REPORT AND ACCOUNTS

2021

Banco Montepio

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This report is the English version of the document “Relatório e Contas 2021” delivered by Banco Montepio to the Portuguese Securities Market Commission (CMVM) in accordance with Portuguese Law. Should there be any doubt or contradiction between documents, the aforementioned Portuguese version prevails.

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PART I

MANAGEMENT REPORT

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CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

GOVERNANCE MODEL

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter referred to as “CEMG” or “Banco Montepio”) adopted a one-tier governance (Anglo-Saxon) model, as established in Article 278(1)(b), Article 423-B and following of Section III and Article 446-A and following of Section VII of the Commercial Companies Code, with a Board of Directors that includes the Audit Committee (elected at the General Meeting from among the non-executive members) and a Statutory Auditor.

CORPORATE BODIES AND COMMITTEES FROM THE BOARD OF DIRECTORS

As at 31 December 2021, the composition of Banco Montepio's governing bodies for the term of office 2018-2021 was as follows:

BOARD OF THE GENERAL MEETING

Chairman	António Tavares
Secretary	Cassiano Calvão

BOARD OF DIRECTORS

Chairman	Carlos Tavares
Directors	Manuel Ferreira Teixeira
	Amadeu Paiva
	Carlos Ferreira Alves
	José Nunes Pereira
	Pedro Alves
	Rui Heitor *
	Vítor Martins
	Pedro Leitão
	Dulce Mota
	Helena Soares de Moura
	Jorge Baião **
	José Carlos Mateus
	Leandro Graça Silva
	Nuno Mota Pinto
	Pedro Ventaneira

* The Director Rui Heitor, elected on 16/03/2018, resigned from his position taking effect on 10/01/2022.

** Co-opted by the Board of Directors on 18/02/2021, after having been authorised to perform duties by Banco de Portugal.

Audit Committee

Chairman	Manuel Ferreira Teixeira
Members	Amadeu Paiva Carlos Ferreira Alves José Nunes Pereira Vítor Martins

Statutory Auditor

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., represented by:

- José Manuel Henriques Bernardo, enrolled at the Statutory Auditors Association (OROC) under number 903 and at the Securities Market Commission (CMVM) under number 20160522;
- Carlos José Figueiredo Rodrigues, enrolled at the Statutory Auditors Association (OROC) under number 1737 and at the Securities Market Commission (CMVM) under number 20161347.

The Board of Directors has internal committees, composed only of non-executive members, the majority of whom with independent status, including their chairpersons, namely the Risk Committee, the Remunerations, Nominations and Assessment Committee, which performs the duties attributed to the Nominations Committee and the Remuneration Committee established in the Legal Framework of Credit Institutions and Financial Companies (RGICSF) and the Corporate Governance, Ethics and Sustainability Committee.

As at 31 December 2021, the composition of the Internal Committees of the Board of Directors of Banco Montepio was as follows:

Risk Committee

Chairman	Vítor Martins
Vice-Chairman	Carlos Ferreira Alves
Members	Amadeu Paiva Manuel Ferreira Teixeira Rui Heitor *

Remunerations, Nominations and Assessment Committee

Chairman	José Nunes Pereira
Members	Amadeu Paiva Carlos Ferreira Alves
Alternate Members	Manuel Ferreira Teixeira Rui Heitor *

* Resigned from office taking effect from 10/01/2022.

Corporate Governance, Ethics and Sustainability Committee

Chairman	Carlos Tavares
Members	Carlos Ferreira Alves
	José Nunes Pereira
	Pedro Alves
	Rui Heitor *

* Resigned from office taking effect from 10/01/2022.

The Board of Directors delegated the current management of Banco Montepio to an Executive Committee, except for the powers related to matters whose delegation is prohibited by law or that are reserved to the Board of Directors, under the terms of its Regulations.

As at 31 December 2021, the composition of the Executive Committee of Banco Montepio was as follows:

Executive Committee

Chairman	Pedro Leitão
Vice-Chairman	Dulce Mota
Members	Helena Soares de Moura
	Jorge Baião
	José Sequeira Mateus
	Leandro Graça Silva
	Nuno Mota Pinto
	Pedro Ventaneira

02

2021 IN SUMMARY

2021 IN SUMMARY

HIGHLIGHTS

BUSINESS

- **Performing loans increased by 146 million euros in relation to the end of the previous year,** demonstrating **Banco Montepio's commitment to support Families, Companies and Social Economy Entities** in a scenario still marked by the pandemic.
- Contracting of **430 million euros** through **lines created by the European Investment Fund, with the support of the European Guarantee Fund (EGF)**, of which 390 million were used, with impressive use of the **Social Economy support line**.

RESULTS

- **Return to profits, that reached 6.6 million euros at the end of the year**, representing a **favourable evolution compared to the** -80.7 million euros recorded in 2020, notwithstanding the **non-recurring costs (14.7 million euros) related to the adjustment programme in course**, highlighting the improvement of the cost of risk and the sustainability of current earnings.
- **Reduction of Operation costs by 4.8%** excluding non-recurring costs, reflecting the rewards of the transformation and adjustment plan, aimed at enhancing efficiency levels.

ASSET QUALITY

- **Reduction of the cost of credit risk to 0.4%,** compared to 1.5% recorded in 2020, a year that incorporated the exceptional impact of Covid-19 (in particular via the forward-looking component of IFRS 9 and moratoria), reflecting the improvement of the risk profile arising from the reduction of non-performing loans.
- **The NPE[1] ratio declined to 8.0%,** showing an improvement of 2.4 p.p. in relation to 2020, accompanied by a **strengthening of the NPE coverage levels, standing at 96.0%**, considering impairment and associated collateral.
- **Deleveraging of non-strategic assets** following the sale of the equity stakes held in the companies Monteiro Aranha, S.A. (10.31% of its share capital), Almina Holding, S.A. (19.0% of the share capital), and Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.

CAPITAL AND LIQUIDITY

- **Common equity tier 1 (CET1) ratio of 12.7%** and **Total capital ratio of 15.1%** (phasing-in), surpassing the applicable overall capital requirement (OCR), including the combined reserves.
- Increase of the **liquidity coverage ratio (LCR)**[2] **to 264.1% and of the net stable funding ratio (NSFR) to 125.3% at the end of December 2021**, significantly **above the defined regulatory levels**.

MORATORIA

- Assuming its purpose, **the social commitment**, Banco Montepio granted **32.9 thousand moratoria** amounting to 2.7 billion euros, creating a complementary support to liquidity management for economic agents to cope with the momentary adverse economic and financial circumstances.

DIGITAL TRANSITION

- **Launch of APProva,** a new application for strong, autonomous authentication of the digital channels, available in iOS and Android stores for free download, evincing **Banco Montepio's focus on innovation**, complying with its mission to provide the best service and simplify the life of its Customers.

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[1] NPE: non-performing exposures, as defined in the Glossary. Considering all the loans of the Gerês operation.

[2] LCR: liquidity coverage ratio, as defined in the Glossary.

SUMMARY OF INDICATORS

	2019	2020	2021	Change 2021/2020
ACTIVITY AND RESULTS (million euros)				
Total assets	17 740	17 941	19 713	9.9%
Performing loans to customers (gross)	10 778	11 068	11 214	1.3%
Customer deposits	12 642	12 502	12 787	2.3%
Net income	22	(81)	7	>100%
SOLVENCY [(a)]				
Common equity tier 1 ratio	12.4%	11.6%	12.7%	1.1 p.p.
Tier 1 ratio	12.4%	11.6%	12.7%	1.1 p.p.
Total capital ratio	13.9%	13.8%	15.1%	1.3 p.p.
Leverage ratio	7.0%	6.0%	5.6%	(0.4 p.p.)
Risk weighted assets (million euros)	10 299	9 577	8 800	(8.1%)
LIQUIDITY RATIOS				
Liquidity coverage ratio (LCR)	179.9%	200.7%	264.1%	63.4 p.p.
Net stable funding ratio (NSFR)	105.8%	109.8%	125.3%	15.5 p.p.
LOAN TO DEPOSIT RATIOS				
Loans to customers (net) / Customer deposits [(b)]	91.0%	92.6%	91.2%	(1.4 p.p.)
Loans to customers (net) / On-balance sheet customer resources [(c)]	82.0%	83.9%	81.0%	(2.9 p.p.)
CREDIT QUALITY				
Cost of credit risk	0.9%	1.5%	0.4%	(1.1 p.p.)
Ratio of loans and interest overdue by more than 90 days	5.6%	5.1%	3.0%	(2.1 p.p.)
Coverage of loans and interest overdue by more than 90 days	113.7%	124.4%	144.4%	20.0 p.p.
NPE ratio (Non-performing exposures (NPE) [(d)] / Gross customer loans)	12.3%	10.4%	8.0%	(2.4 p.p.)
NPE [(d)] coverage by Impairment for balance sheet loans	51.8%	60.4%	53.5%	(6.9 p.p.)
NPE [(d)] coverage by Impairment for balance sheet loans and associated collaterals and financial guarantees	87.4%	93.0%	96.0%	3.0 p.p.
Forborne exposures ratio (Forborne exposures [(d)] / Gross customer loans)	7.1%	6.6%	5.1%	(1.5 p.p.)
PROFITABILITY AND EFFICIENCY				
Total operating income / Average total assets [(b)]	2.5%	2.2%	2.0%	(0.2 p.p.)
Return on assets (gross) (Net income before income tax / Average total assets) [(b)]	0.3%	(0.7%)	0.2%	0.9 p.p.
Return on equity (gross) (Net income before income tax / Average total equity) [(b)]	3.1%	(8.8%)	2.4%	11.2 p.p.
Cost-to-income (Operating costs / Total operating income) [(b)]	57.3%	74.0%	69.7%	(4.3 p.p.)
Cost-to-Income, excluding specific impacts [(e)]	68.7%	72.5%	69.0%	(3.5 p.p.)
Staff costs / Total operating income [(b)]	35.3%	48.1%	43.3%	(4.8 p.p.)
EMPLOYEES AND DISTRIBUTION NETWORK (Number)				
Employees				
Group Banco Montepio	3 962	3 721	3 478	(243)
Banco Montepio	3 563	3 326	3 121	(205)
Branches				
Domestic network - Banco Montepio	332	298	261	(37)
Of which: Proximity Branches	7	7	7	0
Of which: BEM Corporate Centres	2	7	7	0
International Network	24	24	20	(4)
Finibanco Angola [(f)]	24	24	20	(4)
Representation Offices - Banco Montepio	5	5	5	0

(a) Pursuant to CRD IV / CRR (phasing-in). The ratios include the accumulated net income for the period.

(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.

(c) Total on-balance sheet customer resources = Customer deposits and Debt securities issued. Computed in accordance with the Financial Statements annexed to this report.

(d) EBA definition.

(e) Excludes Results from financial operations, Other operating results (Net gains arising from the sale of other financial assets and Other operating income), and the amount related to the increase in Personnel Costs and in General administrative expenses generated by the operational adjustment measures of €29.5Mn in 2020 and €4.7Mn in 2021.

(f) Includes corporate centres.

2021 MILESTONES

- **Inception of performance of duties of new members of the Governing Bodies**

  In conformity with the authorisation granted by Banco de Portugal, Jorge Baião took office at the beginning of 2021 as Director and Member of the Executive Committee of the Board of Directors of Banco Montepio for the remaining period of the term of office 2018-2021, with his co-optation having been approved at the Board of Directors' meeting of 18 February 2021 and ratified at the General Meeting of 29 June 2021.

- **Annual General Meeting**

  Banco Montepio held the ordinary general meeting of shareholders on 29 June 2021, with the following decisions having been taken:

  1. Report and Accounts of the Financial Year of 2020 – Approved unanimously.
  2. Allocation of results for the financial year of 2020 – Approved unanimously.
  3. General appraisal of the company's management and supervision – Approved unanimously.
  4. Ratification of the co-optation of the Director Jorge Paulo Almeida e Silva Baião – Approved unanimously.
  5. Assessment report of the Remuneration Policies and procedures adopted by Banco Montepio and Banco Montepio Group – Approved unanimously.
  6. Annual review of the Remuneration Policy of Members of the Management and Supervisory Bodies (MOAF) – Approved unanimously.
  7. Annual review of the Policy of Selection and Evaluation of the Adequacy of the Members of the Management and Supervisory Body and Key Function Holders – Approved unanimously.
  8. Constitution of a special reserve and constitution of conversion rights relative to the financial year of recoverability of the deferred tax assets, reported as at 31 December 2020 – Approved unanimously.

- **Reduction of non-strategic assets**

  - Banco Montepio sold its equity stakes in **Monteiro Aranha S.A.** and in **Almina Holding S.A.**, with a favourable impact on capital ratios, materialising Banco Montepio's strategy of ongoing reduction of non-strategic assets, one of the measures contained in the Funding and Capital Plan;
  - The subsidiary Montepio Holding SGPS sold 100% of the stake in **Montepio Valor** to Montepio Geral - Associação Mutualista, a transaction that embodied the strategy of simplification of the Banco Montepio Group's corporate structure;
  - Banco Montepio pursued, with Banco de Cabo Verde, the necessary process of authorisation for the pursuit of the decision on the voluntary dissolution and consequent liquidation of **Banco Montepio Geral Cabo Verde**, which is expected to be completed during 2022.

- **Reduction of non-performing assets and strengthening of capital ratios**

  - Consolidating the strategy initiated by the Board of Directors of continuous reduction of the weight of risk in assets, reduction of non-performing assets and strengthening of capital ratios, a Pelican Finance No.2 **credit securitisation** operation was conducted, of the value of €M 356.8 (assignment of consumer loans) co-originated by Banco Montepio and Montepio Crédito.
  - Purchase and sale contracts were concluded for a **portfolio of non-performing loans ("Operação Gerês" (Gerês Operation))** of €M 253, in the form of direct sale to investment companies.

- **Upward revision of the rating of senior unsecured debt** to B3 **and upward revision of the rating of mortgage covered bonds**, by the financial rating agency Moody's.

- **Digital transformation**
    - Banco Montepio was the first financial institution to create and launch **simulators of "Linhas Protocoladas" (Protocolled Lines)**, directed at Companies and social sector institutions, representing yet another step in the Bank's **digital transformation** process.
    - Banco Montepio adopted a new **Strong Authentication** system to strengthen the security of Customer transactions, the **APProva** app, an autonomous and complementary application to the Digital Channels and Means of Payment;
    - The entire **personal credit granting** process is now **online**, being multichannel, flexible and available for all Customers who have subscribed to the M24 service.
    - Possibility of acceptance of **Customer Instructions with Qualified Electronic Signature** by Citizen Card or "Chave Móvel Digital (CMD)" (Digital Mobile Key).
- **Sustainability and expectations of supervision on climate and environmental risks**
    - Focused on the different aspects of sustainability, in order to integrate **Environmental, Social and Governance (ESG)** factors in the various areas of action, treasury and funding solutions were provided to Entities of the Social and Solidarity Economy, as well as social investment under "Projects de Impacto" (Impact Projects) and the launch of mortgage loan campaigns with benefits for housing with A or A+ energy certificate;
    - Banco Montepio responded to the initiative of **Banco de Portugal** of identifying current practices and areas where progress is most required, based on the defined supervision expectations, and planned actions that contribute to fulfil these expectations, in compliance with the European Central Bank Guidelines on **climate-related and environmental risks**, and under the supervision dialogue that will include these matters from the quarter of 2022 onwards.
- **Social Responsibility**
    - For the 5th consecutive year, Banco Montepio sponsored the 11th edition of the largest national entrepreneurship competition promoted by the Impactor association **Acredita Portugal, a non-profit initiative**, involving over 10 thousand entrepreneurial projects every year and a total number of 100 thousand projects supported;
    - The **"Pirilampo Mágico**" **(Magic Firefly**) flew once again with the support of Banco Montepio, renewing values and supporting causes dedicated to help others, sealing the Bank's everlasting commitment.
- **Awards and distinctions**
    - The **"Pouco Pio" (Little Chatter)** personal credit campaign was distinguished as one of the three most creative of 2021 at the "Festival Clube de Criativos Portugal" (Portugal Creative Club Festival), winning the award for creativity in the advertising category;
    - Banco Montepio once again, for the 12th time, was awarded the **Superbrand 2021** stamp, reflecting its high levels of reputation and the Customers' assessment of the Bank, as consumers of its products and services;
    - The Montepio Group **won the Green Fleet Award for 2021**, having renewed 200 units of its motor vehicle fleet, replacing them for hybrid and electric plug-in vehicles, and invested in charging points in the car parks of its central buildings, achieving a reduction of CO_2 emissions of 1.5 tons and of 25% of annual costs, in addition to a reduction of the average consumption to less than 4 litres per 100 kilometres;
    - **Banco Montepio won the "Prémio Escolha do Consumidor 2022" (Consumer Choice Award 2022).** Looking firmly towards innovation, Banco Montepio has progressively reinvented itself with the ambition of offering its Customers the best possible relationship with their bank, focused on digital transformation, without neglecting the importance of physical proximity.

03
THE BANCO MONTEPIO GROUP

THE BANCO MONTEPIO GROUP

WHO WE ARE

Banco Montepio, founded in 1844, having been authorised by royal charter of Queen Dona Maria II, of 4 January, as an entity attached to Montepio Geral – Associação Mutualista, is the oldest financial institution of Portugal.

It is also unique in the national financial panorama due to its origin and mutualist foundations, and, consequently, due to its vocation as an institution geared towards savings and provision of universal financial services for its Individual Customers, at all stages of their life cycle, as well as for Customers of the Business Sector and for Social Economy Institutions and social entrepreneurs.

Throughout the more than 177 years of its existence, Banco Montepio has consistently supported Families, small and medium-sized Entrepreneurs, Companies and the Community. It has actively supported successive generations of Portuguese at extremely critical times, including wars, crises and revolutions.

Loyal to the reason for its existence, it has always been able to innovate, grow and expand, consistently guided by the ideals of commitment to the past, present and future of Portugal.

With a legacy of almost two centuries of service to the community, Banco Montepio takes its place in the building of a fairer and more sustained society, committed to governing its action according to the highest standards and conduct of respect for the principles of sustainable development, as reflected in its Social Commitment Charter.

GROUP STRUCTURE

Pursuant to Decree-Law 190/2015, of 10 September, which approved the legal system of Savings Banks, Caixa Económica Montepio Geral is henceforth considered a savings bank, with its transformation into a public limited company arising from the same legal provision.

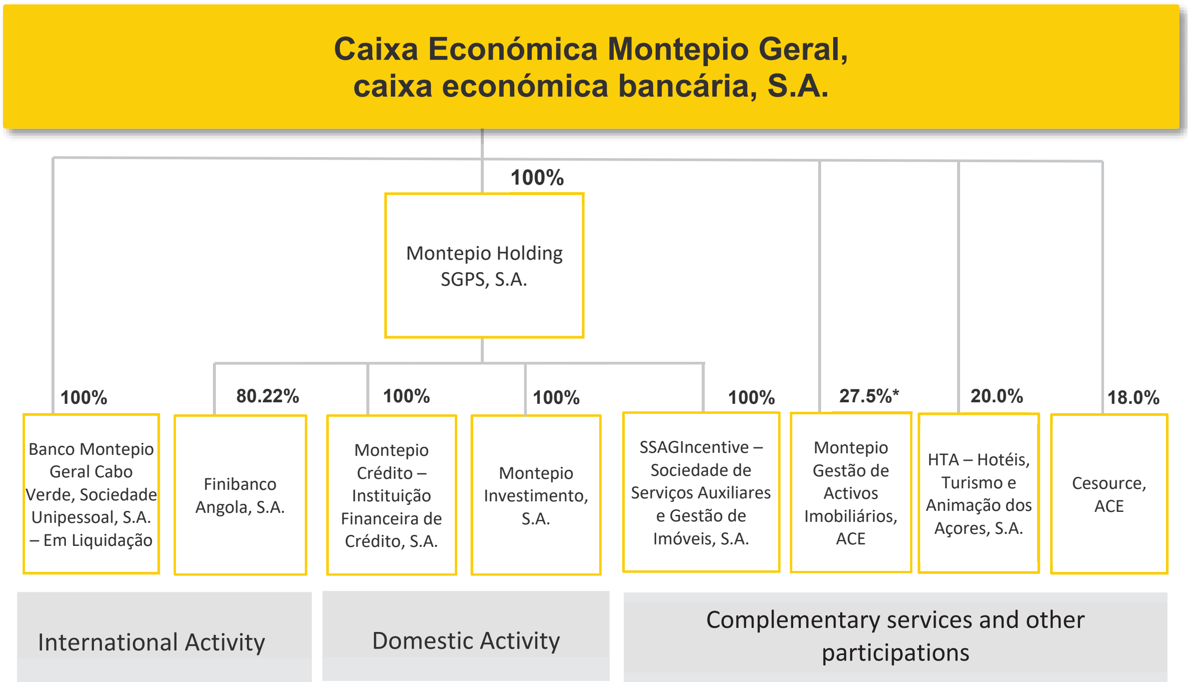
Following this process, its current corporate name is Caixa Económica Montepio Geral, caixa económica bancária, S.A., with the trade name of Banco Montepio having been adopted in 2019.

Banco Montepio holds a series of equity stakes in entities that provide banking and financial services, and contribute with their earnings to the mutualist goals, thus providing a comprehensive and diversified range of products to the Customers.

The Banco Montepio Group is a diversified banking and financial group, aligned with its mutualist nature and purpose, which lends it unique features and an unrivalled position in its activity sector and in Portuguese society.

As at 31 December 2021, the Banco Montepio Group was composed of the following entities:

- **Full consolidation:** Caixa Económica Montepio Geral, caixa económica bancária, S.A.; Montepio Holding, Sociedade Gestora de Participações Sociais, S.A.; Banco Montepio Geral Cabo Verde, Sociedade Unipessoal S.A. – Em Liquidação; Finibanco Angola, S.A.; Montepio Crédito - Instituição Financeira de Crédito, S.A.; Montepio Investimento, S.A. (Banco de Empresas Montepio); and SSAGIncentive – Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.
- **Consolidation by the equity method:** Montepio Gestão de Activos Imobiliários, ACE; HTA – Hotéis, Turismo e Animação dos Açores, S.A.; Cesource, ACE.



**CEMG 26.0%, Montepio Investimento 1.0% and SSAGIncentive 0.5%.*

(% of equity stake)

Under the strategic redefinition of its international subsidiaries, and with a view to refocusing the approach to the African market, Banco Montepio continues to take measures aimed at the deconsolidation of Finibanco Angola, S.A. which, as at 31 December 2021, the Group controlled and held an effective stake of 80.22%. On the other hand, considering the new legal framework of Cape Verde and having weighed up all the relevant strategic options, the Board of Directors of Banco Montepio decided not to promote the changes required to convert its subsidiary Banco Montepio Geral Cabo Verde into a bank with general authorisation, having approved the development of the procedural initiatives stipulated in the Law for its voluntary dissolution and liquidation.

In the domestic market, in the context of the Group’s simplification, on 31 December 2021, Caixa Económica Montepio Geral, caixa económica bancária, S.A. sold the equity stake held in Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A., 100% controlled through Montepio Holding SGPS, S.A.

Considering the decisions taken by the management body, also with a view to the simplification of the Group’s corporate structure, as well as the provisions in IFRS 5, the activities pursued by the subsidiaries Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – Em Liquidação and Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. were considered discontinued operations.

As at 31 December 2021, Banco Montepio Group's consolidation perimeter includes other entities consolidated by the full method, namely: Valor Arrendamento - Fundo de Investimento Imobiliário Fechado; Polaris – Fundo de Investimento Imobiliário Fechado; PEF – Portugal Estates Fund e Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto (FEIIA); Pelican Mortgages No 3; Pelican Mortgages No 4; Aqua Mortgages No 1; Aqua Finance No 4 e Pelican Finance No 2.

THE BANCO MONTEPIO BRAND

AWARDS AND RECOGNITION

We are the Number 1 Brand in Mortgage Loans

Banco Montepio was elected by the Portuguese as “Marca N. º1 na Escolha do Consumidor” (the Number 1 Brand), in the Mortgage Loan category, due to having the best overall offer in the national financial panorama, according to ConsumerChoice – Centro de Avaliação da Satisfação do Consumidor (Consumer Satisfaction Assessment Centre). This award highlights the good results achieved, with a Satisfaction level of 81.66% and a Recommendation level of 83.06%. The attributes most highly valued by the consumers were: “Confidence in the Bank”; “Detailed explanation of products”; “Easiness of document delivery”; ”Flexible loan period” and “Availability of the Manager to handle the case”, in relation to the competition.

Superbrands 2021

Banco Montepio once again, in 2021 and for the 12th time, was awarded the Superbrands® stamp. This recognition reflects what the Customers, as consumers of the products and services, think about Banco Montepio and their degree of satisfaction with the Brand, whose mention is spontaneous, with value given to the importance of being Top of Mind and five key attributes: proximity, trustworthiness, affinity, satisfaction and brand awareness. These criteria enable pinpointing the Brands that the consumers consider unique, trustworthy, the ones they identify with and satisfy them, and consider best known.

Green Fleet Award for 2021

Grupo Montepio was distinguished with the Green Fleet Award for the year by Fleet Magazine. This distinction occurred as a result of Associação Mutualista Montepio and Banco Montepio having started, in 2019, a process of replacement of the fossil-fuel vehicle fleet of the Group's different Companies with a green fleet, positioning it as the first Portuguese financial group to embark on decarbonisation.

Banco Montepio awarded for "Recognition of best practices in social responsibility and sustainability”

APEE – Associação Portuguesa de Ética Empresarial (Portuguese Association of Business Ethics) distinguished Banco Montepio with an honourable mention in the “Community” category, acknowledging the implementation of good governance policies and models during 2021 that created value for its Stakeholders and actively contributed to sustainable development.

PROTECTION AND REINFORCEMENT OF BRAND REPUTATION

According to the study conducted by the consultant firm Scopen, aimed at monitoring the key performance indicators (KPIs) of brand Equity and estimating its impact on Communication Efficacy, Banco Montepio preserved and reinforced a strong image in 2021, having increased the visibility of its Communication for 27% in 2021, a rise of 2 p.p. in relation to 2020, especially due to the contribution of the “Ninguém Estava à Espera Disto” (Non-one was expecting this) Mortgage Loan Campaign and “Pouco Pio” (Litter Chatter) Personal Credit Campaign, both with Bruno Nogueira as Brand ambassador. There was a subsequent increase of the recall in campaigns and positive media, with this report showing how the Brand had improved its Overall Image in 2021, rising to a score of 60%, meaning that 6 out of every 10 Customers assess the Bank’s Image in a very positive way.

Reputation Image – which assesses the attributes of Trustworthiness, Solidity; Governance; Ethics and Transparency – recorded an increase of 6 p.p. in relation to the previous year. The Image Relevance and Banking Contribution indicator also showed an increase of 4 p.p., revealing that the Bank is improving its image in three attributes: Relevance in the sector, Contribution to Society/Social Responsibility and Sustainability.

The improvement of these indicators contributed to Banco Montepio having enhanced the Brand's valuation to a Brand Impact of 33%, corresponding to a rise of 2 p.p. in relation to 2020, thus maintaining its trajectory of positive growth.

CAMPAIGNS

"Ninguém estava à espera disto" (No-one was expecting this) Mortgage Loan Campaign

Banco Montepio reached in-house records of new Mortgage Loan production and Brand awareness following the implementation, since the beginning 2021, of a strategy based on Customer differentiation. Banco Montepio is, traditionally and historically, a reference in granting Mortgage Loans in the Portuguese financial panorama, and continues to stand out due to returning 1% of the value of the mortgage loan taken out to a prepaid card for use at Worten, increased to 1.1% for housing with A and A+ energy certificate, thus strengthening measures to boost environmental sustainability.

The "Ninguém estava à espera disto" (No-one was expecting this) multimedia campaign, with Bruno Nogueira as Brand ambassador, reached more than four million Portuguese and, according to the data of the Brand Score study, achieved the best recall of the Bank's campaigns of the last ten years, having gained three awards for creativity and contributed to record business levels and attraction of new Customers.

"Pouco Pio" (Little Chatter) Personal Credit Campaign starring Bruno Nogueira

The "Pouco Pio" (Little Chatter) personal credit campaign, starring Bruno Nogueira and a rare creativity, strengthened Banco Montepio's positioning as a partner than supports its Customers in fulfilling their projects, whatever they may be, without asking too many questions and in a responsible manner.

The campaign concentrated on communicating the Personal Credit offer, supported by a multichannel functionality that is flexible, simple, fast, online and available at any time, through which any Customer can submit a request for Personal Credit without needing to visit a branch.

The campaign was distinguished as one of the three most creative of 2021 at the "Festival Clube de Criativos Portugal" (Portugal Creative Club Festival). The film was awarded in the advertising category.

“177 anos passam a voar” (177 years just fly by) institutional campaign

Banco Montepio’s anniversary institutional campaign, “177 anos passam a voar” (177 years just fly by), was celebrated on 24 March 2021, as a reminder of how its history is interwoven with that of the country. Since 1844, the Institution has experienced monarchies and republics, technological and philosophical revolutions, periods of war, crisis and prosperity.

The campaign also highlights the message that, no matter how many years go by, some things never change. Banco Montepio continues at the service of people and communities, here and abroad, so that together, we may fly even higher. So as to continue to grow with the Portuguese and with Portugal.

It has been a flight and so much more! Thank you to everyone who has been, and currently is, part of Banco Montepio. Nowadays, just like yesterday, Banco Montepio will continue to look towards the future. Because there is so much history still to make.

Christmas campaign

Banco Montepio supported the “Pinheiro Bombeiro” (Firefighter Pine Tree) and joined Cais Recicla and Cercica in celebrating a more sustainable and solidarity-driven Christmas. The branches and central offices were decorated with Pinheiro Bombeiro Christmas trees. By supporting this initiative, Banco Montepio contributed to the triple mission of this cause: giving a second lease of life to pine trees that must be taken from their natural environment; helping to maintain the forests clean and prevent fires; and supporting the “Bombeiros Voluntários Portugueses” (Portuguese Voluntary Fire Brigades). The Firefighter Pine Tree symbolises a great deal of what is at the core of Banco Montepio: authenticity, sustainability and solidarity.

NEW PROJECTS

Communication Line for sustainability

Sustainability is part of Banco Montepio in principle and since the very beginning. This is called commitment. And Banco Montepio’s commitment is to society, human beings and the planet. Over 177 years, Banco Montepio has greatly invested in the Social Economy area, but its impact on society is not quantifiable and the return goes far beyond mere numbers.

PRINCÍPIO SUSTENTÁVEL · BANCO MONTEPIO

Thus, in order to identify Banco Montepio’s initiatives, products and services that have contributed to at least one the aspects of sustainability – social, economic and environmental – the Bank created a “Princípio Sustentável” (Sustainable Principle) stamp constructed of lines that metaphorically unite the dimension of the earth and the human dimension. These lines that represent dermal papillae, in a unique fingerprint that Banco Montepio wishes to leave in the future, while simultaneously reducing its ecological footprint.

PEOPLE

Perseverance is the word that best defines the year of 2021 concerning the People of the Banco Montepio Group.

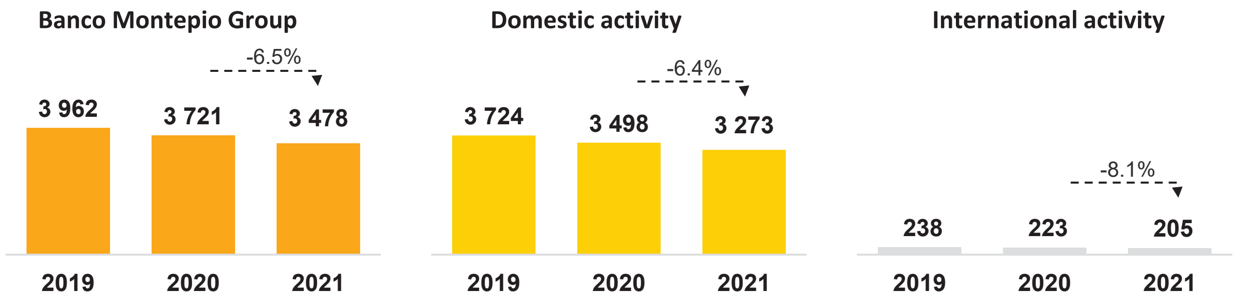
As this is the second year of pandemic, many initiatives continued to be constrained by the need to ensure the protection and safety of People, that called for new and ongoing challenges and the pooling of strengths required by the persistent pandemic situation, which the Banco Montepio Group's Employees responded to in a very positive way.

Continuing the work started in 2020, the Banco Montepio Group pursued the process of staff adjustment and resizing aimed at convergence with the efficiency indicators in line with the sector. With a view to achieving fair and balanced agreements and in order to mitigate the impact on the family budget of the Employees, in addition to increased compensation, Banco Montepio also granted a series of supplementary benefits, namely Health Protection, Maintenance of Loan conditions, an Outplacement Service and Social protection in unemployment.

At the end of 2021, the Banco Montepio Group had a total of 3,478 Employees, having recorded a 6.5% reduction in relation to the same period of 2020, to a large extent explained by the implementation of the 2020/2021 Programme, and to a lesser extent, by the sale of Montepio Valor on 30 December 2021.

As at 31 December 2021, the domestic activity accounted for 94.1% of the Banco Montepio Group's Employees, of whom 95.4% were assigned to Banco Montepio. In turn, the international activity of the Banco Montepio Group, accounting for 5.9% as at 31 December 2021, refers exclusively to Finibanco Angola, following the process of voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde on 30 November 2021. The international activity thus showed a reduction of 18 Employees compared to 31 December 2020, 2 related to Banco Montepio Geral Cabo Verde and 16 to Finibanco Angola.

EMPLOYEES EVOLUTION



	2019		2020		2021		Change 2021/2020	
	No.	%	No.	%	No.	%	No.	%
Domestic Activity (1) (2)	**3 724**	**94.0**	**3 498**	**94.0**	**3 273**	**94.1**	**(225)**	**(6.4)**
Of which: Banco Montepio (2) (3)	3 563	89.9	3 326	89.4	3 121	89.7	(205)	(6.2)
Internacional Activity	**238**	**6.0**	**223**	**6.0**	**205**	**5.9**	**(18)**	**(8.1)**
Banco Montepio Geral Cabo Verde (4)	2	0.1	2	0.1	0	0.0	(2)	-
Finibanco Angola	236	6.0	221	5.9	205	5.9	(16)	(7.2)
Total	**3 962**	**100**	**3 721**	**100**	**3 478**	**100.0**	**(243)**	**(6.5)**

(1) Domestic Activity includes Banco Montepio, Montepio Investimento, Montepio Crédito, and Montepio Valor, which as of 30 December 2021 is no longer part of the consolidation perimeter.

(2) The number of employees as of 31 December 2020 considers the departure of 25 employees who agreed to leave the staff of Banco Montepio in 2020 and whose departure became effective in early January 2021.

(3) Includes Employees from Representation Offices.

(4) As of 31 December 2021 Banco Montepio Geral Cabo Verde no longer had employees following the process of voluntary dissolution and liquidation on 30 November 2021.

	2019	2020	2021	Change 2021/2020 No.	Change 2021/2020 %
Other entities of Banco Montepio Group [1]	**184**	**198**	**166**	**(32)**	**(16.2)**
Montepio Crédito	124	133	133	0	0.0
Montepio Valor [2]	36	33	0	(33)	-
BEM	24	32	33	1	3.1

(1) Includes assignments from Banco Montepio Employees.

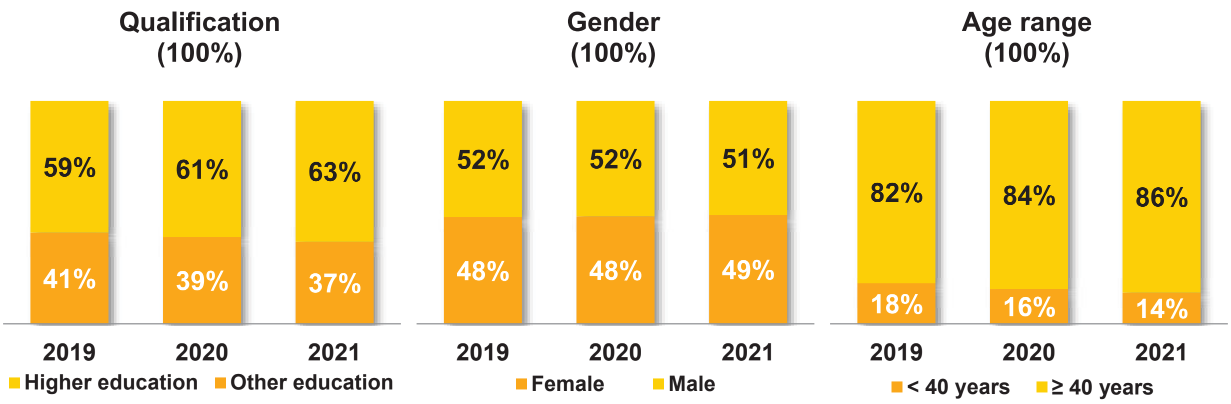
(2) As of 30 December 2021 Montepio Valor is no longer part of the consolidation perimeter.

The qualification of the Employees is a fundamental premise for modern and sustained growth. At Banco Montepio, there has been an increasing number of Employees with higher education, with their weight having increased to 63% as at 31 December 2021, compared to 61% in 2020. This evolution has also been influenced by the departure of less qualified Employees and as a result of the recruitment of personnel with higher academic levels.

The gender distribution of Banco Montepio's Employees at the end of 2021 shows a tendency of increasing parity between the sexes, with 51% being male (52% in 2020) and 49% being female (48% in 2020).

The age structure showed an increase of Employees aged 40 years old or more, from 84% in 2020 to 86% in 2021.

DISTRIBUTION OF BANCO MONTEPIO EMPLOYEES



Chapter 7, relative to non-financial information provides a more detailed discussion of the integrated management of human capital at Banco Montepio that, since the very beginning, considers social principles and sustainability.

TRAINING, DEVELOPMENT AND TALENT MANAGEMENT

Notwithstanding the singularity of the context experienced in 2021, Banco Montepio ministered training and development programmes, with 81,472 participations involving 84,244 hours of training and covering 96.4% of the Employees.

Banco Montepio Training Indicators

	2019	2020	2021	Change 21/20 (%)
Training hours	133 921	74 736	84 244	12.7
Number of participants	3 165	2 943	3 008	2.2
Number of participations	53 796	26 892	81 472	>100
Investment in training (thousand euros)	545.0	125.2	479.3	>100
Employees covered by training	**88.8%**	**88.5%**	**96.4%**	**8.9 p.p.**

In 2021, there were 56,930 training hours on regulatory issues, distributed over the following topics:

- Prevention of Money Laundering and Terrorist Financing, with a series of differentiated actions:
- General Data Protection Regime, with the launch of a programme comprising monthly contents that will be extend up to 2022;
- Cybersecurity, with different actions launched throughout the year;
- The continuation of initiatives implemented to ensure compliance with the legal obligations and commitments undertaken with supervisory bodies, namely concerning the Marketing of Mortgage Loans, Continuous Training on the Markets in Financial Instruments Directive (MiFID II), Knowledge of Euro Notes, and Knowledge of Euro Coins.

In the context of development of Banking and Business skills, special reference is made to the "Programa Montepio Avança" (Advance Montepio Programme) exclusively directed at Branch Network Employees aimed at updating technical knowledge and on sector trends, and training on internal procedures and policies. This Programme covered a total of 190 Employees of the various functional groups of the Commercial Network.

Concerning Leadership, 2 programmes were created aimed at first and second line Directors, in partnership with universities – "Programa Liderança de Excelência" (Excellent Leadership Programme) with Católica Lisbon Business & Economics and the Transforming for a New Tomorrow Programme with ISEG Executive Education, aimed at strengthening the knowledge and skills of the leadership teams.

In order to consolidate the management of internal talent, the "Programa Montepio Potencial" (Potential Montepio Programme) was created to identify the potential of the Bank's Employees and define the strategies required for their development, so as to respond appropriately to the functional and organisational challenges.

The Bank also launched a Value Offer consisting of training actions in Leadership, Coaching, Communication and Time Management, covering 126 Employees identified as having potential to develop.

Under Digital Transformation, there was also a strong focus on acquisition and development of knowledge on technological and data processing tools, in the format of training actions or webinars.

In the area of Employer Branding & Talent Acquisition, 2 internal initiatives carried out in 2021 were particularly noteworthy: the **"Programa Erasmus" (Erasmus Programme)**, that offered the Employees an opportunity to visit other areas and departments, enabling a more integrated vision of the Institution; and the **"Banca de Ideias" (Ideas Pool)**, an internal competition with submission of ideas aimed at giving the Employees an opportunity to contribute to the Bank's digital transformation.

In the Talent Acquisition sphere, special reference is made to the holding of the "Programa de Trainees" (Trainees Programme), with the integration of 20 trainees in a programme that enables three rotations in distinct areas, including the commercial area, and to the and “Programa de Estágios de Verão” (Summer Traineeship Programme), with the integration of 10 trainees in different areas. Both initiatives contribute to the visibility of Banco Montepio as an employer entity.

RECOGNITION OF MERIT AND BENEFITS

Recognition is not circumscribed to the sphere of salaries; therefore, the career enhancing aspect was fostered through organic growth, via internal opportunities, both in the same area and in other areas of the Group, through career evolution, functional and geographic mobility, as well as between the Companies of the Montepio Group, to which Banco Montepio belongs.

Regarding the offer of benefits, the Montepio Group is favourably distinguished due to its incorporation of a broad range of social and educational support through its Social Services that, despite the restrictions imposed by the pandemic context, were able to be maintained in 2021.

Chapter 7, on non-financial information, provides supplementary information on the initiatives developed in relation to talent and benefit management.

PROMOTION OF HEALTH AND WELLBEING

The ongoing monitoring and follow-up of situations of illness/infection due to Covid-19, as well as the operational response to the evolution of the pandemic were the primary focus of the action of the Employee Health, Safety and Wellbeing team of the Banco Montepio Group, in order to ensure that the workplaces maintain high levels of safety and conditions to boost physical and psychological wellbeing, as well as high levels of response to the most diverse requirements.

Among the initiatives carried out in 2021, special reference is made to the commemoration of all special days such as the World Physical Activity Day, the World Health Day and the World Day for Safety and Health at Work.

The support mechanisms of psychological nature were reactivated, in order to contribute to the overall wellbeing of the Employees and improve the response to their needs in the social and wellbeing plans, through specialised intervention, made available to all the Employees, with permanent and personalised psychological/personal counselling support.

The Anti-Flu Vaccination Campaign was ensured for all the registered Employees, which usually has a positive impact on reducing absenteeism.

Welfare Events

Under the Health and Wellbeing policies, Banco Montepio’s People Management Department promoted two initiatives especially dedicated to this topic, aimed at fostering a culture of health and wellbeing among all the Bank's Employees.

“Weekend Bem Estar” (Welfare Weekend)

The goals of the “Weekend Bem Estar” (Welfare Weekend) are associated to the areas of promotion of physical and mental wellbeing: encouraging and facilitating the development of healthy personal practices and behaviours through various activities of sharing of knowledge and promotion of reflections aimed at personal wellbeing.

Two workshops were provided during the weekend of 24 to 28 June 2021, one on Mental Health and the other on Healthy Eating «Como planear uma semana saudável» (How to plan a healthy week). Concerning activities outdoors, the Employees were given the opportunity to participate in 9 different hikes in partnership with Green Trekker.

“Semana do Bem Estar” (Welfare Week)

The third edition of the “Semana do Bem-Estar” (Welfare Week) was held in October 2021 in a hybrid format, having involved more than 3,482 participations in face-to-face and online activities and views. This event was organised by a multidisciplinary team composed of the areas of Occupational Health and Safety, Organisational Communication and Culture, and Social Services, entailed various digital workshops, as well as face-to-face Outdoor and Open Day actions at various points of the country.

CHANNELS, NETWORKS AND CUSTOMER RELATIONS

CHANNELS AND NETWORKS

As at 31 December 2021, Banco Montepio held a network of 261 branches in Portugal, of which 7 were proximity and convenience branches, and 7 were Banco BEM Corporate Centres. Under the measures implemented by Banco Montepio with a view to optimising the distribution channels, 37 branches of the domestic network were closed in 2021.

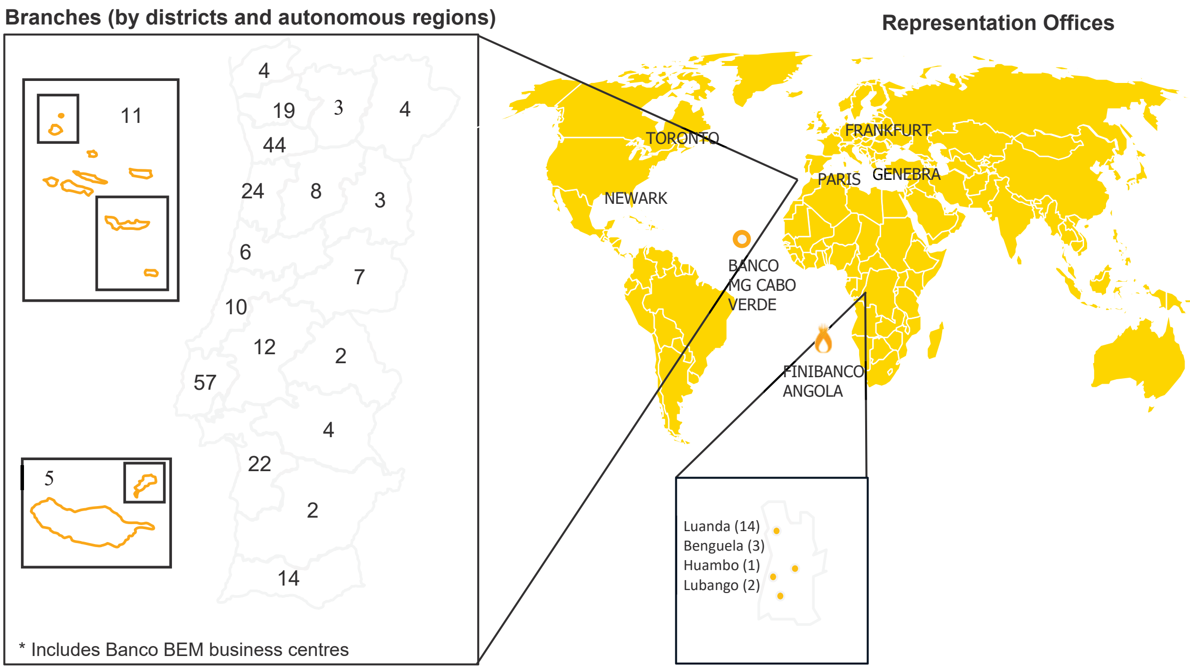
No. of Branches and Representation Offices

	2019	2020	2021
Domestic network	332	298	261
Of which: Proximity Branches	7	7	7
Of which: BEM Business Centres	2	7	7
International network	24	24	20
Finibanco Angola [(a)]	24	24	20
Representation Offices	5	5	5

(a) Includes Corporate Centres.

The decisions taken by Banco Montepio seek to ensure access to bank services, with a balanced geographic coverage of the country. In the international activity, as at 31 December 2021, Finibanco Angola’s distribution network also diminished, standing at a total of 20 branches, including 5 Business centres, corresponding to 4 less branches compared to 31 December 2020. As at 31 December 2021, Banco Montepio had 5 representation offices (Frankfurt, Geneva, Paris, Newark and Toronto) which ensured the Bank's presence among communities that are resident abroad.

Banco Montepio also offers its Individual Customers and Companies a series of channels of distribution of products and services being marketed and for Customer relations, namely "Serviço Montepio24" (Montepio24 Service) by telephone, web, sms, app and the dedicated channel "Connect24", the internal network of "Chave24" automatic tellers, the automated teller machines (ATM) and point of sale terminals (POS).



CUSTOMER MANAGERS

Banco Montepio's network of Customer managers consisted of a total of 474 managers as at 31 December 2021, evincing a reduction of 25 managers in relation to 31 December 2020, related to the adjustment of the Commercial Network's distribution and reorganisation model, aimed at updating the service model and increasing efficiency.

As at 31 December 2020, the distribution of managers by segment involves 176 managers assigned to Small Businesses, 49 to Small and Medium-Sized Enterprises with turnover up to 20 million euros, 40 to Institutions and Social Economy, and 30 to Large Companies (with turnover equal to or greater than 20 million euros).

Banco Montepio continues to offer a personalised and proximity service to the Customer, being characteristic features.

No. of Managers per Customer Segment

	2019	2020	2021	Change 2021/2020	
				Amount	%
Retail Banking	**428**	**428**	**404**	**(24)**	**(5.6)**
Individuals	200	184	179	(5)	(2.7)
Small Business	183	191	176	(15)	(7.9)
Companies [a)]	45	53	49	(4)	(7.5)
Social Economy	**29**	**38**	**40**	**2**	**5.3**
Institutions and Social Economy [b)]	29	38	40	2	5.3
Corporate Banking	**34**	**33**	**30**	**(3)**	**(9.1)**
Companies [c)]	34	33	30	(3)	(9.1)
Total managers	**491**	**499**	**474**	**(25)**	**(5.0)**

a) Turnover up to 20 million euros.
b) Includes Microcredit managers.
c) Turnover equal to or greater than 20 million euros.
Note: Does not include managers of preventive credit monitoring.

MONTEPIO 24

The Serviço Montepio24 (Montepio24 Service), corresponding to a multichannel platform integrating remote channels, recorded an increase of 8.7% in the number of active Customers at the end 2021 compared to 31 December 2020, with a total number of 426,327 users: 366,877 in the Individuals segment (+9.6%) and 65,450 in the Companies segment (+4.2%).

In Connect24, a dedicated channel where the Customer can provide authentication for login and authorise access to information and banking operations when requested by certified entities, an increase was recorded in operations derived from Third Party Providers (TPP)/Banks (+31%) in relation to the end of 2020.

Still under the influence of the pandemic context, the importance of digital mechanisms continues very present, reflected in the growth of the number of subscriptions (+15%) compared to 2020 and frequency of use, with increased accesses (+9.2%) and number of transactions (+42%) in the Netmóvel24 channel (+9.2%) in comparison to 2020.

AUTOMATED TELLER MACHINES (ATM)

Montepio's total number of automated teller machines (ATM) at the end of December 2021 amounted to 882 machines, 296 of which were installed in branches and 586 at external locations. In net terms, the number of machines fell by 45 units when compared to the end of 2020, essentially due to the internal programme of optimisation of the total amount of machines and closure of branches.

In view of the reduction in the number of ATM in relation to 2020, Banco Montepio’s market share stood at 7.1%, compared to 7.4% in 2020. The total number of ATM available in the national market of the SIBS Global Network amounted to 12,484 units, compared to 12,539 in 2020.

The internal network Chave24 had a total of 288 installed machines at the end of December 2021 (306 in 2020), 239 of which are ATM, 8 are Selfcheques and 41 are Bank Book updating machines.

POINT-OF-SALE TERMINALS (POS)

The total number of POS of Banco Montepio reached 24,900 installed terminals, compared to 24,340 at the end of 2020, representing an increase of 3.4%.

Banco Montepio's market share in terms of number of POS stood at 5.9% at the end of December 2021, compared to 6.2% recorded as at 31 December 2020. The total number of POS available in the national market of the SIBS Global Network amounted to 436,868 units, representing an increase of 36,157 machines (+8.3%) in relation to the total number recorded at the end of 2020.

COMPLAINTS MANAGEMENT

The Customer and Quality Office is responsible for the management of complaints, with its mission being to propose and implement the **Complaints** Management Policy of the Banco Montepio Group, ensuring the reception and handling of complaints, as well as the respective response to the Complainant and/or Supervisory Entities.

In 2021, there was a 16.8% reduction in the number of complaints submitted, partly influenced by the increase recorded in 2020, which was greatly influenced by the Covid-19 pandemic situation, at which time complaints had been recorded in relation to various topics, such as loans, the use of remote channels and the constraints regarding customer care at Branches.

The complaints submitted via the Complaints Book and in the Electronic Complaints Book decreased by 12.1%, while the complaints submitted directly to Banco de Portugal increased by 7.5% in relation to 2020.

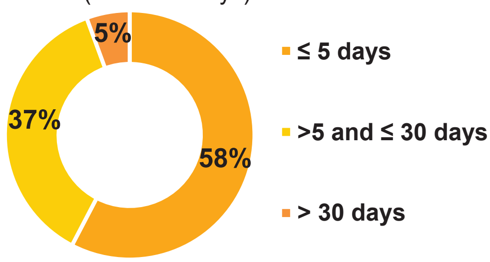
Indicators on Complaints

	2019	2020	2021	Change 21/20	
				Amount	%
Total Complaints	**5 685**	**6 779**	**5 641**	**(1 138)**	**(16.8)**
Of which:					
Banco de Portugal	306	279	300	21	7.5
Complaints Book and Electronic Complaints Book	745	970	853	(117)	(12.1)

Note: Refers to complaints concerning Banco Montepio.

New Complaints in 2021

Average response time (business days)



Regarding the response time recorded in 2021, 58% of new complaints were answered within 5 business days or less and 94% within 30 business days. The average response time stood at 9 business days, representing a reduction of 6 business days in relation to 2020.

Concerning the complaints made to Banco de Portugal and through the physical Complaints Book and the Electronic Complaints Book, the average response time was 16 and 12 business days, respectively. It should be noted that the legal response time for these complaints is 20 business days (if submitted to Banco de Portugal) and 15 business days (if submitted via the Complaints Book or Electronic Complaints Book).

At Banco Montepio, complaints are viewed as an opportunity to improve the quality of service provided, therefore, the Customer and Quality Office continuously promotes recommendations and warnings aimed at eliminating the causes of the submitted complaints.

INNOVATION AND QUALITY

Banco Montepio, whose DNA is based on Environmental, Social and Governance (ESG) principles, has shown the capacity to transform in order to respond to the evolution of society. In 2021, the Bank continued the automation and re-engineering of processes, progressed in advanced analytics with the start-up of the new data platform supporting data-driven processes, implemented more advanced cybersecurity models and fast-tracked the implementation of cloud native architecture.

Banco Montepio developed a series of initiatives throughout 2021 aimed at improving the Customers' experience and increasing its efficiency and efficacy in their interaction with the Bank, while at the same time contributing to greater environmental sustainability. These initiatives included, in particular, the migration of Customers who had physical mail as their preferred communication method to digital mail, enabling a reduction of 81% of the number of communications on paper, the discontinuity of the (physical) matrix card and development of the **"App APPré-pago"** (prepaid app) for queries of balances and movements of the Bank's prepaid cards, allowing their holders to access the information without needing to visit an ATM.

In 2021, **M.A.R.I.A. (Montepio's Automated Real-time Interaction Assistant)** progressively continued to expand its capacity to provide customer care and understand Customer intentions, enabling better contact performance and offering the Customer a more empathetic and personalised experience, contributing to the gradual increasing of trust.

M.A.R.I.A. started by carrying out card activation (debit and credit), rapidly progressing to receiving orders for balance and movement queries (accounts and cards), transfers between Montepio accounts, interbank transfers and immediate transfers. At the end of 2021, M.A.R.I.A. recorded a score of 82% in the level of Customer satisfaction with the service, slightly higher than the score observed at the end of 2020.

Banco Montepio launched **APProva**, a new strong authentication application that further increases the security of online transactions. This application has the advantage of being separate from the current digital channels and is available at iOS and Android stores, for download free of charge. All online payments that require strong authentication must be approved through the APProva application, replacing the SMS 3D Secure. APProva replaces the use of the Matrix Card and SMS Code, both to validate transactions in the Montepio24 service, and to authenticate this service every 90 days. For transactions that need two or more authorisations, APProva is prepared to support various devices and users.

In May 2021, Banco Montepio launched a new multichannel, flexible and simple functionality, available at all times, to apply for Personal Credit. Following on from the **Personal Credit 100% online**, launched in 2019, for eligible Customers and up to the maximum value of 5,500 euros, a new functionality was developed that enables, in a fast and online manner, any Customer to submit a Personal Credit application, for any purpose or amount, and obtain a decision, without having to physically go to a Banco Montepio branch. This represented yet another step towards helping to simplify the Customers' life and relationship with Banco Montepio, complemented with the launch of the "Pouco Pio" (Little Chatter) Personal Credit multimedia campaign aimed at supporting Families to achieve their personal projects, irrespective of what they may be.

In 2021, two loan simulators for Companies were provided, adding to the two already made available in the second half of 2020. Therefore, the previous simulators - "Linha de Apoio à Economia COVID-19 - Micro e Pequenas Empresas (08.2020)" (Covid-19 Economy Support Line - Medium and Small Enterprises (08.2020)) and "Linha de Apoio Setor Social COVID 19 (11.2020)" (Covid-19 Social Sector Support Line (11.2020)), were further enhanced by the "Linha de Apoio à Economia COVID-19 - Agências de Viagens e Operadores Turísticos (03.2021)" (Covid-19 Economy Support Line - Travel Agencies and Tour Operators (03.2021)) and the "Linha de Apoio à Economia COVID-19 - Médias e Grandes Empresas do Turismo (05.2021)" (Covid-19 Economy Support Line - Medium and Large Tourism Companies (05.2021)).

These simulators are accessible from Banco Montepio's public website, available to Customers and non-Customers, and constitute a differentiating factor in view of the non-existent offer of similar simulators by any of the other players of the banking sector. These simulators provide an easy digital experience presenting a summary of the line with a comparator for understanding the impact of the different variables in the instalment plan, where Customers and non-Customers may, at the end, request a contact to discuss the intended plan.

With these simulators, Banco Montepio revealed that it socially supports Customers and non-Customers in a Covid-19 pandemic context, both via the individual protection of users who wish to explore the website in search of the payment plan most suited to their reality, who would otherwise have to go to a branch, and due to the fact of having rapid access to the information of each of the credit lines and taking the first steps towards accomplishing the loan application.

The available credit lines in these simulators are comprehensive, including some of the sectors most affected by the Covid-19 pandemic for which the State provided support lines with mutual guarantee, including Micro and Small-Sized Enterprises, Social Sector, Travel Agencies and Tour Operators as well as Medium and Large Tourism Companies. Here, the line for Travel Agencies and Tour Operators, in addition to Companies, also sought to support Individuals, as it was designed for the very specific purpose of refunding consumers for values paid for travel that was not made or cancelled.

BUSINESS SEGMENTS

The Banco Montepio Group develops a series of banking and financial service activities, with special focus on retail banking in Portugal, but also abroad.

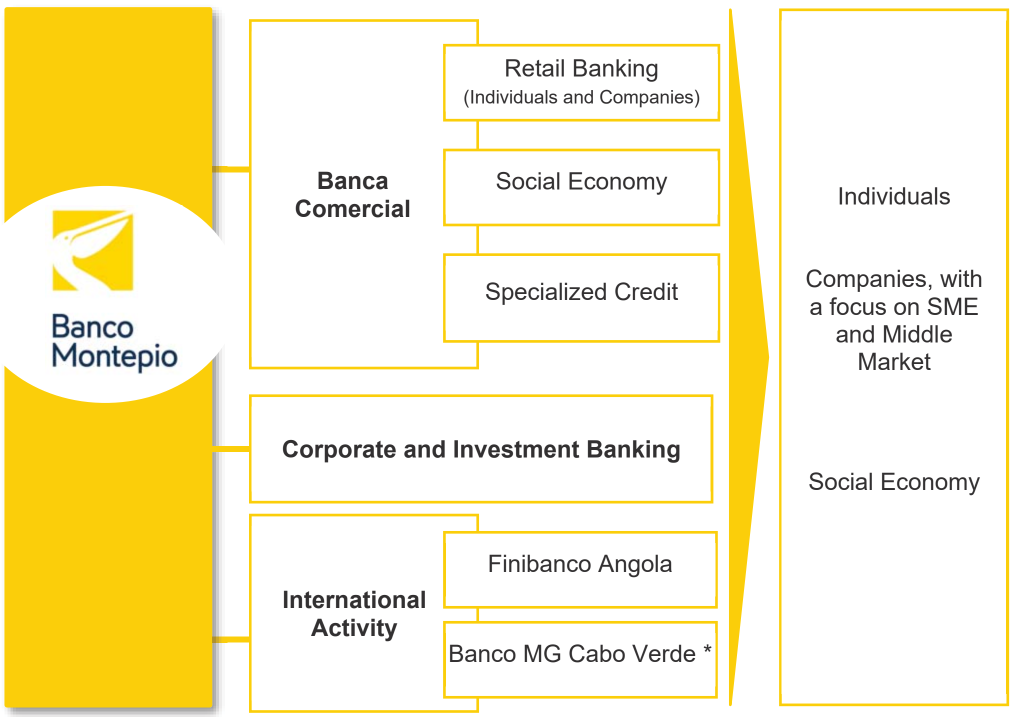
The Group's business segments cover: in domestic activity, Commercial Banking, comprised of Retail Banking, the Social Economy and Specialised Credit developed by Montepio Crédito, and Corporate and Investment Banking developed by Banco de Empresas Montepio; as well as complementary services, ensured through SSAGIncentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A., and;

abroad, the activity developed by the subsidiary Finibanco Angola and by Banco Montepio Geral Cabo Verde, in this case up to 30 November 2021, the date of its voluntary dissolution and liquidation.

The Group's target Customer segments consist of Individuals, Companies, with emphasis on Small and Medium-Sized Enterprises, the middle market and Social Economy. Banco Montepio's business model is Customer driven, focused on the well-being of Families, on supporting the Social Economy and on attention to the needs of Small and Medium-Sized Enterprises and based on values of proximity, trust, solidity, transparency, tradition, innovation and inclusion.

Banco Montepio provides a series of banking products and financial services that include the entire offer inherent to the universal banking activity, namely the capture of deposits, credit concession and financial services for Companies and Individuals, custody and, furthermore, the marketing of investment funds and life and non-life insurance.

BUSINESS SEGMENTS OF THE BANCO MONTEPIO GROUP



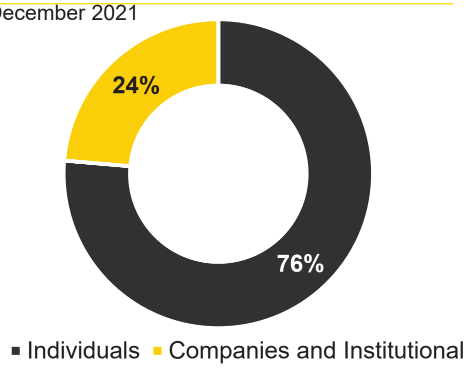
** Since 30 November 2021, Banco Montepio Geral Cabo Verde is undergoing a process of voluntary dissolution and liquidation.*

The international activity has been developed through the subsidiaries Finibanco Angola and by Banco Montepio Geral Cabo Verde that, as noted above, has been in the process of voluntary dissolution and liquidation since 30 November 2021, and by the representation offices. In turn, the equity stake in Finibanco Angola is currently being reduced, under the strategic redefinition of the international holdings.

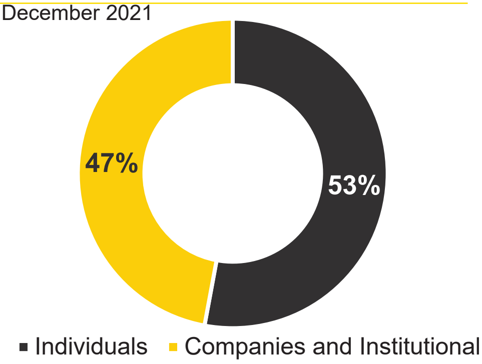
As at 31 December 2021, the operations in Portugal accounted for 98.8% of total Assets, 99.6% of total Loans to customers (gross) and 98.9% of total Customer deposits; Banco Montepio had a network of 261 branches in Portugal, serving 1,316 thousand Customers, composed of 159 thousand Companies and 1,156 thousand Individuals, with market shares of 5% in Deposits and in Loans to customers.

Bank Montepio's Customer deposits stood at 12.8 billion euros, with Individual Customers representing 76% of this amount, and Loans to customers (gross) reaching 12.2 billion, where 53% are Individual Customers and 47% are Corporate and Institutional Customers.

Structure of Customers Deposits
31 December 2021



Structure of Loans to Customers (Gross)
31 December 2021



The main highlights of 2021 are presented below with respect to the Banco Montepio Group's offer of financial products and services, by Customer segment.

INDIVIDUALS

Banco Montepio's offer for the Individuals segment prioritises the encouragement of Family saving, faithful to its centenary vocation as a saving institution, namely through the attraction and retention of resources, by providing deposits with different features and maturity periods, as well as the stimulation of credit solutions that meet the Customers' needs and wishes.

DEPOSITS

In 2021, Banco Montepio continued to market the "Poupança +Rendimento" (Saving +Income) term deposit aimed at encouraging the Customers to save through the capture of new capital.

Banco Montepio also continued to provide a unique offer, named "Conta Cresce" (Grow Account), aimed at encouraging saving among the younger segments (from 0 to 17 years old).

Furthermore, with a view to facilitating the diversification of investments by Customers, Banco Montepio offered various Structured Deposits, that cannot be withdrawn in advance, but have guaranteed capital upon maturity (covered by the Deposit Guarantee Fund). The potential remuneration is related to the performance of the underlying assets, such as previously selected corporate shares (Pharmaceuticals, Information Technology Companies, among others).

In this regard, special note should be made of the "Banco Montepio Sustentabilidade Mar.2021" (Banco Montepio Sustainability Mar.2021) structured deposit, with remuneration dependent on the performance of 3 Environmental, Social and Governance (ESG) international corporate shares.

INVESTMENT AND PENSION FUNDS

In the context of the offer of Investment Funds, Banco Montepio ensures the distribution of Securities Investment Funds managed by Montepio Gestão de Activos, Sociedade Gestora de Fundos de Investimento, S.A. and two Real Estate Investment Funds, the "Fundo Valor Prime" (Prime Value Fund) and "Fundo VIP" (VIP Fund), managed respectively by the holding companies Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. and SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.

Particular reference is made of the following campaigns promoted by Futuro - Sociedade Gestora de Fundos de Pensões, S.A. during 2021:

- **"Com Poupanças tudo parece Low-Cost"** (With Savings everything seems Low-Cost), and
- **"Realize os seus Planos"** (Accomplish your Plans). The main goal of the latter was to encourage the first retirement saving plan (PPR) subscription by younger Customers, in addition to the perspective of investment for retirement pension through occasional or regular deposits of sums in "PPR/PPA"

(retirement saving plan/saving in shares plan), whose subscription can be done via web, on the Montepio24 Service.

In 2021, Banco Montepio participated, as a Placement Entity, in **Public Subscription Offers of Bonds** of FUTEBOL CLUBE DO PORTO – FUTEBOL, SAD, and SIC – SOCIEDADE INDEPENDENTE DE COMUNICAÇÃO, S.A., offering its Customers the opportunity to subscribe bonds of renowned entities and diversify their investments.

MEANS OF PAYMENT

The replacement of Debit Cards due to the change of the network of use of the card, from the Visa network to the Mastercard network, was completed in 2021.

To accompany the market evolution and offer more alternatives to the Customers in the use of Credit Cards and Prepaid Cards, Banco Montepio extended the provision of the **Apple Pay Service** to these types of cards. This service enables making payments both at physical and virtual (e-commerce) automatic payment terminals, using the Apple wallet.

Apple Pay is an Apple payment technology that enables devices of this trademark to make contactless and online payments (to the subscribing merchants), through a wallet in which cards from all issues that had endorsed this technology can be added. This aims to boost the dematerialisation of cards and facilitate payments.

INSURANCE

In Bancassurance, the simplification of services and processes prevails, in partnership with the Montepio Group's insurers, Lusitania, Companhia de Seguros S.A. and Lusitania Vida, Companhia de Seguros, S.A., with a view to increasing efficiency and improving the Customers' experience.

Two new insurance protection products were launched in 2021, with mixed coverage “Plano Proteção+” (Protection Plan+) and “Plano Proteção Jovem+” (Youth Protection Plan+).

CREDIT

Pursuing the goal of repositioning itself as a bank specialised in Mortgage Loan products, and considering that the relevant factors in the choice of a mortgage loan are the price, the service and the relationship established between the bank and the Customer, Banco Montepio has continued to develop initiatives aimed at boosting its mortgage loan solutions.

Banco Montepio incorporates environmental and social concerns in its action, having reached new milestones in 2021 and incorporated these concerns in a more profound manner, with the following being particularly noteworthy:

- **Mortgage Loan Number 1 Choice of the Consumer**

  Banco Montepio continued to make a difference by returning 1% to a card, in a partnership with Worten, that could reach 1.1% for housing with A and A+ energy certificate, thus strengthening measures to promote environmental sustainability.

  Banco Montepio was elected by the Portuguese as “Marca Number na Escolha do Consumidor” (Number 1 Brand in Consumer Choice), in the Mortgage Loan category, due to having the best overall offer in the national financial market, according to ConsumerChoice – Centro de Avaliação da Satisfação do Consumidor (Consumer Satisfaction Assessment Centre). The initiative stands out for its innovative and solidarity-driven component, with an added value offer that is tangible, contributing to the pursuit of Banco Montepio’s mission – being on the side of the Portuguese at all stages of their life. Completely focused on improving the experience of taking out a mortgage loan, Banco Montepio launched a simpler and faster process that begins with a fully digital journey, on the Bank’s website, where Customers and non-Customers can make a simulation, enabling the issue of a conditional letter of approval, at that time, with a pre-analysis of the loan, free of costs or paper.

- **Personal Credit Campaign**

  Banco Montepio has supported its Customers in accomplishing their projects, in a responsible manner and according to a high-risk analysis and management criterion. With an offer underpinned by a multichannel functionality that is flexible, simple, fast, online and available at any time, through which any Customer can submit a request for Personal Credit without needing to visit a branch, in a 100% digital process. Particular note is made of the "Crédito Energias Renováveis" (Renewable Energy Credit), a credit line to support the purchase and installation of equipment that uses renewable energy.

COMPANIES

Banco Montepio's offer for the Companies segment focuses on simplification, consistency and easy use as critical success factors for differentiation in the segment, through a model of commercial follow-up based on the specialisation and size of the Customers.

COMMERCIAL SOLUTIONS

In 2021, Banco Montepio redesigned the commercial solutions **"E.mpreendedor" (E.Enterpreneur), "E.mpresário" (E.Businessperson), "E.xpert" (E.Expert) and "E.Social" (E.Social)**, and integrated offer of products and services aimed at facilitating daily financial management, while simultaneously ensuring the Corporate Customer relationship and transactionality, combining the products and services that are most used at a lower price than if they were acquired individually.

CREDIT

In 2021, recognising the exceptional nature of the situation and emergency triggered by the Covid-19 pandemic, Banco Montepio approved exceptional measures aimed at supporting Individuals and Companies towards the normalisation of their activity. In this regard, Banco Montepio strengthened its participation in public sector initiatives directed at stimulating the funding of Companies in different aspects, in particular:

- **"Linha de Crédito Empresas Exportadoras da Indústria e do Turismo" (Industry and Tourism Export Companies Credit Line)**

This credit line aims to support export Companies of the industry and tourism sector, for the purpose of supporting employment and the maintenance of jobs, as an assistance measure supporting the economy in the current context of lower economic activity derived from the Covid-19 pandemic.

- **"Linha de Crédito Empresas Montagem Eventos" (Event Organising Companies Credit Line)**

This credit line aims to finance the treasury needs of Companies whose core business involves the supply of specific services and products to support the holding of cultural, festive, sports or corporate events, for the purpose of supporting employment and the maintenance of jobs.

- **"Linha de Crédito para a Descarbonização e Economia Circular" (Credit Line for Decarbonisation and the Circular Economy)**

A credit line that supported Companies in industry and the tourism sector to invest in projects that improve energy efficiency and accelerate the process of transition to a circular economy.

- **"Linha de Apoio ao Sector Social COVID-19" (Covid-19 Social Sector Support Line)**

A credit line that supported the treasury needs of Social Economy Entities affected by the Covid-19 pandemic.

- **"Linha de Crédito Fundo para a Inovação Social (FIS)" (Social Innovation Fund Credit Line)**

A credit line that facilitated access to bank funding and better financing conditions for "Iniciativas de Inovação e Empreendedorismo Social (IIES)" (Innovation and Social Entrepreneurship Initiatives).

- **"Linha de Crédito +Impacto Social" (+Social Impact Credit Line)**

A credit line for Social Economy Entities (EES) and other Non-profit Social Entities, that sought to help institutions to promote social inclusion.

- **"Linha de Crédito Social Investe" (Invest Social Credit Line)**

Funding under the support programme for the Social Economy and encouragement of the development of social and solidarity-driven activities of the non-profit entities incorporated in the Social Sector.

- **Support to Entrepreneurship and Own Job Creation**

Credit line to support the creation of a small business with a guarantee and subsidised interest rate.

Moreover, Banco Montepio concluded an agreement with the European Investment Bank (EIB), directed at funding loans granted to small and medium-sized enterprises and mid-caps, whose investment projects take place in Portugal or in other European Union countries, in various sectors of economic activity (agriculture, industry and services). This line also ensures the funding of medium and long-term working capital needs.

"PROGRAMA FINCRESCE | PME LÍDER 2020" (FINCRESCE | SME Leader 2020 PROGRAMME)

The "Estatutos PME Líder 2020" (SME Leader 2020 Status) were attributed in 2021. This Corporate reputation seal, created by IAPMEI - Agência para a Competitividade e Inovação, I. P., seeks to distinguish the merit of national small and medium-sized enterprises (SME) with superior performance and is awarded in partnership with Turismo de Portugal, a group of partner banks and the mutual guarantee societies, based on the best risk ratings and economic-financial indicators.

The Management Entities of the SME Leader Status also award the "Estatuto PME Excelência" (SME Excellence Status) to a subset of Companies with SME Leader Status with the most outstanding merit of their performance.

SERVICES

Automatic Payment Terminal (POS)

Banco Montepio continues to provide automatic payment terminal at point of sale in various formats: "TPA Fixo" (Fixed POS), "TPA Móvel GPRS" (GPRS Mobile POS) and "TPA WI-FI" (Wi-Fi POS). The innovative POS mobile solution (Touch2Pay), which enables accepting payments in a fast and safe way, at any place, continues to stand out in particular. The offer is composed of a payment app which is available for iOS and Android and a small card reader which is linked by Bluetooth, enabling payments with an EMV card (chip), Magnetic Band and Contactless.

"Serviço Net Global" (Net Global Service)

Banco Montepio continues to provide an unlimited series of transfers via web, telephone and app for Customers that have joined the "Serviço Montepio24 Empresas" (Companies Montepio24 Service), for a single monthly fee. After activation, the service is valid for all the Current Accounts held by the company. For all other functionalities (Urgent Transfers, SPGT Transfers or Transfers of credit SEPA+ by XML File - payments and collection), not included in the service, the defined price list is maintained.

SOCIAL ECONOMY

In 2021, marked by the persistence of the Covid-19 pandemic, there were significant economic and social impacts that affected Families, Companies and Social Economy and Solidarity Entities (EESS). Throughout 2021, Banco Montepio continued to accompany the Social Sector and upheld its important role as a Social Economy Bank in Portugal.

The EESS are followed-up by the Commercial Department of the Social Economy and Public Sector (DCESSP), an area complementary to Banco Montepio's branch network, composed of an experienced team spread from the north to the south of the country, with specialised knowledge of the sector, its needs and different areas of action.

As a result of the work pursued by the commercial teams of dedicated Managers, Banco Montepio reached a penetration rate in Social and Solidarity Economy Customers (with social purposes) of 28% in 2021, thus accomplishing the strategy of continuous growth of the portfolio of the Social Sector Customer base as a differentiating pillar.

Banco Montepio strengthened its positioning as a Social Economy Bank, being one of the most significant and relevant institutions for the Social Economy, due to its mutualist roots. The support offered by Banco Montepio to EESS has been very significant and become increasingly important after the outbreak of the Covid-19 pandemic.

The market share of loans to Social Economy and Solidarity Entities (EESS) reached 15% in December 2021 as a result of the 24% increase in the portfolio of loans to EESS compared to the same period of 2020, revealing a notable evolution, elucidative of the work pursued in the Social Sector.

The provision of unique solutions that add value to the daily life of EESS is another of the differentiating factors of Banco Montepio. Within the offer provided by Banco Montepio, the following anchor products are highlighted:

- **"Leasing Auto Setor Social"** (Social Sector Auto Leasing) is a financing mode of Banco Montepio, created in April 2021 through the provision of a campaign to ensure the mobility of EESS, enabling the acquisition of light vehicles, for passengers or goods (transformed for home support or mobility), by EESS, with differentiated conditions in terms of pricing and insurance;
- **"Solução ESocial"** (ESocial Solution) is an integrated solution of products, services and benefits exclusively for EESS), that includes a unique product in the market, the "Conta Acordo" (Agreement Account);
- "**Conta Acordo**" (Agreement Account), is an exclusive product of Banco Montepio, created to facilitate and ensure treasury needs that could arise before receiving State funds. This is an exclusive overdraft facility for private social solidarity institutions (IPSS) to facilitate treasury management;
- **Specific Covid-19 treasury support lines** aimed at providing liquidity to EESS so that they can focus entirely on their response to social problems:
  - **"Linha de Apoio ao Setor Social Covid-19"** (Covid-19 Social Sector Support Line), a credit line aimed at supporting the treasury of EESS to cope with the Covid-19 pandemic;
  - **"Linha de Crédito +Impacto Social"** (+Social Impact Credit Line), an exclusive credit line of Banco Montepio that seeks to help institutions to foster social inclusion;
  - **"Linha de Crédito Fundo para a Inovação Social (FIS)"** (Social Innovation Fund Credit Line), a line that aims to facilitate access to bank funding and improve the funding conditions of Social Innovation and Entrepreneurship.

Since the start-up of the Government's Economic and Social Stabilisation Programme and the Protocolled Lines, by the end of 2021, Banco Montepio had funded more than 65 million euros in the specific Protocolled Line for the Social Sector, directed at supporting treasury and working capital needs of EESS. Complementing this, in an attempt to put investment back on the agenda, throughout 2021, Banco Montepio focused strongly on the "Linha de Crédito +Impacto Social" (+Social Impact Credit Line), by providing financing of more than 55 million of euros to projects that will significantly contribute to expand the network of facilities, increase quality and to boost the incorporation of innovation and sustainability in EESS social responses.

As a reference financial partner, Banco Montepio maintained its **"Bolsa de Parceiros Estratégicos"** (Pool of Strategic Partners) that support EESS, receiving the support of four social consultants: "Aposta nas Pessoas", "Turnaround", "ValeConsultores" and "4Change".

The commercial relations between Banco Montepio and EESS enable the continuation of the **commercial protocols** that make all the difference in society and in the activity of these institutions. Among the available protocols, special reference is made to 11 protocols with structures representing the Social and Solidarity Economy:

- **Casa do Professor**, the oldest social solidarity association in the country, created for the purpose of supporting teachers of all educational levels;

- **Confederação Nacional das Instituições de Solidariedade (CNIS)** (National Confederation of Solidarity Institutions), the confederated organisation of private social solidarity institutions (IPSS), of national scope and non-profit making.
- **Confederação Portuguesa das Colectividades de Cultura, Recreio e Desporto (CPCCRD)** (Portuguese Confederation of Cultural, Recreational and Sports Collectivities), which represents the collectivities or other associations of culture, recreation and sports;
- **Diocese Algarve** (Diocese of Algarve), whose territory corresponds to the district of Faro, with a population of close to 400,000 usual residents;
- **Diocese do Porto** (Diocese of Porto), located in the North of Portugal along the Atlantic coast, covering 26 municipalities, 17 of which belong to the district of Porto, 8 to the district of Aveiro and 1 to the district of Braga. The Diocese population is around 2,000,000 inhabitants;
- **Federação Nacional das Associações Juvenis (FNAJ)** (National Federation of Youth Associations), which has a determinant political representation, defending and promoting the interests of youth associativism before the public powers, through critical and active participation;
- **Federação Nacional de Cooperativas de Solidariedade Social (Fenacerci)** (National Federation of Social Solidarity Cooperatives), the representative body of the cooperatives of this sector, aimed at structuring suitable solutions for the development of intellectually disabled persons, in addition to supporting and promoting their inclusion in society.
- **Federação Nacional do Voluntariado em Saúde (FNVS)** (National Federation of Voluntary Health Action), which acts in the area of volunteering in health, developing and expanding its social support base concerning this type of voluntary action and the improvement of the services provided to the beneficiaries.
- **Liga dos Bombeiros Portugueses** (League of Portuguese Fire-Fighters), founded in 1930, is the Confederation of Fire-Fighter Associations and Brigades of any nature, voluntary or professional, that, being legally established and effectively active, observe the requirements of the general law and statutes of the Liga dos Bombeiros Portugueses, and propose to accomplish the ends stipulated therein;
- **Rede de Universidades da Terceira Idade (RUTIS)** (Senior Citizen University Network), a private social solidarity institution of public utility that supports the Community and senior citizens.
- **União das Misericórdias Portuguesas (UMP)** (Union of the Portuguese Misericórdias), created in 1976 to guide, coordinate, boost and represent the Santas Casas de Misericórdia, defending their interests and organising services of common interest.

Despite the ongoing pandemic, the EESS held various events throughout 2021. In view of the existing rules and restrictions, the institutions primarily focused on digital mediums and occasionally held events in hybrid and/or face-to-face formats. Regardless of the context experienced, Banco Montepio remained firmly at the side of the EESS. In this sphere, some of the **projects and initiatives** carried out during 2021 are highlighted below:

- **"E-Social"**, a 360º communication platform of Banco Montepio directed at all Stakeholders of the Social Sector. With the mission of stimulating and disseminating this area and its participants in the most varied forms of action, the social networks Instagram and Facebook (@montepioesocial) of E-Social worked as a meeting point of causes, initiatives, projects, challenges, exhibitions and disclosure of the best that is being done in the Social Economy, in Entrepreneurship, in Social Innovation and in Sustainability in Portugal;

- **"#TodosJuntos"** (#AllTogether), a social solidarity initiative, launched by ten banks of the Portuguese financial system, that included Banco Montepio. The "#TodosJuntos" solidarity campaign, held from 19 May to 15 June 2021, raised 2.5 million euros for food support for the more vulnerable Families, in the context of the Covid-19 pandemic, through EESS countrywide. The total amount raised enabled the acquisition of basic foodstuffs (such as, for example, milk, cereals, rice, olive oil, beans, pasta and tuna) and 20% of the total value raised was used to purchase urgent medication;

- **"Campanha Pirilampo Mágico 2021"** (Magic Firefly Campaign 2021), one of the largest and oldest social solidarity campaigns in Portugal with positive social impacts. Banco Montepio supported the campaign, that took place from 15 October to 7 November 2021, through a donation and the purchase of one "Pirilampo" (firefly) for each Employee, corresponding to the purchase of 3,150 "Pirilampos" (fireflies). Banco Montepio's support of this cause, since 2017, symbolises inclusion, union and hope in the life of every one of us;

- **"XIV Festa da Solidariedade Açores 2021" (XIV Azores Solidarity Festival)**, a milestone in the history of the CNIS – Confederação Nacional das Instituições de Solidariedade (National Confederation of Solidarity Institutions) and its members, held from 6 to 9 October 2021 in the Azores. As a Social Economy and Solidarity Bank, Banco Montepio joined the Festival again, which is now in its 14th edition, and is aimed at gathering the country's social solidarity institutions together for intermingling, exchanging ideas, disclosing initiatives and showing good practices in social, cultural and recreational support;
- **JAP Social Innovation Camp by Banco Montepio**, a competition organised by Junior Achievement Portugal and Banco Montepio, held from 2 to 26 November 2021. In this initiative focused on environmental and social sustainability, Banco Montepio challenged the young participants to develop environmental and social projects, in the context of the UN Sustainable Development Goals, in the area of Social Economy, Responsible Consumption and Equal Opportunities. The final event, held on 25 and 26 November 2021, involved an online learning experience that combined moments of theoretical learning, practical work, mentoring and other dynamics. This project aimed to offer secondary school students the tools to design projects, in a short space of time, that would have an impact on their community (municipality or district of their school) and overcome problems identified by them;
- **"Bolsas Sociais EPIS" (EPIS Social Grants)**, an initiative of national coverage, already in its 11th edition, to which schools and students of Portugal can apply. In 2021, these Grants included the creation of the Banco Montepio Category (in secondary and higher education), enabling the award of 6 Study Grants (3 for secondary school students and 3 for higher education students);
- **"Pinheiro Bombeiro" (Firefighter Pine Tree)**, an initiative that not only enabled Banco Montepio to support the Portuguese voluntary fire brigades, but also decorate its branch network with an authentic, sustainable and solidarity-driven real Christmas tree;
- **"1.ª Feira Digital Social"** (1st Digital Fair), an initiative organised by NERSANT - Associação Empresarial da Região de Santarém (Santarém Regional Business Association), held during the month of March 2021 which received the support and participation of Banco Montepio. Directed at the Social and Solidarity Economy, the main goal of the Digital Social Fair was to present the institutions and their areas of action, as well as products and services of the Companies associated to this activity sector. This initiative also enabled Banco Montepio to promote three sessions linked to the areas of the Social Economy, social entrepreneurship and sustainability.

Support to the Public Sector

Public administrations and the entire entrepreneurial sector of total or majority-held public capital are the entities comprising the Public Sector, which Banco Montepio considers fundamental to create value in the Portuguese economy.

The Public Sector area is followed by the DCESSP, which has an experienced team with specific knowledge and is committed to being at the side of those whose mission is to ensure the interests of the community. Banco Montepio continued to monitor this segment, in particular in the analysis of loan proposals related to public tenders. In this regard, tender awards were made to Banco Montepio as well as proposals for overall involvement arising from the strategy of retaining the loyalty of Customers through daily products and services.

Support to Entrepreneurship and Social Innovation

After a year in which it was necessary for entrepreneurs and Companies to reassess and, in some cases, change their form of action, Banco Montepio continued to help to reduce the negative impact caused by the Covid-19 pandemic and stimulate entrepreneurship and social innovation in Portugal.

Banco Montepio's role in 2021 was manifest through the provision of financing lines for sustainable projects, but also with the continuation of partnerships that enabled promoting equal opportunities and more inclusive and closer society.

As a Social Entrepreneurship partner, Banco Montepio actively participates in various dynamics of technology-based and innovative ideas, projects and business ventures, in particular:

- **Partnership with the "<Academia de Código_>" (Code Academy)**, a project aimed at providing a social experience through bootcamps on computer language. In order to help all those who want to <re>programme their life by enrolling in these bootcamps, Banco Montepio created the "Linha de Crédito Code Academy" (Code Academy Credit Line), specifically to support the students (<Code Cadets>) who attended the bootcamps in Lisbon, Porto, Aveiro and Ilha Terceira.

  Under the established partnership and consequent investment in the "Linha de Crédito Code Academy" (Code Academy Credit Line), in 2021, Banco Montepio supported:

  54 Code Academy Students Financed

  292,370 euros of Code Academy Financing

- **"Banco Montepio Acredita Portugal"** (Montepio Believes Portugal), the largest entrepreneurship competition of Portugal and the second largest worldwide, promoted by Banco Montepio and by the non-profit organisation "Acredita Portugal".

  Throughout the five years of partnership, which covered the 7th to 11th editions of the competition, the following results were observed:

  - 56,063 applications for the Banco Montepio Acredita Portugal competition, of which 10,620 projects were submitted to the 11th edition of the initiative, held between 2020 and 2021. In addition to the Social Entrepreneurship category ("Prémio Empreendedorismo Social" (Social Entrepreneurship Award), supported by Banco Montepio), the competition received applications focused on the Technology area ("Prémio K.Tech" (K.Tech Award), Innovation linked to Water ("Prémio H2O Inovação *by* Águas de Gaia" (H2O Innovation Award by Águas de Gaia), Mobility ("Prémio Brisa Mobilidade" (Brisa Mobility Award) and creation of smart cities ("Prémio Gaia 3C: Construção Circular da Cidade" (Gaia 3C Award: Circular Construction of the City), as well as projects under the general category of the Banco Montepio Acredita Portugal competition.
  - 8,252 applications for the Social Entrepreneurship category, of which 1,666 correspond to the 11th edition. This continues to be the category that received the highest number of applications.

Banco Montepio, as a Social Investor, has closely followed the best practices in the area of social investment and, taking on the role of the Social Economy Bank, has developed various initiatives, among which the following are highlighted:

- **"Projetos de Impacto"** (Impact Projects), a joint initiative of Banco Montepio and Santa Casa da Misericórdia de Lisboa (SCML) aimed at boosting social investment through the Investment in 9 projects (2 Social Impact Securities and 7 Partners for Impact), two financial instruments of the "Estrutura de Missão Portugal Inovação Social (EMPIS) (Social Innovation Portugal Mission Structure), representing innovative solutions for the challenges of contemporary society and enabling the combat of various forms of social exclusion.

  "Títulos de Impacto Social (TIS)" (Social Impact Securities) aim to finance, through a mechanism of hiring and payment by results, innovative projects in priority areas of public policy, in the fields of employment, social protection, education, health, justice and digital inclusion. In this area, support was conquered by the following projects:

  - **"Ubbu"** (programming school for children);

- Gamezone Lisboa (a solution to combat the deficit of competence in Portuguese and mathematics).

“Parcerias para o Impacto (PPI)” (Partnerships for Impact) finance the creation, development and growth of social innovation projects, together with social investors. In this category, the following projects were supported:

- **“O Mundo é o meu Bairro”** (The World is my Neighbourhood) (inclusion in a social housing neighbourhood);
- **“WeGuide”** (support for cancer patients);
- **“55+”** (work with people over 55 years old);
- **“Skoola”** (music for social inclusion);
- **“Impulso”** (creation of micro-business);
- **“Robot Pepe”** (therapeutic tool for active ageing);
- **“Na minha praceta”** (In my square) (project for regeneration of three Marvila neighbourhoods).

- **“Projecto Família®”** (Family Project®), a programme of support to Families with children and young people at risk with a view to family preservation. With the support of Banco Montepio and the Fundação Calouste Gulbenkian (Calouste Gulbenkian Foundation), financiers of the project managed by MAZE, and implemented by the Movimento de Defesa da Vida (Movement for the Defence of Life), 180 children and young people of Porto and Vila Nova de Gaia at risk of being institutionalised were supervised between July 2017 and October 2020. The project’s results were presented in 2021, with a success rate of 91% of the supervised cases, meaning that 163 of the 180 children and young people at risk remained within their family home, corresponding to 55 more children than initially agreed with the investors, under the TIS (Social Impact Securities). With the investment and monitoring through TIS, the success rate of the Projeto Família® shifted from 70% to 91%;
- **Centro de Inovação Social da Fundação Eugénio de Almeida,** é um projeto de PPI. Localizado em **“Centro de Inovação Social da Fundação Eugénio de Almeida”** (Social Innovation Centre of the Eugénio de Almeida Foundation) is a PPI (Partnerships for Impact) project. Located in Évora, this centre supports entrepreneurs and other regional players who want to test, develop or consolidate innovative projects and initiatives, with sustainable business models, with potential scalability, focused on social impact that contribute to resolve social problems in zones of low population density. Following the co-investment made by Banco Montepio between 2018 and 2020, the Social Innovation Centre (CIS) counted on the Bank’s active participation as a speaker on initiatives, project selection panel member, in addition to the creation of mentoring relationships between Banco Montepio Employees and the teams of the projects incubated in the CIS.

Banco Montepio, as a Social Innovation Partner, supports 5 projects and spaces aimed at fostering entrepreneurship in Portugal:

- **“Acredita Incubação”** (Believe Incubation), located in Vila Nova de Gaia, is an incubation project aimed at providing support and tools to entrepreneurship in areas of the creative industries, technological entrepreneurship and the Social Economy;
- **“Associação Rede do Progresso” (Progress Network Association)**, a non-profit organisation aimed at promoting social welfare and the development of entrepreneurship and social action;
- **“Casa do Impacto”** (Impact House) created by SCML, is the home of the new generation of entrepreneurs who believe in sustainable business models able to create social and environmental impact. As the only partner bank, Banco Montepio is part of the Board of Curators of the Casa de Impacto project, a reference of Social Innovation in Portugal.
- **“Incubadora Regional de Impacto Social (IRIS)”** (Social Impact Regional Incubator), located in Amarante and Porto, is an entity that aims to capture ideas and projects, and support the creation,

development and acceleration of social innovation and social entrepreneurship initiatives, promoted by the European Investment Bank Institute and by the Associação do Parque de Ciência e Tecnologia do Porto (Porto Association of Science and Technology Parks).

- **"Incubadora Inovação Social do Baixo Alentejo" (IISBA)** (Lower Alentejo Social Innovation Incubator) is a project of the Centro Social Nossa Senhora da Graça (Our Lady of Grace Social Centre), seeking to foster entrepreneurship and social innovation in the district of Beja.

Microcredit

The continuation of the Covid-19 pandemic has made traditional business need to transform and develop into new forms. Various scenarios have become installed in the labour market and, in order to foster sustained growth in Portugal, Banco Montepio, which has a team of specialised managers countrywide in the area of Microcredit, has provided the following anchor products:

- The **"Linha de Apoio ao Empreendedorismo e à Criação do Próprio Emprego (LAECPE)"** (Line of Support to Entrepreneurship and Own Job Creation), composed of two distinct credit lines (MicroInvest and Invest+) for different amounts, is directed at unemployed persons enrolled in job centres, with ability and willingness to work. LAECPE, arising from a collaboration agreement between Banco Montepio, the Instituto de Emprego e Formação Profissional, I.P. (IEFP) and four mutual guarantee companies (Norgarante, Garval, Lisagarante and Agrogarante), seeks to fight against economic and social exclusion, and long-term unemployment;
- **"Solução E.mpreendedor"** (E.Entrepreneur Solution), a Banco Montepio solution for new business less than 2 years old, presents a selection of integrated products and services to keep the business on the right path;
- **"Solução E.mpresário"** (E.Businessperson), a solution that supports companies at the growth stage, presents a selection of integrated products and services to keep the business on the right path;
- **"Microcrédito (Linha Própria)"** (Microcredit (Own Line)), a special social insertion instrument for those who, having entrepreneurial skills, have extra difficulties in accessing credit and the labour market.

Banco Montepio also provides access to a set of **27 protocols and partnerships** with organisations of national, district or local scope that are distinguished by their experience in the field of social entrepreneurship and protocolled financing lines (chapter 7 related to non-financial information presents the action in this field in greater detail).

In addition to the protocols mentioned above, in 2021, Banco Montepio established a **collaboration protocol** with the consortium between Universidade da Beira Interior (UBI) and Universidade de Coimbra (UC), under "The Role of Microcredit in Promoting Financial and Social Inclusion" project, funded by the Fundação para a Ciência e a Tecnologia (FCT) (Science and Technology Foundation). This consortium is not conducting a study on the impact of microcredit in Portugal, but also works to foster interdisciplinarity between the academic areas and cooperation between academia and society, envisaging social impact and innovation.

Concerning Microcredit funding, in 2021, Banco Montepio supported:

26 Projects

418,970 euros of financing

29 jobs

In addition to the financial support of the areas of the entrepreneurship and microcredit, Banco Montepio participated in **events**, in order to contribute to a positive change of those attending, with the following being examples: the "Mercado de Financiamento" (Funding Market) organised by NERSANT; "Oportunidades ligadas aos apoios, financiamento e entrada na Europa" (Opportunities linked to support, funding and entry into Europe) and “Speed Meeting Mentors” organised by Acredita Portugal and Turismo de Portugal under the “Programa Aceler@Tech” (Aceler@Tech Programme); and the online “Ciclo de Conversas” (Conversation Cycle), under the 10 years of implementation of “SOU MAIS – Programa Nacional de Microcrédito” (I AM MORE - National Microcredit Programme).

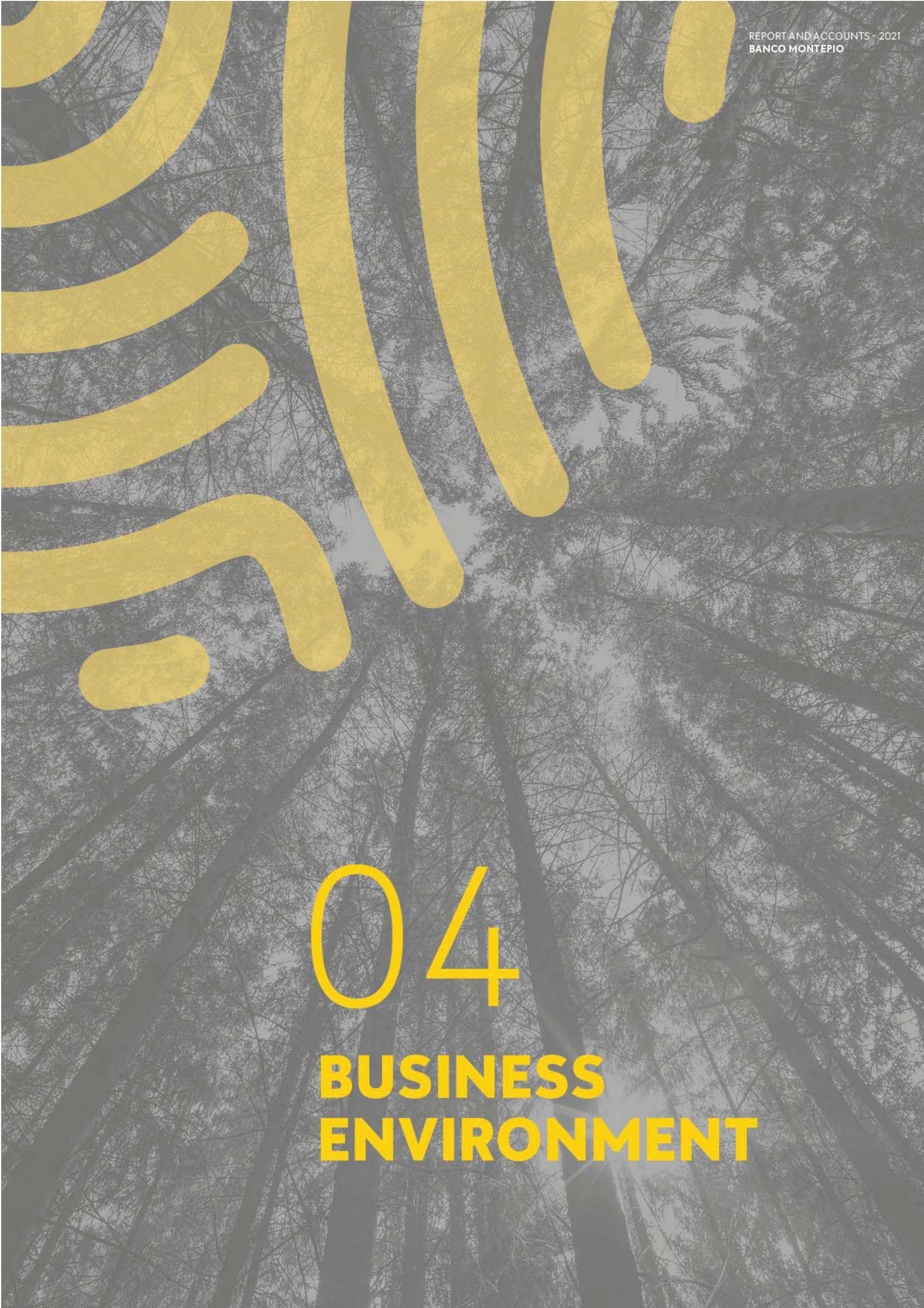
Banco Montepio as a market leader in the “SOU MAIS - Programa Nacional de Microcrédito” (I AM MORE - National Microcredit Programme)

“SOU MAIS – Programa Nacional de Microcrédito” (I AM MORE - National Microcredit Programme) is a measure consisting of support to Company creation projects, promoted not only by people who have special difficulties in accessing the labour market, but also by micro-entities and cooperatives of up to 10 workers, who submit viable projects with net job creation, particularly in the Social Economy area.

Mainly geared towards continuing to affirm Banco Montepio as a reference institution in the Social Economy, Microcredit, Social Entrepreneurship and Social Innovation areas, and also giving its contribution in the creation of sustainable projects from the financial point of view, Banco Montepio has participated in the “SOU MAIS – Programa Nacional de Microcrédito” project since 2011.

This measure seeks to facilitate access to credit, through MicroInvest, belonging to LAECPE, for projects with low value investment and funding (up to 20,000 euros), and the provision of technical support for the creation and consolidation of projects.

The Activity Report of 2020 of “SOU MAIS”, that was disclosed by CASES - Cooperativa António Sérgio para a Economia Social in 2021, reveals that Banco Montepio was the most outstanding financial institution in the “Sou Mais” National Microcredit Programme, having accounted for 34.51% (4,624,743 euros) of the total financing (13,400,723 euros) granted between 2011 and 2020.



04
BUSINESS ENVIRONMENT

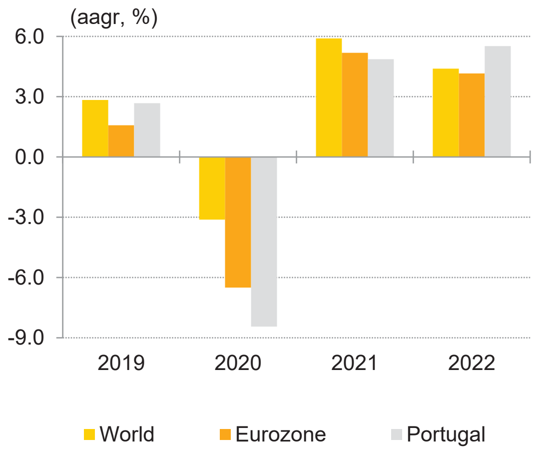
BUSINESS ENVIRONMENT

ECONOMY

World economy

In the update of the World Economic Outlook, dated 25 January 2022, the International Monetary Fund (IMF) pointed to world economic growth of 5.9% in 2021, after the 3.1% contraction observed in 2020 – triggered by the pandemic crisis that devastated the entire globe –, having cut the projection of growth for 2022 from 4.9% to 4.4%. The Omicron variant of the SARS-CoV-2 virus, the supply difficulties, the upsurge of inflation and the high uncertainty have made the recovery from the severe crisis caused by the Covid-19 pandemic slower than that expected by the IMF in October 2021. The IMF explained that the downward revision for 2022 was primarily due to the gloomier outlook for the USA and China, in addition to the less positive scenario forecast for Germany.

Gross Domestic Product (GDP)



Source: Thomson Reuters, Banco Montepio and IMF.

In view of the new macroeconomic context arising from the geopolitical risk caused by the war in Ukraine, the outlook is of a downward revision of global economic growth, with Banco de Portugal's economic bulletin of March 2022 indicating a growth rate of 4.1% (0.3% less than previous forecasts), reflecting a greater penalisation of Russia, followed by the Eurozone and less impact for the USA.

Economy of the Eurozone

Economic activity in the region started in 2021 constrained by the lockdown implemented at the beginning of the year, having contracted slightly in the first quarter of 2021 and recorded a new technical recession, but subsequently returned to growth, with the region's quarterly gross domestic product (GDP) in the fourth quarter of 2021, finally recovering the losses of the pandemic and reaching new historical peaks. The annual average growth of the Eurozone in 2021 was 5.2%, after the strong contraction of 6.5% in 2020, with an expansion of around 3.5% forecast for 2022. This figure was recently revised downward following the outbreak of the war in Ukraine, but with these forecasts remaining clouded in uncertainty primarily due to the evolution of the pandemic and geopolitical situation.

Throughout 2021, the European Central Bank (ECB) maintained its rather expansionary monetary policy, which had been intensified in 2020, aimed at mitigating the impact of the Covid-19 pandemic on the economy, but that tended towards the end of the year to begin to prepare for the drawing closer to the time for the gradual withdrawal of monetary stimuli – in a context of high inflation [annual average of 2.6% in 2021, in strong acceleration compared to the 0.3% in 2020, with year-on-year inflation reaching 5.0% in December 2021 (and rising again in January of this year, to 5.1%, reaching maximum levels since June 1992), having a significant contribution from energy prices] –, with the first moment of this gradual withdrawal of stimuli taking place at the end of March 2022, with the end of the asset purchase program due to the pandemic emergency (pandemic emergency purchase program – PEPP).

Portuguese Economy

Portuguese GDP grew by 4.9% in 2021, thus attaining levels above the majority of the estimates, reflecting growth higher than that expected in the last quarter of the year, but especially an upward revision of the data since the beginning of the year. This was the highest growth recorded since 1990, but that takes place after the historical contraction of 8.4% in 2020 (worse than the accumulated recession during the intervention of the Troika), following the markedly adverse effects of the Covid-19 pandemic on economic activity.

This return to economic growth in 2021 was accompanied by a reduction of unemployment rates (from 7.0% in 2020 to 6.6% in 2021), an exacerbation of the inflation rate (measured by the harmonised index of consumer prices (HICP), from -0.1% in 2020 to 0.9% in 2021), albeit much less intense than that observed in most of the Eurozone countries, some public finance relief (reduction of the budget deficit and public debt ratio), although also by an aggravation of the current balance deficit, with Households' savings rate starting to fall, after the marked rise observed in 2020, at that time strongly influenced by the decline of consumption arising from the pandemic context.

The Portuguese economy should remain on its path of recovery during 2022, with real GDP growth being estimated at 4.9%, according to the most recent projections of Banco de Portugal dated March 2022 in a context in which the war in Ukraine brings in high uncertainty, with strong risks concerning the evolution of the price of oil, the effects on inflation and indirect impacts (e.g., on wages) of the rise of commodity prices and the duration of the war. Economic growth in 2022 will continue to benefit from the implementation of the Recovery and Resilience Plan (PRR) and the maintenance of as the still favourable financial conditions. According to the most recent economic bulletin published, the growth of private consumption will continue to be sustained by the increase of disposable income, while exports should continue to benefit from the international flows associated with tourism, assuming limited effects of the conflict in Ukraine, with exports of services having increased from 38.5% in 2022 – surpassing the pre-pandemic value during the first half of the year.

The developments of the pandemic, the rise of inflation and the international political situation comprise significant risks that accentuate the uncertainty hanging over economic evolution.

Other economies

In Angola, GDP greatly intensified its downward rate in 2020, to 5.5% (-0.7% in 2019), essentially reflecting the impact of the economic crisis caused by Covid-19, with the IMF estimating a slight rise in 2021, of 0.1% and an acceleration in 2022, to 2.9%. For Cape Verde, and also reflecting the impact of the pandemic, after the strong decline of 14.8% estimated for 2020, the IMF forecast growth of 4.0% in 2021, followed by an acceleration to 6.5% in 2022.

FINANCIAL MARKETS

In 2021, there was a widespread maintenance of the trajectory of recovery of the confidence of the markets started in 2020, after the notoriously adverse performance observed in the first months of 2020 – greatly affected by the initial effect of the pandemic –, with asset prices reflecting, during most of the year, the low interest rates, the economic recovery experienced and forecast, the recovery of Company profits and the outlook and actual development of the process of vaccination against Covid-19.

