultural Awards
Ministry of the Economy, Turismo de Portugal	National Tourism Awards
Ministry of the Environment and Energy Transition	Participation in the Think Tank for Sustainable Finance and implementation of the Letter of Commitment for Sustainable Finance in Portugal
Instituto da Habitação e Reabilitação Urbana, IP (IHRU)	*1º Direito* Protocol, Support Programme for Access to Housing (Social housing or affordable rent)
BCSD Portugal	Participation in Sustainable Finance Working Group
GRACE – Responsible Companies	Membership of GRACE and in particular of the Financial Cluster
PWN Lisbon	Cooperation Protocol to strengthen the commitment to gender equality
Strategic Board | ESG Jornal de Negócios Forum	"Innovation, economic development and sustainability for Portugal” Manifesto
Entrajuda	Sundry collaborations: Voluntary Service Programme, Donations Programme
Junior Achievement Portugal	Voluntary Service Programme: financial literacy and entrepreneurship initiatives
Consortium led by the Institute of Social Sciences	ODSLocal Platform
Nova SBE, in partnership with ”la Caixa” Foundation	Social Equity Initiative
Católica Lisbon School of Business & Economics, in partnership with ”la Caixa” Foundation	SDG Observatory in the Portuguese Companies
SIC Esperança and Calouste Gulbenkian Foundation, in partnership with ”la Caixa” Foundation	"Window of Hope” Platform

17 PARTNERSHIPS FOR THE GOALS

PROPOSED APPLICATION OF RESULTS

PROPOSED APPLICATION OF RESULTS

Proposed application of 2021 results

Whereas:

a) In financial year 2021, Banco BPI, S.A. (hereinafter Banco BPI) reported a net profit of 306 823 336 euros in its consolidated accounts, and a net profit of 293 367 642.79 euros in its individual accounts;

b) In accordance with the provisions of Article 25 of Banco BPI's Memorandum and Articles of Association, the net profit for each year shall be allocated, namely, in the percentage prescribed by law, to the Legal Reserve, to the payment of priority dividends on any preference shares that the company may have issued, and the remainder, under the terms that the General Meeting, acting freely and under no obligatory distribution, may determine, including the allocation of the profits in question to reserves, their distribution as dividends, their allocation to other specific uses in the interest of the Company or in any combination of these purposes;

c) The Long-Term Dividend Policy of Banco BPI (the "Policy") approved by the single shareholder, CaixaBank, S.A., by Unanimous Written Resolution of 31 January 2019, provides, as a general principle, for the "*distribution of an annual dividend, to be proposed by the Board of Directors to the General Meeting, tendentially between 30% and 50% of the net income reported in the individual accounts for the year to which it relates, where the exact amount to be proposed shall be defined in light of a prudent judgement which takes into account, in view of the specific situation at the time of Banco BPI, the permanent satisfaction of adequate levels of liquidity and solvency*";

d) The policy establishes that the provisions of c) "*represent a mere principle, which, as such, is not binding upon the General Meeting, which can at any time, not only change it, but also resolve on a percentage of distribution below the minimum 30% threshold or above the maximum 50% threshold therein referred, or on no distribution at all*".

e) On the other hand, the Policy expressly foresees the possibility of the Board of Directors proposing to the General Meeting a distribution beyond the thresholds referred to above, whenever, in its reasoned judgement, exceptional circumstances so justify;

f) BPI's capital position at 31 December 2021, already considering the distribution of results proposed below, was as follows:
i) CET1 ratio of 14.2%, Tier1 of 15.7% and Total ratio of 17.4%;
ii) Maximum Distributable Amount buffer (MDA buffer) of 4.5%;

g) The proposed distribution of dividends detailed below does not jeopardise compliance with the target capital ratios of Banco BPI and respects the conclusions and guidelines of the ICAAP and RAF of Banco BPI;

h) The current projections for 2022/2024 point to BPI maintaining surplus capital levels, which is in line with the ECB's recommendation of prudence in the distribution of dividends;

i) In view of the above, the Board of Directors believes that the exceptional conditions that justify the distribution of a dividend above the threshold of 50% of the net profit reported in the individual accounts referred to in the Policy are met;

j) Specifically, it is proposed to distribute 50% of the individual net profit determined in the activity in Portugal and to distribute the entire dividends received from BFA and BCI, corresponding to an overall payout of 66% of the net profit determined in the individual accounts for the year;

Accordingly, the Board of Directors proposes the following application of the net profit determined in the individual accounts, in the amount of 293 367 642.79 euros:

Net Profit for the 2021 financial year	**293 367 642.79 euros**
Legal Reserve*	29 336 764.28 euros
Dividends	194 000 000.00 euros
Other Reserves:	70 030 878.51 euros

Porto, 01 February 2022

The Board of Directors

* As provided for in art. 97 (1) of the Legal Framework of Credit Institutions and Financial Companies (“RGICSF”).

FINAL ACKNOWLEDGEMENTS

FINAL ACKNOWLEDGEMENTS

The Board of Directors expresses its gratitude for the important services rendered by Mr. Alexandre Lucena e Vale, Chairman of BPI's General Meeting and ultimately responsible for the Legal Division, who voluntarily resigned his position at the Bank at the end of 2021. The Board of Directors expresses its best wishes, both personal and professional, to Mr. Alexandre Lucena e Vale, who always acted upon the highest standards of competence and dedication during his important career at BPI, in positions of high responsibility.

The Board of Directors expresses equal recognition for the valuable contribution of Mr. António Farinha de Morais, who decided to retire in April 2021, thus resigning, of his own volition, from his positions as member of the Board of Directors and the Executive Committee. With great dedication and competence over more than three decades, Mr. António Farinha de Morais built a distinguished career, with top level responsibilities in areas such as operations, commercial networks, and, in the last 15 years, credit risks, where he greatly contributed to confirm BPI as a reference in the Portuguese financial system.

The Board of Directors would like to express its deep sorrow on the passing away in 2021 of Mr. Rui de Faria Lélis, who played an important role in the affirmation of BPI - Banco Português de Investimento since its foundation, as a member of its first Board of Directors and, later, of its first Executive Committee.

The Board of Directors is grateful for the permanent support of the shareholder and the dedicated, professional and competent contribution of the Employees for the results achieved in 2021, in such a difficult context, and for the confidence of its Customers, who once again gave the Bank market leadership in the main indicators of satisfaction and quality of service.

The Board also thanks and acknowledges the valuable contribution made by all the members of the Corporate Bodies who terminated their terms of office in 2021.

Finally, the Board notes with great appreciation the cooperation received from the Authorities, within the scope of their attributions.

Porto, 24 February 2022

The Board of Directors

SUPPLEMENTARY INFORMATION

ADOPTION OF THE FSB AND CEBS RECOMMENDATIONS

on the transparency of information and valuation of assets

The Bank of Portugal, through circular-letters 97 / 08 / DSBDR of 3 Dec. 2008 and 58 / 09 / DSBDR of 5 Aug. 2009, has recommended that within the accounting documents, a separate chapter or a specific annex be included in the Annual Report, designed to respond to the recommendations of the Financial Stability Board (FSB) and Committee of European Banking Supervisors (CEBS), taking into account the principle of proportionality and following the questionnaire presented as an annex to Bank of Portugal's circular-letter 46 / 08 / DSBDR. In order to comply with the Bank of Portugal's recommendation, the present chapter provides a response to the aforesaid questionnaire, using cross-references to the more detailed information presented in the 2021 Annual Report.

Recommendation Summary	Reference to 2021 Annual Report
I. Business Model	
1. Description of the business model	**MR** – *Business Model, page 20;* **NFS** – *1. Financial Group, page 206; 6. Segments, page 306.*
2. Description of strategies and objectives	**MR –** *Statement of the Board of Directors' Chairman, page 6; Statement of the Chief Executive Officer, page 8; Risk Management, page 26; Sustainable Profitability, page 58;* **NFS**–*3.Risk management, page 234*
3. Description of the importance of the operations carried out and the respective contribution to business	**MR** – *Individuals, Businesses, Premier and inTouch Banking, page 46; Private Banking, page 49; Corporate and Institutional Banking, page 50; Sustainable Profitability, page 58;* **NFS** – *6. Segments, page 306.*
4. Description of the type of activities undertaken 5. Description of the objective and extent of the institution's involvement relating to each activity undertaken	**MR** – *Individuals, Businesses, Premier and inTouch Banking, page 46; Private Banking, page 49; Corporate and Institutional Banking, page 50; Economic Backdrop in 2021, page 42; Sustainable Profitability, page 58; Risk Management, page 26*; **NFS** – 3. Risk management, page 234; 6. Segments, page 306.
II. Risks and Risk Management	
6. Description of the nature and extent of risks	**MR** – *Risk Management, page 26;* **NFS** – *2.7. Impairment of financial assets, page 220; 3. Risk management, page 234; Financial assets, notes 9 to 13, page 315; 38. Information on fair value, page 368.*
7. Description of major risk-management practices in operations	**MR** – *Risk Management, page 26;* **NFS** – *2.7. Impairment of financial assets, page 220; 2.8. Refinancing and restructuring operations, page 223; 3. Risk management, page 234 and Financial assets, notes 9 to 13, page 315;* **CGR** – *Corporate Governance Report, page 426.*
III. Impact of the Period of Turmoil on the Results	
8. Qualitative and quantitative description of the results	**MR** – *Sustainable Profitability, page 58;* ***NFS*** – *6. Segments, page 306; Detail of income statement captions, notes 26 to 37, page 360.*
9. Breakdown of the write-downs / losses by types of products and instruments affected by the period of turmoil	**NFS** – *3. Risk management, page 234; Financial assets, notes 9 to 12, page 315; 29. Gains or losses on financial assets and liabilities, page 363; 33. Impairment or reversal of impairments on financial assets not measured at fair value through profit or loss, page 367.*
10. Description of the reasons and factors responsible for the impact suffered	**MR** – *Sustainable Profitability, page 58; Economic Backdrop in 2021, page 42;* ***NFS*** – *3. Risk management, page 234.*
11. Comparison of the i) impacts between (relevant) periods and ii) the financial statements before and after the period of turmoil	**MR** – *Sustainable Profitability, page 58;* ***NFS*** – *6. Segments, page 306; Detail of income statement captions, notes 26 to 37, page 360.*

MR – Management Report; **NFS** – Notes to the Consolidated Financial Statements; **CGR** – Corporate Governance Report

Recommendation Summary	Reference to 2021 Annual Report
12. Breakdown of write-downs between realised and non-realised	**MR** – *Sustainable Profitability, page 58;* **NFS** *–Financial assets, notes 9 to 12, page 315; 23. Shareholders' equity, page 351; 29. Gains or losses on financial assets and liabilities, page 363.*
13. Description of the influence of the financial turmoil on the behaviour of Banco BPI shares	*Banco BPI has no shares admitted to trading on a regulated market. CaixaBank holds the entire share capital of Banco BPI since the end of 2018.*
14. Disclosure of the maximum loss risk	**MR** – *Risk Management, page 26;* **NFS** – *3. Risk management, page 234.*
15. Disclosure of the impact that the trend in spreads associated with the institution's own liabilities had on earnings	**MR** – *Sustainable Profitability, page 58;* ***NFS*** *– 26. Net interest income, page 360. The Bank did not revalue its liabilities.*
IV. Level and Type of Exposures Affected by the Period of Financial Turmoil	
16. Nominal value (or amortised cost) and fair value of exposures	**NFS** – *Financial assets, notes 9 to 12, page 315; 3. Risk management, page 234; 38. Information on fair value, page 368.*
17. Information about credit risk mitigators and respective effects on existing exposures	**MR –** *Risk Management, page 26;* **NFS –** *3.4.1. Credit risk, page 262; 13. Derivatives - hedge accounting, page 326.*
18. Detailed disclosure of exposures	**MR** – *Risk Management, page 26;* **NFS** – 3. Risk management, page 234; Financial assets, notes 9 to 13, page 315; 38. Information on fair value, page 368.
19. Movements in exposures occurred between the relevant reporting periods and the reasons for these movements (sales, write-downs, purchases, etc.)	**MR** – *Sustainable Profitability*, page 58; **NFS** – 3. Risk management, page 234; Financial assets, notes 9 to 13, page 315.
20. Explanations about exposures which have not been consolidated (or which have been recognised during the crisis) and the associated reasons	*Banco BPI consolidates all exposures in which it has control or significant influence, as provided for in IFRS 10, 11, IAS 28, IFRS 3 and IFRS 5. No changes were made to BPI Group's consolidation perimeter as a consequence of the period of turmoil in the financial markets.*
21. Exposure to monoline insurers and quality of the assets insured	*At 31 December 2021, BPI had no exposure to monoline insurers.*
V. Accounting Policies and Valuation Methods	
22. Classification of transactions and structured products for accounting purposes and respective accounting treatment	**NFS –** 2. Accounting policies, page 211; Financial assets, notes 9 to 13, page 315; 19. Financial liabilities at amortised cost, page 334; 38. Information on fair value, page 368.
23. Consolidation of Special Purpose Entities (SPE) and other vehicles and their reconciliation with the structured products affected by the period of turmoil	At 31 December 2021 BPI has no exposure.
24. Detailed disclosure of the fair value of financial instruments	**NFS** –Financial Assets at fair value, notes 9 to 11 and note 13, pages 315 and 326; 38. Information on fair value, page 368.
25. Description of the modelling techniques used for valuing financial instruments	**NFS** – 2. Accounting policies, page 211; 3. Risk management, page 234; Financial Assets at fair value, notes 9 to 11, page 315; 38. Information on fair value, page 368.
VI. Other Relevant Aspects of Disclosure	
26. Description of the disclosure policies and principles used in financial reporting	**CGR –** Corporate Governance Report, page 426.

MR – Management Report; **NFS** – Notes to the Consolidated Financial Statements; **CGR** – Corporate Governance Report

ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority (ESMA) published on 5 October 2015 a set of guidelines relating to the disclosure of Alternative Performance Measures by issuers (ESMA/2015/1415). These guidelines are to be obligatorily applied with effect from 3 July 2016.

BPI uses a set of indicators for the analysis of performance and financial position, which are classified as Alternative Performance Measures, in accordance with the above mentioned ESMA guidelines.

The information relating to these indicators has already been disclosed, as required by the ESMA guidelines.

In the present report, the information previously disclosed is inserted by way of cross-reference. A summarised list of the Alternative Performance Measures is presented next.

Units, conventional signs and abbreviations

€, Euros, EUR	Euros	p.p.	percentage points	net	Net
€ th., th. euros	Thousand euros	Δ	Change	vs.	Versus
M.€, M. euros	Million euros	yoy	year-on-year change	E	Estimate
€ Bn, € billion, th.M.€	billion euros or thousand million euros	n.a.	non-available data; non-applicable	F	Forecast
Tr.€, Tr. Euros	Trillion euros	0, –	Nil or irrelevant		
b.p., bps	basis points	n.s.	nonsense		

Reconciliation of the structure of the income statement of activity in Portugal

The following table shows, for the income statement of the activity in Portugal, the reconciliation of the structure presented in the Management Report with the structure presented in the financial statements and respective notes.

Amounts in M.€

In the Management Report	2021	2021	In the Financial Statements and respective notes
Net interest income	455.6	455.6	Net interest income
Dividend income	1.9	1.9	Dividend income
Equity accounted income	23.1	23.1	Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method
Net fee and commission income	288.2	308.2	Fee and commission income
		(20.0)	Fee and commission expenses
Gains / (losses) on financial assets and liabilities and other	10.0	0.2	Gains or (-) losses on derecognition of financial assets & liabilities not measured at fair value through profit or loss, net
		5.4	Gains or (-) losses on financial assets and liabilities held for trading, net
		(5.2)	Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net
		(2.1)	Gains or (-) losses from hedge accounting, net
		11.7	Exchange differences [gain or (-) loss], net
Other operating income and expenses	(27.4)	29.3	Other operating income
		(56.7)	Other operating expenses
Gross income	**751.3**	**751.3**	**GROSS INCOME**
Staff expenses	(260.9)	(260.9)	Staff expenses
Other administrative expenses	(135.6)	(135.6)	Other administrative expenses
Depreciation and amortisation	(61.2)	(61.2)	Depreciation and amortisation
Operating expenses	**(457.7)**	**(457.7)**	**Administrative expenses, depreciation and amortisation**
Net operating income	**293.6**	**293.6**	
Impairment losses and other provisions	(50.9)	(5.3)	Provisions or (-) reversal of provisions
		(45.6)	Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss
Gains and losses in other assets	(0.6)	(0.2)	Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates
		(0.9)	Impairment or (-) reversal of impairment on non-financial assets
		0.0	Gains or (-) losses on derecognition of non-financial assets, net
		0.5	Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations
Net income before income tax	**242.2**	**242.2**	**PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS**
Income tax	(63.6)	(63.6)	Tax expenses or (-) income related to profit or loss from continuing operations
Net income	**178.6**	**178.6**	**PROFIT OR (-) LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT**

Earnings, efficiency and profitability indicators

Defined by reference to the aforementioned structure of the income statement presented in the Management Report.

Gross income = Net interest income + Dividend income + Net fee and commission income + Equity accounted income + Gains/(losses) on financial assets and liabilities and other + Other operating income and expenses

Commercial banking gross income = Net interest income + Dividend income + Net fee and commission income + Equity accounted income excluding the contribution of stakes in African banks

Operating expenses = Staff expenses + Other administrative expenses + Depreciation and amortisation

Net operating income = Gross income - Operating expenses

Net income before income tax = Net operating income – Impairment losses and other provisions + Gains / (losses) in other assets

Cost-to-income ratio (efficiency ratio)[1] = Operating expenses / Gross income

Cost-to-core income ratio (core efficiency ratio)[1]= [(Operating expenses, excluding costs with early retirements and voluntary terminations and (only in 2016) gains with the revision of the Collective Labour Agreement (ACT) - Income from services rendered to CaixaBank Group (recorded in the caption "Other operating income and expenses")] / Commercial banking gross income

Return on Equity (ROE)[1]= Net income for the period, less the interest cost of AT1 capital instruments recorded directly in shareholders' equity / Average value in the period of shareholders' equity attributable to BPI shareholders, excluding AT1 capital instruments

Return on Tangible Equity (ROTE)[1]= Net income for the period, less the interest cost of AT1 capital instruments recorded directly in shareholders' equity / Average value in the period of shareholders' equity attributable to BPI shareholders (excluding AT1 capital instruments) after deduction of intangible net assets and goodwill of equity holdings

Return on Assets (ROA)[1]= (Net income attributable to BPI shareholders + Income attributable to non-controlling interests - preference shares dividends paid) / Average value in the period of total assets (net)

Unitary intermediation margin = Loan portfolio (excluding loans to Employees) average interest rate - Deposits average interest rate

Balance sheet and funding indicators

On-balance sheet Customer resources = Deposits

Assets under management [2] **=** Mutual funds + Capitalisation insurance + Pension funds

- Mutual funds = Unit trust funds + Real estate investment funds + Retirement-savings and equity-savings plans ("PPR" and "PPA" in Portuguese) + Hedge funds + Assets from funds under BPI Suisse management + Third-party unit trust funds placed with Customers
- Capitalisation insurance = third-party capitalisation insurance placed with Customers
- Pension Funds = pension funds under BPI management (includes BPI pension funds)

[1] Ratio refers to the last 12 months, except where otherwise indicated. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms.
[2] Amounts deducted of participation units in the Group banks' portfolios and of placements of off-balance sheet products (mutual funds and pension plans) in other off-balance sheet products.

Balance sheet and funding indicators (continued)

Subscriptions in public offerings = Customer subscriptions in third parties' public offerings

Total Customer resources = On-balance sheet Customer resources + Assets under management + Subscriptions in public offerings

Gross loans to customers = Gross Loans and advances to Customers (financial assets at amortised cost), excluding other assets (guarantee accounts and others) and reverse repos + Gross debt securities issued by Customers (financial assets at amortised cost)

Note: gross loans = performing loans + loans in arrears + interest receivable

Net loans to Customers = Gross loans to customers – Impairments for loans to customers

Loan to deposit ratio (CaixaBank criteria) = (Net loans to Customers - Funding obtained from the EIB, which is used to provide credit) / Deposits and retail bonds

Asset quality indicators

Impairments and provisions for loans and guarantees (in income statement) = Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss relative to loans and advances to Customers and to debt securities issued by Customers (financial assets at amortised cost), before deduction of recoveries of loans previously written off from assets, interest and others + provisions or reversal of provisions for commitments and guarantees

Cost of credit risk = Impairments and provisions for loans and guarantees (in income statement) - Recoveries of loans previously written off from assets, interest and other (in income statement)

Cost of credit risk as % of loan portfolio[1] = [Impairments and provisions for loans and guarantees (in income statement) - Recoveries of loans previously written off from assets, interest and other (in income statement)] / Average value in the period of the gross loans and guarantees portfolio

Performing loans = Gross customer loans - (overdue loans and interest + interest receivable and other)

NPE and NPL ratios = non-performing exposures (NPE) ratio and non-performing loans (NPL) ratio in accordance with the EBA criteria (prudential scope)

Non-performing loans ratio ("*crédito dudoso*", Bank of Spain criteria) = "crédito dudoso" (non performing loans according to Bank of Spain criteria) / (Gross Customer loans + guarantees)

Coverage by impairments (of NPE or NPL or "*crédito dudoso*") = [Impairments for loans and advances to Customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments] / (NPE or NPL or "*crédito dudoso*", as the case may be)

Coverage by impairments and associated collaterals (of NPE or NPL or "*crédito dudoso*") = [Impairments for loans and advances to Customers (financial assets at amortised cost) + Impairments for debt securities issued by Customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments + Collaterals associated to non-performing loans (NPE or NPL or "*crédito dudoso*")] / (NPE or NPL or "*crédito dudoso*", as the case may be)

Impairment coverage of foreclosed properties = Impairments for real estate received in settlement of defaulting loans / Gross value of real estate received in settlement of defaulting loans

[1] Ratio refers to the last 12 months, except where otherwise indicated. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms.

NON-FINANCIAL INFORMATION

Integrated reporting

This report was prepared based on the International Integrated Reporting <IR> Framework. This framework is made up of seven guiding principles and eight content elements, which are presented below.

Guiding Principles	Our Approach	Location
A) Strategic focus and future orientation	This report has been structured based on the Bank's strategy and capacity to create value in the short, medium and long term, taking into consideration the impact of the six IR capitals.	Value Creation Model, page 23 2019-2021 Strategic Plan – Global Results, page 54
B) Connectivity of information	This report presents in a clear manner the relationship between the Bank's strategic lines and its business, covering areas such as strategy, risks, sustainability and the operating environment.	Value Creation Model, page 23 Socially Responsible Bank – Society, pages 121 to 131 Economic Backdrop in 2021, pages 42 to 45
C) Stakeholder relationships	This report identifies BPI's main Stakeholders, the way in which the Bank responds to their needs and interests (through the identification of the most relevant topics for each group of Stakeholders), as well as the nature of the Bank's relationship with its Stakeholders (through the various communication channels adapted to the needs of each group).	Identity – Commitment to the Stakeholders page 16; Materiality, pages 17 and 18
D) Materiality	This report identifies the areas which have the greatest impact for BPI and its Stakeholders. To this end, a materiality matrix is developed each year, broken down by thematic areas.	Materiality, pages 17 and 18
E) Conciseness	This is the Bank's report that aggregates the non-financial statement, which allows it to provide sufficient and concise information for Stakeholders to form opinions and make decisions.	About this Report, page 4
F) Reliability and completeness	The preparation and disclosure of BPI's Annual Report is governed by specific internal regulations, which form an integral part of the Policy on the Management of Information Reliability Risk, to which the Report is also subject. The Management Report is subject to internal analyses and reviews and there are internal controls in place to obtain reasonable assurance as to the suitability, quality and reliability of the information. The external auditor verifies the consistency of the financial information with the financial statements. The Annual Report is subject to review by the Bank's management and supervisory bodies prior to approval by the shareholder.	About this Report, page 4
G) Consistency and comparability	BPI intends to continue to follow this framework in the coming years' Annual Reports. Consistency and comparability with previously reported information will be ensured and whenever there are changes in criteria / methodologies and others that materially affect comparability, a note will be made. Whenever possible, the previous year's information is presented on a comparable basis.	About this Report, page 4

Content Elements	Location
H) Organisational overview and external environment	Key indicators, pages 11 and 12; Identity – Mission, vision and values, page 15; 2019-2021 Strategic Plan – Global Results, pages 54 to 57; Economic Backdrop in 2021, pages 42 to 45; 2019-2021 Strategic Plan -Acknowledgements and Reputation, pages 89 to 93
I) Governance	Governance Model, pages 24 and 25; Corporate Governance Report; Socially Responsible Bank – Governance, pages 96 to 102
J) Business model	Business Model, pages 20 to 22
K) Risks and opportunities	Risk Management, pages 26 to 40; Socially Responsible Bank, pages 95 to 141
L) Strategy and resource allocation	2019-2021 Strategic Plan, pages 54 to 93
M) Performance	Key indicators, pages 11 and 12; 2019-2021 Strategic Plan – Global Results, pages 54 to 57; Commercial Banking Business, pages 46 to 53; Sustainable Profitability, pages 58 to 71; Consolidated and Individual Financial Statements
N) Outlook	Economic Backdrop in 2021, pages 42 to 45
O) Basis of preparation and presentation	Materiality, pages 17 and 18

European Taxonomy

Indicator	Description / Assumptions
Proportion in total assets of exposures to Taxonomy-eligible economic activities	Proportion in total covered assets of exposures to financial companies, companies subject to the NFRD, households and municipalities to support activities covered by the EU Taxonomy's Climate-delegated act
Proportion in total assets of exposures to Taxonomy non-eligible economic activities	Proportion in total covered assets of the exposure to financial companies, companies subject to the NFRD, households and government to support activities not covered by the EU Taxonomy's Climate-delegated act
Share of total assets linked to exposures to central governments, central banks, supranational issuers	Exposures to central governments, central banks and supranational issuers. These exposures are not included in total assets.
Proportion in total assets of exposures to derivatives	Proportion in total covered assets of non-trading portfolio derivatives (hedging derivatives)
Proportion in total assets of exposures to companies that are not required to publish non-financial information	Proportion in total covered assets of exposures to companies that are not required to publish non-financial information in accordance with Article 19, 29 of Directive 2013/34/EU (NFRD)
Proportion in total assets of the trading book	Proportion of trading book exposure in total covered assets. The trading book is not included in total assets.
Proportion of total interbank loans in total assets	Proportion of interbank market (credit institutions) exposure in total covered assets.

Global Reporting Initiative (GRI) Indicators

GRI indicators and correspondence with the requirements of Article 508-G of the Commercial Companies Code and CMVM's non-financial information disclosure template

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
GENERAL DISCLOSURES					
Organisational profile					
GRI 102: General Disclosures 2016	102-1	Name of the organisation	Business Model, page 20	Article 508-G (2) (a)	Part I – Information on adopted policies, B. Corporate Model
	102-2	Activities, brands, products and services	Business Model, pages 20 and 21		
	102-3	Location of headquarters	Avenida da Boavista, 1117 4100-129 Porto, Portugal		
	102-4	Location of operations	Business Model, pages 20-22		
	102-5	Nature of ownership and legal form	Business Model, pages 20-22		
	102-6	Markets served	Business Model, pages 20-22		
	102-7	Scale of the organisation	Business Model, pages 20-22		
	102-8	Information on Employees and other workers	Human Resources, page 79 Non-financial Information - GRI Indicators, page 167		
	102-9	Supply Chain	Socially Responsible Bank - Environment: Suppliers, pages 117 and 118		
	102-10	Significant changes to the organisation and its Supply chain	Socially Responsible Bank - Environment: Suppliers, pages 117 and 118		
	102-11	Precautionary principle or approach	Socially Responsible Bank , page 94; Socially Responsible Bank – Environment: Environmental Risk Management Area, pages 104 and 105		

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
GRI 102: General Disclosures 2016	102-12	External initiatives	Contribution to the SDG, page 137; Socially Responsible Bank – Society, page 121	Article 508-G (2) (a)	Part I – Information on adopted policies, B. Corporate Model
	102-13	Membership of associations	Socially Responsible Bank – Environment, page 103; Tax contribution, page 132 Contribution to SDG 17, page 141		
Strategy					
GRI 102: General Disclosures 2016	102-14	Statement of the Chief Executive Officer	Statement of the Chief Executive Officer, pages 8-10	Article 508-G (2) (a)	Part I – Information on adopted policies, C. Main Risk Factors
	102-15	Key impacts, risks, and opportunities	Risk Management – pages 26-40; Socially Responsible Bank, page 94; Socially Responsible Bank – Environment: Environmental Risk Management Policy and Environmental Risk Management Area, pages 104 and 105		
Ethics and Integrity					
GRI 102: General Disclosures 2016	102-16	Values, principles, standards and norms of behaviour	Identity – Mission, Vision and Values, page 15; Socially Responsible Bank – Governance, page 96	Article 508-G (2) - b), c), d)	Part 1 – Information on adopted policies, D. Implemented policies, V. Fight against corruption and bribery attempts
	102-17	Mechanisms for advice and concern about ethics	Socially Responsible Bank - Governance, page 96		
Governance					
GRI 102: General Disclosures 2016	102-18	Governance structure	Business Model, page 20; Socially Responsible Bank – Governance, page 96; Corporate Governance Report, page 426 – Information on shareholding structure, organisation and governance of the company, page 428	Article 508-G (2) - a)	Part 1 – Information on adopted policies, B. Corporate Model

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Stakeholder engagement					
GRI 102: General Disclosures 2016	102-40	List of Stakeholder groups	Identity – Commitment to the Stakeholders, page 15; Materiality, page 17	Article 508-G (2) - b), c), d)	Part 1 – Information on adopted policies, D. Implemented policies, ii. Social and Tax Policies
	102-41	Collective bargaining agreements	All the Employees are covered by collective bargaining agreements		
	102-42	Identifying and selecting Stakeholders	Identity – Commitment to the Stakeholders, page 16; Materiality, pages 17-19		
	102-43	Approach to Stakeholder engagement	Materiality, pages 17-19		
	102-44	Key topics and concerns raised	Materiality, pages 17-19		
Reporting practices					
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	Notes to the financial statements, note 1 – Financial Group, basis of presentation and other information, page 206		
	102-46	Defining report content and topic boundaries	Materiality, page 17; About this Report, page 4	Article 508-G (2) - b), c), d)	Part I – Information on adopted policies, A. Introduction Part II – Information on standards/guidelines followed
	102-47	List of material topics	Materiality, page 18		
	102-48	Restatements of information	Non-financial Information - GRI Indicators, pages 168 (note 3) and 170 (notes on restatement of 2020 information)		
	102-49	Changes in reporting	This is the second non-financial statement in accordance with the GRI Standards		
	102-50	Reporting period	The sustainability report relates to 2021		
	102-51	Date of most recent report	2020 Annual Report, Dec. 2020		

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
GRI 102: General Disclosures 2016	102-52	Reporting cycle	Annual	Article 508-G (2) - b), c), d)	Part I – Information on adopted policies, A. Introduction Part II – Information on standards/guidelines followed
	102-53	Contact points for questions regarding the report	Banco BPI S.A. Direção de Comunicação, Marca e Responsabilidade Social Avenida Casal Ribeiro, 59 1049-053 Lisboa BancoBPI@mail.BancoBPI.pt		
	102-54	Claims of reporting in accordance with the GRI Standards	This report was prepared in accordance with the GRI Standards for "in accordance – Core" option		
	102-55	GRI index	This table		
	102-56	External assurance	Not subject to independent external verification		
SPECIFIC STANDARD CONTENTS					
Economic Performance – Material topic: Financial strength and profitability					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4		
	103-2	The management approach and its components	Business Model, page 20		
	103-3	Evaluation of the management approach	2019-2021 Strategic Plan – Global Results, pages 54 and 55		
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	Non-financial Information - GRI Indicators, page 168		
	201-3	Defined benefit plan obligations and other retirement plans	Notes to the financial statements, note 22 – Liabilities for pensions and other benefits, page 344		
Indirect economic impacts					
GRI 203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	Socially Responsible Bank – Society, page 121		

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
GRI 203: Indirect economic impacts 2016	203-2	Significant indirect economic impacts	Tax and GDP contribution: Contribution to GDP and employment, page 136; Non-financial Information - GRI Indicators, page 168		
Procurement practices					
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	Socially Responsible Bank – Environment: Suppliers, pages 117 and 118; Non-financial Information - GRI Indicators, page 169		Part 1 – Information on adopted policies, D. Implemented policies, ii. Social and Tax Policies
Anti-corruption – Material topic: Good governance practices and principled conduct					
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Human Resources - Increasing Employee training and development, pages 80 and 82; Socially Responsible Bank – Governance, page 97	Article 508-G (2) (e)	Part 1 – Information on adopted policies, D. Implemented policies, V. Fight against corruption and bribery attempts
	205-3	Confirmed incidents of corruption and actions taken	Non-financial Information - GRI Indicators, page 169		
Anti-competitive behaviour – Material topic: Good governance practices and principled conduct					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4	Article 508-G (2) - b), c), d)	Part 1 – Information on adopted policies, D. Implemented policies, V. Fight against corruption and bribery attempts
	103-2	Evaluation of the management approach	Socially Responsible Bank – Governance, page 97		
	103-3	Evaluation of the management approach	Socially Responsible Bank – Governance, page 97		
GRI 206: Anti-competitive behaviour 2016	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Non-financial Information - GRI Indicators, page 169	Article 508-G (2) (e)	

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Taxation - Material topic: Good governance practices and principled conduct / Active risk management					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4	Article 508-G (2) - b), c), d)	Part I – Information on adopted policies, D. Implemented policies, ii. Social and Tax Policies
	103-2	The management approach and its components	Tax and GDP contribution, page 132		
	103-3	Evaluation of the management approach	Tax and GDP contribution, page 132		
GRI 207: Taxation, 2019	207-1	Approach to tax	Tax and GDP contribution, page 132	Article 508-G (2) (e)	
	207-2	Tax governance, control and risk management	Tax and GDP contribution, page 132		
	207-3	Stakeholder engagement and management of concerns related to tax	Tax and GDP contribution, page 132		
Energy – Material topic: Long-term vision and capacity to anticipate change / Sustainability					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4	Article 508-G (2) - b), c), d)	Part I – Information on adopted policies, D. Implemented policies, i. Environmental Policies
	103-2	The management approach and its components	Socially Responsible Bank – Environment, page 103		
	103-3	Evaluation of the management approach	Socially Responsible Bank – Environment, page 103		
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Socially Responsible Bank – Environment: Energy, page 109 and 110; Non-financial Information - GRI Indicators, pages 170 and 171	Article 508-G (2) (e)	
	302-4	Reduction of energy consumption			
Water					
GRI 303: Water and effluents 2018	303-5	Water consumption	Socially Responsible Bank – Environment: Water consumption, page 113; Non-financial Information - GRI Indicators, page 172	Article 508-G (2) (e)	Part I – Information on adopted policies, D. Implemented policies, i. Environmental Policies

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Emissions - Material topic: Long-term vision and capacity to anticipate change / Active risk management / Sustainability					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4	Article 508-G (2) - b), c), d)	Part 1 – Information on adopted policies, D. Implemented policies, i. Environmental Policies
	103-2	The management approach and its components	Socially Responsible Bank – Environment, page 103		
	103-3	Evaluation of the management approach	Socially Responsible Bank – Environment, page 103		
GRI 305: Emissions 2016	305-1	Direct greenhouse gas (GHG) emissions - Scope 1	Socially Responsible Bank – Environment: Emissions, pages 115 and 116; Non-financial Information - GRI Indicators, pages 172 and 176	Article 508-G (2) (e)	
	305-2	Indirect greenhouse gas (GHG) emissions - Scope 2	Socially Responsible Bank – Environment: Emissions, pages 115 and 116; Non-financial Information - GRI Indicators, pages 173 and 176		
	305-3	Indirect greenhouse gas (GHG) emissions - Scope 3	Socially Responsible Bank – Environment: Emissions, pages 115 and 116; Non-financial Information - GRI Indicators, pages 173-175 and 176		
Waste					
GRI 306: Waste 2020	306-3	Waste generation	Socially Responsible Bank – Environment: Waste production, page 114; Non-financial Information - GRI Indicators, page 177	Article 508-G (2) (e)	Part 1 – Information on adopted policies, D. Implemented policies, i. Environmental Policies
Environmental compliance – Material topic: Good governance practices and principled conduct					
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4	Article 508-G (2) - b), c), d)	Part 1 – Information on adopted policies, D. Implemented policies, i. Environmental Policies
	103-2	The management approach and its components	Socially Responsible Bank – Governance, page 97		

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
GRI 103: Management Approach	103-3	Evaluation of the management approach	Socially Responsible Bank – Governance, page 97	Article 508-G (2) - b), c), d)	Part 1 – Information on adopted policies, D. Implemented policies, i. Environmental Policies
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	Non-financial Information - GRI Indicators, page 177	Article 508-G (2) (e)	
Employment					
GRI 401: Employment 2016	401-1	New Employee hires and Employee turnover	Non-financial Information - GRI Indicators, pages 177-179	Article 508-G (2) (e)	Part 1 – Information on adopted policies, D. Implemented policies, iii. Employees, gender equality, and non-discrimination
Occupational health and safety					
GRI 403: Occupational health and safety 2018	403-9	Work-related injuries	Developing BPI's human resources, pages 79 and 80; Non-financial Information - GRI Indicators, pages 180 and 181	Article 508-G (2) (e)	Part 1 – Information on adopted policies, D. Implemented policies, iii. Employees, gender equality, and non-discrimination
	403-10	Work-related ill health	Developing BPI's human resources, pages 79 and 80; Non-financial Information - GRI Indicators, pages 180 and 181		
Training					
GRI 404: Training 2016	404-1	Average hours of training per year and per Employee	Developing BPI's human resources, page 82; Supplementary information: GRI indicators, page 182	Article 508-G (2) (e)	Part 1 – Information on adopted policies, D. Implemented policies, iii. Employees, gender equality, and non-discrimination
	404-3	Percentage of Employees receiving regular performance and career development reviews	Non-financial Information - GRI Indicators, page 183		

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Diversity and equal opportunities – Moderately important topic under DL 89/2017 requirements					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4	Article 508-G (2) - b), c), d)	Part 1 – Information on adopted policies, D. Implemented policies, iii. Employees, gender equality, and non-discrimination
	103-2	The management approach and its components	Developing BPI's human resources, page 79		
	103-3	Evaluation of the management approach	Developing BPI's human resources, page 79		
GRI 405: Diversity and equal opportunities 2016	405-1	Diversity of governance bodies and Employees	Developing BPI's human resources, page 79; Non-financial Information - GRI Indicators, page 184	Article 508-G (2) (e)	
	405-2	Ratio of basic salary and remuneration of women to men by significant locations of operation	Non-financial Information - GRI Indicators, pages 185 and 186		
Non-discrimination – Material topic: Good governance practices and principled conduct					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4	Article 508-G (2) - b), c), d)	Part 1 – Information on adopted policies, D. Implemented policies, iii. Employees, gender equality, and non-discrimination
	103-2	The management approach and its components	Developing BPI's human resources, page 79; Socially Responsible Bank – Governance, page 97		
	103-3	Evaluation of the management approach	Developing BPI's human resources, page 79; Socially Responsible Bank Governance, page 97		
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Non-financial Information - GRI Indicators, page 186	Article 508-G (2) (e)	

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Human rights assessment – Material topic: Respect for and protection of human and labour rights					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4	Article 508-G (2) - b), c), d)	Part 1 – Information on adopted policies, D. Implemented policies, iv. Human Rights
	103-2	The management approach and its components	Socially Responsible Bank – Governance, page 97; Socially Responsible Bank – Environment: Environmental Risk Management Policy, page 104		
	103-3	Evaluation of the management approach	Socially Responsible Bank – Governance, page 97; Socially Responsible Bank – Environment: Environmental Risk Management Policy, page 104		
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	Socially Responsible Bank - Environment: Suppliers, page 117 and 118	Article 508-G (2) (e)	
Marketing and labelling					
GRI 417: Marketing and labelling 2016	417-3	Incidents of non-compliance concerning marketing communications	Non-financial Information - GRI Indicators, page 187	Article 508-G (2) (e)	Part 1 – Information on adopted policies, D. Implemented policies, ii. Social and Tax Policies
Customer privacy – Material topic: Cybersecurity and information protection					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4	Article 508-G (2) - b), c), d)	Part I – Information on adopted policies, D. Implemented Policies, ii. Social and Tax Policies
	103-2	The management approach and its components	Customer Experience – Cybersecurity and data protection, pages 76-78		
	103-3	Evaluation of the management approach	Customer Experience – Cybersecurity and data protection, pages 76-78		
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of Customer privacy and losses of Customer data	Non-financial Information - GRI Indicators, page 187	Article 508-G (2) (e)	

GRI Standard		Content	Location / Omission	Correspondence with the requirements of DL no. 89 / 2017	CMVM's non-financial information disclosure template
Socioeconomic compliance – Material topic: Good governance practices and principled conduct / Active risk management					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4	Article 508-G (2) - b), c), d)	Part I – Information on adopted policies, D. Implemented Policies, ii. Social and Tax Policies
	103-2	The management approach and its components	Socially Responsible Bank – Governance, page 97		
	103-3	Evaluation of the management approach	Socially Responsible Bank – Governance, page 97		
GRI 419: Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Non-financial Information - GRI Indicators, page 187	Article 508-G (2) (e)	
Portfolio of products					
GRI FS: Portfolio of products	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose	Non-financial Information - GRI Indicators, page 188	Article 508-G (2) (e)	Part 1 – Information on adopted policies, D. Implemented policies, ii. Social and Tax Policies
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	Socially Responsible Bank – Environment: Products and services with sustainable criteria, pages 119 and 120; Non-financial Information - GRI Indicators, pages 188-190		
Material topic: The Bank's reputation					
GRI 103: Management approach	103-1	Explanation of the material topic and its boundary	Materiality, page 17; About this Report, page 4		Part 1 – Information on adopted policies, D. Implemented policies, ii. Social and Tax Policies
	103-2	The management approach and its components	Acknowledgement and reputation, page 89		
	103-3	Evaluation of the management approach	Acknowledgement and reputation, page 89		

GRI INDICATORS

GRI 102 General Disclosures

GRI 102-8 Information on Employees and other workers | Portugal and Switzerland

	Activity in Portugal						Activity in Switzerland					
	2020			2021			2020			2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
No. of Employees	**1 993**	**2 610**	**4 603**	**1 916**	**2 546**	**4 462**	**12**	**7**	**19**	**10**	**6**	**16**
% of total	43.3%	56.7%	100%	42.9%	57.1%	100%	63.2%	36.8%	100%	62.5%	37.5%	100%
Breakdown by Labour Contract												
Permanent	1 987	2 597	**4 584**	1 912	2 539	**4 451**	11	4	**15**	10	4	**14**
Temporary	6	13	**19**	4	7	**11**	1	3	**4**	0	2	**2**
Breakdown by Type of Employment												
Full Time	1 991	2 600	**4 591**	1 916	2 538	**4 454**	12	7	**19**	10	6	**16**
Part Time	2	10	**12**	0	8	**8**	0	0	**0**	0	0	**0**

GRI 102-8 Information on Employees and other workers | Consolidated

Activity in Portugal + BPI Switzerland	2020			2021		
	Men	Women	Total	Men	Women	Total
No. of Employees	**2 005**	**2 617**	**4 622**	**1 926**	**2 552**	**4 478**
% of total	43.4%	56.6%	100%	43.0%	57.0%	100%
Breakdown by Labour Contract						
Permanent	1 998	2 601	**4 599**	1 922	2 543	**4 465**
Temporary	7	16	**23**	4	9	**13**
Breakdown by Type of Employment						
Full Time	2 003	2 607	**4 610**	1 926	2 544	**4 470**
Part Time	2	10	**12**	0	8	**8**

GRI 200 Economic performance

GRI 201-1 Direct economic value generated and distributed

	Individual Accounts		Consolidated	
	2020	2021	2020	2021
Economic value generated				
Gross income	711.7	866.8	735.1	887.5
AT1 (Additional Tier I) interest costs	17.8	17.9	17.8	17.9
Economic value generated	**693.9**	**848.9**	**717.3**	**869.6**
Economic value distributed				
Employees[1]	260.7	257.6	264.4	260.9
Suppliers (other administrative expenses)[2]	130.9	130.2	132.3	131.5
Donations and other investments in the community[3]	6.0	4.1	6.0	4.1
Income taxes	18.9	69.0	20.1	71.6
Shareholders (dividends)	13.2	194.0	13.2	194.0
Economic value distributed	**429.6**	**654.9**	**435.9**	**662.0**
Economic value retained	**264.3**	**194.0**	**281.4**	**207.6**
Depreciation and amortisation	*(48.5)*	*(61.1)*	*(48.7)*	*(61.2)*
Impairments for loans and other	*(158.9)*	*(51.4)*	*(158.9)*	*(51.4)*
Economic value retained, net of depreciation, amortisation and impairments for loans and other	*56.9*	*81.4*	*73.8*	*94.9*

BPI's activity in the area of Social Responsibility is carried out in close collaboration with the "la Caixa" Foundation, a reference shareholder of the CaixaBank Group, of which BPI is part, and this is how the Bank channels part of the profits generated to support society.

Social investment through the joint intervention of BPI and the "la Caixa" Foundation reached 30.4 M.€ in 2021, which is 5% more than in 2020.

[1] Employee wages and benefits, pension, social security and early retirement costs, and other staff expenses.
[2] Excludes donations and sponsorships.
[3] The amount distributed to the community is now considered as donations and sponsorships, recognised under "other administrative expenses". The 2020 amount was restated. The 2020 Annual Report considered 'membership fees and donations'.

GRI 203-2 Significant indirect economic impacts

	2020	2021
Gross Added Value (GAV) generated by BPI (M.€)	582	628
As % of financial sector GAV	6.4%	6.8%
Contribution to GDP (M.€)	845	913
As % of GDP	0.42%	0.43%
Indirect job creation (thousand)	6.4	6.7

Methodological notes: Total contribution to GDP and indirect job creation

The wealth generated by a company during a given period is represented by Gross Value Added (GVA), which corresponds to the value of the production of goods and services in the period minus intermediate consumption. In the calculation for BPI, GVA was defined as Gross Income plus the contribution on the banking sector and "Solidarity Surcharge on the Banking Sector" minus Gains / losses on financial assets and liabilities and Other administrative expenses. This amount represents BPI's direct contribution to GDP.

BPI's total contribution to GDP also takes into account the additional positive effect on the rest of the economy (indirect effect). This total contribution is estimated by applying the multiplier disclosed by INE for the financial services industry to the GVA generated by BPI.

Indirect job creation induced by BPI's activity is estimated based on the Bank's indirect contribution to GDP, mentioned above, and the average labour productivity in the economy, given by the ratio of nominal GDP to total employment in the economy.

GRI 204-1 Proportion of spending on local Suppliers

	2020	**2021**
Total no. of Suppliers	2 877	3 241
Total no. of national Suppliers (Portuguese taxpayer number)	2 713	3 082
Total annual spending on total Suppliers (M.€)	255.2	227.8
Total annual spending on total national Suppliers (M.€)	213.8	181.9
Percentage of the procurement budget used for significant locations of operation that is spent on Suppliers local to that operation (%)[1]	84%	80%
Percentage of national Suppliers (%)	94%	95%

GRI 205-2 Communication and training about Anti-corruption Policies and Procedures

	2021
Employees who took notice of the Bank's policies in 2021 (%)	96%
Members of the Management and Supervisory bodies who took notice of the Bank's Policies (%)	93%
Employees who received training in Ethics and Conduct (%)	98%
Members of the Management and Supervisory bodies who received training in Ethics and Conduct (%)	100%

BPI provides annual training on matters of Ethics and Conduct. In 2021, this mandatory training focused on the Management of Conflicts of Interest.

At the same time, there is an IT platform that ensures that all Employees and members of the corporate bodies are aware of the Ethics and Conduct Policies.

GRI 205-3 Confirmed incidents of corruption and actions taken

In 2021 there were no incidents of corruption.

GRI 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

In 2021, there is a pending lawsuit falling within the scope of disclosure GRI 206-1.

[1] Significant locations of operation are considered as all the operations in Portugal.

GRI 300 Environmental Performance

Methodological Notes:

- The environmental indicators include Banco BPI data.
- Consumptions were obtained based on supplier invoicing.

Notes on restatement of 2020 information:

- Total consumption of electricity and natural gas due to the updating of the amounts based on the full billing of the year, and update of the energy amount.
- Scope 1 GHG emissions due to the updating of the electricity and natural gas consumption. Scope 3 GHG emissions due to the correction of emission factors associated with paper consumption and business travel.
- Energy intensity due to the updating of electricity consumption data and number of employees.

GRI 302-1 Energy consumption within the organisation

Energy consumption	2020	2021
Diesel – generators (l)	400	0
Diesel – car fleet (l)	732 382	479 078
Petrol – car fleet (l)	69 687	456 311
Natural gas – Central Buildings boilers[1] (kWh)	531 543	235 317
Electricity[2] (kWh)	21 140 610	17 161 309

The following conversion factors were used to convert each energy consumption into GJ:

Energy conversion	Factor	Unit	Amount	Source
Diesel	PCI	GJ/t	42.6	DGEG, 2020 Energy Conversions
Diesel	Density	kg/l	0.84	DGEG, 2020 Energy Conversions
Petrol	PCI	GJ/t	43.8	DGEG, 2020 Energy Conversions
Petrol	Density	kg/l	0.75	DGEG, 2020 Energy Conversions
Natural gas	PCI	$GJ/Nm^3 \times 10^3$	38.54	DGEG, 2020 Energy Conversions
Natural gas	kwh	GJ/kWh	0.0036	DGEG, 2020 Energy Conversions
Propane Gas	PCI	GJ/t	46.0	DGEG, 2020 Energy Conversions
Electricity	kWh	GJ/kWh	0.0036	DGEG, 2020 Energy Conversions

[1] Updating of the 2020 natural gas consumption figures in m^3. The value for December 2021 is an estimate based on the value for December 2020.
[2] Updating of the 2020 Electricity consumption figures The figure for the last two months of 2021 was estimated based on the remaining months of the year.

GRI 302-1 Energy consumption within the organisation (cont.)

Resulting in the consumptions (GJ) presented in the Non-Financial Statement:

Energy consumption	2020	2021	Δ(%)
Diesel – generators [GJ]	14	0	(100%)
Diesel – car fleet [GJ]	26 208	17 184	(34%)
Petrol – car fleet [GJ]	2 300	14 990	552%
Natural gas [1] – Central Buildings boilers [GJ]	1 914	847	(56%)
Electricity [2] [GJ]	76 106	61 781	(19%)
Total	**106 541**	**94 801**	**(11%)**

Banco BPI calculates the fuel consumption of its own fleet (Galp cards) and other vehicles at the service of the Company whose expenses are reimbursed upon presentation of the invoice. In this second case, the number of litres consumed is calculated through the average price per litre of the fuel used in 2021:

Fuel	€/litre (average annual amount)
Diesel	1.423
Petrol	1.621

The data source is Galp – Frota, the supplier.

GRI 302-4 Reduction of energy consumption

Description of measure implemented	Types of energy included in the reductions	Extent of energy consumption reduction, if possible (th. €)	Unit	Implementation / acquisition (date)
Monitoring of central buildings' energy consumption, with optimisation of lighting and HVAC schedules, as well as set-points for HVAC.	Electricity consumption	Non available	Non available	2021
Monitoring of energy consumption in 70 units of the commercial network, with optimisation of lighting and HVAC schedules	Electricity consumption	Non available	Non available	2021
Continuation of the project for the replacement and modernisation of HVAC equipment.	Electricity consumption	Non available	Non available	2021

[1] Updating of the 2020 natural gas consumption figures in m^3. The value for December 2021 is an estimate based on the value for December 2020.
[2] Updating of the 2020 Electricity consumption figures. The figure for the last two months of 2021 was estimated based on the remaining months of the year.

GRI 303-5 Total water consumption

The figures presented for water consumption consider the following:

- Actual consumption in the Central Buildings, in m^3, based on data requested from the suppliers, represents 31% in 2020 and 25% in 2021 of BPI's total water consumption at national level.
- The Commercial Network consumption, in m^3, calculated for the Lisbon and Porto facilities based on data requested from the suppliers, represents approximately 20% of the total Network consumption. The consumption of the remaining facilities of the National Network was extrapolated based on the estimated specific consumption of 6.9 m^3/employee in 2020 and 6.7 m3/employee in 2021, assuming a factor of 15% for anomalous situations (i.e., leaks, works, others).
- The consumptions for November and December 2021 were estimated based on the remaining months of the year.

Water consumption	2020	2021	Δ (%)
Central Buildings [m^3]	11 284	6 576	(42%)
Commercial Network [m^3]	25 537	19 845	(22%)
Total [m^3]	36 821	26 421	(28%)

GRI 305-1 Direct greenhouse gas (GHG) emissions - Scope 1

The calculation of direct emissions - Scope 1 considered the energy consumption reported in indicator 302-1 and the following Emission Factors (EF):

Emission Factors	Unit	Amount	Source
Diesel – stationary combustion	kg CO2eq/l	2.88	BPI own calculation based on the IPCC emission factor
Diesel – mobile combustion	kg CO2eq/l	2.72	APA 2021, National Inventory Report and IPCC EF
Petrol – mobile combustion	kg CO2eq/l	2.40	APA 2021, National Inventory Report and IPCC EF
Natural gas	kg CO2e/kWh	0.20	APA 2021, National Inventory Report and IPCC EF
R-407C	kgCO2e/kg	1774	Global Warming Potential indicated in the IPCC Fourth Assessment Report
R-410A	kgCO2e/kg	2088	Global Warming Potential indicated in the IPCC Fourth Assessment Report

GRI 305-2 Indirect greenhouse gas (GHG) emissions - Scope 2

The emissions associated with electricity production - Scope 2 took into account the electricity consumption reported in indicator 302-1 and the emission factors of each supplier:

Emission Factors	Unit	Amount	Source
Galp Power 2021 – Market Based	kgCO2/kWh	0	Galp Power, 2021
EEM – Market Based	kgCO2/kWh	0.485	EEM, 2021
EDA – Market Based	kgCO2/kWh	0.422	EDA, 2021
Galp Power 2021 – Location Based	kgCO2/kWh	0.250	Directorate-General of Energy and Geology (Portugal) - last available factor (2019)

GRI 305-3 Indirect greenhouse gas (GHG) emissions - Scope 3

The calculation of indirect emissions - Scope 3 considered the following Emission Factors (EF):

Emission Factors	Unit	Amount	Source
Printer toner	kg CO2e /unit	12.04	Ecoinvent 3.7
Advertising vinyl	kgCO2e/m2	0.83	Ecoinvent 3.7
Plastic - Water bottles	kgCO2e/kg	2.75	Ecoinvent 3.7
Mains water	kgCO2e/m3	0.40	Practical guide for calculating GHG emissions OCCC. June 2021 version
Recycled paper	kgCO2e/kg	2.47	Ecoinvent 3.7
White paper	kgCO2e/kg	3.61	Ecoinvent 3.7
Office machines and computers	kgCO2e/€	0.46	DEFRA – "2012 Guidelines to DEFRA. Annex 13 - Indirect emissions from the supply chain"
Electricity (CV generation)	kg CO2e/kWh	0.05	DEFRA 2021. Version 1.0 - WTT- overseas electricity (generation)
Electricity (T&D + CV T&D)	kg CO2e/kWh	0.03	DEFRA 2021. Version 1.0 - WTT- overseas electricity (T&D); IEA (2021), Emission Factors - Adjustment for transmission and distribution losses induced emissions

GRI 305-3 Indirect greenhouse gas (GHG) emissions - Scope 3 (cont.)

Emission Factors	Unit	Amount	Source
Metal waste	kgCO2e/kg	0.35	Ecoinvent 3.8
Paper and cardboard packaging	kgCO2e/kg	0.14	Ecoinvent 3.8
Plastic packaging	kgCO2e/kg	1.36	Ecoinvent 3.8
Glass containers	kgCO2e/kg	0.30	Ecoinvent 3.8
Mixed packaging	kgCO2e/kg	0.50	Ecoinvent 3.8
Waste containing hydrocarbons	kgCO2e/kg	2.39	Ecoinvent 3.8
Wood	kgCO2e/kg	0.01	Ecoinvent 3.8
Iron and steel	kgCO2e/kg	0.03	Ecoinvent 3.8
Paper and cardboard	kgCO2e/kg	0.14	Ecoinvent 3.8
Glass	kgCO2e/kg	0.30	Ecoinvent 3.8
Discarded electrical and electronic equipment	kgCO2e/kg	0.04	Ecoinvent 3.8
Plastic	kgCO2e/kg	1.36	Ecoinvent 3.8
Metal	kgCO2e/kg	0.35	Ecoinvent 3.8
Other municipal waste and similar (including mixed waste)	kgCO2e/kg	0.20	Ecoinvent 3.8
Sludge from septic tanks	kgCO2e/kg	0.04	Ecoinvent 3.8
Plane - Short-haul - Economy class	kgCO2e/p*km	0.08	DEFRA 2021 Version 1.0 Business travel - air
Plane - Short-haul - Business class	kgCO2e/p*km	0.12	DEFRA 2021 Version 1.0 Business travel - air
Plane - Long-haul - Economy class	kgCO2e/p*km	0.08	DEFRA 2021 Version 1.0 Business travel - air
Plane - Long-haul - Business class	kgCO2e/p*km	0.23	DEFRA 2021 Version 1.0 Business travel - air
Train - National Rail	kgCO2e/p*km	0.04	DEFRA 2021 Version 1.0 Business travel - land
Train - International Rail	kgCO2e/p*km	0.004	DEFRA 2021 Version 1.0 Business travel - land
Other travel (taxi, uber, train, express)	kgCO2e/km	0.11	DEFRA 2021. Version 1.0 Business travel- land. Average emission factors
Leased Vehicles - Diesel A	kg CO2eq/l	2.72	APA – National Inventory Report 2021 and IPCC emission factor
Leased Vehicles - Petrol	kg CO2eq/l	2.40	APA – National Inventory Report 2021 and IPCC emission factor

GRI 305-3 Indirect greenhouse gas (GHG) emissions - Scope 3 (cont.)

Emission Factors	Unit	Amount	Source
Urban bus	kg CO2e/passenger.km	0.10	DEFRA 2021. Version 1.0 Business travel- land
Intercity bus	kg CO2e/passenger.km	0.03	DEFRA 2021. Version 1.0 Business travel- land
Electric bicycle	kgCO2/kWh	0.25	Own calculation based on the DGEG/APA EF (EF - National Electroproduction System) and average motor efficiency
Normal bicycle	kg CO2e/km	0.00	Zero emissions
Walks	kg CO2e/km	0.00	Zero emissions
Diesel car	kg CO2e/km	0.17	DEFRA 2021. Version 1.0 Business travel- land
Petrol car	kg CO2e/km	0.17	DEFRA 2021. Version 1.0 Business travel- land
Electric car	kgCO2/kWh	0.25	Own calculation based on the DGEG/APA EF (EF - National Electroproduction System) and average motor efficiency.
LPG car	kg CO2e/km	0.20	DEFRA 2021. Version 1.0 Business travel- land
Hybrid car	kg CO2e/km	0.12	DEFRA 2021. Version 1.0 Business travel- land
Long-haul train	kg CO2e/passenger.km	0.04	DEFRA 2021. Version 1.0 Business travel- land
Regional train	kg CO2e/passenger.km	0.03	DEFRA 2021. Version 1.0 Business travel- land
Suburban train	kg CO2e/passenger.km	0.03	DEFRA 2021. Version 1.0 Business travel- land
Normal motorcycle	kg CO2e/km	0.11	DEFRA 2021. Version 1.0 Business travel- land
Tramway	kg CO2e/passenger.km	0.03	DEFRA 2021. Version 1.0 Business travel- land
Subway	kg CO2e/passenger.km	0.03	DEFRA 2021. Version 1.0 Business travel- land
Normal scooter	kg CO2e/km	0.08	DEFRA 2021. Version 1.0 Business travel- land
Electric scooter	kgCO2/kWh	0.25	Own calculation based on the DGEG/APA EF (EF - National Electroproduction System) and average motor efficiency
Electric skate	kgCO2/kWh	0.25	Own calculation based on the DGEG/APA EF (EF - National Electroproduction System) and average motor efficiency
Boat	kg CO2e/passenger.km	0.02	DEFRA 2021. Version 1.0 Business travel - sea
Scooter	kg CO2e/km	0.00	Zero emissions

GRI 305-1/305-2/305-3 Direct greenhouse gas (GHG) emissions (cont.)

The application of these assumptions resulted in the emissions inventory presented in the Non-Financial Statement:

GHG emissions (t CO2e)

	2020	2021	Δ (%)
Direct GHG Emissions (Scope 1)	**1 999**	**2 548**	27%
Emergency Generators (diesel)	1	0	(100%)
BPI Fleet (diesel and petrol)	1 889	2 400	27%
Natural Gas Equipment	109	48	(56%)
Cooling gas leaks (air conditioning)	na	100	-
Indirect GHG Emissions (Scope 2)[1]	**7 632**	**282**	(96%)
Electricity (location-based method)	6 410	4 342	(32%)
Electricity (market-based method)	7 632	282	(96%)
Indirect GHG Emissions (Scope 3)	**872**	**4 483**	**414%**
3.1 Purchase of goods and services [2]	800	1 887	136%
3.2 Capital Goods	na	1 156	-
3.3 Other energy-related emissions	na	466	-
3.5 Waste Treatment	na	20	-
3.6 Business travel [2]	72	87	19%
3.7 Commuting	na	869	-
Total GHG emissions (Scopes 1+2 market based +3)	**10 503**	**7 313**	**(30%)**

[1] Includes two different approaches as required by the GHG Protocol: (i) location-based method, which takes into account the average intensity of GHG emissions associated with the production of electricity distributed through the national grid; (ii) market-based method, which reflects the GHG emissions associated with the energy mix provided by the electricity supplier.

[2] The 2020 data were corrected for new emission sources.

GRI 306-3 Waste generated[1]

	2020	2021	Δ (%)
Paper and Cardboard [t]	134	94	(30%)
Paper and Cardboard packaging [t]	3	8	154%
Plastic [t]	1	3	333%
Other [t]	1	10	1422%
Total [t]	**139**	**116**	**(16%)**

GRI 307-1 Non-compliance with environmental laws and/or regulations

In 2020 and 2021 no fines were imposed for non-compliance with environmental laws and/or regulations.

GRI 400 Social disclosures

GRI 401-1 New employee hires and employee turnover | Number of new hires and departures by age group and gender

Activity in Portugal + BPI Switzerland	2020								2021							
	Age Bracket					Gender		Total	Age Bracket					Gender		Total
	<30	30 to 39	40 to 49	50 to 59	>59	Men	Women		<30	30 to 39	40 to 49	50 to 59	>59	Men	Women	
New hires																
Manager	-	-	-	2	-	2	-	**2**	-	1	4	-	-	4	1	**5**
Middle management	3	2	1	1	-	3	4	**7**	-	-	-	-	-	-	-	**-**
Other Employees	21	16	7	3	-	21	26	**47**	22	27	7	-	-	17	39	**56**
Total	**24**	**18**	**8**	**6**	**-**	**26**	**30**	**56**	**22**	**28**	**11**	**-**	**-**	**21**	**40**	**61**
Departures																
Manager	-	2	2	13	18	24	11	**35**	-	-	4	16	7	17	10	**27**
Middle management	-	-	5	5	4	13	1	**14**	1	2	9	9	2	12	11	**23**
Other	72	51	42	48	28	114	127	**241**	20	32	33	63	30	84	94	**178**
Total	**72**	**53**	**49**	**66**	**50**	**151**	**139**	**290**	**21**	**34**	**46**	**88**	**39**	**113**	**115**	**228**

[1] Waste accounted for based on the Integrated Waste Registration Map.

GRI 401-1 New employee hires and employee turnover | Number of new hires and departures by country and gender

Activity in Portugal + BPI Switzerland	2020				2021			
	Men	**Women**	**Total**	**%**	**Men**	**Women**	**Total**	**%**
New hires (no.)								
Portugal	22	27	**49**	1%	21	40	**61**	1.4%
BPI Switzerland	4	3	**7**	37%	-	-	**-**	-
Total	**26**	**30**	**56**		21	40	**61**	
Departures (no.)								
Portugal	149	137	**286**	6%	111	114	**225**	5.0%
BPI Switzerland	2	2	**4**	21%	2	1	**3**	18.8%
Total	**151**	**139**	**290**		**113**	**115**	**228**	

Methodological Notes:

The number of new hires and departures was calculated based on the following formula:

- Total percentage of new hires = (Total no. new hires / Total no. Employees) x 100
- Total percentage of departures = (Total no. departures / Total No. Employees) x 100

GRI 401-1 New employee hires and employee turnover | Rate of new employee hires and turnover

Activity in Portugal + BPI Switzerland	2020								2021							
	Age Bracket					Gender		Total	Age Bracket					Gender		Total
	<30	30 to 39	40 to 49	50 to 59	>59	Men	Women		<30	30 to 39	40 to 49	50 to 59	>59	Men	Women	
Rate of new hires																
Manager	0%	0%	0%	1%	0%	1%	0%	**1%**	0%	11%	4%	0%	0%	2%	1%	**2%**
Middle management	100%	5%	0%	1%	0%	1%	1%	**1%**	0%	0%	0%	0%	0%	0%	0%	**0%**
Other	15%	2%	0%	0%	0%	1%	1%	**1%**	19%	5%	0%	0%	0%	1%	2%	**2%**
Total	**16%**	**2%**	**0%**	**1%**	**0%**	**1%**	**1%**	**1%**	**18%**	**4%**	**0%**	**0%**	**0%**	**1%**	**2%**	**1%**
Turnover rate																
Manager	0%	25%	1%	6%	67%	9%	8%	**9%**	0%	0%	4%	9%	32%	8%	10%	**8%**
Middle management	0%	0%	1%	3%	67%	4%	0%	**2%**	33%	6%	2%	4%	15%	3%	4%	**4%**
Other	51%	7%	2%	6%	47%	8%	6%	**7%**	17%	5%	2%	7%	77%	6%	4%	**5%**
Total	**49%**	**6%**	**2%**	**6%**	**54%**	**8%**	**5%**	**6%**	**17%**	**5%**	**2%**	**7%**	**53%**	**6%**	**5%**	**5%**

Methodological Notes:

The rate of new employee hires and turnover was calculated based on the following formulas:

- Rate of new hires = (no. of new hires / total no. of employees) x 100
- Turnover rate = (no. of departures during the reporting period / Total no. of employees at the end of the reporting period) x 100

GRI 403-9/10 Work-related injuries and work-related ill health

Activity in Portugal + BPI Switzerland	2020			2021		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
No. of injuries with sick leave	7	22	**29**	4	6	**10**
No. of injuries with sick leave of more than 6 months (absence of more than 180 days)	0	0	**0**	0	0	**0**
No. of injuries with and without sick leave	10	32	**42**	13	26	**39**
No. of cases of work-related ill health	0	0	**0**	0	2	**2**
No. of deaths resulting from work-related injuries	0	0	**0**	0	0	**0**
No. of deaths resulting from work-related ill health	0	0	**0**	0	0	**0**
Hours worked[1] (in million)	3.4	4.2	**7.6**	3.2	4.0	**7.3**
Mortality rate as a result of work-related injuries	0.00	0.00	**0.00**	0.00	0.00	**0.00**
Rate of high-consequence work-related injuries (excluding fatalities)	0.00	0.00	**0.00**	0.00	0.00	**0.00**
Rate of recordable work-related injuries	2.95	7.68	**5.56**	4.01	6.43	**5.35**
The main types of work-related injury				▪ Commuting ▪ Work place ▪ Lunch break		
Main types of work-related ill-health				▪ Paralysis and Tenosynovitis ▪ Chronic laryngitis		

[1]Includes hours worked and recorded in the "Work Times" application for Employees who are part of Banco BPI's Headcount on the last day of the closing month of the quarter, respectively, Dec/20, Q1, Q2 and Q3 2021.

GRI 403-9/10 Work-related injuries and work-related ill health (cont.)

Activity in Portugal + BPI Switzerland	2020		2021	
	No.	Rate	No.	Rate
Work-related injuries				
Deaths resulting from work-related injuries	0	0	0	0
High-consequence work-related injuries	0	0	0	0
Work-related injuries	42	5.56	39	5.35
Hours worked (in million)	7.6	-	7.3	-
Work-related ill-health				
Deaths resulting from work-related ill health	0	0	0	0
Work-related ill health	0	0	0	0

Methodological notes:

High-consequence work-related injuries were considered as injuries that led to an average sick leave of more than 6 months.

GRI 404-1 Average hours of training per year per employee, gender and employee category | Annual training per employee, gender and employee category

Employees and no. of training hours per employee category

Activity in Portugal + BPI Switzerland	2020		2021	
	No. of Employees	No. of training hours	No. of Employees	No. of training hours
Manager	394	17 thousand	317	14 thousand
Middle management	613	40 thousand	647	31 thousand
Other	3 615	177 thousand	3 466	136 thousand
Total	**4 622**	**234 thousand**	**4 430**[1]	**180 thousand**[2]

Employees and no. of training hours per gender

Activity in Portugal + BPI Switzerland	2020		2021	
	No. of Employees	No. of training hours	No. of Employees	No. of training hours
Men	2 005	102 thousand	1 915	77 thousand
Women	2 617	132 thousand	2 515	103 thousand
Total	**4 622**	**234 thousand**	**4 430**	**180 thousand**

GRI 404-1 Average hours of training per year per employee, gender and employee category | Average annual hours of training per employee, gender and employee category

Activity in Portugal + BPI Switzerland	2020	2021
Per gender		
Men	51	40
Women	51	41
Per Employee category		
Manager	44	43
Middle management	65	48
Other	50	39
Per Employee	51	41

Methodological notes:

The average number of hours of training was calculated based on the following formulas:

- Average annual training hours: Total annual training hours/ Total number of company Employees.
- Average training hours per employee category/gender: Total training hours per employee category and/or gender/ Total number of Employees per employee category and/or gender.

[1] Employees who completed at least one training session during 2021 and were part of the headcount on 31-12-2021.
[2] Only Employees who were part of the headcount on 31-12-2021 were considered.

GRI 404-3 Percentage of employees receiving regular performance and career development reviews

Activity in Portugal + BPI Switzerland	2020			2021		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Total Employees who receive performance review						
Manager	222	115	**337**	171	91	**262**
Middle management	331	272	**603**	362	277	**639**
Other	1 331	2 025	**3 356**	1 293	1 989	**3 282**
Total	**1 884**	**2 412**	**4 296**	**1 826**	**2 357**	**4 183**
Percentage of Employees who regularly receive performance review						
Manager	84%	88%	**85%**	80%	88%	**82%**
Middle management	99%	97%	**98%**	99%	98%	**99%**
Other	95%	92%	**93%**	96%	92%	**93%**
Total	**94%**	**92%**	**93%**	**95%**	**92%**	**93%**

Methodological notes:

The following formula was used to calculate the percentage of Employees who received a performance review:

- Percentage of Employees who received performance review: total Employees who received performance review per gender and/or employee category / total Employees per gender and/or employee category.

GRI 405-1 Diversity of governance bodies and employees by Employee category, gender, age bracket, minority and other indicators of diversity

Activity in Portugal + BPI Switzerland	2020									2021								
	Employees		Per age bracket					Per gender		Employees		Per age bracket					Per gender	
	No.	% of total	<30	30 to 39	40 to 49	50 to 59	>59	Men	Women	No.	% of total	<30	30 to 39	40 to 49	50 to 59	>59	Men	Women
Workforce																		
Manager	**395**	**9%**	0%	2%	36%	55%	7%	67%	33%	**318**	**7%**	0%	3%	32%	58%	7%	67%	33%
Middle management	**613**	**13%**	0%	7%	63%	29%	1%	54%	46%	**648**	**14%**	0%	5%	57%	35%	2%	56%	44%
Other	**3 614**	**78%**	4%	21%	52%	21%	2%	39%	61%	**3 512**	**78%**	3%	17%	55%	24%	1%	38%	62%
Total	**4 622**	**100%**	**3%**	**18%**	**52%**	**25%**	**2%**	**43%**	**57%**	**4 478**	**100%**	**3%**	**14%**	**54%**	**28%**	**2%**	**43%**	**57%**
Of which: Employees with disability																		
Manager	**9**	**8%**	0%	0%	44%	33%	22%	33%	67%	**7**	**6%**	0%	0%	29%	43%	29%	43%	57%
Middle management	**9**	**8%**	0%	11%	44%	44%	0%	44%	56%	**16**	**13%**	**0%**	0%	50%	44%	6%	31%	69%
Other	**94**	**84%**	1%	13%	40%	45%	1%	22%	78%	**97**	**81%**	**1%**	12%	38%	46%	2%	23%	77%
Total	**112**	**100%**	**1%**	**12%**	**41%**	**44%**	**3%**	**25%**	**75%**	**120**	**100%**	**1%**	**10%**	**39%**	**46%**	**4%**	**25%**	**75%**

GRI 405-2 Ratio of basic salary and remuneration of women to men by significant locations of operation

Activity in Portugal	2020			2021		
	Men	Women	Total	Men	Women	Total
Number of Employees per employee category and gender (no.)[1]						
Manager	258	131	**389**	209	104	**313**
Middle management	331	275	**606**	365	278	**643**
Other	1 404	2 204	**3 608**	1 342	2 164	**3 506**
Total	**1 993**	**2 610**	**4 603**	**1 916**	**2 546**	**4 462**
Total monthly basic salary per employee category and gender (M.€)[1]						
Manager	21.1	8.4	**29.5**	17.8	7.0	**24.8**
Middle management	13.6	10.7	**24.4**	15.9	11.3	**27.1**
Other	40.3	55.8	**96.2**	38.9	55.9	**94.9**
Total	**75.1**	**75.0**	**150.1**	**72.6**	**74.2**	**146.8**
Total monthly remuneration per employee category and gender (M. €)[1]						
Manager	25.2	10.2	**35.5**	20.5	8.3	**28.7**
Middle management	14.4	11.4	**25.8**	16.8	11.9	**28.6**
Other	41.8	57.7	**99.5**	40.1	57.4	**97.5**
Total	**81.4**	**79.3**	**160.7**	**77.3**	**77.6**	**154.9**

[1] Only includes Employees comprised in the Activity in Portugal.

GRI 405-2 Ratio of basic salary and remuneration of women to men by significant locations of operation (cont.)

Activity in Portugal + BPI Switzerland	2020				2021			
	Men	**Women**	**Total**	**W/M ratio**	**Men**	**Women**	**Total**	**W/M ratio**
Average basic salary per employee category and gender (€)								
Manager	82 thousand	64 thousand	76 thousand	**78%**	85 thousand	67 thousand	79 thousand	**79%**
Middle management	41 thousand	39 thousand	40 thousand	**95%**	44 thousand	40 thousand	42 thousand	**93%**
Other	29 thousand	25 thousand	27 thousand	**88%**	29 thousand	26 thousand	27 thousand	**89%**
Total	**38 thousand**	**29 thousand**	**33 thousand**	**76%**	**38 thousand**	**29 thousand**	**33 thousand**	**77%**
Average remuneration per employee category and gender (€)								
Manager	98 thousand	78 thousand	91 thousand	**80%**	98 thousand	80 thousand	92 thousand	**81%**
Middle management	43 thousand	41 thousand	43 thousand	**95%**	46 thousand	43 thousand	45 thousand	**93%**
Other	30 thousand	26 thousand	28 thousand	**88%**	30 thousand	27 thousand	28 thousand	**89%**
Total	**41 thousand**	**30 thousand**	**35 thousand**	**74%**	**40 thousand**	**30 thousand**	**35 thousand**	**76%**

GRI 406-1 Incidents of discrimination and corrective actions taken

In 2021 there were no cases of discrimination.

GRI 417-3 Incidents of non-compliance concerning marketing communications

	2020	2021
Total number of cases of non-compliance with laws that resulted in a fine or penalty	0	0
Total number of cases of non-compliance with laws that resulted in a warning	1	6
Total number of cases of non-compliance with voluntary codes	0	0

In 2021, there were six cases that resulted in warnings from the Bank of Portugal and the Insurance and Pension Funds Supervisory Authority for BPI to correct the messages in advertising campaigns.

GRI 418-1 Total number of substantiated complaints concerning breaches of customer privacy and losses of customer data

	2020	2021
Total number of cases of breach of Customer privacy	10	32

Detail - type of complaint:

	2020	2021
Lost documents/correspondence	2	3
Lost correspondence in internal mail	4	1
Failed e-mail communication	1	21
Failure in BoP database information	2	2
Failure in computer application	1	1
Other	0	4
Total	**10**	**32**

Of the 32 incidents occurred in 2021: (i) 3 concerned lost documents/correspondence; (ii) one to lost correspondence in internal mail; (iii) 21 to failed e-mail communication; (iv) 2 to failures in information sent by the Bank to the Bank of Portugal database; (v) 1 to an application failure; (vi) 4 were other incidents.

GRI 419-1 Non-compliance with laws and regulations in the social and economic area

In 2020 and 2021 there were non instances of non-compliance with laws and regulations in the social and economic area.

GRI FS

GRI FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose

Type of Product	Product/ Service	Brief Description of Product/ Service and their objective	Amount (€ thousand)	
			2020	2021
Personal loans	Personal loans training	Personal loans to finance training expenses	6 884	7 030

GRI FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose

Type of Product	Product/ Service	Brief Description of Product/ Service and their objective	Amount (€ thousand)		No. of Projects Financed
			2020	2021	2021
Loans	Mortgage Loans	Loan to finance the acquisition, construction or works on permanent or secondary residential property	1 741 926	2 442 765	19 833
	Renting	Partnership with ARVAL, providing, among other alternatives, a renting solution for electric vehicles (e.g., NISSAN Leaf)	488	447	19
Leasing/LTHP/ Credit	Car Loans	Car loans to finance the purchase of 100% electric vehicles (includes Tesla vehicles)	24 359	32 933	963
Loans	Car loans - Tesla partnership	Partnership with Tesla to finance the purchase of electric vehicles	15 981	17 753	441
Personal Loans	Renewable Energy Personal Loans	Personal loans to finance renewable energy equipment	210	965	58

GRI FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose (cont.)

Type of Product	Product/ Service	Brief Description of Product/ Service and their objective	Amount (€ thousand)		No. of Projects Financed	Amounts (th.€)	Year Line Started	No. of Projects Financed
			2020	2021	2021	Cumulative since the line started		
Credit line for companies	BPI/EIB Energy Efficiency Line	This line allows the financing of investments that reduce companies' energy consumption	10 175	2 831	13	21 812	2017	57
MLT Loans	BPI/IFRRU 2020	Credit line to finance urban rehabilitation projects carried out in national territory by private of public companies.	44 712	52 023	25	298 405	2017	98
MLT Loans	JESSICA	Credit line allowing countries to use part of the EU support received from the Structural Funds to make repayable investments in projects included in an integrated plan for sustainable urban development	15 832	2 119	7	276 892	2012	97
Prestige Products	Prestige Products - Mobility category	Prestige Products - Sustainable mobility solutions (bicycles, etc)	160	153	299			
Customer resources	Third-party funds - art. 8	Offer of investment funds from other fund managers with a sustainability-oriented investment policy - portfolio amounts	2 154 131 52%	2 756 564 54%				
Customer resources	Third-party funds - art. 9	Offer of investment funds from other fund managers with a sustainability-oriented investment policy - portfolio amounts	74 736 8%	119 746 11%				
Project Finance	Renewable Energies: wind, solar, photovoltaic, hydro or biomass			50 470	2	216 687		44
Bonds/ commercial paper	Green / ESG bonds			135 400	4	281 840		8
Bonds/ commercial paper	Commercial Paper			90 000	2	90 000		2

GRI FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose (cont.)

Type of Product	Product/ Service	Brief Description of Product/ Service and their objective	Amount (€ thousand)		No. of Projects Financed	Amounts (th.€)	Year Line Started	No. of Projects Financed
			2020	2021	2021	Cumulative since the line started		
Insurance	Life - art. 8	Distribution as Agents of BPI Vida e Pensões' LIFE insurance offer						
	Life - art. 9							
	Non Life[1]	Distribution as Agents of the insurance products offered by Allianz, especially Home, Health, Auto, Companies and Workman's Compensation	n.a.	n.a.				

[1] The product classification process has not yet been completed.

UN Global Compact index

Domain	Principle	Location / Omission
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights	Identity – Commitment to the Stakeholders, page 16; 2019-2021 Strategic Plan – Human Resources: Developing BPI's People, pages 79 and 80; Socially Responsible Bank – Governance: Code of Ethics and Business Conduct, page 97; Socially Responsible Bank – Environment: Human Rights Policy, page 97
	2. Companies should make sure that they are not complicit in human rights abuses	Our Identity – Commitment to the Stakeholders, page 16; 2019-2021 Strategic Plan – Human Resources: Developing BPI's People, pages 79 and 80; Socially Responsible Bank – Governance: Code of Ethics and Business Conduct, page 97; Socially Responsible Bank – Environment: Human Rights Policy, page 97
Labour Practices	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	2019-2021 Strategic Plan - Human Resources: Developing BPI's People, pages 79 and 80
	4. Elimination of all forms of forced and compulsory labour	Socially Responsible Bank – Governance: Human Rights Policy, page 97; Socially Responsible Bank – Environment: Suppliers, pages 117 and 118
	5. Effective abolition of child labour	Socially Responsible Bank - Governance: Human Rights Policy, page 97; Socially Responsible Bank – Governance: Suppliers, page 117 and 118; Socially Responsible Bank – Environment: Environmental Risk Management Policy, page 104
	6. Elimination of discrimination in respect of employment and occupation	2019-2021 Strategic Plan, Human Resources: Developing BPI's People, pages 79 and 80; Socially Responsible Bank – Governance: Code of Ethics and Business Conduct, page 97; Socially Responsible Bank – Governance: Human Rights Policy, page 97
Environmental Protection	7. Businesses should support a precautionary approach to environmental challenges	Socially Responsible Bank - Environment: Declaration on Climate Change, page 103; Socially Responsible Bank – Environment: Environmental management system, page 106
	8. Businesses should undertake initiatives to promote greater environmental responsibility	Socially Responsible Bank – Environment, pages 103-120
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies	Socially Responsible Bank - Environment: Energy consumption, pages 109 and 110; Socially Responsible Bank, Environment: Materials consumption, pages 111 and 112; Socially Responsible Bank – Environment:water consumption, page 113; Socially Responsible Bank – Environment: Carbon footprint, pages 115 and 116; Socially Responsible Bank- Environment: Products and services with sustainable criteria, pages 119 and 120; Operating and organisational efficiency, pages 87 and 88
Fight against corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery	Socially Responsible Bank - Governance: Anti-corruption Policy, page 97

Sustainability Accounting Standards Board (SASB) Index

Topic	Metric	Metric Code	Location / Omission
Information Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	FN-CB-230a.1	Non-financial Information - GRI Indicators, page 187
	Description of approach to identifying and addressing data security risks	FN-CF-230a.2	2019-2021 Strategic Plan – Customer Experience: Cybersecurity and data protection, pages 76-78
Financial inclusion and capacity-building	(1) Number and (2) amount of loans outstanding qualified to programmes designed to promote small business and community development	FN-CB-240a.1	Metrics related to this topic have been omitted due to lack of applicability. For a qualitative description of the BPI's efforts regarding this topic please refer to the following pages: Risk Management - Credit Risk, pages 35 and 36; 2019-2021 Strategic Plan - Sustainable Profitability: Loans to Customers, page 65
	(1) Number and (2) amount of past due and nonaccrual loans qualified to programmes designed to promote small business and community development	FN-CB-240a.2	
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	FN-CB-240 a3	Socially Responsible Bank - Governance: Financial inclusion, page 99
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	FN-CB-240a4	Metrics related to this topic have been omitted due to lack of applicability. For a qualitative description of the BPI's efforts regarding this topic please refer to the following pages: 2019-2021 Strategic Plan, Human Resources, page 79; Socially Responsible Bank – Governance: Financial Literacy, page 102
Incorporation of ESG factors in credit analysis	Commercial and industrial credit exposure, by industry	FN-CB-410.a1	Supplementary Information - Non-financial Information– SASB index, page 193
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	FN-CB-4101a.2	Socially Responsible Bank - Environment - Environmental Risk Management Policy, page 104; Socially Responsible Bank - Environment - Environmental Risk Management Area, pages 104 and 105; Socially Responsible Bank – Environment - Products and services with sustainable criteria, pages 119 and 120

Topic	Metric	Metric Code	Location / Omission
Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anticompetitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	FN-CB-510a.1	Non-financial Information - GRI Indicators, page 169
	Description of whistleblower policies and procedures	FN-CB-510a.2	Socially Responsible Bank - Governance: Whistleblowing Policy, page 97; Socially Responsible Bank, Tax and GDP contribution, page 136
Management of systemic risk	Global Systemically Important Bank (G-SIB) score, by category	FN-CB-550 a.1	Non applicable
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	FN-CB-550a.2	Non applicable

FN-CB-410.a1 - Commercial and industrial credit exposure, by industry

Activity sector	Credit exposure at Dec. 21 (M. €)
Industry	1 551.9
Agriculture and food industry	1 483.6
Energy and Environment	1 274.4
Real Estate	875.4
Hospitality, Restaurants and Tourism	851.4
Civil construction	784.0
Education, Health and Other services	704.7

Activity sector (cont.)	Credit exposure at Dec. 21 (M. €)
Services	698.3
Wholesale and retail	666.4
Automotive	551.8
Transport and storage	423.2
Infrastructures	357.8
Other	314.6

Customer surveys and market research

BPI conducts a number of surveys aimed at monitoring the experience of its Customers in the various business segments, from which we note the following:

Survey	Factor	2020	2021
IEX Branch	Evaluation of the Overall Customer Experience (individuals segment) of the service provided by their Branch or contact person; scale 0 - 1000 points Quarterly	4Q2020 – 910	4Q2021 – 914
IEX Premier centres	Evaluation of the Overall Customer Experience (Premier Centres segment) of the service provided by their Centre or contact person; scale 0 - 1000 points Quarterly	4Q2020 – 898	4Q2021 – 886
IEX Entrepreneurs and Small businesses	Evaluation of the Overall Customer Experience (Entrepreneurs & Small businesses segment) of the service provided by their Branch; scale 0 - 1000 points Annual	821	807
IEX Companies	Evaluation of the Overall Customer Experience (Companies segment) of the service provided by their Corporate Centre; scale 0– 1000 points Annual	859	n.a.
IEX Institutional	Evaluation of the Overall Customer Experience (Institutional segment) of the service provided by their Institutional Centre; scale 0– 1000 points Annual	898	n.a.
IEX Corporate	Evaluation of the Overall Customer Experience (Institutional segment) of the service provided by their Corporate Centre; scale 0– 1000 points Annual	893	n.a.
Global satisfaction Touchpoint – New Clients	Global Satisfaction with the account opening process scale 0 - 10 points Quarterly	3Q2020 - 8.64 pts	2Q2021 - 8.39 pts

Community Support Initiatives

Initiative for Social Equity

Three reports were published in 2021 by the Initiative for Social Equity:

Name	Publication Date	Author	Scope
"Portugal, Social Reckoning 2020"	Mar-21	Susana Peralta Bruno P. Carvalho Mariana Esteves	Annual multidimensional characterisation of poverty and social exclusion situations in Portugal. This year's report includes a special chapter dedicated to the socio-economic impact of the COVID-19 pandemic, focusing in particular on the more vulnerable segments of the population.
"Access to healthcare – Citizens' choices 2020"	June-21	Pedro Pita Barros Holder of the BPI | "la Caixa" Foundation Chair in Health Economics	A portrait of access to health care by the Portuguese population.
"The pandemic and the labour market: What we know, one year later"	July-21	Susana Peralta Bruno P. Carvalho Mariana Esteves	A supplement to the Social Reckoning Report, it portrays the repercussions of the pandemic on the labour market in Portugal.

Social Research Call

Project	Author
"Entrepreneurship as a strategy for social mobility and inclusion"	Miguel Ferreira (Universidade Nova de Lisboa)
"Return to school after COVID-19: the key roles of Family, School and Community in children's growth and motor development"	José Maia (Porto University)
"Exploring the intersectionality of violence against women and domestic violence: needs, impacts and effectiveness of services"	Mariana Gonçalves (Minho University)
"The role of accountability and efficiency: information with impact"	Isabel Horta Correia (Universidade Católica Portuguesa)

Other Support Programmes

Area	Call for Proposals / Entity	Description
Culture	Entities supported	▪ Institutional collaborations: Serralves Foundation, Casa da Música, and Calouste Gulbenkian Foundation. Museums: Serralves Contemporary Art Museum, National Museum of Ancient Art (temporary exhibitions), Elvas Contemporary Art Museum, Caramulo Museum, Casa da Arquitetura, Casa de São Roque, and Lugar do Desenho ▪ Orchestras: Orquestra XXI, Orquestra de Jazz de Matosinhos, Orquestra Sem Fronteiras, and Orquestra Metropolitana de Lisboa ▪ Theatres: Teatro Nacional S. João (Porto), Teatro Nacional D. Maria II (Lisbon), Teatro Micaelense (Azores), Teatro Viriato (Viseu) and Theatro Circo (Braga) ▪ Mobile Workshop: Creativity, created by "la Caixa" Foundation's EduCaixa programme ▪ Exhibitions showing in 2021:"To unravel a Torment", by Louise Bourgeois, "Utopia!?", by Nalini Malani, "Your/Our Future is Now", by Olafur Eliasson, "I saw the kingdom turn. Art from the Time of King Manuel I"; "Serralves in Light", "AI Weiwei Interweave", "Joan Miró: Signs and Figuration" and "Modus Operandi: Works from the Serralves Foundation" ▪ Itinerant exhibitions: "Land of Dreams", by Cristina García Rodero, "From Pole to Pole. A journey to the great natural paradises with National Geographic" and "Other Worlds. Journey through the solar system guided by Michael Benson". "Leonardo da Vinci. Observe. Question. Experiment."

CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

BANCO BPI, S.A.
BALANCE SHEETS AS OF 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousand euros)

	Notes	Consolidated		Individual	
		31-12-2021	31-12-2020	31-12-2021	31-12-2020
ASSETS					
Cash, cash balances at central banks and other demand deposits	**8**	**6 245 822**	**4 535 243**	**6 239 469**	**4 530 281**
Financial assets held for trading	**9**	**103 838**	**197 475**	**103 838**	**197 475**
Non-trading financial assets mandatorily at fair value through profit or loss	**10**	**113 509**	**177 461**	**113 509**	**177 461**
Equity instruments		108 155	125 147	108 155	125 147
Debt securities		5 354	52 314	5 354	52 314
Financial assets at fair value through other comprehensive income	**11**	**1 666 764**	**1 883 541**	**1 666 764**	**1 883 541**
Equity instruments		431 389	436 072	431 389	436 072
Debt securities		1 235 375	1 447 469	1 235 375	1 447 469
Financial assets at amortised cost	**12**	**32 137 819**	**30 003 970**	**32 137 819**	**29 997 378**
Debt securities		6 845 126	5 772 761	6 845 126	5 772 761
Loans and advances - Central Banks and other Credit Institutions		1 002 843	1 594 993	1 002 843	1 588 512
Loans and advances - Customers		24 289 850	22 636 216	24 289 850	22 636 105
Derivatives - Hedge accounting	**13**	**25 174**	**1 453**	**25 174**	**1 453**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**13**	**32 544**	**79 858**	**32 544**	**79 858**
Investments in subsidiaries, joint ventures and associates	**14**	**273 921**	**238 179**	**96 974**	**97 114**
Tangible assets	**15**	**209 224**	**152 875**	**209 140**	**152 718**
Intangible assets	**16**	**98 438**	**86 965**	**98 438**	**86 965**
Tax assets	**24**	**200 883**	**271 008**	**200 873**	**270 988**
Other assets	**17**	**265 277**	**149 670**	**262 890**	**146 768**
Non-current assets and disposal groups classified as held for sale	**18**	**5 098**	**7 889**	**5 098**	**7 889**
Total assets		**41 378 311**	**37 785 587**	**41 192 530**	**37 629 889**
LIABILITIES					
Financial liabilities held for trading	**9**	**103 937**	**141 345**	**103 937**	**141 345**
Financial liabilities at amortised cost	**19**	**37 200 614**	**33 695 722**	**37 201 145**	**33 696 299**
Deposits - Central Banks		4 823 269	4 394 239	4 823 269	4 394 239
Deposits - Credit Institutions		1 002 995	1 110 076	1 002 995	1 110 076
Deposits - Customers		28 872 140	26 008 553	28 872 140	26 008 553
Debt securities issued		2 206 299	1 804 852	2 206 299	1 804 852
Memorandum items: subordinated liabilities		304 304	304 345	304 304	304 345
Other financial liabilities		295 911	378 002	296 442	378 579
Derivatives - Hedge accounting	**13**	**15 859**	**63 724**	**15 859**	**63 724**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**13**	**(1 664)**	**24 363**	**(1 664)**	**24 363**
Provisions	**20**	**52 507**	**48 708**	**52 507**	**48 708**
Pending legal issues and tax litigation		34 116	31 706	34 116	31 706
Commitments and guarantees given		18 093	16 704	18 093	16 704
Other provisions		298	298	298	298
Tax liabilities	**24**	**20 073**	**23 206**	**8 838**	**13 535**
Other liabilities	**21**	**319 471**	**532 233**	**318 440**	**531 285**
Total Liabilities		**37 710 797**	**34 529 301**	**37 699 062**	**34 519 259**
SHAREHOLDERS' EQUITY					
Capital	**23**	**1 293 063**	**1 293 063**	**1 293 063**	**1 293 063**
Equity instruments issued other than capital	**23**	**275 000**	**275 000**	**275 000**	**275 000**
Accumulated other comprehensive income	**23**	**(370 076)**	**(506 376)**	**(346 440)**	**(466 028)**
Items that will not be reclassified to profit and loss		(357 569)	(489 839)	(357 322)	(488 122)
Tangible assets		703	703	703	703
Actuarial gains or (-) losses on defined benefit pension plans		(277 562)	(383 973)	(277 562)	(383 973)
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		(242)	(1 601)		
Fair value changes of equity instruments measured at fair value through other comprehensive income		(80 468)	(104 968)	(80 463)	(104 852)
Items that may be reclassified to profit and loss		(12 507)	(16 537)	10 882	22 094
Foreign currency translation		(36 937)	(60 061)		
Fair value changes of debt instruments measured at fair value through other comprehensive income		10 882	22 094	10 882	22 094
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		13 548	21 430		
Retained earnings	**23**	**2 053 377**	**1 961 895**	**2 017 631**	**1 942 002**
Other reserves	**23**	**109 327**	**127 933**	**(39 154)**	**(21 229)**
Profit or loss attributable to owners of the parent		**306 823**	**104 771**	**293 368**	**87 822**
Total Equity		**3 667 514**	**3 256 286**	**3 493 468**	**3 110 630**
Total Equity and Total Liabilities		**41 378 311**	**37 785 587**	**41 192 530**	**37 629 889**

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Board of Directors**

BANCO BPI, S.A.

STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED ON 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousand euros)

	Notes	Consolidated		Individual	
		31-12-2021	31-12-2020	31-12-2021	31-12-2020
Interest income	26	507 988	495 637	508 164	495 837
Interest expense	26	(47 523)	(45 499)	(47 545)	(45 940)
NET INTEREST INCOME		**460 465**	**450 138**	**460 619**	**449 897**
Dividend income	27	99 837	42 606	135 632	55 116
Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	14	47 762	27 694		
Fee and commission income	28	308 185	266 351	299 847	258 711
Fee and commission expenses	28	(20 011)	(21 449)	(20 004)	(21 441)
Gains or (-) losses on derecognition of financial assets & liabilities not measured at fair value through profit or loss, net	29	223	162	223	162
Gains or (-) losses on financial assets and liabilities held for trading, net	29	5 420	7 863	5 420	7 863
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	29	(5 169)	(18 890)	(5 169)	(18 890)
Gains or (-) losses from hedge accounting, net	29	(2 125)	(1 969)	(2 125)	(1 969)
Exchange differences [gain or (-) loss], net	29	28 192	514	28 257	549
Other operating income	30	29 304	34 300	29 299	34 300
Other operating expenses	30	(64 575)	(52 261)	(65 183)	(52 599)
GROSS INCOME		**887 508**	**735 059**	**866 816**	**711 699**
Administrative expenses		**(396 475)**	**(402 613)**	**(391 858)**	**(397 551)**
Staff expenses	31	(260 893)	(264 364)	(257 590)	(260 669)
Other administrative expenses	32	(135 582)	(138 249)	(134 268)	(136 882)
Depreciation		(61 220)	(48 663)	(61 131)	(48 540)
Provisions or (-) reversal of provisions	20	**(5 295)**	**(5 705)**	**(5 295)**	**(5 705)**
Commitments and guarantees given		(1 580)	2 032	(1 580)	2 032
Other provisions		(3 715)	(7 737)	(3 715)	(7 737)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	33	**(45 581)**	**(153 502)**	**(45 581)**	**(153 502)**
Financial assets at amortised cost		(45 581)	(153 502)	(45 581)	(153 502)
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	14	(201)		(196)	
Impairment or (-) reversal of impairment on non-financial assets	34	(904)		(904)	
Gains or (-) losses on derecognition of non-financial assets, net		1	(38)	1	(38)
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations		542	328	542	328
Profit or (-) loss before tax from continuing operations		**378 375**	**124 866**	**362 394**	**106 691**
Tax expenses or (-) income related to profit or loss from continuing operations	24	(71 552)	(20 095)	(69 026)	(18 869)
PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**306 823**	**104 771**	**293 368**	**87 822**
PROFIT OR (-) LOSS FOR THE YEAR		**306 823**	**104 771**	**293 368**	**87 822**
PROFIT OR (-) LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	37	**306 823**	**104 771**	**293 368**	**87 822**

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Board of Directors**

BANCO BPI, S.A.

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED ON 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousand euros)

	Notes	Consolidated		Individual	
		31-12-2021	31-12-2020	31-12-2021	31-12-2020
PROFIT OR (-) LOSS FOR THE YEAR		**306 823**	**104 771**	**293 368**	**87 822**
Other comprehensive income		**138 386**	**(150 460)**	**120 568**	**(126 237)**
Items that will not be reclassified to profit or loss		**134 357**	**(143 345)**	**131 780**	**(143 828)**
Actuarial gains or (-) losses on defined benefit pension plans	21 / 22	106 052	(102 755)	106 052	(102 755)
Non-current assets and disposal groups classified as held for sale		26		26	
Share of other recognised income and expense of investments in joint ventures and associates	14	2 577	476		
Fair value changes of equity instruments measured at fair value through other comprehensive income	11	25 680	(63 589)	25 680	(63 596)
Income tax relating to items that will not be reclassified		22	22 523	22	22 523
Items that may be reclassified to profit or loss		**4 029**	**(7 115)**	**(11 212)**	**17 591**
Foreign currency translation		23 124	(26 509)		
Translation gains or (-) losses taken to equity		23 124	(26 509)		
Debt instruments at fair value through other comprehensive income		(15 444)	24 230	(15 444)	24 230
Valuation gains or (-) losses taken to equity	11	(15 444)	24 383	(15 444)	24 383
Transferred to profit or loss	11		(153)		(153)
Share of other recognised income and expense of investments in joint ventures and associates	14	(7 883)	1 802		
Income tax relating to items that may be reclassified to profit or loss		4 232	(6 638)	4 232	(6 639)
Total comprehensive income for the year		**445 209**	**(45 689)**	**413 936**	**(38 415)**
Attributable to owners of the parent		445 209	(45 689)	413 936	(38 415)

The accompanying notes are an integral part of these financial statements.

The Registered Accountant

The Board of Directors

BANCO BPI, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED ON 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousand euros)

	Notes	Capital	Equity instruments issued other than equity	Accumulated other comprehensive income	Retained earnings	Other reserves	Profit or loss (-) attributable to the owners of the parent	Shareholders´ equity
Balances at 31 December 2019		**1 293 063**	**275 000**	**(345 273)**	**1 769 451**	**116 042**	**327 854**	**3 436 137**
Results application								
Transfer to reserves of 2019 net income					287 838	40 016	(327 854)	
Dividends distributed	**5**				(116 549)			(116 549)
Dividends distributed by associates					12 173	(12 173)		
Additional Tier 1 interest	**23**					(17 780)		(17 780)
Realised gains on equity instruments at fair value through other comprehensive income				(10 643)	8 982	1 661		
Comprehensive income in the year of 2020				(150 460)			104 771	(45 689)
Other changes in equity						167		167
Balances at 31 December 2020		**1 293 063**	**275 000**	**(506 376)**	**1 961 895**	**127 933**	**104 771**	**3 256 286**
Results application								
Transfer to reserves of 2020 net income					77 855	26 916	(104 771)	
Dividends distributed	**5**				(13 173)			(13 173)
Dividends distributed by associates					25 931	(25 931)		
Additional Tier 1 interest	**23**					(17 925)		(17 925)
Realised gains on equity instruments at fair value through other comprehensive income				(2 086)	869	1 217		
Comprehensive income in the year of 2021				138 386			306 823	445 209
Other changes in equity						(2 883)		(2 883)
Balances at 31 December 2021		**1 293 063**	**275 000**	**(370 076)**	**2 053 377**	**109 327**	**306 823**	**3 667 514**

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Board of Directors**

BANCO BPI, S.A.

INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED ON 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousand euros)

	Notes	Capital	Equity instruments issued other than capital	Accumulated other comprehensive income (Note 23)	Retained earnings	Other reserves	Profit or loss (-) attributable to the owners of the parent	Shareholders equity
Balances at 31 December 2019		**1 293 063**	**275 000**	**(330 809)**	**1 707 456**	**(3 449)**	**342 113**	**3 283 374**
Results application								
Transfer to reserves of 2019 net income					342 113		(342 113)	
Dividends distributed	**5**				(116 549)			(116 549)
Additional Tier 1 interest	**23**					(17 780)		(17 780)
Realised gains on equity instruments at fair value through other comprehensive income				(8 982)	8 982			
Comprehensive income in the year of 2020				(126 237)			87 822	(38 415)
Balances at 31 December 2020		**1 293 063**	**275 000**	**(466 028)**	**1 942 002**	**(21 229)**	**87 822**	**3 110 630**
Results application								
Transfer to reserves of 2020 net income					87 822		(87 822)	
Dividends distributed	**5**				(13 173)			(13 173)
Additional Tier 1 interest	**23**					(17 925)		(17 925)
Realised gains on equity instruments at fair value through other comprehensive income				(981)	981			
Comprehensive income in the year of 2021				120 568				120 568
Profit or (-) loss for the year							293 368	293 368
Balances at 31 December 2021		**1 293 063**	**275 000**	**(346 440)**	**2 017 631**	**(39 154)**	**293 368**	**3 493 467**

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Board of Directors**

BANCO BPI, S.A.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED ON 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousand euros)

	Notes	Consolidated		Individual	
		31-12-2021	31-12-2020	31-12-2021	31-12-2020
Cash flows from/(used in) operating activities					
Interest, commissions and other income received		879 270	707 512	870 601	698 629
Interest, commissions and other expenses paid		(152 387)	(152 049)	(152 510)	(150 819)
Dividends received		1 893	2 358	1 893	2 359
Dividends received from Banco de Fomento Angola	11	81 298	40 247	81 298	40 247
Recovery of overdue loans and interest and gains/(losses) on the sale of real estate received in settlement of defaulting loans		32 604	11 978	32 604	11 978
Payments to staff and suppliers		(372 206)	(374 272)	(367 330)	(369 143)
Net cash flow from income and expenses		470 472	235 774	466 556	233 251
Decreases (increases) in:					
Financial assets held for trading, at fair value through profit or loss, at fair value through other comprehensive income and available-for-sale		68 156	(531 012)	68 156	(531 012)
Financial assets at amortised cost - Central Banks and other Credit Institutions		248 890	(166 829)	242 410	(166 249)
Financial assets at amortised cost - Customers (includes debt instruments)		(2 425 236)	(2 597 875)	(2 425 236)	(2 597 875)
Other assets		(67 638)	(592 915)	(67 833)	(592 813)
Net cash flow from operating assets		(2 175 828)	(3 888 631)	(2 182 503)	(3 887 949)
Increases (decreases) in:					
Financial liabilities measured at amortised cost - Central Banks and other Credit Institutions		370 201	2 747 417	370 201	2 747 417
Financial liabilities measured at amortised cost - Customers and other		2 864 725	2 784 789	2 864 725	2 784 789
Financial liabilities held for trading		249 750	557 920	249 750	557 920
Other liabilities		(123 904)	688 788	(124 418)	688 936
Net cash flow from operating liabilities		3 360 772	6 778 914	3 360 258	6 779 062
Contributions to Pension Funds	22	(90 645)	(23 899)	(90 645)	(23 899)
Income tax paid		(502)	(229)	(55)	141
		1 564 269	**3 101 929**	**1 553 611**	**3 100 606**
Cash flows from/(used in) investing activities					
Purchase of other tangible assets and intangible assets	15/16	(53 086)	(51 374)	(53 074)	(51 353)
Sale of other tangible assets		1	62	1	62
Dividends received from investments in joint ventures and associates		23 482	13 826	32 736	13 826
		(29 603)	**(37 486)**	**(20 337)**	**(37 465)**
Cash flows from /(used in) financing activities					
Issuance of debt securities and subordinated debt	19.3	700 000	450 000	700 000	450 000
Redemption of debt securities	19.3	(162)	(6 382)	(162)	(6 382)
Purchase and sale of own debt securities and subordinated debt	19.3	(300 000)		(300 000)	
Interest on debt instruments and subordinated debt		(20 972)	(19 618)	(20 972)	(19 618)
Additional Tier 1 interest		(17 875)	(17 877)	(17 875)	(17 877)
Dividends distribution		(129 722)		(129 722)	
Rents paid for leasing operations		(22 945)	(21 921)	(22 945)	(21 921)
		208 324	**384 202**	**208 324**	**384 202**
Net increase / (decrease) in cash and cash equivalents		**1 730 615**	**3 457 977**	**1 729 223**	**3 456 675**
Exchange rate variation in the year		12 375	(9 332)	12 375	(9 332)
Cash and cash equivalents at beginning of the year		4 720 790	1 272 145	4 715 828	1 268 485
Cash and cash equivalents at the end of the year		**6 463 780**	**4 720 790**	**6 457 426**	**4 715 828**
Cash and deposits at Central Banks	8	6 145 611	4 289 140	6 145 607	4 289 136
Deposits at other credit institutions	8	100 975	246 614	94 625	241 657
Cheques for collection and other cash items	12.2	34 025	31 131	34 025	31 131
Very short term applications	12.2	183 169	153 904	183 169	153 904
Cash and cash equivalents		**6 463 780**	**4 720 790**	**6 457 426**	**4 715 828**
Cash and cash equivalents by currency					
EUR		6 198 982	4 353 936	6 198 736	4 353 772
USD		224 507	175 044	224 112	174 902
AKZ			13 394		13 394
Other currencies		40 291	178 416	34 578	173 760
Cash and cash equivalents		**6 463 780**	**4 720 790**	**6 457 426**	**4 715 828**

The accompanying notes are an integral part of these financial statements

The Registered Accountant
Alberto Pitôrra

The Board of Directors
Chairman Fernando Ulrich
João Pedro Oliveira Costa
António Lobo Xavier
Cristina Rios Amorim
Elsa Roncon Santos
Fátima Barros
Francisco Artur Matos
Francisco Manuel Barbeira
Gonzalo Gortázar
Ignacio Alvarez-Rendueles
Javier Pano Riera
Lluís Vendrell
Manuel Ramos Sebastião
Natividad Capella Pifarre
Pedro Barreto

Banco BPI, S.A.

Notes to the financial statements at 31 December 2021

(Amounts in thousand euros – th.euros – save where otherwise expressly indicated)

(These notes are a translation of notes originally issued in Portuguese – Note 41)

Notes to the financial statements of Banco BPI 31 December 2021

NOTES INDEX PÁGINA

1. FINANCIAL GROUP, BASIS OF PRESENTATION AND OTHER INFORMATION

1.1. Financial group

Banco BPI S.A., (hereinafter referred to as "Banco BPI", "BPI" or "Bank"), with corporate tax identification no. 501 214 534 and registered under the same number in the Commercial registry office of Porto, with LEI Code 3DM5DPGI3W6OU6GJ4N92 and registered office at Avenida da Boavista, no. 1117, 4100-129 Porto, is an entity focusing its activity on commercial banking in Portugal, and providing financial services and products to Individuals and Corporate and institutional Customers. The Bank serves a Customer base of 1.8 million Customers through a multispecialist, multi-channel and fully integrated distribution network.

BPI started operating in 1981 with the foundation of SPI – Sociedade Portuguesa de Investimentos, S.A.R.L.. By public deed dated December 1984, SPI – Sociedade Portuguesa de Investimentos, S.A.R.L. changed its corporate name to BPI – Banco Português de Investimento, S.A., which was the first private investment bank created after the re-opening, in 1984, of the Portuguese banking sector to private investment. On 30 November 1995 BPI – Banco Português de Investimento, S.A. (BPI Investimentos) was transformed into BPI - SGPS, S.A., which operated exclusively as BPI's holding company. On 20 December, 2002, BPI SGPS, S.A. incorporated, by merger, the net assets and operations of Banco BPI and changed its corporate name to Banco BPI, S.A..

Banco BPI is fully held by Caixabank, S.A. since the end of 2018. BPI is included in the CaixaBank Group consolidation perimeter, and its financial statements are fully consolidated by CaixaBank. Caixabank S.A. is the parent company of a financial conglomerate subject to Supervisory Authorities. Caixabank, together with the credit entities of its Group, form a significant supervised group of which Caixabank is the entity at the maximum level of prudential consolidation (ultimate parent company).

Banco BPI has securities issued and admitted to trading on Euronext Lisbon, namely debt instruments placed externally or retained, with a total nominal value of 8.2 million euros (with unit nominal value of 100 000 euros or more).

As of 31 December 2021, Banco BPI on a consolidated basis, was made up of the following companies:

	Head office	Shareholders´ equity [1]	Assets	Profit / (loss) for the year	Direct holding	Consolidation / Recognition method
Banks						
Banco BPI, S.A.	Portugal	3 493 468	41 192 530	293 368		
Banco Comercial e de Investimentos, S.A.[2]	Mozambique	332 671	2 603 258	71 999	35.67%	Equity method
Asset Management						
BPI (Suisse), S.A.[2]	Switzerland	7 622	8 833	3 114	100.00%	Full consolidation
Venture / development capital						
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	601	963	(146)	49.00%	Equity method
Insurance						
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	53 556	142 318	5 660	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	209 080	1 489 640	39 428	35.00%	Equity method
Other						
BPI, Inc.[2 3]	USA		747		100.00%	Full consolidation
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	118 845	409 384	19 510	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of 31 December 2021 (accounting balances before consolidation adjustments).

[1] Includes net profit (loss) for the year.

[2] Amounts converted to euros at the exchange rate of 31 December 2021.

[3] Company in liquidation process.

As of 31 December 2020, Banco BPI on a consolidated basis, was made up of the following companies:

	Head office	Shareholders´ equity [1]	Assets	Profit / (loss) for the year	Direct holding	Consolidation / Recognition method
Banks						
Banco BPI, S.A.	Portugal	3 110 629	37 629 890	87 822		
Banco Comercial e de Investimentos, S.A.[2]	Mozambique	224 167	2 085 164	29 028	35.67%	Equity method
Asset Management						
BPI (Suisse), S.A.[2]	Switzerland	13 482	14 513	2 019	100.00%	Full consolidation
Venture / development capital						
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	746	1 067	(112)	49.00%	Equity method
Insurance						
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	52 074	137 864	2 373	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	222 210	1 464 966	36 571	35.00%	Equity method
Other						
BPI, Inc.[2]	USA	696	696	(4)	100.00%	Full consolidation
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	110 136	368 375	23 919	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of 31 December 2020 (accounting balances before consolidation adjustments).

[1] Includes net profit (loss) for the year.

[2] Amounts converted to euros at the exchange rate of 31 December 2020.

The financial information provided in the above tables was drawn from the unaudited financial statements of the companies as of 31 December 2021 and 2020. Banco BPI believes that these are properly presented in the consolidated accounts of the Bank.

1.2. Basis of presentation

The consolidated and individual financial statements were prepared based on the accounting records of Banco BPI and its subsidiary and associated companies, in conformity with the International Accounting Standards / International Financial Reporting Standards (IAS/IFRS) as endorsed by the European Union and in force on 1 January 2021, in accordance with Regulation (EC) 1606/2002 of 19 July of the European Parliament and of the Council, transposed into Portuguese legislation through Bank of Portugal Notice no. 5/2015 of 30 December.

The condensed interim consolidated and individual financial statements have been prepared on a going concern basis, as provided for in IAS 1 – Presentation of financial statements.

In the preparation of the consolidated and individual financial statements, BPI follows the historical cost convention, modified when applicable for the measurement at fair value of:

- Financial assets and liabilities held for trading
- Non-trading financial assets mandatorily at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Derivatives

The figures are presented in thousands of euros (th.euros) unless the use of another monetary unit is stated. Certain financial information in these notes was rounded off and, consequently, the figures presented herein as totals may differ slightly from the arithmetic sum of the individual figures given before them.

Adoption of standards (new or revised) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Union.

On 2021 the following accounting standards came into force (Note 2 - Accounting policies):

Standards and Interpretations	Name
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform - phase 2
Amendments to IFRS 16	COVID-19 related rent concessions

On 1 January 2021, BPI adopted the following accounting standards:

- **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendment) 'Interest rate benchmark (IBOR) reform – phase 2'.** These amendments address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one, providing exemptions like: i) changes to designations and hedging documentation; ii) amounts accumulated in the cash flow hedge reserve; iii) assessment of retrospective effectiveness on a hedge relationship under IAS 39; iv) amendments to hedge relationships for groups of items; v) presumption that an alternative benchmark rate designated as a non-contractually specified risk component is separately identifiable and qualifies as a hedged risk; and vi) update the effective interest rate, with no gain or loss recognised, for financial instruments measured at amortised cost with changes in the contractual cash flows as a result of IBOR reform, including leases that are indexed to an IBOR.

In recent years global financial regulators have been promoting the abandonment of IBORs and their replacement by risk-free indices. This has led to the need for a transition from LIBOR indices to the new indices recommended by the task forces established in the various jurisdictions.

This transition has been expedited with the announcement of the cessation of LIBOR indices at the beginning of 2022. For this reason, market participants need to start using new risk-free indices and amend those contracts that were affected by the cessation of publication of the index.

On 5 March 2021, the Financial Conduct Authority (FCA) announced the termination of the LIBOR on 31 December 2021 for some currencies and maturities, the cease of USD LIBOR for the remaining maturities will occur on 30 June 2023. As a result of this announcement, ISDA reported that this constituted an "index cessation event" under its protocol and specific supplements on the replacement of the IBORs, and consequently Bloomberg has set and published official fallback spread adjustments. At the end of December 2021, the LIBOR ceased to be published for certain currencies and maturities, and the publication of the remaining LIBOR should cease in June 2023.

On the other hand, and in reference to the EURIBOR methodology change, the amendments have been implemented from 1 January 2021 with no material impact. From 15 April 2021 the European Central Bank started publishing the €STR (euro short-term rate) in compounded average rate form for 1-week, and 1-, 3-, 6- and 12-month terms.

Banco BPI has adopted an active stance in the identification and mitigation of the inherent risks and to ensure an adequate transition, namely as regards legal and litigation risks arising from contracts where reference is made to indices that will be discontinued and whose wording needs to be changed, operational risks arising from the need to adapt technologies, processes and controls, financial and accounting risks emerging from the use and change of indices, as well as reputational risk. Given the immateriality of the exposure to the affected index rates, there was no need to change the interest rate risk mitigation strategy.

Banco BPI has a high exposure to the Euribor that will not be affected by the transition, given that this index, following the reform of its methodology, received the backing of supervisors and regulators. The Bank uses the Euribor for mortgages and other types of loans, financings and debt issuances, as well as in derivative instruments. However, the eurozone taskforce on risk-free interest rates and the European authorities recommend that all contracts referenced to Euribor include replacement clauses in the event of a possible future termination of the Euribor, based on risk-free reference rates for the euro, i.e., in temporary structures based on €STR.

Regarding contracts referenced to EONIA, including those that refer to collateral remuneration in bilateral framework derivative contracts, were generally changed to €STR over the course of 2021.

As concerns the LIBOR indices, the Bank considers its exposure as non-material given the low volume of assets and non-existence of liabilities referenced to these indices, the USD LIBOR being the most representative in terms of exposure. The date of termination for GBP, CHF, JPY and EUR LIBOR was 31 December 2021. The 1-week and 2-month periods for the USD LIBOR also ceased on that date. For the remaining USD LIBOR terms, the planned termination date is 30 June 2023.

- **IFRS 16 (amendment), 'Leases – COVID-19 related rent concessions'.** This amendment introduces a practical expedient for lessees (but not for lessors), which exempts them from assessing whether the rent concessions granted by lessors under COVID-19 are a modification to the lease contract, when three criteria are cumulatively met: i) the change in lease payments results in a revised fee for the lease that is substantially equal to, or less than, the fee immediately prior to the change; ii) any reduction in lease payments only affects payments due on or before June 30, 2021; and iii) there are no substantive changes to other lease terms and conditions. Lessees that choose to apply this practical expedient, recognise the change in rent payments, as variable rents in the period(s) in which the event or condition leading to the payment reduction occurs. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

Standards (new and amendments) that have been published and are mandatory for the accounting periods beginning on or after 1 January 2022, are as follows:

Standards and Interpretations issued by the IASB

Standards and Interpretations	**Name**	**Mandatory application for years starting on:**
Standards (new and amendments) that will become effective, on or after 1 January 2022		
Amendments to IAS 1	Presentation of financial statements – classification of liabilities	1 January 2023
Amendments to IFRS 3	Reference to the Conceptual framework	1 January 2022
Amendments to IAS 16	Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous contract – cost of fulfilling a contract	1 January 2022
Improvements to standards 2018 – 2020	Specific amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
Amendments to IAS 1	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Disclosure of accounting estimates	1 January 2023
Amendments to IFRS 16	Leases – COVID-19 related rent concessions beyond 30 June 2021	1 April 2021
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

- **IAS 1 (amendment), 'Presentation of financial statements – classification of liabilities'** (effective for annual periods beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. This amendment intends to clarify that liabilities are classified as either current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period. The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether or not the entity will exercise that right), or by events occurring after the reporting date, such as the non-compliance with a given "covenant". This amendment also introduces a new definition of "settlement" of a liability. This amendment is applied retrospectively. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IFRS 3 (amendment), 'Reference to the Conceptual framework'** (effective for annual periods beginning on or after 1 January 2022). This amendment updates the references to the Conceptual Framework in the text of IFRS 3, without changing the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be given to contingent liabilities and liabilities under IAS 37 and IFRIC 21, incurred separately versus within a business combination. This amendment is applied prospectively. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IAS 16 (amendment), 'Proceeds before intended use'** (effective for annual periods beginning on or after 1 January 2022). This amendment changes the accounting treatment of the proceeds obtained from the sale of products that resulted from the production test phase of property, plant and equipment, prohibiting their deduction to the acquisition cost of assets. This amendment is applied retrospectively without restating comparatives. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IAS 37 (amendment), 'Onerous Contracts – Cost of Fulfilling a Contract'** (effective for annual periods beginning on or after 1 January 2022). This amendment specifies that when assessing whether a contract is onerous or not, only expenses directly related to the performance of the contract, such as incremental costs related to direct labour and materials and the allocation of other expenses directly related to the allocation of depreciation expenses of tangible assets used to carry out the contract, can be considered. This amendment must be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include contractual obligations to be satisfied, without restating comparatives. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **Annual Improvements 2018 - 2020.** (effective for annual periods beginning on or after 1 January 2022). The 2018-2020 annual improvements impact: IFRS 1, IFRS 9, IFRS 16 and IAS 41. This standard is still subject to endorsement by the European Union. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IAS 1 (amendment), 'Disclosure of accounting policies'** (effective for annual periods beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. Amendment to the requirement to disclose the accounting policies based on "material" instead of "significant". The amendment specifies that an accounting policy information is expected to be material if, in its absence, the users of the financial statements would be unable to understand other material information in those same financial statements. Immaterial accounting policy information need not be disclosed. The IFRS Practice Statement 2 was also amended to provide guidance for the application of the concept of material" to accounting policy disclosures. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IAS 8 (amendment), 'Disclosure of accounting estimates'** (effective for annual periods beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. Introduction of the concept of accounting estimate and the way it is distinct from changes to accounting policies. The accounting estimates are defined as corresponding to monetary amounts that are subject to measurement uncertainty, used to achieve an accounting policy's objective(s). It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IFRS 16 (amendment), 'Leases – COVID-19 related rent concessions beyond 30 June 2021'** (effective for annual periods beginning on or after 1 April 2021). This amendment is still subject to endorsement by the European Union. This amendment extends the date of application of the IFRS 16 – 'Leases – COVID-19 related rent concessions' amendment from 30 June 2021 to 30 June 2022. The conditions required to apply the practical expedient remain unchanged, such that: i) if the lessee already applied the 2020 practical expedient it is required to continue to apply the practical expedient consistently, to all lease contracts with similar characteristics and in similar circumstances; and ii) If the lessee did not apply the 2020 practical expedient to eligible lease concessions, it is prohibited from applying the extension of the practical expedient, as per this amendment. This amendment is applied retrospectively with the impacts reflected as an adjustment to the opening balance of retained earnings of the annual reporting period in which the lessee applies this amendment for the first time. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

- **IAS 12 (amendment), 'Deferred tax related to assets and liabilities arising from a single transaction'** (effective for annual periods beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. IAS 12 will require entities to recognise deferred tax on specific transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These applies to the recognition of: i) right-of-use assets and lease liabilities; and ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, when not relevant for tax purposes. Such temporary differences are no longer subject to the initial recognition exemption for deferred taxes. The cumulative effect of initially applying the amendment is recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the earliest comparative period presented. It is not expected that the future adoption of this standard will result in a material impact in the Bank's financial statements.

1.3. Responsibility for the information and for the main estimates made

BPI's financial statements as of 31 December 2021 were approved by the Board of Directors on 24 February 2022 and are still pending approval by the sole Shareholder. However, it is expected that they will be approved with no changes. The financial statements for the previous year were approved by the single Shareholder by unanimous resolution taken on 15 April 2022.

BPI's individual and consolidated financial statements were prepared based on the principle of going concern, given the Bank's solvency (Note 4) and liquidity (Note 3.3.3). The preparation of the consolidated and individual financial statements required to make certain judgements, estimates and assumptions in order to quantify some of the assets, liabilities, revenues, expenses and obligations recognised in them. These judgements, estimates and assumptions relate primarily to:

- Impairment losses on financial assets and the associated guarantees based on their accounting classification imply the adoption of assumptions relating to: i) the consideration of "significant increase in credit risk" (SICR), ii) definition of default; and iii) the inclusion of forward-looking information (Notes 2.7 and 3).
- Fair value of some financial assets and liabilities (Note 38). The fair value of unlisted financial assets and derivatives was estimated based on valuation methods and financial theories, the results of which depend on the assumptions used.
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 22). Retirement and survivor pension liabilities have been estimated based on actuarial tables, assumptions of the increase in pensions and salaries and discount rates. These assumptions are based on Banco BPI's expectations for the period during which the liabilities will be settled.
- Current and deferred taxes have been recognised based on the tax legislation currently applicable to Banco BPI or on legislation already published for future application (Note 24). Different interpretations of tax legislation can influence the amount of income taxes. Deferred tax assets are recognised based on the assumption of future earnings and taxable income.
- Assessment of whether there exists control or significant influence over equity holdings in accordance with the criteria defined in IFRS10 and IAS 28 (Note 2.1).
- The measurement of investments in joint ventures and associates and determination of the share of profit/(loss) of these investments (Note 14).
- The measurement of provisions and contingent liabilities and respective probability of occurring (Note 20).

These estimates are based on the best information available at the time of preparation of the annual condensed interim financial statements, and take into account the uncertainties surrounding the impact of Covid-19 on the current economic environment. Subsequent events may require changing the estimates in future periods. In accordance with the applicable legislation and BPI's governance systems, the effects of these changes would be accounted for on a prospective basis in the corresponding income statement, in accordance with IAS 8 - Accounting Policies, change in estimates and errors.

1.4. Comparability of the information

The figures for 31 December 2020 included in the consolidated and individual financial statements, are presented for comparative purposes only.

1.5. Relevant information related to Covid-19

The years of 2021 and 2020 were marked by the Covid-19 pandemic and its impacts on society as a whole and on economic activity. The pandemic required special attention from Banco BPI, which sought to provide financial services to its Clients that took into account the special needs in the current context. Accordingly, several measures were taken:

- In Note 3. Risk Management, and throughout the Management Report, the actions taken by the bank to mitigate the socioeconomic impact of the pandemic on society are described, especially those relating to the moratoria made available to families and companies, and to lines of support to the economy.
- As regards the judgements and estimates relating to credit risk, the bank followed the recommendations of the advisory and supervisory bodies, notably the statement made on 27 March of 2020 by the International Accounting Standards Board (IASB) on the application of IFRS 9 in a context of uncertainty derived from Covid-19, and the guidelines of the European Banking Authority (EBA) on moratoria.
- Faced with the exceptional circumstances arising from the spread of COVID-19, Banco BPI and the CaixaBank Group have decided to suspend Banco BPI's dividend payment relative to financial years of 2019 and 2020, in the amount of 116 549 th.euros and 13 173 th.euros, respectively. These dividends were paid in October 2021.
- Following a principle of prudence in variable remuneration, and as an act of shared responsibility of BPI's Executive Committee towards the Bank, in view of the expected economic impact from the exceptional economic and social situation generated by Covid-19, the Bank's Executive Directors decided to forego their performance bonuses for financial year 2020.

The main risks and uncertainties related to COVID-19 are described in Note 3. Risk management.

2. ACCOUNTING POLICIES

In the preparation of the consolidated financial statements for the year ended on 31 December 2021, the following accounting principles and policies and valuation criteria were applied:

2.1. Consolidation of subsidiaries and jointly controlled entities and recognition of associated companies (IFRS 10, IFRS 11, IAS 28 and IFRS 3)

Banco BPI has direct and indirect holdings in subsidiary and associated companies.

Subsidiaries are entities over which the Bank has control, which is evidenced when the following conditions are cumulatively met:

- the power to conduct the company's relevant activities;
- the ability to use this power over the investee to affect the amount of its variable returns;
- exposure, or right, to variable returns from its involvement with the investee.

As a rule, voting rights give the ability to direct the relevant activities of an investee. To calculate voting rights, all direct and indirect voting rights, as well as potential voting rights (e.g. call options on equity instruments of the investee) are considered. In some circumstances, a company may have power to direct the activities without holding a majority of the voting rights, or vice-versa. In these cases, the investor considers whether it has the practical ability to direct the relevant activities unilaterally (financial and operating decisions, or appointing and remunerating governing bodies, among others).

The financial statements of subsidiaries are consolidated using the full consolidation method. Significant intra-group transactions and account balances are eliminated in the consolidation process. The amount of share capital, reserves and net results corresponding to third party participation in these subsidiaries is reflected in the Non-controlling interests caption.

Associated companies are entities over which Banco BPI has direct or indirect significant influence over their management and financial policies but over which it does not have control. Significant influence is evidenced to exist, in most cases, when the entity holds 20% or more of the share capital of the investee. If it holds less than 20% of the voting rights, significant influence is evidenced by the circumstances indicated in IAS 28. These include representation on the Board of Directors of the investee, participation in financial and operational policy-making processes, material transactions between the Bank and its investee, interchange of managerial personnel or the provision of essential technical information.

Exceptionally, companies are not considered associates when more than 20% of the voting rights are held, but it can clearly be demonstrated that significant influence does not exist and, therefore, the Bank lacks the power to intervene in the investee's financial and operation policies. Based on these criteria, at the end of the year, the Bank holds equity holdings in which it has more than 20% of the share capital in the portfolio of Financial assets at fair value through other comprehensive income.

Associated companies are accounted for using the equity method. In accordance with this method, the amount of the investment, which is initially recognised at cost, is adjusted by post-acquisition changes in the net asset value of the associated companies, in proportion to BPI's participation.

When necessary, adjustments are made to the subsidiaries' financial statements to ensure their consistency with BPI's accounting policies.

Goodwill - arising from positive differences between the cost of acquisition (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries at first consolidation date - is recorded as an asset and is subject to impairment tests. When a subsidiary is sold, goodwill is included in the calculation of the gain or loss on the sale.

Goodwill related to associated companies is included in the book value of the investment. The book value of associated companies (including goodwill) is subject to impairment tests in accordance with IAS 36, when there are indications of impairment.

In the case of associated companies acquired in stages, goodwill is calculated at the time that the acquired company becomes an associate, being determined as the difference between the total acquisition cost of the investment and the proportion held of the fair value of the identifiable assets and liabilities of the associate as of that date. As provided for in IAS 28, total acquisition cost corresponds to the fair value of the original investment on the date that significant influence is achieved, plus the amount paid for the additional participation. In accordance with the policy established by BPI, gains or losses on the revaluation of the fair value of the original investment are recognised as profit or loss on the date the acquired company becomes an associate.

Following the loss of significant influence over an associate, and in accordance with IAS 28, the equity holding is reclassified from the Investments in Associates portfolio to the Financial assets at fair value through other comprehensive income portfolio or the Financial assets at fair value through profit or loss, the respective fair value being determined on the date significant influence is lost. The difference between the fair value of the equity holding and the cost of investment at that date is recognised as profit or loss.

In accordance with IFRS 1 and BPI's accounting policies, up to the date of transition to IAS/IFRS, goodwill on investments acquired up to 1 January 2004 was deducted in full from shareholders' equity.

Negative goodwill - arising from negative differences between the cost of acquisition (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries and associates at first consolidation date or at the date the equity method is first applied is immediately recognised as a profit or loss.

Consolidated net income is the sum of the individual net income of Banco BPI and the percentage of the net income of subsidiary and associated companies, equivalent to Banco BPI's effective equity holding in them, considering the holding period, and after consolidation adjustments have been made, namely elimination of income and expenses resulting from inter-group transactions.

Foreign currency subsidiary and associated companies (IAS 21 and IAS 29)

The foreign currency financial statements of subsidiary and associated companies are included in the consolidated financial statements after being translated to Euro at the exchange rates published by Banco de Portugal and, in the case of BCI, by the Central Bank of Angola and Mozambique:

- assets and liabilities expressed in foreign currencies are translated to Euro at the exchange rates in force at the balance sheet date;
- income and expenses expressed in foreign currencies are translated to Euro at the exchange rates in force in the month in which they are recognised; and,
- exchange differences resulting from translation to Euro are recognised directly in the shareholders' equity caption Other comprehensive income.

When a foreign entity is sold, the accumulated exchange difference is recognised in the income statement as a gain or loss on disposal.

The exchange rates used for the translation to Euro of the accounts of foreign subsidiaries and associated companies were as follows:

	31-12-2021	31-12-2020
Metical - Mozambique	72.27	92.04
Swiss Franc - Switzerland	1.0331	1.0800
US Dollar - USA	1.1326	1.2270

Banco de Fomento Angola, SA (BFA)

In January 2017 Banco BPI sold 2% of the share capital of Banco de Fomento Angola to Unitel, reducing its holding in BFA to 48.1%, and entering into an agreement with BFA's shareholders under which BPI is entitled to appoint two, from a maximum of fifteen, members of the Board of Directors of BFA, as well as one member of its Supervisory Board, and one member of the Risk Committee and the Remuneration Committee. BPI’s stake in BFA's share capital and participation in BFA's governing bodies, although minority and not proportional to the share capital held, permitted to presume the existence of significant influence over BFA, in accordance with the IAS 28 provisions. Therefore, following the sale of 2% of BFA in 2017 and until 31 December 2018, Banco BPI classified its holding in BFA as an associate.

As referred in Note 1.3, at each financial statements preparation date, Banco BPI revises the main estimates and uncertainties associated to the application of the accounting policies in the preparation of the financial information. Therefore, given the existence of indications of a possible loss of significant influence, on the date of preparation of the financial statements with reference to 31 December 2018, the classification of Banco de Fomento Angola as an associate was revised as an associated company. From the main issues considered, one of the most important concerned the absence of BPI representatives in the executive body of BFA - the Executive Committee, which is the body responsible for the bank's operational management -, which determined BPI's lack of real power to participate in the financial and operating policy decisions of BFA under the terms set forth in paragraph 6 of IAS 28. BPI’s minority position in BFA’s Board of Directors, alongside a shareholder that holds control, also prevented BPI from having a real capacity to exercise significant influence in the management of BFA. In this context, the weight of BPI's participation in BFA's financial and operating policy decisions was much curtailed relative to initial expectations, based on the past experience of shareholders’ relationship, where BPI played a key role in the management of BFA.

Taking into account that increase in experience, assessment and knowledge about the shareholder relationship of BPI in BFA, it is considered that at the end of 2018 the circumstances on which the existence of real capacity on the part of BPI to exercise significant influence over BFA was based no longer exist. In view of these circumstances, at the end of 2018, BPI considered it appropriate to limit its presence in the committees and management bodies of BFA in which it was represented, maintaining only the minority presence in the aforementioned corporate bodies of BFA.

In accordance with the accounting standards, the loss of significant influence entailed, in Banco BPI’s consolidated balance sheet, reclassifying the equity holding in BFA from Associate to Financial assets at fair value through other comprehensive income - Equity instruments, and its revaluation at fair value at 31 December 2018.

During the year of 2020, BPI no longer had representatives on BFA’s governing bodies, after the resignations that occurred in the third quarter of the year. In this context, there it is understood that were no changes in the conditions that led to the reclassification of the equity holding in BFA to Financial assets at fair value through other comprehensive income - Equity instruments, so it remained in that portfolio.

2.2. Financial instruments (IAS 32, IFRS 7, IFRS 9 and IFRS 13)

Classification of financial assets

The following table details the criteria established by the accounting standards for the classification of financial instruments:

Contractual cash flows	Business Model	Classification of Financial Assets
Solely payments of principal and interest (SPPI) on principal at the dates indicated (SPPI test)	With the objective of receiving the contractual cash flows	Financial assets at amortised cost
	With the objective of receiving the contractual cash flows and sale	Financial assets at fair value through other comprehensive income
Others - do not require SPPI test	Derivative instruments designated as accounting hedges	Derivatives - Hedge accounting
	Instruments originated or acquired with the aim of being realised in the short term	Financial assets held for trading
	Included in a group of financial instruments identified and managed together, for which there is evidence of a recent pattern of short-term profit-taking	
	Derivative instruments that do not meet the definition of a financial guarantee contract and have not been designated as hedging instruments.	
	Other	Non-trading financial assets mandatorily at fair value through profit or loss

Investments in equity instruments are an exception to the aforementioned general classification criteria. In general, at initial recognition the Bank irrevocably exercises the option of including - in the portfolio of financial assets at fair value through other comprehensive income - investments in equity instruments that are not classified as held for trading and that, in the event this option was not exercised, would be classified as non-trading financial assets mandatorily at fair value through profit or loss.

As for the assessment of the business model, this does not depend on the intentions for an individual instrument, but rather for a set of instruments, taking into account the frequency, amount and schedule of sales in previous years, the reasons for those sales and the expectations for futures sales. Infrequent or insignificant sales, sales near the maturity date of the asset and sales driven by a significant increase in the credit risk of the financial assets or to manage the concentration risk, among others, can be compatible with the model of holding assets to receive contractual cash flows.

In particular, Banco BPI's expectation of making frequent and significant sales of loans (or similar financial assets) that have suffered a deterioration in credit risk is not inconsistent with the classification of the said loans in the business model of holding financial assets to receive contractual cash flows. These sales are not considered when determining the frequency of sales and their significance and are therefore excluded from the monitoring models.

In relation to valuation, if the cash flows of an instrument are solely payments of principal and interest, the Bank makes certain judgements when assessing its conformity and compliance (SPPI test), the most significant of which are listed below:

- Change in the time value of money: to assess whether the interest rate on a transaction incorporates any consideration other than that linked to the passage of time, the Bank considers factors such as the currency in which the financial asset is denominated and the term for which the interest rate is set.
- Exposure to risks unrelated to a basic lending arrangement: an assessment is conducted on whether the contractual terms of financial assets introduce exposure to risks or volatility in the contractual cash flows that would not be present in a basic lending arrangement, such as exposure to changes in the price of stocks or listed commodities, in which cases they would not pass the SPPI test.

- Clauses that modify the timing or value of the cash flows: the Bank considers whether there are contractual conditions by which the timing or value of the financial asset's contractual cash flows may be modified. This is the case of:
  - assets whose contractual conditions allow total or partial early repayment of principal;
  - assets for which it is contractually permitted to extend their duration, or
  - assets for which interest payments may vary according to a non-financial variable specified in the contract. In these cases, the entity assesses whether the contractual cash flows that the instrument may generate over its life due to this contractual condition are solely payments of principal and interest on the outstanding principal, and may include a reasonable additional compensation for the early termination of the contract.
- Leverage: leveraged financial assets, i.e., those in which the variability of the contractual flows increases with the result that they do not have the economic characteristics of interest, cannot be considered financial assets that pass the SPPI test (e.g., derivative instruments such as simple option contracts).
- Subordination and loss of collection rights: the Bank assesses contractual clauses that may result in a loss of rights to receive payment of principal and interest on the outstanding principal amount.
- Currency: in analysing whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the Bank takes into consideration the currency in which the financial asset is denominated in order to assess the characteristics of the contractual flows, for instance by assessing the component corresponding to the time value of money based on the benchmark used for setting the financial asset's interest rate.
- Contractually linked instruments: with respect to positions in contractually linked instruments, a 'look through' analysis is performed, based on which it is considered that the flows derived from this type of asset consist solely of payments of principal and interest on the principal amount outstanding if:
  - the contractual terms of the tranche being assessed for classification (without looking through to the underlying pool of financial instruments) give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (for example, the interest rate on the tranche not linked to a commodity index);
  - the underlying pool of financial instruments comprises one or more instruments with contractual cash flows that are solely payments of principal and interest on the principal amount outstanding; and
  - the exposure to the credit risk inherent in the tranche is equal to or lower than the exposure to the credit risk of the underlying pool of financial instruments (for example, the credit rating of the tranche being assessed for classification is equal to or higher than that which would apply to a single tranche comprising the underlying pool of financial instruments).

    The underlying pool of instruments referred to in the previous paragraph could also include instruments that reduce the variability of the flows of that pool of instruments such that, when they are combined with these instruments, they generate flows that are solely payments of principal and interest on the principal amount outstanding (e.g., an interest rate cap or a floor option or another contract that reduces the instruments' credit risk. It could also include instruments that allow the flows from the tranches to be aligned with the flows from the pool of underlying instruments in order to eliminate the differences in the interest rate, the currency in which the flows are denominated (including inflation) and the timing of cash flows
- Assets without personal liability (non-recourse): the fact that a particular financial asset does not have any personal liability associated with it does not necessarily mean it must be considered a Non-SPPI financial asset. In these situations, the Bank assesses the underlying assets or cash flows to determine whether they consist solely of payments of principal and interest on the principal amount outstanding, regardless of the nature of the underlying assets in question.

  In particular, in the case of project finance operations that are repaid exclusively with the incomes from the projects being financed, the Bank analyses whether the cash flows that are contractually determined to be principal and interest payments do indeed represent the payment of principal and interest on the principal amount outstanding.
- Negative compensation (symmetrical clauses): certain instruments incorporate a contractual clause whereby, in case of either full or partial repayment of the principal amount outstanding, the party that chooses to end the contract early – whether it is the debtor or the creditor – is able to receive fair additional compensation despite being the party choosing to end the contract early. This is the case, for instance, with the so-called symmetrical clauses found in certain fixed-rate financing instruments, which stipulate that at the time the creditor executes the early repayment option, there must be compensation for the early termination of the contract, and this compensation will accrue to either the debtor or the creditor depending on how interest rates have fluctuated from the time of origination to the date of early termination of the contract.

The fact that a financial instrument incorporates this contract term, known as negative compensation, does not necessarily mean that the instrument in question must be considered Non-SPPI. A financial instrument that would otherwise have met the conditions to be considered SPPI-compliant, had it not been for the incorporation of fair additional compensation for the early termination of the contract (to be either received or paid by the party that decides to terminate the contract early), will be eligible to be measured at amortised cost or at fair value with changes in another comprehensive income, as determined by the business model.

In cases where a characteristic of a financial asset is not congruous with a basic loan agreement, i.e., the asset has characteristics that give rise to contractual flows other than payments of principal and interest on the principal amount outstanding, the Bank will assess the materiality and probability of occurrence in order to determine whether this characteristic or element should be taken into consideration when evaluating the SPPI test.

With respect to the materiality of a characteristic of a financial asset, the assessment performed by the Bank involves estimating the impact it could have on the contractual flows. The impact of such an element is considered not material when it entails a change of less than 5% in the expected cash flows. This tolerance threshold is determined on the basis of the expected contractual flows, without any discounting.

The contractual conditions contained in financial assets that, at the time of initial recognition, have a minimum effect on the cash flows or depend on exceptional and highly unlikely events taking place (such as liquidation by the issuer) do not prevent the asset from being classified in the amortised cost portfolio or fair value portfolio through other comprehensive income portfolio.

Classification of financial liabilities

Financial liabilities are classified under the following captions: “Financial liabilities held for trading”, “Financial liabilities designated at fair value through profit or loss” and “Financial liabilities at amortised cost”, save for liabilities that must be presented under “Liabilities included in disposal groups classified as held for sale” or relate to “Fair value changes of the hedged items in portfolio hedge of interest rate risk” or “Derivatives – Hedge accounting”, which are presented separately.

The caption "Financial liabilities at amortised cost": includes financial liabilities not classified as financial liabilities held for trading or as other financial liabilities at fair value through profit or loss. The balances recognised in this category, irrespective of how they are used and their maturity, arise from the ordinary funding activities of credit institutions.

Initial recognition and measurement

Upon initial recognition, all financial instruments are recognised at fair value. For the financial instruments that are not subsequently valued at fair value through profit or loss, the fair value amount is adjusted, adding or deducting transaction costs directly attributable to the acquisition or issuance thereof. In the case of financial instruments at fair value through profit or loss, the directly attributable transaction costs are immediately recognised in the income statement.

The transaction costs are defined as expenses directly attributable to the acquisition or sale of a financial asset, or to the issuance or assumption of a financial liability, which would not have been incurred if the Bank had not made the transaction. These include, among others, fees paid to intermediaries (such as promoters) and mortgage arrangement expenses. Under no circumstances are the internal administrative expenses or those deriving from prior research and analysis considered transaction costs.

Subsequent measurement of financial instruments

After its initial recognition, the Bank recognises a financial instrument at amortised cost, at fair value through profit or loss, or at fair value through other comprehensive income.

Receivables for trading operations that do not have a significant financing component and the commercial loans and short-term debt securities that are initially measured by the price of the transaction or its outstanding principal, respectively, continue to be measured by said amount, deducted of impairment losses, as described in section 2.7

Purchases and sales of fixed and variable income instruments are recorded regularly on the contract date.

Income and expenses of financial assets and liabilities

The income and expenses of financial instruments at amortised cost are recognised according to the following criteria:

Portfolio		Recognition of revenue and expenses
Financial assets	At amortised cost	• **Accrued interest:** On the income statement, with the effective interest rate of the operation on the gross book value of the operation (except for stage 3 assets, where the rate applies to the net book value) • **Other changes in value**: gains or losses when the financial instrument is derecognised from the balance sheet, reclassified, or when there are impairment losses or gains on its subsequent recovery.
	At fair value through profit or loss	• **Changes in fair value:** changes in fair value are recognised directly in the income statement, distinguishing, for non-derivative instruments, between the part attributable to the instrument's return, which will be booked as interest or dividends in accordance with its nature, and the remainder, which will be booked as a gain or loss in financial operations, in the corresponding caption. • **Accrued interest:** in debt securities it is calculated using the effective interest rate method.
	At fair value through other comprehensive income [1]	• Accrued interest or dividends recognised in the income statement. Interest is recognised as in assets at amortised cost. • Foreign exchange differences in the income statement, when debt securities, and in other comprehensive income when equity instruments. • Impairment losses on debt securities, or gains for subsequent recovery in the income statement. • The remaining changes in value are recognised in other comprehensive income.
Financial Liabilities	At amortised cost	• **Accrued interest:** in the income statement, at the transaction's effective interest rate on the gross amount of the transaction. • **Other changes in value:** gain or loss when the financial instrument is derecognised from the balance sheet or reclassified.
	At fair value through profit or loss	• **Changes in fair value:** changes in the value of a financial liability designated at fair value through profit or loss, when applicable, as follows: a) the change in the fair value of a financial liability attributable to a change in its own credit risk is recognised in other comprehensive income, which would be directly transferred to a reserves caption when the financial liability was derecognised. b) the remainder of the fair value change is recognised as a profit / (loss) for the year. • **Accrued interest:** in debt securities it is calculated using the effective interest rate method.

[1] Thus, when a debt security is recognised at fair value through other comprehensive income, the amounts recognised as profit or loss for the period are the same as those that would be recognised if measured at amortised cost. When a debt security measured at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss accumulated in other comprehensive income is reclassified as profit or loss for the period. On the other hand, when an equity instrument measured at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss recognised in other comprehensive income is not reclassified as a profit or loss for the period. For each of the above portfolios, the recognition would change if said instruments form part of a hedging relationship (Note 2.3.).

The effective interest rate is the rate used to discount future cash payments or charges estimated during the expected life of the financial asset or liability with respect to the gross book value of a financial asset or the amortised cost of a financial liability. To calculate the effective interest rate, BPI estimates the expected cash flows, taking into account all the contractual terms of the financial instrument, but without considering expected credit losses.

The calculation includes all fees and commissions and interest paid or received by the parties to the agreement (relative to the effective interest rate), transaction costs and any other premium or discount. In cases where the cash flows or remaining life of a financial instrument cannot be estimated reliably (e.g., advance payments), BPI uses the contractual cash flows throughout the full contractual period of the financial instrument.

In the particular case of the third series of targeted longer-term refinancing operations (known as 'TLTRO III'), the Bank considers that each of the operations falls under the scope of IFRS 9 Financial Instruments, given that they are operations whose interest rate is not significantly below the market rate.

For TLTRO III, the effective interest rate determined in 2021 and 2020 is calculated for each operation in the period and reflects the Bank's estimation of compliance with the targets for changes in the volume of eligible credit defined by the ECB. This entails splitting the interest rate of each of the TLTRO III operations into time periods. Should there be a subsequent change in this estimation due to a change in the Bank's expectations regarding compliance with the credit performance thresholds, this would be reflected as a recalculation of the operation's amortised cost (by application of paragraph B5.4.6 of IFRS 9) .

Reclassifications between financial instrument portfolios

Under the IFRS 9 requirements, reclassifications between financial instruments portfolios can only occur in the event the Bank decides to change its business model for the management of a financial assets portfolio. This reclassification would be carried out prospectively from the date of the reclassification. In accordance with the IFRS 9 approach, in general, changes in the business model occur very infrequently. Financial liabilities cannot be reclassified between portfolios.

2.3. Hedge accounting

Banco BPI uses financial derivatives as a financial risk management tool, mainly to hedge interest rate risk (Note 3.4.4. and 13). When these transactions meet certain requirements, they qualify for hedge accounting. The Bank applies the provisions of IFRS 9 relating to hedge accounting.

The Bank maintains the hedging relationship documentation, which includes the identification of the hedging instrument and of the hedged item, the nature of the risk to be hedged and the way in which the Bank assesses whether the hedging relationship meets the requirements of hedging effectiveness. In accordance with IFRS 9, to ensure that the effectiveness requirement is met:

a) there must be an economic relationship between the hedged item and the hedging instrument,

b) the credit risk of the hedged item's counterparty or of the hedging instrument should not have a dominant effect on changes in value resulting from said economic relationship, and

c) the coverage ratio of the hedge accounting relationship, understood as the share of the item hedged by the hedging instrument, must be the same as the coverage ratio used for management purposes.

Fair value hedges

Fair value hedges hedge the exposure to changes in fair value of financial assets and liabilities or unrecognised firm commitments, or an identified portion of such assets, liabilities or firm commitments, that are attributable to a particular risk and could affect the income statement.

In fair value hedges, value changes in the hedging instrument or in the hedged item for the portion attributable to the hedged risk, are recognised in an asymmetrical way according to whether the hedged item is a debt instrument or an equity instrument:

- In debt securities, value changes in the hedging instrument or in the hedged item for the portion attributable to the hedged risk are recognised in the income statement, in the "Gains/(losses) from hedge accounting, net" caption. In fair value macro-hedges, value changes in the hedged items are balanced in "Assets – Fair value changes of the hedged items in portfolio hedge of interest rate risk" or "Liabilities – Fair value changes of the hedged items in portfolio hedge of interest rate risk" depending on the substance of the hedged item, rather than in the captions under which the hedged items are recognised.
- In equity instruments, value differences produced in either the hedging item or the hedged item, in the part corresponding to the type of risk hedged, are recognised in the balance sheet item "Accumulated other comprehensive income - Items that will not be reclassified to profit or loss - hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income". Banco BPI does not have hedges for equity instruments.

When hedging derivatives no longer meet the requirements for hedge accounting, they are reclassified as trading derivatives. Fair value changes in debt securities are recognised in profit or loss using the effective interest rate method, as from the date the hedge is interrupted.

2.4. Offsetting of financial assets and liabilities

Financial assets and financial liabilities may be offset and the net amount presented in the balance sheet when, and only when, the Bank has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, taking the following into consideration:

- The legally enforceable right to set off the recognised amounts should not be contingent on a future event and must be legally enforceable in all circumstances, including cases of default or insolvency of any or all of the counterparties;
- Settlements are considered equivalent to 'net settlement' when they meet the following requirements: they totally eliminate or result in insignificant credit and liquidity risk; and settlement of the asset and liability is made in a single settlement process.

BPI follows the criteria provided in IAS 32 to offset trading derivatives, hedging derivatives, and the associated collaterals, providing they are maintained through the LCH central clearing house. Consequently, the balance sheet value of assets and associated collaterals delivered is offset up to the amount of the corresponding liabilities.

All other derivative and repo security transactions that do not meet the criteria allowing for the offsetting of credit risk by counterparty are not offset for accounting purposes. The value of each transaction is recognised in assets or liabilities depending on whether it is positive or negative, respectively.

2.5. Derecognition of financial instruments

A financial asset is totally or partially derecognised when the contractual rights to the cash flows from the financial asset expire or when they are transferred to a third party outside the entity.

The accounting treatment of transfers of financial assets depends on the manner and the extent to which the risks and rewards associated with ownership of the transferred assets are transferred to third parties:

- If substantially all the risks and rewards of ownership of the transferred asset are transferred (such as in the case of, among others: unconditional sales, sales with a repurchase agreement at its fair value at the time of repurchase, a sales of a financial assets with a call or put option issued deep out of the money, or asset securitisations in which the transferor does not retain any subordinated loans and does not provide any type of credit enhancement to the new owners), it is derecognised, and any rights or obligations retained or arising as a result of the transfer are simultaneously recognised;
- If all the risks and rewards of ownership of the transferred financial asset are retained substantially (such as in the case of among others: sale and repurchase transactions where the repurchase price is a fixed price or the sale price plus a lender's return, a securities lending agreement under which the borrower has the obligation to return the securities or similar) it is not derecognised and continues to be measured by the same criteria used before the transfer and the following are recognised:
    - A financial liability equal to the consideration received, which is subsequently measured at amortised cost, unless it meets the requirements to be classified under other liabilities at fair value through profit or loss.
    - The income generated on the transferred (but not derecognised) financial asset and the expenses of the new financial liability, without offset.
- If substantially all the risks and rewards of ownership of the transferred financial asset are neither transferred nor retained (such as in the case of, among others, a sale of a financial asset together with a put or call option, securitisations in which the transferor assumes a subordinated loan or other type of credit enhancement for part of the transferred asset), the following distinction is made:
    - If the transferor does not retain control over the financial asset transferred, it is derecognised and any right or obligation retained or arising from the transfer is recognised.
    - If the transferor retains control over the financial asset transferred, it continues to recognise the asset for an amount equal to its exposure to changes in value of the asset, recognising a liability associated with the financial asset transferred. The net amount of the transferred asset and the associated liability shall be the amortised cost of the rights and obligations retained, if the asset is measured at amortised cost, or at fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

According to the terms of the transfer agreements in place, the portfolio of loans and receivables securitised by BPI does not meet the criteria for derecognition.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2.6. Financial guarantees

Financial guarantees given

Financial guarantees are defined as contracts whereby the issuer thereof undertakes to make specific payments to reimburse the creditor for the loss incurred when a specific debtor fails to meet its payment obligations, irrespective of the legal form of the obligation (guarantee, surety, financial or technical guarantee, insurance contract or other types of contract).

Financial deposits comprise all manner of deposits that directly or indirectly guarantee debt securities such as loans, credit facilities, finance leases and deferred payment arrangements for all types of debt.

All these transactions are recognised as off-balance sheet items.

Financial guarantees are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, estimate any impairment required. The criteria used in this process is similar to those established for quantifying impairment losses on debt securities measured at amortised cost as described in Note 2.7 - Impairment of financial assets.

Impairment constituted for this type of arrangement are recognised under the "Provisions” balance sheet caption. Additions to and reversals of impairment are recognised in “Provisions or reversal of provisions” in the income statement.

Financial guarantees received

No significant guarantees or collateral were received with regard to which there is authorisation to sell or repledge, without default by the guarantor, except for the collateral inherent to Banco BPI's treasury activity.

2.7. Impairment of financial assets

The Bank determines impairment losses for debt securities that are measured at amortised cost and at fair value through other comprehensive income, as well as for other exposures that involve credit risk, such as granted financial guarantees and other granted commitments.

The aim of the IFRS 9 requirements as regards impairment is to ensure recognition of expected credit losses on operations, assessed collectively or individually, considering all the reasonable, reliable and duly substantiated information available at each reporting date, including forward looking information.

Impairment losses on debt securities in the period are recognised as an expense under the heading "Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss” in the income statement. Impairment losses on debt securities that are measured at amortised cost are recognised against an accumulated impairment caption on the balance sheet, which reduces the book value of the asset, while impairments of assets measured at fair value through other comprehensive income are recognised against other comprehensive income, in the corresponding equity caption.

Impairment losses in exposures involving credit risk other than debt securities are recorded as a provision under the heading "Provisions – Commitments and guarantees given" on the liabilities side of the balance sheet. Additions to and reversals are recognised under the heading “Provisions or reversal of provisions for commitments and guarantees given” in the income statement.

For the purpose of accounting for impairment losses in debt securities, the following definitions must be taken into account:

- **Credit losses:** these correspond to the difference between all the contractual cash flows owed to the Bank in accordance with the financial asset's contractual conditions and all the cash flows that the Bank is due to receive (i.e. the entire cash flow shortfall), discounted at the original effective interest rate or, for financial assets that were purchased with or that originated with credit impairment, discounted at the effective interest rate adjusted to reflect credit quality, or the interest rate on the date referred to in the financial statements in the case of a variable rate.

  In the case of granted loan commitments, the contractual cash flows that would be owed to the Bank in the event the loan commitment were drawn down are compared to the cash flows that it would expect to receive when the asset is recognised. In the case of granted financial guarantees, the Bank considers the payments that it expects to make less the cash flows it expects to receive from the debtor, with medium hedges being applied, based on the Client's profile, on the estimated amount of payments which the Bank expects to make.

  The Bank estimates the cash flows taking into account the contractual duration established for the operations. In the case of credit cards and overdrafts on current accounts of individual Clients, the Bank considers that the expected life of these operations is 12 months.

The calculation of cash flows also takes into account those deriving from the sale of collateral, taking into account the cash flows that would be obtained from the sale thereof, minus the costs required to obtain them, maintain them and subsequently sell them, or other guarantees that are an integral part of the contractual conditions, such as financial collaterals.

- **Expected credit losses:** these correspond to the weighted average of the credit losses, using as weighting the respective probability of default events. The following distinction will be taken into account:

  i. Expected credit losses during the lifetime of the operation: these are expected credit losses resulting from possible default events during the expected lifetime of the operation.

  ii. Expected credit losses at 12 months: these are the part of the credit losses expected during the lifetime of the operation corresponding to the expected credit losses resulting from any default events likely to occur during the twelve months following the reference date.

The amount of the impairment loss is calculated according to whether there has been a significant increase in credit risk since the operation's initial recognition, and whether or not a default event has occurred:

Improvement ← **Credit risk since initial recognition** → **Deterioration**

Credit Risk Category	***Stage 1***	***Stage 2***	***Stage 3***
Impairment (Updated at each reporting date)	Expected credit losses at 12 months	Expected credit losses during lifetime	
Classification Criteria	**No material change in credit quality since initial recognition**	**Material increase in credit risk since initial recognition *** • Tolerance matrix[1] • Mandatory criteria: • Scoring/Rating[2] at reference date • Restructurings • Indications in central credit register, list of high-risk users • Risk alerts after individual analysis • > 30 overdue • Indicators that, in accordance with market indicators/triggers, may determine a significant deterioration in risk.	**Credit classified as in default**
Interest on income calculated based on:	**Effective interest rate on gross amount**		**Effective interest rate on amortised cost**

[1] *To capture a significant deterioration in the probability of default (PD)*
[2] *Scoring / Rating above a given classification*

* The criteria indicated are considered in case they apply to the risk segment.

A debt instrument is written off from assets when it is considered irrecoverable or when there is no reasonable expectation of recovery (whether it is due or not). The write-off of the asset does not require the bank to waive the legal right to recover the loan and it may occur before the legal actions for the recovery of the loan are fully completed.

The derecognition of credit operations (by write-off) occurs after (i) the recognition of impairments for the total outstanding debt amount, in accordance with the Bad Credit Policy in effect and (ii) the existing tax criteria for the purpose have been met. It should be noted that, broadly speaking, the tax criteria for the write-off of loans granted are met when defaults exceed 24 months and there is no mortgage security.

Regardless of its subsequent classification, in the event that an operation is bought or originated with credit impairment, its hedging would be equal to the accumulated amount of the changes in the credit losses after initial recognition and the interest income of these assets would be calculated by applying the effective interest rate adjusted to reflect credit quality, at the amortised cost.

2.8. Refinancing or restructuring operations

BPI has a Regulation on loan operations restructured or renegotiated due to financial difficulties, which establishes the following:

- Objective and subjective criteria for the identification of customers in financial difficulties;
- General management principles for this type of exposures, including with regard to the assessment of payment capacity, the reinforcement of guarantees, debt cancellation, etc.;
- Typologies of measures to be applied depending on the customer's characteristics;
- Governance of the credit analysis and decision-making process.

To this effect, restructured loans are deemed to be those in which changes are made to the agreed terms, and renegotiated loans, those that are replaced by other loans. These are the main criteria for financial difficulties defined in the Policy:

- Clients in default;
- Clients in default for more than 30 days (currently, or in the last 3 months with BPI, or in the last 12 months in the banking system);
- Drawings above 95% of the ceiling of renewable credit operations;
- Deterioration of the internal risk rating;
- Other risk deterioration subjective criteria.

Some restructurings or renegotiations imply the classification of the Customer's exposure as in default, namely when there is a relevant economic loss when an atypical payment plan is defined (e.g., certain types of balloons or grace periods), or when an individual analysis permits to conclude that the restructuring does not ensure the repayment of the debt within a reasonable period. Internal regulations establish specific cure periods for this type of situation, which are restarted whenever the client undergoes a new restructuring or renegotiation due to risk deterioration or non-performance for more than 30 days. Restructurings or renegotiations due to risk deterioration, but not considered in default, are classified in stage 2, with pre-established probation periods.

2.9. Foreign currency transactions

The Bank's functional and presentation currency is the euro. Consequently, all non-euro balances and transactions are foreign currency balances and transactions.

All foreign currency transactions are recorded, on initial recognition, by applying the indicative spot exchange rate between the functional currency and the foreign currency, disclosed by European Central Bank.

At the end of each reporting period, foreign currency balances are translated to euros at the indicative official foreign exchange rate disclosed by European Central Bank, except when in kwanza or metical, in which case the official exchange rates published indicatively by the Central Banks of Angola and Mozambique, respectively, are used.

Unmatured forward foreign exchange purchase and sale transactions not considered as hedges, are translated to euros at the yearend exchange rates on the forward currency market.

The exchange differences arising on the translation of foreign currency balances to BPI's reporting currency are generally recognised under "Exchange differences (net)" in the income statement. However, exchange differences arising from changes in the value of equity instruments at fair value through other comprehensive income, are recognised under "Equity – Other comprehensive income – Items that will not be reclassified to profit or loss".

Income and expenses expressed in foreign currencies are translated to Euro at the exchange rates in force on the day in which they are recognised.

2.10. Recognition of income and expenses

The main criteria applied to recognise income and expenses are summarised as follows:

	Characteristics		Recognition
Income and expenses from interest, dividends and similar	**Income and expenses from interest and similar**		Based on accrual period, through application of the effective interest rate method, regardless of the resulting cash or financial flow, as described above.
	Dividends received		As income at the time it is received (official announcement of dividend payment by the company's competent body).
Fee and Commissions charged/paid[1]	**Credit Commissions** - are an integral part of the effective revenue or expense of a financing operation are received upfront.	Commissions received for the creation or acquisition of financing operations that are not accounted at fair value through profit or loss (i.e. payments of activities such as the evaluation of the borrower's financial situation, evaluation and registration of various guarantees, negotiation of the operation's terms, preparation and processing of the documentation and closing of the transaction).	Deferred and recognised over the life of the operation as an adjustment to the operation's effective income or cost.
		Commissions agreed as compensation for the commitment to grant financing, when said commitment is not accounted at fair value with changes in profit or loss and it is likely that the Group will enter a specific loan agreement.	Deferred as they are charged over the expected life of the financing as an adjustment to the operation's effective income or cost. If the commitment expires without the entity making the loan, the fee is recognised as revenue on expiry.
		Commissions paid on the issuance of financial liabilities at amortised cost.	Included, together with the respective direct costs, in the value of the financial liability, charged as an adjustment to the effective cost of the operation.
	Non-credit Commissions - Commissions derived from the provision of financial services other than financing operations.	Related to the execution of a service provided over time (i.e.: account maintenance fees).	Recognised over time, by measuring the finishing phase against full compliance with the performance obligation.
		Related with the provision of a service executed at a specific moment (such as signature of securities, foreign exchange, consultancy or loan syndication).	Recognised in the income at the time of collection.
Other non-financial revenue and expenses	**Other revenue from recurring activities**		• As a general criterion, they are recognised when the goods or services contracted with the clients are delivered or provided. The amount of the consideration which the Bank expects to be entitled to exchange for such goods or services is recognised as a revenue over the duration of the contract. • If the Bank receives a consideration without the transfer of the goods or services, a liability is recognised and remains in the balance sheet until it is recorded in the income statement.

[1] Exceptions: Commissions on financial instruments at fair value through profit or loss and unavailability commission (in operations where the offer of funds is optional for the borrower) are immediately recognised in the income statement.
Commissions deriving from products or services that are typical of the financial business are presented separately from those deriving from products and services that are not typical of this activity, the latter being presented under the caption "Other operating income" in the income statement.

As for the accounting of the costs related to the contracts, the costs of obtaining a contract are those in which the Bank incurs to obtain a contract with a Customer and which it would not have incurred if the Bank had not entered into said contract.

Under the accounting framework applicable to BPI, incremental costs incurred in obtaining or fulfilling a contract are activated if:

- are directly related to a contract or an expected contract that can be identified by the entity (e.g., example, costs related to services to be provided as a result of the renewal of an existing contract, or design costs of an asset to be transferred under a specific contract not yet approved);
- generate or increase the resources of the entity company's funds that will be used to satisfy future performance obligations;
- can be expected to be recovered.

BPI defers the costs incurred, accruing them in the income statement by association with the duration of the contract or of the operations that gave rise to them.

2.11. Employee benefits

Employee benefits include all forms of compensation given in exchange for services rendered to the Bank by its Employees or for the termination of the employment contract. They can be classified in the following categories:

Short-term employee benefits

These are employee benefits (other than termination benefits) which fall due wholly within 12 months after the end of the annual financial statements period in which the employees render the related service. They include wages, salary supplements, social security contributions and contributions to the medical and healthcare services for banking sector employees (SAMS), allowances (holidays, Christmas, meals, children, etc.), paid sick leave or other, variable remuneration, bonuses and non-monetary benefits payable to current employees such as health, life, personal accidents, and occupational hazards insurance, accommodation expenses and free or subsidised goods or services related to active employees.

The cost of services rendered is recognised under "Administrative expenses – Staff expenses" of the income statement.

Credit facilities made available to Employees at below market rates are considered to be non-monetary benefits and are calculated as the difference between market rates and the rates agreed with Employees. The difference is recognised under “Administrative expenses – Staff expenses” with a balancing entry under “Interest income” in the income statement.

Post-employment benefits

Post-employment benefits are all those undertaken with employees, to be paid after completion of their employment with the Bank. They include retirement benefits, such as pensions and other post-employment benefits, such as post-employment medical care at the end of the employment relationship and end-of-career bonus.

Defined contribution plans

The post-employment obligations with employees are deemed to be defined contribution obligations when the Bank makes predetermined contributions to a separate entity (fund) and has no legal or constructive obligation to make further contributions if the fund assets are not sufficient to pay the all the employee benefits relating to the service rendered in the current and prior periods. Contributions of this type made in each year are recognised under “Administrative expenses – Staff expenses” in the income statement. Post-employment obligations that do not meet the aforementioned conditions are considered defined benefit obligations.

Defined benefit plans

The present value of pension liabilities, net of the fair value of the pension funds’ assets, is recorded under “Other liabilities - Liabilities for pensions and other defined benefits”, in the case of a coverage shortfall in the pension funds, or under “Other assets - Liabilities for pensions and other defined benefits” in the case of a coverage surplus.

Plan assets are defined as those assets that will be used to directly settle plan obligations and that meet the following conditions:

- They are held by a pension fund that is legally separate from the bank and exists solely to pay or fund employee benefits.
- They are solely available to pay or fund post-employment benefits and are not available to the Bank’s own creditors, even in bankruptcy. They cannot be returned to the Bank unless the remaining assets of the plan are sufficient to meet all the related post-employment benefit obligations of the plan or of the Bank, or are used to reimburse it for post-employment benefits the Bank has already paid to its Employees.

The actuarial assumptions used to calculate liabilities for end-of-career bonuses and for medical services (SAMS) of former Employees of the Bank are the same as those used to calculate employee pension liabilities, i.e., the discount rate, the salary growth rate, the mortality tables and the length of service are taken into account in the calculation of future liabilities on retirement. These liabilities are not covered by the Pension Fund, being recorded under Other liabilities - staff expenses.

Post-employment benefits (liabilities for and other defined benefits) are recognised as follows:

- Service cost is recognised in the income statement, in the caption "Administrative expenses - Staff Expenses", and includes the following components:
    - Current service cost, understood as the increase in the present value of obligations arising from employee service in the current period;
    - Past service cost, resulting from amendments to existing post-employment benefits or the introduction of new benefits, and the cost of curtailments;
    - Any gain or loss arising on settlement of a plan.
- The interest cost/(income) on the net post-employment benefit liability/(asset), understood to be the change during the period in the net pension liability that arises from the passage of time, is recognised in "Administrative expenses – Staff expenses" in the income statement.
- Remeasurements of the net liability/(asset) for defined benefit post-employment benefits are recognised in "Accumulated other comprehensive income" in the balance sheet. It includes:
    - Actuarial gains and losses arising in the period from differences between the previous actuarial assumptions and what has actually occurred and from changes in the actuarial assumptions used.
    - The return on plan assets, excluding the amounts included in the net interest on the liability/(asset) for defined benefit post-employment benefits.
    - Any change in the impact of the asset ceiling, excluding the amounts included in the net interest on the liability/(asset) for defined benefit post-employment benefits.

Termination benefits

These benefits are payable as a result of an Entity's decision to terminate an employee's employment, a valid expectation having been raised in the employee or an employee's decision to accept the Bank's irrevocable offer of those benefits in exchange for voluntary redundancy.

A liability and a non-recurring cost for termination benefits are recognised when there is no realistic possibility of withdrawing the offer to pay the termination benefits or when the costs for restructuring which involves the payment of termination benefits are recognised. These amounts are recognised as a liability under "Accrued costs - Staff Expenses" in the balance sheet until they are settled or transferred to Pension Liabilities.

2.12. Employee remuneration based on equity instruments

Within the scope of variable remuneration or participation in long-term incentives plans, Banco BPI's Directors and Employees may be entitled to receive part of the remuneration in financial instruments, preferably CaixaBank shares.

Due to its characteristics, this delivery of CaixaBank shares to Directors and Employees of Banco BPI is accounted for as defined in IFRS 2, i.e., as a cash-settled share-based payment transaction.

Costs with variable remuneration and long-term incentive plans are fully recognised under "Staff Expenses" in the period during which the service is provided, against a liability on the balance sheet. Until its settlement date, this liability is valued as the fair value of the shares to be delivered, with the respective changes being recognised as profit/(loss) for the year.

Banco BPI purchases a portfolio of CaixaBank shares in order to ensure full coverage of this liability. These shares remain booked in the portfolio of "Non-trading financial assets mandatorily at fair value through profit or loss" until the date when they are delivered. The respective change in fair value is also recognised through profit or loss.

2.13. Income tax

Banco BPI is subject to the tax regime set out in the Portuguese Corporate Income Tax Code and in the Statute of Tax Benefits.

The expense for income tax is recognised in the income statement, except when it results from a transaction recognised directly in equity, in which case the corresponding tax effect is also recognised in equity (except in the case of taxes on the interest of perpetual subordinated bonds Additional Tier 1).

Income tax is calculated as the sum of the current tax for the year resulting from applying the tax rate legally in force to the taxable profit for the year and any changes in deferred tax assets and liabilities recognised in the year in the income statement or in equity.

Temporary differences, tax loss carry forwards and unused tax deductions are recognised as deferred tax assets and/or deferred tax liabilities. These amounts are recognised at the tax rates that are expected to apply when the asset is realised or the liability is settled, taking into account the applicable tax legislation.

All tax assets are recognised under “Tax assets” in the balance sheet as current, for amounts related to the current tax for the year, or deferred, for amounts to be recovered in future reporting years. Deferred tax assets are only recognised when it is probable that they will be reversed in the foreseeable future and it is estimated that there will be sufficient taxable profit against which they can be used.

Similarly, tax liabilities are recognised in “Tax liabilities" in the balance sheet, also split into current and deferred. Current tax liabilities are recognised as the amount of tax payable and deferred tax liabilities as the amount expected to be paid in future periods.

Deferred tax liabilities are recognised for all taxable differences that affect future taxable income. Excluded from the above are cases where the taxable differences relate to temporary differences in subsidiaries and associated companies when the bank has control over the timing of the reversal and it is probable that they will not be reversed in the foreseeable future.

Net income distributed to Banco BPI by subsidiaries and associated companies, is not taxed in Banco BPI as a result of applying the regime established in article 51 of the Corporate Income Tax Code, which provides for the elimination of double taxation of distributed net income.

In addition, under Portuguese legislation, temporary differences associated with investments in subsidiaries and associated companies where BPI's holding exceeds 10% and has been held for more than 1 year, fall under the Participation Exemption regime. However, in the case of Banco Comercial e de Investimentos, deferred tax liabilities are recognised for the taxation in Mozambique of all the distributable profits, in accordance with the Mozambican tax legislation.

To determine taxable profit (tax loss), tax bases, tax losses carried forward, tax credits and tax rates, BPI always takes as a basis the tax framework under the legislation in force and the interpretations and clarifications arising therefrom. All the assumptions used are those which, in BPI's opinion, best represent the correct application of the legal and accounting rules in force on the reporting date.

2.14. Tangible assets

Tangible assets include the amount of property, land, furniture, vehicles, IT equipment and other facilities owned or acquired under a finance lease for the Bank's own use and which are expected to be used during more than one economic year.

Tangible assets are generally stated at acquisition cost deducted from accumulated depreciation and any impairment losses determined by comparing the carrying amount of each item to its recoverable amount.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets. Land is not depreciated since it is considered to have an indefinite life.

The depreciation charge of tangible assets is recognised under the “Depreciation and amortisation” caption of the income statement and is calculated basically using the depreciation rates set out in the table below, which are based on the years of estimated useful life of the various assets:

Useful life of tangible assets

	Years of useful life
Buildings	20 to 50
Works in owned property	10 to 50
Works in leasehold property	3 to 10
Equipment	3 to 12
Other tangible assets	3 to 10

2.15. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance acquired from third parties or developed internally.

The Bank recognises, in this caption, expenses relating to the development of software, as well as the cost of acquiring software, in both cases where the impact extends beyond the financial year in which the cost is incurred.

Intangible assets are amortised on a straight-line monthly basis over the estimated period of useful life of the assets which, in general, corresponds to a period of six years.

Computer software developed internally is recognised as an intangible asset when, among other requirements, it is capable of being used or sold, and it is identifiable and its ability to generate future economic benefits can be demonstrated.

Expenses incurred during the research phase are recognised directly in the income statement for the period in which they are incurred and cannot subsequently be capitalised.

2.16. Assets received in settlement of defaulting loans and non-current assets held for sale and discontinued operations (IFRS 5)

This heading includes individual assets or disposal groups, or assets that form part of a line of business that will be disposed of (discontinued operation) whose sale is highly probable in their present condition within one year from the financial statements date. Assets that will be disposed of within a year but where disposal is delayed by events and circumstances beyond the Group’s control may also be classified as held for sale, when there is sufficient evidence that the Company is still committed to selling them.

The carrying amount of these assets will be recovered principally through a sale transaction.

Assets received in settlement of defaulting loans and other assets

Non-current assets (property, equipment or other) received as total or partial settlement of debtors’ payment obligations in credit operations are recognised under "Non-current assets and disposal groups classified as held for sale" unless it has been decided to make continuing use of the assets.

Such assets are recorded at the legal or tax acquisition amount or the amount stated in the settlement agreement. Assets recovered following the resolution of lease contracts are recorded at the outstanding amount due not invoiced.

These assets are subject to regular valuations. Property valuations are carried out by independent appraisers selected from the pool of entities registered with the Securities Market Commission as “expert appraisers”, and seeking to ensure adequate diversification and rotation of appraisers.

The independent external appraisals follow the principles defined in:

- IVSC – International Valuation Standards Council, in the International Valuation Standards publication;
- Bank of Portugal Notice 5/2006 (Valuation of Mortgaged Properties pledged as collateral for Mortgage Bond Loans);
- Regulation no. 575/2013/EU of the European Parliament and of the Council (prudential requirements);

using 3 appraisal methods described in the contracts entered into with the companies: market method, income method and Cost method:

- Market method

This method determines an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of marketing, between an interested seller and an interested buyer, in which both parties act in an informed, prudent and non-conditioned manner and subject to no coercion.

The value of the property is determined after analysing transaction and offered prices for comparable properties, obtained through knowledge of the local market and exhaustive collection of real estate market data which permit to determine the supply/demand situation for similar properties and act as a decisive factor in determining the Market Value of the property under evaluation.

- Income method

In this method, the market value of a property corresponds to the present value of all future rights and benefits deriving from its ownership.

This method relies on the principle that the management and operation of the property is based on principles of legality, rationality and competence. The purpose of the analysis is to determine the property's capacity to generate revenue flows and respective frequency, also inferring all inherent expenses.

- Cost method

In this method, the estimate of the value of a property corresponds to the construction cost of another property serving the same purposes and having the same characteristics of the first, in terms of materials and technology, at current market prices. The value determined includes the value of the land, the construction costs and the developer profit margin, minus depreciation, i.e., the property's loss of value due to physical, functional, economic or environmental obsolescence, or a combination of these factors.

For all appraisals not using the 3 appraisal methods, the expert appraiser must take into account the characteristics of the local market and the specific characteristics of the property being appraised. The appraisal value that will be adopted shall be the lower of those determined, as it is the more prudent in terms of guarantee.

In any case, the appraisal reports must contain an explanation of the methodological options, thus complying with Banco de Portugal’s instructions.

On-site appraisal by independent external entities takes place:

- On the date the asset is booked in the Bank's balance sheet;
- Regularly:
  - –Every 3 years in the case of residential property (with quarterly re-appraisal based on an internal statistical model (RIMO);
  - –Annually for all other properties;
  - –Whenever available information points to a possible substantial decrease in value.

After initial recognition, the Bank compares the asset's carrying amount with its estimated fair value. The fair value and the impairment allowances created for foreclosed real estate assets are determined in accordance with the appraisal value and the book value of the properties. The appraisal value is the lower of the following:

- On-site appraisal value
- Statistical revaluation value (RIMO)
- Sale value (if purchase/sale agreement concluded)

minus costs to sell, recognising any additional impairment or recoveries in the income statement (up to an amount equal to that of the previously recognised impairment losses). Impairment may be increased due to the time the property has remained in the Bank's portfolio.

Changes in impairment losses on a non-current asset classified as held for sale are recognised under “Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations”. Unrealised capital gains on these assets are not recognised in the balance sheet or in the income statement.

On the date of sale, the capital gains or losses realised on these assets are recognised in the income statement under “Gains/(losses) on derecognition of non-financial assets, net”.

The Bank's tangible assets that are no longer in use (unused property and equipment) and are in the process of being sold, are also booked under this caption. Such assets are transferred from tangible assets at book value (cost less accumulated depreciation and impairment losses) on the date they become available for sale, and are subsequently revalued in the same manner as assets received in settlement of defaulting loans.

Non-current assets held for sale are not depreciated while remaining in this category.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and (i) represents either a separate major line of business or a geographical area of operations, (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary held exclusively to sell.

Assets classified in this caption are not depreciated and are valued at the lower of cost and fair value, less costs to be incurred with the sale.

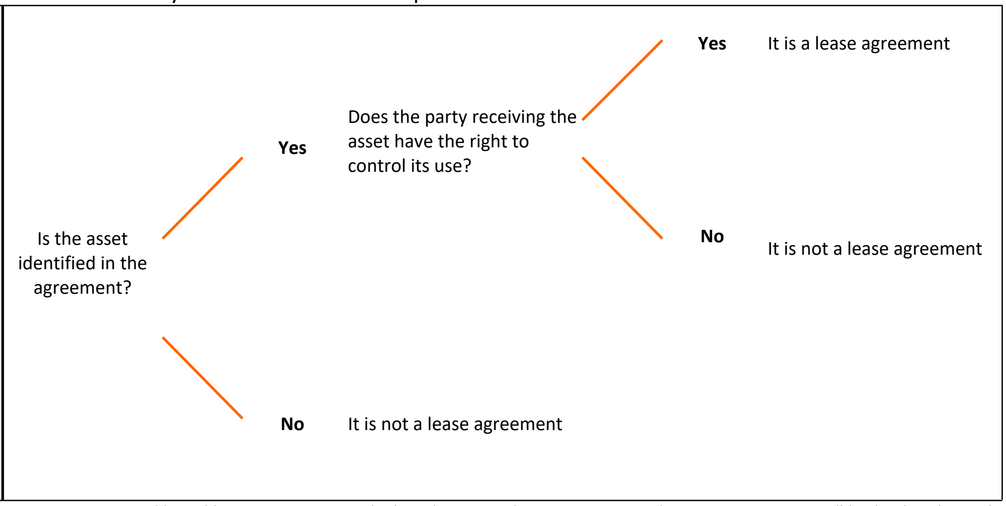
If book value is greater than fair value less costs to sell, an impairment loss is recognised in the caption "Impairment losses and other provisions, net".

2.17. Leases

The following table summarizes how to identify and account for lease operations in which the Bank acts as lessor or lessee:

Determining whether the agreement is or contains a lease [1]

(At the onset or when the contractual conditions are changed)



[1] For agreements that have a leasing component, one or more additional leasing components and others that are not leasing components, the agreement payment will be distributed to each leasing component on the basis of the relative price, regardless of the leasing component, based on aggregate price, and on the basis of the independent aggregate price of the non-leasing components.

Lessor

	Finance leases	Operating leases
	Operations where, substantially, all the risks and rewards inherent to the leased asset are **transferred to the lessee.**	Operations where, substantially, all the risks and rewards inherent to the leased asset, as well as its ownership, are **maintained by the lessor**.
Recognition as lessor (According to the economic purpose of the operation, regardless of its legal form)	- Are recognised as a loan granted under the balance sheet caption "Financial assets at amortised cost" as the sum of the present value of all payments receivable by the lessee during the period of the leasing plus any non-guaranteed residual amount pertaining to the lessor. - Include fixed payments (minus payments made to the lessee) as well as variable payments determined in accordance with an index or rate, and also the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee and penalties for termination by the lessee if the term of the lease reflects the exercise of the termination option.	The acquisition cost of the leased assets is recognised in the **"Tangible assets" caption of the balance sheet.**
	The financial income obtained as a lessor is recognised in the income statement caption **"Interest income"**.	- They are **depreciated** using the same criteria as for the remaining tangible assets for own use. - Income is recognised in the income statement caption **"Other operating income"**.

Lessee

<table>
<tr><td rowspan="5">Recognition as lessee</td><td>Term of the agreement</td><td colspan="4">Fixed-term agreements, with or without early cancellation option by the Bank (subject only to a non-significant penalty): for these contracts it was considered that the lease term coincides with the end date of the contract.

Open-end agreements or agreements with automatic annual or semi-annual renewal: for IFRS 16 application purposes, a term of 5 years[1] starting on 1 January 2019 was assumed, taking into account that the bank will incur significant economic penalties (namely branch investment and installation costs) if it terminates these agreements prior to term.

The term of certain agreements may be affected as a consequence of the Bank's reorganisation plans.</td></tr>
<tr><td rowspan="4">Accounting record</td><td></td><td></td><td>At the start date of the agreement</td><td>Subsequently</td></tr>
<tr><td rowspan="2">Agreements with a term longer than 12 months or where the underlying asset is not of low value (set at 6 000 euros)</td><td>Lease liability (“Other financial liabilities”)</td><td>Valued based on the present value of future lease payments not yet made on this date, using as discount rate the interest rate[2] that the lessee would have to pay to borrow, with a similar maturity and guarantee, the funds necessary to obtain an asset of similar value to that of the right-of-use asset in a similar economic context.</td><td>Valued at amortised cost using the effective interest rate method and revalued (with the corresponding adjustment to the related right-of-use asset) when there is a change in future payments due to renegotiation, index or rate changes or in the event of a reevaluation of the agreement's options.</td></tr>
<tr><td>Right-of-use asset (“Tangible assets”)</td><td>Valued at cost and includes the initial valuation of the lease liability, payments made on or before the commencement date, initial direct costs, costs of dismantling or rehabilitation when there is an obligation to bear them.</td><td>Amortised on a straight-line basis and subject to impairment losses, in accordance with the treatment established for the remaining tangible and intangible assets.</td></tr>
<tr><td colspan="2">Remaining agreements</td><td colspan="2">Accounted for as operating leases</td></tr>
</table>

[1] The 5-year term is in line with Banco BPI's strategic guidelines on the renewal of current lease agreements, taking into account the Bank and industry context, from the standpoint of business risk management and management of the fixed assets associated to the agreements.