This recovery even extended to the shares of the European banking sector, that followed the economic turnaround initiated in American markets actually in 2020, benefiting from the growing prospects of more moderate impacts of the pandemic on impairments, the stronger likelihood of the rise of the reference rates of the main central banks and the efficiency gains achieved.

Nevertheless, the year of 2021 continued to be marked by the uncertainty around the evolution of the pandemic and the impacts (economic and financial) of the variants that progressively emerged (such as Delta and Omicron), in a context of rising prices (of most commodities and especially energy) and the expectations of inflation at a global scale, thus increasing the uncertainty around economic growth and monetary policy decisions and, more towards the end of the year, causing an increase of the expectations of the implementation of the gradual process of relief of monetary stimuli, at a rate faster than previously expected (and faster in the USA than in the Eurozone).

The main **stock indices** of the USA recorded strong annual returns, for the third consecutive year, driven by the budgetary and monetary stimuli, with the S&P 500 (+26.9% in 2021) recording the best performance in three years consecutively since 1999. In Europe, the Stoxx 600, that aggregates the largest European Companies, closed the year of 2021 up 22.3% and the Portuguese PSI-20 appreciated by 13.7%, in what was the best annual performance since 2017. The MSCI global index appreciated by 16.8%, closing the year close to the historical maximum levels recorded on 16/11/2021.

Reference public debt yields increased in **Germany** in the short-term (2 years) and in the long-term (10 years), but more intensely in the latter case (+39 b.p., to -0.177%), having also increased in the USA in an even more pronounced manner (at 10 years, +60 b.p. to 1.510%).

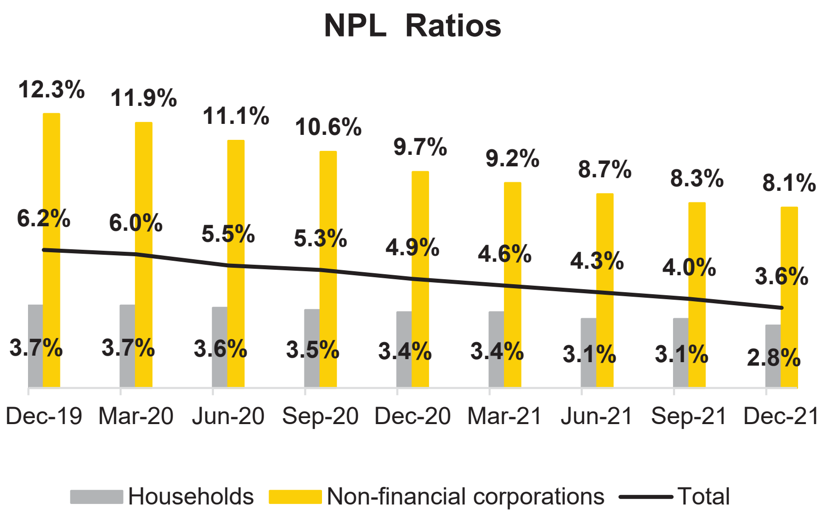
Credit spreads showed slightly favourable movements in indices of Credit Default Swaps (CDS) in investment grade, in a context of upward movements in the **spreads of the peripheral countries of the Eurozone**, with Greece standing out on the negative side (+32 b.p., with a spread of 152 b.p.) and Portugal on the positive side, with less worsening (+4 b.p., to 64 b.p.), with this evolution primarily arising from the expectations on public debt purchases in 2022 by the ECB.

Euribor rates showed slight declines (-3 b.p. at 3 months, -2 b.p. at 6 months and -0.2 b.p. at 12 months), closing the year close to historical minimum levels at all maturities (at 3 months observed on 10 December, at 6 months on 9 December, and at 12 months on 2 February 2021).

It should also be noted that the general indices of **commodities** recorded strong increases, with the composite CRB Index rising by 38.5% and the GSCI by 37.1%, underpinned by the classes of energy (class with greatest weight in the index and that showed the strongest rise, of 53.6%, in a context of Brent and WTI price increases above 50%), base metals, agricultural and livestock, being only penalised by precious metals.

FINANCIAL SYSTEM

The year of 2021 was one of recovery of the earnings of the Portuguese financial system, essentially due to the expansion of mortgage loans, the constitution of lower impairments, the increased efficiency, fees and commissions, and the results of financial operations.



Source: Banco de Portugal

The non-performing loan (NPL) ratio continued on its downward trend and of convergence with the European average, having reached 3.6% at the end of 2021, corresponding to a reduction of 1.3 p.p. in relation to the end of 2020.

Despite the pandemic sparked in 2020, the process of reduction of non-performing loans in the Portuguese banking system maintained its trajectory, as the factors contributing to a possible rise of the numerator were, at least for the time being, mitigated by measures such as the public and private moratoria.

The stock of NPL fell by 2,384 million euros in 2021, reflected in a reduction of 16.5% in relation to the end of 2020, having benefited from the effect of the sale of non-performing loan portfolios.

In sectoral terms, the NPL ratio of non-financial Corporations (NFC) reached 8.1%, corresponding to an improvement of 1.6 p.p. in relation to the value at the end of 2020, while the NPL ratio of households fell by 0.6 p.p., having reached 2.8%.

The year of 2021 was also marked by the beginning of the withdrawal of various temporary measures of prudential nature, decided in 2020, namely, the end of the special treatment of loans under moratoria and the restoration of the minimum level of 100% for the liquidity coverage (LCR) ratio, as well as the return of the

Supervisory Review and Evaluation Process (SREP), that had been simplified in 2020 due, among other factors, to the operational challenges brought in by the pandemic.

In the context of the current pandemic crisis, the regulators also announced temporary relief measures concerning bank capital requirements (in March 2020), which were reflected in the possibility of institutions being able to temporarily operate with capital levels below the recommendation of own funds and the combined reserve of own funds, which was expected to have ended in 2023.

MAIN RISKS AND UNCERTAINTIES FOR 2022

In the World Economic Outlook dated 25 January 2022, the IMF considered that the risks for the outlooks on growth are moving in a downward direction, due to the appearance of new Covid-19 variants that could lead to a prolonging of the pandemic and new economic disruptions, with potential impacts on financial and banking systems, arguing that worldwide access to vaccines, tests and treatment are essential to lower the risk of new variants. The IMF also stressed that disruptions to supply chains, energy price volatility and localised wage pressures lead to uncertainty about inflation, added to risks concerning financial stability and capital flows, currencies and budget situations of emerging and developing countries with a possible rise of interest rates in advanced economies. The IMF also warned of other global risks possibly materialising due to the geopolitical tensions (e.g., in Eastern Europe and Asia) and the climate emergency.

The Portuguese economy should continue to be constrained by the pandemic and by the problems in global supply chains, following the increased domestic and international political risks and the risk of stronger disruptions in financial markets.

The outlook on inflation in the country is also surrounded by upward risks, especially arising from the possibility of a greater transmission of the increases of commodity and intermediary product prices to consumer prices. The recent rise of inflation, alongside the difficulties of recruitment in some sectors, may be reflected in stronger pressures on wages than those considered in the current forecasts. A possible increase of the inflation rate and interest rates could also reverse the performance of equity markets. These price corrections may be further exacerbated by the excessive leveraging of some investors, that could be forced to sell positions.

The expected beginning of the normalisation of monetary policy, the inflationary pressures, the phasing out of public support to Families and Companies, and the end of the moratoria will pose particularly significant challenges in 2022, as there may be a deterioration of the financial situation of Families and States, and an increase of insolvencies in some activity sectors.

Regarding the banking system, the European Central Bank (ECB) highlighted that the favourable evolution of the sector’s NPL ratio in 2021, mainly via stock reduction, could be changed with the impacts of the pandemic, that may not yet have been entirely felt, whose magnitude will primarily depend on the quality of the economic recovery.

The interruption of this recovery of NPL may be forced due to the emergence of new variants or a possible sharp increase of interest rates, namely in the segments where debt service ratios and loan-to-value (LTV) ratios are highest, which could lead to an inversion of the trajectory of impairments in 2022.

The scenario of rising interest rates could also bring in additional risks such as the devaluation of public debt securities on bank balance sheets, when recorded at fair value, especially those whose issuers show a less favourable credit rating, contributing to the materialisation of the risk of devaluation of real estate assets in some markets whose price increases were more underpinned by taking out loans, and could also contribute to increased credit risk. These factors could, however, be partly offset by the greater ease of generating net interest income.

Special reference should also be made of risks related to environmental, social and governance (ESG) factors, in particular the challenges posed by the application of the new European regulations in this area, as well as the risk of cyber-attacks. The geopolitical instability in some zones of the world, namely in Eastern Europe, could affect the banking system, both via the deterioration of direct exposures to those geographies and through changes in monetary policy. The end of capital requirements flexibility, at the beginning of 2023, which had been endorsed to mitigate impacts of the pandemic on the banking system, could pose further challenges to banks, despite the sector's solidity, demonstrated in 2020 and 2021.

IMPACT OF THE WAR IN UKRAINE ON THE MAIN MACROECONOMIC VARIABLES

The developments since Russia's invasion of Ukraine, on 24 February, that triggered the application of economic sanctions to Russia by the West and an upswing in commodity prices, have inevitably implied a change in the outlooks on growth of the activity and of prices in most economies, albeit to different extents.

Consequently, there has been a downward revision of the central scenario of world economic growth in 2022, with the forecast real growth rate of the aggregate composed of the G4 (USA, Eurozone, United Kingdom and Japan) and BRIC (Brazil, Russia, India and China) decreasing from 4.8% to 4.0% (+6.3% in 2021).

This downward revision of growth in 2022 naturally affects the Russian economy most intensely (-9.4 p.p., to -6.5%), followed, but at a major distance, by the Eurozone economies (-0.7 p.p., to +3.5%), United Kingdom (-0.6 p.p., to +4.0%) and other geographies further away from the centre of the conflict and less dependent on Russian oil and gas (among which the USA, by 0.3 p.p., to +3.7%, Japan, by 0.3 p.p., to +2.5%, and China, also by 0.3 p.p., to +5.1%).

In the case of the Portuguese economy, the ongoing war in Eastern Europe has led to a downward revision of GDP growth in 2022, from the previous 5.5% to a range from +4.5% to +5.3%, a revision (of -0.6 p.p. in relation to the midpoint of the range) which is only slightly less than that expected for the Eurozone (-0.7 p.p.), but with downward risks.

The impact of the conflict on economic activity should be experienced via net exports, reflecting the slowdown of Portugal's main economic partners which are primarily European, as well as via investment and private consumption, with enhanced uncertainty and the increased price of energy and other commodities affecting investment and consumption decisions.

The effects on private consumption may, however, be dampened by the savings accumulated in 2020 and 2021 (when the use of this surplus saving was not previously considered).

The impact of the war on commodity prices, especially of oil and natural gas, led to an upward revision of the inflation rate for 2022, from 2.4% to a range from +3.9% to +4.9%, with the upper threshold of this forecast being based on oil prices around USD 140 throughout the year. It should be stressed that the uncertainty is very high; therefore, the outlooks remain clouded in risks and under permanent revision, and will naturally be greatly influenced by the duration and consequences of the war and by the political economy reactions.

IMPACT OF THE WAR IN UKRAINE ON THE PORTUGUESE FINANCIAL SYSTEM

The situation created by the invasion of Ukraine has direct and indirect implications on the banking system. The direct effects include, in particular, the impact on the deterioration of the direct exposures to these geographies or to others that are interconnected with them, further enhanced by the international sanctions, that should also increase operational risk.

Indirectly, a conflict of this nature will tend to adversely affect the generation of earnings by banks via lower activity arising from the stronger uncertainty and the increased credit risk, with potential consequences on impairments.

The impact on net interest income will depend on market expectations about the future evolution of interest rates and ECB decisions on monetary policy, in which the favourable effect derived from the refixing of loan portfolios indexed to Euribor rates may be countered by the negative consequences on default levels and, accordingly, on credit impairment.

At the onset of this scenario, the markets had expected a postponement of the phased withdrawal of the monetary policy stimuli implemented by the ECB to overcome the pandemic crisis.

However, the decisions taken at the ECB meeting held on 10 March 2022 led to changes of this viewpoint, with a greater likelihood now being expected of the endorsement of a less accommodative monetary policy due to the impact of the military conflict on energy prices and consequently on inflation.

Moreover, the exposure to the economies most strongly affected by the war by various systemically important banking entities may bring in some disruptions to financial stability, in addition to the heavy uncertainty about the magnitude of these exposures and the interconnections with other financial entities.

Nevertheless, the information that is currently available indicates that the Portuguese banking sector's direct exposure is limited, as is the weight of trade relations with Russia and Ukraine, and the Portuguese banking sector has a solid solvency and liquidity position.

The Banco Montepio Group's exposure to the set of 23 Member States of the United Nations (UN) that are part of the Eastern Europe Regional Group, which includes Russia and Ukraine, corresponding to the loan portfolio, is residual, amounting to 0.5 million euros (0.0023% of the Group's total assets). The exposure to Russia and Ukraine, based on the same criterion, is only 0.04 million euros and 0.002 million euros, respectively, as at 31 December 2021.

INFORMATION ABOUT COVID-19 AND OUTLOOK

On 11 March 2020, the World Health Organisation qualified the public health emergency caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) (commonly referred to as Covid-19), which led to the declaration of a state of emergency in Portugal, through President of the Republic decree 14-A/2020 of 18 March. The first state of emergency was enforced in Portugal up to 2 May 2020, succeeded by situations of calamity, alert and contingency which gave way to successive renewals of the state of emergency, and have required the adaptation of economic and social activity to the new health reality.

A series of exceptional and extraordinary measures of support to the population and the economy were approved, with the financial sector being responsible, in particular, due to its financing function, for an essential participation in the joint effort between authorities and economic agents.

Accordingly, simultaneously with the adjustment of their operations in order to successfully deal with the pandemic crisis, the banks were present in supporting Families and Companies, especially through the granting of moratoria and State guarantees.

The response of Banco Montepio

With a legacy of 177 years at the service of Families, Companies and Third Sector Entities, Banco Montepio, a private banking institution, 100% held by national capital, has never resorted to public funds and has a specific department that develops activity in the Social Economy area whose goal is to be increasingly closer to Families and Companies.

In this sphere, on the day that the confinement regime was decreed, Banco Montepio launched the "Conta Acordo" (Agreement Account), a treasury support line for Social Economy Entities in the Covid-19 context, through which it has already supported more than 200 entities. At a time when voluntary work was essential, Banco Montepio once again acted and immediately provided the "Seguro Voluntários Por Todos" (Volunteers For Everyone Insurance), for Private Social Solidarity Institutions, aimed at safeguarding and protecting everyone who was in the front line of the fight against the pandemic.

In a joint initiative with the Associação Portuguesa de Bancos – APB (Portuguese Banking Association), Banco Montepio contributed 230 thousand euros in 2020 for the acquisition of 100 ventilators and 100 monitors, donated to the Sistema Nacional de Saúde (National Health System), to strengthen the resources available to health professionals.

In view of the situation confronting the country in March 2020, and even before the provision of the protocolled lines, Banco Montepio provided a series of emergency support solutions for Families like the doubling of the ceiling of the salary account, a higher credit card limit for Individual Customers and a short-term line for Companies, with maturity up to six months.

At the same time, Banco Montepio's teams worked incessantly to ensure that on the first business day after the decree of confinement, all its Customers were offered an innovative and entirely digital solution that would enable, in a secure form and without requiring travel, a subscription to the credit moratorium in just four steps: application for the moratorium; sending of documents; electronic signature; and automatic activation of the moratorium.

In the context of Covid-19 and under the special assistance scheme offered to Families and Companies, as at 31 December 2021, the Banco Montepio Group, honouring its social commitment, granted 32.9 thousand moratoria amounting to 2.7 billion euros at the end of 2021.

The moratoria under the special assistance scheme offered to Families and Companies in the context of the Covid-19 pandemic ended on 31 December 2021. The great majority had already terminated at the end of September, with a reduction of non-performing exposures (NPE) of 21 million euros (-6.1%) in the portfolio of contracts covered by the moratoria having been recorded from that date up to the end of 2021. The contracts concluded with Customers covered by moratoria, in order to appraise any increased credit risk and present proposals to prevent the entry into default of loan contracts, were fruitful. The great majority of the Customers resumed their debt repayment plan as established on the date of subscribing to the moratorium, and the credit risk of the portfolio that was covered by the moratoria decreased significantly, with 1,047 million euros having been recorded as at 31 December 2021 at stage 2, alongside a reduction of 1,023 million euros in relation to the value recorded at the end of 2020, representing 39% of the total loan contracts that were subject to moratoria, in comparison to 64% at the end of 2020. At the end of 2021, the total contracts that were subject to moratoria that terminated by the end of the year amounted to 2,697 million euros, and 88% were in a regular situation (stage 1 and stage 2).

Support to the Portuguese business fabric is firmly rooted at Banco Montepio. New protocolled lines specifically for Companies have been subscribed since the onset of the pandemic. As at 31 December 2021, the Bank has supported national Companies with a total contracted amount of 430 million euros, of which 390 million euros were used.

Banco Montepio maintains the goal of strengthening its presence in the Corporate segment, providing State-backed credit lines to meet the economic challenges and constraints faced by Portuguese Companies that operate in the sectors most affected by the impacts of the Covid-19 pandemic.

Furthermore, Banco Montepio granted an extension of the grace period, maximum of up to 9 months, for loan operations that benefit from guarantees granted by Mutual Guarantee Societies or by the Mutual Counter-Guarantee Fund, contracted between 27 March 2020 and 22 March 2021.

Likewise, Banco Montepio continued the strategy of boosting the Credit Lines under Protocols concluded with the European Investment Bank (EIB) and the European Investment Fund (EIF), especially the “Linha de Crédito BEI Titularização Sintética” (Synthetic Securitisation EIB Credit Line) and the “Linha de Crédito FEI Uncapped” (Uncapped EIF Credit Line).

A new Protocol was signed with the EIB, which will enable granting loans, to a total value of 150 million euros, to Midcaps and Large Companies, with a guarantee of 65%.

Since the start-up of the Government's Economic and Social Stabilisation Programme and the Protocolled Lines, Banco Montepio had funded more than 65 million euros in the specific Protocolled Line for the Social Sector. Complementing this, throughout 2021, Banco Montepio also focused strongly on the “Linha de Crédito +Impacto Social” (+Social Impact Credit Line), by providing financing of more than 55 million of euros to projects that significantly contribute to expand the network of facilities, increase quality and incorporate innovation and sustainability in the social responses of Entities of the Social and Solidarity Economy.

Banco Montepio is proud to have been in the front line in supporting all the Portuguese, whether through digital channels or through its branch network, having always kept at least one branch open in all the municipalities in which it operates. This initiative was only possible thanks to the dedication, commitment and resilience of the institution’s Employees who were incessantly on the side of all Banco Montepio Customers.

Throughout 2021, Banco Montepio, in order to mitigate the negative economic effects generated by the Covid-19 pandemic, continued to support national Companies by providing credit lines with mutual guarantee.

Impacts of Covid-19

Banco Montepio's activity has been transversally marked by the impact caused by the Covid-19 pandemic with effects that were experienced at the end of the first quarter of 2020 in the financial markets and subsequently materialised in the real economy, with historical declines in economic activity, in particular via the lockdown periods.

In fact, in 2020, Banco Montepio recorded 185.1 million euros of credit impairment, of which 77.5 million euros were caused by the Covid-19 pandemic as a result of the increased credit risk and the need to strengthen individual cases. This fact partly contributed to the negative net income of 80.7 million euros in 2020, a period that experienced the greatest impact of the Covid-19 pandemic.

In 2021, Banco Montepio was able to reverse that trend and recorded a consolidated net income of 6.6 million euros, corresponding to an increase of 87.3 million euros in relation to the value recorded in 2020. This favourable evolution was underpinned by the increased net interest income and fees and commissions, the reduction of operating costs and the lower allocations for impairments and provisions, especially for those related to credit risk, which amounted to 54.3 million euros (-130.8 million euros in 2020), having led to a cost of risk of 0.4% (1.5% in 2020).

Despite the favourable evolution observed in 2021, the recorded results also reflect the reduction of the activity levels of economic agents, both of Families and Companies, and the lower transaction levels arising from the pandemic, the effect of the moratoria on the origination of new loans, and the Customer support measures implemented by Banco Montepio.

References is made to the direct impacts derived from Covid-19 related to:

- The granting of credit moratoria of the value of 2.7 billion euros 2021 (22.1% of the gross loan portfolio), with suspension of payments and consequent impact on liquidity via lower repayment of loan instalments.
- As at 31 December 2021, the Banco Montepio Group granted 32,908 moratoria (38,229 moratoria in 2020), of the value of 1.2 billion euros to Families (1.3 billion euros in 2020) and 1.5 billion euros to Companies (1.9 billion euros in 2020).
- The significant reduction of transaction levels, following the second lockdown in early 2021 and the imposed legislative measures, which included the moratoria that terminated at the end of the year, with impact on total operating income via lower fees and commissions charged.
- The allocation of costs and investments, of over 2 million euros, to ensure the safety of the Employees and Customers and the adaptation of workplaces to telework arrangements, engaging more than 1,400 Employees, involving the reinforcement of cleaning services, the purchase of personal protection kits and information technology (IT) investment.

In this context, Banco Montepio activated the Crisis Management Office, ensuring business continuity, and established a series of operational adjustment measures right in the first half of 2020 with a view to improving operating efficiency and profitability in a sustained manner. This Office and the Executive Committee continue to closely monitor the evolution of the country’s epidemiological situation, fully endeavouring with all necessary means to adapt the internal measures, always with a view to protecting the Employees and Customers, and ensuring business continuity.

Outlook

Although the pandemic crisis constrained the activity in early 2022, the reduction of its severity enables a significant relief of the measures constraining the business, and it is expected that the world economy will continue to recover, albeit at a less accentuated rate than in 2021.

The expected slowdown of economic growth can be explained, on the one hand, by the baseline effect of 2020 (very heavy decline of GDP) and, on the other hand, by the change of monetary policy as a result of the growing inflationary pressures. The slowdown of economic activity (or even its possible reduction), associated with inflationary pressures via a supply shock, will influence the situation of Portuguese Families.

The impact of the rise of interest rates on the financial costs of Families and Companies, associated with an economic recovery below that expected, may generate some pressure on default levels, added to the implications of the war in Ukraine referred to above.

In view of the changing circumstances and the challenges facing Banco Montepio, the banking sector and the Portuguese economy, the Board of Directors had reappraised the goals and measures foreseen in the Transformation Plan designed in 2018, and adopted a multidimensional and multiannual adjustment programme, based on four key strategic pillars – updating of the business model, operational adjustment, preservation of capital, and simplification of the Group.

- The updating **of the business model** is focused on **strengthening the banking services** directed at the Customer and on **improving the relations of proximity in a more comprehensive mix of channels** , on **strengthening the financing to the economy, supporting** the financial needs of **Families** and **SME** (in which the protocolled credit lines are highlighted), and the **development of the distribution capacity and complementary margin**, in order to recover the profitability of Banco Montepio's domestic operation.
- The **operational adjustment** was centred on **accelerating the Bank's digital transition**, by endorsing best market practices, both with respect to the Customer's experience and operational efficiency. Concerning the optimisation of the distribution channels, Banco Montepio resized its physical distribution network (having closed 39 branches in 2020 and 37 in 2021) according to their geographical coverage, profitability and market size, without placing in question the adequate coverage of the Customer base. At the same time, the Bank approved a **staff reduction** through a series of measures, including early retirement, rescissions by mutual agreement, and labour flexibility measures to accommodate new forms of working, such as part-time and remote work. For purposes of **expansion of the limit of eligibility** for social protection in unemployment, Banco Montepio was declared a “Company under restructuring” by order of the Minister of Labour, Solidarity and Social Security, as at 31 December 2020.
- Concerning the **preservation of capital**, the Bank sought to improve its capital ratios by endorsing various measures aimed at **reducing its risk-weighted assets** (RWA) through a more efficient credit and securities portfolio and **divestment of non-performing assets**.
- For the **simplification of the Group's corporate structure**, the adjustment measures are aimed at the **sale of equity holdings in the national and international market**, as well as the **modernisation and rationalisation of the Group's internal procedures**.

In this regard, reference is made to the sale of all the equity stakes in Monteiro Aranha S.A. in March 2021, of Almina Holding S.A. in June 2021, and of Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. on 30 December 2021, with continued measures being taken with a view to the deconsolidation of Finibanco Angola, S.A. At the same time, the Board of Directors of Banco Montepio decided not to promote the changes required to convert its subsidiary Banco Montepio Geral Cabo Verde into a bank with general authorisation, as this subsidiary has been in the process of voluntary dissolution and liquidation since 30 November 2021.

In line with the simplification of the activity and mode of operation of the Banco Montepio Group, the model of operation and Customer care is currently being adjusted, in particular with a view to:

- Increasing the robustness of the business model, strengthening the focus on products with higher value added for the Customer;
- Accelerating the digital transition, both in-house and on Customer relations platforms;
- Enhancing efficiency, namely through the review of internal procedures and rules;

- Adjusting the distribution model with the merger of geographically redundant branches;
- Implementing new concepts and forms of working, valorising collaboration and flexibility, and promoting greater balance between personal and professional life.

05
FINANCIAL INFORMATION

Banco Montepio

FINANCIAL INFORMATION

ACTIVITY BY SEGMENTS

RETAIL BANKING

The Retail Banking segment corresponds to the entire activity developed by the Group with Individual Customers, Sole Proprietorships, Small and Medium-sized Enterprises allocated to this segment and Microenterprises, commercially referred to as the segment of Individuals and Small Businesses, essentially originated through the branch network, electronic channels and network of promoters. The financial information of this segment covers, among other aspects, products and services, mortgage loans, personal loans, consumer credit and loans to retail Companies, sight and term deposits, and other investment of savings, retirement solution products, like "PPR" (retirement saving plans), debit and credit cards, services for management of accounts and means of payment, services for placement of investment funds and for purchase and sale of securities and custody, loans for treasury and investment purposes, commercial discount, leasing, factoring and renting, as well as the placement of insurance and non-financial services.

A list of key indicators of the Retail Banking segment is given below, in accordance with the segmental reporting of IFRS 8 and presented in the notes to the financial statements of this report.

Summary of indicators - Retail Banking (million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Income Statement					
Net interest income [1]	167.4	156.5	139.2	(17.3)	(11.0)
Net fees and commissions	102.4	94.3	98.4	4.1	4.4
Total operating income	270.1	250.9	241.0	(9.9)	(3.9)
Operating costs [2]	91.6	92.3	85.0	(7.3)	(7.9)
Operating income before impairment	178.5	158.6	156.0	(2.6)	(1.6)
Balance Sheet					
Loans to customers (gross)	8 624	8 457	8 630	173.2	2.0
Customer deposits	10 908	10 834	11 187	353.1	3.3

1) Excluding the liquidity premium and campaign neutralization.
2) Direct operating costs only.

CORPORATE AND INVESTMENT BANKING

The Corporate and Investment Banking segment (Companies and Economic Groups with turnover equal to or greater than 20 million euros) aggregates the activity provided by the Group to small, medium-sized and large companies, with booking at Banco Montepio and Banco Empresas Montepio (BEM), through the commercial structure dedicated to this segment, as well as the business with the institutional Customers, namely of the financial sector, and the activity developed in the area of Investment Banking of BEM.

The products and services offered under commercial banking include, in particular, those related to credit for treasury and investment purposes, commercial discount, guarantees provided, leasing, factoring, renting, operations abroad, such as documentary credit, cheques and remittances, payment and receipt services, cards and custody services.

The Corporate and Investment Banking segment includes the Commercial Banking component that operates, under the Group's cross-selling strategy, as a distribution channel for products and services of other Companies of the Group, as well as the Investment Banking business, with activity in the areas of Corporate Finance, Capital Market, Distribution of Debt and Equity, Structured Loans, Financial Advice, Business Studies and Information.

A list of key indicators of the Corporate and Investment Banking segment is given below, reflecting the integrated activity developed with Companies monitored by Banco Empresas Montepio, in accordance with the segmental reporting indicated in IFRS 8 and presented in the notes to the financial statements of this report.

The indicators expressed in the table reflect an improvement of the level of operating income achieved in relation to 2020, in a particularly difficult year for Companies. The reduction observed in the value of gross loans falls under the strategy of improving the efficiency of the use of the available capital, especially by promoting initiatives of external placement of existing operations on the balance sheet.

With a view to improving the risk profile, there was a strategic reorientation focused on the contracting of new loan operations with good risk levels of the borrowers, alongside operations with lower capital consumption, namely with national and supranational guarantees, aimed at maximising the profitability of the allocated capital. However, the new operations were also directed at progressively giving the securitised loan operations (namely debenture loans and commercial paper) their true vocation of market instruments placed with institutional investors.

These guidelines, alongside the reduction of the maintenance of a high level of fees and commissions for services rendered and the reduction of operating costs, led to the aforesaid significant increase of operating income (+10%), which stood at approximately 47 million euros.

Summary of indicators - Corporate and Investment Banking (million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Income Statement					
Net interest income [1]	41.8	41.1	43.2	2.1	5.1
Net fees and commissions	10.8	12.4	12.0	(0.4)	(3.6)
Total operating income	51.3	51.1	54.9	3.8	7.4
Operating costs [2]	5.9	8.8	8.2	(0.6)	(6.8)
Operating income before impairment	45.4	42.3	46.7	4.4	10.4
Balance Sheet					
Loans to customers (gross)	1 748	1 919	1 794	(125.8)	(6.6)
Customer deposits	306	294	299	5.0	1.7

1) Excluding the liquidity premium and campaign neutralization.

2) Direct operating costs only.

All other segments, namely comprising specialised credit and asset management (in this case, reflecting the activity of Montepio Valor, presented in the financial statements under Discontinued operations), are analysed individually herein, for each Subsidiary in the "Subsidiary Companies" section of this report.

In Angola, the Group is represented by a locally based financial institution that offers an extensive range of financial products and services to Individuals and Companies. In Cape Verde, Banco Montepio pursued, jointly with Banco de Cabo Verde, the necessary process of authorisation for the pursuit of the decision on the voluntary dissolution and consequent liquidation of Banco Montepio Geral Cabo Verde, which is expected to be completed during 2022. The international activity is analysed in the "International activity" section of this report.

SOCIAL ECONOMY

The Social Economy segment reinforces Banco Montepio's role as a reference agent in the market and with the different Stakeholders, innately incorporating the Environmental, Social and Governance (ESG) principles in the social component. In terms of organisation of the commercial activity developed, this area also promotes the business related to Public Sector entities.

The key indicators of this segment are presented in the table below.

Summary of indicators - Social Economy (million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Income Statement					
Net interest income [1)]	3.1	4.0	3.6	(0.4)	(11.0)
Net fees and commissions	1.1	1.8	1.5	(0.3)	(13.4)
Total operating income	4.2	5.7	5.1	(0.6)	(11.2)
Operating costs [2)]	2.7	3.0	3.3	0.3	9.6
Operating income before impairment	1.5	2.7	1.8	(0.9)	(33.9)
Balance Sheet					
Loans to customers (gross)	134	187	227	40.4	21.7
Customer deposits	605	879	752	(126.5)	(14.4)

1) Excluding the liquidity premium and campaign neutralization.

2) Direct operating costs only.

SUBSIDIARIES AND INTERNATIONAL ACTIVITY

SUBSIDIARIES

Montepio Investimento, S.A. – Banco de Empresas Montepio

Montepio Investimento, S.A., a bank 100% controlled by Banco Montepio, through Montepio Holding, SGPS, S.A., adopted the trade name of Banco de Empresas Montepio (BEM) on 4 June 2019, henceforth developing Commercial Banking and Investment Banking activities in an integrated and multidisciplinary manner, aimed at placing a complete, integrated and global offer of services on the market.

Underlying the creation of BEM was the contribution that the new model would bring as an incremental business to the Banco Montepio Group. The launch of Banco de Empresas Montepio was accompanied by the creation of the Corporate Banking Department (DBE), with the mission of managing commercial relations with the Companies and Institutional segments (excluding financial sector entities) with an annual turnover equal to or greater than 20 million euros, an area particularly well suited to the development of the activity of BEM, whose business is domiciled in the two entities according to the established specialisation[3].

The Corporate Banking area supports its Customers throughout all the stages of their business cycle, with specific solutions for every need, namely in areas related to international trade, factoring and treasury management. The Investment Banking area - which incorporates the areas of Corporate Finance, Capital Market, Advisory Services, Financial Structuring, and Debt and Equity Distribution - supports restructuring, capitalisation and enhancement of the robustness of Companies, thus contributing to investment and sustainable growth of the Portuguese private sector. For such, BEM has a team of specialised professionals working side by side in permanent coordination, to assure that the Customers receive an overall and personalised service.

In 2021, BEM pursued its action driven by the goal of expanding the Banco Montepio Group's offer of products and services directed to the Corporate segment, especially the SME and middle market segments, and continuing to support their needs emerging in the context of the Covid-19 pandemic. BEM has 7 Corporate Centres, distributed throughout the country, where dedicated managers receive their Customers, identify their needs, present value propositions while cultivating relations of proximity.

As at 31 December 2021, the Net assets of BEM stood at 437.7 million euros, having decreased by 15.3 million euros (-3.4%) in relation to the value recorded at the end of 2020, which, despite the growth of loans granted under its support to the Portuguese business structure (+23.7 million euros), primarily reflects the

[3] The balance sheet of BEM records the medium and long-term financing, as well as credit securitised by financial instruments, while the balance sheet of Banco Montepio records the remaining operations carried out with the Company customers of BEM.

reductions of Cash and deposits at other credit institutions (-28.7 million euros) and the Securities portfolio (-8.2 million euros).

Net loans to customers amounted to 340.8 million euros as at 31 December 2021, compared to 317.1 million euros recorded at the end of the previous year, showing an increase of 23.7 million euros (+7.5%), driven by the performance of the business, namely the favourable evolution of the headings of Loans and Securitised credit (Bonds and Commercial paper). As mentioned in the review of the Corporate and Investment Banking area, the more moderate evolution of the volume of loans granted also arises from the option to make greater use of the securitised loans (debenture loans and commercial paper) in a market perspective, through their partial placement in institutional investors.

As at 31 December 2021, Equity (180.8 million euros) and Resources of other credit institutions (241.7 million euros) constituted the main source of asset funding, representing 96.5% of Total assets, compared to 97.1% at the end of 2020.

In the business model adopted for the Corporate and Investment Banking area, BEM monitors Companies integrated in Economic Groups with turnover equal to or greater than 20 million euros in all aspects of the relationship, where the transactionality of these Companies (deposits, current accounts, cards, automatic payment terminals at point of sale, among other operations) is assured by Banco Montepio, through the same commercial agents (belonging to the two banks), enabling synergies and cost rationalisation not only in this area, but also in a transversal form in the respective organisational structures.

In 2020, a period that marked the first full year of activity of BEM under its new business model, which incorporates the areas of Corporate and Investment Banking, and also in 2021, the evolution of the operational component was blemished by the economic and pandemic crisis experienced worldwide. Nevertheless, there was an increase in the level of revenue, alongside the necessary increase of operating costs arising from the allocation of resources to the growth of activity.

Total operating income stood at 8.7 million euros, representing an increase of 4.4 million euros (+102.8%) compared to the value recorded in 2020, having essentially benefited from the favourable performance of Net interest income (+1.8 million euros), underpinned by the growth of the portfolio of Loans to customers, Net fees and commissions (+1.0 million euros) and the Net gains/(losses) arising from the sale of other financial assets (+0.6 million euros). There was also the favourable contribution of the Results from financial operations that reached 0.3 million euros, compared to -1.6 million euros in 2020 (+1.9 million euros), but still penalised by the evolution of the value of the investment fund units of Corporate Restructuring Funds recorded on the balance sheet of BEM inherited from the previous activity of Montepio Investimento, which was reflected in losses of 1.1 million euros in 2021.

Operating costs decreased to 4.8 million euros, compared to 5.0 million euros recorded in 2020. The favourable evolution of Operating costs was driven by the reduction of General and administrative expenses (-1.1 million euros), that include expenses related to consulting services (consultants and external auditors) and personnel assignment (Banco Montepio), which more than offset the increase in Staff costs (+0.7 million euros), as a result of the remuneration of personnel allocated to the new activities, and in Depreciation and amortisation (+0.2 million euros).

Operating income before impairment and provisions reached 3.9 million euros in 2021, compared to -0.7 million euros recorded in 2020, primarily reflecting the favourable evolution of Total operating income associated with the reduction of Operating costs, demonstrating the progressive capacity to generate earnings.

Impairments and provisions stood at 0.2 million euros (3.1 million euros in 2020), reflecting the impact of the exceptional constitution of Loan impairments in 2020 and the good quality of the loan portfolio.

The key indicators of BEM are presented in the following table:

Activity and Results (million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Total assets	210.9	453.0	437.7	(15.3)	(3.4)
Loans to customers (net)	75.2	317.1	340.8	23.7	7.5
Securities portfolio [1)]	108.0	82.0	73.8	(8.2)	(10.1)
Equity	183.9	178.5	180.8	2.3	1.3
Total operating income	2.4	4.3	8.7	4.4	>100
Operating costs [2)]	2.9	5.0	4.8	(0.2)	(4.9)
Net operating income before impairment and provisions	(0.5)	(0.7)	3.9	4.6	>100

1) Includes Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets at fair value through other comprehensive income.

2) Includes Staff costs, General and administrative expenses and Depreciation and amortisation.

Montepio Crédito – Instituição Financeira de Crédito, S.A.

Montepio Crédito – Instituição Financeira de Crédito, S.A. (Montepio Crédito), 100% controlled by Banco Montepio, through Montepio Holding, SGPS, S.A., offers specialised credit in the automobile, home and services sectors, and equipment, complemented by a set of solutions for Customers that are Individuals, Companies and Institutions of the Social Economy Sector. The specialised credit segment shows one of the vertices of the strategy of the Banco Montepio Group, reflecting the focus on consumer credit.

As a result of the repositioning in terms of the Banco Montepio Group and the solid relations established with its partners, based on the experience acquired over the years, Montepio Crédito continued to offer a comprehensive range of specialised credit solutions in the following areas: Automobile, Health, Automobile Repair, Telecommunications and Furniture for the segment of Individuals; and Logistics, Water, Transport, Energy, Energy Efficiency and Industry for the segment of Companies.

Montepio Crédito has an extensive team of professionals in the networks in which it operates, in order to provide the best service and support to its Customers, through the diversity of its specialised offer in the areas of personal credit, linked credit, movable property leases and operating leases (renting). The entire team relies on the centralised support of a specialised back-office.

As at 31 December 2021, Net assets stood at 616.9 million euros, compared to 613.8 million euros recorded at the end of 2020, despite the end of the Pelican Finance No 1 securitisation operation with impacts on various Asset headings (impacts on an individual basis, with no effect at the Banco Montepio Group level), in particular Other financial assets at amortised cost (-28.2 million euros).

Loans to customers (net) amounted to 550.2 million euros as at 31 December 2021, representing an increase of 38.4 million euros (+7.5%) in relation to the value recorded at the end of 2020.

The securities portfolio stood at 55.6 million euros as at 31 December 2021, corresponding to a reduction of 31.0 million euros in relation to the value at the end of 2020, demonstrating the impact of the liquidation of the aforesaid securitisation operation occurred in March 2021.

Equity stood at 62.4 million euros, showing an increase of 5.6 million euros (+9.7%) in relation to the value of 56.8 million euros recorded at the end of 2020, primarily underpinned by the positive evolution of Net income for 2021.

Total operating income reached 21.6 million euros in 2021, representing an increase of 1.5 million euros (+7.2%) in relation to the value of 20.1 million euros recorded in 2020. This was driven by the favourable evolution of Net interest income, which increased by 1.6 million euros (+15.8%) and Net fees and commissions which grew by 0.2 million euros (+4.4%), and by the reduction of Other operating income of 0.4 million euros (-236.4%).

Operating costs amounted to 12.7 million euros in 2021, corresponding to an increase of 0.4 million euros (+3.5%) in relation to 2020. This was driven by the increased Staff costs of 0.2 million euros (+2.8%) as a result of the increased Remunerations and Mandatory social charges, by the increased General and administrative expenses of 0.2 million euros (+3.0%) and by the increased Depreciation and amortisation of 0.1 million euros (+12.9%).

Operating income before impairment and provisions reached 8.9 million euros in 2021, showing an increase of 1.0 million euros (+13.0%) in relation to the value of 7.9 million euros recorded in 2020, supported by the growth of Total operating income which more than offset the increase recorded in Operating costs.

The key indicators of Montepio Crédito are presented in the following table:

Activity and Results (million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Total assets	587.5	613.8	616.9	3.1	0.5
Loans to customers (net)	468.1	511.8	550.2	38.4	7.5
Equity	52.9	56.8	62.4	5.6	9.7
Total operating income	16.7	20.1	21.6	1.5	7.2
Operating costs 1)	11.6	12.3	12.7	0.4	3.5
Cost-to-Income	69.7%	60.9%	58.8%	(2.1 p.p.)	
Net operating income before impairment and provisions	5.0	7.9	8.9	1.0	13.0

1) Includes Staff costs, General and administrative expenses and Depreciation and amortisation.

SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.

SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. (SSAGINCENTIVE), is 100% controlled by Banco Montepio through Montepio Holding SGPS, S.A., with its corporate object being the transaction and management of real estate properties.

As at 31 December 2021, the Assets of SSAGINCENTIVE amounted to 54.9 million euros, showing a 3.3% decline in relation to the value of 56.7 million euros recorded at the end of 2020.

The heading of Inventories refers to the acquisitions made from Banco Montepio, namely related to real estate properties that were intended for sale, in particular divisions of properties stated at market value. As at 31 December 2021 the heading of Inventories amounted to 24.3 million euros, of which 10.0 million euros refer to buildings and 14.3 million euros refer to plots of land, showing a reduction of 11.8 million euros in relation to the value 36.1 million euros recorded as at 31 December 2020, as a result of the sales occurred throughout 2021.

The heading of Cash and bank deposits amounted to 30.6 million euros as at 31 December 2021, representing an increase of 10.0 million euros in relation to the value of 20.6 million euros recorded at the end of 2020, reflecting the deposits made at Banco Montepio.

As at 31 December 2021, Equity stood at 54.6 million euros, compared to 56.5 million euros recorded at the end of 2020, reflecting the unfavourable impact of Net income for 2021 which was negative by 1.9 million euros. Equity constituted the main source of Asset funding, representing 99.5% of Total assets (99.6% in 2020).

Sales and services rendered stood at 10.5 million euros in 2021, compared to 4.4 million euros stated in 2020, corresponding to the amounts derived from inventory sales, under the current business activity of SSAGINCENTIVE.

The heading of Cost of goods sold and materials consumed reached 10.1 million euros in 2021, recording an increase of 5.8 million euros in relation to 2020, and reflecting the acquisition cost of the real estate properties sold, after deduction of their impairment.

The heading of Impairment of inventories amounted to 1.7 million euros in 2021, compared to 0.2 million euros recorded in 2020 due to the increase recorded in impairments of real estate properties for trading.

The heading of Other income stood at 0.1 million euros in 2021 (0.3 million euros in 2020) and includes the refunding of tax (IMT (municipal property tax) and IS (stamp duty)) related to real estate properties sold, income obtained from real estate properties and other income.

The heading of Other costs, which includes costs related to the management, maintenance, legalisation and promotion of the sale of real estate properties, amounted to 0.6 million euros in 2021, compared to 1.4 million euros recorded in 2020.

Total operating income stood at -1.9 million euros in 2021, compared to the of value of -1.2 million euros recorded in 2020, primarily influenced by the higher level of impairment of inventories stated in the year.

The key indicators of SSAGINCENTIVE are presented in the following table:

Activity and Results (million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Total assets	58.0	56.7	54.9	(1.8)	(3.3)
Inventories	40.6	36.1	24.3	(11.8)	(32.7)
Equity	57.8	56.5	54.6	(1.9)	(3.3)
Total operating income	(2.2)	(1.2)	(1.9)	(0.7)	(51.0)

ATIVIDADE INTERNACIONAL

The Banco Montepio Group's international activity has been carried out by the subsidiaries Finibanco Angola, S.A. and Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – Em Liquidação.

Under the strategic redefinition of the international equity holdings, and with a view to refocusing the approach to the African market, Banco Montepio is continuing to take measures towards the deconsolidation of Finibanco Angola, S.A., and, considering the new legal framework of Cape Verde and having weighed up all the relevant strategic options, the Board of Directors of Banco Montepio decided not to promote the changes required to convert its subsidiary Banco Montepio Geral Cabo Verde into a bank with general authorisation.

Consequently, through a Unanimous Decision in Writing dated 30 November 2021, Banco Montepio, as sole shareholder, approved the procedural initiatives stipulated in the law for the voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde, having also approved its Dissolution Plan and approved the liquidators. Under the terms of the Dissolution Plan, the liquidators should, by 30 June 2022, draw up the final accounts accompanied by the full liquidation report and the project for sharing the remaining assets.

Finibanco Angola, S.A., 80.22% held by Banco Montepio, is a universal bank supporting Small and Medium-sized Enterprises, Individuals and Angolan foreign trade with special incidence on transactions between Portugal and Angola, which seeks to leverage its competitive advantage on the quality of its service. Under its strategy, Finibanco Angola seeks to support and finance Individual customers and Micro-enterprises, promoting viable business initiatives.

Finibanco Angola completed 13 years of activity in September 2021, having been incorporated on 4 September 2007 and having started its activity in the city of Luanda on 9 June 2008.

As at 31 December 2021, Finibanco Angola had a network of 15 agencies (Retail Banking and Small Businesses) and 5 Business centres (Corporate Banking), having closed 4 agencies in early 2021 with a view to optimising its distribution channels.

Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – Em Liquidação, 100% held by Banco Montepio, provided, up to the date of its voluntary dissolution and liquidation (30 November 2021) a comprehensive offer of specialised financial products and services for the Individuals segment with international vocation, especially directed at diversified investment and saving solutions.

The Total assets of the international activity of the Banco Montepio Group reached 228.2 million euros as at 31 December 2021, compared to 354.7 million euros recorded at the end of 2020. This evolution primarily reflects the reduction in the Total assets of Banco Montepio Geral Cabo Verde, as a result of the process of voluntary dissolution and liquidation started on 30 November 2021, and to a lesser extent, the 8.1% reduction in the Total assets of Finibanco Angola, influenced by the decrease of the securities portfolio, in particular of Angolan public debt securities on the balance sheet in relation to the values reached at the end of 2020.

In 2021, despite the process of voluntary dissolution and liquidation in course of Banco Montepio Geral Cabo Verde and the adverse evolution of the Net gains/(losses) from foreign exchange differences, the Net income of the international activity of the Banco Montepio Group reached 7.7 million euros (8.8 million euros in 2020), without considering non-controlling interests and exchange rate effects, with positive results in Angola and Cape Verde (6.4 million euros and 1.2 million euros respectively).

The key indicators of the international activity are presented in the following table:

Activity and Results (million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Total assets	368.5	354.7	228.2	(126.5)	(35.7)
Loans to customers (net)	36.2	32.3	41.8	9.5	29.6
Customer deposits	276.5	271.6	140.7	(130.9)	(48.2)
Total operating income	22.0	28.4	12.3	(16.1)	(56.8)
Operating costs	9.8	11.5	11.8	0.3	2.6
Cost-to-income	44.3%	40.4%	96.1%	55.7 p.p.	
Net income	8.5	8.8	7.7	(1.1)	(13.2)

Notes:

1) For comparative purposes the financial statements of 2019, 2020 and 2021 of Finibanco Angola were converted using the same exchange rate: AOA/EUR 629.015.

2) Since 30 November 2021, Banco Montepio Geral Cabo Verde is undergoing a process of voluntary dissolution and liquidation.

Finibanco Angola, S.A.

The Total assets of Finibanco Angola, as at 31 December 2021, stood at 218.7 million euros, compared to 238.1 million euros recorded at the end of 2020 (-8.1%). This evolution was primarily influenced by the reduction of the securities portfolio, in particular the Angolan public debt securities on the balance sheet in relation to the values recorded at the end of 2020 (-51.4%), partially offset by the increase of the portfolio of Loans to customers (+29.6%).

Loans to customers (net) increased to 41.8 million euros as at 31 December 2021, representing an increase of 29.6% in relation to the value of 32.3 million euros recorded as at 31 December 2020.

Customer deposits, as at 31 December 2021, stood at 140.7 million euros, compared to 163.2 million euros recorded as at 31 December 2020, corresponding to a reduction of 13.8%.

The aggregate of the headings of Cash and deposits at central banks and Other credit institutions (OCI) includes the balances recorded under Cash and deposits at central banks and Loans and advances to credit institutions. As at 31 December 2021 that aggregate amounted to a total of 55.0 million euros, accompanied by the reduction in Customer deposits referred to above.

In December 2021 Total operating income reached 11.8 million euros, having fallen by 15.9 million in relation to the 27.7 million euros recorded in 2020. This essentially reflected the adverse impact of the Net gains/(losses) from foreign exchange differences (-15.3 million euros), and to a lesser extent the impact of

Other operating income (-1.7 million euros), despite the increased Net interest income (+0.9 million euros) and Net fees and commissions (+0.1 million euros).

Operating costs stood at 11.3 million euros in 2021, showing an increase of 0.4 million euros in relation to the value recorded in 2020 (10.9 million euros). The increase observed in Operating costs in 2021 was driven by the increases recorded in Staff costs (+3.7%) and in General and administrative expenses (+13.9%), despite the reduction of Depreciation and amortisation (-17.2%) in relation to 2020.

As a result of the operating performance, marked by the adverse evolution of the Net gains/(losses) from foreign exchange differences, the cost-to-income ratio of the Finibanco Angola stood at 96.1% in 2021, compared to 39.4% recorded in 2020.

In 2021, despite the adverse evolution of the Net gains/(losses) from foreign exchange differences, the Net income of Finibanco Angola reached 6.4 million euros (9.5 million euros in 2020), without considering non-controlling interests and foreign exchange effects.

The key indicators of Finibanco Angola are presented in the following table:

Activity and Results (million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Total assets	221.6	238.1	218.7	(19.4)	(8.1)
Loans to customers (net)	36.2	32.3	41.8	9.5	29.6
Customer deposits	138.2	163.2	140.7	(22.5)	(13.8)
Total operating income	21.4	27.7	11.8	(15.9)	(57.5)
Operating costs	9.1	10.9	11.3	0.4	3.7
Cost-to-income	42.7%	39.4%	96.1%	56.7 p.p.	
Net income	8.3	9.5	6.4	(3.1)	(32.1)

Note: For comparative purposes the financial statements of 2019, 2020 and 2021 of Finibanco Angola were converted using the same exchange rate: AOA/EUR 629.015.

Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – Em Liquidação

As indicated above, considering the new legal framework of Cape Verde and having weighed up all the relevant strategic options, the Board of Directors of Banco Montepio decided not to promote the changes required to convert its subsidiary Banco Montepio Geral Cabo Verde into a bank with general authorisation, having decided on 30 November 2021, as sole shareholder, to approve the procedural initiatives stipulated in the law for the voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde.

In this context, the financial statements of Banco Montepio Geral Cabo Verde for 2021 were drawn up pursuant to the condition of a bank under liquidation and in conformity with the International Financial Reporting Standards ("IFRS") endorsed by the European Union ("EU") in force on that date, considering that the activity of Banco Montepio Geral Cabo Verde is included in the consolidation perimeter of Banco Montepio, its sole shareholder.

The financial statements were prepared on the assumption of non-continuity of operations.

As at 31 December 2021, the Assets of Banco Montepio Geral Cabo Verde came to a total of 9.5 million euros, and the total Deposits at other credit institutions abroad are at Banco Montepio.

In 2021, Total operating income stood at 0.5 million euros, representing a reduction of 0.2 million euros in relation to the value recorded in the same period of 2020, as a result of the decreased Net interest income, Net gains/(losses) from foreign exchange differences, Net gains/(losses) from foreign exchange revaluation and Other operating income, despite the favourable evolution of Net fees and commissions.

Operating costs stood at 0.5 million euros as at 31 December 2021, representing a reduction of 16.8% compared to the value recorded in the same period of 2020, embodied in the decreased recorded in Staff costs (-25.2%), General and administrative expenses (-12.2%) and Amortisation for the year (-34.2%).

In 2021, the Net income of Banco Montepio Geral Cabo Verde reached 1.2 million euros, compared to the value of -0.6 million euros recorded in the same period of 2020, having benefited from the reversal of impairments for credit risks related to investments in other credit institutions, following the demobilisation of the investments in credit institutions.

The key indicators of Banco Montepio Geral Cabo Verde are presented in the following table:

Activity and Results (million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Total assets	146.9	116.5	9.5	(107.0)	(91.9)
Loans and deposits to credit institutions payable on demand	1.0	1.3	9.1	7.8	>100
Customer deposits	138.3	108.5	0.0	(108.5)	-
Total operating income	0.7	0.7	0.5	(0.2)	(31.6)
Operating costs	0.6	0.6	0.5	(0.1)	(16.8)
Cost-to-income	93.9%	79.7%	96.9%	17.2 p.p.	
Net income	0.1	(0.6)	1.2	1.8	>100

Note: Since 30 November 2021, Banco Montepio Geral Cabo Verde is undergoing a process of voluntary dissolution and liquidation.

CAPITAL AND LIQUIDITY

CAPITAL

With a view to the preservation of the solvency indicators, in 2021, Banco Montepio continued to carry out a series of measures aimed at improving the ratios of own funds, namely through the reduction of risk-weighted assets (RWA), focused on deleveraging the balance sheet via divestment of non-performing or non-strategic assets, fostering the growth of the core business of granting loans in lower risk segments, and in the perspective of maximising the return on the assigned capital.

In this regard, special reference is made to the reduction of non-strategic assets accomplished in of 2021 through the sale of the equity stakes held in the companies Monteiro Aranha, S.A. (10.31% of the share capital) in March 2021, and Almina Holding, S.A. (19.0% of the share capital) in June 2021, contributing to the favourable evolution of RWA in comparison to the previous period. Additionally, at the end of the year, Banco Montepio sold a portfolio of non-performing loans ("Operação Gerês" (Gerês Operation)), with a positive impact of 3 b.p. on the capital ratios of that year, and also carried out a consumer credit securitisation operation (Pelican Finance No.2). This last measure had been included in the capital plan, and proved to be determinant for the reduction of RWA, with an overall impact on capital ratios of approximately 40 b.p.

Complementing the above, the increased loans granted with State or supranational guarantees, with lower risk and lower capital consumption, also contributed to the favourable evolution of the capital ratios.

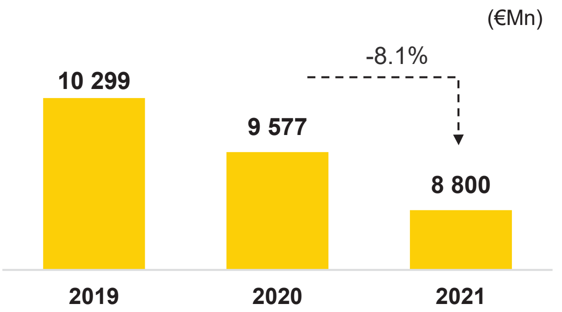
RWA recorded a reduction of 777 million euros in relation to the end of 2020, primarily driven by the reduction of non-strategic assets, achieved in the stock of non-performing loans (NPL) and real estate assets, and by the recomposition of the balance sheet that benefited from efficient risk allocation in the portfolios of loans and debt securities, despite the adverse context of Covid-19.

Total own funds increased to 1,328 million euros as at 31 December 2021, compared to 1,321 million euros as at 31 December 2020, reflecting the favourable evolution of the net income for the year, with impact on the reduction of deferred tax assets, and the actuarial deviations recorded for pension liabilities, in a context still marked by the exogenous adverse effects brought in by the Covid-19 pandemic and by the adverse effects arising from the phasing-in of IFRS 9.

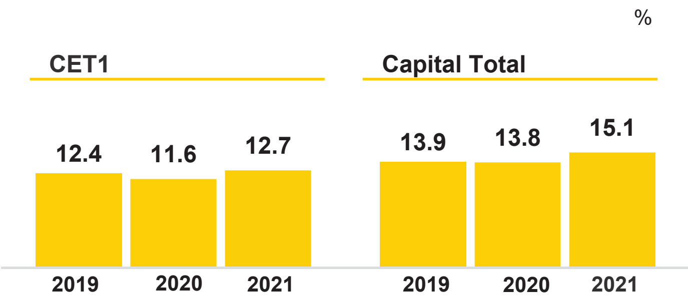
Thus, due to the successful accomplishment of the capital plan approved by the Board of Directors, as at 31 December 2021, the Common equity tier 1 (CET1) and Total capital ratios of Banco Montepio, pursuant to the phasing-in rules, stood at 12.7% and 15.1%, reflecting an increase of 110 b.p. and 130 b.p., respectively, in relation to the previous year (11.6% and 13.8% at the end of 2020).

On a fully implemented basis, an even more favourable evolution is evident in relation to the previous year, embodied in a rise of 170 b.p. of the CET1 ratio to 11.8% and 190 b.p. of the Total capital ratio to 14.2%. The differential in relation to the phasing-in ratios is currently mainly explained by the IFRS 9 component, as the phasing-in of deferred tax assets was fully recorded at the end of 2019, and they are currently only subject to the transitional prudential regime of IFRS 9. Furthermore, the Bank endorsed the prudential filter relative to the fair-value reserves of public debt, whose impact is immaterial.

Risk-weighted assets (phasing-in)



Capital ratios (phasing-in)



Note: Ratios include the accumulated net income for the period.

As at 31 December 2021, the leverage ratio stood at 5.6% (6.0% at the end of 2020) pursuant to the phasing-in rules, and at 5.1% on a fully implemented basis (5.2% in December 2020), continuing to be above the benchmark minimum defined by the Basel Committee on Banking Supervision (3%).

Pursuant to the provisions in force, as at 31 December 2021, the regulatory ratios, considering the overall capital requirements (OCR), that include the combined reserves of own funds, were 9.02%, 11.13% and 13.94% for Common equity tier 1, Tier 1 and Total capital, respectively.

However, as a consequence of the Covid-19 pandemic, and in line with the decision taken by the ECB for significant institutions, Banco de Portugal took a series of measures aimed at enhancing the flexibility of the regulatory and supervision requirements, enabling less significant credit institutions subject to its supervision to operate, temporarily, at least until the end of 2022, at a level lower than that of the combined reserve of own funds (OCR), considering that the capital reserves were designed to enable credit institutions to overcome especially adverse situations. In this way, the minimum regulatory ratios as at 31 December 2021 for Common equity tier 1, Tier 1 and Total capital were 6.328%, 8.438% and 11.25%, respectively.

As at 31 December 2021, the capital ratios reported by Banco Montepio were above the required prudential levels, in particular significantly surpassing the overall capital requirement (OCR), including the combined reserves of own funds, not only according to the phasing-in criteria but also on a fully implemented basis. Nonetheless, the Board of Directors remains committed to strengthening the capital ratios, having embarked on a series of initiatives to that end (such as the sale that has already been accomplished of the non-strategic equity stakes referred to above).

A summary of the ratios of own funds of the Banco Montepio Group for 2019, 2020 and 2021:

CAPITAL AND CAPITAL REQUIREMENTS

(million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Total own funds					
Common Equity Tier 1	1 274	1 114	1 122	8	0.7
Tier 1	1 274	1 114	1 122	8	0.7
Total Capital	1 430	1 321	1 328	7	0.6
Risk-weighted assets	**10 299**	**9 577**	**8 800**	**(777)**	**(8.1)**
Phasing-in ratios					
Common Equity Tier 1	12.4%	11.6%	12.7%	110 bp	
Tier 1	12.4%	11.6%	12.7%	110 bp	
Total Capital	13.9%	13.8%	15.1%	130 bp	
Fully implemented ratios					
Common Equity Tier 1	11.2%	10.1%	11.8%	170 bp	
Tier 1	11.2%	10.1%	11.8%	170 bp	
Total Capital	12.8%	12.3%	14.2%	190 bp	
Leverage ratios					
Phasing-In	7.0%	6.0%	5.6%	(40) bp	
Fully implemented	6.4%	5.2%	5.1%	(10) bp	

Note: The ratios include the accumulated net income for the period.

LIQUIDITY

In 2021, Banco Montepio continued to promote management measures aimed at upholding the robust liquidity position, with levels greatly above the regulatory limits in force. The management of Banco Montepio's balance sheet enabled the liquidity coverage ratio (LCR) to stand at 264.1%, having evolved favourably in relation to the ratio of 200.7% recorded as at 31 December 2020, to stand at 164.1 p.p. above the minimum regulatory requirement of 100%.

At the same time, the Bank maintains a comfortable base of stable funding, as a result of the delineated funding structure, namely using medium and long-term instruments, which enabled the net stable funding ratio (NSFR) to stand at 125.3%, representing a significant strengthening compared to the figure of 109.8% recorded as at 31 December 2020.

In this context, special reference is made to the completion of the initiative to discount loans for the effect of the Eurosystem, by Banco Montepio, which was reflected in an initial top-up of more than 500 million euros to the pool of collateral of the ECB.

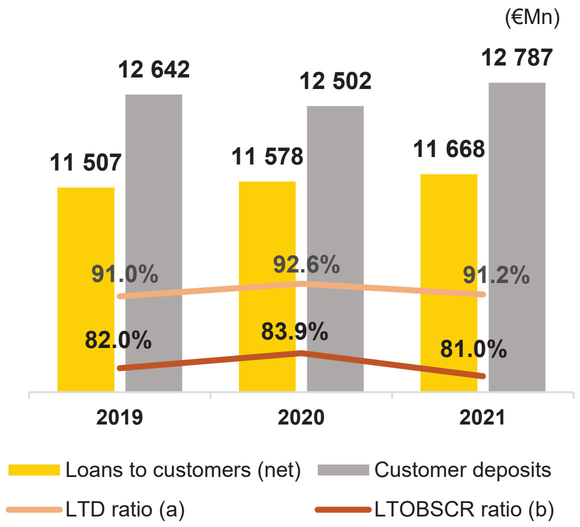
As at 31 December 2021, the value of the pool of collateral for Eurosystem operations stood at 3,808 million euros, compared to 3,113 million euros recorded at the end of 2020, representing an increase of 695 million euros. At the end of 2021, this pool included tradable assets, namely eligible debt instruments, of the value of 3,359 million euros and non-tradable assets, such as eligible credit rights granted to Non-Financial Corporations and Public Sector Entities, in particular bank loans and drawn down credit lines, assessed at 449 million euros.

The use of the pool of eligible assets at the end of 2021, of the value of 2,958 million euros, increased by 1,550 million euros in relation to the value as at 31 December 2020, framed under funding management, aimed at strengthening the stable funding, particularly reflected in the net stable funding ratio (NSFR). The use of Eurosystem monetary policy operations falls under the support given to the economy, with a view to optimising the long-term funding, namely through participation in TLTRO-III (Targeted Longer-Term Refinancing Operations), in the context of the unconventional expansionary monetary policy measures implemented by the ECB.

The collateral available for obtaining liquidity declined in relation to the end of 2020, of the value of 855 million euros, to 850 million euros, which reflected the mobilisation made for taking additional funding from the ECB in TLTRO III operations of the value of 1,555 million euros, in compliance with the approved funding strategy.

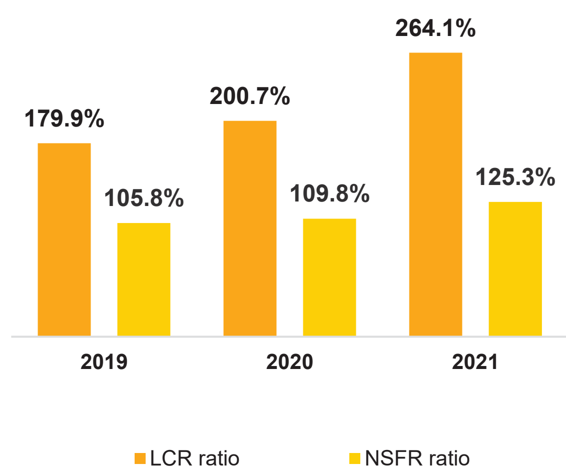
The performance of Customer deposits, on the one hand, and the progression of Loans to customers (net), on the other hand, led to a loan-to-deposit ratio, calculated in accordance with Banco de Portugal Instruction No. 16/2004, of 91.2% as at 31 December 2021, compared to 92.6% as at 31 December 2020.

Loan-to-deposit ratios



a) Loans to customers (net) / Customer deposits. Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.
(b) Loans to customers (net) / Total on-balance sheet customer resources (Customer resources + Debt securities issued).

Liquidity ratios



The heading of Deposits at Banco de Portugal, which amounted to 2,788 million euros as at 31 December 2021, had increased by 1,506 million in relation to the end of 2020 as a result of the widespread surplus liquidity position in the Eurozone.

Thus, in an integrated analysis of the liquidity position, it is important to highlight the evolution of the heading of Cash and deposits at central banks, which increased by a magnitude higher than that observed in the pool of available assets. In this context, the liquidity buffer, reflecting the immediately available liquidity, resulting from the aggregation of the values available for obtaining funding at the ECB and the cash and deposits at central banks, amounted to 3,818 million euros as at 31 December 2021, having increased by 646 million euros in relation to the end of 2020, reflected in the comfortable position of the liquidity ratios, namely the LCR.

POOL OF ELIGIBLE ASSETS FOR REFINANCING OPERATIONS WITH THE ECB

(million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Pool of eligible assets [(a)]	3 632	3 113	3 808	695	22.3
Use of the pool	1 308	1 408	2 958	1 550	>100
Pool of available assets	**2 324**	**1 705**	**850**	**(855)**	**(50.1)**

(a) Includes eligible assets, free of charge, for operations in the MIC (Collateralized Interbank Market).

In the interbank money market, Banco Montepio did not show any assignment or taking of funds. In the interbank money market of foreign currency, Banco Montepio showed an assignment position of 70 million American dollars.

BALANCE SHEET AND RESULTS

Considering the decisions taken by the Board of Directors, aimed at simplifying the Group's corporate structure, and as Banco Montepio did not intend to make the necessary alterations to convert Banco Montepio Geral Cabo Verde into a bank with general authorisation, the necessary procedures for the endorsement of the decision on the voluntary dissolution and consequent liquidation of Banco Montepio Geral Cabo Verde was promoted, under the legal terms, at Banco de Cabo Verde. These procedures have been underway since 30 November 2021 and are expected to be completed during 2022. As at 31 December 2021, that entity is thus presented as a discontinued operation, with its assets and liabilities stated under the headings of Non-current Assets and Liabilities held for sale – Discontinued operations, respectively.

Pursuant to the provisions in IFRS 5, the subsidiary Finibanco Angola is henceforth fully considered retrospectively, line by line, as it no longer meets the conditions established in that standard to be deemed a discontinued operation. As at 31 December 2020 and up to 30 December 2021, the Group held 100% of Montepio Valor, which was sold to Montepio Geral Associação Mutualista on 30 December 2021, thus no longer being part of the consolidation perimeter.

Banco Montepio's activity in 2021 continued to be marked by the impact of the Covid-19 pandemic. Nevertheless, there was a reduction of credit risk and consequent decrease of allocations for impairment and provisions compared to 2020, the period which experienced a more intense impact of the pandemic, with the Bank having continued the implementation of a series of operational adjustment measures aimed at fast-tracking the digital transition, adjusting the service model and increasing efficiency.

BALANCE SHEET

In view of the changing circumstances and the challenges facing Banco Montepio, the banking sector and the Portuguese economy, the Board of Directors reappraised the goals and measures foreseen in the Transformation Plan approved in 2018, and adopted a multidimensional and multiannual Adjustment Programme, through the endorsement of four key strategic pillars: review of the business model, operational adjustment, preservation of capital, and simplification of the Group.

Accordingly, the deleveraging of the balance sheet continued, materialised in the reductions of non-performing assets and in the ongoing strengthening of its liquidity position, through the capture and retention of Customer deposits, and the active management of the securities portfolio, contributing to ensure the regulatory capital and liquidity levels in force. The set of delineated initiatives, namely the strengthening of the in-house recovery of loans, enabled Banco Montepio to pursue its plan to reduce non-performing loans, whose stock amounted to 942 million euros as at 31 December 2021, corresponding to a 25.0% decline in relation to the 1,256 million euros at the end 2020.

On the other hand, with a view to the simplification of the corporate structure of the Banco Montepio Group and the strategic redefinition of the international holdings, the measures stipulated in the adjustment programme primarily concern the sale of equity stakes in the national and international market. In this regard, reference is made to the sale of all the equity stakes in Monteiro Aranha S.A. in March 2021, in Almina Holding S.A. in June 2021, and in Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. on 30 December 2021.

Moreover, the Groups continues to take measures towards the deconsolidation of Finibanco Angola, S.A., and, having decided not to promote the changes required to convert Banco Montepio Geral Cabo Verde into bank with general authorisation, this subsidiary has been, since 30 November 2021, in the process of voluntary dissolution and liquidation.

SYNTHETIC BALANCE SHEET

(million euros)

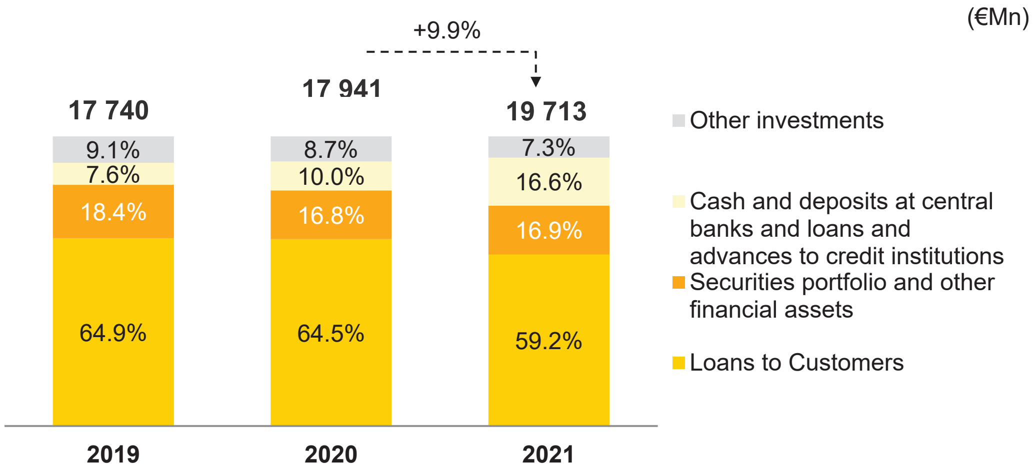
	2019	2020	2021	Change 21/20	
				Amount	%
Cash and deposits at central banks and loans and advances to credit institutions	1 353	1 793	3 264	1 471	82.1
Loans to customers	11 507	11 578	11 668	90	0.8
Securities portfolio and other financial assets*	3 268	3 013	3 339	326	10.8
Non current assets held for sale and investment properties	147	131	142	11	7.9
Non current assets held for sale - Discontinued operations	0	1	0	(1)	(67.3)
Current and deferred tax assets	450	500	467	(33)	(6.6)
Other	1 015	925	834	(91)	(9.8)
Total assets	**17 740**	**17 941**	**19 713**	**1 772**	**9.9**
Deposits from central banks and other credit institutions	1 814	2 203	3 457	1 254	56.9
Customer resources	12 642	12 502	12 787	285	2.3
Debt issued	1 548	1 516	1 834	318	21.0
Non current liabilities held for sale - Discontinued operations	0	110	0	(110)	(99.7)
Other	284	283	271	(12)	(4.2)
Total liabilities	**16 288**	**16 614**	**18 350**	**1 736**	**10.5**
Share capital	2 420	2 420	2 420	0	0.0
Reserves, retained earnings and other	(990)	(1 012)	(1 063)	(51)	(5.1)
Net income	22	(81)	7	88	>100
Total equity	**1 452**	**1 327**	**1 363**	**36**	**2.7**
Total liabilities and equity	**17 740**	**17 941**	**19 713**	**1 772**	**9.9**

* Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

ASSETS

Net assets showed an increase of 1,772 million euros (+9.9%) in relation to the closing of the previous year, primarily determined by the increased investments in Central Banks, associated with the increases recorded in the Securities portfolio headings, reflecting the funding strategy that led to the additional taking of 1,555 million euros from TLTRO, as well as the growth of performing loans, in contrast to the deleveraging of non-performing or non-core assets.

Asset structure



CASH AND DEPOSITS AT CENTRAL BANKS AND LOANS AND ADVANCES TO OTHER CREDIT INSTITUTIONS

The aggregate of the headings of Cash and deposits at central banks and Other credit institutions includes the balances recorded under Cash and deposits at central banks and Loans and advances to credit institutions.

As at 31 December 2021, the liquidity deposited at Central Banks and Other credit institutions stood at 3,264 million euros, compared to 1,793 million euros recorded at the end of 2020, reflecting an increase of 1,471 million euros (+82.1%). This is essentially explained by the increase of the heading of Cash and deposits at central banks, reflecting the increased Resources from central banks, pursuant to the delineated funding strategy.

LOANS TO CUSTOMERS

As at 31 December 2021, Loans to customers (gross) amounted to 12,189 million euros, compared to 12,357 million euros recorded as at 31 December 2020. This evolution was influenced by the loans written off from the assets (write-offs) of the value of 270 million euros and, additionally, by assignment of non-performing loans, with the "Operação Gerês (Gerês Operation), completed at the end of 2021, only having been partially derecognised in that year.

In December 2021, purchase and sale agreements were signed relating to a portfolio of non-performing loans of the value of 253 million euros, covering contracts recorded on and off the balance sheet "Operação Gerês (Gerês Operation). The book value of the sold NPL was 133 million euros, of which 48 million euros was an unsecured portfolio, derecognised in December 2021. The secured component of that operation is recorded under Non-current assets held for sale at the end of the previous year, with its financial settlement having taken place at the end of March 2022.

In this context, it is important to highlight the positive performance of the business in the segment of Loans to Individuals, which grew by 74 million euros, demonstrating the effectiveness of the commercial strategy adopted towards the end of 2020, with new production in mortgage loans reaching historical figures at Banco Montepio. Thus, gross performing loans grew by 146 million euros in relation to the end of 2020 (+1.3%), while non-preforming loans decreased by 315 million euros (-24.4%), accomplishing the strategy of deleveraging in non-performing assets.

At the same time, there was an improvement of the credit quality indicators, which benefited from rigorous discipline of risk-taking, as well as the measures that were approved and implemented in the credit monitoring and recovery areas. As a result of the measures that have progressively been implemented, there was a reduction in 2021, both of the number of new contracts[4] moving into default (-43%), and of the value in default (-73%), compared to 2020.

As noted above, the progression of Loans to customers (gross) was influenced, on the one hand, by the growth in loans granted to Individuals that increased by 74 million euros (+1.2%), of which 49 million euros were in Mortgage loans (+0.9%) and 26 million euros in Other loans (+3.5%), benefiting from the strong dynamics in new operations. On the other hand, it was influenced by the reduction of 241 million euros in the Companies segment (-4.0%), where the Covid-19 pandemic scenario, highly penalising for economic agents, constrained Banco Montepio's growth trend observed at the end of 2020. However, it should be noted that the reduction of the stock of loans to companies was strongly driven by the decline of the relative value of the Construction and Real Estate Activities Sector, thus reducing the abnormally high weight of this sector (from 25.5% in 2019 to 18.6% in 2021). This endowed more balance to the sector distribution of loans (the weight of loans to Manufacturing Industries shifted from approximately 16% in 2019 to a figure practically the same as that of the Construction and Real Estate Activities Sector in 2021).

Under Banco Montepio's Adjustments Programme, the improvement of credit quality is also based on a more effective and integrated management of the non-performing exposures, by maximising recoveries and

[4] Contracts of more than 90 days, excluding sight deposits and cards.

corporate finance solutions, benefiting from the strategic focused on the segments of Individuals, Companies, particularly on Small and Medium-sized Enterprises (SME), and Social Economy Entities.

LOANS TO CUSTOMERS
(By sector of activity)

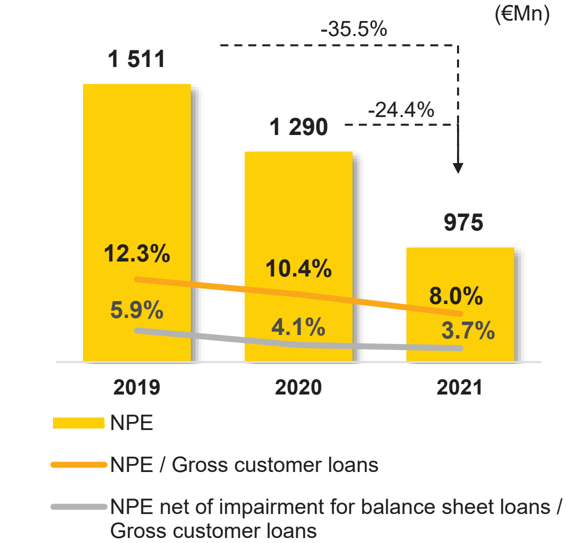
(million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Individuals	**6 551**	**6 377**	**6 451**	**74**	**1.2**
Housing loans	5 823	5 636	5 685	49	0.9
Others	728	740	766	26	3.5
Corporate	**5 739**	**5 980**	**5 739**	**(241)**	**(4.0)**
Manufacturing industries	935	981	1 031	50	5.1
Wholesale and retail trade	859	915	860	(55)	(6.0)
Construction and Public works, and Real estate activities	1 465	1 363	1 065	(298)	(21.9)
Accommodation and catering activities	444	533	596	63	11.8
Financial and insurance activities	572	627	493	(134)	(21.5)
Transportation and storage	368	404	393	(11)	(2.8)
Business Services	400	374	367	(7)	(1.7)
Other collective service activities	258	303	340	37	12.2
Others	438	481	594	113	23.7
Gross loans	**12 289**	**12 357**	**12 189**	**(168)**	**(1.4)**
Impairment for credit risk	**783**	**780**	**522**	**(258)**	**(33.1)**
Net loans	**11 507**	**11 578**	**11 668**	**90**	**0.8**

The Covid-19 pandemic scenario has hampered loan collection and recovery, reduced the non-financial private sector's debt service capacity, and has also hindered the effective loan maturities. Despite the challenges of this context, embodying the effect of the measures referred to above, Banco Montepio was able to reduce the stock of non-performing loans, consequently reflected in the decline of the ratio of non-performing exposures (NPE) in relation to the total Gross loans to customers, which stood at 8.0% at the end of 2021, compared to 10.4% as at 31 December 2020.

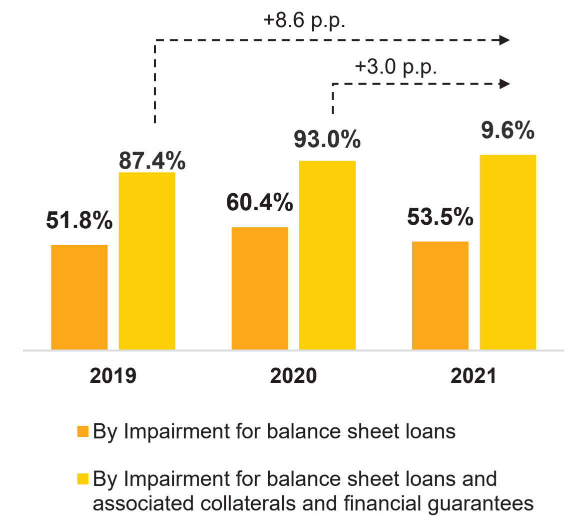
This favourable evolution essentially reveals the reduction of the balance of non-performing exposures in relation to the value recorded at the end of 2020, which stood at 975 million euros as at 31 December 2021. In turn the NPE ratio net of on-balance sheet loan impairment stood at 3.7% as at 31 December 2021, having evolved favourably in relation to the 4.1% recorded at the end of 2020.

Non-performing exposures (NPE)*



* EBA definition.

NPE* coverage



* EBA definition.

“Operação Gerês” (Gerês Operation) had a favourable impact on the NPE ratio of Banco Montepio, contributing decisively to the 2.4 p.p. reduction of this indicator, consolidating the strategy initiated by the Board of Directors of continuous reduction of non-performing assets.

As at 31 December 2021, Banco Montepio also strengthened the levels of coverage of non-performing exposures by impairment for loans and associated collateral and financial guarantees on the balance sheet, which reached 96.0% at the end of December 2021, compared to 93.0% as at 31 December 2020, while the coverage for balance sheet impairment stood at 53.5%, compared to 60.4% as at 31 December 2020.

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

In the context of strategy of rebalancing the asset structure, Banco Montepio continued, in 2021, to identify and implement measures aimed at improving the liquidity levels and active management of the Portfolio of securities and other instruments.

As at 31 December 2021, the portfolio of securities and other instruments amounted to 3,339 million euros, compared to 3,013 million euros recorded as at 31 December 2020. A positive contribution was made by the increase of Other financial assets at amortised cost of 641 million euros derived from the investment in public debt securities, reflecting the implementation of the funding and liquidity investment strategy.

In turn, reflecting the implementation of the capital plan’s component of deleveraging non-core assets, there was a reduction of the portfolio of Financial assets at fair value through other comprehensive income of 164 million euros, as a result of the lower exposure in national and foreign Shares (evincing the sale of the positions in Almina and Monteiro Aranha), as well as the decrease of the portfolio of Financial assets at fair value through profit or loss of 144 million euros, derived from the reduction of Investment fund units and Variable yield securities, and, to a lesser extent, the reduction of the portfolio of Financial assets held for trading of 9 million euros, derived from the reduction of Securities held for trading.

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

(million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Financial assets held for trading	36	17	8	(9)	(55.2)
Financial assets at fair value through other comprehensive income	1 860	287	123	(164)	(57.0)
Other financial assets at amortised cost	987	2 363	3 004	641	27.2
Financial assets not held for trading mandatorily at fair value through profit or loss*	385	347	203	(144)	(41.4)
Total Securities portfolio and other financial assets	**3 268**	**3 013**	**3 339**	**326**	**10.8**

* Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

In analysing the securities portfolio by type of instrument, an increased is observed in relation to 31 December 2020 of 573 million euros in Bonds and other debt instruments, which include public debt, that led to the increase recorded in the portfolio of securities and other instruments (10.8% in relation to 31 December 2020).

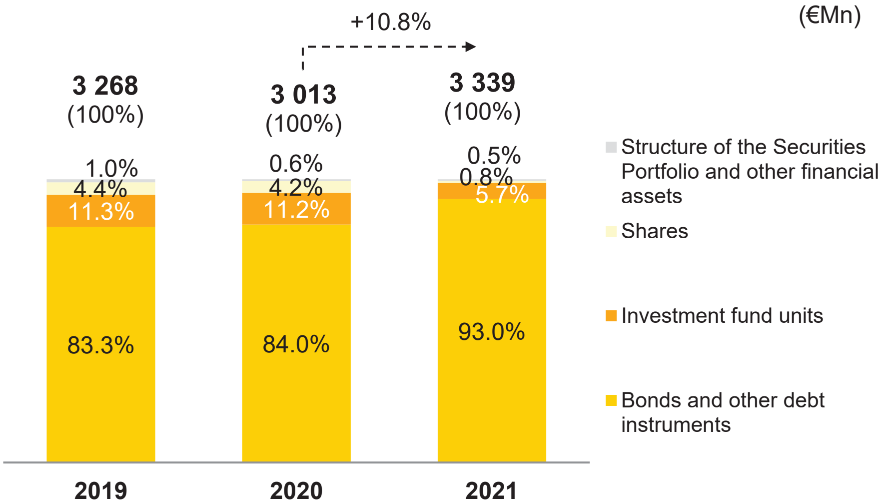
SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS BY TYPE OF INSTRUMENT

(million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Bonds and other debt instruments	2 723	2 532	3 105	573	22.6
Shares	142	126	26	(100)	(79.0)
Investment fund units	369	336	189	(147)	(43.6)
Trading derivatives	23	9	8	(1)	(15.8)
Loans to customers at fair value	11	10	10	0	(2.3)
Total securities portfolio and other financial assets	**3 268**	**3 013**	**3 339**	**326**	**10.8**

The structure of the portfolio of securities and other instruments remained, as at 31 December 2021, primarily composed of Bonds and other debt instruments, whose total weight in the portfolio increased to 93.0%. In turn, the proportion of Investment fund units and Shares decreased to 5.7% and 0.8% of the portfolio, respectively.

Structure of the Securities portfolio and other financial assets



NON-CURRENT ASSETS HELD FOR SALE AND INVESTMENT PROPERTIES

The aggregate of the headings of Non-current assets held for sale and Investment properties is influenced by the reclassification of the Non-current assets held for sale, primarily related to real estate properties held, to the heading of Other assets, but without change of the strategy to reduce exposure to real estate risk.

The evolution of the exposure to real estate assets, incorporating the aforesaid reclassification, showed a year-on-year decrease of 18,1% as at 31 December 2021 in relation to the end of 2020, in having shifted from 693 million euros as at 31 December 2020 to 568 million euros as at 31 December 2021, in line with the guidelines for the integrated management of real estate properties and consequent reduction of exposure to this activity sector.

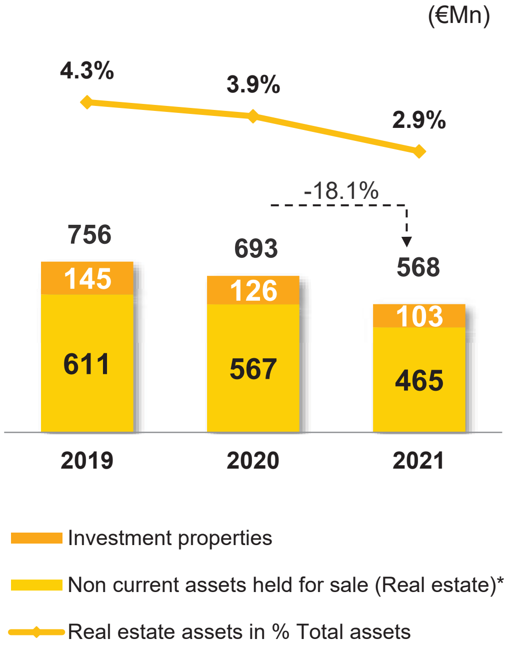
The heading of Non-current assets held for sale, together with the value reclassified to the heading of Other assets, which primarily shows the reduction of the value associated with real estate properties derived from the dissolution of loan contracts with Customers, which decreased by 102 million euros (-18.0%) in evolving from 567 million euros at the end of December 2020 to 465million euros as at 31 December 2021. This evolution primarily reveals the effect of credit recovery.

Regarding Investment properties, a heading that records the real estate properties held by the Real Estate Investment Funds in Banco Montepio's consolidation perimeter, decreased by 18.2%, in evolving from 126 million euros at the end of December 2020 to 103 million euros as at 31 December 2021, continuing to accomplish the goal of reducing exposure to real estate risk.

NON-CURRENT ASSETS HELD FOR SALE – DISCONTINUED OPERATIONS

As at 31 December 2021, the heading of Non-current assets held for sale - Discontinued operations amounted to 0.4 million euros, corresponding to the value of the assets recorded by the Group's operations related to the subsidiary Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – Em liquidação, after adjustment of the movements required for the consolidation process, having been stated following the application of IFRS 5, as indicated in Note 59 of the consolidated financial statements.

Exposure to Real Estate Assets



* Including the amount reclassified to other assets.

CURRENT AND DEFERRED TAX ASSETS

As at 31 December 2021, the aggregate of Current and deferred tax assets amounted to 467 million euros, compared to 500 million euros as at 31 December 2020.

According to the respective accounting policy, Deferred tax is calculated based on the tax rates that are expected to be in force on the date of the reversal of the temporary differences, which correspond to the rates approved or substantially approved on the reporting date.

The Annual General Meeting held on 29 June 2021 unanimously approved the constitution of a special reserve and the constitution of conversion rights relative to the year of recoverability of the deferred tax assets, reported as at 31 December 2020, following Banco Montepio's decision to subscribe to the special scheme applicable to deferred tax assets established in Law 61/2014 of 26 August ("Law 61/2014"), taken at the General Meeting of 6 July 2016, and Banco Montepio's corresponding subscription to this scheme.

OTHER

The aggregate of Other presented in the Assets of the synthetic balance sheet includes the headings of Assets with repurchase agreements, Hedge derivatives, Other tangible assets, Intangible assets, Investments in associates and Other assets.

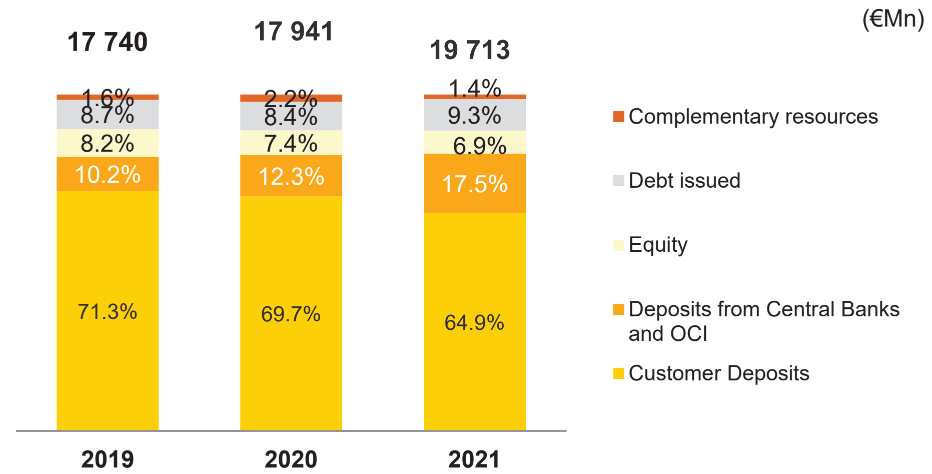
As at 31 December 2021, the aggregate Other stood at 834 million euros, compared to 925 million euros as at 31 December 2020, of which 464 million euros correspond to real estate properties held for sale reclassified from the heading of Non-current assets held for sale to Other assets.

LIABILITIES

As at 31 December 2021, the Total liabilities stood at 18,350 million euros, revealing growth of 1,736 million euros (+10.5%) in relation to the value of 16,614 million euros recorded as a t 31 December 2020, primarily reflecting the increase recorded in Deposits from central banks (+1,519 million euros). As at 31 December 2021, Equity funded 6.9% of the Assets and the Debt issued 9.3%, reflecting the issuances carried out to strengthen own funds.

Customer deposits continued to be the main source of balance sheet funding, representing 64.9% of total liabilities and equity.

Liabilities and Equity Structure



DEPOSITS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

As at 31 December 2021, the funding obtained from Central Banks and other credit institutions amounted to 3,457 million euros, compared to 2,203 million euros recorded at the end of 2020, revealing an increase of 56.9%.

As at 31 December 2021, the component of Resources from central banks recorded the resourced obtained from the European System of Central Banks which was collateralised by portfolios of financial assets at fair value through other comprehensive income and the portfolio of other assets at amortised cost, which amounted to 2,902 million euros, compared to 1,383 million euros as at 31 December 2020 (+109.8%)

The funding obtained from Other credit institutions stood at 555 million euros as at 31 December 2021, compared to 821 million euros as at 31 December 2020 (-32.4%), as Banco Montepio made the early repayment of two credit lines, of a total of 350 million euros, with short residual periods, under the funding and liquidity management strategy.

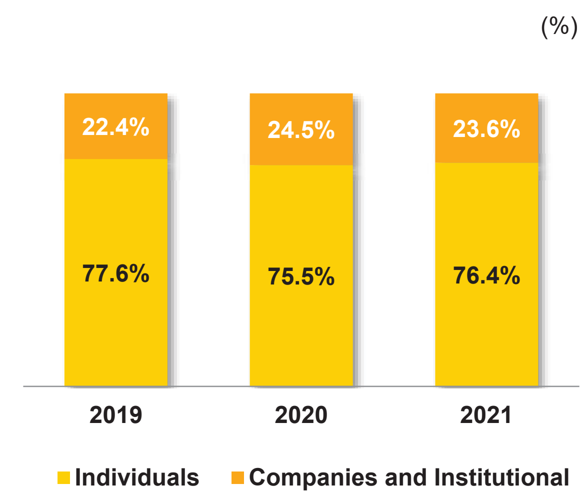
CUSTOMER RESOURCES

Total Customer resources amounted to 14,041 million euros as at 31 December 2021, of which 12,996 million euros correspond to Customer resources on the balance sheet, of which 98.4% refer to Customer deposits.

As at 31 December 2021, Customer deposits stood at 12,787 million euros, essentially concentrated in Individual Customers, a segment that has continued predominant in representing 76.4% of total deposits.

As at 31 December 2021, despite the context of interest rates at historically low levels and the reduction of economic activity caused by the Covid-19 pandemic, Customer deposits increased by 285 million euros in relation to December 2020, with Term deposits having fallen by 661 million euros and Sight deposits having increased by

Customer deposits structure

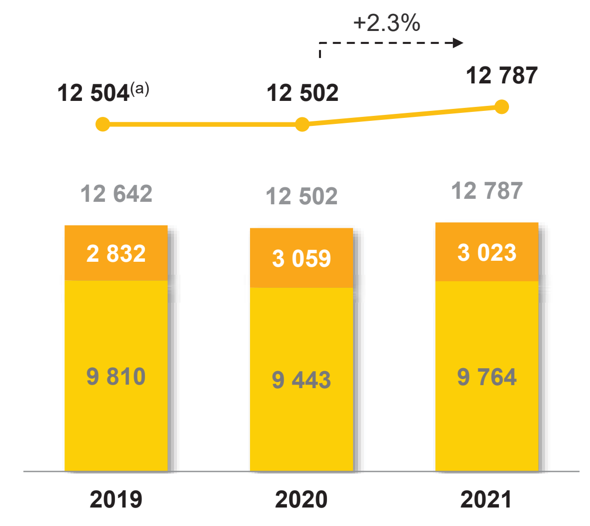


946 million euros, with the rate of recomposition of the deposit portfolio's structure being maintained with the change of the Sight deposit/Term deposit mix, which stood at 50%/50% as at 31 December 2021.

As at 31 December 2021, the heading of Securities placed with customers stood at 209 million euros, compared to 210 million euros at the end of December 2020.

Off-balance sheet resources reached 1,045 million euros as at 31 December 2021, compared to 844 million euros recorded at the end of December 2020, representing a 23.8% increase, underpinned by the increases recorded in the Real estate investment funds (+127 million euros), in Capitalisation Insurance (+30 million euros), in Pension Funds (+27 million euros), and in Securities Investment Funds (+17 million euros).

Customer deposits



(a) Excluding customer deposits from Banco Montepio Geral Cabo Verde (€138.3Mn), which in 2020 started to be classified as discontinued operations.

CUSTOMER RESOURCES

(million euros)

	2019	2019	2020	2021	Change 21/20 Amount	Change 21/20 %
Customer deposits	**12 525**	**12 642**	**12 502**	**12 787**	**285**	**2.3**
Sight deposits	4 617	4 613	5 482	6 428	946	17.3
Term deposits	7 908	8 029	7 020	6 359	(661)	(9.4)
Customer deposits [(a)]	**12 525**	**12 504**	**12 502**	**12 787**	**285**	**2.3**
Securities placed with customers	154	154	210	209	(1)	(0.7)
Total on-balance sheet resources	**12 679**	**12 796**	**12 712**	**12 996**	**284**	**2.2**
Total on-balance sheet resources [(a)]	**12 679**	**12 658**	**12 574**	**12 996**	**422**	**3.4**
Off-balance sheet resources	817	817	844	1 045	201	23.8
Total customer resources	**13 496**	**13 613**	**13 556**	**14 041**	**485**	**3.6**
Total customer resources [(a)]	**13 496**	**13 475**	**13 556**	**14 041**	**485**	**3.6**

(a) Excluding, for comparability purposes, in 2019 the customer deposits from Banco Montepio Geral Cabo Verde (€138.3Mn) which in 2020 started to be classified in discontinued operations. Since 30 November 2021, Banco Montepio Geral Cabo Verde is undergoing a process of voluntary dissolution and liquidation.

DEBT ISSUED

The heading of Debt issued incorporates the amounts recorded in the balance sheet related to Liabilities represented by securities and Subordinated liabilities.

As at 31 December 2021 the value of Debt issued stood at by 1,834 million euros representing an increase of 318 million euros (+21.0%), compared to the value of 1,516 million euros recorded as at 31 December 2020, as a result of the increase recorded in Liabilities represented by securities (+318 million euros). The evolution observed in this last heading in relation to 2020 reveals the increase recorded in Securitisations

(+324 million euros), following the performing consumer credit securitisation operation (Pelican Finance No2), originated at Banco Montepio and Montepio Crédito, of the value of 362 million euros, alongside the reduction in Cash bonds (-3 million euros) and in Mortgage covered bonds (-3 million euros). Other subordinated liabilities stood at 217 million euros, in line with the value recorded at the end of 2020.

NON-CURRENT LIABILITIES HELD FOR SALE – DISCONTINUED OPERATIONS

As at 31 December 2021, the heading of Non-current liabilities held for sale - Discontinued operations amounted to 0.3 million euros, corresponding to the value of the liabilities recorded by the Group's operations related to the subsidiary Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – Em Liquidação, after adjustment of the movements required for the consolidation process, having been stated following the application of IFRS 5, as indicated in Note 59 of the consolidated financial statements.

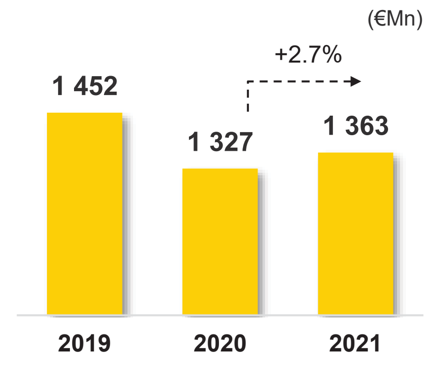
OTHER

The aggregate Other, presented in the Liabilities of the synthetic balance sheet, stood at 271 million euros as at 31 December 2021 (283 million euros at the end of 2020), and incorporates the headings of Financial liabilities held for trading, Hedge derivatives, Provisions, Current tax liabilities and Other liabilities.

TOTAL EQUIY

Equity reached 1,363 million euros as at 31 December 2021, showing an increase of 2.7% in relation to the value at the end of 2020, reflecting the favourable evolution of the net income for the year, which reached 6.6 million euros (-80.7 million euros in 2020), the positive actuarial deviations in the Pension Fund (+27.4 million euros), and the evolution of the fair value reserve (+37 million euros).

Total Equity



RESULTS

In 2021, Banco Montepio recorded a consolidated net income of 6.6 million euros, which compares favourably to the value of -80.7 million euros recorded in 2020. The improved profitability reflects, on the one hand, the reduction of operating costs in relation to the previous year, essentially staff costs, not only reflecting the lower restructuring costs but also a reduction of the payroll and other recurring costs, having benefited from the fruits of operational adjustment programme and, on the other hand, the improvement of the cost of risk, demonstrating the quality of the loan origination over the past few years, notwithstanding the leaving of moratoria that occurred during the year.

SYNTHETIC INCOME STATEMENT

(million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Net interest income	**254.2**	**242.8**	**243.5**	**0.7**	**0.3**
Commercial net interest income	255.9	248.0	244.4	(3.6)	(1.4)
Net fees and commissions	122.6	115.3	116.3	1.0	0.9
Core total operating income	**376.8**	**358.1**	**359.8**	**1.7**	**0.5**
Income from equity instruments	7.6	3.0	1.8	(1.2)	(40.0)
Results from financial operations	64.5	17.9	10.8	(7.1)	(39.7)
Other operating income	11.5	14.7	6.6	(8.1)	(54.9)
Total operating income	**460.4**	**393.7**	**379.0**	**(14.7)**	**(3.7)**
Staff Costs	162.4	189.3	164.1	(25.2)	(13.3)
General and administrative expenses	68.1	67.0	64.7	(2.3)	(3.4)
Depreciation and amortization	33.5	35.1	35.3	0.2	0.5
Operating costs	**264.0**	**291.4**	**264.1**	**(27.3)**	**(9.4)**
Operating costs, excluding specific impacts [(a)]	**264.0**	**261.9**	**249.4**	**(12.5)**	**(4.8)**
Net operating income before provisions and impairments	**196.4**	**102.3**	**114.9**	**12.6**	**12.3**
Net provisions and impairments	143.3	220.8	80.5	(140.3)	(63.5)
Share of profit (losses) booked under the equity method	0.2	(0.7)	0.0	0.7	>100
Net income before income tax	**53.3**	**(119.2)**	**34.4**	**153.6**	**>100**
Income tax	25.6	(42.3)	25.3	67.6	>100
Net income after income tax from continuing operations	**27.7**	**(76.9)**	**9.2**	**86.1**	**>100**
Income from discontinued operations	(3.5)	(1.9)	(1.5)	0.4	24.6
Non-controlling interests	2.5	1.9	1.1	(0.8)	(40.2)
Net Income	**21.7**	**(80.7)**	**6.6**	**87.3**	**>100**

(a) Excluding the amount related to the increase in Personnel costs and in General administrative expenses generated by operational adjustment measures of €29.5 Mn in 2020 and €14.7Mn in 2021.

TOTAL OPERATING INCOME

Total operating income amounted to 379.0 million euros in 2021, compared to the value of 393.7 million euros in 2020, as a result of the reduction of Results from financial operations, considering that material gains were obtained in 2020 from the sale of the portfolio of public debt securities that was not repeated in the same magnitude in the following year, notwithstanding the favourable evolution of Net interest income and Net fees and commissions.

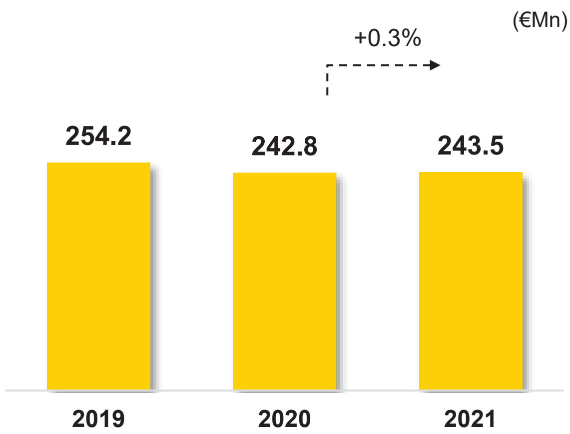
NET INTEREST INCOME

Net interest income stood at 243.5 million euros in 2021, compared to the value of 242.8 million euros recorded in 2020, that, despite the slowdown of the economic activity of Families and Companies, captured the positive effects of the commercial dynamics, embodied in the favourable evolution of the performing loans and in the lower cost of interest of Customer deposits. In the opposite direction, it was influenced by the negative effect related to the low market interest rates, that constrained the profitability of the operations, the repricing of the loan portfolio, and the increased interest related to subordinated debt issues and to the synthetic securitisation operation of a portfolio of performing loans granted to SME initiated in December 2020.

The main negative factors in the evolution of Net interest income were the cost of the surplus liquidity, with the rate of deposits at the Central Bank standing at -0.5%, in a context of historical minimum interest rate levels. Accordingly, there was a reduction of the interest of the portfolio of Loans to customers of 12.7 million euros in 2021 via the price effect, in a context in which the main reference rates continue at negative levels, and reaching successive minimum points, which was, however, largely offset by the repricing of the portfolio of deposits. Net interest income was also affected negatively in 2021 by the reduction of 4.1 million euros observed in the interest of the Securities portfolio, reflecting the reduction of the average interest rate from 0.55% in 2020 to 0.35% in 2021.

Reflecting the plan initiated with a view to strengthening the capital ratios, net interest income was consequently penalised by the cost inherent to the increase of subordinated debt and the synthetic securitisation operation, both with partial effect in 2020, and only completing 12 months of recording of interest in the accounts in the following year.

Net interest income



The envisioned strategy for funding and liquidity investment was determinant to offset the adverse effects on net interest income referred to above, benefiting from the subsidised interest of TLTRO III due to compliance with benchmark net lending, as well as from the reduction of the cost associated with Customer deposits, the pricing management in the capture of new deposits and in the renewal of the existing deposits, and the increased proportion of sight deposits. Furthermore, there was active management of the liability obtained from the counterparts, with a reduction of interest paid of 1.8 million euros in relation to the previous year, and, at the end of 2021, a new repayment of credit lines with shorter residual periods and higher interest rates, which will have a favourable repercussion on the net interest income of 2022.

Thus, in 2021, the net interest income margin stood at 1.34%, compared to 1.47% in 2020, revealing the context of low interest rates and the highly competitive environment in the granting of loans, which continues to constraint the performance of this indicator.

BREAKDOWN OF NET INTEREST INCOME

BY INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

(million euros)

		2020			2021		
		Avg. amount	Avg. rate (%)	Interest	Avg. amount	Avg. rate (%)	Interest
Assets							
Cash and deposits		889	(0.1)	(0.6)	2 203	(0.3)	(7.3)
Loans and advances to OCI		303	0.3	0.8	363	0.7	2.6
Loans to customers		12 416	2.1	267.5	12 294	2.0	254.7
Securities portfolio		2 680	0.6	15.1	3 105	0.3	11.0
Other assets at fair value		10	1.5	0.2	9	1.1	0.1
Other (includes derivatives)		0	0.0	14.2	0	0.0	14.6
	subtotal	16 299	1.8	297.2	17 974	1.5	275.6
Liabilities							
Resources from central banks		1 452	(0.4)	(5.6)	2 532	(0.9)	(23.6)
Resources from OCI		587	0.4	2.1	827	0.0	0.3
Customer deposits		12 344	0.2	19.5	12 534	0.1	10.3
Senior debt		1 338	0.7	9.3	1 421	0.6	8.8
Subordinated debt		189	9.1	17.5	216	9.1	19.9
Other (includes derivatives)		0	0.0	11.7	0	0.0	16.4
	subtotal	15 909	0.3	54.4	17 530	0.2	32.1
Net interest margin			**1.47**	**242.8**		**1.34**	**243.5**

Banco Montepio

EVOLUTION OF NET INTEREST INCOME
BETWEEN 2020 AND 2021

(million euros)

	Volume Effect	Price Effect	Residual Effect	Total
Assets				
Cash and deposits	(0.9)	(2.3)	(3.4)	(6.7)
Loans and advances to OCI	0.2	1.3	0.3	1.8
Loans to customers	(2.6)	(9.5)	(0.6)	(12.7)
Securities portfolio	2.4	(5.6)	(0.9)	(4.1)
Other assets at fair value	(0.0)	(0.0)	0.0	(0.1)
Other (includes derivatives)	0.0	0.0	0.4	0.4
subtotal	30.5	(46.5)	(5.5)	(21.5)
Liabilities				
Resources from central banks	(4.2)	(8.0)	(5.9)	(18.0)
Resources from OCI	0.9	(1.9)	(0.8)	(1.8)
Customer deposits	0.3	(9.3)	(0.2)	(9.2)
Senior debt	0.6	(1.0)	(0.1)	(0.5)
Subordinated debt	2.6	(0.0)	(0.1)	2.5
Other (includes derivatives)	0.0	0.0	4.8	4.8
subtotal	5.5	(25.1)	(2.6)	(22.2)
Change in net interest income	**25.0**	**(21.4)**	**(2.9)**	**0.7**

INCOME FROM EQUITY INSTRUMENTS

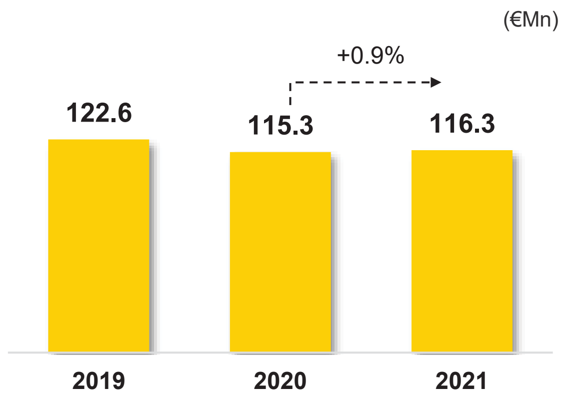
The heading of Income from equity instruments includes the income associated with variable yield securities, namely shares related to investments stated in the portfolio of assets available for sale.

The value recorded in 2021 amounted to 1.8 million euros compared to 3.0 million euros in 2020, which includes 1.4 million euros related to dividends received from the Company Unicre, 0.2 million euros from SIBS and 0.2 million euros from Monteiro Aranha, S.A., compared to 1.7 million euros received from the Company Almina, 1.1 million euros from Monteiro Aranha, S.A. and 0.2 million euros from SIBS received in 2020.

NET FEES AND COMMISSIONS

Net fees and commissions increased to 116.3 million euros in 2021 from 115.3 million euros in 2020 (+0.9%), incorporating, however, the negative effect of the reduction of the activity levels of economic agents and the lower transactionality brought in by the Covid-19 pandemic, the effect of the moratoria and the applicable legislation on the charging of fees and commissions on loans, and the measures to support the Customers implemented by Banco Montepio, such as the suspension of fees associated with means of payment.

Net fees and commissions



The progression of Net fees and commissions reflects the favourable performance of Market fees and commissions[5], which increased by 0.6 million

[5] Includes fees for management, administration and custody of assets and operations on securities.

euros (+9.5%), and Other fees and commissions[6], which grew by 3.6 million euros (+4.4%), and more than offset the reduction of 0.4 million euros (-4.5%) observed in Loan fees and commissions, and the reduction of 2.7 million euros (-14.9%) in Fees and commissions on payment services[7].

RESULTS FROM FINANCIAL OPERATIONS

The Results from financial operations stood at 10.8 million euros in 2021, compared to 17.9 million euros recorded in 2020, reflecting the lower Net gains/(losses) from financial assets at fair value through other comprehensive income (-21.7 million euros), primarily reflecting the higher gains from the sale of public debt and corporate debt securities carried out in 2020 and, to a lesser extent, the reduction of the Net gains/(losses) from foreign exchange differences (-3.9 million euros) related to the exposure to Finibanco Angola.

The Results from financial operations in 2021 also reflect the favourable evolution of the Net gains/(losses) from financial assets and liabilities at fair value through profit or loss, which stood at -0,3 million euros in comparison to -18.7 million euros in 2020, due to the impact of the loss of value of a derivative arising from a loan disposal operation, with a loss of 12.8 million euros having been recorded in that period, and from financial assets and liabilities at fair value through profit or loss, namely in investment fund units, driven by the anticipation of the impact arising from the liquidation of the real estate investment funds managed by Norfin. It should be noted that, in 2021, the Net gains/(losses) from financial assets and liabilities at fair value through profit or loss reflect the impacts of the revaluation of the coverage of mortgage covered bonds, both instrument and derivative, and incorporate the effect of the variation of the value of loan operations that are not classified as Solely Payments of Principal and Interest (SPPI).

RESULTS FROM FINANCIAL OPERATIONS

(million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Net gains / (losses) from finacial assets and liabilities at fair value through profit or loss	8.5	(18.7)	(0.3)	18.4	98.6
Net gains / (losses) from financial assets at fair value through other comprehensive income	42.3	23.7	2.0	(21.7)	(91.4)
Net gains / (losses) from foreign exchange differences	13.7	12.9	9.0	(3.9)	(30.1)
Results from financial operations	**64.5**	**17.9**	**10.8**	**(7.1)**	**(39.7)**
of which: Results from the sale of Portuguese public debt	41.3	13.1	1.5	(11.6)	(88.5)

OTHER RESULTS

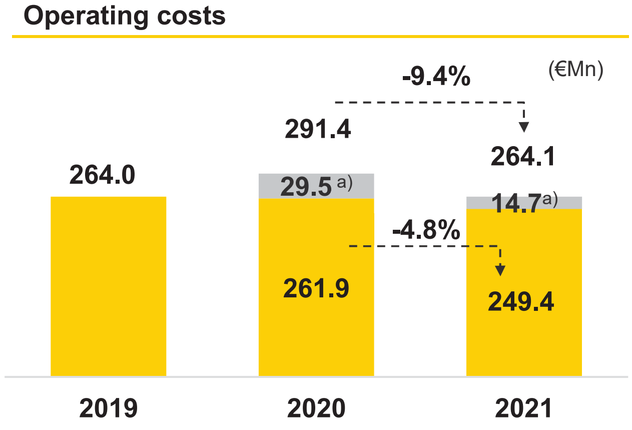
The aggregate Other results incorporates the Net gains from the sale of other assets and Other operating income, which include, among others, the income obtained from the revaluation of investment properties, from services rendered, from investment property rents and from the reimbursement of expenses, as well as the costs related to banking sector contributions to the Resolution Fund and Deposit Guarantee Fund, and to loan recovery services.

Other results stood at 6.6 million euros in 2021, compared to the value of 14.7 million euros recorded in 2020 (-8.1 million euros), reflecting, on the one hand, lower income from the sale of debt securities recorded at amortised cost (-15.4 million euros), and higher costs related to Regulatory contributions (+1.2 million euros), and on the other hand, the increase of Other operating income (+9.3 million euros), underpinned by the income recorded with the appreciation of the value of funding from the ECB via TLTRO-III.

[6] Includes fees for insurance mediation, provision of banking service and operations provided on account of third parties.
[7] Includes fees for deposit, custody, administration and collection of values, account maintenance, management, annuities, withdrawals subject to fees and commissions and credit card incidences.

OPERATING COSTS

Operating costs amounted to 264.1 million euros in 2021, representing a reduction of 27.3 million euros (9.4%) in relation to the value recorded in 2020, affected by the costs related to the Staff adjustment measures concerning early retirement and rescissions by mutual agreement (13.8 million euros) and by the costs incurred with the reduction of non-strategic assets (0.9 million euros). Excluding this effect, Operating costs would have fallen by 12.5 million euros (-4.8%) compared to 2020.



a) Impact arising from operating costs associated with operational adjustment measures.

Staff costs reached 164.1 million euros in 2021, reflecting a reduction of 25.2 million euros (-13.3%) in relation to the value of 189.3 million euros stated in 2020, influenced by the recording of 13.8 million euros of costs related to the Staff adjustment measures. These costs incorporate the expenses incurred via the programme of early retirement and rescissions by mutual agreement, and include the components of the Pension Fund, compensations and health charges. Excluding this impact, Staff costs would have fallen by 9.5 million euros in relation to the same period of 2020 (-5.9%).

In the aggregate Staff costs, reference is made to the heading of Remunerations, which fell by 7.0 million euros compared to 2020, and the heading of Charges with Pension Funds, which fell by 12.4 million euros, demonstrating the impact of the reduction of the respective liabilities.

General and administrative expenses stood at 64.7 million euros in 2021, reflecting a reduction of 2.3 million euros in relation to the value of 67.0 million euros recorded in 2020 (-3.4%), primarily benefiting from the reductions recorded in Maintenance and repairs (-1.3 million euros), in Water, energy and fuel (-0.5 million euros), in Transport (-0.3 million euros), and in consumables (-0.3 million euros), despite the increases recorded in the aggregate Specialised services, that include the headings of Other specialised services, Information Technology, and Independent work (+0.4 million euros) in Training (+0.3 million euros). Excluding the non-recurring costs incurred with the reduction of non-strategic assets (0.9 million euros), General and administrative expenses would have fallen by 3.2 million euros compared to 2020 (- 4.8%).

Amortisation and depreciation amounted to 35.3 million euros (+0.5%) in 2021, compared to 35.1 million euros recorded in 2020, showing the investment related to the digital and technological transformation plan.

In 2021, the cost-to-income ratio, corrected for non-recurring costs related to the Staff adjustment measures and the costs incurred with the reduction of non-strategic assets, and the more volatile components of the results, such as the Results from financial operations and Other results (Net gains/(losses) from the sale of other assets and Other operating income), stood at 69.0% compared to 72.5% recorded in the first half of 2020, primarily reflecting the reduction of Total operating income.

Banco Montepio

OPERATING COSTS

(million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Staff Costs	162.4	189.3	164.1	(25.2)	(13.3)
General and administrative expenses	68.1	67.0	64.7	(2.3)	(3.4)
Depreciation and amortisation	33.5	35.1	35.3	0.2	0.5
Operating costs	**264.0**	**291.4**	**264.1**	**(27.3)**	**(9.4)**
Operating costs, excluding specific impacts [(a)]	**264.0**	**261.9**	**249.4**	**(12.5)**	**(4.8)**
Efficiency ratios					
Cost-to-income (Operating costs / Total operating income) [(b)]	57.3%	74.0%	69.7%	(4.3 p.p.)	
Cost-to-income, excluding specific impacts [(a) (c)]	68.7%	72.5%	69.0%	(3.5 p.p.)	

(a) Excludes the amount related to the increase in Personnel costs and in General administrative expenses generated by the operational adjustment measures of €29.5Mn in 2020 and €14.7Mn in 2021.

(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.

(c) Excludes results from financial operations and Other income (proceeds from the sale of other assets and other operating income).

IMPAIRMENTS AND PROVISIONS

The allocations for Impairments and provisions amounted to 80.5 million euros in 2021, reflecting a reduction of 140.3 million euros (-63.5%) in relation to 2020, the year in which the main impact of the Covid-19 pandemic was experienced. The reduction recorded in 2021 is essentially underpinned by the reduction of Impairment of loans and advances to customers and credit institutions of 130.8 million euros, and to a lesser extent, by the reduction of Impairment of other financial assets of 12.4 million euros and of Other provisions of 8.7 million euros, and, on the other hand, by the increased Impairment of other assets of 11.6 million euros.

The allocations for Impairment of loans and advances to customers and credit institutions incorporate the result of the individual analysis made to significant exposures that showed signs of impairment, on the one hand, and the value derived from the impairment model used to calculate the impairment associated with homogeneous populations, on the other hand, pursuant to accounting policy 1. c) described in the notes to the financial statements.

In 2021, the Impairment of loans and advances to customers and credit institutions (net of reversals) stood at 54.3 million euros, compared to the value of 185.1 million euros in 2020 (-130.8 million euros). This shift was fundamentally driven by the lower allocation of impairment for risk of loans to customers, of 55.6 million euros in 2021, compared to 187.8 million euros in 2020, a year that was extraordinarily affected by the impacts of the Covid-19 pandemic, both in the forward-looking component and via the moratoria and transitions of stages. The evolution of Impairment of loans in 2021 also benefited from the higher level of recovery of loans and interest of loans already written-off from the assets, which reached the value of 4.8 million euros compared to 2.6 million euros in 2020.

At the same time, Loans to customers (gross) reached 12,189 million euros (12,357 million euros recorded at the end of 2020). The two combined effects led a reduction in the cost of credit risk to stand at 0.4%, compared to 1.5% at the end of 2020.

The aggregate of Other impairment and provisions, related to other financial assets, other assets and provisions, amounted to 26.2 million euros in 2021 in comparison to 35.6 million euros recorded in 2020. This essentially reveals the lower allocations made for other financial assets and for other provisions that, in this case, include the provisioning of the off-balance exposures, and the strengthening of the impairments for other assets derived from the impairments constituted for real estate properties for trading.

The Impairment of other financial assets recorded a reversal of 0.2 million euros (compared to 12.2 million euros recorded in 2020), primarily underpinned by the reversal of impairment for Angolan public debt securities held by Finibanco Angola, following the upward revision of the rating by the financial rating agency

Moody's, as well as by the repayment of Angolan public debt securities. Furthermore, there was an initial allocation in 2021 to strengthen the investment in the public debt portfolio.

The value recorded in 2021 for Impairment of other assets amounted to 31.0 million euros (19.4 million euros recorded in 2020), mainly consisting of impairments for real estate properties, essentially related to the process of updating the valuations of the real estate properties for trading and of a set of properties that were closed under the process of resizing Banco Montepio's distribution network.

In turn, Other provisions amounted to -4.6 million euros in 2021, revealing a reduction of 8.7 million euros compared to the value of 4.1 million euros recorded in 2020. Other provisions include the impacts of the reversal of provisions under the repurchases made under the Atlas I operation of 2.4 million euros, and of the reversal of 2.3 million euros relative to judicial proceedings initiated by Banco de Portugal.

IMPAIRMENTS AND PROVISIONS

(million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Impairment of loans and advances to customers and to credit institutions	114.9	185.1	54.3	(130.8)	(70.7)
Impairment of other financial assets	10.6	12.2	(0.2)	(12.4)	(<100)
Impairment of other assets	11.8	19.4	31.0	11.6	59.9
Other provisions	6.0	4.1	(4.6)	(8.7)	(<100)
Total net impairments and provisions	**143.3**	**220.8**	**80.5**	**(140.3)**	**(63.5)**

INCOME TAX

Current and deferred taxes for 2021 amounted to 25.3 million euros, compared to -42.3 million euros stated in 2020, having been calculated in conformity with the International Accounting Standards (IAS) and observing the tax system applicable to each subsidiary of the Banco Montepio Group.

Deferred tax assets arise, on one angle, from the fact that the accounting treatment diverges from the tax framework, namely with respect to the statement of impairment costs, thus leading to the statement of deferred tax assets associated with temporary differences, as well as other costs not accepted for tax purposes. Furthermore, due to the current context of negative profitability, new deferred taxes due to tax losses were generated.

INCOME FROM DISCONTINUED OPERATIONS

The heading of Income from discontinued operations incorporates the net income for the year of the subsidiaries Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – Em Liquidação and Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. (sold on 30 December 2021), attributable to the Banco Montepio Group under the application of the accounting policy defined in IFRS 5, which stood at -1.47 million euros in 2021 compared to -1.94 million euros in 2020, of which -1.34 million euros refer to Banco Montepio Geral Cabo Verde and -0.13 million euros refer to Montepio Valor, net of intra-group transactions. It should be noted that, in the case of the Caper Vedean operation, the investments made at the parent company and respective income are subject to annulment in the consolidated accounts and, in turn, with respect to the management company, the net income of the real estate funds that are fully consolidated are eliminated. On an individual basis, these two entities recorded positive net income, as described in the Business segment activity.

NON-CONTROLLING INTERESTS

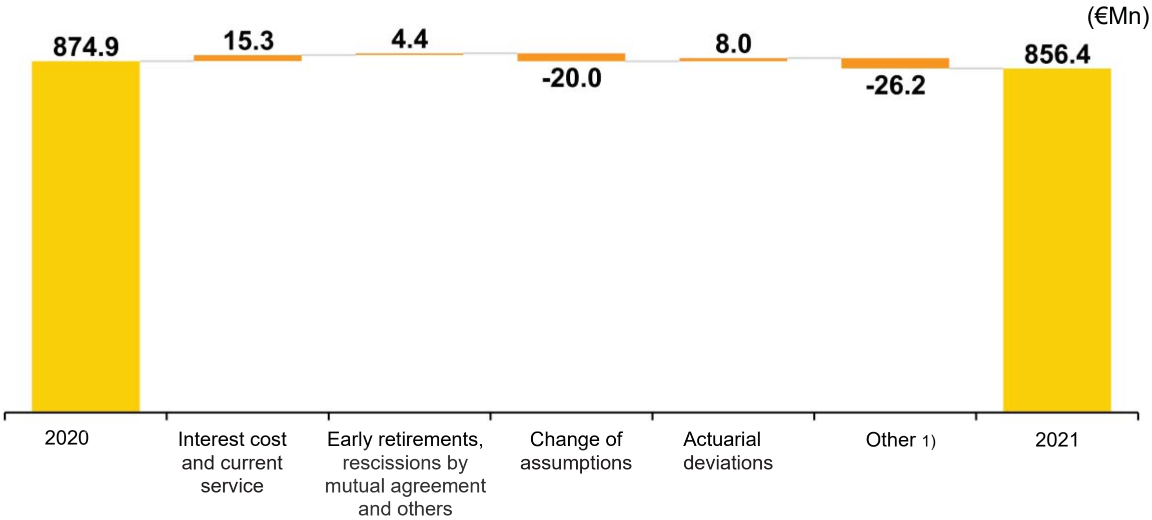
The Non-controlling interests recorded in 2021 (1.1 million euros) correspond to the portion of equity held by third parties in the subsidiary Finibanco Angola, S.A.

PENSION FUND

The liabilities related to post-employment and long-term benefits of the Employees amounted to 856.4 million euros as at 31 December 2021, compared to 874.9 million euros recorded as at 31 December 2020, showing a reduction of 18.5 million euros, reflecting the effect of the early retirement and rescission by mutual agreement programmes promoted in 2021.

The evolution of the liabilities was driven, on the one hand, by the increase arising from the interest cost and current service of 15.3 million euros, by the impact of the actuarial deviations of 8.0 million euros, and by the component of Early retirement, rescissions by mutual agreement and other of 4.4 million euros, and on the other hand, by the reduction of the Other component, which includes the Pensions paid by the Fund, the Pensions paid by Banco Montepio, the Contribution of the participants and Other, of 26.2 million euros, and by the effect associated with the change of actuarial assumptions, reflected in a reduction of 20.0 million euros, as illustrated in the chart.

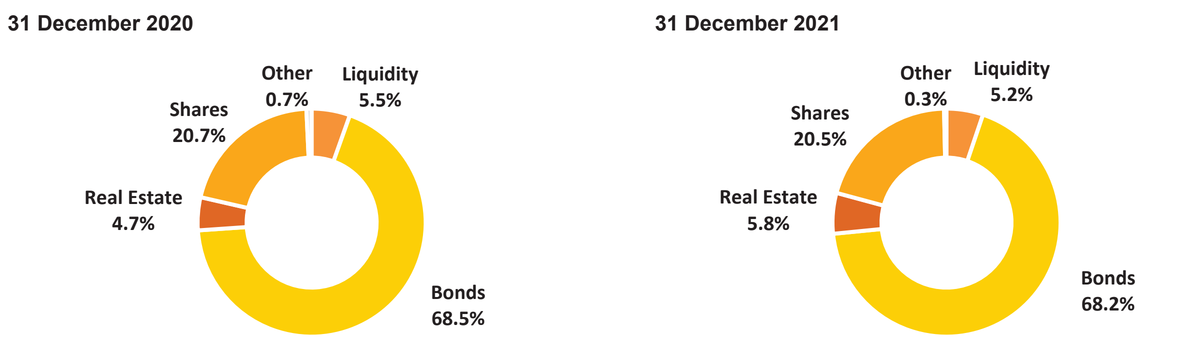
Evolution of pension liabilities in December 2021



(1) Includes Pensions paid by the Fund, Pensions paid by Banco Montepio, Contribution from participants and Others.

The value of the Pension Fund's assets increased by 0.1%, reaching the total value of 866.2 million euros as at 31 December 2021, compared to 865.5 million euros recorded at the end of 2020, continuing to show a conservative distribution, with 68.2% of these assets invested in Bonds compared to 68.5% as at 31 December 2020.

Distribution of the pension fund assets portfolio



The evolution of the key indicators of the Pension Fund for 2019, 2020 and 2021 are presented below, namely its liabilities, assets and funding levels.

PENSION FUND

(million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Total liabilities	850.9	874.9	856.4	(18.5)	(2.1)
Minimum liabilities to be financed	825.5	851.5	835.0	(16.5)	(1.9)
Value of the Pension Fund's assets	837.1	865.5	866.2	0.7	0.1
Coverage:					
Minimum liabilities (1)	103.2%	102.7%	104.8%	2.1 p.p.	
Total liabilities (1)	100.1%	100.0%	102.1%	2.1 p.p.	

(1) Also considering, in 2019, 2020 and 2021, the component directly financed by Banco Montepio referring to employees who are temporarily suspended from employment contracts and the contribution to Social Welfare Services (defined contribution).

Banco Montepio's total liabilities were entirely funded, with a coverage level of 102.1% as at 31 December 2021.

The yield of the Pension Fund stood at 3.5% in 2021, comparing favourably to the established actuarial assumption. Pursuant to Banco Montepio's accounting policy, and following the appraisal made on the adequacy of the actuarial assumptions, the discount rate was changed to 1.40% as at 31 December 2021, compared to 1,15% as at 31 December 2020, taking into account the evolution occurred in the key market indices related to high quality bonds and the duration of the Pension Fund’s liabilities. As at 31 December 2021, the average duration of the liabilities related to Bank Montepio Group Employee pensions was 17.5 years (19.0 years as at 31 December 2020), including actively employed and pensioners.

The main actuarial assumptions used to determine the liabilities in 2019, 2020 and 2021 are presented in the following table. The information is supplemented by the details presented in Note 50 to the consolidated financial statements.

ACTUARIAL ASSUMPTIONS

	2019	2020	2021
Financial Assumptions			
Salary growth rate	0.75%	0.50%	0.50%
Pension growth rate	0.50%	0.30%	0.30%
Rate of return of the Fund	1.50%	1.15%	1.40%
Discount rate	1.50%	1.15%	1.40%
Revaluation rate	0.00%	0.00%	0.00%
Salary growth rate - Social Security	1.50%	1.25%	1.25%
Pension growth rate	1.00%	1.00%	1.00%
Demographic assumptions and valuation methods			
Mortality table			
Men	TV 88/90	TV 88/90	TV 88/90
Women	TV 88/90 -3 years	TV 88/90 -3 years	TV 88/90 -3 years
Actuarial Valuation Methods (1)	UCP	UCP	UCP

(1) Projected Unit Credit method.

06
RISK

RISK

RISK MANAGEMENT

The Banco Montepio Group's risk management framework entails a series of policies and procedures and the definition of limits concerning risk appetite (RAS – Risk Appetite Statement), as well as the establishment of controls that enable, in an appropriate and integrated manner, identifying, assessing, monitoring, mitigating and reporting the risks derived from the activities developed in the different business lines and entities of the Group. Risk management falls under the overall strategy, embodied in the definition of risk appetite in its various dimensions, in consolidated terms as well as for the different entities comprising the Group.

INTERNAL CONTROL SYSTEM

In line with Banco de Portugal Notice 3/2020 and all the other provisions, the Banco Montepio Group's internal control system incorporates a series of strategies, policies, procedures, systems and controls that seek to ensure that the following goals are achieved:

- Profitable and sustainable performance: ensure achievement of the goals established in the strategic planning, the efficiency of the operations, the efficient use of resources, the safeguarding of assets and, consequently, business sustainability in the medium and long-term. Prudent risk management: an appropriate identification, assessment, monitoring and control of the risks currently faced or that may be faced by the Group.

- Quality information and sound accounting procedures: the existence of timely, objective, complete and reliable accounting, financial and management information, and of reporting mechanisms independent from that information to the management and supervisory bodies and to the internal control functions.

- Normative compliance: respect for the legal and regulatory provisions of prudential or performance-related nature, including compliance with Banco Montepio's own internal rules and with the professional and ethical rules, practices and codes of conduct endorsed by Banco Montepio.

The governance model of the internal control and risk management system of the Banco Montepio Group corresponds to the model with three lines of defence:

First line: composed of the business generating units and related areas, that generate risk for the institution and are primarily responsible for the identification, assessment, monitoring and control of the risks they incur.

Second line: composed of the support and control functions that include, namely, the risk management and compliance functions, that interact with the first line functions with a view to the appropriate identification, assessment, monitoring and control of the risks inherent to the activity pursued by the first line functions.

Third line: composed of the internal audit function, which is responsible for independently examining and assessing the efficacy of the policies, processes and procedures supporting the governance, risk management and internal control system by conducting tests on the effectiveness of the implemented controls.

Accordingly, the internal control system is based on:

An adequate control environment supported by a well-defined organisational structure, safeguarding the separation of functions and a code of conduct applicable to all the Employees that defines the standards of ethics, integrity and professionalism;

A robust risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the strategy and goals defined by the Group;

An efficient information and communication system, implemented to guarantee the collection, processing and exchange of relevant, encompassing and consistent data, within a period of time and manner allowing for the effective and timely management and control of the activity and of the Group's risks;

An effective monitoring process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, which guarantees, in particular, the timely identification of any flaws so as to strengthen the internal control system.

The Bank created, within the Executive Committee, an Internal Control Committee aimed at enhancing the robustness of the management of the internal control system, tasked with promoting and supporting the process of continuous monitoring and assessment of the efficacy of the Group's internal control system, in order to ensure that it promotes a robust control environment, solid risk management, is endowed with a fluid and reliable information and communication system and an ongoing process of monitoring and resolving any detected flaws.

With the same perspective, the Bank created the Internal Control Department to support the management of internal control system. This department aims to foster the appropriate and effective management of the internal control system, in close articulation with the internal control functions, being namely responsible for the integrated and overall monitoring and centralising of the internal control flaws and corresponding action plans, striving to ensure their implementation and conducting their regular follow-up.

The Internal Control Committee’s periodic reporting to the Board of Directors and Audit Committee enables ensuring an overview of all the Group’s internal control flaws – centralising all the Group’s flaws in a single database – and improving the efficiency and efficacy of their resolution.

The Internal Control Manual was also approved, which defines the procedures and responsibilities of each participant in the process of remedying flaws.

RISK MANAGEMENT SYSTEM

The Banco Montepio Group has a risk management system that constitutes one of the pillars on which the internal control system is sustained, consisting of a series of processes that enable ensuring the correct comprehension of the material risks to which the institution is currently exposed or may be exposed to in the future. The risk management system aims to identify, assess, monitor and control all the material risks to which the institution is currently exposed, or may be exposed to in the future, both via internal and external means, in order to ensure that they stay within the levels previously defined by the Board of Directors, and should not affect the institution's financial situation.

The risk management strategy is established in conformity with the Banco Montepio Group's risk appetite statement, considering aspects of solvency, liquidity, profitability and asset quality, as well as other financial and non-financial risks.

The risk management function, which is performed by the Risk Department (DRI) at Banco Montepio, is responsible for the effective application of the risk management system. The risk management function consists of one of the three key functions on which Banco Montepio's internal control system is based, simultaneously with the compliance and audit functions. Together, these functions constitute the three elements of the model of 3 lines of defence established by the guidelines of the European Banking Authority (EBA) on internal governance best practices.

The risk function operates as a second line of defence of the internal control system, ensuring the existence of an appropriate risk management system and aimed at obtaining a vision of the institution's overall risk profile, while challenging and supporting the business lines in the implementation of the first line processes of control. The main responsibilities of Banco Montepio's risk management function, in conformity with the internal regulation of the function and the organic statutes, and taking into account the regulatory framework and the guidelines of the EBA are as follows:

a) Ensure that all the risks to which the Group is currently exposed, or may be exposed to in the future, are identified, assessed, monitored and controlled appropriately and properly reported to this function by all the structural units;

b) Develop and present proposals aimed at defining the necessary policies and guidelines for the overall risk management and control, and ensuring their effective implementation;

c) Participate in the definition of the Group's risk strategy and in decisions related to risk management, presenting an overview of all the risks to which the Group is currently exposed, or may be exposed to in the future;

d) Identify the risks inherent to the activity pursued by the Bank, in an individual, aggregate, current and prospective manner, assess those risks and measure exposure to them, through appropriate methodologies;

e) Develop and implement timely warning mechanisms for decisive situations or of breach of the risk tolerance thresholds;

f) Collaborate in the implementation of the risk management measures to be adopted by the Bank's different structural units that take risks, including the business generating units, and monitor their application, in order to ensure that the implemented risk control and management processes and mechanisms are adequate and effective;

g) Issue opinions on the risks associated with new products, services and markets, as well as significant change of the existing risks;

h) Coordinate the implementation of the risk management strategies and policies at the Group level;

i) Regularly assess, on an integrated basis, the adequacy and efficacy of the different components of the Group’s risk management system, their interactions and concentrations;

j) Conduct a prior analysis of transactions with related parties, appropriately identifying the inherent risks, both real or potential, to the Group;

k) Conduct the prior analysis and advise the management and supervisory boards before the taking of decisions entailing the taking of significant risks, namely when involving operations of values considered high to the Bank, acquisitions, disposals, mergers or the launch of new activities, products or services, with a view to ensuring an opportune and appropriate assessment of their impact on the Group’s risk profile;

l) Provide expert and independent information, analyses and evaluations on the risk positions, in addition to issuing opinions on the compatibility of the proposals and decisions related to risks in view of the risk tolerance thresholds defined by the Group;

m) Issue opinions on exceptional transactions.

In the area of the risk management function, the following developments took place during 2021:

- Review of the Credit Risk Policy and Regulation; Review of the scoring and rating models (ongoing activity);
- Adjustment of processes to the activity of BEM, in accordance with the new strategy;
- Continuation of the reinforcement and improvement of the risk management information system and reporting produced by the Risk Department (DRI);
- Continuation of the updating and review of internal rules and regulations on various processes related to risk management (namely in terms of the strategy and business, pension fund and real estate risk management policies);
- Implementation of new regulatory requirements under CRR II;
- Dissemination of the use of the pricing tool in the credit decision-making process;

- Pursuit of the strengthening of the processes for calculation and reporting interest rate risk, pursuant to Banco de Portugal Instruction 34/2018 and most recent EBA guidelines; and
- Review and updating of the Bank's risk classification, as well as the process of identification of material risks.

The compliance function as an integral part of the internal control system, and operating as a second line of defence, undertakes responsibility for the management of compliance risk, i.e., the risk of legal or regulatory penalties, financial or reputation loss, as a consequence of breach of laws, regulations, specific determinations, contracts, rules of conduct and relations with Customers, ethical principles or internal rules of Banco Montepio.

Banco Montepio's compliance function is exercised by the Compliance Department; that has the necessary autonomy to perform its functions independently, reporting functionally to the Board of Directors and Audit Committee, namely on relevant matters such as the activities and training plans, budget, activity reports, compliance policies, as well as any indications of breach of legal obligations or rules of conduct that may cause Banco Montepio to commit unlawful conduct of the nature of an administrative offence.

Compliance risk is mitigated by promoting a culture of ethics and compliance, and by independent, permanent and effective intervention of this function in the Bank's main procedures that imply compliance risk. For the purpose of compliance and reputational risk management, Banco Montepio has a Policy and Methodological Approach for Compliance Risk Management and a Policy and Methodological Approach for Reputation Risk Management, both of which are communicated to all the institution's employees. These policies support the adoption of a compliance culture based on the identification, assessment, monitoring and mitigation of compliance risk.

The Code of Conduct is also a fundamental instrument in the mitigation of compliance risk, as it sets out the values, principles of action and rules of professional conduct that all the Employees and members of the governing bodies should observe in performing their duties. The Code of Conduct was revised in October 2021 with a view to making it more simple, clear, synthetic and more capable of offering guidelines for the conduct of its intended receivers, to that end presenting various examples of expected behaviour and unacceptable behaviour. For Banco Montepio, the endorsement of ethical conduct in business is an essential element to ensure good service to the Customers, meet the expectations of its Shareholders and other Stakeholders, satisfy and encourage its Employees, and, in general, contribute to consolidate its affirmation as a unique financial institution in the national panorama due to its origin and mutualist foundations and, consequently due to its vocation as an institution geared towards savings and the provision of universal financial services for Individual Customers, at all stages of their life cycle, for all Business Sector Customers and, in particular, for Social Economy institutions and social entrepreneurs.

Concerning compliance risk management, it also important to highlight the review of an enormous series of Policies and improvement of their associated processes in order to respond effectively to the legal and regulatory requirements and to the guidelines of the national and European regulators. In this regard, reference is made to the review of the Policy on Management of Conflicts of Interest, Policy on Transactions with Related Parties, the Policy on Reporting Irregularities (whistleblowing), the Policy applicable to unconventional or non-transparent structures and activities, the Outsourcing Policy and the Internal Control Policy.

At the beginning of 2021, the compliance function underwent an internal reorganisation, aimed at separating the compliance management function from the compliance and reputational risk management function, in order to strengthen the control and monitoring processes *a posteriori*, with the compliance management processes continuing to be more based on prior controls and advising on regulatory issues, in a separate area.

At the monitoring level, the mechanisms to monitor the Banco Montepio Group branches were strengthened (from the compliance perspective), with a reporting package having been implemented that seeks to obtain information to carry out compliance risk management from a consolidated standpoint. Complementing the above, new projects were also started for the implementation of control solutions, namely control of regulatory reporting and of the joint platform for the internal control units, which will include a specific module for compliance risk management and management of the compliance monitoring actions.

In order to accommodate the new legal and regulatory requirements, especially those arising from the implementation of Banco de Portugal Notice 3/2020, the Compliance Department included a separate department to support the management of the internal control system from June 2021 onwards. This department aims to foster the appropriate and effective management of the internal control system, in close articulation with the internal control functions, being particularly responsible for the integrated and overall monitoring and centralising of the internal control flaws and corresponding action plans, striving to ensure their implementation and conducting their regular follow-up. The creation of this structural unit has enabled the improvement of the monitoring of the internal control system. An Internal Control Committee was also crated, by delegation of the Executive Committee, which has contributed to greater interaction between the internal control functions, the executive management and all the other areas of the Bank responsible for the mitigation of flaws. Accordingly, the preponderance of the internal control topics was further strengthened in Banco Montepio's risk management framework.

Under anti-money laundering and counter terrorist financing (AML/CTF), special note is made of the change of the structure of the Prevention of Financial Crime Department, with the creation of filtering, monitoring, Customers and counterparts, and prevention of market abuse units. Reference is also made to the mechanisms of control of politically expose persons, and the continuous improvement of the implemented processes and controls. On this issue, it is important to refer to the start in 2021, with the support of an external consultant, of a diagnosis of the functioning of the main AML/CTF systems and sanctions, comprising the screening system and the system for monitoring Customers and transactions (Client Due Diligence and Transaction Monitoring). This project aims to review and calibrate the risk models used for AML/CTF, as well as the rules and scenarios implemented in the screening and monitoring tools in order to improve their efficacy. At the same time, the operative model will also be reviewed, with a view to identifying opportunities of improvement and optimisation.

At the Banco Montepio Group, the internal audit function is carried out by the Audit and Inspection Department (DAI) of Banco Montepio, which, under a perspective of shared services, carries out the audit function for all the other entities of the Group, with the exception of external entities in which there is a specific audit function. In this situation, the Audit and Inspection Department carries out the corporate function, through the functional coordination of the local audit function, in order to ensure the alignment of practices and procedures at a Group level, including the conduct of local audit actions.

In terms of mission, the internal audit function assists Banco Montepio Group in achieving its objectives through the use of a systematic and disciplined approach to assess and improve the efficacy of the risk management, internal control and governance processes.

The internal audit function is an integral part of the process of monitoring the organisational culture, the governance and internal control systems and, as a third line of defence, conducts independent and risk-oriented assessments of the activities, systems and processes, including the risk management function and the compliance function.

Risk Appetite Framework (RAF)

The RAF constitutes the main element of the Group's risk management system, being a general approach, according to which the risk appetite and strategy are established, communicated and monitored, including the necessary policies, processes, controls and systems. The risk limits underlying the risk management strategy and the maintenance of appropriate levels of capital and liquidity are documented in a Risk Appetite Statement (RAS) approved by the management bodies. The risk management system is part of the internal control system of the Banco Montepio Group, whose objective is the development of the activity in a sustained manner in line with the established RAS.

The evolution of the Banco Montepio Group's risk profile is regularly monitored in relation to the established risk appetite, with the respective reporting to the Board of Directors and monitoring by the Supervisory Board.

RISK MANAGEMENT GOVERNANCE MODEL

At Banco Montepio, the risk management function is the responsibility of the Risk Department (DRI), the organic unit that conducts this function in a manner independent from the functional areas subject to assessment.

In the Banco Montepio's current governance model, the head of the Risk Department reports hierarchically to the member of the Executive Committee responsible for the risk area, and there is also functional reporting to the Risk Committee, to the Audit Committee, as Banco Montepio's supervisory body, and to the Board of Directors.

The hierarchical and functional reporting lines are described in the internal governance structure defined in the Risk Management Policy of the Banco Montepio Group.

The Board of Directors is responsible for the strategy and policies to be adopted regarding risk management. This includes the approval of policies at the highest level that should be followed in risk management. The risk management function reports functionally to the Risk Committee (composed exclusively of non-executive Directors), the Audit Committee, as the supervisory body of Banco Montepio, and the Board of Directors.

The management bodies of the Banco Montepio Group's subsidiaries are responsible for approving their own risk management strategies, in line with the business strategy defined for each subsidiary and in consolidated terms, as well as the Banco Montepio Group's overall risk strategy.

Audit Committee

The Audit Committee is Banco Montepio's supervisory body, whose duties include supervision of the Company's administration, supervision of the audit activities, the process of preparation and disclosure of financial information, the efficacy of the internal control systems, the drafting of opinions on the policies and procedures supporting the systems of risk management prior to approval by the Board of Directors, of control of conformity (compliance) and on the activity and independence of the statutory auditor and external auditor.

Risk Committee

The Board of Directors appoints the Risk Committee, including the nomination of its Chairman, whose duties, exercised in an independent form, are established in the respective articles of association. The mission of the Risk Committee is to permanently monitor the definition and implementation of the institution's risk strategy and risk appetite, and check that they are compatible with the medium and long-term sustainable strategy and with the action programme and budget that have been approved, advising the Executive Committee and Board of Directors in these spheres.

Supporting Committees of the Executive Committee

Committees providing support to the Executive Committee have been constituted, as forums of debate and support to decision-making, through formulation of proposals and recommendations in the areas of their scope of intervention. The Credit Committee (COMCRED) holds weekly meetings, where loan operations area appraised and decided in accordance with the policy and regulation on loan concession. The Assets and Liabilities Committee (ALCO Committee or COMALCO), which holds monthly meetings, is responsible for following up the management of Capital, Balance Sheet and Income Statement. Its duties include, in particular, the issue of proposals or recommendations with a view to the management of liquidity or capital positions, considering the scenarios of evolution of the activity, the macroeconomic context and the indicators relative to the real and projected evolution of the different risks. Under its risk management function, the Risk Department also participates in the Impairment Committee (COMIMP), in the Non-Performing Asset Monitoring Committee (COMAANP), in the Business Committee (COMNEG), in the Pension Fund Monitoring Committee (COMAFP), Technology Committee (COMTECH), Internal Control Committee (COMCI) and Cybersecurity Committee (COMCS), as well as in the regular meetings of the Crisis Management Office, and business recovery, activated under the Bank's response to the Covid-19 pandemic crisis in order to ensure the operational continuity of the Bank's critical functions and business continuity.

Risk Department (DRI)

The Risk Department (DRI) is Banco Montepio's unit responsible for performing the risk management function, being entrusted with monitoring all the financial and operational risks, exercising its function in an independent manner and in conformity with best practices and the regulatory requirements.

The Risk Department carries out the analysis and management of risks, providing advice to the Board of Directors, namely through proposed rules and management models for the different risks, the preparation of management reports to substantiate the decisions taken, and participation in the Supporting Committees of the Board of Directors and to the Executive Committee. The Risk Department also ensures compliance with a set of prudential reports to the supervision authority, namely in the area of own fund requirements, control of major risks, liquidity risk, interest rate risk, counterparty risk, monitoring of the evolution of the impact of the Covid-19 pandemic in the financial statements and in the operational processes of the Bank, internal capital and liquidity adequacy assessment, Market Discipline, Recovery Plan and Resolution Plan.

Subsidiary Companies

In order to ensure an effective management of the risks associated with the Group's activities, the Risk Department is responsible for ensuring that all Banco Montepio Group Companies, including those located abroad, adopt risk management systems that are coherent with one another and in conformity with the requirements defined in Banco Montepio's Internal Regulation of the risk management system, in the Banco Montepio Group's Overall Risk Policy and in all the other applicable internal policies and rules, without prejudice to the respective legal and regulatory framework. The Risk Department is responsible for monitoring the risk management activity of Banco Montepio Group Companies, on a consolidated and individual basis, with a view to ensuring the consistency of the risk concepts used, the methodologies of identification, assessment and control of risk, the supporting regulations and respective processes for monitoring the risk profile, as well as compliance with the applicable regulatory and prudential requirements, namely in consolidated terms. These activities should be conducted directly by the risk management functions of these entities, except in those for which Banco Montepio's Board of Directors decides that the development of these responsibilities by Banco Montepio's Risk Department would be more effective and efficient.

Model Validation Office

The Model Validation Office (GVM) is responsible for the independent validation of the models developed within the Group, ensuring compliance with the applicable internal and external requirements. This structure reports functionally to the Risk Committee and hierarchically to the director responsible for risk, thus safeguarding its independence in relation to other organic structures responsible for the development and monitoring of models.

The Model Validation Office is also responsible for the Group's model risk management, ensuring the updating of the Corporate Policy on Model Risk Management and compliance with the defined requirements, ensuring the existence of a centralised and updated inventory of the Group's models and checking the appropriate risk level classification of the models by the model owners, in accordance with the defined risk tiering method, with the continuous monitoring and reporting of model risk.

In the first half of 2021, the Model Validation Office completed a series of validation procedures relative to various models, among which particular reference is made to the regular validation of the models, methods and results of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), and the initial validation of the Bank's calibration methodology and Master Scale.

In the second half of the year, the Model Validation Office completed the validation work related to the model of impairment for individually significant exposures, the profitability model and motor vehicle credit application scoring model of Montepio Crédito. The Office also started the validation of the application scoring models for the mortgage loan and small business segments and the rating models for construction and real estate development, and Small, Mid and Large Corporate.

With respect to its overall function of management of the Group's model risk, the Model Validation Office also proceeded with the control of the inventory of models, ensuring the follow-up of recommendations among the model owners and analysis of rating model overrides with the respective four-monthly reporting, and the monitoring of model risk limits. The Model Validation Office prepared the Group's annual report on model risk, with the support of various model owners and the Internal Audit function, ensured the presentation and reporting to the Risk Commission and Executive Committee, pursuant to the requirements defined in the Model Risk Management Corporate Policy that the Office created in 2018. The annual report included the inventory and characterisation of the Group's models in terms of the technical specifications and risk tiering, the main activities carried out in 2020 concerning development, alteration, validation and audit of models, the planning of activities for 2021 in terms of the development, review, validation and audit of models, the current situation of insufficiencies in terms of the models issued for validation, whether identified by the Model Validation Office, by the Internal Audit function or by external entities, and the overall assessment of model risk through the qualitative assessment of the model risk and situations of overrunning the defined model risk limits.

Information Management

Banco Montepio has defined a data policy and the respective implemented operative model. This policy is aligned with the reference framework referred to as DAMADMBOK (DAMA International Guide to Data Management Body of Knowledge) and BCBS 239 (Principles of effective risk data aggregation and risk reporting), which were reviewed and aligned pursuant to Banco de Portugal Notice 3/2020. During 2021 and extending into 2022, the investments continued in the modernisation of the technological infrastructure and in software tools to support the governance and data quality processes.

The Information Management Office, responsible for the implementation of the data policy, saw its team strengthened in this adverse scenario, demonstrating Banco Montepio’s commitment to strongly endeavour to effectively support as data management strategy and its commitment to the reliability, timeliness and quality of the information effectively supporting the decision-making processes, as well as in its response to the internal and external reporting requirements, ensuring compliance with the regulatory requirements in this sphere.

CREDIT RISK

Credit risk is associated with the degree of uncertainty of the expected returns, by inability either of the borrower (or guarantor, if there is one), the issuer of a security or the counterparty in a contract to comply with the respective obligations. Credit risk management benefits from a robust process of credit analysis and decision-making, based on a series of tools to support the credit decision-making process. The quantification of credit risk is also supported by the model for calculating impairment losses.

During 2021, work continued on review of the models and policies on credit risk management, accompanying the changes in the regulatory framework, and the guidelines issued by the national and European supervisors and regulators, and best market practices.

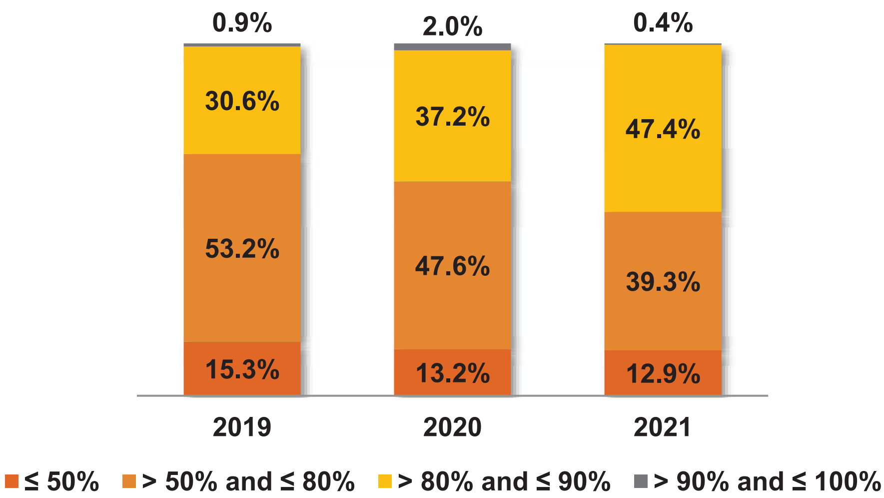
The decision-making process for loan operations is based on a series of policies using scoring models for the retail and business portfolios and rating models for the Corporate segment. These models, developed based on internal historical data, enable obtaining an assessment which is reflected in the attribution of a risk category to the Customer/operation, aggregated in a single risk scale, representing the respective probability of default. The models referred to above are subject to validation by a unit that is independent from the area responsible for their development, which reports to the Risk Committee (composed of non-executive directors) and approves the respective validation reports and opinions for changing the models.

The implemented models are monitored on a regular basis by the Risk Department, with a process existing for regular updating in light of the results obtained, business or regulatory alterations that imply the need to review these models.

In addition to the rating and scoring models, the decision-making process for loan operations is also based on certain filters or rules for rejection or escalation. Rejections or filters in terms of decision levels are determined by the occurrence of credit events in the financial system, breach of credit rules (for example, the indicator of the analysis of Individual customer solvency defined by Banco de Portugal, named DSTI - Debt Service-to-Income) and whenever the pricing associated with a particular operation represents a risk of adverse selection.

In the mortgage loan segment, the loans granted of 2021 increased in relation to 2020, of the Loan-to-Value (LTV) ratio – the loan value divided by the valuation of the collateral), to 74.3% (73.1% in 2020 and 71.6% in 2019), excluding financing of real estate properties held by Banco Montepio, essentially explained by the component of own and permanent residence. It should be noted that the macro prudential recommendation of Banco de Portugal entered into force in July 2018 where, relative to compliance with the LTV criterion, the calculation of the ratio in this regard henceforth considers the value of the real estate property to be the lowest between the acquisition value and the assessment value, which naturally led to an increase in the disclosed ratio.

Mortgage loans distribution granted by LTV level



As at 31 December 2021, the weight of the non-performing exposures (NPE) measured based on the heading of Gross loans to customers decreased by 2.4 p.p. in relation to 31 December 2020, to stand at 8.0%. This evolution was driven by the positive effect of the reduction of non-performing exposures by 314 million euros, notwithstanding the reduction of the portfolio of Loans to customers of 168 million euros in the period.

The amount of impairments for credit risk reached 522 million euros as at 31 December 2021, giving rise to a ratio of coverage of loans and interest overdue by more than 90 days of 144.4%, a reinforcement of 20.0 p.p. in relation to 2020. Moreover, the coverage of non-performing exposures stood at 53.5%; also considering the associated total collateral and financial guarantees this ratio reached 96.0%.

CREDIT QUALITY INDICATORS

(million euros)

	2019	2020	2021	Change 21/20	
				Amount	%
Gross loans to customers	12 289	12 357	12 189	(168)	(1.4)
Loans and interest overdue by more than 90 days	688	627	361	(266)	(42.3)
Loans impairment	783	780	522	(258)	(33.1)
Ratios (%)					
Cost of credit risk	0.9	1.5	0.4	(1.1 p.p.)	
Loans and interest overdue by more than 90 days	5.6	5.1	3.0	(2.1 p.p.)	
Non-performing exposures (NPE) [(a)] / Gross loans to customers	12.3	10.4	8.0	(2.4 p.p.)	
Forborne exposures [(a)] / Gross loans to customers	7.1	6.6	5.1	(1.5 p.p.)	
Coverage by Impairments for balance sheet loans (%)					
Loans and interest overdue by more than 90 days	113.7	124.4	144.4	20.0 p.p.	
Non-performing exposures (NPE) [(a)]	51.8	60.4	53.5	(6.9 p.p.)	
Non-performing exposures (NPE) [(a)], also including associated collaterals and financial guarantees	87.4	93.0	96.0	3.0 p.p.	

(a) EBA definition.

CREDIT CONCENTRATION RISK

Credit concentration risk arises from the existence of risk factors that are common or correlated between different entities or portfolios, to such an extent that the deterioration of any of these factors could have a simultaneous negative effect on the loan quality of each counterparty or on the earnings of each category of assets and liabilities. In a concentration scenario, the effect of the losses on a small number of exposures can be disproportionate, confirming the importance of the management of this risk in maintaining suitable solvency levels. At the Banco Montepio Group, the monitoring of concentration risk is primarily incident on credit concentration risks.

There are various procedures related to the identification, quantification and management of credit concentration risk. Credit concentration risk refers to the degree of concentration of the risk of default in the granted loan, derived from possible over-exposure to individual counterparties or groups of counterparties that are related to counterparties operating in the same activity sector, in the same geographic area or exposures with collateral or assets under common operation, excluding Group Companies. In order to limit credit concentration risk due to exposure to a Customer/group of interrelated Customers, maximum exposure limits were defined for the aggregate positions of the credit and investment portfolios, for various entities of the Banco Montepio Group.

The management of concentration risk is carried out in a centralised manner, with regular monitoring of the risk indicators by the Risk Department. For the established Risk Appetite Statement (RAS), limits and objectives were defined for key indicators, with concentration risk being one of the relevant dimensions.

Credit concentration risk is monitored regularly, considering relevant risk indicators (individual and sector concentration) in comparison to previous periods so as to follow the evolution. The identification and monitoring of the largest exposures and most significant increased exposure of the loan portfolio are conducted monthly.

MARKET RISK

The concept of market risk reflects the potential loss that could be recorded by a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the different financial instruments comprising the portfolio, considering both the correlations that exist between them and their volatility.

Value-at-Risk (VaR) is one of the main indicators used to measure and monitor market risk. The Group calculates the VaR on a daily basis, both for its trading book and for the portfolio of financial assets at fair value through other comprehensive income. VaR is also calculated on a time horizon of 10 business days and at a 99% significance level, by the historical simulation method. The types of risk considered in this method are interest rate risk, exchange rate risk, price risk, spread risk and commodity risk.

With respect to market risk information and analysis, there is regular reporting on Banco Montepio's own portfolios and those of other entities of the Group, with various risk limits being defined, including overall limits of VaR, and Stop Loss and Loss Trigger limits for positions held for trading and in other comprehensive income, as well as the exposure limits by issuer and by asset type/class.

The reports that are produced are used to control the different limits of exposure, analysing the risks of concentration, credit, interest rate and asset price variation, among others. These analyses encompass the analysis of scenarios, namely the sensibilities of securities portfolios to changes in interest rates, of spreads, as well as analyses of stress scenarios based on past extreme events, including the “Covid period of 19 February to 31 March 2020” scenario.

Concerning market risk, in addition to reporting on the risk of Banco Montepio’s overall portfolio, specific risk reports are also produced for the trading book and the proprietary portfolios of financial assets at fair value through other comprehensive income.

In order to ensure more effective risk management, the positions in portfolio are disaggregated into a portfolio of financial assets at fair value through other comprehensive income, portfolio of other financial assets at amortised cost, portfolio of financial assets not necessarily held for trading at fair value through profit or loss, and portfolio of assets held for trading (which exclude hedge coverages and fair value option), with risk limits being defined according to the type of portfolio. The thresholds applicable to the portfolios are defined in internal regulations, updated on an annual basis or other, whenever justified by alterations to market risk levels.

Stop loss and loss trigger thresholds are also defined, applicable to the portfolios. Whenever any of these thresholds are reached, the re-examination of the strategy intrinsic to this position is compulsory.

A summary of the VaR indicators in December 2020 and 2021 is presented below with the note that the trading portfolio did not have positions in shares or bonds as at 31 December 2021:

VaR INDICATORS (1)

	Dec-21		Dec-20	
	Banking Book	Trading Portfolio	Banking Book	Trading Portfolio
Market VaR (1) (2) (3)	**1.28%**	**n.a.**	**3.78%**	**20.52%**
Interest Rate Risk	0.87%	n.a.	2.31%	0.40%
Exchange Rate Risk	0.00%	n.a.	0.00%	2.06%
Price Risk	0.03%	n.a.	0.00%	20.55%
Credit risk (spread)	0.69%	n.a.	3.19%	0.73%
Commodity Risk	0.00%	n.a.	0.00%	0.00%

(1) 10-day time horizon and significance level of 99%; As a Percentage of total portfolio assets; Includes the portfolios of BM and BEM.

(2) Includes diversification effect.

(3) Excludes positions of Finibanco Angola.

Moreover, analyses are also conducted of scenarios and stress (based on past extreme events) for the trading book to complement the analysis of all the other risk indicators.

EXCHANGE RATE RISK

Concerning the exchange rate risk of the banking book, in general, the different resources captured in different currencies are invested in assets in the respective money market for maturity periods that are not higher than those of the resources. Therefore, the existing foreign exchange gaps essentially derive from possible mismatches between the maturity periods of the investments and resources. The current foreign exchange exposure of the Bank Montepio Group in consolidated terms is essentially the result of positions derived from the conversion of the balances of the subsidiaries in their main currencies, namely the Kwanza and American Dollar, concerning Finibanco Angola.

Limits of exposure have been defined for the exchange rate risk of the banking book, which are monitored by the management and supervisory bodies and Capital, Asset and Liability Committee (ALCO), where any overrunning of the established limits follows an established circuit, including approval by the Board of Directors or the implementation of measures to cover this risk.

The limits defined for exchange rate risk include limits of position by currency, in consolidated and individual terms, as well as in terms of VaR, and are also disaggregated in terms of the trading book and banking book.

INTEREST RATE RISK IN THE BANKING BOOK

The interest rate risk caused by operations of the banking book is assessed through risk sensitivity analysis, on an individual and consolidated basis for the subsidiaries included in the Group's consolidated balance sheet.

Interest rate risk is appraised in accordance with the impacts on net interest income, economic value and own funds caused by variations in market interest rates. The main risk factors result from the mismatch between the repricing dates and/or residual maturities between assets and liabilities (repricing risk), from the non-parallel change in the interest rate curves (yield curve risk), from the lack of a perfect correlation between different interest rates with the same repricing time limit (basis risk) and from the options associated with instruments enabling a diverse action on part of the stakeholders dependent on the level of contracted and practised interest rates in the moment (option risk).

Following the recommendations of Basel and Banco de Portugal Instruction 34/2018, the Group calculates its exposure to balance sheet interest rate risk, at least quarterly, based on the methodology of the Bank of International Settlements (BIS), classifying all the headings of the assets, liabilities and off-balance sheet items which do not belong to the trading book, by repricing brackets.

In this context, limits are defined for exposure to interest rate risk factors which are monitored by the Capital, Asset and Liability Committee (ALCO), where any overrunning of the established limits, even if temporary, requires the approval of the Board of Directors or the implementation of measures to cover the exposure.

At the same time, a stress test is conducted with six shock scenarios on the interest rate curve. The test also measures impacts on net interest income at one year and on economic value arising from shocks on the interest rate curve specified in the BIS document of April 2016, Standards – Interest rate risk in the banking book.

Based on the financial features of each contract, the respective expected cash flow projection is made, according to the rate repricing dates and any pertinent performance assumptions that are considered.

LIQUIDITY RISK

Liquidity risk is assessed using regulatory indicators defined by the supervisory authorities and other internal measurements for which exposure limits are also defined. This control is reinforced by the execution of stress tests, aimed at characterising Banco Montepio's risk profile and ensuring that the Group meets its liabilities in the event of a liquidity crisis.

The objective of controlling the liquidity levels is to maintain a satisfactory level of disposable assets so as to meet financial needs in the short, medium and long term. Liquidity risk is monitored weekly, with various reports being prepared for control and monitoring purposes and to support decision-taking within the ALCO

Committee. Under the control of risk levels, limits are defined for various liquidity risk indicators, which are monitored through monthly reports.

The evolution of the liquidity situation is analysed, in particular, based on estimated future cash flow projections for different time horizons, considering Banco Montepio’s balance sheet. The liquidity position on the day of the analysis and the amount of assets deemed highly liquid existing in the uncommitted securities portfolio are added to the ascertained values, thus determining the accumulated liquidity gap for different time horizons.

Moreover, there is also monitoring of the level of compliance of the liquidity prudential indicators, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Additional Liquidity Monitoring Metrics (ALMM), and of internal ratios such as, for example, ratios of loans to deposits, concentration of funding sources, short term funding and eligible assets.

In December 2021, the liquidity gaps up to 12 months were as presented in the table below.

LIQUIDITY POSITION GAPS IN DECEMBER 2021

(million euros)

Position reference date + forecast amount	Maturity periods				
	On sight and up to 1 week	Above 1 week and up to 1 month	Above 1 month and up to 3 months	Above 3 months and up to 6 months	Above 6 months and up to 12 months
Accumulated mismatches	3 940	3 931	4 118	4 071	3 227

Customer resources constitute the main source of funding, accounting for 69.7% of total funding sources in December 2021.

Liabilities	%
Resources from central banks	15.8%
Resources from other credit institutions	3.0%
Resources from customers	69.7%
Debt securities issued	8.8%
Other liabilities	2.7%
Total	**100.0%**

The Liquidity Coverage Ratio (LCR) reached 264.1% in December of 2021, above the minimum requirement of 100%. Special note is also made to the strengthening of the commercial gap with the loan-to-deposit ratio, considering net loans and Customer deposits, standing below 100%.

The Net Stable Funding Ratio (NSFR) stood at 125.3% in December 2021, compared to the minimum requirement of 100%.

REAL ESTATE RISK

Real estate risk arises from possible negative impacts on Banco Montepio's net income or own funds, due to fluctuations in the market price of real estate assets.

Real estate risk arises from the real estate assets on the balance sheet, whether from properties given in lieu of repayment or judicial auction sale in the context of recovery procedures for loans or investment fund units of real estate funds held in the securities portfolio. These exposures are monitored based on analyses of scenarios that seek to estimate potential impacts of alterations in the real estate market on the portfolios of these real estate assets, providing necessary information for the definition of the real estate risk management policy.

In 2021, the Banco Montepio Group's exposure to real estate risk, in the components described above, fell by approximately 263.8 million euros, shifting from 945.9 million euros at the end of 2020 to 682.1 million euros.

PENSION FUND RISK

Pension Fund risk arises from the potential devaluation of the fund's portfolio of assets or from the decrease of the corresponding expected returns, as well as from increased liabilities of this fund as a result of the evolution of the different actuarial assumptions. When faced with scenarios of this type, Banco Montepio is required to make unforeseen contributions, so as to maintain the benefits defined by the Fund.

The Pension Fund Monitoring Committee is responsible for the regular analysis and monitoring of the management of Banco Montepio's Pension Fund. Complementing the above, the Risk Department produces monthly reports on the evolution of the market value of the Pension Fund portfolio and associated risk indicators.

In 2021, the accumulated negative actuarial deviation of the Pension Fund stood at 273.8 million euros, compared to 301.2 million euros in December 2020.

OPERATIONAL RISK AND BUSINESS CONTINUITY

Operational risk corresponds to the potential loss arising from failures or inadequacies in internal procedures, persons or systems, as well as potential losses derived from external events. Banco Montepio adopts the standard approach to quantify its own fund requirements for operational risk, supported by an implemented operational risk management system that is based on identifying, assessing, monitoring, measuring, mitigating and reporting this type of risk.

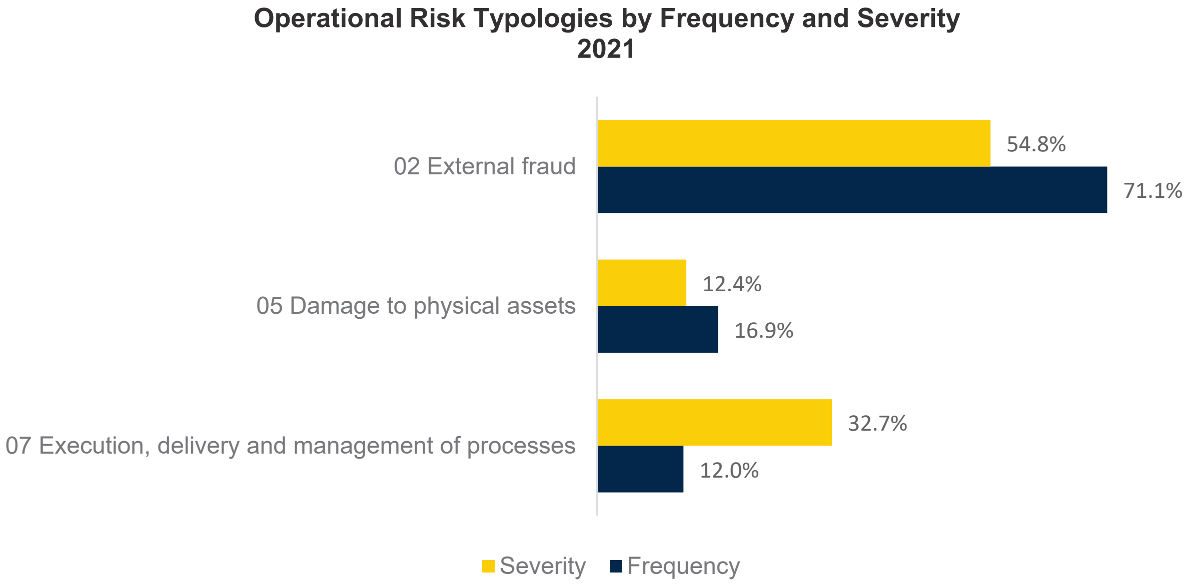
The implemented operational risk management model follows the principle of the 3 lines of defence.

The Risk Department performs the corporate function of operational risk management for Banco Montepio This is supported by specific employees within different organic units that assure the appropriate implementation of the operational risk management.

The assessment of the operational risk profile for new products, processes and systems and their monitoring, on a regular basis, has permitted the prior identification and mitigation of situations of operational risk.

With regard to the monitoring of operational risk in 2021, the profile of the loss events maintained an inversely proportional relationship between the frequency and severity of the losses, typical of Operational Risk, where, on the one hand, 7% of the events with financial impact represent more than 80% of the total net loss.

In 2021, there was a significant reduction of events related to external fraud, both in terms of quantity and value.



One of the essential aspects in the management of this specific type of risk consists of the prior identification of relevant operational risks whenever a product, process or system is implemented or reviewed, and follow-up is ensured of action plans aimed at preventing or mitigating the effects of the materialisation of the risks with greatest frequency / severity of loss events or with higher residual value in the context of the self-assessment process.

Monitoring

Under the Operational Risk Management System of Banco Montepio, the key risk indicators (KRI) seek to monitor the factors of exposure associated with the main risks, enabling the measurement and follow-up of the risk appetite and anticipate the occurrence of losses through preventive actions.

To this end, the defined limits were regularly monitored and action plans were promoted in the cases where these limits were surpassed.

These indicators are part of the Operational Risk Reports submitted to the Risk Committee and Executive Committee.

Internal Assessment of Operational Risks

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a map of activities and respective operational risks and controls, enabling the identification of the potential exposure of each body/organic unit to the operational risk, determination of its risk profile and prioritisation of any mitigation actions. The operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and safety at work practices; Customer, products and commercial practices; damages to physical assets; disturbance of activities and system failures; and implementation, delivery and management of processes. The operational risks and respective controls are self-assessed regularly, as a rule in workshop arrangements with the representatives of each body/organic unit and the support of the Risk Department.

Based on the results of the self-assessments, conducted in terms of impacts and frequencies for the risks and percentage efficacy for the controls, a matrix of tolerance to residual risk is established, which will substantiate the risk level considered acceptable for the institution and will enable identifying any risks for which additional mitigation measures may need to be designed.

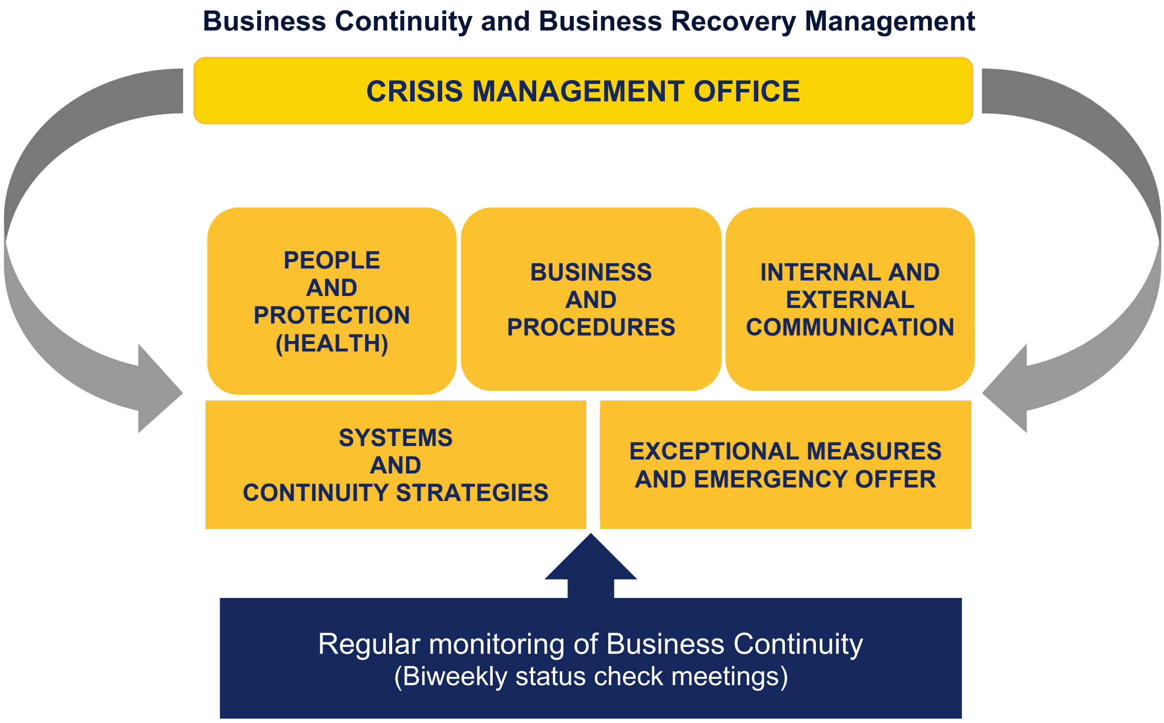
Business Continuity Management

The cycle of business continuity management is supported by a series of activities of assessment, design, implementation and monitoring, integrated in a continuous improvement cycle aimed at making business processes more resilient, and ensuring the continuity of operations in the case of events that interrupt the activity.

The epidemiological situation related to the Covid-19 pandemic continued to mark the activity of the first half of 2021. Banco Montepio maintained an ongoing monitoring of the rules issued of the Directorate General for Health, considering the necessary adaptation to them whenever required.

The Crisis Management Office, which is responsible for the management of the crisis, for the management and implementation of the Operational Continuity Plans and for the coordination of the business recovery teams, continued to function in ensuring operational continuity and follow-up of business recovery.

Banco Montepio ha always followed a conservative strategy based on the fundamental principle of protecting the safety and health of its Customers and Employees.



INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The internal capital adequacy process (ICAAP) is an essential component in the risk management of the Group, which seeks to ensure an analysis of the evolution occurred in the practices of qualitative and quantitative assessment of the risks to which the Group is exposed, the appraisal of the internal controls and effects which enable mitigating the exposure to risk, the simulation of adverse situations with impacts on the solvency of the Group and the assessment of the adequacy of internal capital.

Banco Montepio's ICAAP exercise is conducted at a consolidated level with the following main objectives:

- Promote ICAAP as a tool to support strategic decision-making in the Group;
- Stimulate a culture of risk that fosters the participation of the entire organisation in the management of the internal capital (management body, business areas and internal control functions);
- Assure the adequacy of the internal capital in relation to its risk profile and its risk and business strategies;
- Assure an appropriate identification, quantification, control and mitigation of the material risks to which the Group is exposed;
- Assure proper documentation of the demonstrated results, by reinforcing the integration of the risk management processes in the risk culture of the Group and in decision-making processes;
- Foresee a contingency plan to assure the management of the activity and the adequacy of the internal capital in the event of a recession or crisis.

The results of the ICAAP enable investigating whether the Group’s capitalisation is, in a sustainable form, adequate to the risks derived from its activity. This capital adequacy is assessed based on the comparison between the available internal capital and the economic capital requirements, taking into account the risk appetite level established by the Board of Directors.

At a first stage, this entails identification, according to quantitative and qualitative criteria, of the material risks faced by the Group’s activity, based on an internal risk taxonomy, in alignment with Banco de Portugal Instruction 18/2020. All the risks identified as material and the risks considered in Basel Pillar I, regardless of being considered material or not, are integrated in the ICAAP.

At a second stage, the material risks are modelled with a view to the quantification of the respective economic capital requirements, based on an extremely adverse scenario in line with the defined risk appetite level. The risks are thus incorporated through add-ons to the regulatory capital, whether via increased capital requirements for risks covered in Pillar I or via incorporation of capital requirements for other risks.

Capital adequacy is assessed based on the comparison between the economic capital requirements and the available internal capital to absorb risks, calculated considering the established risk appetite level.

The result of the capital adequacy assessment is supplemented by the values obtained through reverse stress tests and under stress test scenarios. The objective is to assess the Group's capacity to absorb unexpected losses, where potential contingency plans should be identified to deal with any insufficiency of internal capital, duly aligned with other capital planning exercises, namely the Funding and Capital Plan and the Recovery Plan.

In light of the defined strategic plan that is reviewed periodically, no significant changes are foreseen in the materiality of the different types of risk. Additionally, the Funding and Capital Plan foresees measures that will enable strengthening the Group’s solvency levels.

STRESS TESTS

Pursuant to the regulatory terms, the Group conducts stress tests, under the Group's Recovery Plan, the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Internal Capital Adequacy Assessment Process (ICAAP) submitted to Banco de Portugal.

The Group's Recovery Plan involves analysis and measurement of impacts derived from adverse scenarios, considering systemic events, idiosyncratic events of the Group and a combination of both. This analysis gave rise to a series of strategic options and recovery measures to be placed in practice in order to assure the preservation and solidity of the Group's levels of capital, liquidity, profitability and operating activities, in the event of being faced with situations of contingency or financial crisis.

The ILAAP provides the Board of Directors, Executive Committee and supervisory body with an appropriate overview of the evolution of the liquidity and funding risk profile, as well as overall exposure to risk. Moreover, it also provides information on the available liquidity sources and the adequacy of liquidity of the Banco Montepio Group.

In order to assess capital insufficiency during periods of stress, ICAAP included the definition of a series of stress tests (reverse stress tests and adverse scenarios) on the risk quantification models and capital adequacy. The outcome of these tests enables confirming the adequacy of internal capital levels to the tested adverse scenarios.

In addition to the stress tests reported to Banco de Portugal, the Group regularly carries out other impact studies aimed at providing an analytical vision of its position in terms of liquidity, net income for the year and capital when subject to adverse scenarios arising from alterations in risk factors such as interest rates, credit spreads, repayment of deposits, margins of assessment of eligible assets applied by the ECB, ratings (of the Group and counterparties), portfolio loss ratios, collateral, among others.

The stress tests and analyses of adverse scenarios are disclosed and debated with the Group's management, with the conclusions drawn being subsequently incorporated in the strategic decision-making processes, more precisely in the determination of levels of solvency, liquidity, exposure to specific risks (counterparty and price risks) and overall risks (interest rate, exchange rate and liquidity risks).

The spreading of Covid-19 at a global level generating a health crisis that has also triggered a financial crisis of unique features, being an exceptional event not anticipated by the financial system, in general, and which led to the alteration of the outlook on financial performance and with expected impacts in terms of the evolution and risk profile of Banco Montepio.

The mechanisms and tools used during the stress tests supported the Bank's management under this scenario, namely in the more immediate effects in terms of liquidity and market risks.

Banco Montepio has contingency and business continuity plans for situations of crisis, which were promptly activated in the current Covid-19 crisis, in order to mitigate the impacts in the operational and business component.

RISK RATINGS

Rating events relative to 2021

On 25 March 2021, the financial rating agency Moody's announced the completion of the periodic revision of the risk ratings attributed to Banco Montepio, having confirmed all the ratings.

Furthermore, in a press release dated 13 July 2021, the agency made an upward revision of the risk rating of senior unsecured bonds (Senior Unsecured MTN) and senior non-preferred debt (Junior Senior Unsecured MTN), issued under Banco Montepio's Euro Medium Term Note (EMTN) Programme, from (P)Caa1 to (P)B3, following the review of the methodology in the analysis of the banks, in order to more suitably reflect the risk of these classes of debt.

On 21 September 2021, the agency Moody's made an upward revision of the risk rating of the mortgage covered bonds from A1 to Aa3.

The agencies DBRS and Fitch Ratings reconfirmed their ratings attributed to Banco Montepio; DBRS in a press release dated 2 July 2021 and Fitch Ratings through a Rating Report update disclosed on 13 July 2021.

On 11 October 2021, Fitch Ratings confirmed the rating of B- for Issuer Default Rating (IDR) with Negative Outlook.

The risk ratings attributed to Banco Montepio by the rating agencies as at 31 December 2020 and 31 December 2021 are presented in the table below:

Rating Agencies	Covered Bonds (CPT) [1]		Long-term [2]		Deposits		Outlook	
	31 December 2020	**31 December 2021**	31 December 2020	**31 December 2021**	31 December 2020	**31 December 2021**	31 December 2020	**31 December 2021**
Fitch Ratings	AA-	**AA-**	B-	**B-**	B	**B**	Negative	**Negative**
Moody's Investors Service	A1	**Aa3**	b3	**b3**	B1	**B1**	Stable	**Stable**
DBRS Ratings Limited	BBB (high)	**BBB (high)**	B	**B**	B (high)	**B (high)**	Negative	**Negative**

(1) Conditional Pass-through Covered Bond Programme.

(2) Issuer Default Rating (IDR) by Fitch, Baseline Credit Assessment (BCA) by Moody's and Intrinsic Assessment (IA) by DBRS.

07
NON-FINANCIAL INFORMATION

NON-FINANCIAL INFORMATION

Founded in 1844, Banco Montepio is the country's oldest financial institution and the only one in the national financial panorama of mutualist origin and foundations.

Banco Montepio continues to affirm its position as a close and humane Bank offering universal services for Families, Companies and Entities of the Social and Solidarity Economy (EESS), through its branch network and digital channels.

Attentive to the needs of its Customers and the national economy, Banco Montepio meets daily financial needs and also offers solutions and products adapted to the pandemic situation that is still being experienced in the country and worldwide.

Banco Montepio's strategy includes a sustainability and social responsibility component that is based on sustainable development. Under this strategy, the Institution implements initiatives linked to the environmental and social components in the specific Action Plan for Sustainability.

Throughout 2021, and as a Bank of the Social Economy in Portugal, Banco Montepio continued the work it has been pursuing through a specific team that thinks and acts on a daily basis for the Entities of the Social and Solidarity Economy (EESS). The work developed in this sphere can also be consulted in the “Social economy” section of the “Business Segments” sub-chapter of this Management Report.

In the environmental area, the Bank implemented various actions, in particular the provision of products inducing good environmental practices for the Customers, the continuity of the plan to replace the motor vehicle fleet and the implementation of the project for separation of the solid waste of the Institution.

With the contribution of Banco Montepio, the Montepio Group, in which the former is placed, won the Green Fleet Award in the Fleet Magazine Awards 2021, an initiative that positioned the Montepio Group as a Portuguese financial group with good practices in defence of the environment. Banco Montepio also received an honourable mention in the “Community” category in the 7th Edition of the “Reconhecimento de Práticas em Responsabilidade Social e Sustentabilidade” (Distinction of Social Responsibility and Sustainability Practices) of the Associação Portuguesa de Ética Empresarial (Portuguese Association of Business Ethics).

In the external context, considering Banco Montepio’s Letter of Commitment to Sustainable Financing in Portugal and the Letter of Social Commitment, the Bank remained strongly dedicated to incorporating a new paradigm of value creation that positively influences business models, products, services, people and the planet.

The Non-Financial Statement of the Management Report of 2021 of the Banco Montepio Group highlights topics such as sustainable finance, responsible business, the integrated management of human capital, internal/external inclusion and respect for diversity and universal design, creation of value for society and the performance of 2021. The highlights presented on Banco Montepio's activity in these aspects permits compliance with the requirements of Decree-Law 89/2017, published on 28 July 2017, which foresees the disclosure of non-financial information to enable understanding Banco Montepio's activities in the areas of sustainability and social responsibility. This Statement also enables starting the alignment with the Taxonomy Regulation (Regulation (EU) 2020/852), that establishes the disclosure requires aimed at endowing environmental performance with transparency.

The Montepio Group collected and summarised non-financial information related to 2021 among its fully consolidating Subsidiaries (see the “Group Structure” sub-chapter of this Management Report). The information is presented in this Non-Financial Statement.

SUSTAINABLE FINANCE

The financial services have a crucial role to perform in the transition to a sustainable global society in line with the 17 Sustainable Development Goals (SDG) of the United Nations, namely in the areas of environmental regeneration, social inclusion and economic prosperity. With a view to contributing positively to the environment and the different communities, Banco Montepio is present in a set of key external representations, embodied in working parties, committees and councils, the endorsed commitments and distinctions received. In this regard, the highlights of the Sustainability Action Plan and performance related to 2021 are also presented.

EXTERNAL REPRESENTATIONS

Entity	Representation
APB – Associação Portuguesa de Bancos (Portuguese Association of Banks)	Member of the Management Board Member of the Sustainable Financing Working Group
APEE – Associação Portuguesa de Ética Empresarial (Portuguese Association of Business Ethics)	Member of Technical Commission 217 - Sustainable Finance
Associação GRACE | Empresas Responsáveis (GRACE Association | Responsible Companies)	Member of the Financial Cluster
Centro Nacional de Competências para a Inovação Social (National Centre of Skills for Social Innovation)	Member of the Advisory Board
Social Responsibility Committee of the ESBG - European Savings Banks Group	Member of the Board Member of the Coordinator Committee
Fundação da Juventude (Youth Foundation)	Member of the Board of Founders
JAP - Junior Achievement Portugal	Member of the Board
Ministry of the Environment and Energy Transition	Member of the Reflection Technical Group for Sustainable Financing

ENDORSED COMMITMENTS

Letter of Commitment to Sustainable Financing in Portugal

Banco Montepio is one of the signatories of the Letter of Commitment to Sustainable Financing in Portugal, a document drawn up in 2019, that defines the way that the financial sector should more deeply incorporate environmental and social concerns in its action.

As a signatory of the Letter of Commitment to Sustainable Financing in Portugal, Banco Montepio is committed to incorporating environmental and social concerns in its action, by accomplishing the endorsed commitments:

- Promote debate on sustainability and on environmental, social and governance risks and opportunities at the level of the Board of Directors of the Financial Institutions, with a view to these risks and opportunities being considered in the definition of the respective strategies;
- Promote training in sustainable financing directed at its Employees in the different organisational levels (including the Board of Directors), focusing on the area of credit risk, financial products, commercial products and/or production;
- Ensure the follow-up of the review of the Leader SME and Excellent SME criteria, so as to gradually incorporate sustainability topics in these criteria and accept the possibility of creating a category of Green SME or Sustainable SME;
- Promote the gradual integration of environmental, social and governance criteria in the financing and investment analyses;
- Ensure follow-up and participation in future work of the Sustainable Financing Working Group.

Letter of Social Commitment

Taking into account the commitment endorsed in 2020 in the Letter of Social Commitment of Banco Montepio to «Being the country's bank of mutualist inspiration, for a further 175 years», the Institution should continue:

- Serving well and prioritising the interests of all its Customers, including, predominantly and as a factor of differentiation, those who are also associates of Montepio Geral Associação Mutualista (MGAM) and represent its mutualist base, providing an efficient and rigorous service, meeting customer expectations concerning security in its commitments, responsibility in investment, and access to instruments and services that enable improving the quality of life of people and Families, and the productivity of Companies;

- Pursuing its historical vocation of providing financial services with added value and suited to the nature of the Social Economy's institutions and for social entrepreneurs;
- Promoting technological innovation in its services and operations in the understanding that technology should be used by people and communities to improve their quality of life and support processes of social innovation;
- Treating its suppliers in a fair and ethical manner;
- Valorising its Employees, giving them working conditions that allow them to achieve balance in their professional and personal lives, adopting the criterion of merit for recruitment, remuneration and career progression, and fostering their training, their professional and personal valorisation and boosting gender equality;
- Adopting the best international practices and the highest ethical standards in compliance with the law and contracts, in particular with respect to money laundering, terrorism financing, tax evasion, breaches of labour or environmental legislation;
- Respecting and protecting the environment, adopting sustainable practices in its operations, and boosting economic, social and environmental sustainability among all its Stakeholders;
- Providing banking services and financing instruments adapted to situations of major crisis or public calamity, whether national, regional or local, that severely affect economic circuits and disrupt the normal operation of social structures, so as to permanently meet the community's needs and contribute to trust, confidence and security in the banking system.

DISTINCTIONS

Throughout 2021, the path taken by Banco Montepio and the incorporation of Environmental, Social and Governance (ESG) factors in its mode of action are reflected in two distinctions in the area of environmental and social sustainability, as well as in an award that acknowledges the work pursued by the Institution:

- **Green Fleet Award for 2021**, attributed by the Fleet Magazine, following the replacement of the fleet of motor vehicles using fossil fuels with a green fleet. This process started in 2019 in the different Companies of the Montepio Group, which has positioned itself as a Portuguese financial group with sustainable good practices in defence of the environment.

  The Group’s motor vehicle fleet was awarded the best energy classification in the assessment made by ADENE - Agência para a Energia (Agency for Energy) using MOVE+ methodology, a system for analysis and classification of the energy performance of motor vehicle fleets developed by that agency.

  ADENE classified the work carried out by the Montepio Group on its light vehicle fleet, highlighting the fact that the energy transition underway, which already has more than 200 hybrid or electric vehicles, has led to a reduction of the fleet’s average consumption to less than 4 litres per 100 kilometres.

- **Honourable mention in the “Community” category in the 7th Edition of the “RPRSS - Reconhecimento de Práticas em Responsabilidade Social e Sustentabilidade”** (Distinction of Social Responsibility and Sustainability Practices) of the APEE (Portuguese Association of Business Ethics).
  This distinction was awarded due to the crucial role that Banco Montepio has played, over recent years, as a partner of social entrepreneurship, but also as a social investor. In this regard, the awarded mention was attributed in the context of the presentation of the “Apoio ao Empreendedorismo e Investimento Social” (Support to Entrepreneurship and Social Investment)

practice, arising from the partnership with Acredita Portugal, the Banco Montepio Acredita Portugal competition, as well as the investment made in “Títulos de Impacto Social” (Social Impact Securities) and “Parcerias Para o Impacto” (Partnerships for Impact). Further information on these practices can be consulted in the “Social economy” section of the “Business Segments” sub-chapter of this Management Report.

- **Superbrands 2021**
  Banco Montepio once again was awarded the Superbrand stamp in 2021, for the 12th time. This award reflects the Customers’ opinion, as consumers of Banco Montepio’s products and services, demonstrating the value of a bank brand that has remained faithful to its mutualist origin and roots, its purpose and values, being at the side of Families, Companies and EESS since 1844.

HIGHLIGHTS OF THE SUSTAINABILITY ACTION PLAN

Banco Montepio continues focused on working the dimension of sustainability, in order to integrate ESG factors in the various areas of action within the Institution. Alongside the project in course, Banco Montepio promoted, ensured and strengthened its role as a reference agent of sustainability in the market and with the different Stakeholders through various internal and external initiatives, in particular the following:

Environmental* and *Social

- Drawing of Banco Montepio brand’s positioning closer to the topic of sustainability;
- Provision of an offer of products inducing good environmental and social practices;
- Consulting of suppliers taking into account sustainability standards and preference for national brands.

Environmental

- Launch of a mortgage loan campaign with benefits for housing with energy certificate A or A+;
- Contribution to increasing the subscription of digital banking;
- Campaign encouraging the subscription of digital documentation;
- Reduction of the number of physical letters sent to Customers;
- Dematerialisation of external and internal communication;
- Implementation of the project for separation of solid waste;
- Distribution of filtered water equipment (connected to the public network) in the central buildings;
- Measures to reduce fuel, electricity and paper consumption;
- Use of more sustainable consumables;
- Replacement of heating, ventilation and air conditioning (HVAC) equipment (with R22 refrigerating gas) at the branches, with more efficient equipment with less aggressive gases for the environment (R410a and R32);
- Replacement of ATM with more modern machines holding Restriction of Certain Hazardous Substances (RoHS) certification;
- Motor vehicle fleet replacement plan;
- Application for attribution of MOVE+ Certification / Efficient Mobility Stamp;
- Integration of sustainability criteria in market consultations.

Social

- Support to and investment in entities and projects linked to innovation and social entrepreneurship;
- Support to projects and initiatives of the Social and Solidarity Economy;
- Financing in microcredit and support to own job creation;
- Launch of the new item of the financial literacy programme “O Banco Explica” (The Bank Explains);

- Expansion of penetration in the Social Economy market and clear differentiation of banking and insurance products for this area;
- Visibility of EESS, through the E-Social platform, powered by Banco Montepio;
- Protocols and partnerships;
- Guaranteed integrated management of human capital;
- Implementation of a perspective of internal and external inclusion, respect for diversity and universal design.

In addition to the actions mentioned above, Banco Montepio was included and participated in different forums linked to Sustainable Financing throughout 2021, listed in the table below.

Organisation	Initiative
APEE - Associação Portuguesa de Ética Empresarial (Portuguese Association of Business Ethics)	Conference “O Pilar Social das Finanças Sustentáveis” (The Social Pillar of Sustainable Finance)
	16th Edition of the “Semana da Responsabilidade Social (SRS)” (Social Responsibility Week) - Conference “Finanças Sustentáveis: Impacto Social do Investimento Local” (Sustainable Finance: Social Impact of Local Investment)
EY - Ernst & Young	“EY - Economia em Movimento” (EY - Economics in Movement) – “Mesa Redonda sobre Sustentabilidade Financeira” (Round Table on Financial Sustainability)
OROC - Ordem dos Revisores Oficiais de Contas (Statutory Auditors Association)	Seminar “A importância do ESG na sustentabilidade futura das Empresas” (The Importance of ESG in the future sustainability of Companies) - Panel 2 on Trends and Challenges emerging in ESG dynamics

EUROPEAN UNION TAXONOMY REGULATION

Within the scope of the European Commission Action Plan for Sustainable Finance, Regulation (EU) 2020/852 was published on 22 June 2020, establishing a framework to for the promotion of sustainable investment, introducing disclosure requirements for financial and non-financial entities. The Regulation referred to above was subsequently supplemented by various delegated acts of the European Commission specifying important technical criteria, namely:

- Delegated Regulation (EU) 2021/2139, published on 9 December 2021 and applicable from 1 January 2022, establishing the technical screening criteria for (i) determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation; and for (ii) determining whether that economic activity causes no significant harm to any of the other environmental objectives established in Article 9 of that same Regulation.
- Delegated Regulation (EU) 2021/2178, published on 10 December 2021 and applicable between 1 January 2022 and 1 January 2026, specifying the content and presentation of information to be disclosed by Companies subject to Articles 19-A or 29-A of Directive 2013/34/EU (obligation of disclosure of non-financial information) concerning environmentally sustainable economic activities, as well as the methodology to comply with that disclosure obligation.

On 2 February 2022, the European Commission published an information note on the interpretation of various rules of Delegated Regulation (EU) 2021/2178 with a view to supporting its implementation.

On 9 March 2022, the European Commission endorsed a delegated act supplementing Delegated Regulation (EU) 2021/2139, introducing additional economic activities of the energy sector in the taxonomy, as well as specific disclosure requirements, namely about certain activities in the gas and nuclear energy sectors. If there are no objections by the European Parliament and Council, this supplementary delegated act will enter into force within four months, extendable for a further two months, being applicable from 1 January 2023.

The Taxonomy Regulation establishes, through Delegated Regulation (EU) 2021/2178, that financial institutions should namely disclose the following between 1 January 2022 and 31 December 2023: the proportion of their total assets linked to positions at risk of economic activities that are eligible and not eligible for taxonomy; the proportion of their total assets linked to positions at risk referred to in Article 7(1), (2) and (3); and in the case of credit institutions, also, the proportion of the respective trading portfolio and interbank loans on demand in their total assets.

In view of the timeliness of the publication of this Non-Financial Statement, Banco Montepio discloses the indicators and information required for compliance with the Taxonomy Regulation, notwithstanding the progress in course under the recent developments of the legislative framework.

Indicator	2021
(i) Proportion of total assets linked to exposure to central governments, central banks and supranational issuers	30%
(ii) Proportion of total assets linked to exposure to Companies that are not obliged to publish non-financial information pursuant to Article 19-A or 29-A of Directive 2013/34/EU	20%
(iii) Proportion of the trading portfolio in total assets	0%
(iii) Proportion of the exposure to derivatives in total assets	0%
(iii) Proportion of interbank loans on demand in total assets	0%

Indicator	Calculation method
(i)	Consider in the numerator: cash balances and other demand deposits to central banks, securities and loans to central governments, central banks and supranational issuers; Consider in the denominator: total assets.
(ii)	Consider in the numerator: securities, equity stakes and loans to Companies not obliged to publish non-financial information; Consider in the denominator: total assets. Small and Medium-sized Enterprises are considered Companies not obliged to publish non-financial information.
(iii)	Consider in the numerator: trading portfolio, excluding derivatives; Consider in the denominator: total assets.
(iv)	Consider in the numerator: derivatives - hedge accounting; Consider in the denominator: total assets.
(v)	Consider in the numerator: interbank loans on demand; Consider in the denominator: total assets.
Source:	Banco Montepio Group Consolidated FINREP, as at 31 December 2021.

With respect to the proportion of total assets linked to positions at risk of economic activities that are eligible and not eligible for taxonomy, the Bank does not yet have the information on the eligibility of its positions. Therefore, in this context, their calculation will have to be estimated. Thus, and in conformity with the European Commission's guidelines, the reporting of the indicators associated with the eligible and non-eligible proves to be optional.

Under the working parties in which it participates, namely the APB (Portuguese Banking Association) and the Ministry of the Environment and Energy Transition, Banco Montepio has followed the matters in question and developed relevant work in-house with a view to aligning its activity with the Taxonomy Regulation, taking account of the scope and periods of applicability, and its integration in the Group's strategic component dedicated to sustainability. The efforts allocated to these matters are currently ongoing and will continue in the medium-term, considering, on the one hand, Banco Montepio’s focus on sustainable development and, on the other hand, the legislative framework that has since been extended.

RESPONSIBLE BUSINESS

As a reference agent of social sustainability, Banco Montepio continues focused on incorporating environmental concerns in its mode of action, in the range of products provided and in the existing relations with the different target groups, positively impacting the life of all involved, but also of the planet.

PROXIMITY AND FINANCIAL INCLUSION

The capacity, determination and talent of the professionals of Banco Montepio strengthen its continuous adaptability and resilience when faced by a challenging period of the Institution’s history.

The digitalisation, forced and fast-tracked by the pandemic context, implied a change in the business models of all the activity sectors, with special relevance in the banking sector, imposing countless challenges, but also immense opportunities. Banco Montepio, whose DNA is based on ESG principles, has shown the capacity to transform in order to respond to the socioeconomic evolution.

In 2021, the Bank continued the automation and re-engineering of processes, progressed in advanced analytics with the start-up of the new data platform supporting data-driven processes, implemented more advanced cybersecurity models and fast-tracked the implementation of cloud native architecture.

During this period, a series of initiatives were pursued with a view to improving the Customers' experience and increasing the proximity, efficiency and efficacy of their interaction with the Bank, while at the same time contributing to greater environmental sustainability. These initiatives included, in particular, the mass migration of Customers who had physical mail as their preferred communication method to digital mail, which reduced the number of communications on paper by 81%, the discontinuity of the (physical) matrix card and development of the "App APPré-pago" (prepaid app) for queries of balances and movements of the Bank's prepaid cards, allowing their holders to access this information without needing to visit an ATM.

"Serviço Montepio24" (Montepio24 service) – a platform that integrates the Bank's various channels for remote interaction with its Customers – continued to evolve, with solutions that are easy, fast and simple to use having been implemented, conferring a greater degree of autonomy to the Customers in the management and follow-up of their relationship with the Bank. In 2021, this service recorded an increase of 8.7% in the number of active Customers, with the total standing at 426,327 users – 366,877 in the Individuals segment (+9.6%) and 65,450 in the Companies segment (+4.2%).

The number of transactions carried out through digital channels also increased in 2021: 4% in the Internet Banking Net24 platform, to 44.5 million (42.8 million at the end of 2020); and 42% in the Mobile Banking App24 platform, to 26.2 million (18.5 million at the end of 2020).

Throughout the year, M.A.R.I.A. *(Montepio's Automated Real-time Interaction Assistant)* continued to expand its capacity to provide customer care and understand Customer intentions, enabling better contact performance and offering a more empathetic and personalised experience and the gradual building of trust. M.A.R.I.A. recorded a score of 82% in level of Customer satisfaction with the service at the end of 2021.

Banco Montepio, that incorporates environmental and social concerns in its action, provided **products inducing good environmental practices**, and also achieved new milestones:

- **Mortgage Loan Energy A or A+ Certificate Number 1 Choice of the Consumer**

  Banco Montepio continued to make a difference by returning 1.1% of the loan value for housing with A and A+ energy certificate, thus strengthening measures to promote environmental sustainability.

  The Bank was elected by the Portuguese as "Marca Number na Escolha do Consumidor" (Number 1 Brand in Consumer Choice), in the Mortgage Loan category, due to having the best overall offer in the national financial panorama, according to ConsumerChoice – Centro de Avaliação da Satisfação do Consumidor (Consumer Satisfaction Assessment Centre). The initiative stands out for its innovative and solidarity-driven component, with a tangible offer that adds value and enables pursuit of the ultimate mission – being on the side of the Portuguese at all stages of their life. Focused on improving the experience of taking out a mortgage loan, the Bank launched a simpler and faster process that begins with a fully digital journey, on the Bank's website, where Customers and non-Customers can make a simulation, enabling the issue of a conditional letter of approval, at that time, with a pre-analysis of the loan, free of costs or paper.

- **Personal Credit Campaign**

  Banco Montepio has supported its Customers in accomplishing their projects, in a responsible manner and according to a strict risk analysis and management criterion. With an offer supported by a multichannel functionality that is flexible, simple, fast, online and available at any time, the Customer can submit a request for Personal Credit without needing to visit a branch, in a 100% digital process. Particular note is made of the "Crédito Energias Renováveis" (Renewable Energy Credit), a credit line to support the purchase and installation of equipment that uses renewable energy.

- **"Linha de Crédito para a Descarbonização e Economia Circular" (Credit Line for Decarbonisation and the Circular Economy)**

  A credit line that supported Companies in industry and the tourism sector to invest in projects that improve energy efficiency and accelerate the process of transition to a circular economy.

Regarding the social component, Banco Montepio was distinguished once again as a Social Economy Bank in Portugal. The work carried out includes, in particular, the continuity of a single Commercial Department with managers focused on and specialised in this segment, but also the provision of an offer of **differentiated products and services for the Social Sector**:

- **"Linha de Apoio ao Setor Social COVID-19"** (Covid-19 Social Sector Support Line), a credit line that supported the treasury needs of EESS affected by the Covid-19 pandemic;
- **"Linha de Crédito +Impacto Social"** (+Social Impact Credit Line), for EESS and other non-profit social entities, that sought to help institutions to foster social inclusion;
- **"Linha de Crédito Fundo para a Inovação Social (FIS)"** (Social Innovation Fund Credit Line), which facilitated access to bank financing and improve the financing conditions of Social Innovation and Entrepreneurship Initiatives (IIES);
- **"Linha de Crédito Social Investe"** (Invest Social Credit Line), which provides funding under the Social Economy support programme, encouraging the development of social and solidarity-driven activities of non-profit entities incorporated in the social sector;
- "**Conta Acordo**" (Agreement Account), an exclusive product of Banco Montepio, created to facilitate and ensure treasury needs that could arise before receiving State funds. With a view to strengthening its role as a Social Economy Bank, in its social origin and of social responsibility, Banco Montepio launched the "Campanha Conta Acordo" (Agreement Account Campaign) that donates 0.50% of the value paid by the State to the private social solidarity institutions (IPSS) holding that product;
- **"Solução ESocial"** (ESocial Solution), a solution of products and services for the daily management of the different EESS. Banco Montepio is unique in the national panorama in providing this offer, launched for the first time in 2010, and improved in 2021 in the new pandemic context.

Pursuing its work in the microcredit area, Banco Montepio continued to support own job creation and the entrepreneurs concerned in accomplishing their sustainable business projects and ideas. The products provided include, in particular, the **"Linha de Apoio ao Empreendedorismo e à Criação do Próprio Emprego"** (Line to Support Entrepreneurship and Own Job Creation), a credit line that supports the creation of a small business with a guarantee and subsidised interest rate.

The diversity of areas comprising the Social Sector has not only enabled Banco Montepio to support EESS and entrepreneurs, but also to increase the quality of the projects in the different communities, generate sustainable employment and create value for society. Detailed information on the social economy area can be consulted in the Business Segments sub-chapter of this Management Report.

RISK MANAGEMENT

The main risks arising from the actual activity may, directly or indirectly, affect the sustainability and social responsibility sphere of the Banco Montepio Group.

Among the main risks, which are described in the Risk Management chapter of this Management Report, special note is made of the risk of corruption and attempted bribery, the risk of money laundering and terrorist financing, the risk of conflicts of interest, the risk of market abuse, the risk of breach of privacy, compliance risk and reputational risk. There are also operational risks and market risks, as well as risks specifically associated with the Covid-19 pandemic that broke out in 2020 and extended throughout 2021.

In addition to the identification of these (and other) risks, Banco Montepio has implemented an internal control system which includes policies, regulations and procedures to signal and prevent their occurrence, complemented by the compliance and internal audit functions. In this regard, but also in the context of the pandemic crisis, Banco Montepio implemented a "Plano de Continuidade de Negócio – PCN" (Business

Continuity Plan), which includes a specific plan for the pandemic. From the activation of the Business Continuity Plan, in March 2020, the Crisis Management Office endorsed all the guidelines and recommendations issued by the Directorate-General for Health (DGS) and by the Government, taking measures whose main concern was to safeguard the health of the Employees and Customers.

The Banco Montepio Group's risk management includes series of policies, procedures, definition of limits concerning risk appetite, and controls that enable, in an appropriate and integrated manner, identifying, measuring, assessing, monitoring, mitigating and reporting the risks derived from the activities developed in the different business lines and entities of the Group. The different dimensions of risk covered by the risk management function and their governance can be consulted in the chapter on Risk Management of the Management Report, while this section highlights operational risk corresponding to matters of social responsibility.

Banco Montepio is progressively more committed to the sustainability principles. In various dimensions, among which the financial, this movement is viewed as able to change the behaviour of society and its organisations towards ethics and responsibility. In Risk Management, these principles have been operationalised by taking measures aimed at improving the efficiency of operational risk management.

COMBAT OF CORRUPTION AND ATTEMPTED BRIBERY

The internal control system of Banco Montepio is based on the separation of functions between the execution, decision-making and control functions, which contributes to the mitigation of risks of corruption or bribery by its Employees. For this purpose, the Bank has policies and procedures that include, in particular, the Code of Conduct, the Policy on Management of Conflicts of Interest, the Policy on Reporting of Irregularities (Whistleblowing) and the Policy applicable to Unconventional or Non-Transparent Structures and Activities.

The committing of crimes of corruption, embezzlement, influence peddling and other related crimes generate funds that are subsequently slipped into the financial market through operations that embody the crime of money laundering. The prevention and repression of corruption is, consequently, carried out by combating money laundering, with Banco Montepio developing is commercial activity in accordance with policies and applying controls that precisely aim to prevent the Bank from being used for those purposes in conformity with the legislation in force, namely Law 83/2017 and respective regulations.

OUR POLICIES

Banco Montepio has Policies regulating the following matters:

- Geographic implantation;
- Selection and evaluation of the adequacy of the members of the Management and Supervisory Body and Key Function Holders;
- Remuneration of Key Employees;
- Remuneration of the members of the Management and Supervisory Body;
- Succession of the Members of the Management and Supervisory Body;
- Succession Key Function Holders;
- Diversity and Inclusion;
- Performance Assessment;
- Loans to Employees;
- Internal Audit Function (FAI);
- Compliance Function (FCOMP);
- Management of the risk of money laundering and terrorist financing;
- Customer Acceptance;
- Customer Identification;
- Sanctions;

- Internal Control;
- Outsourcing;
- Management of conflicts of interest;
- Transactions with related parties;
- Unconventional or non-transparent structures and activities;
- Compliance reporting of the Banco Montepio Group branches;
- Prevention of market abuse;
- Reporting of irregularities (whistleblowing);
- Reception, transmission and execution of orders;
- Information security;
- Privacy;
- Data protection - management of cookies;
- Complaints management;
- Risk Management Function;
- Credit Risk;
- Risk Appetite of the Banco Montepio Group;
- Management of the Risk of the Business Model/Strategy;
- Risk management of the Banco Montepio Group;
- Analysis and monitoring of high-risk Customers;
- Investment and Market Risk Management;
- Pensions Fund Risk Management;
- Real Estate Risk Management;
- Management of non-performing exposures (NPE);
- Management of Banking Book Interest Rate Risk;
- Exchange Rate Risk Management;
- Exposure in Default, Non-performing Exposure (NPE), Exposure in Impairment (IFRS 9) and restructured due to financial difficulties;
- Liquidity Risk Management;
- Credit Recovery;
- Accounting Derecognition of Financial Assets (Write Off).

INTEGRATED HUMAN CAPITAL MANAGEMENT

During 2021, and under the exceptional circumstances related to the Covid-19 pandemic, Banco Montepio maintained its commitment to implementing measures directed at achieving the SDG, fostering good health and wellbeing, quality training, decent employment, economic growth and gender equality.

In a year of progressive return to the workplace, but also of measures in the opposite direction, combined with the peak of the pandemic in the country, the Institution sought to ensure the best working conditions for its Employees under telework.

In this context, the Bank maintained the majority of its Branch network operational, with the customer care system constrained and working through appointment. For such, the Institution assured the personal safety conditions for commercial customer service, which remained in the front line by providing an essential service to Portuguese Families and Companies, and reinforced the necessity that everyone observe the indications of the health authorities and the internal rules and regulations in force.

The People Management Department (DGP) thus ensured its activity in various key areas, accomplishing the objective of keeping the Employees safe and connected to the organisation.

WORKING CONDITIONS, HEALTH AND SAFETY

The Employee Health, Safety and Wellbeing team of the Banco Montepio Group continued to monitor and follow the evolution of the Covid-19 pandemic, in order to ensure good safety levels and conditions at the workplaces to boost the physical and psychological wellbeing of the Employees. The following actions in 2021 are highlighted:

- **Psychosocial Assistance Programme** with integrated psychological and social supervision. The intervention is carried out by a psychologist and social worker, with the contacts being completely confidential;
- **Anti-Flu Vaccination Campaign** for all the registered Employees, which usually has a positive impact on reducing absenteeism;
- **Protection of the Employees** included in the Risk Group and monitoring of situations of illness/infection related to Covid-19.

INTERNAL COMMUNICATION AND ENGAGEMENT OF THE ORGANISATION

In 2021, the Culture and Communication to Employees upheld its purpose of strengthening communication with the Employees and the feeling of belonging, through initiatives of proximity and connection between the areas. There was constant concern to maintain the remote communication channels active and, despite the progressive return to the office, the existence of different working models reaffirmed the importance of maintaining links between teams, colleagues and areas. Amongst the initiatives carried out, the following are worthy of mention:

- **E-Coffee with the CEO:** 31 sessions on a weekly basis, involving participants of different functional areas of Banco Montepio. Topics were debated, such as the challenges faced by the traditional banking sector in preparing for the future, the evolution of telework and talent management;
- **#JuntosàDistância (#Together at a Distance):** 20 newsletters published with innovative contents and items, such as *Business as Usual*, short explainer videos on different topics of the business and *Desafio Juntos* (Challenge Together) with different games that awarded the winners with *infinite books* in all its editions;
- **Employer Value Proposition:** A study was conducted with 55 Employees, representing the Bank's different areas, including commercial and central services, control areas, members of the Executive Committee and strategic areas of human resources, to define the Institution's value proposition as an employer brand. The main goal was to define the value proposition of Banco Montepio as an employer and design a line of communication with the Employees that reinforces the "valores que crescem connosco" (values that grow with us).

3rd EDITION OF THE "SEMANA DO BEM-ESTAR" (WELFARE WEEK) HELD WITH THE EMPLOYEES

The 3rd edition of the "Semana do Bem-Estar" (Welfare Week) was held in October 2021 under the motto "Se estamos bem, somos próximos, se estamos bem, somos inovadores, se estamos bem, somos responsáveis" (If we are well, we are close, if we are well, we are innovative, if we are well, we are responsible). Integrated wellbeing and mental health were the key topics of this edition organised by Occupational Health and Safety, Culture and Communication with Employees, and Social Services.

The agenda of eight days included workshops, cooking tips, counselling on ergonomics, open days of osteopathy, massages and outdoor activities at different places of the country, covering the routines of the Employees of Banco Montepio.

The engagement of the Employees was considered a priority in its different dimensions, in particular in terms of communication, structuring and planning, taking into account the feedback gathered from the 2nd edition of the Welfare Week.

HUMAN CAPITAL AND TRAINING

The Academia Montepio (Montepio Academy), a strategic and critical pillar for enhancing the value of Banco Montepio's Employees, organised a series of programmes and initiatives that contributed to the development and alignment of the Employees with the Integrated Talent Management Model.