[2] The Bank calculated these interest rates taking as a reference the cost of debt instruments, adding to the base market curve (swaps vs 6M Euribor) the covered and senior debt spreads for BPI.

The application of IFRS16 involves making estimates on the duration of agreements and on the disaggregation of components related to services that were included in the formalised lease agreements.

2.18. Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits. Contingent assets are not recognised in financial statements, except where an inflow of economic benefits is practically certain. If there is a probable inflow of economic benefits, it will be referred in the explanatory notes on the corresponding contingent asset.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

2.19. Provisions and contingent liabilities

Provisions cover present obligations at the date of preparation of the annual financial statements arising from past events which could give rise to a loss considered likely to occur; and is certain as to its nature but uncertain as to its amount and/or timing.

The financial statements include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Provisions are recognised on the liabilities side of the balance sheet.

Provisions, which are quantified based on the best information available on the consequences of the event giving rise to them and are re-estimated at the end of each reporting period, are used for specific expenditures for which the provision was originally recognised. Provisions are fully or partially reversed when the obligations cease to exist or are reduced.

When an obligation exists but an outflow of resources embodying economic benefits is not likely, the obligation is recognised as a contingent liability. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes more probable than not that an outflow of future economic benefits will be required, a provision is recognised in the balance sheet.

Provisions are recognised under "Provisions" on the liabilities side of the balance sheet (Note 20). Contingent liabilities are disclosed in the notes to the financial statements.

2.20. Insurance and reinsurance intermediation services

Banco BPI is duly authorised by the Portuguese Insurance and Pension Funds Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões) to provide insurance intermediation services as a Tied Insurance Intermediary, pursuant to article 8, a), i) of Decree-Law no. 144 / 2006, of 31 July, and operates in the life and non-life insurance intermediation areas.

In the insurance intermediation services area, Banco BPI sells insurance contracts. As remuneration for its insurance intermediation services, Banco BPI receives commissions for brokering insurance contracts, which are defined in agreements/ protocols established between Banco BPI and the Insurance Companies.

Commissions received for insurance intermediation services are recognised on an accrual basis. Commissions received in a different period from that to which they relate are therefore recorded as receivables under “Other assets” as an offset against the caption “Commissions received - for insurance intermediation services”.

Banco BPI does not collect insurance premiums on behalf of Insurance Companies, or receive or pay funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognised relating to the insurance intermediation services rendered by Banco BPI, other than those already referred to.

2.21. Statement of income and other comprehensive income

This statement presents the revenues and expenses recognised as profit or loss from Banco BPI's activity in the year, distinguishing between the profit or loss recognised in the income statement and the other revenues and expenses recognised directly in equity.

2.22. Statement of changes in equity

This statement presents all changes in the Bank's equity, including those due to accounting policy changes and error corrections. This statement presents a reconciliation between the carrying amount of each component of net assets at the beginning and the end of the period, grouping movements by nature under the following headings:

- Adjustments due to accounting policy changes and error corrections: includes changes in equity as a result of the retrospective restatement of financial statement balances, distinguishing between those resulting from changes in accounting policies from those representing the correction of errors.
- Total income and expenditure recognised: represents the aggregate of all items recognised in the statement of income and other comprehensive income.
- Other changes in equity: includes the remaining items recognised in equity, such as capital increases or decreases, distribution of dividends, treasury share transactions, equity-based payments, transfers between equity items, and any other increase or decrease in equity.

2.23. Statement of cash flows

The following terms are used in the presentation of the statement of cash flows:

- Cash and cash equivalents: include cash, cash and deposits at Central Banks and other Credit Institutions, very short-term applications in Credit Institutions and cheques for collection.
- Operating activities: the indirect method is used to present cash flows from operating activities, which are the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities.
- Investing activities: the acquisition, sale or other disposal of long-term assets, such as equity investments in subsidiaries and associates, acquisition of tangible and intangible assets and other strategic investments not included in operating activities.
- Financing activities: activities that result in changes in the medium and long-term financing activities of the Bank and which do not form part of operating activities, such as issuance of debt securities and subordinated debt, capital increases and dividend distributions.

3. RISK MANAGEMENT

3.1. Environment and risk factors

The following risk factors had a significant influence on the BPI's risk management in 2021, due to their impact during the year and their long-term implications:

- Macroeconomic environment

— **Global economy**

In 2021 the pandemic-related economic losses began to be recovered, with global growth reaching 5.9%. The outlook for 2022 is good, with the IMF[1] projecting world growth of 4.9%.

However, this recovery will be marked by divergences between the advanced and the emerging economies, with GDP in the former expected to recover to pre-pandemic levels by 2022, while in the latter the process will be slower. The IMF expects that by 2024, the advanced economies' GDP will exceed the 2019 level by 0.9%, but that in emerging economies, excluding China, it will remain 5.5% under this level. Disparities in the vaccination process and the support policies adopted during the pandemic are the main factors justifying the unevenness of the recovery.

The risks continue to be biased downwards and associated with the possibility of the emergence of new, more aggressive variants. In addition, the persistence of bottlenecks in the production sector input supply chains may continue to limit supply, and thus condition growth. The materialisation of this risk will also have implications for inflation behaviour, as it could prolong the scenario of higher inflation rates, forcing central banks to initiate the normalisation process of monetary policy sooner than expected. However, the central scenario for inflation is that from mid-2022 onwards it will resume a moderate path

— **Euro Zone**

In the Euro Zone, following an expected increase of 5% in 2021, the economy should advance by just over 4% in 2022, according to the IMF's October forecasts. The size of the funds allocated to the recovery of the various economies in the post-pandemic emerges as an important factor supporting growth in 2022. But this growth may be shrouded in some uncertainty and disparities between the various economies. Bottlenecks in the production chains are main factor behind this scenario, as they could hold back the growth of some of the largest European economies, such as Germany, where the weight of industry is high.

Additionally, the Euro Zone economy faces other risks that may limit growth, namely the issues surrounding the energy crisis and the effects that this crisis may have on the behaviour of inflation. The outlining of a possible scenario in which higher levels of inflation are more persistent may lead to a revision of inflationary expectations with an impact on interest rates and financing costs, dampening the consumption momentum (driven by savings accumulated during the confinements) and the investment momentum, due to more expensive credit.

— **Portugal**

2021 was the year of return to a growth trajectory. After a first quarter marked by a new restricted lockdown, the economy resumed a growth trajectory, driven by a successful vaccination campaign, support measures and policies - which, among others, prevented the labour market from suffering as much as in previous crises -, and, finally, by a considerable rebound of tourism in the summer months. In this context, the Bank of Portugal forecasts that GDP will advance by 4.8%, and reach pre-pandemic levels in the first half of 2022.

The main factors supporting growth are a more effective control of infections by the COVID 19 virus, driving the recovery of mobility with beneficial effects on tourism, the receipt of European funds, supporting the implementation of the Recovery and Resilience Plan, and the channelling to consumption of savings accumulated in the periods of confinement.

Although this is the central scenario, in 2022 Portugal will face some challenges that may limit the extent of growth. These include challenges arising from the energy crisis and supply-side bottlenecks affecting the global economy, and the possibility that the higher inflation scenario at global level may prove more protracted than anticipated by central banks. Should this be the case, we could witness the worsening of the international financial environment, with an unfavourable impact on the cost of financing the economy, which, on the one hand, could force a more restrictive fiscal policy in order to compensate for the increase in interest expenses, and on the other hand, would hold down investment decisions due the higher cost of credit.

[1] International Monetary Fund

Regulatory Framework

The prudential rules that support the Bank's business model are crucial for its development as well as for the relationship established with the risk management and methodological processes.

During 2021, the flexibility measures taken by the supervisory authorities were comprehensively monitored, in particular the extension of the period for accession to and application for moratoria until 31 March 2021 (up to a maximum limit of 9 months), and the extension of the grace period in operations contracted under the COVID-19 Lines of Credit to support the economy guaranteed by mutual guarantee societies or the Mutual Counter-Guarantee Fund.

In 2021, these flexibility measures included:

— **Capital**

Recommendations on the distribution of dividends or other measures affecting own funds: through Circular Letter CC/2020/00000072, the BoP[2] recommended that the institutions under its supervision should refrain from or limit the distribution of dividends and the repurchase of ordinary shares until 30 September 2021. It also recommended the application of a set of more restrictive measures regarding the attribution and payment of the variable remuneration component. On 24 September 2021, the BoP informed that the said recommendations would not be extended beyond their established term, in line with the approach adopted by the European Central Bank for significant institutions in the context of the Single Supervisory Mechanism and by the European Systemic Risk Board.

Recommendations on the distribution of dividends or other measures affecting own funds: ASF (insurance and pension funds supervision authority) Circular letters numbers 6/2021 (specific recommendations addressed to supervised pension fund management entities) and 7/2021 (insurance companies), both dated 8 November 2021 and published on 9 November 2021, containing Recommendations on dividend distributions or other measures affecting own funds in the context of the exceptional situation related to the Coronavirus pandemic outbreak - COVID-19.

— **Liquidity**

Guideline (EU) 2021/975 of the European Central Bank amending Guideline ECB/2014/31 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral (ECB/2021/26).

— **Credit**

BoP Circular Letter No. CC/2021/00000001 of 5 January 2021 updating the deadline for adherence to and application of the General Payment Moratoria and implementing the changes resulting from the "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" (EBA/GL/2020/15), while maintaining in force the remaining content of Circular Letter CC/2020/00000022.

Moratoria: Decree-Law No. 22-C/2021 of 22 March 2021 amending the exceptional measures for the protection of the credits of households, companies, private charities and other entities of the social economy in the context of the COVID-19 pandemic.

Moratoria: Law no. 50/2021 of 30 July 2021, which provided for a further extension of the bank moratoria until 31 December 2021, amending Decree-Law no. 10-J/2020. The implementation of the measures set out therein was subject to the reactivation of the regulatory and supervisory framework established by EBA Guidelines EBA/GL/2020/02 of 2 April 2020, which never took place and, as such, there was no additional extension.

— **Markets**

On 26 February 2021 the Official Journal of the European Union published Regulation (EU) 2021/337 of the European Parliament and of the Council of 16 February 2021 amending Regulation (EU) 2017/1129 as regards the EU Recovery prospectus and targeted adjustments for financial intermediaries and Directive 2004/109/EC as regards the use of the single electronic reporting format for annual financial reports, to support the recovery from the COVID-19 crisis.

In addition to regulatory and supervisory developments in response to the crisis caused by the COVID-19 pandemic, the authorities made progress on regulatory initiatives already started, defined their strategies and proposed initiatives in areas currently considered a priority. Among these initiatives there stand out those concerning the digital transformation of the economy and the consideration of ESG (Environment, Social and Governance) factors by the financial sector.

[2] Bank of Portugal

The following developments are worth highlighting:

Sustainable Finance and ESG Factors

Documents produced by supervision authorities submitted to Public Consultation: *(i)* the EBA paper on the incorporation of ESG risks into the management and supervision of credit institutions; *(ii)* the EBA Implementing Technical Standards (ITS) on ESG risk disclosure under Pillar 3; *(iii)* the European Commission's Sustainable Finance Platform papers on social taxonomy and options for extending the taxonomy to include environmental objectives.

Legislative and/or regulatory proposals under discussion: *(i)* the Proposal for a Regulation on European green bonds; *(ii)* the Proposal for a Directive amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (Corporate Sustainability Reporting Directive or CSRD).

Legislative and/or regulatory texts finalised and published, and in the process of implementation: *(i)* the Delegated Acts amending MiFID II, IDD (Insurance Distribution Directive), AIFMD (Alternative Investment Managers Directive), UCITS (Undertakings for the Collective Investment in Transferable Securities) and Solvency II for the integration of sustainability-related factors, risks and preferences; *(ii)* the Delegated Act on Climate Taxonomy (activities contributing towards climate change mitigation and adaptation objectives); *(iii)* the Delegated Act relating to Article 8 of the Climate Taxonomy Regulation on the degree of alignment of the activities of companies required to report under the NFRD with the climate taxonomy;

Legislative and/or regulatory texts that have entered into force or become applicable: the Regulation on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation or SFDR). On 25 February 2021, the ESAs published a joint statement through which they issue recommendations on the application of the SFDR. This statement aims to achieve effective and consistent enforcement and national oversight of the SFDR, promoting a level playing field and protecting investors. The Sustainable Finance Disclosure Regulation (SFDR) on 10 March 2021, the European Commission alerted to the entry into force of the SFDR Regulation on the disclosure of sustainability-related information in the financial services sector, improving the quantity and quality of information about sustainable investments. On 30 November 2021, the CMVM informed about the postponement to 1 January 2023 of the application of the regulatory technical standards (RTS) under the SFDR and the Taxonomy Regulation: in a letter from the European Commission's Department for Financial Stability, Financial Services and Capital Markets Union addressed to the European Parliament and the Council of the European Union, the European Commission announces the 6-month postponement from 1 July 2022 to 1 January 2023 of the application of the regulatory technical standards (RTS) under the SFDR and the Taxonomy Regulation, with regard to products related to taxonomy. The postponement of the application period is due to the Commission's inability to adopt the technical standards within the stipulated three-month period due to the length and technical details of the set of 13 technical standards, which will be grouped in a single delegated act. Furthermore, the European Commission states that postponing the application of the technical standards until 1 January 2023 will facilitate the timely preparation of the implementation of this delegated act by financial product manufacturers, financial advisors, and supervisors.

Other important texts and milestones: *(i)* The European Climate Law writes into law the European Union commitment to become climate-neutral by 2050 and the target of reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels; *(ii)* creation of a global and a European standard setter for non-financial disclosures.

Prudential Supervision

EBA Public Consultation viewing the revision of its Guidelines on common procedures and methodologies for the Supervisory Review and Evaluation Process (SREP).

Publication of legislative proposal for CRR III (Capital Requirements Regulation) and CRD VI (Capital Requirements Directive), which implement the final reforms of the Basel III agreements in Europe. In addition, the proposal strengthens the ESG risk management and supervision framework and improves the range of supervisory tools.

Implementation of CRR II which, among others, introduces a new standard approach to the calculation of capital requirements for counterparty risk.

Digital transformation of the economy and the financial sector

The European Commission published its Digital Finance Strategy and European Data Strategy and, in line with both initiatives, proposed a Regulation on digital operational resilience in the financial sector and a Regulation on crypto-asset markets. In addition, it submitted several initiatives to Public Consultation, such as the regulation on responsible artificial intelligence, the regulation on digital services and digital markets, which will impose obligations and modify competition rules that will affect BigTech, the revision of the eIDAS (electronic IDentification, Authentication and trust Services) Regulation, which will be extended to the private sector, and the retail payments strategy, which will promote the use of immediate payments.

The European Central Bank (ECB) published a Report on the Digital Euro, having submitted to Public Consultation its first considerations on the possibility of creating a Digital Euro. On 14 April 2021, the ECB released the results of the Public Consultation. Of note:

- Citizens and professionals alike value privacy most for possible future digital euro;
- The preference for a digital euro is already being integrated into existing banking and payment systems;
- The Public consultation provides valuable input for Eurosystem's decision in mid-2021 on starting formal investigation on digital euro.

The ECB has published a comprehensive analysis of its Public Consultation on the Digital Euro. The analysis confirms, by and large, its initial findings: what the public and professionals want the most from such a digital currency is privacy (43%), followed by security (18%), the ability to pay across the euro area (11%), no additional costs (9%) and offline usability (8%).

Launch of the formal investigation phase on the Digital Euro, which will last 24 months, focusing on a possible functional design. Creation of the 30-member Market Advisory Group to advise the ECB.

Markets

Progress in the process of replacing the IBORs: in particular, with regard to the disappearance or cessation of LIBOR, the EC submitted to Public Consultation the draft Delegated Acts that stipulate the benchmarks that will replace CHF LIBOR and EONIA.

Public Consultation on the EU Strategy for Retail Investors.

Publication of the proposed revision of the Consumer Credit Directive and submission to Public Consultation of the proposed revision of the Mortgage Credit Directive.

EBA Public Consultation on Non-Performing Loans (NPL) data templates. The NPL data templates play an important role in providing a common basis for data exchange in secondary markets, which is part of the overall strategy to tackle NPLs in the EU since 2017. The current revision of the template is based on the user experience and feedback from various market participants and responds to the European Commission's Communication on tackling NPLs in the aftermath of the COVID-19 pandemic (December 2020) that, amongst others, requests the EBA to review the templates based on a consultation with market participants in the course of 2021.

Prevention of money laundering and terrorism financing (PML&TF)

On 1 March 2021, the EBA published its final revised Guidelines on money laundering and terrorist financing (ML/TF) risk factors.
Publication of a package of 4 legislative proposals: (i) Regulation establishing a new European AML&TF Supervisory Authority (AMLA); (ii) the Regulation establishing PML&TF obligations; (iii) the 6th AML&TF Directive (amending the 5th by derogating from the 4th); and (iv) Regulation on transfers of funds.

Internal Governance

On 2 July 2021 the EBA and the ESMA published their revised final joint Guidelines on the assessment of the suitability of members of the management body and key function holders.

Also on 2 July 2021, the EBA published the final version of its Guidelines on internal governance.

Again on 2 July 2021 the EBA published its revised Guidelines on sound remuneration policies.

On 22 November 2021, the EBA published its final Guidelines on remuneration for investment firms under the Investment Firms Directive (IFD).

Also on 22 November 2021, the EBA published its revised Guidelines on internal governance for investment firms under the Investment Firms Directive (IFD).

Other

Banking Union – review of the bank crisis management and deposit insurance framework (BRRD review).

At national level, the following deserve a note:

— **Customer Protection**

On 31 March 2021, the Bank of Portugal issued a press release on the implementation of the macroprudential Recommendation in force within the legal framework of consumer credit. The BoP published the Monitoring Report of the Macroprudential Recommendation on new credit agreements for consumers, which concluded on the generalised compliance with this measure and the improvement of borrowers' risk profile during 2020.

— **Markets and Integrity**

Periodic reporting: BoP Instruction no. 1/2021, of 15 January 2021, revoking Bank of Portugal Instruction no. 2/2007, which requests information on the evolution of the credit portfolio.

Funding and Capital Plans: BoP Circular Letter no. CC/2021/00000008, of 22 February 2021, published on 15 March 2021, which discloses, in accordance with no. 9 of Instruction no. 18/2015, of 15/01/2016, the templates for reporting Funding and Capital Plans, the description of the macroeconomic and financial scenario and other guidelines necessary for the exercise and provision of information by institutions with reference date of 31 December 2020.

— **Insurance**

ASF Regulatory Standard No. 13/2020-R, of 30 December 2020, published in the Official Gazette (*Diário da República*) on 26 January 2021, which regulates the legal framework for insurance and reinsurance distribution, approved in annex to Law No. 7/2019, of 16 January.

ASF Regulatory Standard No. 3/2021-R, of 13 April 2021, published in the Official Gazette on 3 May 2021, on qualifying holdings in insurance or reinsurance companies and pension fund management companies.

— **Sustainable Finance**

On 2 February 2021 the CMVM published a model report for compliance with the duty to disclose of non-financial information by issuers of securities admitted to trading on a regulated market. This is a voluntary adoption model, which seeks to standardise information on existing legal duties, contributing to the existence of standardised information on matters concerning the integration of sustainability factors in national business activity, to the advantage of investors and national market development.

ASF Circular Letter No. 1/2021 of 26 February 2021 listing the duties to which operators covered by Regulation (EU) No. 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector are bound, as well as the date from which they apply, and clarifying the understanding of this Authority regarding the time lag between the date of application of the Regulation and the proposed date of application of the regulatory technical standards implementing it.

On 5 March 2021, the CMVM, as part of its supervisory activity, informed on its adoption of the recommendations issued by the European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) on the effective and consistent application and national supervision of the Regulation on sustainability-related disclosures in the financial services sector (SFDR).

On 3 November 2021, the BoP published, on the occasion of the "Finance Day" of the United Nations Climate Conference (COP 26), a statement on climate action, in which it reaffirms its commitment to contribute to the response to climate change within the scope of its mandate. In the Statement, the BoP defines the commitments and actions it will undertake in order to contribute to the climate targets assumed by the European Union and the Portuguese State. It also takes stock of the initiatives it has developed so far in the field of sustainability.

On 12 November 2021, the CMVM reiterated the commitment also expressed by ESMA to the construction of a more sustainable financial system, as part of the necessary contribution of all, in the context of the 26th Conference of the Parties of the United Nations Framework Convention on Climate Change (COP 26).

— **PML&TF**

On 26 February 2021, BoP Instruction No. 2/2021 of 25 February 2021 was published, which defines low and high-risk factors for money laundering and terrorist financing and specific simplified or enhanced customer identification and due diligence measures. It further incorporates the *Guidelines on risk factors and simplified and enhanced customer due diligence measures relating to money laundering and terrorist financing*, issued by the European Supervisory Authorities.

On 26 October 2021, the CMVM informed that it would incorporate into its supervisory practices the EBA Guidelines on money laundering and terrorist financing (ML/TF) risk factors.

Internal Governance

BoP Circular Letter no. CC/2021/00000056, of 24 November 2021, published on 30 November 2021, informs on the revised EBA Guidelines on sound remuneration policies (EBA/GL/2021/04), and that measures must be adopted for compliance with therewith as from 31 December 2021.

BoP Circular Letter no. CC/2021/00000057, of 24 November 2021, published on 30 November 2021, informs on the revised EBA Guidelines on sound remuneration policies (EBA/GL/2021/05), and that measures must be adopted for compliance with therewith as from 31 December 2021. The BoP also informs that BoP Notice no. 3/2020 anticipated most of the changes introduced in the Guidelines now disclosed, particularly those regarding conflicts of interest and related parties

Public consultations

Bank of Portugal Public Consultation No. 2/2021 - Draft notice and instruction on the reporting of financial information for supervisory purposes (until 20 May 2021). The Bank of Portugal places on public consultation, until 20 May 2021, two draft regulations aimed at amending national regulations on the reporting of financial information for supervisory purposes on an individual basis, reflecting into national regulations the changes arising from version 3.0 of the European Banking Authority taxonomy (which enters into force in June 2021) and implementing the necessary changes in the national reporting framework.

Strategic Events

Strategic events are the more relevant adverse events identified that may result in a threat to Banco BPI in the medium term. Only events that have not yet materialised or been included in the Catalogue, but to which the entity's strategy is exposed due to external causes are considered, even if the severity of the possible impact of such events can be managed and mitigated. A strategic event may impact one or more than one of the Catalogue risks at the same time.

In order to forestall and manage its effects, the more relevant strategic events currently identified are listed below:

Impacts related with the national and international geopolitical environment

A marked and persistent deterioration of the macroeconomic outlook and increased aversion to risk in the financial markets.

This could result from, among others: the drawing out of the pandemic, global geopolitical impacts, political factors or the re-emergence of tensions in the euro zone, increasing the risk of fragmentation. Possible consequences: increase in country risk premium (cost of funding), lower business volumes, deterioration in credit quality, deposit outflows, material damage to offices or impeded access to corporate centres (due to protests or sabotage caused by social discontent).

Mitigants: BPI believes that these risks are sufficiently managed by the entity's capital and liquidity levels, which is validated by internal and external stress exercises, and reported in the annual capital and liquidity self-assessment process (ICAAP and ILAAP, respectively).

New competitors and application of new technologies

An increase in competition is expected, with the emergence of new players, such as Fintechs, Digital Banks and Bigtechs, or other players with disruptive propositions or technologies. This could lead to the disaggregation and disintegration of part of the value chain, impacting margins and cross-selling through competing with more agile and flexible entities generally offering low-cost propositions to consumers. All this could be aggravated if the regulatory requirements applicable to these new competitors are not the same as those for current credit institutions.

Moreover, the "race" among competitors for the development and application of new technologies, such as Artificial Intelligence or Blockchain, may in certain cases lead to a competitive disadvantage, namely due to lack of momentum or an entity's low take-up.

As an illustrative example, the potential issuance of a Digital Euro may involve the entry into the European banking system of players other than banks (e.g., payment institutions and digital financial institutions), if authorised to mediate the management of digital euro wallets (e-wallets). Similarly, to the extent that payment means associated with the digital euro may replace current electronic means, banks may lose the information provided by customer transactionality depending on their end-operator.

Mitigants: While considering the new competitors as a threat, Banco BPI also believes they could provide an opportunity, as a source of collaboration, learning and incentive to meet the Strategic Plan's objectives of business digitisation and transformation. The evolution of the main newcomers and the big tech movements within the industry are therefore under regular monitoring. Furthermore, an internal sandbox space has been in place since 2020 to technically analyse —in a streamlined and secure way— the solutions of certain fintech companies with which there are partnership opportunities.

Moreover, Banco BPI uses Imagin as a first-rate value proposition that it will continue to leverage. In relation to competition from Bigtechs, Banco BPI is committed to improving the customer experience with the added value of social sensitivity (bits and trust), in addition to proposing possible collaborative approaches (open banking) and in some cases entering agreements (e.g., Apple, Paypal).

Cybercrime and data protection

Cybercrime evolves criminal schemes to try to profit from different types of attacks. In this regard, the dissemination of new technologies and services that the Banco BPI makes available to customers allows for easier access to cybercrime and thus makes criminal operations more sophisticated. This constant evolution of criminal vectors and techniques puts pressure on the Group to constantly reassess the model for preventing, managing and responding to cyberattacks and fraud, so as to respond effectively to emerging risks.

Campaigns to impersonate different companies and government agencies, as well as the accelerated deployment of remote working to maintain productivity during the pandemic, have meant that certain cybersecurity events have materialised in many organisations. In parallel, regulators and supervisors have escalated the priority of these events in the financial area. Taking into account the existing threats regarding cybersecurity and the recent attacks suffered by other organisations, these events on the Group's digital environment could have serious impacts at various levels, notably including mass data corruption, the unavailability of critical services (e. g. ransomware), breaches of confidential information or fraud on digital channels. Should these impacts directly related to banking operations occur, they could entail significant sanctions by the competent bodies and potential reputational damage for the Group.

Mitigants: Banco BPI is also well aware of the importance and extent of the existing threat at this time, and thus it constantly reviews the technological environment and applications in terms of their integrity and the confidentiality of information, as well as systems availability and business continuity, through planned reviews and ongoing auditing by monitoring the risk indicators defined. Additionally, Banco BPI keeps security protocols and mechanisms up to date in order to keep track of the threats that surface in the current context, continually monitoring new emerging risks. The evolution of security protocols and measures is included in the strategic information security plan in order to remain at the forefront of information protection, aligned with the Group's strategic objectives and in accordance with best market standards.

Changes to the legal, regulatory or supervisory framework

The risk of increased pressure from the legal, regulatory or supervisory environment is one of the risks identified in the risk self-assessment exercise that could entail a higher impact in the short to medium term. Specifically, we have observed a need to continue to uphold constant monitoring of new regulatory proposals and their implementation, given the high activity of legislators and regulators in the financial sector.

Mitigants: the control and monitoring of regulations carried out by the different areas of the institution, and control over the effective implementation of regulations in the Group's companies.

Pandemics and other external events

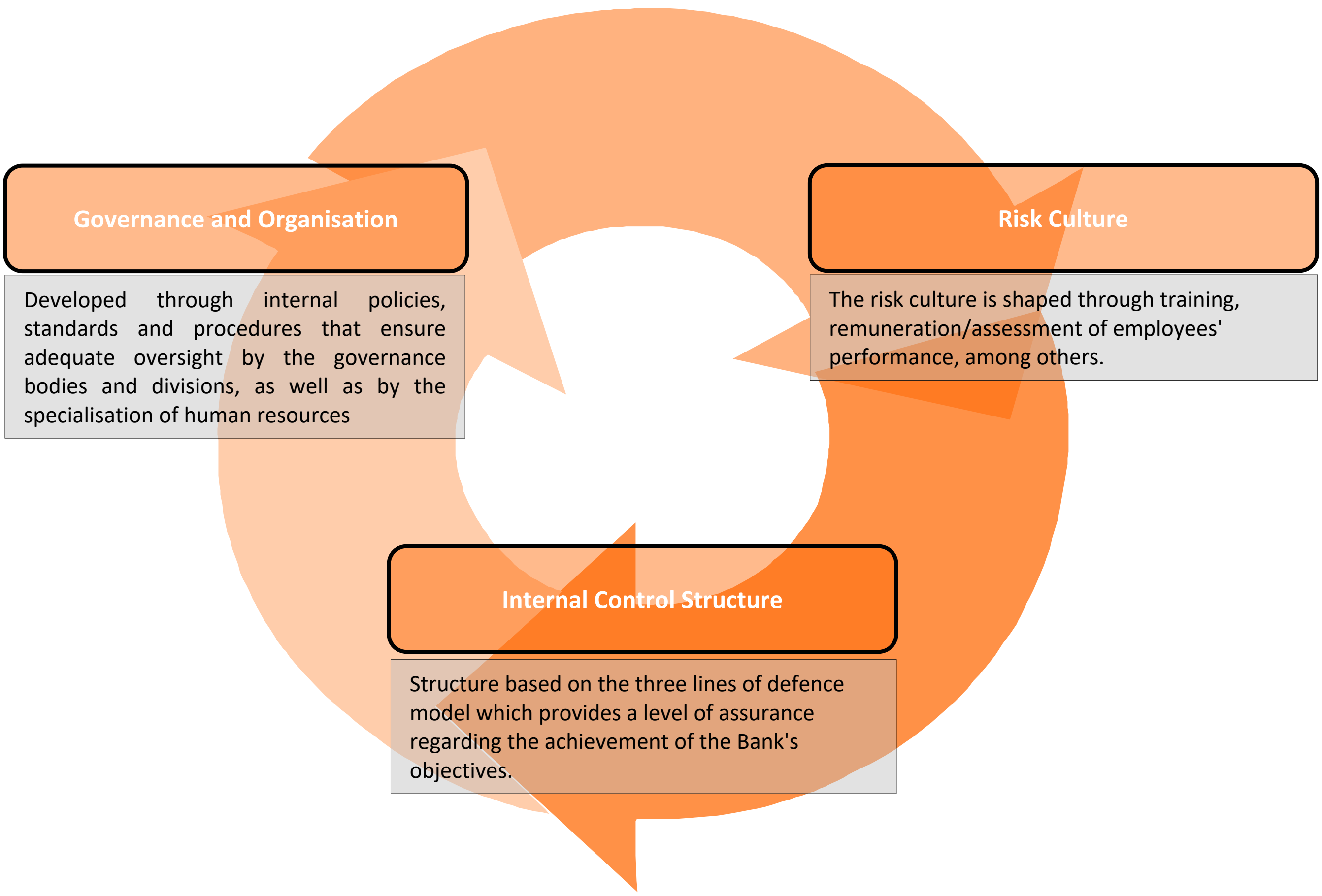
It is not known what the impact of extreme events, such as future pandemics or environmental events, will be for each of the risks of the Catalogue. This will depend on future events and developments that are as yet unknown, including actions to contain or treat the events and mitigate their impacts on the economies of affected countries. Taking COVID-19 as a reference, there may be high volatility in the financial markets, including crashes. Furthermore, macroeconomic perspectives may get significantly worse and with notable volatility in prospective scenarios.

Mitigants: capacity for effective implementation of management initiatives to mitigate the effect on the risk profile caused by the deterioration of the economic environment in case of an extreme operational event, as occurred in the specific case of COVID-19.

3.2. Risk governance, management and control

In order to facilitate a complete view of Risk Management and Control, the central elements of the bank's risk management function are as follows:

Strategic risk management processes		
Risk Assessment	**Taxonomy and Risk Definition: Risks Catalogue**	**Risk Follow-up: Risk Appetite Framework (RAF)**
Self-assessment of the Bank's risk profile. The objective is to assess the status of inherent risk and its trend, as well as its management, control and the results of governance for each of the catalogue risks. Incorporates a process for identifying strategic events that affect one or more risks, which, due to their potential impact in the medium and long term, should be monitored in a specific way.	List and description of material risks identified in the Risk Assessment process with annual review. Facilitates the internal/external monitoring and reporting of risks.	Comprehensive and prospective tool with which the Board of Directors determines the typology and risk limits that it is willing to accept in order to achieve the Bank's strategic objectives and for all the risks in the Catalogue.



3.2.1. Internal control function

The internal control framework is the set of strategies, policies, systems and procedures in place in Banco BPI to ensure prudent, effective and efficient business management. This is carried out via:

- the adequate identification, measurement and mitigation of risks that the entity is or could be exposed to,
- the existence of comprehensive, pertinent, reliable and relevant financial and non-financial information,
- the adoption of sound administrative procedures, and
- compliance with regulations and requirements in terms of supervision, codes of ethics and internal policies, processes and standards.

This is integrated into the Bank's internal governance system, aligned with the business model and in line with: i) the regulations applicable to financial institutions; ii) the EBA Guidelines on Internal Governance, of 21 July 2021, which develop the internal governance requirements established in Directive 2013/36/EU of the European Parliament; iii) the CMVM recommendations on this matter, and iv) other guidelines on control functions applicable to financial institutions.

The guidelines for the internal control framework are set out in the Internal Control Policy and are structured around the "three lines of defence" model.

First line of defence

The first line of defence is formed by the business areas, risk-takers, and their support functions. Their responsibility is to develop and maintain effective controls over the businesses, as well as to identify, manage and measure, control, mitigate and report the main risks originated in the ongoing exercise of their activity. Among others, they identify, assess and report their exposures, taking into account the Bank's risk appetite, and its policies, procedures and controls.

The manner in which the business line carries out its responsibilities must reflect the prevailing risk culture in the Bank, promoted by its Board of Directors.

These functions may be integrated within the business and business support units themselves. However, when the level of complexity, intensity or need for greater focus so require, it is desirable to establish specific control units, with greater specialisation, to ensure an adequate level of risk control over the aforementioned activities.

Second line of defence

The second line of defence acts independently from the business units and has the following functions:

- The establishment of risk management and control policies in coordination with the first line of defence, subsequently assessing compliance.
- The identification, measurement and monitoring of risks (including emerging risks), contributing to the definition and implementation of risk indicators aligned with the RAF, as well as controls enabling compliance with external and internal regulations in the area of risk management and control.
- The periodic monitoring of the effectiveness of the first line of defence indicators and controls as well as the indicators and controls of the second line of defence.
- The identification of control weaknesses and the establishment and implementation of action plans.
- Issuance of an opinion on the adequacy of the risk control environment.

The activities of the second line of defence, as well as i) the weaknesses identified, ii) the follow-up of the action plans and iii) the opinion on the adequacy of the risk control structure at the Bank, are periodically reported to the bodies responsible for the control function, according to established hierarchical norms, as well as to supervisory bodies.

The second line of defence is formed by:

- **Global Risk Management (GRM)**

GRM is responsible for identifying, monitoring, analysing, measuring, managing and reporting risks, gaining an overall vision of all the risks faced by the Bank. Integrating the following areas:

— Internal Validation of Risk Models

The internal validation function at Banco BPI is performed by the Model Validation and Risk (MVR) area, whose mission is to issue an independent technical opinion on the adequacy of the internal models used for internal management and/or of a regulatory nature. Its scope of action includes the review of methodology and management aspects (use of management models and tools, coverage level, controls, governance and implementation of the models in management processes) and aspects related to the technological environment and the quality of data with regard to the models.

The MVR activities are aligned with regulatory requirements, with the requirements of the various supervision mechanisms, and with the guidelines established by the CaixaBank Group.

Any review activity by the MVR is concluded with the issuance of a global opinion and, if weaknesses are identified, with the issuance of recommendations. The MVR makes a periodic follow-up of the weaknesses identified, adjusting the level of monitoring and reporting to the relevance of the recommendations issued.

— Credit Risk Monitoring

The Policies, Monitoring and Individual Impairment and Credit Risk Control area operates as the second line of defence in relation to credit risk. Its scope of action comprises activities such as monitoring the evolution of risk indicators, monitoring the evolution of credit risk by industry sector and type of portfolio, and monitoring the internal control recommendations issued by the various control functions, external auditors and supervisors.

— Structural and Market Risks

The Balance Sheet and Market area has second line of defence functions, controlling and monitoring Liquidity and funding, IRRBB and Market risks. It also performs the same functions with regard to the risks associated with the Pension Fund portfolio, thus adding the control of Actuarial and Real Estate risks to its functions. This department also comprises the new sustainability area, which coordinates and supports the integration of ESG factors into the control processes carried out by the second lines of defence for each of the risks of the Catalogue. Moreover, it performs second line of defence functions for product risk.

— Control of Non-financial Risks

The Non-Financial Risk Control area has second line of defence functions in relation to non-financial risks, namely: operational, technological, operational continuity, outsourcing and external fraud, with responsibilities for the design and development of methodologies for managing control of these risks, and ensuring internal and external reporting from a global and integrated perspective.
Additionally, within the area of non-financial risks, the Financial Information Control area has second line of defence functions in relation to the following risks: i) reliability of information, ii) capital and solvency and iii) business profitability.

- **Compliance**

Compliance is a CEO-dependent function, reporting and reaching directly, within its sphere of activity, to the Management and Supervision Bodies, and to the supervisors (Banco de Portugal, European Central Bank, Securities Market Commission, and other bodies).

The Compliance supervision model relies on four management pillars: (i) definition and maintenance of a detailed taxonomy of risks, in each scope of activity; ii) annual Compliance plan establishing the activities to be monitored and the revision of internal procedures, based on their criticality; iii) identification of deficiencies (in regulatory control or non-compliance), either through the first line of defence, or through the activities listed in the Compliance Plan), or through supervisor inspections, Customer complaints, or other, and periodic monitoring of the corresponding action plans for the implementation of improvements; (vi) reporting and escalation of relevant themes, monitoring of Compliance inspections and deficiencies.

In this manner, the Compliance function performs advisory activities in matters within its competence, carrying out actions for the development and transformation of the Compliance "Culture" through the review of technology-based processes, awareness-raising and communication actions addressed to the entire organisation, as well as training actions, defining a mandatory regulatory training plan.

Compliance also ensures that good practices are followed in terms of ethics and conduct, with a consultation and whistleblowing channel being available to all Employees for this purpose.

Third line of defence

The Board of Directors of BPI, through the Audit Committee (AC) ensures the existence of an Internal Audit Function with an effective, permanent and independent nature, endowing it with the adequate material, human and financial resources required for this Function to fully pursue the mission entrusted to it, and promoting the authority and independence of the Function within the Institution and the BPI Group.

Through its activity, the Internal Audit Department aims to provide reasonable assurance to the governance bodies about:

- The effectiveness and efficiency of the internal control system in the mitigation of the risks inherent to the Bank's activities;
- Compliance with the legislation in force, namely the regulatory requirements and the adequate implementation of the Internal Control Framework and Risk Appetite Framework;
- Compliance with the internal policies and regulations, including corporate guidelines from CaixaBank, and alignment with the sector's risk appetite and best practices; and
- The integrity, reliability and timeliness of financial, accounting and operational information.

Hence the scope of activity of this function includes assessing:

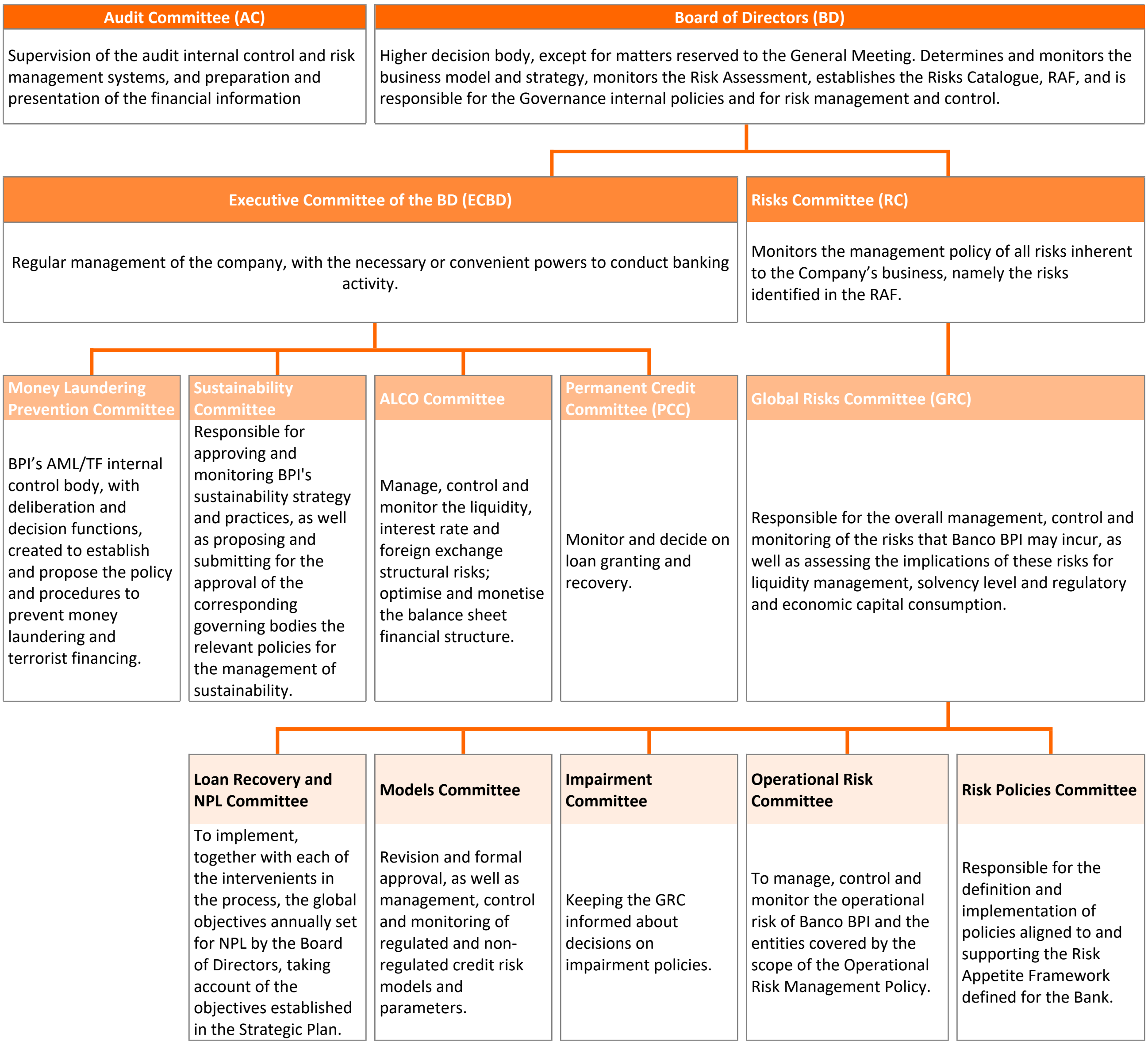
- The adequacy, effectiveness and implementation of Policies, Regulations and Standards;
- The effectiveness of controls;
- The adequate measurement and monitoring of the 1LoD and 2LoD indicators;
- The existence and correct implementation of action plans for control weaknesses;
- The validation, monitoring and assessment of control by the 2LoD.

And its main functions include:

- Drafting of the annual audit plan under a multi-annual perspective, based on the assessment of risk and taking into account the regulators' requirements and the requests of the Audit Committee (AC);
- Regular delivery to the AC and the Board members with this area of responsibility of the audit reports containing the conclusions of the works carried out and the deficiencies detected;
- Added value through the issuance of recommendations on how to solve the deficiencies detected, and monitoring of their adequate implementation by the auditees; and
- Regular communication with the supervisor to exchange information on the Bank's areas/processes with identified risk.

3.2.2. Governance and organisation

BPI's risk governance and management is schematised in the following chart:



Within Banco BPI's risk governance structure, the **Risk Committee** plays an important role as the body responsible for risk management. The main functions of the **Risk Committee** are to advise the Board of Directors on the risk strategy and global risk appetite, inform the Board of Directors on the Risk Appetite Framework (RAF) and propose risk policies.

One level below, four committees exercise the following relevant functions:

Global Risk Committee – Executive body headed by the first responsible of the Global Risk Management Division, the committee exercises global management, control and monitoring over the risks included in the Risks Catalogue and analyses the implications of risk appetite on solvency and capital consumption.

Permanent Credit Committee - Headed by the CRO (Chief Risk Officer), the committee monitors and decides on loan granting and recovery, obligatorily analysing all loan exposures (including operations fully hedged by financial assets qualifying as mitigators) within its powers.

ALCO Committee - Headed by the CFO, the committee manages, controls and monitors Liquidity and Financing risks, Interest Rate (IRRBB) and Exchange Rate structural risks and Market risk within the scope of Banco BPI. On the other hand, it seeks to streamline and monetise the financial structure of the balance sheet, including the Net interest income and Net income from Financial Operations.

Money Laundering Prevention Committee – This is a PML/TF[3] internal control body of BPI, with deliberation and decision powers, created with the purpose of establishing and proposing the policy and the procedures to prevent money laundering and terrorist financing.

In addition, and in view of the rising sustainability risks, a **Sustainability Committee** was set up in 2021, to allow Banco BPI to reinforce its sustainability governance positioning based on its Sustainable Bank model. The Sustainability Committee is responsible for approving and monitoring BPI's sustainability strategy and practices, as well as proposing and submitting for the approval of the corresponding governing bodies the relevant policies for the management of sustainability.

The Risk Management Function, performed by the Global Risk Management Division, is responsible for developing risk management and control and for the second line of defence. It acts independently from the risk-taking areas and has direct access to the Bank's governance bodies, in particular the Risk Committee, to which it regularly reports on the Bank's risk profile situation and expected evolution.

3.2.3. Risk management strategic processes

Within its internal control framework and in accordance with the provisions of the Global Risk Management Policy, Banco BPI has a risk management framework that enables it to make informed decisions on risk taking.

This risk management framework permits to understand and report its risk profile, ensure that risks remain at acceptable levels, assess their likely evolution as a result of new activities or changes in the operating environment and contribute to a fast recovery from a risk event. All this is necessarily based on a solid risk culture and governance structure which, together with the strategic risk processes, constitute the pillars of the risk management framework.

The objective of the strategic risk management processes is therefore to identify, measure, monitor, control and report risks. These processes include three key elements that will be further developed below: the Risk Assessment (identification and assessment), the risks catalogue (taxonomy and definition) and the risk appetite structure (monitoring).

The outcome of the strategic processes is reported, at least annually, first to the Global Risk Committee and secondly to the Risk Committee, to be finally approved by the Board of Directors.

Risk Assessment

The Bank carries out a semi-annual self-assessment process with the objective of:

- Identifying, assessing and reporting internally any significant changes in the risks inherently assumed in its business environment and business model.
- Making a self-assessment of the risk management, control and governance capabilities, as a tool to help detect best practices as well as weaknesses vis-à-vis certain risks.

This permits to determine the status of each of the material risks identified in the Risks Catalogue.

Risk Assessment is one of the main sources for identifying:

- Emerging risks: risks whose materiality or importance is increasing so much so that it may cause the risk in question to be included in the Risks Catalogue.
- Strategic events: most relevant events that may result in significant impact for the Bank in the medium and long term. Only events that have not yet materialised or been included in the Catalogue, but to which the Entity's strategy is exposed due to external causes are considered, even if the severity of the possible impact of such events can be managed and mitigated.

[3] Prevention of Money Laundering and Terrorist Financing

Risks Catalogue

The Risk Catalogue is a list of material risks that facilitates monitoring and internal and external reporting. The Catalogue is subject to continuous review, at least once a year. In this updating process, the materiality of the emerging risks previously identified in the Risk Assessment process is also assessed.

These are most relevant changes resulting from this year's review:

- Reallocation of the risk of losses in other assets from level 1 to level 2, including it in the level of credit risk, although these assets have differentiated management, as other assets subject to credit risk (securitisations, fixed income, etc.) that are regularly treated as credit risk. Additionally, the materiality of, for example, equity holdings, has been decreasing in recent years at Banco BPI.
- Change of the name "conduct risk" to "conduct and compliance risk" for a better perception of the scope of the risk in question, so far as it includes not only "conduct" aspects, but many others related to regulatory compliance.
- Regarding ESG[4] risk (sustainability): it remains a candidate for Catalogue risk and will be reassessed in the next risk assessment in mid-2022 or in the regular annual review at the end of 2022. It is currently included in the Catalogue as a cross-cutting factor in several of its risks (credit, reputation, other operational risks)

[4] Environmental, Social and Governance

In the following table each of the risks and their definition is presented:

Catalogue risk	Definition of the risk in the catalogue
Business Model Risks	
Business Profitability	The risk of BPI posting results below market expectations and the targets set in its business plan and strategy, that prevent it from reaching a sustainable level of profitability above the cost of capital.
Capital/Solvency	The risk of constraints to BPI's capacity to comply with regulatory requirements concerning capital ratios, or of a change in its risk profile due to insufficient own funds.
Liquidity and Funding	Risk of insufficient liquid assets or limitations on access to market funding that prevent the Bank to meet contractual obligations at maturity, comply with regulatory requirements and provide for its investment needs.
Risks Specific to Financial Activity	
Credit	Risk of financial loss due to the loss of value of the Bank's assets as a result of the deterioration of the counterparties' capacity to honour their commitments.
Actuarial	Risk of loss or decrease in the value of commitments assumed under insurance or pension agreements entered into with clients or employees, as a result of differences between the assumptions used to estimate the actuarial variables used to calculate the responsibilities and their actual performance.
Banking Book Interest Rate	Negative financial impact on the Balance sheet economic value, or on the Net interest income, as a result of changes in the time structure of interest rate curves that affect asset, liability or off-balance sheet products not booked in the trading portfolio.
Market	Decrease in value, with impact on income or shareholder's equity, of a portfolio (set of assets and liabilities), due to changes of prices or unfavorable market rates.
Operational, Reputational and Other Risks	
Conduct and Compliance	Application by BPI of action principles that are contrary to the interests of its clients or other stakeholders, or actions or omissions by the Bank that are out of step with the legal and regulatory framework or the internal policies, standards and internal procedures or codes of conduct, ethical standards and good practices.
Legal and Regulatory	Potential losses or reduction in the Bank's profitability as a result of: legal or regulatory changes, an inadequate implementation of said legislation in BPI's processes, inadequate interpretation for different operations, the management of judicial or administrative requests or complaints and claims received.
Technological	Losses arising from inadequate technological infrastructures, or hardware or software failures, due to cyberattacks or other circumstances, and the inability to effect changes in ICT over a period of time and at acceptable costs, which could compromise the availability, integrity, accessibility and security of the infrastructures and data.
Reliability of the financial information	Deficiencies in the accuracy, integrity and criteria for the preparation of the data and information necessary for the assessment of BPI financial and equity situation, as well as the information made available to interest groups and disclosed to the market, which offers a holistic view of the positioning in terms sustainability with the environment and which is directly related to environmental, social and government aspects (ESG principles). Note: includes reliability of the financial information and reliability of the non-financial information.
Model	Possible adverse consequences for the Bank that may arise as a result of decisions based mainly on the results of internal models with errors in the construction, application or use of those models. Note: includes Model Quality, Model Governance and Model Control.
Other Operating Risks	Losses or damages caused by errors or failures in processes, external events or accidental or malicious action by third parties independent from the Bank. It includes, among others, risk factors related to external events or external fraud.
Reputational	The risk of loss of competitiveness due to the deterioration of trust in BPI by any of its stakeholders on account of the assessment made of acts or omissions, actual or alleged, by the Bank, its Senior Management or its Governance Bodies.

Risk Appetite Framework

The Risk Appetite Framework (“RAF) is a comprehensive and prospective management tool used by the Board of Directors to determine the type and thresholds of risk (risk appetite) the Bank is willing to assume in the pursuance of its strategic objectives. These objectives are formally set into qualitative statements made by the Board of Directors regarding the risk appetite, and into metrics and thresholds that allow monitoring the development of the activity for the different risks in the Risk Catalogue.

As applicable, the reference taken to determine the thresholds are the requirements of the regulations in force, the historical evolution and the business objectives, leaving sufficient additional margin to allow early management and prevent non-compliance.

Risk appetite framework:

Responsible Body		Equivalence in Risks Catalogue	Board of Directors (advised by the Risk Committee) Primary statements and metrics **Level 1**	Global Risk Committee Metrics that complement and develop the Level 1 metrics **Level 2**	Management areas / Risk and Human Resources controllers Management levers **Level 3**
Priority dimensions	**Qualitative Statements**	**Business Model Risks**			
	- To maintain a medium-low risk profile and comfortable capital adequacy position, strengthening customer confidence through its financial strength. - To have the conditions in place to at all times fulfil contractual obligations and meet its funding needs in a timely manner, even under adverse market conditions, and to have a stable and diversified funding base, preserving and protecting the interests of its depositors. - To generate revenue in a balanced and diversified manner. - To align business strategy and customer relations with responsible social action, applying the highest ethical and governance standards, as well as considering potential impacts on climate change and the environment. - To promote its own risk culture integrated into management through policies, communication and employee training. - To pursue excellence, quality and operational resilience, in order to continue providing financial services to clients in accordance with their expectations, even in adverse scenarios.	- Business profitability - Own funds and solvency - Liquidity and funding	- Profitability ratios - Regulatory solvency ratios - Regulatory and internal liquidity metrics that oversee the maintenance of adequate liquidity levels	- Detailed metrics deriving from the factorial decomposition of Level 1 metrics or of other breakdowns. They also include more complex and specialised risk measurement parameters	- Training and Communication - Methodologies for risk measurement and valuation of assets and liabilities (RAF monitoring) - Limits, policies and powers - Incentives and commitments - Tools and processes
		Risks Specific to Financial Activity			
		- Credit - Actuarial - Market - Structural interest rates	- Accounting metrics (cost of risk and NPL ratios) - Indicators that encourage diversification (by sector, etc)		
		Operational and Reputational Risks			
		- Conduct and Compliance - Legal and regulatory - Technological - Reability of the financial Information - Market risk - Other operational risks - Reputational	- Quantitative metrics for non-financial risks (reputational, operational) - Operational risk incidence metrics		

Alert System Reports						
	Monthly to Global Risk Committee				Quarterly to Risk Committee;	Half-yearly to BD
Level 1	Green	Tolerance - The Global Risk Committee promotes an action plan and establishes a timetable	Breach - Explanation of the reasons why the previous plan's corrective measures did not work and action proposals for approval by the Risk Committee	Recovery Plan - Recovery Plan Governance process to reduce chances of bankruptcy	- Metrics evolution and Level 1 projection - Non-compliance status and action plans	- Metrics evolution and Level 1 projection - Non-compliance status and action plans
Level 2	Based on limits					

Risk planning

In addition to the processes referred, the Bank has processes and mechanisms in place to assess the evolution of the risk profile (current, future and potential under stress scenarios). To this end, the Bank estimates the expected evolution of the boundary values of the future risk profile, and subjects them to permanent review.

Also, in the years subject to regulatory supervision (ICAAP and ILAAP), the Bank makes projections of the evolution of its risk profile under baseline and stress scenarios, which give its governance bodies a vision about the Bank's resilience to internal and/or external events.

3.2.4. Risk culture

The risk culture at Banco BPI is the sum of the conducts and attitudes towards risk and risk management by the employees, which in turn reflect the values, objectives and practices shared by the Bank, and it is integrated into management through its policies, communication and staff training.

This culture influences management and employee decisions in their day-to-day work to prevent any behaviour that could unintentionally increase risks or lead to unacceptable risk-taking. It is based on a high level of risk awareness and risk management, a robust governance structure, open and critical dialogue across the organisation, and the absence of incentives for unwarranted risk-taking.

Thus, actions and decisions involving risk-taking are:

- Aligned with corporate values and basic principles of action;
- Aligned with the risk appetite and risk strategy;
- Based on exhaustive knowledge of the risks involved and how to manage them, including environmental, social and governance factors.

The risk culture includes, among others, the following elements:

Responsibility

Banco BPI's Board of Directors is responsible for establishing and supervising the implementation of a solid and diligent risk culture in the organisation, which promotes conduct in line with risk identification and mitigation. Changes will be made when necessary, according to the impact of the risk culture on the entity's financial stability, risk profile and appropriate governance.

All employees must be fully aware of their responsibility towards risk management, which is not exclusively the remit of risk experts or internal control functions, considering that the business units are primarily responsible for the day-to-day management of risks.

Communication

Spreading a corporate risk culture is essential in order to align all Employees around this theme. The internal communication channels, and in particular the Intranet and email, are an essential vehicle for spreading this culture, with disclosures and training contents being especially relevant. This work of communication viewing the development of a corporate risk culture was pursued in 2021, involving the following main initiatives:

- Continuation of the internal communication campaign dedicated to Compliance, to reinforce a culture of compliance amidst the Employees, under the motto “Compliance: good for you, good for BPI”;
- Communication of the appointment of the new Director responsible for the risk area, Mr. Francisco Artur Matos;
- Internal communication of various risk-related topics, namely: a call for participation in the employee survey on "risk culture"; dissemination of the new channel for consultations and complaints; visibility for the sharing by employees of possible conflicts of interest; launch of the new channel for managing the offers;
- Publication of several news regarding specific training in this area, such as "getting to know the Customer", "conflicts of interest" and the "new channel for managing the offers".

Training

In 2021 the Training initiatives on Risk covered Employees from all areas of the Bank. Conduct Risk, Legal and Regulatory Risk and Other Operational Risks were the main risks addressed in these training sessions.

The contents were developed with the purpose of transmitting or reinforcing knowledge and developing skills that enable forestalling and acting upon risk issues. From the approximately 50 training actions involving the theme of risk carried out in 2021 there stand out themes such as Conflicts of Interest, Prevention of Money Laundering and the Fight against Terrorist Financing, and General Principles of Health and Safety at Work, which are compulsory for all Bank Employees and have an impact on variable remuneration. Other training courses included the Environmental Management System course, also for all Employees, and Know Your Customer, further training on PML&TF and #15 minutes with PML&TF actions, directed at the Commercial Network.

The figures presented in the table below bear evidence to the growing contribution of training to strengthening the risk culture at Banco BPI.

The main training initiatives on the issue of Risk developed in 2021, were the following:

Course	Addressees	No of participants
Prevention of Money Laundering and Terrorist Financing - RV 2021	Commercial Networks and Central Services	5,182
Conflicts of Interest | RV 2021	Commercial Networks and Central Services	5,037
General Principles of Safety and Health at Work and Emergency Response - RV 2021	Commercial Networks and Central Services	4,862
Environmental Management System	Commercial Networks and Central Services	3,011
Further training PML&TF - Do we really know BPI's Client?	Commercial Networks	2,688
Further training video PML&TF - Sanctions and Restrictive Measures	Commercial Networks	2,174
Know Your Customer	Commercial Networks	1,640
15 minutes with #PML&TF (Recording)	Commercial Networks	638
Information Security (2020)	Commercial Networks and Central Services	419
Guidelines on lending and loan monitoring - BE	Commercial Networks	272
15 minutes with #PML&TF	Commercial Networks	269
Business Continuity - Central Services	Central Services	208
DCR Small businesses	Commercial Networks	188
Health and Safety in the face of COVID-19	Commercial Networks and Central Services	188
Code of Business Conduct and Ethics	Commercial Networks and Central Services	181
Further training PML&TF - KYC	Commercial Networks	174
Workshop - NovaSBE - Responsible Finance	Commercial Networks and Central Services	154
Application Scoring Model for Mortgage Loans	Commercial Networks	151
Basic Notions of Control Functions	Commercial Networks and Central Services	135
Prevention of Money Laundering and Combat to Terrorist Financing 2020	Commercial Networks and Central Services	130
Internal Code of Conduct on Securities Markets	Commercial Networks and Central Services	125
Financial Information Internal Control System ("SCIIF")	Central Services	117
Internal Code of Conduct on Securities Markets - Affected Persons	Commercial Networks and Central Services	92
Master Scale	Commercial Networks	61
DCR Individual Clients	Commercial Networks	53
Rating Models	Commercial Networks	47
Business Continuity - Commercial Networks	Commercial Networks	46
Guidelines on lending and loan monitoring - EN	Commercial Networks	45
Risk Management	Central Services	35
Analysis of and Decision on Loans to Individuals_ELearning	Commercial Networks	25
Rating Methodology for Large Companies	Commercial Networks	24
Business Continuity Pivot	Commercial Networks and Central Services	22
Risk Management: NPL (Non-Performing Loans)	Commercial Networks	18
IFRS 9	Commercial Networks	18
Individual Clients - Post-moratorium Recovery Strategies APB	Central Services	17
Risk Management: Risk Strategic Processes (RAF)	Commercial Networks	16
Environmental Management System| Follow-up	Central Services	11
Risk Management: New Rules on Consumer Solvency	Commercial Networks	10
Business Continuity - Practical Training (Recording)	Commercial Networks and Central Services	9
CESGA - Certified ESG Analyst	Central Services	8
DCR Individual Clients ML	Commercial Networks	8
EBA Guidelines - Loan Origination and Monitoring	Central Services	8
Emergency Plan	Commercial Networks and Central Services	8
HACK BPI while you're TELEWORKING (Recording)	Commercial Networks and Central Services	4
Risk Management | 3 Lines of Defence Model (Recording)	Commercial Networks and Central Services	3
IRB | Internal Rate Based approach - Recording	Commercial Networks	3
DRC - Analysis of and Decision on Loans to Individuals_face-to-face	Commercial Networks	2
DRC - Small businesses_face-to-face	Commercial Networks	-
Training in Firefighting - Handling of First Intervention Equipment	Central Services	-
IFRS 9 - 2020 catalogue	Commercial Networks	-

Performance assessment and remuneration

As stated in the Risk Appetite Framework, Banco BPI seeks to ensure that its Employees motivation is consistent with the risk culture, with risk-taking aligned with the level of risk that the Board of Directors is willing to assume.

To this end, the Bank has in place remuneration schemes directly related to the annual evolution of the RAF metrics, which are described in detail in the Governance Report and in the approved remuneration policies.

3.3. Business model risk

3.3.1 Risk to business profitability

The risk to business profitability concerns the possibility of obtaining lower earnings than those expected by the shareholder, or targeted by BPI, which ultimately may lead to not achieving sustainable profitability above the cost of capital.

BPI's profitability objectives, backed by a process of financial planning, are defined in the strategic plan and in the budget.

The Group has a corporate policy for business profitability risk. The strategy for managing this risk is integrated with the capital and liquidity management strategy, and is supported by the risk strategic processes (Risks Catalogue, Risk Assessment, RAF).

3.3.2 Capital adequacy and solvency risk

BPI has set the objective of maintaining a medium-low risk profile and a solid capital position. The adequate level of capital to cover unexpected losses is measured under two different approaches: regulatory capital and economic capital.

The regulatory capital of financial entities is determined under Regulation (EU) 575/2013 (CRR) and Directive 2013/36/EU of the European Parliament and of the Council, which provide the global supervision framework and prudential rules with regard to Solvency, known as Basel III (BIS III), and it corresponds to the metric i) required by the regulators and ii) used by analysts and investors for purposes of comparative analysis of financial entities. Subsequently, the Basel Committee and other relevant bodies published additional rules and documents, containing new specifications for the calculation of own funds. In view of the permanent evolution of the regulatory framework, the Bank continually adapts its processes and systems in order to ensure that the calculation of minimum capital requirements is permanently aligned to the new requirements.

As a complement to the assessment of capital adequacy relative to the risk-weighted assets on a regulatory basis, BPI measures the adequacy of its available own funds relative to its economic needs, this being the metric used to:

- the self-assessment of capital, which is subject to presentation to and review by the Bank's relevant bodies;
- update the economic capital ratio, as a control and monitoring tool;
- calculating the Risk Adjusted Return (RAR) and pricing adjusted return.

In contrast with regulatory capital, economic capital always requires an internal estimate, which the Entity adjusts according to its level of tolerance to risk, volume, and type of business activity. Hence, economic capital complements the regulatory vision of solvency to provide a closer view of the real profile of risk taken by the Bank, and to capture risks not considered, or only partially considered, in the regulatory requirements. In addition to the risks already contemplated under Pillar I (credit, market, and operational risks), others are also included in the catalogue of risks (namely structural interest rate risk, liquidity risk, business risk, actuarial risk, etc.). To manage these risks, the Group uses the same confidence level as that used for calculations under Pillar I - a 99.9% confidence level, in accordance with the Basel III definition.

In addition, the regimes provided for under Directive 2014/59/EU (BRRD) and Regulation 806/2014/EU (SRM) of the European Parliament and of the Council establish the rules for the restructuring and resolution of credit institutions and investment firms, requiring that banks have a minimum level of eligible own funds and liabilities (MREL). With the revision of these regulations, the MREL requirement is now expressed as a percentage of risk-weighted assets and of the exposure considered for calculating the leverage ratio.

3.3.3. Liquidity and financing risk

Overview

Banco BPI manages liquidly risk with the objective of maintaining a level of liquidity allowing it at all times to meet all its payment obligations, without investment activities being affected by lack of funds, while maintaining a balanced balance sheet structure in the long term. Liquidity risk is managed in its various aspects: i) the ability to keep up with assets growth and to meet cash requirements without incurring exceptional losses; ii) the maintenance in the portfolio of tradable assets that constitute a sufficient liquidity buffer; (iii) compliance with the various regulatory requirements in the context of liquidity risk.

The strategic principles followed to reach this objective are:

- Autonomous management of liquidity within Banco BPI's prudential consolidation scope, subject to governance practices aligned to those implemented by CaixaBank as well as to the recommendations and best practices set forth by the supervision authorities.
- Active liquidity management, namely through the ongoing monitoring of liquid assets and the balance sheet structure.
- Maintaining a sufficient level of liquid funds to meet obligations assumed, fund business plans and comply with regulatory requirements.
- Sustainability and stability of the funding sources, based on i) funding structure mainly supported by Customer deposits ii) recourse to the ECB medium- and long-term facilities and reduced dependence on the capital and money markets.

The liquidity risk strategy and appetite for liquidity and financing risk involves:

- Identification of significant liquidity risks for Banco BPI;
- Formulation of the strategic objectives for each of these risks and definition of the management requirements to reach these objectives;
- Definition of the relevant metrics for each of these risks;
- Setting of limits and objectives for each of these metrics within the context of the Risk Appetite Framework;
- Establishment of management, monitoring and control procedures for each of the risks, including mechanisms of regular internal and external reporting;
- Definition of a stress testing framework and a Liquidity Contingency Plan to ensure the management of liquidity risk in situations of moderate and serious crisis;
- Recovery Plan setting out scenarios and measures for extreme stress situations.

In particular, Banco BPI has specific strategies with regard to: i) management of intra-day liquidity; ii) management of short-term liquidity; iii) management of funding sources; iv) management of concentration risk; v) management of liquid assets; and vi) management of collateralised assets. In addition, Banco BPI has in place procedures to minimise liquidity risks in stress conditions through i) early detection; ii) proactive management to overcome potential situations of crisis; and iii) minimisation of negative impacts.

Mitigation of liquidity risk

On the basis of the principles referred in the previous section, a Contingency Plan has been drawn up which establishes action plans for each crisis scenario and sets out the measures to be taken at commercial, institutional and internal/external communication level to deal with each situation. In a stress situation, the main priority of the net liquid assets portfolio management is to minimise liquidity risk.

The usual liquidity management measures include:

- Resorting to funding from the ECB, for which a series of guarantees have been provided as collateral:

Available balance in the ECB facility

	31-12-2021	31-12-2020
Value of guarantees delivered as collateral	**5 920 777**	**5 640 613**
Drawn down	**(4 862 000)**	**(4 420 000)**
TLTRO III	(4 862 000)	(4 420 000)
Interest from of guarantees delivered as collateral	**6 417**	**13 578**
Total available balance in the ECB facility	**1 065 194**	**1 234 191**

Note: The interest on taking TLTRO III on 31 December 2020 and 31 December 2021, in the amount of 26 million euros and 74 million euros, respectively, were calculated for each operation in this series, reflecting the estimated amount of interest that will be charged on the maturity of each operation, assuming the fulfillment of targets on change in the volume of eligible credit defined by the ECB.

- Maintenance of debt issuance programmes with the objective of facilitating the capacity to issue securities in the market or by private placement, or securities to be maintained in the Bank's own portfolio, as eligible assets for obtaining funding from the ECB.

Debt issuance capacity

	Maximum amount of Programme	Nominal used at 31-12-2021	
Euro Medium Term Note (EMTN) [1]	7 000 000	1 725 000	
Mortgage Covered Bonds Programme [2]	9 000 000	7 300 000	3
Public Sector Covered Bonds Programme [4]	2 000 000	600 000	5

[1] Registered on Luxembourg's "Commission de surveillance du secteur financier" ("CSSF") on 9 September 2021.

[2] Registered on the "Comissão do Mercado de Valores Mobiliários" ("CMVM") on 25 November 2021.

[3] Of which 6 550 million euros concern securities retained by Banco BPI and included in the portfolio of eligible assets for funding from the ECB.

[4] Registered on the "Comissão do Mercado de Valores Mobiliários" ("CMVM") on 16 December 2021.

[5] The securities have been retained by Banco BPI and included in the portfolio of eligible assets for funding from the ECB.

- Covered bonds issuance capacity (mortgage and public sector covered bonds):

Capacity to issue collateralised and securitised debt

	31-12-2021	31-12-2020
Mortgage Bonds		
use of retained issues [1]	6 550 000	6 250 000
issues with additional credit portfolio [2]	1 235 000	657 000
Public Sector Bonds		
use of retained issues [1]	600 000	600 000
Securitisation of mortgage loans (senior tranche)	593 000	367 000
Securitisation of loans to SMEs (senior tranche)	3 206 000	3 271 000

[1] The Bank may use the issues retained to place them with third parties, or cancel them and replace them by new issues to be subscribed by third parties.

[2] Issuance capacity based on eligible credit portfolio, not included in the cover pool of the Mortgage Bonds.

- Access to the short-term funding market:
  - Interbank facilities with various national and international counterparties
  - Access to the repos market with several types of assets
  - Access to the Clearing House (LCH) for repo business
- The Contingency Plan and the Recovery Plan contain a series of measures that allow for liquidity to be generated in diverse crisis situations. The adequacy of each measure is assessed for each of the scenarios, and descriptions are provided of the steps necessary for their execution and expected period of execution.

Liquidity position

The table below shows the breakdown of BPI's liquid assets, in accordance with criteria established to determine the high-quality liquid assets used for the calculation of the LCR.

Total liquid assets

	Consolidated				Individual			
	31-12-2021		31-12-2020		31-12-2021		31-12-2020	
	Market value	Eligible value	Market value	Eligible value	Market value	Eligible value	Market value	Eligible value
Level 1 Assets	11 470 296	11 470 296	9 384 332	9 384 332	11 470 293	11 470 293	9 384 328	9 384 328
Level 2A Assets	111 036	94 380	91 280	77 588	111 036	94 380	91 280	77 588
Level 2B Assets	1 163	582	60 290	30 145	1 163	582	60 290	30 145
Total HQLA [1]	**11 582 495**	**11 565 258**	**9 535 902**	**9 492 065**	**11 582 492**	**11 565 255**	**9 535 898**	**9 492 061**
Other non-HQLA		**1 116 297**		**1 220 613**		**1 116 297**		**1 220 613**
Total liquid assets (HQLA + other non-HQLA)		**12 681 555**		**10 712 678**		**12 681 552**		**10 712 674**

[1] HQLA in accordance with the liquidity coverage ratio (LCR) calculation criteria. Corresponds to high quality assets available to meet liquidity needs in a 30-day stress period.

Note: Unaudited amounts

Liquidity ratios

	Consolidated		Individual	
(Average in last 12 months)	31-12-2021	31-12-2020	31-12-2021	31-12-2020
High quality liquid assets (numerator)	10 547 837	7 655 231	10 547 834	7 655 229
Total net outflows (denominator)	3 876 551	2 942 561	3 885 589	2 943 042
Cash outflows	5 113 699	4 111 036	5 113 699	4 111 036
Cash inflows	1 237 148	1 168 475	1 228 110	1 167 994
Liquidity coverage ratio (LCR) [1]	**272%**	**260%**	**271%**	**260%**
Net stable funding ratio (NSFR) [2]	**153%**	**151%**	**153%**	**151%**

[1] The table presents the simple arithmetic mean in the last 12 months of the LCR ratio and respective calculation components. According to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions. The established regulatory limit for the LCR ratio is 100%.

[2] NSFR took effect in June 2021.

Note: Unaudited amounts

At 31 December 2021 the main ratings assigned by international rating agencies to Banco BPI were the following:

	Long-term debt	Short-term debt	Outlook	Date of last review	Mortgage covered bonds rating
DBRS Rating Limited	-	-	-	-	AA (Low)
Fitch Ratings	BBB[1]	F2	Stable	08-09-2021	-
Moody's Investors Service	Baa3[2]	P-2	Stable	13-07-2021	Aa3
Standard & Poor's Global Ratings	BBB[3]	A-2	Stable	20-01-2022	-

[1] Long-term issuer default rating

[2] Long term Debt Rating / Issuer rating

[3] Long Term Issuer Credit Rating

In the event of a downgrade of the current credit rating, additional collateral must be delivered to certain counterparties, or there are early redemption clauses. The breakdown of the impact on liquidity deriving from 1, 2 and 3-notch downgrading (not cumulative) is shown below:

Liquidity sensitivity to credit rating changes at 31 December 2021

	Downgrade 1 notch	Downgrade 2 notches	Downgrade 3 notches
Trading in derivatives (CSA agreements)		3 775	3 775

Liquidity sensitivity to credit rating changes at 31 December 2020

	Downgrade 1 notch	Downgrade 2 notches	Downgrade 3 notches
Trading in derivatives (CSA agreements)	5 299	5 299	6 460

Note: Unaudited amounts

Asset encumbrance

This note includes information about encumbered and unencumbered assets, as defined by Banco de Portugal in Instruction 28/2014, of 23 December. The amounts disclosed are median values for the last four quarters, as set forth in Title II of the EBA Guidelines (EBA/GL/2014/03). The information below concerns the prudential supervision perimeter, as defined in Regulation (EU) no. 575/2013, CRD IV / CRR.
An encumbered asset is considered as an asset explicitly or implicitly pledged as security, or subject to an agreement to secure, collateralise, or improve the credit quality in any operation from which it cannot be freely withdrawn.

At 31 December 2021, the breakdown of assets by encumbered and unencumbered was as follows:

	Consolidated		Individual	
Encumbered assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Portuguese sovereign debt securities				
Debt securities sold with repurchase agreement	3 589	3 589	3 589	3 589
Commitments to the Deposit Guarantee Fund and Investors Compensation Scheme	49 416	48 828	49 416	48 828
Total Portuguese sovereign debt	**53 005**	**52 417**	**53 005**	**52 417**
Credit operations				
Funding from the European Investment Bank (EIB) collateralised by mortgage bonds	675 855		675 855	
Funding from the European Central Bank (ECB) collateralised by covered bonds	6 066 603		6 066 603	
Bonds collateralised by mortgage loans	886 416		886 416	
Total credit operations	**7 628 874**		**7 628 874**	
Other assets				
Derivatives	156 025		156 025	
Other collateral	98 236		98 236	
Total other assets	**254 261**		**254 261**	
Total amount of encumbered assets	**7 936 141**		**7 936 141**	

	Consolidated		Individual	
Unencumbered assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Equity instruments	550 318	550 318	550 318	550 318
Debt instruments	7 373 565	7 447 424	7 373 565	7 447 424
Credit	22 659 378		22 650 017	
Other assets	1 516 450		1 344 051	
Total amount of unencumbered assets	**32 099 712**		**31 917 951**	

At 31 December 2020, the breakdown of assets by encumbered and unencumbered was as follows:

Encumbered assets	Consolidated		Individual	
	Book value	Fair value	Book value	Fair value
Portuguese sovereign debt securities				
Debt securities sold with repurchase agreement	323 000	323 032	323 000	323 032
Commitments to the Deposit Guarantee Fund and Investors Compensation Scheme	49 216	49 216	49 216	49 216
Total Portuguese sovereign debt	**372 216**	**372 248**	**372 216**	**372 248**
Credit operations				
Funding from the European Investment Bank (EIB) collateralised by mortgage bonds	679 235		679 235	
Funding from the European Central Bank (ECB) collateralised by covered bonds	5 610 201		5 610 201	
Bonds collateralised by mortgage loans	1 231 250		1 231 250	
Total credit operations	**7 520 686**		**7 520 686**	
Other assets				
Derivatives	228 264		228 264	
Other collateral	42 237		42 237	
Total other assets	**270 501**		**270 501**	
Total amount of encumbered assets	**8 163 403**		**8 163 403**	

Unencumbered assets	Consolidated		Individual	
	Book value	Fair value	Book value	Fair value
Equity instruments	627 147	627 147	627 147	627 147
Debt instruments	6 802 912	6 870 301	6 802 965	6 870 301
Credit	20 479 652		20 468 766	
Other assets	1 347 487		1 190 182	
Total amount of unencumbered assets	**29 257 198**		**29 089 060**	

The encumbered assets included in this table correspond to operations that were given as a guarantee or collateral, without being derecognised from the Bank's assets, such as securities sold with repurchase agreements and securities delivered to the European Central Bank to guarantee financing from this entity.

As defined in Commission Implementing Regulation (EU) no. 79/2015 of 18 December 2014, assets included in the liquidity pool deposited in the European Central Bank and not used, or credit operations associated with mortgage bonds and Public Sector bonds and securitisations not placed on the market are not considered encumbered assets.

At 31 December 2021 and 2020, the fair value of the encumbered collateral received was as follows:

	31-12-2021		31-12-2020	
	Fair value of collateral received			
	Encumbered	Free	Encumbered	Free
Debt securities				
Sovereign debt		113 480		388 370
Total debt securities		113 480		388 370
Other assets (derivatives)	2 930		10 311	

This table includes the amount of collateral received that does not meet the conditions for recognition in the balance sheet, such as securities received as collateral for repo operations. These assets may or may not be reusable and provided as collateral in other operations.

At 31 December 2021 and 2020, the liabilities associated with encumbered assets and collaterals received were as follows:

	31-12-2021		31-12-2020	
	Associated and contingent liabilities	Assets and collateral received	Associated and contingent liabilities	Assets and collateral received
Financial Liabilities				
Derivatives	138 699	208 214	188 955	273 949
Deposits				
Funding from the European Central Bank	4 806 589	6 066 603	4 401 533	5 610 201
Funding from the European Investment Bank (EIB)	465 903	681 621	466 513	687 286
Debt securities sold with repurchase agreement	3 589	3 589	323 094	323 000
Other deposits	2 411		10 231	
Securities issued				
Bonds collateralised by mortgage loans	748 950	886 416	1 047 582	1 231 250
	6 166 142	**7 846 443**	**6 437 908**	**8 125 686**
Other encumbrance sources				
Commitment to the Deposit Guarantee Fund	38 714	49 416	43 070	46 632
Commitment to the Investor Compensation Scheme	9 490		9 511	2 573
European Central Bank liquidity facility	48 136	48 136		
	96 340	**97 552**	**52 581**	**49 205**
Total amount of encumbrance sources	**6 262 482**	**7 943 995**	**6 490 489**	**8 174 891**

Residual maturity of operations

The tables below show the breakdown of certain balance sheet items by contractual term to maturity, under normal market conditions:

Term to maturity of operations at 31 December 2021

	Consolidated						
	On demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Cash and cash balances at central banks and other demand deposits	6 245 822						6 245 822
Derivatives							
Financial assets held for trading		7 131	6 068	5 622	16 641	62 595	98 057
Hedge accounting		3 122	5 351	13 755	2 724	222	25 174
Debt securities							
Financial assets held for trading				360	4 258		4 618
Non-trading financial assets mandatorily at fair value through profit or loss					49	5 306	5 355
Financial assets at fair value through other comprehensive income				431 136	310 300	493 939	1 235 375
Financial assets at amortised cost		344 978	359 363	666 594	3 130 621	2 343 570	6 845 126
Loans and advances	444 555	765 454	943 428	2 573 325	7 774 343	12 791 588	25 292 693
Total Assets	**6 690 377**	**1 120 685**	**1 314 210**	**3 690 792**	**11 238 936**	**15 697 220**	**39 752 220**
Derivatives							
Financial liabilities held for trading		5 573	6 033	5 533	19 920	66 878	103 937
Hedge accounting		12		457	2 578	12 812	15 859
Financial liabilities at amortised cost							
Deposits							
Central Banks		35 318		864 099	3 923 852		4 823 269
Credit Institutions	130 619	364 638	41 569	461	465 708		1 002 995
Customers	20 355 545	1 028 124	1 503 600	4 437 769	1 546 074	1 028	28 872 140
Debt securities issued [1]							
Mortgage bonds					750 000		750 000
Senior non preferred bonds					1 151 995		1 151 995
Other subordinated bonds			304 304				304 304
Other financial liabilities	164 263	11 451	14 830	42 515	62 844	8	295 911
Total Liabilities	**20 650 427**	**1 445 116**	**1 870 336**	**5 350 834**	**7 922 971**	**80 726**	**37 320 410**
Of which wholesale funding:							
Assets minus Liabilities	**(13 960 050)**	**(324 431)**	**(556 126)**	**(1 660 042)**	**3 315 965**	**15 616 494**	**2 431 810**

Note: Does not include future interest cash flows, except accrued interest.

[1] Assuming that the reimbursement will be made on the date of the first call option.

Term to maturity of operations at 31 December 2021

	Individual						
	On demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Cash and cash balances at central banks and other demand deposits	6 239 469						6 239 469
Derivatives							
Financial assets held for trading		7 131	6 068	5 622	16 641	62 596	98 058
Hedge accounting		3 122	5 351	13 755	2 724	222	25 174
Debt securities							
Financial assets held for trading				360	4 258		4 618
Non-trading financial assets mandatorily at fair value through profit or loss					49	5 305	5 354
Financial assets at fair value through other comprehensive income				431 136	310 300	493 939	1 235 375
Financial assets at amortised cost		344 978	359 363	666 594	3 130 621	2 343 570	6 845 126
Loans and advances	444 555	765 454	943 428	2 573 325	7 774 343	12 791 588	25 292 693
Total Assets	6 684 024	1 120 685	1 314 210	3 690 792	11 238 936	15 697 220	39 745 867
Derivatives							
Financial liabilities held for trading		5 573	6 033	5 533	19 920	66 878	103 937
Hedge accounting		12		457	2 578	12 812	15 859
Financial liabilities at amortised cost							
Deposits							
Central Banks		35 318		864 099	3 923 852		4 823 269
Credit Institutions	130 619	364 638	41 569	461	465 708		1 002 995
Customers	20 355 545	1 028 124	1 503 600	4 437 769	1 546 074	1 028	28 872 140
Debt securities issued [1]							
Mortgage bonds					750 000		750 000
Senior non preferred bonds					1 151 995		1 151 995
Other subordinated bonds			304 304				304 304
Other financial liabilities	164 558	11 471	14 856	42 592	62 957	8	296 442
Total Liabilities	20 650 722	1 445 136	1 870 362	5 350 911	7 923 084	80 726	37 320 941
Of which wholesale funding:							
Assets minus Liabilities	**(13 966 698)**	**(324 451)**	**(556 152)**	**(1 660 119)**	**3 315 852**	**15 616 494**	**2 424 926**

Note: Does not include future interest cash flows, except accrued interest.

[1] Assuming that the reimbursement will be made on the date of the first call option.

Term to maturity of operations at 31 December 2020

	Consolidated						
	On demand	**< 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Cash and cash balances at central banks and other demand deposits	4 535 243						4 535 243
Derivatives							
Financial assets held for trading		4 835	6 857	4 042	18 253	97 425	131 412
Hedge accounting		19	107	161	789	377	1 453
Debt securities							
Financial assets held for trading				457	5 316		5 773
Non-trading financial assets mandatorily at fair value through profit or loss				977	49	51 288	52 314
Financial assets at fair value through other comprehensive income			50 065	453 739	758 670	184 995	1 447 469
Financial assets at amortised cost	475	472 193	220 233	1 664 890	2 536 895	878 075	5 772 761
Loans and advances	458 816	1 672 422	855 796	2 843 221	7 084 864	11 316 090	24 231 209
Total Assets	4 994 534	2 149 469	1 133 058	4 967 487	10 404 836	12 528 250	36 177 634
Derivatives							
Financial liabilities held for trading		3 930	7 340	4 326	22 762	102 987	141 345
Hedge accounting		3 470	10 181	26 244	6 530	17 299	63 724
Financial liabilities at amortised cost							
Deposits							
Central Banks					4 394 239		4 394 239
Credit Institutions	114 884	512 107	16 672	141	459 998	6 274	1 110 076
Customers	17 525 800	977 550	1 060 211	3 504 793	2 938 893	1 306	26 008 553
Debt securities issued							
Mortgage bonds					1 050 000		1 050 000
Fixed rate bonds		162			450 344		450 506
Other subordinated bonds						304 345	304 345
Other financial liabilities	137 570	11 676	8 535	144 148	72 703	3 371	378 003
Total Liabilities	17 778 254	1 508 895	1 102 939	3 679 652	9 395 469	435 582	33 900 791
Of which wholesale funding:					1 500 344	304 345	1 804 689
Assets minus Liabilities	**(12 783 720)**	**640 574**	**30 119**	**1 287 835**	**1 009 367**	**12 092 668**	**2 276 843**

Note: Does not include future interest cash flows, except accrued interest.

Term to maturity of operations at 31 December 2020

	Individual						
	On demand	**< 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Total**
Cash and cash balances at central banks and other demand deposits	4 530 281						4 530 281
Derivatives							
Financial assets held for trading		4 835	6 857	4 042	18 253	97 425	131 412
Hedge accounting		19	107	161	789	377	1 453
Debt securities							
Financial assets held for trading				457	5 316		5 773
Non-trading financial assets mandatorily at fair value through profit or loss				977	49	51 288	52 314
Financial assets at fair value through other comprehensive income			50 065	453 739	758 670	184 995	1 447 469
Financial assets at amortised cost	475	472 193	220 233	1 664 890	2 536 895	878 075	5 772 761
Loans and advances	458 692	1 671 967	855 562	2 842 448	7 082 936	11 313 012	24 224 617
Total Assets	4 989 448	2 149 014	1 132 824	4 966 714	10 402 908	12 525 172	36 166 080
Derivatives							
Financial liabilities held for trading		3 930	7 340	4 326	22 762	102 987	141 345
Hedge accounting		3 470	10 181	26 244	6 530	17 299	63 724
Financial liabilities at amortised cost							
Deposits							
Central Banks					4 394 239		4 394 239
Credit Institutions	114 884	512 107	16 672	141	459 998	6 275	1 110 077
Customers	17 525 800	977 550	1 060 211	3 504 793	2 938 893	1 306	26 008 553
Debt securities issued							
Mortgage bonds					1 050 000		1 050 000
Fixed rate bonds		162			450 344		450 506
Other subordinated bonds						304 345	304 345
Other financial liabilities	137 873	11 702	8 553	144 210	72 863	3 378	378 579
Total Liabilities	17 778 557	1 508 921	1 102 957	3 679 714	9 395 629	435 590	33 901 368
Of which wholesale funding:					1 500 344	304 345	1 804 851
Assets minus Liabilities	**(12 789 109)**	**640 093**	**29 867**	**1 287 000**	**1 007 279**	**12 089 582**	**2 264 712**

Note: Does not include future interest cash flows, except accrued interest.

3.4 Risks of financial activity

3.4.1 Credit risk

Overview

BPI shares with the CaixaBank Group the principles and policies that support credit risk management, which may be summarised as follows:

- An adequate relationship between income and the commitments assumed by the consumers.
- Documentary proof of the information provided by the borrower concerning its solvency.
- Adequate pre-contractual information about the personal circumstances and characteristics of each Customer and operation.
- Adequate independent assessment of real estate collateral.

Concerning BPI's commercial activity, the Bank gears its lending activity towards meeting the financing needs of families (consumer and residential mortgage loans) and businesses, seeking to maintain a medium-low risk profile, as established in the RAF and Strategic Plan.

At 31 December 2021 and 2020 the maximum exposures to credit risk on the balance sheet, including counterparty risk, was as follows:

	Consolidated			
	31-12-2021		31-12-2020	
	Maximum exposure to credit risk	Impairment	Maximum exposure to credit risk	Impairment
Cash balances in other Credit Institutions[1]	100 975		246 615	
Financial assets held for trading				
Debt securities	4 618		5 773	
Non-trading financial assets mandatorily at fair value through profit or loss				
Debt securities	5 354		52 314	
Financial assets at fair value through other comprehensive income				
Debt securities	1 235 375		1 447 469	
Financial assets at amortised cost				
Debt securities	6 859 919	(14 793)	5 784 013	(11 252)
Loans and advances - Central Banks and other Credit Institutions	1 002 873	(30)	1 595 011	(18)
Loans and advances - Customers	24 801 596	(511 746)	23 116 113	(479 897)
Trading derivatives and hedge accounting[2]	212 570		174 908	
Total active exposure	34 223 280	(526 569)	32 422 216	(491 167)
Total guarantees given and commitments[3] (Note 25)	5 120 440	(18 093)	4 823 959	(16 704)
Total	39 343 720	(544 662)	37 246 175	(507 871)

[1] Does not include cash and cash balances in Central Banks.
[2] The maximum exposure to credit risk for derivatives is the exposure value according to the mark-to-market method, it does not reflect the netting carried out for the book values. As of 31 December 2021 and 2020, the value of the adjustment for counterparty credit risk (Credit Valuation Adjustment) associated with the derivatives portfolio is (6 926) th.euros and (8 531) th.euros, respectively.
[3] CCF – Credit Conversion Factor for guarantees given and credit commitments. At 31 December 2021 and 2020, total guarantees and commitments, considering the respective CCF, were 4 084 Me. and 3 875 Me. respectively.

At 31 December 2021 and 2020 the maximum exposures to credit risk on the balance sheet, including counterparty risk, was as follows:

	Individual			
	31-12-2021		31-12-2020	
	Maximum exposure to credit risk	Impairment	Maximum exposure to credit risk	Impairment
Cash balances in other Credit Institutions[1]	94 625		241 657	
Financial assets held for trading				
Debt securities	4 618		5 773	
Non-trading financial assets mandatorily at fair value through profit or loss				
Debt securities	5 354		52 314	
Financial assets at fair value through other comprehensive income				
Debt securities	1 235 375		1 447 469	
Financial assets at amortised cost				
Debt securities	6 859 919	(14 793)	5 784 013	(11 252)
Loans and advances - Central Banks and other Credit Institutions	1 002 873	(30)	1 588 530	(18)
Loans and advances - Customers	24 801 596	(511 746)	23 116 002	(479 897)
Trading derivatives and hedge accounting[2]	212 570		174 908	
Total active exposure	34 216 930	(526 569)	32 410 666	(491 167)
Total guarantees given and commitments[3] (Note 25)	5 120 440	(18 093)	4 823 959	(16 704)
Total	39 337 370	(544 662)	37 234 625	(507 871)

[1] Does not include cash and cash balances in Central Banks.
[2] The maximum exposure to credit risk for derivatives is the exposure value according to the mark-to-market method, it does not reflect the netting carried out for the book values. As of 31 December 2021 and 2020, the value of the adjustment for counterparty credit risk (Credit Valuation Adjustment) associated with the derivatives portfolio is (3 926) th.euros and (8 531) th.euros, respectively.
[3] CCF – Credit Conversion Factor for guarantees given and credit commitments. At 31 December 2021 and 2020, total guarantees and commitments, considering the respective CCF, were 4 084 Me. and 3 875 Me. respectively.

The maximum exposure to credit risk is the gross book value, except for derivatives where it is the amount of exposure under the Standardised Approach for Counterparty Credit Risk (SA-CCR, applied from and including 30 June 2021), which corresponds to the sum of the replacement cost and the potential future exposure over which the scalar factor α of 1.4 is applied:

- Replacement cost: the highest value between zero and the market value of an operation or of a portfolio of operations with a counterparty which can be offset in the event of default by the counterparty, assuming that all transactions were immediately closed and including collateral transferred.
- Future potential exposure: change in the credit exposure as a result of future changes in the price of an operation or in the valuation of operations that can be offset with a counterparty during the residual term to maturity.