With the Covid-19 pandemic, the various programmes were held online or face-to-face, with flexibility adjusted to the specific context.

The total number of training hours reached 84,244 hours and included 3,008 Employees.

A total of 56,930 training hours was ministered on regulatory topics for the entire Bank, on matters related to Prevention of Money Laundering and Terrorist Financing, the General Data Protection Regime and Cybersecurity. For purposes of compliance with the legal requirements, special reference is made to the training on commercialization of Mortgage Credit, on Markets in Financial Instruments Directive MiFID II (continuous training), and on knowledge of Euro Notes and Coins. On this matter, preference was given to online arrangements through supporting platforms.

In the Banking and Business context, the "Programa Montepio Avança" (Montepio Advances Programme) was launched, covering 190 Employees of the different functional groups of the Branch Network, focused on 3 pillars of development:

I. Technical updating with specific contents and on current trends in the Banking Sector, held in partnership with Nova SBE and ISCTE-IUL;
II. Development of behavioural skills concerning relations with Customers and teams;
III. Training carried out by areas of the Bank, more focused on deepening knowledge of internal procedures and policies.

In the context of Leadership, 2 programmes were created in partnership with universities:

- "Programa Liderança de Excelência" (Excellent Leadership Programme) with Católica Lisbon Business & Economics, involving 22 First Line Directors of the Bank's structure;
- Transforming for a New Tomorrow Programme aimed at the Second Line Directors of Banco Montepio and conducted in partnership with ISEG Executive Education. The first edition involved 27 participants.

Both programmes aimed to foster the acquisition of important knowledge and skills for the management of the challenges arising from the sector's transformations, and lever leadership skills to enable leading teams in an inspiring and committed manner.

Incorporated in the "Programa Montepio Potencial" (Potential Montepio Programme) and aimed at meeting the evolution and development needs of the identified potential, we launched a value offer composed of training actions on Leadership, Coaching, Communication and Time Management for 126 Employees identified as having potential to develop.

In the context of Digital Transformation, there was also a strong focus on acquisition/development of knowledge on technological and data processing tools, in the format of training actions or webinars.

MANAGEMENT OF THE POTENTIAL AND PERFORMANCE

Banco Montepio's performance management system, named "Modelo 3D" (3D Model), is consolidated and was applied for the 2020 cycle with a 99% participation rate, revealing the overall engagement of the Employees and their line managers in the annual performance assessment/feedback and alignment with the institutional objectives. The 2021 Cycle was also opened with the phases of definition and follow-up of objectives of the year.

In order to consolidate the management of internal talent, the “Programa Montepio Potencial” (Potential Montepio Programme) referred to above, includes the identification and mapping of the potential of the Bank’s Employees in a systematised form and defines the strategies required for their development, so as to respond appropriately to the functional and organisational challenges. In 2021, the focus was placed on the process of development of a set of Employees identified in 2019 through the training offer referred to above.

Employer Branding & Talent Acquisition

In the area of Employer Branding & Talent Acquisition, responsible for ensuring the capture and retention of talent, and for elevating the levels of motivation and engagement of its Employees, two initiatives carried out in 2021 were particularly noteworthy:

- **“Programa Erasmus”** (Erasmus Programme) that offered the Employees an opportunity to visit and perform their usual duties in other geographic areas and departments. This initiative enabled the acquisition of knowledge for a more integrated vision of the Institution, giving value to other needs and priorities outside the function/area of the Employees. The objective of the first Edition of this Programme was to draw the Central Services closer to the Business areas, involving the Bank’s First Line Directors in visits to the Regional Departments of the Commercial area, where they were received by the Regional Head in a 4-day programme*;*
- **Banca de Ideias” (Ideas Pool**) that aimed to create the opportunity for Banco Montepio's Employees to contribute to the Bank’s digital transformation and be drivers of innovation. To this end, an internal competition was created open to the participation of all the Bank's Employees. In this edition, 46 projects were submitted that were assessed by a jury composed of the different areas of the Bank and, as a result, 4 projects were awarded.

In the Talent Acquisition sphere, special reference is made to the accomplishment of initiatives that contribute to Banco Montepio's visibility as an employer entity:

- Trainees Programme, with the integration of 20 trainees in a programme that enables three rotations in distinct areas, including the commercial area;
- “Programa de Estágios de Verão” (Summer Traineeship Programme), with the integration of 10 trainees in different areas.

INTERNAL / EXTERNAL INCLUSION AND RESPECT FOR DIVERSITY AND UNIVERSAL DESIGN

DIVERSITY IN THE GOVERNING BODIES

The management and supervisory bodies of the Banco Montepio Group, namely of Banco Montepio, Montepio Holding, Banco de Empresas Montepio, Montepio Crédito and SSAGIncentive, present the following diversity (in terms of gender and training):

Gender

Banco Montepio		
Gender	**Number of persons**	**%**
F	2	13%
M	14	88%
Montepio Holding		
Gender	**Number of persons**	**%**
F	3	33%
M	6	67%
Banco de Empresas Montepio		
Gender	**Number of persons**	**%**
F	4	33%
M	8	67%
Montepio Crédito		
Gender	**Number of persons**	**%**
F	5	45%
M	6	55%
SSAGIncentive		
Gender	**Number of persons**	**%**
F	1	33%
M	2	67%

Training

In terms of academic qualifications, more than 80% of the members of the management and supervisory bodies of the Banco Montepio Group had a Licentiate degree or above, with the predominant areas being Economics, Law, Business Management and Finance.

Key Function Holders (KFH) are considered managers that, while not being members of the Board of Directors, hold positions that, due to the duties performed, endow them with significant influence in the institution's management. Key Function Holders are the most senior managers of the following Departments: Audit and Inspection Department (Internal Audit Function); Compliance Department (Compliance Function); Risk Department (Risk Management Function); Strategic Planning and Control Department; Accounting and Financial Reporting Department; Financial and International Department (to be appointed); Specialised Credit Analysis Department; and Analysis and Credit Department (to be appointed).

The gender diversity of the Key Function Holders is presented below.

Gender	Number of persons	%
F	3	21%
M	11	79%

DIVERSITY IN THE EMPLOYEES

The table of Employees presents the following diversity (in terms of professional category, gender and age cohort).

Employees by age cohort (number)	Total	%	Senior and line managers	%	Technical	%	Administrative	%
	3 107		718		1 320		1 069	
< 30 years	106	3%	0	0%	66	5%	40	4%
30 to 50 years	2 169	70%	406	57%	974	74%	789	74%
> 50 years	832	27%	312	43%	280	21%	240	22%
Employees by gender (number)	**Total**	**%**	**Senior and line managers**	**%**	**Technical**	**%**	**Administrative**	**%**
	3 107		718		1 320		1 069	
Female	1 516	49%	240	33%	673	51%	603	56%
Male	1 591	51%	478	67%	647	49%	466	44%
Number of Employees by gender and age cohort (number)	**Total**	**%**	**Female**	**%**	**Male**	**%**		
	3 107		1 516		1 591			
< 30 years	106	3%	60	4%	46	3%		
30 to 50 years	2 169	70%	1 111	73%	1 058	66%		
> 50 years	832	27%	345	23%	487	31%		

GENDER DIVERSITY AND EQUALITY

On 29 July 2021, the Board of Directors approved the establishment of a goal and targets in the representation of under-represented gender, to be considered under the review of the Policy on Selection and Evaluation of the Adequacy of the Members of the Management and Supervisory Body and Key Function Holders, to be submitted to the approval of the general meeting of shareholders in 2022.

On 16 December 2021, the Board of Directors approved the First Policy on Diversity and Inclusion applicable at the Banco Montepio Group. This policy defines the Institution's objectives in the spheres in question and the following commitments:

- Promote diversity, including in the composition of the different hierarchical levels and governing bodies;
- Promote the organisation's enrichment by attracting and compiling a diversity of profiles (with different cultures, gender and ages), aimed at stimulating creativity and innovation;
- Ensure a work environment that is free of prejudice and discrimination, that respects and values individualities and is guided by equity;
- Monitor the alignment of this Policy with the principles encapsulated in the Code of Conduct, as well as with the best practices and applicable legislation, namely:
    - Implement measures of positive discrimination and prohibition of any forms of discrimination or harassment due to gender, age, nationality and residence, among others;
    - Promote equal treatment and equal opportunities in the recruitment and selection process, in training and professional development, in performance assessment, in career progression and in remunerative conditions;
    - Implement measures that enable the integration of people with special needs and that promote the adaptation of workplaces, whenever necessary.

BENEFITS FOR EMPLOYEES

In its offer of benefits, the Montepio Group, to which Banco Montepio belongs, is positively distinguished due to its incorporation of a broad range of social support, where special reference is made to the benefits for the Employees' children, both at preschool and school age, with the extra support for children at school having been maintained in 2021. School support for children in the purchase of books was also maintained, and more than 1,800 gifts for children aged 0 to 12 years old were distributed.

Through its Social Services, the Montepio Group carries out a series of activities/initiatives of social and educational nature that, despite the restrictions imposed by the pandemic context, were able to be maintained in 2021.

In the cultural sphere, more than 100 books were provided for reading per month, free of charge, and participation in more than 30 cultural events was promoted. Furthermore, in view of the need to ensure meals in a safe space, the cafeterias were always kept open.

VALUE CREATION FOR SOCIETY

Banco Montepio continued to implement actions aimed at creating value for communities and preserving the environment.

COMMUNITY

The Banco Montepio Group continued to participate in voluntary initiatives, duly adapted to the pandemic scenario that constrained the physical presence of volunteers in the activities proposed for 2021.

In the context of the Montepio Group, various initiatives continued to be promoted that were supported by Companies and Employees of the Banco Montepio Group, in particular:

- The Volunteer Portal, that provided a series of skills volunteering projects to be launched in 2022, namely in 4 areas: Financial Literacy (children and adults), Mutualist, Entrepreneurship and Citizen Leadership;
- “Gincana: Sempre Juntos Comunidade. Comunidade Montepio 2021. Online e resilientes” (Gymkhana: Always Together Community. 2021 Montepio Community. Online and Resilient) project, launched in October 2021, intended for about 100 Local Promoters of the “Programa de Voluntariado Corporativo do Grupo Montepio” (Corporate Volunteering Programme of the Montepio Group), which entailed the submission of 3 applications integrated in the Activities Plan for 2022;
- The “Semana da Saúde e do Bem-Estar” (Health and Welfare Week) promoted by the People Management Department of Banco Montepio, in close collaboration with the Social Services, the Social Responsibility Office, in partnership with the Confederação Portuguesa de Voluntariado (Portuguese Confederation of Volunteering), promoted the webinar “A nossa pegada ecológica: Como a reduzir?” (Our ecological footprint: How to reduce it?), held on 15 October, involving the participation of 40 Employees of the Montepio Group;
- Launch of the 11th Edition of the “Prémio Voluntariado Jovem do Montepio” (Montepio Youth Volunteering Prize) in November 2021, in which 10 entities submitted, in digital format, 15 projects of local social intervention solutions, drawn up by young students or residents in communities on Mainland Portugal. The projects were evaluated by a Jury, the majority of whose members were external, composed of representatives of GRACE, of the Confederação Portuguesa de Voluntariado (Portuguese Confederation of Volunteering), the Centro Português de Fundações (Portuguese Centre of Foundations) and APPDI - Associação Portuguesa Para a Diversidade e Inclusão (Portuguese Association for Diversity and Inclusion). The applicability and operationality of the 3 winning projects will always be monitored onsite by the Local Promoters, who are Montepio Group volunteers.

SCHOOL AND EDUCATIONAL COMMUNITY

Banco Montepio has been associated with Junior Achievement Portugal (JAP) since 2006, which is the Portuguese counterpart of the Junior Achievement, the largest and oldest organisation of the world in the area of education for entrepreneurship.

Concerning skills voluntary action and as a member of this non-profit organisation, the Employees of the Banco Montepio Group were given the opportunity to enrol as volunteers to continue to make a difference and create impact in the school and educational community.

In 2021, 20 Montepio Group volunteers completed the JAP programme sessions, in digital format, affecting a total of 732 students, and corresponding to a total of 131 hours of corporate volunteering. The participation of the volunteers fosters the growth of the JAP volunteer programmes: Elementary Education; The Company (and its competitions); Start Up Programme (National Competition) and; “Braço Direito” (Right Hand).

In addition to the hours of voluntary work carried out in the programmes mentioned above, Banco Montepio and JAP held the JAP Social Innovation Camp by Banco Montepio for the first time, which is a competition focused on environmental and social sustainability, that took place between 2 and 26 November 2021. At this event, Banco Montepio challenged the young participants to develop environmental and social projects, in the context of the UN Sustainable Development Goals, in the area of Social Economy, Responsible Consumption and Equal Opportunities.

The final event, held on 25 and 26 November, involved an online learning experience that combined moments of theoretical learning, practical work, mentoring and other dynamics. This project aimed to offer secondary school students the tools to design projects, in a short space of time, that would have an impact on their community (municipality or district of their school) and overcome problems identified by them.

HUMAN RIGHTS

The Code of Conduct endorsed by Banco Montepio seeks to safeguard the protection of human rights, namely of its Employees, Customers and other Stakeholders. The Employees are required to comply with the duty of respect, courtesy, tolerance, urbanity, commitment, diligence, discipline and loyalty among one another, between peers and with third parties on a daily basis.

Banco Montepio and its Employees, in the relations that they establish, do not practise any type of discrimination, namely according to ancestry, age, sex, sexual orientation, gender, identity, marital status, family situation, economic situation, schooling or academic qualification, social origin or condition, genetic heritage, reduced work capacity, disability, chronic disease, nationality, ethnic or racial origin, territory of origin, language, religion, political or ideological beliefs and union membership, at all times respecting the equal treatment of all Customers and other entities with which they interact.

In Customer relations, the Employees should show courteousness, competence, diligence, neutrality, loyalty, discretion and conscientious respect, always bearing in mind the interests entrusted to them, and not acting with any type of discrimination.

In order to promote the quality of life of its Employees and their Families, Banco Montepio provides a work environment that considers the personal development of the Employees and the reconciliation of work demands with the needs of personal and family life.

The members of the Board of Directors should also endeavour to ensure that the Employees have the appropriate means for the personal and professional valorisation, and develop the support of the Bank's initiatives in the most diverse areas, from culture, to social solidarity and entrepreneurship.

Harassment is defined as undesired behaviour, namely behaviour based on discrimination, committed upon access to the job or during the actual employment period, at work or vocational training, aimed at or with the effect of disturbing or constraining the victim, affecting that person's dignity, or creating an intimidating, hostile, degrading, humiliating or destabilising environment for that person. Harassment can be of the moral and/or sexual type aimed at intimidating, coercing or threatening the dignity of the other person. At Banco Montepio, the practice of harassment is forbidden, whether moral or sexual (undesired behaviour of sexual nature that is verbal, non-verbal or physical), undesired behaviours consisting of a set of behaviours that are perceived as abusive.

Monitoring and mechanisms have been implemented to ensure compliance to penalise any breach of these principles. All occurrences that may happen in any area related to breach of these (or other) principles, irrespective of any other procedures that prove necessary, namely for disciplinary purposes, should be reported immediately. The director of the area in question should report to the Compliance Department that, acting in an independent and impartial manner, will trigger the measures deemed necessary, according to the reported topics, in order to end the breach and possibly take measures to repair the damage and mitigate the risk of new similar occurrences. The Compliance Department prepares and submits a regular report to the Board of Directors with a description of the situations of non-observance of the Code of Conduct.

CONSUMERS

Banco Montepio ensures that its Customers have the right to the formal expression of any dissatisfaction, by submitting a complaint, directly to Banco Montepio's services, or through the regulatory and/or supervision entities.

Without prejudice to everything legally established concerning the Complaints Book, Banco Montepio provides a service that analyses Customer complaints whenever they consider that there has been any irregularity in the protection of their interests or breach of obligations by Banco Montepio. Customers and Users may submit their complaints at any branch, at the Contact Centre (exclusively for Customers subscribing to the "Serviço Montepio24"), via the institutional website or at the Customer and Quality Office. In all cases, the Customer is always entitled to submit a claim to the supervisory authorities (Banco de Portugal, Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Commission), Autoridade de Supervisão de Seguros e Fundos de Pensões (Insurance and Pension Funds Supervisory Authority).

The Customer and Quality Office is responsible for the management of complaints, with its mission being to propose and implement the Complaints Management Policy of the Banco Montepio Group, ensuring the reception and handling of complaints, as well as the respective response to the Complainant and/or Supervisory Entities.

Banco Montepio views all the complaints received as an opportunity to continuously improve service quality and deepen relations with its Customers. To this end, the Customer and Quality Office continuously promotes various recommendations and warnings, aimed at eliminating the causes of the submitted complaints at their point of origin.

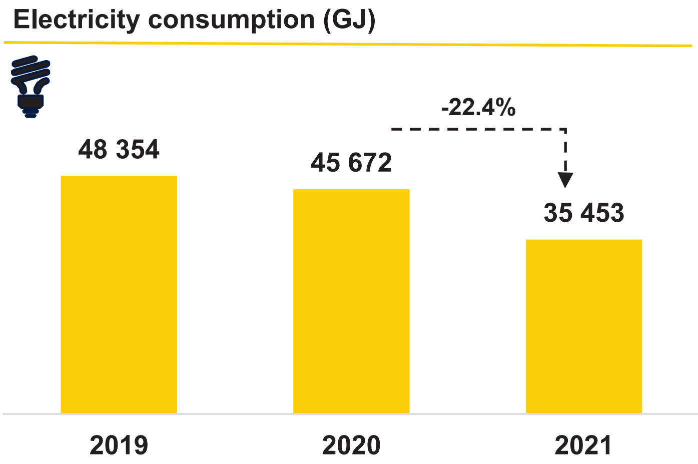
ENVIRONMENT

In the environmental area, the Banco Montepio Group endorses good environmental practices based on a responsible and conscientious attitude, promoting its own initiatives or in collaboration with partners with whom it works to reduce the ecological footprint. In this context, the Banco Montepio Group contributes to protect the environment and promote responsible behaviours.

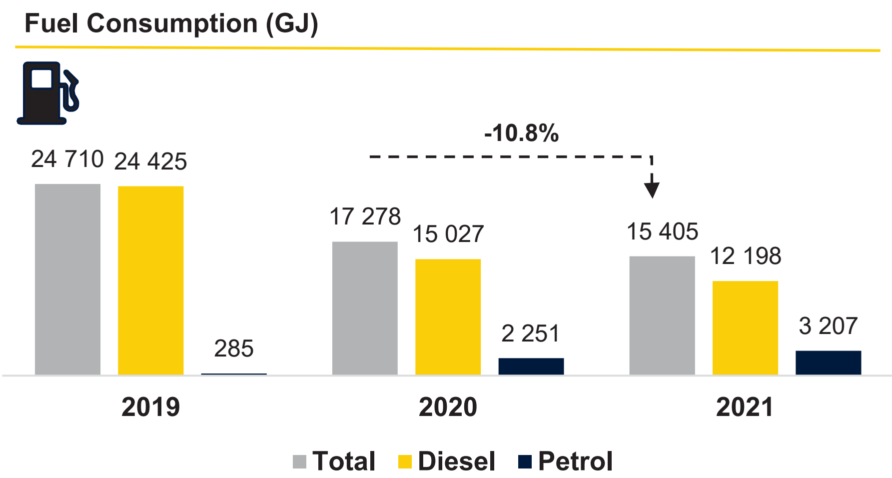
For 2021, targets and goals were established based on the following areas of action: reduction and restoration of the ecological footprint; creation of environmentally friendly products, inducing good environmental practices; awareness-raising among all the Stakeholder on compliance with the defined environmental protection measures; engagement of the Employees in the implementation of good practices; explicit valuation of the environmental dimension in the appraisal of business operations; and inclusion of the environmental dimension in the definition of products and processes of the Banco Montepio Group Companies.

During this year, the Covid-19 pandemic persisted in being an influential factor in environmental issues, namely regarding fuel consumption that remained below pre-pandemic levels. Under these circumstances, Banco Montepio was naturally also affected both in terms of its consumption and in its performance in various environmental describers.

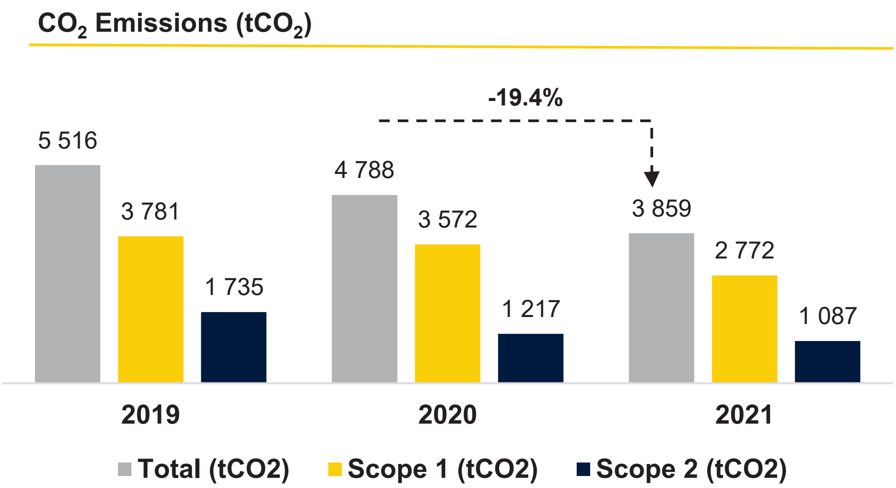
Electricity consumption in 2021 remained on the downward trend observed in the previous year, showing a reduction of 22.4% compared to 2020. This reduction was influenced by various factors, in particular the impact of the pandemic, with the movement of human resources to telework, the closure of branches and consequent reduction of consumption, and the implementation of measures to replace obsolete equipment by more energy efficient technology.



With respect to fuel consumption, the increase of the green fleet, combined with the effect of the Covid-19 pandemic (albeit at levels below those of 2020), led to a 10.8% reduction in the fuel consumption of the motor vehicle fleet compared to the previous year.



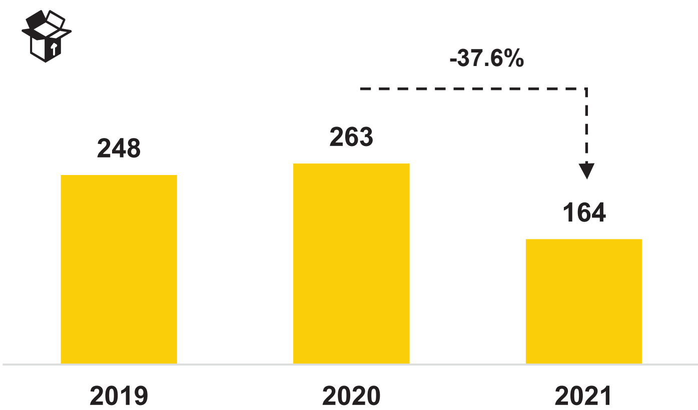
In line with the reduction of electricity and fuel consumption, carbon dioxide (CO_2) emissions also fell in relation to 2020. In 2021, there was a reduction of 929 tons of CO_2, equivalent to a 19.4% reduction in relation to the previous year. Merely for comparative purposes, the value of 929 tons of CO_2 is equivalent to more than 3,200 individual plane journeys from Lisbon to Paris (round trip).



Emission factors			
Energy	**Unit**	**Factor**	**Source**
Electricity	kg CO_2/GJ	78.2	International Energy Agency (2015) - CO_2 Emissions from Fuel Combustion
Diesel	Kg CO_2/GJ	70.2	APA (2020) National Inventory Report 2020 Portugal - Road transportation energy based implied emission factors for 2018
Petrol	Kg CO_2/GJ	71.9	Climate Change (2007). The Physical Science Basis | Changes in Atmospheric Constituents and in Radiative Forcing - Global Warming Potential

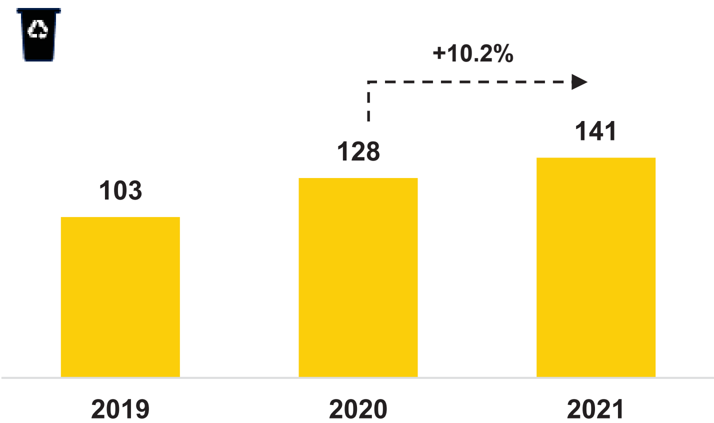
Regarding paper consumption, the measures in progress concerning the dematerialisation of processes and increased use of digital banking by the Customers, led to a reduction of 37.6% compared to 2020, with 99 tons of paper less having been consumed.

Paper Consumption (t)



The majority of the waste produced by Banco Montepio is classified as "Non-hazardous" with its final destination being recovery. Within this group, confidential paper, toners and aseptic containers (Cannon) are collected. There was a 10.2% increase of waste production in 2021, compared to the previous year. This increase is directly related to the branch closure programme and the sending of confidential paper for treatment.

Waste (t)



Conversion factors			
Energy	**Unit**	**Factor**	**Source**
Electricity	GJ/KWh	0.0036	International Energy Agency – Basic Conversions
Diesel	Density (Kg/l)	0.84	APA (2014) -Table of fuel density values (2013)
	PCI (GJ/t)	42.6	APA (2017) Portuguese National Inventory Report on Greenhouse Gases, 1990-2015 (page 102)
Petrol	Density (Kg/l)	0.75	Decree-Law 142/2010 of 31 December
	PCI (GJ/t)	44	APA (2017) Portuguese National Inventory Report on Greenhouse Gases, 1990-2015 (page 102)

OUR PERFORMANCE

The Subsidiaries of the Banco Montepio Group, that are keenly aware of environmental impacts on the planet, present information on the following indicators:

- Total paper consumption in tons;
- Total electricity consumption inside the institution (including heating, chilling and steam) in kilowatts;
- Total fuel consumption in litres.

Without prejudice to the continuous improvement that Banco Montepio aims to implement, this non-financial statement presents the most materially relevant information for Banco Montepio's subsidiaries:

Total Consumption: Domestic activity

		Banco Montepio			Montepio Crédito			BEM		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
Paper	(ton)	248	263	164	6	5	2	1	0	0
Electricity	(kwh)	13 431 589	12 686 542	9 848 010	123 459	113 732	114 874	60 199	57 665	168 726
Fuel	(litres)	693 679	489 863	439 607	65 035	60 844	41 100	4 035	8 740	7 252

Total Consumption: International activity

		Finibanco Angola		
		2019	2020	2021
Paper	(ton)	14	7	7
Electricity	(kwh)	750 013	954 710	1 070 123
Fuel	(litres)	191 123	110 083	89 524

Dematerialisation Project

In 2021, Banco Montepio continued to develop initiatives aimed at increasing energy efficiency, thus strengthening the protection of the environment and, simultaneously, bringing about and representing a cost reduction.

To this end, Banco Montepio continued the Communication and Process Dematerialisation Project, primarily aimed at improving the service provided to the Customers and eliminating the need to use paper, by reducing consumption of paper, printing and archive consumables. Reference is made to the following points in 2021:

Communication and Process Dematerialisation Project	

Initiatives	• Implementation of non-face-to-face Customer instructions (enabling the Customer to give instructions by digital means, obviating travel and physical presence);
	• Dematerialization of processes through the dynamization of the dematerialisation of treasury operations;
	• Extension of dematerialisation t the central services by generating pdf to replace physical certificates of operations (printed forms);
	• Extension of dematerialisation to new processes/transactions:
	  • Requisition, delivery and personalisation of cheques;
	  • Delivery of debit cards and additional payment in credit cards;
	  • Request, transfer of balance and loading of prepaid cards;
	  • Settlement, blocking and deactivation of current accounts;
	  • Contracting, cancellation and charging of expenses in loan contracts;
	  • SEPA movements.
	• Dematerialisation of processes by endorsing qualified electronic signatures of Citizen Card and Digital Mobile Key.

Objectives	• Dematerialisation of processes, with elimination of paper printing and paper circulation; • Improvement of the Customer's journey and experience; • Streamlining of procedural handling, contributing towards the improvement of the service provided and cost reduction; • Positioning of the Banco Montepio brand with an image of modernity and innovation; • Environmental concern, contributing towards the reduction of the ecological footprint; • Monitoring of best market trends, to meet the Customers' expectations.
Results	• Reduction of paper consumption: approximately 620,500 sheets of paper/printouts not consumed in 2021, due to the dematerialisation of the processes of account opening and maintenance of Customer data/sight account, representing a 52% increase in paper saving in relation to 2020; • Reduction in the consumption of 3,070,000 printed sheets, representing a 26% increase in the saving of these physical formats in relation to 2020; • Reduction of the cost of consumables linked to the generation of documents in paper format (printer toners, archive folders, among others).

OUR POLICIES

In 2021, Banco Montepio continued to enforce the existing set of rules related to the topic of sustainability, namely the **Code of Conduct**.
The implementation of the **Supplier Qualification Process** also started, which will include compliance with the Code of Conduct, aimed at contributing positively and responsibly to the sustainable development of the economy and communities.

He acknowledgement of the importance of the economic, environmental and social impacts produced has progressively led to sustainable management of the value chain. An Outsourcing Policy was approved on 29 April 2021, observing respect for fundamental principles such as:

- Business ethics and integrity;
- Compliance with the social and labour rules; and
- Environmental sustainability.

The careful selection of suppliers takes into account of series of criteria, in particular related to the topics of:

- Legal compliance and ethical conduct;
- Human rights;
- Labour rights;
- Prevention, health and safety;
- Environment; and
- Management.

Non-compliance with these criteria will lead to the exclusion of suppliers as partners, due to having practices opposite to the values established at Banco Montepio.

OUR PARTNERSHIPS

Banco Montepio seeks to take the aspirations of others further by promoting projects, ambitions and initiatives that make a difference in society and in the building of a more inclusive and sustainable future. The table below resents the partnerships maintained throughout 2021:

Area	Partner	Who they are
Entrepreneurship	<Academia de Código_>	Portuguese startup, founded in 2015, whose mission is to help the unemployed to enter the about market.
Microcredit and Entrepreneurship	Acredita Incubação	Incubation project with two spaces, one in the area of the creative industries and the other directed towards technological entrepreneurship and the Social Economy. These spaces are boosted by the non-profit association Acredita Portugal.
Microcredit	ACM - Alto Comissariado para as Migrações (High Commissioner for Migration)	Public institution that intervenes in the implementation of public policies concerning migration. The ACM (High Commission for Migration) seeks to view the world in a creative way in order to meet the growing needs of the different migrant profiles and their integration.
Microcredit	Amadora Inova	A public institution held entirely by Câmara Municipal da Amadora (Amadora City Council), that supports entrepreneurs and tradespersons in the municipality of Amadora.
Social Economy	Aposta nas Pessoas	Works with NGO and the Social Sector in the analysis and improvement of organisational processes, creation and implementation of specialised social responses, creation of social business generating value, creation and implementation of national and transnational social intervention projects, quality certification, training and investment projects under P2020, PARES 3.0 and FIS.
Microcredit	ACB - Associação Comercial de Braga (Braga Commercial Association)	This association aggregates and represents all the economic activity sectors of the Braga region. The mission of ACB is to defend the interests of its members and foster business development.
Microcredit	AERLIS - Associação Empresarial da Região de Lisboa (Lisbon Regional Business Association)	This non-profit association acts in six key areas: representation of the interests of its members, information, internationalisation, vocational training, service supporting Companies and regional development.
Social Economy	4Change	A social impact catalyst that operates through consulting and project development, 4Change seeks to support the social sector in creating and managing transformational projects. Aimed at creating more social impact, the FIS is an instrument that is available for Social Economy Entities and entrepreneurs to leverage innovation and social impact.
Microcredit	ACIS - Associação Empresarial dos Concelhos de Vila Franca de Xira e Arruda dos Vinhos (Business Association of the Municipalities of Vila Franca de Xira e Arruda dos Vinhos)	This non-profit making institution aspires to be a reference in supporting local Companies and entrepreneurs, namely via the representation and defence of the common interests of all its members, with a view to their technical, economic and social progress.
Microcredit	AEBA - Associação Empresarial do Baixo Ave (Baixo Ave Business Association)	A private non-profit association aimed at creating a structure able to support and represent the Companies and entrepreneurs of all sectors of activity, from the region named Baixo Ave.
Microcredit	AEFAFE - Associação Empresarial de Fafe, Cabeceiras de Basto e Celorico de Basto (Business Association of Fafe, Cabeceiras de Basto and Celorico de Basto)	This association was created in 1920 by a group of local entrepreneurs, recognised by various regional, national and associative bodies for their information, training, disclosure and awareness-raising actions.
Microcredit	AEP – Associação Empresarial Penafiel (Penafiel Business Association)	A centenary entity of unlimited duration and non-profit making which acts in the representation and the defence of business activity and economic agents, with a view to their technical, economic and social progress.

Microcredit	AESintra - Associação Empresarial de Sintra (Sintra Business Association)	The mission of this business association is to study and defend the interests of trade, industry and services so as to promote and place in practice as much as it can and should to contribute to their technical, economic and/or social progress.
Microcredit	ANJE - Associação Nacional de Jovens Empresários (National Association of Young Entrepreneurs)	An association under private law and public utility, pioneer in the promotion of youth entrepreneurship in Portugal. Over the last few years, this association has been notable in encouraging the adoption of business models based on innovation, research and development.
Sustainability	APEE - Associação Portuguesa de Ética Empresarial (Portuguese Association of Business Ethics)	Founded in November 2002, the APEE aims to promote the development of ethics in organisations, with full integration in their management practices and, consequently, in their surroundings.
Entrepreneurship	Associação Rede do Progresso (Progress Network Association)	A non-profit organisation aimed at promoting social welfare and the development of entrepreneurship and social action.
Microcredit	B2A – Business Advisors Association	This was the first national association formed by organisational consultants. The B2B members have strong experience of intervention in Companies and are specialised in SME and social sector organisations.
Entrepreneurship	Banco Montepio Acredita Portugal	Promoted by Acredita Portugal in partnership with Banco Montepio, the largest entrepreneurship competition of Portugal aims to be a space for entrepreneurial capacity-building, that enables generating new ideas, structuring ideas into projects, testing concepts, drawing up business plans and presenting projects to investors.
Microcredit	Beira Serra - Associação de Desenvolvimento (Beira Serra Development Association)	This non-profit organisation aims to promote the development and social, economic, cultural and environmental cohesion of its territory. Its geographical area of intervention has been inscribed in the sub-region of Cova da Beira: municipalities of Belmonte, Covilhã and Fundão.
Entrepreneurship	Casa do Impacto (Impact House)	A social entrepreneurship project of the Santa Casa da Misericórdia de Lisboa, whose main mission is to contribute to the development of projects with impact and innovative solutions that could contribute to the construction of a more sustainable society.
Entrepreneurship	Centro de Inovação Social (Social Innovation Centre)	This centre supports entrepreneurs and other regional players who want to test, develop or consolidate innovative projects and initiatives, with sustainable business models, with potential scalability, focused on social impact that contribute to resolve social problems in zones of low population density.
Microcredit	Centro Empresarial INOVAGAIA (INOVAGAIA Business Centre)	A reference institution in fostering entrepreneurship and supporting the economic fabric of Vila Nova de Gaia. It supports applications for entrepreneurs, providing them with an ideal environment to accomplish their projects.
Microcredit	Consortium between Universidade da Beira Interior (UBI) and Universidade de Coimbra (UC)	The consortium between Universidade da Beira Interior (UBI) and Universidade de Coimbra (UC), under “The Role of Microcredit in Promoting Financial and Social Inclusion” project, is funded by the Fundação para a Ciência e a Tecnologia (FCT) (Science and Technology Foundation). The Consortium is not conducting a study on the impact of microcredit in Portugal, but also works to foster interdisciplinarity between the academic areas and cooperation between academia and society, envisaging social impact and innovation.
Microcredit	DNA Cascais	The mission of this non-profit association is to contribute to the promotion, encouragement and development of entrepreneurship in general, with special incidence on the boosting of youth and social entrepreneurship in the municipality of Cascais.
Microcredit	DOLMEN – Desenvolvimento Local e Regional (DOLMEN – Local and Regional Development)	The local management entity of sub-programme 3 of the ProDeR for the Douro Verde territory. Its mission is to promote the development of the region in an integrated perspective, enhancing the value of its endogenous natural, cultural and human resources, based on the preservation of their values.
Social Economy	EPIS – Empresários pela Inclusão Social	Created in 2006, EPIS is as association that selected Education as the way to accomplish its primary mission of promoting social inclusion in Portugal.

	(EPIS – Entrepreneurs for Social Inclusion)	
Microcredit	FISOOT - Formação, Integração Social e Ofertas de Oportunidades de Trabalho (Training, Social Integration and Job Offers)	This is a social solidarity cooperative that aims to implement activities and projects directed at promoting rights, equal opportunities and gender equality, and at preventing and combating violence and the trafficking of human beings.
Microcredit and Entrepreneurship	IISBA - Incubadora de Inovação Social do Baixo Alentejo (Social Innovation Incubator of Baixo Alentejo)	A centenary entity of unlimited duration and non-profit making which acts in the representation and the defence of business activity and economic agents, with a view to their technical, economic and social progress.
Microcredit and Entrepreneurship	IRIS – Incubadora Regional de Impacto Social (Social Impact Regional Incubator)	This entity aims to capture ideas and projects, and support the creation, development and acceleration of social innovation and social entrepreneurship initiatives, promoted by the European Investment Bank Institute and by the Associação do Parque de Ciência e Tecnologia do Porto (Porto Association of Science and Technology Parks).
Entrepreneurship	JAP - Junior Achievement Portugal	A non-profit organisation, the Portuguese counterpart of the Junior Achievement, that implements education programmes for entrepreneurship in Portugal of this worldwide non-governmental organisation.
Social Economy	Liga-te (Connect)	A youth network for intervention and combat of Covid-19, launched by the FNAJ (National Federation of Youth Associations), which operates through a contact platform of young people and youth associations and a network of support against loneliness and social isolation among young people;
Microcredit	Lions Clube de Coimbra (Coimbra Lions Club)	Part of Lions Clubs International, the world's largest organisation of service clubs, with over 1.4 million members in approximately 46,000 clubs located in more than 200 countries and geographic areas.
Social Economy and Microcredit	NERSANT - Associação Empresarial da Região de Santarém (Santarém Regional Business Association)	One of the most dynamic associations of the countries that currently has more than 2,600 member Companies in its associative structure. Its mission is to promote the entrepreneurial capacity of the district of Santarém.
Microcredit	Novos Percursos	A non-profit organisation that operates in the area of social solidarity and the provision of services. The mission of Novos Percursos is to support microenterprises and assist people, promoting their (re)insertion in the labour market through their creation of their own job or small business.
Microcredit	Penha Empreende	A programme of the Junta de Freguesia da Penha de França (Parish Council of Penha de França) that seeks to boost entrepreneurship in the parish. The main goal of Penha Empreende is to stimulate the local economy, job-creation and modernisation of the existing Companies.
Microcredit	Querer Ser - Associação para o Desenvolvimento Social	A non-profit association whose mission is to intervene in the social area, through solutions and services that meet the needs of the people of the community in which it is placed throughout their life, promoting their wellbeing and quality of life.
Microcredit	RedOeiras+	A consortium of Companies, associations, education establishments, cooperatives and solidarity institutions. Its mission is to boost the local socioeconomic development, being a partnership that is qualified, committed and with integrated action in the promotion of employability and fostering of entrepreneurship.

Microcredit	Sol do Ave - Associação para o desenvolvimento integrado do Vale do Ave	An association that contributes to promote the integrated development of Vale do Ave, adopting networked work practices and relations of proximity, encouraging initiatives that are more innovative, inclusive and strengthen territorial cohesion.
Microcredit	Talentus – Associação Nacional de Formadores e Técnicos de Formação	Created in 1996, Talentus is the main associative entity representing training professionals in Portugal, directing its entire activity to supporting the development and professional qualification of the players in the vocational training system.
Social Economy	Turnaround	A consulting and training company, with a national territorial scope, dedicated to the creation of value in the social sector. Turnaround Social seeks to design solutions adapted to each problem and create integrated projects, developing projects directed towards sustainability, innovation and the social impact of the institutions, such as the "Linha de Crédito Fundo para a Inovação Social (FIS)" (Social Innovation Fund Credit Line) and the "Programa de Alargamento da Rede de Equipamentos Sociais (PARES)" (Social Equipment Network Expansion Programme).
Social Economy	ValeConsultores	Social consultant focused on the development of new strategies for the social sector, driven towards producing significant improvements in the functioning of structures and in the provision of services. ValeConsultores aims to assist social economy institutions and local authorities in the most diverse situations, and through providing the FIS and PARES.

OUR PROTOCOLS

Banco Montepio continued the existing commercial protocols with institutions that make a difference in society, seeking to contribute in a positive form to their activity. The table below presents **11** protocols with structures representing the Social and Solidarity Economy:

Partner	Who they are
Casa do Professor	Casa do Professor is the oldest social solidarity association in the country, created for the purpose of supporting teachers of all educational levels, by promoting initiatives of social, scientific, training, cultural and recreational nature.
Confederação Nacional das Instituições de Solidariedade (CNIS)	The CNIS (National Confederation of Solidarity Institutions) is the confederated organisation of IPSS (Private Social Solidarity Institutions), of national scope and non-profit making. The mission of this entity of associative nature is to be at the service of populations that are in situations of greater social fragility.
Confederação Portuguesa das Colectividades de Cultura, Recreio e Desporto (CPCCRD)	The CPCCRD (Portuguese Confederation of Cultural, Recreational and Sports Collectivities) represents the cultural, recreational and sports collectivities or other associations, and is composed of an unlimited number of collectivities or other associations engaged in cultural, recreational, sports and social activities.
Diocese do Algarve	The Diocese of the Algarve was successively suffragan of Mérida, São Tiago de Compostela, Braga, Seville, Lisbon and lastly Évora. Its territory corresponds to that of the district of Faro, with a population of around 400,000 habitual residents and a notable rise in the high season of tourism.
Diocese do Porto	The Diocese of Porto, located in the North of Portugal along the Atlantic coast, covers 26 municipalities, 17 of which belong to the district of Porto, 8 to the district of Aveiro and 1 to the district of Braga. It has 4 pastoral regions, 22 vicariates and 477 parishes. The Diocese population is around 2,000,000 inhabitants.
Federação Nacional das Associações Juvenis (FNAJ)	The FNAJ (National Federation of Youth Associations) has a determinant political representation, defending and promoting the interests of youth associativism before the public powers, through critical and active participation.
Federação Nacional de Cooperativas de Solidariedade Social (Fenacerci)	FENACERCI (National Federation of Social Solidarity Cooperatives), the representative body of the cooperatives of this sector, aims to structure appropriate solutions for the development of intellectually disabled persons, in addition to supporting and promoting their inclusion in society.

Federação Nacional do Voluntariado em Saúde (FNVS)	The FNVS (National Federation of Voluntary Health Action) acts in the area of volunteering in health, developing and expanding its social support base concerning this type of voluntary action and the improvement of the services provided to the beneficiaries. At the same time, it also incorporates, represents, promotes the values, preserves the identity and defends the interests of organisations operating in this sphere.
Liga dos Bombeiros Portugueses	Founded in 1930, the Liga dos Bombeiros Portugueses (League of Portuguese Fire-Fighters) is the Confederation of Fire-Fighter Associations and Brigades of any nature, voluntary or professional, that, being legally established and effectively active, observe the requirements of the general law and statutes of the Liga dos Bombeiros Portugueses, and propose to accomplish the ends stipulated therein.
Rede de Universidades da Terceira Idade (RUTIS) (Senior Citizen University Network)	RUTIS is a Private Social Solidarity Institution of public utility that supports the community and senior citizens. It currently as 305 Senior Citizen Universities (UTIs) as members, 45,000 senior students and 5,000 voluntary teachers in the senior citizen universities.
União das Misericórdias Portuguesas (UMP)	The UMP (Union of the Portuguese Misericórdias) was created in 1976 to guide, coordinate, boost and represent the Santas Casas de Misericórdia, defending their interests and organising services of common interest.

2021 PERFORMANCE

The 2021 Sustainability Action Plan is the result of ongoing work in the area of Sustainability that started in 2014 with the creation and publication of the Montepio Group's first Sustainability Report.

In the Banco Montepio Group universe, the plan implemented in 2021 consists of defined actions and key performance indicators (KPIs) classified by ESG factors. The table below also presents the target established for the indicated year, as well as the results as at 31 December 2021:

ESG Factors – Environmental – Social – Governance

Action	KPI	Goal 2021	Result 2021	Current Situation [%]
Drawing of Banco Montepio brand's positioning closer to the topic of sustainability	**Development of Banco Montepio Group's Annual Report and Accounts as an item of communication inspired by the sustainability line**	Publication of the Annual Report and Accounts	Completed. Publication of the Annual Report and Accounts of the First Half of 2021	100%
	Development of a landing page dedicated to sustainability on the website	Landing page on sustainability	Completed. Disclosure of a specific area for sustainability highlighted on the homepage of the website	100%
	Launch of the sustainability line	Launch of the line	Disclosure made via Banco Montepio channels	100%
Consulting of suppliers taking into account sustainability standards and preference for national	**Increased number of suppliers with environmental/social concerns**	Reformulation of the institutional area	Underway. Hiring of services taking into account sustainability	100%
Offer of products inducing good environmental and social practices	**Products and services included in portfolio [#]**	14	12	86%

Environment

Action	KPI	Goal 2021	Result 2021	Current Situation [%]
Launch of a Mortgage Loan campaign with benefits for housing with energy certificate A or A+	**Contribute to the number of contracts**	Launch of the campaign	Completed.	100%
Encouragement of the use of the digital channels	**Website traffic [# views]**	80,000,000	87,166,218	>100%
Campaign of Encouragement of use of digital documentation	**Contribute to digital documentation**	Launch of the campaign	Completed.	100%
Dematerialisation of external communication	**Customers with digital documentation [#]**	676,000	1,270,368	>100%
	Products inducing use of the digital documentation service [#]	2	3	>100%
	Digital transformation products and initiatives [#]	6	8	>100%
	Dematerialisation of processes by endorsing qualified electronic signatures of Citizen Card and Digital Mobile	Implementation of these processes	100%	100%
Dematerialisation of internal communication	**Publication of the price list in digital formats [#]**	30	11	37%
	Dematerialisation de processes through the dematerialisation of treasury operations	60% (25% increase in relation to 2020)	75%	>100%
	Extension of dematerialisation t the central services by generating pdf to replace physical certificates of operations	N.A.	100%	100%
	Extension of dematerialisation to new processes/transactions	N.A.	100%	100%
Preparation of information related to climate under discussion at the EBA	**Preparation of the information to support the communication of information related to the climate under discussion at the EBA**	Survey of the gaps and definition of the action plan	To be started	0%
Implementation of the project for separation of solid waste	**% sites (at the central services) with separate waste collection**	Placement of recycling bins at the central services; Ensure the collection of the waste of the Central Services and delivery at waste treatment stations by City Councils; Coordination with communication plan	Implemented	100%
Distribution of filtered water equipment (connected to the public network) in the central	**Number of sites replaced**	Identification of new sites (pantries of the Central Services) with capacity to replace the existing equipment (demijohn) and placement of equipment connected to the public network at the identified sites	1/18	6%

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Measures to reduce fuel consumption	**% reduction of consumption**	-12%	Partially accomplished: 10.8% reduction	90%
Measures to reduce electricity consumption	**% reduction of consumption**	-13%	Reduction of 22.4%	>100%
Measures to reduce paper consumption	**% reduction of consumption**	-20%	Reduction of 37.6%	>100%
Use of more sustainable consumables	**Achievement of the targets defined for 2021**	Distribution of glass bottles throughout the Central Services	Distribution carried out	100%
Replacement of heating, ventilation and air conditioning (HVAC) equipment (with R22 refrigerating gas) with more efficient equipment with less aggressive gases for the environment (R410a and R32)	**Number of items of equipment replaced at the branches**	55	7 Branches replaced	13%
Replacement of ATM with more modern machines holding Restriction of Certain Hazardous Substances (RoHS) certification	**Number of machines replaced**	50	Implemented	100%
Maintain the plan to replace the motor vehicle fleet	**Replace combustion vehicles with plug-in, hybrid and 100% electric vehicles**	N.A.	In 2021, there were 213 plug-in, hybrid and 100% electric vehicles out of a total of 577 vehicles	37%
Application for attribution of MOVE+ Certification / Efficient Mobility	**Application to the Green Fleet category of the Fleet Magazine Awards**	100%	Application submitted, which was reflected in the award of the "Green Fleet" trophy in the 2021 Fleet Magazine Awards	100%
Integrate sustainability criteria in market consultations	**Negotiate so as to match with the various initiatives of the internal areas**	100%	The integration of sustainability criteria in market consultations is an ongoing process.	100%

Social

Action	KPI	Goal 2021	Result 2021	Current Situation [%]
Support to and investment in entities and projects linked to innovation and social entrepreneurship	**Support to and investment in entities and projects of the innovation and social entrepreneurship area [#]**	15	29	>100
	Investment in innovation and social entrepreneurship projects [€]	€ 172,648.26	€170,854.86	99%
Support to Social and Solidarity Economy projects and initiatives	**Number of projects supported [#]**	30	24	80%
	Support to Social and Solidarity Economy projects and initiatives [€]	€30,000	€299.564,00	>100%
Financing in microcredit and support to own job creation	**Microcredit projects supported [#]**	70	26	37%

	Value of microcredit granted [€]	€1,000,000	€418,970	42%
	Jobs created - microcredit [#]	100	29	29%
Launch of the new item of the financial literacy programme "O Banco Explica" (The Bank Explains)	Creation of a new item of the programme to increase the Customers' financial literacy	Launch of the programme	Completed.	100%
Expansion of penetration in the Social Economy market and clear differentiation of banking and insurance products for this area	Social and Solidarity Economy Customers [#]	8,350	8,265	99%
	Customer growth rate [%]	2.5%	1.45%	58%
	Social and Solidarity Economy Customers [% penetration]	12%	12%	100%
	New loans granted	N.A.	105,893,290	N.A.
	Variation in the volume of loans granted	N.A.	-0.14%	N.A.
Visibility of Social Economy entities	Number of followers on the E-Social Facebook	8,500	8,246	97%
	Number of followers on the E-Social Instagram	2,000	1,555	78%
Protocols and partnerships	Protocols and partnerships with entities promoting innovation and social entrepreneurship [#]	30	34	>100%
	Commercial protocols with entities promoting the Social and Solidarity Economy [#]	15	11	73%
Guaranteed integrated management of human capital	Welfare activities or initiatives (webinars and face-to-face sessions)	20	39	>100%
	Ergonomic equipment provided to the Employees	> 75%	92	100%
	Psychosocial support	100%	100%	100%
	Anti-flu vaccination campaign	95%	91%	96%
	Conduct of talent attraction programmes (Trainees, Summer, among others)	3	3	100%
	Participation rate in performance assessment	95%	99%	>100%
	No. of training hours per Employee	40h	27h	68%
	No. of participations in Employee engagement initiatives (E-Coffee; Lunch with Board; Ideas Pool, Academy and Erasmus)	>400	439	100%
Implementation of a perspective of internal and external inclusion, respect for diversity and universal design	Employees aged 30 years old or less [%]	> 3%	3.80%	100%
	Integration of disabled Employees [%]	> 2%	2.16%	100%
	Women in Executive Management positions and 1st Line Managers [%]	34%	34.09%	>100%

	No. participations in initiatives related to the Gender Equality Plan of Banco Montepio [#]	100	151	>100%
	Boosting of internal communication (M Talks, Internal Newsletters and M Meetings)	54	61	>100%

Governance

Action	KPI	Goal 2021	Result 2021	Current Situation [%]
Association with a reference entity in the sustainability area	**Align the financial sector's activity with the SDG and Paris agreement on climate change**	1	Start of the process of Banco Montepio's endorsement of the United Nations Global Compact as a participant of its principles. The process will be completed in 2022	50%
Promote Banco Montepio's participation in initiatives that acknowledge the sustainability of Companies	**No. of awards for Banco Montepio to compete for [#]**	1	2	>100%

CORRELATION TABLE WITH DECREE-LAW 89/2017 89/2017

Requirement	Response	
Corporate Model **DL 89/2017 - Article 3 (referring to Article 508-G (2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19a (1)(a)**		**Page**
Corporate model of the company	The Banco Montepio Group – Group structure	16
	Business Segments	29
	Activity by Segments	54
	Subsidiaries and International Activity	56
	Sustainable finance	107
	Responsible business	112
Diversity in governing bodies **DL 89/2017 - Article 4 (referring to Article 29 (1)(q) and (2) of the Securities Code (CVM) - Directive 2014/95/EU - Article 20 (1)(g)**		
Diversity policy applied by the company to its management and supervisory bodies	Internal/external inclusion and respect for diversity and universal design – diversity in the governing bodies	120
Environmental issues **DL 89/2017 - Article 3(2) (referring to Article 508-G (2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19-A(1) (a-e)**		
Specific policies related to environmental issues	Value creation for society – our policies	128
Results of the application of the policies	Value creation for society – environment	124
Main associated risks and the way in which those risks are managed	Risk – risk management	87
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Key performance indicators	Value creation for society – environment – tables on consumptions	124
	Value creation for society – our performance	127
	Performance of 2021 – ESG Factors – Environmental – Social – Governance	133
Social and employee-related issues **DL 89/2017 - Article 3(2) (referring to Article 508-G (2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19-A(1)(a-e)**		
Specific policies related to social and employee-related issues	Integrated human capital management – working conditions, health and safety	117
	Integrated human capital management – internal communication and engagement of the organisation	117
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Main associated risks and the way in which those risks are managed	Risk – risk management	86
	Responsible business – risk management	114
Key performance indicators	The Banco Montepio Group – people – tables with the evolution of the Employees	21
	The Banco Montepio Group – people – charts with the distribution of Banco Montepio employees	22
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	Integrated human capital management – management of potential and performance	118
	Performance of 2021 – Social	135

Equality between men and women and non-discrimination Article 3(2) of DL 89/2017 (referring to Article 508-G(2) of the Commercial Companies Code) - Directive 2014/95/EU - Article 19-A(1)(a-e)		
Specific policies related to issues of equality between men and women and non-discrimination	Internal/external inclusion and respect for diversity and universal design – diversity in the Employees	121
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Main associated risks and the way in which those risks are managed	Risk – risk management	87
	Responsible business – risk management	114
Key performance indicators	The Banco Montepio Group – people – charts with the distribution of Banco Montepio employees	22
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Results of the application of the policies	Integrated human capital management – internal communication and engagement of the organisation	117
Main associated risks and the way in which those risks are managed	Risk – risk management	87
	Responsible business – risk management	114
Key performance indicators	Integrated human capital management – management of potential and performance	118
Specific policies related to the combat of corruption and attempted bribery	Responsible business – our policies	115
Results of the application of the policies	Responsible business – combat of corruption and attempted bribery	115
Main associated risks and the way in which those risks are managed	Risk – risk management	87
	Responsible business – risk management	114
Key performance indicators	Integrated human capital management – human capital and training	118
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08

REGULATORY INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

Banco Montepio

Consolidated Balance Sheet at 31 december 2021 and 2020

(Euro thousand)

	2021	2020
Assets		
Cash and deposits at central banks	2 967 996	1 466 250
Loans and deposits to credit institutions payable on demand	67 360	33 660
Other loans and advances to credit institutions	229 065	293 004
Loans and advances to customers	11 667 688	11 577 702
Financial assets held for trading	7 582	16 923
Financial assets at fair value through profit or loss	203 427	346 892
Financial assets at fair value through other comprehensive income	123 338	286 797
Hedging derivatives	5 411	10 693
Other financial assets at amortized cost	3 004 196	2 362 616
Investments in associated companies	3 952	3 872
Non-current assets held for sale	38 862	5 484
Non-current assets held for sale - discontinued operations	429	1 310
Investment properties	102 933	125 893
Other tangible assets	231 610	259 162
Intangible assets	40 150	35 829
Current tax assets	6 714	3 584
Deferred tax assets	459 871	496 223
Other assets	552 576	615 112
Total Assets	19 713 160	17 941 006
Liabilities		
Deposits from central banks	2 902 003	1 382 545
Deposits from other credit institutions	555 412	820 638
Deposits from customers	12 786 886	12 501 973
Debt securities issued	1 617 125	1 299 188
Financial liabilities held for trading	7 470	13 598
Hedging derivatives	335	397
Non-current liabilities held for sale - discontinued operations	329	109 619
Provisions	34 133	38 654
Current tax liabilities	2 351	4 486
Other subordinated debt	217 265	216 896
Other liabilities	226 718	225 853
Total Liabilities	18 350 027	16 613 847
Shareholder's Equity		
Share capital	2 420 000	2 420 000
Legal reserve	193 266	193 266
Fair value reserves	9 267	(28 295)
Other reserves and Retained earnings	(1 278 873)	(1 186 425)
Consolidated net income for the period attributable to the Shareholder	6 570	(80 686)
Total Equity Attributable to Shareholders	1 350 230	1 317 860
Non-controlling interests	12 903	9 299
Total Shareholders' Equity	1 363 133	1 327 159
Total Liabilities and Shareholders' Equity	19 713 160	17 941 006

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

Banco Montepio

Consolidated Income Statement
for the financial years of 2021 and 2020

(Euro thousand)

	2021	2020
Interest and similar income	306 685	303 680
Interest and similar expense	63 182	60 886
Net interest income	243 503	242 794
Dividends from equity instruments	1 801	3 052
Net fee and commission income	116 336	115 311
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(263)	(18 695)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	2 037	23 693
Net gains/(losses) arising from exchange differences	8 996	12 864
Net gains/(losses) arising from sale of other financial assets	29 778	43 020
Other operating income/(expense)	(23 144)	(28 295)
Total operating income	379 044	393 744
Staff costs	164 154	189 255
General and administrative expenses	64 679	66 989
Depreciation and amortization	35 292	35 118
Total operating cost	264 125	291 362
Impairment of loans and advances to customers and to credit institutions	54 333	185 126
Impairment of other financial assets	(223)	12 173
Impairment of other assets	31 014	19 457
Other provisions	(4 621)	4 076
Operating income	34 416	(118 450)
Share of profits/(losses) booked under the equity method	3	(662)
Profit/(loss) before income tax	34 419	(119 112)
Income Tax		
Current	(4 144)	(1 791)
Deferred	(21 115)	44 041
Profit/ (loss) after income tax from continuing operations	9 160	(76 862)
Profit/ (loss) from discontinued operations	(1 465)	(1 943)
Consolidated net income after income tax	7 695	(78 805)
Consolidated net income for the period attributable		
to the shareholders	6 570	(80 686)
Non-controlling Interests	1 125	1 881
Consolidated net profit / (loss) for the year	7 695	(78 805)
Earnings per share (in Euro)		
From continuing operations		
Basic	0.004	(0.032)
Diluted	0.004	(0.032)
From discontinued operations		
Basic	(0.001)	(0.002)
Diluted	(0.001)	(0.002)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

PROPOSAL FOR THE APLICATION OF RESULTS – INDIVIDUAL BASIS

Considering the recommendations of the supervisory and regulatory authorities, the legal and statutory provisions referring to the Legal Reserve, the net income recorded by Caixa Económica Montepio Geral, caixa económica bancária, S.A. in the year of 2021 amounted to 6,569,645.44 euros on a consolidated basis and -7,903,029.59 euros on an individual basis, the Board of Directors proposes that, under the terms of paragraph f) of no. 5 of article 66, and for the purposes of paragraph b) of no. 1 of article 376 of the Commercial Companies Code, the net income stated in the individual balance sheet should be transferred to retained earnings.

BOARD OF DIRECTORS

Chairman	Carlos Tavares
Members	Manuel Ferreira Teixeira
	Amadeu Paiva
	Carlos Ferreira Alves
	José Nunes Pereira
	Pedro Alves
	Rui Heitor
	Vítor Martins
	Pedro Leitão
	Dulce Mota
	Helena Soares de Moura
	Jorge Baião
	José Carlos Mateus
	Leandro Graça Silva
	Nuno Mota Pinto
	Pedro Ventaneira

Lisbon, 07 April 2022

ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, the European Securities and Markets Authority published a set of guidelines – ESMA/2015/1415 – addressing the disclosure of information by entities, other than States, whose securities are admitted to trading on a regulated market and to which is required the disclosure of information as set out by the Transparency Directive 2004/109/EC of the European Parliament and of the Council.

These guidelines are mandatory for issuers as of 3 July 2016 and aim to promote transparency and clarify the usefulness of the indicators used by the issuers to measure their performance - Alternative Performance Measures (APM), contributing to improve the comparability, credibility and understanding of the APM presented.

This chapter serves the purpose of complying with ESMA guidelines on Alternative Performance Measures regarding 2021 financial information, with references to the various chapters of this Report.

BALANCE SHEET AND EXTRAPATRIMONIALS

SECURITIES PORTFOLIO AND OTHER FINANCIAL ASSETS

Definition	Sum of the items 'Financial assets held for trading', 'Financial assets at fair value through other comprehensive income', 'Other financial assets at amortised cost', and 'Financial assets at fair value through profit or loss'.
Relevance	Assess the relative weight of this item from an assets' structure perspective.
Reference to FSNO	Page 141 (notes 22, 23, 24, 26)

Components and calculus

(thousand euros)

		2019	2020	2021
(a)	Financial assets held for trading	35 905	16 923	7 582
(b)	Financial assets at fair value through other comprehensive income	1 859 758	286 797	123 338
(c)	Other financial assets at amortised cost	987 325	2 362 616	3 004 196
(d)	Financial assets at fair value through profit or loss*	384 675	346 892	203 427
(e)	Securities portfolio and other financial assets* (a + b + c + d)	3 267 663	3 013 228	3 338 543
(f)	Total net assets	17 740 142	17 941 006	19 713 160
	% Securities portfolio and other financial assets (e / f)	**18.4%**	**16.8%**	**16.9%**

* Includes instruments at fair value through profit or loss, namely credits that do not meet the SPPI tests (Solely Payments of Principal and Interest).

Other investments

Definition	Total assets excluding 'Cash and deposits at central banks and loans and advances to credit institutions', 'Loans to customers, 'Financial assets held for trading', 'Financial assets at fair value through other comprehensive income', 'Other financial assets at amortised cost', and 'Financial assets at fair value through profit or loss'.
Relevance	Assess the relative weight of this item compared to Loans to customers and Securities portfolio from an assets' structure perspective.
Reference to FSNO	Page 141, (notes 18, 19, 20, 21, 23, 24, 26)

Components and calculus

(thousand euros)

		2019	2020	2021
(a)	Total net assets	17 740 142	17 941 006	19 713 160
(b)	Cash and deposits at central banks and loans and advances to credit institutions	1 352 852	1 792 914	3 264 421
(c)	Net loans to customers	11 506 668	11 577 702	11 667 688
(d)	Financial assets held for trading	35 905	16 923	7 582
(e)	Financial assets at fair value through other comprehensive income	1 859 758	286 797	123 338
(f)	Other financial assets at amortised cost	987 325	2 362 616	3 004 196
(g)	Financial assets at fair value through profit or loss	384 675	346 892	203 427
(h)	Other investments (a - b - c - d - e - f - g)	1 612 959	1 557 162	1 442 508
	% of Other investments (h / a)	9.1%	8.7%	7.3%

Debt issued

Definition	Sum of the balance sheet items 'Debt securities issued' and 'Other subordinated debt'.
Relevance	Assess the relative weight of this item from a funding structure perspective.
Reference to FSNO	Page 141, (notes 37, 39)

Components and calculus

(thousand euros)

		2019	2020	2021
(a)	Debt securities issued	1 389 980	1 299 188	1 617 125
(b)	Other subordinated debt	157 847	216 896	217 265
(c)	Debt issued (a + b)	1 547 827	1 516 084	1 834 390
(d)	Total liabilities	16 288 154	16 613 847	18 350 027
	% of Debt issued (c / d)	9.5%	9.1%	10.0%

Complementary resources

Definition	Total liabilities excluding 'Central bank resources and OCI, 'Customer resources', 'Debt securities issued' and 'Other subordinated debt'.
Relevance	Assess the relative weight of this item compared to Customer resources and Issued debt from a funding structure perspective.
Reference to FSNO	Page 141, (notes 34, 35, 36, 37, 39)

Components and calculus

(thousand euros)

	2019	2020	2021
(a) Total liabilities	16 288 154	16 613 847	18 350 027
(b) Central bank resources and OCI	1 813 824	2 203 183	3 457 415
(c) Customer resources	12 642 446	12 501 973	12 786 886
(d) Debt securities issued	1 389 980	1 299 188	1 617 125
(e) Other subordinated debt	157 847	216 896	217 265
(f) Complementary resources (a - b - c - d - e)	284 057	392 607	271 336
% of Complementary resources (f / a)	1.7%	2.4%	1.5%

Off-balance sheet resources

Definition	Assets under management by the Groups' subsidiaries being a constituent part of Total customers resources. Excluding securities investment funds and real estate investment funds included in the Bank's own portfolio.
Relevance	Contribute to the analysis of the evolution of Total customers resources.
Reference to FSNO	(note 50)

Components and calculus

	2019	2020	2021
(a) Securities investment funds	182 078	158 724	175 839
(b) Real estate investment funds	385 468	417 915	545 128
(c) Pension funds	249 258	265 616	292 638
(d) Capitalization Insurance	996	955	30 729
Off-balance sheet resources (a + b + c + d)	817 800	843 210	1 044 334

INCOME STATEMENT

COMMERCIAL NET INTEREST INCOME

Definition	Results arising from interest received on loans granted to customers and interest paid on customer resources.
Relevance	Assess the evolution of the banking activity of financial intermediation between granting loans and deposit taking.
Reference to FSNO	(note 2)
Components and calculus	

(thousand euros)

	2019	2020	2021
(a) Interest received from loans to customers	290 323	267 459	254 724
(b) Interest paid on customers deposits	34 435	19 454	10 286
Commercial net interest income (a - b)	**255 888**	**248 005**	**244 438**

OPERATING COSTS

Definition	Sum of staff costs, general and administrative expenses and depreciation and amortisations.
Relevance	Assess the evolution of the operating costs underlying the banking activity.
Reference to FSNO	Page 142, (notes 10, 11, 12)
Components and calculus	

(thousand euros)

	2019	2020	2021
(a) Staff costs	162 352	189 255	164 154
(b) General and administrative expenses	68 131	66 989	64 679
(c) Depreciation and amortisation	33 534	35 118	35 292
Operating costs (a + b + c)	**264 017**	**291 362**	**264 125**

RESULTS FROM THE COMMERCIAL ACTIVITY

Definition	Sum of the Commercial net interest income and Net fees and commissions, subtracted by the Operating costs required to develop the business.
Relevance	Assess the evolution of the core banking activity.
Reference to FSNO	Page 142 (notes 2, 4, 10, 11, 12)
Components and calculus	

(thousand euros)

	2019	2020	2021
(a) Commercial net banking income	255 888	248 005	244 438
(b) Net commissions	122 558	115 311	116 336
(c) Operating costs	264 017	291362	264 125
Results from the commercial activity (a + b - c)	**114 429**	**71 954**	**96 649**

RATIOS

LOAN-TO-DEPOSIT RATIO: NET LOANS TO CUSTOMERS / ON-BALANCE SHEET CUSTOMER RESOURCES

Definition	Percentage of Net loans to customers funded by the total amount of On-balance sheet resources from customers.
Relevance	Assess the leverage degree of the banking activity through the relationship between Funds raised with customers and Loans granted to customers.
Reference to FSNO	Page 141, (notes 21, 36, 37)
Components and calculus	

(thousand euros)

	2019	2020	2021
(a) Net loans to customers	11 506 668	11 577 702	11 667 688
(b) Customer resources	12 642 446	12 501 973	12 786 886
(c) Debt securities issued	1 389 980	1 299 188	1 617 125
Net loans to customers / On-balance sheet customer resources (a / (b + c))	**82.0%**	**83.9%**	**81.0%**

EFFICIENCY RATIO: COST TO INCOME, WITHOUT SPECIFIC IMPACTS

Definition	Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Relevance	Assess the evolution of operating efficiency underlying the banking activity, removing the volatility effect of results from financial operations, the net gains / (losses) arising from the sale of other financial assets and the other operating income / (expenses).
Reference to FSNO	Page 142 (notes 5, 6,7,8, 9, 10, 11, 12)
Components and calculus	

(thousand euros)

	2019	2020	2021
(a) Total operating income	460 387	393 744	379 044
(b) Results from financial operations (i + ii + iii)	64 443	17 862	10 770
(i) Net gains / (losses) from financial assets and liabilities at fair value through profit or loss	8 510	(18 695)	(263)
(ii) Net gains / (losses) from financial assets at fair value through other comprehensive income	42 269	23 693	2 037
(iii) Net gains / (losses) from foreign exchange differences	13 664	12 864	8 996
(c) Other income (i + ii)	11 527	14 725	6 634
(i) Net gains / (losses) arising from the sale of other financial assets	22 931	43 020	29 778
(ii) Other operating income / (expenses)	(11 404)	(28 295)	(23 144)
(d) Operating costs, excluding specific impacts [1)]	264 017	261 862	249 439
Cost-to-Income, excluding specific impacts ((d) / (a - b - c))	**68.7%**	**72.5%**	**69.0%**

1) Excluding the amount related to the increase in Personnel Costs and in General administrative expenses generated by operational adjustment measures of 29.5 M€ in 2020 and 14.7 M€ in 2021.

Cost of credit risk

Definition	Ratio that measures the cost recognized in the period, recorded as loan impairment in the income statement, to cover the risk of default of loans granted to customers.
Relevance	Assess the quality of the loan portfolio given the cost borne with the risk of loan default.
Reference to FSNO	(notes 13, 21)
Components and calculus	

(thousand euros)

		2019	2020	2021
(a)	Impairment of loans and advances to customers and to credit institutions (annualized[1])	114 905	185 126	54 333
(b)	Average gross loans to customers[2]	12 598 953	12 416 390	12 364 618
	Cost of credit risk (a / b)	**0.9%**	**1.5%**	**0.4%**

1) Annualized values considering the total number of days elapsed and total days of the year.
2) Average balance for period (2019: 365 days / 2020: 366 days / 2021: 365 days).

Ratio of loans and interest overdue by more than 90 days

Definition	Ratio that measures the quality evaluation of the loan portfolio.
Relevance	Measure the proportion of credit and interest overdue for more than 90 days in relation to the total loan portfolio.
Reference to FSNO	(note 21)
Components and calculus	

(thousand euros)

		2019	2020	2021
(a)	Loans and interest overdue by more than 90 days	688 208	626 784	361 418
(b)	Gross loans to customers	12 289 173	12 357 216	12 189 465
	Ratio of loans and interest overdue by more than 90 days (a / b)	**5.6%**	**5.1%**	**3.0%**

Coverage of loans and interest overdue by more than 90 days by Impairment for balance sheet

Definition	Ratio that measures the proportion of impairment for loans accumulated on the balance sheet in relation to the total amount of loans and interest overdue by more than 90 days.
Relevance	Assess the institution’s ability to absorb potential losses arising from loans and interest overdue by more than 90 days.
Reference to FSNO	(note 21)
Components and calculus	

(thousand euros)

		2019	2020	2021
(a)	Impairment for credit risk (balance sheet)	782 505	779 514	521 777
(b)	Loans and interest overdue by more than 90 days	688 208	626 784	361 418
	Coverage of loans and interest overdue by more than 90 days (a / b)	**113.7%**	**124.4%**	**144.4%**

Non-performing exposures / Gross loans to customers

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of non-performing exposures (NPE, according to EBA's definition) in relation to the Total customer loan portfolio.
Reference to FSNO	(note 54)

Components and calculus

(thousand euros)

	2019	2020	2021
(a) Stock of Non-performing exposures	1 511 060	1 289 555	975 302
(b) Gross loans to customers	12 289 173	12 357 216	12 189 465
Non-performing exposures / Gross loans to customers (a / b)	12.3%	10.4%	8.0%

Non-performing exposures net of Impairment for balance sheet loans / Gross loans to customers

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of non-performing exposures (NPE, according to EBA's definition) net of Impairment for balance sheet loans in relation to the Total customer loan portfolio.
Reference to FSNO	(note 54)

Components and calculus

(thousand euros)

	2019	2020	2021
(a) Stock of Non-performing exposures	1 511 060	1 289 555	975 302
(b) Impairment for credit risk (balance sheet)	782 505	779 514	521 777
(c) Gross loans to customers	12 289 173	12 357 216	12 189 465
Non-performing exposures net of Impairment for credit risk / Gross loans to customers (a-b)/c	5.9%	4.1%	3.7%

Coverage of Non-performing exposures by Impairment for balance sheet loans

Definition	Ratio that measures the proportion of impairment for loans accumulated on the balance sheet in relation to the balance of non-performing exposures (NPE, according to the EBA definition).
Relevance	Assess the institution’s capacity to absorb potential losses arising from the NPE portfolio.
Reference to FSNO	(note 54)

Components and calculus

(thousand euros)

	2019	2020	2021
(a) Impairment for credit risk (balance sheet)	782 505	779 514	521 777
(b) Stock of Non-performing exposures	1 511 060	1 289 555	975 302
Coverage of Non-performing exposures by Impairment for credit risk (a / b)	51.8%	60.4%	53.5%

Coverage of Non-performing exposures by Impairment for balance sheet loans and associated collaterals and financial guarantees

Definition	Ratio that measures the proportion between the sum of the impairment for loans accumulated on the balance sheet and associated collaterals and financial guarantees in relation to the balance of non-performing exposures (NPE, according to EBA's definition).
Relevance	Assess the institution's capacity to absorb the potential losses arising from the NPE portfolio.
Reference to FSNO	(note 54)
Components and calculus	

(thousand euros)

	2019	2020	2021
(a) Impairment for credit risk (balance sheet)	782 505	779 514	521777
(b) Associated collaterals and financial guarantees	538 010	420 001	414 074
(c) Stock of Non-performing exposures	1511060	1289 555	975 302
Coverage of Non-performing exposures by Impairment for credit risk and associated collaterals and financial guarantees ((a + b) / c)	87.4%	93.0%	96.0%

Forborne exposures / Gross customer loans

Definition	Ratio that measures the quality of the loan portfolio.
Relevance	Measure the proportion of Forborne exposures (according to EBA's definition) in relation to the total loan portfolio.
Reference to FSNO	(note 54)
Components and calculus	

(thousand euros)

	2019	2020	2021
(a) Stock of Forborne exposures	877 953	815 895	623 791
(b) Gross customer loans	12 289 173	12 357 216	12 189 465
Forborne exposures / Gross loans to customers (a / b)	7.1%	6.6%	5.1%

GLOSSARY

ATM: Automated Teller Machine.

CET1: Common Equity Tier 1

CET1 ratio: ratio between Common equity tier 1 capital and Risk-weighted assets.

CO_2: carbon dioxide.

Commercial net interest income: corresponds to the difference between the Income received from Loans and advances granted to customers and the Interest paid on Customer deposits.

Cost-to-income ratio: Ratio between Operating costs and Total operating income, pursuant to Banco de Portugal Instruction 16/2004.

Coverage of loans and interest overdue by more than 90 days by Impairment for balance sheet loans: ratio between Impairment for accumulated loans (book value) and total Loans and interest overdue by more than 90 days.

Complementary resources: sum of the balance sheet headings of Financial liabilities held for trading, Hedge derivatives, Non-current liabilities held for sale - Discontinued operations, Provisions, Current tax liabilities and Other liabilities.

Cost of credit risk: ratio between the income statement heading of Impairment of loans and advances to customers and credit institutions (annualised value) and the average balance of Loans to customers (gross).

CRR quick-fix: Capital Requirements Regulation quick-fix.

Debt issued: sum of the balance sheet heading of Liabilities represented by securities and Other subordinated liabilities.

DTA: Deferred tax assets.

EBA: European Banking Authority.

EMTN: Euro Medium Term Note Programme.

Fully implemented: refers to the full implementation of the prudential rules established in the legislation in force in the European Union, that were produced based on the standards defined by the Basel Committee on Banking Supervision, in the agreements known as Basel II and Basel III.

GJ: Gigajoule.

Gross return on assets: Ratio between Net income before taxes and minority interests and Average net assets, pursuant to Banco de Portugal Instruction 16/2004.

Gross return on equity: Ratio between Net income before taxes and minority interests and Average equity, pursuant to Banco de Portugal Instruction 16/2004.

HVAC: Heating, Ventilation, and Air Conditioning.

IFRS: International Financial Reporting Standards.

Impairments and provisions: sum of the income statement headings of Impairment of loans and advances to customers and credit institutions, Impairment of other financial assets, Impairment of other assets and Other provisions.

Kg: kilogram.

L: litre.

LCR ratio: Liquidity Coverage Ratio. Ratio between the Buffer of net assets and the Net outflows in a stress period of 30 days.

LCV: Lower Calorific Value.

Leverage ratio: ratio between Tier 1 own funds and Non-weighted exposure.

Loans to customers (gross): corresponds to Loans to customers before deducting Impairment for credit risks (book value).

Loans to customers (net): corresponds to Loans to customers (gross) after deducting Impairment for credit risks (book value).

Loans and interest overdue by more than 90 days: corresponds to Loans with principal instalments or interest in arrears for a period of more than 90 days.

Loan-to-deposit ratio: ratio between Loans to customers (net) and Customer resources, pursuant to Banco de Portugal Instruction 16/2004.

Loan-to-resource ratio: ratio between Loans to customers (net) and the sum of the balance sheet heading of Customer resources and Securities placed with customers.

LTV ratio: Loan-to-value ratio, referring to the ratio between the value of the loan and the value of the real estate property given as collateral.

Net fees and commissions: corresponds to the income statement item Net fees and commissions income.

Net interest income: sum of the balance sheet headings of Interest and similar income and Interest and similar expenses.

NPE: Non-performing exposures (as defined by the EBA).

NPE coverage by Impairment of balance sheet loans: ratio between the sum of the accumulated impairment for loans (book value) and the balance of non-productive exposures (NPE, as defined by the EBA).

NPE coverage by impairment of balance sheet loans and associated collateral and financial guarantees: ratio between the sum of the accumulated impairment for loans (book value) and their associated collateral and financial guarantees and the balance of non-productive exposures (NPE, as defined by the EBA).

NPE ratio: ratio between the non-performing exposures (NPE, as defined by the EBA), net of accumulated loan impairment (book value), and total Loans to customers (gross).

NPL: Non-performing loans (as defined by the EBA).

NSFR ratio: Net stable funding ratio. Ratio between available stable funding and required stable funding.

OCR: Overall capital requirements.

Off-balance sheet customer resources: corresponds to the Disintermediation resources managed by the Group's companies (assets under management), excluding securities investment funds and real estate investment funds in its own portfolio, i.e., the sum of the Securities investment funds and Real estate investment funds, Pension funds and Capitalisation insurance.

On-balance sheet customer resources: sum of the balance sheet heading of Customer resources and Securities placed with customers.

Operating costs: sum of the income statement headings of Staff costs, General and administrative expenses, and Depreciation and amortisation.

Operating income before impairment: sum of the income statement headings of Net interest income, Net fees and commissions, Income from equity instruments, Results from financial operations, Other operating income, Net gains from the sale of other assets, Staff costs, General and administrative expenses, and Depreciation and amortisation.

Other assets: sum of the income statement heading of Hedge derivatives, Non-current assets held for sale, Non-current assets held for sale - Discontinued operations, Investment properties, Other tangible assets, Intangible assets, Investments in associates, Current tax assets, Deferred tax assets and Other assets.

Other impairments and provisions: sum of the income statement headings of Impairment of other financial assets, Impairment of other assets and Other provisions.

Other results: sum of the income statement headings of Net gains from the sale of other assets and Other operating income.

Outlook: forward-looking perspective.

Performing loans: corresponds to Loans to customers (gross) after deducting non-performing exposures (as defined by the EBA).

Phasing-in: transitional period. This refers to the phased implementation of the prudential rules under the terms established in the legislation in force in the European Union.

POS: Point of Sale, referring to an automatic payment terminal.

Ratio of forborne exposures: Ratio between deferred exposures (forborne exposures, as defined by the EBA) and Loans to customers (gross).

Ratio of loans and interest overdue by more than 90 days: Ratio between Loans and interest overdue by more than 90 days and Loans to customers (gross).

Results from commercial activity: sum of the income statement headings of Interest and similar income, Interest and similar expenses, Net fees and commissions, Staff costs, General and administrative expenses, and Depreciation and amortisation.

Results from financial operations: sum of the income statement headings of Net gains/(losses) from financial assets and liabilities at fair value through profit or loss, Net gains/(losses) from financial assets at fair value through other comprehensive income, and Net gains/(losses) from foreign exchange difference.

RWA: Risk-Weighted Assets.

Securities portfolio: sum of the balance sheet headings of Financial assets held for trading, Financial assets at fair value through other comprehensive income, Other financial assets at amortised cost, and Financial assets at fair value through profit or loss.

t: Ton.

Tier 1 ratio: ratio between Tier 1 own funds and Risk-weighted assets.

TLTRO: Targeted Longer-Term Refinancing Operations.

Total capital ratio: ratio between Total own funds and Risk-weighted assets.

Total customer resources: sum of On-balance sheet customer resources and Off-balance sheet customer resources.

Total operating income: sum of the income statement headings of Net interest income, Net fees and commissions, Income from equity instruments, Results from financial operations, Other operating income and Net gains from the sale of other assets.

Write-offs: Loans written off from the assets. The Group recognises a loan written off from the assets when it has no reasonable expectation of totally or partially recovering that asset. This recording takes place after all the recovery actions implemented by the Group have proved fruitless. Loans written off from the assets are recorded in off-balance sheet accounts.

PART II

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Banco Montepio

Consolidated Income Statement
for the financial years of 2021 and 2020

(Euro thousand)

	Notes	2021	2020
Interest and similar income	2	306 685	303 680
Interest and similar expense	2	63 182	60 886
Net interest income	2	243 503	242 794
Dividends from equity instruments	3	1 801	3 052
Net fee and commission income	4	116 336	115 311
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	5	(263)	(18 695)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	6	2 037	23 693
Net gains/(losses) arising from exchange differences	7	8 996	12 864
Net gains/(losses) arising from sale of other financial assets	8	29 778	43 020
Other operating income/(expense)	9	(23 144)	(28 295)
Total operating income		379 044	393 744
Staff costs	10	164 154	189 255
General and administrative expenses	11	64 679	66 989
Depreciation and amortization	12	35 292	35 118
Total operating cost		264 125	291 362
Impairment of loans and advances to customers and to credit institutions	13	54 333	185 126
Impairment of other financial assets	14	(223)	12 173
Impairment of other assets	15	31 014	19 457
Other provisions	16	(4 621)	4 076
Operating income		34 416	(118 450)
Share of profits/(losses) booked under the equity method	17	3	(662)
Profit/(loss) before income tax		34 419	(119 112)
Income Tax			
Current	32	(4 144)	(1 791)
Deferred	32	(21 115)	44 041
Profit/ (loss) after income tax from continuing operations		9 160	(76 862)
Profit/ (loss) from discontinued operations	59	(1 465)	(1 943)
Consolidated net income after income tax		7 695	(78 805)
Consolidated net income for the period attributable			
to the shareholders		6 570	(80 686)
Non-controlling Interests	46	1 125	1 881
Consolidated net profit / (loss) for the year		7 695	(78 805)
Earnings per share (in Euro)			
From continuing operations			
Basic		0.004	(0.032)
Diluted		0.004	(0.032)
From discontinued operations			
Basic		(0.001)	(0.002)
Diluted		(0.001)	(0.002)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Comprehensive Income
for the financial year 2021

(Euro thousand)

	Notes	2021 Continuing Operations	2021 Discontinued operations	2021 Total	2021 Shareholders	2021 Non-controlling interests
Items that may be reclassified to the Income Statement						
Fair value reserves						
Financial assets at fair value through other comprehensive income and loans and advances to customers						
Debt instruments	44	703	-	703	703	-
Loans and advances to customers	44	(103)	-	(103)	(103)	-
Own credit risk	44	(18)	-	(18)	(18)	-
Taxes related to fair value changes	32	93	-	93	93	-
Exchange difference arising from the consolidation	44	9 167	-	9 167	6 688	2 479
		9 842	-	9 842	7 363	2 479
Items that will not be reclassified to the Income Statement						
Fair value reserves						
Financial assets at fair value through other comprehensive income and loans and advances to customers						
Equity instruments	44	(2 225)	-	(2 225)	(2 225)	-
Actuarial gains/(losses) for the year	49	21 777	-	21 777	21 777	-
Taxes on changes in equity	32	-	-	-	-	-
		19 552	-	19 552	19 552	-
Other comprehensive income/(loss) for the year		29 394	-	29 394	26 915	2 479
Consolidated net income for the year		9 160	(1 465)	7 695	6 570	1 125
Total consolidated comprehensive income/(loss) for the year		38 554	(1 465)	37 089	33 485	3 604

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Comprehensive Income
for the financial year of 2020

(Euro thousand)

	Notes	2020 Continuing Operations	2020 Discontinued operations	2020 Total	2020 Shareholders	2020 Non-controlling interest
Items that may be reclassified to the Income Statement						
Fair value reserves						
Financial assets at fair value through other comprehensive income and loans and advances to customers						
Debt instruments	44	(18 907)	-	(18 907)	(18 907)	-
Loans and advances to customers	44	(454)	-	(454)	(454)	-
Own credit risk	44	(139)	-	(139)	(139)	-
Taxes related to fair value changes	32	6 892	-	6 892	6 892	-
Exchange difference arising from the consolidation	44	(22 972)	-	(22 972)	(18 840)	(4 132)
		(35 580)	-	(35 580)	(31 448)	(4 132)
Items that will not be reclassified to the Income Statement						
Fair value reserves						
Financial assets at fair value through other comprehensive income and loans and advances to customers						
Equity instruments	44	(12 746)	-	(12 746)	(12 746)	-
Remeasurements of post-employment benefits and long term	49	8 917	-	8 917	8 917	-
		(3 829)	-	(3 829)	(3 829)	-
Other comprehensive income/(loss) for the year		(39 409)	-	(39 409)	(35 277)	(4 132)
Consolidated net income for the year		(76 862)	(1 943)	(78 805)	(80 686)	1 881
Total consolidated comprehensive income/(loss) for the year		(116 271)	(1 943)	(118 214)	(115 963)	(2 251)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Balance Sheet at 31 december 2021 and 2020

(Euro thousand)

	Notes	2021	2020
Assets			
Cash and deposits at central banks	18	2 967 996	1 466 250
Loans and deposits to credit institutions payable on demand	19	67 360	33 660
Other loans and advances to credit institutions	20	229 065	293 004
Loans and advances to customers	21	11 667 688	11 577 702
Financial assets held for trading	22	7 582	16 923
Financial assets at fair value through profit or loss	23	203 427	346 892
Financial assets at fair value through other comprehensive income	24	123 338	286 797
Hedging derivatives	25	5 411	10 693
Other financial assets at amortized cost	26	3 004 196	2 362 616
Investments in associated companies	27	3 952	3 872
Non-current assets held for sale	28	38 862	5 484
Non-current assets held for sale - discontinued operations	59	429	1 310
Investment properties	29	102 933	125 893
Other tangible assets	30	231 610	259 162
Intangible assets	31	40 150	35 829
Current tax assets	32	6 714	3 584
Deferred tax assets	32	459 871	496 223
Other assets	33	552 576	615 112
Total Assets		19 713 160	17 941 006
Liabilities			
Deposits from central banks	34	2 902 003	1 382 545
Deposits from other credit institutions	35	555 412	820 638
Deposits from customers	36	12 786 886	12 501 973
Debt securities issued	37	1 617 125	1 299 188
Financial liabilities held for trading	22	7 470	13 598
Hedging derivatives	25	335	397
Non-current liabilities held for sale - discontinued operations	59	329	109 619
Provisions	38	34 133	38 654
Current tax liabilities	-	2 351	4 486
Other subordinated debt	39	217 265	216 896
Other liabilities	40	226 718	225 853
Total Liabilities		18 350 027	16 613 847
Shareholder's Equity			
Share capital	41	2 420 000	2 420 000
Legal reserve	43	193 266	193 266
Fair value reserves	44	9 267	(28 295)
Other reserves and Retained earnings	44	(1 278 873)	(1 186 425)
Consolidated net income for the period attributable to the Shareholder		6 570	(80 686)
Total Equity Attributable to Shareholders		1 350 230	1 317 860
Non-controlling interests	46	12 903	9 299
Total Shareholders' Equity		1 363 133	1 327 159
Total Liabilities and Shareholders' Equity		19 713 160	17 941 006

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Cash Flows
for the financial years of 2021 and 2020

(Euro thousand)

	2021	2020 (restated)
Cash arising from operating activities		
Interest income received	254 702	305 535
Interest income paid	(68 401)	(62 715)
Commission receveid	142 032	138 110
Commission expense paid	(25 697)	(22 799)
Costs with staff and suppliers	(235 407)	(247 949)
Recovery of loans and interest	4 820	2 634
Other payments and receivables	(1 177)	(9 123)
Income tax payment	4 158	8 410
	75 030	112 103
(Increases)/Decreases in operating assets		
Loans and advances to credit institutions and customers	(98 335)	(268 998)
(Purchase)/Sale of financial assets held for trading	11 562	6 580
Purchase)/Sale of financial assets at fair value through profit or loss	141 320	33 476
(Purchase)/Sale of financial assets at fair value through other comprehensive income	117 918	1 555 074
(Purchase)/Sale of other assets at amortized cost	(626 805)	(1 337 874)
Other assets	142 939	16 467
	(311 401)	4 725
Increases/(decreases) in operating liabilities		
Deposits from customers	180 246	(26 102)
Deposits from credit institutions	(264 319)	297 523
Deposits from central banks	1 554 830	77 160
	1 470 757	348 581
	1 234 386	465 409
Cash from investing activities		
Dividends received (note 3)	1 801	3 052
Purchase of fixed assets (notes 30 and 31)	(29 881)	(2 971)
	(28 080)	81
Cash from financing activities		
Other equity instruments	-	(292)
Issuance of cash bonds and subordinated debt (notes 37 and 39)	362 028	50 000
Repayment of cash bonds and subordinated debt (notes 37 and 39)	(40 672)	(90 129)
Lease contracts	(1 212)	(470)
	320 144	(40 891)
Effects of exchange rate changes on cash and cash equivalents	8 996	3 762
Net change in cash and cash equivalents	1 535 446	428 361
Cash and cash equivalents at the beginning of the year		
Cash and deposits at central banks (note 18)	1 466 250	1 041 652
Loans and deposits to credit institutions payable on demand (note 19)	33 660	29 897
	1 499 910	1 071 549
Cash and cash equivalents at the end of the year		
Cash and deposits at central banks (note 18)	2 967 996	1 466 250
Loans and deposits to credit institutions payable on demand (note 19)	67 360	33 660
	3 035 356	1 499 910

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Banco Montepio

Consolidated Statement of Changes in Equity
for the financial years of 2021 and 2020

(Euro thousand)

	Share capital (Note 42)	Other equity instruments (Note 43)	Fair value reserves (Note 44)	General and Legal reserves (Note 43)	Retained earnings (Note 43)	Consolidated net income/(loss) for the period	Equity attributable to Shareholders	Non-controlling interests (Note 46)	Total Shareholders' Equity
Balances on 1 January 20120	**2 420 000**	**6 323**	**809**	**191 969**	**(1 200 347)**	**21 684**	**1 440 438**	**11 550**	**1 451 988**
Other comprehensive income:	-	-	(29 104)	1 297	14 214	(21 684)	(35 277)	(4 132)	(39 409)
Exchange difference arising from consolidation	-	-	-	-	(18 840)	-	(18 840)	(4 132)	(22 972)
Appropriation to retained earnings of net income of 2019	-	-	-	1 297	20 387	(21 684)	-	-	-
Remeasurements in the period (note 49)	-	-	-	-	8 917	-	8 917	-	8 917
Changes in fair value (note 44)	-	-	(35 996)	-	3 750	-	(32 246)	-	(32 246)
Taxes on changes in fair value (note 32 and 44)	-	-	6 892	-	-	-	6 892	-	6 892
Consolidated net income for the period	-	-	-	-	-	(80 686)	(80 686)	1 881	(78 805)
Total comprehensive income/(loss) for the period	-	-	(29 104)	1 297	14 214	(102 370)	(115 963)	(2 251)	(118 214)
Financial costs related to the issue of perpetual subordinated debt	-	-	-	-	(292)	-	(292)	-	(292)
Reclassification of perpetual subordinated debt (note 42)	-	(6 323)	-	-	-	-	(6 323)	-	(6 323)
Balances on 31 december 2020	**2 420 000**	**-**	**(28 295)**	**193 266**	**(1 186 425)**	**(80 686)**	**1 317 860**	**9 299**	**1 327 159**
Other comprehensive income:	-	-	37 562	-	(88 365)	80 686	29 883	2 479	32 362
Exchange difference arising from consolidation	-	-	-	-	9 541	-	9 541	2 479	12 020
Appropriation to retained earnings of net income of 2020	-	-	-	-	(80 686)	80 686	-	-	-
Remeasurements in the period (note 49)	-	-	-	-	21 892	-	21 892	-	21 892
Changes in fair value (note 44)	-	-	37 469	-	(39 112)	-	(1 643)	-	(1 643)
Taxes on changes in fair value(note 32 and 44)	-	-	93	-	-	-	93	-	93
Consolidated net income for the year	-	-	-	-	-	6 570	6 570	1 125	7 695
Total comprehensive income/(loss) for the year	-	-	37 562	-	(88 365)	87 256	36 453	3 604	40 057
Other consolidation reserves			-	-	(4 083)		(4 083)		(4 083)
Balances on 31 december 2021	**2 420 000**	**-**	**9 267**	**193 266**	**(1 278 873)**	**6 570**	**1 350 230**	**12 903**	**1 363 133**

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Consolidated Financial Statements

Introduction

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter “Banco Montepio”), with registered office at Rua Castilho, no. 5, 1250-066, Lisbon, is a credit institution majority held by Montepio Geral Associação Mutualista (hereinafter “MGAM”), which was incorporated on 24 March 1844. Banco Montepio is authorized to operate in accordance with Decree-Laws no. 298/92, of 31 December, and no. 136/79, of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. Banco Montepio is authorized to perform banking operations in addition to those mentioned in its By-laws, if generally authorized by the Banco de Portugal. This fact leads to the practice of banking operations in general.

On 10 September 2015, Decree-Law no. 190/2015 was published, introducing amendments in the Legal Framework of Credit Institutions and Financial Companies and in the Mutual Association Code. Following the publication of this Decree-Law, Banco Montepio changed its classification to “caixa económica bancária”.

On 14 September 2017, the by-laws deed was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

The financial statements of Banco Montepio are consolidated in the financial statements of MGAM. As at 31 December 2021, the following entities integrate the Banco Montepio Group:

Montepio Holding, S.G.P.S, S.A.

Montepio Holding integrates Companies offering a range of financial products and services to Companies and institutional investors and Individuals. As at 31 December 2021, Montepio Holding, S.G.P.S holds financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., Montepio Crédito – Instituição Financeira de Crédito, S.A. (Montepio Crédito) and Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. and a shareholding of 80.22% in Finibanco Angola, S.A. (Finibanco Angola). Until 30 December 2021, Montepio Holding also held 100% of the share capital and voting rights of Montepio Valor – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.

The Investees of Montepio Holding thus develop a varied set of activities, including the banking activity, the rendering of complementary financial services in the insurance area, specialized consumer credit and long-term rental.

Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. – Em Liquidação

Banco Montepio Geral Cabo Verde – Em Liquidação makes available to its Customers a specialized product and service offer, and varied investment and savings solutions.

Law no. 79/IX/2020, of 23 March, established a transitional period for credit institutions with restricted authorization, constituted and authorized to operate in the Cape-Verdean financial system, to, if they wished, proceed by 31 December 2021 with the statutory and organizational changes necessary to start operating as banks with general authorization, under penalty of revocation of the respective authorization at the end of that period. As it was not Banco Montepio’s intention to proceed with the changes necessary to convert it into a bank with a general authorization, the necessary authorization process was started with Banco de Cabo Verde (Cape Verde Central Bank), under the legal terms, for the adoption of the voluntary dissolution resolution and consequent liquidation of Banco Montepio Geral Cabo Verde – Em Liquidação, which is expected to be completed during the year 2022. As at 31 December 2021, this entity is thus presented as a discontinued operation, with its assets and liabilities being presented under the captions of Non-current assets/Non-current liabilities held for sale – Discontinued operations, respectively.

Finibanco Angola, S.A.

Finibanco Angola, controlled in 80.22% by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio, engages in the taking of third-party funds in the form of deposits or other, which it applies, together with its own funds, in the granting of loans, in deposits at Banco Nacional de Angola, in loans and advances made to credit institutions, on the acquisition of securities and other assets, activities which it is duly authorized to carry out. Finibanco Angola also renders other banking services and realizes various types of foreign-currency operations.

Montepio Crédito – Instituição Financeira de Crédito, S.A.

Montepio Crédito, 100% controlled by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio, handles the specialized credit offer in the automobile, equipment, home and services sectors, complemented by several solutions intended for Individuals, Companies and institutions of the Social Economy sectors. The specialized credit segment highlights one of the cornerstones of the Banco Montepio Group's Transformation Plan, reflecting the focus on consumer credit.

As a result of the repositioning carried out at the level of the Banco Montepio Group and the strong, solid relationship established with its partners, based on the experience acquired over the years, Montepio Crédito developed its offer of specialized credit solutions in the following areas: Automobile, Health, Automobile Repairs, Telecommunications and Furniture, for the Individuals segment; and Logistics, Water, Transport, Energy, Energy Efficiency and Industry, for the Corporate segment.

Banco de Empresas Montepio

Montepio Investimento, S.A., a bank 100% controlled by Montepio Holding, SGPS that, in turn, is 100% held by Banco Montepio, continued, in 2019, a strategic approach geared towards Investment Banking, with the objective of complementing the Group's offer of products and services. On 4 June 2019, it adopted the trade name Banco de Empresas Montepio ("BEM"), and started carrying out, in an integrated manner, the activities of Commercial Banking (for Companies with a turnover exceeding Euro 20 million) and Investment Banking, with its activity extending to the areas of Corporate Finance, Capital Markets, Structured Financing, Financial Advisory Services and Corporate and Information Studies. In the area of commercial banking, the development of business areas related to the international trade, factoring and treasury management of Companies is also noteworthy.

Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

Ssagincentive has as its object the trading and management of real estate, as well as the management and acquisition for resale of real estate acquired by Group companies as a result of the recovery of credit granted by same. Ssagincentive is also responsible for the acquisition for management or resale of real estate under litigation initiated by Group companies.

Montepio - Gestão de Activos Imobiliários, A.C.E.

Montepio Gestão de Activos Imobiliários has as its object the realization of the integrated management of the entire real estate asset portfolio of the Group.

H.T.A. – Hotéis, Turismo e Animação dos Açores, S.A

H.T.A. has as its main activity the promotion, realization, exploration and management of any tourism activities and investments, including the construction, remodelling and exploration of hotel, casino and gaming house units, the exploration of games of chance, the acquisition of real estate for resale, the import and export of goods, the explorations of spas, as well as all remaining activities related to those previously referred.

CESource

The purpose of this Grouping is to provide specialized services in the area of information technologies, contributing, through the optimization of such management, to the improvement of the conditions and means of the exercise or result of the economic activities of the members of this Grouping.

Montepio Valor – Sociedade Gestora de Organismos de Investimento Coletivo, S.A. ("Montepio Valor")

As at 31 December 2020 and until 30 December 2021, the Group held 100% of Montepio Valor, which was sold to Montepio Geral Associação Mutualista on 30 December 2021. Montepio Valor has as its corporate object the management of real estate investment funds.

The remining entities of the consolidation perimeter are disclosed in note 58.

1 Accounting Policies

a) Bases of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July and Regulation no. 5/2015 of the Banco de Portugal, of 7 December, Banco Montepio Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The Group adopted in the preparation of the consolidated financial statements as at 31 December 2021 the standards issued by the IASB and the interpretations of the IFRIC of mandatory application as from 1 January 2021.

The consolidated financial statements and the notes to the financial statements presented herein were approved by the Board of Directors of Banco Montepio on 31 March 2022. The consolidated financial statements herein presented relate to 31 December 2021 and shall be submitted for approval of the General Meeting that has the power to change them. However, it is the belief of the Board of Directors of Banco Montepio that these will be approved without significant changes.

The consolidated financial statements are presented in Euro, rounded to the nearest thousand.

All references made to standards in this document relate to the respective version in force.

The financial statements were prepared on the going concern basis under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties. Financial assets and liabilities that are classified under hedge accounting are stated at fair value in respect of the risk that is being hedged.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income, and expenses. The associated estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about the book values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The main estimates and assumptions involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in the accounting policy described in note 1 aa).

Comparability of information

The Group adopted IFRS and interpretations of mandatory application for periods beginning on or after 1 January 2021, as described in note 55. The accounting policies have been applied consistently by all Group entities and are consistent with those used in the preparation of the financial statements of the previous financial year, except in respect of the consolidated statement of cash flows that was restated in 2020.

In 2021, in the Consolidated Statement of Cash Flows, Cash and deposits at central banks were reclassified from the caption Deposits held for monetary control purposes to the caption Cash and deposits at central banks, with the restatement being presented as follows:

(Euro thousand)

	2020 restated	Adjustment	2020
Deposits held for monetary control purposes	-	455 415	(455 415)
Cash and cash equivalents at the beginning of the year			
Cash and deposits at central banks (note 18)	1 041 652	844 972	196 680
Loans and deposits to credit institutions payable on demand (note 19)	29 897	-	29 897
	1 071 549	**844 972**	**226 577**
Cash and cash equivalents at the end of the year			
Cash and deposits at central banks (note 18)	1 466 250	1 300 387	165 863
Loans and deposits to credit institutions payable on demand (note 19)	33 660	-	33 660
	1 499 910	**1 300 387**	**199 523**

b) Bases of consolidation

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of Banco Montepio and its subsidiaries ("Group"), and the results attributable to the Group in respect of its financial investments in Associates, as well as the book value of these financial investments measured under the equity method, for financial years ended 31 December 2021 and 2020.

Subsidiaries

Subsidiaries are entities (including investment funds and securitization vehicles) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns derived from its involvement with this entity, can appropriate these through the power it holds over the entity's relevant activities (de facto control) and has the ability to allocate these variable returns through the power it holds over the entity's relevant activities. As established in IFRS 10, the Group analyses the objective and the structuring of the manner the operations of an entity are developed in evaluating the control over same. The financial statements of the subsidiaries are consolidated by the full consolidation method as from the moment the Group acquires control until the moment that control ceases. The interests of third parties in these Companies are presented in the caption Non-controlling interests.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognize negative non-controlling interests.

In a step acquisition process resulting in the acquisition of control, the revaluation of any shareholding (elsewhere in this document also referred to as "investment" or "interest") previously acquired is booked against the income statement when the goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, the shareholding retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Subsidiaries' accounting policies are changed, whenever necessary, to ensure that these are consistently applied by all Group Companies.

Associates

Associates are accounted for under the equity method as from the date the Group acquires significant influence until the date it ceases to have such influence. Associates are entities in respect of which the Group has significant influence, but not control, over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence being held by the Group is usually evidenced by at least one of the following facts:

1. representation on the Board of Directors or equivalent management body of the investee;
2. participation in policy-making processes, including participation in decisions involving dividends or other distributions;
3. material transactions between the Group and the investee;
4. interchange of management personnel; and
5. provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of the associates accounted for under the equity method. In applying the equity method, unrealized gains or losses on transactions between the Group and its associates are eliminated. Dividends attributed by the associates are deducted from the investment amount in the consolidated balance sheet. Associates' accounting policies are changed, whenever necessary, to ensure that these are consistently applied by all Group Companies. When the Group's share of attributable losses exceeds its interest in an associated company, the book value of the investment, including any medium- or long-term interest in that associated company, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred in a legal or constructive obligation to assume these losses on behalf of an associated company.

Special purpose entities

The Group consolidates by the full consolidation method certain special purpose entities, namely vehicles and funds created as part of securitization operations, set up specifically to fulfil a narrow and well-defined objective, when the substance of the relationship with such entities indicates that the Group exercises control over their activities, i.e. when it holds most of the risks and rewards associated with their activities, namely through bonds issued with a greater degree of subordination.

Goodwill

Business combinations are recorded using the purchase method. The acquisition cost corresponds to the fair value, determined at the purchase date, of the assets transferred and the liabilities incurred or assumed. Costs directly related to the acquisition of a subsidiary are recognized directly in the income statement. The positive goodwill that results from acquisitions is recognized as an asset and carried at acquisition cost, not being subject to amortization. Goodwill arising on the acquisition of shareholdings in subsidiaries and associates is defined as the difference between the total value or the cost of the acquisition and the total or corresponding share of the fair value of the assets, liabilities and contingent liabilities of the investee, respectively, depending on the option taken. When at the date of acquisition of control the Group already holds a previously acquired shareholding, the fair value of such shareholding contributes to the determination of the goodwill or badwill. Negative goodwill arising on an acquisition is recognized directly in the income statement in the financial year the business combination occurs. The recoverable amount of the goodwill is assessed annually, regardless of the existence of any impairment triggers. Impairment losses determined are recognized in the income statement for the financial year. The recoverable amount is determined based on the highest between the value in use of the assets and their fair value less costs to sell, calculated using valuation methodologies supported by discounted cash-flow techniques, considering market conditions, the time value of money and the business risks.

Goodwill is allocated to the cash-generating units to which it belongs for the purpose of carrying out impairment tests, which are performed at least once a year. Goodwill impairment losses are not reversible. When the Group reorganizes its activity, implying a change in the composition of its cash-generating units, to which goodwill has been allocated, the allocation of the goodwill to the new cash-generating units is revised whenever there is a rationale for such. The reallocation is made applying a relative fair value approach, of the new cash-generating units resulting from the reorganization. Goodwill is not adjusted in function of the final determination of the contingent purchase price paid, with such difference being booked in the income statement, or reserves if applicable, when the determination of the final contingent price occurs one year after the acquisition of control of the business, or if the determination of this price occurs less than one year after the referred date, when the adjustments relate to information obtained in respect of facts occurring after the date of the acquisition.

Acquisition and dilution of non-controlling interests

The acquisition of non-controlling interests that does not impact the control position of a subsidiary is accounted for as a transaction with shareholders and, as such, additional goodwill resulting from this transaction is not recognized. The difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized directly in reserves. Likewise, the gains and losses resulting from the sale of non-controlling interests, that does not impact the control position of a subsidiary, are always recognized against reserves.

Loss of control

The gains and losses resulting from the dilution or sale of part of a shareholding in a subsidiary, with loss of control, are recognized in the income statement.

On dilutions of controlling interests not resulting in a loss of control, the difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognized against reserves.

Investments in foreign resident subsidiaries and associates

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries not considered as having a functional currency of a hyperinflationary economy, are converted into Euro at the official exchange rate in force at the balance sheet date.

If the functional currency of a foreign subsidiary is the currency of a hyperinflationary economy, then its financial statements are first adjusted to reflect the purchasing power as at the current balance sheet date and then converted into the reporting currency using the exchange rate in force as at the current balance sheet date.

Hence, non-monetary items are updated at the end of the reporting period through the application of a general price index, as from the acquisition date or the last revaluation date, whichever occurred most recently. Income and expense items, including other comprehensive income, are also updated, with the gain or loss on the net monetary position being calculated, and reflecting the gain or loss on the net monetary position of the foreign subsidiary.

As at 31 December 2018, for Angola, the inflation rate accumulated in the past three years came close to 100%, which corresponds to an objective quantitative condition, in addition to the existence of other conditions set forth in IAS 29, implying that the functional currency of Finibanco Angola's financial statements as at that date corresponds to the currency of a hyperinflationary economy, as was also the case as at 31 December 2017. Accordingly, the financial statements of Finibanco Angola were adjusted by the inflation indices, before being transposed into the Group's presentation currency and before their integration in the consolidation, with: i) the amounts of the non-monetary balance sheet items of Finibanco Angola at cost or cost less depreciation being restated by applying the general price index in Angola; and ii) the loss on the net monetary position being included in the net result of Banco Montepio.

Since 2019, the conditions set out in IAS 29 for qualifying the Angolan economy as hyperinflationary were not met. The end of the application of IAS 29 results from inflation in Angola, at the end of 2019, standing at

16.9% and the accumulated inflation in the last three years being less than 100%. Thus, the Group ceased to apply the inflation indices with reference to 1 January 2019.

Regarding shareholdings in foreign currency that are consolidated in the Group accounts under the full consolidation and equity methods, the exchange differences between the conversion to Euro of the opening net assets at the beginning of the period and their value in Euro at the exchange rate ruling at the balance sheet date to which the consolidated accounts relate, are charged against reserves – exchange differences. Exchange differences resulting from hedging instruments related to shareholdings in foreign currency are booked in reserves resulting from those financial shareholdings. Whenever the hedge is not fully effective, the ineffective portion is accounted for in the income statement for the financial year.

The income and expenses of these investees are converted to Euro at an approximate rate to the rates ruling as at the dates of the transactions. Exchange differences resulting from the conversion to Euro of the results for the financial year, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognized in reserves - exchange differences.

On the disposal of financial shareholdings in foreign subsidiaries resulting in loss of control, the exchange differences related to the financial shareholding in the foreign operation and to the associated hedging operation previously recognized in reserves, are transferred to profit or loss as part of the gain or loss arising from the disposal.

Balances and transactions eliminated on consolidation

Intragroup balances and transactions, as well as any unrealized gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

c) Financial instruments – IFRS 9

c.1) Classification of financial assets

The Group classifies its financial assets into one of the following valuation categories:

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

The classification requirements for debt and equity instruments are as follows:

c.1.1) Debt instruments

Debt instruments are instruments that meet the definition of financial liability from the issuer's perspective, such as loans, public and private bonds, and accounts receivable acquired from Customers with non-recourse factoring contracts.

The classification and subsequent valuation of these instruments in the previous categories is based on the following two elements:

- the Group’s business model for financial asset management, and

- the characteristics of the contractual cash flows from the financial assets.

Based on these elements, the Group classifies its debt instruments for valuation purposes into one of the following three categories:

a) Financial assets at amortized cost, when the following two conditions are met:
   - they are managed under a business model which objective is the holding of financial assets to receive contractual cash flows, and
   - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

   In addition to debt instruments managed based on a business model which purpose is to receive their contractual cash flows, which are recorded in the caption Other financial assets at amortized cost, the category of financial assets at amortized cost also includes Loans and advances to other credit institutions and Loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:
   - they are managed under a business model which purpose combines the receipt of contractual cash flows from financial assets and their sale, and
   - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

c) Financial assets at fair value through profit or loss, whenever due to the Group's business model or the characteristics of their contractual cash flows, it is not appropriate to classify financial assets in any of the previous categories. At the transition date, to classify financial assets in this category, the Group also considered whether it expects to recover the book value of the asset through the sale to a third party.

   This portfolio also includes all instruments in respect of which any of the following characteristics are met:
   - that were originated or acquired for the purpose of being traded in the short term.
   - that are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at achieving short-term gains.
   - that are derivative instruments that do not meet the definition of a financial collateral agreement and have not been designated as hedging instruments.

Assessment of the business model

The business model reflects the way the Group manages its assets from a cash flow generation perspective. Therefore, it is important to understand whether the Group's objective is only to receive contractual cash flows from assets or whether it intends to receive the contractual cash flows and the cash flows from the sale of the assets. If none of these situations apply (e.g., financial assets are held for trading), then financial assets are classified as part of “another” business model and recognized at fair value through profit or loss. Factors considered by the Group in identifying the business model for a set of assets include past experience of how (i) cash flows are received, (ii) how asset performance is assessed and reported to the management body, (iii) how risks are assessed and managed and (iv) how directors are remunerated.

Securities held for trading are held, essentially, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under “other” business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, considering the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Sales that are closed to the maturity and those motivated by the increased credit risk of the financial assets, or to manage concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if they are of an immaterial value, both individually or in aggregate (even if frequent). To this purpose, Banco Montepio considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Group determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not match with the reference interest rate term (for example, the interest rate is adjusted every three months), the Group assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model consists of holding assets for the purpose of (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Group assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the “solely payments of principal and interest” (“SPPI”) test). In this assessment, the Group considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding ("SPPI" test).

c.1.2) *Equity instruments*

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. The Group exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss. Impairment losses (and impairment reversals) are not recorded separately from other fair value changes.

c.2) *Classification of financial liabilities*

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers and other loans;

(ii) Financial assets held for trading

This category includes derivative financial instruments with a negative fair value, as per note 1 d);

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option).

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;
- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch);
- the financial liabilities contain embedded derivatives.

c.3) *Recognition and initial valuation of financial instruments*

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Group had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets are recognized in the balance sheet on the transaction date - the date on which the Group undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e. level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss, and
- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be (i) amortized over the life of the instrument, (ii) deferred until the fair value of the instrument can be determined using observable market data, or (iii) recognized through the liquidation of the asset or liability.

The Group recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio's access to the wholesale financial market.

c.4) *Subsequent valuation of financial instruments*

Subsequent to initial recognition, the Group values its financial assets (i) at amortized cost, (ii) at fair value through other comprehensive income or (iii) at fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

Whenever there is a change in the estimate of future cash flows, the new estimate of future cash flows is discounted at the initially estimated effective interest rate. The difference between the sum of these new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet is recognized in the income statement. Subsequently, interest continues to be accrued based on the original effective interest rate considering the estimated new cash flows and the amortized cost of the recalculated liability.

TLTRO III

Upon initial recognition of the TLTRO III facility, the Group defined its effective interest rate based on its best estimate as to its compliance with the metrics defined by the facility. Subsequently, with the Group having ensured compliance, in the second half of 2021, with the metrics for the change in the volume of eligible credit defined by the ECB for the special reference period between 1 March 2020 and 31 March 2021, which was confirmed by the ECB in September 2021, and in accordance with the provisions of IFRS 9 and to the extent that there was a significant change in future cash flows, the Group updated the book value estimate of this financial liability, discounting the new estimate of future cash flows at the initially estimated effective interest rate. The difference between the sum of new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet was recognized directly in the income statement under the caption Other operating income/expense (see note 9).

Notwithstanding the additional special observation period having already ended on 31 December 2021, it is important to note that the policy followed by the Group in this matter has been to only update the effective interest rate of the TLTRO III facility after receipt of formal confirmation by the ECB, with the Group currently awaiting the aforementioned validation.

c.5) *Interest recognition*

Interest income and expense on assets and liabilities measured at amortized cost is recognized in interest and similar income or interest and similar expense (net interest income) using the effective interest rate method. Interest on financial assets at fair value through other comprehensive income is calculated at the effective interest rate and recognized in net interest income as well as the interest on financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income recognized in profit or loss associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value.

The gross book value of a contract is its amortized cost before deducting the respective impairment. For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment ("POCI"), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified in Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income)

c.6) *Reclassifications between financial instrument categories*

Reclassifications of financial assets can only occur when the Group changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Financial liabilities may not be reclassified between categories.

Modification of loans

Occasionally, the Group renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Group assesses whether the new contract terms are substantially different from the original terms. The Group makes this analysis considering, among others, the following factors:

- if the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;
- a significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- a significant extension of the contract maturity when the debtor is not in financial difficulty;
- a significant change in interest rate;
- a change from the currency in which the credit was contracted;
- the inclusion of a collateral, a guarantee or another credit enhancement instrument that significantly affects the credit risk associated with the loan.

If the terms of the contract differ significantly, the Bank derecognizes the original financial asset and recognizes the new asset at fair value, calculating its new effective interest rate. On the renegotiation date the initial recognition date is considered for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. The Bank also assesses whether the newly recognized financial asset is impaired on initial recognition (designating it as a financial asset acquired or originated in impairment), especially when the renegotiation is related to the fact that the debtor did not make the originally agreed payments. Differences in book value are recognized in profit or loss as a de-recognition gain or loss. Financial assets acquired or originated in impairment, do not have impairment on initial recognition. Instead, expected credit losses over the lifetime are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of this asset is equal to the net book value.

If the terms of the contract are not significantly different, the renegotiation, or the modification, does not result in de-recognition and the Group recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from this modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Following the modification, the Group may determine that credit risk has significantly improved, and assets have moved from Stage 3 to Stage 2 ("ECL lifetime") or from Stage 2 to Stage 1 ("ECL 12 months"), except for financial assets acquired or originated in impairment that are classified in Stage 3. This situation can only occur when the performance of the modified asset is in accordance with the new contract terms for a period of twelve consecutive months. Additionally, the Bank continues to monitor whether there has been a significant increase in the credit risk of these assets, applying specific models for modified assets.

c.7) *De-recognition that does not result from a modification*

Financial assets granted are derecognized when the associated cash flows are extinguished, collected or disposed of to third parties and (i) the Group substantially transfers all risks and rewards associated with holding the asset, or (ii) the Group neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not have control of the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Other operating income/(expense). These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Group engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Group:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;
- It is prohibited from selling or pledging the assets;
- If it is obliged to remit any cash flow it receives from assets without material delays.

Guarantees granted by the Group (shares and bonds) through repurchase agreements and securities' lending and borrowing operations are not derecognized because the Group substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria. Financial liabilities are derecognized when the underlying obligation is settled, expires or is cancelled.

c.8) *Write-off policy*

The Group recognizes a loan write-off from assets when it has no reasonable expectation of fully or partially recovering that asset. This recognition occurs after all recovery actions performed by the Group turn out to be unsuccessful. Loans written off from assets are recorded in off-balance sheet accounts.

c.9) *Impairment of financial assets*

The Group determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments. The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable, and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against an accumulated impairment caption in balance sheet caption, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions in the financial year, measured at amortized cost, are recognized in the income statement in the caption Impairment of loans and advances to customers and to credit institutions, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The charges and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

a) Credit losses: correspond to the difference between all cash flows owed to the Group, according to the contractual conditions of the financial asset, and all cash flows that the Group expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

For commitments assumed, the contractual cash flows owed to the Group that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Group expects to make less the cash flows it expects to receive from the originator are considered.

The Group estimates cash flows considering the contractual term defined for the operations or the behavioural maturity. For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, considering the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

b) Expected credit losses: correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events, considering: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation; (ii) expected credit losses over a twelve-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of twelve months from the reference date.

c.10.1) Impairment model of loans and advances to customers

IFRS 9 considers the expected losses throughout the lifetime of the financial instruments. Thus, prospective macroeconomic scenarios are considered when determining ECL, which changes have an impact on expected losses.

The impairment model is applicable to the following financial instruments of the Group that are not measured at fair value through profit or loss:

- Financial assets at amortized cost (including Loans and advances to customers, Loans and advances to credit institutions and Other financial assets at amortized cost);
- Financial assets classified as debt instruments at fair value through other comprehensive income;
- Commitments and financial guarantees issued.

Instruments that are subject to impairment calculations are divided into three Stages considering their credit risk level, as follows:

- Stage 1: no significant increase in credit risk since initial recognition. In this case, impairment losses reflect expected credit losses resulting from default events that may occur within twelve months after the reporting date;
- Stage 2: instruments for which there is a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment losses reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument;
- Stage 3: instruments for which there is objective evidence of impairment as a result of events that resulted in losses. In this case, impairment losses reflect expected credit losses over the expected residual life of the instrument.

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

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

Calculation of the ECL

The ECL corresponds to unbiased weighted estimates of credit losses that are determined as follows:

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

c.10.2) Definition of default

The Group aligned the definition used in the regulatory perspective with the accounting perspective, with financial assets classified in Stage 3 corresponding to the internal definition of default.

The main criteria for classification in default considered by the Group are the following:

- Overdue loans above the materiality limits defined for more than 90 consecutive days. For this purpose, the following materiality limits are considered: (i) relative limit of 1%; (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures.
- Individually significant customers with individual impairment.
- Bankruptcy/insolvency customers.
- Customers with loans written off from assets in the Group.
- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

c.10.3) Significant increase in credit risk (SICR)

In order to determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e. risk of default), the Group considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on the Group´s history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure’s risk rating at the reporting date, and
- The exposure’s risk rating attributed at the initial moment of the exposure´s recognition.

The Group identifies the occurrence of a significant increase in credit risk through a comparison of the actual risk rating with the risk rating attributed at the contract's inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower the higher the original rating was.

When evaluating the significant increase in credit risk, the Group also considers the existence of arrears of more than 30 days, as well as other indicators of Customer behaviour vis-à-vis the Group and/or the financial system (e.g., restructurings due to financial difficulties that do not meet the criteria for classification in Stage 3, overdue credit in the Banco de Portugal's Central Credit Register ("Central de Responsabilidades de Crédito").

c.10.4) *Additional Stage criteria for exposures that benefitted from the moratoria*

In the context of the current pandemic crisis, and with the aim of anticipating the risk deterioration associated with exposures that benefitted from the moratoria, the following additional criteria were considered for Stage 2 and 3 classification levels:

Stage 2

- Customers for which the Bank, through a specific analysis of the credit quality of Customers that benefitted from a moratorium, concludes that it will be necessary to grant contractual amendments or refinancing that meet the classification criteria as restructured due to financial difficulties;
- Transactions with more than 0 days in arrears;
- Customers of the Corporate and Self-employed individuals ("ENI") segment: As at 31 December 2021, Customers that benefitted from a moratorium on capital and interest until September 2021 are classified in Stage 2;
- Customers of the Individuals segment: worsening of the behavioural scoring of Customers that benefitted from a moratorium until September 2021, considering the adjustment of certain input variables, namely related to the evolution of the customers' resources or with the professional situation of unemployed.

Stage 3

Anticipation of the classification in stage 3 of Customers for which the Bank has concluded that it is likely that they will be marked in default via the criteria set out in the definition of default (e.g., urgent restructuring; bankruptcy/insolvency).

c.10.5) Measurement of ECL – Collective analysis

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

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

These parameters are obtained through internal statistic models, and other relevant historical data, based on the existing regulatory models adjusted to reflect the forward-looking information.

In a simplified way, the measurement of ECL through collective analysis results from the product of the PD of the financial asset, of the LGD and of the EAD, discounted at the original effective interest rate of the contract, or at the effective interest rate of the date to which the financial statements refer when the rate is variable.

For securities portfolios and other assets, given their nature, the collective impairment estimation approach includes parameters provided by external sources, which consider the characteristics of the exposures (e.g., rating, type of counterparty).

The PDs are estimated based on a certain historical period and are calculated using statistical models. These models are based on internal data, including qualitative and quantitative factors. If a change in the rating of the counterparty or the exposure occurs, the estimate of the associated PD is also changed.

The following types of PD are estimated:

- 12-month PD: the probability of a default occurring in the next 12 months, considering forward-looking information for one year (for contracts belonging to Stage 1);

- Lifetime PD: the probability of a default occurring during the remaining life of the credit (for contracts belonging to Stage 2). In this case, lifetime parameters are used, which consider forward-looking information for a horizon of up to 3 years and for the remaining years the historical PD is considered; and

- PD = 100% for all contracts belonging to Stage 3.

The risk levels, defined based on the internal master scale, are a very important input for the determination of the PDs associated with each exposure. The Group collects default and performance indicators regarding its credit risk exposures through analyses by type of Customers and products.

The segmentation of the PDs considered by the Group is in line with the segmentation used in risk management, namely regarding the type of Customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as risk rating, economic activity code and delay indicators.

LGD is the magnitude of the loss that is expected to occur if the exposure enters in default. The Group estimates LGD parameters based on historical recovery rates after the counterparties' entry into default. The LGD models consider associated collateral and time in default as well as recovery costs. In case of contracts collateralized by real estate, LTV (loan-to-value) ratios are an extremely important parameter in the determination of the LGD.

The segmentation of LGDs considered by the Group is in line with the segmentation used in risk management, namely regarding the type of Customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as collateralization level, EAD or product type.

The EAD represents the expected loss if the exposure and/or Customer enters default. The Group obtains the EAD values from the counterparty´s current exposure and from potential changes to its current value, permitted by the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD value includes both the amount of credit used as well as the expectation of the potential future value that may come to be used in accordance with the contract. For this purpose, credit conversion factors (CCF) are estimated based on internal historical data, which are adjusted to reflect forward-looking information.

As described above, except for the financial assets that consider a 12-month PD because they do not present a significant increase in credit risk, the Banco Montepio Group calculates the ECL considering the risk of default during the maximum maturity period of the contract or, in certain specific situations, based on the behavioural maturity. For the purpose of incorporating the forward-looking component, 3 scenarios are considered, according to the following characteristics:

1. Base scenario, with a 60% probability of occurrence:
2. Pessimistic scenario, with a 20% probability of occurrence;
3. Optimistic scenario, with a 20% probability of occurrence.

c.10.6) Measurement of ECL – Individual analysis

In the group of individually significant Customers, Customer exposures are subject to individual analysis. This analysis focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of the debtor, the collateral and existing guarantees as well as the remaining factors relevant for this analysis.

For individually significant financial assets of counterparties/Customers classified in Stage 3, the impairment value is determined using the discounted cash flow method, with the impairment value corresponding to the difference between the credit value and the sum of the expected cash flows from the Customer's various operations, discounted according to the original interest rates of each operation.

For the financial assets of individually significant counterparties/Customers classified in Stages 1 and 2, the expected credit loss (ECL) is attributed according to the collective analysis methodology, given that individually no impairment level is observed.

The criteria for the determination of impairment of individually significant loans

All Customers or economic groups that meet the following conditions are subject to individual analysis:

1. Economic Groups with a global exposure amount ≥ 0.5 m€ in which at least one of the participants is the holder of operations classified as Stage 3, with Customers with an exposure amount ≥ 0.1 m€ being selected;
2. Customers holding Stage 2 operations with an exposure amount ≥ 1.0 m€ and Customers with an exposure amount ≥ 1.0 m€ that are part of the same Economic Group;
3. Customers holding Stage 1 operations with an exposure amount ≥ 2.5 m€;
4. Customers corresponding to Shareholding Management Companies (SGPS) and/or Customers holding loans under Project Finance with an exposure amount ≥ 1.0 m€;
5. Other Customers when duly justified.

For the exposure of Customers or economic groups, all active credit operations (on- and off-balance sheet) are considered, excluding the operations written off.

The individual analysis is the responsibility of the Specialized Credit Analysis Department and in the evaluation of impairment losses the following factors are, essentially, considered:

- Total exposure of each Customer and/or economic group, internal rating of the Customer and/or economic group, the staging associated with each operation and the existence of signs of impairment;
- Economic and financial viability of the Customer or economic group and the respective ability to generate future cash flows to pay the debt;
- Existence of collaterals associated with each credit and their respective valuation;
- Customers' or guarantors' net assets;
- Situation of bankruptcy or insolvency of the Customers and/or guarantors;
- Expectation regarding the credit recovery period.

The recoverable amount is determined by the sum of the expected cash flows, estimated in accordance with the contractual conditions in force and according to the underlying collection expectations, discounted at the original effective interest rate of the contract. An impairment adjustment is made when the expected cash flows are lower than the contractual cash flows due by the Customer.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method and/or the gone concern method of the Company:

· In case of the continuity of operations (going concern) a critical analysis is done of the Companies' business plans or other elements available for analysis, which should include information on past events, current conditions and projected future economic conditions (forward-looking scenarios), with these being representative of the current and future economic-financial situation of the Customer. For the calculation of the impairment of these Customers, the annually projected cash flows, after adjustment of the initially estimated assumptions and the application of haircuts, if necessary, and considering deviations of the real figures from those initially projected, are discounted at the original effective interest rate of the operations;

- In the case of the cessation of the activity (gone concern) the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance, selling and procedural costs, as applicable. For the calculation of the impairment of these Customers, the annually projected cash flows, after adjustments, are discounted at the original effective interest rate of the operations;
- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;
- For specific cases, it is possible to use strategies that combine with either the going concern or the gone concern methods.

c.11) Securitized loans and advances not derecognized

The Group does not derecognize from assets the credits sold in securitization operations when:

- it maintains control over the operations;
- it continues to receive a substantial portion of their remuneration; and
- it maintains a substantial portion of the risk of the transferred credits.

Credits sold and not derecognized are recorded in the caption Loans and advances to customers and are subject to accounting criteria identical to those of other loan operations.

The maintenance of the risk and/or benefit is represented by the higher-risk bonds issued by the securitization vehicle. The amount recorded in the assets and liabilities of Banco Montepio's separate financial statements represents the proportion of the risk/benefit held by Banco Montepio (continuing involvement). The bonds issued by the securitization vehicles and held by Banco Montepio are eliminated in the consolidation process.

c.12) Synthetic securitization

The Group contracted an operation that configures a synthetic securitization structure. The operation started on 18 December 2020 and is based on a loan portfolio of Small and Medium-sized Enterprises (SMEs).

The operation in question aims to reinforce the CET1 ratio, without generating any increase in liquidity. In this operation, there was no sale of loans to third parties, issue of bonds or participation of Credit Securitization Companies, Credit Securitization Vehicles and Credit Securitization Funds, or the need to maintain Reserve Accounts. Also, there was no transfer of loan collections.

The operation has a fractioning of risk, similar to that of a traditional securitization, having been subdivided in the following tranches: senior (80.3% of the portfolio), mezzanine (18% of the portfolio), junior (1.7% of the portfolio) and synthetic Excess Spread (0.54%). For the senior and mezzanine tranches, the Group transferred the risk to third parties by contracting two financial guarantees that constitute a credit hedge that is not subject to MtM. For this purpose, the EIB and the EIF are the guarantors of the senior and mezzanine tranches, with the Group supporting a commission of 0.3% and 4.5% to guarantee each of the tranches, respectively. The Montepio Group retained the risk of the junior and of the excess spread tranches.

With this operation, the Group reduced the risk-weighted assets (RWAs) associated with the loan and advances to customers' portfolio; however, as most of the risks and benefits associated with the loans in question were not transferred, the derecognition criteria of the financial assets defined in the accounting policy presented in c.7) above are not met.

d) Derivative financial instruments and hedge accounting

The Group designates derivatives and other non-financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives.

Derivative financial instruments can be classified for accounting purposes as hedging instruments provided they meet, cumulatively, the following conditions:

(i) Hedging instruments and hedged items are eligible for the hedging relationship;

(ii) At the start date of the transaction, the hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument, the nature of the hedged risk and the assessment of the hedge's effectiveness;

(iii) There is an economic relationship between the hedged item and the hedging instrument;

(iv) The credit risk effect does not dominate the changes in value that result from this economic relationship;

(v) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation.

Fair value hedging

In a fair value hedging operation of an asset or liability, the balance sheet value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the hedged risk. Changes in the fair value of hedging derivatives are recognized in the income statement, together with changes in the fair value of the hedged assets or liabilities, attributable to the hedged risk. In cases where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, the changes in fair value are also recognized in other comprehensive income. If the hedge no longer meets the effectiveness requirement, but the risk management objective remains, the Group may adjust the hedge to comply with the eligibility criteria. If the hedge fails to meet the criteria required for hedge accounting (in the event that the hedge instrument expires, is sold, terminated or exercised, without having been replaced according to the entity's documented risk management objective), the derivative financial instrument is transferred to the trading book and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed-income instrument, the revaluation adjustment is amortized via the income statement until its maturity using the effective interest rate method.

Cash flow hedging

In a highly probable future cash flow hedging operation, the effective part of the changes in the fair value of the hedging derivative is recognized in reserves, being transferred to results in the financial years in which the respective hedged item affects results. The ineffective part of the hedge is recorded in the income statement. When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, changes in the fair value of the derivative accumulated in reserves are recognized in the income statement when the hedged operation also affects results. If it is foreseeable that the hedged operation will not take place, the amounts still recorded in equity are immediately recognized in the income statement and the hedging instrument is transferred to the trading portfolio.

e) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently of its legal form, evidencing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instrument issuance are recognized in equity as a deduction from the amount of the issue. Amounts paid or received related to sales or acquisitions of equity instruments are recognized in equity, net of transaction costs. Distributions made on account of equity instruments are deducted from equity as dividends when declared.

f) Financial and performance guarantees

Financial guarantees

Financial guarantees are contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of breaches of the contractual terms of debt instruments, namely the payment of capital and/or interest. Financial guarantees issued are initially recognized at their fair value. Subsequently, these guarantees are measured at the higher of (i) the initially recognized fair value and (ii) the amount of any obligation arising from the guarantee contract, measured at the balance sheet date.

Any change in the amount of the obligation associated with financial guarantees issued is recognized in profit or loss. Financial guarantees issued by the Group usually have a defined maturity and a periodic prepaid commission, which varies according to counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees on the date of their initial recognition is approximately equivalent to the amount of the initial commission received, considering that the agreed conditions are market. Thus, the amount recognized on the contract date equals the amount of the initial commission received, which is recognized in profit or loss over the financial year to which it relates. Subsequent commissions are recognized in profit or loss in the financial year to which they relate.

Performance guarantees

Performance guarantees are contracts that result in the compensation of one of the parties if same does not fulfil a contractual obligation. Performance guarantees are initially recognized at fair value, which is usually evidenced by the amount of commissions received over the term of the contract. Upon breach of contract, the Group has the right to revert the guarantee, and the amounts are recognized in Loans and advances to customers after the compensation of the losses has been transferred to the guarantee beneficiary.

g) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either Customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

The Group carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as deposits from customers or from other credit institutions.

The difference between the acquisition/sale and resale/repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and similar income or interest and similar expense (net interest income).

h) Assets received in recovery of credit, non-current assets held for sale and discontinued operations

Non-current assets and groups of non-current assets held for sale (groups of assets together with their respective liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets or groups of assets are available for immediate sale and their sale is highly probable.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to their subsequent disposal, which are available for immediate sale and which sale is highly probable. Immediately before their classification as non-current assets held for sale, the measurement of all the non-current assets or of all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and their fair value less costs to sell, except for deferred tax assets, employee-benefit related assets, financial assets in the scope of IFRS 9 and non-current assets at fair value according to IAS 40 (Investment properties), with the unrealized losses being recorded in profit or loss for the financial year. When the book value corresponds to the fair value less costs to sell, the fair value level of the IFRS 13 hierarchy corresponds to level 3.

Although the Group intends to immediately sell all properties and other assets received in recovery of credit, the Group classifies these assets in the caption Other assets, due to their length of stay in the portfolio exceeding 12 months. The accounting method is unchanged from that laid down above, with these being recorded at initial recognition at the lower of their fair value less costs to sell and the book value of the loan being recovered.

Regarding the classification of financial shareholdings classified as held for sale:

I. in the case of subsidiaries, they continue to be consolidated up to the date of their disposal, with all their assets and liabilities being classified as Non-current assets held for sale and Non-current liabilities held for sale, measured at the lower of book value and fair value less costs to sell, with the recording of depreciation/amortization ceasing;

II. in the case of associates measured under the equity method, these are measured at the lower of book value and fair value less costs to sell, with the application of the equity method ceasing.

When, due to changes in circumstances of the Group, non-current assets held for sale and/or disposal groups no longer meet the conditions to be classified as held for sale, these are reclassified according to the underlying nature of the assets and measured at the lower of: i) the book value before they were classified as held for sale, adjusted for any depreciation/amortization costs, or revaluation amounts that would have been recognized had these assets not been classified as held for sale; and (ii) the recoverable amounts of the items on the date they are reclassified according to their underlying nature. These adjustments shall be recognized in the income statement.

In the case of financial shareholdings in associates measured under the equity method, the cessation of their classification as held for sale implies the retrospective replacement of the equity method.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e., an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e., substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Lessee perspective

The Group recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests);

- a lease liability, initially recorded at the present value of the future lease cash flows (NPV), which includes:
  - fixed payments, less lease incentives receivable;
  - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the agreement;
  - the amounts to be paid by the lessee as residual value guarantees;
  - the exercise price of a call option if the lessee is reasonably certain to exercise that option;
  - payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

When it is not possible to easily determine the interest rate implicit in the lease (paragraph 26 of IFRS 16), lease payments are discounted at the lessee's incremental financing interest rate, which incorporates the risk-free interest rate curve (swap curve), increased by a Group risk spread, applied to the weighted average term of each lease agreement. For agreements with a termination date, such date is considered the lease termination date, and for other agreements without a termination date the period during which it will be enforceable is assessed. In the assessment of enforceability, the specific clauses of the agreements are considered as is the current legislation for Urban Leases.

It is subsequently measured as follows:

- by increasing its book value to reflect interest on same;
- by decreasing its book value to reflect lease payments;
- the book value is re-measured to reflect any revaluations or changes in the lease, as well as to incorporate the revision of lease payments that are, in substance, fixed and the revision of the lease term.

The Group re-measures a lease liability and calculates the related adjustment to the right-of-use asset whenever there is:

- a modification in the lease term, or in the valuation of a call option on the underlying asset. In this situation, the lease liability is re-measured, discounting the revised lease payments and also using a revised discount rate;
- a modification in the amounts payable under a residual value guarantee, or in the future lease payments resulting from a change in an index or rate used to determine such payments. In this situation, the lease liability is re-measured, discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in variable interest rates, in which case a revised discount rate should be used);
- a modification of the lease agreement but such modification in the lease is not accounted for as a separate lease. In this situation, the lease liability is re-measured, discounting the revised lease payments using a revised discount rate.

The Group did not make any adjustments for the financial years presented.

Right-of-use assets are amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset, or until the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that the Group will exercise a call option, the right-of-use asset shall be amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset. Amortization begins on the date of the lease agreement's entry into force.

The recording of the lease agreements in the consolidated income statement is made in the following captions:

(i) recording in Net interest income of the interest expense related to lease liabilities;

(ii) recording in Other general and administrative expenses of the amounts related to short-term lease agreements and low-value asset lease agreements; and

(iii) recording in Depreciation and amortization of the amortization cost for the financial year of the right-of-use assets.

The recording of the lease agreements in the consolidated balance sheet is made in the following captions:

(i) recording in Other tangible assets of the right-of-use assets recognized; and

(ii) recording in Other liabilities of the amount of the lease liabilities recognized.

Regarding the classification of the cash flows originated by the lease agreements, these are recorded in the consolidated statement of cash flows:

(i) in the caption Cash flows from operating activities – Costs with staff and suppliers, which includes the amounts related to short-term and to low-value lease agreements;

(ii) the caption Cash flows from financing activities - Finance lease agreements, which includes the amounts related to payments of the capital portion of the lease liabilities.

Lessor perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operating.

Within the scope of its activity, the Group classifies as finance leases, operations in which, substantially, all the risks and rewards associated with the leased asset are transferred to the lessee.

These are recorded as a loan granted in the Loans and advances to customers caption of the balance sheet by the sum of the present value of all instalments receivable from the lessee during the lease term and any unsecured residual value that belongs to the lessor. These include fixed instalments (less payments made by the lessee) as well as variable instalments determined with reference to an index or rate, as well as the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and lessee termination penalties if the lease term reflects the exercise of the termination option.

Financial income obtained as a lessor is recorded in the income statement under the caption Interest and similar income.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments, of financial assets at fair value through other comprehensive income and of other financial assets at amortized cost. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with Customers to the extent the performance obligations are met:

1. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: account maintenance fees);

2. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication);

3. When they are an integral part of the effective interest rate of a financial instrument, they are recognized in net interest income. Their characteristics are:

   (i) Commissions received on credit operations realized that are not valued at fair value through profit or loss (for example: valuation of guarantees, preparation and processing of documentation). These commissions are received in advance and are deferred and recognized over the life of the operation;

   (ii) Commissions agreed for the commitment to provide financing and the granting of credit is likely. These are commissions are received in advance and are deferred over the expected life of the financing. If the commitment expires without the operation having materialized, the commission is recognized in profit or loss;

   (iii) Commissions paid on the issuance of financial liabilities at amortized cost. These are included in the financial liabilities' amount, being recognized in profit or loss at the effective cost of the operation.

l) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in the Group's consolidated financial statements. Fee and commission income arising from this activity are recognized in the income statement in the period to which they relate.

m) Other tangible assets

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result for the Group. All repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful lives:

	Number of years
Buildings held for own use	50
Other fixed assets	4 to 10

Whenever there is an indication that a tangible fixed asset might be impaired, its recoverable amount is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life. The impairment losses of tangible fixed assets are recognized in profit or loss for the period. Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Investment properties

Real estate owned by the investment funds consolidated in the Group, are recognized as investment properties given that the main objective subjacent to these is capital appreciation on a long-term basis and not their sale in the short term nor their own use. These investments are initially recognized at their acquisition cost, including the transaction costs, and subsequently revaluated at their fair value. The fair value of the investment properties should reflect the market conditions at the balance sheet date. Changes in fair value are recognized in results in the financial year in which they occur, in the caption Other operating income/(expense). The fair value level according to the IFRS 13 hierarchy corresponds to level 3.

Fair value is determined by independent appraisers duly certified for the effect, and being registered with the CMVM (Portuguese Securities' Market Commission), using at least two of the following methods:

- Comparative market method - This method considers similar real estate transaction values comparable to the property under study obtained through market surveys carried out in the area where the property is located.
- Income method - This method aims to estimate the value of the property from the capitalization of its net income, discounted to the present moment, using the discounted cash-flow method, and should be used

when the property is intended for lease, when the lease market is active for the type of property being valued or when the property is intended for economic exploration.

- Cost method - The cost method is the determination of the replacement value of the property under consideration considering the cost of building another one with the same functionality, net of the amount related to the functional, physical and economic depreciation/obsolescence verified.

For properties held by investment funds within the consolidation perimeter, and in accordance with Law no. 16/2015, of 24 February, their fair value is considered as the simple arithmetic average of two independent expert valuations, determined according to the best price that could be obtained if it were put up for sale, under normal market conditions, at the time of the valuations, which is reviewed at least once a year or, in the case of open-ended collective investment entities, based on the redemption periodicity if lower than that, and whenever there are acquisitions or disposals or significant changes in the value of the property.

o) Intangible assets

Software

The Group accounts as intangible assets the costs associated with software acquired from external entities and amortizes these on a straight-line basis over an estimated lifetime of between 3 and 6 years. The Group does not capitalize internal costs arising from software development.

p) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the trade date, with an insignificant risk of change in fair value, including cash, deposits at central banks and deposits at other credit institutions.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash, deposits at central banks and deposits at other credit institutions;
- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investment activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associates, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities;
- Financing activities: activities that produce changes in the Group's medium- and long-term financing operations that are not part of the operating activities, such as securitized and subordinated debt, payment of lease agreements, capital increases and dividend distributions.

q) **Offsetting of financial instruments**

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and the transactions can be settled on a net basis, simultaneously.

r) **Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate as at the reporting date. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into the respective functional currency at the foreign exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency at the foreign exchange rate on the date that the fair value was determined and recognized against profit or loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognized against equity.

s) **Post-employment and long-term benefits**

Defined benefit plans

Banco Montepio and Montepio Crédito have the responsibility to pay their employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement ("ACT") they signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the ACT and subsequent amendments, the Group set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption, and old age. Protection associated with sickness, disability, survival, and death remains under the banks' responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 25.4%, of which 22.4% paid by the Group and 3.0% by the employees, replacing the Caixa de Abono de Família dos Empregados Bancários ("CAFEB") extinguished by the same Decree-Law. As a result, the pension rights of active employees came to be covered by the terms defined in the General Social Security System, considering the period of service rendered since 1 January 2011 and up to their retirement age. The differential vis-à-vis the minimum pension guaranteed, in accordance with the terms defined in the Collective Labour Agreement ("Acordo Colectivo de Trabalho") is supported by the banks.

Following the Government's approval of Decree-Law no. 127/2011, of 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank Employees was established, regarding the transfer to the Social Security's domain of the liabilities with pensions under payment to retired employees and pensioners as at 31 December 2011.

This Decree-Law established that the liabilities to be transferred were the liabilities with pensions under payment, as at 31 December 2011, to retired employees and pensioners, at constant amounts (update rate of 0%) for the component foreseen in the Collective Labour Regulation Instrument ("IRCT"). The liabilities in respect of the updating of pensions, complementary benefits, contributions to the Social-Medical Assistance Services ("SAMS") on the retirement and survival pensions, death subsidy and the deferred survival pension are still under the responsibility of the Institutions.

In December 2016, the Group signed a new ACT, introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus, as disclosed in note 49.

The actuarial calculation is made using the projected unit credit method and considering actuarial and financial assumptions, in accordance with the parameters required by IAS 19.

The liabilities are covered by the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

The Group´s net liability regarding the defined benefit pension plan and other benefits is calculated separately for each plan by estimating the amount of future benefits that each employee will receive in return for his/her service in the current and prior financial years. The benefit is discounted to determine its present value, using a discount rate determined by reference to interest rates associated with high-quality bonds and with a similar maturity to that of the date of termination of the plan's liabilities. The net liability is determined after deducting the fair value of the assets of the Pensions Fund.

The interest income/(expense) with the pension plan is calculated by multiplying the net asset/(liability) with retirement pensions (liabilities less the fair value of the Fund's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned above. On this basis, the net interest income/(expense) includes the interest expense associated with retirement pension liabilities and the return expected from the Fund's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) gains and losses resulting from differences between the actuarial assumptions used and the amounts actually observed (experience gains and losses) and from changes in the actuarial assumptions and (ii) gains and losses arising from the difference between the return expected from the Fund's assets and the amounts obtained, are recognized against equity under other comprehensive income.

The Group recognizes in its income statement a net total amount that includes (i) the current service cost, (ii) the net interest income/(expense) from the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurring during the financial period. The costs of early retirements correspond to an increase in liabilities due to the employee's retiring before reaching retirement age.

Other benefits not related to pensions, namely retired employees' health expenses and benefits attributed to spouses and descendants by death and expenses with house loans, are also considered in the calculation of the liabilities.

Payments to the Pension Fund are made by the Group to assure the solvency of the Fund. The liability related to pensions under payment must be funded at a minimum level of 100% and at 95% for past service costs of active employees.

Defined contribution plan

As at 31 December 2021 and 2020, the Group has a defined contribution plan for employees who were admitted after 3 March 2009. This plan, designated as contributory, receives monthly and equal contributions, based on the effective remuneration: 1.5% to be made by the Company and 1.5% to be made by the employee.

Variable remuneration of employees and members of the Board of Directors (bonus)

In accordance with IAS 19 - Employee benefits, the variable remuneration (profit-sharing, bonuses and other) attributed to employees and to the members of the Board of Directors is recognized in profit or loss in the year to which it relates.

Employment termination benefits

The occurrence that gives rise to this obligation is (i) the termination of the employment relationship between the Bank and the employee as a consequence of a Bank decision, (ii) the creation of a valid expectation for the employee or (iii) the decision of an employee to accept benefits for an irrevocable offer from the Bank in return for terminating the employment contract.

Employment termination benefits are recognized as a liability and a non-recurring cost from the moment when the Bank cannot withdraw the offer made to the employee or from the moment when the costs are recognized for a restructuring that includes the payment of benefits for termination of the employment contract. These benefits are recorded as a liability in the caption Charges payable - Staff costs in the balance sheet up to the time of their settlement or until their transfer to the Pension liabilities.

End-of-career award

As a result of the signing of the new ACT on 5 July 2016, the seniority bonus was extinguished, and the Group paid its employees the proportional bonus that would be due up to the date of the entry into force of the new ACT. In lieu of the seniority bonus, the new ACT provides for the Group to pay an end-of-career award due immediately prior to the employee's retirement if he/she retires at the Group's service, corresponding to 1.5 times the monthly remuneration at the time of payment.

The end-of-career award is accounted for by the Group in accordance with IAS 19 as another long-term employment benefit. The effects of the re-measurements and past service costs of this benefit are recognized in profit or loss for the year, treatment identical to that of the accounting model for seniority bonuses.

The amount the Group's liabilities with this end-of-career award is also periodically estimated using the projected unit credit method, using actuarial assumptions based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described for the calculation of retirement pension liabilities.

t) Income taxes

Until 31 December 2011, the Group was an entity exempt from Corporate Income Tax ("IRC"), in accordance with paragraph a) of no. 1 of article 10 of the IRC Code. This exemption had been recognized under an Order of 3 December 1993 of the Secretary of State for Tax Affairs and confirmed by Law no. 10-B/96, of 23 March, approving the State Budget for 1996.

With effect from 1 January 2012, the Group is now subject to the regime established by the Corporate Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from timing differences between the accounting net income and the net income accepted by the Tax Authorities for IRC assessment purposes are accounted for whenever there is a reasonable probability that those taxes will be paid or recovered in the future. Income tax recognized in the income statement includes the current and deferred tax effects. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the corresponding income tax is recognized in equity. Deferred taxes recognized in equity arise from the revaluation of financial assets at fair value through other comprehensive income and from cash-flow hedging derivatives. Only deferred taxes related to fair value hedging derivatives are subsequently recognized in profit or loss at the same moment the gains and losses that originated the deferred taxes are recognized.

Current tax corresponds to the tax assessed on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes assessed in respect of previous financial periods. Deferred taxes are calculated for timing differences between the book values of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes, using the tax rates approved or substantially approved at the balance sheet date and that are expected to apply when the timing differences are reversed.

Deferred tax liabilities are recognized for all taxable timing differences except for intangible assets with an indefinite life, which are not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither the accounting nor the taxable income and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future, and to the extent that the Group does not exercise control over the period of the reversal of the differences. Deferred tax assets are recognized when it is probable that future taxable income will be available to absorb the deductible timing differences for taxation purposes (including reportable taxable losses).

As established in IAS 12, paragraph 74, the Group offsets the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In the year 2018, Banco Montepio became the dominant company of the Group subject to Corporate Income Tax under the Special Taxation Regime of Groups of Companies ("Regime Especial de Tributação dos Grupos de Sociedades" ("RETGS")), constituted by the Companies in which it holds a shareholding equal to or higher than 75% and which meet the conditions provided for in article 69 et sec of the IRC Code.

The Companies included in the RETGS calculate and record income tax as if they were taxed on a separate basis. The liabilities determined are, however, payable to the parent company of the tax group, the Group, which is responsible for the global calculation and self-assessment of the tax. Gains or losses arising from the application of this regime are recorded in each of the companies that originate them.

The recording of the tax impacts of transactions carried out by the Group corresponds to Management's understanding of the applicable tax treatment in light of the legislation issued. In situations where interpretation takes place and this is questioned by the Tax Administration, Management reanalyses those situations, assessing the probability of there being a liability to be recorded, depending on whether the probability of paying same is higher or lower than 50%.

u) Segmental reporting

The Group adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating segments. An operating segment is a component of the Group: (i) that engages in business activities from which it may earn revenues or incur costs; (ii) which operating results are regularly reviewed by the main responsible for Group operating decisions regarding the allocation of resources to the segment and the assessment of its performance; and (iii) for which distinct financial information is available.

The Group controls its business activity through the following operating segments: (i) Commercial Banking, Investment Banking, International Activity, Markets and Other Segments. The Group also prepares financial information based on geography for Management purposes, as presented in note 53.

v) Provisions, contingent assets and liabilities

Provisions

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

The measurement of provisions takes into consideration the principles defined in IAS 37 in respect of the best estimate of the expected cost, the most likely result for the ongoing processes considering the risks and uncertainties inherent to the process and considering the best information available as to the consequences of the event that led to its constitution. In cases where the discount effect is material, provisions correspond to the present value of the expected future payments, discounted at a rate that considers the risk associated with the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit or loss in the proportion of the payments that cease to be probable. This caption also includes the impairment losses related to exposures that have an associated credit risk such as bank guarantees, and commitments assumed.

Contingent assets

A contingent asset is a possible asset that arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events that are not entirely under the control of the entity.

Contingent liabilities

A contingent liability is an obligation that is:

- Possible, which arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events, which are not entirely under the control of the entity; or
- Present, which arises from past events, but is not recognized because:
    - It is unlikely that an outflow of resources incorporating economic benefits will be required to settle that obligation;
    - The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, being, in accordance with IAS 37, disclosed whenever the possibility of an outflow of resources encompassing economic benefits is not remote.

w) Insurance and reinsurance brokerage services

The Group is duly authorized by the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" - "ASF") to provide insurance brokerage services, under the category of Tied Insurance Broker, in accordance with article 8, paragraph a), subparagraph i), of Decree-Law no. 144/2006, of 31 July, operating in the life and non-life insurance brokerage areas.

In the insurance brokerage services scope, the Group sells insurance contracts. As remuneration for the services rendered, the Group receives brokerage commissions on insurance and investment contracts, which are defined in agreements/protocols established between the Group and the Insurance Companies.

The commissions received for the insurance brokerage services have the following typology:

1. commissions that include a fixed and a variable component. The fixed component is calculated by applying a predetermined rate to the amount of the subscriptions made by the Group and the variable component is calculated based on predetermined criteria, with the total annual commission being the sum of the commissions calculated monthly;
2. commissions in the form of profit-sharing in the results of the insurance contracts, which are calculated annually and paid by the Insurance Companies in the beginning of the year following that to which they relate.

Commissions received for insurance brokerage services are recognized on an accrual basis. Fees paid in a different period from that to which they relate are recorded as a receivable in the caption Other assets with a corresponding entry in the caption Fee and commission income - For insurance brokerage services.

x) **Earnings per share**

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding. For the calculation of diluted earnings per share, when applicable, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all potential dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of the dilution translates into a reduction in earnings per share resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

y) **Subsequent events**

The Group analyses events occurring after the balance sheet date, that is, favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorized for issue. Within this scope, two types of events can be identified:

i) those that provide proof of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and

ii) those that are indicative of conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events that occur after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the financial statements.

z) **Significant judgements and estimates in the application of the accounting policies**

IFRS set forth a range of accounting treatments and require the Board of Directors to apply judgment and make the necessary estimates in deciding which treatment is most appropriate. These estimates were determined considering the best information available at the date of the preparation of the financial statements, considering the context of uncertainly and the economic environment resulting from the impact of the current COVID-19 pandemic. The most significant of these accounting estimates and judgments used in the application of the accounting policies by the Group are discussed in the following paragraphs in order to improve understanding of how their application affects the Group’s reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, the Group´s reported results would differ if a different treatment was chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements present the Group’s financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses of financial instruments involves judgments and estimates regarding the following aspects, among others:

a) *Significant increase in credit risk:*

Impairment losses correspond to the expected losses in the event of default within a twelve-month time horizon, for Stage 1 assets, and the expected losses considering the likelihood of a default event occurring at some point up to the maturity date of the financial instrument, for Stage 2 and 3 assets. An asset is classified as Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers reasonable and sustainable qualitative and quantitative information.

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Group monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Group uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic drivers and how each driver impacts the others.

d) *Probability of default:*

The probability of default represents a determining factor in measuring expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated based on historical data, assumptions and expectations about future conditions.

e) *Loss given default:*

This corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Group expects to receive, through cash flows generated by the Customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

COVID-19 Pandemic

In the context of the pandemic crisis caused by COVID-19, and in accordance with the stipulations in IFRS 9, the Banco Montepio Group proceeded, for the purposes of measuring credit impairment losses, to update the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see notes 14 and 62).

Alternative methodologies and the use of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in Notes 20, 21, 24, and 26, with a consequent impact in the income statement of the Group.

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which consider market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value.

Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 22, 23, 24 and 25.

The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 48.

Entities included in the consolidation perimeter

For the purpose of determining the entities to include in the consolidation perimeter, the Group assesses whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and can appropriate those variable returns through the power it holds over that entity (de facto control).

The decision as to whether an entity must be consolidated by the Group requires the use of judgment, estimates and assumptions to determine the extent to which the Group is exposed to the variable returns and its ability to use its power to appropriate those returns.

Different assumptions and estimates could lead the Group to a different consolidation perimeter with a direct impact in the consolidated net income, as per note 58.

Income taxes

The Group is subject to the payment of corporate income taxes in several jurisdictions. Significant interpretations and estimates are required in determining the global amount of corporate income taxes. There are various transactions and calculations for which the assessment of the ultimate tax payable is uncertain during the ordinary course of business.

The Group complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the financial year and presented in note 32.

This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Group considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of

Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

The National Assembly approved at Plenary Meeting no. 108, on 19 July 2019, Proposed Law no. 178/XIII, which established the tax regime of credit impairment and provisions for guarantees for tax periods beginning on or after 1 January 2019, approximating the accounting and tax rules for the purpose of deducting costs in respect of the reinforcement of credit impairment. Until the end of financial year 2023, the rules in force until 2018 will continue to apply, unless the option to apply the new regime is exercised in advance.

The estimated taxable income for the financial year considered the maintenance of the tax rules in force until 2018, with the option of the early adoption of the new regime not being exercised.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out with reference to 31 December 2021, the tax rules resulting from Law no. 98/2019, of 4 September, were considered, with tax rules identical to those in force in financial years 2015 through 2019 having been considered insofar as Banco Montepio did not adhere to the definitive regime on impairment, as a result of which the limits set forth in Banco de Portugal Notice no. 3/95 and other specific rules must be considered for the purpose of determining the maximum amounts of impairment losses accepted for tax purposes.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by the subsidiaries resident in Portugal, for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. In the case of the subsidiary with registered office in Angola, the above-mentioned period is 3 years. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and others factors that may have an impact on the pension plan costs and liabilities.

Changes to these assumptions could have a significant impact on the amounts determined and presented in note 49.

Classification and valuation of assets received in recovery of credit, non-current assets held for sale and investment properties

The classification of the real estate received in recovery of credit and non-current assets held for sale is determined in accordance with IFRS 5 and of the investment properties in accordance with IAS 40.

Assets received in recovery of credit and non-current assets held for sale are measured at the lower of their fair value less selling costs and the book value of the loans on the date the assets are received in recovery. Investment properties are measured at fair value based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets’ fair value, which are presented in notes 28, 29 and 33.

Provisions and contingent liabilities

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 38.

Recoverable amount of own properties

The measurement of impairment considers the principles defined in IAS 36, which requires that their recoverable amount be determined as the lower of their fair value and their value in use, being calculated based on the present value of the estimated future cash flows expected to be obtained from the continued use of the assets and from their disposal. Alternative methodologies and the use of different assumptions and estimates could result in different conclusions about the recoverable amount of the Bank's own properties, which are presented in note 30.

2 Net interest income

The amount of this caption has the following breakdown:

(Euro thousand)	2021	2020
Interest and similar income		
Loans and advances to customers	254 724	267 459
Deposits from central banks and other loans and advances to credit institutions	26 332	6 750
Other financial assets at amortized cost	9 933	12 864
Financial assets held for trading	8 112	7 962
Hedging derivatives	6 580	6 566
Financial assets at fair value through other comprehensive income	896	1 920
Financial assets at fair value through profit or loss	96	154
Other interest and similar income	12	5
	306 685	303 680
Interest and similar expense		
Other subordinated debt	19 939	17 468
Deposits from customers	10 286	19 454
Debt securities issued	8 761	9 287
Financial liabilities held for trading	7 764	7 239
Deposits from central banks and other credit institutions	7 753	3 001
Hedging derivatives	2 050	3 187
Lease liabilities	707	1 152
Other interest and similar expense	5 922	98
	63 182	60 886
Net interest income	243 503	242 794

The caption Interest and similar income – Loans and advances to customers, as at 31 December 2021, includes, respectively, the amount of Euro 16,851 thousand and the amount of Euro 11,193 thousand (31 December 2020: Euro 16,912 thousand and Euro 8,988 thousand), related to commissions and to other gains/(losses), which are accounted for under the effective interest rate method, as referred to in the accounting policy described in note 1 c).

The caption Interest and similar income – Financial assets at fair value through profit or loss, as at 31 December 2021, includes the amount of Euro 96 thousand (31 December 2020: 154 thousand) related to loans that do not meet the SPPI criteria and which are recorded at fair value through profit or loss.

For financing lines under the TLTRO III facility, the Bank considers the interest rates applicable to each operation in the elapsed period and the Bank's estimate as to the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. During financial year 2021, the Bank updated the rate of return on this liability, situation that justifies, fundamentally, the increase in interest and similar income from these operations in the amount of Euro 13,343 thousand.

The caption Interest and similar expense – Leases refers to the interest expense related to the lease liabilities recognized in the scope of IFRS 16, as indicated in accounting policy 1 i).

The caption Interest and similar expense – Other interest and similar charges includes, as at 31 December 2021, the amount of Euro 5,950 thousand related to expenses incurred with the synthetic securitization.

3 Dividends from equity instruments

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	2020
Financial assets at fair value through other comprehensive income	1 801	3 052
	1 801	3 052

As at 31 December 2021, this caption records the amount of Euro 1,801 thousand (31 December 2020: Euro 3,052 thousand) which includes Euro 1,386 thousand related to dividends received from the Company Unicre, Euro 171 thousand from SIBS and Euro 161 thousand from Monteiro Aranha, S.A. (31 December 2020: Euro 1,710 thousand from the Company Almina, Euro 1,112 thousand from the Company Monteiro Aranha, S.A. and Euro 193 thousand from SIBS).

4 Net fee and commission income

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	2020
Fee and commission income		
From banking services	99 589	95 242
From transactions on behalf of third parties	21 827	21 875
From insurance brokerage services	12 069	13 250
Guarantees provided	3 548	4 254
Commitments to third parties	1 642	1 279
Operations with financial instruments	198	329
Other fee and commission income	3 159	1 881
	142 032	138 110
Fee and commission expense		
From banking services rendered by third parties	21 815	19 407
From transactions with securities	893	315
Other fee and commission expense	2 988	3 077
	25 696	22 799
Net fee and commission income	116 336	115 311

In 2021 and 2020, the caption Insurance brokerage services has the following breakdown:

	(Euro thousand)	
	2021	2020
Life insurance	6 125	5 595
Non-life insurance	5 944	7 655
	12 069	13 250

The remuneration of insurance brokerage services resulted, essentially, from insurance intermediation for Lusitania, Companhia de Seguros, S.A. and for Lusitania Vida, Companhia de Seguros, S.A.

5 Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss

The amount of this caption has the following breakdown:

						(Euro thousand)
	2021			2020		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	1 656	1 126	530	3 469	2 516	953
Issued by other entities	304	77	227	289	1	288
Shares	1 281	710	571	1 486	1 816	(330)
Investment units	347	237	110	917	733	184
	3 588	2 150	1 438	6 161	5 066	1 095
Derivative financial instruments						
Interest rate contracts	68 392	68 053	339	67 870	71 192	(3 322)
Exchange rate contracts	27 159	27 307	(148)	32 668	32 876	(208)
Future contracts	3 836	4 040	(204)	3 662	4 347	(685)
Option contracts	869	759	110	1 436	1 876	(440)
Commodities contracts	562	132	430	589	12 982	(12 393)
	100 818	100 291	527	106 225	123 273	(17 048)
Financial assets at fair value though profit or loss						
Investment units	7 447	10 007	(2 560)	8 870	13 192	(4 322)
Loans and advances to customers	550	787	(237)	632	448	184
	7 997	10 794	(2 797)	9 502	13 640	(4 138)
Other financial assets at fair value through profit or loss						
Bonds and other fixed-income securities						
Issued by other entities	63 404	62 507	897	11 969	11 970	(1)
Shares	102	-	102	-	131	(131)
Loans and advances to customers	165	143	22	35	72	(37)
	63 671	62 650	1 021	12 004	12 173	(169)
Financial liabilities at fair value through profit or loss						
Deposits from customers	131	284	(153)	-	-	-
Debt securities issued	39	-	39	225	52	173
	170	284	(114)	225	52	173
Hedging derivatives						
Interest rate contracts	17 353	22 159	(4 806)	22 534	22 799	(265)
	17 353	22 159	(4 806)	22 534	22 799	(265)
Hedged financial liabilities						
Debt securities issued	4 468	-	4 468	5 955	4 298	1 657
	4 468	-	4 468	5 955	4 298	1 657
	198 065	198 328	(263)	162 606	181 301	(18 695)

In financial year 2020, the Net gains/(losses) arising from derivative financial instruments shows the impact of the loss of value in a derivative resulting from a loan disposal operation, including the respective mortgage guarantees, as a result of a non-realization of that's portfolio performance compared to what was initially expected, with a loss of Euro 12,840 thousand having been recorded.

Financial assets at fair value through profit or loss include, in 2021, in Investment units, a negative impact of Euro 2,450 thousand (2020: negative impact of Euro 4,138 thousand), determined by the negative effects of Fundo Arrendamento Mais (fund) of Euro 5,217 thousand, Fundo Solução Arrendamento (fund) of Euro 1,588 thousand, Fundo Vega (fund) of Euro 1,346 thousand, and Fundo VIP (fund) of Euro 1,058 thousand, partially offset by the positive effect of Fundo CR Revitalizar Centro (fund) of Euro 1,479 thousand.

6 Net gains/(losses) arising from financial assets at fair value through other comprehensive income

The amount of this caption has the following breakdown:

(Euro thousand)

	2021			2020		
	Gains	Losses	Total	Gains	Losses	Total
Fixed-income securities						
Bonds						
Issued by public entities	2 615	642	1 973	29 186	9 953	19 233
issued by other entities	64	-	64	4 733	273	4 460
	2 679	642	2 037	33 919	10 226	23 693

In 2021, the caption Bonds – Issued by public entities includes net gains obtained on the sale of Portuguese sovereign bonds in the amount of Euro 1,507 thousand, and of Italian, Spanish, German, Greek, Belgian and European sovereign bonds in the amount of Euro 466 thousand. In 2020, this caption included net gains generated on the sale of Portuguese sovereign bonds in the amount of Euro 13,118 thousand, of Greek sovereign bonds in the amount of Euro 4,058 thousand, and of Croatian, Italian, Chilean and Spanish sovereign bonds in the amount of Euro 2,057 thousand.

7 Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	2021			2020		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	34 786	25 790	8 996	78 025	65 161	12 864

This caption includes the results arising from the restatement of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 r).

8 Net gains/(losses) arising from sale of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	2020
Disposal of financial assets at amortized cost	14 775	30 220
Disposal of other assets	13 303	13 134
Disposal of loans and advances to customers	1 700	(334)
	29 778	43 020

In the first half of 2021, Banco Montepio disposed of Euro 511 million in terms of nominal value of Portuguese sovereign debt classified in the hold to collect portfolio. This operation falls within the limits defined in Banco Montepio's internal regulation for this business model, being classified as infrequent, but significant in terms of value.

The caption Disposal of financial assets at amortized cost records the gains realized on Portuguese sovereign debt bonds in the amount of Euro 14,356 thousand, essentially resulting from the operation described above, of Italian sovereign debt of Euro 380 thousand and of Spanish sovereign debt of Euro 39 thousand. In financial year 2020, capital gains realized on the sale of Portuguese sovereign debt bonds amounted to Euro 29,849 thousand of Greek sovereign debt Euro 327 thousand and of Italian sovereign debt Euro 44 thousand.

The caption Disposal of other assets considers the result of the sale of properties related to assets received in recovery of credit.

9 Other operating income/(expense)

The amount of this caption has the following breakdown:

		(Euro thousand)
	2021	**2020**
Other operating income		
Reimbursement of expenses	6 431	6 183
Revaluation of investment properties	3 926	4 898
Services provided	5 787	4 418
Management fees on demand deposits	3 187	3 374
Rentals of investment properties	1 416	1 637
Repurchase of own issues	-	380
Income from the valuation of financial liabilities	11 749	-
Other	9 849	12 077
	42 345	32 967
Other operating expenses		
Contributions:		
Banking sector	10 318	10 839
Ex-ante to the Single Resolution Fund	7 687	6 162
National Resolution Fund	4 713	4 441
Deposits Guarantee Fund	26	23
Revaluation of investment properties	3 075	4 164
Servicing and expenses with recovery and disposal of loans	5 862	4 568
Taxes	2 030	3 022
Expenses with issuances	2 449	1 915
Donations and memberships	531	564
Other	28 798	25 564
	65 489	61 262
Other operating income/(expense)	(23 144)	(28 295)

In 2021, the caption Other operating income - Other includes, essentially, income from loan recovery in the amount of Euro 3,482 thousand (2020: Euro 3,346 thousand). In 2020, this caption also included income from the assignment of employees - actuarial deviations in the amount of Euro 362 thousand. The caption Other, in the breakdown of Other operating income, includes the recovery of some Customers' assets.

The caption Other operating income - income arising on the valuation of financial liabilities corresponds to an extraordinary gain arising from the change in the book value estimate of the financing lines under the TLTRO III facility that occurred in the second half of 2021 (see note 1 c.4).

The caption Contribution of the Banking Sector is estimated in accordance with the terms of Law no. 55 A/2010. The amount payable is determined based on: (i) the average annual liability recorded in the balance sheet less the core capital (Tier 1) and the supplementary capital (Tier 2) and the deposits covered by the Deposits Guarantee Fund; and (ii) the notional amount of the derivative financial instruments.

The caption Contribution ex-ante to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 (“Delegated Regulation”) and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 (“Implementing Regulation”).

This contribution was determined by the Banco de Portugal, in its quality as national resolution authority, based on the methodology defined in articles 4, 13 and 20 of the Delegated Regulation. Under the Single Resolution Mechanism this contribution must be transferred to the Single Resolution Fund by 30 June of each year, as stipulated in the Agreement for the Transfer and Mutualization of the contributions to the Single Resolution Fund, signed in Brussels on 21 May 2014 and approved by Portuguese National Assembly Resolution 129/2015, of 3 September, pursuant to article 67(4) of Regulation (EU) no. 806/2014 of the European Parliament and of the Council, of 15 July 2014 (“MUR Regulation”).

In addition, it is the responsibility of the Single Resolution Council (Conselho Único de Resolução (“CUR”)), in cooperation with the Banco de Portugal, in its quality as national resolution authority, to calculate these contributions on an annual basis, pursuant to and for the purposes of article 70(2) of the MUR Regulation. Banco Montepio opted, in financial years 2021 and 2020, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, with reference to 31 December 2021, Banco Montepio had settled Euro 8,424 thousand (31 December 2020: Euro 7,093 thousand) in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 20. For irrevocable payment commitments only cash collateral is accepted.

The caption Contribution to the National Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of the Banco de Portugal, which may be adjusted in function of the credit institution’s risk profile, that is to be applied in each year on the objective incidence base of said contributions. The periodic contributions have as incidence base the liabilities of the credit institutions participating in the Fund, defined in accordance with article 10 of said Decree-Law, less the liability elements integrating Tier 1 and Tier 2 and the deposits covered by the Deposits Guarantee Fund.

The caption Other operating costs - Servicing and expenses with the recovery and disposal of loans registers the servicing costs charged by third parties related to a portfolio of non-performing loans.

The caption Other operating costs - Other includes, in 2021, the amount of Euro 3,136 thousand (2020: Euro 3,125 thousand) related to services provided by Montepio - Gestão de Activos Imobiliários, A.C.E. This caption also includes maintenance costs with equipment and motor vehicles under operating leases, costs with real estate received in recovery of credit, accounted for in the caption Other assets (note 33), and legal costs.

10 Staff costs

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	2020
Remuneration	110 716	117 676
Mandatory social charges	33 038	32 567
Charges with Pension Fund	9 838	22 230
Other staff costs	10 562	16 782
	164 154	189 255

In 2021, within the scope of the Employee Adjustment Programme, the captions of Charges with the Pension Fund and Other costs include, respectively, the amounts of Euro 4,365 thousand (2020: Euro 14,180 thousand) and Euro 4,959 thousand (2020: Euro 14,163 thousand), related to the resulting charges arising from early retirement and mutual-agreement termination programs.

In financial years 2021 and 2020, neither the members of the Corporate bodies nor Other key management personnel received any variable remuneration. First-line managers are considered Other key management personnel.

The costs with remuneration and other benefits, including the respective social charges, attributed to the General Meeting Board, the Supervisory Board, the Board of Directors (including the members of the Audit Committee), the Board of Directors of Banco Montepio's subsidiaries and Other key management personnel of the Group, during financial year 2021, are presented as follows:

(Euro thousand)

	General Meeting Board	Supervisory Board	Board of Directors	Board of Directors of Banco Montepio's subsidiaries	Other key manage ment staff	Total
Remuneration and other short-term benefits	7	253	3 380	1 194	7 061	11 895
Pension costs	-	-	748	109	402	1 259
Costs with healthcare benefits (SAMS)	-	-	19	9	185	213
Social Security charges	1	52	729	274	1 561	2 617
	8	305	4 876	1 586	9 209	15 984

The costs with remuneration and other benefits, including the respective social charges, attributed to the General Meeting Board, the Supervisory Board, the Board of Directors (including the members of the Audit Committee), the Board of Directors of Banco Montepio's subsidiaries and Other key management personnel of the Group, during financial year 2020, are presented as follows:

(Euro thousand)

	General Meeting Board	Supervisory Board	Board of Directors	Board of Directors of Banco Montepio's subsidiaries	Other key management staff	Total
Remuneration and other short-term benefits	7	233	3 202	1 306	5 268	10 016
Pension costs	-	-	892	20	118	1 030
Costs with healthcare benefits (SAMS)	-	-	17	7	105	129
Social Security Charges	1	46	681	278	1 159	2 165
	8	279	4 792	1 611	6 650	13 340

As at 31 December 2021, loans granted to members of the Board of Directors of Banco Montepio (including the members of the Audit Committee) amounted to Euro 588 thousand (31 December 2020: Euro 622 thousand), to members of the Boards of Directors of Banco Montepio's subsidiaries, Euro 2,618 thousand (31 December 2020: Euro 2,555 thousand) and to key management personnel, Euro 3,349 thousand (31 December 2020: Euro 3,905 thousand).

The average number of employees serving the Group during financial years 2021 and 2020, distributed by major professional categories, was as follows:

	2021	2020
Administration and Coordination	244	275
Senior management	538	645
Technical staff	1 433	1 576
Administrative staff	1 150	1 373
Auxiliary staff	26	54
	3 391	3 923

11 General and administrative expenses

The amount of this caption has the following breakdown:

(Euro thousand)	2021	2020
Rental costs	699	799
Specialized services		
Other specialized services	21 834	21 209
IT services	12 535	12 813
Independent work	3 144	3 070
Communication costs	6 285	6 618
Maintenance and repairs	5 444	6 657
Advertising costs	3 086	3 369
Water, energy and fuel	3 069	3 565
Transportation	1 956	2 319
Insurance	1 088	1 087
Consumables	567	929
Travel, accommodation and entertainment expenses	670	732
Training	823	456
Other general and administrative costs	3 479	3 366
	64 679	66 989

The caption Rental costs includes, in 2021, the amount of Euro 410 thousand (2020: Euro 459 thousand) related to short-term lease agreements, of which Euro 56 thousand (2020: Euro 49 thousand) correspond to leasehold rentals and Euro 354 thousand (2020: Euro 410 thousand) to motor vehicle rentals, in both cases used by the Banco Montepio Group as lessee.

As part of the development of its activity, the Group records under the caption Other specialized services the costs incurred with the hiring of external consultants, with the payment of services related to databases, with charges associated with processing carried out by SIBS and also with costs related to the payment of fees and retainer fees.

The caption Other specialized services includes fees billed by the Group's Statutory Auditors within the scope of their statutory audit functions, as well as other services, including those provided by their network, as follows (excluding VAT):

(Euro thousand)	2021	2020
Statutory audit services	1 074	1 216
Services other than statutory audit legally required	371	473
Services other than statutory audit not legally required	642	50
	2 087	1 739

12 Depreciation and amortization

The amount of this caption has the following breakdown:

	(Euro thousand) 2021	2020
Intangible assets (note 31)		
Software	18 499	16 058
Other tangible assets (note 30)		
Real estate		
For own use	3 662	4 356
Leasehold improvements in rented buildings	595	707
Equipment		
IT equipment	2 747	3 209
Fixtures	1 691	1 622
Furniture	261	260
Transportation	230	179
Security equipment	145	163
Machinery and tools	55	61
Right-of-use assets		
Real estate	5 639	6 820
Motor vehicles	1 760	1 678
Other tangible assets	8	5
	16 793	19 060
	35 292	35 118

The caption Right-of-use assets corresponds, essentially, to properties (branches and central buildings) and the car fleet, being depreciated according to the period of each lease agreement, as indicated in accounting policy 1 i).

13 Impairment of loans and advances to customers and to credit institutions

The amount of this caption has the following breakdown:

	(Euro thousand) 2021	2020
Other loans and advances to credit institutions (note 20)		
Charge for the year	7 362	3 696
Reversals for the year	(3 811)	(3 720)
	3 551	(24)
Loans and advances to customers (note 21)		
Charge for the year net of reversals	55 602	187 784
Recovery of loans and interest	(4 820)	(2 634)
	50 782	185 150
	54 333	185 126

This caption records the estimate of the expected losses determined according to the accounting policy described in note 1 c).

The Banco Montepio Group, in financial year 2020, recorded an impact derived from the COVID-19 pandemic on Impairment of loans and advances to customers in the amount of Euro 77.5 million.

14 Impairment of other financial assets

The amount of this caption has the following breakdown:

		(Euro thousand)
	2021	**2020**
Financial assets		
at fair value through other comprehensive income (note 24)		
Charge for the year net of reversals	512	8 091
Other financial assets		
at amortized cost (note 26)		
Charge for the year net of reversals	(735)	4 082
	(223)	12 173

15 Impairment of other assets

The amount of this caption has the following breakdown:

		(Euro thousand)
	2021	**2020**
Non-current assets held for sale (note 28)		
Charge for the year	75	170
Reversals for the year	(107)	(151)
	(32)	19
Other tangible assets (note 30)		
Charge for the year	5 912	11 941
Reversals for the year	(269)	-
	5 643	11 941
Other assets (note 33)		
Charge for the year	29 921	12 216
Reversals for the year	(4 518)	(4 719)
	25 403	7 497
	31 014	19 457

Within the scope of the Distribution network resizing plan, the Bank closed several branches, having, consequently, obtained the market value of those spaces from independent appraisers. Based on the values evidenced by those valuations, it was necessary, in 2021, to reinforce impairment, net of reversals, in Euro 5,643 thousand (2020: Euro 11,941 thousand), as referred to in the caption Tangible assets in the table above.

16 Other provisions

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	2020
Guarantees and commitments (note 38)		
Charge for the year	27 742	71 567
Reversals for the year	(28 678)	(69 081)
	(936)	2 486
Other risks and charges (note 38)		
Charge for the year	4 032	3 020
Reversals for the year	(7 717)	(1 430)
	(3 685)	1 590
	(4 621)	4 076

17 Share of profits/(losses) booked under the equity method

The share of profits/(losses) booked under the equity method is analysed as follows:

(Euro thousand)

	2021	2020
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	3	(662)

18 Cash and deposits at central banks

This caption is presented as follows:

(Euro thousand)

	2021	2020
Cash	157 755	165 863
Deposits at central banks		
Bank of Portugal	2 788 426	1 282 692
Other central banks	21 815	17 695
	2 967 996	1 466 250

The caption Deposits at central banks – Banco de Portugal includes the amount to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of the deposits and other effective liabilities. The cash reserve constitution regime, in accordance with directives of the European Central Bank System for the Eurozone, establishes the maintenance of a deposit at the Central Bank equivalent to 1% of the average value of the deposits and other liabilities, over each reserve constitution period.

19 Loans and deposits to credit institutions payable on demand

This caption is presented as follows:

		(Euro thousand)
	2021	**2020**
Credit institutions in Portgugal	6 431	1 373
Credit institutions abroad	46 573	17 449
Amounts to be collected	14 356	14 838
	67 360	33 660

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions, and which are due for collection.

In 2021, Deposits in other credit institutions were remunerated at the average rate of -0.33% (2020: - 0.07%).

20 Other loans and advances to credit institutions

This caption is presented as follows:

		(Euro thousand)
	2021	**2020**
Loans and advances to credit institutions in Portugal		
Term deposits	8 690	5 963
	8 690	5 963
Loans and advances to credit institutions abroad		
Term deposits	89 658	63 722
CSA's	25 139	27 949
Reverse repos	39 272	62 719
Very short-term loans and advances	44	-
Other loans and advances	66 726	132 938
	220 839	287 328
	229 529	293 291
Impairment for credit risk of loans and advances to credit institutions	(464)	(287)
	229 065	293 004

As at 31 December 2021, the caption Term deposits, recorded under Other loans and advances to credit institutions abroad, includes the amount of Euro 8,424 thousand (31 December 2020: Euro 7,093 thousand) related to a deposit made and accepted as collateral within the scope of the ex-ante contribution to the Single Resolution Fund, as per note 9.

The change in the caption Other loans and advances to credit institutions abroad – Term deposits corresponds, essentially, to very short-term loans in foreign currency.

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. As provided for in most CSA's celebrated by the Group, this collateral might be in the form of securities or cash, with, however, in the Group's case, all collaterals being in cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that the Group negotiated with each one of the counterparties and are materialized through an effective transfer of cash, through TARGET2 transfers to each one of the counterparties in question, as a guarantee/security of Banco Montepio Group's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 31 December 2021, the Group holds an amount of Euro 25,139 thousand (31 December 2020: Euro 27,949 thousand) related to other loans and advances to credit institutions given as collateral for the above-mentioned operations.

The caption Loans and advances to credit institutions abroad – Other loans and advances includes the amounts deposited by vehicles incorporated for the purpose of the Group's securitization operations.

Impairment movements for credit risks of Other loans and advances to credit institutions are analysed as follows:

		(Euro thousand)
	2021	**2020**
Opening balance	287	178
Charge for the year net of reversals	3 551	(24)
Others	(3 374)	133
Closing balance	464	287

The analysis of the caption Other loans and advances to credit institutions, by period to maturity, is as follows:

		(Euro thousand)
	2021	**2020**
Up to 3 months	206 109	204 045
3 to 6 months	8 424	54 032
6 months to 1 year	-	19 027
1 to 5 years	-	1 000
More than 5 years	4 000	4 000
Undetermined	10 996	11 187
	229 529	293 291

The caption Other loans and advances to credit institutions abroad – Other, in the undetermined period to maturity, also includes guarantee deposits in the scope of the banking activity.

In 2021, the Other loans and advances to banks were remunerated at the average rate of 0.70% (2020: 0.27%).

21 Loans and advances to customers

This caption is presented as follows:

(Euro thousand)	2021	2020
Corporate		
Loans not represented by securities		
Loans	3 069 650	2 903 260
Current account loans	383 186	436 808
Finance leases	433 157	442 071
Discounted bills	26 524	35 443
Factoring	197 770	184 904
Overdrafts	723	601
Other loans	361 695	433 772
Loans represented by securities		
Commercial paper	197 906	333 963
Bonds	300 700	270 045
Retail		
Mortgage loans	5 538 792	5 580 462
Finance leases	46 555	52 211
Consumer credit and other loans	1 184 526	983 900
	11 741 184	11 657 440
Foreign loans		
Corporate	42 042	25 820
Retail	3 287	1 626
	45 329	27 446
Value correction of assets subject to hedging operations		
Other loans	30	8
Past due loans and advances and interest		
Less than 90 days	41 504	45 538
More than 90 days	361 418	626 784
	402 922	672 322
	12 189 465	12 357 216
Impairment for credit risks	(521 777)	(779 514)
	11 667 688	11 577 702

As at 31 December 2021, the caption Loans and advances to customers includes the amount of Euro 2,746,685 thousand (31 December 2020: Euro 2,739,544 thousand) related to the issue of covered bonds realized by the Group, as referred to in note 37.

As at 31 December 2021, the loans and advances that the Group granted to its shareholders and to related parties amounted to Euro 12,214 thousand (31 December 2020: Euro 16,346 thousand), as described in note 51. The celebration of business between the Group and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the value, is always submitted to deliberation and assessment by the Board of Directors and the Audit Committee, under a proposed made by the commercial network, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Department. The impairment for credit risks related to these contracts amounts to Euro 362 thousand as at 31 December 2021 (31 December 2020: Euro 638 thousand).

As at 31 December 2021, the caption Loans and advances to customers includes the amount of Euro 994,467 thousand (31 December 2020: Euro 1,843,677 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 c), were not the object of derecognition, as described in note 52.

The caption Value correction of assets subject to hedge operations contains the fair value of the part of the portfolio that is hedged. This appreciation is accounted for through the income statement, in accordance with the accounting policy described in note 1 c). The Group periodically tests the effectiveness of the existing hedging relationships.

The fair value of the Loans and advances to customers' portfolio is presented in note 48.

The analysis of the caption Loans and advances to customers, by interest rate type, as at 31 December 2021 and 2020, is as follows:

		(Euro thousand)
	2021	**2020**
Variable-rate loans and advances	10 281 439	10 553 862
Fixed-rate loans and advances	1 908 026	1 803 354
	12 189 465	12 357 216

The analysis of Past due loans and advances and interest, by credit type, is as follows:

		(Euro thousand)
	2021	**2020**
Asset-backed loans	277 161	468 552
Other guaranteed loans	56 699	119 971
Finance leases	5 362	33 950
Secured loans	33 000	7 021
Other loans and advances	30 700	42 828
	402 922	672 322

The analysis of Past due loans and advances and interest, by Customer type and purpose, is as follows:

(Euro thousand)

	2021	2020
Corporate		
Construction/Production	55 818	136 990
Investment	190 187	285 173
Treasury	88 822	144 853
Other	17 667	22 743
Retail		
Mortgage loans	27 587	45 058
Consumer credit	16 366	22 322
Other	6 475	15 183
	402 922	672 322

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2021, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	129 135	584 351	8 368 463	277 161	9 359 110
Other guaranteed loans	352 722	151 263	259 765	56 699	820 449
Finance leases	31 308	223 426	224 978	5 362	485 074
Secured loans	197 905	204 429	96 272	33 000	531 606
Other loans and advances	202 794	155 346	604 386	30 700	993 226
	913 864	1 318 815	9 553 864	402 922	12 189 465

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2020, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Asset-backed loans	359 267	204 167	313 768	119 971	997 173
Other guaranteed loans	333 962	188 007	82 039	33 950	637 958
Finance leases	134 299	624 873	8 035 683	468 552	9 263 407
Secured loans	26 788	237 648	229 846	7 021	501 303
Other loans and advances	205 202	150 937	558 408	42 828	957 375
	1 059 518	1 405 632	9 219 744	672 322	12 357 216

The outstanding amount of Finance leases, by residual maturity, as at 31 December 2021, is analysed as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Outstanding rentals	61 350	250 327	128 459	440 136
Outstanding interest	(8 840)	(29 042)	(24 481)	(62 363)
Residual values	21 996	48 450	31 493	101 939
	74 506	269 735	135 471	479 712

The outstanding amount of Finance leases, by residual maturity, as at 31 December 2020, is analysed as follows:

(Euro thousand)

	Finance leases			
	Up to 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Outstanding rentals	56 739	258 911	116 571	432 221
Outstanding interest	(10 202)	(33 725)	(20 537)	(64 464)
Residual values	18 848	60 488	47 189	126 525
	65 385	285 674	143 223	494 282

As regards operating leases, the Group does not have significant agreements as Lessor.

The movements in impairment for credit risk are analysed as follows:

(Euro thousand)

	2021	**2020**
Opening balance	779 514	782 505
Charge for the year net of reversals	55 602	187 784
Utilization	(280 507)	(190 124)
Exchange rate differences	4 843	(651)
Transfers and others	(39 192)	-
Stage 3 interest	1 517	-
Closing balance	521 777	779 514

The caption Transfers includes, in 2021, the impairment associated with the loans and advances included in the Gerês Secured operation which, in accordance with IFRS 5, was recorded in Non-current assets held for sale (see note 28).

The use of impairment corresponds to the loans and advances written off in 2021 and 2020.

The impairment for credit risk, by credit type, is as follows:

(Euro thousand)

	2021	**2020**
Asset-backed loans and Finance leases	377 624	559 616
Other secured loans	83 897	150 902
Unsecured loans	60 256	68 996
	521 777	779 514

The analysis of impairment used, by credit type, is as follows:

	(Euro thousand) 2021	2020
Asset-backed loans and Finance leases	165 936	108 085
Other secured loans	69 260	47 106
Unsecured loans	45 311	34 933
	280 507	190 124

The Banco Montepio Group has adopted forbearance measures and practices, aligned in terms of risk, in order to adjust the disposable income or the financial capacity of Customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and, for Companies (SIREVE, PER), were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis Customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the Customer's current situation.

As at 31 December 2021, the loan and advances portfolio includes loans that, given the financial difficulties of the Customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 622,252 thousand (31 December 2020: Euro 817,234 thousand) and present an impairment of Euro 255,198 thousand (31 December 2020: Euro 368,095 thousand).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the Customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans entered, as at 31 December 2021 and 2020, by credit type, is as follows:

	(Euro thousand) 2021	2020
Corporate		
Loans not represented by securities		
Loans	104 069	175 732
Current account loans	3 241	9 669
Finance leases	3 503	1 276
Other loans	5 137	949
Retail		
Mortgage loans	11 602	2 778
Consumer credit and other loans	17 598	6 993
	145 150	197 397

As at 31 December 2021, and as regards restructured loans not yet due, the impairment associated with these operations amounts to Euro 54,773 thousand, which corresponds to an impairment rate of 37.7% (31 December 2020: Euro 79,044 thousand, impairment rate of 40%).

Synthetic securitization

On 18 December 2020, the Banco Montepio Group carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of Small and Medium-sized Enterprises (SMEs). The legal maturity of the transaction is 25 March 2036 and the respective amount totals Euro 358,661 thousand as at 31 December 2021 (31 December 2020: Euro 415,315 thousand). As mentioned in accounting policy c.12), Banco Montepio contracted two guarantees from the EIB and the EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, bearing, respectively, commissions of 0.3% and 4.0%, with quarterly payments.

22 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

(Euro thousand)

	2021	2020
Financial assets held for trading		
Securities		
Shares	-	3 397
Bonds	-	1 053
Investment Units	-	3 074
	-	7 524
Derivative instruments		
Derivative instruments with positive fair value	7 582	9 399
	7 582	16 923
Financial liabilities held for trading		
Derivative instruments		
Derivative instruments with negative fair value	7 470	13 598
	7 470	13 598

As provided for in IFRS 13, as at 31 December 2021 and 2020, the financial instruments measured in accordance with the valuation levels described in note 48, are as follows:

(Euro thousand)

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares		-	-	-
Bonds		-	-	-
Investment Units		-	-	-
	-	-	-	-
Derivative instruments				
Derivative instruments with positive fair value	-	1 376	6 206	7 582
	-	1 376	6 206	7 582
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	949	6 521	7 470
	-	949	6 521	7 470

(Euro thousand)

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	3 397	-	-	3 397
Bonds	1 053	-	-	1 053
Investment Units	3 074	-	-	3 074
	7 524	-	-	7 524
Derivative instruments				
Derivative instruments with positive fair value	-	2 147	7 252	9 399
	7 524	2 147	7 252	16 923
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	1 997	11 601	13 598
	-	1 997	11 601	13 598

The analysis of the portfolio of securities registered in Financial assets held for trading, by maturity, as at 31 December 2020, is presented as follows:

(Euro thousand)

	2020					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities						
Bonds						
Foreign	-	-	-	1 053	-	1 053
Variable income securities						
Shares						
Domestic	-	-	-	-	226	226
Foreign	-	-	-	-	3 171	3 171
Investment Units	-	-	-	-	3 074	3 074
	-	-	-	1 053	6 471	7 524

As at 31 December 2020, within the scope of the loan obtained from the EIB, a set of Italian and Spanish sovereign bonds with a nominal value of Euro 1,000 thousand are part of the collateral, as described in note 35. As at 31 December 2021, there are no securities given as collateral classified as held for trading.

The book value of the derivative financial instruments as at 31 December 2021 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2021								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the financial year** [(1)]	**Total Fair value**	**Changes in fair value in the financial year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Debt securities issued	-	-	-	-	-	-	(9)	-	-
Interest rate swap	Deposits from customers	25 018	-	(82)	(82)	(82)	153	153	25 009	24 856
Interest rates swap	Loans and advances to customers	1 068	4	(26)	(22)	43	30	22	1 004	1 041
Interest rates swap	-	682 386	7 529	(7 853)	(324)	4 026	-	-	-	-
Currency Swap (Short)	-	24 479	108	-	108	(110)	-	-	-	-
Currency Swap (Long)	-	24 597								
Futuros (Short)	-	-	-	-	-	-	-	-	-	-
Futuros (Long)	-	-								
Forwards (Short)	-	745	-	-	-	-	-	-	-	-
Forwards (Long)	-	745								
Options (Short)	-	55 709	(59)	491	432	434	-	-	-	-
Oprtions (Long)	-	55 956								
		870 703	7 582	(7 470)	112	4 311	183	166	26 013	25 897

[(1)] Includes the result of derivatives disclosed in note 5

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2020 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2020								
		Derivative					Related Asset/ Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the financial year** [(1)]	**Total Fair value**	**Changes in fair value in the financial year**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Debt securities issued	-	-	-	-	(191)	9	(8)	3 106	2 960
Interest rate swap	Loans and advances to	1 174	4	(69)	(65)	(16)	8	(38)	1 207	1 200
Interest rate swap	-	1 644 869	9 168	(13 518)	(4 350)	(1 049)	-	-	-	-
Currency Swap (Short)	-	50 171	224	(6)	218	(85)	-	-	-	-
Currency Swap (Long)	-	50 390								
Futuros (Short)	-	1 776	-	-	-	-	-	-	-	-
Futuros (Long)	-	355								
Forwards (Short)	-	29 064	-	-	-	-	-	-	-	-
Forwards (Long)	-	28 889								
Options (Short)	-	59 675	3	(5)	(2)	(12 386)	-	-	-	-
Oprtions (Long)	-	64 433								
		1 930 796	9 399	(13 598)	(4 199)	(13 727)	17	(46)	4 313	4 160

[(1)] Includes the result of derivatives disclosed in note 5

The fair value of the options corresponds to derivatives traded on organized markets, which market value is settled daily against the margin account and the fair value of the Forwards - Foreign exchange derivatives with short residual maturities, to be settled.

The analysis of financial derivative trading instruments, by maturity, as at 31 December 2021, is as follows:

(Euro thousand)

	2021					
	Notionals by remaning maturity date				Fair Value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swaps	-	50 620	657 852	708 472	7 533	7 961
Options	-	603	86 043	86 646	(67)	(499)
Exchange rate contracts						
Exchange rate swaps	49 076	-	-	49 076	108	-
Forwards	1 490	-	-	1 490	-	-
Index/Equities contracts						
Options	-	-	25 019	25 019	8	8
	50 566	51 223	768 914	870 703	7 582	7 470

The analysis of financial derivative trading instruments, by maturity, as at 31 December 2020, is as follows:

(Euro thousand)

	2020					
	Notionals by remaning maturity date				Fair Value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swaps	-	-	1 646 043	1 646 043	9 172	13 587
Options	5 245	54 891	63 972	124 108	3	5
Exchange rate contracts						
Exchange rate swaps	100 561	-	-	100 561	224	6
Forwards	57 630	323	-	57 953	-	-
Index/Equities contracts						
Futures	2 131	-	-	2 131	-	-
	165 567	55 214	1 710 015	1 930 796	9 399	13 598

23 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	2021	2020
Variable income securities		
Investment Units	193 659	337 226
Loans and advances to customers at fair value		
Loans not represented by securities	9 768	9 666
	203 427	346 892

The caption Variable-income securities – Investment units includes, as at 31 December 2021, the amount of Euro 63,783 thousand (31 December 2020: Euro 69,937 thousand) related to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 56.

In accordance with IFRS 13, financial instruments are measured according to the valuation levels described in note 48, as follows:

(Euro thousand)

	2021			
	Level 1	Level 2	Level 3	Total
Variable income securities				
Investment Units	-	-	193 659	193 659
Loans and advances to customers at fair value				
Loans not represented by securities	-	-	9 768	9 768
	-	-	203 427	203 427

(Euro thousand)

	2020			
	Level 1	Level 2	Level 3	Total
Variable income securities				
Investment Units	-	-	337 226	337 226
Loans and advances to customers at fair value				
Loans not represented by securities	-	-	9 666	9 666
	-	-	346 892	346 892

As at 31 December 2021, the level 3 assets in the caption Variable-income securities – Investment units include investment units in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund ("NAVF") disclosed, determined by the management company, in the amount of Euro 193,659 thousand (31 December 2020: Euro 337,226 thousand), of which Euro 111,329 thousand (31 December 2020: Euro 252,621 thousand) are related to real estate investment funds. The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the CMVM.

As at 31 December 2021, for Variable-income securities recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial assets, with an impact of Euro 19,366 thousand (31 December 2020: Euro 33,723 thousand) having been determined.

The movements occurred in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	337 226	365 669
Acquisitions	1 372	313
Remeasurements	(50 739)	(15 622)
Disposals	(94 200)	(13 134)
Closing balance	193 659	337 226

The movements occurred in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations made in financial years 2021 and 2020.

24 Financial assets at fair value through other comprehensive income

This caption, in financial year 2021, is presented as follows:

(Euro thousand)

	2021				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	31 779	448	(22)	(62)	32 143
Foreign	41 889	314	-	(78)	42 125
Bonds issued by other entities					
Domestic	16 419	956	(422)	(1 453)	15 500
Foreign	1 328	-	(13)	(3)	1 312
Commercial paper	10 047	1 257	-	(1 257)	10 047
Variable income securities					
Shares					
Domestic	5 200	9 985	-	-	15 185
Foreign	6 228	1 214	(416)	-	7 026
	112 890	14 174	(873)	(2 853)	123 338

(1) Acquisition cost related to variable income securities and amortised cost by debt securities

This caption, in financial year 2020, is presented as follows:

(Euro thousand)

	2020				
	Cost [1]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	31 693	973	-	(82)	32 584
Foreign	119 899	1 200	-	(300)	120 799
Bonds issued by other entities					
Domestic	12 735	291	(637)	(786)	11 603
Foreign	3 097	13	(25)	(13)	3 072
Variable income securities					
Shares					
Domestic	74 489	9 685	(1 750)	-	82 424
Foreign	71 598	2 045	(37 328)	-	36 315
	313 511	14 207	(39 740)	(1 181)	286 797

(1) Acquisition cost related to variable income securities and amortised cost by debt securities

On 4 March 2021, the Banco Montepio Group participated in the public tender offer (“PTO”) for the acquisition of shares to increase the shareholding launched by Sociedade Técnica Monteiro Aranha S.A. (the “Offeror”), carried out by B3 S.A. – Brasil, Bolsa, Balcão.

Within the scope of the aforementioned tender, the Group sold its entire shareholding in Monteiro Aranha S.A. (the “Company”), corresponding to 1,262,743 ordinary shares, equivalent to approximately 10.31% of the Company's share capital. The sale generated a cash inflow of Euro 25,944 thousand (31 December 2020: value of the holding was Euro 27,980 thousand).

In financial year 2021, the Group sold its entire shareholding in Almina Holding S.A. (Almina), corresponding to 9,500 ordinary shares, equivalent to 19.0% of the share capital of Almina. The sale generated a cash inflow of Euro 67,600 thousand (31 December 2020: value of the holding was Euro 67,600 thousand).

SIBS

The fair value of the shareholding of 1.74% held by the Bank in the share capital of SIBS, presented in the financial statements as at 31 December 2021, is supported by a valuation that considers the comparable Company multiples analysis (market and transaction) and the Discounted Cash Flows (DCF) methodologies.

For the valuation of SIBS with reference to 31 December 2021, the information included in the reports and accounts on a consolidated basis with reference to financial years 2019 and 2020, the documents prepared by management and updated to June 2021, regarding the budget and forecasts for financial year 2021, as well as information on comparable Company transaction multiples, namely from the Networks’ and Payment Systems’ sectors, were considered.

For this valuation, a four-year forecast horizon was considered, for which it was necessary to calculate the cash flows based on historical cash flows and estimated growth rates, the latter showing a strong recovery growth for 2022, with 2023 and thereafter evolving in line with the Company’s growth potential.

In the valuation using the DCF methodology the continuity of the operations was assumed beyond the forecast horizon, with a conservative scenario having been considered for the annual variation of cash flows in perpetuity as well as for the levels of Investment in CAPEX and depreciation and amortization. Cash flows were discounted at the rate equivalent to the weighted average cost of capital, thus reflecting the time value of money and the specific risk of the industry, and which stood at 8.1%, with reference to 31 December 2021 (31 December 2020: 8.2%).

In the valuation using the market multiples method, multiples were considered for financial years 2020 and 2021, and which include Companies from different geographies, supported on the MergerMarket database.

Unicre

The fair value of the 3.84% shareholding held by the Bank in the share capital of Unicre, presented in the financial statements as at 31 December 2021, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which considered the performance through the projected Cash flows, for a forecast horizon of five years, given that at the valuation date the Company's information for financial year 2021 was not yet public, and was based on the information obtained from Unicre's Reports and accounts for the 2019 and 2020 financial years.

Due to the Company's business model, Banco Montepio chose to consider in its valuation the financial flows in terms of income, as well as the cost of the financing to support Unicre's activity. As at 31 December 2021, the discount rate considered in the valuation was 10.1% (31 December 2020: 10.6%), which corresponds to the opportunity cost of the Company's equity, estimated according to the CAPM model methodology. The components of this rate were estimated based on Professor Damodaran's data and the Bloomberg platform.

ABANCA

The fair value of the 0.0848% shareholding held in the share capital of ABANCA, presented in the financial statements as at 31 December 2021, is supported on an assessment that considers the Discounted Cash Flows (DCF) methodology, which considered performance through the projected Cash-flows, for a provisional horizon of five years, based on information from ABANCA's Results' Announcement and Reports and accounts for financial years 2019, 2020 and the third quarter of 2021.

Due to the Company's business model, Banco Montepio chose to consider in its valuation the financial flows in terms of operating results, having maintained the financing structure stable compared with previous years, as well as the assumption of a slowdown in activity growth and of the Company's profitability in relation to historical performance. As at 31 December 2021, the discount rate considered in the valuation was 8.7%, which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

Regarding financial years 2021 and 2020, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	2021				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	31 119	1 024	-	-	32 143
Foreign	42 125	-	-	-	42 125
Bonds issued by other entities					
Domestic	4 066	-	11 434	-	15 500
Foreign	-	1 312	-	-	1 312
Commercial paper	-	-	10 047	-	10 047
	77 310	2 336	21 481	-	101 127
Variable income securities					
Shares					
Domestic	-	-	14 300	885	15 185
Foreign	-	-	6 730	296	7 026
	-	-	21 030	1 181	22 211

(Euro thousand)

	2020				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	31 550	1 034	-	-	32 584
Foreign	120 799	-	-	-	120 799
Bonds issued by other entities					
Domestic	4 036	-	7 567	-	11 603
Foreign	1 018	2 054	-	-	3 072
	157 403	3 088	7 567	-	168 058
Variable income securities					
Shares					
Domestic	-	-	81 600	824	82 424
Foreign	27 980	-	7 818	517	36 315
	27 980	-	89 418	1 341	118 739
	185 383	3 088	96 985	1 341	286 797

As provided for in IFRS 13, financial instruments are measured according to the valuation levels described in note 48.

For all financial assets recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial asset, with an impact of Euro 4,251 thousand as at 31 December 2021 (31 December 2020: Euro 9,699 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the positive amount of Euro 12,695 thousand (31 December 2020: positive amount of Euro 9,630 thousand) recognized in fair value reserves.

In this caption, the Group has some securities measured at acquisition cost. It is the Group's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

The movements occurred in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

	(Euro thousand)	
	2021	**2020**
Opening balance	96 985	95 581
Acquisitions	15 076	5 150
Remeasurements	(789)	(2 671)
Disposals	(67 600)	-
Reimbursements	(1 161)	(1 075)
Closing balance	42 511	96 985

The movements occurred in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

	(Euro thousand)	
	2021	**2020**
Opening balance	1 181	5 327
Change for the year	522	8 093
Reversals for the year	(10)	(2)
Utilization	(863)	(12 237)
Others	2 023	-
Closing balance	2 853	1 181

The analysis of financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2021 is as follows:

(Euro thousand)

	2021					
	Less than 3 months	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Undetermined**	**Total**
Fixed income securities						
Bonds issued by public entities						
Domestic	-	10 276	1 024	20 843	-	32 143
Foreign			42 125	-	-	42 125
Bonds issued by other entities						
Domestic	-	-	10 102	4 066	1 332	15 500
Foreign	-	-	-	1 312	-	1 312
Commercial paper	10 047	-	-	-	-	10 047
	10 047	10 276	53 251	26 221	1 332	101 127
Variable income securities						
Shares						
Domestic	-	-	-	-	15 185	15 185
Foreign	-	-	-	-	7 026	7 026
	-	-	-	-	22 211	22 211
	10 047	10 276	53 251	26 221	23 543	123 338

The analysis of financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2020 is as follows:

(Euro thousand)

	2020					
	Less than 3 months	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Undetermined**	**Total**
Fixed income securities						
Bonds issued by public entities						
Domestic	-	-	12 245	20 339	-	32 584
Foreign	57 012	-	63 787	-	-	120 799
Bonds issued by other entities						
Domestic	-	-	5 151	5 197	1 255	11 603
Foreign	-	1 018	-	2 054	-	3 072
	57 012	1 018	81 183	27 590	1 255	168 058
Variable income securities						
Shares						
Domestic	-	-	-	-	82 424	82 424
Foreign	-	-	-	-	36 315	36 315
	-	-	-	-	118 739	118 739
	57 012	1 018	81 183	27 590	119 994	286 797

Securities pledged as collateral, recorded in financial assets at fair value through other comprehensive income, are presented as follows:

- The nominal value of the assets pledged as collateral to the European Central Bank in the scope of liquidity providing operations amounts, as at 31 December 2021, to Euro 67,877 thousand after haircut (31 December 2020: Euro 84,750 thousand), as described in note 34;
- As at 31 December 2020, the EIB loan obtained is collateralized by a set of Portuguese, Spanish, Greek, Dutch, French and German sovereign bonds with a nominal value of Euro 545,677 thousand as described in note 35.

These financial assets pledged as collateral can be executed in the event of non-compliance with contractual obligations assumed by the Group under the terms and conditions of the contracts celebrated.

25 Hedging derivatives

This caption is presented as follows:

(Euro thousand)

	2021	**2020**
Assets		
Interest rate swap	5 411	10 550
Currency rate swap	-	143
	5 411	10 693
Liabilities		
Interest rate swap	335	397
Net value	5 076	10 296

Banco Montepio contracted an interest rate swap to hedge its interest rate risk arising from a bond issued at fixed rate. The accounting method depends on the nature of the hedged risk, namely whether the Group is exposed to fair value changes, or whether it is hedging future transactions. The Group performs periodic effectiveness tests of the hedging relationships.

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

(Euro thousand)

	2021			
	By maturity date			
	Notional		Fair value	
	October 2022	Total	October 2022	Total
Fair value hedge derivative with interest rate risk:				
Interest rate swap	750 000	750 000	5 076	5 076
	750 000	750 000	5 076	5 076

(Euro thousand)

	2020			
	By maturity date			
	Notional		Fair value	
	October 2022	Total	October 2022	Total
Fair value hedge derivative with interest rate risk:				
Interest rate swap	750 000	750 000	10 153	10 153
Fair value hedge derivative with currency rate risk:				
Currency rate swap	27 830	27 830	143	143
	777 830	777 830	10 296	10 296

As at 31 December 2021 and 2020, the fair value hedging operation can be analysed as follows:

(Euro thousand)

	2021						
Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative (1)	Changes in fair value of derivative in the financial year	Fair value of hedged element(2)	Changes in fair value of hedged element in the financial year (2)
Interest rate swap	Debt securities issued	Interest rate	750 000	5 076	(5 077)	(3 099)	4 468
Currency rate swap	Shares	Currency	-	-	(143)	-	-
			750 000	5 076	(5 220)	(3 099)	4 468

(1) Includes accrued interest

(2) Attributable to hedged risk

(Euro thousand)

Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative [1]	Changes in fair value of derivative in the financial year	Fair value of hedged element[2]	Changes in fair value of hedged element in the financial year [2]
			2020				
Interest rate swap	Debt securities issued	Interest rate	750 000	10 153	(448)	(7 567)	1 657
Currency rate swap	Shares	Currency	27 830	143	143	-	-
			777 830	10 296	(305)	(7 567)	1 657

[1] Includes accrued interest
[2] Attributable to hedged risk

26 Other financial assets at amortized cost

This caption is presented as follows:

(Euro thousand)

	2021	2020
Fixed income securities		
Bonds issued by public entities	669 851	1 360 498
Domestic	2 339 750	1 011 084
Foreign	3 009 601	2 371 582
Impairment for other financial assets at amortized cost	(5 405)	(8 966)
	3 004 196	2 362 616

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 48.