In terms of total guarantees and commitments, considering the Credit Conversion Factor (CCF), the exposure was 4 084 million euros and 3 875 million euros as at 31 December 2021 and 2020, respectively.

Credit risk cycle

Credit risk management at BPI covers the entire life of the transactions. The process is designed to follow best market practices and is aligned with CaixaBank and the regulators' recommendations.

Loan approval and granting

The credit risk-taking process is based on the collection of information, in order to assess the Customer's reimbursement capacity without resorting to collateral, involving the assessment of aspects such as knowledge about the Customer and the industry sector in which it operates/obtains income, the experience gained in similar operations and the purpose and other characteristics of the operations. To this end, the credit risk-taking process involves a delegation of powers, according to the characteristics of the operations and the clients, in order to strengthen the approval in circumstances where the level of risk could be higher. The definition of the level responsible for the approval of operations essentially depends on four elements:

- **Amount** – the contracted and potential exposure of the Customer or risk group*;*
- **Guarantee** – comprises the set of collaterals required to provide for additional situations of risk of default;
- **Specific risk policies** – set of Policies that establish specific risk-taking criteria, such as restructurings, incidents, rejection boundaries, etc.
- **Term –** the operation's intended maturity, depending on the intended purpose.

Naturally the risk-taking policies and criteria are regularly reviewed and adjusted as necessary in light of the context and of the evolution of credit risk and the experience acquired.

Credit risk-taking at Banco BPI is independent from the business areas, with the Credit Division (CRD) being essentially responsible for the analysis and granting of loans.

The CRD is organised into specialised teams according to the segment of each operation / customer:

- **Individuals –** mortgage and consumer loan risk centres;
- **Entrepreneurs, Small Businesses and Private Banking** – exposure to individual entrepreneurs, individuals with business purposes, private banking Clients, micro-companies and small companies;
- **Medium-sized Companies**
- **Large Companies, Structured Finance, Institutional Clients, Countries and Financial Institutions,** which includes Risk Centres specialising in exposure to:
  - Project finance;
  - Financial entities, insurers (except non-life), sovereign risk and country risk;
  - State business sector, Regional Administration, Municipalities, Catholic Church and Foundations (except Parish Councils).
- **Industry sector specialisation -** risk centres specialising in agriculture, tourism, and residential real estate;
- **Environment -** area responsible for control of environmental risk.

The CRD Risk Centres are centralised in Lisbon and Porto. For the Small Businesses, Private Banking, Medium-sized Companies and Large Companies segments, the Clients monitored by each Risk Centre are distributed by regions, in line with the organisation of the Bank's commercial structure.

This organisation ensures independence and at the same time close proximity with the specific dynamics of the regions, industry sectors and Clients, which is achieved through annually scheduled meetings with the commercial areas (which include training on credit risk issues) and with the Clients.

The analysis of the Customer risk and the approval of the loan is based on the risk rating of each counterparty/loan taking into account the following;

- The probability of default by counterparties and guarantors for the maturities in question;
- The loss in case of default, taking into account the existence of mortgage collateral in transactions with individual clients;
- The global value of the exposure in case of default, taking into account all on- and off-balance sheet transactions with the counterparty;
- An historical and forward-looking analysis of the Client to assess its capacity to generate sufficient funds for the timely service of the debt;
- The Clients global indebtedness to Banco BPI and in the financial system.

The most important bodies with delegated credit decision powers are the Credit Board and the Permanent Credit Committee (PCC). The Board of Directors (BD) also delegates powers to the Executive Committee of the Board of Directors (ECBD). This scheme ensures the approval of the largest exposures at the highest level of the organisation.

The delegation of decision powers for lower exposures is parametrised according to the global value of the exposure of the Customer in question, and also depends on the credit rating, the existence of incidents and instances of default, and the individual value of the transactions and respective maturity. These powers are concentrated in the CRD.

Credit management, except for individual clients, is always undertaken from the perspective of Exposure Limits. These reflect a critical analysis of the Client's reimbursement capacity and the maximum credit involvement which, bearing in mind the commercial area's proposed credit relationship, Banco BPI deems acceptable to have with that Client, always based on prudent risk criteria.

The credit workflow is supported, from origination to contracting, by an analysis and decision software application that concentrates, all the information about the Client, the proposal, the analysis and the decisions of the competent bodies. The decision level is automatically established in accordance with each specific proposal by means of an algorithm that factors in the approval rules in force.

Exposure Limits are approved or renewed for a maximum period of one year. The Credit Risk Division is thus always called in to assess the exposure to each Client at least once a year, while at the same time the Bank has in place monitoring tools and early warnings of a deterioration in the risk of Customers or transactions, for example as a result of the downgrading of the credit rating, which, among others, may trigger a revision of the Exposure Limit. Given the current context, BPI has been reinforcing the procedures to review and control the use of these Limits, in order to mitigate the credit risk to which it is exposed.

This ensures an integrated vision of the relationship with the Client and the centralisation in the credit risk decision of the various factors - counterparty, amount, duration and guarantees for each category (of credit risk products considered homogeneous) and for special operations (which, on account of their specific characteristics, are not included in these categories, namely medium-and long term operations).

Moreover, this permits maximum flexibility and speed by the Commercial Divisions in the implementation of the operations throughout the duration of the Exposure Limit.

The pricing of the transactions is the responsibility of the Commercial Divisions, which for the purpose use tools that measure the Risk Adjusted Return (RAR) for each Client and transaction, bearing in mind market conditions.

Risk mitigation

Lending is always based on the assessment of the Client's capacity to generate sufficient funds for the timely service of the debt, and on a risk-adjusted pricing policy. The requirement of personal or real guarantees, as a risk mitigator, is always considered at the time of granting a loan.

In the decision to require guarantees, several factors are weighted, namely Risk rating, and the nature and term of the operations. The term in particular is one of the more sensitive factors due to the uncertainty it entails, which is why medium and long-term transactions usually have associated real guarantees.

Banco BPI receives, among others, the following collateral within the scope of its loan granting business:

- Mortgages on own housing;
- Other real estate mortgages;
- Deposit of assets;

- Pledge of securities;
- Guarantees provided by other credit institutions

The rules on the acceptance of guarantees, control of their formalisation, and monitoring of their value during the transaction's lifetime, through regular evaluations and their release are set out in specific internal regulations.

The guarantees foreseen in the internal regulations are those typified in the law, the most usual being personal guarantees (of individuals or companies) by endorsement or security, and in the case of real guarantees, the mortgage, the pledge of assets and the financial pledge. Financial instruments such as derivatives or repos are covered by standard agreements that establish the daily exchange of collaterals, guaranteeing coverage of the counterparty risk.

All guarantees are recorded in a dedicated software application. The funds are only made available to the Client after or upon verification of the guarantees provided.

The classification by stage of loans to Customers and associated guarantees is as follows:

	Consolidated					
	31-12-2021			31-12-2020		
	Gross amount	Allowance for Impairment loss	Guarantees[1]	Gross amount	Allowance for Impairment loss	Guarantees[1]
Stage 1:	**22 365 082**	**(84 760)**	**12 578 508**	**20 585 501**	**(79 922)**	**11 514 973**
No associated collateral	7 510 987	(59 154)		6 772 677	(59 558)	
With real estate collateral	13 469 064	(17 839)	12 282 176	12 258 996	(13 890)	11 187 951
With other collateral	1 385 031	(7 767)	296 332	1 553 828	(6 474)	327 022
Stage 2:	**1 718 353**	**(93 530)**	**891 789**	**1 899 234**	**(86 911)**	**1 021 939**
No associated collateral	470 694	(48 400)		482 071	(44 445)	
With real estate collateral	1 093 029	(34 539)	871 591	1 221 010	(32 745)	1 001 449
With other collateral	154 630	(10 591)	20 198	196 153	(9 721)	20 490
Stage 3:	**622 490**	**(329 372)**	**160 209**	**584 521**	**(309 552)**	**182 714**
No associated collateral	232 455	(160 594)		222 843	(177 916)	
With real estate collateral	315 983	(119 122)	157 957	306 251	(98 028)	182 210
With other collateral	74 052	(49 656)	2 252	55 427	(33 608)	504
	24 705 925	**(507 662)**	**13 630 506**	**23 069 256**	**(476 385)**	**12 719 626**

[1] The value of the guarantee is the lower of the value of the guarantee received and the value of the loan net of impairments.

	Individual					
	31-12-2021			31-12-2020		
	Gross amount	Allowance for Impairment loss	Guarantees[1]	Gross amount	Allowance for Impairment loss	Guarantees[1]
Stage 1:	**22 365 082**	**(84 760)**	**12 578 508**	**20 585 390**	**(79 922)**	**11 514 973**
No associated collateral	7 510 987	(59 154)		6 772 566	(59 558)	
With real estate collateral	13 469 064	(17 839)	12 282 176	12 258 996	(13 890)	11 187 951
With other collateral	1 385 031	(7 767)	296 332	1 553 828	(6 474)	327 022
Stage 2:	**1 718 353**	**(93 530)**	**891 789**	**1 899 234**	**(86 911)**	**1 021 939**
No associated collateral	470 694	(48 400)		482 071	(44 445)	
With real estate collateral	1 093 029	(34 539)	871 591	1 221 010	(32 745)	1 001 449
With other collateral	154 630	(10 591)	20 198	196 153	(9 721)	20 490
Stage 3:	**622 490**	**(329 372)**	**160 209**	**584 521**	**(309 552)**	**182 714**
No associated collateral	232 455	(160 594)		222 843	(177 916)	
With real estate collateral	315 983	(119 122)	157 957	306 251	(98 028)	182 210
With other collateral	74 052	(49 656)	2 252	55 427	(33 608)	504
	24 705 925	**(507 662)**	**13 630 506**	**23 069 145**	**(476 385)**	**12 719 626**

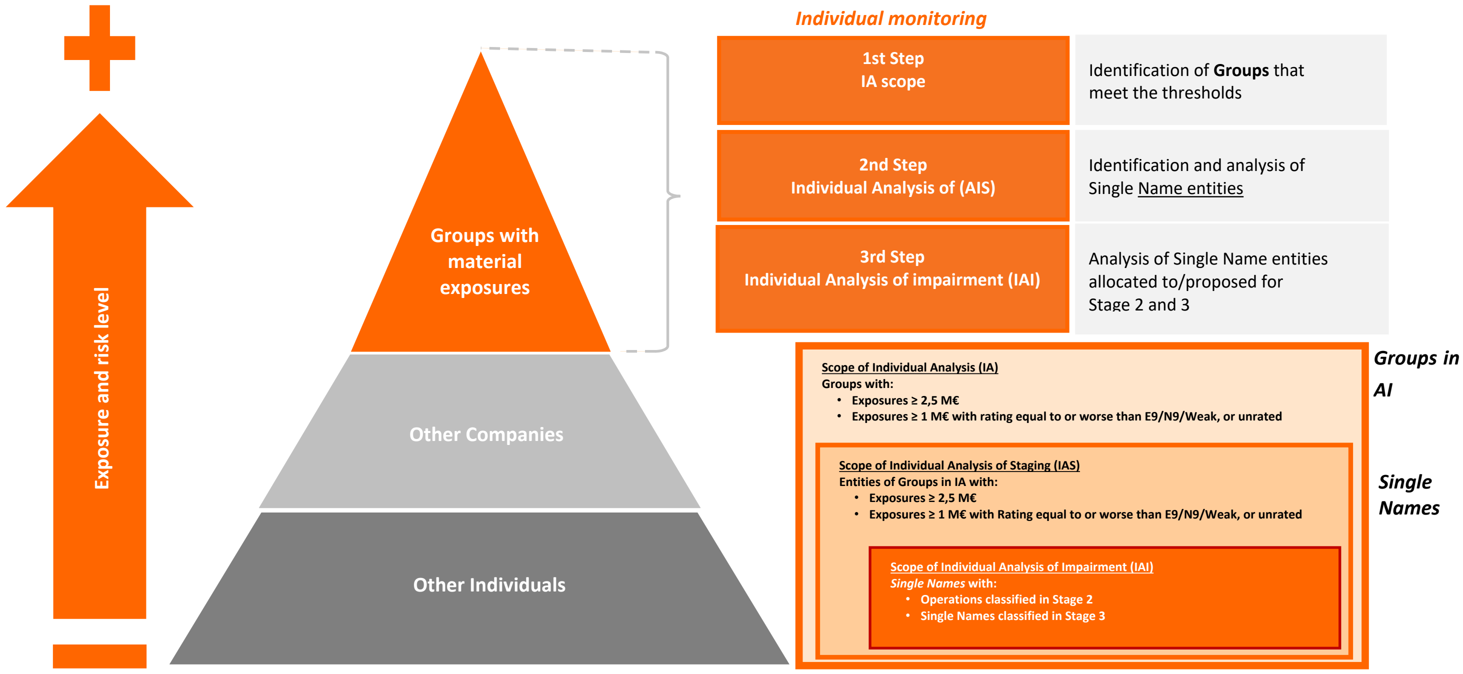
[1] The value of the guarantee is the lower of the value of the guarantee received and the value of the loan net of impairments.

Monitoring and measurement of credit risk

The purpose of the monitoring process is to assess the quality of the risk taken in lending operations to a borrower and to decide on any actions that need to be taken, including the estimation of impairment. The targets of risk monitoring are borrowers that bear credit risk, with the results being set as a reference for the future lending policy.

The macroeconomic context we are currently living in has called for relevant changes in the tools used to monitor credit risk in Banco BPI's portfolio. These include, among others, the establishment of specific reporting to the Bank's Governing Bodies on loans with moratoria or granted under the COVID lines, the strengthening of the credit risk monitoring tools with additional alerts not usually captured by the models, an estimate of the evolution of SMEs' risk rating and the performance of sector-specific analyses for companies' credit risk. Additionally, forbearance policies have been reinforced after the end of the moratorium periods.

The monitoring of exposures is mainly performed according to the exposure and the risk level of the operations/borrowers, being segregated into different areas in accordance with the analysis methodology, as shown below:



1. Customised monitoring process

The customised monitoring procedures are applied in portfolios with material risk exposures and/or which have specific characteristics. These procedures consist of drafting regular reports on the borrowers' economic groups with the aim of assessing the existence of objective evidence of impairment and/or a significant increase in credit risk (SICR) since the initial recognition.

The triggers of a significant increase in credit risk (SICR) and/or default are grouped into the following categories:

- Financial difficulties of the issuer or debtor (rating deterioration, financial status deterioration, defaults registered in the Banco de Portugal's Central Credit Register, lawsuits brought by third parties, etc.);
- Breach of contract clauses, non-payments or delays in the payment of interest or principal on loans contracted with the Bank;
- Restructuring or expected restructuring of the debtor's exposures due to risk deterioration;
- Other indicators identified in specific Clients through the monitoring of their activity.

Whenever Clients with objective evidence of impairment and/or a significant increase in credit risk since the initial recognition are identified, a specific impairment is established (Individual Analysis of Impairment). For Clients classified as in default, individual impairment is determined on a going concern or gone concern basis, depending on the expectations of recovery for each borrower.

Monitoring by individual analysis is in principle carried out annually for each Group, in accordance with the Policies currently in force. In addition, there is a system of alerts for this universe of clients, based on the risk rating, economic-financial data and other indicators.

2. Quantification and classification of credit risk

Credit risk parameters

Risk measurement is based on the segmentation of risk and on the factors associated with the calculation of the expected loss:

- **Exposure:** Exposure at default (EAD) provides an estimate of the outstanding debt in the event of default. This measurement is significant for financial instruments with a repayment structure that varies according to customer drawdowns (credit accounts, credit cards and, in general, any revolving credit product).

The estimate is based on the observation of historical data for defaulting borrowers, comparing the drawdown levels between the time of default and during the 12 preceding months. This permits to estimate future drawdown levels according to product type, current drawdown levels and credit ceilings.

- **Probability of default:** the Bank uses management tools covering virtually all its loan portfolios and main risk segments to help predict the probability of default (PD) associated with each borrower.

These tools are an integral part of the credit granting and monitoring process, having been developed and calibrated in accordance with the Bank's past experience of defaults.

- Product-oriented tools are used mainly within the scope of authorisation of new loans to individuals and take account the debtor's characteristics, information on the relationship with the Customer, internal and external warnings, and the specific characteristics of the transaction - Admission Scoring.
- The monitoring tools for lending operations to individual Customers are Client-oriented, taking into account relationship variables with the Bank and with the financial system - Behavioural Scoring.

The scoring of transactions with individual Clients is updated on a monthly basis in order to keep the credit rating up-to-date.

Rating tools for companies and small businesses vary considerably depending on the risk segment. Particularly in the case of SMEs, BPI has a risk rating model that determines the rating automatically, based on behavioural data from BPI and the Banking System, financial data, and qualitative information that is available. These ratings are updated whenever any of this information changes.

For large companies, the Bank uses models that seek to replicate the ratings assigned by rating agencies and require the expert criteria of rating analysts. In view of the lack of sufficient statistical frequency of internal default delinquency in this segment, the models were built in line with S&P's methodology. The ratings determined on the basis of this model have a maximum validity of one year, and may be reviewed at shorter intervals if any increased risk factor is identified.

- **Loss given default (LGD):** LGD is the percentage of debt that cannot be recovered in the event of default by the Client.

LGD is calculated based on internal historical information, taking into account the cash flows associated with contracts from the moment of default until the default has been corrected or until there cease to exist any relevant expectations of recovery. This calculation also includes estimates of loan recovery costs.

3. Determination of accounting classification

The accounting classification of operations with credit risk into the different IFRS 9 Stages is established according to whether there has been a significant increase in credit risk since the operation's initial recognition, and/or whether a default event has occurred.

A significant increase in credit risk, and consequent classification of the transaction in Stage 2, is deemed to have occurred, when there are indications of difficulties or weaknesses that could justify an expectation of significantly higher losses than at the time the credit was granted.

In the case of individually significant Clients (Single Names) the classification in Stage 2 (or 3) results from a case-by-case analysis of their financial situation, as part of the credit monitoring process of these Clients or groups of Clients. This process involves the ongoing assessment of evidence or indications of a deterioration in credit risk, namely a significant increase in risk since initial recognition. The monitoring process and corresponding staging of the operations is supported by a set of triggers associated to the Client or the transaction, which may represent indications of a deterioration of the asset. The analysts should value these indications and, on this basis, classify or not the operations in Stage 2 or 3.

Save in duly justified situations, the following operations are classified in Stage 2: i) Credit operations restructured due to financial difficulties, but not classified as in default (Stage 3); (ii) Operations with material arrears of more than 30 days; (iii) Operations with a significant increase in the PD; iv) Operations with Clients with significant arrears communicated through Banco de Portugal's Central Credit Register; v) Operations with Clients in watchlist or showing a series of early warning signals permitting to perceive a significant increase in credit risk.

Operations that no longer meet the conditions for classification in Stage 2 are reclassified to Stage 1.

An event of default is considered to have occurred (leading to the classification of the Client exposure in Stage 3) when there are significant amounts overdue and unsettled for more than 90 days.

In addition to the criterion for reclassification referred above, the following operations are classified in Stage 3: i) of Clients in litigation with the Bank; ii) of Clients that are insolvent or in "Special Revitalisation Process" or subject to lawsuits brought by third parties which signal a deterioration in credit risk; iii) of Clients with material amounts of credit written off from assets; iv) that were restructured due to economic difficulties, leading to a significant economic loss; v) that were restructured due to economic difficulties and classified as non-performing (or in probation period) with overdue and unsettled material amounts for more than 30 days; vi) that were restructured due to economic difficulties and classified as non-performing (or in probation period) and benefit from new restructuring measures due to financial difficulties; vii) other restructurings that fall within the internal definition of default, such as the introduction of atypical payment plans and viii) in other situations indicating a high probability of defaulting on the conditions contracted.

Except for the Retail segments (residential mortgage loans, personal loans, etc), the classification of default is propagated to all the other operations of the same borrower. In the Retail segments, the other operations of the borrowers are classified in default whenever the portion that meets the above-mentioned criteria exceeds 20% of the total exposure of the operations in which the Client is involved as the holder.

From the moment each of the criteria for classification in Stage 3 ceases to apply, a minimum curing period must elapse according to the default rule that was activated, during which operations maintain the default classification (Stage 3).

4. Determination of impairment coverage

In accordance with the IFRS9 requirements for a significant change in credit quality, expected credit losses in operations, assessed collectively or individually, considering all the reasonable and substantiated information available, including forward looking information, must be recognised.

Principles for measuring expected credit losses for the purpose of determining impairment coverage

The coverage or provision calculated is defined as the difference between the gross carrying amount of the operation and the present value of expected future cash flows, discounted at the effective interest rate of the operation and considering the guarantees received that are deemed effective.

The Bank estimates the expected credit losses of an operation so that these losses reflect:

- an amount weighted for the unbiased probabilities of occurrence of a series of possible future results (probabilities of occurrence in the baseline, optimistic and pessimistic scenarios);
- the time value of money; and
- reasonable and sustainable information that is available at the reference date, at no disproportionate cost or effort, on past events, current conditions and forecasts of future economic conditions.

Under the applicable rules, the coverage calculation method is determined according to whether the borrower is individually significant or not and in accordance with its accounting category (operations staging).

- If, in addition to being individually significant, the customer has operations in default or in Stage 2, the specific impairment allowances for these operations are estimated through a detailed analysis of the Customer's capacity to generate cash flows through its activity (going concern approach) or of the cash flows that may result from the enforcement of the guarantees received from the Client (gone concern approach).
- In all other cases, impairment coverage is estimated collectively using internal methodologies, based on past experience of portfolio defaults and recoveries, including recoveries obtained through the enforcement of guarantees received.

Collective credit impairment is calculated using probability of default (PD) estimation models, loss given default (LGD) estimation models, models to estimate drawdowns on credit ceilings, and adjustments to factor in lifetime and forward-looking effects.

The models used are re-estimated or updated at least once a year and executed monthly so as to factor in at all times the economic context at the time, as well as the financial instruments' credit performance. This makes it possible to reduce the differences between estimated loss and recent observations. The models include a forward-looking component to determine the expected loss, taking into account the more relevant macroeconomic factors: i) GDP growth, ii) the unemployment rate, iii) the 6-month EURIBOR, iv) Residential property price index and v) Spread of 10-year Treasury Bonds. Following on from this, the Group generates a baseline scenario, as well as a range of potential scenarios that make it possible to adjust the estimated expected loss, by weighting the probability of its occurrence.

The calculation process is structured in two steps:

- **Determination of the basis subject to impairment:** Corresponds to the sum of the gross carrying amount of the operation at the time of calculation plus off-balance sheet amounts (available ceiling and guarantees) that could be expected to be disbursed when the Client is classified as impaired (stage 3).
- **Determination of the coverage to apply to the basis subject to impairment: This** calculation is made based on the probability of the borrower defaulting on the operation obligations, and the expected loss in case of default (loss given default), Loss given default reflects, namely in the case of residential real estate collateral, the expected recoverable amount on the future sale of that collateral minus the costs incurred up to that sale.

For portfolios that are not materially relevant, or when past experience is not significant, the expected loss estimation approach is simplified.

In the specific case of exposures that, due to the nature of the borrower or guarantor, are classified as having low credit risk, the impairment coverage rate may be 0% (on the risk hedged). To this effect, operations considered as of low credit risk are those contracted with:

- Central Banks
- Public Administrations (European Union countries)
- Central Governments (European Union countries, Switzerland, United States, Canada, Japan, Australia and New Zealand)
- Deposit guarantee funds and resolution funds (which, on account of their credit quality, are comparable to funds from European Union countries)
- Credit institutions and credit financial institutions (European Union countries, Switzerland, United States, Canada, Japan, Australia and New Zealand)
- Mutual Guarantee Societies and Public Bodies or Companies having as main activity credit insurance or endorsement (European Union countries, Switzerland, United States, Canada, Japan, Australia and New Zealand)
- Non-financial public companies
- Multilateral development banks;
- International organisations;
- Companies of the Caixabank Group that do not meet the previous criteria;
- Other financial institutions that do not meet the previous criteria.

The coverages estimated individually or collectively must be consistent in terms of the stages in which the operations may be classified. Thus, the coverage level for an operation must be equal to or higher than the coverage level it would have if it were classified in a lower credit risk category.

Any necessary improvements detected during the model revision exercises, namely through backtesting exercises, are introduced in the model. The models developed are documented so they can be replicated by a third party. The documentation contains key definitions, information regarding the process of data sampling and processing, the methodological criteria adopted and the results obtained.

Banco BPI has a total of 70 models, in order to obtain the necessary parameters to calculate coverages based on a collective analysis. For each of the risk parameters, different models can be used according to each type of exposure.

The existing models are detailed below:

- 12 Scoring and Rating parameter models;
- 16 PD parameter models;
- 1 CCF parameter model;
- 16 LGD parameter model;
- 16 LGD in default parameter models;
- 9 forward looking PD and LGD macroeconomic models.

Segments that do not have their own models are, broadly speaking, the State Business Sector (SBS), Specialized credit (SC), Financial companies (F), Insurers (I), Start-UPs (SU), among others. It should be noted, however, that PD and LGD is estimated for these segments.

Incorporation of forward-looking information into the expected loss models

The projections of the main macroeconomic variables used in the bank's projection models are as follows:

Forward looking macroeconomic indicators [1] (31-12-2021)

	2021	2022	2023
GDP growth			
Baseline scenario	4.9%	3.1%	1.8%
Upside scenario	6.9%	3.5%	1.9%
Downside scenario	0.0%	3.9%	3.4%
Unemployment rate			
Baseline scenario	9.1%	7.7%	6.9%
Upside scenario	8.2%	7.6%	6.3%
Downside scenario	9.5%	8.2%	7.1%
6M Euribor [2]			
Baseline scenario	-0.51%	-0.50%	-0.46%
Upside scenario	-0.42%	-0.34%	-0.24%
Downside scenario	-0.64%	-0.68%	-0.70%
Spread OT			
Baseline scenario	50.0	51.4	53.9
Upside scenario	40.0	31.4	36.6
Downside scenario	175.0	163.8	133.8
Home prices evolution			
Baseline scenario	-1.9%	0.6%	2.0%
Upside scenario	-1.1%	2.7%	4.1%
Downside scenario	-3.6%	-2.7%	1.7%

[1] Source: BPI Economic and Financial Studies Unit

[2] Source: CaixaBank. The 6-month Euribor rate corresponds to the value at the end of the period.

Based on the three aforementioned scenarios, new risk parameters for the impairment models were estimated in 2021. The new forward-looking parameters were estimated based on the methodologies in force at BPI. Overall, the revision of the risk parameters implied an increase of 46.1 million euros in the impairments allocated to credit operations. Of this amount, 39.2 million euros corresponded to the use of existing unallocated impairments for this purpose (i.e., COVID-19 Fund) and the remaining 6.9 million euros were recorded as impairments for the year.

Forward looking macroeconomic indicators [1] (31-12-2020)

	2021	2022	2023
GDP growth			
Baseline scenario	4.9%	3.1%	1.8%
Upside scenario	6.9%	3.5%	2.0%
Downside scenario	-0.3%	4.2%	3.3%
Unemployment rate			
Baseline scenario	9.1%	7.7%	6.9%
Upside scenario	8.3%	7.0%	6.3%
Downside scenario	10.1%	8.3%	7.3%
6M Euribor [2]			
Baseline scenario	-0.49%	-0.42%	-0.27%
Upside scenario	-0.46%	-0.36%	-0.15%
Downside scenario	-0.56%	-0.52%	-0.44%
Spread OT			
Baseline scenario	86.1	97.4	104.8
Upside scenario	62.9	81.0	95.2
Downside scenario	196.1	199.4	198.8
Home prices evolution			
Baseline scenario	-6.1%	-0.9%	1.6%
Upside scenario	-3.3%	0.8%	2.1%
Downside scenario	-9.0%	-3.2%	1.5%

[1] Source: BPI Economic and Financial Studies Unit

[2] Source: CaixaBank. The 6-month Euribor rate corresponds to the value at the end of the period.

The probabilities of occurrence of the forecasts of the macroeconomic indicators as of 31 December 2021 were as follows:

Probability of occurrence of the forecast scenarios

	Baseline Scenario	Upside Scenario	Downside Scenario
Portugal	60%	20%	20%

The probabilities of occurrence of the forecast scenarios as of 31 December 2020 were as follows:

Probability of occurrence of the forecast scenarios

	Baseline Scenario	Upside Scenario	Downside Scenario
Portugal	60%	20%	20%

A sensitivity analysis of the expected loss was performed based on changes in the key hypotheses applied separately to calculate the expected loss. The estimated sensitivity to a change in GDP projected growth in the next twelve months is shown below:

Exposure sensitivity analysis

(million euros)	Change in Expected Loss
GDP growth	
+1%	(17)

The following table shows the estimated sensitivity to a 1% drop in GDP, as well as to a 10% drop in the price of real estate assets, in the expected losses due to credit risk on 31 December 2021, broken down by type of portfolio:

	Expected loss increase	
(million euros)	**1% decrease in GDP**	**10% decrease in real state assets valuation**
Public sector	2.7	
Non-financial corporations and individual entrepreneurs	11.1	
Specialized financing	0.8	
Other specialized financing	0.8	
Purposes other than specialized financing	10.3	
Large companies	0.9	
Small and medium-sized companies	9.3	
Individual entrepreneurs	0.1	
Households (excluding individual entrepreneurs)	2.4	6.3
Home loans	0.5	6.3
For the acquisition of habitual residence	0.5	6.3
Consumer spending	1.9	
Consumer spending	1.9	
Other	0.3	
Total	16.5	6.3

NPL management

The identification, as soon as possible, of indicators of financial difficulties of clients to which BPI has credit exposure has been a priority for the Bank. In a first phase, it is the commercial network that takes action when a Client shows indications of financial difficulties, as, due to its capillarity and specialisation, it in a better position to know the client, detect the first indications of deterioration and promptly propose adequate measures.

Once these Clients have been identified, there are specific mechanisms for regularly reporting, by Client or portfolio, to specific Committees of Banco BPI. The purpose is to ensure that the Bank acts as soon as possible in order to maximise the amount of recovery.

When necessary, responsibility for monitoring the Client and the recovery process is transferred to a specialised unit (Credit Recovery Division), which uses an integrated model covering all the phases of recovery, including the management of the foreclosed assets.

In the case of loans to Companies or Small Businesses, as a rule the Bank seeks non-judicial restructuring of the debt which, when credible, may involve extending the maturity and possibly even a moratoria on principal with the payment of interest in arrears and reinforced security. Also as a rule, the Bank does not increase its exposure, accept payment in kind or convert debt into capital.

In the case of recovery of loans to Individuals, restructuring or renegotiation agreements are also a preferred path for recovery providing that there is the minimum prospect of their being complied with. The choice is largely dependent on the length of default and on the loan product, and it could involve extending the maturity and implementing a payment plan of outstanding and unpaid instalments, amongst other solutions.

The procedures described above were reinforced for loans that ended their moratorium periods in 2021. Accordingly, contacts were made with these Clients, individuals or companies, prior to the end of the moratorium periods, in order to identify specific restructuring needs. For Clients needing any specific forbearance measures in the post-moratorium periods, specific policies and more agile decision processes were created. In addition, specific processes were created for the Commercial Departments to monitor these Clients in situations of default in the post-moratorium periods.

Once a restructuring operation has been completed, the process is duly monitored. Non-compliance with the agreed plan sets into motion the judicial recovery of the debt. Where the debt restructuring is not feasible, the loan is subjected to judicial execution.

The information on the status of the recovery process and likelihood of its success is factored into the determination of individual impairment, considered the worst prospect for recovery.

Restructuring policies

A description of the restructuring policies is given in Note 2.8. Refinancing and restructuring operations.

Restructured loans:

The breakdown of refinancing by industry sector is as follows:

31-12-2021

	Consolidated / Individual – Total						
	Without collateral		With collateral				Impairment
	Number of transactions	Exposure	Number of transactions	Exposure	Maximum amount of the collateral that can be considered: Real estate mortgage	Maximum amount of the collateral that can be considered: Other collateral	
Other financial corporations and individual entrepreneurs (financial business)	5	48	1	20 863			(20 874)
Non-financial corporations and individual entrepreneurs (non-financial business)	781	111 561	180	105 728	55 343	29 680	(66 442)
Individuals	2 488	26 759	4 173	159 565	157 291	522	(43 681)
Total	**3 274**	**138 368**	**4 354**	**286 156**	**212 634**	**30 202**	**(130 997)**

Note: Includes securitised loans, Customer loans and guarantees

	Of which: Stage 3						
	Without collateral		With collateral				Impairment
	Number of transactions	Exposure	Number of transactions	Exposure	Maximum amount of the collateral that can be considered: Real estate mortgage	Maximum amount of the collateral that can be considered: Other collateral	
Other financial corporations and individual entrepreneurs (financial business)	3	16	1	20 863			(20 872)
Non-financial corporations and individual entrepreneurs (non-financial business)	491	44 544	136	57 562	36 769	10 774	(59 334)
Individuals	1 672	18 775	2 461	87 504	85 691	245	(41 782)
Total	**2 166**	**63 335**	**2 598**	**165 929**	**122 460**	**11 019**	**(121 988)**

Note: Includes securitised loans, Customer loans and guarantees at stage 3

31-12-2020

	Consolidated / Individual						
	Total						
	Without collateral		With collateral				Impairment
	Number of transactions	Exposure	Number of transactions	Exposure	Maximum amount of the collateral that can be considered: Real estate mortgage	Maximum amount of the collateral that can be considered: Other collateral	
Other financial corporations and individual entrepreneurs (financial business)	9	168					(102)
Non-financial corporations and individual entrepreneurs (non-financial business)	1 132	99 159	212	163 310	51 882	41 242	(100 995)
Individuals	2 618	24 219	4 636	160 216	157 500	455	(41 235)
Total	**3 759**	**123 546**	**4 848**	**323 526**	**209 382**	**41 697**	**(142 332)**

Note: Includes securitised loans, Customer loans and guarantees

	Of which: Stage 3						
	Without collateral		With collateral				Impairment
	Number of transactions	Exposure	Number of transactions	Exposure	Maximum amount of the collateral that can be considered: Real estate mortgage	Maximum amount of the collateral that can be considered: Other collateral	
Other financial corporations and individual entrepreneurs (financial business)	5	117					(101)
Non-financial corporations and individual entrepreneurs (non-financial business)	844	66 357	159	75 278	25 421	3 463	(91 658)
Individuals	1 788	17 997	3 043	99 241	96 895	265	(39 879)
Total	**2 637**	**84 471**	**3 202**	**174 519**	**122 316**	**3 728**	**(131 638)**

Note: Includes securitised loans, customer loans and guarantees at stage 3.

Concentration Risk

In Banco BPI’s Risk Catalogue concentration risk is conceptually included within credit risk, and is calculated according to CaixaBank Group's best practices.

Banco BPI's Risk Appetite Framework (RAF) uses metrics to systematically identify overall exposure to a particular Customer, geography and economic sector, as well as appetite limits to concentration risk.

Concentration in customers or in “large exposures”

As part of the risk-taking process, the Bank monitors compliance with the regulatory limits (25% of eligible Tier 1) as well as with internal limits to concentration risk appetite. As at 31 December 2021, there were no breaches of regulatory limits. Exposures that exceed the internal limits to concentration risk appetite are monitored and approved by the governing bodies on a monthly basis.

Concentration by geographic location

The breakdown of risk of financial assets and guarantees and sureties provided, by geographical location, is as follows:

31-12-2021

	Consolidated			
	Total	**Portugal**	**Other EU countries**	**Other world countries**
Central Banks and credit institutions	7 831 690	6 356 655	817 493	657 542
Public sector	7 385 868	4 746 690	2 075 283	563 895
Central government	3 239 946	600 768	2 075 283	563 895
Other public administrations	4 145 922	4 145 922		
Other financial corporations and individual entrepreneurs (financial business)	585 213	441 529	132 548	11 136
Non-financial corporations and individual entrepreneurs (non-financial business)	11 496 530	11 211 608	251 051	33 871
Real estate development	97 387	97 197	160	30
Civil construction	744 367	732 161	12 206	
Other	10 654 776	10 382 250	238 685	33 841
Large companies	4 285 216	4 091 258	179 806	14 152
Small and medium-sized companies	6 369 560	6 290 992	58 879	19 689
Individuals	14 439 631	14 392 159	16 438	31 034
Homes	12 947 329	12 939 438	3 007	4 884
Consumer spending	1 478 700	1 439 206	13 406	26 088
Other	13 602	13 515	25	62
Total	**41 738 932**	**37 148 641**	**3 292 813**	**1 297 478**

Note: Includes deposits at central banks and credit institutions, non-trading financial assets mandatorily at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.

31-12-2020

	Consolidated			
	Total	**Portugal**	**Other EU countries**	**Other world countries**
Central Banks and credit institutions	6 338 685	4 543 909	1 227 459	567 317
Public sector	6 781 772	4 591 576	2 048 664	141 532
Central government	2 596 313	406 117	2 048 664	141 532
Other public administrations	4 185 459	4 185 459		
Other financial corporations and individual entrepreneurs (financial business)	535 793	378 587	99 556	57 650
Non-financial corporations and individual entrepreneurs (non-financial business)	11 151 239	10 826 686	291 056	33 497
Real estate development	164 270	164 080	160	30
Civil construction	705 993	692 128	13 808	57
Other	10 280 976	9 970 478	277 088	33 410
Large companies	4 455 635	4 219 912	221 882	13 841
Small and medium-sized companies	5 825 341	5 750 566	55 206	19 569
Individuals	13 304 641	13 256 329	14 389	33 923
Homes	11 875 261	11 864 043	2 172	9 046
Consumer spending	1 416 238	1 379 260	12 178	24 800
Other	13 142	13 026	39	77
Total	**38 112 130**	**33 597 087**	**3 681 124**	**833 919**

Note: Includes deposits at central banks and credit institutions, non-trading financial assets mandatorily at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.

31-12-2021

	Individual			
	Total	Portugal	Other EU countries	Other world countries
Central Banks and credit institutions	7 714 565	6 330 176	817 493	566 896
Public sector	7 385 867	4 746 690	2 075 282	563 895
Central government	3 239 945	600 768	2 075 282	563 895
Other public administrations	4 145 922	4 145 922		
Other financial corporations and individual entrepreneurs (financial business)	519 041	372 615	132 548	13 878
Non-financial corporations and individual entrepreneurs (non-financial business)	11 496 530	11 211 608	251 051	33 871
Real estate development	97 387	97 197	160	30
Civil construction	744 367	732 161	12 206	
Other	10 654 776	10 382 250	238 685	33 841
Large companies	4 285 216	4 091 258	179 806	14 152
Small and medium-sized companies	6 369 560	6 290 992	58 879	19 689
Individuals	14 439 630	14 392 158	16 438	31 034
Homes	12 947 329	12 939 438	3 007	4 884
Consumer spending	1 478 700	1 439 206	13 406	26 088
Other	13 601	13 514	25	62
Total	**41 555 633**	**37 053 247**	**3 292 812**	**1 209 574**

Note: Includes deposits at central banks and credit institutions, non-trading financial assets mandatorily at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.

31-12-2020

	Individual			
	Total	Portugal	Other EU countries	Other world countries
Central Banks and credit institutions	6 253 807	4 515 933	1 227 459	510 415
Public sector	6 781 772	4 591 576	2 048 664	141 532
Central government	2 596 313	406 117	2 048 664	141 532
Other public administrations	4 185 459	4 185 459		
Other financial corporations and individual entrepreneurs (financial business)	468 170	308 278	99 556	60 336
Non-financial corporations and individual entrepreneurs (non-financial business)	11 151 128	10 826 575	291 056	33 497
Real estate development	164 270	164 080	160	30
Civil construction	705 993	692 128	13 808	57
Other	10 280 865	9 970 367	277 088	33 410
Large companies	4 455 635	4 219 912	221 882	13 841
Small and medium-sized companies	5 825 230	5 750 455	55 206	19 569
Individuals	13 304 641	13 256 329	14 389	33 923
Homes	11 875 261	11 864 043	2 172	9 046
Consumer spending	1 416 238	1 379 260	12 178	24 800
Other	13 142	13 026	39	77
Total	**37 959 518**	**33 498 691**	**3 681 124**	**779 703**

Note: Includes deposits at central banks and credit institutions, non-trading financial assets mandatorily at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.

Concentration by industry sector

Risk concentration by economic sector is subject to BPI's RAF limits (level 1), differentiating between private sector economic activities and public sector financing.

At 31 December 2021 and 2020, the breakdown of credit by industry sector, type of collateral and loan to value (LTV) was as follows:

31-12-2021

	Consolidated / Individual							
	Balance net of impairments	**Of which: real estate mortgage secured**	**Of which: other collateral**	**Collateralised loans Carrying amount based on latest available appraisal (LTV)**				
				≤ 40 %	**> 40 % ≤ 60 %**	**> 60 % ≤ 80 %**	**> 80 % ≤ 100 %**	**> 100%**
Central Banks and credit institutions	964 685							
Public sector	1 327 524	2 895	221 480	76 029	71 335	41 590	23 901	11 520
Central government	381 068							
Other public administrations	946 456	2 895	221 480	76 029	71 335	41 590	23 901	11 520
Other financial corporations and individual entrepreneurs (financial business)	74 083	17 101	777	7 601	9 545	624	9	99
Non-financial corporations and individual entrepreneurs (non-financial business)	8 357 422	1 774 062	1 141 640	812 986	541 985	459 594	265 150	835 987
Real estate development	89 930	80 617	2 355	57 377	12 902	10 015	1 270	1 408
Civil construction	406 730	36 074	55 280	16 118	15 359	6 819	5 988	47 070
Other	7 860 762	1 657 371	1 084 005	739 491	513 724	442 760	257 892	787 509
Large companies	2 179 542	396 495	693 819	363 007	83 585	129 595	69 092	445 035
Small and medium-sized companies	5 681 220	1 260 876	390 186	376 484	430 139	313 165	188 800	342 474
Individuals	14 439 234	12 912 517	181 801	3 759 239	4 545 616	3 698 459	1 036 234	54 770
Homes	12 946 942	12 912 415	38 478	3 752 135	4 529 259	3 659 093	971 271	39 135
Consumer spending	1 478 690	102	143 236	7 073	16 357	39 328	64 945	15 635
Other	13 602		87	31		38	18	
Total	**25 162 948**	**14 706 575**	**1 545 698**	**4 655 855**	**5 168 481**	**4 200 267**	**1 325 294**	**902 376**

Note: Includes Loans to central banks, credit institutions and Customers (does not include debt securities and other Customer applications) Map built based on commercial segmentation.

31-12-2020

	Consolidated							
	Balance net of impairments	Of which: real estate mortgage secured	Of which: other collateral	Collateralised loans Carrying amount based on latest available appraisal (LTV)				
				≤ 40 %	> 40 % ≤ 60 %	> 60 % ≤ 80 %	> 80 % ≤ 100 %	> 100%
Central Banks and credit institutions	1 559 271							
Public sector	1 218 367	3 195	264 673	78 426	54 472	62 130	51 890	20 950
Central government	298 696		6 712					6 712
Other public administrations	919 671	3 195	257 961	78 426	54 472	62 130	51 890	14 238
Other financial corporations and individual entrepreneurs (financial business)	78 059	15 254	921	14 164	885	1 069	7	50
Non-financial corporations and individual entrepreneurs (non-financial business)	7 992 211	1 791 451	1 288 546	873 682	560 011	380 837	343 505	921 962
Real estate development	155 049	146 230	2 999	140 699	3 771	601	2 138	2 020
Civil construction	389 642	40 052	58 993	19 188	9 853	6 978	15 394	47 632
Other	7 447 520	1 605 169	1 226 554	713 795	546 387	373 258	325 973	872 310
Large companies	2 277 347	302 202	851 746	291 850	110 040	61 403	123 433	567 222
Small and medium-sized companies	5 170 173	1 302 967	374 808	421 945	436 347	311 855	202 540	305 088
Individuals	13 304 237	11 831 693	201 466	3 552 941	4 378 611	3 308 941	722 350	70 316
Homes	11 874 870	11 831 539	48 548	3 545 359	4 361 153	3 269 601	658 513	45 461
Consumer spending	1 416 226	154	152 528	7 238	17 458	39 340	63 791	24 855
Other	13 141		390	344			46	
Total	**24 152 145**	**13 641 593**	**1 755 606**	**4 519 213**	**4 993 979**	**3 752 977**	**1 117 752**	**1 013 278**

Note: Includes Loans to central banks, credit institutions and Customers (does not include debt securities and other Customer applications) Map built based on commercial segmentation.

31-12-2020

	Individual							
	Balance net of impairments	Of which: real estate mortgage secured	Of which: other collateral	Collateralised loans Carrying amount based on latest available appraisal (LTV)				
				≤ 40 %	**> 40 % ≤ 60 %**	**> 60 % ≤ 80 %**	**> 80 % ≤ 100 %**	**> 100%**
Central Banks and credit institutions	1 552 791							
Public sector	1 218 367	3 195	264 673	78 426	54 472	62 130	51 890	20 950
Central government	298 696		6 712					6 712
Other public administrations	919 671	3 195	257 961	78 426	54 472	62 130	51 890	14 238
Other financial corporations and individual entrepreneurs (financial business)	78 059	15 254	921	14 164	885	1 069	7	50
Non-financial corporations and individual entrepreneurs (non-financial business)	7 992 100	1 791 451	1 288 546	873 682	560 011	380 837	343 505	921 962
Real estate development	155 049	146 230	2 999	140 699	3 771	601	2 138	2 020
Civil construction	389 642	40 052	58 993	19 188	9 853	6 978	15 394	47 632
Other	7 447 409	1 605 169	1 226 554	713 795	546 387	373 258	325 973	872 310
Large companies	2 277 347	302 202	851 746	291 850	110 040	61 403	123 433	567 222
Small and medium-sized companies	5 170 062	1 302 967	374 808	421 945	436 347	311 855	202 540	305 088
Individuals	13 304 237	11 831 693	201 466	3 552 941	4 378 611	3 308 941	722 350	70 316
Homes	11 874 870	11 831 539	48 548	3 545 359	4 361 153	3 269 601	658 513	45 461
Consumer spending	1 416 226	154	152 528	7 238	17 458	39 340	63 791	24 855
Other	13 141		390	344			46	
Total	**24 145 554**	**13 641 593**	**1 755 606**	**4 519 213**	**4 993 979**	**3 752 977**	**1 117 752**	**1 013 278**

Note: Includes Loans to central banks, credit institutions and Customers (does not include debt securities and other Customer applications) Map built based on commercial segmentation.

Concentration by interest rate type and arrears status

The tables below show the detail of loans and advances to Customers and respective impairment by stage.

The breakdown of loans and advances to Customers (net of impairments) is as follows:

	Consolidated					
	31-12-2021			31-12-2020		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
By industry sector	**22 370 380**	**1 626 056**	**293 414**	**20 545 550**	**1 813 639**	**277 027**
Public sector	1 312 516	28 169		1 204 680	25 021	
Other financial corporations and individual entrepreneurs (financial business)	150 379	83	9	105 220	821	20
Non-financial corporations and individual entrepreneurs (non-financial business)	7 526 668	704 486	127 908	7 205 392	692 194	98 229
Real estate development	88 389	1 543		155 039	11	
Civil engineering	380 980	21 374	4 377	356 832	29 292	3 606
Other	7 057 299	681 569	123 531	6 693 521	662 891	94 623
Large companies	1 934 001	195 952	49 884	1 987 650	256 760	34 916
Small and medium-sized companies	5 123 298	485 617	73 647	4 705 871	406 131	59 707
Individuals	13 380 817	893 318	165 497	12 030 258	1 095 603	178 778
Home loans	12 005 603	816 931	124 795	10 756 603	966 549	152 109
Consumer spending	1 362 496	75 950	40 254	1 261 353	128 596	26 288
Other	12 718	437	448	12 302	458	381
By interest rate type	**22 370 380**	**1 626 056**	**293 414**	**20 545 550**	**1 813 639**	**277 027**
Fixed rate	4 446 860	226 169	65 021	3 849 503	270 269	48 185
Variable rate	17 923 520	1 399 887	228 393	16 696 047	1 543 370	228 842
By number of days in arrears	**22 370 380**	**1 626 056**	**293 414**	**20 545 550**	**1 813 639**	**277 027**
Up to 30 days[1]	22 366 420	1 591 565	116 203	20 543 355	1 789 006	59 427
30 to 60 days	3 046	20 087	17 188	1 149	11 062	5 184
61 to 90 days	218	8 782	13 090	273	3 889	4 881
91 days to 6 months	203	4 217	17 190	278	3 794	17 154
6 to 12 months	119	76	20 503	325	4 769	29 654
More than 1 year	374	1 329	109 240	170	1 119	160 727

[1] Includes regular credit (with no days of arrears).

The breakdown of loans and advances to Customers (net of impairments) is as follows:

	Individual					
	31-12-2021			31-12-2020		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
By industry sector	**22 370 380**	**1 626 056**	**293 414**	**20 545 439**	**1 813 639**	**277 027**
Public sector	1 312 516	28 169		1 204 680	25 021	
Other financial corporations and individual entrepreneurs (financial business)	150 379	83	9	105 220	821	20
Non-financial corporations and individual entrepreneurs (non-financial business)	7 526 668	704 486	127 908	7 205 281	692 194	98 229
Real estate development	88 389	1 543		155 039	11	
Civil construction	380 980	21 374	4 377	356 832	29 292	3 606
Other	7 057 299	681 569	123 531	6 693 410	662 891	94 623
Large companies	1 934 001	195 952	49 884	1 987 650	256 760	34 916
Small and medium-sized companies	5 123 298	485 617	73 647	4 705 760	406 131	59 707
Individuals	13 380 817	893 318	165 497	12 030 258	1 095 603	178 778
Home loans	12 005 603	816 931	124 795	10 756 603	966 549	152 109
Consumer spending	1 362 496	75 950	40 254	1 261 353	128 596	26 288
Other	12 718	437	448	12 302	458	381
By interest rate type	**22 370 380**	**1 626 056**	**293 414**	**20 545 439**	**1 813 639**	**277 027**
Fixed rate	4 446 860	226 169	65 021	3 849 503	270 269	48 185
Variable rate	17 923 520	1 399 887	228 393	16 695 936	1 543 370	228 842
By number of days in arrears	**22 370 380**	**1 626 056**	**293 414**	**20 545 439**	**1 813 639**	**277 027**
Up to 30 days[1]	22 366 420	1 591 565	116 203	20 543 243	1 789 006	59 427
30 to 60 days	3 046	20 087	17 188	1 150	11 062	5 184
61 to 90 days	218	8 782	13 090	273	3 889	4 881
91 days to 6 months	203	4 217	17 190	278	3 794	17 154
6 to 12 months	119	76	20 503	325	4 769	29 654
More than 1 year	374	1 329	109 240	170	1 119	160 727

[1] Includes regular credit (with no days of arrears).

The breakdown of Customer loan impairments by calculation method is as follows:

	Consolidated / Individual					
	31-12-2021			31-12-2020		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Impairments determined individually / collectively						
Specific identified individually		(38 130)	(123 651)		(41 835)	(101 429)
Collective	(85 532)	(55 447)	(208 986)	(80 030)	(45 094)	(211 509)

Concentration on non-financial corporations by economic activity

At 31 December 2021, the breakdown of loans and advances to non-financial corporations by economic activity was as follows:

	Consolidated / Individual		
	Gross amount	Of which: Stage 3	Impairment
Agriculture forestry and fishing	417 426	5 205	(9 729)
Mining and quarrying	20 795	377	(535)
Manufacturing	1 786 965	62 049	(64 728)
Electricity gas steam and air conditioning supply	554 336		(11 145)
Water supply	196 573		(1 415)
Construction	507 268	9 954	(11 961)
Wholesale and retail trade	1 376 342	32 509	(29 514)
Transport and storage	674 263	45 910	(38 096)
Accommodation and food service activities	696 165	60 457	(47 800)
Information and communication	116 188	1 951	(3 866)
Financial and insurance activities	190 920	10 026	(10 009)
Real estate activities	782 432	17 064	(20 549)
Professional scientific and technical activities	410 497	4 711	(8 377)
Administrative and support service activities	275 966	19 144	(10 457)
Public administration and defence compulsory social security	13		(2)
Education	39 472	872	(1 665)
Human health services and social work activities	214 118	453	(6 690)
Arts entertainment and recreation	114 799	4 538	(5 306)
Other services	27 243	1 102	(2 446)
Total	**8 401 781**	**276 322**	**(284 290)**

At 31 December 2020, the breakdown of loans and advances to non-financial corporations by economic activity was as follows:

	Consolidated / Individual		
	Gross amount	Of which: Stage 3	Impairment
Agriculture forestry and fishing	383 029	8 170	(11 820)
Mining and quarrying	18 060	377	(488)
Manufacturing	1 614 224	43 657	(48 373)
Electricity gas steam and air conditioning supply	609 673		(8 653)
Water supply	218 089	108	(6 408)
Construction	558 443	12 130	(16 579)
Wholesale and retail trade	1 299 108	36 883	(33 801)
Transport and storage	701 751	51 034	(37 925)
Accommodation and food service activities	625 418	23 645	(32 840)
Information and communication	106 529	5 054	(5 279)
Financial and insurance activities	215 112	26 704	(29 442)
Real estate activities	745 623	27 217	(25 794)
Professional scientific and technical activities	311 552	9 795	(7 930)
Administrative and support service activities	248 131	3 452	(6 755)
Public administration and defence compulsory social security	128		(5)
Education	35 200	935	(1 769)
Human health services and social work activities	218 623	2 187	(8 070)
Arts entertainment and recreation	101 855	1 395	(3 313)
Other services	32 016	1 484	(2 966)
Total	**8 042 564**	**254 227**	**(288 210)**

Concentration by credit quality

The methodology used to assign credit quality is based on:

- Fixed income instruments (debt securities): pursuant to the banking regulatory criteria resulting from the capital requirements regulations, and in case more than two credit assessments by external rating are available, the second-best rating is chosen among those available.

- Loans and advances to Central Banks and Credit Institutions: pursuant to the banking regulatory criteria resulting from the capital requirements regulations, and in case more than two credit assessments by external rating are available, the second-best rating is chosen among those available.

- Loans and advances to Customers: if a credit assessment by external rating is available, the rules resulting from capital requirement regulations are followed. Where no credit assessment by external rating is available, the classification is based on internal risk assessments approved by the Bank.

As at 31 December 2021 and 2020, Portugal's sovereign debt rating was BBB.

The tables below show the concentration of credit risk by rating of exposures in debt securities and loans and advances held by the Bank:

Credit risk quality (rating)

The breakdown of debt securities by rating at 31 December 2021 and 2020 is as follows:

31-12-2021

	Consolidated / Individual				
	Financial assets held for trading	**Non-trading financial assets mandatorily at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost**	**TOTAL**
AAA/AA+/AA/AA-				837 962	837 962
A+/A/A-			74 344	104 409	178 753
BBB+/BBB/BBB-	4 618		1 161 032	3 119 326	4 284 976
“Investment grade”	**4 618**		**1 235 375**	**4 061 697**	**5 301 691**
	100%		100%	59%	66%
BB+/BB/BB-				517 370	517 370
No rating	0	5 354		2 266 058	2 271 413
“Non-investment grade”	**0**	**5 354**		**2 783 429**	**2 788 783**
	0%	100%		41%	34%
	4 618	**5 354**	**1 235 375**	**6 845 126**	**8 090 474**

31-12-2020

	Consolidated / Individual				
	Financial assets held for trading	**Non-trading financial assets mandatorily at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost**	**TOTAL**
A+/A/A-	19			34 168	34 187
BBB+/BBB/BBB-	3 008	977	1 447 469	3 580 233	5 031 687
“Investment grade”	**3 027**	**977**	**1 447 469**	**3 614 401**	**5 065 874**
	52%	2%	100%	63%	70%
BB+/BB/BB-		46 391			46 391
No rating	2 746	4 946		2 158 360	2 166 052
“Non-investment grade”	**2 746**	**51 337**		**2 158 360**	**2 212 443**
	48%	98%		37%	30%
	5 773	**52 314**	**1 447 469**	**5 772 761**	**7 278 317**

The breakdown of loans and advances to central banks and other credit institutions by rating class is as follows:

			Consolidated				Individual			
			31-12-2021		31-12-2020		31-12-2021		31-12-2020	
Exposures			**1 002 843**		**1 594 993**		**1 002 843**		**1 588 512**	
	External Rating	AAA to AA-	210 619	21%	135 458	8%	210 619	21%	128 974	8%
		A+ to A-	193 343	19%	735 266	46%	193 343	19%	735 577	46%
		BBB+ to BBB-	583 091	58%	665 179	42%	583 091	58%	664 870	42%
		BB+ to BB-	15 590	2%	56 374	4%	15 590	2%	56 374	4%
		B+ to B-	200	0%			200	0%		
		< B-			2 716	0%			2 716	0%
			1 002 843	**100%**	**1 594 993**	**100%**	**1 002 843**	**100%**	**1 588 512**	**100%**

Note: Exposure net of impairments (the amounts shown include accrued interest)

The breakdown of loans and advances to Customers by rating class and stage is as follows:

		Consolidated									
		31-12-2021					31-12-2020				
		Stage 1	Stage 2	Stage 3	Total		Stage 1	Stage 2	Stage 3	Total	
Exposures *Non-Default*		**22 370 380**	**1 626 056**		**23 996 436**	**99%**	**20 545 283**	**1 813 875**		**22 359 158**	**99%**
External Rating	AAA to AA-	59 074			59 074	0%	63 437			63 437	0%
	A+ to A-	0			0	0%	408			408	0%
	BBB+ to BBB-	962 293	28 077		990 371	4%	852 808	25 021		877 829	4%
	BB+ to BB-	23 649			23 649	0%	29 561			29 561	0%
	B+ to B-	114 083			114 083	0%	122 818			122 818	1%
	< B-	45 110			45 110	0%	58 069			58 069	0%
Master Scale	[0 - 3.1]	7 725 174	39 306		7 764 480	32%	6 976 116	60 474		7 036 590	31%
	] 3.1 - 4.6]	5 770 554	149 535		5 920 089	24%	4 751 564	190 794		4 942 358	22%
	] 4.6 - 5.8]	4 101 144	520 469		4 621 613	19%	3 380 054	478 641		3 858 695	17%
	] 5.8 - 7.3]	2 358 356	621 738		2 980 095	12%	3 084 376	578 021		3 662 397	16%
	] 7.3 - 9.5]	139 044	266 813		405 856	2%	170 709	435 048		605 757	3%
No rating		1 071 899	117		1 072 016	4%	1 055 363	45 876		1 101 239	5%
Exposures *Default*				**293 414**	**293 414**	**1%**			**277 058**	**277 058**	**1%**
		22 370 380	**1 626 056**	**293 414**	**24 289 850**	**100%**	**20 545 283**	**1 813 875**	**277 058**	**22 636 216**	**100%**

Note: Exposure net of impairments (the amounts shown include accrued interest). Non-allocated impairments included and distributed by stage.

CRR default criterion (Regulation (EU) 575/2013)

The breakdown of loans and advances to Customers by rating class and stage is as follows:

		Individual									
		31-12-2021					31-12-2020				
		Stage 1	Stage 2	Stage 3	Total		Stage 1	Stage 2	Stage 3	Total	
Exposures *Non-Default*		**22 370 380**	**1 626 056**		**23 996 436**	**99%**	**20 545 172**	**1 813 875**		**22 359 047**	**99%**
External Rating	AAA to AA-	59 074			59 074	0%	63 437			63 437	0%
	A+ to A-	0			0	0%	408			408	0%
	BBB+ to BBB-	962 293	28 077		990 371	4%	852 808	25 021		877 829	4%
	BB+ to BB-	23 649			23 649	0%	29 561			29 561	0%
	B+ to B-	114 083			114 083	0%	122 818			122 818	1%
	< B-	45 110			45 110	0%	58 069			58 069	0%
Master Scale	[0 - 3.1]	7 725 174	39 306		7 764 480	32%	6 976 116	60 695		7 036 811	31%
	] 3.1 - 4.6]	5 770 554	149 535		5 920 089	24%	4 751 564	190 794		4 942 358	22%
	] 4.6 - 5.8]	4 101 144	520 469		4 621 613	19%	3 380 054	478 641		3 858 695	17%
	] 5.8 - 7.3]	2 358 356	621 738		2 980 095	12%	3 084 376	578 021		3 662 397	16%
	] 7.3 - 9.5]	139 044	266 813		405 856	2%	170 709	434 827		605 536	3%
No rating		1 071 899	117		1 072 016	4%	1 055 252	45 876		1 101 129	5%
Exposures *Default*				**293 414**	**293 414**	**1%**			**277 058**	**277 058**	**1%**
		22 370 380	**1 626 056**	**293 414**	**24 289 850**	**100%**	**20 545 172**	**1 813 875**	**277 058**	**22 636 105**	**100%**

Note: Exposure net of impairments (the amounts shown include accrued interest). Non-allocated impairments included and distributed by stage.

CRR default criterion (Regulation (EU) 575/2013)

Concentration by sovereign risk

Banco BPI's exposure to entities with sovereign risk is subject to the general risk-taking policy, which ensures that all positions taken are aligned with the target risk profile. Therefore, metrics and limits of exposure to the Portuguese public sector and to the public sector of all other countries were established in the Risk Appetite Framework. The Bank's exposure to entities with sovereign risk is for the most part concentrated in Portugal, Spain and Italy.

Exposure to entities with sovereign risk

The table below shows the breakdown of BPI's exposure to sovereign debt:

31-12-2021

		Consolidated / Individual		
		Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost[1]
Country	**Residual maturity**			
Portugal	Less than 3 months			11 325
	3 months to 1 year	360	128 424	342 905
	1 to 2 years			577 835
	2 to 3 years			21 618
	3 to 5 years		310 300	705 601
	5 to 10 years			1 237 041
	More than 10 years			653 137
		360	**438 724**	**3 549 462**
Spain	3 months to 1 year		302 713	
	5 to 10 years		317 943	728 553
			620 656	**728 553**
Italy	3 to 5 years			537 168
	5 to 10 years		175 995	
			175 995	**537 168**
Other	3 months to 1 year			15 423
	2 to 3 years			131 839
	3 to 5 years			351 145
	More than 10 years			78 443
				576 850
		360	**1 235 375**	**5 392 033**

[1] Does not include interest receivable.

31-12-2020

		Consolidated / Individual		
		Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost[1]
Country	**Residual maturity**			
Portugal	Less than 3 months		50 065	7 042
	3 months to 1 year	457	150 507	540 828
	1 to 2 years	364	132 078	331 746
	2 to 3 years			616 771
	3 to 5 years		320 687	449 240
	5 to 10 years			834 101
	More than 10 years			528 697
		821	**653 337**	**3 308 425**
Spain	3 months to 1 year		303 232	704 994
	1 to 2 years		305 905	
			609 137	**704 994**
Italy	3 months to 1 year			100 157
	3 to 5 years			438 347
	5 to 10 years		184 995	
			184 995	**538 504**
Other	1 to 2 years			4 841
	3 to 5 years			57 660
	More than 10 years			78 145
				140 646
		821	**1 447 469**	**4 692 569**

[1] Does not include interest receivable.

Relevant information regarding financing for property development, home purchasing, and foreclosed assets.

Relevant information regarding financing for property development, home purchasing, and foreclosed assets is provided in the following section.

Financing for real estate development

The tables below show the level of financing provided to real estate development (does not include advances).

31-12-2021

	Consolidated / Individual			
	Gross amount	**Impairment**	**Value net of impairments**	**Excess over the maximum recoverable value of collateral**
Real estate development	91 039	(1 109)	89 930	7 676

31-12-2020

	Consolidated / Individual			
	Gross amount	**Impairment**	**Value net of impairments**	**Excess over the maximum recoverable value of collateral**
Real estate development	156 447	(1 398)	155 049	6 306

The following table presents the value of financial guarantees given for real estate development, which indicates the maximum level of exposure to credit risk (i.e. the amount the Bank would have to pay if the guarantee were called on).

	Consolidated / Individual			
	31-12-2021		**31-12-2020**	
	Gross amount	**Impairments and provisions**	**Gross amount**	**Impairments and provisions**
Guarantees provided				
Real estate development	7 456	51	9 221	57

The table below provides information on guarantees received for real estate development loans:

	Consolidated / Individual			
	31-12-2021		**31-12-2020**	
	Real estate mortgage	**Other collateral**	**Real estate mortgage**	**Other collateral**
Real estate development	**248 528**	**14 332**	**434 040**	**35 164**
of which: Non-performing				

Home loans

The table below shows the evolution of home loans:

	Consolidated / Individual			
	31-12-2021[2]		**31-12-2020**[2]	
	Value	**%**	**Value**	**%**
Not real estate mortgage secured	76 910	1%	89 251	1%
Of which: Default [1]	14 378		16 109	
Real estate mortgage secured	12 912 414	99%	11 831 539	99%
Of which: Default [1]	147 112		177 522	
Total home loans	**12 989 324**	**100%**	**11 920 790**	**100%**

[1] CRR default criterion (Regulation (EU) 575/2013)
[2] Exposure net of impairments (the amounts shown include accrued interest). In 31 December 2021 and 2020 does not include impairments not allocated in the amount of 42 382 and 45 920 th.euros, respectively.

The table below shows the amount of residential mortgage loans, by LTV brackets:

	Consolidated / Individual			
	31-12-2021 [1]		31-12-2020 [1]	
	Total	Of which: Default [2]	Total	Of which: Default [2]
LTV ≤ 40%	3 750 438	33 529	3 544 432	35 566
40% < LTV ≤ 60%	4 525 391	45 499	4 357 218	52 282
60% < LTV ≤ 80%	3 650 039	40 319	3 257 552	47 142
80% < LTV ≤ 100%	950 271	18 207	632 257	22 623
LTV > 100%	36 275	9 558	40 080	19 909
Total home loans	**12 912 414**	**147 112**	**11 831 539**	**177 522**

[1] Exposure net of impairments (the amounts include accrued interest).

[2] CRR default criterion (Regulation (EU) 575/2013).

The table below shows the book value and impairment of property foreclosed for the payment of debt:

	Consolidated / Individual					
	31-12-2021			31-12-2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Homes	4 809	1 830	2 979	7 631	1 787	5 844
Other	3 558	2 205	1 353	4 682	2 751	1 931
Total	**8 367**	**4 035**	**4 332**	**12 313**	**4 538**	**7 775**

Counterparty credit risk due to derivatives, repurchase agreements and settlement operations

Control of exposures in derivatives and repos at Banco BPI is an integral part of control of exposure to credit risk. In the case of derivatives, where exposure changes according to the change in the market price of the underlying asset, the characteristics of the operation are adapted to the system, by considering the maximum potential exposure (calculated with a statistical confidence level of 95%) and considering the derivative, for limits control purposes, as equivalent to a credit with the same value, maturity, counterparty and other characteristics. An additional control is made to determine whether the effective exposure remains within the limits through the lifetime of the operation.

The value of the maximum potential exposure in derivatives is reviewed periodically (for the main counterparties), or at request, in order to update the limits. In normal circumstances this revision will release limits in so far as, save in case of very strong market fluctuations, the potential exposure decreases with time.

Sales with repurchase agreement (reverse repos) are treated as applications and deposits for which there are associated guarantees, with limits being allocated at net value, taking into account the applicable haircuts.

For both derivatives and repos, it is legally possible to offset the value of the operations, providing there is an agreement to this effect between the two parties. In accordance with Banco BPI's policy, the derivative and repo agreements entered into by the Bank provide for this offsetting, i.e., even in case of bankruptcy, the amounts payable by the Bank to the counterparty correspond to the algebraic sum of the amounts payable or receivable for the set of transactions included in the agreement (therefore the normal obligation of paying immediately the amount of the operations for which the Bank is the debtor and entering the list of creditors in order to receive the amount of the operations for which it is the creditor does not exist).

In the case of repos and derivatives with other banks, the Bank enters collateral exchange agreements that allow the exposure to be maintained at levels close to zero. Receivable and payable collaterals for derivatives and repos are controlled on a daily basis, which permits to maintain a strict control of the exposure in those products and counterparties (the most important in terms of the Bank's exposure).

Finally, compliance with the European Market Infrastructure Regulation also plays a role in the mitigation of the counterparty credit risk in the derivatives portfolio, as it imposes that a significant part of over-the-counter (OTC) operations be made with central counterparties (CCP) and establishes strict control rules for OTC derivatives traded with all other counterparties.

The policies on the control and mitigation of credit risk arising from OTC derivative and repo trading with other banks or professional counterparties are based on the use of solid contractual instruments, such as:

- ISDA contracts: Standard contract that regulates trading in the OTC derivatives market, usually used between two professional parties (such as two banks or possible one bank and a large company). ISDA contracts provide for the possibility referred above of offsetting the flows of outstanding collections and payments between the parties.

- Credit support annex (CSA) to ISDA contract: Annex to the ISDA contract whereby each of the parties undertakes to provide collateral (usually a cash deposit) to the other as security for the net counterparty risk position arising from the set of derivatives traded between them under the CSA, on the basis of a prior close-out netting agreement included in the clauses of the ISDA contracts.

- GMRA/ CME/ GMSLA contracts: standard contracts that regulate sale and repurchase agreements and reverse repurchase agreements (repos). These contracts also include exposure offsetting clauses as well as clauses on the exchange of collaterals to hedge the net remaining exposure.

- Central Counterparties (CCP) The use of CCPs in derivatives and repo transactions permits a substantial reduction in the associated counterparty risk, as these entities act as intermediaries between the two parties to the transaction, with the Bank absorbing the CCP risk and not the risk of a less creditworthy entity. The EMIR regulations set forth, among others, an obligation, for certain OTC derivatives, to transfer the counterparty credit risk to a CCP.

For other counterparties (with which there is no interprofessional relationship), the Bank uses derivatives Framework Contracts, which were developed internally and are subject to Portuguese law. In certain situations an ISDA agreement may be entered into. As referred, the policy on derivatives trading is similar to the lending policy in terms of the control of exposure, for which it is the Bank's practice to require guarantees or collateral, which in this case hedge not only the credit exposure but also the derivatives exposure.

Risk associated with investee portfolio

The risk of the investee portfolio is the risk associated with the possibility of incurring losses in the book value of equity holdings in portfolio within a medium to long term horizon as a result of fluctuations in macroeconomic conditions or in the specific financial situation of each investee.

In the case of investees with which there is a credit relationship and therefore credit risk, the Bank makes an analysis of the risk of financial loss due to the loss of value of the Bank's assets as a result of the deterioration of the counterparties' capacity to honour their commitments.

Additionally, the main equity holdings are subject to monitoring and follow-up by the Subsidiaries Team (part of the Planning and Capital Division). This team monitors the evolution of these companies' economic and financial data, based on documents provided by them, analyses the market and competition conditions as well as any regulatory changes that may be relevant. The analysis may also be supported by third-party documentation (from research houses, rating agencies or consultancy firms), where available.

The objective is to obtain an overall perspective of the possible risks to the value of the equity holdings.

The monitoring of the investees may involve cooperation with other departments of the Bank, namely the Economic and Financial Studies Unit, and with the areas responsible for monitoring CaixaBank's investees.

Banco BPI's equity holdings are registered in three major groups: Non-trading financial assets mandatorily accounted for at fair value through profit or loss, Financial assets at fair value through other comprehensive income, and Investments in subsidiaries, joint ventures and associates. For the more relevant investees, DCF and/or market and transaction multiples periodic valuations are made, in accordance with the nature of each investee.

Such valuations support the accounting record of the equity holdings at fair value or form the basis for impairment tests in other cases.

COVID-19 Impact

In the specific context of the COVID-19 pandemic and its economic consequences going forward, the public and private sectors have taken several measures to support families and companies, the most important being: i) the launch of support lines to the economy and ii) giving families and companies the possibility to request the temporary suspension of loan payments (moratoria).

A significant number of legal and APB (Portuguese Banking Association) moratoria were granted in 2020 and 2021, permitting to mitigate the economic and social effects of the period. The moratoria ended in April 2021. As mentioned further up, the defaults and restructuring requests of loans that came to the end of the moratorium period have been specifically monitored.

At 31 December 2021, impairments in assets at amortised cost include 71.6 million euros of unallocated impairments set up due to the uncertainty about the impact of the current pandemic situation on the economy, the Bank's clients and the valuation of guarantees received as collateral, the identification of clients with alerts not captured by the Rating models (bottom-up approach) and the expectation of default on loans to individual clients whose moratoria have already ended.

Compared to 31 December 2020, the global amount of unallocated impairments contracted by 25.8 million euros, due to: i) use, by allocation to credit operations, of 39.2 million euros of impairments, following the updating of the risk parameters of the collective impairment models and ii) setting aside of an unallocated impairment in the amount of 13.4 million euros, to forestall the impact resulting from estimated defaults on loans with moratoria terminated.

The table below presents the detail of state-guaranteed credit facilities:

Covid credit lines - Detail of financing with public guarantee:

	31-12-2021	31-12-2020
Public Sector	**400**	**0**
Corporations and individual entrepreneurs	**1 108 656**	**550 600**
Real estate development	2 069	820
Civil Construction	81 638	36 455
Other	1 024 949	513 325
Large companies	44 134	26 500
SME and individual entrepreneurs	980 815	486 825
	1 109 056	**550 600**

At 31 December 2021 the credit moratoria detail is as follows:

	Number of operations covered	Amount	Of which			Residual Maturity	
			Stage 1	Stage 2	Stage 3	<= 6 months	6-12 months
Public sector							
Corporations and individual entrepreneurs	**11**	**1 209**	**1 200**		**9**	**1 209**	
Real estate development							
Civil construction							
Other	11	1 209	1 200		9	1 209	
Large companies							
SME	11	1 209	1 200		9	1 209	
Individual entrepreneurs							
Individuals	**24**	**1 267**	**352**	**859**	**55**	**1 267**	
Homes	22	1 231	316	859	55	1 231	
Consumer spending	2	36	36			36	
Other							
Total	**35**	**2 476**	**1 552**	**859**	**65**	**2 476**	**0**

Note: On 1 January 2022, the number of operations covered and their amount was zero.

At 31 December 2020 the credit moratoria detail is as follows:

	Number of operations covered	Amount	Of which			Residual Maturity	
			Stage 1	Stage 2	Stage 3	<= 6 months	6-12 months
Public sector	**4**	**31 872**	**31 872**				**31 872**
Corporations and individual entrepreneurs	**30 576**	**2 763 698**	**2 233 843**	**465 604**	**64 247**	**15 051**	**2 748 646**
Real estate development	59	157 541	157 531	10			157 541
Civil construction	1 484	105 420	81 650	22 586	1 184	130	105 290
Other	29 033	2 500 737	1 994 662	443 008	63 063	14 921	2 485 815
Large companies	1 170	403 287	259 065	144 222		560	402 727
SME	26 049	1 989 721	1 644 283	283 318	62 116	7 311	1 982 410
Individual entrepreneurs	1 814	107 729	91 314	15 468	947	7 051	100 678
Individuals	**66 908**	**2 823 956**	**2 173 692**	**613 639**	**36 621**	**1 326 712**	**1 497 244**
Homes	39 233	2 494 935	1 933 536	531 109	30 286	998 816	1 496 119
Consumer spending	27 675	329 021	240 156	82 531	6 335	327 896	1 126
Total	**97 488**	**5 619 526**	**4 439 407**	**1 079 244**	**100 868**	**1 341 763**	**4 277 763**

In this context, the following criteria are used to calculate impairment of customer loans:

- Stage 2 and 3 classification criteria:

  In 2020 there occurred some situations of technical non-compliance beyond the clients' control in the processing of loan moratoria.
  Therefore, in order to mitigate the risk of incorrect classification of the loans, the Bank suspended the application of the Stage 2 and 3 classification criteria that depended exclusively on the observation of days in arrears. This suspension only applied to loans in the period in which the moratoria were in force. During 2021, the classification criteria mentioned above were reactivated as the moratoria on the corresponding loans came to an end.

  During 2020, the signals of significant deterioration of credit risk were made stricter, given the prevailing context where there are quite a number of loans with moratoria, and their effects in terms of the signals captured by the impairment calculation models. In this context, clients with pre- and post-COVID alerts were also considered as showing a significant deterioration in credit risk:

  — Pre-COVID alerts: Clients in i) default or stage 2 transactions between February 2019 and February 2020 or ii) ratings in a rejection zone in February 2020;

  — COVID Alerts: Clients with i) ratings in rejection zone, ii) a rating downgrade since February 2020, iii) an estimated affordability rate above 50%, or iv) debts to the Social Security or Tax Authority.

  The mechanisms for identifying significant deterioration in credit risk or default were strengthened in 2021, with the following criteria reflected in the classification as at 31 December 2021:

  — Stage 3 overlay for operations that ended APB moratorium periods as from April 2021 (stage 3 after 45 days of default) (18.1 million euros);

  — Classification, by default, as forborne due to risk degradation, for all the contractual amendments that are beneficial to the Clients of loans that were in moratorium, after the end of the moratoria period (1.5 million euros);

  — Stage 3 overlay for operations that ended moratorium periods after 30 September 2021 and are expected to need forbearance measures (3.1 million euros);

  — Individual analysis of whether loans to companies with exposure greater than 0.5 million that requested forbearance measures in the post-moratorium periods meet the characteristics for default (3.4 million euros).

- Updating of macroeconomic scenarios:

In 2021 BPI updated the macroeconomic scenarios considered for purposes of determining the Expected Credit Loss (ECL) under IFRS9, namely factoring in the estimated economic effects of the COVID-19 pandemic and the economic and social aids deployed by the Portuguese State. The updating of risk parameters associated with the determination of ECL based on collective analysis resulted in an increase of 46.1 million euros in impairments allocated to credit operations, of which 39.2 million euros due to the use of the COVID Fund set up for this purpose.

3.4.2 Actuarial risk

Overview

Banco BPI's Pension Fund is managed by BPI Vida e Pensões (management company). Banco BPI, as a member, defines the Pension Fund's Risk Management Policy, which provides the framework for the management company's activity, while also monitoring and supervising this company's activity and independently validating the actuarial assumptions defined for the Fund.

Actuarial risk cycle

Monitoring, measurement and mitigation of actuarial risk

The risk in the Pension Fund of Banco BPI, managed by BPI Vida e Pensões, is followed and monitored at level 1 and level 2 of the risk appetite framework (RAF), with tolerance objectives and ranges being defined.

The Pension Fund's risks are analysed and measured continuously and jointly so as to monitor the Fund's funding level (the funding risk is that with the greatest impact on the Member), both by the risk team of BPI Vida e Pensões (as the Management Company) and by Banco BPI, which monitors the risks and quantifies their impacts on the Member, annually factoring them in in the ICAAP exercise, and determining whether or not it is necessary to allocate economic capital to the Pension Fund. The ICAAP analyses the Pension Fund's asset and liability risk.

In so far as the Fund's asset portfolio basically comprises shares, bonds (mostly public debt), mutual fund participation units (investment funds and exchange traded funds), and real estate, the risks inherent in the Fund's assets are those specifically inherent in the various types of investment (credit risk, market risk, liquidity risk, etc.). The Fund's liabilities, which are liabilities for the payment of pensions, are subject to various risks that may have a negative impact on their value: inflation rate, growth of salaries and pensions, increase in the average life expectancy, discount rate.

Thus, active management of the investment portfolio risks and prudent management of the Pension Fund's actuarial assumptions (defined annually within the scope of the actuarial valuation), both from a long-term perspective and in accordance with the duration of the Fund's liabilities, are the most effective tools for correct mitigation of the Fund's underlying risks. Both assets and liabilities must be managed in accordance with the existing risk policies of both the Management Company and the Member.

3.4.3 Market risk

Overview

The market risk perimeter covers Banco BPI's trading portfolio as defined for risk purposes in accordance with regulatory recommendations.

Market risk cycle

Monitoring and measurement of market risk

On a daily basis, the responsible departments realise and monitor the transactions in portfolio, calculate how changes in the market will affect the positions held (daily marked-to-market results), quantify the market risk taken and monitor compliance with the established limits. The results of these activities are compiled into daily position reports, which include the quantification of risks and the utilisation of risk limits, and these are distributed to the various levels in the hierarchy.

As a general rule, there are two types of measurements which constitute a common denominator and market standard for the measurement of market risk:

Sensitivity

Sensitivity represents risk as the impact a slight change in risk factors has on the value of positions, without providing any assumptions about the probability of such a change (e.g. one of the most common methods used to measure interest rate sensitivity is to project a change of one basis point in the interest rates curve).

Value-at-risk (VaR)

The benchmark market risk measurement is VaR, with a confidence level of 99% and a two-week (10 business days) time horizon based on a parametric model where the return on the risk factors considered follow a zero average normal distribution and the standard deviation is obtained from an historical series of values observed over one year.

The diversification effect is considered based on correlations between the returns of the various factors considered (interest rates, exchange rates, equity prices). Total VaR results from the aggregation of VaR arising from fluctuations in interest rates, exchange rates and equity prices, taking into account the diversification effect.

The table below shows the values of average VaR at 99% with a time horizon of two weeks (10 business days) in accordance with BPI's different risk factors. As can be seen, the value of the risk is immaterial, given the limited expression of open positions in the trading book.

	Total	**Interest Rate**	**Exchange Rate**	**Share prices**
2021 average VAR	74	55	34	13
2020 average VAR	224	123	70	148

In 2021 the average and the maximum value of the VaR at 99% with a time horizon of two weeks in BPI's trading activities was 74 and 147 th.euros, respectively.

Capital requirements for market risk are determined based on the standardised approach, in accordance with Regulation (EU) 575/2013 of 26 June 2013, of the European Parliament and of the Council. The values calculated are insignificant, given the low representativeness of the portfolio, except for foreign-exchange risk. It should be noted that BPI's foreign-exchange risk mainly derives from its equity holdings in financial institutions outside the Eurozone and not from its current activity.

Mitigation of market risk

BPI's trading portfolio is mainly composed of open positions arising from its regular commercial relationship with clients, which are hedged by the Bank in the market. The necessary monitoring and control of the market risks assumed involve a structure of risk limits that are controlled by means of indicators such as Value at Risk (VaR) or Value of a basis point (Vo1).

The risk factors are managed using economic hedges on the basis of the return/risk ratio determined by market conditions and expectations, always within the assigned limits. Many of these hedges are back-to-back.

Beyond the trading portfolio, hedge accounting is used, which eliminates potential accounting mismatches in the balance sheet and the income statement caused by the different treatment of hedged instruments and those used to hedge in the market. Limits are established and monitored for each hedge, normally expressed as the ratio between the sensitivity of the hedging items and the sensitivity of the hedged items.

3.4.4 Banking book interest rate

Structural interest rate risk

The management of this risk by Banco BPI seeks to i) optimise the net interest income and ii) preserve the economic value of the balance sheet, while at all times taking into account the metrics and thresholds of the risk appetite framework in terms of the volatility of the net interest income and the sensitivity of economic value. These objectives are defined in accordance with the policies established at CaixaBank Group level.

This risk is analysed considering a broad set of market interest rate scenarios, analysing the impact of the inherent shocks on possible sources of structural interest rate risk, i.e., repricing risk, interest rate curve risk, basis risk and risk deriving from the optionality component of balance sheet operations. Optionality risk considers automatic optionality (which depends on the evolution of interest rates) and customer behaviour optionality (which does not depend directly or exclusively on the evolution of interest rates).

Banco BPI applies best market practices and the recommendations of regulators in measuring the interest rate risk of the banking book, using various measurement techniques that make it possible to analyse its positioning and risk situation. These notably include:

- *Static gap*: it shows the contractual distribution of maturities and interest rate repricings for applicable balance sheet and/or off-balance sheet aggregates at a particular date. GAP analysis is based on comparison of the values of assets and liabilities that are repriced or mature in the same particular period.
- Sensitivity of net interest income: Sensitivity is measured by comparing the net interest income at 12 and 24 months, calculated for a baseline scenario, and for extreme scenarios of interest rate changes (instantaneous and progressive parallel shock with different intensities, and changes in slope of interest rate curves). The baseline scenario, obtained from interest rate projections based on the rates implicit in the benchmark interest rate curve, is compared with other scenarios of falling or rising rates with parallel and non-parallel movements in the slope of the curve. The difference between these stressed net interest income figures compared to the baseline scenario give us a measure of the sensitivity, or volatility, of net interest income.
- Balance sheet economic value: it is calculated as the sum of i) the present value of interest-rate sensitive assets and liabilities on the balance sheet; ii) the present value of off-balance sheet products (derivatives).
- Economic value sensitivity: The economic value of interest-rate sensitive on- and off-balance sheet items is calculated at the current market rates (baseline scenario) and under different stressed interest-rate scenarios. The difference between the values obtained in the baseline scenario and those obtained in the stressed scenarios permit to assess the sensitivity of economic value to interest rate changes.

To mitigate the banking book interest rate risk, the Bank actively manages this risk through hedging operations contracted in the financial markets which permit to correct situations where hedging is not provided naturally through operations carried out with the Clients or other counterparties.

The table below shows, using a static gap, the distribution of contractual maturities and interest rate repricings of interest-rate sensitive amounts in the banking book, at 31 December 2021:

	Consolidated / Individual						
	1 year	**2 years**	**3 years**	**4 years**	**5 years**	**> 5 years**	**TOTAL**
ASSETS							
Interbank and Central Banks	6 346 967						6 346 967
Loans and advances to Customers	21 722 572	1 112 916	553 368	433 183	480 669	1 453 205	25 755 913
Fixed income portfolio	2 051 771	523 440	182 099	1 246 795	564 514	2 191 527	6 760 145
Total Assets	**30 121 311**	**1 636 356**	**735 466**	**1 679 979**	**1 045 183**	**3 644 731**	**38 863 026**
LIABILITIES							
Interbank and Central Banks	5 873 159						5 873 159
Customer deposits	14 546 711	2 895 526	2 215 024	1 920 400	1 920 169	5 396 631	28 894 461
Own issues	1 250 000		775 000	450 000			2 475 000
Total Liabilities	**21 669 869**	**2 895 526**	**2 990 024**	**2 370 400**	**1 920 169**	**5 396 631**	**37 242 619**
Assets minus Liabilities	**8 451 442**	**(1 259 171)**	**(2 254 558)**	**(690 421)**	**(874 986)**	**(1 751 900)**	**1 620 406**
Hedges	**(1 405 152)**	**858 759**	**834 837**	**268 828**	**(71 315)**	**(463 000)**	**22 958**
Total difference	**7 046 290**	**(400 412)**	**(1 419 720)**	**(421 593)**	**(946 301)**	**(2 214 899)**	**1 643 365**

The table below shows, using a static gap, the distribution of contractual maturities and interest rate repricings of interest-rate sensitive amounts in the banking book, at 31 December 2020:

	Consolidated / Individual						
	1 year	**2 years**	**3 years**	**4 years**	**5 years**	**> 5 years**	**TOTAL**
ASSETS							
Interbank and Central Banks	5 474 443						5 474 443
Loans and advances to Customers	20 753 742	933 206	506 826	381 624	300 475	1 169 631	24 045 503
Fixed income portfolio	2 869 086	709 668	518 236	44 456	1 109 153	695 757	5 946 356
Total Assets	**29 097 271**	**1 642 874**	**1 025 062**	**426 079**	**1 409 628**	**1 865 388**	**35 466 302**
LIABILITIES							
Interbank and Central Banks	5 478 010						5 478 010
Customer deposits	12 335 616	3 510 266	2 217 692	1 661 064	1 660 475	4 621 604	26 006 717
Own issues	850 162			775 000	450 000		2 075 162
Total Liabilities	**18 663 788**	**3 510 266**	**2 217 692**	**2 436 064**	**2 110 475**	**4 621 604**	**33 559 889**
Assets minus Liabilities	**10 433 484**	**(1 867 392)**	**(1 192 631)**	**(2 009 985)**	**(700 847)**	**(2 756 216)**	**1 906 412**
Hedges	**(2 630 593)**	**1 915 571**	**562 056**	**390 480**	**228 032**	**(527 867)**	**(62 320)**
Total difference	**7 802 890**	**48 179**	**(630 575)**	**(1 619 504)**	**(472 815)**	**(3 284 083)**	**1 844 093**

The sensitivity of net interest income and economic value are complementary measures that provide an overview of structural interest rate risk, which is more focused on the short and medium term in the first case and on the medium and long term in the second.

The table below shows the sensitivity of the net interest income and the economic value of interest rate-sensitive assets and liabilities to a 200 basis points interest rate instantaneous increase and decrease, in 31 December 2021:

	Consolidated / Individual	
Amounts as % of baseline scenario	**+200 bp**	**-200 bp[3]**
Net interest income [1]	22.6%	-9.0%
Asset value (banking book)[2]	-2.5%	7.2%

[1] Net interest income sensitivity at 1 year

[2] Economic value baseline sensitivity

[3] In the case of falling-rate scenarios the applied internal methodology allows for a negative floor, which at most corresponds to the historical minimum verified in interest rates plus -1%, allowing negative interest rates values for the various periods of the curve.

Structural exchange rate risk

Banco BPI has foreign currency assets and liabilities in its balance sheet, mainly as a result of its commercial activity, including foreign currency assets and liabilities deriving from the transactions carried out to mitigate exchange rate risk in that activity. The Bank also has some foreign currency structural positions related to equity holdings in financial Institutions outside the Eurozone.

Banco BPI does not have an active strategy to hedge the capital ratios against the structural exchange rate risk of its structural positions. Structural positions in foreign currency correspond to equity holdings in financial institutions located outside Portugal, namely, the stakes in BFA, BCI and BPI Inc. The bank's strategy is therefore based on the direct deduction of these positions from own funds, in part or in full, in accordance with the applicable legislation in force.

At 31 December 2021, the equivalent euro value of all foreign currency assets and liabilities was as follows:

	Consolidated			
	USD	**AKZ**	**MZN**	**Other currencies**
Cash and cash balances at central banks and other demand deposits	52 745			33 146
Financial assets held for trading	299 605			81 395
Non-trading financial assets mandatorily at fair value through profit or loss	5 306			
Financial assets at fair value through other comprehensive income	5 830	321 400		
Financial assets at amortised cost	850 902			73 651
Derivatives - Hedge accounting	542 382			
Fair value changes of the hedged items in portfolio hedge of interest rate risk	4 193			
Investments in subsidiaries, joint ventures and associates			123 947	
Tangible assets				84
Tax assets				10
Other assets	307	56 407	635	2 387
Total Assets	**1 761 270**	**377 807**	**124 582**	**190 673**
Financial liabilities held for trading	15 663			15 161
Financial liabilities at amortised cost	1 796 756			166 350
Derivatives - Hedge accounting	(66 395)			
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(924)			(92)
Tax liabilities			11 235	
Other liabilities	(1 754)			1 023
Foreign exchange operations pending settlement and forward position operations	13 604			1 683
Total Liabilities	**1 756 950**		**11 235**	**184 125**

	Individual		
	USD	**AKZ**	**Other currencies**
Cash and cash balances at central banks and other demand deposits	52 351		27 432
Financial assets held for trading	299 605		81 395
Non-trading financial assets mandatorily at fair value through profit or loss	5 306		
Financial assets at fair value through other comprehensive income	5 830	321 400	
Financial assets at amortised cost	850 902		73 651
Derivatives - Hedge accounting	542 382		
Fair value changes of the hedged items in portfolio hedge of interest rate risk	4 193		
Investments in subsidiaries, joint ventures and associates	715		
Other assets	307	56 407	635
Total Assets	**1 761 591**	**377 807**	**183 113**
Financial liabilities held for trading	15 664		15 160
Financial liabilities at amortised cost	1 797 511		166 245
Derivatives - Hedge accounting	(66 395)		
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(924)		(92)
Other liabilities	(1 762)		
Foreign exchange operations pending settlement and forward position operations	13 604		1 683
Total Liabilities	**1 757 698**		**182 996**

The exchange rate risk in the Bank's regular activity may be hedged through on-balance sheet operations (deposits or foreign currency investments) or through financial derivatives that mitigate the risk of positions in foreign currency. The approach to foreign-exchange risk management at Banco BPI, arising from the Bank’s regular activity is carried out in accordance with the objective to minimise the positions assumed.