The caption Other financial assets at amortized cost, as at 31 December 2021, can be analysed as follows:

(Euro thousand)

Securities	Issue date	Maturity date	Interest rate	Nominal value	Book value
OT 1.950% 15JUN2029	16 January 2019	15 June 2029	1.950%	143 500	163 696
OT 0.700% 15OCT2027	8 April 2020	15 October 2027	0.700%	25 000	25 919
OT 0.475% 18OCT2030	15 January 2020	18 October 2030	0.475%	210 000	213 381
OT 2.250% 18APR2034	18 April 2018	18 April 2034	2.250%	15 000	18 620
OT 0.900% 12OCT2035	8 July 2020	12 October 2035	0.900%	95 000	100 181
OT 3,875% 15-FEB-2030	10 September 2014	15 February2030	3.875%	105 000	139 515
OT 1.000% 12APR2052	-	12 April 2052	1.000%	7 500	7 512
BONOS 0,350% 30JUL2023	22 May 2018	30 July 2023	0.350%	166 000	165 837
ADIF 1.875% 28JAN2025	4 March 2015	28 January 2025	1.875%	15 200	16 143
BONOS 1.950% 30JUL2030	1 March 2017	30 July 2030	1.950%	85 000	98 114
BONOS 5.350% 30JUL2033	24 March 2015	30 July 2033	5.350%	65 000	80 512
BTP 1.650% 01MAR2032	1 August 2016	01 March 2032	1.650%	34 000	37 014
BTP 1,250% 01-DEC-2026	1 August 2018	01 December 2026	1.250%	70 000	73 376
BTP 2,800% 01DEC2028	17 September 2018	01 December 2028	2.800%	153 800	178 656
BTP 2,500% 15NOV2025	2 September 2019	15 November 2025	2.500%	33 000	35 994
BTP 1.350% 01APR2030	10 June 2020	01 April 2030	1.350%	82 000	86 993
BTP 1.650% 01DEC2030	16 July 2020	01 December 2030	1.650%	34 000	36 850
BTP 0.950% 15SEP2027	1 September 2020	15 September 2027	0.950%	105 000	108 768
BTP 0.500% 01FEB2026	1 October 2020	02 February 2026	0.500%	14 500	14 725
BTP 0.900% 01APR2031	11 November 2020	01 April 2031	0.900%	36 000	36 542
BONOS 0.500% 30APR2030	21 January 2020	30 April 2030	0.500%	105 000	107 993
BONOS 1,250% 31OCT2030	30 April 2020	31 October 2030	1.250%	80 000	86 910
BONOS 0.000% 31MAY2024	12 January 2021	31 May 2024	0.000%	250 000	252 207
BONOS 0.100% 30APR2031	20 January 2021	30 April 2031	0.100%	115 000	112 782
BONOS 0,500% 31OCT2031	29 June 2021	31 October 2031	0.500%	50 000	51 376
GREECE 3,750% 30JAN2028	5 December 2017	30 January 2028	3.750%	12 000	14 987
IRELAND 0,000% 18OCT2031	12 January 2021	18 October 2031	0.000%	103 000	101 804
BTP 0,250% 15MAR2028	18 January 2021	15 March 2028	0.250%	105 000	105 136
BTP 0.000% 15APR2024	15 March 2021	15 April 2024	0.000%	495 000	496 438
OT USD 7.5% 01Mar22	-	01 March 2022	7.500%	1 604	1 620
OT USD 7.5% Nov22	13 November 2017	13 November 2022	7.500%	2 673	2 659
OT ME 5% Dez2022	10 December 2015	10 December 2022	5.000%	13 852	13 451
OTME 3.7% 11/2023	25 November 2021	25 November 2023	3.700%	776	768
OTME 3.7% 2/12/2023	2 December 2021	02 December 2023	3.700%	953	942
OTME 3.7% 9/12/2023	9 December 2021	09 December 2023	3.700%	882	871
OTME 3.7% 16-12-2023	16 December 2021	16 December 2023	3.700%	812	801
OTME 3.7% 23-12-2023	23 December 2021	23 December 2023	3.700%	494	487
OTME 3.7% 30.12.2023	30 December 2021	30 December 2023	3.700%	459	452
OT MN 16.25% 02/2022	-	28 February 2022	16.250%	191	198
OTMN 15.75% 10/2022	16 April 2021	16 October 2022	15.750%	4 769	4 589
OT MN 15.75%11/22	12 May 2021	12 November	15.750%	3 180	3 010
BT_16/02/2022	-	16 February 2022	-	2 305	2 218
BT_10/10/2022	11 October 2021	10 October 2022	-	4 769	4 149
				2 847 219	**3 004 196**

The caption Other financial assets at amortized cost, as at 31 December 2020, can be analysed as follows:

(Euro thousand)

Securities	Issue date	Maturity date	Interest rate	Nominal value	Book value
OT 4,95% 25-OCT-2023	10 June 2008	25 October 2021	4,950%	188 000	211 802
OT APR21	23 February 2005	14 April 2021	3,850%	120 000	124 318
OT 2,200% 17-OCT-2022	9 September 2015	17 October 2022	2,200%	212 500	220 012
OT 5.65% 15-FEV-2024	14 May 2013	15 February 2024	5,650%	109 500	132 714
OT 1.950% 15JUN2029	16 January 2019	15 June 2029	1,950%	143 500	166 120
OT 0.700% 15OCT2027	8 April 2020	15 October 2027	0,700%	25 000	26 060
OT 0.475% 18OCT2030	15 January 2020	18 October 2030	0,475%	210 000	213 639
OT 2.250% 18APR2034	18 April 2018	18 April 2034	2,250%	15 000	18 885
OT 0.900% 12OCT2035	8 July 2020	12 October 2035	0,900%	95 000	100 712
OT 3,875% 15-FEB-2030	10 September 2014	15 February 2030	3,875%	105 000	143 261
BONOS 0,750% 30JUL2021	8 March 2016	30 July 2021	0,750%	35 000	35 219
BONOS 0,350% 30JUL2023	22 May 2018	30 July 2023	0,350%	166 000	165 727
BOTS ZERO COUPON 14APR2021	14 April 2020	14 April 2021	-	25 000	24 927
BOTS ZERO COUPON 14MAY2021	14 May 2020	14 May 2021	-	45 000	44 871
BOTS ZERO COUPON 14JUN2021	12 June 2020	14 June 2021	-	104 000	103 842
ADIF 1.875% 28JAN2025	4 March 2015	28 January 2025	1,875%	15 200	16 366
BONOS 1.950% 30JUL2030	1 March 2017	30 July 2030	1,950%	20 000	23 665
BONOS 5.350% 30JUL2033	14 March 2015	30 July 2033	5,350%	65 000	81 812
BTP 1.650% 01MAR2032	1 August 2016	1 March 2032	1,650%	34 000	37 286
BTP 1,250% 01-DEC-2026	1 August 2018	1 December 2026	1,250%	70 000	74 049
BTP 2,800% 01DEC2028	17 September 2018	1 December 2028	2,800%	53 800	63 566
BTP 2,500% 15NOV2025	2 September 2019	15 November 2025	2,500%	33 000	36 743
BTP 1.350% 01APR2030	10 June 2020	1 April 2030	1,350%	82 000	87 553
BTP 1.650% 01DEC2030	16 July 2020	1 December 2030	1,650%	34 000	37 159
BTP 0.950% 15SEP2027	1 September 2020	15 September 2027	0,950%	60 000	62 296
BTP 0.500% 01FEB2026	1 October 2020	2 February 2026	0,500%	14 500	14 774
BTP 0.900% 01APR2031	11 November 2020	1 April 2031	0,900%	36 000	36 587
OT USD 7.75% Mai2021	-	25 May 2021	7,750%	3 697	3 416
OT USD 7.75% 01Nov21	-	1 November 2021	7,750%	2 465	2 289
OT USD 7.75% 02Ago21	-	2 August 2021	7,750%	2 465	2 336
OT USD 7.75% 11Out21	-	11 October 2021	7,750%	2 465	2 300
OT USD 7.75% 04Out21	-	4 October 2021	7,750%	2 465	2 304
OT USD 7.75% 10Mai21	-	10 May 2021	7,750%	1 232	1 142
OT USD 7.75% 25Out21	-	25 October 2021	7,750%	2 465	2 293
OT USD 7.75% 27Set21	-	27 September 2021	7,750%	2 465	2 308
OT USD 7.75% 18Out21	-	18 October 2021	7,750%	2 465	2 296
OT USD 7.75% 19Abr21	-	19 April 2021	7,750%	2 465	2 296
OT USD 7.75% 29Nov21	-	29 November 2021	7,750%	6 632	6 118
OT USD 7.75% 19Jul21	-	19 July 2021	7,750%	2 465	2 342
OT USD 7.75% 08Nov21	-	8 November 2021	7,750%	2 465	2 285
OT USD 7.5% 01Mar22	-	1 March 2022	7,500%	1 479	1 392
OT USD 7.5% Nov22	-	13 November 2022	7,500%	2 465	2 282
OT ME 5% Dez2022	-	10 December 2022	5,000%	12 887	11 940
OT MN 16% 10/2021	-	4 October 2021	16,000%	109	91
OT MN 16.25% 02/2022	-	28 February 2022	16,250%	150	128
Bilhete do Tesouro	-	4 March 2021	-	2 254	2 192
Bilhete do Tesouro	-	22 February 2021	-	1 503	1 467
Bilhete do Tesouro	-	8 March 2021	-	2 623	2 543
Bilhete do Tesouro	-	29 March 2021	-	656	629
Bilhete do Tesouro	-	30 March 2021	-	2 361	2 262
				2 178 698	**2 362 616**

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 c). As at 31 December 2021, the loan obtained from the EIB is collateralized by Portuguese, Italian, Greek, Irish and Spanish sovereign bonds with a nominal value of Euro 537,614 thousand (31 December 2020: Euro 120,000 thousand by Portuguese and Spanish sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 35.

As at 31 December 2021, the nominal value of the assets pledged as collateral to the European Central Bank under liquidity-providing operations amounts to Euro 3,778,298 thousand (31 December 2020: Euro 1,991,814 thousand) after applying a haircut, as described in note 34.

Securities pledged as collateral to the Portuguese Securities Market Commission ("CMVM") within the scope of the Investors' Compensation System, recorded under Other financial assets at amortized cost, have a nominal value of Euro 1,000 thousand, as at 31 December 2021 and 2020.

The nominal value of the securities given in guarantee to the Deposits' Guarantee Fund amounted to Euro 24,000 thousand (31 December 2020: Euro 23,000 thousand) as per note 47.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	8 966	3 135
Charge for the year net of reversals	(735)	4 082
Utilization and exchange rate differences	(2 826)	-
Others	-	1 749
Closing balance	5 405	8 966

27 Investments in associated companies

This caption is presented as follows:

(Euro thousand)

	2021	2020
HTA - Hotés, Turismo e Animação dos Açores, S.A.	3 278	3 198
Montepio - Gestão de Activos Imobiliários, A.C.E.	674	674
Naviser - Transportes Marítimos Internacionais, S.A.	-	150
	3 952	4 022
Impairment of investments in associated companies	-	(150)
	3 952	3 872

The associates included in the Group's consolidation perimeter are listed in note 58. The financial information of the associates is presented in the following tables:

(Euro thousand)

	Assets	Liabilities	Equity	Income	Netf profit/ (loss)	Acquisition cost
31 December 2021						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	37 455	21 061	16 394	7 989	14	3 278
Montepio Gestão de Activos Imobiliários, A.C.E.	3 613	1 163	2 450	-	-	674
CESource, ACE	-	-	-	-	-	-
31 December 2020						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	35 646	19 653	15 993	3 755	(3 309)	3 198
Montepio Gestão de Activos Imobiliários, A.C.E.	3 640	1 190	2 450		-	674
CESource, A.C.E.	-	-	-	-	-	-

(Euro thousand)

	Percentage held		Book value		Profit / Loss	
	2021	2020	2021	2020	2021	2020
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20,0%	20,0%	3 278	3 198	3	(662)
Montepio Gestão de Activos Imobiliários, A.C.E.	27,5%	29,0%	674	674	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20,0%	20,0%	-	-	-	-
Cesource, A.C.E.	18,0%	18,0%	-	-	-	-

The decrease in the shareholding in Montepio Gestão de Activos Imobiliários, A.C.E. resulted from the disposal of Montepio Valor, S.G.O.I.C, S.A. to Montepio Geral Associação Mutualista on 30 December 2021.

The movement in this caption is analysed as follows:

	(Euro thousand)	
	2021	**2020**
Opening balance	3 872	4 439
Acquisitions	-	12
Share profit of associated companies	3	(662)
Other reserves and retained earnings	77	120
Transfers associated with discontinuing operations	-	(37)
Closing balance	3 952	3 872

The Group analyses, on a regular basis, the impairment related to its investments in associates.

In the 1st half of 2020, there was a transfer of a shareholding from Montepio Imóveis – Sociedade Imobiliária, S.A. to Ssagincentive of 0.5% of Montepio – Gestão de Activos Imobiliários, ACE, in the amount of Euro 12 thousand.

During 2021, NAVISER - Transportes Marítimos Internacionais, S.A. was dissolved and liquidated.

28 Non-current assets held for sale

As at 31 December 2021 and 2020, this caption was analysed as follows:

	(Euro thousand)	
	2021	**2020**
Properties and other assets resulting from the resolution of customer loan agreements	38 920	5 573
Impairment for non-current assets held for sale	(58)	(89)
	38 862	5 484

The assets included in this caption are accounted for in accordance with the accounting policy described in note 1 h). note 59 presents additional information on Non-current assets held for sale.

The resolution of loans and advances to customers' agreements results from (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or with the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the Customer in the Group's name; or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

The Group has implemented a plan aimed at the immediate sale of the non-current assets held for sale. According to the Group's expectation, it is intended that these assets be available for sale in a period under 1 year and that there is a strategy for their sale. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period.

On 29 December 2021, the Bank signed a promissory contract for the purchase and sale of a set of non-performing loans ("NPLs") with guarantee (Secured tranche) and a set of properties received in recovery of credit, including price deposits. Although the conditions set out in IFRS 9 to ensure their derecognition from the balance sheet as at 31 December 2021 were not met, it was determined, however, that the conditions set out in IFRS 5 for their transfer to Non-current assets held for sale were met given that the sale of the operation is expected to occur in the short term.

The global gross value and the impairment losses of the assets included in the Gerês Secured operation are detailed as follows:

(Euro thousand)

	Loans and advances on balance	Price deposits	Property received in deed	Financial assets at fair value through profit or loss	Total
Gross value	82 336	1 314	1 613	114	85 377
Impairment	(45 568)	(904)	(69)	-	(46 541)
Net value	36 768	410	1 544	114	38 836

The movements occurring in non-current assets held for sale as at 31 December 2021 and in financial year 2020 are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	5 573	2 021
Acquisitions	-	4 317
Disposals	(5 489)	(765)
Transfers	38 836	-
Closing balance	38 920	5 573

The movements in impairment of non-current assets held for sale is analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	89	106
Charge for the year	75	170
Reversal for the year	(107)	(151)
Utilization and others	1	(36)
Closing balance	58	89

29 Investment properties

The caption Investment properties includes the real estate owned by “Valor Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional”, by “Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular”, by “Portugal Estates Fund – Fundos de Investimento Imobiliário Fechado de Subscrição Particular” and by “Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto”, all of which are consolidated by the full consolidation method, according to the accounting policy described in note 1 b) and also the real estate held by SSAGINCENTIVE – Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.

As at 31 December 2021, the amount of rental income received related to investment properties totalled Euro 1,416 thousand (31 December 2020: Euro 1,637 thousand) and maintenance costs of leased and non-leased properties totalled Euro 3,567 thousand (31 December 2020: Euro 2,887 thousand).

The movements in this caption are analysed as follows:

	2021	2020
	(Euro thousand)	
Opening balance	125 893	144 868
Acquisitions	229	1 451
Revaluations	(570)	2 771
Disposals	(18 158)	(22 568)
Transfers	(4 461)	(629)
Closing balance	102 933	125 893

Note 54 presents additional information on Investment properties.

30 Other tangible assets

This caption is presented as follows:

	2021	2020
	(Euro thousand)	
Investments		
Real estate		
For own use	193 034	226 454
Leasehold improvements in rented buildings	29 202	29 655
Equipment		
IT equipment	88 893	96 862
Fixtures	31 425	34 210
Furniture	18 467	19 201
Security equipment	4 411	7 861
Machinery and tools	2 937	2 930
Transportation equipment	2 218	2 135
Other equipment	5	5
Works of art	2 870	2 870
Assets in operating leases	58	74
Righ-of-use assets		
Real estate	23 852	34 787
Motor vehicles	12 589	7 161
Other tangible assets	16 555	14 520
Work in progress	10 583	8 468
	437 099	487 193
Accumulated depreciation		
Charge for the year	(16 793)	(19 060)
Accumulated charge in previous years	(187 813)	(196 712)
	(204 606)	(215 772)
Impairment for other tangible assets	(883)	(12 259)
	231 610	259 162

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in accounting policy 1 i).

The movements in the caption Other tangible assets, during financial year 2021, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	226 454	1 609	90	(34 939)	193 034
Leasehold improvements in rented buil	29 655	97	550	-	29 202
Equipment					
IT equipment	96 862	3 175	11 149	5	88 893
Fixtures	34 210	74	3 919	1 060	31 425
Furniture	19 201	48	782	-	18 467
Security equipment	7 861	35	3 485	-	4 411
Machinery and tools	2 930	14	7	-	2 937
Transportation equipment	2 135	955	872	-	2 218
Other equipment	5	-	-	-	5
Works of art	2 870	-	-	-	2 870
Assets in operating leases	74	-	16	-	58
Righ-of-use assets					
Real estate	34 787	471	10 751	(655)	23 852
Motor vehicles	7 161	5 804	385	9	12 589
Other tangible assets	14 520	3 305	1 305	35	16 555
Work in progress	8 468	3 216	-	(1 101)	10 583
	487 193	18 803	33 311	(35 586)	437 099
Accumulated depreciation					
Real estate					
For own use	24 412	3 662	3	(3 457)	24 614
Leasehold improvements in rented buil	27 628	595	486	(87)	27 650
Equipment					
IT equipment	92 900	2 747	11 150	75	84 572
Fixtures	23 114	1 691	3 774	7	21 038
Furniture	18 528	261	782	36	18 043
Security equipment	7 907	145	3 485	150	4 717
Machinery and tools	2 757	55	7	10	2 815
Transportation equipment	991	230	314	101	1 008
Other equipment	7	-	-	-	7
Assets in operating leases	74	-	16	-	58
Righ-of-use assets					-
Real estate	12 718	5 639	2 740	(351)	15 266
Motor vehicles	2 651	1 760	385	1	4 027
Other tangible assets	2 085	8	1 304	2	791
	215 772	16 793	24 446	(3 513)	204 606
Impairment of other tangible assets	(12 259)				(883)
	259 162				231 610

The movements in the caption Other tangible assets, during financial year 2020, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	222 572	3 938	56	-	226 454
Leasehold improvements in rented buil	40 944	230	-	(11 519)	29 655
Equipment					
IT equipment	96 488	1 299	658	(267)	96 862
Fixtures	32 687	84	-	1 439	34 210
Furniture	19 687	106	283	(309)	19 201
Security equipment	7 822	108	-	(69)	7 861
Machinery and tools	2 968	15	5	(48)	2 930
Transportation equipment	2 177	957	804	(195)	2 135
Other equipment	5	-	-	-	5
Works of art	2 870	-	-	-	2 870
Assets in operating leases	109	-	35	-	74
Righ-of-use assets					
Real estate	28 038	8 270	1 547	26	34 787
Motor vehicles	240	7 083	157	(5)	7 161
Other tangible assets	20 478	1 128	-	(7 086)	14 520
Work in progress	12 623	-	-	(4 155)	8 468
	489 708	23 218	3 545	(22 188)	487 193
Accumulated depreciation					
Real estate					
For own use	26 704	4 356	6 648	-	24 412
Leasehold improvements in rented buil	27 071	707	131	(19)	27 628
Equipment					
IT equipment	90 658	3 209	967	-	92 900
Fixtures	21 602	1 622	110	-	23 114
Furniture	18 783	260	515	-	18 528
Security equipment	7 868	163	124	-	7 907
Machinery and tools	2 732	61	36	-	2 757
Transportation equipment	1 436	179	624	-	991
Other equipment	7	-	-	-	7
Assets in operating leases	109	-	35	-	74
Righ-of-use assets					-
Real estate	7 275	6 820	1 476	99	12 718
Motor vehicles	78	1 678	157	1 052	2 651
Other tangible assets	2 090	5	12	2	2 085
	206 413	19 060	10 835	1 134	215 772
Impairment of other tangible assets	(469)				(12 259)
	282 826				259 162

The movements in impairment of Other tangible assets are analysed as follows:

(Euro thousand)	2021	2020
Opening balance	12 259	469
Charge for the year	5 912	11 941
Reversals for the year	(269)	-
Utilization and others	85	(151)
Transfers	(17 104)	-
Closing balance	883	12 259

In 2021, a reinforcement of impairment was made in Euro 5,912 thousand (2020: Euro 1,941 thousand) related to branches closed and to parking areas and offices (above ground floor), as referred in note 15.

The caption Transfers relates to branches closed that were transferred to Other assets – Assets received in recovery of credit, as described in note 33.

31 Intangible assets

This caption is presented as follows:

(Euro thousand)	2021	2020
Investment		
Software	175 730	156 460
Other intangible assets	3 146	3 109
Work in progress	7 326	3 690
	186 202	163 259
Accumulated depreciation		
Charge for the year	(18 499)	(16 058)
Accumulated charge in previous years	(127 553)	(111 372)
	(146 052)	(127 430)
	40 150	35 829

The movements in the caption Intangible assets, during financial year 2021, are analysed as follows:

(Euro thousand)

2021	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	156 460		-	19 270	175 730
Other intangible assets	3 109	-	-	37	3 146
Work in progress	3 690	21 935	-	(18 299)	7 326
	163 259	21 935	-	1 008	186 202
Accumulated depreciation					
Software	126 919	18 193	-	123	145 235
Other intangible assets	511	306	-	-	817
	127 430	18 499	-	123	146 052
	35 829				40 150

The movements in the caption Intangible assets, during financial year 2020, are analysed as follows:

(Euro thousand)

	2020				
	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Cost					
Software	139 377	249	118	16 952	156 460
Other intangible assets	2 445	-	-	664	3 109
Work in progress	4 749	17 104		(18 163)	3 690
	146 571	17 353	118	(547)	163 259
Accumulated depreciation					
Software	111 582	15 748	410	(1)	126 919
Other intangible assets	204	310	-	(3)	511
	111 786	16 058	410	(4)	127 430
	34 785				35 829

32 Taxes

Deferred tax assets and liabilities, as at 31 December 2021 and 2020, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Deferred taxes not dependent on future profitability						
Impairment on loans granted	42 625	44 095	-	-	42 625	44 095
Post-employment and long-term benefits	22 746	22 815	-	-	22 746	22 815
Tax credit 2020	(4 319)	-	-	-	(4 319)	-
	61 052	66 910	-	-	61 052	66 910
Deferred taxes dependent on future profitability						
Financial instruments	9 127	5 119	(10 045)	(9 652)	(918)	(4 533)
Other tangible assets	-	-	(44)	(7)	(44)	(7)
Provisions / Impairment						
Impairment on loans granted	119 213	168 077	-	-	119 213	168 077
Other risks and charges	3 521	9 292	-	-	3 521	9 292
Impairment in securities and non-financial assets	5 833	3 653	-	-	5 833	3 653
Impairment in financial assets	4 469	1 788	-	-	4 469	1 788
Post-employment and long-term benefits	48 945	48 798	-	-	48 945	48 798
Other	3 456	1 485			3 456	1 485
Taxes losses carried forward	214 344	200 760	-	-	214 344	200 760
Net deferred tax assets/ (liabilities)	469 960	505 882	(10 089)	(9 659)	459 871	496 223

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the Special Regime Applicable to Deferred Tax Assets ("REAID"), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to the part of the costs and negative equity changes associated with same. In accordance with Law no. 23/2016, of 19 August, the REAID is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment and long-term employment benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. The recovery of deferred tax assets covered by the regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred State rights by the shareholders. According to this legislation, those rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State's name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Bearing in mind that Banco Montepio recorded a net accounting loss in 2020, and following the approval of the annual accounts by the corporate bodies and the application of said REAID, in financial year 2021 there was a conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits; and a special reserve corresponding to 110% of its amount was constituted for this purpose (see note 44).

In this sense, under the terms of article 8 of the annex to Law no. 61/2014, of 26 August, Banco Montepio set up, in financial year 2021, a special reserve in the amount of Euro 4,750 thousand, to which corresponds a tax credit of Euro 4,319 thousand, and which, as at 31 December 2021, is an integral part of the total current tax assets. These amounts may be changed in the context of the certification that the Tax and Customs Authority will carry out.

Deferred taxes are determined using tax rates that are expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved/known at the balance sheet date.

The referred caption also includes, as at 31 December 2021, the amount of Euro 2,317 thousand (31 December 2020: Euro 2,468 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of the Banco Montepio Group).

As at 31 December 2021, deferred taxes associated with Post-employment and long-term employee benefits include the amount of Euro 30,099 thousand (31 December 2020: Euro 31,479 thousand) related to employee benefits in excess of the existing limits.

In financial years 2021 and 2020, and in function of (i) the tax rates in force, (ii) the expectation of the conversion into tax-accepted costs and profits, and (iii) the prospects of tax profits or tax losses in each one of the subsequent periods, the rate (considering the base rate and the surcharges) used by Banco

Montepio to calculate deferred taxes, depending on the specific cases associated with timing differences or tax loss carry-forwards, corresponds, respectively, to 30.5% and 21.0%.

Analysis of the recoverability of deferred tax assets

Deferred tax assets related to losses carried forward are recognized only if the existence of future taxable income is probable, for which reason the uncertainty associated with the recoverability of the tax losses carried forward is considered in the calculation of deferred tax assets.

As referred in the accounting policy described in note 1 t), and in accordance with the requirements defined in IAS 12, the deferred tax assets recognized in Banco Montepio's financial statements have an underlying high expectation of recoverability. The assessment of the recoverability of deferred tax assets is based on the business plan used to draw up the budget and considers the expectations regarding the impacts of the pandemic at the level of the financial markets, economic activity, and the evolution of credit risk levels.

The recovery of the profitability, liquidity and capital levels of the Banco Montepio Group, is sought from four strategic focuses, having as the first condition the sustainability of the capital position, the growth in strategic business areas, with lower capital consumption and lower risk, the improvement of the efficiency and profitability, with a focus on cost control, and the simplification of the organizational structure and processes.

In this context, the prospects of sustainable improvements in the profitability levels derive from the following principles:

- Reduction of operating costs, eliminating redundancies, taking advantage of synergies, and simplifying the organizational structure.
- Increase in the commercial network business with growth in credit portfolios with less risk and less capital consumption, based on an appropriate management of return on capital, exploring the potential for growth in the complementary margin in cross-selling and new business areas, and leveraging the potential of the Customer base of the Banco Montepio Group, benefiting from the unique positioning of an almost bicentennial and mutualistic institution.
- The strategy outlined reflects a favourable effect at the level of net interest income, as well as of commissions, the latter evidencing the impacts of the management of the price list to adjust same to Banco Montepio Group's value proposal for each segment, defined in function of its life cycle and financial profile, as well as in terms of the growth of its "first bank" quota, leading to the progressive increase of the Customer base with a greater transactionality and level of commitment.
- Funding cost management, considering the adequacy of the liquidity position and sources of financing vis-à-vis market conditions. The increase in the deposits' portfolio reflects the objective of strengthening customer resources as the main source of financing for the activity, together with the gradual reduction in the cost of deposits, namely through the mix between demand and time deposits.
- Deleveraging in non-strategic assets with the objective of enhancing the profitability of the assets, either through the sustained decline in non-performing credit based on the improvement of credit recovery processes and the sale of portfolios, or through the reduction of properties held for trading.
- Positive evolution of the loan portfolio's risk profile in the new origination component, due to the change in the credit granting policy, as well as the growth strategy focus on business segments with

lower risk, with favourable impacts in terms of the cost of the prospective risk and the return on the allocated capital.

- Improvement in efficiency and in the cost-to-income ratio, supported essentially by the reduction of operating costs, based on the rationalization and implementation of a set of measures outlined by the Board of Directors, as well as by the effect of the growth in the core banking product.

Following this assessment, and with reference to 31 December 2021 and 2020, the Banco Montepio Group recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax grown at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry date	2021	2020
2026	11 239	13 106
2029	46 542	44 439
2030	127 998	128 830
2032	15 629	14 385
2033	12 936	-
	214 344	200 760

The expiry years indicated above reflect that stipulated in the Supplementary State Budget for 2020 (Law no. 27-A/2020, of 24 July), under which the tax losses assessed in the tax periods of 2020 and 2021 are now deductible in one or more of the 12 subsequent tax periods (instead of the carry-forward period of 5 tax periods) and, for the same tax periods 2020 and 2021, the deduction of tax losses carried forward may amount to 80% of the taxable income (previously the limit was 70%). In addition, the counting of the period to deduct tax losses carried forward until tax period 2019, inclusive, is suspended during the tax periods of 2020 and 2021.

Tax recognized in net income/(loss) and in reserves during financial years 2021 and 2020 originated as follows:

(Euro thousand)

	2021		2020	
	Recognized in net income/ (loss)	Recognized to reserves and retained earnings	Recognized in net income/ (loss)	Recognized to reserves and retained earnings
Financial instruments	172	93	10 973	6 892
Impairment / Provisions	(45 637)	-	(1 582)	-
Post-employment and long-term benefits	5 734	(5 533)	5 763	8 875
Tax losses carried forward	18 777	-	29 094	-
Other	(161)	-	(207)	-
Deferred taxes/ recognized as profit/ (losses)	(21 115)	(5 440)	44 041	15 767
Current taxes	(4 144)	-	(1 791)	-
	(25 259)	(5 440)	42 250	15 767

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

(Euro thousand)

	2021		2020	
	%	Value	%	Value
Profit/ (Loss) before income tax		34 419		(119 112)
Income tax based on the current nominal tax rate	(21.0)	(7 228)	(21.0)	25 014
Capital gains and losses for tax purposes	(0.4)	(135)	-	-
Banking sector extraordinary contribution	(6.5)	(2 249)	1.9	(2 269)
Post-employement benefits and Pension Fund	(0.0)	(8)	1.8	(2 102)
Taxable provisions/impairment	(15.8)	(5 435)	8.3	(9 895)
Autonomous taxation	(1.6)	(561)	0.7	(839)
Fair value of financial assets	-	-	(10.1)	11 992
Corrections to previous year	1.0	344	(2.3)	2 752
Effect of differences in income tax for the year	(42.9)	(14 761)	(0.8)	920
Deductions / (add-backs) for taxable income purposes (*)	(1.4)	(495)	(12.3)	14 709
Others	15.3	5 269	(1.7)	1 968
Income tax for the year	(73.4)	(25 259)	(35.5)	42 250

(*) Corresponds to the losses determined by investment funds included in the perimeter and other consolidation adjustments.

Law no. 98/2019, of 4 September, amends the rules applicable to impairment losses recognized as at 1 January 2019, as well as impairment losses recorded in tax periods beginning before 1 January 2019 and not yet accepted for tax purposes. The new regime includes a maximum adjustment period of 5 years, i.e., until 31 December 2023.

Banco Montepio has not opted for the application of the new tax regime on impairment, for which reason, for the current and deferred tax assessment as at 31 December 2021 and 2020, it estimated its taxes based on the regime that was in force until 31 December 2018. The entity Montepio Crédito adopted the new tax regime for impairment.

The Tax Authority can review Banco Montepio's taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the relevant period is the period of the exercise of that right.

The Banco Montepio Group was subject to inspections by the Tax Authority under the Special Taxation Regime of Groups of Companies ("RETGS"), up to and including the 2018 tax period, with the inspection of the 2019 tax period being currently underway.

In 2018, Banco Montepio became the dominant company of the Tax Group subject to corporate income tax under the RETGS, which former dominant company was Montepio Holding, S.G.P.S., S.A.

In this context, the Group considers that the effects of the calculation of the taxable income according to RETGS are reflected in the amount of the current tax of the period of each entity, including the effect on the calculation of the current tax of the period arising from the use of tax losses generated by another entity of the Group.

The caption Current tax assets, in the amount of Euro 6,714 thousand (31 December 2020: Euro 3,584 thousand) relates, essentially, to IRC recoverable, additional payments on account, special payments on account and payments on account.

33 Other assets

This caption is presented as follows:

		(Euro thousand)
	2021	**2020**
Assets received in recovery of credit	603 714	694 438
Post-employment benefits	9 776	-
Other debtors	39 323	39 723
Sundry debtors	37 410	14 820
Price deposits	11 492	11 473
Bonifications to be received from the Portuguese State	10 521	8 054
Deferred costs	4 374	4 796
Other amounts receivable	2 809	3 443
	719 419	776 747
Impairment for other assets	(166 843)	(161 635)
	552 576	615 112

The caption Assets received in recovery of credit is presented as follows:

		(Euro thousand)
	2021	**2020**
Assets received in recovery of credit	603 714	694 438
Impairment for Assets received in recovery of credit	(140 124)	(132 536)
	463 590	561 902

The assets included in the caption Assets received in recovery of credit are accounted for in accordance with the accounting policy described in note 1 h).

As at 31 December 2021, the caption Assets received in recovery of credit includes the amount of Euro 1,675 thousand (31 December 2020: Euro 1,745 thousand) related to equipment resulting from the resolution of loans and advances to customers' contracts and which are fully impaired.

The resolution of loans and advances to customers' contracts results from (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the Customer in the Group's name; or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

The Group has implemented a plan aimed at the immediate sale of the assets received in recovery of credit. According to the Group's expectation, it is intended that these assets be sold in under one year and that there is a strategy to this end. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period. The referred caption includes, as at 31 December 2021, properties for which promissory contracts to buy and sell, in the amount of Euro 29,531 thousand (31 December 2020: Euro 28,659 thousand), have already been celebrated.

The movements in financial years 2021 and 2020 in Assets received in recovery of credit are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	694 438	740 584
Acquisitions	28 380	24 950
Disposals	(145 866)	(71 212)
Other movements	(3 107)	116
Transfers	29 869	-
Closing balance	603 714	694 438

The movement in impairment of Assets received in recovery of credit are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	132 536	128 100
Charge for the year	26 596	9 098
Reversals for the year	(910)	(1 652)
Utilization and others	(35 133)	(3 010)
Transfers	17 035	-
Closing balance	140 124	132 536

The caption Transfers refers to branches closed that were transferred to Other tangible assets as described in note 30.

The caption Post-employment and long-term benefits corresponds to the net value of assets and liabilities of the Pension Fund.

As at 31 December 2021 and 2020, the caption Other debtors is analysed as follows:

(Euro thousand)

	2021	2020
Supplementary capital contributions	14 910	14 910
Other	24 413	24 813
	39 323	39 723

The caption Supplementary capital contributions considers the value of supplementary capital contributions subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, loans which are fully provided against as at 31 December 2021 and 2020.

The caption Other includes the amounts outstanding related to factoring and confirming operations, advances to suppliers and other debtors.

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, determined in accordance with the legal provisions applicable to low-interest loans. These amounts do not bear interest and are claimed monthly.

In financial years 2021 and 2020, the caption Recoverable grants receivable from the Portuguese State are presented as follows:

		(Euro thousand)
	2021	**2020**
Bonifications overdue and not yet claimed	2 061	2 486
Bonifications claimed from State not yet settled	7 909	5 033
Bonifications processed and not yet claimed	551	535
	10 521	8 054

The movements in the impairment of Other assets are analysed as follows:

		(Euro thousand)
	2021	**2020**
Opening balance	29 099	28 997
Charge for the year	3 325	3 118
Reversals for the year	(3 608)	(3 067)
Utilization	(1 193)	-
Others	(904)	51
Closing balance	26 719	29 099

As at 31 December 2021, the impairment of Other assets includes the exposures of Supplementary capital contributions (Euro 14,910 thousand), Price deposits (Euro 5,004 thousand) and Other debtors (Euro 6,805 thousand).

The expectations regarding receipts associated with price deposits are regularly evaluated by the Credit Recovery Department, considering, namely, the status of each process and the information known/made available by the insolvency administrators. Consequently, the estimate of impairment associated with these price deposits is adjusted whenever necessary.

34 Deposits from central banks

As at 31 December 2021 and 2020, this caption includes deposits obtained from the European System of Central Banks, which are collateralized by the pledge of securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 24 and 26.

For the financing lines under the TLTRO III facility, the effective interest rate used in financial years 2021 and 2020 considers the interest rates applicable to each operation in the elapsed period and the Bank's estimate as to the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. This procedure implies the periodization of the interest rate of each of the TLTRO III operations by tranches.

As at 31 December 2021, these funds consist of six operations with maturities in March 2023, in the amount of Euro 280,375 thousand, in June 2023, in the amount of Euro 887,344 thousand, in September 2023, in the amount of Euro 187,367 thousand, in December 2023, in the amount of Euro 9,938 thousand, in March 2021, in the amount of Euro 1,482,157 thousand and in December 2024, in the amount of Euro 54,822 thousand.

The analysis of the caption Deposits from central banks for the remaining period, as at 31 December 2021 and 2020, is presented as follows:

(Euro thousand)

	2021	2020
More than 6 months	2 902 003	1 382 545
	2 902 003	1 382 545

The operations are remunerated at the Banco de Portugal rates in force as at the contract date.

35 Deposits from other credit institutions

This caption is presented as follows:

(Euro thousand)

	2021			2020		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions						
Deposits repayable on demand	34 620	-	34 620	22 170	-	22 170
Term deposits	-	-	-	-	9 207	9 207
	34 620	-	34 620	22 170	9 207	31 377
Deposits from credit institutions abroad						
EIB loan	-	300 007	300 007	-	650 819	650 819
Deposits repayable on demand	24 521	-	24 521	18 781	-	18 781
Term deposits	-	-	-	-	-	-
Sales operations with repurchase agreement	-	190 741	190 741	-	109 712	109 712
Other deposits	5 523	-	5 523	9 949	-	9 949
	30 044	490 748	520 792	28 730	760 531	789 261
	64 664	490 748	555 412	50 900	769 738	820 638

The EIB loan, in the amount of Euro 300,000 thousand, has as its main objective the financing of SMEs, has a term of twelve years, a grace period of four years and constant amortizations and a rate of 0.019%.

The analysis of the caption Deposits from other credit institutions for the remaining period of the operations, is presented as follows:

(Euro thousand)

	2021	2020
Up to 3 months	253 405	40 953
3 to 6 months	-	114 416
6 months to 1 year	-	4 502
1 to 5 years	-	350 812
More than 5 years	300 007	300 007
Undetermined	2 000	9 948
	555 412	820 638

The amount of the EIB loan is collateralized by Portuguese, Spanish, and Italian sovereign bonds in the nominal amount of Euro 537,614 thousand (31 December 2020: Euro 666,677 thousand by Portuguese, Greek, Spanish, Dutch and Italian sovereign bonds), recorded in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income and Other financial assets at amortized cost, as described in notes 22, 24 and 26, respectively.

36 Deposits from customers

This caption is presented as follows:

(Euro thousand)

	2021			2020		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	6 407 275	55	6 407 330	5 163 440	48	5 163 488
Term deposits	-	6 224 784	6 224 784	-	6 892 642	6 892 642
Saving accounts	-	134 123	134 123	-	127 809	127 809
Other deposits	20 496	-	20 496	318 034	-	318 034
Adjustments from operation at fair value options	153	-	153	-	-	-
	6 427 924	6 358 962	12 786 886	5 481 474	7 020 499	12 501 973

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee, under certain conditions, the reimbursement of funds deposited at credit institutions authorized to receive deposits. The criteria to calculate the annual contributions to the referred Fund are defined in Banco de Portugal Notice no. 11/94, of 29 December.

The analysis of the caption Deposits from customers for the remaining period of the operations, is presented as follows:

(Euro thousand)

	2021	2020
Deposits repayable on demand	6 407 330	5 163 488
Term deposits and saving accounts		
Up to 3 months	1 463 925	1 719 960
3 to 6 months	1 105 137	1 237 465
6 months to 1 year	1 354 223	1 852 201
1 to 5 years	2 408 971	2 184 167
More than 5 years	26 651	26 658
	12 766 237	12 183 939
Other deposits		
Up to 3 months	20 496	318 034
Adjustments from operations at fair value options	153	-
	12 786 886	12 501 973

In 2021, deposits from customers were remunerated at the average rate of 0.08% (2020: 0.16%).

37 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

(Euro thousand)

	2021	2020
Cash bonds	-	3 123
Covered bonds	1 215 119	1 218 375
Securitizations	402 006	77 690
	1 617 125	1 299 188

The fair value of the debt securities issued is presented in note 48.

The caption Debt securities issued included, as at 31 December 2020, issues of cash bonds recognized at fair value through profit or loss, in the amount of Euro 3,123 thousand, in accordance with internal valuation techniques and considering, mainly, observable market data. According to the hierarchy of valuation sources, as laid down in IFRS 13, these instruments are categorized in Level 2.

The financial liabilities at fair value through profit or loss included in this caption are revalued in accordance with the accounting policy presented in note 1 c), with a gain having been recognized in 2021 in the amount of Euro 39 thousand (2020: gain of Euro 173 thousand).

The periods to maturity of the caption Debt securities issued, as at 31 December 2021 and 2020, is as follows:

(Euro thousand)

	2021	2020
Up to 6 months	-	3 103
6 months to 1 year	751 405	1 423
1 to 5 years	460 615	1 209 386
More than 5 years	402 006	77 690
	1 614 026	1 291 602
Adjustments from operations at fair value option	3 099	7 586
	1 617 125	1 299 188

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, the Group has issues in circulation in a total amount of Euro 2,300,000 thousand, at nominal value, as at 31 December 2021 and 2020.

As at 31 December 2021, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousands)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 6S	300 000	300 101	-	November 2016	November 2023	quarterly	Euribor 3M + 0,80%	A1/AA-/BBBh
Covered bonds - 8S	500 000	500 062	-	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	A1/AA-/BBBh
Covered bonds - 9S	250 000	250 077	-	May 2017	May 2024	quarterly	Euribor 3M + 0,85%	A1/AA-/BBBh
Covered bonds - 10S	750 000	754 033	754 033	October 2017	October 2022	anually	Fixed at 0,875%	A1/AA-/BBBh
Covered bonds - 11S	500 000	461 086	461 086	November 2019	November 2024	anually	Fixed at 0,125%	A1/AA-/BBBh
	2 300 000	2 265 359	1 215 119					

As at 31 December 2020, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousands)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 6S	300 000	300 123	-	November 2016	November 2023	quarterly	Euribor 3M + 0,80%	A1/AA-/BBBh
Covered bonds - 8S	500 000	500 074	-	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	A1/AA-/BBBh
Covered bonds - 9S	250 000	250 085	-	May 2017	May 2024	quarterly	Euribor 3M + 0,85%	A1/AA-/BBBh
Covered bonds - 10S	750 000	757 933	757 933	October 2017	October 2022	anually	Fixed at 0,875%	A1/AA-/BBBh
Covered bonds - 11S	500 000	460 442	460 442	November 2019	November 2024	anually	Fixed at 0,125%	A1/AA-/BBBh
	2 300 000	2 268 657	1 218 375					

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in the Group's accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in Banco de Portugal Notices no. 5/2006, of 11 October, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October and Instruction no. 13/2006, of 15 November, of the Banco de Portugal.

As at 31 December 2021, the value of the loans collateralizing these issues amounted to Euro 2,746,685 thousand (31 December 2020: Euro 2,739,544 thousand), according to note 21.

The movements in Debt securities issued during financial year 2021, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Issues	Reimbursements	Net purchases	Other movements [a]	Balance on 31 December
Cash bonds	3 123	-	(2 960)	-	(163)	-
Covered bonds	1 218 375	-	-	-	(3 256)	1 215 119
Securitisations	77 690	362 028	(37 712)	-	-	402 006
	1 299 188	362 028	(40 672)	-	(3 419)	1 617 125

(a) Included is the movement of accrued interest on the balance sheet date, corrections for operations at fair value option and exchange variation.

The movements in Debt securities issued during financial year 2020, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Reimbursements	Net purchases	Other movements [a]	Balance on 31 December
Cash bonds	7 357	(4 000)	-	(234)	3 123
Covered bonds	1 255 904	-	(37 100)	(429)	1 218 375
Securitisations	126 719	(49 029)	-	-	77 690
	1 389 980	(53 029)	(37 100)	(663)	1 299 188

(a) Included is the movement of accrued interest on the balance sheet date, corrections for operations at fair value option and exchange variation.

In accordance with the accounting policy described in note 1 c), the purchase of debt securities issued by the Group is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 31 December 2021, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Book value
COVERED BONDS - 10S	17/10/2017	17/10/2022	Annual fixed rate of 0.875%	750 000
PELICAN MORTGAGES n.º 3	30/03/2007	15/09/2054	Euribor 3M + 0.13%	30 618
AQUA FINANCE n.º 4 B	11/07/2017	23/06/2035	Euribor 3M + 2,65%	9 174
PELICAN FINANCE no 2 A	06/12/2021	25/01/2035	Euribor 1M + 0.7%	287 155
PELICAN FINANCE no 2 B	06/12/2021	25/01/2035	Euribor 1M +1.35%	20 711
PELICAN FINANCE no 2 C	06/12/2021	25/01/2035	Euribor 1M + 2.25%	17 521
PELICAN FINANCE no 2 D	06/12/2021	25/01/2035	Euribor 1M + 4.25%	19 350
PELICAN FINANCE no 2 E	06/12/2021	25/01/2035	Fixed rate 6.4%	17 477
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0.125%	500 000
				1 652 006
			Adjustments of hedging operations	3 099
			Covered Bonds - 11S repurchases	(37 100)
			Accrual based accounting, deferred income and costs	(880)
				1 617 125

As at 31 December 2020, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Description	Issue date	Maturity	Interest rate	Book value
CAIXA-MG CAPITAL CERTO BONDS 2013/2021-1.SERIES	28/02/2013	01/03/2021	Annual fixed rate: 5.15% (3rd year rate: 5.30%; 4th year rate: 5.30%; 5th year rate: 5.90%; 6th coupon Max[5.95%; Min (IPC+2%;8.25%)];7th coupon Max[6.15%; Min (IPC+2%;8.50%)]; 8th coupon Max[6.45%; Min (IPC+2%;8.50%)])	2 148
CAIXA-MG CAPITAL CERTO BONDS 2013/2021-2.SERIES	28/06/2013	29/06/2021	Annual fixed rate of 4.9% (3rd year rate:5.1%. 4th year: 5.1%. 5th year rate: 5.65% and of 6th to 8th years rate: Max(5.95%;Min(IPC+2%;8.15%))	812
COVERED BONDS - 10S	17/10/2017	17/10/2022	Annual fixed rate of 0.875%	750 000
PELICAN MORTGAGES n.º 3	30/03/2007	15/09/2054	Euribor 3M + 0.13%	38 667
AQUA FINANCE n.º 4 A	11/07/2017	23/06/2035	Euribor 3M + 1.05%	24 023
AQUA FINANCE n.º 4 B	11/07/2017	23/06/2035	Euribor 3M + 2.65%	15 000
COVERED BONDS - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0.125%	500 000
				1 330 650
			Adjustments of hedging operations	7 586
			Covered Bonds - 11S repurchases	(37 100)
			Accrual based accounting, deferred income and costs	(1 948)
				1 299 188

38 Provisions

This caption is presented as follows:

(Euro thousand)

	2021	2020
Provisions for guarantees and commitments	21 262	21 218
Provisions for other risks and charges	12 871	17 436
	34 133	38 654

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to the Group's activity, being revised at each reporting date to reflect the best estimate of the amount of the loss. This caption includes provisions for tax contingencies (Stamp Duty, Corporate income tax (IRC), Value added tax (VAT) and Property taxes (IMI)), legal cases and fraud.

The movements in provisions for guarantees and commitments assumed in financial years 2021 and 2020, are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	21 218	20 660
Charge for the year	27 742	71 567
Reversal for the year	(28 678)	(69 081)
Utilization and exchange variation	980	(1 928)
Closing balance	21 262	21 218

The movements in provisions for other risk and charges are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	17 436	17 887
Charge for the year	4 032	3 020
Reversal for the year	(7 717)	(1 430)
Utilization and exchange variation	(880)	(2 041)
Closing balance	12 871	17 436

39 Other subordinated debt

As at 31 December 2021 and 2020, the main characteristics of subordinated debt, are analysed as follows:

(Euro thousand)

Issue	Issue date	Maturity date	Issue amount	Interest rate	2021	2020
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2028	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	50 044	50 044
MONTEPIO EMTN SUB 2019/2029	April 2019	Apr 2029	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	107 825	107 824
MONTEPIO EMTN SUB 2020/2030	June 2020	June 2030	50 000	9,5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 9.742%	52 705	52 705
FINIBANCO VALOR INVEST 2010	Feb 2010	-	15 000	7.0% on the first 4 interest payment dates and Euribor 6M plus 2.75%, with a minimum of 5% in the remaining years	6 691	6 323
					217 265	216 896

The movements in Other subordinated debt during financial years 2021 and 2020, were as follows:

(Euro thousand)

	2021			
	Balance at 1 January	Issued	Other movements (a)	Balance at 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	-	-	50 044
MONTEPIO EMTN SUB 2019/2029	107 824	-	1	107 825
MONTEPIO EMTN SUB 2020/2030	52 705	-	-	52 705
FINIBANCO VALOR INVEST 2010	6 323	-	368	6 691
	216 896	-	369	217 265

(a) Includs accrued interest

	2020			
	Balance at 1 January	Issued	Other movements (a)	Balance at 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	-	-	50 044
MONTEPIO EMTN SUB 2019/2029	107 803	-	21	107 824
MONTEPIO EMTN SUB 2020/2030	-	50 000	2 705	52 705
FINIBANCO VALOR INVEST 2010	-	-	6 323	6 323
	157 847	50 000	9 049	216 896

(a) Includs accrued interest

In the 1st half of 2020, under the Euro Medium Term Note Programme (EMTN) of Banco Montepio, bonds were issued in the amount of Euro 50,000 thousand, with a 10-year maturity, with a rate of 9.5% in the first five years and a call option, at par, in the 5th year.

The issue of "Finibanco Valor Invest 2010" was transferred to this liability category, as described in note 42. The main characteristics of this issue are as follows:

- Interest rate: fixed rate of 7% on the first 4 interest payment dates and on the following interest payment dates, a variable rate corresponding to the Euribor rate for the period of 6 months plus 2.75%, with a minimum of 5%;
- Maturity: Not applicable (not subject to mandatory refund);
- Refund amount: Refund at nominal value. As a result of applicable laws or regulations, including any European Union directives or regulations, which establish a legal regime for the recovery and liquidation of credit institutions (Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014 and Law no. 23-A/2015, of 26 March), or any implementation of those in Portugal, the amounts may be used to cover the issuer's losses, and may be called upon to absorb losses.

40 Other liabilities

This caption is presented as follows:

(Euro thousand)	2021	2020
Domestic and foreign operations pending settlement	93 598	84 801
Sundry creditors	45 975	39 442
Staff costs payable	35 757	40 310
Other expenses	13 817	14 628
Lease liabilities	8 945	15 367
Administrative public sector	12 085	10 656
Suppliers	16 064	10 493
Deferred income	477	526
Post-employment benefits	-	9 630
	226 718	225 853

As at 31 December 2021, the caption Staff charges payable includes the amount of Euro 18,374 thousand (31 December 2020: Euro 19,789 thousand), related to holiday pay and subsidy. Additionally, as at 31 December 2021, this caption also includes the amount of Euro 2,573 thousand (31 December 2020: Euro 2,523 thousand) related to end-of-career awards and the amount of Euro 8,266 thousand (31 December 2020: Euro 13,331 thousand) for the employee adjustment program.

As at 31 December 2021, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

(Euro thousand)	2021	2020
Up to 1 year	1 316	4
1 to 5 years	7 629	13 690
More than 5 years	-	1 673
	8 945	15 367

41 Share capital

As at 31 December 2021 and 2020, Banco Montepio's share capital, which is fully realized, amounts to Euro 2,420,000 thousand.

The shareholder structure of Banco Montepio's share capital as at 31 December 2021 and 2020 is as follows:

	2021		2020	
	Number of shares	Percentage	Number of shares	Percentage
Montepio Geral Associação Mutualista	2 419 830 580	99.9930%	2 419 830 580	99.9930%
Other Shareholders	169 420	0.0070%	169 420	0.0070%
	2 420 000 000	100.0%	2 420 000 000	100.0%

42 Other equity instruments

The issue of Euro 15,000 thousand, occurred in the 1st quarter of 2010, of Subordinated Perpetual Securities with conditional interest (“Finibanco Valor Invest 2010” – ISIN: PTFNI1OM0011) made by Montepio Investimento, S.A. (previously designated Finibanco, S.A.), and that, in the scope of the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated Finibanco Holding, S.G.P.S., S.A.) and its subsidiaries, was integrated in Banco Montepio’s equity.

At the Bondholders' Meeting held on 29 January 2020, ratified at the General Meeting of 30 June 2020, it was deliberated to amend the bond’s technical sheet to adapt its conditions to the prudential treatment adopted.

Within the scope of the proposed changes, this instrument was reclassified to the caption Other subordinated liabilities.

43 Legal reserve

In accordance with article 97 of the Legal Framework of Credit Institutions and Financial Companies (“Regime Geral das Instituições de Crédito e Sociedades Financeiras” – “RGICSF”), approved by the Decree-Law no. 298/92, of 31 December and amended by the Decree-Law no. 201/2002, Banco Montepio shall reinforce the legal reserve annually with, at least, 10% of the annual net profits, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

As at 31 December 2021 and 2020, the legal reserve amounts to Euro 193,266 thousand.

44 Fair value reserves, other reserves and retained earnings

This caption is presented as follows:

(Euro thousand)

	2021	2020
Fair value reserves		
Fair value reserve		
Financial assets at fair value through other comprehensive income		
Debt instruments	2 518	1 815
Equity instruments	10 783	(27 348)
Loans and advances to customers	-	103
Own credit risk	-	18
Exchange reserve coverage	-	1 244
	13 301	(24 168)
Taxes		
Financial assets at fair value through other comprehensive income	(4 034)	(4 096)
Loans and advances to customers	-	(31)
	(4 034)	(4 127)
	9 267	(28 295)
Other reserves and retained earnings		
Special regime for deferred tax assets	4 750	-
Post-employment benefits	(273 786)	(301 211)
Consolidation exchange reserves	(103 351)	(112 892)
Other reserves and retained earnings	(906 486)	(772 322)
	(1 278 873)	(1 186 425)

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income.

The caption Loans and advances to customers records the amount of the fair value reserve related to the loans and advances to customers' portfolio reclassified from Other financial assets at fair value through other comprehensive income to Loans and advances to customers.

The movements in fair value reserves related to financial assets at fair value through other comprehensive income, during financial year 2021, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment variation	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	973	(533)	(21)	(13)	20	426
Bonds issued by foreign public entities	1 200	(322)	-	(786)	222	314
Bonds issued by other entities:						
Domestic	(346)	301	1 438	(192)	(667)	534
Foreign	(12)	(6)	-	(5)	10	(13)
Commercial Paper	-	-	2 514	-	(1 257)	1 257
	1 815	(560)	3 931	(996)	(1 672)	2 518
Variable income securities						
Shares						
Domestic	7 935	300	-	1 750	-	9 985
Foreign	(35 283)	(1 253)	14	37 320	-	798
	(27 348)	(953)	14	39 070	-	10 783
	(25 533)	(1 513)	3 945	38 074	(1 672)	13 301

The movements in fair value reserves related to financial assets at fair value through other comprehensive income, during financial year 2020, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment variation	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	15 115	(200)	464	(15 684)	1 278	973
Bonds issued by foreign public entities	5 742	(3 309)	1 200	(5 742)	3 309	1 200
Bonds issued by other entities:						
Domestic	(1 785)	1 591	195	264	(611)	(346)
Foreign	1 650	(188)	-	(1 644)	170	(12)
	20 722	(2 106)	1 859	(22 806)	4 146	1 815
Variable income securities						
Shares						
Domestic	7 735	200	-	-	-	7 935
Foreign	(17 345)	(17 938)	-	-	-	(35 283)
	(9 610)	(17 738)	-	-	-	(27 348)
	11 112	(19 844)	1 859	(22 806)	4 146	(25 533)

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

(Euro thousand)

	2021	2020
Amortised cost of financial assets at fair value through other comprehensive income	112 890	313 511
Recognised accumulated impairment	(2 853)	(1 181)
Amortised cost of financial assets at fair value through other comprehensive income net of impairment líquidos de imparidade	110 037	312 330
Market value of financial assets at fair value through other comprehensive income	123 338	286 797
Potential realised gains/ (Losses) recognised in the fair value reserve	13 301	(25 533)

The movement in financial years 2021 and 2020 in retained earnings is presented in the Consolidated statement of changes in equity.

45 Distribution of dividends

In financial years 2021 and 2020, Banco Montepio did not distributed dividends.

46 Non-controlling interests

This caption is presented as follows:

(Euro thousand)

	Balance sheet		Income Statement	
	2021	2020	2021	2020
Finibanco Angola, S.A.	12 903	9 299	1 125	1 881

The movements in this caption are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	9 299	11 550
Foreign exchange differences	2 479	(4 132)
	11 778	7 418
Net income attributable to non-controlling interests	1 125	1 881
	12 903	9 299

Name	Home office	Segment	Percentage held by non-controlling interests 2021	Percentage held by non-controlling interests 2020
Finibanco Angola, S.A.	Luanda	Banking	19,78%	19,78%

47 Guarantees and other commitments

This caption is presented as follows:

(Euro thousand)

	2021	2020
Guarantees granted	479 831	507 617
Commitments to third parties	1 569 331	1 561 957
Deposit and custody of securities	7 757 554	7 639 492
	9 806 716	9 709 066

The amounts of Guarantees granted, and Commitments assumed to third parties are analysed as follows:

(Euro thousand)

	2021	2020
Garantees granted		
Guarantees	428 523	463 536
Letters of credit	51 308	44 081
	479 831	507 617
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit facilities	694 072	721 300
Securities subscription	903	1 209
Term liability to the Guarantee Deposits Fund	22 768	23 957
Potential liability with the Investor's Indemnity System	6 007	6 606
Revocable commitments		
Revocable credit facilities	845 581	808 885
	1 569 331	1 561 957

Bank guarantees and standby letters granted are financial operations that do not necessarily result in mobilization of funds by the Group.

Documentary credits correspond to irrevocable commitments, by the Group, on behalf of its Customers, to pay/order to pay a certain amount to the supplier for a certain good or service, within a defined period, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or alterable without the express agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group's Customers (for example unused credit facilities). These agreements are generally contracted for fixed periods of time or with other expiring requirements and, usually, require the payment of a commission. Substantially, all credit concession commitments require that Customers maintain the compliance with certain conditions defined at the time the commitments were contracted.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying Customer and business, with the Group requiring that these operations be adequately covered by collaterals when necessary. Considering that it is expected that the majority of these expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

As at 31 December 2021 and 2020, the caption Term liability to the Deposits Guarantee Fund is related to the irrevocable commitment assumed by the Group, as required by law, to deliver the unrealized amounts of the annual contributions, to that Fund, if requested to do so.

As at 31 December 2021, in the scope of the Deposits Guarantee Fund, the Group pledged treasury bonds (OT October 2024 and OT February 2023), recorded as Other financial assets at amortized cost, with a nominal value of Euro 24,000 thousand (31 December 2020: Euro 23,000 thousand), as described in note 26.

As at 31 December 2021 and 2020, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that the Group assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 c). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by the Group in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

48 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to Customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of the Group.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of the Group.

Financial instruments recorded in the balance sheet at fair value

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13, as follows:

Debt and equity instruments

- Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

  The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

- Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

  a) Financial instruments shall be classified in level 2 if they are:

     i. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, for example Bloomberg, namely those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as indexers; or

     ii. valued using indicative third-party purchase prices, based on observable market data.

b) For financial instruments that do not have a 30-day history available in the system, the fair value level shall be assigned based on the available history.

- Level 3: Financial instruments are classified in level 3 whenever they do not meet the criteria to be classified in level 1 or level 2, or fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, namely:
  a) financial instruments not admitted to trading on a regulated market that are valued using valuation models and for which there is no generally accepted consensus on the criteria to be used, namely:
     i. valuation prepared in accordance with the Net Asset Value of non-harmonized funds, updated and disclosed by the respective management companies;
     ii. valuation prepared in accordance with indicative prices disclosed by the entities that participated in the issuance of certain financial instruments, without an active market; or
     iii. valuation prepared in accordance with the realization of impairment tests, using the performance indicators of the underlying operations (e.g. degree of protection by subordination of the tranches held, delinquency rates of underlying assets, evolution of ratings, etc.).
  b) financial instruments valued through indicative purchase prices based on theoretical valuation models disclosed by specialized third parties.

Derivative financial instruments

Operations involving financial derivatives, in the form contracts in respect of exchange rate, interest rate, share or share indices, inflation or a combination of these are traded over the counter (OTC) and in organized markets (especially stock markets). For OTC derivative operations (swaps and options), their valuation is based on generally accepted methods, always favouring market values.

- Level 1: This classification includes futures, options and other derivative financial instruments traded on a regulated market.
- Level 2: This level includes derivative financial instruments traded on unregulated (OTC) markets that do not have an optional component.

  The valuation of these derivatives is made by discounting the cash flows from operations, using as a discounting base the market interest rate curves deemed appropriate for the currency in force at the time of the calculation. Interest rates are obtained from Bloomberg or Reuters

  Market interest rates are calculated based on information disseminated by financial content providers - Bloomberg or Reuters - specifically those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. Interest rate curves are also used to project non-deterministic cash flows such as indexers.
- Level 3: This level includes options and derivatives traded on an unregulated (OTC) market, incorporating optional elements.

Options are valued based on statistical models that consider the market values of the underlying assets and their volatilities (assuming that they are not directly observable in the market). The theoretical models used in the valuation of derivatives classified in level 3 are presented as follows:

i. For simple options, the Black-Scholes, Black, Ho and other models are used, considering the applicable volatility surfaces and their derivatives (models commonly used by the market in valuing this type of operations). Unobservable market inputs used in the valuation (implied volatilities of the subjacent) are taken from Bloomberg.

ii. For exotic options or for complex derivatives with embedded optional elements for which no valuation models are available, Banco Montepio hires specialized entities that value such assets using specific models that they develop according to generally accepted criteria and methodologies.

The valuations thus obtained are, in the case of interbank operations, compared with those used by the counterparties and, whenever it is understood that there are insufficient quality market references or that the available models do not fully apply to the characteristics of the financial instrument, specific quotations provided by an external entity, typically the counterparty of the business, are used.

The valuation of non-optional components, not adjusted for credit risk, (cash flows from the operations), is made based on their respective discounting, using a methodology similar to that used for derivatives without an optional component; even so, the derivative in question is still considered in level 3.

Financial instruments recorded in the balance sheet at amortized cost

For financial instruments recorded in the balance sheet at amortized cost, Banco Montepio calculates their fair value using valuation techniques that seek to be based on the market conditions applicable to similar operations at the reference date of the financial statements, namely the value of the respective cash flows discounted based on the interest rates considered most appropriate, that is:

- *Other loans and advances to credit institutions, Deposits from central banks, Deposits from other credit institutions and Assets with repurchase agreements*

  The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates.

  For Deposits from central banks, it was considered that the book value is a reasonable estimate, considering the nature of the operations and the associated period. The rate of return of funding from the European Central Bank is negative in 0.60% for live operations as at 31 December 2021 (31 December 2020: negative in 0.33%).

  For the remaining deposits from credit institutions, the discount rate used reflects the current conditions applied by the Group to identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity dates (money market or interest rate swap market rates, at the end of the financial period). As at 31 December 2021, the average discount rate was a negative 0.60% (31 December 2020: a negative 0.21%).

  For Loans and advances to other credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

  These financial instruments are accounted for at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

  Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

  The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant Customers. The discount rate used reflects the current conditions applied by the Group to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last quarter. As at 31 December 2021, the average discount rate was 2.20% for mortgage loans (31 December 2020: 2.067%), 7.19% for private individual loans (31 December 2020: 6.45%) and 3.38% for the remaining loans (31 December 2020: 2.89%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

  The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by the Group to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of the Group at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 31 December 2021 was a negative 0.04% (31 December 2020: 0.08%).

- *Debt securities issued and Other subordinated debt*

  For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which the Group applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

  In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional Customers of the Group.

  As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

  In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

  As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- *Cash, Deposits at central banks and Loans and advances to credit institutions repayable on demand*

  Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

Type of instruments			Valuation methods	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	Implied Volatilities
		Interest rate options	Normal Model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3] Market Observable Prices
Financial assets at fair value through profit or loss	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3] Market Observable Prices
Financial assets at fair value through other comprehensive income	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premiums Comparable assets [3]
Financial assets at amortized cost	Debt securities Loans and advances outstanding		Discounted Cash Flow Method [2]	Interest rate curves Comparable assets [3] Spreads
Derivatives - Hedge accounting	Swaps [1]		Discounted Cash Flow Method [2]	Interest rate curves Implied Volatilities Probability of default for CVA and DVA calculation
Financial liabilities at amortized cost	Term deposits Debt securities issued		Discounted Cash Flow Method [2]	Interest rate curves Spreads

(1) In derivative valuations, an adjustment to the valuation is made to take into account counterparty credit risk when the exposure is the Bank's or the credit risk of the Bank's when the exposure is the counterparty's (generally referred to by the abbreviations CVA - Credit Valuation Adjustment and DVA - Debit Valuation Adjustment).

(2) Cash-flow discounting method (net present value): this model uses the cash flows of each instrument, established in the different contracts, and discounts them to calculate their present value.

(3) Comparable assets (prices of similar assets): comparable financial instrument prices or market benchmarks are used to calculate yield from the purchase price to its current valuation, making subsequent adjustments to take into account possible differences between the revalued instrument and the reference instrument. It can also be assumed that the price of one instrument equals that of another.

Valuation adjustments for Credit Risk

Counterparty Credit Risk Valuation Adjustments (“CVA”) and the Bank’s Credit Risk Valuation Adjustments (“DVA”) are incorporated in the valuation of OTC derivatives as a result of the risk associated with the credit exposure of the counterparty and its own, respectively.

The CVA value is calculated considering the expected exposure for each counterparty in each future term, with the CVA by counterparty being calculated by summing the various CVA values of the various future terms. The adjustments are then determined by estimating the counterparty’s exposure at default (EAD), the respective probability of default (PD) and the loss given default (LGD) for all derivative financial instruments traded under the same contract negotiated with the Group with a netting clause (of the same netting set). Similarly, the DVA corresponds to the product of the negative expected exposure at default by the probability of default and by Banco Montepio Group's LGD.

The PD and LGD values are calibrated using market data, for the effect using the counterparty’s rating and sector or historical information on the probability of default.

Changes in CVA/FVA and DVA/FVA adjustments are accounted for as gains or losses on assets and liabilities held for trading in the profit or loss. The detail of the movements of the CVA and DVA adjustments is presented as follows:

(Euro thousand)

	2021		2020	
	CVA	**DVA**	**CVA**	**DVA**
Adjustment	239	671	**393**	**394**
Of which: Derivatives expiry	111	(62)	1	-

Fair value of assets received in recovery of credit and of Investment properties

The fair value and impairment constituted for real estate assets received in recovery of credit are a function of the valuation amount and the book value of the properties. The valuation amount is equal to the lower of the following values:

- Value of an *in-situ* valuation;
- Sale value (if a sale and purchase contract is celebrated).

Real estate valuations and revaluations shall be carried out by expert appraisers, regulated by Law no. 153/2015, of 14 September.

Pursuant to Decree-Law no. 74-A/2017, of 23 June, and for the purpose of article 18 thereof, in mortgage loan agreements for residential real estate, the borrower may request of the Bank a second valuation of the property.

Since the same appraisers are required to carry out surveys of works in progress subject to funding to determine the amount of the works realized to be financed, given the nature of this type of valuation, the training and professional qualifications of these experts shall, cumulatively, respect the professional qualifications defined by Law no. 31/2009, of 3 July, as amended by Law no. 40/2015, of 1 June.

External Appraiser Companies

The selection of appraiser Companies is based on the universe of entities registered as “expert appraisers” with the CMVM and seeks to always ensure an adequate diversification and rotation in the performance of the valuations.

Independent external appraisers follow the principles defined by:

- Notice no. 5/2006 of the Banco de Portugal (Valuation of Mortgaged Properties as a Guarantee of Loans with Mortgage requirements);
- Regulation no. 575/2013 of the European Parliament and of the Council (Prudential Requirements).

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods.

Comparative market method

This method provides an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of trading, between an interested seller and buyer, in which both parties act in an informed, prudent and unconditional or non-coerced manner.

The value of the property is determined after analysis of comparable transaction and property offer values, obtained through knowledge of the local market and the exhaustive collection of real estate market data that provides knowledge of the supply and demand situation for similar properties, and which constitute a decisive factor in determining the Market Value of the property under valuation.

Income method

In this method, the market value of a property corresponds to the present value of all the rights to future benefits arising from its ownership.

This method assumes that property management and operation is based on the principles of legality, rationality and competence. The purpose of the analysis is to determine its respective ability to generate revenue flows, as well as the frequency of their occurrence, as well as to infer all the inherent expenses.

Cost method

In this method, the estimated value of a property corresponds to the cost of constructing a property that fulfils the same functions and with the same material and technology characteristics, at current market prices. The value assessed includes the value of the land, construction costs and the investment promotion profit margin, as well as a deduction corresponding to the depreciation, or loss of property value, resulting from physical, functional, economic or environmental obsolescence or a combination of these.

For all valuations not based on all 3 valuation methods, the expert appraiser should consider the local market characteristics and the specific characteristics of the property under valuation. The valuation adopted shall be the lower of the values determined because it is the most prudent in terms of guarantee.

Investment properties

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods:

- Comparative market method;
- Income method;
- Cost method;

as described in note 1 n).

As at 31 December 2021, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen, used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	**United States Dollar**	**Pound Sterling**	**Swiss Franc**	**Japanese Yen**
1 day	-0.500000	0.135000	0.210000	-0.755000	-0.110000
7 days	-0.478356	0.076250	0.230000	-0.695000	-0.081500
1 month	-0.478356	0.140000	0.240000	-0.650000	-0.250000
2 months	-0.478356	0.150000	0.250000	-0.650000	-0.220000
3 months	-0.478356	0.180000	0.390000	-0.650000	-0.220000
6 months	-0.478356	0.290000	0.610000	-0.650000	-0.240000
9 months	-0.478356	0.410000	0.670000	-0.650000	-0.150000
1 year	-0.485000	0.530000	0.840000	-0.670000	-0.150000
2 years	-0.295000	0.947000	1.232000	-0.487500	-0.006300
3 years	-0.145000	1.186000	1.338000	-0.375000	-0.001300
5 years	0.016000	1.383000	1.328000	-0.230000	0.016300
7 years	0.130000	1.491000	1.275000	-0.080000	0.043800
10 years	0.303000	1.602000	1.241000	0.090000	0.106300
15 years	0.492000	1.730000	1.216000	0.232500	0.223800
20 years	0.548000	1.734000	1.216000	0.232500	0.223800
30 years	0.479000	1.710300	1.216000	0.232500	0.223800

As at 31 December 2020, the following table presents the interest rates in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen, used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	United States Dollar	Pound Sterling	Swiss Franc	Japanese Yen
1 day	-0.495000	0.165000	0.090000	-0.725000	-0.150000
7 days	-0.578000	0.098000	0.090000	-0.595000	-0.330000
1 month	-0.554000	0.170000	0.090000	-0.600000	-0.330000
2 months	-0.549800	0.180000	0.090000	-0.745000	-0.310000
3 months	-0.545000	0.190000	0.090000	-0.600000	-0.280000
6 months	-0.526000	0.220000	0.145000	-0.690000	-0.270000
9 months	-0.512500	0.250000	0.195000	-0.630000	-0.210000
1 year	-0.499000	0.280000	0.195000	-0.640000	-0.260000
2 years	-0.524000	0.349698	0.194905	-0.712500	-0.260163
3 years	-0.508000	0.419396	0.194905	-0.675000	-0.260163
5 years	-0.457500	0.558983	0.194905	-0.561000	-0.260163
7 years	-0.384500	0.698378	0.194905	-0.441000	-0.260163
10 years	-0.265000	0.907854	0.194905	-0.287500	-0.260163
15 years	-0.072000	1.145451	0.194905	-0.112500	-0.260163
20 years	0.009000	1.309000	0.194905	-0.112500	-0.260163
30 years	-0.025000	1.398350	0.194905	-0.112500	-0.260163

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchange rates	**2021**	**2020**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.1326	1.2271	5.250	5.500	5.675	5.688	5.700
EUR/GBP	0.84028	0.89903	5.300	5.835	6.190	6.400	6.535
EUR/CHF	1.0331	1.0802	4.475	4.775	5.025	5.130	5.075
EUR/JPY	130.38	126.49	6.113	6.550	7.000	7.010	7.225
EUR/AOA	635.7510	797.1291	-	-	-	-	-

Regarding exchange rates, the Group uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of the financial assets and liabilities of the Group, as at 31 December 2021 and 2020, is presented as follows:

(Euro thousand)

	2021				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial Assets					
Cash and deposits at central banks	-	-	2 967 996	2 967 996	2 967 996
Loans and deposits to credit institutions payable on demand	-	-	67 360	67 360	67 360
Other loans and advances to credit institutions	-	-	229 065	229 065	229 065
Loans and advances to customers	1 004	-	11 666 684	11 667 688	11 570 592
Financial assets held for trading	7 582	-	-	7 582	7 582
Financial assets at fair value through profit or loss	203 427	-	-	203 427	203 427
Financial assets at fair value through other comprehensive income	-	123 338	-	123 338	123 338
Non-current assets held for sale	-	-	38 862	38 862	38 836
Hedging derivatives	5 411	-	-	5 411	5 411
Other financial assets at amortized cost	-	-	3 004 196	3 004 196	2 981 738
	217 424	123 338	17 974 163	18 314 925	18 195 345
Financial liabilities					
Deposits from central bank	-	-	2 902 003	2 902 003	2 902 003
Deposits from other credit institutions	-	-	555 412	555 412	542 920
Deposits from customers	25 009	-	12 761 877	12 786 886	12 795 865
Debt securities issued	-	-	1 617 125	1 617 125	1 616 593
Financial liabilities held for trading	7 470	-	-	7 470	7 470
Hedging derivatives	335	-	-	335	335
Other subordinated debt	-	-	217 265	217 265	218 957
	32 814	-	18 053 682	18 086 496	18 084 143

(Euro thousand)

	2020				
	At fair value through profit or loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial Assets					
Cash and deposits at central banks	-	-	1 466 250	1 466 250	1 466 250
Loans and deposits to credit institutions payable on demand	-	-	33 660	33 660	33 660
Other loans and advances to credit institutions	-	-	293 004	293 004	293 004
Loans and advances to customers	1 207	-	11 576 495	11 577 702	11 494 189
Financial assets held for trading	16 923	-	-	16 923	16 923
Financial assets at fair value through profit or loss	346 892	-	-	346 892	346 892
Financial assets at fair value through other comprehensive income	-	286 797	-	286 797	286 797
Hedging derivatives	10 693	-	-	10 693	10 693
Other financial assets at amortized cost	-	-	2 362 616	2 362 616	2 412 670
	375 715	286 797	15 732 025	16 394 537	16 361 078
Financial liabilities					
Deposits from central bank	-	-	1 382 545	1 382 545	1 382 545
Deposits from other credit institutions	-	-	820 638	820 638	816 225
Deposits from customers	-	-	12 501 973	12 501 973	12 509 680
Debt securities issued	6 212	-	1 292 976	1 299 188	1 295 243
Financial liabilities held for trading	13 598	-	-	13 598	13 598
Hedging derivatives	397	-	-	397	397
Other subordinated debt	-	-	216 896	216 896	200 803
	20 207	-	16 215 028	16 235 235	16 218 491

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2021:

(Euro thousand)

	2021				
	Level 1	Level 2	Level 1	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	2 967 996	-	-	-	2 967 996
Loans and deposits to credit institutions payable on demand	67 360	-	-	-	67 360
Other loans and advances to credit institutions	-	-	229 065	-	229 065
Loans and advances to customers	-	1 004	11 569 588	-	11 570 592
Financial assets held for trading	-	1 376	6 206	-	7 582
Financial assets at fair value through profit or loss	-	-	203 427	-	203 427
Financial assets at fair value through other comprehensive income	77 310	2 336	42 511	1 181	123 338
Non-current assets held for sale	-	-	38 836	-	38 836
Hedging derivatives	-	5 411	-	-	5 411
Other financial assets at amortized cost	2 981 738	-	-	-	2 981 738
	6 094 404	10 127	12 089 633	1 181	18 195 345
Financial liabilities					
Deposits from central bank	2 902 003	-	-	-	2 902 003
Deposits from other credit institutions	-	-	542 920	-	542 920
Deposits from customers	-	-	12 795 865	-	12 795 865
Debt securities issued	-	-	1 616 593	-	1 616 593
Financial liabilities held for trading	-	949	6 521	-	7 470
Hedging derivatives	-	335	-	-	335
Other subordinated debt	-	-	218 957	-	218 957
	2 902 003	1 284	15 180 856	-	18 084 143

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2020:

(Euro thousand)

	2020				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial Assets					
Cash and deposits at central banks	1 466 250	-	-	-	1 466 250
Loans and deposits to credit institutions payable on demand	33 660	-	-	-	33 660
Other loans and advances to credit institutions	-	-	293 004	-	293 004
Loans and advances to customers	-	1 207	11 492 982	-	11 494 189
Financial assets held for trading	7 524	3 984	5 415	-	16 923
Financial assets at fair value through profit or loss	-	-	346 892	-	346 892
Financial assets at fair value through other comprehensive income	185 383	3 088	97 041	1 285	286 797
Hedging derivatives	-	10 693	-	-	10 693
Other financial assets at amortized cost	2 412 670	-	-	-	2 412 670
	4 105 487	18 972	12 235 334	1 285	16 361 078
Financial liabilities					
Deposits from central bank	1 382 545	-	-	-	1 382 545
Deposits from other credit institutions	-	-	816 225	-	816 225
Deposits from customers	-	-	12 509 680	-	12 509 680
Debt securities issued	-	6 212	1 289 031	-	1 295 243
Financial liabilities held for trading	-	13 598	-	-	13 598
Hedging derivatives	-	397	-	-	397
Other subordinated debt	-	-	200 803	-	200 803
	1 382 545	20 207	14 815 739	-	16 218 491

49 Post-employment and long-term benefits

Banco Montepio and Montepio Crédito assumed the responsibility to pay their employees and members of the Management Bodies old-age and disability pensions and other benefits, in accordance with the accounting policy described in note 1 s).

In accordance with the same policy, the Group calculates at least once a year, with reference to 31 December of each year, the liabilities with retirement pensions and other benefits. This also occurs whenever the changes substantiated on the main actuarial assumptions so determine.

The Group's general pension plan for employees covers liabilities for the retirement benefits provided for in the Collective Labour Agreement for the Banking Sector and is a complementary plan to the General Social Security System.

Under the Collective Labour Agreement ("ACT") for the Banking Sector, employees admitted after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria determining the amount of pension that an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The benefits provided by this pension plan are as follows:

- Retirement due to presumable disability (old age);

- Retirement due to disability; and

- Survival pension.

The respective beneficiaries are guaranteed all social benefits, on the terms, conditions and values included in the pension plan in the quality of employees who at their retirement date are in the service of the Group, or as employees who had been permanent employees of the Group and at their retirement date meet all the enforceability requirements defined in the pension plan.

The pension provided by the Pension Fund is that corresponding to the employee's level at retirement and respective seniority payments, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund ("Caixa Geral de Aposentações") or the National Pensions Centre ("Centro Nacional de Pensões"), same shall be deducted from the pension guaranteed by the present pension plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survival pension equal to 40% of the remuneration to which the employee would be entitled if he/she retired or the pension he/she would receive, respectively.

The Group's former employees, when attaining the situation of retirement due to old-age or disability, are entitled to the payment by the Pension Fund of a pension calculated as per the preceding paragraph, proportional to the time of service rendered to the Group.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

The Group has no other mechanisms that ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, the Group signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS were now made based on a fixed amount per employee and were no longer indexed to salaries.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	2021	2020
Financial assumptions		
Salary growth rate	0.50%	0.50%
Pension growth rate	0.30%	0.30%
Rate of return of the Fund	1.40%	1.15%
Discount rate	1.40%	1.15%
Revaluation rate		
Salary growth rate - Social Security	1.25%	1.25%
Pension growth rate	1.00%	1.00%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90	TV 88/90
Women	TV 88/90 - 3 years	TV 88/90 -3 years
Actuarial valuation method	UCP	UCP

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds, and (ii) duration of the liabilities. As at 31 December 2021, the average duration of the pension liabilities of the Group's employees is 17.5 years (31 December 2020: 19.0 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

		(Euro thousand)
	2021	2020
Active	2 916	3 204
Retirees and survivors	1 552	1 473
	4 468	4 677

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

	2021	2020
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(397 975)	(390 463)
Active	(388 409)	(409 548)
	(786 384)	(800 011)
Liabilities with healthcare benefits		
Pensioners	(27 493)	(27 022)
Active	(38 595)	(43 811)
	(66 088)	(70 833)
Liabilities with death benefits		
Pensioners	(2 236)	(2 240)
Active	(1 719)	(1 799)
	(3 955)	(4 039)
Total liabilities	(856 427)	(874 883)
Coverages		
Pension Fund value	866 203	865 523
Net assets/(liabilities) in the balance sheet	9 776	(9 360)
Accumulated actuarial remeasurements recognized in other comprehensive income	273 786	301 211

The evolution of liabilities with retirement pensions, health benefits and death subsidy can be analysed as follows:

(Euro thousand)

	2021				2020			
	Pension benefits	Healthcare benefits	Death benefits	Total	Pension benefits	Healthcare benefits	Death benefits	Total
Liabilities at the beginning of the year	800 011	70 833	4 039	874 883	780 415	66 757	3 738	850 910
Recognized in net income/(loss) (note 10)								
Current service cost	3 415	1 770	77	5 262	5 579	1 850	81	7 510
Interest cost	9 193	814	47	10 054	11 699	1 001	56	12 756
Early retirement, terminations by mutual agreement and other	4 365	-	-	4 365	14 179	-	-	14 179
Recognized in Equity (note 44)								
Actuarial gains /(losses)								
Changes in assumptions	(16 227)	(3 501)	(246)	(19 974)	1 801	2 399	205	4 405
Not related to Changes in assumptions	11 647	(3 687)	41	8 001	6 881	(1 174)	(41)	5 666
Other								
Pensions paid by the Fund	(24 993)	-	-	(24 993)	(20 556)	-	-	(20 556)
Pensions paid by Banco Montepio	(1 932)	-	-	(1 932)	(2 395)	-	-	(2 395)
Participant contributions	2 398	-	-	2 398	2 408	-	-	2 408
Other	(1 493)	(141)	(3)	(1 637)	-	-	-	-
Liabilities at the end of the year	786 384	66 088	3 955	856 427	800 011	70 833	4 039	874 883

The evolution of the Pension Fund's net asset value in financial year ended 31 December 2021 and 2020 can be analysed as follows:

(Euro thousand)

	2021	2020
Value of the Fund at beginning of the year	865 523	837 103
Recognized in net income/(loss)		
Share of net interest	9 843	12 215
Recognized in equity		
Financial deviations	15 452	9 738
Other		
Contributions from Banco Montepio	-	24 615
Participant contributions	2 398	2 408
Pensions paid by the Fund	(24 993)	(20 556)
Montepio Valor disposal	(2 020)	-
Fund's value at the end of the year	866 203	865 523

No additional contributions to the defined benefit plans are foreseen for the following financial year since it is expected that the Pension Fund's return will be sufficient to cover for the changes in the liabilities.

As at 31 December 2021 and 2020, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	2021				2020			
	Assets of the fund	%	Quoted	Unquoted	Assets of the fund	%	Quoted	Unquoted
Variable-income securities								
Shares	54 100	6%	54 100	-	48 386	6%	48 386	-
Shares investment funds	123 063	14%	-	123 063	130 640	15%	-	130 640
Bonds	591 118	68%	479 693	111 425	592 530	68%	521 857	70 673
Real estate	5 393	1%	-	5 393	5 629	1%	-	5 629
Real estate investments Funds	44 590	5%	-	44 590	34 820	4%		34 820
Venture capital Funds	2 979	0%	-	2 979	6 334	1%	-	6 334
Loans and advances to banks and other	44 960	5%	-	44 960	47 184	5%	-	47 184
	866 203	100%	533 793	332 410	865 523	100%	570 243	295 280

The assets of the Pension Fund related to securities, real estate and loans and advances to banks that are entities of the Group, are analysed as follows:

(Euro thousand)

	2021	2020
Loans and advances in banks and other	39 211	47 184
Real estate	5 393	5 629
Bonds	2 118	2 138
	46 722	54 951

The evolution of the remeasurements in the balance sheet are analysed as follows:

(Euro thousand)

	2021	2020
Actuarial gains/(losses) at the beginning of the year	301 211	300 878
Actuarial gains/(losses) in the financial period		
Changes in discount rate	(37 970)	55 079
Payroll update	-	(22 635)
Pension growth rate update	-	(28 039)
Deviation on the Pension Fund return	(15 452)	(9 738)
Other	8 001	5 666
Resulting from changes in plan conditions	17 996	-
Actuarial gains/(losses) recognized in other comprehensive income	273 786	301 211

The costs with retirement pensions, health benefits and death subsidy are analysed as follows:

(Euro thousand)

	2021	2020
Current service cost	5 262	7 510
Net interest income/(expense) on the liabilities coverage balance	211	541
Costs with early retirement, mutually agreed termination and other	4 365	14 179
Costs for the financial period	9 838	22 230

The evolution of net assets/(liabilities) in the balance sheet, in financial years ended 31 December 2021 and 2020, is analysed as follows:

(Euro thousand)

	2021	2020
At the beginning of the year	(9 360)	(13 807)
Contributions by Banco Montepio	-	24 615
Current service cost	(5 262)	(7 510)
Net interest income/(expense) on the liabilities coverage balance	(211)	(541)
Actuarial gains/(losses)	11 973	(10 071)
Financial gains/(losses)	15 452	9 738
Pensions paid by Banco Montepio	1 932	2 395
Early retirement, mutually agreed terminations and others	(4 365)	(14 179)
Montepio Valor disposal	(383)	-
At the end of the year	9 776	(9 360)

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, the Group performed a sensitivity analysis to a positive and negative change of 25 basis points in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities, which impact is analysed as follows:

(Euro thousand)

	2021 Liabilities		2020 Liabilities	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% change)	(35 232)	37 537	(36 803)	39 332
Salary growth rate (0.25% change)	23 723	(21 259)	28 682	(26 214)
Pension growth rate (0.25% change)	31 597	(30 094)	34 886	(33 239)
SAMS contribution (0.25% change)	3 417	(3 417)	3 741	(3 741)
Future mortality (1 year change)	(25 338)	25 345	(27 703)	26 730

As at 31 December 2021, the cost associated with the end-of-career awards amounted to Euro 2,573 thousand (31 December 2020: Euro 2,523 thousand), in accordance with the accounting policy described in note 1 s) and as per note 40.

50 Assets under management

In accordance with the legislation in force, the fund management companies, and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under law and the regulations of the funds managed.

As at 31 December 2021 and 2020, the amount of the funds for which the Group acts as depository bank is analysed as follows:

(Euro thousand)

	2021	2020
Securities Investment Funds	175 839	158 724
Real estate Investment Funds	629 741	594 370
Pension Funds	292 638	265 616
Bank and insurance	30 729	955
	1 128 947	1 019 665

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

51 Related parties

As defined in IAS 24, the Companies detailed in note 58, the Pension Fund, the members of the Corporate, Management and Supervisory Bodies and the key management personnel are considered related parties of the Group. In addition to the members of the Corporate, Management and Supervisory Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article no. 85 of the Legal Framework of Credit Institutions and Financial Companies ("RGICSF"), the shareholders of Banco Montepio, as well as individuals related to them and entities controlled by them or in which management they have significant influence are also considered related parties.

The Group's first-line managers are considered Other key management personnel.

In operations carried out between Banco Montepio Group entities that are in a situation of special relationships, terms and conditions are contracted, accepted and practiced substantially identical to those that would normally be contracted, accepted and practiced between independent entities in comparable operations, that is, at market prices.

On this basis, with reference to 31 December 2021, the list of related parties considered by the Group is presented as follows:

Major Shareholder
Montepio Geral Associação Mutualista

Board of Directors
Chariman of the Board of Directors
Carlos Tavares
Non-executive members
Manuel Ferreira Teixeira
Amadeu Paiva
Carlos Ferreira Alves
José Nunes Pereira
Pedro Alves
Rui Heitor [(1)]
Vítor Martins
Executive Committee
Chief Executive Officer
Pedro Leitão
Members
Dulce Mota
Helena Soares de Moura
Jorge Baião [(2)]
José Carlos Mateus
Leandro Graça Silva
Nuno Mota Pinto
Pedro Ventaneira
Audit Committee
Chariman of the Audit Committee
Manuel Ferreira Teixeira
Members
Amadeu Paiva
Carlos Ferreira Alves
José Nunes Pereira
Vítor Martins

Board of Directors of Other Related parties
Alice Pinto
Amândio Coelho
Ana Sá Couto
António Gouveia
Carlos Beato
Dalila Teixeira
Edite Cheira
Fernanda Brázia
Fernando Santo
Fernão Thomaz
Francisco Simões
Idália Serrão
Isabel Brito
Isabel Cidrais Guimarães
João Almeida Gouveia
João Andrade Lopes
João Carvalho das Neves
João Costa Pinto
João Neves
Jorge Oliveira
José António Gonçalves
José Luís Leitão
José Mendes Alfaia
Laura Duarte
Lúcia Bica
Luís Almeida
Luís Antunes
Luís Filipe Costa
Manuel Baptista
Manuel Carlos Silva
Manuela Rodrigues
Margarida Andrade
Margarida Duarte
Nuno Coelho
Nuno Marques da Silva
Nuno Mendes
Nuno Van Zeller
Paulo Raimundo
Rosa Rodrigues

Board of Directors of Other Related parties (cont.)
Paulo Martins da Silva
Pedro Crespo
Pedro Líbano Monteiro
Pedro Simão
Ricardo Carvalho
Rui Pereira
Tereza Amado
Virgílio Lima
Vitor Filipe

Other Key Management Personnel
Alexandra Ponciano
Alexandra Rolo
Ana Mendonça Neves
António Carlos Machado
António Coelho
António Figueiredo Lopes
Armando Cardoso
Armando Lopes
Bruno Magalhães
Carla Sousa
Carlos Figueiral Azevedo
Conceição Barbosa
Daniel Caçador
Fabienne Lehuédé
Fernanda Correia
Fernando Alexandre
Fernando Amaro [(3)]
Fernando Teixeira
Filipa Costa
Helder Reis
Helena Valente
Hélio Marques
Inês Dargan
Isabel Silva
Jaquelina Rodrigues
Joaquim Canhoto
Jorge Barros Luís
José Jesus
Luis Filipe Nunes
Luís Melo
Luís Sena
Manuel Castanho
Maria Eduarda Osório
Miguel Mello
Miguel Oliveira
Miguel Teixeira Coelho
Mónica Araújo
Nuno Cavilhas
Nuno Soares
Patrícia Fernandes
Patrícia Medeiros
Paula Maia Fernandes
Paula Pinheiro
Paulo Jorge Rodrigues
Paulo Trindade
Pedro Araújo
Pedro Pires
Pedro Vieira
Ricardo Chorão
Ricardo Silva Ribeiro
Rui Calheiros Gama
Rui Jorge Santos
Rui Magalhães Moura
Sandra Brito Pereira
Sanguini Shirish
Susana Pinheiro
Tânia Madeira
Tiago Coito
Tiago Martins
Tiago Teixeira
Vânia Fernandes
Vasco Almeida
Vítor Ventura

[(1)] Dr. Rui Heitor was elected Executive Member of the Board of Directors of the Montepio Geral Associação Mutualista,
[(1)] on December 17 2021, for the four-year period 2022-2025.
[(2)] Dr. Jorge Baião was designated by co-optation on February 18 2021 and authorized by Banco de Portugal
[(1)] on February 9 2021, having started duties as Executive Member on 22 February 2021.
[(3)] Dr. Fernando Amaro was elected Executive Member of the Board of Directors of the Montepio Geral Associação Mutuaista,
[(1)] on December 17 2021, for the four-year period 2022-2025.

Other Related parties

Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
CESource, ACE
Clínica CUF Belém, S.A
Empresa Gestora de Imóveis da Rua do Prior S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique, Companhia de Seguros, S.A.
Montepio Residências para Estudantes, S.A.
Montepio Gestão de Activos - S.G.O.I.C., S.A.
Montepio Gestão de Ativos Imobiliários, ACE
Montepio Seguros, S.G.P.S., S.A.
Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. [a]
Nova Câmbios - Instituição de Pagamento, S.A.
Residências Montepio, Serviços de Saúde, S.A.
SAGIES - Segurança e Higiene no Trabalho, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.

Related parties resulting from the shareholding held in Finibanco Angola, S.A.

Banco de Negócios Internacional, S.A. (BNI)

[a] Montepio Valor was alienated to Montepio Geral Associação Mutualista on 30 december 2021.

As at 31 December 2021, the assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and other commitments assumed, are presented as follows:

(Euro thousand)

	2021							
Companies	**Loans and advances to customers**	**Impairment of loans and advances to customers**	**Financial assets at fair value through other comprehensive income**	**Impairment of financial assets at fair value through other comprehensive income**	**Other assets**	**Guarantees and commitments provided**	**Provisions for guarantees and commitments provided**	**Total**
Board of Directors	588	-	-	-	-	-	-	588
Board of Directors of Other Related Parties	2 618	-	-	-	-	-	-	2 618
Other Key Management Personnel	3 349	-	-	-	-	-	-	3 349
Bolsimo - Gestão de Activos, S.A.	3 346	300	-	-	22	8 681	-	11 749
CESource, A.C.E.	-	-	-	-	83	-	-	83
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	1	-	-	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	20	3	-	-	-	-	-	17
Lusitania, Companhia de Seguros, S.A.	-	-	2 079	747	-	46	-	1 378
Moçambique Companhia de Seguros, S.A.R.L.	-	-	250	-	-	-	-	250
Montepio Geral Associação Mutualista	5	7	-	-	3 949	120	-	4 067
Montepio Gestão de Activos - S.G.O.I.C, S.A.	-	-	1	-	5	-	-	6
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	-	607	-	-	607
Montepio Valor, S.G.O.I.C., S.A.	1	-	-	-	-	-	-	1
Montepio Residências para Estudantes, S.A.	-	-	-	-	4	-	-	4
NovaCâmbios - Instituição de Pagamento, S.A.	775	35	-	-	-	1 386	4	2 122
Residências Montepio, Serviços de Saúde, S.A.	1 511	16	-	-	29	750	-	2 274
	12 214	362	2 330	747	4 699	10 983	4	29 113

As at 31 December 2020, assets held by the Group in respect of related parties, pursuant to article 109, represented or not by securities, included in the captions Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and other commitments assumed, are presented as follows:

(Euro thousand)

	2020							
Companies	**Loans and advances to customers**	**Impairment of loans and advances to customers**	**Financial assets at fair value through other comprehensive income**	**Impairment of financial assets at fair value through other comprehensive income**	**Other assets**	**Guarantees and commitments provided**	**Provisions for guarantees and commitments provided**	**Total**
Board of Directors	622	-	-	-	-	-	-	622
Board of Directors of Other Related Parties	2 555	2	-	-	-	-	-	2 553
Other Key Management Personnel	3 905	4	-	-	-	-	-	3 901
Bolsimo - Gestão de Activos, S.A.	7 483	393	-	-	22	5 431	-	12 543
CESource, A.C.E.	-	-	-	-	48	-	-	48
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	-	-	-	26	-	-	27
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	-	-	-	500	-	500
Lusitania, Companhia de Seguros, S.A.	-	-	1 867	612	86	46	-	1 387
Moçambique Companhia de Seguros, S.A.R.L.	-	-	415	-	-	-	-	415
Montepio Geral Associação Mutualista	2	8	-	-	1 947	120	1	2 060
Montepio Gestão de Activos - S.G.O.I.C, S.A.	-	-	1	-	10	-	-	11
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	-	648	-	-	648
NovaCâmbios - Instituição de Pagamento, S.A.	830	92	-	-	-	1 446	8	2 176
Residências Montepio, Serviços de Saúde, S.A.	948	139	-	-	47	500	7	1 349
	16 346	638	2 283	612	2 834	8 043	16	28 240

As at 31 December 2021, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued and Other subordinated debt, are analysed as follows:

(Euro thousand)

	2021		
Companies	**Deposits from customers**	**Debt securies issued and other subordinated debt**	**Total**
Board of Directors	1 704	-	1 704
Board of Directors of Other Related Parties	3 281	-	3 281
Other Key Management Personnel	2 795	-	2 795
Bolsimo - Gestão de Activos, S.A.	1 359	-	1 359
Clínica CUF Belém, S.A.	13	-	13
Empresa Gestora de Imóveis da Rua do Prior S.A	207	-	207
Fundação Montepio Geral	1 748	-	1 748
Fundo de Pensões - Montepio Geral	38 652	2 115	40 767
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 923	-	1 923
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	124	-	124
Lusitania Vida, Companhia de Seguros, S.A.	20 221	-	20 221
Lusitania, Companhia de Seguros, S.A.	4 121	-	4 121
Montepio Geral Associação Mutualista	151 962	201 076	353 038
Montepio Gestão de Activos - S.G.O.I.C., S.A.	2 974	-	2 974
Montepio Gestão de Activos Imobiliários, A.C.E.	2 406	-	2 406
Montepio Residências para Estudantes, S.A:	396	-	396
Montepio Seguros, S.G.P.S., S.A.	721	-	721
Montepio Valor, S.G.O.I.C., S.A.	4 578	-	4 578
NovaCâmbios - Instituição de Pagamento, S.A.	451	-	451
Residências Montepio, Serviços de Saúde, S.A.	466	-	466
SAGIES - Segurança e Higiene no Trabalho, S.A.	85	-	85
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	2 756	-	2 756
Sociedade Portuguesa de Administrações, S.A.	357	-	357
	243 300	203 191	446 491

As at 31 December 2020, the Group's liabilities in respect of related parties, pursuant to article 109, included in the captions Deposits from customers, Debt securities issued and Other subordinated debt, are analysed as follows:

(Euro thousand)

	2020		
Companies	**Deposits from customers**	**Debt securies issued and other subordinated debt**	**Total**
Board of Directors	1 757	-	1 757
Board of Directors of Other Related Parties	3 479	-	3 479
Other Key Management Personnel	2 406	-	2 406
Bolsimo - Gestão de Activos, S.A.	1 902	-	1 902
Clínica CUF Belém, S.A.	10	-	10
Empresa Gestora de Imóveis da Rua do Prior S.A	166	-	166
Fundação Montepio Geral	838	-	838
Fundo de Pensões - Montepio Geral	39 188	2 103	41 291
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	493	-	493
H.T.A. - Hotéis, Turismo e Animação dos Açores, S.A.	89	-	89
In Posterum, A.C.E.	93	-	93
Lusitania Vida, Companhia de Seguros, S.A.	10 396	-	10 396
Lusitania, Companhia de Seguros, S.A.	4 031	-	4 031
Montepio Geral Associação Mutualista	140 129	200 388	340 517
Montepio Gestão de Activos - S.G.O.I.C., S.A.	1 600	-	1 600
Montepio Gestão de Activos Imobiliários, A.C.E.	2 450	-	2 450
Montepio Residências para Estudantes, S.A:	537	-	537
Montepio Seguros, S.G.P.S., S.A.	2 028	-	2 028
NovaCâmbios - Instituição de Pagamento, S.A.	512	-	512
Residências Montepio, Serviços de Saúde, S.A.	138	-	138
SAGIES - Segurança e Higiene no Trabalho, S.A.	45	-	45
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	3 122	-	3 122
Sociedade Portuguesa de Administrações, S.A.	148	-	148
	215 557	202 491	418 048

As at 31 December 2021, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

	2021					
Companies	Interest and similar income	Interest and similar expense	Net fee and commission income	Staff costs	Other operating income	General and administrative expenses
Board of Directors	-	1	1	-	-	-
Board of Directors of Other Related Parties	10	3	4	-	1	-
Other Key Management Personnel	15	3	4	-	1	-
Bolsimo -Gestão de Activos, S.A.	206	-	1	(264)	-	-
CESource, A.C.E.	-	-	-	(542)	-	-
Fundo de Pensões - Montepio Geral	-	8	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	3 050	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	4	-	2	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	4 919	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	5 945	-	7	-
Montepio Geral Associação Mutualista	2	18 413	2 288	(10 356)	(1 108)	1 922
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	914	-	16	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(2 312)	(3 296)	-
Montepio Residências para Estudantes, S.A.	-	-	-	(26)	-	-
Montepio Valor, S.G.O.I.C., S.A.	-	-	254	(604)	8	-
NovaCâmbios - Instituição de Pagamento, S.A.	58	-	59	-	6	-
Residências Montepio, Serviços de Saúde, S.A.	65	-	53	(113)	4	-
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	1	-	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	2	1	-	-	-
	360	18 430	17 496	(14 217)	(4 361)	1 922

As at 31 December 2020, the Group's income and expenses with related parties, pursuant to article 109, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Staff costs, Other operating income/(expense) and General and administrative expenses, are analysed as follows:

(Euro thousand)

	2020					
Companies	Interest and similar income	Interest and similar expense	Net fee and commission income	Staff costs	Other operating income	General and administrative expenses
Board of Directors	-	2	1	-	-	-
Board of Directors of Other Related Parties	9	5	3	-	-	-
Other Key Management Personnel	24	4	3	-	1	-
Bolsimo -Gestão de Activos, S.A.	424	3	1	(110)	-	-
CESource, A.C.E.	-	-	-	(578)	-	-
Fundo de Pensões - Montepio Geral	-	15	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	2 729	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	6	-	1	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	4 136	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	6 810	-	9	-
Montepio Geral Associação Mutualista	8	15 818	1 245	(14 896)	1	2 171
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	2	-	-	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(4 057)	(3 125)	83
Montepio Residências para Estudantes, S.A.	-	1	-	-	-	-
Montepio Seguros, S.G.P.S., S.A.	-	-	38	-	-	-
NovaCâmbios - Instituição de Pagamento, S.A.	37	-	62	-	6	-
Residências Montepio, Serviços de Saúde, S.A.	36	-	24	(113)	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	5	1	-	-	-
	544	15 853	15 056	(19 754)	(3 108)	2 254

In financial years 2021 and 2020, there were no transactions with the Group's Pension Fund.

52 Securitization of assets

As at 31 December 2021, there are five securitization operations, three of which originated in Banco Montepio and one in Montepio Crédito – Instituição Financeira de Crédito, S.A., and one realized jointly by Banco Montepio and Montepio Crédito.

We present next some additional details of these live securitization operations as at 31 December 2021.

As at 30 March 2007, Banco Montepio celebrated a mortgage loan securitization contract with Sagres – Sociedade de Titularização de Créditos, S.A. (Sagres), *Pelican Mortgages* no. 3. The total period of the operation is 47 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 762,375 thousand. The sale was made at par, with the initial sale process costs representing 0.0165% of par.

As at 20 May 2008, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, *Pelican Mortgages* no. 4. The total period of the operation is 48 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,028,600 thousand. The sale was made at par, with the initial sale process costs representing 0.083% of par.

As at 9 December 2008, Montepio Investimento S.A. sold a mortgage loan portfolio to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus), in the amount of Euro 236,500 thousand (Aqua Mortgages no. 1). The total period of this operation is 55 years, with a revolving period of 2 years.

As at 11 July 2017, Montepio Crédito celebrated with Tagus, a consumer loan securitization contract (Aqua Finance no. 4). The total period of the operation is 18 years, with a revolving period of 18 months and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 200,200 thousand. The sale was made at par, with the initial sale process costs representing 0.6991% of the Asset Backed Notes.

On 6 December 2021, Banco Montepio and Montepio Crédito signed contracts with Ares Lusitani – STC, S.A. leading to the securitization of a consumer loan portfolio. The securitization operation, with the name Pelican Finance no. 2, has a legal maturity of 13 years (25 January 2035), with the associated obligations having a Weighted Average Life of 2.76 years (assuming a CPR of 7.5%). The outstanding capital of the securitized loans (Aggregate Principal Amount Outstanding) was, on the reference date of 31 October 2021 (Portfolio Determinative Date), Euro 356,774 thousand, this being a static portfolio, without revolving mechanisms. The sale was carried out using a syndicated public placement model, with class A being placed above par (100.606%) and the rest at par.

The entity that guarantees the debt service (servicer) of the traditional securitization operations is Banco Montepio, assuming the collection of the loans sold and channelling the amounts received to the respective Credit Securitization Companies (Sociedades de Titularização de Créditos) (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Aqua Mortgages no. 1 and Pelican Finance no. 2).

The credit securitization operations Pelican Finance no. 1, on 25 March 2021, Pelican Mortgages no. 5, on 10 December 2021, and Pelican Mortgages no. 6, on 29 December 2021, were liquidated.

The Group does not hold any direct or indirect shareholding in the Companies Tagus, Sagres and Ares Lusitani.

The loans covered by the securitization operations referred above were not derecognized from the balance sheet as the Group retained most of the risks and rewards associated with the securitized loans. If the Group substantially transfers the risks and rewards associated with their holding, the securitization operations are derecognized.

As at 31 December 2021, the securitization operations realized by the Group are presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Asset transferred	Loans and advances: Initial amount	Loans and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount *
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	116 091	762 375	119 898	30 618
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	407 525	1 028 600	438 986	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	68 130	236 500	70 542	-
Pelican Finance No.2	December 2021	euro	Mortgage loans	360 301	354 894	360 301	360 301	362 214
Aqua Finance No. 4	July 2017	euro	Consumer loans and other	200 200	47 827	200 200	54 374	9 174
				2 587 976	994 467	2 587 976	1 044 101	402 006

* Includes nominal value, accrued interest and other adjustments.

As at 31 December 2020, the securitization operations realized by the Group are presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Asset transferred	Loans and advances: Initial amount	Loans and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount *
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	145 122	762 375	150 653	38 677
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	452 144	1 028 600	482 450	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	76 148	236 500	79 203	-
Pelican Mortgages No. 5	March 2009	euro	Mortgage loans	1 027 500	452 911	1 027 500	478 456	-
Pelican Mortgages No. 6	February 2012	euro	Mortgage loans	1 107 000	570 033	1 107 000	648 080	-
Pelican Finance No. 1	May 2014	euro	Consumer loans	308 700	74 659	308 700	85 149	-
Aqua Finance No. 4	July 2017	euro	Consumer loans and other	200 200	72 660	200 200	84 223	39 013
				4 670 875	1 843 677	4 670 875	2 008 214	77 690

* Includes nominal value, accrued interest and other adjustments

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2021, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations: Pelican Mortgage n.º 3	Pelican Mortgage n.º 4	Aqua Mortgage n.º 1	Pelican Finance n.º 2	Aqua Finance n.º 4	Total
Domestic loans and advances						
Corporate						
Other loans	-	-	-	-	14 324	14 324
Retail						
Mortgage	115 193	405 999	67 285	-	-	588 477
Consumer loans and other	-	-	-	354 875	31 143	386 018
	115 193	405 999	67 285	354 875	45 467	988 819
Credit and overdue interest						
Less than 90 days	96	546	540	15	49	1 246
More than 90 days	802	980	305	4	2 311	4 402
	898	1 526	845	19	2 360	5 648
	116 091	407 525	68 130	354 894	47 827	994 467

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2020, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations							
	Pelican Mortgage n.º 3	Pelican Mortgage n.º 4	Aqua Mortgage n.º 1	Pelican Mortgage n.º 5	Pelican Mortgage n.º 6	Pelican Finance n.º 1	Aqua Finance n.º 4	Total
Domestic loans and advances								
Corporate								
Other loans	-	-	-	-	-	-	24 880	24 880
Retail								
Mortgage	143 949	450 648	75 641	451 592	561 277	-	-	1 683 107
Consumer loans and other	-	-	-	-	-	69 748	44 932	114 680
	143 949	450 648	75 641	451 592	561 277	69 748	69 812	1 822 667
Credit and overdue interest								
Less than 90 days	107	648	540	344	2 260	263	29	4 191
More than 90 days	1 169	848	243	975	6 497	4 648	2 439	16 819
	1 276	1 496	783	1 319	8 757	4 911	2 468	21 010
	145 225	452 144	76 424	452 911	570 034	74 659	72 280	1 843 677

As a form of financing, the securitization vehicles created (Pelican Mortgages no. 3, Pelican Mortgages no. 4 and Aqua Mortgages no. 1) issued bonds which nominal value is presented below, and which were fully subscribed by Banco Montepio in the case of Aqua Mortgages no. 1, Pelican Mortgages no. 4, and partially, in the case of Pelican Mortgages no. 3, Aqua Finance no. 4 and Pelican Finance no.2.

The bonds held by Banco Montepio or by entities integrated in the consolidation perimeter of the Banco Montepio Group ("Interests held by the Group") are eliminated in the consolidation process for which reason they are presented below for information purposes only.