The relevant foreign exchange positions held by Banco BPI essentially result from its equity holdings in Banco de Fomento de Angola (position in Angolan Kwanzas) and Banco Comercial e de Investimentos S.A. (positions in Mozambique Metical)[5]. BFA's fair value estimate factors in a projection of the foreign exchange devaluation of the Kwanza (Note 11) and in the case of the equity holdings, the impact of foreign exchange changes also depends on the composition of the balance sheet of each of those companies

In 2021, the Metical appreciated +27% against the Euro, leading to the recognition in Banco BPI's consolidated accounts of a exchange rate difference of 22 793 th.euros, under the heading "Other comprehensive income" (Note 23).

Excluding the foreign currency positions in Kwanza and Metical resulting from the equity holdings in BFA and BCI, BPI's exposure to exchange rate risk, taking into account the existing hedges, is reduced so that the sensitivity analysis of the exchange risk is not significant.

At 31 December 2020, the value in thousand euros of all foreign currency assets and liabilities was as follows:

	Consolidated			
	USD	**AKZ**	**MZN**	**Other currencies**
Cash and cash balances at central banks and other demand deposits	58 479	13 393		145 016
Financial assets held for trading	(11 643)			77 396
Non-trading financial assets mandatorily at fair value through profit or loss	51 289			
Financial assets at fair value through other comprehensive income	5 325	334 200		101
Financial assets at amortised cost	952 541			78 260
Derivatives - Hedge accounting	20 529			58
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6 593			
Investments in subsidiaries, joint ventures and associates			85 116	
Tangible assets				157
Tax assets				10
Other assets	15			3 001
Total Assets	**1 083 128**	**347 593**	**85 116**	**303 999**
Financial liabilities held for trading	(211 671)			7 152
Financial liabilities at amortised cost	1 899 594			280 794
Derivatives - Hedge accounting	(623 562)			(3 222)
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 958			43
Tax liabilities			9 631	
Other liabilities	1 262			937
Foreign exchange operations pending settlement and forward position operations	9 436			5 245
Total Liabilities	**1 077 017**		**9 631**	**290 949**

	Individual		
	USD	**AKZ**	**Other currencies**
Cash and cash balances at central banks and other demand deposits	58 337	13 393	140 361
Financial assets held for trading	(11 643)		77 396
Non-trading financial assets mandatorily at fair value through profit or loss	51 288		
Financial assets at fair value through other comprehensive income	5 326	334 200	101
Financial assets at amortised cost	952 541		71 717
Derivatives - Hedge accounting	20 529		58
Fair value changes of the hedged items in portfolio hedge of interest rate risk	6 593		
Investments in subsidiaries, joint ventures and associates	660		
Other assets	15		97
Total Assets	**1 083 646**	**347 593**	**289 730**
Financial liabilities held for trading	(211 671)		7 152
Financial liabilities at amortised cost	1 900 291		280 710
Derivatives - Hedge accounting	(623 562)		(3 222)
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 958		43
Other liabilities	1 261		(10)
Foreign exchange operations pending settlement and forward position operations	9 436		5 245
Total Liabilities	**1 077 713**		**289 918**

[5] In the individual balance sheet, investments in subsidiaries and associated companies in foreign currency (non-monetary items valued at historical cost) are translated at the historical exchange rate on the date of acquisition, and therefore the exposure to MZN is not presented.

3.5. Operational and reputational risk

3.5.1. Operational risk

Overview

BPI has adopted the definition of operational risk provided in the regulation in force (Regulation (EU) no. 575/2013 of the European Parliament and of the Council, of 26 June 2013): "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk." This definition excludes strategy and reputational risks. In BPI's catalogue of risks, as indicated in the Internal Control Policy, operational risk is broken down into several subcategories, which, on account of their specific nature, justify the establishment of specialised areas responsible for their management: conduct, legal and regulatory, technological, reliability of the financial information and other operational risks.

Recognising the importance of managing the risks to which financial entities are exposed, BPI has a strict management policy whose principles are enshrined in the general risk management policies. The operational risk management model has the following specific objectives:

- to identify and pre-empt the existing operational risks arising from internal and external factors, so as to increase control over BPI's results (reducing volatility), by adopting measures to sustainably mitigate and reduce operational losses;
- to ensure BPI's long-term continuity, namely through business continuity and technological contingency plans, managing the factors that may pose a risk to its survival;
- to promote the establishment of continuous improvement systems for operational processes and in the control structure in place at BPI, so as to facilitate decision-taking on risk;
- to promote a culture of management of operational risk based on risk awareness, responsibility, commitment and service quality;
- to comply with the regulatory framework and the requirements for application of the chosen management and calculation models, including the capital consumption requirements.

Operational risk management cycle

Operational risk management at BPI is supported by risk-sensitive policies, processes, tools and methodologies, and carried out in accordance with best market practices, at three interconnecting fronts:

- identification and assessment of operational risk;
- operational risk events;
- mitigation of operational risk.

Each Division under the aegis of the Executive Committee is responsible for identifying the operational risk inherent in the activities carried out by the respective areas by means of a self-assessment process.

The materialisation of operational risks (operational risk events) should be taken into account for the purpose of new identification of risks or reassessment of risks already identified and considered under a critical perspective for purposes of identification of mitigation measures.

Therefore, within the scope of the identification and monitoring of operational risk events, all the Bank's Divisions and Units, as the first line of defence, have as main responsibilities to i) promptly record these events in the internal database, and ii) incorporate the knowledge obtained through the critical analysis of these occurrences into the risk management cycle.

BPI's operational risk management model establishes that it is the responsibility of Divisions to detect any situations that trigger the need to assess whether it is pertinent, opportune and feasible to devise risk Mitigation Measures. These measures are planned and implemented to reduce or eliminate the probability of a future occurrence of a certain risk and/or the severity of its impacts.

The operational risk management area, integrated in the Risk Management Division, is responsible, as the second line of defence, for assisting the Divisions in the assessment of operational risk, monitoring the corresponding processes and centralising the collection of inputs on specific operational risk categories, which will enrich the operational risk evaluation process carried out by the Divisions. This area is also responsible for assessing the consistency of the records of occurrences, compiling and making a critical analysis of the information to enhance the quality of the analysis of the pattern of events with a view to improving risk management, monitoring and following up on the mitigation measures up to their implementation, and assisting the first line of defence in the assessment, monitoring and follow-up of Operational Risk Indicators (KPIs).

Risks of an operational nature

The risks in the Corporate Catalogue of Risks of an operational nature, and identified as such in the regulatory framework, are described below.

Risk of conduct and compliance

The risk of conduct and compliance is defined as the risk arising from the application by BPI of action principles that are contrary to the interests of its Clients or other stakeholders, or actions or omissions by the Bank that are not compliant with the legal and regulatory framework or the internal policies, standards and procedures. The objective of BPI is to minimise the probability of this risk occurring and, if it does, to promptly detect, report and address the weaknesses.

The management of conduct risk is undertaken across the entire institution, which, through its employees, must ensure compliance with the rules in force and apply adequate procedures for the performance of their daily activities.

The disclosure of the values and basic principles of conduct contained in Banco BPI's Code of Ethics and Principles of Conduct, both to Employees and to the Members of the Governing Bodies, contributes towards an adequate and integral management of the risk of conduct, steered by the following guiding principles: compliance with legislation, respect, integrity, transparency, excellence, professionalism, confidentiality and social responsibility.

Legal and regulatory risk

Legal and regulatory risk is defined as the possibility of potential losses or reduction in the Bank's profitability as a result of legislative changes, an incorrect implementation of said legislation in BPI's processes, its inadequate interpretation in different operations, the incorrect management of judicial or administrative requests or complaints and complaints received.

In the realm of legal and regulatory risks mitigation, the following deserve particular attention: the analysis of the legal framework and the identification of any misalignments with the regulations; the analysis of the likelihood of changes in the legal/regulatory framework and their consequences; the clarification of the nature of contractual relationships and their interpretation by the counterparties; the analysis of products and their legal status; and the identification and proposal of measures capable of reducing possible litigation risks.

In this context, the main legal and regulatory changes with impact on the Group are Decree-Law no. 10-J/2020 of 26 March, establishing exceptional measures to protect the credit of families, companies, private charitable institutions and other social economy entities, and a special scheme of State personal guarantees within the scope of the COVID-19 pandemic (as well as its subsequent amendments[6]).

[6] To date:

- Law no. 8/2020, of 10 April 2020, which made the first amendment, by parliament appreciation, to Decree-Law no. 10-J/2020, of 26 March, which establishes exceptional measures for the protection of the credits of families, companies, private social solidarity institutions and other entities of the social economy, as well as a special regime of personal guarantees of the State, in the context of the COVID-19 pandemic;
- Decree-Law no. 26/2020, of 16 June 2020, amending the exceptional measures for the protection of the credits of families, companies, private social solidarity institutions and other entities of the social economy, as well as a special regime of personal guarantees of the State;
- Law no. 27-A/2020, of 24 July 2020, which makes the second amendment to Law no. 2/2020, of 31 March (State Budget for 2020), and amends several regulations;
- Decree-Law no. 78-A/2020, of 29 September 2020, which amends the exceptional and temporary measures regarding the COVID-19 pandemic disease;
- Decree-Law no. 71-A/2021, of 13 August 2021, which extends the extraordinary support for the progressive recovery of activity;
- Law no. 70/2021, of 4 November 2021, which provides for the exemption from stamp duty on forbearance or refinancing of loans in moratorium.

On the other hand, with regard to ongoing administrative proceedings, it is worth noting, due to its materiality, the infringement proceedings initiated by the Competition Authority (CA) in 2012, related to the alleged exchange of sensitive information (volumes and spreads) between banks on home loans and other forms of credit, where the Competition Authority considers that such exchange of information constitutes a concerted practice between companies contrary to the law, under which the Bank was sentenced, in September 2019, to a single fine of €30 million. It should be noted that this fine was challenged in the third quarter of 2019, Banco BPI having lodged an appeal with the Competition, Regulation and Supervision Court, and maintaining the belief that it will be cleared of the aforementioned conviction.

The Group has in place policies, rules, analysis and monitoring procedures, as well as specific periodic controls to identify and update the provisions required to cover present obligations arising from past events from which may result material loss, when it is considered that such loss is likely to occur as a result of unfavourable, judicial or extrajudicial, decisions, in the context of civil, criminal, tax or administrative litigation.

Technological risk

Within the framework of regulatory operational risk, technology risk is defined as the risk of material or potential loss due to inadequate or failed technology infrastructure, due to cyber-attacks or other circumstances, and the inability to make changes to the ICT in a timely and cost-effective manner, compromising the availability, integrity, accessibility and security of infrastructure and data. This risk is divided into 5 ICT taxonomies: 1) Availability and continuity of Information and Communication Technologies (ICT); 2) Security of ICT; 3) Changes to ICT; 4) Integrity of IT Data; 5) Governance and ITC strategy.

BPI uses a technological risk management and control methodology that is integrated in the 3 lines of defence internal governance model. This methodology is based on the corporate framework for the management of non-financial risks and is formalised in the technological risk management policy.

Technological risk assessment is carried out systematically and reported periodically to the senior bodies. The measurement of technological risk will be incorporated into a periodically monitored RAF indicator, calculated from individual indicators related to the different taxonomies of technological risk.

From the technological standpoint, to prevent impacts caused by failures in IT infrastructures, BPI has implemented recovery mechanisms based on high availability solutions for both hardware and software applications and data. Banco BPI has defined criteria concerning the criticality for the business, which allow critical assets to be inventoried in the context of technological risk. The readiness and efficacy of the response of these mechanisms applied to the critical assets is systematically gauged through an annual testing plan.

Specifically, Operational Continuity refers to the capability of an organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident. Therefore, Operational Continuity management at BPI consists in identifying potential threats to the organisation and its activity, providing a framework for building organisational resilience and the capability for an effective response that safeguards the interests of its key stakeholders, its reputation, brand, and value - creating activities.

Banco BPI also maintains response plans, internal regulations, and controls to deal with the different areas of Information Security - availability, integrity and confidentiality - of which we highlight the following implemented within the scope of the technological risk management framework: governance, cybersecurity, incident management, access control, fraud and information leakage.

Risk of reliability of financial reporting

The risk of reporting reliability is defined as the risk of there being deficiencies in the accuracy and integrity of and the criteria for the preparation of the data required to assess Bank BPI's financial situation and assets, or the information made available to stakeholders and disclosed to the market as a holistic view of the Bank's positioning in terms of environmental sustainability, which is directly related to environmental, social and governance issues (ESG Principles).

Banco BPI's Board of Directors has approved a Policy on the management of the Risk of reliability of financial reporting, which establishes:

- The risk control and management framework;
- The criteria for control and verification prior to the disclosure of information, for a certain perimeter of information to be disclosed;
- The Financial Information Internal Control System (FIICS), which establishes the set of processes that are carried out to provide reasonable assurance regarding the reliability of the information.

Regarding financial information, the management of this risk includes assessing whether the information produced complies with the following principles:

- The transactions and other events reflected in the financial information in fact exist and were recorded at the right time (existence and occurrence);
- The information includes the totality of transactions and other events in which Banco BPI is the affected party (completeness);
- The transactions and other events are recorded and valued in accordance with applicable standards (valuation);
- The transactions and other events are classified, presented and disclosed in the financial information in accordance with applicable standards (presentation, detail and comparability);
- The financial information shows, at reporting date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards (rights and obligations).

The following are the main control activities performed by the three lines of defence with regard to the risk of reporting reliability

- First line of defence: i) definition of the accounting circuits that encode the contribution of BPI's different applications for automatic integration into the accounting application, ii) review of the reasonableness of judgements and estimates as well as the evolution of accounting magnitudes, iii) liaison with CaixaBank's Departamento de Políticas Contables for application of the accounting policies, iv) control of the accounting originating in the different applications and manual processes, and v) analysis of the reasonableness of consolidated results and equity.
- Second line of defence: i) monitoring and management of the FIICS, ii) advising on and/or defining criteria for the identification, monitoring, implementation and assessment of information controls, iii) preparation and review of compliance with policies, and iv) identification of weaknesses and follow-up of action plans established to overcome the weaknesses identified.
- Third line of defence: review of the reliability and integrity of information, including the effectiveness of the FIICS.

Model risk

The Model Risk Management Policy, approved the Board of Directors in June 2021, defines model risk as the possible adverse consequences for the entity that could arise from decisions based primarily on the results of internal models, due to errors in the construction, application or use of these models.

In particular, the following sub-risks identified under model risk are subject to management and control:

- Quality risk: potential detrimental impact due to the models' poor predictability capacity, either due to defects in construction or failure to update the models over time.
- Governance Risk: potential detrimental impact due to an inadequate governance of Model Risk (e.g., models not formalised in committees, relevant models without second line of defence opinion, models that are not properly inventoried, etc.).
- Control Environment Risk: potential detrimental impact due to deficiencies in the models' control environment (e.g., models with expired recommendations, mitigation plans not implemented, etc.).

To meet the overall Model Risk Strategy, the model risk management function performs active management that is based on the three classical pillars of Risk management:

- Identification of the Model Risk, using the Inventory of Models as a key element to set the scope of the models. To manage model risk, it is necessary to identify the existing models, their quality and how they are used by the Entity. It is necessary to have a single model registry, that unifies the model concept and defines a homogeneous taxonomy that includes – among other attributes – their relevance and assessment.
- Model Governance, which addresses key aspects such as:
    - The identification of the most relevant phases in a model's life cycle, and the definition of functions and minimum standards to carry out these activities.
    - The concept of tier-based management, or, in other words, the way in which the models' control framework can be modulated according to the relevance of the model, in general terms. This attribute will determine the model's control environment, such as the type and frequency of validation, the type and frequency of model monitoring, the body that must approve the use of the model, the level of internal supervision or the level of senior management involvement.
    - The governance and management of changes to the models from a transversal perspective, offering different model owners the necessary flexibility and agility to change affected models in line with the most suitable governance in each case.

— The definition of Internal Validation standards that guarantee the adequate application of controls for an independent unit to assess a model.

- Monitoring, using a control framework with a preemptive approach to Model Risk, which makes it possible to keep the risk within the parameters laid down in the Entity's Risk Appetite Framework, by regularly calculating appetite metrics and other indicators specific to model risk.

Banco BPI is progressively implementing Model Risk, since November 2020, when model risk was raised to risk level 1 in the Corporate Risk Catalogue. To this end, the following activities were carried out in 2021:

- adaptation of the Model Risk Validation Methodology, in corporate alignment, to accommodate the Entity's different Model Validation Functions, with a view to standardising criteria in model risk management;
- adherence of the Model Risk Management Policy, in June 2021;
- identification of the Entity's different models and main uses;
- definition of the initial Model Risk perimeter to start the function;
- approval of a Model Risk Management Methodology, in December 2021, defining the responsibilities of the different players;
- presentation of a draft Model Risk management plan for 2021 to 2023.

The year 2022 will be dedicated to the consolidation of the Model Risk function, involving, among others, the following planned activities:

- calculation of model risk monitoring indicators (KPI);
- definition of RAF metrics to be monitored in order to maintain model risk within the limits established in the Risk Appetite Framework;
- incorporation into the model risk perimeter of the models planned for a second phase.

Other operational risks

Within the scope of Operational Risk, this means the risk of losses or damages caused by errors or faults in processes, due to external events, or actions of third parties outside the Group, whether accidentally or intentionally. It includes, among others, outsourcing risk, business continuity risk and other risk factors related to external events or external fraud.

Operational risk that arises from operating processes and external events is managed across all areas of BPI. This implies identifying, assessing, managing, controlling and reporting the operational risks of their activity and cooperating with the Bank's operational risk management area in the implementation of the management model.

As concerns business continuity risk, Banco BPI developed an Operational Continuity Management System aligned with the ISO22301 international standard, and obtained the corresponding certification in 2021. This management system is one of the pillars that supports and ensures the resilience of the planning, operation, assessment and continuous improvement of operational continuity management.

3.5.2. Reputational risk

Reputational risk is the risk of loss of competitive capacity due to the deterioration of trust in BPI by its stakeholders, as a result of their perception of actions or omissions attributed to BPI or its Management or Governance Bodies.

The risk is monitored using internal and external selected reputational indicators from various sources of stakeholder expectations and perception analysis. The indicators are weighted according to their strategic importance and are grouped in a balanced reputation scorecard that enables a Global Reputation Index (GRI) to be obtained. This metric permits to monitor the perception of the different stakeholders concerning the institution on a semi-annual and annual basis, to make comparisons with the competition, and to define the tolerance ranges in accordance with the Bank's risk appetite, thus enabling a more effective management of reputation.

Control and mitigation of reputational risk involve the development of policies that engage different areas of BPI.

4. SOLVENCY MANAGEMENT

The global regulatory framework for supervision and prudential rules on solvency, known as Basel III, came into force in the European Union through Directive 2013/36 (CRD IV) and Regulation 575/2013 (CRR).

Furthermore, the Supervisory Review and Evaluation Process (SREP), which configures Pillar II of the Basel regulatory framework, consists of an ongoing supervision process to evaluate the adequacy of capital, liquidity, corporate governance, and risk management and control, harmonised at European level by the EBA. The SREP process may require additional capital or liquidity, or other qualitative measures in response to any risks and weaknesses specifically detected. The SREP seeks to assess the individual viability of entities, considering cross-cutting analyses and comparisons against their peers. Any potential additional capital requirements are complemented by combined capital buffer requirements.

The following table shows the composition of Banco BPI own funds on a consolidated and individual basis on 31 December 2021 and 2020:

	Consolidated				Individual			
	31-12-2021[1]		31-12-2020		31-12-2021[1]		31-12-2020	
	Amount	%	Amount	%	Amount	%	Amount	%
CET1 instruments	**3 265 133**		**3 015 135**		**3 091 087**		**2 869 480**	
Accounting shareholders' equity (without AT1)	3 392 514		2 981 286		3 218 468		2 835 630	
Dividends payable	(194 000)		(13 173)		(194 000)		(13 173)	
AVA adjustments	(2 826)				(2 826)			
Impact of transition to IFRS 9	69 445		47 023		69 445		47 023	
CET1 Deductions	**(664 784)**		**(486 555)**		**(497 074)**		**(345 653)**	
Intangible assets	(54 025)		(36 887)		(41 219)		(24 082)	
Pension funds´ assets	(57 127)				(57 127)			
Deferred taxes assets and financial investments	(399 910)		(386 480)		(245 005)		(258 384)	
NPE coverage	(45 628)				(45 628)			
Other deductions	(108 093)		(63 187)		(108 093)		(63 187)	
CET1	**2 600 349**	**14.2%**	**2 528 581**	**14.1%**	**2 594 014**	**14.2%**	**2 523 827**	**14.0%**
AT1 Instruments	275 000		275 000		275 000		275 000	
TIER 1	**2 875 349**	**15.7%**	**2 803 581**	**15.6%**	**2 869 014**	**15.7%**	**2 798 827**	**15.6%**
TIER2 Instruments	300 000		300 000		300 000		300 000	
TIER2	**300 000**	**1.6%**	**300 000**	**1.7%**	**300 000**	**1.6%**	**300 000**	**1.7%**
TOTAL CAPITAL	**3 175 349**	**17.4%**	**3 103 581**	**17.3%**	**3 169 014**	**17.4%**	**3 098 827**	**17.2%**
Other instruments eligible for MREL[1]	1 148 914		450 000					
MREL[2]	**4 324 263**	**23.7%**	**3 553 581**	**19.8%**				
RWA	**18 280 693**		**17 990 610**		**18 251 218**		**17 984 768**	

[1] The ratios as of 31 December 2021, consider the Board of Directors' proposal for the distribution of dividends relating to 2021 (194 million euros).

[2] From June 2021, in line with CaixaBank, the eligible debt came to correspond to the nominal value minus the discount and costs verified at the time of issue and which are still being accrued.

[3] On 4 February 2021 the Bank of Portugal notified Banco BPI about the minimum requirement for own funds and eligible liabilities (MREL). Under the new Bank Recovery and Resolution Directive (BRRD2), as from 1 January 2022, BPI, on a sub-consolidated basis, must comply with the MREL requirement of 19.05% of RWA (including CBR - combined buffer requirement) and 5.91% of the total leverage ratio exposure (LRE), and, as from 1 January 2024, with the MREL requirement of 23.95% of RWA (including CBR). As at 31 December 2021, the MREL ratio to the LRE is 10.3%.

Note: unaudited amounts

Considering the phased-in transition to IFRS9, at 31 December 2021, Banco BPI had a Common Equity Tier 1 (CET1) ratio of 14.2%, a Tier 1 ratio of 15.7% and a Total ratio of 17.4%, on a consolidated basis. The ratios include the results of the year, as well as the proposed distribution of dividends approved by the Board of Directors on 1 February 2022, which corresponds to 50% of the individual net profit in Portugal plus the dividends received from BFA and BCI. On an individual basis, Banco BPI had a CET1 ratio of 14.2%, a Tier1 ratio of 15.7% and a Total ratio 17.4%.

At 31 December 2021, the impact of adoption of the prudential transitional arrangements for IFRS9 is 37 bps, i.e., the fully loaded CET1 is 13.9% on a consolidated and also on an individual basis.

The following chart sets out a summary of the minimum regulatory capital requirements on a consolidated basis at 31 December 2021 and 2020:

	31-12-2021[1]		31-12-2020	
	Amount	%	Amount	%
BAS III minimum requirements[2]				
CET1	1 554 071	8.501%	1 529 267	8.500%
Tier1	1 896 834	10.376%	1 866 591	10.375%
Total Capital	2 353 851	12.876%	2 316 356	12.875%

[1] The values as of 31 December 2021, consider the Board of Directors' proposal for the distribution of dividends relating to 2021 (194 million euros).
[2] Includes the minimum required under Pillar 1, of 4.5%, 6% and 8% for CET1, Tier 1 and Total Capital, respectively; Pillar 2 requirement of 2% (1.125% for CET1, 1.5% for Tier 1 and 2% for Total Capital); the capital conservation buffer of 2.5%; the O-SII (other systemically important institution) buffer of 0.375% in 2020 and 2021; the countercyclical buffer, revised quarterly, which stands at 0% for Portugal and, from the specific perspective of BPI, also taking into account exposures to other countries, amounts to 0.001% in December 2021.

The following table shows the breakdown of the leverage ratio of BPI on 31 December 2021 and 2020:

	Consolidated				Individual			
	31-12-2021[1]		31-12-2020		31-12-2021[1]		31-12-2020	
	Amount	%	Amount	%				
Exposure	42 010 637		38 324 509		41 991 820		38 309 017	
Leverage ratio		**6.8%**		**7.3%**		**6.8%**		**7.3%**

[1] The values as of 31 December 2021, consider the Board of Directors' proposal for the distribution of dividends relating to 2021 (194 million euros).

Note: Unaudited amounts

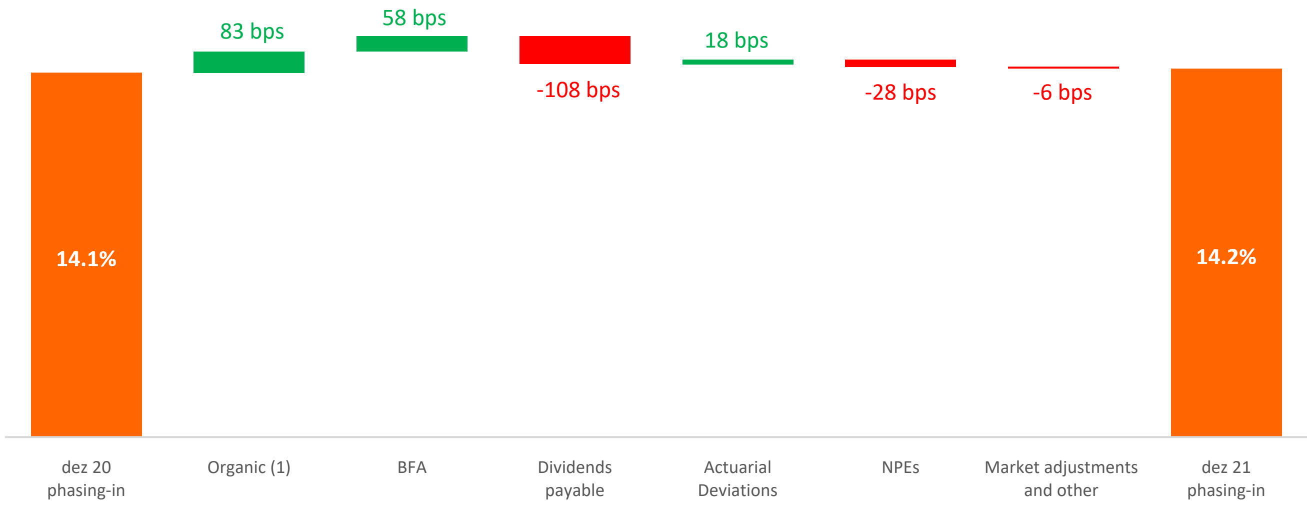
The changes in own funds are as follows:

Change in own funds

	Consolidated				Individual			
	31-12-2021		31-12-2020		31-12-2021		31-12-2020	
	Amount	%	Amount	%	Amount	%	Amount	%
CET1 at beginning of year	**2 528 581**	**14.1%**	**2 405 340**	**13.4%**	**2 523 827**	**14.0%**	**2 405 173**	**13.4%**
Changes in CET1 instruments	249 998		257 624		221 608		257 624	
Profit/(loss)	306 823		490 638		293 368		490 638	
Dividends payable	(194 000)		(140 000)		(194 000)		(140 000)	
Reserves	117 578		(108 272)		102 644		(108 272)	
AVA and IFRS9 adjustments	18 657		15 258		18 657		15 258	
Changes in CET1 deductions	(178 229)		147 116		(151 421)		135 424	
Intangible assets	(17 138)		41 766		(17 138)		41 766	
Pension funds´ assets (excess funding)	(57 127)				(57 127)			
Financial investments	(14 321)		107 082		14 232		96 467	
Deferred tax assets	892		(5 746)		(853)		(6 823)	
NPE coverage	(45 628)				(45 628)			
Other CET1 deductions	(44 906)		4 014		(44 906)		4 014	
CET1 at end of year	**2 600 349**	**14.2%**	**2 528 581**	**14.1%**	**2 594 014**	**14.2%**	**2 523 827**	**14.0%**
Additional Level 1 own funds at beginning of year	**275 000**	**1.5%**	**275 000**	**1.5%**	**275 000**	**1.5%**	**275 000**	**1.5%**
AT1 instruments movement								
Additional Level 1 own funds at end of year	**275 000**		**275 000**		**275 000**		**275 000**	
Level 2 own funds at beginning of year	**300 000**	**1.7%**	**300 000**	**1.7%**	**300 000**	**1.7%**	**300 000**	**1.7%**
Changes in TIER2 instruments								
TIER2 at end of year	**300 000**	**1.6%**	**300 000**	**1.7%**	**300 000**	**1.6%**	**300 000**	**1.7%**

Note: Unaudited amounts

Evolution of the CET1 ratio in 2021:



[(1)] Considers the income from the banking and insurance businesses in Portugal and the change in credit risk weighted assets.

In 2021, the CET1 ratio increased by 17 bps, from 14.1% to 14.2%, essentially through: organic generation (+83 bps), the BFA contribution (+58 bps), the foreseeable dividends relating to 2021 (-108 bps) and the coverage of NPEs (-28 bps).

The detail of risk weighted assets and breakdown by calculation method is given below:

Detail of risk-weighted assets by method

	Consolidated				Individual			
	31-12-2021		31-12-2020		31-12-2021		31-12-2020	
	Risk-weighted assets	%	Risk-weighted assets	%	Risk-weighted assets	%	Risk-weighted assets	%
Credit risk								
Standardised Approach	15 709 078	86%	15 533 350	86%	15 711 227	86%	15 537 060	86%
Equity holdings risk								
Simple method	918 723	5%	889 621	5%	886 109	5%	875 714	5%
Market risk								
Standardised Approach	246 914	1%	224 085	1%	257 084	1%	246 121	1%
Operational risk								
Standardised Approach	1 405 979	8%	1 343 554	7%	1 396 799	8%	1 325 874	7%
	18 280 693	**100%**	**17 990 610**	**100%**	**18 251 218**	**100%**	**17 984 768**	**100%**

Note: Unaudited amounts

5. DIVIDEND DISTRIBUTION

Dividend policy

In line with the articles of association of Banco BPI (Article 26- 3): “The General Shareholders’ Meeting shall decide on the long-term dividend policy proposed by the Board of Directors, which shall justify any deviations from that policy.”

For compliance with this statutory rule, Banco BPI’s long-term dividend policy was approved on 31 January 2019, as follows:

1. General Principle

Subject to a proposal to be submitted by the Board of Directors to the General Meeting, distribution of an annual dividend tendentially between 30% and 50% of the net income reported in the individual accounts for the year to which it relates, with the exact amount to be proposed being defined in accordance with a prudent judgement that balances the situation of the Bank at the time with the need to maintain at all times adequate levels of liquidity and solvency.

2. Conditioning factors

The provisions of point 1 above represent a mere principle, which, as such, is not binding upon the General Meeting, which can at any time, not only change it, but also resolve on a percentage of distribution below the minimum 30% threshold or above the maximum 50% threshold therein referred, or on no distribution at all.

The provisions of item 1 are therefore only intended to:

i) give the shareholders and third parties a medium/long term perspective of the company's objectives in terms of dividend distribution;

ii) impose on the Board of Directors, when it intends to propose a dividend distribution outside the thresholds therein established, the duty of substantiating this option.

In addition, the distribution principle set out in the previous paragraph shall be subject to:

a) Compliance with the capital ratios at any time applicable to the Bank, whether under Pillar 1 or Pillar 2, as well as with other applicable legal provisions, namely those governing what is considered the "maximum distributable amount ";

b) When the net income determined in the individual accounts includes dividends from companies that have not yet been paid to the Bank, the Board of Directors shall exclude the amount of these dividends from the base used for the definition of the dividends to be distributed, whenever a prudent judgement so advises;

c) Respect for the findings and guidelines of the Bank's ICAAP and RAF at any time in force;

d) the absence of exceptional circumstances that justify, in the Board of Directors reasoned opinion, submitting to the Shareholders' deliberation the distribution of a dividend below the 30% threshold or above the 50% threshold.

The dividend distribution proposal of 116 548 th.euros on the 2019 results was approved by the sole shareholder on 27 March 2020. On 14 April 2020, faced with the exceptional circumstances arising from the spread of COVID-19, Banco BPI and CaixaBank decided the suspend the payment of these dividends, which were subsequently paid in October 2021, together with the dividends on the 2020 results, in the amount of 13 173 th.euros.

The 2021 net profit distribution is as follows:

	2021
Net income reported in the individual accounts of Banco BPI	293 368
Proposed appropriation of 2021 individual net profit	
To dividends	194 000
To legal reserve	29 337
To other reserves	70 031
Individual profit of Banco BPI in 2021	**293 368**
Pay-out ratio for dividend distribution purposes	**66%**

This proposal, which considers the exceptional conditions that justify a dividend above the 50% threshold referred to in the Proposed Application of Results included in this report, corresponds to the distribution of 50% of the individual net profit determined in the activity in Portugal and the distribution of all dividends received from BFA and BCI (payout of 66% of the net profit determined in the individual accounts of the financial year).

6. SEGMENTS

The objective of business segment reporting is to allow internal supervision and management of BPI's activity and consolidated income. The information is broken down into the various lines of business according to the Bank's organizational structure. To define and segregate segments, the inherent risks and management characteristics of each segment are considered. The information reporting used by management is essentially prepared on an accounting basis supported by the IFRS. Their preparation relies on i) the same presentation principles used for the Bank's management information, and ii) the same accounting principles and policies used to prepare the annual financial statements.

At 31 December 2021, BPI's segment reporting considers the following segments:

- Domestic operations: includes the commercial banking business in Portugal and the equity holdings activity.
- Equity holdings in BFA and BCI: corresponds to the activity developed in Mozambique by Banco Comercial e de Investimentos, S.A.R.L. and the results associated to the equity holding in Banco de Fomento Angola, classified in the portfolio of equity instruments at fair value through other comprehensive income.

Commercial Banking

Banco BPI's operations are focused mainly on commercial banking in Portugal, making an extensive offer of financial products and services available to retail, corporate and institutional Customers. Commercial banking includes:

- Individuals, Businesses, Premier and InTouch Banking: commercial operations with individual clients, individual entrepreneurs and small businesses, developed through a multi-channel distribution network comprising traditional branches (serving mass-market clients, entrepreneurs and small businesses), premier centres (serving high net worth Clients or Clients with potential for wealth accumulation) and intouch centres (which offer individual clients a dedicated account manager accessible by telephone or digital channels, during an extended timetable).
- Private Banking: serving Individual Clients with larger financial assets. Provides discretionary management and financial advisory specialised services, and comprises the activity of a fully-held subsidiary in Switzerland - BPI Suisse.
- Corporate and Institutional Banking: specialised service to companies and institutions, provided through corporate centres, institutional centres (for public sector and state business sector bodies and enterprises), real estate business centres (provide specialised support to developers and builders involved in large residential real estate projects) and corporate and investment banking centres (for the largest national business groups, insurance companies and subsidiaries of the largest Spanish companies).

This segment also includes the Bank's residual activity, comprising segments that represent individually less than 10% of the Bank's total income, net profit and assets.

Equity holdings

This segment essentially comprises the income generated by associated companies and joint ventures in Portugal (Cosec, Allianz, Unicre and Inter-Risco) as well as the income associated to participation units in credit recovery and private equity funds, and to investments in shares.

At 31 December 2021, the income statement by business segment of BPI consolidated was as follows: [1]

	Domestic Activity			Equity holdings in BFA and BCI			Banco BPI consolidated
	Commercial Banking	Equity holdings	**Total**	Angola	Mozambique	**Total**	
1.Interest income	501 986	1 097	**503 083**	4 905		**4 905**	**507 988**
2.Interest expense	(47 523)		**(47 523)**				**(47 523)**
3.Net interest income [1+2]	**454 463**	**1 097**	**455 560**	**4 905**		**4 905**	**460 465**
4.Dividend income	6	1 896	**1 902**	97 935		**97 935**	**99 837**
5.Equity accounted income		23 113	**23 113**		24 649	**24 649**	**47 762**
6.Fee and commission income	308 185		**308 185**				**308 185**
7.Fee and commission expenses	(20 011)		**(20 011)**				**(20 011)**
8.Net fee and commission income [6+7]	**288 174**		**288 174**				**288 174**
9.Gains/(losses) on financial assets and liabilities and other	21 646	(11 620)	**10 026**	16 515		**16 515**	**26 541**
10.Other operating income and expenses	(27 436)		**(27 436)**	(7 835)		**(7 835)**	**(35 271)**
11.Gross income [3+4+5+8+9+10]	**736 853**	**14 486**	**751 339**	**111 520**	**24 649**	**136 169**	**887 508**
12.Staff expenses	(260 893)		**(260 893)**				**(260 893)**
13.Other administrative expenses	(135 582)		**(135 582)**				**(135 582)**
14.Depreciation and amortisation	(61 220)		**(61 220)**				**(61 220)**
15.Operating expenses [12+13+14]	**(457 695)**		**(457 695)**				**(457 695)**
16.Net operating income [11+15]	**279 158**	**14 486**	**293 644**	**111 520**	**24 649**	**136 169**	**429 813**
17.Impairment losses and other provisions	(47 161)		**(47 161)**				**(47 161)**
18.Other impairments and provisions	(3 715)		**(3 715)**				**(3 715)**
19.Gains and losses in other assets	(361)	(201)	**(562)**				**(562)**
20.Net income before income tax [16+17+18+19]	**227 921**	**14 285**	**242 206**	**111 520**	**24 649**	**136 169**	**378 375**
21.Income tax	(67 101)	3 513	(63 588)	(5 869)	(2 095)	(7 964)	(71 552)
22.Net income [20+21]	**160 820**	**17 798**	**178 618**	**105 651**	**22 554**	**128 205**	**306 823**

[1] Income statement structure presented in accordance with Banco BPI management information.

At 31 December 2020, the income statement by business segment of BPI consolidated was as follows:[1]

	Domestic Activity			Equity holdings in BFA and BCI			Banco BPI consolidated
	Commercial Banking	Equity holdings	**Total**	Angola	Mozambique	**Total**	
1.Interest income	494 810	827	**495 637**				**495 637**
2.Interest expense	(45 499)		**(45 499)**				**(45 499)**
3.Net interest income [1+2]	**449 311**	**827**	**450 138**				**450 138**
4.Dividend income	76	2 283	**2 359**	40 247		**40 247**	**42 606**
5.Equity accounted income		18 546	**18 546**		9 148	**9 148**	**27 694**
6.Fee and commission income	266 351		**266 351**				**266 351**
7.Fee and commission expenses	(21 449)		**(21 449)**				**(21 449)**
8.Net fee and commission income [6+7]	**244 902**		**244 902**				**244 902**
9.Gains/(losses) on financial assets and liabilities and other	10 434	(13 372)	**(2 938)**	(9 382)		**(9 382)**	**(12 320)**
10.Other operating income and expenses	(14 741)		**(14 741)**	(3 220)		**(3 220)**	**(17 961)**
11.Gross income [3+4+5+8+9+10]	**689 982**	**8 284**	**698 266**	**27 645**	**9 148**	**36 793**	**735 059**
12.Staff expenses	(264 364)		**(264 364)**				**(264 364)**
13.Other administrative expenses	(138 249)		**(138 249)**				**(138 249)**
14.Depreciation and amortisation	(48 663)		**(48 663)**				**(48 663)**
15.Operating expenses [12+13+14]	**(451 276)**		**(451 276)**				**(451 276)**
16.Net operating income [11+15]	**238 706**	**8 284**	**246 990**	**27 645**	**9 148**	**36 793**	**283 783**
17.Impairment losses and other provisions	(151 470)		**(151 470)**				**(151 470)**
18.Other impairments and provisions	(7 737)		**(7 737)**				**(7 737)**
19.Gains and losses in other assets	290		**290**				**290**
20.Net income before income tax [16+17+18+19]	**79 789**	**8 284**	**88 073**	**27 645**	**9 148**	**36 793**	**124 866**
21.Income tax	(25 820)	3 932	(21 888)	2 571	(778)	1 793	(20 095)
22.Net income [20+21]	**53 969**	**12 216**	**66 185**	**30 216**	**8 370**	**38 586**	**104 771**

[1] Income statement structure presented in accordance with Banco BPI management information.

At 31 December 2021, the income statement by business segment of BPI individual was as follows: [1]

	Domestic Activity			Equity holdings in BFA and BCI			Banco BPI
	Commercial Banking	Equity holdings	**Total**	Angola	Mozambique	**Total**	
1.Interest income	502 162	1 097	**503 259**	4 905		**4 905**	**508 164**
2.Interest expense	(47 545)		**(47 545)**				**(47 545)**
3.Net interest income [1+2]	**454 617**	**1 097**	**455 714**	**4 905**		**4 905**	**460 619**
4.Dividend income	6	31 594	**31 600**	97 935	6 097	**104 032**	**135 632**
5.Fee and commission income	299 847		**299 847**				**299 847**
6.Fee and commission expenses	(20 004)		**(20 004)**				**(20 004)**
7.Net fee and commission income [5+6]	**279 843**		**279 843**				**279 843**
8.Gains/(losses) on financial assets and liabilities and other	21 711	(11 620)	**10 091**	16 515		**16 515**	**26 606**
9.Other operating income and expenses	(27 439)		**(27 439)**	(7 835)	(610)	**(8 445)**	**(35 884)**
10.Gross income [3+4+7+8+9]	**728 738**	**21 071**	**749 809**	**111 520**	**5 487**	**117 007**	**866 816**
11.Staff expenses	(257 590)		**(257 590)**				**(257 590)**
12.Other administrative expenses	(134 268)		**(134 268)**				**(134 268)**
13.Depreciation and amortisation	(61 131)		**(61 131)**				**(61 131)**
14.Operating expenses [11+12+13]	**(452 989)**		**(452 989)**				**(452 989)**
15.Net operating income [10+14]	**275 749**	**21 071**	**296 820**	**111 520**	**5 487**	**117 007**	**413 827**
16.Impairment losses and other provisions	(47 161)		**(47 161)**				**(47 161)**
17.Other impairments and provisions	(3 715)		**(3 715)**				**(3 715)**
18.Gains and losses in other assets	(361)	(196)	**(557)**				**(557)**
19.Net income before income tax [15+16+17+18]	**224 512**	**20 875**	**245 387**	**111 520**	**5 487**	**117 007**	**362 394**
20.Income tax	(66 670)	3 513	(63 157)	(5 869)		(5 869)	(69 026)
21.Net income [19+20]	**157 842**	**24 388**	**182 230**	**105 651**	**5 487**	**111 138**	**293 368**

[1] Income statement structure presented in accordance with Banco BPI management information.

At 31 December 2020, the income statement by business segment of BPI individual was as follows:[1]

	Domestic Activity			Equity holdings in BFA and BCI			Banco BPI
	Banca comercial	Equity holdings	**Total**	Angola	Mozambique	**Total**	
1.Interest income	495 010	827	**495 837**				**495 837**
2.Interest expense	(45 940)		**(45 940)**				**(45 940)**
3.Net interest income [1+2]	**449 070**	**827**	**449 897**				**449 897**
4.Dividend income	75	11 419	**11 494**	40 247	3 375	**43 622**	**55 116**
5.Fee and commission income	258 711		**258 711**				**258 711**
6.Fee and commission expenses	(21 441)		**(21 441)**				**(21 441)**
7.Net fee and commission income [5+6]	**237 270**		**237 270**				**237 270**
8.Gains/(losses) on financial assets and liabilities and other	10 469	(13 372)	**(2 903)**	(9 382)		**(9 382)**	**(12 285)**
9.Other operating income and expenses	(14 741)		**(14 741)**	(3 220)	(338)	**(3 558)**	**(18 299)**
10.Gross income [3+4+7+8+9]	**682 143**	**(1 126)**	**681 017**	**27 645**	**3 037**	**30 682**	**711 699**
11.Staff expenses	(260 669)		**(260 669)**				**(260 669)**
12.Other administrative expenses	(136 882)		**(136 882)**				**(136 882)**
13.Depreciation and amortisation	(48 540)		**(48 540)**				**(48 540)**
14.Operating expenses [11+12+13]	**(446 091)**		**(446 091)**				**(446 091)**
15.Net operating income [10+14]	**236 052**	**(1 126)**	**234 926**	**27 645**	**3 037**	**30 682**	**265 608**
16.Impairment losses and other provisions	(151 470)		**(151 470)**				**(151 470)**
17.Other impairments and provisions	(7 737)		**(7 737)**				**(7 737)**
18.Gains and losses in other assets	290		**290**				**290**
19.Net income before income tax [15+16+17+18]	**77 135**	**(1 126)**	**76 009**	**27 645**	**3 037**	**30 682**	**106 691**
20.Income tax	(17 508)	(3 932)	(21 440)	2 571		2 571	(18 869)
21.Net income [19+20]	**59 627**	**(5 058)**	**54 569**	**30 216**	**3 037**	**33 253**	**87 822**

[1] Income statement structure presented in accordance with Banco BPI management information.

7. DISCLOSURE OF THE REMUNERATION OF THE CORPORATE BODIES

In 14 January 2021, CaixaBank, as the sole shareholder of BPI, approved the "Remuneration Policy of Banco BPI applicable to the members of the Board of Directors and of the Supervisory Board” (hereinafter the “Remuneration Policy”).

In accordance with Banco BPI's Articles of Association, the members of the corporate bodies shall have a fixed remuneration and the members of the Executive Committee may receive, in addition to a fixed remuneration, a variable remuneration determined in accordance with the criteria defined in the remuneration policy for the members of the supervision and management bodies.

The remuneration of the elected members of the corporate bodies shall be fixed, after consultation with the Nominations, Evaluation and Remuneration Committee with respect to the remuneration of the members of the Executive Committee, by a Remuneration Committee.

The Remuneration Policy defines the limits for the total annual remuneration attributable to the members of the management and supervision bodies. For the 2020/2022 term of office, the following limits apply to the total annual remuneration to be awarded, with the remuneration for each member of the bodies indicated below being distributed by resolution of the General Meeting, with due regard for the principles and rules established in the Remuneration Policy.

I. Non-executive Directors:

a) For serving on the Board of Directors: €1 475 000
b) For serving on committees of the Board of Directors: €600 000

II. Executive Directors:

a) Fixed component: €3 000 000
b) Variable Component (variable remuneration in the form of bonus): €1 300 000

III. For serving on the Audit Committee: €240 000

The remuneration of the Executive Directors is made up of a fixed component and a variable component, the latter in the form of a bonus. The variable component in the form of a bonus is in turn composed of a part in cash and another part in financial instruments, preferably CaixaBank shares, attributed in the framework and under the terms of the Remuneration Policy.

One part of the variable remuneration is paid immediately after its award, i.e., the cash and instruments that compose this non-deferred portion of the variable remuneration are transferred to the Executive Director.

The other part of the variable remuneration (the deferred part) is subject to a deferral period, phased in under the following terms:

a) On the date of payment of the variable remuneration, its non-deferred portion must be paid (hereinafter "Initial Payment Date"), i.e., the cash and instruments included in that non-deferred portion of the variable remuneration must be transferred to the Executive Director. Half of this non-deferred portion of the variable remuneration is paid in cash and the remaining half is paid in instruments.

b) Provided that the reduction assumptions set forth in Section 5.2. of the Remuneration Policy do not materialise, the deferred portion of the risk-adjusted variable remuneration shall be paid in five tranches, the amounts and dates of which are as follows:

   - 1/5 12 months after the Initial Payment Date
   - 1/5 24 months after the Initial Payment Date
   - 1/5 36 months after the Initial Payment Date
   - 1/5 48 months after the Initial Payment Date
   - 1/5 60 months after the Initial Payment Date

The cash and instruments whose award is subject to the deferral period shall only be transmitted to the Executive Director after the end of the respective phase of the deferral period.

The percentage of deferral that applies to the variable remuneration of the Executive Directors is 60 percent. This percentage of deferral may be changed if the competent authorities set absolute or relative limits for the calculation of "particularly high variable remuneration amounts", pursuant to the provisions of the EBA Guidelines.

Fixed remuneration earned in 2021

In 2021, the overall fixed remuneration of the members of the Board of Directors totalled 4 538 041 euros.

Over and above this amount there were attendance fees of 14 800 euros for their participation in the meetings of the advisory and support committees of the Board of Directors foreseen in the Articles of Association, for the year of 2020 paid in 2021.

	Member of the BD	Risk Committee	Audit Committee	Nominations, Evaluation and Remuneration Committee	Attendance fees
Fernando Ulrich	750 000				
João Pedro Oliveira Costa	743 830				
António Farinha Morais [1]	158 981				
António Lobo Xavier	81 000		48 100		
Cristina Rios Amorim	60 000	57 720		48 100	7 400
Elsa Roncon Santos	59 700	48 100	48 100		
Fátima Barros	60 000		48 100	57 720	
Francisco Manuel Barbeira	500 115				
Francisco Matos [2]	219 375				
Gonzalo Gortázar Rotaeche	60 000				
Ignacio Alvarez-Rendueles	500 000				
Javier Pano Riera	60 000	48 100			7 400
Lluís Vendrell	60 000		48 100	48 100	
Manuel Ramos Sebastião	58 900	48 100	57 720		
Natividad Capella Pifarre	60 000				
Pedro Barreto	500 080				

[1] Remuneration earned until 27 April 2021 (date of resignation from office).
[2] Remuneration earned from 28 April 2021 (date of co-optation as member of the BD).

Remuneration of the members of the Social Responsibility Committee in 2021

The overall remuneration of the members of the Social Responsibility Committee in 2021 totalled 192 400 euros. The individual amounts were as follows:

(Amounts in euros)	Fixed remuneration
Rafael Blasco	48 100
José Pena Amaral	48 100
António Morais Barreto	48 100
Maria Isabel Jonet	48 100

Variable remuneration

General Features
As referred, the members of the Board of Directors who are members of the Executive Committee may be entitled to receive a variable remuneration. This variable remuneration is dependent upon the performance of the members of the Executive Committee during a given year, and its attribution is usually decided and made during the first half of the following year.

Under the terms of the applicable Remuneration Policy, this variable remuneration is paid in cash and CaixaBank shares, and is subject to deferral, i.e., one part thereof is paid in the year in which it is attributed and another over subsequent years.

Variable remuneration relative to the performance of the members of the Executive Committee in 2021
The variable remuneration for performance in 2021 shall be subject to a decision to be taken in the first half of 2022, under the terms referred to hereinabove. However, and in accordance with the applicable accounting rules, it was assumed in Banco BPI's 2021 financial statements that the variable remuneration to be attributed to the members of the Executive Committee in the first half of 2022, with reference to financial year 2021, would amount to 1.1 million euros.

Variable remuneration relative to the performance of the members of the Executive Committee in financial years before 2021
Taking into consideration the crisis created by the Covid-19 pandemic, the members of the Executive Committee of the Board of Directors waived their performance bonuses corresponding to performance in the 2020 financial year.

However, portions of variable remuneration were paid in 2021 to the members of the Executive Committee for their performance in years prior to 2020, the payment of which had been subject to deferral under the terms referred to hereinabove. This remuneration therefore rewards performance in previous years, but it was paid in 2021 under the rules on deferral provided for in the Remuneration Policy.

Accordingly, the then members of the Executive Committee received in 2021 the following amounts of variable remuneration relative to their performance in 2017, 2018 and 2019:

In equity instruments (CaixaBank shares)

(Amounts in euros)	2017	2018	2019
Pablo Forero	12 000	13 200	12 432
Alexandre Lucena e Vale	6 628	7 948	5 245
António Farinha Morais	7 980	9 000	7 637
Francisco Manuel Barbeira	6 383	11 340	6 344
Ignacio Alvarez-Rendueles	10 661	12 240	10 336
João Pedro Oliveira Costa	12 329	14 691	10 876
José Pena do Amaral	6 780	7 980	7 238
Pedro Barreto	12 329	13 754	10 336

In cash

(Amounts in euros)	2017	2018	2019
Pablo Forero	12 000	13 200	12 432
Alexandre Lucena e Vale	6 628	7 948	5 245
António Farinha Morais	7 980	9 000	7 637
Francisco Barbeira	6 383	11 340	6 344
Ignacio Alvarez-Rendueles	10 661	1 224	10 336
João Oliveira e Costa	12 329	14 691	10 876
José Pena do Amaral	6 780	7 980	7 238
Pedro Bissaia Barreto	12 329	13 754	10 336

Long-term incentives

General Features

Banco BPI, in alignment with CaixaBank, has implemented a conditional variable remuneration scheme (Long-term Incentives Plan) linked to the 2019-2021 Strategic Plan for the Executive Board Members and a restricted group of Key Employees. The Plan's recipients are called the Beneficiaries.

Objective

- To drive the new Strategic Plan, by motivating the Beneficiaries to reach its Objectives. To retain the Beneficiaries.
- To be competitive and adapt to the trends followed by comparable credit institutions, maintaining a remuneration system pegged to a multi-annual objective, as provided for in the legislation applying to credit institutions.
- To make the remuneration of the Beneficiaries of the Plan coincide with the interest of the shareholders, in the long term.
- To reinforce the link between variable remuneration and risk appetite.
- To comply with the recommendations on corporate governance issued by the European Union, the National Securities Market Commission, proxy advisors and institutional investors, to the effect of having a Multi-Year Variable Remuneration System.

The Plan

The Plan consists in a Variable Remuneration Scheme that combines short and long-term metrics based on the Strategic Plan. It provides for the allocation of a certain number of Units to each beneficiary, free of charge and multi-annually (2019, 2020 and 2021), which will subsequently serve as a basis to determine the number of Shares to be delivered, providing the requirements set forth in the Regulation are met.

The allocation of Units does not by itself give the Beneficiaries the status of shareholders of the Company, as it does not imply the attribution of economic, political or other rights resulting from the status of shareholder. Under the current Plan the status of shareholder results from the holding of Shares.

Beneficiaries

The beneficiaries are members of the Executive Committee of the Board of Directors who are invited to participate by the Remuneration Committee. The beneficiaries also include certain Key Employees of Banco BPI, who are invited to participate in the Plan by the Board of Directors, upon the opinion of the Appointments, Assessment and Remuneration Committee, and accept to participate, in accordance with the established procedure. The maximum number of Beneficiaries of the Plan and of Shares to be allocated for each cycle will be that approved by the Remuneration Committee, for the Executive Board Members, and by the Board of Directors, for the Employees. These numbers already include any possible new inclusions of Beneficiaries in the Plan during its period of validity. In no case may the number of proposed Beneficiaries exceed the maximum number authorised by each of the said bodies.

The target incentive assumed for the 2021 plan was the following:
Chairman of the Executive Committee of the Board of Directors – 100 000 euros
Other members of the Executive Committee of the Board of Directors – 50 000 euros per member

As was the case with variable remuneration, in 2020 the members of the Executive Committee of the Board of Directors waived the long-term bonus corresponding to the 2nd cycle of the plan associated to the 2019-2021 Strategic Plan.

Remuneration of the Chairman of the General Meeting in 2020

In 2020, the overall amount of the remuneration awarded to Carlos Osório de Castro, as Chairman of the General Meeting, was 13 200 euros, paid in 11 instalments. On 30 November 2020 Carlos Osório de Castro ended his mandate and on 1 December 2020 Alexandre Lucena e Vale took over as Chairman of the Presiding Board of the General Meeting, receiving no additional remuneration for his work given that he is a member of Banco BPI's staff.

Supplementary pensions or early retirement schemes

The members of the management body who are or have been Executive Directors (or, under the previous governance model, members of the Management body) benefit from the pension plan applicable to Banco BPI's Employees in general under the same circumstances, to the extent that they were Banco BPI Employees before holding those positions and their employment suspended was suspended, under the terms of the law.

The members of the management body who were Executive Directors in the 2014/2016 term of office or who were members of this body (or, under the previous governance model, members of the Management body) in earlier terms of office, also enjoy a defined benefit scheme, a supplementary retirement benefit, as approved at the Bank's General Council meeting of 25 July 1995, which provides them with a retirement supplement the monthly amount of which depends on their monthly income as Executive Directors and on the number of years served in said positions.

The rules which govern the aforesaid benefit are set out in the Retirement Entitlement Regulations for the Members of the Management Board, approved at the above-mentioned General Council meeting.

There is a provision that the pensions paid under the Social Security which fall within any one of the following three categories shall be deducted from the pensions paid under the Executive Directors' plan:

- those relating to functions performed at BPI;
- those relating to functions performed at third party entities at BPI's indication and which BPI has recognised for that purpose;
- the pensions paid under other BPI pension plans.

Executive Directors are also entitled to a defined contribution supplementary pension benefit.

The members of the management and supervision bodies who are not nor have ever been Executive Directors (or, under the previous governance model, members of the Management body) are not entitled to any retirement benefit attributed by the Bank.

A sum of 4 338 thousand euros, corresponding to the present value of past service liabilities, was allocated to the Executive Members of the Board of Directors who at 31 December 2021 are beneficiaries of a defined contribution pension plan:

(Amounts in thousand euros)	**Amount**
Pedro Barreto	2 042
João Oliveira e Costa	2 296

Director Francisco Manuel Barbeira, who benefits from a pension scheme under the Collective Wage Agreement and/or the Social Security, had an amount of 231 th.euros allocated to him, corresponding to the present value of past service liabilities:

(Amounts in thousand euros)	**Amount**
Francisco Manuel Barbeira	231

On 28 April 2021, António Farinha Morais ended his mandate as a member of the Board of Directors, as well as of the respective Executive Committee, retiring in accordance with the Regulation on the Board Members' Right to Retirement.

In 2022, the annual cost of retirement and survivor's pensions calculated based on the actuarial evaluation of 31 December 2021, was 251 th.euros, broken down as follows:

(Amounts in thousand euros)	**Normal cost**
Pedro Barreto	110
João Oliveira e Costa	141

8. CASH AND CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS

The detail of this heading is as follows:

	Consolidated		**Individual**	
	31-12-2021	**31-12-2020**	**31-12-2021**	**31-12-2020**
Cash	291 908	266 112	291 906	266 107
Demand deposits at Bank of Portugal	5 853 703	4 023 028	5 853 703	4 023 028
Other demand deposits	100 975	246 614	94 624	241 657
Interest on demand deposits at Bank of Portugal	(764)	(511)	(764)	(511)
	6 245 822	**4 535 243**	**6 239 469**	**4 530 281**

The caption 'demand deposits at Bank of Portugal' includes deposits made to comply with the Minimum Cash Reserve requirements of the Eurosystem. The component of these deposits made to comply with the Minimum Cash Reserve requirements is currently remunerated at 0% and the surplus funds up to 6 times the minimum reserve also have a 0% remuneration rate. For surplus funds above this amount the remuneration rate is -0.5%. The minimum cash reserve corresponds to 1% of the amount of deposits and debt securities issued maturing in up to 2 years, excluding liabilities to other institutions subject to and not exempt from the same minimum cash reserve system and the liabilities to the European Central Bank and national central banks that participate in the euro.

9. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

Financial assets held for trading

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2021	**31-12-2020**
Trading derivatives	98 057	131 412
Equity instruments		
Shares in Portuguese companies	1 163	60 290
Debt securities		
Bonds issued by Portuguese government entities	360	821
Bonds issued by other foreign entities	4 258	4 952
	4 618	**5 773**
	103 838	**197 475**

Financial assets held for trading are measured at fair value, which includes credit risk and related losses, and represents the Bank's maximum exposure to credit risk.

At 31 December 2021, the caption Equity Instruments corresponds entirely to shares to hedge equity swap transactions carried out with Customers (Note 29). Hence the change in equity instruments is explained by the sale of a set of shares as a result of the decrease in the number of equity swap operations in portfolio (Note 9.1).

Financial liabilities held for trading

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2021	31-12-2020
Trading derivatives	103 937	141 345
	103 937	**141 345**

9.1. Trading derivatives (assets and liabilities)

The detail of this heading is as follows:

	Consolidated / Individual					
	31-12-2021			31-12-2020		
	Notional value	Book value		Notional value	Book value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency purchase / sale						
Foreign currency purchases against euros	584 184	10 112	509	411 559	579	8 640
Foreign currency purchases against foreign currencies	1 789	6	3	480	3	3
Sale of foreign currencies against euros	227 650	319	8 063	149 173	7 104	168
Financial futures on shares and interest rates						
Bought				213		3
Share options						
Issued				2 500	96	
Interest rate options						
Bought	673 213	6 295		497 964	6 057	
Issued	686 393	166	5 940	511 668	265	6 054
Collar						
Currency options						
Bought	27 806	76		65 059	670	
Issued	14 822		50	51 660	161	329
Collar	707 934	2 005	2 038	547 544	3 001	3 188
Other share and interest rate transactions						
Share swaps[1]	259 665	6 169	6 144	437 781	7 918	6 567
Interest rate swaps	2 587 530	72 909	81 190	2 364 156	105 558	116 393
	5 770 986	**98 057**	**103 937**	**5 039 757**	**131 412**	**141 345**
Of which: contracted in organised markets				2 713	96	3
Of which: contracted in non-organised markets	5 770 986	98 057	103 937	5 037 045	131 316	141 342

[1] The change in the caption Share swaps, essentially arises from the amortization of equity swaps operations, covered by a portfolio of shares included in assets held for trading (Note 9).

The Bank usually hedges the market risk associated with derivatives contracted with customers by contracting symmetric derivatives on the market and records both in the trading portfolio. Thus, the market risk of these operations can be considered to be insignificant.

At 31 December 2021 and 2020, the trading derivatives balance sheet captions include 7 252 th.euros and 8 885 th.euros of Credit Valuation Adjustments (CVAs) and 327 th.euros and 354 th.euros of Debit Valuation Adjustments (DVAs), respectively (Note 38.1).

10. NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2021	**31-12-2020**
Equity instruments		
Shares in Portuguese companies	7 680	7 794
Shares in foreign companies	908	1 064
Participation units of Portuguese issuers	85 506	100 586
Participation units of foreign issuers	14 061	15 703
	108 155	**125 147**
Debt securities		
Bonds issued by other Portuguese entities	49	49
Bonds issued by other foreign entities	5 305	52 265
	5 354	**52 314**
	113 509	**177 461**

In 2021 and 2020 the movement in the caption 'non-trading debt securities mandatorily at fair value through profit or loss' was as follows:

	2021	**2020**
Balance at beginning of the year	**52 314**	**62 845**
Sales	(52 564)	(4 800)
Gains/(loses) recognised as profit/(loss)	5 604	(5 731)
Balance at end of the year	**5 354**	**52 314**

Non-trading financial assets mandatorily at fair value through profit or loss are measured at fair value, which includes credit risk and respective losses, and represents the Bank's maximum exposure to credit risk.

At 31 December 2020 the portfolio of non-trading debt securities mandatorily at fair value through profit or loss includes 46 391 th.euros in perpetual debt. These securities were fully reimbursed in 2021.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This caption is made up as follows:

	Consolidated / Individual	
	31-12-2021	**31-12-2020**
Equity instruments		
Shares in Portuguese companies	101 451	93 886
Shares in foreign companies	329 938	342 186
	431 389	**436 072**
Debt securities		
Bonds issued by Portuguese government entities	438 724	653 337
Treasury Bills		200 572
Treasury Bonds	438 724	452 765
Bonds issued by foreign government entities	796 651	794 132
	1 235 375	**1 447 469**
	1 666 764	**1 883 541**

In 2021 the movement in the caption 'equity instruments at fair value through other comprehensive income' was as follows:

	Consolidated / Individual					
	31-12-2020	**Purchases**	**Sales and other**	**Gains/(losses) recognised under other comprehensive income (Note 23)**	**Potential Gains/(losses) recognised under other comprehensive income and exchange variation[1]**	**31-12-2021**
Banco de Fomento Angola, S.A.	334 200				(12 800)	321 400
SIBS	71 300				8 700	80 000
Other	30 572	300	(2 290)	991	416	29 989
	436 072	**300**	**(2 290)**	**991**	**(3 684)**	**431 389**

[1] Were recorded 28 598 th.euros related to the distribution of BFA's free reserves under Other comprehensive income (Note 27).

In 2020 the movement in BPI' consolidated and individual balance sheet caption 'equity instruments at fair value through other comprehensive income' was as follows:

	Consolidated / Individual					
	31-12-2019	Purchases	Sales	Gains/(losses) recognised under other comprehensive income (Note 23)	Potential Gains/(losses) recognised under other comprehensive income and exchange variation (Note 23)	31-12-2020
Banco de Fomento Angola, S.A.	413 747				(79 547)	334 200
SIBS	62 500				8 800	71 300
Other	32 921	1 910	(11 409)	7 076	74	30 572
	509 168	1 910	(11 409)	7 076	(70 673)	436 072

The estimated valuation values for BFA and SIBS were obtained based on the discounted future cash flow methodology, combined with comparable multiples methodologies.

In the first half of 2021, BFA's General Meeting approved:

- the distribution of 2020 earnings in the amount of AKZ 71.9 billion;
- the distribution of free reserves in the amount of AKZ 160.5 billion, to be paid in 3 instalments: 40% in September 2021, 30% in June 2022 and 30% in June 2023. The first of these instalments (in the amount of 40 million euros) was received in October.

The change in the value of the holding in BFA in 2021 was essentially due to:

- recognition of the dividend for the 2020 financial year and the distribution of free reserves approved in June 2021;
- reduction in the discount rate (KoE), essentially as a result of the narrowing of Angola's public debt market yields in USD and the equity markets risk premium;
- revision of estimates and macroeconomic scenario.

The main assumptions underlying BFA's valuation model are the following:

Main assumptions underlying BFA's valuation (DDM)

	31-12-2021	31-12-2020
Projection period	5 years	5 years
Discount rate (KoE)	17.5%	19.3%
Target capital ratio[1]	15.0%	15.0%

[1] To determine the target capital ratio to be used in the valuation, the RWA are adjusted by adding 100% of the public debt securities portfolio.

In order to determine whether there were significant changes in the estimated fair value of financial instruments classified in level 3 as a result of changes in one or more base parameters of the valuation model, Banco BPI made a sensitivity analysis on the estimated fair value of BFA determined by the Dividend Discount Method (DDM), as shown below:

Sensitivity analysis to the valuation of BFA (DDM)

	Baseline scenario	Sensitivity scenario (Cost of capital)		Sensitivity scenario (Objective capital ratio)		Sensitivity scenario (Change in AKZ/USD until 2024)	
(in million euros)		+1p.p.	-1p.p.	+1p.p.	-1p.p.	-20%	+20%
Estimated value for 48.1% of BFA	**321**	303	343	310	332	257	386
Change versus baseline scenario		-19	22	-11	11	-64	65

The main assumptions underlying SIBS's valuation model are the following:

Main assumptions underlying SIBS's valuation (DCF)

	31-12-2021	31-12-2020
Projection period	5 anos	5 anos
Discount rate (WACC)	7.2%	7.4%

The financial information on the most relevant equity holdings classified as 'Financial assets at fair value through other comprehensive income - equity instruments' is as follows:

	Registered Office	BPI ownership (%)	Voting rights (%)	Book value at 31-12-2021	Investee financial data (100%)	
					Equity	Net profit / (loss)
Banco de Fomento Angola, S.A.[1]	Angola	48.1%	48.1%	321 400	666 733	210 015
SIBS [2]	Portugal	15.0%	15.9%	80 000	187 316	40 642

[1] Equity values (unaudited accounts) converted to euros at the exchange rate of 31 December 2021 and net income converted monthly at the end of month exchange rate.

[2] Equity and net profit/(loss) values for 31-12-2020.

In 31 December 2021 the movement in the caption ''Debt securities at fair value through other comprehensive income'' was as follows:

	Consolidated / Individual			
	Quantity (unit value)	Acquisition value	Book value	Net gain/(loss)
Debt securities				
Bonds issued by Portuguese government entities				
Treasury Bonds	400 000 000	447 729	438 724	8 943
Bonds issued by foreign government entities	750 000 000	797 391	796 651	6 045
		1 245 120	**1 235 375**	**14 988**

In 31 December 2020 the movement in the caption ''Debt securities at fair value through other comprehensive income'' was as follows:

	Consolidated / Individual			
	Quantity (unit value)	Acquisition value	Book value	Net gain/(loss)
Debt securities				
Bonds issued by Portuguese government entities				
Treasury Bills	200 000 000	200 660	200 572	215
Treasury Bonds	400 000 000	447 729	452 765	13 609
Bonds issued by foreign government entities	750 000 000	784 752	794 132	16 608
		1 433 141	**1 447 469**	**30 432**

In 2021 the movement in the caption 'Debt securities at fair value through other comprehensive income' was as follows:

	Consolidated / Individual
	Total[1]
Balance at 31-12-2020	**1 447 469**
Purchases	318 918
Gains/(losses) recognised under other comprehensive income	(15 444)
Sales and redemptions	(506 940)
Accrued interest	(8 628)
Balance at 31-12-2021	**1 235 375**

[1] The totality of the assets that make up this heading are in Stage 1.

At 31 December 2021, Banco BPI holds a portfolio of medium-long term public debt with nominal value of 1 150 million euros with an average residual maturity of approximately 4 years. The sovereign debt portfolio is made up of Spanish and Italian public debt securities.

In 2020 the movement in the caption 'Debt securities at fair value through other comprehensive income' was as follows:

	Consolidated
	Total[1]
Balance at 31-12-2019	**1 377 044**
Purchases	484 074
Gains/(losses) recognised under other comprehensive income	24 383
Sales and redemptions	(426 447)
Gains/(loses) recognised as profit/(loss)	(153)
Accrued interest	(11 433)
Balance at 31-12-2020	**1 447 469**

[1] The totality of the assets that make up this heading are in Stage 1.

12. FINANCIAL ASSETS AT AMORTISED COST

The detail of financial assets at amortised cost at 31 December 2021 and 2020 is as follows:

31-12-2021

	Consolidated / Individual				
	Nominal value	Accrued interest	Discount premium	Impairment	Book value
Debt securities	6 924 705	25 086	(89 872)	(14 793)	6 845 126
Loans and advances					
Central Banks and credit institutions	1 002 428	445		(30)	1 002 843
Customers	24 767 647	33 949		(511 746)	24 289 850
	32 694 780	**59 480**	**(89 872)**	**(526 569)**	**32 137 819**

In 31 December 2021 and 2020, impairments on assets at amortized cost include 71 582 th.euros and 97 409 th.euros, respectively, of unallocated impairments resulting from the uncertainty of the impact of the current situation of the Covid-19 pandemic on the economy, on the Bank's customers and in the valuation of collaterals received, the identification of customers with alerts not captured by the Rating models (bottom-up approach) and the expectation of default on credits with moratoria.

31-12-2020

	Consolidated				
	Nominal value	Accrued interest	Discount premium	Impairment	Book value
Debt securities	5 849 220	34 528	(99 735)	(11 252)	5 772 761
Loans and advances					
Central Banks and credit institutions	1 594 635	376		(18)	1 594 993
Customers	23 044 130	71 983		(479 897)	22 636 216
	30 487 985	**106 887**	**(99 735)**	**(491 167)**	**30 003 970**

31-12-2020

	Individual				
	Nominal value	Accrued interest	Discount premium	Impairment	Book value
Debt securities	5 849 220	34 528	(99 735)	(11 252)	5 772 761
Loans and advances					
Central Banks and credit institutions	1 588 154	376		(18)	1 588 512
Customers	23 044 130	71 872		(479 897)	22 636 105
	30 481 504	**106 776**	**(99 735)**	**(491 167)**	**29 997 378**

12.1. Debt securities

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2021	**31-12-2020**
Sovereign debt		
Portuguese sovereign debt	1 958 015	1 914 294
Foreign sovereign debt	1 703 594	1 243 498
	3 661 609	**3 157 792**
Customer debt		
Other Portuguese public issuers	546 029	452 492
Other Portuguese issuers	2 255 296	2 134 136
Other foreign issuers	396 985	39 593
	3 198 310	**2 626 221**
Impairment	**(14 793)**	**(11 252)**
	6 845 126	**5 772 761**

The detail of debt securities at amortised cost at 31 December 2021 is as follows:

	Consolidated / Individual		
	Quantity	Acquisition value	Book value
Sovereign debt			
Portuguese sovereign debt	1 780 000 000	2 026 619	1 958 015
Foreign sovereign debt	1 670 000 000	1 708 647	1 703 594
	3 450 000 000	**3 735 266**	**3 661 609**
Customer debt			
Other Portuguese public issuers	543 755 000	543 755	546 029
Other Portuguese issuers	2 261 486 369	2 248 888	2 255 296
Other foreign issuers	395 274 625	396 795	396 985
	3 200 515 994	**3 189 438**	**3 198 310**
			6 859 919
Impairment			**(14 793)**
	6 650 515 994	**6 924 704**	**6 845 126**

The detail of debt securities at amortised cost at 31 December 2020 is as follows:

	Consolidated / Individual		
	Quantity	Acquisition value	Book value
Sovereign debt			
Portuguese sovereign debt	1 750 000 000	1 976 262	1 914 294
Foreign sovereign debt	1 200 000 000	1 255 092	1 243 498
	2 950 000 000	**3 231 354**	**3 157 792**
Customer debt			
Other Portuguese public issuers	450 455 000	450 455	452 492
Other Portuguese issuers	2 139 781 319	2 128 002	2 134 136
Other foreign issuers	38 286 456	39 410	39 593
	2 628 522 775	**2 617 867**	**2 626 221**
			5 784 013
Impairment			**(11 252)**
	5 578 522 775	**5 849 221**	**5 772 761**

In 31 December 2021, Banco BPI holds medium and long-term public debt portfolio with a nominal amount of 3 391 million euros with an average residual maturity of approximately 4 years. The foreign sovereign debt portfolio is made up of Spanish, Italian and American public debt securities.

Customer debt securities at amortised cost include essentially issues of commercial paper and bonds of Corporate Banking and Institutional Banking Customers associated to Banco BPI's commercial loans portfolio.

The portfolio of Customer debt securities at amortised cost includes securities designated as interest rate hedged assets, the fair value change of which at 31 December 2021 and 2020 amounted to 10 365 th.euros and 19 064 th.euros, respectively.

At 31 December 2021 and 2020, Customer debt securities included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (Note 19), namely 32 552 th.euros and 41 684 th.euros, respectively, allocated as collateral for public sector bonds.

In 2021 the movement in the caption Debt securities at amortised cost was as follows:

	Consolidated / Individual			
	Debt securities	Of which:		
		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2020	**5 784 013**	**5 667 994**	**103 506**	**12 513**
Exposure increases / reductions	1 076 606	1 070 738	6 683	(815)
Transfers:				
From stage 2			(1 393)	1 393
Write-offs	(700)			(700)
Balance at 31-12-2021	**6 859 919**	**6 738 732**	**108 796**	**12 391**

In 2020 the movement in the caption Debt securities at amortised cost was as follows:

	Consolidated				Individual			
	Debt securities	Of which:			Debt securities	Of which:		
		Stage 1:	Stage 2:	Stage 3:		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2019	**4 036 017**	**4 016 326**	**5 954**	**13 737**	**4 036 090**	**4 016 399**	**5 954**	**13 737**
Exposure increases / reductions	1 747 996	1 697 937	51 283	(1 224)	1 747 923	1 697 864	51 283	(1 224)
Transfers:								
From stage 1		(46 269)	46 269			(46 269)	46 269	
Balance at 31-12-2020	**5 784 013**	**5 667 994**	**103 506**	**12 513**	**5 784 013**	**5 667 994**	**103 506**	**12 513**

In 2021 the movement in impairments due to expected loss on securities at amortised cost was as follows:

	Consolidated / Individual			
	Debt securities	Of which:		
		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2020	**(11 252)**	**(2 171)**	**(5 114)**	**(3 967)**
Increase / (reversal) of impairments	(4 241)	(2 784)	(1 425)	(32)
Transfers:				
From Stage 2			957	(957)
Write-offs	700			700
Balance at 31-12-2021	**(14 793)**	**(4 955)**	**(5 582)**	**(4 256)**

In 2020 the movement in impairments due to expected loss on securities at amortised cost was as follows:

	Consolidated / Individual			
	Debt securities	Of which:		
		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2019	**(6 340)**	**(1 424)**	**(62)**	**(4 854)**
Increase / (reversal) of impairments	(4 912)	(3 466)	(2 333)	887
Transfers:				
From Stage 1		2 719	(2 719)	
Balance at 31-12-2020	**(11 252)**	**(2 171)**	**(5 114)**	**(3 967)**

12.2. Loans and advances

Loans and advances - Central Banks and other Credit Institutions

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Loans and advances to the Bank of Portugal	4 300	4 000	4 300	4 000
Loans and advances to Credit Institutions in Portugal				
Very short term applications	12 802	52 970	12 802	52 970
Cheques for collection	31 548	30 774	31 548	30 774
Loans	394 091	368 394	394 091	368 394
Other	2 180	55	2 180	55
Other loans and advances	5 493	11 114	5 493	11 114
Interest receivable and commissions relating to amortised cost	297	259	297	259
	446 411	463 566	446 411	463 566
Loans and advances to other Credit Institutions abroad				
Very short term applications	166 067	96 934	166 067	96 934
Deposits	143 879	390 312	143 879	383 831
Cheques for collection	297	303	297	303
Loans	2 184		2 184	
Reverse repurchase agreements		327 143		327 143
Other loans and advances	235 454	308 028	235 454	308 028
Interest receivable and commissions relating to amortised cost	148	117	148	117
Debtors for futures operations	4 133	4 608	4 133	4 608
	552 162	1 127 445	552 162	1 120 964
Impairment	(30)	(18)	(30)	(18)
	1 002 843	**1 594 993**	**1 002 843**	**1 588 512**

As of 31 December 2020, the detail of securities received as collateral associated with repurchase agreements is as follows:

	31-12-2020		
	Nominal amount	**Valuation**	**Fair value**
Securities received as collateral	296 145	29 894	326 039

As of 31 December 2021 there were no securities received as collateral associated with repurchase agreements.

Loans and advances - Customers

This caption is made up as follows:

	Consolidated		**Individual**	
	31-12-2021	**31-12-2020**	**31-12-2021**	**31-12-2020**
Loans to Customers				
Companies				
Loans	7 261 508	6 861 546	7 261 508	6 861 435
Loans on current account	462 457	456 886	462 457	456 886
Demand deposits - overdrafts	170 144	203 584	170 144	203 584
Invoices received – factoring	1 023 149	964 412	1 023 149	964 412
Finance leases	414 968	380 182	414 968	380 182
Real estate leasing	449 097	440 748	449 097	440 748
Car finance	266 392	249 505	266 392	249 505
Other loans	26 983	31 975	26 983	31 975
Individuals	14 631 842	13 480 993	14 631 842	13 480 993
Other loans and advances [1]	95 056	46 282	95 056	46 282
Impairment	(511 746)	(479 897)	(511 746)	(479 897)
	24 289 850	**22 636 216**	**24 289 850**	**22 636 105**

[1] The caption ''Other loans and advances'' essentially refers to margin accounts.

At 31 December 2021 and 2020, the caption ‘Loans and advances to Customers’ included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (Note 19), namely:

- 8 652 849 th.euros and 8 595 981 th.euros, respectively, allocated as collateral to mortgage bonds;
- 763 500 th.euros and 746 853 th.euros, respectively, allocated as collateral to public sector bonds.

The portfolio of Loans to Customers includes Loans designated as interest rate hedged assets, the fair value change of which at 31 December 2021 and 2020 amounted to 22 180 th.euros and 60 794 th.euros, respectively.

In the consolidated balance sheet of BPI, the breakdown of loans and advances to Customers by activity is as follows:

	Consolidated			
	31-12-2021		31-12-2020	
	Gross amount	Impairment	Gross amount	Impairment
Public sector	1 341 645	(960)	1 230 044	(343)
Other financial corporations and individual entrepreneurs (financial business)	172 929	(22 458)	106 811	(750)
Non-financial corporations and individual entrepreneurs (non-financial business)	8 655 179	(296 117)	8 298 265	(302 451)
Real estate development	91 040	(1 109)	156 449	(1 399)
Civil construction	416 169	(9 437)	401 913	(12 182)
Other	8 147 970	(285 571)	7 739 903	(288 870)
Large companies	2 264 565	(84 728)	2 372 425	(93 100)
Small and medium-sized companies	5 883 405	(200 843)	5 367 478	(195 770)
Individuals	14 631 843	(192 211)	13 480 993	(176 353)
Homes	13 089 202	(141 873)	12 008 743	(133 482)
Consumer spending	1 528 241	(49 541)	1 458 249	(42 011)
Other	14 400	(797)	14 001	(860)
	24 801 596	**(511 746)**	**23 116 113**	**(479 897)**

In the individual balance sheet of BPI, the breakdown of loans and advances to Customers by activity is as follows:

	Individual			
	31-12-2021		31-12-2020	
	Gross amount	Impairment	Gross amount	Impairment
Public sector	1 341 645	(960)	1 230 044	(343)
Other financial corporations and individual entrepreneurs (financial business)	172 929	(22 458)	106 811	(750)
Non-financial corporations and individual entrepreneurs (non-financial business)	8 655 179	(296 117)	8 298 154	(302 451)
Real estate development	91 040	(1 109)	156 449	(1 399)
Civil construction	416 169	(9 437)	401 913	(12 182)
Other	8 147 970	(285 571)	7 739 792	(288 870)
Large companies	2 264 565	(84 728)	2 372 425	(93 100)
Small and medium-sized companies	5 883 405	(200 843)	5 367 367	(195 770)
Individuals	14 631 843	(192 211)	13 480 993	(176 353)
Homes	13 089 202	(141 873)	12 008 743	(133 482)
Consumer spending	1 528 241	(49 541)	1 458 249	(42 011)
Other	14 400	(797)	14 001	(860)
	24 801 596	**(511 746)**	**23 116 002**	**(479 897)**

The movement in the caption Loans and advances to Customers in 2021 was as follows:

	Consolidated				Individual			
	Loans and advances	Of which: Stage 1	Stage 2	Stage 3	Loans and advances	Of which: Stage 1	Stage 2	Stage 3
Balance at 31-12-2020	**23 116 113**	**20 625 580**	**1 900 568**	**589 965**	**23 116 002**	**20 625 469**	**1 900 568**	**589 965**
Exposure increases / reductions	**1 742 572**	**2 005 184**	**(213 771)**	**(48 842)**	**1 742 683**	**2 005 295**	**(213 771)**	**(48 842)**
Transfers								
From stage 1:		(827 673)	755 300	72 373		(827 673)	755 300	72 373
From stage 2:		644 242	(761 878)	117 636		644 242	(761 878)	117 636
From stage 3:		8 579	39 432	(48 011)		8 579	39 432	(48 011)
Write-offs	(17 357)			(17 357)	(17 357)			(17 357)
Sales	(39 732)		(19)	(39 713)	(39 732)		(19)	(39 713)
Balance at 31-12-2021	**24 801 596**	**22 455 912**	**1 719 632**	**626 051**	**24 801 596**	**22 455 912**	**1 719 632**	**626 051**

The movement in the caption Loans and advances to Customers in 2020 was as follows:

	Consolidated				Individual			
	Loans and advances	Of which: Stage 1	Stage 2	Stage 3	Loans and advances	Of which: Stage 1	Stage 2	Stage 3
Balance at 31-12-2019	**22 347 267**	**20 364 038**	**1 241 654**	**741 575**	**22 346 645**	**20 363 416**	**1 241 654**	**741 575**
Exposure increases / reductions	**884 000**	**1 022 501**	**(83 603)**	**(54 898)**	**884 510**	**1 023 012**	**(83 603)**	**(54 898)**
Transfers								
From stage 1:		(1 143 500)	1 092 767	50 733		(1 143 500)	1 092 767	50 733
From stage 2:		382 312	(453 122)	70 810		382 312	(453 122)	70 810
From stage 3:		16 519	102 873	(119 392)		16 519	102 873	(119 392)
Write-offs	(37 387)	(1)	(1)	(37 385)	(37 387)	(1)	(1)	(37 385)
Sales	(77 767)	(16 289)		(61 478)	(77 767)	(16 289)		(61 478)
Balance at 31-12-2020	**23 116 113**	**20 625 580**	**1 900 568**	**589 965**	**23 116 002**	**20 625 469**	**1 900 568**	**589 965**

In 2021 the movement in impairments due to expected loss on Loans and advances to Customers was as follows:

	Consolidated / Individual			
	Impairments for loans and advances	Of which:		
		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2020	**(479 897)**	**(80 029)**	**(86 929)**	**(312 939)**
Impairment / reversal of impairment due to changes in credit risk	(82 493)	6 457	(9 818)	(79 132)
Impairment allowance for new financial assets[1]	(31 305)	(23 603)	(3 941)	(3 761)
Reversal of impairments due to reimbursements and recoveries[1]	41 214	11 661	7 105	22 448
Net impairment [2]	(72 584)	(5 485)	(6 654)	(60 445)
Write-offs	17 357			17 357
Sales	23 396		6	23 390
Transfers and other	(18)	(18)		
Balance at 31-12-2021	**(511 746)**	**(85 532)**	**(93 577)**	**(332 637)**

[1] Includes automatically renewed operations.

[2] Includes (842) th.euros related to impairments to offset part of the interest on credits in stage 3, included in net interest income.

In 2020 the movement in impairments due to expected loss on Loans and advances to Customers was as follows:

	Consolidated / Individual			
	Impairments for loans and advances	Of which:		
		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2019	**(390 317)**	**(33 999)**	**(47 718)**	**(308 600)**
Impairment / reversal of impairment due to changes in credit risk	(173 161)	(37 594)	(40 229)	(95 338)
Impairment allowance for new financial assets[1]	(64 948)	(22 259)	(3 723)	(38 966)
Reversal of impairments due to reimbursements and recoveries[1]	74 452	13 877	4 740	55 835
Net impairment [2]	(163 657)	(45 976)	(39 212)	(78 469)
Write-offs	37 387	1	1	37 385
Sales	36 739			36 739
Transfers and other	(49)	(55)		6
Balance at 31-12-2020	**(479 897)**	**(80 029)**	**(86 929)**	**(312 939)**

[1] Includes automatically renewed operations.

[2] Includes 2 957 th.euros related to impairments to offset part of the interest on credits in stage 3, included in net interest income.

12.3. Written-off loans

Written-off loans

The movement in loans written off from assets in 2021 and 2020 was as follows:

	Consolidated / Individual	
	31-12-2021	31-12-2020
Balance at beginning of period	**998 327**	**1 031 162**
Increases:		
Written-off loans	18 058	37 387
Decreases:		
Recovery of written-off principal and interest	(9 027)	(8 201)
Amount received on sale of written-off loans	(24 059)	(4 335)
Remission of written-off credits due to disposals	(240 329)	(53 098)
Other	(461)	(4 588)
Balance at end of period	**742 509**	**998 327**

Written-off loans because its recovery was deemed to be remote are recognised under the off-balance sheet caption "Written-off loans".

In the 1st quarter of 2021, Banco BPI sold a portfolio of non-performing loans for a global amount of 276 million euros, of which 266 million euros in written-off loans (recognised in off-balance sheet items) and 10 million euros in loans net of impairments (recognised in the balance sheet, of which the gross amount was 30 million euros and the impairment 20 million euros). This operation generated a result of 23 million euros (Note 33).

In the 4th quarter of 2020, Banco BPI sold a portfolio of non-performing loans for a global amount of 73 million euros, of which 57 million euros in written-off loans (recognised in off-balance sheet items) and 16 million euros in loans net of impairments (recognised in the balance sheet, of which the gross amount was 54 million euros and the impairment 38 million euros). This operation generated a result of 5 million euros (Note 33).

13. DERIVATIVES – HEDGE ACCOUNTING

The detail of hedging derivatives is as follows:

	Consolidated / Individual					
	31-12-2021			31-12-2020		
	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Interest rates	7 892 992	25 174	15 859	8 239 140	1 453	63 724
By type of counterparty:						
Of which: OTC - credit institutions	686 559	24 952	14 106	757 937	1 395	63 724
Of which: OTC - other financial companies	7 206 433	222	1 753	7 481 203	58	

The residual time to maturity of hedging items at 31 December 2021, was as follows:

	Consolidated / Individual					
	Notional Amount					
	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Fair value hedges	**280 006**	**882 707**	**2 771 437**	**3 334 245**	**624 597**	**7 892 992**
Credit	29 860	30 000	142 100	778 478	624 597	1 605 035
Term Deposits	250 146	852 707	2 629 337	1 605 767		5 337 957
Debt issues				950 000		950 000

The residual time to maturity of hedging items at 31 December 2020 was as follows:

	Consolidated / Individual					
	Notional Amount					
	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Fair value hedges	**245 221**	**453 065**	**1 810 964**	**5 076 815**	**653 075**	**8 239 140**
Credit	19 475	8 000	103 000	1 098 770	651 075	1 880 320
Term Deposits	225 746	445 065	1 707 964	3 028 045	2 000	5 408 820
Debt issues				950 000		950 000

Hedging items - Fair value hedges

	Hedged risk	Hedging instrument used	Hedged item	Consolidated / Individual									
				31-12-2021			2021		31-12-2020			2020	
				Hedging instrument value			Fair value change in hedging instruments in the period	Gains/(losses) from hedge accounting, net	Hedging instrument value			Fair value change in hedging instruments in the period	Gains/(losses) from hedge accounting, net
				Nominal	Assets	Liabilities			Nominal	Assets	Liabilities		
Macro-hedges	Transformation from fixed to floating	Interest rate swaps (IRS and CCS)	Credit (loans and securities)	1 605 035	599	15 200	45 636	(1 678)	1 880 320	998	20 745	(32 119)	(1 079)
			Fixed rate securities in portfolio										
			Term deposits	5 337 957	24 575	659	(15 472)	(528)	5 408 820	455	42 979	6 638	(746)
			Debt issues	950 000			(11 550)	80	950 000			6 557	(144)
				7 892 992	**25 174**	**15 859**	**18 615**	**(2 125)**	**8 239 140**	**1 453**	**63 724**	**(18 925)**	**(1 969)**

Hedged items - Fair value hedges

	Hedged risk	Hedging instrument used	Hedged item	31-12-2021				2021	31-12-2020				2020
				Hedged instrument		Accumulated fair value adjustments in the hedged item		Fair value change in hedged items in the period	Hedged instrument		Accumulated fair value adjustments in the hedged item		Fair value change in hedged items in the period
				Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities	
Macro-hedges	Transformation from fixed to floating	Interest rate swaps (IRS and CCS)	Credit (loans and securities)	1 379 830		32 544		(47 314)	1 776 537		79 858		31 040
			Fixed rate securities in portfolio										
			Term Deposits		5 093 711		(2 368)	14 944		5 232 905		12 029	(7 384)
			Debt issues		947 046		704	11 630		961 613		12 334	(6 701)
				1 379 830	**6 040 757**	**32 544**	**(1 664)**	**(20 740)**	**1 776 537**	**6 194 518**	**79 858**	**24 363**	**16 956**

In 2021 and 2020, changes in the fair value of the hedged items under the heading '' Term deposits '' include, respectively, 862 th.euros and 1 720 th.euros relating to capital gains on the early settlement of term deposits.

14. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The detail of investments in joint ventures and associates is as follows:

	Effective holding (%)		Consolidated		Individual	
			Book value		Book value	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Investments in subsidiaries						
BPI Incorporated	100.0%	100.0%			4	4
BPI Suisse, S.A.	100.0%	100.0%			2 022	2 022
Investments in associates						
Banco Comercial e de Investimentos, S.A.	35.7%	35.7%	123 947	85 116	39 651	39 651
Companhia de Seguros Allianz Portugal, S.A.	35.0%	35.0%	78 099	81 211	41 680	41 680
Cosec – Companhia de Seguros de Crédito, S.A.	50.0%	50.0%	39 546	37 660	7 051	7 051
Unicre - Instituição Financeira de Crédito, S.A.	21.0%	21.0%	32 329	33 827	5 850	5 850
Inter-Risco – Sociedade de Capital de Risco, S.A.	49.0%	49.0%		365		196
			273 921	**238 179**	**96 258**	**96 454**
BPI INC - Cauções					716	660
			273 921	**238 179**	**96 974**	**97 114**

Note: Book values net of impairments

The movement that occurred in investments in joint ventures and associates during 2021 was as follows:

	Consolidated			
	Book Value	Goodwill	Impairment[1]	Total
Balance at 31-12-2020	**225 373**	**18 467**	**(5 661)**	**238 179**
Net profit / (loss) for the year	47 762			
Dividends [2]	(26 542)			
Exchange difference	22 794			
Impairment allowance for equity holding in InterRisco			(201)	
Changes in associates' other comprehensive income	(5 306)			
Other[3]	(2 765)			
Balance at 31-12-2021	**261 316**	**18 467**	**(5 862)**	**273 921**

[1] Impairment for Unicre and InterRisco equity holdings.

[2] Corresponds to dividends from BCI, Cosec, Allianz and Unicre.

[3] Essentially includes the impact of the transition to IFRS 9 of Banco Comercial e de Investimentos, S.A.

The movement that occurred in investments in joint ventures and associates during 2020 was as follows:

	Consolidated			
	Book Value	Goodwill	Impairment[1]	Total
Balance at 31-12-2019	**234 384**	**18 467**	**(5 661)**	**247 190**
Net profit / (loss) for the year	27 694			
Dividends distributed [2]	(12 510)			
Exchange difference	(26 537)			
Changes in associates' other comprehensive income	2 342			
Balance at 31-12-2020	**225 373**	**18 467**	**(5 661)**	**238 179**

[1] Impairment for Unicre equity holding.

[2] Corresponds to dividends from Allianz and BCI.

In the consolidated accounts, the amount of goodwill resulted from the acquisition of equity holdings in Unicre (13 194 th.euros) and BCI Moçambique (5 273 th.euros).

The breakdown of profit or loss of investments in joint ventures and associates accounted for using the equity method is as follows:[1]

	Consolidated	
	31-12-2021	31-12-2020
Banco Comercial e de Investimentos, S.A.R.L.	24 649	9 148
Companhia de Seguros Allianz Portugal, S.A.	15 283	13 423
Cosec – Companhia de Seguros de Crédito, S.A.	4 137	82
InterRisco - Sociedade de Capital de Risco, S.A.	(165)	(53)
Unicre - Instituição Financeira de Crédito, S.A.	3 858	5 094
	47 762	**27 694**

[1] Banco BPI's subsidiaries and associates contribution to the consolidated profit or loss is detailed in Note 37.

At 31 December 2021 the financial information relating to BPI's associated companies is broken down as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Banco Comercial e de Investimentos, S.A.[1]	1 523 369	1 079 889	2 140 079	130 508
Companhia de Seguros Allianz Portugal, S.A.	259 495	1 230 145	561 737	718 823
Cosec – Companhia de Seguros de Crédito, S.A.	138 218	4 100	87 706	1 056
Inter-Risco - Sociedade de Capital de Risco, S.A.	797	166	332	30
Unicre - Instituição Financeira de Crédito, S.A.	134 207	275 177	138 080	152 459

	Net income from continuing operations	Net profit/(loss) from continuing operations	Other comprehensive income	Total comprehensive income[2]
Banco Comercial e de Investimentos, S.A.[1]	71 999	71 999	1 342	73 342
Companhia de Seguros Allianz Portugal, S.A.	n.d.	39 428	(22 558)	16 870
Cosec – Companhia de Seguros de Crédito, S.A.	n.d.	5 660	3 072	8 732
Inter-Risco - Sociedade de Capital de Risco, S.A.	1 051	(146)	0	(146)
Unicre - Instituição Financeira de Crédito, S.A.	75 942	19 510	8 884	28 394

[1] Amounts converted to euros at the exchange rate of 31 December 2021.

[2] Corresponds to the sum of net profit/(loss) from continuing operations and other comprehensive income.

At 31 December 2020 the financial information relating to BPI's associated companies is broken down as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Banco Comercial e de Investimentos, S.A.	1 180 317	904 847	1 661 766	199 231
Companhia de Seguros Allianz Portugal, S.A.	278 072	1 186 894	534 829	707 927
Cosec – Companhia de Seguros de Crédito, S.A.	133 481	4 383	85 399	391
Inter-Risco - Sociedade de Capital de Risco, S.A.	887	180	287	34
Unicre - Instituição Financeira de Crédito, S.A.	123 162	245 213	190 544	67 695

	Net income from continuing operations	Net profit/(loss) from continuing operations	Other comprehensive income	Total comprehensive income[2]
Banco Comercial e de Investimentos, S.A.	165 896	29 028	(1 123)	27 905
Companhia de Seguros Allianz Portugal, S.A.	n.d.	36 571	7 803	44 374
Cosec – Companhia de Seguros de Crédito, S.A.	n.d.	2 373	2 602	4 975
Inter-Risco - Sociedade de Capital de Risco, S.A.	1 098	(112)	0	(112)
Unicre - Instituição Financeira de Crédito, S.A.	76 845	23 919	4 101	28 020

[1] Amounts converted to euros at the exchange rate of 31 December 2020.

[2] Corresponds to the sum of net profit/(loss) from continuing operations and other comprehensive income.

15. TANGIBLE ASSETS

The movement in tangible assets during 2021 and 2020 was as follows:

	Consolidated									
	2021					2020				
	Buildings	Equipment and other	Tangible assets in progress	IFRS 16 rights of use[1]	Total	Buildings	Equipment and other	Tangible assets in progress	IFRS 16 rights of use	Total
Gross amount										
Balance at beginning of the year	83 622	338 311	25 444	112 725	560 102	72 152	336 384	32 023	111 333	551 892
Acquisitions	618	1 176	20 378	99 614	121 786		3 048	13 415	6 614	23 077
Disposals and write-offs	(115)	(3 844)		(30 955) [2]	(34 914)	(1 025)	(5 985)		(7 299)	(14 309)
Transfers and other	19 224	5 722	(27 617)	(3 305)	(5 976)	12 495	4 855	(19 994)	2 077	(567)
Foreign exchange differences		87			87		9			9
Balance at end of the year	103 349	341 452	18 205	178 079	641 085	83 622	338 311	25 444	112 725	560 102
Depreciation										
Balance at beginning of the year	62 282	300 473		44 472	407 227	60 825	296 983		24 520	382 328
Depreciation in the year	7 542	8 447		26 838	42 827	2 472	8 938		24 812	36 222
Disposals and write-offs	(57)	(3 757)		(13 812)	(17 626)	(1 015)	(5 455)		(4 860)	(11 330)
Foreign exchange differences		83			83		7			7
Balance at end of the year	69 242	305 103		57 516	431 861	62 282	300 473		44 472	407 227
Net value at end of the year	**34 107**	**36 349**	**18 205**	**120 563**	**209 224**	**21 340**	**37 838**	**25 444**	**68 253**	**152 875**

[1] Corresponds to the rights of use of buildings. The caption "Other financial liabilities at amortised cost - Lease liabilities (IFRS 16)" (Note 19.4) shows the present value of the future lease payments scheduled in accordance with the duration of the contracts.
[2] Cancellation or renegotiation of contracts, and in particular cancellation of the central buildings contracts, which were renegotiated

In 2021, tangible assets in progress include works in rented property in the amount of 14.4 million euros.

The lease contract for the Monumental Building was signed In June 2021, which, under IFRS 16, implied the recognition of a right-of-use in the amount of 61 million euros. As part of the project to concentrate the Bank's central buildings, the lease contracts for 3 central buildings in Lisbon and Porto were also renegotiated, which implied the recognition of new rights of use in the amount of 37 million euros and a write-off of 18 million euros for the cancellation of the previous contracts.

The movement in tangible assets during 2021 and 2020 was as follows:

	Individual									
	2021					2020				
	Buildings	Equipment and other	Tangible assets in progress	IFRS 16 rights of use	Total	Buildings	Equipment and other	Tangible assets in progress	IFRS 16 rights of use	Total
Gross amount										
Balance at beginning of the year	83 622	336 423	25 444	112 724	558 213	72 152	334 525	32 023	111 333	550 033
Acquisitions	618	1 164	20 378	99 614	121 774		3 028	13 415	6 613	23 056
Disposals and write-offs	(115)	(3 844)		(30 955)	(34 914)	(1 025)	(5 985)		(7 299)	(14 309)
Transfers and other	19 224	5 721	(27 616)	(3 303)	(5 974)	12 495	4 855	(19 994)	2 077	(567)
Balance at end of the year	103 349	339 464	18 206	178 080	639 099	83 622	336 423	25 444	112 724	558 213
Depreciation										
Balance at beginning of the year	62 282	298 741		44 472	405 495	60 825	295 381		24 520	380 726
Depreciation in the year	7 542	8 359		26 838	42 739	2 472	8 815		24 812	36 099
Disposals and write-offs	(57)	(3 757)		(13 811)	(17 625)	(1 015)	(5 455)		(4 860)	(11 330)
Balance at end of the year	69 242	303 200		57 517	429 959	62 282	298 741		44 472	405 495
Net value at end of the year	**34 107**	**36 264**	**18 206**	**120 563**	**209 140**	**21 340**	**37 682**	**25 444**	**68 252**	**152 718**

16. INTANGIBLE ASSETS

The movement in intangible assets during 2021 and 2020 was as follows:

	Consolidated / Individual							
	2021				2020			
	Automatic data processing software	Intangible assets in progress	Other intangible assets	Total	Automatic data processing software	Intangible assets in progress	Other intangible assets	Total
Gross amount								
Balance at beginning of the year	207 796	8 493	14 416	230 705	169 774	12 957	14 667	197 398
Acquisitions	614	30 300		30 914	2 868	32 042		34 910
Disposals and write-offs			(131)	(131)			(251)	(251)
Transfers and other	28 673	(29 722)		(1 049)	35 154	(36 506)		(1 352)
Balance at end of the year	237 083	9 071	14 285	260 439	207 796	8 493	14 416	230 705
Depreciation								
Balance at beginning of the year	129 324		14 416	143 740	116 883		14 667	131 550
Depreciation in the year	18 392			18 392	12 441			12 441
Disposals and write-offs			(131)	(131)			(251)	(251)
Balance at end of the year	147 716		14 285	162 001	129 324		14 416	143 740
Net value at end of the year	**89 367**	**9 071**		**98 438**	**78 472**	**8 493**		**86 965**

17. OTHER ASSETS

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Accrued income				
Dividends receivable from Banco de Fomento Angola (Note 11)	56 407		56 407	
Fees for Allianz's profit sharing	23 389	27 019	23 389	27 019
Other accrued income	53 342	46 620	50 975	43 929
	133 138	**73 639**	**130 771**	**70 948**
Deferred expenses				
Rents	1 201	1 962	1 201	1 962
Other deferred expenses	3 551	4 395	3 551	4 395
	4 752	**6 357**	**4 752**	**6 357**
Liabilities for pensions and other benefits[1] (Note 22)				
Past service liabilities	2 000 302		2 000 302	
Pension fund assets	(1 943 175)		(1 943 175)	
	57 127		**57 127**	
Other assets	17 917	5 581	17 897	5 370
Securities transactions pending settlement - stock exchange transactions		3		3
Assets pending settlement	53 247	64 090	53 247	64 090
Impairment for other assets	(904)		(904)	
	70 260	**69 674**	**70 240**	**69 463**
	265 277	**149 670**	**262 890**	**146 768**

[1] At 31 December 2020 it is recorded in the caption 'Other liabilities'.

At 31 December 2021 and 2020, the caption other income receivable includes 38 709 th.euros and 36 741 th.euros, respectively, relating to income receivable from group companies.

The amount in the caption 'Credit operations pending settlement' includes:

- At 31 December 2021 and 2020, 8 605 th.euros and 13 613 th.euros, respectively, relating to taxes paid but which were challenged by Banco BPI, of which:
  - 4 848 th.euros registered in 2020 and 2021 for VAT-related legal proceedings already decided in favour of Banco BPI and pending receipt of the sums in question;
  - 2 172 th.euros relating to proceedings paid under Decree-Law 248-A/02 of 14 November, and 1 585 th.euros relating to other proceedings (tax processes of various types) prior to the merger carried out in 2002.
- At 31 December 2021 and 2020, 7 715 th.euros and 5 572 th.euros, respectively, concerning transactions pending settlement in respect of services provided to other CaixaBank Group companies.
- At 31 December 2021 and 2020, 1 339 th.euros and 1 494 th.euros, respectively, concerning mortgage loans pending settlement.
- At 31 December 2021 and 2020, 10 201 th.euros and 14 961 th.euros, respectively, in cheques issued for mortgage loan deeds.

18. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2021	**31-12-2020**
Assets received in settlement of defaulting loans and other tangible assets		
Buildings	8 875	12 313
Equipment	413	172
Other	1	1
Impairment	(4 191)	(4 597)
	5 098	**7 889**

The amounts recognised in this caption are valued in accordance with the accounting policy described in Notes 2.16 and 38.2.

The changes in assets received in settlement of defaulting loans and other tangible assets in 2021 were as follows:

	Consolidated / Individual									
	Balance at 31-12-2020			Acquisitions and transfers	Sales and write-offs		Increase / reversals of impairment	Balance at 31-12-2021		
	Gross amount	Impairment	Net value		Gross amount	Impairment		Gross amount	Impairment	Net value
Assets received in settlement of defaulting loans										
Buildings	12 313	(4 538)	7 775	571	(4 517)	559	(56)	8 367	(4 035)	4 332
Equipment	172	(58)	114	969	(728)	20	(117)	413	(155)	258
Other	1	(1)						1	(1)	
Other tangible assets										
Buildings				508				508		508
	12 486	**(4 597)**	**7 889**	**2 048**	**(5 245)**	**579**	**(173)**	**9 289**	**(4 191)**	**5 098**

The changes in assets received in settlement of defaulting loans and other tangible assets in 2020 were as follows:

	Consolidated / Individual									
	Balance at 31-12-2019			Acquisitions and transfers	Sales and write-offs		Increase / reversals of impairment	Balance at 31-12-2020		
	Gross amount	Impairment	Net value		Gross amount	Impairment		Gross amount	Impairment	Net value
Assets received in settlement of defaulting loans										
Buildings	24 867	(10 339)	14 528	2 814	(15 368)	5 706	95	12 313	(4 538)	7 775
Equipment	179	(146)	33	969	(976)	95	(7)	172	(58)	114
Other	1	(1)						1	(1)	
	25 047	**(10 486)**	**14 561**	**3 783**	**(16 344)**	**5 801**	**88**	**12 486**	**(4 597)**	**7 889**

At 31 December 2021, the detail of real estate received in settlement of defaulting loans is as follows:

		Buildings			Land		
		Housing	Commercial	Other[1]	Urban	Rural	Total
No. of properties		76	19	13	7	2	**117**
Fair value		7 046	1 013	1 688	573	6	**10 326**
Book value		**2 938**	**440**	**929**	**25**		**4 332**
No. of years in portfolio	< 1 year	302	127				**429**
	>= 1 year and < 2.5 years	280	231	882			**1 393**
	>= 2.5 years and < 5 years	1 242	82	39			**1 363**
	>= 5 years	1 114		8	25		**1 147**

[1] This category includes all buildings that are not exclusively commercial or housing buildings.

At 31 December 2020, the detail of real estate received in settlement of defaulting loans is as follows:"

		Buildings			Land		
		Housing	Commercial	Other[1]	Urban	Rural	Total
No. of properties		103	31	18	7	2	**161**
Fair value		10 372	1 346	2 794	557	8	**15 077**
Book value		**5 741**	**655**	**1 345**	**34**		**7 775**
No. of years in portfolio	< 1 year	531	471	1 106			**2 108**
	>= 1 year and < 2.5 years	1 482	86	196			**1 764**
	>= 2.5 years and < 5 years	2 347	65	43			**2 455**
	>= 5 years	1 381	33		34		**1 448**

[1] This category includes all buildings that are not exclusively commercial or housing buildings.

19. FINANCIAL LIABILITIES AT AMORTISED COST

The detail of financial liabilities at amortised cost at 31 December 2021 and 2020 is as follows:

31-12-2021

	Consolidated				Individual			
	Nominal value	Accrued interest	Commissions relating to amortised cost	Book value	Nominal value	Accrued interest	Commissions relating to amortised cost	Book value
Deposits								
Central Banks	4 897 317	(74 048)		4 823 269	4 897 317	(74 048)		4 823 269
Credit Institutions	1 002 964	31		1 002 995	1 002 964	31		1 002 995
Customers	28 865 257	6 883		28 872 140	28 865 257	6 883		28 872 140
Debt securities issued	2 200 000	9 080	(2 781)	2 206 299	2 200 000	9 080	(2 781)	2 206 299
Other financial liabilities	295 908	3		295 911	296 439	3		296 442
	37 261 446	**(58 051)**	**(2 781)**	**37 200 614**	**37 261 977**	**(58 051)**	**(2 781)**	**37 201 145**

31-12-2020

	Consolidated				Individual			
	Nominal value	Accrued interest	Commissions relating to amortised cost	Book value	Nominal value	Accrued interest	Commissions relating to amortised cost	Book value
Deposits								
Central Banks	4 420 000	(25 761)		4 394 239	4 420 000	(25 761)		4 394 239
Credit Institutions	1 110 081	(5)		1 110 076	1 110 081	(5)		1 110 076
Customers	25 995 848	12 705		26 008 553	25 995 848	12 705		26 008 553
Debt securities issued	1 800 162	8 550	(3 860)	1 804 852	1 800 162	8 550	(3 860)	1 804 852
Other financial liabilities	377 997	5		378 002	378 574	5		378 579
	33 704 088	**(4 506)**	**(3 860)**	**33 695 722**	**33 704 665**	**(4 506)**	**(3 860)**	**33 696 299**

19.1. Deposits - Central Banks and Credit Institutions

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2021	31-12-2020
Deposits - Central Banks		
Deposits	4 897 317	4 420 000
Interest payable	(74 048)	(25 761)
	4 823 269	**4 394 239**
Deposits - Credit Institutions		
Loans and advances to credit institutions in Portugal		
Deposits	18 064	19 078
Interest payable	5	9
	18 069	**19 087**
Funds of credit institutions abroad		
International financial organisations	465 728	466 308
Very short-term funds	25 643	29 272
Deposits	461 971	585 976
Other funds	31 558	9 448
Interest payable	26	(15)
	984 926	**1 090 989**
	1 002 995	**1 110 076**
	5 826 264	**5 504 315**

In 2020 and 2021, considering the favourable conditions offered by the European Central Bank in the context of the Covid-19 pandemic, BPI decided to use all the funds made available under the TLTRO3. These conditions make it possible to ensure better financing conditions for BPI's Clients and society in general.

19.2. Deposits - Customers

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2021	31-12-2020
By type		
Demand deposits	20 311 318	17 481 423
Term deposits	8 453 216	8 435 637
Saving accounts	78 939	47 757
Compulsory deposits	13 573	19 048
Other Customer resources	8 212	11 983
Interest payable	6 882	12 705
	28 872 140	**26 008 553**
By sector		
Public sector	471 150	636 522
Private sector	28 400 990	25 372 031
	28 872 140	**26 008 553**

The portfolio of Customer deposits at amortised cost includes deposits designated as interest rate hedged liabilities, the fair value change of which at 31 December 2021 and 2020 amounted to 2 368 th.euros and (12 029) th.euros, respectively.

19.3. Debt securities issued

The detail of this heading is as follows:

	Consolidated / Individual							
	31-12-2021				31-12-2020			
	Issues	Repurchased	Balance	Interest rate[1]	Issues	Repurchased	Balance	Interest rate[1]
Covered bonds	7 900 000	(7 150 000)	750 000	0.0%	7 900 000	(6 850 000)	1 050 000	0.0%
Senior non-preferred bonds	1 150 000		1 150 000	0.6%	450 000		450 000	0.9%
Fixed-rate bonds					332	(170)	162	0.4%
Interest payable			4 776				4 205	
Comissions relating to amortised cost, net			(2 781)				(3 860)	
			1 901 995				**1 500 507**	
Subordinated bonds	300 000		300 000	5.2%	300 000		300 000	5.3%
Interest payable			4 304				4 345	
			304 304				**304 345**	
			2 206 299				**1 804 852**	

[1] Interest rate weighted by the value of the issues at the end of the year.

The portfolio of debt issued at amortised cost includes securities designated as interest rate hedged liabilities, the fair value change of which at 31 December 2021 and 2020 amounted to (704) th.euros and (12 334) th.euros, respectively.

In 2021 Banco BPI issued senior non-preferred bonds in the amount of 700 000 th.euros, variable coupon of 6-month EURIBOR + 0.95%, and maturity in 2027, fully subscribed by the shareholder CaixaBank.

In 2020 Banco BPI issued senior non-preferred bonds in the amount of 450 000 th.euros, fixed coupon of 0.875% and maturity in 2025, fully subscribed by the shareholder CaixaBank.

The detail of subordinated debt issuance is as follows:

Issue date	Maturity date	Nominal amount	Interest rate	Amount pending redemption	
				31-12-2021	31-12-2020
24-03-2017	24-03-2027	300 000 [1]	6 month Euribor + 5.74%	300 000	300 000

[1] This issue was fully subscribed by CaixaBank.

The movement in debt securities issued by BPI in 2021 was as follows:

	Covered bonds	Senior non-preferred bonds[1]	Fixed rate bonds	Subordinated bonds[1]	Total
Balance at 31 December 2020	**1 050 000**	**450 000**	**162**	**300 000**	**1 800 162**
Debt issues in the period		700 000			700 000
Issues redeemed			(162)		(162)
Repurchases (net of resales)	(300 000)				(300 000)
Balance at 31 December 2021	**750 000**	**1 150 000**		**300 000**	**2 200 000**

[1] This issues were fully subscribed by CaixaBank.

The movement in debt securities issued by BPI in 2020 was as follows:

	Covered bonds	Senior non-preferred bonds[1]	Fixed rate bonds	Subordinated bonds[1]	Total
Balance at 31 December 2019	**1 050 000**		**6 544**	**300 000**	**1 356 544**
Debt issues in the period		450 000			450 000
Issues redeemed			(6 382)		(6 382)
Balance at 31 December 2020	**1 050 000**	**450 000**	**162**	**300 000**	**1 800 162**

[1] This issue was fully subscribed by CaixaBank.

Covered Bonds

BPI has two covered bond programmes under the terms of Decree-Law 59 / 2006. Under these programmes, BPI has issued mortgage bonds and public sector bonds, as described below.

In accordance with this law, the holders of covered bonds benefit from a special creditor privilege over the cover pool which acts as guarantee for the debt to which the bondholders will have access in the event of the issuer's insolvency.

Mortgage bonds

The mortgage bonds programme was set up for up to a maximum of 9 000 000 th.euros.

The mortgage bonds are secured by a portfolio of mortgage loans and other assets that together constitute a cover pool.

Assets allocated to the cover pool may include mortgage loans for housing or commercial purposes located in a European Union Member State and other eligible assets, such as deposits at the Bank of Portugal, deposits at financial institutions with ratings equal to or greater than "A-" and other low risk and highly liquid assets. The total value of the other assets cannot exceed 20% of the cover pool. The amount of the allocated mortgage loans cannot exceed 80% of the value of the mortgaged property in the case of residential property, or 60% of the value of the mortgaged property, in the case of commercial property.

The legislation applicable to mortgage bonds imposes prudential limits, which must be met during the period of the bonds:

- The total nominal amount of the outstanding mortgage bonds cannot exceed 95% of the total amount of mortgage loans and other assets allocated to the bonds;
- The average maturity of the outstanding mortgage bonds cannot exceed, at any time, the average maturity of the mortgage loans and other assets allocated to the bonds;
- The total amount of interest payable on the mortgage bonds cannot exceed, at any time, the amount of interest receivable on the mortgage loans and other assets allocated to the mortgage bonds;
- The present value of the liabilities arising from the outstanding mortgage bonds cannot exceed, at any time, the net present value of the cover pool given as collateral of these bonds, after consideration of any financial derivative instruments. This ratio must be maintained when considering a 200 basis points parallel up or down shift of the yield curve.
- The credit institutions' risk exposure, except for positions with residual maturity of less than or equal to 100 days, cannot exceed 15% of the total nominal amount of the outstanding mortgage bonds.

At 31 December 2021, the detail of mortgage bonds issued by BPI was as follows:

Issue	Issue date	Maturity date	Nominal amount	Coupon	Interest payment frequency	Reimbursement	Rating	Repurchases
OH-Serie 9	21-05-2010	21-05-2025	350 000	Euribor 3 m + 0.65%	Quarterly	Full on expiration date	Aaa/-/-/-	350 000
OH-Serie 14	30-03-2015	27-03-2025	1 250 000	Euribor 3 m + 0.50%	Quarterly	Full on expiration date	Baa2/-/-/-	1 250 000
OH-Serie 16	30-05-2016	30-05-2023	500 000	Euribor 3 m + 0.80%	Quarterly	Full on expiration date	A3/-/-/A(High)	500 000
OH-Serie 17	22-02-2017	22-02-2024	700 000	Euribor 3 m + 1.00%	Quarterly	Full on expiration date	A2/-/-/A(High)	700 000
OH-Serie 18	25-07-2017	25-07-2022	1 750 000	Euribor 3 m + 0.60%	Quarterly	Full on expiration date	A2/-/-/A(High)	1 750 000
OH-Serie 19	02-03-2018	02-03-2023	300 000	Euribor 3 m + 0.40%	Quarterly	Full on expiration date	A1/-/-/A(High)	300 000
OH-Serie 20	26-09-2018	26-09-2025	250 000	Euribor 6 m + 0.30%	Quarterly	Full on expiration date	A1/-/-/AA(Low)	
OH-Serie 21	13-12-2018	13-12-2022	300 000	Euribor 6 m + 0.30%	Quarterly	Full on expiration date	Aa3/-/-/AA(Low)	
OH-Serie 22	22-03-2019	22-03-2024	500 000	Fixed rate 0.25%	Annual	Full on expiration date	Aa3/-/-/AA(Low)	
OH-Serie 23	20-12-2019	20-12-2024	1 400 000	Euribor 3 m + 0.30%	Quarterly	Full on expiration date	Aa3/-/-/AA(Low)	1 400 000

At 31 December 2021 and 2020, the cover pool allocated to the mortgage bonds amounted to 8 677 798 th.euros and 8 622 607 th.euros, respectively, of which 8 652 849 th.euros and 8 595 981 th.euros corresponded to credit and accrued interest (Note 12.2).

Public sector bonds

The public sector bonds programme was set up for up to a maximum of 2 000 000 th.euros.

The public sector bonds are secured by a portfolio of loans to public sector entities and other assets that together constitute a cover pool.

Loans granted to central public administrations, regional or local authorities of any EU Member State as well as loans with a specific guarantee from these entities may be allocated to the cover pool.

The prudential limits applicable to the public sector bonds are similar to those applicable to the mortgage bonds, except for the limit on the maximum nominal amount of outstanding bonds in relation to the loans and other assets allocated to the cover pool, which in the case of public sector bonds is 100%.

At 31 December 2021, the detail of public sector bonds issued by BPI was as follows:

Issue	Issue date	Maturity date	Nominal amount	Coupon	Interest payment frequency	Reimbursement	Rating	Repurchases
OSP-Serie 3	07-10-2015	07-10-2022	100 000	Euribor 3 m + 0.65%	Quarterly	Full on expiration date	Baa1/-/-	100 000
OSP-Serie 4	15-06-2016	15-06-2023	150 000	Euribor 3 m + 0.80%	Quarterly	Full on expiration date	Baa1/-/-	150 000
OSP-Serie 5	20-10-2017	20-10-2022	350 000	Euribor 3 m + 0.50%	Quarterly	Full on expiration date	A3/-/-	350 000

At 31 December 2021 and 2020, the cover pool allocated to the public sector bonds amounted to 803 011 th.euros and 793 594 th.euros, respectively, of which 796 052 th.euros and 788 538 th.euros corresponded to credit and accrued interest (Note 12.2).

The coverage level of the mortgage bonds and public sector bonds is detailed as follows:

	31-12-2021	31-12-2020
Covered bonds issued **(A)**	**750 000**	**1 050 000**
Portfolio of loans and mortgage loans pending reimbursement	9 448 901	9 384 518
Covered bonds repurchased	(7 150 000)	(6 850 000)
Portfolio of loans and mortgage loans used as collateral for bond issuance **(B)**	**2 298 901**	**2 534 518**
Collateralisation **(B)/(A)**	**307%**	**241%**
Overcollateralisation **[(B)/(A)-1]**	**207%**	**141%**

19.4. Other financial liabilities

This caption is made up as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Other Customer funds				
Checks and orders payable	44 903	49 142	44 903	49 142
Guaranteed rate deposits	425	871	425	871
Interest payable	3	5	3	5
Creditors and other resources				
Creditors for futures operations	3 756	4 532	3 756	4 532
Consigned resources[1]	33 355	35 580	33 355	35 580
Captive account resources	3 177	3 176	3 177	3 176
Guarantee account resources	1 688	2 214	1 688	2 214
Public sector				
VAT payable	2 129	1 615	2 052	1 564
Tax withheld at source	13 534	12 210	13 534	12 210
Contributions to the Social Security	3 165	3 245	3 145	3 229
Other	2 740	2 741	2 740	2 741
Dividends payable		116 549		116 549
Contributions to other healthcare systems	1 325	1 335	1 325	1 335
Creditors for factoring agreements	22 808	31 377	22 808	31 377
Creditors for the supply of goods	6 291	4 113	6 291	4 113
Subscribed but not paid-up capital in venture capital funds				
Fundo de Recuperação, FCR	7 936	8 048	7 936	8 048
Fundo InterRisco II CI	3 968	4 181	3 968	4 181
Fundo InterRisco II - Fundo de Capital de Risco	913	1 027	913	1 027
Fundo de Reestruturação Empresarial, FCR	212	228	212	228
Fundo Pathena SCA Sicar	2 201	2 356	2 201	2 356
Sundry creditors	16 534	24 728	17 162	25 372
Lease liabilities (IFRS 16)	124 848	68 729	124 848	68 729
	295 911	**378 002**	**296 442**	**378 579**

[1] The amounts of consigned resources are the amount of credit granted by the Tourism Fund to BPI Clients, under the scope of the lending protocol entered into by this Entity and Banco BPI.

At 31 December 2020, this caption includes dividends payable on the 2019 results in the amount of 116 549 th.euros, the payment of which was suspended given the exceptional circumstances caused by the expansion of COVID-19 (Note 1.5). These dividends were paid in October 2021.

The caption ''Other financial liabilities - lease liabilities (IFRS 16)'' shows the present values of future payments to be made by the Bank during the period of the operational leasing agreements. The movement in this heading during 2021 is as follows:

	31-12-2020	Increases/ (Reductions)	Updates	Payments	31-12-2021
Lease liabilities (IFRS 16)	68 729	79 064	970	(23 916)	124 848

The lease contract for the Monumental Building was signed In June 2021, which implied the recognition of a lease liability in the amount of 61 million euros. As part of the project to concentrate the Bank's central buildings, the lease contracts for 3 central buildings in Lisbon and Porto were also renegotiated, which led to a 37 million euro increase in lease liabilities and an 18 million euros reduction due to the cancellation of the previous contracts.

The movement in the heading ''Other financial liabilities - lease liabilities (IFRS 16)'' during 2020 is as follows:

	31-12-2019	Increases/ (Reductions)	Updates	Payments	31-12-2020
Lease liabilities (IFRS 16)	87 191	3 459	542	(22 462)	68 729

At 31 December 2021, the maturity of the contractual cash flows of the lease contracts is as follows:

	< 3 months	3-12 months	1-5 years	> 5 years	Total
Lease liabilities (IFRS 16)	5 202	18 534	54 813	46 299	124 848

20. PROVISIONS AND CONTINGENT LIABILITIES

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2021	**31-12-2020**
Pending legal issues and tax litigation		
VAT Recovery processes	5 813	3 762
Tax contingencies and other	28 303	27 944
Impairment and provisions for guarantees and commitments (Note 25)	18 093	16 704
Other provisions	298	298
	52 507	**48 708**

The movement in provisions in 2021 was as follows:

	Consolidated / Individual				
	Balance at 31-12-2020	**Increases**	**Decreases / Reversals**	**Amounts used**	**Balance at 31-12-2021**
Pending legal issues and tax litigation	31 706	4 279	(564)	(1 305)	34 116
Commitments and guarantees given	16 704	4 613	(3 033)	(191)	18 093
Other provisions	298				298
	48 708	**8 892**	**(3 597)**	**(1 496)**	**52 507**

The movement in provisions in 2020 was as follows:

	Balance at 31-12-2019	Increases	Decreases / Reversals	Amounts used	Balance at 31-12-2020
Pending legal issues and tax litigation	25 656	8 078	(639)	(1 389)	31 706
Commitments and guarantees given	18 736	3 703	(5 735)		16 704
Other provisions		298			298
	44 392	**12 079**	**(6 374)**	**(1 389)**	**48 708**

20.1. Provisions for pending legal issues and tax litigation

Banco BPI is party to several legal and administrative proceedings arising from the normal course of its business, including claims in connection with lending activities, relationships with employees and other commercial or tax matters.

Based on available information, Banco BPI considers that it had reliably estimated the obligations arising from each case under litigation and that it has recognised, where appropriate, sufficient provisions to reasonably cover the liabilities that may arise as a result of these tax and legal situations. It also considers that any responsibility arising from the said proceedings will not, as a whole, have a material adverse effect on the Bank's businesses, financial position or results of operations.

20.2. Provisions for commitments and guarantees given

This heading includes the provisions for credit risk of the guarantees and contingent commitments given (Note 25).

20.3. Contingent liabilities

Competition Authority

In 2012, the Portuguese Competition Authority (CA), under the powers legally attributed to it, opened administrative infraction proceedings against 15 banks operating in the Portuguese market, including BPI, due to alleged competition restrictive practices. On 1 June 2015 Banco BPI was served the corresponding notice of illicit act. On 27 September 2017 the Bank presented its defence. Furthermore during the process, and whenever appropriate, Banco BPI appealed against several interlocutory rulings issued by the Competition Authority, which the Bank considered as susceptible of violating its rights.

On 9 September 2019, the CA notified BPI and the other banks of its ruling whereby they had been found guilty. The penalty imposed on BPI was 30 million euros.

In its ruling, the CA:

a) Accuses BPI, as well as the other banks, of having engaged in exchanges of information during the period from May 2002 to March 2013 concerning (i) mortgage loan and consumer loan production volumes, and (ii) the commercial conditions for these types of loans and for loans to small businesses and SME, including spread tables;

b) Considers that such an exchange constitutes an infringement by object, i.e., an infringement which is deemed to have been committed irrespective of whether or not the conduct in question had negative effects on the competition, and therefore it is not necessary to prove such effects; in other words, for the infringement to be deemed as committed, it is sufficient to prove that the conduct is, in the abstract, capable of having adverse effects on competition.

Banco BPI argues that it did not commit the infringement of which it was accused by the CA, and on October 2019, appealed against the aforementioned decision to the Competition, Regulation and Supervision Court, from where the appeal will be filed with the Lisbon Court of Appeal.

In addition to disputing that the exchange of information took place in the manner alleged in the decision imposing the sanction, BPI considers that the information allegedly exchanged, either on account of its form and the time at which such exchange occurred, or on account of its content, was not capable of producing negative effects on the competition, there being no grounds for the assumptions on which the existence of an infringement by object, and therefore the decision imposing the sanction, were based. It is also the understanding of BPI that the alleged exchange of information did not have any negative effects on the market or on consumers, but on the contrary, at least in part, that it had pro-competitive effects.

Together with the above appeal, BPI requested the suspension of the effects of the CA's decision until a final decision is taken on the case. As part of that request for suspension of the effects of the decision, BPI provided a guarantee. On those grounds, the court declared the guarantee validly provided, and in consequence granted suspensive effect to the appeal.

The trial of the appeal is in progress, with the reading of the sentence scheduled for 26 April 2022.

It is based on this framework of non-existent grounds for the decision and sentencing being maintained by a final court ruling, that the Bank's Executive Committee of the Board of Directors, backed by the substantiated opinion of external legal consultants, believes that the probabilities of the process ending without the Bank having to pay a fine are higher than the reverse occurring, and therefore no provision for this process has been recognised in the Bank's financial statements as at 31 December 2021.

National Resolution Funds

On 7 July 2016, the Resolution Fund stated that it would analyse and evaluate the necessary steps to be taken following the disclosure of the results of the independent valuation exercise, performed to estimate the level of credit recovery by each creditor class in the hypothetical scenario of a normal insolvency proceeding of BES.

Pursuant to applicable law, if at the completion of BES's winding-up, it is concluded that creditors, whose credits have not been transferred to Novo Banco, suffered a loss higher than the loss they would have hypothetically suffered if BES had initiated its winding up process immediately before the resolution measure was adopted, such creditors will have the right to receive the difference from the Resolution Fund.

Finally, it has surfaced in the media that judicial proceedings against the Resolution Fund have been initiated.

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, Banco de Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) pursuant to paragraph b) of number 1 of article 145 C of the General Regulation of Credit Institutions and Financial Companies (RGICSF), in the form of a partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated by a decision of Banco de Portugal on the same date. As part of this process, the Resolution Fund made a capital contribution to Novo Banco in the amount of 4 900 000 th.euros, becoming the sole shareholder.

In this context, the Resolution Fund contracted loans amounting to 4 600 000 th.euros, of which 3 900 000 th.euros granted by the Portuguese State and 700 000 th.euros, to which BPI contributed with 116 200 th.euros, by a banking syndicate.

On 29 December 2015, Banco de Portugal issued a public announcement informing that it had " (…) made a final adjustment to the perimeter of the assets, liabilities, off-balance-sheet items and assets under management transferred to Novo Banco, namely including:

a. Clarification that no liabilities have been transferred to Novo Banco that were contingent or unknown on the date the resolution measure was applied to Banco Espírito Santo, S.A.;

b. Retransfer to Banco Espírito Santo, S.A. of the shareholding in BES Finance, which is necessary to ensure full compliance with and application of the resolution measure as regards the non-transfer to Novo Banco of subordinated debt instruments issued by Banco Espírito Santo, S.A.;

c. Clarification that it is the Resolution Fund's responsibility to make neutral for Novo Banco – through compensatory measure – potential negative effects of future decisions, resulting from the resolution process and giving rise to liabilities or contingencies."

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal declared that Banif was failing or likely to fail and decided to start the institution's urgent resolution process through the total or partial sale of its business, which led to Banif's business being sold to Banco Santander Totta, S.A. (BST), on 20 December 2015, for 150 000 th.euros.

Most of the assets that were not sold were transferred to an asset management vehicle, called Oitante, S.A. (Oitante), created specifically for this purpose, the sole shareholder of which is the Resolution Fund. As a way of financing this transfer, Oitante issued debt securities for an initial amount of 746 000 th.euros, to which the Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee.

The operation involved additional support of around 2 255 000 th.euros to cover future contingencies, of which 489 000 th.euros were provided by the Resolution Fund and 1 766 000 th.euros directly by the Portuguese State. The referred state support is net of the amount due by BST for the acquisition of the set of assets, liabilities and business of the former Banif. The 489 000 th.euros provided by the Resolution Fund was funded under a loan agreement with the Portuguese State.

General matters

In order to reimburse the loans obtained by the Resolution Fund and any other responsibilities that the Resolution Fund may have to take on with respect to the above-mentioned resolution measures, the Resolution Fund is entitled essentially to the contributions of the participating credit institutions (including the Bank) and to the banking sector contribution ("contribuição sobre o setor bancário").

By a public statement on 28 September 2016, the Resolution Fund announced that it had agreed with the Portuguese Ministry of Finance to revise the terms of the 3 900 000 th.euros loan originally granted by the Portuguese 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 was intended to ensure the capacity of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Portuguese Minister of Finance also announced that increases in liabilities arising from the materialisation of future contingencies would determine maturity adjustment to the Portuguese State and bank loans to the Resolution Fund in order to maintain the current levels of the required effort regarding the contributions from the banking sector.

In addition, according to the communication of the Resolution Fund on 21 March 2017:

- "The terms of the loans obtained by the Fund to finance the resolution measures applied to Banco Espirito Santo, S.A. and Banif – Banco Internacional do Funchal, S.A. were changed." These loans amount to 4 953 million euros, of which 4 253 million euros granted by the Portuguese State and 700 million euros granted by a banking syndicate, of these, 116 million euros were granted by the Bank.
- "Those loans now mature in December 2046, without prejudice to the possibility of early redemption based on the use of proceeds from the Resolution Fund. The maturity will be adjusted in such terms as guarantee the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need for special contributions or any other extraordinary contributions." The liabilities arising from contracts entered into by the Resolution Fund with the Portuguese State and a syndicate of banks in accordance with the resolution measures of BES and Banif rank *pari passu* with each other.
- "The revision of the terms of the loans aimed to ensure the sustainability and financial balance of the Resolution Fund, on the basis of a stable, predictable and sustainable burden for the banking sector".
- "The new conditions allow for the full payment of the Resolution Fund's liabilities and respective remuneration, without the need for special contributions or any other extraordinary contributions from the banking sector."

On 31 March 2017, the Bank of Portugal made a communication in which it referred, among others, the following:

- "The Bank of Portugal has today selected LONE STAR to complete the sale of Novo Banco and the Resolution Fund has signed the operation's contract documents."
- "Through the capital injection to be realised, LONE STAR will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital."
- The terms agreed also include a contingent capital mechanism, under which the Resolution Fund, as a shareholder, undertakes to make capital injections in case certain cumulative conditions are met related to: i) the performance of a specific portfolio of assets of Novo Banco and ii) the capitalisation levels of the bank going forward.
- "The agreed conditions also provide for mechanisms to safeguard the interests of the Resolution Fund and to align incentives, as well as supervision mechanisms, notwithstanding the limitations arising from the application of State aid rules."
- "The completion of the sale is conditional on the customary regulatory approvals (including by the European Central Bank and the European Commission), and on a liability management exercise, subject to acceptance of the bondholders, which will cover the non-subordinated bonds of Novo Banco, and, through the issuance of new bonds, generate at least 500 million euros of eligible own funds for the calculation of the CET1 ratio."

On 2 October 2017, the Council of Ministers approved a resolution by which it authorised the conclusion by the Portuguese State, in its role of ultimate guarantor of financial stability, of a framework agreement with the Resolution Fund, for the provision of financial resources to the Resolution Fund, if and when considered necessary for the fulfilment of its contractual obligations under the sale of the 75% stake in Novo Banco, S.A.

The abovementioned framework agreement was signed on the same date and determines that additional funds are to be made available when necessary to ensure compliance with the responsibilities assumed within the scope of the sale process of Novo Banco, while also establishing that the refund of any such funds will be scheduled taking into consideration that one of the objectives of this framework agreement is to ensure the stability of the contributive burden that falls on the banking sector, i.e., to ensure that no special contributions or any other extraordinary contributions are required from the participants of the Resolution Fund.

On 18 October 2017 Banco de Portugal and the Resolution Fund announced the conclusion of the sale of Novo Banco to Lone Star.

On 1 March 2019, after Novo Banco's capital call relative to 2018 had been made public, the Minister for Finance issued a communication where it confirmed *"(...) its commitment to the targets assumed and to promoting the stability of the banking sector to allow reaching these targets."*

On 31 May 2021, the Resolution Fund entered into a new loan agreement for 475 million euros with a number of banks in order to meet the Fund's funding needs arising from its commitments to Novo Banco under the Contingent Capital Agreement. Banco BPI participated with 87 410 th.euros in this loan.

Currently it is not possible to predict the possible effects for the Resolution Fund arising from: (i) the sale of the holding in Novo Banco; (ii) the application of the principle that no creditor of the credit institution under resolution may incur in a loss greater than that it would incur if the institution had entered into liquidation; (iii) the guarantee provided to the bonds issued by Oitante; and (iv) other liabilities which the Resolution Fund may have to assume.

Notwithstanding the possibility of collection of special contributions provided for in the applicable legislation, considering the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a syndicate of banks, where the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Portuguese Minister of Finance, which indicate that this possibility will not be used, the financial statements as of 31 December 2021 reflect the BPI' expectation that will not be required to make any special or extraordinary contribution to finance the resolution measures applied to BES and Banif or any other liability or contingent liability assumed by the Resolution Fund.

Possible changes regarding these issues may have relevant implications on the Bank's financial statements.

21. OTHER LIABILITIES

This caption is made up as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Liabilities for pensions and other benefits[1] (Note 22)				
Past service liabilities		1 964 278		1 964 278
Pension fund assets		(1 838 131)		(1 838 131)
		126 147		**126 147**
Expenses payable				
Staff Expenses	80 641	79 985	80 417	79 569
Other administrative expenses	24 463	39 604	24 420	39 550
Interest payable on Additional Tier 1 issue	588	539	588	539
Other	1 631	1 484	867	1 006
	107 323	**121 612**	**106 292**	**120 664**
Deferred income				
From guarantees given and other contingent liabilities	1 531	1 600	1 531	1 600
Other		13		13
	1 531	**1 613**	**1 531**	**1 613**
Other adjustment accounts				
Foreign exchange transactions pending settlement	284	276	284	276
Liabilities pending settlement	47 884	55 611	47 884	55 611
Other transactions pending settlement	162 449	226 974	162 449	226 974
	210 617	**282 861**	**210 617**	**282 861**
	319 471	**532 233**	**318 440**	**531 285**

[1] In 31 December 2021 is recognised under the balance sheet caption 'Other assets'.

At 31 December 2021, the amount of pension liabilities, net of the pension fund book value, is recognised under Other Assets (Note 17), due to the existing surplus coverage.

At 31 December 2021 and 2020, the caption staff expenses includes 23 628 th.euros and 23 783 th.euros in liabilities for end-of-career bonuses and for medical services (SAMS) of former Employees, respectively. The main actuarial assumptions used to calculate these liabilities are the same as those used to calculate employee pension liabilities (Note 22). In 2021 and 2020, 425 th.euros and (1 038) th.euros, respectively, were recognised for actuarial deviations arising from the change in the financial and demographic assumptions used to calculate these liabilities.

The caption 'Stock exchange transactions pending settlement' relates to the acquisition of securities for which settlement only occurred in the following month.

The caption 'Liabilities pending settlement' includes:

- At 31 December 2021 and 2020, 26 374 th.euros and 18 668 th.euros, respectively, relating to ATM transactions pending settlement;
- At 31 December 2021 and 2020, 32 358 th.euros and 32 375 th.euros, respectively, relating to transactions with SIBS pending settlement;

At 31 December 2021 and 2020, the caption 'Other transactions pending settlement' includes 114 748 th.euros and 143 334 th.euros, respectively, relating to transfers under SEPA (Single Euro Payment Area) and 9 777 th.euros and 64 839 th.euros respectively, relating to securities operations pending settlement.

22. LIABILITIES FOR PENSIONS AND OTHER BENEFITS

Past service liabilities for Pensioners, Employees and Directors that are, or have been, at the service of BPI, are calculated in accordance with IAS 19 (Note 2.11).

Pension benefits established by BPI are defined benefits based on the last salary earned and length of service, providing for the payment of benefits in the event of retirement due to old age, disability or death. The rules used to calculate these benefits are mainly drawn from the provisions of the Collective Labour Agreement for the Portuguese Banking Sector. There is also a restricted group of management staff that is covered by a supplementary defined benefit pension plan, based on the last salary earned and length of service.

With the publication of Decree-Law no. 1-A / 2011 of 3 January, from 1 January 2011 all banking sector employees who were beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated into the General Social Security Scheme, being henceforth covered by this scheme for old-age pensions as well as for maternity, paternity and adoption allowances, which the Bank ceased to support. Given the complementary nature of the scheme under the rules of the Collective Labour Agreement for the Portuguese Banking Sector ("ACT"), the Bank continues to cover the difference relative to the amount of the benefits paid under the General Social Security Regime for the eventualities covered and the benefits established in the ACT.

Following the instructions of the National Council of Financial Supervisors (Conselho Nacional dos Supervisores Financeiros), the amount of past service liabilities remained unchanged at 31 December 2010. Current service cost decreased as from 2011 and the Bank became subject to the Single Social Tax (Taxa Social Única - TSU) at the rate of 23.6%.

Disability and survivor pensions and sick leave for these Employees continue to be the Bank's responsibility.

Decree-Law 127/2011 of 31 December established the transfer to the Social Security of liabilities for retirement and survivor pensions of retired personnel and pensioners that were in that situation at 31 December 2011 and were covered by the substitute social security regime included in the collective labour regulations instrument in force for the banking sector (Pillar 1), as well as the transfer to the Portuguese State of the corresponding pension fund assets covering these liabilities. Since the transfer to the Social Security corresponded to a settlement, extinguishing the corresponding liability of Banco BPI, the negative difference (99 507 th.euros) between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liability transferred based on actuarial assumptions used by Banco BPI was fully recognised as a cost in 2011/12. For tax purposes, this cost is recognised over a period of 18 years.

Through its pension fund, Banco BPI retains the liability for payment of (i) the amount of updates to the pensions mentioned above, according to the criteria set out in the ACT; (ii) the complementary benefits to the retirement and survivor pensions assumed by the ACT; (iii) the fixed contribution to the Social and Medical Support Services (SAMS); (iv) death allowance; (v) survivor pensions to children and surviving spouse related to the same Employee and (vi) survivor pension due to the family member of a retired Employee, in which the conditions for being granted occurred as from 1 January 2012.

BPI Vida e Pensões is the entity responsible for the actuarial calculations used to determine the amounts of the retirement and survivor pension liabilities, as well as for managing the respective Pension Funds.

The "Projected Unit Credit" method was used to calculate the normal cost and past service liabilities due to old age, and the "Single Successive Premiums" method was used to calculate the cost of the disability and survivor benefits.

The commitments assumed in the regulations of Banco BPI Pension Plans are funded by Pension Funds and therefore Banco BPI is exposed to risks resulting from the valuation of the liabilities and the value of the related pension funds. Banco BPI's Pension Funds are disclosed in Note 39.

The funding scheme of the Pension Fund is defined in Bank of Portugal Notice no. 4/2005, which establishes the requirement to fully fund (100%) the liabilities with pensions under payment and a minimum of 95% of the past service liabilities for current personnel.

The main actuarial assumptions used to calculate the pension liabilities of the employees are as follows:

	31-12-2021	31-12-2020
Demographic assumptions:		
Mortality Table	TV 88/90-H - 1 year [1] TV 99-01-M - 2 years [2]	TV 88/90-H TV 88/90-M - 3 years [2]
Disability table	EKV 80	EKV 80
Staff turnover	0%	0%
Decreases	by mortality	by mortality
Financial assumptions		
Discount rate		
Start of the year	1.0%	1.3%
Year-end	1.3%	1.0%
Pensionable salaries growth rate [3]	0.9%	0.9%
Pensions growth rate	0.4%	0.4%

[1] In 2021 life expectancy considered for men was 1 year longer than considered in the mortality table used.

[2] In 2021 and 2020, life expectancy considered for women was 2 and 3 years longer than considered in the mortality table used.

[3] The mandatory promotions under the current ACT and the projected seniority payments are considered separately, i.e., directly in the estimate of salaries evolution, corresponding to an increase of approximately 0.5%.

The actual results obtained in relation to the main financial assumptions were:

	31-12-2021	31-12-2020
Pensionable salaries growth rate [1]	1.35%	1.74%
Pensions growth rate [2]	0.00%	0.30%
Pension fund assets' return rate	7.20%	2.74%

[1] Calculated based on average pensionable salary changes for current Employees present at the beginning and at the end of the year (includes changes in remuneration levels, the effect of mandatory promotions due to time of service and seniority payments and does not consider new admissions and leavers).

[2] Corresponds to the ACT table update rate.

At 31 December 2021 and 2020, the number of pensioners and Employees covered by the pension plans funded by the pension funds was as follows:

	31-12-2021	31-12-2020
Retired pensioners		
Retired pensioners	7 342	7 387
Survivor pensioners	1 748	1 668
Current Employees	4 599	4 777
Former Employees (clause 98 of the ACT)	3 357	3 418
	17 046	**17 250**

The past service liabilities for Pensioners and Employees of BPI and respective coverage by the Pension Fund show the following evolution over the last five years:

	Consolidated				
	31-12-2021	31-12-2020	31-12-2017	31-12-2016	31-12-2015
Total past service liabilities	(1 888 471)	(1 907 391)	(1 803 833)	(1 639 393)	(1 601 350)
Net assets of the Pension Fund	1 944 373	1 782 477	1 766 672	1 612 353	1 564 913
Contributions to be transferred to the Pension Fund	549	90 068	3 810	5 547	9 010
Coverage surplus/(shortfall)	56 451	(34 846)	(33 351)	(21 493)	(27 427)
Coverage ratio of liabilities	103%	98%	98%	99%	98%

	Individual				
	31-12-2021	31-12-2020	31-12-2017	31-12-2016	31-12-2015
Total past service liabilities	(1 888 471)	(1 907 391)	(1 803 833)	(1 629 103)	(1 590 694)
Net assets of the Pension Fund	1 944 373	1 782 477	1 766 672	1 602 146	1 553 812
Contributions to be transferred to the Pension Fund	549	90 068	3 810	5 400	9 010
Coverage surplus/(shortfall)	56 451	(34 846)	(33 351)	(21 557)	(27 872)
Coverage ratio of liabilities	103%	98%	98%	99%	98%

At 31 December 2021, total past service liabilities include 195 783 th.euros in liabilities for medical services (SAMS) and 7 659 th.euros in liabilities for death allowance.
At 31 December 2020, total past service liabilities include 199 935 th.euros in liabilities for medical services (SAMS) and 8 438 th.euros in liabilities for death allowance.

In January 2022, Banco BPI made a contribution in the amount of 549 th.euros.

In accordance with Decree-Law 12/2006 of 20 January, only in very special conditions is it possible to return excess funding, so it is assumed that any excess will be used to reduce future contributions.

In 2021 the movement in the present value of past service liabilities and in the Employee's pension fund was as follows:

	Consolidated / Individual		
	Total past service liabilities	**Net assets of the pension fund**	**Net (Assets)/Liabilities for pensions and other benefits**
Amount at 31 December 2020	**(1 907 391)**	**1 782 477**	**(124 914)**
Recognised as profit/(loss) (Note 31)	**(36 084)**	**23 421**	**(12 663)**
Current service cost	6 324		6 324
Liabilities' interest cost	(22 266)		(22 266)
Income on plan assets computed based on the discount rate		23 421	23 421
Early retirements	(21 379)		(21 379)
Voluntary terminations	1 237		1 237
Recognised in shareholders' equity (Note 23)	**354**	**103 067**	**103 421**
Deviation in pension funds return		104 462	104 462
Change in financial and demographic assumptions			
Change in the Mortality Table	(50 581)		(50 581)
Change in discount rate	81 808		81 808
Impact on ACT table from the national minimum wage increase	(21 627)		(21 627)
Deviation in pensions paid		(1 395)	(1 395)
Other deviations	(9 246)		(9 246)
Other	**54 650**	**35 408**	**90 058**
Employee contributions	(3 555)	3 555	
BPI contributions		90 058	90 058
Pensions payable (estimate)	59 319	(59 319)	
Transfer of Banco BPI Employees to BPI Gestão de Activos	200	(200)	
Transfer of Banco BPI Employees to CaixaBank branch in Portugal	(1 314)	1 314	
Amount at 31 December 2021 (Note 17)	**(1 888 471)**	**1 944 373**	**55 902**

In 2020 the movement in the present value of past service liabilities and in the Employee's pension fund was as follows:

	Consolidated / Individual		
	Total past service liabilities	**Net assets of the pension fund**	**Net (Assets)/Liabilities for pensions and other benefits**
Amount at 31 December 2019	**(1 803 833)**	**1 766 672**	**(37 161)**
Recognised as profit/(loss) (Note 31)	**(34 728)**	**24 697**	**(10 031)**
Current service cost	5 904		5 904
Liabilities' interest cost	(25 253)		(25 253)
Income on plan assets computed based on the discount rate		24 697	24 697
Early retirements	(16 419)		(16 419)
Voluntary terminations	1 040		1 040
Recognised in shareholders' equity (Note 23)	**(125 515)**	**23 664**	**(101 851)**
Deviation in pension funds return		23 561	23 561
Change in financial and demographic assumptions			
Change in mortality table	(105 711)		(105 711)
Impact on ACT table from the national minimum wage increase	(14 286)		(14 286)
ACT table update	3 100		3 100
Deviation in pensions paid		103	103
Other deviations	(8 618)		(8 618)
Other	**56 685**	**(32 556)**	**24 129**
Employee contributions	(3 545)	3 545	
BPI contributions		23 810	23 810
Pensions payable (estimate)	56 276	(56 276)	
Transfer of Banco BPI Employees to BPI Gestão de Activos	(92)	92	
Transfer of Banco BPI Employees to Caixabank branch in Portugal	4 046	(3 727)	319
Amount at 31 December 2020 (Note 21)	**(1 907 391)**	**1 782 477**	**(124 914)**

The movement in deviations in 2020 and 2021 was as follows:

	Consolidated / Individual
Amount at 31 de dezembro de 2019	**(231 684)**
Deviation in pension funds return	23 561
ACTV table update	3 100
Change in discount rate	(105 711)
Impact on ACT table from the national minimum wage increase	(14 286)
Deviation in pensions paid	103
Other deviations	(8 618)
Amount at 31 December 2020	**(333 535)**
Deviation in pension funds return	104 462
Change in the Mortality Table	(50 581)
Change in discount rate	81 808
Impact on ACT table from the national minimum wage increase	(21 627)
Deviation in pensions paid	(1 395)
Other deviations	(9 246)
Amount at 31 December 2021	**(230 114)**

At 31 December 2021 and 2020, Banco BPI's Employees' Pension Funds comprised the following assets:

	31-12-2021		31-12-2020	
	Value	**%**	**Value**	**%**
Liquidity	4 989	0.3%	14 557	0.8%
Commercial paper	3 557	0.2%	2 473	0.1%
Fixed-rate bonds[1]	1 044 796	53.6%	937 628	52.6%
Variable-rate bonds[1]	133 379	6.9%	99 024	5.6%
Real Estate	394 278	20.3%	396 923	22.3%
Investment funds	363 374	18.7%	331 650	18.6%
Other			222	
	1 944 373	**100.0%**	**1 782 477**	**100.0%**

[1] Listed securities

The sensitivity analysis to a change in the main financial assumptions for the entire period covered by the actuarial valuation (and not just a change in a given year) would result in the following impact on the present value of past service liabilities [1]:

	(decrease)/increase	
	%	**Amount**
Change in discount rate		
0.25% increase	-4.1%	(77 843)
0.25% decrease	4.4%	83 024
Change in salaries growth rate [2]		
0.25% increase	1.1%	20 567
Change in pensions growth rate [3]		
0.25% increase	4.7%	88 447
Mortality Table		
+1 year	3.7%	69 097

[1] The calculation method and assumptions were the same as used for the calculation of the liabilities, except for the assumption under analysis.
[2] The change in the increase in salaries applies only to the pensionable salaries component of the pension plan foreseen in ACT, there being no change in the growth rate of the pensionable salaries for Social Security pension purposes, since what is considered is the maximum risk in the wage evolution component.
[3] The change in the pension increase applies to pensions and supplements provided by the Bank, as well as to pensions transferred to the Social Security, for whose future revisions the Bank remain responsible.

The average duration of the pension liability for Banco BPI Employees is 17 years, including both current and retired Employees.

The estimated Employee contributions to the pension plan in 2022 amount to 3 566 th.euros.

The Members of the Executive Committee of the Board of Directors of Banco BPI, S.A. and the former Board Members of Banco Português de Investimento benefit from a supplementary retirement and survivor pension plan, the funding coverage of which is ensured through a pension fund.

The main actuarial assumptions used to calculate the pension liabilities of Board members are as follows:

	31-12-2021	31-12-2020
Demographic assumptions:		
Mortality Table	TV 88/90-H - 1 year [1] TV 99-01-M - 2 years [2]	TV 88/90-H TV 88/90-M - 3 years [2]
Disability table	EKV 80	EKV 80
Staff turnover	0%	0%
Decreases	by mortality	by mortality
Financial assumptions:		
Discount rate		
Start of the year	1.0%	1.3%
Year-end	1.3%	1.0%
Pensionable salaries growth rate	0.4%	0.4%
Pensions growth rate [2]	0.4%	0.4%

[1] In 2021 life expectancy considered for men was 1 year longer than considered in the mortality table used.

[2] In 2021 and 2020, life expectancy considered for women was 2 and 3 years longer than considered in the mortality table used.

[2] Rate of increase corresponds to Consumer Price Index rate of change, as per the pension plan rules.

The liabilities for past services of Board members and respective coverage by the Pension Fund show the following evolution in the last five years:

	Consolidated				
	31-12-2021	**31-12-2020**	**31-12-2019**	**31-12-2018**	**31-12-2017**
Present value of past service liabilities	(54 704)	(56 887)	(58 331)	(56 103)	(55 980)
Net assets of the Pension Fund	55 929	55 654	57 459	50 005	51 219
Contributions to be transferred to the Pension Fund		588	89	5 413	4 132
Coverage surplus/(shortfall)	1 225	(645)	(783)	(685)	(629)
Coverage ratio of liabilities	102%	99%	99%	99%	99%

	Individual				
	31-12-2021	**31-12-2020**	**31-12-2019**	**31-12-2018**	**31-12-2017**
Present value of past service liabilities	(54 704)	(56 887)	(58 331)	(49 263)	(49 158)
Net assets of the Pension Fund	55 929	55 654	57 459	43 965	45 882
Contributions to be transferred to the Pension Fund		588	89	4 739	2 770
Coverage surplus/(shortfall)	1 225	(645)	(783)	(559)	(506)
Coverage ratio of liabilities	102%	99%	99%	99%	99%

The return of the pension fund in 2021 was 5.4%.

In 2021 the movement in the present value of past service liabilities for Directors and in the pension fund was as follows:

	Consolidated / Individual		
	Total past service liabilities	**Net assets of the pension fund**	**Net (Assets)/Liabilities for pensions and other benefits**
Amount at 31 December 2020	**(56 887)**	**55 654**	**(1 233)**
Recognised as profit/(loss) (Note 31)	**(1 026)**	**692**	**(334)**
Current service cost	(355)		(355)
Liabilities' interest cost	(671)		(671)
Income on plan assets computed based on the discount rate		692	692
Recognised in shareholders' equity (Note 23)	**446**	**1 759**	**2 205**
Deviation in pension funds return		2 322	2 322
Change in financial and demographic assumptions			
Change in mortality table	(1 693)		(1 693)
Change in discount rate	1 642		1 642
Deviation in pensions paid		(563)	(563)
Other deviations	497		497
Other	**2 763**	**(2 176)**	**587**
BPI contributions		587	587
Pensions payable (estimate)	2 763	(2 763)	
Amount at 31 December 2021 (Note 17)	**(54 704)**	**55 929**	**1 225**

In 2020 the movement in the present value of past service liabilities for Directors and in the pension fund was as follows:

	Consolidated / Individual		
	Total past service liabilities	Net assets of the pension fund	Net (Assets)/Liabilities for pensions and other benefits
Amount at 31 December 2019	**(58 331)**	**57 459**	**(872)**
Recognised as profit/(loss) (Note 31)	**(1 373)**	**789**	**(584)**
Current service cost	(545)		(545)
Liabilities' interest cost	(828)		(828)
Income on plan assets computed based on the discount rate		789	789
Recognised in shareholders' equity (Note 23)	**148**	**(14)**	**134**
Deviation in pension funds return		(235)	(235)
Change in financial and demographic assumptions			
Change in mortality table	(2 112)		(2 112)
Deviation in pensions paid		221	221
Other deviations	2 260		2 260
Other	**2 669**	**(2 580)**	**89**
BPI contributions		89	89
Pensions payable (estimate)	2 669	(2 669)	
Amount at 31 December 2020 (Note 21)	**(56 887)**	**55 654**	**(1 233)**

The movement in deviations in 2020 and 2021 was as follows:

	Consolidated / Individual
Amount at 31 de dezembro de 2019	**(16 873)**
Deviation in pension funds return	(235)
Change in financial and demographic assumptions	
Change in discount rate	(2 112)
Deviation in pensions paid	221
Other deviations	2 260
Amount at 31 December 2020	**(16 739)**
Deviation in pension funds return	2 322
Change in financial and demographic assumptions	
Change in the Mortality Table	(1 693)
Change in discount rate	1 642
Deviation in pensions paid	(563)
Other deviations	497
Amount at 31 December 2021	**(14 534)**

At 31 December 2021 and 2020, the Pension Funds of BPI's Directors comprised the following assets:

	31-12-2021		31-12-2020	
	Value	%	Value	%
Liquidity	922	1.6%	2 273	4.1%
Commercial paper	2 235	4.0%	1 539	2.8%
Fixed-rate bonds[1]	22 879	40.9%	24 532	44.1%
Variable-rate bonds[1]	12 376	22.2%	9 863	17.7%
Investment funds	17 517	31.3%	17 441	31.3%
Other			6	0.0%
	55 929	**100.0%**	**55 654**	**100.0%**

[1] Listed securities.

The sensitivity analysis to a change in the main financial assumptions for the entire period covered by the actuarial valuation (and not just a change in a given year) would result in the following impact on the present value of past service liabilities [1] :

	(decrease)/increase	
	%	Value
Change in discount rate		
0.25% increase	-2.8%	(1 509)
0.25% decrease	2.9%	1 580
Change in salaries growth rate [2]		
0.25% increase	-0.1%	(60)
Change in pensions growth rate [3]		
0.25% increase	3.0%	1 640
Mortality Table		
+1 year	3.9%	2 111

[1] The calculation method and assumptions were the same as used for the calculation of the liabilities, except for the assumption under analysis.
[2] The change in the increase in salaries applies only to the pensionable salaries component of the pension plan foreseen in ACT, there being no change in the growth rate of the pensionable salaries for Social Security pension purposes, since what is considered is the maximum risk in the wage evolution component.
[3] The change in the pension increase applies to pensions and supplements provided by the Bank, as well as to pensions transferred to the Social Security, for whose future revisions the Bank remains responsible.

The average duration of the pension liability for Banco BPI Directors is 11 years, including both current and retired Directors.

23. SHAREHOLDERS' EQUITY

Capital

At 31 December 2021 and 2020, Banco BPI's share capital was 1 293 063 th.euros, represented by 1 456 924 237 ordinary dematerialised registered shares with no nominal value

Equity instruments issued other than capital

In 2019, Banco BPI issued 275 000 th.euros, with a flat rate of 6.5%, in Additional Tier 1 Undated Deeply Subordinated Notes - Series 1132 under the EMTN Programme, which qualify as Additional Tier I Capital for the Tier 1 ratio, under the terms of Directive 2013/36/EU (CRD IV – Capital Requirements Directive). These bonds may be reimbursed as from 19 September 2023 (first early reimbursement date) and subsequently on any interest-payment date, subject to the authorisation of the relevant authorities. The interest on these notes is recognised under "Other reserves" on account of its payment being discretionary. The notes were fully purchased by CaixaBank.

Accumulated other comprehensive income

The main movements in Accumulated other comprehensive income are shown in detail in the tables of statements of profit and loss and other comprehensive income.

In 2021 and 2020 the amount of the consolidated other comprehensive income not included in the income for the year was 138 386 th.euros and (150 460) th.euros, respectively.

In 2021 and 2020 the amount of the individual other comprehensive income not included in the income for the year was 120 568 th.euros and (126 237) th.euros, respectively.

Changes in accumulated other comprehensive income - 2021

	Consolidated				
	31-12-2020	Valuation gains / (losses)	Realized gains/(losses) in equity instruments	Taxes	31-12-2021
Items that will not be reclassified to profit or loss	**(489 839)**	**134 334**	**(2 086)**	**22**	**(357 569)**
Actuarial gains/ (losses) on defined benefit pension plans	(383 973)	106 052		358	(277 563)
Non-current assets and disposal groups classified as held for sale		26	(26)		
Fair value changes of equity instruments measured at fair value through other comprehensive income	(104 968)	25 680	(843)	(336)	(80 467)
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	(1 601)	2 576	(1 217)		(242)
Tangible assets	703				703
Items that may be reclassified to profit or loss	**(16 537)**	**(203)**		**4 232**	**(12 508)**
Foreign currency translation	(60 061)	23 124			(36 937)
Debt securities classified as fair value financial assets through other comprehensive income	22 094	(15 444)		4 232	10 882
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	21 430	(7 883)			13 547
	(506 376)	**134 131**	**(2 086)**	**4 254**	**(370 077)**

Changes in accumulated other comprehensive income - 2020

	Consolidated					
	31-12-2019	Valuation gains / (losses)	Amounts transferred to income statement (before taxes)	Realized gains/(losses) in equity instruments	Taxes	31-12-2020
Items that will not be reclassified to profit or loss	**(335 851)**	**(165 868)**		**(10 643)**	**22 523**	**(489 839)**
Actuarial gains/ (losses) on defined benefit pension plans	(303 951)	(102 755)			22 733	(383 973)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(32 187)	(63 589)		(8 982)	(210)	(104 968)
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	(416)	476		(1 661)		(1 601)
Tangible assets	703					703
Items that may be reclassified to profit or loss	**(9 422)**	**(324)**	**(153)**		**(6 638)**	**(16 537)**
Foreign currency translation	(33 552)	(26 509)				(60 061)
Debt securities classified as fair value financial assets through other comprehensive income	4 502	24 383	(153)		(6 638)	22 094
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	19 628	1 802				21 430
	(345 273)	**(166 192)**	**(153)**	**(10 643)**	**15 885**	**(506 376)**

Changes in accumulated other comprehensive income - 2021

	Individual				
	31-12-2020	Valuation gains / (losses)	Realized gains/(losses) in equity instruments	Taxes	31-12-2021
Items that will not be reclassified to profit or loss	**(488 122)**	**131 759**	**(981)**	**22**	**(357 322)**
Actuarial gains/ (losses) on defined benefit pension plans	(383 973)	106 052		358	(277 563)
Non-current assets and disposal groups classified as held for sale		26	(26)		
Fair value changes of equity instruments measured at fair value through other comprehensive income	(104 852)	25 681	(955)	(336)	(80 462)
Tangible assets	703				703
Items that may be reclassified to profit or loss	**22 094**	**(15 444)**		**4 232**	**10 882**
Debt securities classified as fair value financial assets through other comprehensive income	22 094	(15 444)		4 232	10 882
	(466 028)	**116 315**	**(981)**	**4 254**	**(346 440)**

Changes in accumulated other comprehensive income - 2020

	Individual					
	31-12-2019	Valuation gains / (losses)	Amounts transferred to income statement (before taxes)	Gains / (losses) in equity instruments	Taxes	31-12-2020
Items that will not be reclassified to profit or loss	**(335 311)**	**(166 351)**		**(8 982)**	**22 522**	**(488 122)**
Actuarial gains/ (losses) on defined benefit pension plans	(303 951)	(102 755)			22 733	(383 973)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(32 063)	(63 596)		(8 982)	(211)	(104 852)
Tangible assets	703					703
Items that may be reclassified to profit or loss	**4 502**	**24 383**	**(153)**		**(6 638)**	**22 094**
Debt securities classified as fair value financial assets through other comprehensive income	4 502	24 383	(153)		(6 638)	22 094
	(330 809)	**(141 968)**	**(153)**	**(8 982)**	**15 884**	**(466 028)**

Retained earnings and other reserves

This caption is made up as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Retained earnings				
Legal reserve	287 782	279 000	287 782	279 000
Other reserves and retained earnings	1 755 121	1 666 179	1 719 886	1 654 020
Reserves of fully consolidated companies	511	7 734		
Profit/(loss) recognised in equity instruments at fair value through other comprehensive income	9 963	8 982	9 963	8 982
	2 053 377	**1 961 895**	**2 017 631**	**1 942 002**
Other reserves				
Merger reserve	1 665	1 665	1 665	1 665
Interest payable on Additional Tier 1 issue	(40 819)	(22 894)	(40 819)	(22 894)
Reserves of equity consolidated companies	148 481	149 162		
	109 327	**127 933**	**(39 154)**	**(21 229)**

The equity headings "Retained earnings" and "Other reserves" contain:

- the equity heading "Retained earnings" includes, at the close of the financial year, the undistributed gains from the appropriation of the profit/loss of fully consolidated entities, income from the sale of equity instruments recorded in the portfolio at fair value through other comprehensive income, and the impacts of the first-time application of accounting standards, among others.
- The equity item "Other reserves" includes, at year end, the impacts of the first-time application of accounting standards, the appropriation of the profit/loss of equity accounted entities net of dividends distributed to fully consolidated entities and the remuneration of issues that meet certain characteristics.

In accordance with Article 97 of the General Law on Credit Institutions and Financial Companies, approved by Decree-Law no. 298/92 of 31 December and amended by Decree-Law no. 201/2002 of 26 September, Banco BPI must appropriate at least 10% of its net income each year to a legal reserve until the amount of the reserve equals the greater of the amount of share capital or the sum of the free reserves plus retained earnings.

24. TAX POSITION

24.1. Tax assets and liabilities

The breakdown of tax assets and liabilities is as follows:

Tax assets

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Current tax assets	3 450	5 157	3 450	5 157
Recoverable VAT	10	246		236
Deferred tax assets	197 423	265 605	197 423	265 595
	200 883	**271 008**	**200 873**	**270 988**

Tax liabilities

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Current tax liabilities	1 776	2 541	1 776	2 540
Deferred tax liabilities	18 297	20 665	7 062	10 995
	20 073	**23 206**	**8 838**	**13 535**

24.2. Income taxes

At 31 December 2021 and 2020, the cost of income tax recognised in the income statement, as well as the tax burden, measured as the ratio of the tax charge to the Profit or loss (-) from before tax [1], were as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Profit or loss (-) before tax (A)	**378 375**	**124 866**	**362 394**	**106 691**
Profit or loss (-) of equity accounted companies (B)	(47 762)	(27 694)		
Profit or loss (-) for the year subject to tax (A)+(B)=(C)	**330 613**	**97 172**	**362 394**	**106 691**
Total tax recognised in the income statement (D)	**(71 552)**	**(20 095)**	**(69 026)**	**(18 869)**
Current taxes	(1 737)	(2 100)	(628)	(1 392)
Deferred taxes	(69 948)	(18 647)	(68 493)	(18 129)
Recognition and reversal of temporary differences	(69 948)	(39 763)	(68 493)	(39 246)
Tax loss carry forwards		21 116		21 116
Corrections of previous years	133	652	95	652
Average tax rate (D)/(C)	**21.6%**	**20.7%**	**19.0%**	**17.7%**
Profit or loss (-) for the year after tax (A)+(D)	**306 823**	**104 771**	**293 368**	**87 822**

[1] Excluding results of companies accounted for using the equity method.

In 31 December 2021 and 2020, BPI on a consolidated and individual basis, recorded directly in other comprehensive income, income tax of 4 254 th.euros and 15 883 th.euros, respectively, resulting from actuarial deviations in pensions and other Post-employment benefits of defined benefit and from fair value changes in equity instruments and debt securities.

The reconciliation between the nominal income tax rate and the average tax rate, in accordance with IAS 12, at 31 December 2021 and 2020, as well as the reconciliation between the tax cost/gain and the product of multiplying the accounting profit by the average tax rate, are as follows:

	Consolidated				Individual			
	31-12-2021		31-12-2020		31-12-2021		31-12-2020	
	Tax rate	**Value**	**Tax rate**	**Value**	**Tax rate**	**Value**	**Tax rate**	**Value**
Net income before income tax[1]		**330 613**		**97 172**		**362 394**		**106 691**
Income tax computed based on the nominal tax rate	27.3%	90 376	28.0%	27 234	27.4%	99 296	27.4%	29 233
Capital gains and impairments in equity holdings, net	0.1%	327	0.3%	322	0.1%	327	0.3%	322
Non taxable dividends	-8.0%	(26 329)	-16.3%	(15 857)	-10.0%	(36 137)	-14.9%	(15 857)
Taxable temporary differences (BCI)	0.4%	1 170	1.8%	1 702	-0.3%	(925)	0.9%	925
Tax benefits	-0.2%	(666)	-0.3%	(324)	-0.2%	(666)	-0.3%	(324)
Impairment and provisions for loans	0.3%	889			0.2%	889		
Correction of previous years	0.3%	1 110	-0.7%	(652)	0.3%	1 110	-0.6%	(652)
Autonomous taxation	0.2%	628	1.4%	1 392	0.2%	628	1.3%	1 392
Banking sector contribution	1.9%	6 129	5.3%	5 141	1.7%	6 129	4.8%	5 141
Remuneration of AT1 instruments issue	-1.5%	(4 911)	-5.0%	(4 872)	-1.4%	(4 911)	-4.6%	(4 872)
Tax rate differential (27.4% vs 21%) on fiscal loss for the year			6.6%	6 435			6.0%	6 435
Other non taxable income and expenses	0.9%	2 830	-0.4%	(427)	0.9%	3 286	-2.7%	(2 874)
	21.6%	**71 552**	**20.7%**	**20 095**	**19.0%**	**69 026**	**17.7%**	**18 869**

[1] Excluding results of companies accounted for using the equity method.

24.3. Deferred tax assets and liabilities

Deferred tax assets and liabilities correspond to the amount of tax recoverable and payable in future periods resulting from temporary differences between the amount of assets and liabilities on the balance sheet and their tax base. Deferred tax losses carried forward and tax credits are also recognised as deferred tax assets.

In accordance with IAS 12, deferred tax assets and liabilities are recognised to the extent that it is probable that taxable profits will be available in the future against which they can be utilised. Accordingly, Banco BPI prepared future taxable income projections to support the deferred tax assets accounted for, namely regarding the consumption of reportable tax losses.

Deferred tax assets and liabilities were measured at the tax rates that are expected to apply to the period when the asset is expected to be realised or the liability settled. The tax rate applied to the 2021 and 2020 deferred taxes is 27.4%.

The movement in deferred tax assets during the year of 2021 was as follows:

	Consolidated			
	31-12-2020	**Increases**	**Decreases**	**31-12-2021**
Tax losses	41 514		(144)	41 370
Application of Art. 4 of the regime set forth in Law 61/2014	51 801		(42 784)	9 017
Taxed provisions and impairments	66 080	2 031	(18 448)	49 663
Tax deferral of the impact of the partial transfer of pension liabilities to the Social Security	13 659		(1 516)	12 143
Pension liabilities	24 582	6 154	(6 773)	23 963
Actuarial deviations	53 736		(9 145)	44 591
Voluntary terminations programme	3 903	859	(896)	3 866
End-of-career bonus	2 594	203	(208)	2 589
Dividends	925		(925)	
Financial instruments at fair value	633	342	(124)	851
Other	6 178	5 241	(2 049)	9 370
	265 605	**14 830**	**(83 012)**	**197 423**

The movement in deferred tax assets during the year of 2021 was as follows:

	Individual			
	31-12-2020	**Increases**	**Decreases**	**31-12-2021**
Tax losses	41 514		(144)	41 370
Application of Art. 4 of the regime set forth in Law 61/2014	51 801		(42 784)	9 017
Taxed provisions and impairments	66 080	2 031	(18 448)	49 663
Tax deferral of the impact of the partial transfer of pension liabilities to the Social Security	13 659		(1 516)	12 143
Pension liabilities	24 582	6 154	(6 773)	23 963
Actuarial deviations	53 735		(9 145)	44 590
Voluntary terminations programme	3 903	859	(896)	3 866
End-of-career bonus	2 595	203	(208)	2 590
Dividends	925		(925)	
Financial instruments at fair value	633	342	(124)	851
Other	6 168	5 241	(2 039)	9 370
	265 595	**14 830**	**(83 002)**	**197 423**

At 31 December 2021, BPI's consolidated and individual balance sheet included deferred tax assets in the amount of 197 423 th.euros, of which:

(i) 47 390 th.euros are eligible to benefit from the Special Regime applicable to Deferred Tax Assets approved by Law no.61/2014, of 26 August;

(ii) 155 033 th.euros depend on the existence of future taxable profits (not eligible for the Special Regime), including:

- 19 259 th.euros related to impairments for loans and guarantees;
- 22 330 th.euros relating to other taxed impairments and provisions;
- 67 075 th.euros related to Employee benefits (actuarial deviations, transfer to Social Security, early retirements, end-of-career premium and compensations and other benefits payable under the voluntary termination programme);
- 41 370 th.euros corresponding to tax losses carried forward (2014: 11 981 th.euros, 2016: 7 628 th.euros and 2020: 20 972 th.euros), including tax losses transmitted due to merger operations of Banco Português de Investimento, S.A. and BPI Private Equity – Sociedade de Capital de Risco, S.A. in Banco BPI (788 th.euros). According to Law no. 2/2014, of 16 January, the use of tax losses carried forward in future taxation periods cannot exceed 70% of taxable income in each of those periods, and tax losses carried forward are subject to a preestablished period during which they can be used. With the approval of Law no. 27-A/2020, of 24 July (Supplementary Budget for 2020), the carry-forward period for tax losses effective on 1 January 2020 is suspended during the 2020 and 2021 tax periods on the first day of the 2020 tax period. Tax losses determined in the 2020 and 2021 tax periods are deducted from taxable profits until the end of the 12 subsequent tax periods. The cap on the use of tax losses of 2020 and 2021 is 80% of the taxable profit in the period. With these changes, BPI's tax losses of 2014, 2016, and 2020 lapse in 2028, 2030, and 2032, respectively. Based on the projections made by the Bank, the existing taxable profits up to the end of the reporting period should permit to fully recover the deferred tax assets originated by those tax losses.

The movement in deferred tax liabilities in the year of 2021 was as follows:

	Consolidated			
	31-12-2020	**Increases**	**Decreases**	**31-12-2021**
Taxable temporary differences in subsidiaries and associated companies (BCI)	9 631	1 604		11 235
Financial instruments at fair value	9 677	218	(4 097)	5 798
Other	1 357		(93)	1 264
	20 665	**1 822**	**(4 190)**	**18 297**

	Individual			
	31-12-2020	**Increases**	**Decreases**	**31-12-2021**
Financial instruments at fair value	9 677	218	(4 097)	5 798
Other	1 318		(54)	1 264
	10 995	**218**	**(4 151)**	**7 062**

Profits distributed to Banco BPI by subsidiaries and associated companies are not taxed in Banco BPI as a result of application of the regime established in article 51 of the Corporation Income Tax Code, which provides for the elimination of double taxation of profits distributed.

In this context, Banco BPI does not recognise deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in associated companies, since the stake held by BPI has exceeded 10% and been held for more than one year, which enables it to be considered in the Participation Exemption regime, except for Banco Comercial e de Investimentos, in which the deferred tax liabilities relating to taxation in Mozambique, of all the distributable profits, are recognised.

BPI does not recognise deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in subsidiaries as it is unlikely that such differences will be reversed in the foreseeable future.

25. OFF-BALANCE SHEET ITEMS

This caption is made up as follows:

	Consolidated / Individual	
	31-12-2021	31-12-2020
Loan commitments given		
Irrevocable credit lines	374	523
Securities subscribed	518 771	423 202
Revocable commitments	2 757 693	2 775 448
	3 276 838	**3 199 173**
Financial guarantees given		
Financial guarantees and sureties	138 702	170 213
Financial standby letters of credit	518	1 289
	139 220	**171 502**
Other commitments given		
Non-financial guarantees and sureties	1 437 593	1 295 010
Non-financial standby letters of credit	10 411	7 275
Documentary credits	180 722	91 121
Term liabilities for annual contributions to the Deposit Guarantee Fund	38 714	38 714
Term liabilities for annual contributions to the Resolution Fund	12 972	11 079
Potential liability to the Investor Compensation Scheme	9 711	9 314
Other irrevocable commitments	13 961	771
Other commitments given	298	
	1 704 382	**1 453 284**
	5 120 440	**4 823 959**
Assets pledged as collateral		
European System of Central Banks	6 648 736	6 380 052
Deposit Guarantee Fund	43 472	43 662
Investors Compensation Scheme	5 071	5 121
European Investment Bank	548 968	588 830
	7 246 247	**7 017 665**
Securities deposit and custody responsibilities	**28 764 723**	**27 097 217**

At 31 December 2021 and 2020, the detail of securities delivered as collateral is as follows:

	31-12-2021			31-12-2020		
	Nominal amount	Appreciation	Fair value	Nominal amount	Appreciation	Fair value
Securities delivered as collateral	7 158 962	82 117	7 241 079	6 893 367	117 355	7 010 722

The breakdown by stage of the exposure and impairment in guarantees and commitments at 31 December 2021 is as follows:

	Consolidated / Individual							
	Exposure				Impairments			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments given	3 157 836	108 638	10 365	3 276 839	358	847	2	1 207
Financial guarantees given	136 499	2 287	435	139 221	406	63	380	849
Other commitments given	1 515 924	59 043	67 720	1 642 687	2 142	1 125	12 770	16 037
	4 810 259	169 968	78 520	5 058 747	2 906	2 035	13 152	18 093

Note: Excludes term liabilities for annual contributions to the deposit guarantee fund and resolution fund, and potential liability to the investor compensation scheme.

The breakdown by stage of the exposure and impairment in guarantees and commitments at 31 December 2020 is as follows:

	Consolidated / Individual							
	Exposure				Impairments			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan commitments given	3 108 460	82 781	7 932	3 199 173	183	172	2	357
Financial guarantees given	168 732	2 331	439	171 502	294	59	375	728
Other commitments given	1 274 118	46 530	73 529	1 394 177	1 381	963	13 275	15 619
	4 551 310	131 642	81 900	4 764 852	1 858	1 194	13 652	16 704

Note: Excludes term liabilities for annual contributions to the deposit guarantee fund and resolution fund, and potential liability to the investor compensation scheme.

BPI is only obliged to pay the sum of guarantees and contingent liabilities if the counterparty guaranteed fails to comply with its obligations, at the moment of default. The Bank believes that most of these commitments will reach maturity without materialising.

With respect to contingent commitments given for loans, BPI has undertaken to facilitate funds to Customers through drawdowns on credit lines and other commitments, whenever it is requested to do so and subject to compliance with certain conditions. The Bank believes that a large portion of them will expire prior to drawdown, either because they will not be requested by Customers or because the necessary conditions will not be met by the Customers.

The detail of “Loan commitments given” is as follows:

	Consolidated / Individual			
	31-12-2021		31-12-2020	
	Available	Limits	Available	Limits
Credit institutions	47 751	195 300	67 787	237 700
Public sector	137 960	250 826	136 208	210 011
Other sectors	3 091 128	7 168 294	2 995 178	7 035 223
	3 276 839	**7 614 420**	**3 199 173**	**7 482 934**

The table below details the contractual maturities of the loan commitments given at 31 December 2021 :

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years
Drawable by third parties	1 151 503	395 104	611 935	513 077	605 220

The table below details the contractual maturities of the loan commitments given at 31 December 2020 :

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years
Drawable by third parties	1 222 628	374 505	548 234	492 062	561 743

26. NET INTEREST INCOME

This caption is made up as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Interest income				
Financial assets held for trading	19 951	25 180	19 951	25 180
Non-trading financial assets mandatorily at fair value through profit or loss	1 459	3 502	1 459	3 502
Financial assets at fair value through other comprehensive income	3 195	2 679	3 195	2 679
Financial assets at amortised cost				
Debt securities	36 119	33 204	36 119	33 131
Loans and advances - central banks and other credit institutions	3 037	7 232	3 037	7 232
Loans and advances - Customers	383 586	388 387	383 586	388 387
Derivatives - Hedge accounting, interest rate risk				
Asset hedging operations	(15 491)	(14 058)	(15 491)	(14 058)
Interest on deposits - Central Banks (liabilities)	48 288	28 049	48 288	28 049
Other[1]	5 269	800	5 478	1 164
Commissions received relating to amortised cost	22 575	20 662	22 542	20 571
	507 988	**495 637**	**508 164**	**495 837**
Interest expense				
Financial liabilities held for trading	(18 567)	(24 350)	(18 567)	(24 350)
Financial liabilities at amortised cost				
Deposits - Credit Institutions	403	(1 245)	403	(1 245)
Deposits - Customers	(5 511)	(13 995)	(5 511)	(13 995)
Debt securities issued	(22 287)	(21 856)	(22 287)	(21 856)
Interest on lease liabilities (IFRS 16)	(970)	(542)	(970)	(542)
Derivatives - Hedge accounting, interest rate risk				
Liability hedging operations	19 730	23 825	19 730	23 825
Interest on deposits at Banco de Portugal (assets)	(19 966)	(6 832)	(19 966)	(6 832)
Other	(61)	(99)	(83)	(540)
Commissions paid relating to amortised cost	(294)	(405)	(294)	(405)
	(47 523)	**(45 499)**	**(47 545)**	**(45 940)**
Net interest income	**460 465**	**450 138**	**460 619**	**449 897**

[1] At 31 December 2021 includes 4 095 th.euros relating to the accrual of the financial effect of the amount receivable in 2022 and 2023 from the distribution of free reserves from BFA (Note 11 and 27).

The detail of the average return on assets and liabilities is as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Average return on assets				
Demand deposits at Banco de Portugal	-0.36%	-0.24%	-0.36%	-0.24%
Financial assets at fair value through other comprehensive income - debt securities	0.26%	0.18%	0.26%	0.18%
Financial assets at amortised cost				
Loans and advances - Credit Institutions	0.20%	0.46%	0.20%	0.46%
Loans and advances - Customers[1]	1.42%	1.53%	1.42%	1.53%
Average return on liabilities				
Financial liabilities at amortised cost				
Deposits - Central Banks	-1.01%	-0.86%	-1.01%	-0.86%
Deposits - Credit Institutions	-0.03%	0.10%	-0.03%	0.10%
Deposits - Customers	0.02%	0.06%	0.02%	0.06%
Debt securities issued [2]	0.42%	0.38%	0.42%	0.38%
Subordinated liabilities	5.30%	5.46%	5.30%	5.46%

[1] Includes debt securities.

[2] Does not include subordinated liabilities.

27. DIVIDEND INCOME

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Financial assets at fair value through other comprehensive income				
Banco de Fomento Angola, S.A.	97 935	40 247	97 935	40 247
SIBS - Sociedade Interbancária de Serviços	1 476	1 669	1 476	1 669
Other	426	690	426	690
Investments in joint ventures and associates				
BPI (Suisse)			9 253	
Banco Comercial e de Investimentos, S.A.			6 097	3 375
Companhia de Seguros Allianz Portugal, S.A.			10 500	9 135
Cosec - Companhia de Seguros de Crédito, S.A.			2 356	
Unicre - Instituição Financeira de Crédito, S.A.			7 589	
	99 837	**42 606**	**135 632**	**55 116**

The amount of dividends from BFA (gross amount) corresponds to the dividend on the 2020 results, in the amount of 43 390 th.euros, plus the share of distribution of free reserves, taken to the income statement, in the amount of 54 545 th.euros (Note 11).

The distribution of BFA's free reserves totalled 85 629 th.euros net of financial effect (78 779 th.euros of taxes withheld in Angola) and was recorded in the Bank's accounts as follows:

- in the income statement 54 545 th.euros (50 181 th.euros net of tax) corresponding to earnings retained by BFA in 2019 and 2020, since the date of classification of the equity holding as a financial investment, were recognised in "shares at fair value through other comprehensive income" in December 2018;
- in equity, the remaining 31 085 th.euros (28 598 th.euros net of tax) were recognised in the caption 'Fair value changes of equity instruments measured at fair value through other comprehensive income.