As at 31 December 2021, the securities issued by the special purpose vehicles are analysed as follows:

						Bonds Rating (initial)				Bonds Rating (current)			
Issue	Bonds	Initial nominal amoun euros	Current nominal amoun euros	Group's interest held (nominal amount) euros	Maturity	Fitch	Moodys	S&P	DBRS	Fitch	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	109 311 458	78 693 431	2054	AAA	Aaa	AAA	n.a.	BBB	A1	AA	n.a.
	Class B	14 250 000	2 822 267	2 822 267	2054	AA-	Aa2	AA-	n.a.	BBB	Baa3	BBB	n.a.
	Class C	12 000 000	2 376 646	2 376 646	2054	A	A3	A	n.a.	BB+	B3	BB	n.a.
	Class D	6 375 000	1 262 593	1 262 593	2054	BBB	Baa3	BBB	n.a.	BB	B3	B+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	323 657 030	323 657 030	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	AAA
	Class B	55 500 000	28 651 332	28 651 332	2056	AA	n.a.	n.a.	A+	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	30 974 413	30 974 413	2056	A-	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	n.a.
	Class D	25 000 000	12 906 006	12 906 006	2056	BBB	n.a.	n.a.	B+	B-	n.a.	n.a.	n.a.
	Class E	27 500 000	14 196 606	14 196 606	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Pelican Finance nº2	Class A	285 400 000	285 400 000		2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AA
	Class B	20 700 000	20 700 000		2035	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class C	17 500 000	17 500 000		2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBB
	Class D	19 300 000	19 300 000		2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BH
	Class E	17 400 000	17 400 000		2035	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
	Class X	1 000	1 000	1 000	2035	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	49 446 848	49 446 848	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	17 594 980	17 594 980	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Finance n.º 4	Class A	140 000 000	-	-	2035	n.a.	A3	n.a.	AL	n.a.	A1	n.a.	AA
	Class B	15 000 000	9 174 340	-	2035	n.a.	Ba2	n.a.	BBBL	n.a.	Baa3	n.a.	AH
	Class C	45 200 000	45 200 000	45 200 000	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

As at 31 December 2020, the securities issued by the special purpose vehicles, are analysed as follows:

						Bonds Rating (initial)				Bonds Rating (current)			
Issue	**Bonds**	**Initial nominal amoun euros**	**Current nominal amoun euros**	**Group's interest held (nominal amount) euros**	**Maturity**	**Fitch**	**Moodys**	**S&P**	**DBRS**	**Fitch**	**Moodys**	**S&P**	**DBRS**
Pelican Mortgages No 3	Class A	717 375 000	138 350 012	99 598 316	2054	AAA	Aaa	AAA	n.a.	BBB-	A3	BBB-	n.a.
	Class B	14 250 000	3 572 001	3 572 001	2054	AA-	Aa2	AA-	n.a.	BBB-	Ba1	B-	n.a.
	Class C	12 000 000	3 008 001	3 008 001	2054	A	A3	A	n.a.	BB	B2	B-	n.a.
	Class D	6 375 000	1 598 001	1 598 001	2054	BBB	Baa3	BBB	n.a.	B	Caa1	B-	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	357 936 501	357 936 501	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	AA
	Class B	55 500 000	31 685 880	31 685 880	2056	AA	n.a.	n.a.	A+	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	34 255 005	34 255 005	2056	A-	n.a.	n.a.	BBB	BBB	n.a.	n.a.	n.a.
	Class D	25 000 000	14 272 919	14 272 919	2056	BBB	n.a.	n.a.	B+	BB	n.a.	n.a.	n.a.
	Class E	27 500 000	15 700 211	15 700 211	2056	BB	n.a.	n.a.	B	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Class A	750 000 000	314 319 574	314 319 574	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAA
	Class B	195 000 000	110 086 392	110 086 392	2061	BBB-	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	27 500 000	15 525 004	15 525 004	2061	B	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class D	27 500 000	15 525 004	15 525 004	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	-	-	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23 000 000	23 000 000	23 000 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Class A	750 000 000	292 879 799	292 879 799	2063	A	n.a.	A-	AA	A+	n.a.	AA	AAH
	Class B	250 000 000	250 000 000	250 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1 800 000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65 000 000	65 000 000	65 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	57 093 499	57 093 499	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A	AAA
	Class B	29 824 000	18 609 200	18 609 200	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Class A	202 900 000	43 715 916	43 715 916	2028	A	n.a.	n.a.	A	A+	n.a.	n.a.	AAL
	Class B	91 100 000	26 732 717	26 732 717	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	14 700 000	14 700 000	14 700 000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Finance n.º 4	Class A	140 000 000	24 023 487	-	2035	n.a.	A3	n.a.	AL	n.a.	A1	n.a.	A
	Class B	15 000 000	15 000 000	-	2035	n.a.	Ba2	n.a.	BBBL	n.a.	Baa3	n.a.	BBBH
	Class C	45 200 000	45 200 000	45 200 000	2035	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

At each interest payment date, Tagus and Sagres have the possibility of partially redeeming the bonds, redemption which is realized sequentially and in function of the degree of subordination of the bonds.

The Bank has an operation that configures a synthetic securitization structure. The operation started on 18 December 2020 and is based on a loan portfolio of Small and Medium-sized Enterprises (SMEs). The legal maturity of the operation is 25 March 2036 and the respective amount totals Euro 358,661 thousand as at 31 December 2021 (31 December 2020: Euro 415,315 thousand). This operation has an estimated average maturity of 2.85 years.

53 Balance sheet and income statement indicators by operating and geographical segments

The segmental reporting is presented in accordance with IFRS 8. In compliance with the Group's management model, the disclosed segments correspond to the segments used for management purposes by the Board of Directors. The Group develops banking and financial services activities in Portugal and abroad, with a special focus on the domestic market through the following business segments: Retail, Social Economy, and Corporate and Investment Banking.

Products and services include the entire offer inherent in the universal banking activity, namely deposit taking, credit concession and the provision of financial and custodianship services to Companies and Individuals, as well as the trading of investment funds and life and non-life insurance. Additionally, the Group executes short, medium- and long-term investments in the financial and currency markets to take advantage of price variations or as a mean to obtain returns on its available financial resources.

As at 31 December 2021, the Banco Montepio Group had (i) a domestic network of 261 branches (including 7 branches for corporate clients of BEM) and (ii) a bank in Angola with 20 branches.

The information by operating segments on 31 December 2021 reflects the organizational and management model of the Banco Montepio Group, which follows the approved strategic guidance. The control over the performance of the activities carried out by the Group follows the allocation between the operating segments, with the respective management information considering the accounting policies underlying the preparation of the financial statements, as well as the internal management criteria. It is the responsibility of the Strategic Planning and Control Department to develop, produce and report management information related to the performance of the various operating segments and the respective control in relation to the objectives defined, reporting hierarchically to the Chief Financial Officer (CFO). The Executive Committee monitors the performance of the operating segments of the internal organizational model in a timely manner, as well as that of the respective budgetary control. The management information is reported to the Executive Committee and to the Board of Directors according to the model established, as well as to the competent organic units.

In evaluating the performance by business area, the Group considers the following operating segments:

1) Retail Banking, which includes the sub segments of Individuals, Self-employed Individuals, Small and Medium Enterprises allocated to this segment and Micro businesses;

2) Social Economy, which incorporates the Customers allocated to the Social Economy and Public Sector business areas;

3) Specialized credit, which includes the consumer credit business primarily developed by the subsidiary Montepio Crédito;

4) Asset Management, which reflects the activity of Montepio Valor, presented in the financial statements under Discontinued operations;

5) Corporate and Investment Banking, which includes the Large Companies, the Small and Medium Enterprises allocated to this segment and the Financial Institutions, as well as the activity presently developed in the Investment Banking area carried out by Banco de Empresas Montepio (BEM);

6) International Activity, which incorporates the contribution of Montepio Geral Cabo Verde – Em Liquidação, presented in the financial statements as a Discontinued Operation, and Finibanco Angola;

7) Markets, which includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding;

8) Non-core, which includes the operations related to the management of real estate held for trading and of non-performing loans; and

9) Other segments, which group the operations not included in the other segments. Each segment is allocated the Group's structures that are directly or indirectly dedicated to same, as well as the autonomous units of the Group which activity is also imputed.

Geographically, even though the Group concentrates its activity in Portugal, the international activity of the Group is assured by: (i) Finibanco Angola, S.A. and (ii) Banco Montepio Geral – Cabo Verde – Em Liquidação, Sociedade Unipessoal, S.A.

Description of the operating segments

On a consolidated basis, each of the reportable segments includes income and costs related to the following activities, products, Customers, and Group structures:

Retail Banking

This operating segment corresponds to all the activity developed by the Group in Portugal with Individuals, Self-employed Individuals, Small and Medium Enterprises allocated to this segment and micro businesses, commercially designated as the Individuals and Small Businesses segment, fundamentally originated by the branch network, electronic channels and promotor network. The financial information of this segment includes, among others, products and services, such as mortgage loans, individual and consumer credit, credit to Companies of the Retail segment, demand and term deposits and other savings applications, retirement solutions products, namely PPRs, debit and credit cards, account management and electronic payment services, and investment fund placement, securities' trading and custodianship services, as well as insurance brokerage and non-financial services.

Social Economy

This operating segment reinforces the Group's role while agent of reference of the Social Economy, in the market and with the different stakeholders, incorporating the activity related to the Social Economy and Public Sector business areas.

Specialized Credit

This operating segment highlights one of the cornerstones of the Transformation Plan, reflecting the focus on consumer credit. This segment reflects the activity developed by Montepio Crédito.

Asset Management

This operating segment incorporates the activity developed by the subsidiary Montepio Valor until 30 December 2021, date on which the subsidiary was disposed of (see note 59).

Corporate and Investment Banking

This operating segment includes the activity developed by the Group with Small, Medium and Large companies, through the commercial structure dedicated to this segment. It also includes the institutional Customers' business, namely the financial sector. Of note among the products and services provided are treasury and investment financing, commercial discounting, provision of guarantees, leasing, factoring, renting, foreign operations, such as documentary credits, cheques and remittances, deposits, payment and reception services, cards, as well as custodianship services.

The Corporate Banking business includes the Corporate segment in Portugal which operates, in the scope of the Group's cross-selling strategy, as a distribution channel for products and services of other Group Companies.

In addition, this operating segment includes the activity developed in the Investment Banking area by Banco de Empresas Montepio (Banco BEM).

International Activity

This segment reflects the contribution of Montepio Geral Cabo Verde – Em Liquidação and of Finibanco Angola.

Markets

This segment includes the operations related to the Own Securities' Portfolio, the Loans and Advances to Credit Institutions and Wholesale Funding.

Non-core

This segment includes operations related to the management of properties held for trading and non-performing loans.

Other segments

This segment includes all the support activity developed in respect of the main activities constituting the core business of the segments mentioned above. The interest rate, foreign exchange, liquidity and other risks, excluding credit risk, are imputed to this segment.

Allocation criteria of the results to the segments

The consolidated financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information on which decisions are made in the Group, as required by IFRS 8 – Operating Segments.

The accounting policies applied in the preparation of the financial information related to the operating segments are consistent with those used in the preparation of the financial statements, which are described in note 1, with the following principles having been adopted:

Measurement of segmental profit or loss

The Group uses the net profit/(loss) as a measure of the profits or losses to evaluate the performance of each operating segment.

Autonomous operating units

As mentioned above, each autonomous operating unit is evaluated separately, as these units are considered investment centres. Additionally, considering the characteristics of the primary business developed by same, their assets, liabilities, income and expenses are included in the corresponding Operating Segments.

Group structures dedicated to the segment

The Group's activity covers practically all the operating segments and is, therefore, broken down accordingly.

In preparing the financial information, the following criteria are used:

(i) The operations are allocated to each business segment in function of their origination by the commercial structures, even if, at a later date, and as an example, it is decided to securitize some of the assets originated in same;

(ii) The calculation of the net interest income is performed considering the business negotiated with Customers and other counterparties recognized in each one of the segments, taking into account the respective associated interest rates;

(iii) The determination of the net interest income also considers the impact of the transfer of the assets and liabilities of each product/segment to a pool, which balances these and adjusts the respective interest, considering the market interest rates at each moment, namely, Euribor for the different periods;

(iv) The allocation of the direct costs of the respective structures dedicated to each segment;

(v) The allocation of the indirect costs (central support and IT services), in function of previously defined criteria;

(vi) The allocation of credit risk is performed in accordance with the impairment model used by the Group.

(vii) The allocation of the tax burden to the operating segments results, with the exception of the international activity, from the application of the marginal tax rate of 30.5% to the profit before tax, with the remainder of the tax amount recognized in the income statement being allocated to the other segments.

Operations between the legally autonomous units of the Group are realized at market prices. The price of intersegment services, namely the prices established for internal funding, is determined by the adjustment system through the above mentioned pool (with prices varying in accordance with the strategic relevance of the product and the equilibrium of the structures funding and lending functions). The remaining services are allocated to the segments in accordance with predefined criteria.

The interest rate, exchange rate, liquidity and other risks, except for credit risk, are included in the segment Other Segments.

Interest and similar income/expense

Since the Group's consolidated activity is, essentially, related to the banking business, the greater part of the income generated results from the difference between the interest earned on its assets and the interest borne with the funding it secures. This situation, and the fact that the activity of the segments represents the direct business developed by the business units for each product, means that the revenue of the intermediation activity is presented, as permitted by IFRS 8 (23), at the net interest value under the designation of Net Interest Income.

Investments presented according to the equity method

Investments in associates presented according to the equity method are included in the segment designated Operations of other Segments.

Non-current assets

Non-current assets, according to IFRS 8, include Other Tangible Assets and Intangible Assets. The Group includes these assets in the segment in which they are mostly used.

Assets and liabilities for post-employment benefits

Considering that the factors that influence both the amount of the liabilities and of the assets of the Group's Pension Fund correspond, fundamentally, to variables external to the management of each segment, the Group considers that said impacts should not influence the performance of the Operating Segments which activities are carried out with Customers.

Domestic and International Areas

In the disclosure of financial information by geographical areas, the operating units that integrate the International Area are: (i) Finibanco Angola, S.A. and (ii) Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A – Em Liquidação.

The financial and economic elements related to the international area are those presented in the financial statements of those units with the respective consolidation and elimination adjustments.

As at 31 December 2021, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated										
	Commercial Banking										
	Retail	Social Economy	Specialized credit	Asset management	Subtotal	Investment Banking	International Activity	Markets	Non-Core segments	Other segments	Total
Interest and similar income	160 609	4 261	20 679	-	**185 549**	48 074	11 839	44 081	15 523	1 619	**306 685**
Interest and similar expense	21 399	684	524	-	**22 607**	4 874	2 093	45 680	5 741	(17 813)	**63 182**
NET INTEREST INCOME	**139 210**	**3 577**	**20 155**	**-**	**162 942**	**43 200**	**9 746**	**(1 599)**	**9 782**	**19 432**	**243 503**
Dividends from equity instruments	-	-	-	-	**-**	-	-	-	-	1 801	**1 801**
Net fee and commission income	98 403	1 519	4 568	-	**104 490**	11 987	1 647	1 550	(2 849)	(489)	**116 336**
Net gains/(losses) arising from financing operations	-	-	(10)	-	**(10)**	(866)	(73)	5 693	-	6 026	**10 770**
Other operating income/(expense)	3 383	(40)	(3 330)	-	**13**	535	(1 136)	14 775	10 133	(17 687)	**6 634**
OPERATING INCOME	**240 996**	**5 056**	**21 383**	**-**	**267 435**	**54 856**	**10 185**	**20 419**	**17 066**	**9 084**	**379 044**
Staff costs	67 367	2 946	6 576	-	**76 889**	6 304	5 051	1 450	5 763	68 697	**164 154**
General and administrative expenses	16 475	301	4 955	-	**21 731**	1 143	3 429	1 928	2 357	34 091	**64 679**
Depreciation and amortization	1 151	4	929	-	**2 084**	713	1 236	1	2	31 256	**35 292**
OPERATING COSTS	**84 993**	**3 251**	**12 460**	**-**	**100 704**	**8 160**	**9 716**	**3 379**	**8 122**	**134 044**	**264 125**
Total provisions and impairment	(30 851)	598	2 051	-	**(28 202)**	(126)	(5 538)	4 391	114 290	(4 312)	**80 503**
Share of profit/(loss) of associated companies under the equity method	-	-	-	-	**-**	-	-	-	-	3	**3**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**186 854**	**1 207**	**6 872**	**-**	**194 933**	**46 822**	**6 007**	**12 649**	**(105 346)**	**(120 646)**	**34 419**
Taxes	47 648	308	1 905	-	**49 861**	11 691	320	3 225	(25 437)	(14 401)	**25 259**
Non-controlling interests	-	-	-	-	**-**	-	1 125	-	-	-	**1 125**
Net income/(loss) from discontinued operations	-	-	-	(196)	**(196)**	-	(121)	-	-	(1 148)	**(1 465)**
NET INCOME/LOSS	**139 206**	**899**	**4 967**	**(196)**	**144 876**	**35 131**	**4 441**	**9 424**	**(79 909)**	**(107 393)**	**6 570**
Assets	8 630 439	227 006	590 074	-	**9 447 519**	1 888 488	228 202	6 602 963	1 663 025	(117 037)	**19 713 160**
Liabilities	11 187 221	752 498	527 558	-	**12 467 277**	555 728	153 844	5 291 805	-	(118 627)	**18 350 027**
Investments in associated companies	-	-	-	-	**-**	-	-	3 952	-	-	**3 952**

The caption Income/(loss) from discontinued operations includes the contribution of Banco Montepio Geral – Cabo Verde, S.A. – Em Liquidação, and Montepio Valor, S.G.O.I.C., S.A., which impact on the various captions of the Income Statement is disclosed in note 59.

The preparation of the segmental reporting follows the logic of the contribution to the consolidation, with the reportable segments excluding the respective intercompany balances, identified in note 51.

As at 31 December 2020, the reporting by operating segment, is presented as follows:

(Euro thousand)

	Banco Montepio - Consolidated										
	Commercial Banking										
	Retail	Social Economy	Specialized credit	Asset management	Subtotal	Investment Banking	International Activity	Markets	Non-Core segments	Other segments	Total
Interest and similar income	187 801	4 767	19 077	-	**211 645**	47 332	12 698	28 576	15 586	(12 157)	**303 680**
Interest and similar expense	31 341	750	776	-	**32 867**	6 245	2 615	39 133	8 113	(28 087)	**60 886**
NET INTEREST INCOME	**156 460**	**4 017**	**18 301**	**-**	**178 778**	**41 087**	**10 083**	**(10 557)**	**7 473**	**15 930**	**242 794**
Dividends from equity instruments	-	-	-	-	**-**	-	-	-	-	3 052	**3 052**
Net fee and commission income	94 290	1 754	4 576	-	**100 620**	12 441	1 701	-	(3 093)	3 642	**115 311**
Net gains/(losses) arising from financing operations	-	-	28	-	**28**	(1 646)	14 783	11 047	(3)	(6 347)	**17 862**
Other operating income/(expense)	121	(75)	(2 348)	-	**(2 302)**	(817)	51	30 220	8 297	(20 724)	**14 725**
OPERATING INCOME	**250 871**	**5 696**	**20 557**	**-**	**277 124**	**51 065**	**26 618**	**30 710**	**12 674**	**(4 447)**	**393 744**
Staff costs	73 428	2 695	6 398	-	**82 521**	6 017	5 469	1 416	6 540	87 292	**189 255**
General and administrative expenses	17 713	268	4 958	-	**22 939**	2 198	3 329	1 803	1 583	35 137	**66 989**
Depreciation and amortization	1 110	4	823	-	**1 937**	536	1 613	1	3	31 028	**35 118**
OPERATING COSTS	**92 251**	**2 967**	**12 179**	**-**	**107 397**	**8 751**	**10 411**	**3 220**	**8 126**	**153 457**	**291 362**
Total provisions and impairment	35 006	2 364	1 380	-	**38 750**	16 805	4 349	8 238	155 700	(3 010)	**220 832**
Share of profit/(loss) of associated companies under the equity method	-	-	-	-	**-**	-	-	-	-	(662)	**(662)**
PROFIT/(LOSS) BEFORE TAX AND NON-CONTROLLING INTERESTS	**123 614**	**365**	**6 998**	**-**	**130 977**	**25 509**	**11 858**	**19 252**	**(151 152)**	**(155 556)**	**(119 112)**
Taxes	31 522	93	1 903	-	**33 518**	6 591	2 354	4 909	(37 345)	(52 277)	**(42 250)**
Non-controlling interests	-	-	-	-	**-**	-	1 881	-	-	-	**1 881**
Net income/(loss) from discontinued operations	-	-	-	(213)	**(213)**	-	238	-	-	(1 968)	**(1 943)**
NET INCOME/LOSS	**92 092**	**272**	**5 095**	**(213)**	**97 246**	**18 918**	**7 861**	**14 343**	**(113 807)**	**(105 247)**	**(80 686)**
Assets	8 457 236	186 576	550 405	6 028	**9 200 245**	2 056 269	304 148	4 806 141	1 977 179	(402 976)	**17 941 006**
Liabilities	10 834 085	879 027	491 791	1 056	**12 205 959**	569 105	249 271	3 719 269	-	(129 757)	**16 613 847**
Investments in associated companies	-	-	-	-	**-**	-	-	3 872	-	-	**3 872**

In 2021, the net contribution of the main geographical areas to the income statement is presented as follows:

(Euro thousand)

Income Statement	Activity Domestic	Activity International	Total
Interest and similar income	294 846	11 839	306 685
Interest and similar expense	62 263	919	63 182
Intersegment	1 174	(1 174)	-
Net interest income	233 757	9 746	243 503
Dividends from equity instruments	1 801	-	1 801
Net fee and commission income	114 689	1 647	116 336
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(263)	-	(263)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	2 037	-	2 037
Net gains/(losses) arising from foreign exchange differences	9 069	(73)	8 996
Net gains/(losses) arising from sale of other financial assets	29 778	-	29 778
Other operating income/(expense)	(22 009)	(1 135)	(23 144)
Operating income	368 859	10 185	379 044
Staff costs	159 103	5 051	164 154
General and administrative expenses	61 250	3 429	64 679
Depreciation and amortization	34 056	1 236	35 292
	254 409	9 716	264 125
Impairment of loans and advances to customers to credit institutions	54 540	(207)	54 333
Impairment of other financial assets	4 384	(4 607)	(223)
Impairment of other assets	31 014	-	31 014
Other provisions	(3 897)	(724)	(4 621)
Operating profit/(loss)	28 409	6 007	34 416
Share of profit/(loss) of associated companies under the equity method	3	-	3
Profit/(loss) before taxes and non-controlling interests	28 412	6 007	34 419
Current taxes	3 142	1 002	4 144
Deferred taxes	21 797	(682)	21 115
Profits/(losses) from discontinued operations	-	(1 465)	(1 465)
Profits/(losses) from discontinued operations: intersegment	(1 344)	1 344	-
Non-controlling interests	-	1 125	1 125
Consolidated net income/(loss) for the year attributable to the Shareholders	2 129	4 441	6 570

In 2021, the net contribution of the main geographical areas to the balance sheet is presented as follows:

(Euro thousand)

Balance Sheet	Activity		
	Domestic	International	Total
Cash, deposits and advances and loans to credit institutions	3 148 491	115 930	3 264 421
Loans and advances to customers	11 625 843	41 845	11 667 688
Investments in financial assets and associated companies	3 311 620	36 286	3 347 906
Non-current assets held for sale	38 862	-	38 862
Investments properties	102 933	-	102 933
Non-current assets held for sale - discontinued operations	-	429	429
Other assets	1 257 209	33 712	1 290 921
Total Assets	19 484 958	228 202	19 713 160
Deposits from central banks and other credit institutions	3 456 571	844	3 457 415
Deposits from customers	12 646 186	140 700	12 786 886
Debt securities issued and other subordinated debt	1 834 390	-	1 834 390
Non-current liabilities held for sale - discontinued operations	-	329	329
Others liabilities	259 037	11 970	271 007
Total Liabilities	18 196 184	153 843	18 350 027
Non-controlling interests	-	12 903	12 903
Total Equity attributable to the Shareholders	1 288 774	61 456	1 350 230
Total Shareholders' Equity	1 288 774	74 359	1 363 133
Total Liabilities and Shareholders' Equity	19 484 958	228 202	19 713 160

In 2020, the net contribution of the main geographical areas to the income statement is presented as follows:

(Euro thousand)

Income Statement	Activity		
	Domestic	International	Total
Interest and similar income	290 982	12 698	303 680
Interest and similar expense	59 410	1 476	60 886
Intersegment	1 139	(1 139)	-
Net interest income	232 711	10 083	242 794
Dividends from equity instruments	3 052	-	3 052
Net fee and commission income	113 610	1 701	115 311
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(18 695)	-	(18 695)
Net gains/(losses) arising from financial assets at fair value through other comprehensive income	23 693	-	23 693
Net gains/(losses) arising from foreign exchange differences	(1 919)	14 783	12 864
Net gains/(losses) arising from sale of other financial assets	43 020	-	43 020
Other operating income/(expense)	(28 346)	51	(28 295)
Operating income	367 126	26 618	393 744
Staff costs	183 786	5 469	189 255
General and administrative expenses	63 660	3 329	66 989
Depreciation and amortization	33 505	1 613	35 118
	280 951	10 411	291 362
Impairment of loans and advances to customers to credit institutions	185 831	(705)	185 126
Impairment of other financial assets	8 314	3 859	12 173
Impairment of other assets	19 457	-	19 457
Other provisions	2 881	1 195	4 076
Operating profit/(loss)	(130 308)	11 858	(118 450)
Share of profit/(loss) of associated companies under the equity	(662)	-	(662)
Profit/(loss) before taxes and non-controlling interests	(130 970)	11 858	(119 112)
Current taxes	(563)	2 354	1 791
Deferred taxes	(44 041)	-	(44 041)
Profits/(losses) from discontinued operations	(213)	(1 730)	(1 943)
Profits/(losses) from discontinued operations: intersegment	(1 968)	1 968	-
Non-controlling interests	-	1 881	1 881
Consolidated net income/(loss) for the year attributable to the Shareholders	(88 547)	7 861	(80 686)

In 2020, the net contribution of the main geographical areas to the balance sheet is presented as follows:

(Euro thousand)

Balance Sheet	Activity		Total
	Domestic	International	
Cash, deposits and advances and loans to credit institutions	1 606 272	186 642	1 792 914
Loans and advances to customers	11 552 262	25 440	11 577 702
Investments in financial assets and associated companies	2 969 087	58 706	3 027 793
Non-current assets held for sale	154	5 330	5 484
Investments properties	125 893	-	125 893
Non-current assets held for sale - discontinued operations	-	1 310	1 310
Other assets	1 382 235	27 675	1 409 910
Total Assets	17 635 903	305 103	17 941 006
Deposits from central banks and other credit institutions	2 202 514	669	2 203 183
Deposits from customers	12 373 421	128 552	12 501 973
Debt securities issued and other subordinated debt	1 516 084	-	1 516 084
Non-current liabilities held for sale - discontinued operations	-	109 619	109 619
Others liabilities	271 602	11 386	282 988
Total Liabilities	16 363 621	250 226	16 613 847
Non-controlling interests	-	9 299	9 299
Total Equity attributable to the Shareholders	1 272 282	45 578	1 317 860
Total Shareholders' Equity	1 272 282	54 877	1 327 159
Total Liabilities and Shareholders' Equity	17 635 903	305 103	17 941 006

54 Risk management

Objectives of the Risk Management Policy

The Group is exposed to several risks the most relevant of which in the financial component being credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate, and Pension Fund risks. Additionally, the Group is subject to other non-financial risks, namely operating, information and communication technologies, strategy and business risks as well as other emerging risks, namely Environmental, Social and Governance (ESG) risks of which the climatic risks stand out. Depending on the nature and relevance of the risk, plans, programs, or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce potential losses for the Group.

The control and the efficient management of risk play a key role in the balanced and sustained development of Banco Montepio. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Department, the unit responsible for the risk management function of the Group, which regularly informs the Management (elsewhere also “Board of Directors”) and Supervisory bodies of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

The Group's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is a non-executive body with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of the Group and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors and Executive Committee in these areas.

The Board of Directors, with the support of the Audit Committee (a supervisory body of Banco Montepio) must ensure that the Institution has sufficient capital to meet regulatory requirements and to cover potential losses resulting from the activity, with an optimized balance sheet structure that maintains a stable and safe funding capacity and liquidity profile, allowing it to face stress situations and ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

The Group has clear and well-defined objectives in its strategic plan, namely as regards capital ratios, transformation of deposits into credit, liquidity, and financing ratios, in addition to a feasible and sustainable business model aligned with its risk appetite.

To this end, the definition of risk appetite is based on certain principles - namely solidity, sustainability and profitability – being prepared in function of the strategic plan and the intended market positioning, as well as the risks faced in its activity that are materially relevant. For these, objectives are set according to the desired level of return and the business strategy, tolerance levels, that is, risk variation intervals that can lead to discussions and decisions about corrective measures and limits that, if exceeded, lead to immediate corrective measures.

In defining risk appetite, the Board of Directors ensures its alignment with the other organizational components (business strategy and the global vectors of risk strategy). In addition, the Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making and that can affect risk exposure and it's monitoring.

The Group's risk management policy is designed to ensure an adequate relationship, at all times, between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line, assuming particular importance in this scope the monitoring and control of the main types of financial and non-financial risks – credit, market, liquidity, real estate and operating – to which the Group's business is subject.

In order to ensure an effective management of the risks associated with the Group's activities, the Risk Department is responsible for promoting that all Group Companies, including those located abroad, implement risk management systems that are coherent with each other and in accordance with the requirements set forth in the Internal Regulation of the Banco Montepio risk management function, in the Banco Montepio Group's Risk Management Policy and in the remaining applicable internal policies and regulations, without prejudice to the respective legal and regulatory framework. The Risk Department is responsible for monitoring the risk management activity of Group Companies, on a consolidated and individual basis, ensuring the consistency of the risk concepts used, the methodologies for risk identification, measurement and control, the supporting standards and respective risk profile monitoring processes, as well as the compliance with the applicable regulatory and prudential requirements, namely on a consolidated basis. These activities should be directly assured by the risk management functions of those entities, except in those cases where Banco Montepio's Board of Directors decides that the development of these responsibilities by Banco Montepio's Risk Department is more effective and efficient.

Credit risk

Credit Risk is the probability of negative impacts on results or capital, due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists mainly in loan exposures (including secured), credit lines, guarantees and derivatives.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses (loss given default) and in the estimation of the regulatory and economic capital requirements (non-expected losses).

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g., the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and, whenever possible, also in credit recovery.

Credit decisions are dependent on risk ratings and compliance with various rules governing the financial capacity and behaviour of the applicants.

There are scoring models for the admission of individuals to the retail portfolios, namely for mortgage loans, individual loans, and credit cards.

Self-employed individuals ("Empresários em nome individual" – "ENI") and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large Companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the Company's activity, namely start-up Companies.

Regardless of the typology of the applicable model, any proposal, contract or credit Customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 19 classes, of which the first 15 correspond to performing risk classes, classes 16 to 18 to credit incidents/ record of arrears in the financial system, and class 19 to default, in accordance with the applicable internal definition, which follows the regulators' prudential requirements.

It is possible to derogate the response of scoring systems, internal ratings, and internal price lists, but only by higher decision levels, in accordance with the established principles of delegation of responsibilities. Rejection situations are defined in order to minimize the risk of adverse selection, with risk classes for rejection having been defined.

Intervention limits are also defined for the different decisions, by operation amount and global Customer exposure, type of operation/collateral and assigned risk class. In this context, higher hierarchical positions must approve operations with higher exposures. The levels and limits are approved by the Board of Directors, and the highest decision level corresponds to the Board of Directors. At the intermediate levels the collegial intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Credit Analysis Department, a body independent of the commercial structure. The Risk Department is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio Group's risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk profile deterioration of a certain counterpart (Early Warning Signs).

The Banco Montepio Group uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are described in note 1 c.10.4).

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

1. Macroeconomic projection degradation scenario of 10%: impact of 3.11% of total impairment of the loan portfolio;
2. Macroeconomic projection improvement scenario of 10%: impact of -2.93% of total impairment of the loan portfolio.

In addition, sensitivity analyses were also performed directly on the PD and LGD parameters, with the following results being obtained:

1. Parameter degradation scenario of 5%: impact of 6.56% of total impairment of the loan portfolio;
2. Parameter improvement scenario of 5%: impact of -6.54% of total impairment of the loan portfolio.

Regarding the process of incorporating macroeconomic projections into the parameters for estimating impairment, the established process provides for the projections to be updated at least annually.

Below is a summary of the evolution of the main macroeconomic variables considered in the models:

	2021	2022	2023
Unemployment Rate [2]			
Base Scenario	6.76%	5.89%	5.61%
Worst-case Scenario	6.76%	11.22%	10.66%
Best-case Scenario	6.76%	5.84%	5.44%
GDP Growth Rate [2]			
Base Scenario	3.76%	3.95%	2.13%
Worst-case Scenario	3.76%	-1.04%	2.70%
Best-case Scenario	3.76%	5.92%	2.17%
Growth Rate of Direct Investment in Assets [3]			
Base Scenario	1540.00%	27.08%	-13.66%
Worst-case Scenario	1540.00%	8.33%	8.33%
Best-case Scenario	1540.00%	20.83%	-1.72%
Private Consumption Expenditure Growth Rate [2]			
Base Scenario	6.31%	3.11%	2.10%
Worst-case Scenario	6.31%	-0.56%	2.30%
Best-case Scenario	6.31%	4.67%	1.84%
Government Balance Growth Rate as a Percentage of GDP [1]			
Base Scenario	15.70%	54.39%	41.28%
Worst-case Scenario	15.70%	-8.79%	46.92%
Best-case Scenario	15.70%	67.57%	52.90%
PSI Index Growth Rate [4]			
Base Scenario	21.14%	-1.41%	2.29%
Worst-case Scenario	21.14%	-23.44%	12.06%
Best-case Scenario	21.14%	8.10%	0.38%

[1] Source: Eurostat; Projections: Moody's Analytics
[2] Source: National Institute of Statistics; Projections: Moody's Analytics
[3] Source: International Monetary Fund; Projections Moody's Analytics
[4] Source: SIX Financial Information; Projections Moody's Analytics

The Group’s credit risk exposure can be analysed as follows:

(Euro thousand)

	2021	2020
Loans and deposits at credit institutions payable on demand	67 360	33 660
Other loans and advances to credit institutions	229 065	293 004
Loans and advances to customers	11 667 688	11 577 702
Financial assets held for trading	7 582	10 452
Financial assets at fair value through profit or loss	9 768	9 666
Financial assets at fair value through other comprehensive income	101 128	168 058
Hedging derivatives	5 411	10 693
Other financial assets at amortized cost	3 004 196	2 362 616
Other assets	76 406	48 103
Guarantees granted	479 831	507 617
Irrevocable credit lines	694 072	721 300
Revocable credit lines	845 581	808 885
	17 188 088	16 551 756

The analysis of the main credit risk exposures by sector of activity, for financial year 2021, can be analysed as follows:

(Euro thousand)

	2021														
Activity	Loans and deposits at other credit institutions payable on demand	Other loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees granted	Irrevocable credit lines	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value		Provisions
Corporate															
Agriculture, forestry and fishing	-	-	-	104 781	5 223	-	-	5 126	53	-	-	-	947	6 286	-
Extractive Industries	-	-	-	16 232	589	-	-	-	-	-	-	-	1 314	2 535	124
Manufacturing industries	-	-	-	1 030 727	87 057	-	845	-	-	-	-	-	24 544	117 864	8
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	84 765	5 208	-	-	3 995	444	-	-	-	1 073	11 002	1 661
Water supply	-	-	-	67 766	1 310	-	-	-	-	-	-	-	1 926	6 056	5
Construction	-	-	-	447 676	65 506		470	-	-	-	-	-	102 402	96 886	13
Wholesale and retail trade	-	-	-	859 602	74 691	-	5 163	-	-	-	-	-	40 742	149 636	7 666
Transport and storage	-	-	-	393 291	19 558	-	-	-	-	-	-	-	6 099	16 871	1 540
Accommodation and catering activities	-	-	-	595 740	26 944	-	-	-	-	-	-	-	8 966	27 879	188
Information and Communication	-	-	-	63 083	2 431	-	-	-	-	5 411	-	-	1 725	24 559	569
Financial and insurance activities	67 360	229 529	464	492 837	94 249	7 582		9 388	1 560	-		-	231 750	19 212	122
Real estate activities	-	-	-	617 246	27 599		87	-	-	-	-	-	17 080	115 413	273
Consulting, scientific, technical and similar	-	-	-	245 467	6 700	-	2 614	-	-	-	-	-	15 958	32 293	1 006
Administrative and supporting service activities	-	-	-	122 026	4 107	-	263	-	-	-	-	-	5 497	26 529	289
Public administration and defence, compulsory social security	-	-	-	37 629	573		-	74 408	141	-	3 009 601	5 405	112	311	913
Education	-	-	-	63 399	2 485	-	-	-	-	-	-	-	200	4 783	13
Healthcare services and social support	-	-	-	279 399	8 262	-	-	4 091	24	-	-	-	1 653	18 184	36
Artistic activities, shows and recreational	-	-	-	60 403	3 108	-	-	-	-	-	-	-	10 775	8 305	399
Other services	-	-	-	154 284	17 379	-	126	-	-	-	-	-	3 382	9 468	683
Retail															5 023
Mortgage Loans	-	-	-	5 679 811	38 526	-	-	1 315	2	-	-	-	-	-	-
Others	-	-	-	773 301	30 272	-	200	5 658	629	-	-	-	3 686	-	731
	67 360	**229 529**	**464**	**12 189 465**	**521 777**	**7 582**	**9 768**	**103 981**	**2 853**	**5 411**	**3 009 601**	**5 405**	**479 831**	**694 072**	**21 262**

The analysis of the mains credit risk exposures by sector of activity, for financial year 2020, can be analysed as follows:

(Euro thousand)

Activity	2020 Loans and deposits at other credit institutions payable on demand	Other loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees granted	Irrevocable credit lines	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value		Provisions
Corporate															
Agriculture, forestry and fishing	-	-	-	97 319	4 045	-	-	5 204	54	-	-	-	652	6 071	241
Extractive Industries	-	-	-	14 704	625	-	-	-	-	-	-	-	1 477	1 928	21
Manufacturing industries	-	-	-	980 759	94 182		1 440			-	-	-	20 155	120 572	1 477
Electricity generation and distribution, gas, steam and air conditioning	-	-	-	68 620	4 558		-			-	-	-	1 057	9 789	21
Water supply	-	-	-	69 130	2 623	-	-	-	-	-	-	-	2 219	4 854	40
Construction	-	-	-	626 502	167 744		588	-	-	-	-	-	100 554	106 874	5 798
Wholesale and retail trade	-	-	-	914 706	107 021	-	3 364			-	-	-	50 476	152 587	6 527
Transport and storage	-	-	-	404 431	46 455	-	6	-	-	-	-	-	5 290	16 637	285
Accommodation and catering activities	-	-	-	532 779	23 429	-	-	-	-	-	-	-	14 814	33 665	606
Information and Communication	-	-	-	58 844	3 394	-	-	-	-	10 693	-	-	1 769	22 845	112
Financial and insurance activities	33 660	293 291	287	627 449	102 668	9 399	150	4 143	708	-		-	236 663	49 054	403
Real estate activities	-	-	-	736 415	86 826	-	85	-	-	-	-	-	24 524	109 396	1 595
Consulting, scientific, technical and similar	-	-	-	263 921	10 082	-	2 943	-	-	-	-	-	20 908	29 126	654
Administrative and supporting service activities	-	-	-	109 996	6 848	-	47	-	-	-	-	-	5 927	21 492	313
Public administration and defence, compulsory social security	-	-	-	45 737	272	1 053	904	153 765	382	-	2 371 582	8 966	116	557	14
Education	-	-	-	63 262	2 922	-	-	-	-	-	-	-	254	4 809	34
Healthcare services and social support	-	-	-	236 059	9 356	-	-	4 060	24	-	-	-	4 301	15 525	404
Artistic activities, shows and recreational	-	-	-	66 829	10 590	-	-	-	-	-	-	-	9 172	5 303	179
Other services	-	-	-	62 884	381	-	139	-	-	-	-	-	3 674	10 148	74
Retail															
Mortgage Loans	-	-	-	5 636 438	55 782	-	-	2 067	13	-	-	-	-	-	-
Others	-	-	-	740 432	39 711	-	-	-	-	-	-	-	3 615	68	2 420
	33 660	**293 291**	**287**	**12 357 216**	**779 514**	**10 452**	**9 666**	**169 239**	**1 181**	**10 693**	**2 371 582**	**8 966**	**507 617**	**721 300**	**21 218**

The Group's total credit exposure, which includes the caption Loans and advances to customers (including the entities subject to the adoption of IFRS 5), the guarantees and standby letters provided in the aggregate amount of Euro 479,831 thousand (31 December 2020: Euro 507,617 thousand), the irrevocable credit facilities amounting to Euro 694,072 thousand (31 December 2020: Euro 721,300 thousand) and the revocable credit facilities in the amount of Euro 845,581 thousand (31 December 2020: Euro 808,885 thousand), broken down between collective and individual analysis, is presented as follows:

(Euro thousand)

	2021			2020		
Impacts by stage	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Collective analysis	**10 598 513**	**191 867**	**10 406 646**	**9 481 692**	**235 950**	**9 245 742**
Stage 1	8 780 406	21 695	8 758 711	6 810 916	14 105	6 796 811
Stage 2	1 519 143	42 375	1 476 768	2 337 423	60 661	2 276 762
Stage 3	298 964	127 797	171 167	333 353	161 184	172 169
Individual analysis	**3 610 437**	**351 172**	***3 259 265***	**4 913 326**	**564 782**	**4 348 544**
Stage 1	1 982 421	11 761	1 970 660	2 429 191	14 195	2 414 996
Stage 2	836 536	26 603	809 933	1 402 593	47 962	1 354 631
Stage 3	791 480	312 808	478 672	1 081 542	502 625	578 917

As at 31 December 2021 and 2020, the detail of the application of Stages to other financial assets is presented as follows:

(Euro thousand)

	2021			2020		
Impacts by stage	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Amortized cost (AC)	**3 009 601**	**5 405**	**3 004 196**	**2 371 582**	**8 966**	**2 362 616**
Stage 1	2 994 627	5 042	2 989 585	2 371 582	8 966	2 362 616
Stage 2	14 974	363	14 611	-	-	-
Fair value (FVOIC)	**103 980**	**2 853**	**101 127**	**169 239**	**1 181**	**168 058**
Stage 1	101 493	2 103	99 390	165 570	556	165 014
Stage 2	2 487	750	1 737	3 669	625	3 044
Loans to credit institutions	**229 529**	**464**	**229 065**	**293 291**	**287**	**293 004**
Stage 1	219 726	319	219 407	293 291	287	293 004
Stage 2	9 803	145	9 658	-	-	-
	3 343 110	**8 722**	**3 334 388**	**2 834 112**	**10 434**	**2 823 678**

As at 31 December 2021 and 2020, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

	2021			2020		
Segment	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Retail	**6 853 094**	**65 024**	**6 788 070**	**6 724 600**	**90 275**	**6 634 325**
Morgage loans	5 775 736	35 356	5 740 380	5 684 769	54 989	5 629 780
Stage 1	5 030 978	608	5 030 370	4 421 719	1 211	4 420 508
Stage 2	652 167	6 286	645 881	1 159 477	15 052	1 144 425
Stage 3	92 591	28 462	64 129	103 573	38 726	64 847
Consumer credit	811 469	28 083	783 386	773 569	31 147	742 422
Stage 1	694 457	2 443	692 014	531 389	2 376	529 013
Stage 2	77 168	4 600	72 568	203 655	8 312	195 343
Stage 3	39 844	21 040	18 804	38 525	20 459	18 066
Credit cards	265 889	1 585	264 304	266 262	4 139	262 123
Stage 1	244 940	536	244 404	151 607	714	150 893
Stage 2	18 615	205	18 410	109 679	1 012	108 667
Stage 3	2 334	844	1 490	4 976	2 413	2 563
Corporate	**3 745 419**	**126 843**	**3 618 576**	**2 757 092**	**145 675**	**2 611 417**
Non-Construction	3 351 644	113 071	3 238 573	2 498 936	131 308	2 367 628
Stage 1	2 512 375	16 614	2 495 761	1 541 359	8 938	1 532 421
Stage 2	709 042	29 249	679 793	803 845	33 714	770 131
Stage 3	130 227	67 208	63 019	153 732	88 656	65 076
Construction	393 775	13 772	380 003	258 156	14 367	243 789
Stage 1	297 656	1 494	296 162	164 841	867	163 974
Stage 2	62 151	2 035	60 116	60 767	2 571	58 196
Stage 3	33 968	10 243	23 725	32 548	10 929	21 619
	10 598 513	**191 867**	**10 406 646**	**9 481 692**	**235 950**	**9 245 742**

As at 31 December 2021 and 2020, impairment is detailed as follows:

(Euro thousand)

	2021						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	3 593 093	345 196	3 745 418	126 843	7 338 511	472 039	6 866 472
Retail - mortgage loans	6 748	1 046	5 775 737	35 356	5 782 485	36 402	5 746 083
Retail - other loans	10 596	4 930	1 077 358	29 668	1 087 954	34 598	1 053 356
	3 610 437	351 172	10 598 513	191 867	14 208 950	543 039	13 665 911

(Euro thousand)

	2020						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	4 890 291	559 562	2 756 514	145 676	7 646 805	705 238	6 941 567
Retail - mortgage loans	12 489	794	5 684 769	54 988	5 697 258	55 782	5 641 476
Retail - other loans	10 546	4 426	1 040 409	35 286	1 050 955	39 712	1 011 243
	4 913 326	564 782	9 481 692	235 950	14 395 018	800 732	13 594 286

As at 31 December 2021, the transfer between Stages, related to loans and advances to customers (gross loans and advances and impairment) is presented as follows:

(Euro thousand)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross value at the beginning of the year	9 240 107	3 740 016	1 414 895	14 395 018
Transfer to stage 1	1 361 842	(1 355 795)	(6 047)	-
Transfer to stage 2	(403 420)	417 342	(13 922)	-
Transfer to stage 3	(35 271)	(156 412)	191 683	-
Write-Offs	(521)	(1 199)	(292 906)	(294 626)
Exposure of new net derecognition credits, refunds and other variations	600 090	(288 273)	(203 259)	108 558
Gross value at the end of the year	10 762 827	2 355 679	1 090 444	14 208 950

(Euro thousand)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss at the beginning of the year	28 300	108 623	663 809	800 732
Transfer to stage 1	5 679	(5 656)	(23)	-
Transfer to stage 2	(10 791)	11 240	(449)	-
Transfer to stage 3	(9 423)	(38 552)	47 975	-
Write-Offs	(521)	(1 199)	(292 906)	(294 626)
Exposure of new net derecognition credits, refunds and other variations	20 212	(5 478)	22 199	36 933
Impairment loss at the end of the year	33 456	68 978	440 605	543 039

As at 31 December 2021 and 2020, the fair value analysis of collaterals associated with the Group's total credit portfolio, is as follows:

(Euro thousand)

Fair value of collateral	2021	2020
Individual analysis		
Securities and other financial assets	*145 092*	*188 701*
Real Estate - Mortgage loans	*12 436*	*17 902*
Real Estate - Construction and CRE	*2 096 777*	*2 463 666*
Other real estate	*1 714 721*	*2 056 725*
Other guarantees	*458 920*	*518 479*
Collective analysis - Stage 1		
Securities and other financial assets	*416 670*	*144 592*
Real Estate - Mortgage loans	*11 134 569*	*9 722 902*
Real Estate - Construction and CRE	*503 130*	*177 846*
Other real estate	*795 665*	*455 927*
Other guarantees	*351 445*	*345 403*
Collective analysis - Stage 2		
Securities and other financial assets	*76 282*	*66 706*
Real Estate - Mortgage loans	*1 346 240*	*2 172 996*
Real Estate - Construction and CRE	*150 022*	*143 358*
Other real estate	*529 691*	*527 784*
Other guarantees	*37 392*	*44 433*
Análise coletiva - Estágio 3		
Securities and other financial assets	*3 044*	*1 941*
Real Estate - Mortgage loans	*169 224*	*155 858*
Real Estate - Construction and CRE	*36 889*	*63 409*
Other real estate	*68 177*	*66 588*
Other guarantees	*17 350*	*12 016*
	20 063 737	**19 347 232**

The Group uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. The financial collaterals are revaluated based on the market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility. Most of the real collaterals are revalued at least once a year.

The Group's total loans and advances portfolio, by segment and respective impairment, constituted in financial years 2021 and 2020, is presented as follows:

(Euro thousand)

	2021		2020	
Segment	Total exposure	Total impairment	Total exposure	Total impairment
Corporate	5 853 034	369 900	5 872 809	442 887
Construction and CRE	1 485 477	102 139	1 773 996	262 351
Retail - Mortgage loans	5 782 485	36 402	5 697 258	55 782
Retail - Other loans	1 087 954	34 598	1 050 955	39 712
	14 208 950	543 039	14 395 018	800 732

The live loans and advances portfolio, by segment and by production year, in financial year 2021, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Retail - Mortage loans			Retail - Other		
Production year	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous	658	35 925	1 223	634	55 729	19 903	39 015	1 117 385	8 452	20 502	16 840	495
2005	185	12 526	609	160	13 124	3 710	9 898	462 546	3 916	5 366	5 285	149
2006	270	24 143	1 949	160	17 767	5 851	11 976	575 170	6 708	13 843	19 558	3 662
2007	482	24 389	1 216	206	33 797	9 277	12 354	585 519	6 820	37 374	41 690	933
2008	1 257	42 021	1 886	368	16 432	1 396	6 420	304 371	3 127	58 866	77 269	610
2009	2 001	79 867	2 795	419	24 498	3 889	3 486	186 193	1 434	46 504	51 000	1 873
2010	1 817	76 721	4 101	327	29 917	6 078	3 545	214 278	1 564	33 898	23 335	716
2011	2 435	95 891	3 294	383	15 688	2 234	1 309	76 413	468	27 462	25 403	1 760
2012	2 106	82 943	5 417	366	24 575	6 952	807	47 585	421	19 725	12 842	465
2013	4 283	248 629	30 948	388	24 554	1 726	1 038	60 129	243	19 219	21 000	1 238
2014	5 798	369 934	32 428	1 450	67 484	3 731	1 233	75 025	195	22 812	29 446	2 694
2015	6 025	304 369	83 867	670	26 935	1 669	1 452	90 178	146	20 538	33 623	2 875
2016	7 936	491 740	29 880	1 012	80 612	10 231	2 041	148 682	398	32 822	51 752	2 551
2017	10 616	411 499	25 428	1 004	242 770	8 248	2 818	219 124	332	26 731	59 478	2 068
2018	12 026	479 002	46 694	1 741	90 582	2 757	2 973	242 758	525	39 325	99 311	2 292
2019	12 441	650 128	40 062	1 964	172 173	7 429	3 604	307 446	900	33 189	120 526	3 372
2020	15 683	1 055 832	36 557	2 045	268 773	4 402	3 866	370 281	366	33 212	160 533	3 563
2021	19 794	1 367 475	21 546	2 515	280 067	2 656	6 686	699 402	387	43 925	239 063	3 282
	105 813	5 853 034	369 900	15 812	1 485 477	102 139	114 521	5 782 485	36 402	535 313	1 087 954	34 598

The live loans and advances portfolio, by segment and by production year, in financial year 2020, is presented as follows:

(Euro thousand)

Production year	Corporate			Construction and CRE			Retail - Mortage loans			Retail - Other		
	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous	722	34 476	1 899	722	104 664	49 993	43 356	1 290 591	13 504	24 721	18 531	742
2005	219	13 656	997	183	33 980	21 320	10 605	514 350	6 580	8 180	6 564	238
2006	355	26 832	2 415	200	72 121	44 618	13 018	639 510	10 057	18 426	21 522	2 846
2007	542	31 616	1 564	243	45 590	13 401	13 290	650 172	10 048	43 156	46 180	1 318
2008	1 467	52 249	5 829	433	23 454	5 689	6 933	340 173	5 111	64 762	83 952	1 267
2009	2 377	88 014	4 800	514	41 906	17 155	3 767	207 113	2 279	50 099	55 196	2 146
2010	2 008	102 620	12 687	377	37 967	10 708	3 796	236 546	2 278	36 198	25 931	1 277
2011	2 900	109 888	6 858	447	22 123	5 932	1 446	86 627	587	29 800	28 111	2 136
2012	3 119	108 384	10 885	323	30 143	10 061	886	53 770	521	21 315	15 261	1 227
2013	5 258	326 066	69 487	484	30 282	3 619	1 146	69 600	457	21 521	22 850	2 371
2014	7 277	430 598	41 303	1 592	120 970	14 531	1 361	86 147	341	25 780	40 165	4 628
2015	7 934	387 469	83 661	854	39 329	5 994	1 600	103 279	290	24 015	46 940	4 021
2016	10 179	634 649	51 659	1 884	165 579	19 042	2 242	167 242	660	38 303	72 824	4 085
2017	12 902	485 115	33 770	1 330	289 639	9 085	3 077	248 667	732	32 126	84 768	3 411
2018	13 610	567 699	51 222	1 795	160 646	16 877	3 247	272 373	826	43 773	128 871	2 913
2019	14 062	804 675	37 529	1 896	241 793	8 150	3 841	335 814	1 096	37 967	152 899	3 163
2020	21 693	1 668 803	26 322	2 464	313 810	6 176	4 003	395 284	415	37 447	200 390	1 923
	106 624	5 872 809	442 887	15 741	1 773 996	262 351	117 614	5 697 258	55 782	557 589	1 050 955	39 712

The gross exposure of loans and advances and impairment, individual and collective, by segment, in financial years 2021 and 2020, is analysed as follows:

(Euro thousand)

	2021									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	2 751 977	262 510	841 116	82 687	6 748	1 046	10 596	4 930	3 610 437	351 173
Collective	3 101 057	107 390	644 361	19 452	5 775 737	35 356	1 077 358	29 668	10 598 513	191 866
	5 853 034	369 900	1 485 477	102 139	5 782 485	36 402	1 087 954	34 598	14 208 950	543 039

(Euro thousand)

	2020									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	3 507 162	317 800	1 383 128	241 761	12 489	794	10 546	4 426	4 913 325	564 781
Collective	2 365 647	125 087	390 868	20 590	5 684 769	54 988	1 040 409	35 286	9 481 693	235 951
	5 872 809	442 887	1 773 996	262 351	5 697 258	55 782	1 050 955	39 712	14 395 018	800 732

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for the Companies, in financial years 2021 and 2020, is analysed as follows:

(Euro thousand)

	2021											
	Construction		Industry		Trade		Real Estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	356 536	61 460	483 925	63 910	231 249	43 334	499 788	22 442	2 021 595	154 051	3 593 093	345 197
Collective	393 774	13 771	793 257	30 043	910 601	34 477	251 260	6 183	1 396 526	42 368	3 745 418	126 842
	750 310	75 231	1 277 182	93 953	1 141 850	77 811	751 048	28 625	3 418 121	196 419	7 338 511	472 039

(Euro thousand)

	2020											
	Construction		Industry		Trade		Real Estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	647 123	159 530	646 846	57 933	340 800	56 726	751 998	82 231	2 503 524	203 142	4 890 291	559 562
Collective	258 157	14 367	573 570	39 289	783 441	43 464	135 992	6 222	1 005 354	42 334	2 756 514	145 676
	905 280	173 897	1 220 416	97 222	1 124 241	100 190	887 990	88 453	3 508 878	245 476	7 646 805	705 238

The amount of restructured loans and advances by stage and by segment, as at 31 December 2021 and 2020, is presented as follows:

(Euro thousand)

	2021									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Stage 2	29 256	1 639	9 949	420	21 698	133	7 346	324	68 249	2 516
Stage 3	370 707	181 007	124 670	49 475	41 789	12 919	18 274	9 800	555 440	253 201
	399 963	182 646	134 619	49 895	63 487	13 052	25 620	10 124	623 689	255 717
	2020									
	Corporate		Construction and CRE		Retail - Mortage loans		Retail - Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Stage 2	37 257	2 353	14 027	841	28 284	302	6 338	382	85 906	3 879
Stage 3	425 507	206 073	248 317	133 111	45 907	18 341	10 258	6 552	729 989	364 077
	462 763	208 426	262 345	133 953	74 191	18 643	16 596	6 934	815 895	367 956

The gross exposure of performing and non-performing loans and advances, in financial years 2021 and 2020, is analysed as follows:

(Euro thousand)

	2021											
	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		of which perfoming with arrears of >30 days and <= 90	of which restructured and perfoming	of which non-performing				on performing exposure		on non-performing exposure		on performing exposures	of which restructured
					of witch non-performing	of which impaired	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	3 645 187	-	-	33 000	33 000	33 000	-	12 311	-	14 272	-	-	-
Other balance sheet credit exposures (b)	14 774 758	31 812	68 070	942 302	942 302	941 322	555 721	92 542	2 514	411 375	253 180	414 074	290 678
Off-balance sheet exposures (c)	2 019 484	1 341	280	117 002	117 002	117 002	419	6 738	2	14 524	21	-	-

(a) Includes i) debt instruments and ii) commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes Loans and advances to customers, Cash and deposits at central banks and Other loans and advances to credit institutions and Foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, Guarantees and Documentary credit provided.

(Euro thousand)

	2020											
	Gross perfoming and non-performing exposures							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		of which perfoming with arrears of >30 days and <= 90	of which restructured and perfoming	of which non-performing				on performing exposure		on non-performing exposure		on performing exposures	of which restructured
					of witch non-performing	of which impaired	of which restructured		of which restructured		of which restructured		
Loans represented by securities (a)	3 178 778	-	-	33 950	33 950	33 950	-	13 633	-	15 147	-	45	-
Other balance sheet credit exposures (b)	13 356 649	35 436	86 159	1 255 605	1 248 476	1 253 943	729 736	123 782	3 882	637 386	364 235	419 956	319 659
Off-balance sheet exposures (c)	2 037 802	1 757	199	127 061	94 223	127 061	571	10 374	5	10 844	41	-	-

(a) Includes i) debt instruments and ii) commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes Loans and advances to customers, Cash and deposits at central banks and Other loans and advances to credit institutions and Foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, Guarantees and Documentary credit provided.

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Commercial Real Estate ("CRE") and Mortgage segments, as at 31 December 2021, is presented as follows:

(Euro thousand)

	Corporate, Construction and CRE				Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	4 808	628 938	11 117	465 112	91 220	12 233 331	251	6 801
>= 0,5 M€ and <1M€	503	351 564	167	107 629	528	327 626	1	500
>= 1 M€ and <5M€	540	1 178 782	125	237 921	60	88 696	-	-
>= 5 M€ and <10M€	72	506 711	12	88 911	2	12 816	-	-
>= 10 M€ and <20M€	50	683 882	2	28 578	-	-	-	-
>= 20 M€ and <50M€	16	493 070	3	116 000	-	-	-	-
>= 50M€	15	1 821 281	3	201 080	-	-	-	-
	6 004	5 664 228	11 429	1 245 231	91 810	12 662 469	252	7 301

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Commercial Real Estate ("CRE") and Mortgage segments, as at 31 December 2020, is presented as follows:

(Euro thousand)

	Corporate, Construction and CRE				Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	5 791	720 350	8 928	274 255	92 015	11 734 884	287	8 123
>= 0,5 M€ and <1M€	503	353 890	112	70 366	416	258 140	1	500
>= 1 M€ and <5M€	545	1 161 105	111	214 268	43	62 434	-	-
>= 5 M€ and <10M€	72	500 621	16	116 787	2	13 781	-	-
>= 10 M€ and <20M€	53	718 575	2	23 318	-	-	-	-
>= 20 M€ and <50M€	22	677 071	3	116 000	-	-	-	-
>= 50M€	11	1 612 389	3	201 080	-	-	-	-
	6 997	5 744 001	9 175	1 016 074	92 476	12 069 239	288	8 623

The LTV (loan-to-value) ratio of the Corporate, Construction and CRE and Mortgage segments, as at 31 December 2021 and 2020, is presented as follows:

(Euro thousand)

	2021			2020		
Segment/ Ratio	Number of properties	Total exposure	Impairment	Number of properties	Total exposure	Impairment
Corporate						
Without associated property (*)	-	4 507 606	258 625	-	4 433 124	284 115
< 60%	2 370	486 691	32 128	2 691	463 818	39 732
>= 60% and < 80%	688	387 690	35 152	820	430 862	35 688
>= 80% and < 100%	803	419 585	39 340	816	487 691	52 432
>= 100%	7	51 462	4 655	17	57 314	30 921
Construction and CRE						
Without associated property (*)	-	569 555	25 350	-	602 530	56 507
< 60%	980	448 088	22 800	1 231	557 265	84 485
>= 60% and < 80%	456	254 997	16 863	494	309 091	33 903
>= 80% and < 100%	634	186 439	27 184	781	250 737	49 170
>= 100%	66	26 398	9 944	147	54 373	38 287
Mortgage						
Without associated property (*)	-	36 076	2 586	-	58 952	2 692
< 60%	61 434	2 621 080	9 297	61 293	2 487 298	11 662
>= 60% and < 80%	22 990	1 968 716	8 728	23 684	1 943 146	12 495
>= 80% and < 100%	7 067	1 119 245	10 632	7 053	1 158 647	17 748
>= 100%	319	37 368	5 159	446	49 215	11 185

(*) Includes operations with other associated collateral. namely financial collateral.

The fair value and the net value of real estate received in recovery/execution of loans, by asset type, recorded in the caption Other assets (note 33), as at 31 December 2021 and 2020, are presented as follows:

(Euro thousand)

Assets	2021		
	Number of properties	Fair value assets	Book value
Land	**1 451**	**280 007**	**253 865**
Urban	1 177	233 839	210 219
Rural	274	46 168	43 646
Buildings under construction	**394**	**59 515**	**52 918**
Commercial	43	5 391	5 185
Residential	253	53 440	47 083
Other	98	684	650
Constructed buildings	**1 524**	**175 028**	**156 807**
Commercial	715	99 905	89 625
Residential	410	67 672	59 226
Other	399	7 451	7 956
	3 369	514 550	463 590

(Euro thousand)

Assets	2020		
	Number of properties	Fair value of assets	Book value
Land	**1 754**	**345 776**	**306 503**
Urban	1 467	292 982	257 527
Rural	287	52 794	48 976
Buildings under construction	**491**	**71 661**	**63 933**
Commercial	53	6 716	6 193
Residential	332	64 191	57 024
Other	106	754	716
Constructed buildings	**1 633**	**218 334**	**191 466**
Commercial	747	131 513	115 693
Residential	502	78 847	68 840
Other	384	7 974	6 933
	3 878	635 771	561 902

The time elapsed since the receipt in recovery/execution of real estate, recorded in the caption Other assets (note 33), as at 31 December 2021 and 2020, is presented as follows:

(Euro thousand)

	2021				
Elapsed time since recovery/execution	< 1 year	>= 1 year and < 2,5 years	>= 2,5 years and < 5 years	>= 5 years	Total
Land	**2 467**	**8 037**	**87 904**	**155 457**	**253 865**
Urban	908	7 322	79 536	122 453	210 219
Rural	1 559	715	8 368	33 004	43 646
Buildings under construction	**59**	**4 352**	**17 984**	**30 523**	**52 918**
Commercial	59	358	2 518	2 250	5 185
Residential	-	3 819	15 466	27 798	47 083
Other	-	175	-	475	650
Constructed buildings	**25 984**	**16 025**	**29 237**	**85 561**	**156 807**
Commercial	14 143	8 891	19 520	47 071	89 625
Residential	11 201	4 756	8 999	34 270	59 226
Other	640	2 378	718	4 220	7 956
	28 510	28 414	135 125	271 541	463 590

(Euro thousand)

	2020				
Elapsed time since recovery/execution	< 1 year	>= 1 year and < 2,5 years	>= 2,5 years and < 5 years	>= 5 years	Total
Land	**9 287**	**17 629**	**116 369**	**163 218**	**306 503**
Urban	8 571	14 587	101 766	132 603	257 527
Rural	716	3 042	14 603	30 615	48 976
Buildings under construction	**5 444**	**13 398**	**14 580**	**30 511**	**63 933**
Commercial	667	1 755	1 657	2 114	6 193
Residential	4 594	11 624	12 892	27 914	57 024
Other	183	19	31	483	716
Constructed buildings	**20 784**	**16 798**	**53 274**	**100 610**	**191 466**
Commercial	10 115	10 085	35 867	59 626	115 693
Residential	8 156	6 385	14 903	39 396	68 840
Other	2 513	328	2 504	1 588	6 933
	35 515	47 825	184 223	294 339	561 902

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. In the Group, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for the Group and, as such, there are several procedures related to its identification, measurement, and management. To control the concentration risk of the exposure to a Customer/group of Customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios, for the various Group entities.

To reduce concentration risk, the Group seeks to diversify its activity areas and income sources, as well as its exposures and funding sources.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Department of Banco Montepio. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the degree of regional diversification, the level of individual concentration and the degree of diversification of the quality of the Corporate portfolio are regularly monitored by the Risk Department. Maximum exposure limits are established per Customer/group of Customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

The Group regularly calculates its “VaR” both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income, with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities’ risks.

The Group's investment portfolio is mainly concentrated in bonds, and as at 31 December 2021 this represented 93.5% (31 December 2020: 84.6%) of the total portfolio, with the dominant position being held by bonds of sovereign issuers, essentially Portugal, Spain and Italy.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 31 December 2021 and 2020.

In terms of credit quality of debt securities, circa 97.8% of the portfolio is investment grade (31 December 2020: 96.8%). Of note are the Spanish, Portuguese and Italian sovereign bonds with ratings BBB+, BBB and BBB-, respectively, and that represent 94.0% (31 December 2020: 84.1%) of the portfolio. Concerning the composition of the portfolio, one verifies a decrease in the exposure to public debt of Portugal (from 55.8% to 22.6%) offset by an increase in exposure to sovereign debt of Italy and Spain.

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income and Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

Rating	2021		2020		Change	
	Amount	%	Amount	%	Amount	%
AA+	453	-	779	-	(326)	(41.8)
AA-	454	-	-	-	454	-
A+	406	-	1 090	-	(684)	(62.8)
A	101 804	3.3	1 018	-	100 786	9 900.4
BBB+	955 731	30.9	306 424	12.1	649 307	211.9
BBB	695 932	22.5	16 366	0.6	679 566	4 152.3
BBB-	1 273 794	41.2	2 128 612	84.1	(854 818)	(40.2)
BB	-	-	185	-	(185)	(100.0)
BB-	14 987	0.5	7 001	0.3	7 986	114.1
CCC	36 215	1.2	58 650	2.3	(22 435)	(38.3)
NR	15 500	0.4	11 602	0.5	3 898	33.6
Total	3 095 276	100.0	2 531 727	100.0	563 549	22.3

The position in bonds recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 91,080 thousand (31 December 2020: Euro 168,058 thousand) and the position in Other financial assets at amortized cost stood at Euro 3,004,196 thousand (31 December 2020: Euro 2,362,616 thousand). In 2020, the position in Financial assets held for trading stood at Euro 1,053 thousand.

Regarding the trading portfolio, as at 31 December 2021, the main VaR indicators are as follows:

(Euro thousand)

	2021	Average	Minimum	Maximum	2020
Market VaR	7	617	7		1 545
Interest rate risk	-	223	-	589	30
Exchange risk	6	63	6	201	155
Price risk	-	324	-	1 494	1 548
Spread Risk	-	383	-	886	55
Diversification effect	-	(378)	-	(758)	(243)

The residual value of the VaR of the trading portfolio as at 31 December 2021 results from the closing of positions in portfolio shares and bonds at the end of the year. The decrease in the average daily VaR in 2021, compared with 2020, reflects the lower volatility in the financial markets, after a year of 2020 marked by the instability associated with the start of the Covid-19 pandemic.

Bank portfolio's interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the entities integrating the Group (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps, on a consolidated basis, in financial years 2021 and 2020:

(Euro thousand)

	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years
31 December 2021					
Assets					
Debt securities	26 612	43 212	23 528	1 186 064	1 875 387
Loans and advances	6 449 591	3 049 157	1 328 189	919 705	390 425
Others	89 599	-	-	-	50 375
Off-balance sheet	1 041	-	756 654	25 018	-
Total	6 566 843	3 092 369	2 108 371	2 130 787	2 316 187
Liabilities					
Debt securities issued	349 223	-	811 226	651 267	36 545
Term deposits	1 718 686	1 107 354	1 471 616	2 041 259	-
Others	195 311	-	-	2 961 326	274 358
Off-balance sheet	758 996	-	15	119	1 145
Total	3 022 216	1 107 354	2 282 857	5 653 971	312 048
GAP (Assets - Liabilities)	3 544 627	1 985 015	(174 486)	(3 523 184)	2 004 139
31 December 2020					
Assets					
Debt securities	89 347	287 945	59 950	920 554	1 168 720
Loans and advances	6 740 103	3 010 619	1 171 148	775 080	305 812
Others	89 290	-	-	-	38 945
Off-balance sheet	1 148	-	6 654	756 654	-
Total	6 919 888	3 298 564	1 237 752	2 452 288	1 513 477
Liabilities					
Debt securities issued	8 584	812	57 283	1 408 516	19 398
Term deposits	2 803 388	1 491 623	2 133 847	720 428	-
Others	460 548	54 245	392	1 609 929	301 096
Off-balance sheet	750 008	-	16	131	1 295
Total	4 022 528	1 546 680	2 191 538	3 739 004	321 789
GAP (Assets - Liabilities)	2 897 360	1 751 884	(953 786)	(1 286 716)	1 191 688

(Euro thousand)

	2021				2020			
	December	Anual Average	Maximum	Minimum	December	Anual Average	Maximum	Minimum
Interest rate gap	3 836 113	3 665 365	3 836 113	3 494 618	3 600 429	3 834 051	4 067 673	3 600 429

Sensitivity to the balance sheet interest rate risk is calculated by the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows, simulating parallel shifts of the market interest rate curve.

As at 31 December 2021, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause a decrease in the economic value expected from the banking portfolio of circa Euro 88,244 thousand (31 December 2020: decrease of Euro 55,508 thousand).

The following table presents the average interest rates, in relation to the Group's major asset and liability categories for financial years 2021 and 2020, as well as the respective average balances and the income and expenses for the financial year:

(Euro thousand)

	2021			2020		
	Average balance	Average interest rate (%)	Interest	Average balance	Average interest rate (%)	Interest
Interest- generating assets						
Deposits at central banks and other credit institutions	2 203 341	-0.33	(7 298)	888 935	-0.07	(618)
Other loans and advances to other credit institutions	362 932	0.70	2 591	303 081	0.27	841
Loans and advances to customers	12 294 397	2.04	254 724	12 416 349	2.12	267 459
Securities portfolio	3 104 502	0.35	10 971	2 680 256	0.55	15 108
Other assets at fair value	9 010	1.05	96	9 937	1.52	154
Others (derivatives included)	-	-	14 562	-	-	14 209
	17 974 182	**1.51**	**275 646**	**16 298 558**	**1.79**	**297 153**
Interest-generating liabilities						
Deposits from ECB	2 531 639	-0.92	(23 623)	1 452 221	-0.38	(5 620)
Deposits from other credit institutions	827 124	0.04	337	586 711	0.35	2 094
Deposits from customers	12 533 808	0.08	10 286	12 344 078	0.16	19 454
Senior debt	1 421 161	0.61	8 761	1 337 543	0.68	9 287
Subordinated debt	216 406	9.09	19 939	188 656	9.11	17 468
Others (derivatives included)	-	-	16 443	-	-	11 676
	17 530 138	**0.18**	**32 143**	**15 909 209**	**0.34**	**54 359**
Net interest income		**1.34**	**243 503**		**1.47**	**242 794**

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The breakdown of assets and liabilities, by currency, in financial years 2021 and 2020, is analysed as follows:

(Euro thousand)

	2021						
	Euro	U.S.Dollar	Angolan Kwanza	Swiss Franc	Pound Sterling	Other foreign currencies	Total amount
Assets by currency							
Cash and deposits at central banks	2 934 603	10 663	16 223	3 241	1 998	1 268	2 967 996
Loans and deposits to credit institutions payable on demand	2 512	38 807	-	926	1 106	24 009	67 360
Other loans and advances to credit institutions	88 957	67 485	72 607	16	-	-	229 065
Loans and advances to customers	11 579 489	48 495	39 704	-		-	11 667 688
Financial assets held for trading	7 582	-	-	-	-	-	7 582
Financial assets at fair value value through profit or loss	203 427	-	-	-	-	-	203 427
Financial assets at fair value through other comprehensive income	123 338	-	-	-	-	-	123 338
Hedging derivatives	5 411	-	-	-	-	-	5 411
Other financial assets at amortized cost	2 968 614	22 067	13 515	-	-	-	3 004 196
Investments in associated companies	3 952	-	-	-	-	-	3 952
Non current assets held for sale	38 862	-	-	-	-	-	38 862
Non current assets held for sale - Discontinued Operations	429	-	-	-			429
Investment properties	102 933	-	-	-	-	-	102 933
Other tangible assets	201 799	-	29 811	-	-	-	231 610
Intangible assets	40 150	-	-	-	-	-	40 150
Current tax assets	6 714	-	-	-	-	-	6 714
Deferred Tax Assets	459 871	-	-	-	-	-	459 871
Other assets	517 669	30 978	3 173	681	7	68	552 576
Total Assets	**19 286 312**	**218 495**	**175 033**	**4 864**	**3 111**	**25 345**	**19 713 160**
Liabilities by currency							
Deposits from central banks	2 902 003	-	-	-	-	-	2 902 003
Deposits from other credit institutions	527 452	27 137	-	25	87	711	555 412
Deposits from customers	12 501 400	168 735	66 784	2 804	13 714	33 449	12 786 886
Debt securities issued	1 617 125	-	-	-	-	-	1 617 125
Financial liabilities held for trading	7 470	-	-	-	-	-	7 470
Hedging derivatives	335	-	-	-	-	-	335
Non current liabilities held for sale - Discontinued operations	329		-	-		-	329
Provisions	29 124	-	5 009	-	-	-	34 133
Current tax liabilities	2 351	-	-	-	-	-	2 351
Other subordinated debt	217 265	-	-	-	-	-	217 265
Other liabilities	215 445	1 944	6 533	45	80	2 671	226 718
Total Liabilities	**18 020 299**	**197 816**	**78 326**	**2 874**	**13 881**	**36 831**	**18 350 027**
Exchange forward transactions	-	(22 343)	-	(2 033)	10 711	11 753	-
Exchange gap	-	(1 664)	96 707	(43)	(59)	267	-
Stress Test	-	**333**	**(19 341)**	**8**	**12**	**(53)**	-

(Euro thousand)

	2020							
	Euro	U.S.Dollar	Angolan Kwanza	Swiss Franc	Pound Sterling	Real Brasileiro	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	1 440 072	5 534	17 043	1 931	908	-	762	1 466 250
Loans and deposits to credit institutions payable on demand	791	29 226	-	2 377	426	-	840	33 660
Other loans and advances to credit institutions	206 888	55 657	30 459	-	-	-	-	293 004
Loans and advances to customers	11 500 506	51 481	25 706	-	9	-	-	11 577 702
Financial assets held for trading	12 722	3 600	-	134	467	-	-	16 923
Financial assets at fair value value through profit or loss	346 892	-	-	-	-	-	-	346 892
Financial assets at fair value through other comprehensive income	258 817	-	-	-	-	27 980	-	286 797
Hedging derivatives	10 693	-	-	-	-	-	-	10 693
Other financial assets at amortized cost	2 303 815	58 801	-	-	-	-	-	2 362 616
Investments in associated companies	3 872	-	-	-	-	-	-	3 872
Non current assets held for sale	5 484	-	-	-	-	-	-	5 484
Non current assets held for sale - Discontinued Operations	1 292	10	-	-	1	-	7	1 310
Investment properties	125 893	-	-	-	-	-	-	125 893
Other tangible assets	227 813	-	31 349	-	-	-	-	259 162
Intangible assets	35 829	-	-	-	-	-	-	35 829
Current tax assets	3 584	-	-	-	-	-	-	3 584
Deferred Tax Assets	496 223	-	-	-	-	-	-	496 223
Other assets	557 484	55 308	2 319	-	1	-	-	615 112
Total Assets	**17 538 670**	**259 617**	**106 876**	**4 442**	**1 812**	**27 980**	**1 609**	**17 941 006**
Liabilities by currency								
Deposits from central banks	1 382 545	-	-	-	-	-	-	1 382 545
Deposits from other credit institutions	788 975	31 246	-	29	124	-	264	820 638
Deposits from customers	12 246 044	162 281	60 375	3 972	9 926	-	19 375	12 501 973
Debt securities issued	1 299 188	-	-	-	-	-	-	1 299 188
Financial liabilities held for trading	13 598	-	-	-	-	-	-	13 598
Hedging derivatives	397	-	-	-	-	-	-	397
Non current liabilities held for sale - Discontinued operations	95 774	10 253	-	-	3 592		-	109 619
Provisions	33 765	-	4 889	-	-	-	-	38 654
Current tax liabilities	4 486	-	-	-	-	-	-	4 486
Other subordinated debt	216 896	-	-	-	-	-	-	216 896
Other liabilities	218 082	776	5 812	412	438	-	333	225 853
Total Liabilities	**16 299 750**	**204 556**	**71 076**	**4 413**	**14 080**	**-**	**19 972**	**16 613 847**
Exchange forward transactions	-	(50 171)	-	(69)	12 013	(28 007)	38 377	-
Exchange gap	-	4 890	35 800	(40)	(255)	(27)	20 014	-

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including non-controlling interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Liquidity risk

Liquidity risk reflects the Group's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that the Group fulfils its obligations in a liquidity crisis scenario and the calculation of the LCR prudential ratio is performed monthly.

As at 31 December 2021, the LCR value was 264.1% (31 December 2020: 200.7%).

As regards the net stable funding ratio, designated NSFR, same stood at 125.3% (31 December 2020: 109.8%).

As at 31 December 2021, the Group's financing structure was as follows:

(Euro thousand)

	2021	Undetermined	Up to 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 902 003	-	-	-	-	2 902 003
Deposits from other credit institutions	555 412	-	255 405	-	-	300 007
Deposits from customers	12 786 886	-	7 891 904	1 105 137	1 354 223	2 435 622
Debt securities issued	1 617 125	-	-	751 405	460 616	405 104
Financial liabilities held for sale	7 470	-	-	(267)	246	7 491
Financial liabilities held for sale - - Discontinuing operations	329	329	-	-	-	-
Other subordinated debt	217 265	-	-	-	10 942	206 323
Other liabilities	226 718	226 718	-	-	-	-
Total funding	**18 313 208**	**227 047**	**8 147 309**	**1 856 275**	**1 826 027**	**6 256 550**

As at 31 December 2020, the Group's financing structure was as follows:

(Euro thousand)

	2020	Undetermined	Up to 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	1 382 545	-	-	-	-	1 382 545
Deposits from other credit institutions	820 638	-	50 901	114 416	4 502	650 819
Deposits from customers	12 501 973	-	7 201 482	1 237 465	1 852 201	2 210 825
Debt securities issued	1 299 188	-	9 852	837	1 423	1 287 076
Financial liabilities held for sale	13 598	-	10			13 588
Financial liabilities held for sale - - Discontinuing operations	109 619	109 619	-	-	-	-
Other subordinated debt	216 896	-	-	-	10 573	206 323
Other liabilities	225 853	225 853	-	-	-	-
Total funding	**16 570 310**	**335 472**	**7 262 245**	**1 352 718**	**1 868 699**	**5 751 176**

In the scope of Banco de Portugal Instruction no. 28/2014, of 15 January 2015, which focuses on the guidance of the European Banking Authority in relation to the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3) and considering the recommendation made by the European Systemic Risk Committee, we present the following information, as at 31 December 2021 and 2020, on the assets and related collaterals:

(Euro thousand)

	2021			
Assets	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets from the reporting institutions	6 005 589	-	13 707 571	-
Equity instruments	-	-	215 870	215 870
Debt securities	2 122 218	1 900 039	1 496 387	1 169 494
Other assets	-	-	1 607 845	-

(Euro thousand)

	2020			
Assets	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets from the reporting institutions	3 103 517	-	14 837 489	-
Equity instruments	-	-	462 435	462 374
Debt securities	783 897	880 019	2 367 154	1 596 005
Other assets	-	-	1 732 038	-

Encumbered assets, encumbered collateral received and associated liabilities	2021	2020
	Carrying amount of selected financial liabilities	
Associated liabilities, contingent liabilities and securities borrowed	3 209 480	1 800 701
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	5 977 700	3 076 570

(Euro thousand)

The encumbered assets are mostly related to the Group's funding operations, namely of the ECB, of repo operations, of the issuance of covered bonds and of securitization programs. The type of assets used as collateral for securitization programs and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repo transactions in the money market are collateralized, essentially, by covered bonds and securitization programs, of which Banco Montepio is the originator, and by securitized credit operations.

The amounts presented in the previous tables correspond to the position in financial years 2021 and 2020 and reflect the high level of collateralization of the wholesale funding of the Group. The buffer of eligible assets for funding from the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 31 December 2021 to Euro 850,282 thousand (31 December 2020: Euro 1,705,570 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 31 December 2021, amounts to Euro 3,788,708 thousand (31 December 2020: Euro 3,107,546 thousand) with a usage of Euro 2,957,530 thousand (31 December 2020: Euro 1,407,650 thousand):

(Euro thousand)

	2021	2020
Total eligible collateral	**4 586 821**	**4 296 080**
Total collateral in the pool	3 788 708	3 107 546
Collateral outside the pool	798 113	1 188 534
Used collateral	**3 736 539**	**2 590 510**
Collateral used for ECB	2 957 530	1 407 650
Collateral committed to other financing operations	779 009	1 182 860
Collateral available for ECB	**831 178**	**1 699 896**
Total available collateral	**850 282**	**1 705 570**

Note: collateral amount considers the applied haircut

Real estate risk

Real estate risk results from possible negative impacts on Banco Montepio's results or equity due to fluctuations in the market price of real estate.

The real estate risk results from the exposure in real estate assets, whether from the foreclosure of properties or judicial auction in the scope of credit recovery processes or from investment units in real estate funds held in the securities' portfolio. These exposures are monitored through scenario analyses that attempt to estimate the potential impacts of changes in the real estate markets in the portfolios of these real estate assets and make available the information elements necessary for the definition of the real estate risk management policy.

As at 31 December 2021 and 2020, the exposure to real estate and investment units in real estate funds, except for the properties included in the Gerês operation, presented the following values:

(Euro thousand)

	2021	2020
Non-current assets held for sale	26	5 484
Real estate received in recovery of credit	463 590	567 386
Investment properties	102 933	125 893
Investment units in Real Estate Funds	115 568	252 621
	682 117	951 384
Stress test	(68 212)	(95 138)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties. The real estate appraisal reports, considered for the valuation of said inventories, consider the global pandemic situation experienced at the moment, with no additional uncertainty factors having been identified in same.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, measurement, mitigation and reporting of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Department exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

The operational risk profile assessment for new products, processes and systems and its consequent monitoring, on a regular basis, has allowed the early identification and mitigation of operational risk situations.

Regarding operational risk monitoring as at 31 December 2021, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored, and action plans were promoted in cases where they were exceeded.

These indicators are part of the Operational Risk Reports presented to the Risk Committee and the Executive Committee.

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; Customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Department.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which will support the level of risk considered acceptable to the institution and which will allow to identify the risks for which additional mitigation measures will have to be considered.

Business Continuity Management

The business continuity management cycle is supported by a set of assessment, design, implementation and monitoring activities, integrated in a continuous improvement cycle that aims to make business processes more resilient, allowing to ensure the continuity of operations in the case occurrence of events that cause the interruption of activity.

The epidemiological situation related to the Covid-19 pandemic continued to mark the activity in financial year 2021. Banco Montepio maintained a permanent monitoring of the rules issued by the Portuguese General Health Department, considering the necessary adaptation to same whenever deemed necessary.

The Crisis Management Office, which is responsible for the management of the crisis, for the management and execution of the Operational Continuity Plans and for the coordination of the business recovery teams, remained in operation, overseeing the operational continuity and monitoring of the recovery of the business.

Banco Montepio Group had always followed a conservative strategy that had as its main principle the safeguarding of the safety and health of its Customers and its Employees.

Pension Fund risk

The Pension Fund risk results from the potential devaluation of the Fund's asset portfolio or the decrease in the respective expected returns, as well as the increase in the Fund's liabilities as a result of the evolution of the different actuarial assumptions. In such scenarios, Banco Montepio will have to make unplanned contributions in order to maintain the benefits defined by the Fund.

Regular analysis and monitoring of Banco Montepio’s Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Risk Department ensures the production of monthly reports with the evolution of the market value of the Pension Fund’s portfolio and the associated risk indicators.

Considering the provisions of the investment policy of the Montepio Geral Pension Fund relating to the exposure to various risks and to the different legal provisions, the Bank ensures a daily monitoring of the control of the legal limits by means of a detailed analysis of “legal limits and investments exceeded”, with a set of procedures being performed if the limits are exceeded.

The Risk Department monitors the effect of possible measures adopted and their impact on the investment policy. At the same time, the levels of exposure to the legal and prudential limits that regulate the Montepio Geral Pension Fund are also monitored.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's “QIS Pension Funds” studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations, or possible call option exercises are calculated for one month. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

Regarding other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

Hedging policies and Risk reduction

For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees, and financial collateral are relevant, as well as the provision of personal credit protection, namely of guarantees.

In terms of the direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, term deposits. In financial collaterals, the market and foreign exchange risks of the assets involved are considered, and, when applicable, the value of the collateral is adjusted.

Regarding real mortgage guarantees, Banco Montepio has defined valuation and revaluation models to be applied to properties that may or already constitute real collateral for credit operations. The asset valuations are carried out by independent expert appraisers, and the management of the valuations and inspections is centralized in a unit that is independent of the commercial area. In accordance with (EU) Regulation no. 575/2013 (CRR), the requirements for the verification and revaluation of the assets' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation amount by an expert appraiser are assured.

For credit guarantees, the principle of the substitution of the Customer's risk by that of the protection provider is applied, provided that the risk of the latter is not inferior to that of the prior.

The Group does not usually use on-balance sheet and off-balance sheet offsetting processes, nor does it hold credit derivatives on positions in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures with financial products with a symmetric risk to decrease the total risk of the exposures or the partial or total sale of exposures to reduce exposure or cancel it completely.

Regarding the banking portfolio, interest rate and foreign exchange risk mitigation techniques correspond to the negotiation of hedging operations with derivatives and the closure of exposures through the sale of open exposures.

Own funds and Capital ratios

The capital monitoring and management process at the Banco Montepio Group has as its objective to ensure the accuracy of the determination and assessment of the level of regulatory and economic capital, taking into account the risk profile determined by the Board of Directors and the Banco de Portugal add-ons in the scope of the SREP, as well as assess the potential effects, on the Group's financial conditions, resulting from changes in risk factors due to exceptional but plausible events (stress tests).

The process of monitoring the evolution of regulatory capital adequacy is carried out monthly, while economic capital adequacy is monitored on a quarterly basis. The global monitoring of the risk profile and the respective capital adequacy are an integral part of the regular reports to the Risk Committee, Executive Committee, Audit Committee and Board of Directors, as well as of the Group's Risk Appetite framework. This process has a governance structure and procedures to monitor the evolution of capital (within the objective and risk tolerance limits defined by the Board of Directors), including the definition of roles and responsibilities for escalating and resolving breaches of the defined limits. The responsibility for identifying breaches of the risk limits defined at the Group level, as well as of the entities that assume the risk management function, lies with the Risk Department. Whenever a situation of non-compliance with the aforementioned limits is identified, the Risk Department carries out an analysis of this situation including the following elements:

- Identification of the limit breached;
- Identification of the risk factors that justify said breach;
- Information on the perspective future evolution of these risk factors;
- Proposal of risk reduction, assumption, mitigation or transfer measures, as applicable;
- Proposal of reallocation of risk limits, if applicable.

The responsibility for defining action plans to remedy the breaches of the limits verified lies with the Risk Department, together with the first-line organic units.

The own funds of the Group are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European Parliament and by the Council, Notice no. 10/2017 of the Banco de Portugal and Regulation (EU) no. 2020/873 of the European Parliament and Council, which introduced some amendments to the CRR in response to the COVID-19 pandemic. Own funds include level 1 own funds (tier 1) and level 2 own funds (tier 2). Tier 1 includes level 1 core own funds (common equity tier 1 – CET1) and the additional level 1 own funds with the following composition:

- *Level 1 Core Own Funds or Common Equity Tier 1 (CET1):* this category includes the realized share capital (with the deduction of treasury shares held), eligible reserves (including fair value reserves), retained earnings, positive and certified retained earnings for the period or, if negative, the full amount. As regards the fair value reserves, within the scope of Regulation (EU) no. 2020/873, Banco Montepio adhered to the possibility of applying the prudential filters to the fair value reserves associated with sovereign debt. The value of reserves and retained earnings is adjusted for the reversal of the results in financial liabilities at fair value through profit or loss in the part corresponding to the risk of the institution's own credit. Non-controlling interests are only eligible to the extent necessary to cover the Group's capital requirements attributable to minority shareholders. The book value of the amounts related to goodwill, other intangible assets (not associated with software), as well as the gap, if positive, between the assets and liabilities of the Pension Fund, is deducted. The amount of the prudent valuation calculated in accordance with articles no. 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. Deductions are also made under article 36 paragraph k) in alternative to applying the risk weighting of 1,250%. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. As part of the implementation of the requirements defined in Regulation (EU) no. 575/2013, a transition period was defined to allow for a gradual recognition of some deductions, with, as at this reference date, only the transitory plan applicable to deferred tax assets that do not depend on future profitability, in the balance sheet as at 1 January 2014, being maintained. This plan permits a gradual recognition of the amount subject to deduction determined, with same amounting to 70% in 2021. With the revision of Regulation (EU) no. 575/2013, of 27 June 2019, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019.

- *Level 1 Own Funds or Tier 1 (T1):* includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by the Banco de Portugal. Non-controlling interests relating to additional own funds' minimum requirements of the institutions in which the Group does not hold full ownership are also eligible. The eventual shareholdings of T1 capital of financial institutions subject to deduction are deducted from this capital.
- *Level 2 Own Funds or Tier 2 (T2):* includes capital equivalent instruments, which conditions are in accordance with article 63 of the CRR and that have been approved by the Banco de Portugal. Non-controlling interests relating to the own fund's minimum requirements of the institutions in which the Group does not hold full ownership are also eligible. The eventual shareholdings of T2 capital of financial institutions subject to deduction are deducted from this capital.

Totals Own Funds or Total Capital are constituted by the sum of the three levels of own funds previously referred.

Regarding the calculation of risk-weighted assets, in addition to credit, operating and market risk requirements, reference is made to the weighting of 250% of deferred tax assets arising from timing differences that depend on future profitability and financial shareholdings that are within the limit established for non-deduction from CET1. With respect to deferred tax assets arising from timing differences that do not depend on future profitability, these are subject to a 100% weighting for capital requirement purposes. The CVA requirement (Credit Valuation Adjustment) is also determined.

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phase-in prudential plan defined in the Regulation, on an ongoing basis, over a 5-year period. Therefore, as at 31 December 2021, Banco Montepio only recognized prudentially 30.0% of the initial impact related to the adoption of IFRS 9.

As referred, the effects of Basel III's new regulation related to deferred tax assets that do not depend on future profitability (even if not very significant), as well as the effects resulting from the adoption of IFRS 9 are still being gradually introduced. This process is designated Phase-in. The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds' minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRD IV/CRR of 4.5% for CET1, 6% for Tier 1 and 8% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions), the value of which is defined by the Banco de Portugal, and an add-on of capital in the scope of the annual exercise of the Supervisory Review and Evaluation Process ("SREP"), which amount is defined by the Banco de Portugal. According to that defined by the Banco de Portugal, the minimum ratios required may be presented as follows:

Ratio	2021				2022			
	Ratio	Tier 1	Tier 2	Reserves (1)	Ratio	Tier 1	Tier 2	Reserves (1)
CET1	9.02%	4.50%	1.83%	2.69%	9.08%	4.50%	1.83%	2.76%
T1	11.13%	6.00%	2.44%	2.69%	11.19%	6.00%	2.44%	2.76%
Total	13.94%	8.00%	3.25%	26.90%	14.01%	8.00%	3.25%	2.76%

(1) Considers:
Conservation reserve 2,5%;
Reserve The SII of 0.1875% (0.25% after January 1, 2022);
Countercyclical Reserve currently set at 0% in Portugal, how ever presents the value of 0.006% given the geographical distribution of Banco Montepio Group's exhibitions in December 2021.

Pursuant to these provisions, as at 31 December 2021, the regulatory ratios, considering all the reserves, for Common Equity Tier 1, Tier 1 and Total were 9.02%, 11.13% and 13.94%, respectively, including the own funds reserves. However, as a result of the COVID-19 virus pandemic, in line with the decision taken by the ECB for significant institutions, the Banco de Portugal allows the less significant credit institutions subject to its supervision to operate, on a temporary basis, with a level lower than the combined capital reserve (OCR), considering that capital reserves were designed to allow credit institutions to resist especially adverse situations. As a result, the minimum regulatory ratios as at 31 December 2021 and 2020 for Common Equity Tier 1, Tier 1 and Total were 6.328%, 8.438% and 11.25%, respectively.

The summary of the calculation of the Group's capital requirements as at 31 December 2021 and 2020, under phase-in, is presented as follows:

(Euro thousand)

	2021	2020
Capital Common Equity Tier 1		
Realized share capital	2 420 000	2 420 000
Net income/(loss), reserves and retained earnings	(1 069 770)	(1 102 140)
Non-controlling interests eligible for CET1	4 007	3 064
Other regulatory adjustments	(232 716)	(206 736)
	1 121 521	1 114 188
Capital Tier 1		
Non-controlling interests eligible for Tier 1	199	225
	1 121 720	1 114 413
Capital Tier 2		
Subordinated debt	206 323	206 323
Non-controlling interests eligible for Tier 2	199	225
	206 522	206 548
Total own funds	1 328 242	1 320 961
Own funds requirements		
Credit risk	606 992	667 306
Market risk	-	4 402
Operating risk	50 841	55 046
Other requirements	46 165	39 401
	703 998	766 155
Prudential Ratios		
Common Equity Tier 1 Ratio	12.7%	11.6%
Tier 1 Ratio	12.7%	11.6%
Total Capital Ratio	15.1%	13.8%

It should be noted that the ratios, as at 31 December 2021 and 2020, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 32.

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phase-in prudential plan defined in the Regulation, on an ongoing basis, over a 5-year period. If Banco Montepio did not apply this transitional plan, as well as the recent transitional plan defined in Regulation (EU) no. 2020/873, to the impacts arising from the adoption of IFRS 9, the Banco Montepio Group's prudential ratios as at 31 December 2021 and 2020 would be:

(Euro thousand)

	2021	2020
Capital Common Equity Tier 1	1 032 520	958 502
Capital Tier 1	1 032 719	958 727
Total own funds	1 239 242	1 165 275
Own funds requirements	697 342	754 937
Prudential Ratios		
Common Equity Tier 1 Ratio	11.85%	10.16%
Tier 1 Ratio	11.85%	10.16%
Total Capital Ratio	14.22%	12.35%

If only the transitional plan applied to the initial impacts of the adoption of IFRS 9 was considered, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of Banco Montepio, as at 31 December 2021 and 2020, would be:

(Euro thousand)

	2021	2020
Capital Common Equity Tier 1	1 099 878	1 055 057
Capital Tier 1	1 100 078	1 055 282
Total own funds	1 306 600	1 261 830
Own funds requirements	702 267	762 280
Prudential Ratios		
Common Equity Tier 1 Ratio	12.53%	11.07%
Tier 1 Ratio	12.53%	11.08%
Total Capital Ratio	14.88%	13.24%

55 Recently issued accounting policies

1. Impact of the adoption of new standards and amendments to the standards that became effective for annual periods beginning on 1 January 2021:

a) **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 due to the COVID-19 pandemic 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 qualify ad elect to apply this practical expedient, recognise the change in rent payments, as variable rents in the period(s) in which the event or condition that triggers the reduced payment occurs. This amendment is applied retrospectively with the impacts reflected as an adjustment to retained earnings (or another equity component, as appropriate) at the beginning of the annual reporting period in which the lessee applies this amendment for the first time.

b) **IFRS 4** (amendment), 'Insurance contracts – deferral of IFRS 9'. This amendment addresses the temporary accounting consequences of the different effective dates of IFRS 9 Financial Instruments and the forthcoming IFRS 17 Insurance Contracts. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17.

c) **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** (amendments), '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. Over the last few years, financial regulatory authorities worldwide have been promoting the abandonment of the use of IBOR indexes and their replacement by risk-free indexes, which gave rise to the need for a transition from Libor indexes to the new indexes recommended by work groups created in different jurisdictions.

This transition was accelerated with the communication of the cessation of Libor indexes from the beginning of 2022, which implies that market participants will start using new risk-free indexes and change the contracts affected by the cessation of the publication of Libor indexes.
At the end of December 2021, the publication of LIBOR for some currencies and terms was stopped and it is expected that in June 2023, the publication of the remaining LIBOR will cease.

Regarding the change in Euribor methodology, the changes have been applied since 1 January 2021 without significant impacts. Since 15 April 2021, the European Central Bank has started to publish the €STR (Euro Short-Term Rate) in the format of an average compound rate for 1-week, 1, 3, 6 and 12-month maturities.

Approaches to the transition vary from product to product and counterparty to counterparty. At the level of derivative contracts, central clearing counterparties are expected to follow a standardized market-wide approach for the reform, while bilateral derivative contracts, loan contracts and other cash securities are expected to be largely bilaterally traded with counterparties.

The Bank has sought to identify and address the risks inherent in the transition of reference rates in order to ensure an adequate transition, namely with regard to legal and litigation risks, arising from contracts with references to indexes that will be discontinued and which wording will need to be changed, operational risks arising from the need for technological, process and control adaptations, financial and accounting risks due to the use and alteration of indexes, as well as reputational risk. Given the immateriality of the exposure to the affected indexes, there was no need to change the interest rate risk mitigation strategy.

The EUR OIS curve, used by Bloomberg for the valuation of derivatives, was changed, and the 133 curve (Eonia) is no longer available, with Banco Montepio now using the 514 curve (€str).

The Bank has a high exposure to the Euribor index that will not be affected by the transition as this index, after changing its methodology in 2021, received approval from supervisors and regulators. The Bank uses Euribor in customer loan agreements. However, both the European working group on risk-free interest rates and the European authorities recommend that Euribor-based contracts include replacement clauses in the event of a possible future termination of Euribor, which are based on risk-free indexes for the EUR, namely, in temporal structures based on the €STR index.

At the level of the relevant GMRAs and CSAs, the indexation of the rate for remuneration of margins was changed from Eonia to €str.

The Bank considers its exposure to Libor immaterial in the context of its financial statements, given the reduced volume of financial assets and liabilities related to these indexes. USD Libor is the only index in terms of exposure.

These amendments had no material impact on the financial statements of the Banco Montepio Group.

2. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2021, not yet endorsed by the European Union:

a) **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.

b) **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.

c) **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.

d) **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 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.

e) **IFRS 17** (new), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023). This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a general model "building block approach" or a simplified one "premium allocation approach". The "building block approach" is based on discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM'), which represents the unearned profit of the contract. Subsequent changes in estimated cash flows are adjusted against the contractual service margin, unless it becomes negative. IFRS 17 is applied retrospectively.

f) **IFRS 17** (amendment), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023). This amendment includes specific changes in eight areas of IFRS 17, such as: i) scope; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the Statement of Financial Position; vii) recognition and measurement of the Income statement; and viii) disclosures. This amendment also includes clarifications, which aim to simplify some of the requirements of this standard and ease transition. IFRS 17 is applied retrospectively. On the issue this amended the end date for applying IFRS 9 (temporary exemption or overlay approach) under the IFRS 4 standard, was extended to 1 January 2023, aligned with the effective date of IFRS 17.

g) **Improvements to the 2018-2020 standards** (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.

The Banco Montepio Group does not anticipate any significant impact derived from the application of these amendments to its financial statements.

3. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2022, not yet endorsed by the European Union:

a) **IAS 1** (amendment), 'Presentation of financial statements – classification of liabilities' (effective for annual periods beginning on or after 1 January 2023). 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.

b) **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.

c) **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).

d) **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.

e) **IFRS 17** (amendment), 'Initial Application of IFRS 17 and IFRS 9 – Comparative Information' (effective for annual periods beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. This amendment relates only to insurers' transitioning to the IFRS 17 and allows the adoption of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. This amendment seeks to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when applying IFRS 17 for the first time, providing for (i) the application on a financial asset-by-financial asset basis; (ii) the presentation of comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supported information available at the transition date, to determine how the entity expects that financial asset to be classified in accordance with IFRS 9.

The Banco Montepio Group does not anticipate any significant impact derived from the application of these amendments to its financial statements.

56 Transfer of assets

The Group carried out several financial asset sale operations, namely loans and advances to customers, to funds specialized in the recovery of loans. These funds take responsibility for the management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of same.

The financial assets sold under these operations are derecognized from the balance sheet of the Group, since the operations result in the transfer to the funds of a substantial portion of the risks and rewards associated with the assets as well as the control of same. The funds specialized in the recovery of credit that acquired financial assets from the Group are closed funds, in respect of which the holders have no possibility of requesting the redemption of their investment units throughout the useful life of same. These investment units are held by several banks in the market that ceded the loans, in percentages that vary throughout the useful life of the funds, but it is ensured that each bank, separately, does not hold units representative of more than 50% of the capital of the funds.

The funds have a specific management structure (General Partner), fully independent from the seller banks, and that is selected on the date of the incorporation of the funds. The management structure of the fund has as main responsibilities to:

- define the objective of the fund; and
- manage the fund on an exclusive basis, determining the objectives and investment policy and the conduct of the management and business of the fund.

The management structure is remunerated through management commissions charged to the funds.

Generally, these funds, in which the Group holds minority positions, incorporate companies under Portuguese law in order to acquire the loans from the banks, which are financed through the issuance of senior and junior bonds. The value of the senior bonds, fully subscribed by the funds that hold the share capital of the companies, matches the fair value of the asset transferred, determined in accordance with a negotiation process based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company holding the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the transfer value of the loans to the Portuguese-law companies. These junior bonds, when subscribed by the Group, grant the right to a contingent positive value if the value of the assets transferred exceeds the nominal value of the senior bonds plus their related interest.

However, considering that these junior bonds reflect a valuation difference of the assets transferred, based on valuations performed by independent entities and a negotiation process between the parties, the junior bonds are fully provided against.

Therefore, following the asset sale operations carried out, the Group subscribed:

- Investment units of the funds, in which the cash flows that will allow their recovery arise mainly from a broad set of assets transferred by the various participant banks (where the Group has a clear minority interest). These securities are booked in the portfolio of financial assets at fair value through profit or loss and are measured at fair value based on the quotation value, as disclosed by the funds and audited at each year end;
- Junior bonds (with a higher subordination level), issued by the Portuguese-law companies controlled by the funds, which are fully provided against because they reflect the best estimate of the impairment of the financial assets transferred.

In this context, of not holding control but maintaining some exposure to certain risks and rewards, the Group, in accordance with IFRS 9 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the operation, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence over the funds or the companies holding the assets, the Group derecognized the assets transferred and recognized the assets received in return as follows:

(Euro thousand)

	2021			2020		
	Amounts associated with the transfer of assets			Amounts associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Fundo Vega, FCR	27 857	43 124	15 267	27 857	43 124	15 267
Discovery Portugal Real Estate Fund	13 698	15 415	1 717	13 698	15 415	1 717
Fundo Aquaris, FCR	13 060	13 485	425	13 060	13 485	425
Fundo de Reestruturação Empresarial, FCR	45 349	45 509	160	45 349	45 509	160
	99 964	117 533	17 569	99 964	117 533	17 569

As at 31 December 2021 and 2020, the assets received under these operations are as follows (see note 23):

(Euro thousand)

	2021	2020
	Senior securities	
Fundo Vega, FCR	23 985	25 107
Discovery Portugal Real Estate Fund	12 569	15 844
Fundo Aquarius, FCR	10 484	11 748
Fundo de Reestruturação Empresarial, FCR	16 745	17 238
	63 783	69 937

Although the subordinated securities are fully provided against, the Group also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

57 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies ("RGICSF ") and by its regulations and its mission is to provide financial support for the resolution measures implemented by the Banco de Portugal, in its quality as national resolution authority, and to perform all other functions conferred by law in the implementation of such measures.

As with the majority of the financial institutions operating in Portugal, the Group is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Banco de Portugal based, among others, on the amount of its liabilities. In 2021, the periodic contribution made by the Group amounted to Euro 4,713 thousand (2020: Euro 4,441 thousand), based on a contribution rate of 0.060%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, the Banco de Portugal, on 3 August 2014, decided to apply to Banco Espírito Santo, S.A. ("BES") a resolution measure under article 145-G(5) of the RGICSF, which consisted of the transfer of most of its activity to a transition bank called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose.

To realize the share capital of Novo Banco, the Resolution Fund, while sole shareholder, provided Euro 4,900 million, of which Euro 365 million corresponding to its own financial resources. A loan was granted by a bank syndicate to the Resolution Fund, in the amount of Euro 635 million, with the participation of each credit institution weighted according to several factors, including their size. The remaining amount (Euro 3,900 million) came from a repayable loan granted by the Portuguese State.

Following the implementation of the referred resolution measure, on 7 July 2016, the Resolution Fund stated that it would review and evaluate the steps to be taken following the publication of the report on the results of the independent valuation exercise, carried out to estimate the level of credit recovery for each class of lenders in the hypothetical scenario of a normal insolvency process of BES as at 3 August 2014. Under the applicable law, if it turns out that lenders which credits have not been transferred to Novo Banco assume a greater loss than they would hypothetically have had BES entered into a liquidation process immediately prior to the application of the resolution, these lenders are entitled to receive the difference from the Resolution Fund.

On 31 March 2017, the Banco de Portugal announced that it had selected Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017, through the injection by the new shareholder of Euro 750 million, which will be followed by a new capital injection of Euro 250 million, to be completed within the period of three years. With this operation, Novo Banco’s status as transition bank ceased, with Lone Star Fund now holding 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%, albeit without the corresponding voting rights.

On 26 February 2018, the European Commission released the non-confidential version of the State aid approval decision underlying the sale process of Novo Banco, which includes a contingent capitalization mechanism whereby the Resolution Fund may be called upon to carry out capital injections if certain conditions materialize related to the performance of a restricted set of assets of Novo Banco and the evolution of the bank's capital levels.

This mechanism is triggered annually, based on the annual accounts of Novo Banco certified by the respective auditor, with the possibility of intra-annual assessments being foreseen, but only in the event of non-compliance, by Novo Banco, with the prudential requirements. For the purpose of this mechanism, the differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairments, recorded as at 30 June 2016 (circa Euro 7.9 thousand million according to the information provided by Novo Banco). Hence, economic losses or gains resulting from, for example, the sale of assets or the restructuring of loans, but also the impairment, or its reversal, recorded by Novo Banco, in accordance with the accounting standards, as well as the costs of financing associated with the maintenance of the assets in the balance sheet of Novo Banco, are considered.

Under the referred mechanism, own financial resources resulting from contributions paid, directly or indirectly, by the banking sector, complemented by a State loan amounting to Euro 430 million under the framework agreement celebrated between the Portuguese State and the Resolution Fund were used. According to the information provided by Novo Banco, as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalization mechanism amounted to approximately Euro 5.4 thousand million.

On 6 May 2019, the Resolution Fund made the payment of Euro 1,149 million to Novo Banco with reference to the accounts of 2018, having used its own resources, resulting from contributions due, directly and indirectly, by the banking sector, and resorted to a loan from the State in the amount of Euro 850 million, which corresponds to the maximum annual financing limit agreed between the Resolution Fund and the State in October 2017.

In May 2020, the Resolution Fund made the payment of Euro 1,035 million to Novo Banco with reference to the accounts of 2019, which resulted from the execution of the agreements celebrated in 2017, in connection with the sale of 75% of the Resolution Fund's shareholding in Novo Banco, complying with all the procedures and limits defined therein, and resorted to a loan from the State in the amount of Euro 850 million.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco of Euro 317 million, referring to the accounts for financial year 2020, which was fully financed with resources from a loan obtained from seven national credit institutions. The amount calculated by the Resolution Fund for the purpose of the payment to Novo Banco was Euro 429 million. The portion amounting to Euro 112 million became conditional on the completion of a supplementary investigation, which includes obtaining an external opinion, regarding Novo Banco's option not to apply the hedge accounting policy to derivative financial instruments contracted to hedge interest rate risk resulting from exposure to long-term sovereign debt.