28. FEE AND COMMISSION INCOME AND EXPENSES

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Fee and commission income				
On guarantees provided	12 001	12 137	12 001	12 137
On commitments to third parties	3 496	2 902	3 496	2 902
On insurance brokerage services	76 408	70 759	76 408	70 759
On other banking services provided	189 111	158 655	180 773	151 016
On operations performed on behalf of third parties	15 522	11 260	15 522	11 260
Other	549	639	549	638
Refund of expenses	4 208	3 587	4 208	3 587
Income from provision of sundry services	6 890	6 412	6 890	6 412
	308 185	**266 351**	**299 847**	**258 711**
Fee and commission expenses				
For guarantees received	(43)	(51)	(39)	(45)
On financial instruments transactions	(289)	(305)	(289)	(305)
On banking services provided by third parties	(10 205)	(12 488)	(10 202)	(12 486)
On operations performed by third parties	(1 774)	(2 012)	(1 774)	(2 012)
Commission-equivalent expenses	(6 588)	(4 130)	(6 588)	(4 130)
Other	(1 112)	(2 463)	(1 112)	(2 463)
	(20 011)	**(21 449)**	**(20 004)**	**(21 441)**

At 31 December 2021 and 2020, income from insurance or reinsurance brokerage services provided is broken down as follows:

	Consolidated / Individual	
	31-12-2021	31-12-2020
Life		
Savings	17 255	14 160
Housing	22 206	22 191
Consumer	2 251	3 063
Other	10 033	10 952
	51 745	**50 366**
Non life		
Housing	7 004	6 706
Consumer	8 021	3 799
Other	9 638	9 888
	24 663	**20 393**
	76 408	**70 759**

At 31 December 2021 and 2020, remunerations for insurance brokerage services were fully received in cash, and more than 99% of the fee and commission income relates to insurance brokerage services for Allianz and BPI Vida e Pensões.

29. GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net	**223**	**162**	**223**	**162**
Financial assets at amortised cost				
Debt securities		11		11
Financial liabilities at amortised cost	10	52	10	52
Other	213	99	213	99
Gains or (-) losses on financial assets and liabilities held for trading, net	**5 420**	**7 863**	**5 420**	**7 863**
Trading derivatives	(20 763)	21 256	(20 763)	21 256
Debt securities	1 245	314	1 245	314
Equity instruments	24 938	(13 928)	24 938	(13 928)
Other		221		221
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**(5 169)**	**(18 890)**	**(5 169)**	**(18 890)**
Debt securities	6 348	(5 444)	6 348	(5 444)
Equity instruments	(11 517)	(13 446)	(11 517)	(13 446)
Gains or (-) losses from hedge accounting, net	**(2 125)**	**(1 969)**	**(2 125)**	**(1 969)**
Hedging derivatives (Note 13)	18 615	(18 925)	18 615	(18 925)
Hedged items (Note 13)	(20 740)	16 956	(20 740)	16 956
Exchange differences [gain or (-) loss], net	**28 192**	**514**	**28 257**	**549**
	26 541	**(12 320)**	**26 606**	**(12 285)**

At 31 December 2021 and 2020, the caption “Gains / (losses) on financial assets and liabilities held for trading – Hedging derivatives includes (24 997) th.euros and 13 997 th.euros, respectively, concerning equity swaps contracted with Clients, which are hedged through a portfolio of equity instruments, in the caption “Gains / (losses) on financial assets and liabilities held for trading - Equity instruments”.

At 31 December 2021 and 2020, the caption foreign exchange differences includes 16 515 th.euros and (9 382) th.euros resulting from the revaluation of the exposure in kwanzas through the dividends to be received from Banco de Fomento Angola, between the attribution date and the dates of payment and transfer to Portugal.

30. OTHER OPERATING INCOME AND EXPENSES

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Other operating income				
Service provision agreements with CaixaBank Group companies	11 990	11 976	11 990	11 976
Gains on finance leases	9 151	4 753	9 151	4 753
Other operating income	8 163	17 571	8 158	17 571
	29 304	**34 300**	**29 299**	**34 300**
Other operating expenses				
Special tax on banks	(18 762)	(15 545)	(18 762)	(15 545)
Additional solidarity tax on banks	(3 607)	(3 216)	(3 607)	(3 216)
Contributions to the Deposit Guarantee Fund	(37)	(35)	(37)	(35)
Contribution to the Resolution Fund	(8 494)	(7 291)	(8 494)	(7 291)
Contributions to the Single Resolution Fund	(10 727)	(13 410)	(10 727)	(13 410)
Contribution to the Investor Compensation Scheme	(5)	(5)	(5)	(5)
Losses on finance leases	(8 605)	(3 836)	(8 605)	(3 836)
Other operating expenses	(6 481)	(5 715)	(6 481)	(5 714)
Taxes on dividends and interest	(7 857)	(3 209)	(8 465)	(3 547)
	(64 575)	**(52 262)**	**(65 183)**	**(52 599)**

At 31 December 2021 and 2020, the caption “Taxes on dividends and interest” includes 7 834 th.euros and 3 220 th.euros, respectively, referring to taxes withheld in Angola on dividends from BFA.

31. STAFF EXPENSES

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Staff expenses				
Remuneration	(187 482)	(190 653)	(184 679)	(187 470)
Other mandatory social costs	(47 708)	(51 221)	(47 464)	(50 979)
Pension costs				
Current service cost	5 969	5 359	5 969	5 359
Interest cost relating to the liabilities	(22 937)	(26 081)	(22 937)	(26 081)
Income on plan assets computed based on the discount rate	24 113	25 486	24 113	25 486
Other	(673)	(485)	(417)	(216)
Other staff costs	(2 343)	(1 813)	(2 343)	(1 812)
	(231 061)	**(239 408)**	**(227 758)**	**(235 713)**
Costs with early retirements and terminations				
Early retirements [1]	(28 766)	(24 552)	(28 766)	(24 552)
Voluntary terminations [2]	(1 066)	(404)	(1 066)	(404)
	(29 832)	**(24 956)**	**(29 832)**	**(24 956)**
	(260 893)	**(264 364)**	**(257 590)**	**(260 669)**

[1] At 31 December 2021 and 2020 includes respectively (21 379) th.euros and (16 419) th.euros increase in liabilities from early retirements (Note 22).

[2] At 31 December 2021 and 2020 includes respectively 1 237 th.euros and 1 735 th.euros decrease in liabilities from Voluntary terminations (Note 22).

In 2021 and 2020 Banco BPI recognised costs with early retirements and voluntary terminations totalling 29 832 th.euros and 24 956 th.euros, under agreements accepted by and entered into with 139 and 147 Employees, respectively.

In 2021 and 2020, the average headcount is broken down as follows:

	Consolidated					
	31-12-2021			31-12-2020		
	Men	**Women**	Of which: With disability above 33%	**Men**	**Women**	Of which: With disability above 33%
Directors[1]	5			8		
Senior management	358	211	14	252	133	9
Other management staff	1 562	2 285	104	1 777	2 451	99
Other employees	53	92	7	67	108	12
	1 978	**2 588**	**125**	**2 104**	**2 692**	**120**

[1]Executive Directors of Banco BPI.

	Individual					
	31-12-2021			31-12-2020		
	Men	**Women**	Of which: With disability above 33%	**Men**	**Women**	Of which: With disability above 33%
Directors[1]	5			8		
Senior management	354	211	14	248	133	9
Other management staff	1 556	2 279	104	1 772	2 445	99
Other employees	52	91	7	64	106	12
	1 967	**2 581**	**125**	**2 092**	**2 684**	**120**

[1]Executive Directors of Banco BPI.

In 2021 and 2020, the headcount is broken down as follows:

	Consolidated					
	31-12-2021			31-12-2020		
	Men	**Women**	Of which: With disability above 33%	**Men**	**Women**	Of which: With disability above 33%
Directors[1]	5			5		
Senior management	484	302	17	240	129	9
Other management staff	1 388	2 162	97	1 704	2 389	99
Other employees	49	88	8	56	99	6
	1 926	**2 552**	**122**	**2 005**	**2 617**	**114**

[1] Executive Directors of Banco BPI.

	Individual					
	31-12-2021			31-12-2020		
	Men	**Women**	Of which: With disability above 33%	**Men**	**Women**	Of which: With disability above 33%
Directors[1]	5			5		
Senior management	480	302	17	236	129	9
Other management staff	1 383	2 157	97	1 698	2 383	99
Other employees	48	87	8	54	98	6
	1 916	**2 546**	**122**	**1 993**	**2 610**	**114**

[1] Executive Directors of Banco BPI.

32. OTHER ADMINISTRATIVE EXPENSES

The detail of this heading is as follows:

	Consolidated		Individual	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
General administrative expenses				
Supplies				
Water, energy and fuel	(5 103)	(5 261)	(5 092)	(5 245)
Consumables	(1 103)	(2 742)	(1 078)	(2 721)
Other	(346)	(487)	(346)	(487)
Services				
Rents and leases	(7 955)	(9 964)	(7 454)	(9 404)
Communications and IT	(46 395)	(44 187)	(46 329)	(44 120)
Travel, lodging and representation	(1 730)	(1 914)	(1 653)	(1 815)
Advertising and publishing	(8 375)	(7 833)	(8 375)	(7 833)
Maintenance and repairs	(11 635)	(10 390)	(11 627)	(10 377)
Insurance	(1 023)	(1 271)	(1 016)	(1 265)
Fees	(1 881)	(2 817)	(1 649)	(2 612)
Legal expenses	(2 364)	(2 068)	(2 291)	(2 039)
Security and cleaning	(5 288)	(5 507)	(5 286)	(5 508)
Information services	(2 918)	(2 814)	(2 704)	(2 576)
Studies, consultancy and auditing	(14 280)	(11 133)	(14 225)	(11 076)
Clearing and ATM system	(2 633)	(2 926)	(2 633)	(2 926)
Outsourcing	(13 173)	(14 104)	(13 173)	(14 104)
Subscriptions and donations	(920)	(3 626)	(916)	(3 618)
Other taxes	(1 034)	(1 554)	(996)	(1 505)
Other	(7 426)	(7 651)	(7 425)	(7 651)
	(135 582)	**(138 249)**	**(134 268)**	**(136 882)**

The detail of remunerations paid to auditors and respective network[1], according to the nature of the services provided and the company providing them, in 2021, is as follows:

31 December 2021	**Banco BPI**	**Other companies**	**Total**
PwC - SROC fees			
Audit	650		650
Other services			
Other non-audit services required by law	116		116
Other non-audit services	327		327
	1 093		**1 093**
Fees of other companies of the PwC network			
Statutory limited review		47	47
Other services	3		3
	3	**47**	**50**
CMVM fees	**29**		**29**
	1 125	**47**	**1 172**

[1] In accordance with the definition of network given by the European Commission in its Recommendation no. C(2002) 1873, of 16 May 2002.

The detail of remunerations paid to auditors and respective network[1], according to the nature of the services provided and the company providing them, in 2020, is as follows:

31 December 2020	**Banco BPI**	**Other companies**	**Total**
PwC - SROC fees			
Audit	618		618
Other services			
Other non-audit services required by law	214		214
Other non-audit services	219		219
	1 051		**1 051**
Fees of other companies of the PwC network			
Statutory limited review		53	53
Other services	3		3
	3	**53**	**56**
CMVM fees	**24**		**24**
	1 078	**53**	**1 131**

[1] In accordance with the definition of network given by the European Commission in its Recommendation no. C(2002) 1873, of 16 May 2002.

The breakdown of payments to suppliers, relating to goods and services acquired in 2021 and 2020 is as follows:

	31-12-2021	31-12-2020
Amounts outstanding	4 622	460
Amount of payments made	326 498	284 024
	331 120	**284 484**
Average supplier payment period in days	30	30

33. IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The detail of this heading is as follows:

	Consolidated / Individual	
	31-12-2021	31-12-2020
Financial assets at amortised cost		
Loans and advances		
Net allowances		
Credit Institutions	(29)	
Customers	(73 426)	(160 700)
Recovery of loans written off from assets	33 086	12 537
Expenses associated with recovery of loans	(977)	(427)
Debt securities		
Net allowances	(4 235)	(4 912)
	(45 581)	**(153 502)**

In 2021, Banco BPI sold a portfolio of non-performing loans for a global amount of 276 million euros, of which 266 million euros in written-off loans (recognised in off-balance sheet items) and 10 million euros in loans net of impairments (30 million euros in loans and 20 million euros in impairments, recognised in the balance sheet). This operation generated a result of 23 376 th.euros corresponding to the recovery of written-on loans, net of expenses associated with this operation (Note 12).

In 2020, Banco BPI sold a portfolio of non-performing loans for a global amount of 73 million euros, of which 57 million euros in written-off loans (recognised in off-balance sheet items) and 16 million euros in loans net of impairments (recognised in the balance sheet). This transaction generated a result of 5 254 th.euros, of which 919 th.euros due to the replacement of impairment of financial assets not measured at fair value through profit or loss and 4 335 th.euros due to the recovery of credits written off from assets (Note 12).

34. IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS

The movement in this caption in 2021 and 2020 was as follows:

	Consolidated / Individual
	31-12-2021
Other assets	
Balance at beginning of year	
Increases	904
Balance at end of year	904

35. GAINS OR (-) LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET

The detail of these captions is as follows:

	Consolidated / Individual	
	31-12-2021	31-12-2020
Gains in non-financial assets		
Gains in other tangible assets	142	24
Losses in non-financial assets		
Losses in other tangible assets	(141)	(62)
	1	**(38)**

36. PROFIT OR (-) LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS

This caption is made up as follows:

	Consolidated / Individual	
	31-12-2021	**31-12-2020**
Profit or (-) loss on assets received in settlement of defaulting loans		
Real Estate	957	399
Equipment	(289)	(135)
Impairments on assets received in settlement of defaulting loans		
Real Estate	(56)	95
Equipment and other	(117)	(7)
Other profit/(loss)	47	(23)
	542	**329**

37. PROFIT

In 2021 and 2020, the contribution of Banco BPI and its subsidiaries and associates to the consolidated net income was as follows:

	31-12-2021	**31-12-2020**
Banks		
Banco BPI, S.A.	258 298	75 823
Banco Comercial e de Investimentos, S.A.R.L.	22 553	8 371
Asset management		
BPI (Suisse), S.A.	3 066	2 035
Venture / development capital		
Inter-Risco - Sociedade de Capital de Risco, S.A.	(365)	(53)
Insurance		
Cosec - Companhia de Seguros de Crédito, S.A.	4 137	82
Companhia de Seguros Allianz Portugal, S.A.	15 283	13 423
Other		
BPI, Inc	(7)	(4)
Unicre - Instituição Financeira de Crédito, S.A.	3 858	5 094
	306 823	**104 771**

38. INFORMATION ON FAIR VALUE

The fair value of financial instruments is estimated, whenever possible, on the basis of prices in an active market. A market is considered active, and therefore liquid, when it is accessed by equally knowledgeable counterparties and where transactions are carried out on a regular basis. For financial instruments for which there is no active market, due to lack of liquidity or regular transactions, valuation methods and techniques are used to estimate fair value.

38.1. Fair value of financial instruments recorded in the balance sheet at fair value

Financial instruments on the balance sheet at fair value are classified into levels using the hierarchy defined in IFRS 13.

Debt securities and equity instruments

- **Level 1:** This category includes, in addition to financial instruments listed on regulated markets, bonds and participating units in harmonised funds, valued based on prices / quotations in active markets, published in trading platforms, taking into account also the liquidity and quality of the prices.

  The classification of fair value in level 1 is made automatically by SIVA ("Asset Valuation Integrated System") whenever the financial instruments are traded in an active market, considering, for this purpose, that this is the case when:

  (i) financial instruments are priced daily by at least 6 contributors, at least three of them with firm offers, or there is a multi-contributed price (price formed by several firm offers from contributors available in the market) (active market), or;

  (ii) such financial instruments have been classified as level 1, in accordance with the rule referred to in the preceding paragraph, in at least 50% of the last 30 calendar days.

  For financial instruments that do not have a history in the 30 days calendar available in the system, allocation of fair value level will be carried out taking into account the history available in SIVA.

- **Level 2:** Financial instruments that have not been traded on an active market or that are valued by reference to valuation techniques based on market data for financial instruments having the same or similar characteristics in accordance with the rules referred to below are considered as level 2. Level 2 fair value classification is determined automatically by SIVA in accordance with the following rules:

  a) Financial instruments are classified daily in Level 2 if they are:

  (i) Quoted by less than 6 contributors, regardless of the type of price, or;

  (ii) valued based on models using inputs which are mainly observable in the market (such as interest rate curves or exchange rates), or;

  (iii) valued based on third party indicative purchase prices, based on observable market data, and

  (iv) have been classified as level 1 and level 2, in accordance with the rules mentioned above, in at least 50% of the last 30 calendar days.

  b) For financial instruments that do not have a history in the 30 days calendar available in the system, allocation of fair value level will be carried out taking into account the history available in SIVA.

- **Level 3:** Financial instruments are classified as Level 3 when they do not meet the criteria to be classified as Level 1 or Level 2, or if their value is the result of inputs not based on observable market data, namely:

  a) financial instruments not admitted to trading on a regulated market, which are valued based on valuation models for which there is no generally accepted market consensus as to the inputs to be used, namely:

  (i) valuation based on Net Asset Value of non-harmonized funds, updated and disclosed by their managing companies;

  (ii) valuation based on indicative prices disclosed by the entities involved in the issue of certain financial instruments, without an active market; or

  (iii) valuation based on impairment tests, using indicators of the performance of the underlying operations (degree of protection by subordination of notes held, delinquency rates of the underlying assets, evolution of ratings, among others).

  b) financial instruments valued at indicative purchase prices based on theoretical models, disclosed by specialized third parties.

Automatic classification proposed by SIVA relating to the level of fair value is made on the day of measurement, being supervised by a specialized team, in order to ensure that the classification of the fair value level is considered the most appropriate, according to the principles set forth herein.

Derivative financial instruments

Financial derivative transactions in the form of foreign exchange contracts, interest rate contracts, contracts on shares or share indices, inflation contracts or a combination of these, are carried out in over-the-counter (OTC) markets and in organized markets (mainly stock exchanges). For the over-the-counter derivatives (swaps and options) the valuation is based on generally accepted methods, always giving priority to values from the market.

- **Level 1:** This category includes futures and options and other derivative financial instruments traded on regulated markets.

- **Level 2:** Level 2 includes derivatives, traded on over-the-counter markets, without an optional component.

  Valuation of these derivatives is made by discounting the cash flows of the operations, using interest rate market curves deemed appropriate for the currency concerned, prevailing at the time of calculation. The interest rates are obtained from reliable sources of information (e.g. Bloomberg or Reuters). The same interest rate curves are used in the projection of non-deterministic cash flows such as interest calculated from indices. The rates for required specific periods are determined by appropriate interpolation methods.

- **Level 3:** Level 3 includes options and derivatives traded in the over-the-counter market, with embedded optional elements.

  The valuation of options is carried out using statistical models that consider the market value of the underlying assets and their volatilities (considering that the latter are not directly observable in the market). The theoretical models used to value derivatives classified in Level 3 are of two types:

  (i) For simpler options the Black-Scholes model and their derivatives is used (commonly used models by the market in the valuation of this type of operation). The unobservable market inputs (implied volatility of the underlying assets) are collected from Bloomberg.

(ii) For exotic options or complex derivatives incorporating optional elements for which there are no valuation models available, the Bank contracts specialized entities that perform the valuation of these operations based on specific models that they develop using criteria and methodologies generally accepted by the sector for these types of instruments. On 31 December 2018, there were no outstanding operations of this type, therefore the Bank did not use valuations prepared by these entities.

In accordance with the policy defined by the Banco BPI as regards the management of exposures in options, significant open positions are not maintained, the risk being managed mainly through "back-to back" hedges and portfolio hedges. Thus, the impact of possible changes in the inputs used in the valuation of the options, in terms of the Bank's income statement, tends to be negligible.

Valuations thus obtained are, in the case of interbank transactions, valued against those used by the counterparties and whenever there are significant differences, the models or assumptions are reviewed.

The valuation of the non-optional components, not adjusted for credit risk (cash flows from operations), is made based on discounted cash flows, using a methodology similar to that used for derivatives without an optional component. Nevertheless, the derivative instrument is classified (as a whole) in level 3.

The detail of the financial assets measured at fair value on the consolidated and individual balance sheet, broken down by levels, is as follows:

	Consolidated / Individual									
	31-12-2021					31-12-2020				
	Book value	Fair value				Book value	Fair value			
		Total	Level 1	Level 2	Level 3		Total	Level 1	Level 2	Level 3
Financial assets held for trading	**103 838**	**103 838**	**1 523**	**73 151**	**29 164**	**197 475**	**197 475**	**61 207**	**96 208**	**40 060**
Derivatives	98 057	98 057		73 151	24 906	131 412	131 412	96	96 208	35 108
Equity instruments	1 163	1 163	1 163			60 290	60 290	60 290		
Debt securities	4 618	4 618	360		4 258	5 773	5 773	821		4 952
Non-trading financial assets mandatorily at fair value through profit or loss	**113 509**	**113 509**	**908**		**112 601**	**177 461**	**177 461**	**1 064**		**176 397**
Equity instruments	108 155	108 155	908		107 247	125 147	125 147	1 064		124 083
Debt securities	5 354	5 354			5 354	52 314	52 314			52 314
Financial assets at fair value through other comprehensive income	**1 666 764**	**1 666 764**	**1 236 887**		**429 877**	**1 883 541**	**1 883 541**	**1 448 356**		**435 185**
Equity instruments	431 389	431 389	1 512		429 877	436 072	436 072	887		435 185
Debt securities	1 235 375	1 235 375	1 235 375			1 447 469	1 447 469	1 447 469		
Derivatives - Hedge accounting	**25 174**	**25 174**		**25 174**		**1 453**	**1 453**		**1 453**	
Total	**1 909 285**	**1 909 285**	**1 239 318**	**98 325**	**571 642**	**2 259 930**	**2 259 930**	**1 510 627**	**97 661**	**651 642**

The detail of financial liabilities measured at fair value on the consolidated and individual balance sheet, broken down by levels, is as follows:

	Consolidated / Individual									
	31-12-2021					31-12-2020				
	Book value	Fair value				Book value	Fair value			
		Total	Level 1	Level 2	Level 3		Total	Level 1	Level 2	Level 3
Financial liabilities held for trading	**103 937**	**103 937**		**82 372**	**21 565**	**141 345**	**141 345**	**3**	**111 398**	**29 944**
Derivatives	103 937	103 937		82 372	21 565	141 345	141 345	3	111 398	29 944
Derivatives - Hedge accounting	**15 859**	**15 859**		**15 859**		**63 724**	**63 724**		**63 724**	
Total	**119 796**	**119 796**		**98 231**	**21 565**	**205 069**	**205 069**	**3**	**175 122**	**29 944**

The main valuation techniques, assumptions and inputs used in fair value estimation for levels 2 and 3 by type of financial instruments are as follows:

Valuation methodologies and inputs

		Instrument type	Valuation method	Main assumptions
Financial assets and liabilities held for trading	Derivatives [1]	Swaps	Discounted cash flow method [2]	Interest rate curves
		Exchange rate options	Black-Scholes model	Implicit volatilities
		Interest rate options	Normal method	Probability of default for calculation of CVA and DVA
	Debt securities		Discounted cash flow method [2]	Interest rate curves Risk premiums Comparable assets[3] Prices observed on the market
Non-trading financial assets mandatorily at fair value through profit or loss	Equity instruments		Net asset value	Equity book value
	Debt securities		Discounted cash flow method [2]	Interest rate curves Risk premiums Comparable assets[3] Prices observed on the market
Financial assets at fair value through other comprehensive income	Equity instruments		Discounted Cash Flow (DCF) Dividend Discount Model (DDM) Net asset value Equity book value	Risk free interest rate Risk premiums Beta coeficients Market comparables Perpetuity growth rates
	Debt securities		Discounted cash flow method [2]	Interest rate curves Risk premiums Comparable assets[3] Net asset value (NAV) Nominal Amount
Derivatives - Hedge accounting	Swaps[1]		Discounted cash flow method [2]	Interest rate curves Implicit volatilities Probability of default for calculation of CVA and DVA

[1] The valuation of derivatives is adjusted to consider the counterparty credit risk when the exposure lies with the Bank, and the Bank's credit risk when the exposure lies with the counterparty (CVA - Credit Valuation Adjustment and DVA - Debit Valuation Adjustment).

[2] Discounted cash flow method (net present value): this model uses the cash flows of each instrument, which are established in the different contracts, and discounts them to calculate the present value.

[3] Comparable assets (similar asset prices): comparable financial instrument prices, or market benchmark indices are employed to calculate return from purchase price to current valuation, making subsequent adjustments to take into account the differences between the measured asset and the one taken as reference. It can also be assumed that the price of an instrument is equivalent to the price of another instrument.

Credit Risk Valuation Adjustments

Credit Valuation Adjustments (CVA) and Debit Valuation Adjustment (DVA) are incorporated in the valuation of over-the-counter (OTC) derivatives due to the risk associated to the counterparty's and own credit risk exposure, respectively.

The CVA is calculated bearing in mind the expected exposure with each counterparty in each future maturity. The CVA for an individual counterparty is equal to the sum of the CVA for all maturities. Adjustments are calculated by estimating the counterparty's exposure at default (EAD), probability of default (PD) and loss given default (LGD) for all derivatives traded under the same contract with Banco BPI with close-out netting (under the same netting set). Similarly, DVA is calculated by multiplying the expected negative exposure by the probability of default and by the LGD of Banco BPI.

To calculate PD and LGD, counterparty credit market data are used (Credit Default Swaps), when such information is available. Where such information is not available, PD and LGD are calibrated through market data, using for the purpose the counterparty's rating and sector, or historical PD data.

Changes in the value of the CVA and DVA adjustments are recognised in "Gains/(losses) on financial assets and liabilities held for trading" in the income statement. The table below shows the changes to these adjustments.

CVA and DVA changes

	Consolidated / Individual			
	2021		2020	
	CVA	DVA	CVA	DVA
Opening balance	**8 885**	**353**	**13 946**	**510**
Additions/changes in derivatives	(1 539)	(17)	(4 489)	(137)
Cancellation or maturity of derivatives	(94)	(10)	(572)	(20)
Closing balance	**7 252**	**326**	**8 885**	**353**

The movement in level 3 financial assets at fair value and financial liabilities held for trading, in the first semester of 2021 and the year of 2020, was as follows:

	Consolidated / Individual									
	31-12-2021					31-12-2020				
	Financial assets and liabilities held for trading		Non-trading financial assets mandatorily at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Financial assets and liabilities held for trading		Non-trading financial assets mandatorily at fair value through profit or loss		Financial assets at fair value through other comprehensive income
	Debt securities	Trading derivatives[1]	Equity instruments	Debt securities	Equity instruments	Debt securities	Trading derivatives[1]	Equity instruments	Debt securities	Equity instruments
Balance at beginning of the period	**4 952**	**5 164**	**124 083**	**52 314**	**435 185**	**12 372**	**3 954**	**142 119**	**6 431**	**497 827**
Total profit or (-) loss	(20)	772	(11 914)	(744)	(4 222)	104	1 274	(13 605)	(5 598)	(64 710)
Losses or gains	(20)	772	(11 914)	(744)		104	1 274	(13 605)	(5 598)	
Adjustments to equity					(4 222)					(64 710)
Purchases	2 075				198	3 257		48		1 911
Reclassification to/from level 3									51 938	2 375
Liquidations and other	(2 749)	(2 594)	(4 922)	(46 216)	(1 284)	(10 781)	(64)	(4 480)	(457)	(2 218)
Balance at end of the period	**4 258**	**3 342**	**107 247**	**5 354**	**429 877**	**4 952**	**5 164**	**124 083**	**52 314**	**435 185**

[1] Net value

Reclassification to level 3 of ‘non-trading financial assets mandatorily accounted for at fair value through profit or loss - debt securities’ refers to the C8 Capital SPV issue, transferred from level 2 due to the reduction in market liquidity indicators (reduction in the number of contributors available for trading) as laid down in IFRS13’s criteria for attribution of fair value level. The reclassification to level 3 of Financial assets at fair value through other comprehensive income - capital instruments refers to the reclassification of the VISA security, transferred from level 2, due to the valuation criteria used that considers non-observable data in an active market, namely the application of prudential haircuts.

38.2. Fair value of financial instruments recorded in the balance sheet at amortized cost

The fair value of financial instruments recorded in the balance sheet at amortized cost is determined by Banco BPI through valuation techniques.

The valuation techniques used are based on market conditions applicable to similar operations as of the date of the financial statements, such as the value of their discounted cash flows based on interest rates considered as most appropriate, namely:

- the cash flows relating to Financial assets at amortised cost - Loans and advances to Central Banks and Credit Institutions, and Financial liabilities at amortised cost - deposits from Central Banks and Credit institutions, were discounted based on interest rate curves for interbank operations on the date of the financial statements, except for medium and long term resources, the cashflows of which were discounted based on the interest rate curve used by the Bank for senior issuances;
- in operations with Customers (Financial assets at amortised cost - loans and advances to Customers and Financial liabilities at amortised cost - Customer deposits), the weighted average of the reference rates used by the Bank in the previous month to contract similar operations is considered;
- for bonds issued (Financial liabilities at amortised cost - debt securities issued), the Bank considered the reference interest rates and spreads available in the market, considering the residual maturity and degree of subordination of the issuances. For subordinated debt, the Bank used issuance proposals submitted to the Bank by other credit institutions, as the basis for the construction of subordination spread curves, also considering the senior debt curve, the Portuguese public debt curve and the evolution of the spread between the Portuguese and German public debts.

For on demand operations (namely Cash and cash balances at central banks and other demand deposits, deposits included in Financial liabilities at amortised cost) and on the balance sheet's captions Other assets and Other liabilities, fair value corresponds to the respective balance-sheet value.

Note that the fair value presented for these financial instruments may not correspond to their realizable value in a sale or liquidation scenario, as it was not determined for that purpose.

The fair value of the financial assets at amortised cost on the consolidated balance sheet, broken down by levels, is as follows:

	Consolidated / Individual									
	31-12-2021					31-12-2020				
	Book value	Fair value				Book value	Fair value			
		Total	Level 1	Level 2	Level 3		Total	Level 1	Level 2	Level 3
Financial assets at amortised cost										
Debt securities	6 845 126	6 891 574			6 891 574	5 772 761	5 876 133			5 876 133
Loans and advances	25 292 693	25 547 500		996 578	24 550 922	24 231 209	26 083 370		1 641 384	24 441 986
Central Banks and Credit Institutions	1 002 843	996 578		996 578		1 594 993	1 641 384		1 641 384	
Customers	24 289 850	24 550 922			24 550 922	22 636 216	24 441 986			24 441 986
Total	**32 137 819**	**32 439 074**		**996 578**	**31 442 496**	**30 003 970**	**31 959 503**		**1 641 384**	**30 318 119**

The fair value of financial liabilities at amortised cost on the consolidated balance sheet, broken down by levels, is as follows:

	Consolidated									
	31-12-2021					31-12-2020				
		Fair value					Fair value			
	Book value	Total	Level 1	Level 2	Level 3	Book value	Total	Level 1	Level 2	Level 3
Financial liabilities at amortised cost										
Deposits	34 698 404	34 623 712		4 747 673	29 876 039	31 512 868	31 414 411		4 291 365	27 123 046
Central Banks	4 823 269	4 747 673		4 747 673		4 394 239	4 291 365		4 291 365	
Credit Institutions	1 002 995	993 698			993 698	1 110 076	1 100 868			1 100 868
Customers	28 872 140	28 882 341			28 882 341	26 008 553	26 022 178			26 022 178
Debt securities issued	2 206 299	2 347 764			2 347 764	1 804 852	1 669 266			1 669 266
Other financial liabilities	295 911	295 911			295 911	378 002	378 002			378 002
Total	**37 200 614**	**37 267 387**		**4 747 673**	**32 519 714**	**33 695 722**	**33 461 679**		**4 291 365**	**29 170 314**

The fair value of financial liabilities at amortised cost on the individual balance sheet, broken down by levels, is as follows:

	Individual									
	31-12-2021					31-12-2020				
	Book	Fair value				Book	Fair value			
	value	Total	Level 1	Level 2	Level 3	value	Total	Level 1	Level 2	Level 3
Financial liabilities at amortised cost										
Deposits	34 698 404	34 623 713		4 747 673	29 876 040	31 512 868	31 414 411		4 291 365	27 123 046
Central Banks	4 823 269	4 747 673		4 747 673		4 394 239	4 291 365		4 291 365	
Credit Institutions	1 002 995	993 698			993 698	1 110 076	1 100 868			1 100 868
Customers	28 872 140	28 882 341			28 882 341	26 008 553	26 022 178			26 022 178
Debt securities issued	2 206 299	2 347 764			2 347 764	1 804 852	1 669 266			1 669 266
Other financial liabilities	296 442	296 442			296 442	378 579	378 579			378 579
Total	**37 201 145**	**37 267 919**		**4 747 673**	**32 520 245**	**33 696 299**	**33 462 255**		**4 291 365**	**29 170 890**

38.3. Fair value of assets received in settlement of defaulting loans

The detail of this heading is as follows:

	31-12-2021	31-12-2020
Gross amount	8 367	12 313
Impairment	4 035	4 538
Book value (Note 18)	4 332	7 775
Fair value	10 326	15 077

In the particular case of real estate assets repossessed from loans recovery, their fair value is obtained by requesting the appraisal value from external appraisal experts. These appraisers maximise the use of observable market data and other factors that market participants would consider when pricing, limiting the use of subjective considerations and unobservable or non-checked data. The fair value of these assets, based on the fair value hierarchy, is therefore classified as Level 2.

39. RELATED PARTIES

In accordance with IAS 24, the entities considered to be related to Banco BPI are:

- those in which the Bank has direct or indirect significant influence over their management and financial policies (Associated companies) and pension funds;
- Caixabank, which holds the entire share capital of Banco BPI, and the companies controlled by the Caixabank Group;
- the members of the key management personnel of Banco BPI, such being considered for this purpose the executive and non-executive members of the Board of Directors and Supervisory Board and individual persons and companies related with them. In 2021, following the entry into force of Bank of Portugal Notice 3/2020, the Bank changed the scope of the entities related to the members of the Board of Directors, and included in it the Supervisory Board.

In accordance with these criteria, BPI's related parties at 31 December 2021, are the following

Name of related entity	Sede	Effective holding	Direct holding
Shareholders of Banco BPI			
Grupo CaixaBank	Spain	100.0%	
Associated entities of Banco BPI			
BPI Incorporated [1]	USA	100.0%	100.0%
BPI (Suisse), S.A. [1]	Switzerland	100.0%	100.0%
Banco Comercial e de Investimentos, S.A.	Mozambique	35.7%	35.7%
Companhia de Seguros Allianz Portugal, SA	Portugal	35.0%	35.0%
Cosec - Companhia de Seguros de Crédito, SA	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	49.0%
Unicre - Instituição Financeira de Crédito, SA	Portugal	21.0%	21.0%
Pension Funds of BPI Employees			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	6.1%	
Fundo de Pensões Aberto BPI Valorização	Portugal	31.9%	
Fundo de Pensões Aberto BPI Segurança	Portugal	16.8%	
Fundo de Pensões Aberto BPI Garantia	Portugal	6.5%	
Members of the Board of Directors of Banco BPI			
Fernando Ulrich			
António Lobo Xavier			
Fransico Artur Matos			
Cristina Rios Amorim			
Elsa Maria Roncon			
Fátima Barros			
Francisco Barbeira			
Gonzalo Gortázar Rotaeche			
Ignacio Alvarez-Rendueles			
Javier Pano Riera			
João Pedro Oliveira e Costa			
Lluís Vendrell			
Manuel Sebastião			
Natividad Capella			
Pedro Barreto			
PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. represented by José Manuel Henriques Bernardo and Cláudia Sofia Parente Gonçalves da Palma			

[1] Transactions with fully consolidated companies are only shown in the tables for Banco BPI - individual basis.

In accordance with these criteria, BPI's related parties at 31 December 2020, were the following:

Name of related entity	Registered office	Effective holding	Direct holding
Shareholders of Banco BPI			
Grupo CaixaBank	Spain	100.0%	
Associated entities of Banco BPI			
BPI Incorporated[1]	USA	100.0%	100.0%
BPI (Suisse), S.A.[1]	Switzerland	100.0%	100.0%
Banco Comercial e de Investimentos, S.A.	Mozambique	35.7%	35.7%
Companhia de Seguros Allianz Portugal, SA	Portugal	35.0%	35.0%
Cosec - Companhia de Seguros de Crédito, SA	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	49.0%
Unicre - Instituição Financeira de Crédito, SA	Portugal	21.0%	21.0%
Pension Funds of BPI Employees			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	6.6%	
Fundo de Pensões Aberto BPI Valorização	Portugal	33.5%	
Fundo de Pensões Aberto BPI Segurança	Portugal	18.9%	
Fundo de Pensões Aberto BPI Garantia	Portugal	6.9%	
Members of the Board of Directors of Banco BPI			
Fernando Ulrich			
António Lobo Xavier			
António Farinha Morais			
Cristina Rios Amorim			
Elsa Maria Roncon			
Fátima Barros			
Francisco Barbeira			
Gonzalo Gortázar Rotaeche			
Ignacio Alvarez-Rendueles			
Javier Pano Riera			
João Pedro Oliveira e Costa			
Lluís Vendrell			
Manuel Sebastião			
Natividad Capella			
Pedro Barreto			

[1] Transactions with fully consolidated companies are only shown in the tables for Banco BPI - individual basis.

At 31 December 2021 the total amount of assets, liabilities, capital, results and off-balance sheet commitments relating to transactions with Shareholders of Banco BPI, associated companies, pension funds of BPI Employees, members of the Board of Directors and companies in which these hold significant influence were broken down as follows:

	Consolidated				
	Shareholders of Banco BPI CaixaBank Group [1]	Associated entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]
Assets					
Cash and cash balances at central banks and other demand deposits	2 421				4 373
Financial assets held for trading	18 150				1 163
Non-trading financial assets mandatorily at fair value through profit or loss - equity instruments	908				
Financial assets at fair value through other comprehensive income - equity instruments	560				80 000
Financial assets at amortised cost					
Debt securities					209 355
Loans and advances - central banks and other credit institutions	203 905	20 550			
Loans and advances - Customers	8 226			**682**	16 795
Derivatives - Hedge accounting	24 503				
Tangible assets	267				
Intangible assets	8 525				
Other assets	47 302	28 924			
	314 767	**49 474**		**682**	**311 686**
Liabilities					
Financial liabilities held for trading	20 596				
Financial liabilities at amortised cost					
Deposits - Customers	239 774	34 797	21 382	6 255	48 070
Deposits - Credit Institutions	18 391	955			53
Debt securities issued	1 457 187				
Other financial liabilities	484				
Derivatives - Hedge accounting	621				
Fair value changes of the hedged items in portfolio hedge of interest rate risk	4				
Provisions - Commitments and guarantees given					97
Other liabilities	1 196			3 738	
	1 738 253	**35 752**	**21 382**	**9 993**	**48 220**
Capital					
Equity instruments issued other than capital	275 000				
	275 000				
Gains/(losses) recognised under other comprehensive income					
Interest on equity instruments issued other than capital	(17 925)				
	(17 925)				
Results					
Net interest income	(14 271)	37			25
Dividend income					1 476
Fee and commission income	35 185	54 920		3	260
Fee and commission expenses	(3 357)	(14)			
Gains or (-) losses on financial assets and liabilities held for trading, net	1 346				
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	134				
Gains or (-) losses from hedge accounting, net	(2 916)				
Other operating income	11 867				
Other operating expenses	14 246				
Administrative expenses					
Staff expenses				(7 220)	
Other	(31 084)	(982)	(12 055)	(1 198)	
Depreciation	(2 923)				
Provisions or (-) reversal of provisions - Commitments and guarantees given					(53)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through	691			1	(675)
	8 918	**53 961**	**(12 055)**	**(8 414)**	**1 033**
Off-balance sheet items					
Loan commitments given					
Revocable commitments	66 215	5 000		44	19 365
Irrevocable commitments	2 443				
Financial guarantees given					
Guarantees and sureties given					18 843
Other commitments given					
Non-financial guarantees and sureties	366	12 686			23 924
Liabilities for services provided					
Deposit and safekeeping of valuables	7 138 811	1 156 823	1 998 505	941	27 306
Other	17 356				
Foreign exchange transactions and derivative instruments					
Purchase	2 237 281				
Sale	(1 735 490)				
Other				**33**	
	7 726 982	**1 174 509**	**1 998 505**	**1 018**	**89 438**

[1] Includes the CaixaBank Group and the companies which it controls.

[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

	Individual				
	Shareholders of Banco BPI CaixaBank Group [1]	**Associated entities**	**Pension Funds of BPI Employees**	**Members of the Board of Directors of Banco BPI**	**Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]**
Assets					
Cash and cash balances at central banks and other demand deposits	2 421				4 373
Financial assets held for trading	18 150				1 163
Non-trading financial assets mandatorily at fair value through profit or loss - equity instruments	908				
Financial assets at fair value through other comprehensive income - equity instruments	560				80 000
Financial assets at amortised cost					
Debt securities					209 355
Loans and advances - central banks and other credit institutions	203 905	20 550			
Loans and advances - Customers	8 226			682	16 795
Derivatives - Hedge accounting	24 503				
Investments in joint ventures and associates		97 170			
Tangible assets	267				
Intangible assets	8 525				
Other assets	47 302	28 924			
	314 767	**146 644**		**682**	**311 686**
Liabilities					
Financial liabilities held for trading	20 596				
Financial liabilities at amortised cost					
Deposits - Customers	239 774	34 797	21 382	6 255	48 070
Deposits - Credit Institutions	18 391	955			53
Debt securities issued	1 457 187				
Other financial liabilities	484				
Derivatives - Hedge accounting	621				
Fair value changes of the hedged items in portfolio hedge of interest rate risk	4				
Provisions - Commitments and guarantees given					97
Other liabilities	1 196			3 680	
	1 738 253	**35 752**	**21 382**	**9 935**	**48 220**
Capital					
Equity instruments issued other than capital	275 000				
	275 000				
Gains/(losses) recognised under other comprehensive income					
Interest on equity instruments issued other than capital	(17 925)				
	(17 925)				
Results					
Net interest income	(14 271)	37			25
Dividend income		35 795			1 476
Fee and commission income	35 185	54 920		3	260
Fee and commission expenses	(3 357)	(14)			
Gains or (-) losses on financial assets and liabilities held for trading, net	1 346				
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	134				
Gains or (-) losses from hedge accounting, net	(2 916)				
Other operating income	11 867				
Other operating expenses	14 246				
Administrative expenses					
Staff expenses				(7 220)	
Other	(31 084)	(982)	(12 055)	(1 151)	
Depreciation	(2 923)				
Provisions or (-) reversal of provisions - Commitments and guarantees given					(53)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through	691			1	(675)
	8 918	**89 756**	**(12 055)**	**(8 367)**	**1 033**
Off-balance sheet items					
Loan commitments given					
Revocable commitments	66 215	5 000		44	19 365
Irrevocable commitments	2 443				
Financial guarantees given					
Guarantees and sureties given					18 843
Other commitments given					
Non-financial guarantees and sureties	366	12 686			23 924
Liabilities for services provided					
Deposit and safekeeping of valuables	7 138 811	1 156 823	1 998 505	941	27 306
Other	17 356				
Foreign exchange transactions and derivative instruments					
Purchase	2 237 281				
Sale	(1 735 490)				
Other				**33**	
	7 726 982	**1 174 509**	**1 998 505**	**1 018**	**89 438**

[1] Includes the CaixaBank Group and the companies which it controls.
[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

At 31 December 2020 the total amount of assets, liabilities, capital, results and off-balance sheet commitments relating to transactions with Shareholders of Banco BPI, associated companies, pension funds of BPI Employees, members of the Board of Directors and companies in which these hold significant influence were broken down as follows:

	Consolidated				
	Shareholders of Banco BPI CaixaBank Group [1]	Associated entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]
Assets					
Cash and cash balances at central banks and other demand deposits	3 097				2 984
Financial assets held for trading	25 519				911
Non-trading financial assets mandatorily at fair value through profit or loss - equity instruments	1 064				
Financial assets at fair value through other comprehensive income - equity instruments	560				71 325
Financial assets at amortised cost					
Debt securities					121 236
Loans and advances - central banks and other credit institutions	226 344	17 239			
Loans and advances - Customers	3 688			1 166	3 023
Derivatives - Hedge accounting	162				
Tangible assets	362				
Intangible assets	11 257				
Other assets	36 741	30 056			
	308 794	**47 295**		**1 166**	**199 479**
Liabilities					
Financial liabilities held for trading	26 137				
Financial liabilities at amortised cost					
Deposits - Customers	202 957	27 493	39 681	6 407	98 296
Deposits - Credit Institutions	4 922	3 997			60
Debt securities issued	756 160				
Other financial liabilities	117 560	(3)		12	
Derivatives - Hedge accounting	39 416				
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2 606				
Provisions - Commitments and guarantees given					38
Other liabilities	539				
	1 150 297	**31 487**	**39 681**	**6 419**	**98 394**
Capital					
Equity instruments issued other than capital	275 000				
	275 000				
Gains/(losses) recognised under other comprehensive income					
Interest on equity instruments issued other than capital	(17 780)				
Profit/(loss) recognised in equity instruments at fair value through other comprehensive income	2 491				
	(15 289)				
Results					
Net interest income	(6 381)	58		(1)	9
Dividend income					1 668
Fee and commission income	26 202	55 205	35	2	263
Fee and commission expenses	(2 378)	(23)			
Gains or (-) losses on financial assets and liabilities held for trading, net	(31)				
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	90				
Gains or (-) losses from hedge accounting, net	(2 527)				
Other operating income	12 515				
Administrative expenses - Other administrative expenses	(28 525)	(979)	(12 461)		
Depreciation	(2 706)				
Provisions or (-) reversal of provisions - Commitments and guarantees given					(19)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through	(45)				(404)
	(3 786)	**54 261**	**(12 426)**	**1**	**1 517**
Off-balance sheet items					
Loan commitments given					
Revocable commitments	80 915	4 999		35	19 889
Financial guarantees given					
Guarantees and sureties given					21 535
Other commitments given					
Non-financial guarantees and sureties	341	11 113			23 851
Liabilities for services provided					
Deposit and safekeeping of valuables	6 696 027	1 206 226	1 706 156	1 620	113 228
Other	25 548				
Foreign exchange transactions and derivative instruments					
Purchase	1 922 855				
Sale	(1 587 757)				
	7 137 929	**1 222 338**	**1 706 156**	**1 655**	**178 503**

[1] Includes the CaixaBank Group and the companies which it controls.

[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

	Individual				
	Shareholders of Banco BPI CaixaBank Group [1]	Associated entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]
Assets					
Cash and cash balances at central banks and other demand deposits	3 097				2 984
Financial assets held for trading	25 519				911
Non-trading financial assets mandatorily at fair value through profit or loss - equity instruments	1 064				
Financial assets at fair value through other comprehensive income - equity instruments	560				71 325
Financial assets at amortised cost					
Debt securities					121 236
Loans and advances - central banks and other credit institutions	226 344	17 239			
Loans and advances - Customers	3 688			1 166	3 023
Derivatives - Hedge accounting	162				
Investments in joint ventures and associates		97 114			
Tangible assets	362				
Intangible assets	11 257				
Other assets	36 741	30 056			
	308 794	**144 409**		**1 166**	**199 479**
Liabilities					
Financial liabilities held for trading	26 137				
Financial liabilities at amortised cost					
Deposits - Customers	202 957	27 493	39 681	6 407	98 296
Deposits - Credit Institutions	4 922	3 997			60
Debt securities issued	756 160				
Other financial liabilities	117 560	(3)		12	
Derivatives - Hedge accounting	39 416				
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2 606				
Provisions - Commitments and guarantees given					38
Other liabilities	539				
	1 150 297	**31 487**	**39 681**	**6 419**	**98 394**
Capital					
Equity instruments issued other than capital	275 000				
	275 000				
Gains/(losses) recognised under other comprehensive income					
Interest on equity instruments issued other than capital	(17 780)				
Profit/(loss) recognised in equity instruments at fair value through other comprehensive income	2 491				
	(15 289)				
Results					
Net interest income	(6 381)	58		(1)	9
Dividend income		12 510			1 668
Fee and commission income	26 202	55 205	35	2	263
Fee and commission expenses	(2 378)	(23)			
Gains or (-) losses on financial assets and liabilities held for trading, net	(31)				
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	90				
Gains or (-) losses from hedge accounting, net	(2 527)				
Other operating income	12 515				
Administrative expenses - Other administrative expenses	(28 454)	(979)	(12 461)		
Depreciation	(2 706)				
Provisions or (-) reversal of provisions - Commitments and guarantees given					(19)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through	(45)				(404)
	(3 715)	**66 771**	**(12 426)**	**1**	**1 517**
Off-balance sheet items					
Loan commitments given					
Revocable commitments	80 915	4 999		35	19 889
Financial guarantees given					
Guarantees and sureties given					21 535
Other commitments given					
Non-financial guarantees and sureties	341	11 113			23 851
Liabilities for services provided					
Deposit and safekeeping of valuables	6 696 027	1 206 226	1 706 156	1 620	113 228
Other	25 548				
Foreign exchange transactions and derivative instruments					
Purchase	1 922 855				
Sale	(1 587 757)				
	7 137 929	**1 222 338**	**1 706 156**	**1 655**	**178 503**

[1] Includes the CaixaBank Group and the companies which it controls.
[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

Operations with CaixaBank Group companies are part of the Bank's regular business activity and are carried out on arm's length terms. The most significant operations included in this note are the following:

- In March 2017 Banco BPI made a 300 000 th.euros issue of subordinated bonds, at a rate equivalent to the 6-months EURIBOR + 5.74%, that was fully subscribed by CaixaBank. This operation is recognised in the caption Financial liabilities at amortised cost – debt securities issued, and at 31 December 2021 and 2020 amounts to 303 235 th.euros and 304 345 th.euros respectively. (Note 19.3).
- In 2019 Banco BPI approved an overdraft to Caixabank Payments & Consumer E.F.C. E.P., S.A. with a ceiling of 175 000 th.euros, a commitment fee of 0.40% and interest rate at the 12-month Euribor + 0.80%. At 31 December 2021 and 2020 the unused amount of the credit was 31 780 th.euros and 48 240 th.euros, respectively, and was recognised in the off balance sheet caption "revocable commitments".
- In September 2019 Banco BPI issued Additional Tier 1 (AT1) capital instruments in the amount of 275 000 th.euros, and fixed coupon of 6.5%. The issue, whose conditions are described in Note 23, was fully subscribed by CaixaBank, S.A.. The value of this operation is recognised in the caption "Equity instruments issued, except for share capital", and its remuneration is recognised under "Other reserves (Note 23).
- In March 2020 Banco BPI issued senior non-preferred debt in the amount of 450 000 th.euros, with a coupon of 0.875% and yield equivalent to the 5-year swap rate plus a spread of 130 basis points, fully subscribed by CaixaBank. This transaction was booked under 'financial liabilities measured at amortised cost - debt securities issued', and at 31 December 2021 and 2020 amounts to 453 236 th.euros and 453 229 th.euros, respectively (Note 19.3).
- In March 2021 and April 2020 Banco BPI and the CaixaBank Group decided to suspend the distribution of dividends on Banco BPI's 2020 and 2019 results, respectively. These dividends were paid in October 2021. At 31 December 2020 these amounts, 116 549 th.euros, were recognised in the caption 'Financial liabilities measured at amortised cost - other financial liabilities.
- In October 2021 Banco BPI issued senior non-preferred bonds in the amount of 700 000 th.euros, variable coupon of 6-month EURIBOR + 0.95%, and maturity in 2027, fully subscribed by the shareholder CaixaBank. This transaction was booked under 'financial liabilities measured at amortised cost - debt securities issued', in the amount of 700 716 th.euros at 31 December 2021 (Note 19.3).

40. SUBSEQUENT EVENTS

From 31 December 2021 to the date of approval of this report, no relevant events worth mentioning have occurred.

41. NOTE ADDED FOR TRANSLATION

These consolidated and individual financial statements are a translation of financial statements originally issued in Portuguese in conformity with the International Financial Reporting Standards (IFRS) as endorsed by the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Statutory Audit Report and 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 BPI S.A. ("Group", "Banco BPI" or "Bank"), which comprise the consolidated balance sheet as at December 31, 2021 (which shows total assets of Euros 41.378.311 thousand and total shareholders' equity of Euros 3.667.514 thousand including a net profit of Euros 306.823 thousand), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Banco BPI, S.A. as at December 31, 2021, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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 judgement, were of most significance in our audit of the consolidated financial statements of the current year. These 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.

Key Audit Matter	Summary of the Audit Approach
Impairment losses on financial assets at amortized cost – Loans and Advances to Customers *Measurement and disclosures related to impairment losses on loans and advances to customers presented in notes 2.7, 12.2 and 33 attached to the consolidated financial statements of the Bank* The constitution of this key matter for the purposes of our audit is justified by the significant expression of financial assets at amortized cost and impairment losses. This process requires a set of complex assumptions and judgments from the Bank's management in relation to the identification of clients with a significant increase in credit risk or in default, as well as the determination of impairment losses amount. As at December 31, 2021, the gross amount of loans and advances to customers amounted to Euros 24.801.596 thousand and the corresponding impairment losses recognized at that date amounted to Euros 511.746 thousand. Impairment losses on loans and advances to customers are determined by management on an individual basis, through a case-by-case analysis of a significant component of the loans portfolio, and for the remaining portfolio those losses are determined through a collective analysis. For the most significant exposures, evaluated in terms of the total amount of responsibilities to the Bank and the possible existence of signs of default, the Bank performs an individual staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an individual impairment measurement analysis. The individual impairment analysis is only performed for exposures classified as stage 3, in which the amount of impairment is determined through a detailed analysis of the economic and financial position of each customer, having as reference (i) the estimated cash flows that may be generated in the future for the fulfilment of their responsibilities; or (ii) the evaluation attributed to the collateral received in the scope of the loan granted, whenever the recovery is anticipated through	The audit procedures developed included the identification, understanding and evaluation of policies and procedures established by the Bank for the impairment losses on the loans and advances to customers portfolio determination process as well as the key controls related to the approval, recording and monitoring of credit risk, namely in loans subject to moratorium and State guarantees in the context of COVID-19 pandemic, and to the timely identification, measurement and recording of impairment losses. On a sample basis, we have analysed a group of clients within the Bank's individual analysis perimeter, based on the criteria defined in internal normative, with the objective of: (i) reviewing the conclusions and results obtained by the Bank in the individual staging analysis and in the individual impairment measurement analysis; (ii) obtain our own judgment over the existence of situations of significant increase in credit risk and default; and (iii) assess how the impairment losses were timely identified, measured and recognized by management. In this process, it was also confirmed that the perimeter of individual analysis included all the exposures that met the criteria defined by the Bank in its methodology. For a sample of exposures representative of the credit population subject to individual analysis classified in stage 3 by the Bank as of December 31, 2021, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verify the adequacy of the cash flows used to determine impairment with those reflected in the contractual support; (iii) analysing the contractual support and the most relevant collaterals and confirming the registration of them in favour of the Bank; (iv) analysing the available appraisals of collaterals ; (v) to examine the criteria for determining the significant increase in credit risk (stage 2) and

Key Audit Matter	Summary of the Audit Approach
the lieu, foreclosure and/or sale of the collateral, less the costs inherent to its recovery and sale. For exposures not covered by the individual analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the requirements of IFRS 9, which include namely the classification of exposures in different stages according to the evolution of their credit risk since the date of its recognition, and not according to the credit risk at the reporting date (stages 1, 2 or 3). These internal models are based on the internal historical information of defaults and recoveries. In order to be representative of the current economic context and simultaneously to incorporate a perspective of future economic evolution, these models use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the evolution of Euribor; and / or (iv) the prospects for the real estate market. Taking into account these macroeconomic data, potential scenarios are developed that allow estimating the expected loss in each segment based on a probability of occurrence. The specific context of the COVID-19 pandemic which includes several support measures granted to families and companies, namely the introduction of credit facilities to the economy and temporary payment holidays on loan instalments (moratoriums) led to an increase in the complexity of identifying significant increase in credit risk and default indicators. In these circumstances, the internal impairment models developed by the Bank were adapted in order to incorporate new criteria and other assumptions such as (i) the introduction of temporary flexibility measures to avoid stage deterioration and/or flagging as restructured those operations with approved moratoriums in line with the supervisors' guidelines, (ii) the development of individual analysis for significant exposures included in the economic sectors most affected by the pandemic in order to identify significant deterioration in credit risk; and (iii) update of the macroeconomic scenarios in order to determine the expected credit loss taking into account the potential economic effects of the COVID-19 pandemic.	classification under impairment (stage 3) on an individual basis; (vi) review the incorporation of forward looking information; (vii) analysing the discounted cash flows underlying the impairment determination; (viii) assessing the evolution of exposures; and (ix) understanding the views of the Bank's responsible regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as the prospects of collectability of credits. Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment and compared the results obtained with those calculated by the Bank, in order to assess the existence of possible material significant divergences. For the portfolio whose impairment is assessed through the collective model, we developed specific procedures with the objective of evaluating how the assumptions considered by management include all the risk variables, considering the available historical information regarding the performance and recoveries of the Bank's loan portfolio. We have performed namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) analysis of the documentation regarding the risk parameters backtesting exercise; (iii) review and testing of portfolio segmentation; (iv) analysis of the Bank's definition of default and the criteria applied in the classification of staging, on a sample basis, including the additional criteria and the sectoral analysis developed by the Bank for the economic sectors most affected by the current pandemic; (v) review and testing of the main risk parameters, as well as the available forward looking information and its update through the estimated economic effects of the COVID-19 pandemic; (vi) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default), including the test of historical recoveries incorporated in this calculation, on a sampling basis; and (vii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to December 31, 2021. Our audit procedures included the review of the

Key Audit Matter	Summary of the Audit Approach
In this context, changes in the assumptions or methodologies used by the Bank in the analysis and in the quantification of impairment losses of loans and advances to customers, as well as different recovery strategies, may condition the estimation of recovery flows and timing of their receipt and may have a material impact on the impairment losses amount recognized in each moment.	disclosures regarding loans and advances to customers, as well as their respective impairment losses, presented on the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Recoverability of deferred tax assets *<u>Measurement and disclosures related to deferred tax assets presented in notes 2.13 and 24.3 attached to the consolidated financial statements of the Bank</u>* In the Bank's balance sheet as of December 31, 2021, the deferred tax assets amounted to Euros 197.423 thousand, of which the recoverability of Euros 155.033 thousand depends on the ability to generate future taxable income, namely: (i) Euros 19.259 thousand related to the impairment losses for loans and guarantees; (ii) Euros 22.330 thousand related to other taxed impairment losses and provisions; (iii) Euros 67.075 thousand related to employee benefits and; (iv) Euros 41.370 thousand related to reportable tax losses related to the individual activity of Banco BPI, mostly originated in 2014, 2016 and 2020. According to IAS 12 – Income Taxes, the recognition of deferred tax assets assumes the existence of future taxable profits to allow its recoverability. Management performed the analysis of the recoverability of the deferred tax assets based on Bank's business plan for the period from 2021 to 2024. This estimate required the application by management of a set of judgments, namely: (i) estimation of future taxable income, depending on the Bank's future strategy and the markets in which it operates, considering the economic consequences of the COVID-19 pandemic; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) discount rates.	The audit procedures developed included the identification and understanding of key controls established by the Bank. Those controls relate to (i) identification of deductible temporary differences in accordance with the applicable tax legislation; (ii) the analysis of the recoverability of deferred tax assets recognized in the consolidated financial statements and (iii) identification of the main assumptions considered by the management to estimate the generation of future taxable profits that allow the recovery of deferred tax assets recognized in the balance sheet. We performed an understanding and analysis of the main assumptions considered relevant to the elaboration of the projections, in order to assess the recoverability of the deferred tax assets recognized on the Bank's consolidated financial statements at December 31, 2021. The reasonableness of the projections used was also analyzed based on pre-tax results presented in previous years, the future taxable income in the Bank's projections for 2021-2024, future prospects presented by the Board of Directors at those dates and other available information on this matter, namely the economic impacts of the COVID-19 pandemic. Our audit procedures have also included a review of disclosures related to the deferred tax assets in the accompanying notes to the Bank's consolidated financial statements, taking into account applicable and current accounting standards.

Key Audit Matter	*Summary of the Audit Approach*
Any changes in the assumptions used in the estimation of future results or in the interpretation of tax legislation may have relevant impacts on the recoverability of deferred tax assets recognized in the Bank's consolidated financial statements as of December 31, 2021. As a result, for the purposes of our audit this was considered as a key matter.	
Fair value of financial instruments at fair value not listed in an active market – level 3 of the fair value hierarchy *Measurement and disclosures related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presented in the note 38.1 attached to the consolidated financial statements.* Due to its relevance on the Bank's consolidated financial statements context and its degree of judgement, the assessment of the fair value of financial instruments not listed in an active market was considered a key matter in our audit. As of December 31, 2021, the balance sheet's asset value of such financial instruments amounted to Euros 669.967 thousand and the balance sheet's liability value amounted to Euros 119.796 thousand, from which Euros 571.642 thousand and Euros 21.565 thousand, respectively, are valued based on techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy. The financial instruments thus classified are composed by(i) debt securities with either a "hold to collect and sale" or trading business models, (ii) derivatives classified as trading or hedging derivatives, (iii) equity instruments; and (iv) assets and liabilities subject to fair value changes due to the recognition of accounting hedges, namely the customers' loans and deposits portfolio and other responsibilities represented by securities accounted at amortized cost. From the mentioned assets, the investments on participating units of a group of funds with different natures and on Banco de Fomento Angola, S.A. stand out, being the latter classified as a "financial assets at fair value through other comprehensive income – equity instruments" and	Our audit procedures included the identification and comprehension of key controls implemented by the Bank underlying the fair value assessment methodologies and the selection and determination of the main assumptions and inputs used in the fair value assessment for financial instruments not quoted in an active market and classified as level 3 of the fair value hierarchy. For a sample of financial instruments whose measurement was substantially based on non-observable data (level 3), our procedures included (i) the understanding of methodologies and main assumptions used by the Bank; (ii) a reasonableness evaluation whether the models developed by the Bank and the data and assumptions used are reasonable in the circumstances, by comparing the observed data with market information collected from external and independent sources, when available, and (iii) the analytical review of the fair value of those financial instruments, comparing it with the previous period and with the latest financial information and the respective audit reports, whenever available. Our audit procedures also included the review of the disclosures regarding financial instruments not listed in an active market and classified as level 3 of the fair value hierarchy,presented on the notes attached to the consolidated financial statements, taking into account the applicable accounting standards.

Key Audit Matter	Summary of the Audit Approach
its fair value, determined with the dividend discount methodology, amounted for Euros 321.400 thousand, at December 31, 2021. For these financial instruments classified at level 3 of the fair value hierarchy, when observable market data is not available, the Bank determines fair value using estimates, namely through the use of valuation models based on discounted cash flows techniques, which usually involve a high degree of judgment by the management in defining the assumptions and inputs to be used. In this context, any change in the assumptions and measurement techniques used by the management may have material impacts on the assessment of financial instruments' fair value recognized on the consolidated Bank's financial statements.	
Employees post-employment benefits *Measurement and disclosures related to employees' post-employment benefits presented in notes 2.11, 17, 22, and 31 attached to the Bank's consolidated financial statements* As of December 31, 2021, the liabilities resulting from past services of the Group in relation to its directors, employees and pensioners amounted to Euros 1.943.175 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit , in particular those foreseen in the Collective Bargaining Agreement ("Acordo Coletivo de Trabalho") for the banking sector. These liabilities are estimated based on actuarial valuations performed by an actuary certified by the Insurance and Pension Funds Supervisory Authority ("ASF"). These valuations incorporate a set of financial and actuarial assumptions, such as the discount rate, inflation rate, mortality and disability tables, pension and wages growth rates, among others, defined by management and adjusted to the characteristics of the benefits and to the population of administrators, employees and pensioners, and to the current and future behaviour of these variables. In the specific case of the discount rate used in	The audit procedures developed included the identification and understanding of the key controls instituted by the Bank to ensure that the information collected and provided to the independent actuary is correct and complete to calculate the plan's liabilities and funding needs, as well as the adequacy of the plans' assets fair value estimation process. The audit work included meetings with the management and the independent actuary in order to identify the methodologies and options considered in the definition of the main financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the main assumptions, comparing them with the data that we obtained independently. A compliance review was performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition of plan cuts or liquidations,

Key Audit Matter	***Summary of the Audit Approach***
the actuarial studies, it is determined based on the market rates for high-quality entities in terms of credit risk, denominated in the currency in which the benefits will be paid (euros) and with a similar maturity to the duration of the payment of the plan's benefits. In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on the net liabilities as well as on the assets held to meet these liabilities. This subject was considered a key matter for the purposes of our audit.	of costs related to past services and of other changes in assumptions and estimates that occurred during the year; and (iii) the fair value of the funds' assets, calculating it independently for a sample of assets. Finally, we have developed a detailed analysis of the actuarial study prepared with reference to December 31, 2021, based on the results of the procedures mentioned above. The audit procedures included the review of the disclosures on the post-employment benefits of directors, employees and pensioners in the notes to the consolidated financial statements of the Bank, taking into account applicable and current accounting standards.
Contingent Liabilities *<u>Measurement and disclosures related to contingent liabilities presented in notes 2.19 and 20.3 attached to the Bank's consolidated financial statements</u>* From the contingent liabilities disclosed in note 20.3 attached to the Bank's consolidated financial statements as of December 31, 2021, we would like to highlight the following ones: *<u>Resolution Fund</u>* The resolution measures applied in 2014 to Banco Espírito Santo, S.A. – process that originated the creation of Novo Banco S.A. ("Novo Banco") - and in 2015 to Banif – Banco Internacional do Funchal, S.A. ("Banif) created uncertainty regarding the eventual lack of the Resolution Fund's resources to ensure the fulfilment of its responsibilities, particularly the short-term redemption of the loans contracted to meet this purpose. Those uncertainties have highlighted a greater significance underlying the assumed responsibilities and contingent liabilities, namely: (i) of the effects of the application of the principle that any creditor of the financial institution under resolution can assume a loss higher than the one it would assume if such institution went into liquidation; (ii) of the legal proceedings initiated against the Resolution Fund; (iii) of the negative	The audit procedures developed for this matter included the identification and understanding of the processes and key controls implemented by the Bank, regarding the identification and monitorization of the contingent liabilities. Given the relevance and complexity of the judgements required to management, we performed in our audit, among others, the following procedures regarding the Resolution Fund: (i) monitorization of the most important changes on the Resolution Fund's simplified cash flow projections model presented by the Bank when the renegotiation of the granted loans took place, based on the contractual conditions agreed between the Banks and the Resolution Fund; (ii) appreciation of the relevant public communications regarding the responsibilities and contingent liabilities assumed by the Resolution Fund and/or Portuguese State; (iii) analysis of the evolution of the Bank's exposures with the Resolution Fund; and (iv) understanding of the perception Bank's responsible bodies regarding the Resolution Fund's financial and economic situation and the predictability of the expected cashflows of its regular revenue.

Key Audit Matter	*Summary of the Audit Approach*
impacts of responsibilities or additional contingencies to Novo Banco and Banif, resulting from the resolution process, that must be neutralised by the Resolution Fund and (iv) of the contingent capitalisation mechanism related to the Novo Banco's sale process to Lone Star, under the terms in which the Resolution Fund, as a Novo Banco's shareholder, may be called to perform capital injections, if certain conditions regarding to the performance of a group of Novo Banco's assets and the evolution of its capitalisation levels are verified. <u>*Competition Authority*</u> In 2012, the Competition Authority initiated an administrative infraction proceeding against a group of banks, including Banco BPI, due to alleged competition restrictive practices. On September 9 2019, the Competition Authority notified the banks of its decision, in which it is decided for their conviction, resulting in a penalty attributed to Banco BPI of Euros 30 million. The Bank considers that it did not commit this infringement, having appealed against the aforementioned decision to the Competition, Regulation and Supervision Court on October 23, 2019. In May 2020, by decision of the aforementioned Court, Banco BPI provided a guarantee of part of the penalty attributed, which is provisional in nature, providing that it is pending a decision on the judicial impugnation presented by the Bank. The consolidated financial statements as of December 31, 2021 reflect the expectation of management that special contributions or any type of extraordinary contributions to finance the resolution matters applied to BES and Banif or any other liability or contingent liability assumed by the Resolution Fund will not be demanded to Banco BPI, as a participating entity of the Resolution Fund. Additionally, the Board of Directors believes that the probabilities of the process ending without the Bank having to pay a penalty are higher than the alternative scenario. The contingent liabilities may evolve differently from the originally expected, given that they are subject to a continuous revision in order to assess if the possibility of a cash outflow became probable. In these circumstances, the	Regarding the administrative infraction proceeding initiated by the Competition Authority, our work included (i) the evaluation of the Bank's assessment about the nature and status of such proceeding, which supports the decision of not establishing a provision and (ii) the evaluation of the information obtained from the Bank's external lawyers who monitor the proceeding. We also analyzed the available information regarding the developments on these matters that occurred as from December 31, 2021. Our audit procedures also included the review of the disclosures regarding contingent liabilities, presented on the Bank's attached notes to the consolidated financial statements, taking into account the applicable accounting standards.

Key Audit Matter	Summary of the Audit Approach
assessment of these contingent liabilities implies that the Bank's management uses estimates and complex judgements regarding the probability of materialisation and measurement of the responsibilities that may arise from the litigations and contingencies in which the Bank is involved and, therefore, this matter was considered relevant to our audit.	

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's 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 misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) 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;

b) 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;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) 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 events in a manner that achieves fair presentation;

f) 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;

g) communicate with those charged with governance, including the supervisory board, 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;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate to them all relationships and other matters that may be perceived as threats to our independence and, where applicable, actions taken to eliminate threats or the safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 29.º-H of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and l) of the No.1 of that article.

Non-financial information

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Bank included in its Director's report the non-financial statement set forth in article No. 508-G of the Portuguese Company Law.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Banco BPI, S.A. in the Shareholders' General Meeting of April 26, 2017 for the period from 2018 to 2020. Our latest appointment occurred at the General Meeting of April 15, 2021 for the period from 2021 to 2024.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. In the planning and execution of our audit in accordance with ISAs, we have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board on this same date.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014 and that we remain independent of the Group in conducting our audit.

March 9, 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

José Manuel Henriques Bernardo, ROC (no. 903)
Registered in CMVM with the no. 20160522

Statutory Audit Report and 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 financial statements

Opinion

We have audited the accompanying financial statements of Banco BPI S.A. ("Banco BPI" or "Bank"), which comprise the balance sheet as at December 31, 2021(which shows total assets of Euros 41.192.530 thousand and total shareholders' equity of Euros 3.493.468 thousand including a net profit of Euros 293.368 thousand), the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Banco BPI, S.A. as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of Banco BPI and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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 judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Summary of the Audit Approach
Impairment losses on financial assets at amortized cost – Loans and Advances to Customers *Measurement and disclosures related to impairment losses on loans and advances to customers presented in notes 2.7, 12.2 and 33 attached to the financial statements of the Bank* The constitution of this key matter for the purposes of our audit is justified by the significant expression of financial assets at amortized cost and impairment losses. This process requires a set of complex assumptions and judgments from the Bank's management in relation to the identification of clients with a significant increase in credit risk or in default, as well as the determination of impairment losses amount. As at December 31, 2021, the gross amount of loans and advances to customers amounted to Euros 24.801.596 thousand and the corresponding impairment losses recognized at that date amounted to Euros 511.746 thousand. Impairment losses on loans and advances to customers are determined by management on an individual basis, through a case-by-case analysis of a significant component of the loans portfolio, and for the remaining portfolio those losses are determined through a collective analysis. For the most significant exposures, evaluated in terms of the total amount of responsibilities to the Bank and the possible existence of signs of default, the Bank performs an individual staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an individual impairment measurement analysis. The individual impairment analysis is only performed for exposures classified as stage 3, in which the amount of impairment is determined through a detailed analysis of the economic and financial position of each customer, having as reference (i) the estimated cash flows that may be generated in the future for the fulfilment of their responsibilities; or (ii) the evaluation attributed to the collateral received in the scope of the loan granted, whenever the recovery is anticipated through the lieu, foreclosure and/or sale of the collateral,	The audit procedures developed included the identification, understanding and evaluation of policies and procedures established by the Bank for the impairment losses on the loans and advances to customers portfolio determination process as well as the key controls related to the approval, recording and monitoring of credit risk, namely in loans subject to moratorium and State guarantees in the context of COVID-19 pandemic, and to the timely identification, measurement and recording of impairment losses. On a sample basis, we have analysed a group of clients within the Bank's individual analysis perimeter, based on the criteria defined in internal normative, with the objective of: (i) reviewing the conclusions and results obtained by the Bank in the individual staging analysis and in the individual impairment measurement analysis; (ii) obtain our own judgment over the existence of situations of significant increase in credit risk and default; and (iii) assess how the impairment losses were timely identified, measured and recognized by management. In this process, it was also confirmed that the perimeter of individual analysis included all the exposures that met the criteria defined by the Bank in its methodology. For a sample of exposures representative of the credit population subject to individual analysis classified in stage 3 by the Bank as of December 31, 2021, the procedures we have developed consisted of: (i) reviewing the available documentation on credit processes; (ii) verify the adequacy of the cash flows used to determine impairment with those reflected in the contractual support; (iii) analysing the contractual support and the most relevant collaterals and confirming the registration of them in favour of the Bank; (iv) analysing the available appraisals of collaterals ; (v) to examine the criteria for determining the significant increase in credit risk (stage 2) and classification under impairment (stage 3) on an

Key Audit Matter	Summary of the Audit Approach
less the costs inherent to its recovery and sale. For exposures not covered by the individual analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the requirements of IFRS 9, which include namely the classification of exposures in different stages according to the evolution of their credit risk since the date of its recognition, and not according to the credit risk at the reporting date (stages 1, 2 or 3). These internal models are based on the internal historical information of defaults and recoveries. In order to be representative of the current economic context and simultaneously to incorporate a perspective of future economic evolution, these models use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the evolution of Euribor; and / or (iv) the prospects for the real estate market. Taking into account these macroeconomic data, potential scenarios are developed that allow estimating the expected loss in each segment based on a probability of occurrence. The specific context of the COVID-19 pandemic which includes several support measures granted to families and companies, namely the introduction of credit facilities to the economy and temporary payment holidays on loan instalments (moratoriums) led to an increase in the complexity of identifying significant increase in credit risk and default indicators. In these circumstances, the internal impairment models developed by the Bank were adapted in order to incorporate new criteria and other assumptions such as (i) the introduction of temporary flexibility measures to avoid stage deterioration and/or flagging as restructured those operations with approved moratoriums in line with the supervisors' guidelines, (ii) the development of individual analysis for significant exposures included in the economic sectors most affected by the pandemic in order to identify significant deterioration in credit risk; and (iii) update of the macroeconomic scenarios in order to determine the expected credit loss taking into account the potential economic effects of the COVID-19 pandemic.	individual basis; (vi) review the incorporation of forward looking information; (vii) analysing the discounted cash flows underlying the impairment determination; (viii) assessing the evolution of exposures; and (ix) understanding the views of the Bank's responsible regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as the prospects of collectability of credits. Whenever we concluded for the need to review some assumption used by management, we recalculated the estimated amount of impairment and compared the results obtained with those calculated by the Bank, in order to assess the existence of possible material significant divergences. For the portfolio whose impairment is assessed through the collective model, we developed specific procedures with the objective of evaluating how the assumptions considered by management include all the risk variables, considering the available historical information regarding the performance and recoveries of the Bank's loan portfolio. We have performed namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) analysis of the documentation regarding the risk parameters backtesting exercise; (iii) review and testing of portfolio segmentation; (iv) analysis of the Bank's definition of default and the criteria applied in the classification of staging, on a sample basis, including the additional criteria and the sectorial analysis developed by the Bank for the economic sectors most affected by the current pandemic; (v) review and testing of the main risk parameters, as well as the available forward looking information and its update through the estimated economic effects of the COVID-19 pandemic; (vi) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default), including the test of historical recoveries incorporated in this calculation, on a sampling basis; and (vii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to December 31, 2021. Our audit procedures included the review of the disclosures regarding loans and advances to

Key Audit Matter	Summary of the Audit Approach
In this context, changes in the assumptions or methodologies used by the Bank in the analysis and in the quantification of impairment losses of loans and advances to customers, as well as different recovery strategies, may condition the estimation of recovery flows and timing of their receipt and may have a material impact on the impairment losses amount recognized in each moment.	customers, as well as their respective impairment losses, presented on the Bank's accompanying notes to the financial statements, considering the applicable accounting standards.
Recoverability of deferred tax assets *Measurement and disclosures related to deferred tax assets presented in notes 2.13 and 24.3 attached to the financial statements of the Bank* In the Bank's balance sheet as of December 31, 2021, the deferred tax assets amounted to Euros 197.423. thousand, of which the recoverability of Euros 155.033 thousand depends on the ability to generate future taxable income namely: (i) Euros 19.259 thousand related to the impairment losses for loans and guarantees; (ii) Euros 22.330 thousand related to other taxed impairment losses and provisions; (iii) Euros 67.075 thousand related to employee benefits and; (iv) Euros 41.370 thousand related to reportable tax losses related to the individual activity of Banco BPI, mostly originated in 2014, 2016 and 2020. According to IAS 12 – Income Taxes, the recognition of deferred tax assets assumes the existence of future taxable profits to allow its recoverability. Management performed the analysis of the recoverability of the deferred tax assets based on Bank's business plan for the period from 2021 to 2024. This estimate required the application by management of a set of judgments, namely: (i) estimation of future taxable income, depending on the Bank's future strategy and the markets in which it operates, considering the economic consequences of the COVID-19 pandemic; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) discount rates. Any changes in the assumptions used in the estimation of future results or in the interpretation of tax legislation may have relevant impacts on	The audit procedures developed included the identification and understanding of key controls established by the Bank. Those controls relate to (i) identification of deductible temporary differences in accordance with the applicable tax legislation; (ii) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (iii) identification of the main assumptions considered by the management to estimate the generation of future taxable profits that allow the recovery of deferred tax assets recognized in the balance sheet. We performed an understanding and analysis of the main assumptions considered relevant to the elaboration of the projections, in order to assess the recoverability of the deferred tax assets recognized on the Bank's financial statements at December 31, 2021. The reasonableness of the projections used was also analyzed based on pre-tax results presented in previous years, the future taxable income in the Bank's projections for 2021-2024, future prospects presented by the Board of Directors at those dates and other available information on this matter, namely the economic impacts of the COVID-19 pandemic. Our audit procedures have also included a review of disclosures related to the deferred tax assets in the accompanying notes to the Bank's financial statements, taking into account applicable and current accounting standards.

Key Audit Matter	***Summary of the Audit Approach***
the recoverability of deferred tax assets recognized in the Bank's consolidated financial statements as of December 31, 2021. As a result, for the purposes of our audit this was considered as a key matter.	
Fair value of financial instruments at fair value not listed in an active market – level 3 of the fair value hierarchy *Measurement and disclosures related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presented in the note 38.1 attached to the financial statements.*	
Due to its relevance on the Bank's financial statements context and its degree of judgement, the assessment of the fair value of financial instruments not listed in an active market was considered a key matter in our audit. As of December 31, 2021, the balance sheet's asset value of such financial instruments amounted to Euros 669.967 thousand and the balance sheet's liability value amounted to Euros 119.796 thousand, from which Euros 571.642 thousand and Euros 21.565 thousand, respectively, are valued based on techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy. The financial instruments thus classified as are composed by (i) debt securities with either a "hold to collect and sale" or trading business models, (ii) derivatives classified as trading or hedging derivatives, (iii) equity instruments; and (iv) assets and liabilities subject to fair value changes due to the recognition of accounting hedges, namely the customers' loans and deposits portfolio and other responsibilities represented by securities accounted at amortized cost. From the mentioned assets, the investments on participating units of a group of funds with different natures and on Banco de Fomento Angola, S.A. stand out, being the latter classified as a "financial assets at fair value through other comprehensive income – equity instruments" and its fair value, determined with the dividend discount methodology, amounted for Euros 321.400 thousand, at December 31, 2021.	Our audit procedures included the identification and comprehension of key controls implemented by the Bank underlying the fair value assessment methodologies, and the selection and determination of the main assumptions and inputs used in the fair value assessment for financial instruments not quoted in an active market and classified as level 3 of the fair value hierarchy. For a sample of financial instruments whose measurement was substantially based on non-observable data (level3), our procedures included (i) the understanding of methodologies and main assumptions used by the Bank; (ii) a reasonableness evaluation whether the models developed by the Bank, and the data and assumptions used are reasonable in the circumstances, by comparing the observed data with market information collected from external and independent sources, when available, and (iii) the analytical review of the fair value of those financial instruments, comparing it with the previous period and with the latest financial information and the respective audit reports, whenever available. Our audit procedures also included the review of the disclosures regarding financial instruments not listed in an active market and classified as level 3 of the fair value hierarchy, presented on the notes attached to the financial statements, taking into account the applicable accounting standards.

Key Audit Matter	Summary of the Audit Approach
For these financial instruments classified at level 3 of the fair value hierarchy, when observable market data is not available, the Bank determines fair value using estimates, namely through the use of valuation models based on discounted cash flows techniques, which usually involve a high degree of judgment by the management in defining the assumptions and inputs to be used. In this context, any change in the assumptions and measurement techniques used by the management may have material impacts on the assessment of financial instruments' fair value recognized on the Bank's financial statements.	
Employees post-employment benefits *Measurement and disclosures related to employees' post-employment benefits presented in notes 2.11, 17, 22, and 31 attached to the Bank's financial statements* As of December 31, 2021, the liabilities resulting from past services of the Bank in relation to its directors, employees and pensioners amounted to Euros 1.943.175 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit , in particular those foreseen in the Collective Bargaining Agreement ("Acordo Coletivo de Trabalho") for the banking sector. These liabilities are estimated based on actuarial valuations performed by an actuary certified by the Insurance and Pension Funds Supervisory Authority ("ASF"). These valuations incorporate a set of financial and actuarial assumptions, such as the discount rate, inflation rate, mortality and disability tables, pension and wages growth rates, among others, defined by management and adjusted to the characteristics of the benefits and to the population of administrators, employees and pensioners, and to the current and future behaviour of these variables. In the specific case of the discount rate used in the actuarial studies, it is determined based on the market rates for high-quality entities in terms of credit risk, denominated in the currency in which the benefits will be paid (euros) and with a	The audit procedures developed included the identification and understanding of the key controls instituted by the Bank to ensure that the information collected and provided to the independent actuary is correct and complete to calculate the plan's liabilities and funding needs, as well as the adequacy of the plans' assets fair value estimation process. The audit work included meetings with the management and the independent actuary in order to identify the methodologies and options considered in the definition of the main financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the main assumptions, comparing them with the data that we obtained independently A compliance review was performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition of plan cuts or liquidations, of costs related to past services and of other changes in assumptions and estimates that occurred during the year; and (iii) the fair value of the fund's assets, calculating it independently for a

Key Audit Matter	Summary of the Audit Approach
similar maturity to the duration of the payment of the plan's benefits. In this context, future changes in the assumed financial and actuarial assumptions may give rise to material impacts on the net liabilities as well as on the assets held to meet these liabilities. This subject was considered a key matter for the purposes of our audit.	sample of assets. Finally, we have developed a detailed analysis of the actuarial study prepared with reference to December 31, 2021, based on the results of the procedures mentioned above. The audit procedures included the review of the disclosures on the post-employment benefits of directors, employees and pensioners in the notes to the financial statements of the Bank, taking into account applicable and current accounting standards.
Contingent Liabilities *Measurement and disclosures related to contingent liabilities presented in notes 2.19 and 20.3 attached to the Bank's financial statements* From the contingent liabilities disclosed in note 20.3 attached to the Bank's financial statements as of December 31, 2021, we would like to highlight the following ones: *Resolution Fund* The resolution measures applied in 2014 to Banco Espírito Santo, S.A. – process that originated the creation of Novo Banco S.A. ("Novo Banco") - and in 2015 to Banif – Banco Internacional do Funchal, S.A. ("Banif) created uncertainty regarding the eventual lack of the Resolution Fund's resources to ensure the fulfilment of its responsibilities, particularly the short-term redemption of the loans contracted to meet this purpose. Those uncertainties have highlighted a greater significance underlying the assumed responsibilities and contingent liabilities, namely: (i) of the effects of the application of the principle that any creditor of the financial institution under resolution can assume a loss higher than the one it would assume if such institution went into liquidation; (ii) of the legal proceedings initiated against the Resolution Fund; (iii) of the negative impacts of responsibilities or additional contingencies to Novo Banco and Banif, resulting from the resolution process, that must be neutralised by the Resolution Fund and (iv) of the contingent capitalisation mechanism related to the Novo	The audit procedures developed for this matter included the identification and understanding of the processes and key controls implemented by the Bank, regarding the identification and monitorization of the contingent liabilities. Given the relevance and complexity of the judgements required to management, we performed in our audit, among others, the following procedures regarding the Resolution Fund: (i) monitorization of the most important changes on the Resolution Fund's simplified cash flow projections model presented by the Bank when the renegotiation of the granted loans took place, based on the contractual conditions agreed between the Banks and the Resolution Fund; (ii) appreciation of the relevant public communications regarding the responsibilities and contingent liabilities assumed by the Resolution Fund and/or Portuguese State; (iii) analysis of the evolution of the Bank's exposures with the Resolution Fund; and (iv) understanding of the perception Bank's responsible bodies regarding the Resolution Fund's financial and economic situation and the predictability of the expected cashflows of its regular revenue. Regarding the administrative infraction proceeding initiated by the Competition Authority, our work included (i) the evaluation of the Bank's assessment about the nature and status of such

Key Audit Matter	Summary of the Audit Approach
Banco's sale process to Lone Star, under the terms in which the Resolution Fund, as a Novo Banco's shareholder, may be called to perform capital injections, if certain conditions regarding to the performance of a group of Novo Banco's assets and the evolution of its capitalisation levels are verified. *Competition Authority* In 2012, the Competition Authority initiated an administrative infraction proceeding against a group of banks, including Banco BPI, due to alleged competition restrictive practices. On September 9 2019, the Competition Authority notified the banks of its decision, in which it is decided for their conviction, resulting in a penalty attributed to Banco BPI of Euros 30 million. The Bank considers that it did not commit this infringement, having appealed against the aforementioned decision to the Competition, Regulation and Supervision Court on October 23, 2019. In May 2020, by decision of the aforementioned Court, Banco BPI provided a guarantee of part of the penalty attributed, which is provisional in nature, providing that it is pending a decision on the judicial impugnation presented by the Bank. The financial statements as of December 31, 2021 reflect the expectation of management that special contributions or any type of extraordinary contributions to finance the resolution matters applied to BES and Banif or any other liability or contingent liability assumed by the Resolution Fund will not be demanded to Banco BPI, as a participating entity of the Resolution Fund. Additionally, the Board of Directors believes that the probabilities of the process ending without the Bank having to pay a penalty are higher than the alternative scenario. The contingent liabilities may evolve differently from the originally expected, given that they are subject to a continuous revision in order to assess if the possibility of a cash outflow became probable. In these circumstances, the assessment of these contingent liabilities implies that the Bank's management uses estimates and complex judgements regarding the probability of materialisation and measurement of the responsibilities that may arise from the litigations	proceeding, which supports the decision of not establishing a provision and (ii) the evaluation of the information obtained from the Bank's external lawyers who monitor the proceeding. We also analyzed the available information regarding the developments on these matters that occurred as from December 31, 2021. Our audit procedures also included the review of the disclosures regarding contingent liabilities, presented on the Bank's attached notes to the financial statements, taking into account the applicable accounting standards.

Key Audit Matter	*Summary of the Audit Approach*
and contingencies in which the Bank is involved and, therefore, this matter was considered relevant to our audit.	

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Bank in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Bank's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Bank's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Bank's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, 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;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate to them all relationships and other matters that may be perceived as threats to our independence and, where applicable, actions taken to eliminate threats of the safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Bank, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 29.º-H of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and l) of the No.1 of that article.

Non-financial information

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Bank included in its Director's report the non-financial statement set forth in article No. 66-B of the Portuguese Company Law.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Banco BPI, S.A. in the Shareholders' General Meeting of April 26, 2017 for the period from 2018 to 2020. Our latest appointment occurred at the General Meeting of April 15, 2021 for the period from 2021 to 2024.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. In the planning and execution of our audit in accordance with ISAs, we have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Bank's supervisory board on this same date.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014 and that we remain independent of the Bank in conducting our audit.

March 9, 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

José Manuel Henriques Bernardo, ROC (no. 903)
Registered in CMVM with the no. 20160522

REPORT AND OPINION OF THE AUDIT COMMITTEE

- 2021 -

(This report is a free translation to English from the original Portuguese version.
In case of any inconsistency the Portuguese version shall prevail.)

For compliance with the provisions of Article 423-F 1-g) of the Commercial Companies Code (CCC), the Audit Committee (AUC) of Banco BPI, S.A. (Banco BPI or Bank), as the supervisory body, hereby issues:

- the Report on its oversight activity conducted during 2021; and
- the Opinion on the Report, Accounts (individual and consolidated) and Proposals presented by the Board of Directors of Banco BPI relative to the 2021 financial year.

I. Report on the supervision activity conducted during 2021

1. Introduction

The year 2021 continued to be marked by the Covid-19 pandemic. Its impact was felt not only in Banco BPI's activity, but also in that of its governing bodies, including the Audit Committee, whose meetings were mostly held by videoconference.

During 2021, the Audit Committee held a total of 12 meetings, of which 11 were ordinary and 1 extraordinary, the latter held jointly with the Risk Committee for detailed consideration of matters of common interest. Given the pandemic context, 10 meetings were held by videoconference, and only 2 meetings were face-to-face. In any case, all the Committee's members took part in all the meetings held.

In addition to its members, the heads of the Control Functions (Risk Management Division (RMD), Compliance Division (CD) and Internal Audit Division (IAD)) participated in the meetings of the Audit Committee as permanent guests, although without voting right.

In addition, the following were regularly invited to the meetings of the Audit Committee:

- The Chairman of the Board of Directors;
- The Chief Executive Officer (CEO);
- Depending on the topics under discussion, the AUC meetings were attended by members of the Executive Committee of the Board of Directors (ECBD), namely the Chief Financial Officer, the Chief Risk Officer and the Chief Operations Officer;

- The partners of PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. (PwC) responsible for the audit team allocated to Banco BPI;
- The heads of several divisions of Banco BPI, namely: Accounting and Budget Management Division (ABMD), Financial Division (FD), People and Organisation Division (POD) and Legal Division (LD).

With the change in Banco BPI's governance model at the end of 2020, as a result of which the members of the Audit Committee are now members of the Board of Directors, though without executive functions, the members of this Committee attend all the meetings of the Board of Directors, including those in which Banco BPI's periodic financial statements are specially considered and submitted for resolution.

On another level, the Chairman of the Audit Committee participated, in November 2021, in the annual supervisory meeting with the Joint Supervisory Team (JST) of the European Central Bank (ECB) and the Bank of Portugal (BoP). At this meeting, the Chairman of the Audit Committee provided explanations to the supervisors on the functioning and activity of this body, namely about its monitoring of compliance with the recommendations of the Supervisors and the external auditor, and also with the other internal control recommendations issued by the Bank's control functions, and the monitoring of the activity carried out by these functions.

Furthermore, in November 2021, pursuant to Notice no. 3/2020, the Audit Committee approved its "2022/2024 Multi-annual Activity Plan", which will govern its control actions undertaken within its legal and regulatory powers. In addition to this document, the Audit Committee also has an "Annual Plan of Activities", approved at the beginning of each year, according to which it plans and carries out its regular activity throughout the year.

2. Duties of the Audit Committee

The Audit Committee is Banco BPI's supervisory body, exercising the powers and responsibilities conferred on it by the Bank's Articles of Association, its Terms of Reference and the applicable law, namely Article 423-F of the Commercial Companies Code (CSC).

In particular, the Audit Committee is responsible for:

a) Oversight the Company's management;

b) Supervising the process of preparation and disclosure of financial information;

c) Monitoring the effectiveness of the internal control, internal audit, regulatory compliance and risk management processes;

d) Performing, in articulation with the Risk Committee, the function of monitoring the institution's risks;

e) Receiving notice of irregularities submitted by shareholders, employees of the Company or others;

f) Monitoring the statutory audit;

g) Assessing and overseeing the independence of the statutory auditor, namely whenever the latter provides additional services to the Company.

Of the various activities developed by the supervisory body during the 2021 financial year, the following deserve special mention:

a) Oversight of the Company's management

During 2021, the Audit Committee monitored the activity developed by the Bank's management, namely reviewing in its meetings the minutes of the ECBD meetings, raising questions and requesting clarifications that, at each moment, appeared relevant to the exercise of its duties.

Likewise, the Audit Committee also performed its oversight activity through the participation of its members in the meetings of the Board of Directors, of which they are also members (non-executive).

On the other hand, several members of the ECBD, namely its Chairman, and also the directors in charge of the Risk, Finance, Retail and Digital departments, regularly took part in the Audit Committee meetings throughout the year.

In this framework, the Audit Committee discussed and monitored certain specific matters presented by these directors, including the strategic transformation projects underway at Banco BPI, and also risk governance projects, benefiting, as referred, from the regular presence of the CEO, the CRO and the CFO at the Committee's meetings to report on the progress of such projects.

On the other hand, the permanent articulation established by the Audit Committee with the other Committees of Banco BPI's Board of Directors, in particular with the Risk Committee (RC) and the Nominations, Evaluation and Remuneration Committee (NERC), with which the AUC shares some of its Members, has allowed a more in-depth knowledge of the matters under analysis and a better preparation of the Audit Committee's meetings.

This articulation was also manifested in the holding of a joint meeting between the Audit Committee and the Risk Committee to examine in greater detail matters of common interest and responsibility, namely the Bank's ILAAP and ICAAP exercises.

It should also be noted that, throughout 2021, the Audit Committee requested and obtained all the information and clarifications it deemed relevant and necessary for the exercise of its duties, both statutory and legal, and did not encounter any constraints on its activities or the effective discharge of its functions.

b) Supervising the process of preparation and disclosure of financial information and monitoring the statutory audit

During 2021, the AUC analysed the information periodically provided by PwC, as the Bank's Statutory Auditor, which allowed it to monitor the evolution of the services provided by PwC and to better understand situations that, in its opinion, should deserve greater attention from the Bank.

In this context, and by way of example, the Audit Committee:

- took note of the limited review on the Group Reporting Forms for the 1st, 2nd and 3rd quarters of 2021;
- took note of the conclusions of the full audit on the Group Reporting Forms - consolidated accounts as at 31/12/2020;
- monitored the closing process of Banco BPI's 2020 accounts - individual and consolidated -, having in this regard taken cognisance of the "Additional Report to the Supervisory Body" issued by PwC;
- took note of PwC's Audit Plan for 2021;
- monitored the preparation work of the audit of the accounts for the 2021 financial year, through periodic presentations made by PwC, in which PwC highlighted the main themes and issues relevant for this purpose.

In short, the AUC closely monitored the activity carried out by PwC during 2021, developing the actions previously mentioned, but also reviewing the periodic reports presented by the latter at the Committee's meetings, through which it became aware of the mapping and scheduling of the planned works, the progress of the various works already underway and the conclusions (preliminary and final) reached therein.

In this context, the AUC was made aware of several reports issued by the Statutory Auditor, including the following:

- Report on the process of quantification of the impairment of the loan portfolio, issued with reference to 31/12/2020 and 30/06/2021
- TLTRO Report, issued as part of the reporting to the ECB on Targeted Longer-term Refinancing Operations
- Report viewing the certification of the information for the contribution to the Single Resolution Fund
- Annual independent limited assurance report on compliance with legal and regulatory requirements applicable to public sector bonds
- Annual independent limited assurance report on compliance with legal and regulatory requirements applicable to mortgage covered bonds
- Audit report on the portfolio of loans granted by Banco BPI under the Financial Instrument for Urban Rehabilitation and Revitalisation (IFFRU 2020) in 2020
- Report on the procedures and measures adopted by the financial intermediary pursuant to articles 306 to 306-G of the Securities Code

On the other hand, as part of this responsibility, the AUC monitored the financial information produced by the Bank and periodically submitted to it by the ABMD, namely the annual, interim and quarterly accounts.

The AUC also reviewed the periodic reports prepared by the ABMD on the main judgements and estimates used by the Bank in the preparation of its financial statements.

These documents, which were reviewed in detail by the AUC, include estimates, projections, judgements, accounting policies and critical assumptions that may be complex, subject to uncertainty or that depend on decisions taken that have a significant impact on the magnitudes and financial information disclosed by Banco BPI.

The AUC also assessed the reports prepared by the Bank's Legal Division (LD) on the calculation of Income Tax and Deferred Taxes, as well as on the review of the corporate income tax return Form 22 (*Mod. 22 de IRC*).

As regards the processes of preparation of prudential and financial reports, it is also important to note the review, in March 2021, of Banco BPI's Internal Control Framework, which formalised the procedures that the teams responsible for managing and controlling Information Reliability Risk must implement, a process that was monitored by the Audit Committee.

In effect, with the objective of mitigating the reliability risk of the information provided by Banco BPI to its Clients, Shareholders and the Market, at both individual and consolidated level, the Bank has:

- an Information Reliability Risk Management Policy, approved by the Board of Directors, which establishes the perimeter of the information subject to the policy, the governance and control framework based on the 3 Lines of Defence model and the criteria for control and verification of the financial information to be disclosed; and
- a formally established Financial Information Internal Control System (FIICS) to guarantee the sufficiency and operation of the established controls and to permit the correction of detected weaknesses within a reasonable period of time.

During 2021, the Audit Committee reviewed the 2LoD's periodic reports on the aforementioned risk, containing the results of the FIICS's certification for the 4th quarter of 2020, as well as for the 1st, 2nd and 3rd quarters of 2021. The fact that these certifications do not identify any significant incidence at this level should be noted.

c) Monitoring the effectiveness of the internal control, internal audit, regulatory compliance and risk management systems

The supervisory body paid close attention to the guidelines issued by the Supervisor on internal control and risk control issues, having reviewed the corresponding procedures in place at Banco BPI and the remaining Group companies subject to supervision on a consolidated basis. This assessment was based on the close monitoring of the work carried out by the three internal control functions - Risk Management Division, Compliance Division and Internal Audit Division.

With regard to Banco BPI's Internal Control System issues, the Audit Committee ensured:

- the following up of the supervisory activities carried out by the European Central Bank (ECB) and the Bank of Portugal (BoP), including through the Joint Supervisory Team (JST), monitoring the degree of implementation of the recommendations ensuing therefrom;
- the analysis of the information made available by the RMD, particularly with regard to the follow-up, monitoring and control of risks, benefiting in this case from the fact that some members of the AUC are also members of the RC, which enables synergies and better knowledge and preparation of the various risk issues and respective control;
- the monitoring and analysis of the information provided by the CD, namely concerning the evolution of compliance gaps and respective remediation processes implemented throughout the year with a view to their resolution and closure;
- the review of the reports issued by the IAD following its audits to various areas and processes of the Bank, monitoring the status of the recommendations issued as a result of these actions and the respective degree of implementation.

Also noteworthy in terms of internal control is the setting up by the Bank, in 2020, of a multidisciplinary working group with the aim of fully implementing in Banco BPI Notice 3/2020 and Instruction 18/2020 both issued by BoP.

As part of its duties, during 2021, the AUC closely monitored the work undertaken by Banco BPI to implement Notice 3/2020, namely through the periodic reports of the aforementioned Working Group, and was kept informed of the degree of compliance with the action plans outlined.

Also in the context of the implementation of Notice 3/2020, the AUC sought the advice of the Statutory Auditor regarding the assessment responsibilities incumbent upon it under the provisions of that Notice.

The main purpose of this advisory service was to obtain an independent limited assurance report on Banco BPI's governance and internal control systems underlying certain processes and matters, to support the Audit Committee in the issuance of its annual assessment report required by Notice no. 3/2020, namely in Article 54, paragraph 2 and Article 56 thereof.

The Audit Committee also closely monitored the evolution and activity of the three internal control functions (i.e., Risk Management, Compliance and Internal Audit), namely as regards the processes of resizing of their teams, implementation of new controls and progressive convergence of their operation to the corresponding corporate functions of CaixaBank, S.A. (CaixaBank).

This monitoring benefited from the presence in all the AUC meetings of the heads of the Internal Control Functions, who, as previously referred, in 2021 became permanent guests at the meetings of this Committee, although without voting rights.

In this regard, it should be noted that the AUC closely followed the process of appointment of the heads of the Internal Control functions, which took place in April 2021, having issued a favourable prior opinion on each of these appointments.

The following AUC interventions are also worth noting:

a. **Regarding the IAD**: during 2021, the AUC monitored the activity of the IAD, participating in the following processes:
   - Analysis and issuance of an opinion on the Audit Plan for 2021 and its revisions, as well as on this Division's Objectives for that year;
   - Presentation and follow-up of the periodic monitoring reports on the activity developed, as well as of the recommendations issued, during the reporting period;
   - Review of the IAD Training Plan for 2021;
   - Issuance of an opinion on the Internal Audit Function Report for 2021, in compliance with the provisions of BoP Notice no. 3/2020

   Review of the main conclusions of the audits carried out by the IAD to various internal services and processes of the 1LoD and 2LoD, monitoring the process of implementation of the ensuing recommendations within the deadlines defined for the purpose. The AUC also took note of the conclusions of the audits carried out by the IAD to the implementation of the IRB Project and in connection to the monitoring of the legal moratorium portfolio.

b. **Regarding the RMD**: during 2021, the Audit Committee monitored the evolution of the activity carried out by this Division.

   In this context, the CAU issued a favourable opinion on the Division's Annual Activity Plan for 2021, having monitored its execution.

   On the other hand, it issued an opinion on the Risk Management Function Report for 2021, in compliance with the provisions of BoP Notice no. 3/2020.

   During 2021, the Audit Committee paid particular attention to the impact of the pandemic situation on the Bank's activity and financial statements.

   In fact, BPI adopted a proactive management of credit risk, monitoring the portfolio of loans subject to moratoria and the COVID support lines through a careful and detailed analysis at different levels and dimensions.

   To this end, the RMD monthly reported to the Audit Committee a detailed analysis of the evolution of the Bank's largest credit exposures and of the evolution of the portfolio in legal moratorium in the different credit segments, including in these reports indicators such as the evolution of overdue loans, credit quality and impairments.

   Still within the scope of its supervisory functions, the Audit Committee also monitored issues related to operational risk, including technological risk, having monitored, assessed and discussed the reports periodically submitted to it by the RMD, in particular those concerning the implementation of the second-line monitoring and control structures for these risks.

As concerns Banco BPI's Conduct and Organisational Culture, the Audit Committee analysed and, where necessary, issued its prior opinion on the following policies submitted to it by the RMD:

- Management of Subsidiaries Policy
- Operational Risk Management Policy
- Operational Continuity Policy
- Model Risk Management Policy
- Model Validation Policy
- Financial and Actuarial Risks Management Policy
- Internal Control Policy
- Global Risk Management Policy
- Capital and Solvency Funds Risk Management Policy
- Market Risk Management Policy
- Structural Rates Risk Management Policy
- Management Policy for the Risk of Deterioration of Intangible Assets and Deferred Tax Assets
- External Fraud Risk Management Policy

c. **Regarding the CD**: the Audit Committee monitored the evolution of the activity carried out by this Division throughout 2021.

Accordingly, it monitored the implementation of new controls and systems and the progressive revision of the bank's internal regulatory framework viewing corporate convergence with CaixaBank, as well as compliance with applicable legislation and regulations, including Notice no. 3/2020.

In this context, the Audit Committee reviewed and, where necessary, issued its prior opinion on the following policies:

- Policy on the Prevention of Money Laundering and Terrorist Financing
- Conflicts of Interest Policy
- Legal and Regulatory Risk Management Policy
- Criminal Compliance Corporate Policy
- Competition Policy
- Related-party Transactions Policy
- Code of Conduct on Securities Markets
- Code of Business Conduct and Ethics
- Anti-corruption Policy
- Whistleblowing Policy
- Compliance Policy
- Policy on the Handling of Complaints and Grievances

In addition, the AUC took note of and reviewed the documents drawn up by this Division, as the 2LoD, of which the following stand out:

- Internal Audit Function Report for 2021, issued in compliance with the provisions of BoP Notice no. 3/2020;
- Compliance gaps identification and monitoring periodic reports;
- Compliance Function annual report on the Internal Control System of Banco BPI and its subsidiaries;
- Periodic reports on the progress of actions implemented by the Bank in the field of AML/TF;
- Reports and recommendations made following inspections of Banco BPI by Supervisory or Regulatory bodies.

In addition, following the approval by Banco BPI's Board of Directors in June 2021 of the "Related-Party Transactions Policy", which had the prior opinion of the supervisory body, a new governance model was defined for the approval of transactions in which the Bank, or other entities of its Group, participate and which involve related parties.

According the new governance model applicable to this process, the Audit Committee (as well as the risk management and compliance functions) is called upon to give its opinion on such transactions prior to their approval by the management body.

Thus, in the second half of 2021 the AUC was called upon to issue an opinion on several transactions involving related parties of Banco BPI.

d) Performing, in articulation with the Risk Committee, the function of monitoring the institution's risks

During 2021, the Audit Committee maintained permanent articulation with the other Committees that integrate the Bank's governance model, and in particular with the Risk Committee, with which the AUC shares some of its Members, which, as previously referred, has permitted to delve more deeply into the issues analysed in both Committees.

The Audit Committee's intervention at this level essentially involved the follow-up and monitoring of the 2LoD activities of the risk management function, assessing and issuing an opinion (where applicable) on the various risks in the Bank's Risks Catalogue, as well as on the various documents prepared by the RMD, in their different aspects.

In this context, the AUC monitored Banco BPI's risk profile periodic self-assessment exercises, reviewing their results and main conclusions.

Moreover, it also monitored the evolution of the main risks comprised in the Bank's risks catalogue, including the following:

i) Credit Risk

ii) Solvency and Capital Risk

iii) Liquidity and Funding Risk

iv) Financial Reporting Reliability Risk

v) Operational Risk

The AUC also monitored the review/updating processes of BPI's internal Risk policies carried out not only for compliance with the established revision schedule, but also viewing their alignment with CaixaBank Group’s corporate policies, or to comply with the Supervisor's recommendations.

Moreover, the AUC also monitored the activity carried out by the Operational Risk Task-force set up by the Bank to deal with operational risk events, not only to mitigate the effects of those already occurred, but also to prevent future events.

e) Receiving notice of irregularities reported by shareholders, employees of the Company or others

Throughout 2021, the supervisory body took note of the communications addressed to it through the channels provided by the Bank for this purpose, giving appropriate follow-up to each situation reported to it.

Pursuant to Article 116.AA, paragraph 7 of the General Law on Credit Institutions and Financial Companies (“RGICSF”), detailed information on the communications received by this means and their processing is presented in a specific report, the minimum content of which complies with the provisions of Article 8 of Bank of Portugal Instruction no. 18/2020.

In this regard, it should be noted that following the approval in October 2021 of the new "Banco BPI Whistleblowing Policy", the management model for this process at Banco BPI was revised. In effect, and without prejudice to the legal powers of the Audit Committee, as Banco BPI's supervisory body, to be informed of notices of irregularities, under the terms of Notice no. 3/2020, the CD, in articulation with the AUC, was given responsibility for the management and treatment of the irregularities received which fall within the scope of the said Policy.

f) Assessing and overseeing the independence of the statutory auditor, namely whenever the latter provides additional services to the Company

Pursuant to its legal duties, the Audit Committee took part in the process of reappointment of PwC as Banco BPI's Statutory Auditor to exercise functions during the 2021-2024 term, a process that took place during the months of March and April 2021.

As the reappointment of the Statutory Auditor was at stake, the AUC's intervention included the analysis of the service provision proposal received and the preparation and presentation to the Bank's sole shareholder of the proposal for the appointment of PwC as Banco BPI's Statutory Auditor for the referred period.

Following this proposal, in April 2021 the sole shareholder resolved to reappoint PwC as Banco BPI's Statutory Auditor for a new 4-year term, corresponding to the period from 2021 to 2024.

Additionally, under these duties, the Audit Committee approved the overall fees due to the Statutory Auditor for the services rendered to Banco BPI during 2021, which included "Audit Services", "Non-audit services required by law of the Statutory Auditor", as well as "Non-audit services not required by law of the Statutory Auditor".

Pursuant to the applicable legal provisions, namely Article 423-F, paragraph 1, subparagraph o) of the CCC, the Audit Committee verified the conditions of independence of Banco BPI's Statutory Auditors to provide "Non-audit services not required by law of the Statutory Auditor" and approved the contracting of such services from the Statutory Auditor or members of its network, controlling the relative weight of the fees due in this context in order to ensure compliance with the established regulatory limits.

Hence, during 2021, the AUC approved fees for "Non-audit services not required by law of the Statutory Auditor" (and naturally not prohibited) the amount of which represented:

- 29% of the total Statutory Auditor fees in 2021; and
- 55% of the average Statutory Auditor fees for Audit Services in the three previous years, which is below the maximum legal limit of 70%.

II. Opinion on the Report, Accounts (individual and consolidated) and Proposals presented by the Board of Directors of Banco BPI relative to the 2021 financial year

Under the terms of the applicable legal provisions, namely Article 423-F, paragraph 1, subparagraph g) of the CCC, the Audit Committee:

- oversaw the preparation throughout 2021 of the financial statements' supporting documents, namely meeting with the heads of the ABMD in order to obtain detailed information about the preparation and closing of the annual accounts, as well as to request relevant clarifications for the discharge of its functions;
- Regularly met with the heads of the Bank's Internal Control Functions (Risk Management Division, Compliance Division and Internal Audit Division), having, whenever appropriate, requested relevant information and clarifications as necessary for the proper performance of its duties, particularly with regard to compliance with applicable legislation and regulations;

- Regularly met with the Statutory Auditor, monitoring the progress of their work throughout the year, and whenever necessary, requested relevant clarifications as necessary for the performance of its duties, which enabled it to obtain an assessment of the annual accounts as at their closing date and a progress report on the audit works;
- Analysed the Statutory Auditors' Additional Report to the Audit Committee, drafted under the terms of Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April on specific requirements for the statutory audit of public interest entities;
- Examined the following documents prepared with reference to financial year 2021, which deserved its agreement:
  - The Management Report;
  - The proposed application of the results determined for financial year 2021, included in the Management Report;
  - The Bank's Financial Statements - on an individual and consolidated basis -, which include the year-end Balance Sheet, the Income Statements, the Statements of Changes in Shareholders' Equity and the Cash Flow Statements – and the respective Notes;
  - Banco BPI's Corporate Governance Report; and
  - The Statutory Certification of Accounts and the Auditors Report, both concerning Banco BPI's individual and consolidated financial statements, issued by PwC with no reservations or qualifications.

Upon examination of the referred documents, each Audit Committee member hereby declares that, to the best of its knowledge, the aforementioned financial information was prepared in accordance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, the financial position and the results of the Bank and of the companies included in its consolidation perimeter, and that the Management Report faithfully describes the evolution of the businesses, performance and position of the Bank and of the companies included in its consolidation perimeter and contains a description of the main risks and uncertainties that they face.

Accordingly, the Audit Committee is of the opinion that, with respect to the 2021 financial year, **Banco BPI's Management Report**, the **Proposed Application of Results** contained therein, the **consolidated and individual Financial Statements**, the respective **Statutory Certification of Accounts** and also the **Corporate Governance Report**, are in conformity with the applicable legal, statutory and accounting requirements.

As such and in view of the above, the Audit Committee recommends approval by the Shareholder of:

a) The Management Report and further individual and consolidated accounting documents of Banco BPI relative to 31 December 2021;

b) The Proposed Application of Banco BPI's individual results for the 2021 financial year, in the amount of 293,367,642.79 euros, in the following terms:

Net Profit in financial year 2021	*293 367 642.79 euros*
Legal Reserve	29 336 764.28 euros
Dividends:	194 000 000.00 euros
Other Reserves	70 030 878.51 euros

09 March 2022

The Audit Committee,

Manuel Sebastião

António Lobo Xavier

Elsa Roncon Santos

Fátima Barros

Lluís Vendrell

Summary of Self-Assessment Reports on the adequacy and effectiveness of the organisational culture and the governance systems (individual and consolidated)

(This report is a free translation to English from the original Portuguese version.
In case of any inconsistency the Portuguese version shall prevail.)

This document is presented under the terms and for the purposes of Article 60 of Notice no. 3/2020 (Notice) of the Bank of Portugal (BoP).

The self-assessment reports on the adequacy and effectiveness of the organisational culture and the governance and internal control systems in force at Banco BPI and the BPI Group (respectively, Individual Report, Consolidated Report and, jointly, Reports) were prepared under the terms of the provisions of Articles 54 and 55 of the aforementioned Notice and of BoP Instruction no. 18/2020 (Instruction). Pursuant to Article 2 of the said Instruction, the Reports were prepared with reference to 30 November 2021, and were approved by the Board of Directors on 17 December 2021. In compliance with the CMVM Regulation no. 9/2020, these Reports were also submitted to this authority.

The Individual Report contains the results and conclusions of the assessment carried out as to the adequacy and effectiveness of the organisational culture and the governance and internal control systems in place at Banco BPI, including the remuneration practices and policies and all others dealt with in the Notice. It describes the activities carried out in 2021 to ensure the implementation of and full compliance with the provisions of the aforementioned BoP Notice, according to the action plans established and reported in the previous self-assessment report, with reference to January 2021.

During the reference period, i.e., between 1 February and 30 November 2021, Banco BPI carried out significant work towards compliance with such action plans, regarding its governance and internal control systems. The multidisciplinary working group set up for this purpose reported to the Governing Bodies, on a monthly basis, the status of development of such action plans.

In this context, it was carried out a review of the organisational structure of Governing Bodies and internal control functions, as well as of policies and other relevant internal regulations on various topics addressed by the Notice and which warranted amendment. The Individual Report describes in detail the functions of the Governing Bodies, their terms of reference and composition, as well as the Selection and Assessment Policy for members of the Management and Supervisory Bodies and key function holders, and the Succession Plan.

In terms of conduct, values, organisational and risk culture, the Individual Report makes reference to the ongoing project called "Risk Culture Project", which is a reflection of the internal identification of the need to strengthen and disseminate an organisational culture that promotes awareness of the various material risks to which the institution is subject, their interconnection and the relevance of their integrated management. The policies related to the Code of Ethics and Business Principles are also described in detail.

Alongside this project, fundamentally aimed at training human resources in so far as Banco BPI considers that regulatory training is a reference in Customer guidance and risk management, compulsory training on matters relating to values and rules of conduct was included in Banco BPI's annual training plan, as detailed in the Report, which is provided to all Employees and is a condition for the award of variable remuneration. Training sessions were outlined in accordance with the type of function, aimed in particular at the members of the Board of Directors, the heads of the Divisions and the key function holders.

Banco BPI's Remuneration Policy, for the Employees in general, but also for the Management and Supervisory Bodies and the Identified Staff, is described in the Individual Report.

The Individual Report develops the strategic risk management processes and the internal control framework, based on the 3 lines of defence model in place at Banco BPI, and describes how they address the requirements of the Notice. The internal control framework consists of a methodology for classifying the severity applied across all recommendations, regardless of the control function or external entity that issues them, in order to meet the requirements of the Notice and of the BoP Instruction. The Report details the internal control deficiencies/gap´s, including those arising from external entities, existing on 30 November 2021, and their evolution during the reference period. It should be noted that no F4 level recommendation existed as at that date.

The Individual Report also addresses the Bank's regulations on the outsourcing of functions by the control areas, stressing that all outsourcings are assessed in terms of compliance with the existing policy on the outsourcing of services and classified as to whether or not they correspond to critical functions, as are the services outsourced in this area during the reference period and the control mechanisms implemented.

The Report identifies the information production and treatment processes, as well as the model in place for the management of business continuity.

The Report sets out, as indicated in the Notice, Banco BPI's treatment of related-party, conflicts of interest and whistleblowing issues.

As part of the preparation of the Reports, the annual Reports of the risk management, compliance and internal audit functions were also prepared, as provided for in Articles 27, 28 and 32 of the Notice, and also the BPI Suisse Self-Assessment Report and the BPI Group Self-Assessment Report, the latter including reference to Banco BPI's shareholdings.

Additionally, in compliance with the provisions of Article 55, paragraph a) and Article 56, both of the Notice, Banco BPI's Audit Committee, based on the analysis and oversight developed during the reference period, issued its assessment reports on the adequacy and effectiveness of Banco BPI's organisational culture and governance and internal control systems (individual and consolidated), which are part of the Reports.

On the basis of its works, the Audit Committee concluded that Banco BPI's organisational culture and its governance and internal control systems in force on 30 November 2021, including the remuneration practices and policies, are adequate, effective, and compliant with the applicable regulatory requirements, taking into account Banco BPI's size and alignment with the commercial strategy and risk appetite. The Audit Committee also concluded that: (i) the internal control recommendations do not have a material impact on the aforementioned conclusion, (ii) the internal control functions perform their activity with adequate levels of performance and independence, (iii) Banco BPI has in place mechanisms that ensure the reliability of the processes of preparation of prudential and financial reports and of the process of preparation and disclosure of information, and that (iv) Banco BPI complies, in the materially relevant aspects, with the duties of public disclosure to which it is subject.

It should be noted that, under the faculty provided for in Article 56, paragraph 3 of the Notice, the Audit Committee has retained the External Auditor to advice on its assessment responsibilities under the provisions of the Notice. As a result of the procedures carried out within the scope of such advisory, the External Auditor concluded that no materially relevant deficiencies had been detected in the Bank's governance and internal control systems. The Audit Committee issued its assessment reports partly supported by the work carried out by the External Auditor.

On the other hand, the Board of Directors of Banco BPI considered that the Bank's organisational culture and its governance and internal control systems in force in the period of 1 February to 30 November 2021, including the remuneration practices and policies, are adequate, effective, and ensure compliance with the applicable regulatory requirements, taking into account the Bank's size and alignment with the commercial strategy and risk appetite. The conclusion reached in the opinion issued at BPI Group level is similar, having included the assessment on the effectiveness of BPI Suisse's organisational culture and governance and internal control systems.

31 January 2022

Audit Committee

Statement of the Board of Directors

DECLARATION REFERRED TO IN ARTICLE 29-G (1) C) OF THE SECURITIES CODE

Article 29-G (1) (c) of the Securities Code prescribes that each one of the persons responsible for the company issues a declaration, the content of which is defined therein.

The Members of Banco BPI's Board of Directors, identified here by name, individually subscribe to the declaration transcribed as follows[1]:

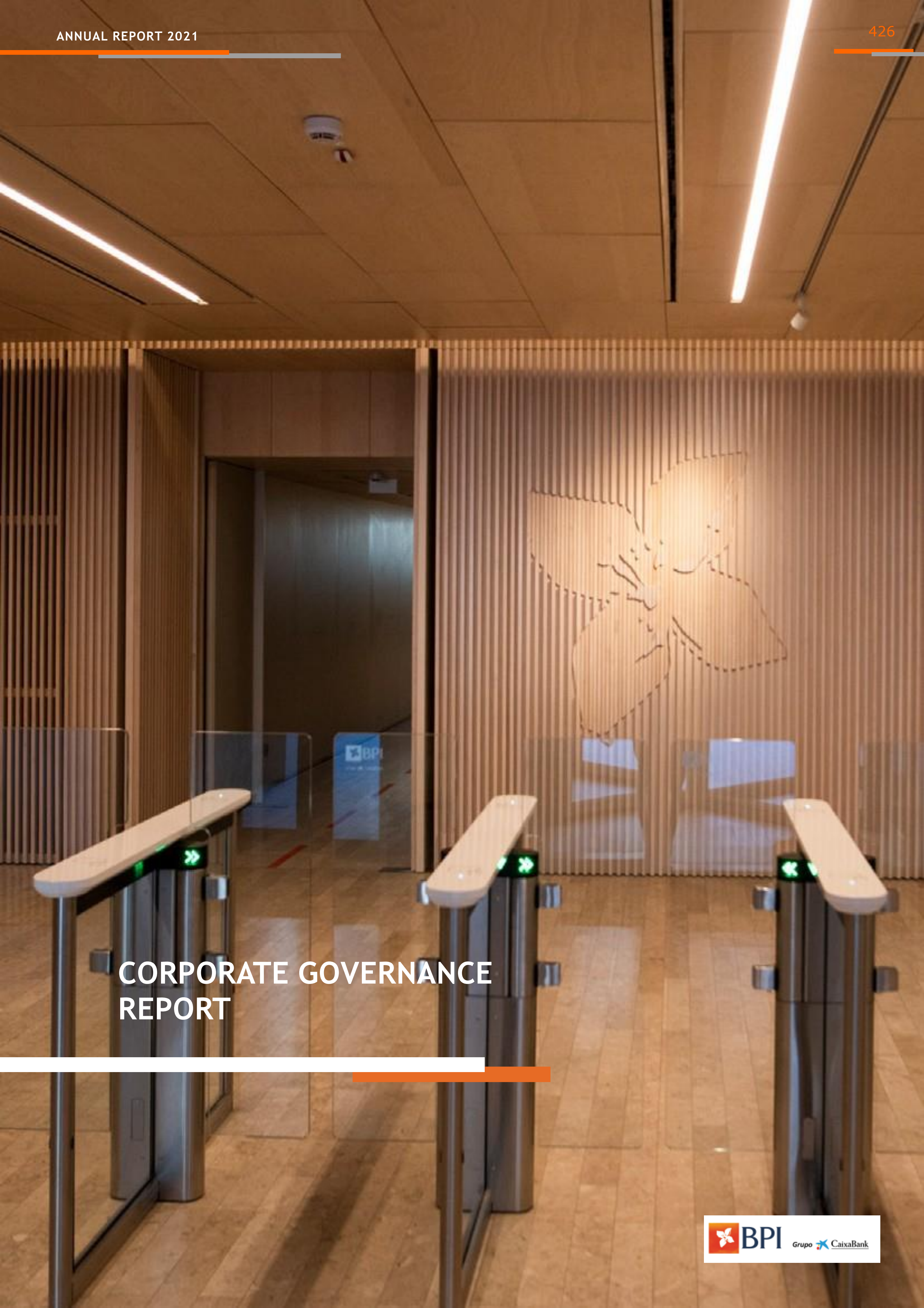
"I declare in the terms and for the purposes of article 29-G (1) (c) of the Securities Code that, to the best of my knowledge, the directors' report, the annual accounts, the statutory audit certification and other documents forming part of Banco BPI, S.A.'s annual report, all relating to the 2021 financial year, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of that company and of the companies included in the consolidation perimeter, and that the directors' report provides an accurate account of that company's and of the companies included in the consolidation perimeter business, performance and financial position, as well as containing a description of the principal risks and uncertainties which they confront."

BOARD OF DIRECTORS

Chairman	Fernando Ulrich
Deputy-Chairman	António Lobo Xavier
Members	Cristina Rios Amorim
	Elsa Maria Roncon
	Fátima Barros
	Francisco Artur Matos
	Francisco Manuel Barbeira
	Gonzalo Gortázar
	Ignacio Alvarez-Rendueles
	Javier Pano
	João Pedro Oliveira e Costa
	Lluís Vendrell
	Manuel Sebastião
	Natividad Capella
	Pedro Barreto

Porto, 24 February 2022

1) The Audit Committee members signed a statement with the same content. Within the scope of the documents for which they are responsible, the External Auditors have signed an equivalent declaration.



CORPORATE GOVERNANCE REPORT

Index

This report is a free translation to English from the original Portuguese version.
In case of any inconsistency the Portuguese version shall prevail.

I - INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND GOVERNANCE OF THE COMPANY

This report was drawn up under the terms of Article 70-2-b) of the Portuguese Commercial Companies Code and Article 29-H of the Portuguese Securities Code.

1. Banco BPI's share capital is fully held by CaixaBank, S.A.

2. All the shares representing the share capital are of a single class and series, conferring identical rights on their holders, including voting and profit-sharing rights.

There are no restrictions of any nature whatsoever on the transferability of shares, which is fully free.

There is no system in place for employee participation in Banco BPI's share capital.

3. The Company has a single shareholder. There is no shareholders agreement.

4. Under the terms of the Company's Articles of Association, each share is entitled to one vote.

5. The company has not entered into any agreements the coming into force of which is dependent on a change in the Bank's shareholder structure, or which are amended or terminate as a result thereof.

There are no significant agreements to which BPI is a party which come into force, are amended or terminate in the event of a change of control in the Company. Six loans, for a total amount of €1 060 million, include clauses that, in case of change of control, provide for certain consequences, namely the obligation of early redemption in case certain circumstances are met.

There are no agreements between BPI and members of the management board or senior officers that make provision for compensation in case of resignation, dismissal without due cause or termination of the labour relationship following a change in control of the company, save as provided for under the applicable general law.

6. The Company is organically structured as provided for in article 278 (1) (b) of the Commercial Companies Code, commonly referred to as the "Anglo-Saxon Model", and its corporate bodies are the General Meeting, the Board of Directors and the Audit Committee, and there is also a Statutory Auditor (“*Revisor Oficial de Contas*”- “ROC”).

In accordance with Banco BPI's Articles of Association, the members of the corporate bodies are elected for periods of three years, except for the statutory auditor, which has a term of office of four years, and all of them, within the legal limits, may be re-elected one or more times.

The current members of Banco BPI's corporate bodies were appointed to serve a 3-year term of office expiring on 31 December 2022, with the exception of the Statutory Auditor, which has a 4-year term of office expiring on 31 December 2024.

Under the Company's Articles of Association, the Board of Directors (“CA”) is composed of a minimum of 9 and a maximum of 17 members, elected by the General Meeting (“AG”), who shall appoint the Chairman from among them and, if deemed appropriate, one or more Vice-Chairmen.

The current CA, appointed to serve in the 2020-2022 term of office, is composed of 15 members - 5 executive and 10 non-executive. The number of non-executive members is considered to be adequate to the size of Banco BPI and the complexity of the risks inherent to its activity, allowing it to efficiently perform the functions entrusted to it.

It is the duty of the CA to exercise any and all powers to manage and represent the Company, as well as to define its major strategic lines and general policies.

The Board of Directors meets at least monthly and whenever a meeting is convened by its Chairman or by two Directors.

In the performance of its duties, the Board of Directors is responsible for the following tasks (non-exhaustive list):

a) To define and approve the policies and codes required for Banco BPI's good governance;
b) To approve the strategic plan and operating plans and budgets, both annual and pluri-annual, and any changes thereto, and to periodically monitor their execution;
c) To prepare the accounting documents and the proposal for allocation of profit, to be submitted to the AG.
d) To take the initiative to propose any amendments to the articles of association and capital increases, as well as to bond issues that do not fall within its powers, submitting the corresponding proposals to the AG;

The CA is also responsible for carrying out any other actions as may be required or convenient for the pursuance of all businesses included in the Company's corporate object, namely:

a) To appoint proxies to perform certain acts or categories of acts, defining the extent of their mandates. To ensure that it operates in a proper manner, it is the responsibility of the CA:
b) To delegate to an Executive Committee the day-to-day management of the Company, subject to legal limits and the limits to be established in the resolution establishing such delegation;
c) To co-opt directors to fill any vacancies that may occur;
d) To appoint a Company Secretary and an alternate Secretary;
e) To adopt its own internal rules of procedure and to approve the rules of procedure for the Executive Committee of the Board of Directors ("CECA") appointed by it, as well as for the Risk Committee ("CR"), the Nominations, Evaluation and Remuneration Committee ("CNAR"), and the Social Responsibility Committee ("CRS"), if one exists.

The Board of Directors meets at least monthly and whenever a meeting is convened by its Chairman or by two Directors.

It is the duty of the Chairman of the Board of Directors to co-ordinate the activities of this body, presiding at its meetings and ensuring that its resolutions are implemented.

Under the terms of the Articles of Association, the Board of Directors may designate as Honorary Chairmen of the Company individuals who have served as Chairmen of the Board of Directors and who, in that position, have made an exceptional contribution to the pursuit of the Company's interests.

Under this designation the Board of Directors may assign to the Honorary Chairmen, under such terms as it sees fit: (a) Duties involving the institutional representation of the company; b) Duties involving providing advice to the Board of Directors and its Chairman as well as collaboration on the maintenance of the best possible relations between the company bodies and between the latter and the shareholders.

The Shareholders attending the General Meeting on 26 April 2017 approved an amendment to Banco BPI's Articles of Association, under the terms of which they authorised the Board of Directors to approve increases in share capital and to define all of the terms and characteristics thereof, subject to the limitations and rules contained in the following sub-paragraphs:

a) The authorisation encompasses the resolution on one or more capital increases, through cash contributions or through the issue of shares of the same category of the existing shares or of some other category permitted by law or by the articles of association;

b) The total value of the capital increases deliberated on by the Board of Directors under the authorisation foreseen in this number may not exceed €500,000,000 (five hundred million euros);

c) Unless said right is limited or removed by the General Meeting, any capital increases are offered to the shareholders of Banco BPI under the terms of the respective pre-emptive right;

d) Any shares not subscribed by the shareholders of Banco BPI under the terms of their pre-emptive right may, if so provided for in the resolution which approves the capital increase, be offered for subscription by third parties;

e) The shares representing capital increases may be issued with or without an issue premium and they shall bestow entitlement to profits, reserves or any other assets whose distribution is deliberated subsequently to their issue;

f) The resolution on the share capital increase requires a prior favourable opinion of the supervisory body of the company;

g) The authorisation is valid for a period of 5 years as from 26 April 2017.

In addition to the general rules provided for in the law, the rules defined in the Selection and Assessment Policy approved by the General Meeting on 29 April 2015 are applicable to the appointment and replacement of Directors.

It is the responsibility of the Nominations, Evaluation and Remuneration Committee (“CNAR”) to assess the performance of the executive directors, pursuant to its Regulations and the aforementioned Policy. This assessment shall take into account not only the criteria set forth in this Policy, but also the achievement of corporate and individual objectives that have been established for the period under assessment.

Any changes to Banco BPI's Articles of Association require the approval by two thirds of the votes cast at a General Meeting expressly convened for the purpose, as set forth in article 29 thereof. BPI's Articles of Association (Articles 30(1) and 29(2), respectively) also provide that a qualified majority of seventy five percent of the votes cast at a General Meeting is required to approve the winding-up of the Company, and the change of the rule under which that special majority is required.

7. The Board of Directors comprises an Audit Committee (“CAU”) composed of a minimum of 3 and a maximum of 5 non-executive members appointed under the same terms as the members of the Board. The CAU currently comprises 5 members. Its composition is considered to be adequate to the size of Banco BPI and the complexity of the risks inherent to its activity, allowing it to efficiently perform the functions entrusted to it. The Audit Committee, which is the Bank's supervisory body, is responsible for the following tasks (non-exhaustive list):
    a) To supervise the Company's management;
    b) To watch over compliance with legal and regulatory provisions, the Company's articles of association and the rules issued by the supervision authorities, as well as with the general policies, standards and practices instituted internally;
    c) To define the terms under which it coordinates with the Risk Committee, among others, the works to be developed and the latter's reporting to assist the Audit Committee in the performance of its duties;
    d) To monitor the situation and evolution of all the risks to which the Bank is subject, for which it counts on the assistance of the Risk Committee, and the works, analyses and recommendations submitted to it by the latter in this respect;
    e) To watch over the adequacy of and supervise compliance with the accounting policies, criteria and practices adopted, and ascertain that the documents that support them are in order;
    f) To monitor the statutory audit;
    g) To issue an opinion on the Report, Accounts and Proposals presented by the Board;
    h) To supervise the process of preparation and disclosure of financial information;
    i) To monitor the effectiveness of the internal control, internal audit, and risk management systems;
    j) To assess and watch over the independence of the statutory auditor, namely when the latter provides additional services to the Company;
    k) To receive notice of irregularities occurred within the company and reported by shareholders, employees or others;
    l) To perform all other duties assigned to it by law.

    The CAU may at any time request any document or information, written or oral, that it considers relevant for the exercise of its functions directly from the various structural units or from any employee of the institution, in particular from the Internal Control Functions (Risk Management Department, Compliance Department and Internal Audit Department), without the need for any prior request or communication to the CA, which cannot prevent the CAU from having direct access to the information or document in question.

    The CAU meets on a monthly basis, except in the month of August, and prepares an annual report on its supervisory function.

    The Chairman of the Board of Directors may participate, without the right to vote, in the CAU meetings, whenever a matter is on the agenda for which discussion his or her presence is relevant and he or she has been invited by the CAU Chairman.

    The Members of the CECA and other senior officers of Banco BPI, namely the heads of internal control functions, may also take part in the meetings of the CAU, without voting rights, whenever this is deemed necessary and is requested by the latter.

    Additionally, the directors and managers responsible for the areas whose matters are being analysed may also be summoned to take part in the meetings of the CAU, whenever this is convenient for the good progress of proceedings.

8. The Board of Directors comprises an Executive Committee of the Board of Directors ("CECA") composed of a minimum of 3 and a maximum of 11 members, to which the day-to-day management of the Company is delegated, with the broadest powers necessary or convenient for carrying out banking activities under the terms and to the extent established by law, subject to the following limitations:

The following operations shall not result in the financial involvement with any single entity (or if that entity forms part of a group that for internal risk analysis corresponds to a single risk group, then with respect to that group) corresponding to more than 15% of Banco BPI's consolidated shareholders' equity, as reported in the latest quarterly accounting information approved by the Board:

a) Lending or financing operations;
b) Remunerated personal guarantees provided;
c) Subscription, acquisition, disposal or encumbrance of shareholdings in any companies, other than shareholdings in Banks and Insurance Companies;
d) Acquisition, disposal or encumbrance of any other securities;

The above rule shall not apply to operations resulting in financial involvement exceeding 15% of the Bank's total consolidated shareholders' equity (such as defined in the Risk Appetite Framework - RAF at any time approved by the Board of Directors), if the debtor is a Sovereign State or if, due to any other circumstance, the Bank is exposed to Sovereign risk as a result of such operations.

Such operations may therefore be decided by the Executive Committee, which in any case must obtain the favourable opinion of the Risk Committee prior to taking such decision.

For this purpose, sovereign risk shall be understood as the exposure to the credit risk of any entity under Direct Administration of a Sovereign State or to the risk of any other entity or transaction for which a Sovereign State is responsible, whether as a result of the legal regime of that entity or of the Sovereign State having provided a personal guarantee to that transaction.

Such operations may therefore be decided by the Executive Committee, which in any case must obtain the favourable opinion of the Risk Committee prior to taking such decision.

For this purpose, sovereign risk shall be understood as the exposure to the credit risk of any entity under Direct Administration of a Sovereign State or to the risk of any other entity or transaction for which a Sovereign State is responsible, whether as a result of the legal regime of that entity or of the Sovereign State having provided a personal guarantee to that transaction.

The following shall also be excluded from the delegation of powers:

a) Decisions concerning debt relief or delivery in accord and satisfaction in lieu of payment, when concerning debts to the Bank of persons that are, under the applicable law, Politically Exposed Persons or holders of other political or public offices.

b) Without prejudice to the next paragraph, decisions to acquire equity holdings (i) in companies with assets exceeding €150 million or (ii) when the equity holding to be acquired, by itself or together with previous acquisitions, involves an acquisition sum of €25 million or more;

c) Decisions to encumber or dispose of shareholdings whose acquisition value exceeds €25 million.

Where the urgency or exceptional nature of the operation so require, and the acquisition amount of the equity holding does not exceed €50 million, the acquisition may be decided upon by the Executive Committee, which shall inform the Board of Directors about it as soon as possible.

As provided in its Rules of Procedure, the CECA's decisions are taken by an absolute majority of votes, the Chairman having a casting vote. The Executive Committee meets weekly or whenever convened by its Chairman or by two of its members, watching over the evolution of the corporate businesses on an ongoing basis.

Three specialised committees operate within the scope of the Board of Directors:

a) the **Risk Committee** (CR), which, without prejudice to the attributions of the Audit Committee in these matters, is responsible for monitoring the management policy covering all the risks attaching to the company's activities, namely liquidity, interest rate, forex, market and credit risks, as well as for monitoring the Company Pension Fund management policy. The CR comprises a minimum of 3 and a maximum of 5 members of the Board of Directors who are not members of the CECA. The CR currently comprises 4 member and its Chairman does not chair any other Committee of the Board of Directors. The CR composition is considered to be adequate to the size of Banco BPI and the complexity of the risks inherent to its activity, allowing it to efficiently perform the functions entrusted to it. The current version of the Risk Committee's Rules of Procedure was approved at the CA meeting of 30 November 2020.

b) the **Nominations, Evaluation and Remuneration Committee** (CNAR), whose duties include issuing opinions on the filling of vacancies in the corporate bodies and on the choice of Directors to be appointed to the Executive Committee, and also on the assessment and setting of the latter's remuneration, as well as issuing opinions, amongst others, on the policies relating to the appointment and succession to positions on Banco BPI's corporate bodies and senior management and on the remuneration policies to be defined for these positions and for Banco BPI's other employees. The CNAR comprises a minimum of 3 and a maximum of 5 members of the CA who are not members of the CECA. It currently comprises 3 members. The more recent version of the CNAR's Rules of Procedure was approved at the CA meeting of 26 March 2021.

c) the **Social Responsibility Committee** (CRS), which is responsible for supporting and advising the Board of Directors on matters related to the Bank's social responsibility, for issuing opinions on the social solidarity, education, science, innovation and cultural patronage policies pursued by the BPI Group, as well as on the design of specific initiatives within these policies, and for monitoring the prize awarding process of the BPI Capacitar, BPI Sénior, BPI Solidário, BPI Infância and BPI Rural awards. The CRS comprises a minimum of 3 and a maximum of 5 members who are not necessarily members of the CA.

9. The company's corporate governance model* is as follows:

Corporate bodies of Banco BPI:

Board of the General Meeting
Chairman
Alexandre Lucena e Vale [(1)]
Secretary
João Avides Moreira

Audit Committee

Chairman
Manuel Sebastião
Members
António Lobo Xavier
Elsa Maria Roncon
Fátima Barros
Lluis Vendrell

Board of Directors

Chairman
Fernando Ulrich

Deputy-Chairman
António Lobo Xavier

Members
Cristina Rios Amorim
Elsa Maria Roncon
Fátima Barros
Francisco Artur Matos
Francisco Manuel Barbeira
Gonzalo Gortázar
Ignacio Alvarez-Rendueles
Javier Pano
João Pedro Oliveira e Costa
Lluís Vendrell
Manuel Sebastião
Natividad Capella
Pedro Barreto

Statutory Auditor

Member in office
PricewaterhouseCoopers & Associados, SROC, Lda. represented by José Manuel Bernardo and Cláudia Sofia Parente Gonçalves da Palma
Alternate
Ana Maria Ávila de Oliveira Lopes Bertão

Company Secretary

Member in office
João Avides Moreira
Alternate
Miguel Pessanha Moreira

Risk Committee

Chairman
Cristina Rios Amorim
Members
Elsa Maria Roncon
Javier Pano
Manuel Sebastião

Executive Committee of the Board of Directors

Chairman
João Pedro Oliveira e Costa
Members
Francisco Artur Matos
Francisco Manuel Barbeira
Ignacio Alvarez-Rendueles
Pedro Barreto

Nominations, Evaluation and Remuneration Committee

Chairman
Fátima Barros
Members
Cristina Rios Amorim
Lluís Vendrell

Social Responsibility Committee

Chairman
Artur Santos Silva
Members
António Barreto
Isabel Jonet
José Pena do Amaral
Rafael Chueca

* As at 31 December 2021.

(1) Renounced his position on 30 December 2021.

Positions held by the members of the Board of Directors and of the Audit Committee in other companies as at 31 December 2021

Name	Position	Positions in commercial companies	Other positions
Fernando Ulrich	Chairman of the Board of Directors	Non-executive Director of CaixaBank, S.A.	Does not hold any other positions
António Lobo Xavier	Deputy-Chairman of the Board of Directors Member of the Audit Committee	Non-executive Director at NOS SGPS, S.A. Non-executive Director at Fábrica Têxtil Riopele, S.A. Non-executive Director at BA Glass – Serviços de Gestão e Investimentos, S.A.	Chairman of the Board of the General Meeting of Têxtil Manuel Gonçalves, S.A. Chairman of the Board of the General Meeting of Mysticinvest, Holding S.A. Member of the Board of Curators of the Belmiro de Azevedo Foundation Member of the Council of State
João Oliveira Costa	Chairman of the Executive Committee of the Board of Directors	Does not hold any positions in commercial companies	Does not hold any other positions
Francisco Artur Matos	Executive Director	Does not hold any positions in commercial companies	Does not hold any other positions
Cristina Rios Amorim	Non-executive Director Chairman of Risk Committee Member of the Nominations, Evaluation and Remuneration Committee	Non-executive Director of Amorim, SGPS, S.A. Non-executive Vice-Chairwoman of the Board of Directors of Amorim Investimentos e Participações, SGPS, S.A. Executive Director and CFO at Corticeira Amorim, SGPS, S.A.	Member of the Board of BCSD Portugal – Business Council for Sustainable Development
Elsa Roncon	Non-executive Director Member of the Audit Committee Member of the Risk Committee	Does not hold any positions in commercial companies	Does not hold any other positions
Fátima Barros	Non-executive Director Member of the Audit Committee Chairwoman of the Nominations, Evaluation and Remuneration Committee	Non-executive Director at Brisa Concessão Rodoviária, S.A. Member of the Supervisory Board of Warta – Retail & Services Investments B.V. Member of the Governance and Social Responsibility Committee of Jerónimo Martins, SGPS, S.A.	Non-Executive Director at Francisco Manuel dos Santos Foundation
Francisco Barbeira	Executive Director	Non-executive Director at SIBS, SGPS, S.A. Non-executive Director at SIBS, Forward Payment Solutions, S.A.	
Gonzalo Gortázar	Non-executive Director	CEO of CaixaBank, S.A.	Does not hold any other positions
Ignacio Alvarez-Rendueles	Executive Director	Non-executive Director at Inter-Risco, Sociedade de Capital de Risco, S.A.	Does not hold any other positions
Javier Pano	Non-executive Director Member of the Risk Committee	Non-executive Director at CECABANK, S.A.	Chief Financial Officer of CaixaBank, S.A.

Lluís Vendrell	Non-executive Director Member of the Audit Committee Member of Nominations, Evaluation and Remuneration Committee	Non-executive Director at Bankia Mapfre Vida, S.A.	Corporate Manager of Corporate M&A at CaixaBank, S.A.
Manuel Ramos Sebastião	Non-executive Director Chairman of the Audit Committee Member of the Risk Committee	Non-executive Director and Chairman of the Audit Committee at REN, SGPS, S.A.	Chairman of the Supervisory Board of IPCG - Portuguese Corporate Governance Institute Chairman of the Board of Directors of the Ulisses Foundation (Lisbon MBA) Member of the Strategic Board of Instituto Superior de Contabilidade e Administração de Coimbra (ISCAC) Member of the Supervisory Board of AiR351-Art in Residence
Natividad Capella	Non-executive Director	Non-executive Director at VidaCaixa Non-executive Director at CaixaBank Wealth Management Luxembourg S.A.	Head of Global Risk at CaixaBank, S.A.
Pedro Barreto	Executive Director	Vice-Chairman of the Board of Directors of BCI – Banco Comercial e de Investimento, S.A.	Does not hold any other positions

Independence of the Members of the Board of Directors and Audit Committee

The following table lists the non-executive members of the Board of Directors and the Audit Committee who are considered independent according to the rules defined in the Portuguese Companies Code (article 414, no. 5) and in the joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (points 89 and 90):

	Board of Directors	Audit Committee	Risk Committee	Nominations, Evaluation and Remuneration Committee	Independence qualification
Fernando Ulrich	Chairman				-
António Lobo Xavier	Deputy-Chairman	Member			-
Cristina Rios Amorim	Member		Chairman	Member	Independent
Elsa Maria Roncon	Member	Member			Independent
Fátima Barros	Member	Member	Member	Chairman	Independent
Manuel Ramos Sebastião	Member	Chairman	Member		Independent
Javier Pano	Member		Member		-
Gonzalo Gortázar	Member				-
Lluís Vendrell	Member	Member		Member	-
Natividad Capella	Member				-

Transactions in CaixaBank shares and BPI or CaixaBank bonds made by the members of the Board of Directors and Audit Committee in 2021 (for compliance with art. 447 of the Commercial Companies Code)

The totality of the shares representing the share capital of Banco BPI are held by its single shareholder, CaixaBank, S.A., therefore no transactions on BPI shares were carried out by members of its Board of Directors or Audit Committee in 2021.

None of the members of the Board of Directors or Audit Committee holds or carried out transactions in Banco BPI or CaixaBank bonds.

The information on transactions with CaixaBank, S.A. shares is provided in the table below:

Members of the management and supervisory bodies appointed for the 2020-2022 term of office

	Position at 31 Dec 2020	Acquisitions 2021	Disposals 2021	Position at 31 Dec 2021
Fernando Ulrich	0	0	0	0
António Lobo Xavier	0	0	0	0
João Oliveira e Costa	51,227	* 26 Apr. 3,091 / €3.9896 * 29 Apr. 5,101 / €2.8805 * 24 Apr. 3,793 / €1.5803	25 Nov. 30,227 / €2.40	31405
António Farinha Morais (1)	63,055	* 26 Apr. 2,001 / €3.9896 29 Apr. 3,125 / €2.8805 24 Apr. 2,654 / €1.5803	0	70,830
Cristina Rios Amorim	0	0	0	0
Elsa Roncon	0	0	0	0
Fátima Barros	0	0	0	0
Francisco Artur Matos (2)	0	0	0	0
Francisco Barbeira	32,967	* 26 Apr. 1,600 / €3,9896 * 29 Apr. 43,937 / €2.8805 * 24 Apr. 2,213 / €1.5803	10 Nov. 32,967 / € 2.51	7,750
Gonzalo Gortázar	1,129,653	24 Feb. 10,566 / €2.195 24 Feb. 5,085 / €2.195 24 Feb. 10,148 / €2.195 27 May 8,809 / €2.738	0	1164261
Ignacio Alvarez-Rendueles	97813	* 26 Apr. 2,673 / €3.9896 * 26 Apr. 5,233 / €1.15803 27 May 2,119 / €1.5990 27 May 2,217 / €2.78489	18 Mar. 2,673 / €2.650 18 Mar. 8,908 / €2.650 18 Mar. 14,165 / €2.650 18 Mar. 21,334 / €2.650 26 Mar. 20,000 / €2.600 10 May 2,673 / €2.780 10 May 17,441 / €2.780 10 May 4,250 / €2.780	18,511
Javier Pano	120,769	25 Feb. 4,862 / €2.195 26 May 2,053 / €2.738	0	127684
Lluís Vendrell	35,707	25 Jan. 12,832 / €2.195 26 May 799 / €2.728	0	49,338
Manuel Sebastião	0	0	0	0
Natividad Capella	93,695	25 Feb. 12,236 / €2.195	0	105931
Pedro Barreto	39,084	* 26 Apr. 3,091 / €3.9896 * 29 Apr. 4,775 / €2.8805 * 24 Apr. 3,663 / €1.5803	0	50,613

* Shares awarded for execution of the Remuneration Policy of the members of the Board of Directors of Banco BPI relative to Variable Remuneration programme ("RVA") 2017, RVA 2018 and RVA 2019

(1) In the period between 1 January 2021 and 27 April 2021, the date on which he resigned from office;

(2) In the period between 20 July 2021 (the date on which he took office) and 31 December 2021.

The main areas of responsibility of the members of the Executive Committee up to 31 December 2021 are the following:

Executive Committee	Main areas of responsibility
Chairman	
João Oliveira Costa	People and Organisation, Compliance, Legal and Corporate Secretariat, Communication, Brand and Social Responsibility
Members	
Francisco Artur Matos	Risk Management, Credit Risk (Credit Admission) and Credit Recovery
Francisco Barbeira	Retail Banking, Small Businesses and Premier, Business Development and Efficiency, Information Systems and Digital, Operations, Installations and Procurement, Security
Ignacio Alvarez-Rendueles	Financial, Accounting and Budget Management, Planning and Capital
Pedro Barreto	Corporate and Institutional Banking, Corporate Banking, Private Banking

The Internal Audit Department ("DAI") reports to the Audit Committee, without prejudice to its duty to report to the Chairman of the Board of Directors to enable the latter's adequate fulfilment of his functions.

On 17 December 2021, the Board of Directors approved a new distribution of portfolios within the Executive Committee to take effect from 1 January 2022:

Executive Committee	Main areas of responsibility
Chairman	
João Oliveira Costa	Risk Management, Compliance, People and Organisation, Corporate Secretariat
Members	
Francisco Artur Matos	Resilience and Operational Risk, Credit Risk (Credit Admission), Credit Recovery and Legal
Francisco Barbeira	Retail Banking, Small Businesses and Premier, Business Development and Efficiency, Information Systems and Digital, Operations, and Installations
Ignacio Alvarez-Rendueles	Financial, Accounting and Budget Management, Planning and Capital, Procurement and Outsourcing Management
Pedro Barreto	Corporate and Institutional Banking, Corporate Banking, Private Banking, Communication, Brand and Sustainability

In addition, there are a set of interdisciplinary Committees that monitor and control the whole activity of the institution, including the following:

Global Risk Committee

The Global Risk Committee is responsible for the overall management, control and monitoring of the risks that Banco BPI may incur, as well as for assessing the implications of these risks for liquidity management, solvency level and regulatory and economic capital consumption. To do so, it analyses the Bank's global risk positioning and establishes policies that optimise risk management, monitoring and control, in line with its strategic objectives. The Global Risk Committee also has as objectives to align Banco BPI's risk strategy to the guidelines established by the Board of Directors in the Risk Appetite Framework (RAF), to coordinate the measures taken to mitigate non-performance and the response to RAF early warning signals, and to keep the Board of Directors informed, through the Risk Committee, of the main activity lines and status of risks at BPI. Additionally, the Global Risk Committee is answerable to the Board of Directors and Corporate Bodies for the existence, design and effective application of the organisation's risk control policies and procedures, assessing Banco BPI's internal control system.

The Global Risk Committee must also ensure that the group's corporate policies within its sphere of intervention are implemented and complied with at Banco BPI.

The Global Risk Committee delegates to the following committees: Impairments Committee, Models Committee, Risk Policies Committee, Operational Risk Committee and Loan Recovery and NPL Committee.

ALCO Committee

The ALCO Committee is responsible for:

- Managing, controlling and monitoring the Liquidity and Funding risks, Market risk, Interest Rate Risk on the Banking Book (IRRBB) and Exchange Rate risk within BPI;
- Streamlining and making more profitable the financial structure of the balance sheet, including the Net interest income and Income from Financial Operations;
- Determining the transfer rates for the various businesses, and monitoring the prices, maturities and volumes of asset- and liability-generating activities, in accordance with the policies, risk appetite framework and risk limits approved by the Board of Directors.

In addition, the ALCO Committee is the sole body with decision-powers with regard to Banco BPI's wholesale funding - usually involving the issue of bonds, cash or synthetic securitisations, loans or equity instruments. Likewise, the ALCO Committee is BPI's only body with powers to approve investments in fixed income instruments and interest rate or inflation derivatives whose market valuation affects Net Worth and/or regulatory Solvency ratios.

As a delegated body of the CECA, the decisions of the ALCO Committee are binding. The ALCO Committee can also issue recommendations to the different business areas.
All the members of the ALCO Committee must inform the Committee about any matters within their sphere of competence that are liable of affecting the management of risk under the responsibility of the Committee.

Business and Marketing Committee
The mission of the Business and Marketing Committee is to coordinate the activities and businesses of the Corporate and Institutional, Private Banking, Individuals, Small Businesses and Premier networks, deciding on, or preparing for decision by other bodies, in line with the Bank's organic policies, standards and powers, all matters that are of common interest to the commercial networks, namely the organisation of the product offer, segment management, price positioning and commercial communication.

Permanent Credit Committee
The mission of this Committee is to monitor and decide on loan granting and recovery, obligatorily analysing all credit exposures (including those fully hedged by financial assets qualifying as mitigators) within its sphere of competence.

Information Governance Committee
The main objective of the Information Governance Committee is to ensure compliance with the BCBS 239 Regulation, namely watching over the coherence, consistency and quality of the information and defining the data management strategy.
The Committee must also promote the value of information and data as a corporate asset and a critical and differentiating element, and put into practice BPI's Global Information Policy across the entire organisation, on the following fronts:

- Assignment of responsibilities for the information items, namely concepts and reportings;
- Standardisation of concepts;
- Data documentation principles that ensure the centralisation, integrity and consistency of all the information;
- Processes to assess and improve data quality;

The Committee is also responsible for supervising and ensuring the correct execution and monitoring of the Information Governance policy in Banco BPI.

Sustainability Committee
BPI's Sustainability Committee is responsible for approving and monitoring BPI's sustainability strategy and practices, as well as proposing and submitting for the approval of the corresponding corporate bodies the relevant policies for the management of sustainability.
Its mission is to contribute to BPI being recognised for its excellent governance in terms of sustainability, and reinforcing its positioning through its Sustainable Banking model.

The sustainability Committee has the following main functions:

- To approve and monitor BPI's sustainability strategy and practices, as well as to propose and submit for the approval of the corresponding corporate bodies the relevant policies for the management of sustainability.
- To supervise BPI's Sustainability Master Plan and assess the level of compliance therewith.
- To monitor projects and initiatives for the implementation of the Sustainability Master Plan.
- To promote the integration of sustainability criteria into the Bank’s business management and areas.
- To keep track of and analyse the regulatory requirements, trends and the sector’s best practices in matters of sustainability.
- To analyse and decide on the information to be disclosed to the market in matters of sustainability.
- To report to the Executive Committee of the Board of Directors:
- The agreements of the Sustainability Committee.
- The progress made in the implementation of the Sustainability Master Plan.

- The proposed policies for sustainability management.

To validate the reasonableness of non-financial indicators in environmental, social and governance (ESGESG[1]) matters.
The Sustainability Committee is responsible for clearing any doubts or disagreements that may arise in the interpretation or application of its regulations.

The Sustainability Committee reports to the Executive Committee of the Board of Directors (CECA) in matters related to its functions, taking decisions within the scope of its activity for which it is completely autonomous. The Sustainability Committee submits for approval of and keeps CECA regularly informed on the main topics under discussion in the field of sustainability.

10. Main features of the company's internal control and risk management systems in relation to the financial reporting process Article 245-A (1-m) of the Securities Code

BPI's internal control model is based on the three lines of defence, as provided in the EBA's Guidelines on Internal Governance, and is established in the Internal Control Policy, where the Risk Management function (RMF), Compliance function, and Internal Audit function stand out. This policy is deployed through the implementation of the 3LOD Model in the Institution and for all risks identified in the Risks Catalogue approved by the Board of Directors. Banco BPI's Internal Control Framework establishes functions and procedures that implement the policy across each of the risks and for each of the lines of defence identified.

With regard to the financial information disclosure process, BPI also has a General Information Governance Policy which establishes a multidisciplinary set of structures and systems, plans, policies, principles and guidelines, processes, procedures and controls that support the requirements stemming from the legal and regulatory framework and the established strategies.

The risk of reporting reliability is one of the risks in BPI's risks catalogue, and is defined as the risk of there being weaknesses in the accuracy and integrity of, and in the criteria for the preparation of the data required to assess BPI's financial situation and assets, or in the information made available to stakeholders and disclosed to the market as a holistic view of the Bank's positioning in terms of environmental sustainability and the environmental, social and governance (ESG[2]) principles. Associated to this risk and as established in the Internal Control Policy, the responsibilities of the first, second and third line of defence are clearly defined, as established and defined in the internal control framework.

The performance of the three lines of defence covers the processes of disclosure of BPI's annual and interim reports, quarterly results, prudential reports, Pillar 3 disclosures, prospectuses and leaflets, presentations to debt investors, strategic plan and disclosure of privileged information.

Complementing the work carried out by the control functions, BPI also regularly reviews the recommendations of external entities, including of the external auditor, reported to the governing bodies, with the objective of constantly strengthening the processes of disclosure of financial information.

At BPI, the Risk Management Department ("DGR"), which comprises the Risk Management Function (RMF), is responsible for ensuring the implementation of the Internal Control System and the 3LoD Model, as well as for designing and effectively implementing a risk management structure and for reporting on all the Bank's material risks.

The Global Risk Management Policy, approved in November 2021, aims to ensure the application of an effective risk management structure that is consistent with the achievement of Banco BPI's strategic objectives. Additionally, this policy is in line with the requirements of Bank of Portugal Notice 3/2020 to the effect that the institution's overall objectives and the specific objectives for each structural unit, in terms of the risk profile and risk tolerance level, are adequately established, and it must be revised at least annually.

[1] Environmental, Social and Governance

11. The Bank's main business areas are the following:

Banco BPI focuses on the commercial banking business in Portugal, offering a broad range of services and financial products to individual, corporate and institutional Customers. The Commercial Banking business is structured into the following areas:

- Individuals, Businesses, Premier and InTouch Banking: commercial operations with individual Customers, entrepreneurs and small businesses, developed through a multi-channel distribution network comprising traditional branches (serving mass-market Customers, entrepreneurs and small businesses), Premier centres (serving high networth Customers or Customers with potential for wealth accumulation) and Intouch centres (which offer individual Customers a dedicated account manager accessible by telephone or digital channels, during an extended timetable).
- Private Banking: serving individual Customers with larger financial assets. Provides discretionary management and financial advisory specialised services, and includes the activity of a fully-held subsidiary in Switzerland - BPI Suisse.
- Corporate and Institutional Banking: specialised service to companies and institutions, provided through corporate centres, institutional centres (for public sector and state business sector bodies and enterprises), real estate business centres (provide specialised support to developers and builders involved in large residential real estate projects) and corporate and investment banking centres (for the largest national business groups, insurance companies and subsidiaries of the largest Spanish companies).

12. Internal Governance and Control System

BPI's corporate governance model establishes a set of corporate bodies that carry out their activity under a system of delegated Committees and Operational Groups that ensure the formalisation of the Bank's principal decisions and the adequate monitoring of relevant matters. Each of these bodies and committees has established common procedures that comply with the best practices at this level, and each has its own regulations, which, among others, set their scope of action, the members that compose them, the decision-making mechanisms and the formalisation procedures. The governance structure is represented in an organisational chart that establishes the reporting lines of each Department and Structural Unit, as well as the mission and functions of each of these departments.

The internal control framework implemented at Banco BPI corresponds to the set of internally defined strategies, policies, systems, processes and procedures to be observed across its entire activity viewing the proper identification, evaluation, monitoring and control of the risks to which the Bank is or may come to be exposed. In this respect, BPI has in place an Internal Control Policy and an Internal Control Framework that formally establish the three lines of defence model and the main control mechanisms for each of the risks in BPI's catalogue. In this context, the responsibilities of the Board of Directors, Audit Committee, Risk Committee, Nominations, Evaluation and Remuneration Committee and Global Risk Committee, as well as of the various control functions, are of particular importance. A set of Policies are also established for each risk in BPI's catalogue that make up the mechanism used by the Governing Bodies to implement and disseminate their strategic decisions regarding each risk.

For compliance with the provisions of Bank of Portugal Notice no. 3/2020 and associated Instruction no. 18/2020, Banco BPI's Board of Directors prepares every year its self-assessment report on the adequacy and efficiency of the organisational culture and the governance and internal control systems. This report contains, in addition to the opinion of the Board of Directors, the response given by BPI to the requirements on these matters, including developments occurring over the reporting period. The internal control recommendations identified by the control functions or external entities are also reported and subject to monthly monitoring by the governing bodies.

13. Risk Management Function

The risk management, compliance, and audit functions are institutionally allocated in legal and regulatory terms to the Risk Management Department (“DGR”), the Compliance Department (“DC”) and the Internal Audit Department (“DAI”), respectively.

The broad lines that govern the organisation and functioning are described below:

a) Risk Management Department (“DGR”)
The Risk Management Department is responsible for BPI's Risk Management Function and comprises the second line of defence, acting independently from the business and support units that integrate the first line of defence. The mission of the Risk Management Function is to identify, measure, monitor and disclose risk at the level of the organisation, in a

segregated manner. Its scope of action encompasses the entire organisation, and it plays a key instrumental role in the effective implementation of the Risk Management Structure and Policies, providing a global perspective over all the risks.

The functions performed by the various areas of DGR are designed to fit in the second line of defence roles of follow-up, management and control of the financial activity specific risks, the business model risks and the protection against losses.

In this context, DGR defines policies and methodologies relative to the Catalogue risks, which are executed by the first-line risk-taking units, and monitors compliance therewith.

In coordination with the first line, the 2LoD functions develop the overall risk management framework, advise on and critically validate the control activities performed by the first line of defence and issue their opinion on the risk control environment. Specifically:

- Policies and Rules
  – To draw up risk management and control policies, in coordination with the 1LoD, and aligned to the RAF;
  – To validate, in a critical manner, compliance with the internal rules and their alignment with the policies;
  – To advise on and/or define criteria for compliance with internal rules and regulations on risk management and control.
- Risks
  – To carry out and/or validate, taking a critical approach, the identification and assessment of risks, including emerging risks;
  – To define the methodology for measuring and quantifying risks;
  – To regularly review the results of the risk assessment;
  – To make a periodic follow-up of the emerging risks;
  – To coordinate and control the adequacy and integrity of the Bank's map of risks[1].
- Indicators and controls
  – To advise on and/or define criteria for the identification, measurement and implementation of indicators;
  – To validate, taking a critical approach, the identification of indicators by the 1LoD and their measurement criteria;
  – To advise on and define criteria for the identification, monitoring and assessment of the effectiveness of controls;
  – To advise on and/or define criteria for the implementation of controls;
  – To make a periodic follow-up of the 1LoD indicators and controls, as well as of the indicators and controls of the 2LoD itself.
- Control weaknesses and action plans
  – To critically validate the identification of weaknesses and the definition, implementation and monitoring of action plans by the 1LoD;
  – To support and/or define criteria for the production of action plans by the 1LoD;
  – To make a periodic follow-up of the weaknesses identified by the 1LoD, 2LoD or 3LoD and the implementation of action plans by the 1LoD;
  – To issue an opinion on the adequacy of the risk control environment.

In addition, the RMF:

- Ensures that all the risks to which the Bank is or may be exposed are properly identified, assessed, monitored and controlled;
- Provides the Governing Bodies with an aggregated view of all the risks to which the entity is or may be exposed;
- Coordinates the map of risks, which includes the management of the Risks Catalogue, the Risk Assessment process, the Risk Appetite Framework (RAF) and the other processes, tools or indicators that the 2LoD has considered critical to the definition and monitoring of the risks assumed by the Bank in the development of its activity.
- Monitors risk-generating activities, assessing their adjustment to the approved risk tolerance and ensuring the prospective planning of the corresponding capital and liquidity needs in normal and adverse circumstances;
- Monitors compliance with the risk appetite limits approved by the Board of Directors;

[1] The coordination of the map of risks includes the management of the Risk Catalogue, the Risk Assessment process, the Risk Appetite Framework (RAF) and the other processes, tools or indicators that the 2LoD has considered critical to the definition and monitoring of the risks assumed by the Bank in the development its activity.

- Validates the correct functionality and governance of the risk models, checking their suitability against regulatory and management uses.

In 2021 the DGR updated its structure to incorporate new functions and specialise the teams, and is now divided into six major areas:

- Credit Risk Policies, Monitoring and Control;
- Models and Impairments;
- Risk Information and Management;
- Structural and Market Risks;
- Control of Non-financial Risks;
- Model Validation and Risk.

The identification and monitoring of legal risks and Compliance risks are excluded from the scope of the DGR.

b) Compliance Department ("DC")

The Compliance Department is responsible for the Compliance Function at Banco BPI, as the second line of defence of the risk governance model; it acts independently, permanently, effectively and alongside the activity of the first line of defence, identifying, measuring, monitoring and reporting on Conduct, Legal, Regulatory and Reputational risks.

In this context, the main mission of the Compliance Department is to manage and control the risk of performances contrary to the interests and rights of Customers and remaining Stakeholders, and the risk of procedures being adopted that lead to acts or omissions that go against the applicable legal and regulatory framework or the internal codes and standards. In this manner, it seeks to prevent and minimise damages arising from potential sanctions applied to Banco BPI, as well as damages of a reputational nature.

Reflecting the importance of this function within the Group's internal control system and in accordance with best practices, the Compliance Department reports directly to the Chairman of the Executive Committee of Banco BPI. Likewise, the Compliance Department also drafts a set of periodic reports to the management and supervisory bodies.

In this context, the risk of conduct gains expression through a set of risk taxonomies which are being progressively implemented at Banco BPI:

- **Risk related to Customer protection:**
  Risk of non-compliance with regulations and rules that govern the activity developed by the Employees or agents, such as may harm the interests and/or rights of Customers.

- **Internal governance risk:**
  Risk of non-compliance with regulations, rules or international standards applying to the structure, organisation, supervision and sound governance and scope of action of the Compliance Function.

- **Market and integrity risk:**
  Risk of non-compliance with regulations and rules applying to market integrity and activities liable of damaging the proper functioning of the markets.

- **Data protection and information governance risk:**
  Risk of non-compliance with regulations and rules applying to the privacy and protection of personal data and with information governance.

- **Risk related to the Employees' activities:**
  Risk of non-compliance with regulations and rules applying to the activities performed by the Employees, where they may put their personal interests above those of the Bank or the Clients.

- **Risk of prevention of money laundering and terrorism financing:**
  Risk of non-compliance with regulations and rules intended to prevent financial institutions from being used as an instrument for money laundering and terrorist financing.

- **Risk of sanctions:**
  Risk of non-compliance with regulations and rules that impose economic sanctions or restrictions on free trade with certain countries, governments, or individuals.

The Compliance Department is currently structured into five areas:
- Prevention of Money Laundering and Terrorist Financing (AML&TF);
- Market, Conflicts and Incentives;
- Customer Protection;
- Ethics and Conduct;
- MetRep and Data Analytics.

The AML&TF area comprises three teams with specific attributions, namely the onboarding, monitoring and discharge of Customers, investigations, alerts and communications, and, finally, international sanctions and restrictive measures.

c) Internal Audit Department ("DAI")

i) Positioning and reporting

The Internal Audit Function at BPI, S.A. (BPI, BPI Group or Institution) is performed by the Internal Audit Department (DAI), which reports to the Audit Committee (CAU), without prejudice to the duty to report to the Chairman of the Board of Directors to enable this body to adequately discharge its functions. This arrangement ensures the DAI's independence and authority within the institution, in compliance with the regulatory practices set forth in the EBA Guidelines on internal governance (EBA/GL/2017/11).

The mission, authority, position, responsibilities and powers of the Internal Audit Function, as well as the principles, rules and duties that govern its performance are set forth in the Internal Audit Function's Rules of Procedure, approved by the Board of Directors on 2 March 2021.

ii) Composition

The DAI's team is composed of employees with adequate capabilities and the necessary expertise and skills for the performance of their functions. The DAI is structured into the following areas:

- Methodologies and Reporting - performs support functions to the activity of the other areas and of the Division;
- Commercial Networks and Business - among other functions, it performs audits to the activity of the Bank's Commercial Bodies and cross-cutting or thematic audits focused on business processes and sale of products and/or services;
- Markets and Risk - among others, it performs audits on regulatory compliance and compliance with internal policies on credit risk, model risk, liquidity and funding risk, interest rate risk on the banking book, market risk and capital and solvency risk. The regulatorily required exercises in the area of risk management and control stand out due to their mandatory and regular nature, as well as the exercises related to the implementation and monitoring of rating systems and their application to the use of advanced methods;
- Systems, Processes and Digital Banking - among others, it performs audits related to technological risk, namely in aspects such as information (including data quality) and communications governance, IT governance processes, information security (including cybersecurity) and physical security;
- Financial, Equity Holdings and Compliance - among others, it performs audits related to conduct, legal/regulatory, information reliability, reputational, losses in other assets and actuarial risks. In particular, there stand out the processes related to human resources, prevention of money laundering and terrorist financing and data privacy. In addition, it audits companies with which there is a Group relationship or which are contracted by Banco BPI to provide internal audit services;

- Fraud and Special Investigations - it makes technical analyses, establishes responsibilities, detects procedural deficiencies and identifies losses, with regard to all irregularities coming to the DAI's attention (namely through internal fraud detection indicators) that point to the practice of internal fraud, including Customer complaints directly addressed to the DAI, or referred to the DAI by other bodies of the Bank, with a view to initiating an investigation process. Where appropriate, it draws up an information report on the investigations carried out, to be submitted to the Labour Incidents Committee.

With regard to CaixaBank, the following should be noted:

- The DAI is included in the internal audit corporate perimeter of the CaixaBank Group. Therefore, the DAI, as an autonomous unit acting independently in the execution of its works, is aligned with the corporate governance framework, as well as with the audit policies and procedures established at CaixaBank Group's level; and
- The CaixaBank Group's internal audit supervises the correct application of the function's governance framework established at Group level, so as to guarantee that the information reported to BPI's Audit Committee is consistent with that reported at corporate level.

iii) Mission

The mission of the Internal Audit Function is to provide independent and objective assurance and advice that add value to and improve the Bank's operations. It contributes to the fulfilment of the Bank's strategic objectives, through a systematic and disciplined approach to the assessment and improvement of the effectiveness of the risk management, control and governance processes. In accordance with the three lines of defence (LoD) model, Internal Audit acts as the 3rd line of defence, supervising the performance of the first and second lines of defence, with the aim of ensuring a systematic and disciplined approach to the assessment and improvement of the risk management/control and internal governance processes.

As regards the entities of the BPI Group that have a local Internal Audit Function or have outsourced this function, the Internal Audit Function may use the internally developed works as a basis, being responsible for coordinating and supervising their quality and for assessing the coherence and consistency of the internal control systems in place at each entity.

iv) Scope of activity

The scope of activity of the Internal Audit Function covers all the entities at any time controlled by Banco BPI, and as such, comprised within the BPI Group.

In addition, it may provide Internal Audit services to entities other than those referred in the previous paragraph, providing there is an agreement therefor, and these entities are part of the CaixaBank Group.

v) Action principles

In accordance with the three lines of defence (LoD) model, Internal Audit acts as the 3rd LoD, supervising the performance of the 1st and 2nd LoD, with the aim of ensuring a systematic and disciplined approach to the assessment and improvement of the risk management/control and internal governance processes. Through its activity, the Internal Audit Department aims to provide reasonable assurance to the governing bodies about:

- The effectiveness and efficiency of the internal control system in the mitigation of the risks inherent to the Bank's activities;
- Compliance with the legislation in force, namely the regulatory requirements and the adequate implementation of the Internal Control Framework and Risk Appetite Framework;
- Compliance with the internal policies and regulations, including corporate guidelines from CaixaBank, and alignment with the sector's risk appetite and best practices; and
- The integrity, reliability and timeliness of financial, accounting and operational information.

Hence the scope of activity of this function includes assessing:

- The adequacy, effectiveness and implementation of Policies, Regulations and Standards;
- The effectiveness of controls;
- The adequate measurement and monitoring of the 1LoD and 2LoD indicators;
- The existence and correct implementation of action plans for control weaknesses;
- The validation, monitoring and assessment of control by the 2LoD.

The scope of activity of the Internal Audit Function covers all the entities, financial and non-financial, of the BPI Group except for those that are not in a control or parent-subsidiary relationship.

vi) Responsibilities

Without prejudice to the remaining responsibilities attributed to it under the law, the Internal Audit Function is responsible in particular, in the discharge of the mission entrusted to it, for the following:

a) Drawing up and keeping updated an Audit Plan aimed at examining and assessing the adequacy and effectiveness of the internal governance, of the various components of the internal control system of the Institution and of BPI Group, as well as of the internal control system as a whole;

b) Issuing recommendations based on the results of the assessments made, and monitoring on an ongoing basis any situations identified, with the regularity warranted by the associated risk, so as to ensure that the necessary corrective measures are adequate and timely implemented;

c) Monitoring market developments, legal and regulatory changes, the strategic planning process and respective decisions of the Institution and the BPI Group, namely when involving acquisitions, disposals, mergers, or the launch of new activities or products, in order to ensure a timely and appropriate response from the audit activity;

d) Developing its activity in line with the internationally recognised and accepted internal audit principles and with the sector's best practices in this area;

e) Preparing and submitting to the Board of Directors, the Audit Committee and the Risk Committee two annual reports with reference to 30 November, in accordance with Article 32, paragraphs 1c) and 1d) of Bank of Portugal Notice 3/2020, namely the Internal Audit Function Report and the Function's Internal Assessment Report;

f) Preparing, in accordance with point 1e) of Article 2 of Bank of Portugal Instruction 18/2020, as a follow-up to the annual self-assessment report, a report with a validation of the classification of the i) deficiencies detected within the scope of the control actions and assessments carried out by the Institution and by its Statutory Auditor and of the ii) deficiencies detected by any supervisory authorities, taking into account the methodology defined in the Institution.

g) Ensuring that Internal Audit staff has sufficient knowledge to assess the risk of internal fraud when carrying out their audits. Internal Audit integrates professionals with experience and specific knowledge of internal fraud to independently assess and analyse the management of the areas responsible for fraud in the institution.

g) Immediately reporting to the Audit Committee any serious irregularity in management, accounting organisation and supervision, or indications of a breach of the duties set forth in the General Law on Credit Institutions and Financial Companies (RGICSF), which may have a material impact on the economic or financial situation or on the reputation of the Institution and BPI Group.

h) Attending, without voting rights, such Commissions/Committees, meetings and forums as it deems appropriate without assuming decision-making responsibilities to avoid potential conflicts of interest related to its primary assurance role.

II – REMUNERATION

Information provided for compliance with the provisions of article 115-G of the RGICSF and article 47 of Notice 3/2020.

The full versions of the Remuneration Policy for the Management and Supervisory Bodies, Remuneration Policy for the Identified Collective, General Remuneration Policy, and Directors' Retirement Regulations, may be consulted on Banco BPI's website at www.bancobpi.pt

The tables below refer to remuneration amounts effectively paid in 2021.

a) Aggregate quantitative information on remuneration paid in 2021 to senior management and members of staff whose actions have a material impact on the risk profile of the institution, broken down by business area

Business area:	Total	Non-executive	Executive [1]	Investment banking	Business [2]	Corporate Functions	Control Functions
Number of members	89	10	5	0	17	28	29
Total remuneration (Eur) (includes Variable Rem.+ Fixed Rem. + Attendance Fees)	14 987 269	1 930 460	2 726 636	0	3 443 425	4 091 718	2 795 030
Variable remuneration (Eur)	2 431 725	0	263 237	0	912 109	731 029	525 350

b) Aggregate quantitative information on remuneration paid in 2021, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution

i) Amounts of remuneration for the 2021 financial year, split into fixed and variable remuneration, and the number of beneficiaries

Business area:	Total	Non-executive	Executive[1]	Investment banking	Business [2]	Corporate Functions	Control Functions
Number of members	89	10	5	0	17	28	29
Fixed Remuneration (Eur) (Fixed Rem. + Attendance Fees)	12 555 544	1 930 460	2 463 399	0	2 531 316	3 360 690	2 269 679
Variable remuneration (Eur)	2 431 725	0	263 237	0	912 109	731 029	525 350

ii) Amounts and forms of variable remuneration paid in 2021, split into cash, shares, share-linked instruments and other types

Business area:	Total	Non-executive	Executive[1]	Investment banking	Business[2]	Corporate Functions	Control Functions
Number of members	89	10	5	0	17	28	29
VR cash paid in 2021 (Eur) [3]	1 803 113	0	131 618	0	573 633	590 586	507 275
VR Shares paid in 2021 (Eur) [3]	628 612	0	131 618	0	338 476	140 443	18 075

iii) Amounts of outstanding deferred remuneration, split into vested and unvested portions

Business area:	Total	Non-executive	Executive[1]	Investment banking	Business[2]	Corporate Functions	Control Functions
Number of members	89	10	5	0	17	28	29
VR Cash Deferred (Eur)	865 766	0	391 044	0	293 065	168 136	13 521
VR Shares Deferred (Eur)	865 736	0	391 044	0	293 035	168 136	13 521

1) Does not include Remuneration of António Farinha Morais, who resigned in April 2021.
2) Includes Corporate Banking, Retail Banking, and Private Banking.
3) Deferred variable remuneration for the financial years 2017, 2018 and 2019 paid in February 2021 (the attribution to the members of the Executive Committee is deferred for 5 years and to the other employees for 3 years).

iv) Amounts of deferred remuneration awarded during the 2021 financial year, paid out and reduced through performance adjustments

There was no reduction through performance adjustments in the amounts of deferred remuneration awarded during the 2021 financial year.

v) New sign-on and severance payments made during the 2021 financial year, and the number of beneficiaries of such payments

No sign-on or severance payments were made during the 2021 financial year.

vi) Amounts of severance payments awarded during the 2021 financial year, number of beneficiaries and highest such award to a single person

No severance payments were awarded during the 2021 financial year.

vii) Number of Employees being remunerated €1 million or more per financial year, for remuneration between €1 million and €5 million broken down into pay bands of €500 000 and for remuneration of €5 million and above broken down into pay bands of €1 million

In 2021 there were no employees with total remuneration between €1 million and €1.5 million.

viii) Total remuneration for each member of the management body or senior management

Members of the Board of Directors in office as at 31 December 2021

Amounts in euros

Board of Directors	Fixed remuneration	Attendance fees	2020 Variable Remuneration [1]		Total	
			Attributed	Paid	Attributed	Paid
Fernando Ulrich	750 000	0	0		750 000	750 000
António Lobo Xavier	129 100	0	0		129 100	129 100
João Pedro Oliveira Costa	743 830	0	0		743 830	743 830
António Farinha Morais (2)	158 981	0	0		158 981	158 981
Cristina Rios Amorim (3)	165 820	7 400	0		173 220	173 220
Elsa Roncon Santos	155 900	0	0		155 900	155 900
Fátima Barros	165 820	0	0		165 820	165 820
Francisco Manuel Barbeira	500 115	0	0		500 115	500 115
Francisco Artur Matos (4)	219 375	0	0	0	219 375	219 375
Gonzalo Gortázar Rotaeche	60 000	0	0		60 000	60 000
Ignacio Alvarez-Rendueles	500 000	0	0		500 000	500 000
Javier Pano Riera	108 100	7 400	0		115 500	115 500
Lluís Vendrell	156 200	0	0		156 200	156 200
Manuel Ramos Sebastião	164 720	0	0		164 720	164 720
Natividad Capella Pifarre	60 000	0	0		60 000	60 000
Pedro Barreto	500 080	0	0		500 080	500 080

1) Total variable remuneration awarded in 2021 for performance in 2020.

2) Remuneration earned from 1 January to 27 April (the date he resigned).

3) Attendance fees paid in 2021 for meetings in 2020.

4) Remuneration earned from 28 April (date of co-optation as member of the CA).

III – RELATED-PARTY TRANSACTIONS

1. Mechanisms implemented by the company for the purpose of controlling related-party transactions

Banco BPI's Board of Directors, upon the prior opinion of the supervisory body, approved in June 2021 the Related-Party Transactions Policy which defines the action framework of Banco BPI and the persons and entities included within the policy's scope of application for compliance with legislation and/or regulations on related-party transactions.

All transactions in which Banco BPI or other entities of its Group participate and which involve related parties, namely the direct or indirect granting of credit, are subject to the discipline defined in the Related-Party Transactions Policy.

To this end, a definition of i) related parties, ii) significant influence, iii) senior management position, iv) management or supervisory function, v) control, vi) credit, vii) children, viii) qualifying holding, and ix) management position, is provided as an annex to this Policy, with reference to the relevant regulatory or legal provision, where applicable.

As a general rule, this Policy establishes that: i) all transactions in which Banco BPI participates and which involve related parties must be carried out on market conditions and be approved by a minimum of 2/3 of the members of the management body, after obtaining the prior opinions of the risk management and compliance functions and of the supervisory body; and ii) the members of the management body, managers, other employees, consultants and Banco BPI's proxies cannot intervene in the appreciation and decision of operations or transactions in which they or their related parties are directly or indirectly interested.

In exceptional cases where Banco BPI, on a justified basis, considers that it is impossible to define the market conditions that apply to an operation, it must obtain an opinion from an independent specialised external entity of recognised value, to allow establishing a comparability benchmark between the operation in question and other similar operations, and hence avoid benefiting the related party vis-à-vis another entity which does not have this type of relationship with the institution.

In terms of specific rules, this Policy provides a definition for i) prohibited credit operations; ii) permitted credit operations; and establishes iii) the formalities to be followed in permitted credit operations.

With regard to its governance framework, this Policy sets out the responsibilities attributed to i) the Board of Directors; ii) the first line of defence units (commercial structure, risk management units and operational support units); iii) the Legal Department; iv) the Compliance Department; v) the Internal Audit Department; and vi) the Risk Management Department. This Policy is disclosed internally to all Employees and is also posted on Banco BPI's website at: https://www.bancobpi.pt/grupo-bpi/etica-e-deontologia/politica-de-transacoes-com-partes-relacionadas.

Banco BPI compiles on a quarterly basis, with the explicit confirmation of the members of the CA, the Statutory Auditor and the Accounting and Budget Management Department, the list of entities that meet the requirements for classification as a "Related Party", which is submitted to the CAU, for acknowledgement, approved by the CA and disclosed to the relevant Divisions.

The most significant transactions carried out with CaixaBank in 2021 are described in point 39 of the Notes to the Financial Statements.

2. Indication of the transactions which were subject to control in the year under review

2.1 Lending operations

Information reported for compliance with Articles 85 and 109 of the RGICSF about credit used and guarantees provided by Banco BPI, S.A. at 31 December 2021.

Information reported for compliance with Article 85 of the RGICSF

Amounts in € thousand	Credit used	Guarantees provided
Fernando Ulrich	0	0
Related Entities	9 071	77
António Lobo Xavier	0	0
Related entities	110 102	2 971
Cristina Rios Amorim	0	0
Related Entities	40 012	0
Fátima Barros	0	0
Related entities	75 008	23 846
Francisco Manuel Barbeira	0	0
Related entities	11 758	17
Ignacio Rendueles	0	0
Related Entities	40	3 401
Manuel Sebastião	0	0
Related entities	0	22 088

Notes
1). "Related Entities" are deemed to be the legal persons controlled by the Director or in which the Director has a qualifying holding, as well as those where he/she is a manager.
2). Includes credit operations and guarantees provided to companies related simultaneously with more than one Director, in the amount of €14 thousand in drawn loans and €561 thousand in guarantees provided.

Taking into account that Banco BPI is fully held by CaixaBank and is included in the same consolidation perimeter as CaixaBank, the discipline set forth in Article 109 of the RGICSF does not apply to the transactions with the Bank's sole shareholder.

2.2 Other related-party transactions

The following transactions with related parties were approved by the Board of Directors in 2021, after obtaining the positive opinions of the Compliance Function, Risk Management Function and the supervisory body - the Audit Committee:

Entity	Date	Nature of transaction
Morais Leitão Galvão Teles e Assoc	26 November	Legal services
CaixaBank Payments & Consumer	17 December	Revision of Cards Marketing Agreement
CaixaBank Tech	17 December	IT services
Companhia de Seguros Allianz Portugal	17 December	BPI Corporate Insurance

BANCO BPI, S.A.
Registered at Commercial Registry of Porto
under registration number PTIRNMJ 501 214 534
and tax identification number 501 214 534
Registered office: Avenida da Boavista 1117, 4100-129 Porto, Portugal
Share capital: € 1 293 063 324.98