This mechanism is valid until 31 December 2025 (and may be extended until 31 December 2026) and is limited to an absolute maximum of Euro 3,890 million.

Resolution measure applied to Banif – Banco Internacional do Funchal, S.A. (Banif)

The Board of Directors of the Banco de Portugal deliberated, on 19 December 2015, to declare that Banif – Banco Internacional do Funchal, S.A. ("Banif") was "at risk or in a situation of insolvency" and to start the urgent resolution of the institution through the mode of the partial or total disposal of its activity, and which materialized, on 20 December 2015, with the disposal of the rights and obligations, representing assets, liabilities, off-balance sheet items and assets under management of Banif to Banco Santander Totta S.A. ("Santander Totta") for Euro 150 million.

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. ("Oitante"), created specifically for this purpose, which has as sole shareholder the Resolution Fund. Oitante issued debt securities in the amount of Euro 746 million, with a guarantee being provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at Euro 2,255 million that aimed to cover future contingencies and that was financed in Euro 489 million by the Resolution Fund and Euro 1,766 million directly by the Portuguese State.

On 21 July 2016, the Resolution Fund made a payment to the State, amounting to Euro 163,120 thousand, as an early partial repayment of the resolution measure applied to Banif, bringing the outstanding amount down from Euro 489 million to Euro 353 million.

As noted above for BES, if lenders are found to assume a greater loss than they hypothetically would have had Banif entered into a liquidation process immediately prior to the application of the resolution measure, those creditors are entitled to receive the difference from the Resolution Fund.

Liabilities and funding of the Resolution Fund

Following the resolution measures applied to BES and Banif and the sale agreement of Novo Banco to Lone Star, the Resolution Fund contracted the loans referred to above and assumed liabilities and contingent liabilities resulting from:

- the effects of the application of the principle that no creditor of an institution under resolution may assume a greater loss than it would have assumed had that institution entered into liquidation;
- the negative effects arising from the resolution process resulting in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;
- legal proceedings against the Resolution Fund;

- the guarantee provided to the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;
- the contingent capitalization mechanism associated with the sale process of Novo Banco to Lone Star.

To preserve the financial stability through the promotion of conditions that provide predictability and stability to the contributory effort to the Resolution Fund, the Portuguese Government has agreed with the European Commission to change the conditions of the financing provided by the Portuguese State and the participating banks to the Resolution Fund. To this end, an amendment to the Resolution Fund's financing agreements have been formalized, introducing a number of changes to the repayment plans, remuneration rates, and other terms and conditions associated with these loans, to adjust them to the Resolution Fund's ability to fully meet its obligations on the basis of its regular revenues, i.e. without the need for any charges to be made to the participating banks for special contributions or any other type of extraordinary contribution.

According to the Resolution Fund's announcement of 31 March 2017, the revision of the conditions of the financing granted by the Portuguese State and the participating banks was aimed at ensuring the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable burden for the banking sector. Based on this revision, the Resolution Fund considered that the full payment of its liabilities as well as their respective remuneration was ensured, without the need for special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a bank syndicate, in which the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Minister of Finance, these consolidated financial statements reflect the expectation of the Board of Directors that the Bank will not be called upon to make special contributions or any other extraordinary contributions to finance the Resolution Fund.

Any significant changes in this regard could have material implications on these financial statements.

Competition Authority

On 9 September 2019, Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio) was notified of the final Decision of the Competition Authority on the administrative process PRC-2012/9 ("Decision"), in which it concluded that more than ten banking institutions operating in Portugal, among them Banco Montepio, participated in a concerted practice of restrictive competition, of the exchange of sensitive commercial information, in breach of article 9 of Law no. 19/2012, of 8 May and article 101 of the Treaty on the Functioning of the European Union, having applied on Banco Montepio a fine of Euro 13 million.

The Decision was subject to appeal to the Court of Competition, Regulation and Supervision by all parties concerned, including Banco Montepio. The lodging of an appeal would determine the suspension of the obligation to pay the fine until the decision had become final provided the request was lodged for the suspension of the obligation to provide a guarantee, in an amount to be set by the court, which decision is awaited. In like manner to various other institutions charged and that have publicly announced this intention, Banco Montepio challenged this Decision judicially on 21 October 2019.

Following the lodging of the appeal with the Court of Competition, Regulation and Supervision, same decided on the provision of a deposit with a view to the suspension of the obligation to pay the fine immediately, with Banco Montepio having placed such deposit with that court, that decided to accept same, and the consequent suspension of the obligation referred to above.

The discussion and judgment hearing began in October 2021 and is still ongoing. The court communicated that the reading of the sentence will take place by the end of April 2022.

Considering all the relevant circumstances, arising from the appeal lodged by Banco Montepio as well as by the other Defendant banks, followed by the Discussion and Judgment Hearing in progress, it is considered that there is a serious and significant probability that Banco Montepio’s responsibility in terms of the administrative offence and the fine applied to CEMG will be annulled, in particular by the Court of Appeal.

We are not aware, to date, of any claim for damages related to the Decision or to the related facts. In the light of all the relevant circumstances, it is considered that the chances of success of any legal actions that might be brought against Banco Montepio based on the Decision would be reduced.

Banco de Portugal

As at 31 December 2021 and 2020, the Bank has been the subject of several administrative offense processes instituted by the Banco de Portugal, for alleged practices and infractions in regulatory matters that are applicable to the Bank, in an amount of possible fines of approximately Euro 9 million.

The evolution of these processes is regularly monitored by the Bank's Board of Directors, with technical-legal intervention under the responsibility of its Legal Department and, in certain cases, by law firms, which services are contracted on a case-by-case basis.

For some of these processes, the Banco de Portugal issued decisions in the scope of summary proceedings, whereby it proposed a single fine of substantially less than the amount of the potential maximum fine. Other processes are still in a preliminary phase, with the evidence requested by the defendants still not having been produced, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, regarding most of the infractions attributed to it.

Thus, the Board of Directors admits as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to many of the infractions that are attributed to it, even though the respective risk of conviction still exists, in relation to some of the imputed infractions, but not exceeding, however, the amount of provisions recognized by the Bank as at 31 December 2021.

58 Subsidiary and associates

As at 31 December 2021, the Companies consolidated under the full consolidation method in the Group are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Group	
					% of control	% of effective part
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. -Em Liquidação	Praia	992 000 000	Escudo Cabo Verdiano	Banking	100.00%	100.00%
Finibanco Angola, S.A.	Luanda	7 516 296 830	Kwanza	Banking	51.00%	80.22%
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	30 000 000	euro	Specialised loans	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Lisbon	175 000 000	euro	Managements of shareholding	100.00%	100.00%
Montepio Investimento, S.A.	Lisbon	180 000 000	euro	Banking	100.00%	100.00%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisbon	100 000	euro	Management of real estate	100.00%	100.00%

As at 31 December 2020, the Companies consolidated under the full consolidation method in the Group are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Group	
					% of control	% of effective part
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - Em liquidação	Praia	992 000 000	Escudo Cabo Verdiano	Banking	100.00%	100.00%
Finibanco Angola, S.A.	Luanda	7 516 296 830	Kwanza	Banking	51.00%	80.22%
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	30 000 000	euro	Specialised loans	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Lisbon	175 000 000	euro	Managements of shareholding	100.00%	100.00%
Montepio Investimento, S.A.	Lisbon	180 000 000	euro	Banking	100.00%	100.00%
Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Lisbon	1 550 000	euro	Managements of investment funds	100.00%	100.00%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisbon	100 000	euro	Management of real estate	100.00%	100.00%

As at 31 December 2021, the Group´s associates accounted for under the equity method, are as follows:

(euros)

Subsidiary	Head Office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S.Miguel Island	10 000 000	Accomodation, catering and similar/Hotels with restaurant	20.00%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	2 449 707	Management of real estate	27.50%
CESource, ACE	Lisbon	-	Management of IT systems	18.00%

As at 31 December 2020, the Group´s associates accounted for under the equity method, are as follows:

(euros)

Subsidiary	Head Office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S.Miguel Island	10 000 000	Accomodation, catering and similar/Hotels with restaurant	20.00%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	2 449 707	Management of real estate	29.00%
CESource, ACE	Lisbon	-	Management of IT systems	18.00%

NAVISER – Transportes Marítimos Internacionais, S.A. was dissolved and liquidated.

Finibanco Angola

In 2015, a contract was signed for the sale of 1,727,782 shares of Finibanco Angola, representing 30.57% of the share capital, for USD 26,346,178.

The sale operation of 30.57% of Finibanco Angola was realized without any related payment being received. The ownership rights of the shares remained with the Group, including the right to vote and to receive dividends. Therefore, considering that there was no substantive transfer of the associated risks and rewards, the Group did not derecognize the shares object of the transaction, that is, it will not recognize the disposal of the financial shareholding until the respective settlement is made.

In 2017, the financial settlement corresponding to 11,476 shares, representing 0.20% of the share capital, was made in the amount of USD 174,984, with the Group coming to hold 80.37% of the subsidiary Finibanco Angola.

In May 2018, a financial settlement corresponding to 65,040 shares, representing 1.15% of the share capital, was made in the amount of USD 991,764, with the Group coming to hold 80.22% of the subsidiary Finibanco Angola.

Upon full settlement of the two transactions, the Group continued to control Finibanco Angola.

Finibanco Angola, in 2020, failed to comply with the criteria set out in IFRS 5 to be considered as a discontinued entity. Hence, and in accordance with the provisions of IFRS 5, it was fully consolidated, line by line, retrospectively.

As at 31 December 2021, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary	Establishment	Acquisition year	Head office	% of controlling interest	Consolidation method
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full
Pelican Mortgages No 3	2007	2007	Lisbon	100%	Full
Pelican Mortgages No 4	2008	2008	Lisbon	100%	Full
Aqua Mortgages No 1	2008	2008	Lisbon	100%	Full
Aqua Finance No 4	2017	2017	Lisbon	100%	Full
Pelican Finance No 2	2021	2021	Lisbon	100%	Full

The funds Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional and Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional were liquidated on 30 December 2021.

As at 31 December 2020, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary	Establishment	Acquisition year	Head office	% of controlling interest	Consolidation method
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisbon	100%	Full
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisbon	100%	Full
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full
Pelican Mortgages No 3	2007	2007	Lisbon	100%	Full
Pelican Mortgages No 4	2008	2008	Lisbon	100%	Full
Aqua Mortgages No 1	2008	2008	Lisbon	100%	Full
Pelican Mortgages No 5	2009	2009	Lisbon	100%	Full
Pelican Mortgages No 6	2012	2012	Lisbon	100%	Full
Aqua Finance No 4	2017	2017	Lisbon	100%	Full

59 Non-current assets and liabilities held for sale – Discontinued operations

With reference to 31 December 2021 and 2020, the discontinued operations are presented as follows:

(Euro thousand)

	2021	2020		
	Banco Montepio Geral - Cabo Verde - In liquidation	Banco Montepio Geral - Cabo Verde - In liquidation	Montepio Valor	Total
Cash and deposits at central banks and credit institutions	84	152	-	152
Other tangible assets	60	64	325	389
Deferred tax assets	13	-	140	140
Other assets	272	29	600	629
Total Assets	**429**	**245**	**1 065**	**1 310**
Deposits from customers	-	108 462	-	108 462
Provisions	107	-	46	46
Current tax liabilities	2	8	-	8
Other liabilities	220	138	965	1 103
Total Liabilities	**329**	**108 608**	**1 011**	**109 619**

The main income statement captions related to these discontinued operations are analysed as follows:

(Euro thousand)

	2021			2020		
	Banco Montepio Geral - Cabo Verde - In liquidation	Montepio Valor	Total	Banco Montepio Geral - Cabo Verde - In liquidation	Montepio Valor	Total
Net interest income	(832)	(4)	(836)	(1 255)	(7)	(1 262)
Fee and commission income	1	2 980	2 981	-	3 028	3 028
Net gains/ (losses) arising from financing activities	(19)		(19)	6	-	6
Other operating income/(expense)	-	5	5	2	(21)	(19)
Total operating income	**(850)**	**2 981**	**2 131**	**(1 247)**	**3 000**	**1 753**
Staff costs	147	2 190	2 337	196	2 252	2 448
General and administrative expenses	238	521	759	272	1 217	1 489
Depreciation and amortisation	3	143	146	5	161	166
Total operating expense	**388**	**2 854**	**3 242**	**473**	**3 630**	**4 103**
Loans, other assets and other provisions impairment	106	(25)	81	2	(564)	(562)
Operating profit	**(1 344)**	**152**	**(1 192)**	**(1 722)**	**(66)**	**(1 788)**
Profit before income tax	**(1 344)**	**152**	**(1 192)**	**(1 722)**	**(66)**	**(1 788)**
Taxes	4	(277)	(273)	(8)	(147)	(155)
Net profit/ (loss) for the year	**(1 340)**	**(125)**	**(1 465)**	**(1 730)**	**(213)**	**(1 943)**

Within the scope of the decisions taken by the Management and Administration Bodies of Banco Montepio, namely the analysis of a set of strategic options for Banco Montepio Geral Cabo Verde – Em Liquidação as a result of the change in the legal framework for banking entities operating in Cape Verde, the financial shareholding in this entity was reclassified to Non-current assets held for sale.

In view of this legal imposition, the competent Bodies of the Banco Montepio Group decided to proceed with the voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde – Em Liquidação, and, to the effect, the respective procedures were initiated with the Cape-Verdean authorities.

As at 30 December 2021, Montepio Holding S.G.P.S., S.A. sold 310,000 ordinary, book-entry and nominative shares representing 100% of the share capital and voting rights of Montepio Valor S.G.O.I.C., S.A. to Montepio Geral Associação Mutualista for the amount of Euro 3,734 thousand. The estimated impact of this sale on the Group's consolidated results and on the capital ratio is nil to the extent that it was sold at book value.

60 NPL Disclosures

Following the recommendations of the European Banking Authority explained in document EBA/GL/2018/10, credit institutions with an NPL (Non-Performing Loans) ratio greater than 5% must publish a set of information related to NPE (Non-Performing Exposures), restructured loans and assets received as payment in kind, according to a standardized format, as follows, with reference to 31 December 2021:

Credit quality of restructured exposures

(Euro thousand)

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral and financial guarantees received on exposures with forbearance measures	
	Perfoming exposures with forbearance measures	Non-performing exposures with forbearance measures			Perfoming exposures with forbearance measures	Non-perfoming exposures with forbearance measures		Of which: Collateral and Financial guarantees received on non-perfoming exposures with forbearance measures
			Of which:Defaulted	of which: impaired				
Loans and advances	68 070	555 721	555 721	555 721	(2 514)	(253 180)	290 678	242 692
Other financial corporations	359	48 324	48 324	48 324	(23)	(12 119)	36 362	36 194
Non-financial corporations	37 376	421 251	421 251	421 251	(1 970)	(209 410)	177 526	154 947
Households	30 335	86 146	86 146	86 146	(521)	(31 651)	76 790	51 551
Loan commitments granted	280	398	398	398	(2)	(17)	-	-
	68 350	**556 119**	**556 119**	**556 119**	**(2 516)**	**(253 197)**	**290 678**	**242 692**

(NPE) Information on performing and non-performing exposures

(Euro thousand)

	Gross carrying amount											
	Perfoming exposures			Non-performing exposures								
		Not past due or past due <= 30 days	Past due >30 days <=90 days		Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due >180 days <= 1 year	Past due >1 year <= 2 years	Past due > 2 years <= 5 years	Past due >5 years <= 7 years	Past due > 7 years	Of which: defaulted
Loans and advances	**13 832 456**	**13 800 645**	**31 812**	**942 302**	**537 847**	**15 647**	**33 548**	**78 715**	**118 599**	**81 931**	**76 015**	**942 302**
Central banks	2 862 579	2 862 579	-	-	-	-	-	-	-			
General governments	104 408	104 408	-	-	-	-		-	-	-	-	-
Credit institutions	244 551	244 551	-	-	-	-	-	-	-	-	-	-
Other financial corporations	37 542	37 541	2	49 571	49 504	1	-	19	47	-	-	49 571
Non-financial corporations	3 935 578	3 927 607	7 971	707 797	366 229	7 170	24 635	67 534	103 494	73 314	65 421	707 797
Das quais *PME*	3 416 939	3 408 980	7 960	678 053	336 610	7 170	24 635	67 534	103 425	73 314	65 421	678 053
Agregados familiares	6 647 798	6 623 959	23 839	184 934	122 114	8 476	8 913	11 162	15 058	8 617	10 594	184 934
Debt securities	**3 612 187**	**3 612 187**	**-**	**33 000**	**-**	**-**	**-**	**-**	**33 000**	**-**	**-**	**33 000**
General governments	3 067 854	3 067 854	-	-	-	-	-	-	-		-	-
Other financial corporations	10 894	10 894	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	533 439	533 439	-	33 000	-	-	-	-	33 000	-		33 000
Off balance sheet exposures	**1 902 482**	**-**	**-**	**117 002**	**-**	**-**	**-**	**-**				**-**
General governments	2 676			-								-
Credit institutions	212 342			-								-
Other financial corporations	20 144			5								-
Non-financial corporations	1 174 387			114 100								-
Households	492 933			2 897								-
	19 347 125	**17 412 832**	**31 812**	**1 092 304**	**537 847**	**15 647**	**33 548**	**78 715**	**151 599**	**81 931**	**76 015**	**975 302**

Credit stage of performing and non-performing exposures and provisions

(Euro thousand)

	Carrying amount					Accumulated impairments, cumulative negative changes in fair value resulting from credit risk and provisions					Accumulated partial asset relief	Collateral and financial guarantees and received	
	Perfoming exposures			Non-performing exposures		Perfoming exposures - accumulated impairments and provisions			Non-performing exposures - Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions			About performing exhibitions	About non-performing exhibitions
		Of which: Stage 1	Of which: Stage 2		Of which: Stage 3		Of which: Stage 2	Of which: Stage 3		Of which: Stage 3			
Loans and advances	**13 832 456**	**11 870 828**	**1 952 840**	**942 302**	**941 322**	**(92 543)**	**(27 576)**	**(64 965)**	**(411 375)**	**(411 375)**	**(198 495)**	**8 538 884**	**414 074**
Central banks	2 862 579	2 862 579	-	-	-	-	-	-	-	-	-	-	-
General governments	104 408	103 280	1 128	-	-	(579)	(398)	(181)	-	-	-	512	-
Credit institutions	244 551	244 551	-	-	-	(464)	(464)	-	-	-	-	-	-
Other financial corporations	37 542	35 575	1 967	49 571	49 571	(188)	(91)	(97)	(12 198)	(12 198)	-	14 734	37 246
Non-financial corporations	3 935 578	2 836 477	1 090 513	707 797	706 943	(71 286)	(22 448)	(48 837)	(331 842)	(331 842)	(198 495)	2 455 667	276 117
Of which: SME	3 416 939	2 503 954	910 497	678 053	677 199	(59 872)	(20 214)	(39 657)	(318 050)	(318 050)	-	2 263 705	270 031
Households	6 647 798	5 788 366	859 232	184 934	184 808	(20 026)	(4 175)	(15 850)	(67 335)	(67 335)	-	6 067 971	100 711
Debt securities	**3 612 187**	**3 595 302**	**16 886**	**33 000**	**33 000**	**(12 311)**	**(10 994)**	**(1 317)**	**(14 272)**	**(14 272)**	**-**	**8 786**	**-**
General governments	3 067 854	3 067 854	-	-	-	(5 533)	(5 533)	-	-	-	-	-	-
Other financial corporations	10 894	8 408	2 487	-	-	(794)	(44)	(750)	-	-	-	-	-
Non-financial corporations	533 439	519 040	14 399	33 000	33 000	(5 984)	(5 417)	(567)	(14 272)	(14 272)	-	8 786	-
Off balance sheet exposures	**1 902 483**	**1 515 098**	**387 383**	**117 002**	**117 002**	**(6 737)**	**(3 294)**	**(3 444)**	**(14 524)**	**(14 524)**	**-**	**-**	**-**
General governments	2 676	2 664	12	-	-	(1)	(1)	-	-	-	-	-	-
Credit institutions	212 342	59 855	152 487	-	-	-	-	-	-	-	-	-	-
Other financial corporations	20 144	12 499	7 644	5	5	(152)	(4)	(148)	-	-	-	-	-
Non-financial corporations	1 174 387	987 250	187 137	114 100	114 100	(5 130)	(2 542)	(2 589)	(14 488)	(14 488)	-	-	-
Households	492 934	452 830	40 103	2 897	2 897	(1 454)	(747)	(707)	(36)	(36)	-	-	-
	19 347 126	**16 981 228**	**2 357 109**	**1 092 304**	**1 091 324**	**(111 591)**	**(41 864)**	**(69 726)**	**(440 171)**	**(440 171)**	**(198 495)**	**8 547 670**	**414 074**

Warranties obtained by swearing-in and enforcement proceedings

(milhares de euros)

	Warranties obtained by acquisition of possession	
	Value at initial recognition	Accumulated negative changes
Tangible fixed assets	**789**	**(51)**
Others, except tangible fixed assets	**603 162**	**(138 576)**
Real estate	392 494	(71 621)
Comercial real estate	200 200	(63 866)
Movable goods (automobile, vessel, etc.)	74	(58)
Equity and debt instruments	-	-
Others, except tangible fixed assets	10 394	(3 031)
	603 951	**(138 627)**

This caption, as at 31 December 2020, is presented as follows:

Credit quality of restructured exposures

(Euro thousand)

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral and financial guarantees received on exposures with forbearance measures	
	Perfoming exposures with forbearance measures	Non-performing exposures with forbearance measures			Perfoming exposures with forbearance measures	Non-perfoming exposures with forbearance measures		Of which: Collateral and Financial guarantees received on non-perfoming exposures with forbearance measures
			Of which:Defaulted	of which: impaired				
Loans and advances	86 159	729 736	727 451	729 694	(3 881)	(364 235)	319 658	254 830
Other financial corporations	-	55 265	55 265	55 265	-	(8 359)	46 903	46 903
Non-financial corporations	47 324	598 937	596 698	598 895	(3 011)	(323 420)	204 011	172 574
Households	38 835	75 534	75 488	75 534	(870)	(32 456)	68 744	35 353
	86 159	**729 736**	**727 451**	**729 694**	**(3 881)**	**(364 235)**	**319 658**	**254 830**

(NPE) Information on performing and non-performing exposures

(Euro thousand)

	Gross carrying amount											
	Perfoming exposures			Non-performing exposures								
		Not past due or past due <= 30 days	Past due >30 days <=90 days		Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due >180 days <= 1 year	Past due >1 year <= 2 years	Past due > 2 years <= 5 years	Past due >5 years <= 7 years	Past due > 7 years	Of which: defaulted
(NPE) Information on performing and	**12 101 045**	**12 065 609**	**35 436**	**1 255 605**	**469 039**	**15 415**	**138 165**	**126 590**	**223 528**	**188 800**	**94 070**	**1 248 477**
Central banks	1 317 306	1 317 306	-	-	-	-	-	-	-	-	-	-
General governments	114 610	114 610	-	-	-	-	-	-	-	-	-	-
Credit institutions	310 419	310 419	-	-	-	-	-	-	-	-	-	-
Other financial corporations	28 259	28 217	43	55 324	55 257	10	8	46	3	-	-	55 324
Non-financial corporations	3 810 050	3 800 104	9 946	1 012 143	333 041	8 406	123 629	104 328	189 536	171 195	82 009	1 005 120
Das quais *PME*	3 316 916	3 306 970	9 946	906 868	266 928	7 983	118 242	104 108	156 697	170 901	82 009	899 845
Agregados familiares	6 520 401	6 494 953	25 447	188 138	80 741	6 999	14 528	22 216	33 989	17 605	12 061	188 033
Debt securities	**3 144 828**	**3 144 828**	**-**	**33 950**	**-**	**-**	**-**	**950**	**33 000**	**-**	**-**	**33 950**
General governments	2 508 967	2 508 967	-	-	-	-	-	-	-	-	-	-
Instituições de crédito	1 018	1 018	-	-	-	-	-	-	-	-	-	-
Other financial corporations	21 032	21 032	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	613 811	613 811	-	33 950	-	-	-	950	33 000	-	-	33 950
Off balance sheet exposures	**1 910 740**			**127 060**								**94 223**
General governments	1 453			-								-
Credit institutions	218 444			-								-
Other financial corporations	50 000			2								2
Non-financial corporations	1 187 709			122 713								89 878
Households	453 134			4 345								4 343
	17 156 613	**15 210 437**	**35 436**	**1 416 615**	**469 039**	**15 415**	**138 165**	**127 540**	**256 528**	**188 800**	**94 070**	**1 376 650**

Credit stage of performing and non-performing exposures and provisions

(tEuro thousand)

	Carrying amount					Accumulated impairments, cumulative negative changes in fair value resulting from credit risk and provisions						Collateral and financial guarantees and received	
	Perfoming exposures			Non-performing exposures		Perfoming exposures - accumulated impairments and provisions			Non-performing exposures - Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions		Accumulated partial asset relief	About performing exhibitions	About non-performing exhibitions
		Of which: Stage 1	Of which: Stage 2		Of which: Stage 3		Of which: Stage 2	Of which: Stage 3		Of which: Stage 3			
Loans and advances	12 101 045	8 994 330	3 098 710	1 255 605	1 255 605	(123 782)	(21 995)	(101 787)	(637 386)	(637 386)	(69 151)	8 284 180	419 956
Central banks	1 317 306	1 317 306	-	-	-	-	-	-	-	-	-	-	-
General governments	114 610	111 176	2 530	-	-	(295)	(226)	(68)	-	-	-	1 344	-
Credit institutions	310 419	310 419	-	-	-	(287)	(287)	-	-	-	-	-	-
Other financial corporations	28 259	19 589	8 670	55 324	55 324	(478)	(88)	(390)	(8 398)	(8 398)	-	19 681	46 903
Non-financial corporations	3 810 050	2 147 966	1 655 184	1 012 143	1 012 143	(89 495)	(16 633)	(72 863)	(549 517)	(549 517)	(69 151)	2 265 336	286 899
Of which: SME	3 316 916	1 846 466	1 467 011	906 868	906 868	(78 417)	(14 608)	(63 808)	(480 083)	(480 083)	-	2 099 698	262 961
Households	6 520 401	5 087 874	1 432 326	188 138	188 138	(33 227)	(4 761)	(28 466)	(79 471)	(79 471)	-	5 997 819	86 154
Debt securities	3 144 828	3 140 661	4 167	33 950	33 950	(13 633)	(13 002)	(631)	(15 147)	(15 147)	-	6 835	45
General governments	2 508 967	2 508 967	-	-	-	(9 334)	(9 334)	-	-	-	-	-	-
Instituições de crédito	1 018	-	1 018	-	-	-	-	-	-	-	-	-	-
Other financial corporations	21 032	18 381	2 651	-	-	(736)	(112)	(624)	-	-	-	-	-
Non-financial corporations	613 811	613 313	498	33 950	33 950	(3 563)	(3 556)	(7)	(15 147)	(15 147)	-	6 835	45
Off balance sheet exposures	1 910 741	1 270 046	640 695	127 061	127 060	(10 375)	(3 546)	(6 830)	(10 844)	(10 844)	-	-	-
General governments	1 453	1 399	54	-	-	(1)	(1)	-	-	-	-	-	-
Credit institutions	218 444	66 338	152 107	-	-	(12)	-	(12)	-	-	-	-	-
Other financial corporations	50 000	42 379	7 621	2	2	(366)	(28)	(338)	-	-	-	-	-
Non-financial corporations	1 187 709	905 014	282 695	122 713	122 713	(7 084)	(2 783)	(4 301)	(10 834)	(10 834)	-	-	-
Households	453 135	254 916	198 218	4 346	4 345	(2 912)	(734)	(2 179)	(10)	(10)	-	-	-
	17 156 614	**13 405 037**	**3 743 572**	**1 416 616**	**1 416 615**	**(147 790)**	**(38 543)**	**(109 248)**	**(663 377)**	**(663 377)**	**(69 151)**	**8 291 015**	**420 001**

Warranties obtained by swearing-in and enforcement proceedings

(Euro thousand)

	Warranties obtained by acquisition of possession	
	Value at initial recognition	**Accumulated negative changes**
Tangible fixed assets	5 330	-
Others, except tangible fixed assets	304 650	(86 506)
Real estate	62 593	(14 480)
Comercial real estate	221 254	(67 966)
Others, except tangible fixed assets	20 803	(4 060)
	309 980	**(86 506)**

61 Exposures and impacts resulting from COVID-19 measures taken

Following the recommendations of the European Banking Authority, and in accordance with Instruction no. 19/2020 on the reporting and dissemination of information on exposures subject to measures applied in response to the COVID-19 crisis as per the EBA guidelines (EBA/GL/2020/07), we present below the following details regarding moratoria and loans granted under the new public guaranteed plans, with reference to 31 December 2021:

Information on loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)

(Euro thousand)

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non-performing				Performing			Non-performing			
			Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)		Of which:exposures with forbearance measures	Of which:unlikely to pay that are not past-due or past-due <= 90 days			Of which:exposures with measures	Of which:instruments with significant increase in credit risk since initial recognition but not credit impaired (Stage 2)		Of which: exposures with forbearance measures	Of which:unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to EBA - compliant moratoria	5 810	5 694	-	1 156	116	-	116	(328)	(285)	-	(243)	(42)	-	(42)	61
of which: Households	248	248	-	233	-	-	-	(5)	(5)	-	(5)	-	-	-	-
of which: Collateralised by residencial immovable prope	41	41	-	27	-	-	-	-	-	-	-	-	-	-	-
of which: Non-financial corporations	5 562	5 446	-	922	116	-	116	(323)	(280)	-	(237)	(42)	-	(42)	61
of which: SME	5 562	5 446	-	922	116	-	116	(323)	(280)	-	(237)	(42)	-	(42)	61
of which: collateralised by commercial immovable prop	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Overview of EBA-compliant moratoria (legislative and non-legislative)

(Euro thousand)

	Number of obligors	Gross carrying amount						
			Of which: legislative moratoria	Of which:expired	Residual term of moratorias			
					<= 3 months	>3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months
EBA- compliant moratoria loans and advances: requested	33 741	2 717 862						
EBA - compliant moratoria loans and advances granted	32 908	2 696 585	5 810	2 690 775	2 696 585	-	-	-
Of which: Households		1 153 787	248	1 153 539	1 153 787	-	-	-
of which: Collateralised by residential		996 107	41	996 066	996 107	-	-	-
of which: Non financial corporations		1 540 134	5 562	1 534 572	1 540 134	-	-	-
Of which:SME		1 324 487	5 562	1 318 925	1 324 487	-	-	-
of which: Collateralised by commercial immovable property		916 342	-	916 342	916 342	-	-	-

This caption, as at 31 December 2020, is presented as follows:

Information on loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)

(Euro thousand)

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non-performing				Performing			Non-performing			
			Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2)		Of which:exposures with forbearance measures	Of which:unlikely to pay that are not past-due or past-due <= 90 days			Of which:exposures with measures	Of which:instruments with significant increase in credit risk since initial recognition but not credit impaired (Stage 2)		Of which: exposures with forbearance measures	Of which:unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to EBA - compliant moratoria	2 938 388	2 690 743	51 560	2 040 479	247 645	177 906	234 470	(157 813)	(70 969)	(2 373)	(68 560)	(86 844)	(70 734)	(82 009)	43 003
of which: Households	1 194 139	1 156 054	15 611	820 095	38 086	29 183	33 488	(26 938)	(14 961)	(347)	(14 690)	(11 977)	(9 711)	(10 540)	4 232
of which: Collateralised by residencial immovable property	1 027 040	1 001 055	11 413	700 374	25 985	19 966	22 055	(16 320)	(9 512)	(164)	(9 402)	(6 808)	(5 412)	(5 916)	2 342
of which: Non-financial corporations	1 741 469	1 531 909	35 948	1 217 614	209 559	148 723	200 982	(130 745)	(55 877)	(2 026)	(53 739)	(74 868)	(61 023)	(71 470)	38 771
of which: SME	1 456 568	1 309 770	34 095	1 046 412	146 798	88 548	139 470	(91 300)	(46 918)	(1 927)	(45 062)	(44 382)	(31 879)	(41 709)	37 118
of which: collateralised by commercial immovable property	992 171	838 929	21 601	651 584	153 242	112 504	150 322	(75 624)	(28 201)	(932)	(27 139)	(47 423)	(41 201)	(46 251)	23 984

Overview of EBA-compliant moratoria (legislative and non-legislative)

(Euro thousand)

	Number of obligors	Gross carrying amount						
			Of which: legislative moratoria	Of which:expired	Residual term of moratorias			
					<= 3 months	>3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months
EBA- compliant moratoria loans and advances: requested	41 275	3 379 003						
EBA - compliant moratoria loans and advances granted	38 229	3 208 626	2 898 484	270 238	473 493	33 638	2 018	2 699 478
Of which: Households		1 263 129	1 154 236	68 990	99 866	33 100	2 018	1 128 145
of which: Collateralised by residential		1 068 630	1 024 083	41 590	63 749	39	-	1 004 842
of which: Non financial corporations		1 942 581	1 741 469	201 112	373 317	537	-	1 568 726
Of which:SME		1 646 033	1 456 568	189 465	350 951	537	-	1 294 545
of which: Collateralised by commercial immovable property		1 109 925	992 171	117 753	204 333	-	-	905 592

62 Subsequent events

The Banco Montepio Group analyses events occurring after the balance sheet date, i.e. the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue. Consequently, two types of events can be identified:

- Those that provide proof of conditions that existed at the balance sheet date (adjusting events);
- Those that are indicative of conditions that arose after the balance sheet date (non-adjusting events occurring after the balance sheet date).

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

On 29 March 2022, the deeds related to the Gerês Secured operation were celebrated, giving rise to the derecognition of the assets included in this operation in March 2022, as described in note 28.

There were no relevant transactions and/or events, after 31 December 2021, that merit disclosure and/or adjustment in the financial statements.

As is public knowledge, developments since the invasion of Ukraine by Russia on 24 February 2022, which resulted in the application of economic sanctions on Russia by the West and an escalation in commodity prices, have led to a change in perspectives regarding growth of the activity and prices in most world economies, albeit with different intensities.

The revision of perspectives naturally affects Russia's economy with greater intensity, followed, but at a great distance, by the economies of the Eurozone, the United Kingdom and other geographies further away from the centre of the conflict and with less dependence on oil and gas supplied by Russia (among which the USA, Japan and China).

Uncertainty is, however, quite high, so the outlook remains surrounded by downside risks and in permanent revision, being greatly affected by the duration of the ongoing conflict and its impact on financial markets, especially commodities, as well as by the economic policy reactions.

In this context, bearing in mind not only the activity carried out by the Banco Montepio Group, but also the information available to date, the Board of Directors does not estimate material effects in terms of the financial statements for financial year 2021 arising from the conflict. However, given the uncertainty about the course of the conflict and its possible effects, it is not possible to estimate and quantify, at the present date, the future impacts of same on the Portuguese economy, and at the level of the banking business, so the Board of Directors will continue to assess this situation carefully over the coming financial year.

TRANSLATION NOTE

These Financial Statements and Notes to the Financial Statements are a free translation from the original version in the Portuguese language. In the event of misrepresentations or discrepancies the original version shall prevail.

FINANCIAL STATEMENTS AND NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Banco Montepio

Individual Income Statement for the financial years of 2021 and 2020

(Euro thousand)

	Notes	2021	2020
Interest and similar income	2	271 010	273 286
Interest and similar expense	2	77 226	78 682
Net interest income		193 784	194 604
Dividends from equity instruments	3	1 801	3 052
Net fee and commission income	4	112 240	112 644
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	5	12 498	(9 648)
Net gains/ (losses) arising from financial assets at fair value through other comprehensive income	6	2 035	23 671
Net gains/ (losses) arising from exchange differences	7	3 044	4 428
Net gains/ (losses) arising from sale of other financial assets	8	29 648	43 643
Other operating income/ (expense)	9	(21 695)	(29 702)
Total operating income		333 355	342 692
Staff costs	10	149 317	173 471
General and administrative expenses	11	53 227	56 603
Depreciation and amortization	12	32 312	31 873
Total operating cost		234 856	261 947
Impairment of loans and advances to customers and to credit institutions	13	53 506	187 629
Impairment of other financial assets	14	4 391	8 238
Impairment of other assets	15	28 788	33 031
Other provisions	16	(4 004)	2 733
Profit before income tax		15 818	(150 886)
Income Tax			
Current	29	1 700	1 939
Deferred	29	(25 421)	32 326
Net profit/ (loss) for the year		(7 903)	(116 621)
Earnings per share			
Basic		(0,003)	(0,0047)
Diluted		(0,003)	(0,0047)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual statement of comprehensive Income
for the financial years of 2021 and 2020

(Euro thousand)

	Notes	2021	2020
Items that may be reclassified into the Income Statement			
Fair value reserves			
Financial assets at faur value			
through other comprehensive income			
Debt instruments	42	(461)	(18 792)
Loans and advances to costumers	42	(103)	(454)
Own credit risk	42	(19)	(138)
Taxes related fair value changes	29 and 42	(7)	6 868
		(590)	(12 516)
Items that will not be reclassified into the Income Statement			
Fair value reserves			
Financial assets at faur value			
through other comprehensive income			
Debt instruments	42	(880)	(12 746)
Remeasurements of post-employment and long-term benefits	46	21 105	8 601
		20 225	(4 145)
Other comprehensive income/ (loss) for the financial year		19 635	(16 661)
Net profit/ (loss) for the financial year		(7 903)	(116 621)
Total comprehensive income/ (loss) for the year		11 732	(133 282)

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual Balance Sheet as at 31 December 2021 and 2020

(Euro thousand)

	Notes	2021	2020
Assets			
Cash and deposits at central banks	17	2 943 744	1 446 314
Loans and deposits to credit institutions payable on demand	18	84 240	53 498
Other loans and advances to credit institutions	19	388 459	858 704
Loans and advances to customers	20	11 004 029	10 732 604
Financial assets held for trading	21	1 376	11 508
Financial assets at fair value through profit or loss	22	288 340	569 612
Financial assets at fair value through other comprehensive income	23	103 157	265 320
Hedging derivatives	24	5 411	10 693
Other financial assets at amortized cost	25	3 530 569	3 981 949
Investments in associated companies	26	319 648	319 648
Non-current assets held for sale	26	47 833	8 997
Other tangible assets	27	183 798	215 839
Intangible assets	28	37 474	33 104
Current tax assets	29	6 539	2 313
Deferred tax assets	29	470 602	510 364
Other assets	30	648 185	694 024
Total Assets		20 063 404	19 714 491
Liabilities			
Deposits from central banks	31	2 892 065	1 372 546
Deposits from other credit institutions	32	598 620	1 006 828
Deposits from customers	33	12 781 474	12 549 423
Debt securities issued	34	1 215 119	1 221 498
Financial liabilities associated to transfered assets	35	730 253	1 721 697
Financial liabilities held for trading	21	7 470	11 761
Hedging derivatives	24	335	397
Provisions	36	27 886	33 000
Current tax liabilities	-	561	812
Other subordinated debt	37	217 265	216 896
Other liabilities	38	207 226	206 235
Total liabilities		18 678 274	18 341 093
Equity			
Share capital	39	2 420 000	2 420 000
Legal reserve	41	193 266	193 266
Fair value reserves	42	8 974	(28 867)
Other reserves and Retained earnings	42	(1 229 207)	(1 094 380)
Net profit / (loss) for the year		(7 903)	(116 621)
Total Equity		1 385 130	1 373 398
Total Liabilities and Equity		20 063 404	19 714 491

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual Statement of cash flows
for the years of 2021 and 2020

(Euro thousand)

	2021	2020 restated
Cash flows arising from operating activities		
Interest income received	230 910	261 209
Interest expense paid	(67 438)	(61 487)
Commission income receuved	134 603	131 638
Commission income paid	(22 363)	(19 307)
Payments to employees and suppliers	(194 224)	(221 754)
Recovery of loans and interests	3 581	1 493
Other payments and receivables	4 327	(27 195)
Income tax payment	6 024	9 205
	95 420	73 802
(Increases) / decreases in operating assets		
Loans and advances to credit institutions and customers	120 952	(326 899)
(Purchase) / Sale of financial assets held for trading	11 145	6 580
(Purchase) / Sale of financial assets at fair value through profit or loss	267 288	66 430
(Purchase) / Sale of financial assets at fair value through other comprehensive income	164 598	1 555 329
(Purchase) / Sale of other financial assets at amortized cost	(536 770)	(1 352 028)
Other assets	47 499	27 668
	74 712	(22 920)
(Increases) / decreases in operating liabilities		
Deposits from customers	236 653	26 773
Deposits from credit institutions	(407 246)	304 762
Deposits from central banks	1 554 830	67 160
	1 384 237	398 695
	1 554 369	449 577
Cash from investing activities		
Dividends received (note 3)	1 801	3 052
Purchase of fixed assets (notes 27 and 28)	(25 679)	(20 522)
	(23 878)	(17 470)
Cash from financing activities		
Other equity instruments	-	(292)
Issuance of cash bonds and subordinated debt (note 34 and 37)	-	50 000
Repayment of cash bonds and subordinated debt (notes 34 and 37)	(2 960)	(41 100)
Lease agreements	(1 160)	(306)
	(4 120)	8 302
Effect of changes in cash exchange rate and cash equivalents	1 801	3 762
Net change in cash and cash equivalents	1 528 172	444 171
Cash and cash equivalents at the beginning of the year:		
Cash and deposits at central banks (note 17)	1 446 314	1 003 648
Loans and advances to credit institutions payable on demand (note 18)	53 498	51 993
	1 499 812	1 055 641
Cash and cash equivalents at the end of the year:		
Cash and deposits at central banks (note 17)	2 943 744	1 446 314
Loans and advances to credit institutions payable on demand (note 18)	84 240	53 498
	3 027 984	1 499 812

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Banco Montepio

Individual statement of changes in equity
for the years of 2021 and 2020

(Euro thousand)

	Share capital (note 39)	Other equity instruments (note 40)	Legal Reserve (note 41)	Fair value (note 42)	Retained earnings (note 42)	Total Shareholders equity
Balance on 31 December 2020	**2 420 000**	**6 323**	**191 968**	**145**	**(1 105 141)**	**1 513 295**
Other comprehensive income:	-	-	-	(29 012)	12 351	(16 661)
Remeasurements in the year (note 46)	-	-	-	-	(274)	(274)
Taxes (note 29)	-	-	-	-	8 875	8 875
Changes in fair value (note 42)	-	-	-	(35 880)	-	(35 880)
Reserves realized - Shares	-	-	-	-	3 750	3 750
Taxes related on changes in fair value (note 29)	-	-	-	6 868	-	6 868
Net income for the year	-	-	-	-	(116 621)	(116 621)
Total comprehensive income / (loss) for the year	-	-	-	(29 012)	(104 270)	(133 282)
Financial costs related to the issue of perpetual subordinated debt (note 40)	-	-	-	-	(292)	(292)
Reclassification of perpetual securities	-	(6 323)	-	-	-	(6 323)
Legal Reserve	-	-	1 298	-	(1 298)	-
Balance on 31 December 2020	**2 420 000**	**-**	**193 266**	**(28 867)**	**(1 211 001)**	**1 373 398**
Other comprehensive income:	-	-	-	37 841	(18 206)	19 635
Remeasurements in the year (note 46)	-	-	-	-	21 105	21 105
Changes in fair value (note 42)	-	-	-	37 848	-	37 848
Reserves realized - Shares	-	-	-	-	(39 311)	(39 311)
Taxes related on changes in fair value (note 29)	-	-	-	(7)	-	(7)
Net income for the year	-	-	-	-	(7 903)	(7 903)
Total comprehensive income for the year	-	-	-	37 841	(26 109)	11 732
Balance on 31 December 2021	**2 420 000**	**-**	**193 266**	**8 974**	**(1 237 110)**	**1 385 130**

THE CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

To be read with the notes attached to the Separate Financial Statements

Introduction

Caixa Económica Montepio Geral, caixa económica bancária, S.A. (hereinafter "Banco Montepio"), with registered office at Rua Castilho, no. 5, 1250-066, Lisbon, is a credit institution majority held by Montepio Geral Associação Mutualista (hereinafter "MGAM"), which was incorporated on 24 March 1844. Banco Montepio is authorized to operate in accordance with Decree-Laws no. 298/92, of 31 December, and no. 136/79, of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. Banco Montepio is authorized to perform banking operations in addition to those mentioned in its By-laws, if generally authorized by the Banco de Portugal. This fact leads to the practice of banking operations in general.

On 10 September 2015, Decree-Law no. 190/2015 was published, introducing amendments in the Legal Framework of Credit Institutions and Financial Companies and in the Mutual Association Code. Following the publication of this Decree-Law, Banco Montepio changed its classification to "caixa económica bancária".

On 14 September 2017, the by-laws deed was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

1 Accounting policies

a) Bases of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July and Regulation no. 5/2015 of the Banco de Portugal, of 7 December, Banco Montepio's financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. Banco Montepio adopted in the preparation of the separate financial statements as at 31 December 2021 the standards issued by the IASB and the interpretations of the IFRIC of mandatory application as from 1 January 2021.

The separate financial statements and the notes to the financial statements presented herein were approved by the Board of Directors of Banco Montepio on 7 April 2022. The separate financial statements herein presented relate to 31 December 2021 and shall be submitted for approval of the General Meeting that has the power to change them. However, it is the belief of the Board of Directors of Banco Montepio that these will be approved without significant changes. The financial statements are presented in Euro, rounded to the nearest thousand.

All references made to standards in this document relate to the respective version in force.

The financial statements were prepared on the going concern basis under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Financial assets and liabilities that are classified under hedge accounting are stated at fair value in respect of the risk that is being hedged.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The associated estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about the book values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The main estimates and assumptions involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in the accounting policy described in note 1 y).

The accounting policies applied in financial year ended 31 December 2021, presented next, are consistent with those used in the preparation of the financial statements of the previous financial year, except in respect of the statement of cash flows that was restated in 2020.

In 2021, in the Statement of Cash Flows, Cash and deposits at central banks were reclassified from the caption Deposits held for monetary control purposes to the caption Cash and deposits at central banks, with the restatement being presented as follows:

	2020 restated	Adjustment	2020
Deposits held for monetary control purposes	-	473 573	(473 573)
Cash and cah equivalents at the beginning of the year			
Cash and deposits at central banks (note 17)	1 003 648	809 119	194 529
Availability in other credit institutions (note 18)	51 993	-	51 993
	1 055 641	**809 119**	**246 522**
Cash and cash equivalents at the end of the year			
Cash and deposits at central banks (note 17)	1 446 314	1 282 692	163 622
Availability in other credit institutions (note 18)	53 498	-	53 498
	1 499 812	**1 282 692**	**217 120**

b) Financial instruments – IFRS 9

b.1) *Classification of financial assets*

The Bank classifies its financial assets into one of the following valuation categories:

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

The classification requirements for debt and equity instruments are as follows:

b.1.1) *Debt instruments*

Debt instruments are instruments that meet the definition of financial liability from the issuer's perspective, such as loans, public and private bonds, and accounts receivable acquired from Customers with non-recourse factoring contracts.

The classification and subsequent valuation of these instruments in the previous categories is based on the following two elements:

- the Bank's business model for financial asset management, and

- the characteristics of the contractual cash flows from the financial assets.

Based on these elements, the Bank classifies its debt instruments for valuation purposes into one of the following three categories:

a) Financial assets at amortized cost, when the following two conditions are met:

  - they are managed under a business model which objective is the holding of financial assets to receive contractual cash flows, and

  - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

  In addition to debt instruments managed based on a business model which purpose is to receive their contractual cash flows, which are recorded in the caption Other financial assets at amortized cost, the category of financial assets at amortized cost also includes Loans and advances to other credit institutions and Loans and advances to customers.

b) Financial assets at fair value through other comprehensive income, when the following two conditions are met:

  - they are managed under a business model which purpose combines the receipt of contractual cash flows from financial assets and their sale, and

  - the contractual conditions give rise to cash flows on specific dates, which are only payments of principal and interest on the principal outstanding.

c) Financial assets at fair value through profit or loss, whenever due to the Bank's business model or the characteristics of their contractual cash flows, it is not appropriate to classify financial assets in any of the previous categories. At the transition date, to classify financial assets in this category, the Bank also considered whether it expects to recover the book value of the asset through the sale to a third party.

This portfolio also includes all instruments in respect of which any of the following characteristics are met:

- that were originated or acquired for the purpose of being traded in the short term.
- that are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions aimed at achieving short-term gains.
- that are derivative instruments that do not meet the definition of a financial collateral agreement and have not been designated as hedging instruments.

Assessment of the business model

The business model reflects the way the Bank manages its assets from a cash flow generation perspective. Therefore, it is important to understand whether the Bank's objective is only to receive contractual cash flows from assets or whether it intends to receive the contractual cash flows and the cash flows from the sale of the assets. If none of these situations apply (e.g., financial assets are held for trading), then financial assets are classified as part of “another” business model and recognized at fair value through profit or loss. Factors considered by the Bank in identifying the business model for a set of assets include past experience of how (i) cash flows are received, (ii) how asset performance is assessed and reported to the management body, (iii) how risks are assessed and managed and (iv) how directors are remunerated.

Securities held for trading are held, essentially, for the purpose of being sold in the short term, or as part of a portfolio of jointly managed financial instruments, for which there is clear evidence of a recent pattern of short-term gains. These securities are classified under “other” business models and recognized at fair value through profit or loss.

The assessment of the business model does not depend on the intentions for an individual instrument, but rather for a set of instruments, considering the frequency, value, the timing of sales in previous financial periods, the reasons for such sales and the expectations regarding future sales. Sales that are close to the maturity date and those motivated by the increased credit risk of the financial assets, or to manage concentration risk, among others, may be consistent with the model of holding assets to receive contractual cash flows, if those sales are infrequent (albeit significant in value) or if they are of an immaterial value, both individually or in aggregate (even if frequent). To this purpose, Banco Montepio considers as immaterial sales of up to 10% of the nominal value of the sales of the portfolio and as infrequent 4 sales per year, regardless of the time interval between the transactions.

If a financial asset contains a contractual clause that may modify the timing or value of the contractual cash flows (such as early amortization or extension of the term), the Bank determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of said contractual clause, are only payments of principal and interest on the principal outstanding.

If a financial asset includes a periodic interest rate adjustment, but the frequency of such adjustment does not match with the reference interest rate term (for example, the interest rate is adjusted every three months), the Bank assesses, on initial recognition, such inconsistency in the interest component to determine whether the contractual cash flows represent only payments of principal and interest on the principal outstanding.

Contractual conditions that, on initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional or highly unlikely events (such as settlement by the issuer) do not preclude their classification in the portfolios at amortized cost or at fair value through other comprehensive income.

SPPI assessment

When the business model consists of holding assets for the purpose of (i) receiving contractual cash flows or (ii) receiving contractual cash flows and selling these assets, the Bank assesses whether the cash flows of the financial instrument correspond solely to payments of principal and interest on the principal outstanding (the "solely payments of principal and interest" ("SPPI") test). In this assessment, the Bank considers whether the contractual cash flows are consistent with a basic loan agreement, i.e., the interest includes only considerations regarding the time value of money, credit risk, other normal credit risks and a profit margin that is consistent with a basic loan agreement. When the contractual terms introduce risk exposure or cash flow variability that is inconsistent with a simple loan agreement, the financial instrument is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows correspond solely to payments of principal and interest on the principal outstanding ("SPPI" test).

b.1.2) Equity instruments

Equity instruments are instruments that meet the definition of capital from the issuer's perspective, that is, they are instruments that do not contain a contractual obligation to pay and that show a residual interest in the issuer's net assets. An example of equity instruments are the ordinary shares.

Investments in equity instruments are an exception to the general valuation criteria described above. The Bank exercises the option, on initial recognition, to irrevocably designate in the category of financial assets at fair value through other comprehensive income the investments in equity instruments that are not classified as held for trading and which, in the case of not exercising said option, would be classified as financial assets at fair value through profit or loss. Impairment losses (and impairment reversals) are not recorded separately from other fair value changes.

b.2) *Classification of financial liabilities*

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be realized through the delivery of cash or another financial asset, regardless of its legal form. Financial liabilities are classified in the following categories:

(i) Financial liabilities at amortized cost

This category includes deposits from central banks and other credit institutions, deposits from customers and other subordinated debt;

(ii) Financial assets held for trading

This category includes derivative financial instruments with a negative fair value, as per note 1 c);

(iii) Financial liabilities at fair value through profit or loss (Fair Value Option)

This category includes financial instruments designated by the Bank, on initial recognition, in this category provided that at least one of the following requirements is met:

- the financial liabilities are internally managed, valued and analysed based on their fair value;
- derivative operations are contracted to hedge these assets or liabilities, in this manner ensuring consistency in the valuation of assets or liabilities and the derivatives (countering accounting mismatch);
- the financial liabilities contain embedded derivatives;

(iv) Financial liabilities associated with assets transferred

This category includes liabilities associated with credit securitization operations that were not derecognized following the application of IFRS 9 - Financial instruments. These liabilities are initially recorded at the amount received on the cession of the loans and are subsequently valued at amortized cost, in a manner coherent with the valuation of the corresponding assets and the conditions defined in the securitization operation.

b.3) *Recognition and initial valuation of financial instruments*

On initial recognition all financial instruments are recorded at fair value. For financial instruments that are not recorded at fair value through profit or loss, the fair value is adjusted by adding or subtracting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are recognized immediately in profit or loss.

Transaction costs are defined as costs directly attributable to the acquisition or disposal of a financial asset, or the issue or assumption of a financial liability, which would not have been incurred if the Bank had not made the transaction. These include, for example, commissions paid to intermediaries (such as promoters) and mortgage formalization expenses.

Financial assets are recognized in the balance sheet on the transaction date - the date on which the Bank undertakes to purchase the assets, unless there is a contractual stipulation or applicable legal figure stating that the transfer of the rights occurs at a later date.

On initial recognition, when the fair value of financial assets and liabilities differs from the transaction price, the entity shall recognize this difference as follows:

- When the fair value is evidenced by the quotation in an active market of an equivalent asset or liability (i.e. level 1 inputs) or based on a valuation technique that uses only observable market data, the difference is recognized as a gain or loss, and

- In the remaining cases, the difference is deferred, and the moment of the initial recognition of the gain or loss is determined individually. This difference may then be (i) amortized over the life of the instrument, (ii) deferred until the fair value of the instrument can be determined using observable market data, or (iii) recognized through the liquidation of the asset or liability.

Banco Montepio recognizes in profit or loss the day one profit, generated primarily by the intermediation of derivative and foreign exchange financial products, since the fair value of these instruments, both on the date of initial recognition or subsequently, is determined based solely on observable market variables and reflects Banco Montepio's access to the wholesale financial market.

b.4) *<u>Subsequent valuation of financial instruments</u>*

Subsequent to initial recognition, the Bank values its financial assets (i) at amortized cost, (ii) at fair value through other comprehensive income or (iii) at fair value through profit or loss.

Amounts receivable from commercial operations that do not have a significant financing component and commercial loans and short-term debt instruments that are initially valued at transaction price or outstanding principal, respectively, are valued at said amount net of impairment losses.

Immediately after initial recognition, an impairment is also recognized for expected credit losses (ECL), of financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in the recognition of an impairment loss when the asset is originated.

Financial liabilities are initially recorded at fair value less transaction costs incurred and subsequently at amortized cost, based on the effective interest rate method, except for financial liabilities designated at fair value through profit or loss, which are recorded at fair value.

Whenever there is a change in the estimate of future cash flows, the new estimate of future cash flows is discounted at the initially estimated effective interest rate. The difference between the sum of these new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet is recognized in the income statement. Subsequently, interest continues to be accrued based on the original effective interest rate considering the estimated new cash flows and the amortized cost of the recalculated liability.

TLTRO III

Upon initial recognition of the TLTRO III facility, the Bank defined its effective interest rate based on its best estimate as to its compliance with the metrics defined by the facility. Subsequently, with the Bank having ensured compliance in the second half of 2021 with the metrics for the change in the volume of eligible credit defined by the ECB for the special reference period between 1 March 2020 and 31 March 2021, which was confirmed by the ECB in September 2021, and in accordance with the provisions of IFRS 9 and to the extent that there was a significant change in future cash flows, the Bank updated the book value estimate of this financial liability, discounting the new estimate of future cash flows at the initially estimated effective interest rate. The difference between the sum of new future cash flows discounted at the initially estimated effective interest rate and the amount currently on the balance sheet was recognized directly in the income statement under the caption Other operating income/expense (see note 9).

Notwithstanding the additional special observation period having already ended on 31 December 2021, it is important to note that the policy followed by the Bank in this matter has been to only update the effective interest rate of the TLTRO III facility after receipt of formal confirmation by the ECB, with the Bank currently awaiting the aforementioned validation.

b.5) <u>Interest recognition</u>

Interest income and expense on assets and liabilities measured at amortized cost is recognized in interest and similar income or interest and similar expense (net interest income) using the effective interest rate method. Interest on financial assets at fair value through other comprehensive income is calculated at the effective interest rate and recognized in net interest income as well as the interest on financial assets and liabilities at fair value through profit or loss.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument (or, where appropriate, over a shorter period) to the net present book value of the financial asset or liability.

For the determination of the effective interest rate, Banco Montepio estimates future cash flows considering all contractual terms of the financial instrument (e.g., prepayment options), but not considering any impairment losses. The calculation includes commissions paid or received as an integral part of the effective interest rate, transaction costs and all premiums or discounts directly related to the transaction, except in respect of financial assets and liabilities at fair value through profit or loss.

Interest income recognized in profit or loss associated with contracts classified in Stage 1 or 2 is calculated by applying the effective interest rate of each contract to its gross book value.

The gross book value of a contract is its amortized cost before deducting the respective impairment. For financial assets included in Stage 3, interest is recognized in profit or loss based on their book value net of impairment. Interest is always recognized prospectively, i.e., for financial assets that enter Stage 3, interest is recognized on the amortized cost (net of impairment) in the subsequent periods.

For financial assets originated or acquired in credit impairment ("POCI"), the effective interest rate reflects the expected credit losses determined based on the expected future cash flows receivable from the financial asset.

For derivative financial instruments, except for those classified as interest rate risk hedging instruments, the interest component is not separated from the changes in their fair value, being classified in Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss. For interest rate risk hedging derivatives associated with financial assets or financial liabilities recognized in the Fair Value Option category, the interest component is recognized in interest and similar income or interest and similar expense (net interest income)

b.6) Reclassifications between financial instrument categories

Reclassifications of financial assets can only occur when Banco Montepio changes its financial asset management business model, which changes are expected to be very infrequent. In this case, all affected financial assets shall be reclassified. The reclassification shall be applied prospectively from the date of the reclassification and there shall be no restatement of any previously recognized gains, losses (including impairment gains or losses) or interest. IFRS 9 does not permit the reclassification of investments in equity instruments measured at fair value through other comprehensive income or when the fair value option has been exercised for financial assets or liabilities. Financial liabilities may not be reclassified between categories.

Modification of loans

Occasionally, the Bank renegotiates or modifies contractual cash flows from loans to customers. In this situation, the Bank assesses whether the new contract terms are substantially different from the original terms. The Bank makes this analysis considering, among others, the following factors:

- If the debtor is in financial difficulty, whether the modification only reduces the contractual cash flows to an amount that the debtor is expected to be able to pay;
- A significant new term such as profit sharing or an equity-based return that substantially affects credit risk has been introduced;
- A significant extension of the contract maturity when the debtor is not in financial difficulty;
- A significant change in interest rate;
- A change from the currency in which the credit was contracted;

- The inclusion of a collateral, a guarantee or another credit enhancement instrument that significantly affects the credit risk associated with the loan.

If the terms of the contract differ significantly, the Bank derecognizes the original financial asset and recognizes the new asset at fair value, calculating its new effective interest rate. On the renegotiation date the initial recognition date is considered for the purpose of calculating impairment, including for the purpose of assessing whether a significant increase in credit risk has occurred. The Bank also assesses whether the newly recognized financial asset is impaired on initial recognition (designating it as a financial asset acquired or originated in impairment) especially when the renegotiation is related to the fact that the debtor did not make the originally agreed payments. Differences in book value are recognized in profit or loss as a de-recognition gain or loss. Financial assets acquired or originated in impairment, do not have impairment on initial recognition. Instead, expected credit losses over the lifetime are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of this asset is equal to the net book value.

If the terms of the contract are not significantly different, the renegotiation, or the modification, does not result in de-recognition and the Bank recalculates the gross book value based on the revised cash flows of the financial asset and recognizes a gain or loss from this modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Following the modification, the Bank may determine that credit risk has significantly improved, and assets have moved from Stage 3 to Stage 2 ("ECL lifetime") or from Stage 2 to Stage 1 ("ECL 12 months"), except for financial assets acquired or originated in impairment that are classified in Stage 3. This situation can only occur when the performance of the modified asset is in accordance with the new contract terms for a period of twelve consecutive months. Additionally, the Bank continues to monitor whether there has been a significant increase in the credit risk of these assets, applying specific models for modified assets.

b.7) <u>De-recognition that does not result from a modification</u>

Financial assets granted are derecognized when the associated cash flows are extinguished, collected or disposed of to third parties and (i) the Bank substantially transfers all risks and rewards associated with holding the asset, or (ii) the Bank neither transfers nor substantially holds all risks and rewards associated with holding the asset and does not have control of the asset. Gains and losses from the disposal of loans and advances to customers on a definitive basis are recorded in Other operating income/(expense). These gains or losses correspond to the difference between the sale value set and the book value of these assets, net of impairment losses.

The Bank engages in transactions in which it has the contractual right to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and substantially transfers all the risks and rewards. These transactions result in de-recognition of the asset if the Bank:

- Does not have any obligation to make payments unless it receives equivalent amounts from the assets;

- It is prohibited from selling or pledging the assets;

- If it is obliged to remit any cash flow it receives from assets without material delays.

Guarantees granted by the Bank (shares and bonds) through repurchase agreements and securities' lending and borrowing operations are not derecognized because the Bank substantially holds all risks and rewards based on the pre-established repurchase price, thus not meeting the de-recognition criteria.

Financial liabilities are derecognized when the underlying obligation is settled, expires, or is cancelled.

b.8) *Write-off policy*

Banco Montepio recognizes a loan write-off from assets when it has no reasonable expectation of fully or partially recovering that asset. This recognition occurs after all recovery actions performed by Banco Montepio turn out to be unsuccessful. Loans written off from assets are recorded in off-balance sheet accounts.

b.9) *Impairment of financial assets*

The Bank determines impairment losses of debt instruments that are measured at amortized cost and fair value through other comprehensive income, as well as for other exposures that have an associated credit risk such as bank guarantees and commitments

The requirements of IFRS 9 have as their objective to recognize expected losses from operations, assessed on an individual or collective basis, considering all reasonable, reliable and duly substantiated information that is available, including forward-looking information.

Impairment losses of debt instruments that are measured at amortized cost are recognized against an accumulated impairment caption in the balance sheet, which reduces the book value of the asset, while impairment of assets measured at fair value through other comprehensive income is recognized against other comprehensive income.

Impairment losses of loans and advances to customers and of loans and advances to credit institutions in the financial year, measured at amortized cost, are recognized in the income statement in the caption Impairment of loans and advances to clients and to credit institutions, while those of the remaining financial assets are recognized in the caption Impairment of other financial assets.

Impairment losses of exposures that have an associated credit risk and that are not positions recorded in assets (e.g., bank guarantees and commitments assumed) are recorded as a provision in the caption Provisions under liabilities, in the balance sheet. The charges and reversals are recorded in the caption Other provisions in the income statement.

For the purpose of accounting for impairment losses of debt instruments, the following definitions shall be considered:

c) Credit losses: correspond to the difference between all cash flows owed to the Bank, according to the contractual conditions of the financial asset, and all cash flows that the Bank expects to receive (i.e., the total cash-flow shortfall), discounted at the original effective interest rate or, at the effective interest rate on the date to which the financial statements refer, when the rate is variable. For financial assets acquired or originated in impairment with credit losses, the cash flows are discounted at the effective interest rate adjusted for credit quality.

   For commitments assumed, the contractual cash flows owed to the Bank that are expected to be received in the event of the use of the commitment are compared with the cash flows expected to be received on the recognition of the asset. In the case of bank guarantees, the payments that the Bank expects to make less the cash flows it expects to receive from the originator are considered.

   The Bank estimates cash flows considering the contractual term defined for the operations or the behavioural maturity.

   For the purpose of determining the cash flows, those arising from the sale of collateral received are also included, considering the flows that would be obtained from their sale, less the costs necessary to obtain, maintain and subsequently sell them, or other guarantees that may be part of the contractual conditions, such as financial collateral.

d) Expected credit losses: correspond to the weighted average of credit losses, using as weighting factor the probability of the occurrence of default events, considering: (i) expected credit losses over the lifetime of the operation for operations classified in Stage 2 or 3: these are the expected credit losses that result from possible default events over the expected life of the operation; (ii) expected credit losses over a twelve-month period for operations classified in Stage 1: these are part of the expected credit losses over the life of the instrument representing the expected credit losses that result from default events of a financial instrument that may occur within the period of twelve months from the reference date.

b.10.1) Impairment model of loans and advances to customers

IFRS 9 considers the expected losses throughout the lifetime of the financial instruments. Thus, prospective macroeconomic scenarios are considered when determining ECL, which changes have an impact on expected losses.

The impairment model is applicable to the following financial instruments of Banco Montepio that are not measured at fair value through profit or loss:

- Financial assets at amortized cost (including Loans and advances to customers, Loans and advances to credit institutions and Other financial assets at amortized cost);

- Financial assets classified as debt instruments at fair value through other comprehensive income;

- Commitments and financial guarantees issued.

No impairment is recognized on equity instruments since these are measured at fair value and the gains or losses resulting on their disposal are recognized in other comprehensive income.

Instruments that are subject to impairment calculations are divided into three Stages considering their credit risk level, as follows:

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

- Stage 2: instruments for which there is a significant increase in credit risk since initial recognition, but for which there is still no objective evidence of impairment. In this case, impairment losses reflect expected credit losses resulting from default events that may occur over the expected residual life of the instrument;

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

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

- Assessment of the existence of a significant increase in credit risk since initial recognition;

- Incorporation of forward-looking information in the ECL calculation.

Calculation of ECL

The ECL corresponds to an unbiased weighted estimate of credit losses that are determined as follows:

- Financial assets without signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that Banco Montepio expects to receive;

- Financial assets with signs of impairment at the reporting date: difference between the gross book value and the present value of the estimated cash flows;

- Unused credit commitments: the present value of the difference between the contractual cash flows that would result if the commitment is used and the cash flows that Banco Montepio expects to receive;

- Financial guarantees: the present value of the expected reimbursement payments less the amounts that Banco Montepio expects to recover.

b.10.2) *Definition of default*

Banco Montepio aligned the definition used in the regulatory perspective with the accounting perspective, with financial assets classified in Stage 3 corresponding to the internal definition of default.

The main criteria for classification in default considered by Banco Montepio are the following:

- Overdue loans above the materiality limits defined for more than 90 consecutive days. For this purpose, the following materiality limits are considered: (i) relative limit of 1%; (ii) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures

- Individually significant customers with individual impairment

- Bankruptcy/insolvency customers

- Customers with loans written off from assets in Banco Montepio in the last 5 years

- Transactions with restructuring due to financial difficulties, which meet the criteria defined for the identification of defaults (e.g., decrease in the fair value of the loan).

b.10.3) *Significant increase in credit risk (SICR)*

In order to determine if a significant increase in credit risk has occurred since the financial instrument´s initial recognition (i.e., risk of default), Banco Montepio considers as relevant information all the information available and without costs and/or excessive effort, including both quantitative and qualitative information, as well as an analysis based on Banco Montepio´s history (expert judgment).

The identification of a significant increase in credit risk is performed by comparing:

- The exposure’s risk rating at the reporting date, and

- The exposure’s risk rating attributed at the initial moment of the exposure´s recognition.

Banco Montepio identifies the occurrence of a significant increase in credit risk through a comparison of the actual risk rating with the risk rating attributed at the contract’s inception, with the change in the risk rating necessary to identify a significant increase in credit risk being lower as the higher the original rating was.

When evaluating the significant increase in credit risk, Banco Montepio also considers the existence of arrears of more than 30 days, as well as other indicators of Customer behaviour vis-à-vis Banco Montepio and/or the financial system (e.g., restructurings due to financial difficulties that do not meet the criteria for classification in Stage 3, overdue credit in the Banco de Portugal's Central Credit Register ("Central de Responsabilidades de Crédito").

b.10.4) *Additional Stage criteria for exposures benefitted from the moratoria*

In the context of the current pandemic crisis, and with the aim of anticipating the risk deterioration associated with exposures that benefitted from the moratoria, the following additional criteria were considered for Stage 2 and 3 classification levels:

Stage 2

- Customers for which the Bank, through a specific analysis of the credit quality of Customers that benefitted from a moratorium, concludes that it will be necessary to grant contractual amendments or refinancing that meet the classification criteria as restructured due to financial difficulties;
- Transactions with more than 0 days in arrears;
- Customers of the Corporate and Sole Proprietor Company ("ENI") segment: As at 31 December 2021, Customers that benefitted from a moratorium on capital and interest until September 2021 are classified in Stage 2;
- Customers of the Individuals segment: worsening of the behavioural scoring of Customers that benefitted from a moratorium until September 2021, considering the adjustment of certain input variables, namely related to the evolution of the customers' resources or with the professional situation of unemployed.

Stage 3

- Anticipation of the classification in stage 3 of Customers for which the Bank has concluded that it is likely that they will be marked in default via the criteria set out in the definition of default (e.g., urgent restructuring; bankruptcy/insolvency).

b.10.5) *Measurement of ECL – Collective analysis*

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

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

These parameters are obtained through internal statistic models, and other relevant historical data, based on the existing regulatory models adjusted to reflect the forward-looking information.

In a simplified way, the measurement of ECL through collective analysis results from the product of the PD of the financial asset, of the LGD and of the EAD, discounted at the original effective interest rate of the contract, or at the effective interest rate of the date to which the financial statements refer when the rate is variable.

For securities portfolios and other assets, given their nature, the collective impairment estimation approach considers parameters provided by external sources, which consider the characteristics of the exposures (e.g., rating, type of counterparty).

The PDs are estimated based on a certain historical period and are calculated using statistical models. These models are based on internal data, including qualitative and quantitative factors. If a change in the rating of the counterparty or the exposure occurs, the estimate of the associated PD is also changed.

The following types of PD are estimated:

- 12-month PD: the probability of a default occurring in the next 12 months, considering forward-looking information for one year (for contracts belonging to Stage 1);

- Lifetime PD: the probability of a default occurring during the remaining life of the credit (for contracts belonging to Stage 2). In this case, lifetime parameters are used, which consider forward-looking information for a horizon of up to 3 years and for the remaining years the historical PD is considered; and

- PD = 100% for all contracts belonging to Stage 3.

The risk levels, defined based on the internal master scale, are a very important input for the determination of the PDs associated with each exposure. Banco Montepio collects default and performance indicators regarding its credit risk exposures through analyses by type of Customers and products.

The segmentation of the PDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of Customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as risk rating, economic activity code and delay indicators.

LGD is the magnitude of the loss that is expected to occur if the exposure enters in default. Banco Montepio estimates LGD parameters based on historical recovery rates after the counterparties' entry into default. The LGD models consider associated collateral and time in default as well as recovery costs. In case of contracts collateralized by real estate, LTV (loan-to-value) ratios are an extremely important parameter in the determination of the LGD.

The segmentation of LGDs considered by the Bank is in line with the segmentation used in risk management, namely regarding the type of Customer and the product (e.g., Individuals vs. Companies, home loans, consumption). Additionally, an additional segmentation level is considered for each segment supported by statistical analysis, based on risk variables, such as collateralization level, EAD or product type.

The EAD represents the expected loss if the exposure and/or Customer enters default. Banco Montepio obtains the EAD values from the counterparty´s current exposure and from potential changes to its current value, permitted by the contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the EAD value includes both the amount of credit used as well as the expectation of the potential future value that may come to be used in accordance with the contract. For this purpose, credit conversion factors (CCF) are estimated based on internal historical data, which are adjusted to reflect forward-looking information.

As described above, except for the financial assets that consider a 12-month PD because they do not present a significant increase in credit risk, Banco Montepio calculates the ECL considering the risk of default during the maximum maturity period of the contract or, in certain specific situations, based on the behavioural maturity. For the purpose of incorporating the forward-looking component, 3 scenarios are considered, according to the following characteristics:

1. Base scenario, with a 60% probability of occurrence:
2. Pessimistic scenario, with a 20% probability of occurrence;
3. Optimistic scenario, with a 20% probability of occurrence.

b.10.6) Measurement of ECL – Individual analysis

In the group of individually significant Customers, Customer exposures are subject to individual analysis. This analysis focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering, namely, the economic-financial viability of the debtor, the collateral and existing guarantees as well as the remaining factors relevant for this analysis.

For individually significant financial assets of counterparties/Customers classified in Stage 3, the impairment value is determined using the discounted cash flow method, with the impairment value corresponding to the difference between the credit value and the sum of the expected cash flows from the Customer's various operations, discounted according to the original interest rates of each operation.

For the financial assets of individually significant counterparties/Customers classified in Stages 1 and 2, the expected credit loss (ECL) is attributed according to the collective analysis methodology, given that individually no impairment level is observed.

The criteria for the determination of impairment of individually significant loans

All Customers or economic groups that meet the following conditions are subject to individual analysis:

1. Economic Groups with a global exposure amount ≥ 0.5 m€ in which at least one of the participants is the holder of operations classified as Stage 3, with Customers with an exposure amount ≥ 0.1 m€ being selected;

2. Customers holding Stage 2 operations with an exposure amount ≥ 1.0 m€ and Customers with an exposure amount ≥ 1.0 m€ that are part of the same Economic Group;

3. Customers holding Stage 1 operations with an exposure amount ≥ 2.5 m€;

4. Customers corresponding to Shareholding Management Companies (SGPS) and/or Customers holding loans under Project Finance with an exposure amount ≥ 1.0 m€;

5. Other Customers when duly justified.

For the exposure of Customers or economic groups, all active credit operations (on- and off-balance sheet) are considered, excluding the operations written off.

The individual analysis is the responsibility of the Specialized Credit Analysis Department and in the evaluation of impairment losses the following factors are, essentially, considered:

- Total exposure of each Customer and/or economic group, internal rating of the Customer and/or economic group, the staging associated with each operation and the existence of signs of impairment;

- Economic and financial viability of the Customer or economic group and the respective ability to generate future cash flows to pay the debt;

- Existence of collaterals associated with each credit and their respective valuation;

- Customers' or guarantors' net assets;
- Situation of bankruptcy or insolvency of the Customers and/or guarantors;
- Expectation regarding the credit recovery period.

The recoverable amount is determined by the sum of the expected cash flows, estimated in accordance with the contractual conditions in force and according to the underlying collection expectations, discounted at the original effective interest rate of the contract. An impairment adjustment materializes when the expected cash flows are lower than the contractual cash flows due by the Customer.

For the determination of the expected cash flows different recovery strategies are used, which may include the going concern method and/or the gone concern method of the Company:

- In case of the continuity of operations (going concern) a critical analysis is done of the Companies' business plans or other elements available for analysis, which should include information on past events, current conditions and projected future economic conditions (forward-looking scenarios), with these being representative of the current and future economic-financial situation of the Customer. For the calculation of the impairment of these Customers, the annually projected cash flows, after adjustment of the initially estimated assumptions and the application of haircuts, if necessary, and considering deviations of the real figures from those initially projected, are discounted at the original effective interest rate of the operations;

- In the case of the cessation of the activity (gone concern) the settlement through collaterals, if these exist, is assumed, with an exhaustive analysis being made of same, namely regarding the value of the mortgage/pledge, the valuation amount, the valuation date and the need for the application of haircuts in function of the ageing of the valuation or other factors, the deadline for the foreclosure/execution, and the deadline for the sale, as well as the associated maintenance, selling and procedural costs, as applicable. For the calculation of the impairment of these Customers, the annually projected cash flows, after adjustments, are discounted at the original effective interest rate of the operations;

- For each recovery strategy, the respective excepted credit loss is calculated, considering different forward-looking scenarios, weighted by the respective probability of occurrence;

- For specific cases, it is possible to use strategies that combine with either the going concern or the gone concern methods.

b.11) *Securitized loans and advances not derecognized*

Banco Montepio does not derecognize from assets the credits sold in securitization operations when:

- it maintains control over the operations;
- it continues to receive a substantial portion of their remuneration; and
- it maintains a substantial portion of the risk of the transferred credits.

Credits sold and not derecognized are recorded in the caption Loans and advances to customers and are subject to accounting criteria identical to those of other loan operations.

The maintenance of the risk and/or benefit is represented by the higher-risk bonds issued by the securitization vehicle. The amount recorded in the assets and liabilities of Banco Montepio's separate financial statements represents the proportion of the risk/benefit held by Banco Montepio (continuing involvement). The bonds issued by the securitization vehicles and held by Banco Montepio are eliminated in the consolidation process.

b.12) *Synthetic securitization*

The Bank contracted an operation that configures a synthetic securitization structure. The operation started on 18 December 2020 and is based on a loan portfolio of Small and Medium-sized Enterprises (SMEs).

The operation in question aims to reinforce the CET1 ratio, without generating any increase in liquidity. In this operation, there was no sale of loans to third parties, issue of bonds or participation of Credit Securitization Companies, Credit Securitization Vehicles and Credit Securitization Funds, or the need to maintain Reserve Accounts. Also, there was no transfer of loan collections.

The operation has a fractioning of risk, similar to that of a traditional securitization, having been subdivided in the following tranches: senior (80.3% of the portfolio), mezzanine (18% of the portfolio), junior (1.7% of the portfolio) and synthetic Excess Spread (0.54%). For the senior and mezzanine tranches, the Bank transferred the risk to third parties by contracting two financial guarantees that constitute a credit hedge that is not subject to MtM. For this purpose, the EIB and the EIF are the guarantors of the senior and mezzanine tranches, with the Bank supporting a commission of 0.3% and 4.5% to guarantee each of the tranches, respectively. Banco Montepio retained the risk of the junior and of the excess spread tranches.

With this operation, the Bank reduced the risk-weighted assets (RWAs) associated with the loan and advances to customers' portfolio; however, as most of the risks and benefits associated with these loans were not transferred, the derecognition criteria of the financial assets defined in the accounting policy presented in b.7) above are not met.

c) Derivative financial instruments and hedge accounting

Banco Montepio designates derivatives and other non-financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives.

Derivative financial instruments can be classified for accounting purposes as hedging instruments provided they meet, cumulatively, the following conditions:

(i) Hedging instruments and hedged items are eligible for the hedging relationship;

(ii) At the start date of the transaction, the hedging relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument, the nature of the hedged risk and the assessment of the hedge's effectiveness;

(iii) There is an economic relationship between the hedged item and the hedging instrument;

(iv) The credit risk effect does not dominate the changes in value that result from this economic relationship;

(v) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation.

Fair value hedging

In a fair value hedging operation of an asset or liability, the balance sheet value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in its fair value attributable to the hedged risk. Changes in the fair value of hedging derivatives are recognized in the income statement, together with changes in the fair value of the hedged assets or liabilities, attributable to the hedged risk. In cases where the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, the changes in fair value are also recognized in other comprehensive income. If the hedge no longer meets the effectiveness requirement, but the risk management objective remains, Banco Montepio may adjust the hedge to comply with the eligibility criteria. If the hedge fails to meet the criteria required for hedge accounting (if the hedge instrument expires, is sold, terminated or exercised, without having been replaced according to the entity's documented risk management objective), the derivative financial instrument is transferred to the trading book and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed-income instrument, the revaluation adjustment is amortized via the income statement until its maturity using the effective interest rate method.

Cash flow hedging

In a highly probable future cash flow hedging operation, the effective part of the changes in the fair value of the hedging derivative is recognized in reserves, being transferred to results in the financial years in which the respective hedged item affects results. The ineffective part of the hedge is recorded in the income statement. When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, changes in the fair value of the derivative accumulated in reserves are recognized in the income statement when the hedged operation also affects results. If it is foreseeable that the hedged operation will not take place, the amounts still recorded in equity are immediately recognized in the income statement and the hedging instrument is transferred to the trading portfolio.

d) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently of its legal form, evidencing a residual interest in the assets of an entity after deducting all its liabilities.

Transaction costs directly attributable to an equity instrument issuance are recognized in equity as a deduction from the amount of the issue. Amounts paid or received related to sales or acquisitions of equity instruments are recognized in equity, net of transaction costs.

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

e) Financial and performance guarantees

Financial guarantees

Financial guarantees are contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of breaches of the contractual terms of debt instruments, namely the payment of capital and/or interest. Financial guarantees issued are initially recognized at their fair value. Subsequently, these guarantees are measured at the higher of (i) the initially recognized fair value and (ii) the amount of any obligation arising from the guarantee contract, measured at the balance sheet date. Any change in the amount of the obligation associated with financial guarantees issued is recognized in profit or loss. Financial guarantees issued by the Bank usually have a defined maturity and a periodic prepaid commission, which varies according to counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees on the date of their initial recognition is approximately equivalent to the amount of the initial commission received, considering that the agreed conditions are market. Thus, the amount recognized on the contract date equals the amount of the initial commission received, which is recognized in profit or loss over the financial year to which it relates. Subsequent commissions are recognized in profit or loss in the financial year to which they relate.

Performance guarantees

Performance guarantees are contracts that result in the compensation of one of the parties if same does not fulfil a contractual obligation. Performance guarantees are initially recognized at fair value, which is usually evidenced by the amount of commissions received over the term of the contract. Upon breach of contract, the Bank has the right to revert the guarantee, and the amounts are recognized in Loans and advances to customers after the compensation of the losses has been transferred to the guarantee beneficiary.

f) Securities' loan and repurchase agreement transactions

Securities' loans

Securities loaned under securities' loan agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. Cash collateral received in respect of securities loaned is recognized as a financial liability. Securities borrowed under securities' borrowing agreements are not recognized on-balance sheet. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either Customers or credit institutions. Income and expenses arising from the securities' lending and borrowing business are recognized on an accrual basis over the period of the transactions and are included in interest and similar income or interest and similar expense (net interest income).

Repurchase agreements

Banco Montepio carries out acquisitions/sales of securities under reselling/repurchase agreements of substantially equivalent securities at a future date at a predetermined price.

The securities acquired subject to reselling agreements (reverse repos) at a future date are not recognized in the balance sheet. The amounts paid are recognized in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities.

Securities sold through repurchase agreements (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the category to which they belong. The proceeds from the sale of these securities are considered as deposits from customers or from other credit institutions.

The difference between the acquisition/sale and resale/repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and similar income or interest and similar expense (net interest income).

g) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for in Banco Montepio's separate financial statements at historical cost less any impairment losses.

Subsidiaries are entities (including investment funds and securitization vehicles) controlled by Banco Montepio. Banco Montepio controls an entity when it is exposed to, or has rights to, the variability of returns from its involvement with that entity and can take possession of same through its power over the relevant activities of that entity (de facto control).

Associates are entities over which Banco Montepio has significant influence but does not control their financial and operating policy. Banco Montepio is presumed to have significant influence when it has the power to exercise more than 20% of the associated company's voting rights. If Banco Montepio, directly or indirectly, holds less than 20% of the voting rights, Banco Montepio is presumed not to have significant influence, except when such influence can be clearly demonstrated.

Significant influence on the part of Banco Montepio is usually demonstrated in one or more of the following ways:

- representation on the Board of Directors or equivalent management body of the investee;
- participation in policy-making processes, including participation in decisions involving dividends or other distributions;

- material transactions between Banco Montepio and the investee;

- interchange of management personnel; and
- provision of essential technical information.

Impairment

The recoverable value of investments in subsidiaries and associates is assessed whenever there is evidence of impairment. Impairment losses are calculated based on the difference between the recoverable value of investments in subsidiaries or associates and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period. The recoverable value is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, time value and business risks.

h) Assets received in recovery of credit, non-current assets held for sale and discontinued operations

Non-current assets and groups of non-current assets held for sale (groups of assets together with their respective liabilities, which include at least one non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets or groups of assets are available for immediate sale and their sale is highly probable.

Banco Montepio also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to their subsequent disposal, which are available for immediate sale and which sale is highly probable.

Immediately before their classification as non-current assets held for sale, the measurement of all the non-current assets or of all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and their fair value less costs to sell, with the unrealized losses being recorded in the profit or loss for the financial year. When the book value corresponds to the fair value less costs to sell, the fair value level of the IFRS 13 hierarchy corresponds to level 3.

Although the Bank intends to immediately sell all properties and other assets received in recovery of credit, the Bank classifies these assets in the caption Other assets, due to their length of stay in the portfolio exceeding 12 months. The accounting method remains unchanged from that laid down above, with these being recorded at initial recognition at the lower of their fair value less costs to sell and the book value of the loan being recovered.

i) Leases (IFRS 16)

Definition of lease

The definition of lease entails a focus on the control of the identified asset, i.e., an agreement constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e., substantially obtaining all the economic benefits of using same and the right to direct the use of this identified asset for a certain period of time in exchange for consideration.

Lessee perspective

Banco Montepio recognizes for all leases, except for leases with a period of less than 12 months or for leases relating to assets of a reduced unitary value:

- a right-of-use asset, initially measured at cost, taking into account the Net Present Value (NPV) of the lease liability, plus payments made (fixed and/or variable) minus lease incentives received, penalties for termination (if reasonably certain), as well as any estimated costs to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the restoration of the location where it is located. It is subsequently measured according to the cost model (subject to amortization according to the lease term of each agreement and to impairment tests);
- a lease liability, initially recorded at the present value of the future lease cash flows (NPV), which includes:
    - fixed payments, less lease incentives receivable;
    - variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the agreement;
- the amounts to be paid by the lessee as residual value guarantees;
- the exercise price of a call option if the lessee is reasonably certain to exercise that option;
- payments of lease termination penalties, if the lease term reflects the exercise of a lease termination option by the lessee.

When it is not possible to easily determine the interest rate implicit in the lease (paragraph 26 of IFRS 16), lease payments are discounted at the lessee's incremental financing interest rate, which incorporates the risk-free interest rate curve (swap curve), increased by a Banco Montepio risk spread, applied to the weighted average term of each lease agreement. For agreements with a termination date, such date is considered the lease termination date, and for other agreements without a termination date the period during which it will be enforceable is assessed. In the assessment of enforceability, the specific clauses of the agreements are considered as is the current legislation for Urban Leases.

It is subsequently measured as follows:

- by increasing its book value to reflect interest on same;
- by decreasing its book value to reflect lease payments;
- the book value is re-measured to reflect any revaluations or changes in the lease, as well as to incorporate the revision of lease payments that are, in substance, fixed and the revision of the lease term.

Banco Montepio re-measures a lease liability and calculates the related adjustment to the right-of-use asset whenever there is:

- a modification in the lease term, or in the valuation of a call option on the underlying asset. In this situation, the lease liability is re-measured, discounting the revised lease payments and also using a revised discount rate;
- a modification in the amounts payable under a residual value guarantee, or in the future lease payments resulting from a change in an index or rate used to determine such payments. In this situation, the lease liability is re-measured, discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in variable interest rates, in which case a revised discount rate should be used);
- a modification of the lease agreement but such modification in the lease is not accounted for as a separate lease. In this situation, the lease liability is re-measured, discounting the revised lease payments using a revised discount rate.

Banco Montepio did not make any adjustments for the financial years presented.

Right-of-use assets are amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset, or until the end of the lease term, if earlier. If the lease transfers ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that Banco Montepio will exercise a call option, the right-of-use asset shall be amortized from the date of the agreement's entry into force to the end of the useful life of the underlying asset. Amortization begins on the date of the lease agreement's entry into force.

The recording of the lease agreements in the income statement is made in the following captions:

(i) recording in Net interest income of the interest expense related to lease liabilities;

(ii) recording in Other general and administrative expenses of the amounts related to short-term lease agreements and low-value asset lease agreements; and

(iii) recording in Depreciation and amortization of the amortization cost for the financial year of the right-of-use assets.

The recording of the lease agreements in the balance sheet is made in the following captions:

(i) recording in Other tangible assets of the right-of-use assets recognized; and

(ii) recording in Other liabilities of the amount of the lease liabilities recognized.

Regarding the classification of the cash flows originated by the lease agreements, these are recorded in the statement of cash flows:

in the caption Cash flows from operating activities – Costs with staff and suppliers, which includes the amounts related to short-term and to low-value lease agreements;
the caption Cash flows from financing activities - Finance lease agreements, which includes the amounts related to payments of the capital portion of the lease liabilities.

Lessor perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operating.

Within the scope of its activity, the Bank classifies as finance leases, operations in which, substantially, all the risks and rewards associated with the leased asset are transferred to the lessee.

These are recorded as a loan granted in the Loans and advances to customers caption of the balance sheet by the sum of the present value of all instalments receivable from the lessee during the lease term and any unsecured residual value that belongs to the lessor. These include fixed instalments (less payments made by the lessee) as well as variable instalments determined with reference to an index or rate, as well as the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and lessee termination penalties if the lease term reflects the exercise of the termination option.

Financial income obtained as a lessor is recorded in the income statement under the caption Interest and similar income.

j) Net gains/(losses) arising from financial operations (Net gains/(losses) arising from financial assets at fair value through other comprehensive income and Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss)

Net gains/(losses) arising from financial operations include gains and losses arising from financial assets and financial liabilities at fair value through profit or loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as dividends received associated with these portfolios. This caption also includes gains and losses arising from the sale of debt instruments and of financial assets at fair value through other comprehensive income. The changes in fair value of hedging derivatives and hedged items, when applicable to fair value hedging, are also recognized in this caption.

k) Fee and commission income

Fee and commission income are recognized as revenue from contracts with Customers to the extent the performance obligations are met:

1. When obtained and to the extent the services are provided, they are recognized in income in the financial year to which they relate (for example: account maintenance fees);
2. When they result from the execution of a significant act they are recognized as income when the respective service is complete and are recorded in the income statement on being charged (for example: foreign currency exchange, consultancy or loan assemblage/syndication);
3. When they are an integral part of the effective interest rate of a financial instrument, they are recognized in net interest income. Their characteristics are:

   (i) Commissions received on credit operations realized that are not valued at fair value through profit or loss (for example: valuation of guarantees, preparation and processing of documentation).

These commissions are received in advance and are deferred and recognized over the life of the operation;

(ii) Commissions agreed for the commitment to provide financing and the granting of credit is likely. These are commissions are received in advance and are deferred over the expected life of the financing. If the commitment expires without the operation having materialized, the commission is recognized in profit or loss;

(iii) Commissions paid on the issuance of financial liabilities at amortized cost. These are included in the financial liabilities' amount, being recognized in profit or loss at the effective cost of the operation.

l) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in Banco Montepio's financial statements. Fee and commission income arising from this activity are recognized in the income statement in the period to which they relate.

m) Other tangible assets

Other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result for Banco Montepio. All repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful lives:

	Number of years
Buildings held for own use	50
Other fixed assets	4 to 10

Whenever there is an indication that a tangible fixed asset might be impaired, its recoverable amount is estimated, and an impairment loss is recognized if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use, this being calculated based on the present value of the future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of tangible fixed assets are recognized in profit or loss for the period.

Gains or losses on the disposal of assets are determined by the difference between the realizable value and the book value of the asset and are recognized in the income statement.

n) Intangible assets

Software

Banco Montepio accounts as intangible assets the costs associated with software acquired from external entities and amortizes these on a straight-line basis over an estimated lifetime of between 3 and 6 years. Banco Montepio does not capitalize internal costs arising from software development.

o) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the trade date, with an insignificant risk of change in fair value, including cash, deposits at central banks and deposits at other credit institutions.

The concepts used in the presentation of the statements of cash flow are as follows:

- Cash Flows: Cash and cash equivalents include cash, deposits at central banks and deposits at other credit institutions;
- Operating Activities: the indirect method is used for the presentation of cash flows from operating activities, reflecting the flows of the typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investment activities: the acquisition, sale or other disposals of long-term assets, such as financial shareholdings in subsidiaries and associates, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities;
- Financing activities: activities that produce changes in Banco Montepio's medium- and long-term financing operations that are not part of the operating activities, such as securitized and subordinated debt, capital increases and dividend distributions.

p) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when Banco Montepio has a legally enforceable right to offset the recognized amounts and the transactions can be settled on a net basis, simultaneously.

q) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate as at the reporting date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into the respective functional currency at the foreign exchange rate on the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency at the foreign exchange rate on the date that the fair value was determined and recognized against profit or loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognized against equity.

r) Post-employment and long-term benefits

Defined benefit plans

Banco Montepio has the responsibility to pay its employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of the Collective Labour Agreement ("ACT") they signed. In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the General Social Security System and the attribution of an end-of-career award corresponding to 1.5 times the monthly remuneration received at the retirement date.

Arising from the signing of the ACT and subsequent amendments, Banco Montepio set up a Pension Fund to cover the liabilities assumed with pensions on retirement, disability and survival, healthcare benefits and death subsidy.

As from 1 January 2011, bank employees were integrated in the General Social Security System, which ensures their protection in maternity, paternity, adoption and old age. Protection associated with sickness, disability, survival and death remains under the banks' responsibility (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 25.4%, of which 22.4% paid by Banco Montepio and 3.0% by the employees, replacing the Caixa de Abono de Família dos Empregados Bancários ("CAFEB") extinguished by the same Decree-Law. As a result, the pension rights of active employees came to be covered by the terms defined in the General Social Security System, considering the period of service rendered since 1 January 2011 and up to their retirement age. The differential vis-à-vis the minimum pension guaranteed, in accordance with the terms defined in the Collective Labour Agreement ("Acordo Colectivo de Trabalho") is supported by the banks.

Following the Government's approval of Decree-Law no. 127/2011, of 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank Employees was established, regarding the transfer to the Social Security's domain of the liabilities with pensions under payment to retired employees and pensioners as at 31 December 2011.

This Decree-Law established that the liabilities to be transferred were the liabilities with pensions under payment, as at 31 December 2011, to retired employees and pensioners, at constant amounts (update rate of 0%) for the component foreseen in the Collective Labour Regulation Instrument ("IRCT"). The liabilities in respect of the updating of pensions, complementary benefits, contributions to the Social-Medical Assistance Services ("SAMS") on the retirement and survival pensions, death subsidy and the deferred survival pension are still under the responsibility of the Institutions.

In December 2016, Banco Montepio signed a new ACT, introducing several changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus, as disclosed in note 46.

The actuarial calculation is made using the projected unit credit method and considering actuarial and financial assumptions, in accordance with the parameters required by IAS 19.

The liabilities are covered by the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

Banco Montepio´s net liability regarding the defined benefit pension plan and other benefits is calculated separately for each plan by estimating the amount of future benefits that each employee will receive in return for his/her service in the current and prior financial years. The benefit is discounted to determine its present value, using a discount rate determined by reference to interest rates associated with high-quality bonds and with a similar maturity to that of the date of termination of the plan's liabilities. The net liability is determined after deducting the fair value of the assets of the Pensions Fund.

The interest income/(expense) with the pension plan is calculated by multiplying the net asset/(liability) with retirement pensions (liabilities less the fair value of the Fund's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned above. On this basis, the net interest income/(expense) includes the interest expense associated with retirement pension liabilities and the return expected from the Fund's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) gains and losses resulting from differences between the actuarial assumptions used and the amounts actually observed (experience gains and losses) and from changes in the actuarial assumptions and (ii) gains and losses arising from the difference between the return expected from the Fund's assets and the amounts obtained, are recognized against equity under other comprehensive income.

Banco Montepio recognizes in its income statement a net total amount that includes (i) the current service cost, (ii) the net interest income/(expense) from the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurring during the financial period. The costs of early retirements correspond to an increase in liabilities due to the employee's retiring before reaching retirement age.

Other benefits not related to pensions, namely retired employees' health expenses and benefits attributed to spouses and descendants by death and expenses with house loans, are also considered in the calculation of the liabilities.

Payments to the Pension Fund are made by Banco Montepio to assure the solvency of the Fund. The liability related to pensions under payment must be funded at a minimum level of 100% and at 95% for past service costs of active employees.

Defined contribution plan

Banco Montepio has a defined contribution plan for employees who were admitted after 3 March 2009. This plan, designated as contributory, receives monthly and equal contributions, based on the effective remuneration: 1.5% to be made by the Company and 1.5% to be made by the employee.

Variable remuneration of employees and members of the Board of Directors (bonus)

In accordance with IAS 19 - Employee benefits, the variable remuneration (profit-sharing, bonuses and other) attributed to employees and to the members of the Board of Directors is recognized in profit or loss in the year to which it relates.

Employment termination benefits

The occurrence that gives rise to this obligation is (i) the termination of the employment relationship between the Bank and the employee as a consequence of a Bank decision, (ii) the creation of a valid expectation for the employee or (iii) the decision of an employee to accept benefits for an irrevocable offer from the Bank in return for terminating the employment contract.

Employment termination benefits are recognized as a liability and a non-recurring cost from the moment when the Bank cannot withdraw the offer made to the employee or from the moment when the costs are recognized for a restructuring that includes the payment of benefits for termination of the employment contract. These benefits are recorded as a liability in the caption Charges payable - Staff costs in the balance sheet up to the time of their settlement or until their transfer to the Pension liabilities.

End-of-career award

As a result of the signing of the new ACT on 5 July 2016, the seniority bonus was extinguished and Banco Montepio paid its employees the proportional bonus that would be due up to the date of the entry into force of the new ACT. In lieu of the seniority bonus, the new ACT provides for Banco Montepio to pay an end-of-career award due immediately prior to the employee's retirement if he/she retires at Banco Montepio's service, corresponding to 1.5 times the monthly remuneration at the time of payment.

The end-of-career award is accounted for by Banco Montepio in accordance with IAS 19 as another long-term employment benefit. The effects of the re-measurements and past service costs of this benefit are recognized in profit or loss for the year, treatment identical to that of the accounting model for seniority bonuses.

The amount of Banco Montepio's liabilities with this end-of-career award is also periodically estimated using the projected unit credit method, using actuarial assumptions based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined based on the same methodology described for the calculation of retirement pension liabilities.

s) Income taxes

Until 31 December 2011, Banco Montepio was an entity exempt from Corporate Income Tax ("IRC"), in accordance with paragraph a) of no. 1 of article 10 of the IRC Code. This exemption had been recognized under an Order of 3 December 1993 of the Secretary of State for Tax Affairs and confirmed by Law no. 10-B/96, of 23 March approving the State Budget for 1996.

With effect from 1 January 2012, Banco Montepio is now subject to the regime established by the Corporate Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from timing differences between the accounting net income and the net income accepted by the Tax Authorities for IRC assessment purposes are accounted for whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax recognized in the income statement includes the current and deferred tax effects. Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the corresponding income tax is recognized in equity. Deferred taxes recognized in equity arise from the revaluation of financial assets at fair value through other comprehensive income and from cash-flow hedging derivatives. Only deferred taxes related to fair value hedging derivatives are subsequently recognized in profit or loss at the same moment the gains and losses that originated the deferred taxes are recognized.

Current tax corresponds to the tax assessed on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes assessed in respect of previous financial periods.

Deferred taxes are calculated for timing differences between the book values of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes, using the tax rates approved or substantially approved at the balance sheet date and that are expected to apply when the timing differences are reversed.

Deferred tax liabilities are recognized for all taxable timing differences except for intangible assets with an indefinite life, which are not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither the accounting nor the taxable income and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the future, and to the extent that Banco Montepio does not exercise control over the period of the reversal of the differences.

Deferred tax assets are recognized when it is probable that future taxable income will be available to absorb the deductible timing differences for taxation purposes (including reportable taxable losses).

As established in IAS 12, paragraph 74, Banco Montepio offsets the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In the year 2018, Banco Montepio became the dominant company of the Group subject to Corporate Income Tax under the Special Taxation Regime of Groups of Companies ("Regime Especial de Tributação dos Grupos de Sociedades" ("RETGS")), constituted by the Companies in which it holds a shareholding equal to or higher than 75% and which meet the conditions provided for in article 69 et sec of the IRC Code.

The Companies included in the RETGS calculate and record income tax as if they were taxed on a separate basis. The liabilities determined are, however, payable to the parent company of the tax group, Banco Montepio, which is responsible for the global calculation and self-assessment of the tax. Gains or losses arising from the application of this regime are recorded in each of the companies that originate them.
The recording of the tax impacts of transactions carried out by the Banco Montepio corresponds to Management's understanding of the applicable tax treatment in light of the legislation issued. In situations where interpretation takes place and this is questioned by the Tax Administration, Management reanalyses those situations, assessing the probability of there being a liability to be recorded, depending on whether the probability of paying same is higher or lower than 50%.

t) Segmental reporting

Banco Montepio adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating segments. An operating segment is a component of the Bank: (i) that engages in business activities from which it may earn revenues or incur costs; (ii) which operating results are regularly reviewed by the main responsible for Bank operating decisions regarding the allocation of resources to the segment and the assessment of its performance; and (iii) for which distinct financial information is available.

Given that the separate financial statements are presented together with those of the Group, and considering paragraph 4 of IFRS 8, Banco Montepio is not required to present information on a separate basis on the segments.

u) Provisions, contingent assets and liabilities

Provisions

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

The measurement of provisions takes into consideration the principles defined in IAS 37 in respect of the best estimate of the expected cost and the most likely result for the ongoing processes considering the risks and uncertainties inherent to the process. In cases where the discount effect is material, provisions correspond to the present value of the expected future payments, discounted at a rate that considers the risk associated with the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit or loss in the proportion of the payments that cease to be probable.

Contingent assets

A contingent asset is a possible asset that arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events that are not entirely under the control of the entity.

Contingent liabilities

A contingent liability is an obligation that is:

- Possible, which arises from past events and which existence will only be confirmed by the occurrence, or not, of one or more uncertain future events, which are not entirely under the control of the entity; or

- Present, which arises from past events, but is not recognized because:

    - It is unlikely that an outflow of resources incorporating economic benefits will be required to settle that obligation;

    - The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, being, in accordance with IAS 37, disclosed whenever the possibility of an outflow of resources encompassing economic benefits is not remote.

v) Insurance and reinsurance brokerage services

Banco Montepio is duly authorized by the Insurance and Pension Funds Supervisory Authority (“Autoridade de Supervisão de Seguros e Fundos de Pensões” - “ASF”) to provide insurance brokerage services, under the category of Tied Insurance Broker, in accordance with article 8, paragraph a), subparagraph i), of Decree-Law no. 144/2006, of 31 July, operating in the life and non-life insurance brokerage areas.

In the insurance brokerage services scope, Banco Montepio sells insurance contracts, receiving as remuneration for the services rendered brokerage commissions on insurance and investment contracts, which are defined in agreements/protocols established between Banco Montepio and the Insurance Companies.

The commissions received for the insurance brokerage services have the following typology:

6. commissions that include a fixed and a variable component. The fixed component is calculated by applying a predetermined rate to the amount of the subscriptions made by Banco Montepio and the variable component is calculated based on predetermined criteria, with the total annual commission being the sum of the commissions calculated monthly;
7. commissions in the form of profit-sharing in the results of the insurance contracts, which are calculated annually and paid by the Insurance Companies in the beginning of the year following that to which they relate.

Commissions received for insurance brokerage services are recognized on an accrual basis. Fees paid in a different period from that to which they relate are recorded as a receivable in the caption Other assets with a corresponding entry in the caption Fee and commission income – For insurance brokerage services.

w) Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of Banco Montepio by the weighted average number of ordinary shares outstanding. For the calculation of diluted earnings per share, when applicable, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all potential dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of the dilution translates into a reduction in earnings per share resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

x) Subsequent events

The Bank analyses events occurring after the balance sheet date, that is, favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorized for issue. Within this scope, two types of events can be identified:

i) those that provide proof of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and

ii) those that are indicative of conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events that occur after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the financial statements.

y) Significant judgements and estimates in the application of the accounting policies

IFRS set forth a range of accounting treatments and require the Board of Directors to apply judgment and make the necessary estimates in deciding which treatment is most appropriate. These estimates were determined considering the best information available at the date of the preparation of the financial statements, considering the context of uncertainly and the economic environment resulting from the impact of the current COVID-19 pandemic. The most significant of these accounting estimates and judgments used in the application of the accounting policies by Banco Montepio are discussed in the following paragraphs in order to improve understanding of how their application affects Banco Montepio's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, Banco Montepio´s reported results would differ if a different treatment was chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements present Banco Montepio's financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment losses of financial assets at amortized cost and debt instruments at fair value through other comprehensive income

The determination of impairment losses of financial instruments involves judgments and estimates regarding the following aspects, among others:

a) Significant increase in credit risk:

Impairment losses correspond to the expected losses in the event of default within a twelve-month time horizon, for Stage 1 assets, and the expected losses considering the likelihood of a default event occurring at some point up to the maturity date of the financial instrument, for Stage 2 and 3 assets. An asset is classified as Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Bank considers reasonable and sustainable qualitative and quantitative information.

b) *Definition of asset groups with common credit risk characteristics:*

When the expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Bank monitors the appropriateness of credit risk characteristics on a regular basis to assess whether they maintain their similarity. This is necessary to ensure that in the event of a change in credit risk characteristics, the asset segmentation is revised. This revision may result in the creation of new portfolios or the transfer of assets to existing portfolios that better reflect their credit risk characteristics.

c) *Definition of the number of scenarios and respective relative weighting of prospective information for each segment and determination of relevant prospective information:*

In estimating the expected credit losses, the Bank uses reasonable and sustainable forward-looking information that is based on assumptions about the future evolution of different economic drivers and how each driver impacts the others.

d) *Probability of default:*

The probability of default represents a determining factor in measuring expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated based on historical data, assumptions and expectations about future conditions.

e) *Loss given default:*

This corresponds to an estimate of the loss in a default scenario, being determined by the difference between the contractual and the expected cash flows that the Bank expects to receive, through cash flows generated by the Customer's business or from the credit collateral. The calculation of the estimated loss given default is based, among other things, on the different recovery scenarios, historical information, the costs involved in the recovery process and the estimated valuation of the collateral associated with credit operations.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of the impairment losses recognized and presented in notes 19, 20, 23 and 25, with a consequent impact in the income statement of Banco Montepio.

COVID-19 Pandemic

In the context of the pandemic crisis caused by COVID-19, and in accordance with the stipulations in IFRS 9, Banco Montepio proceeded, for the purposes of measuring credit impairment losses, to update the prospective information related to the macroeconomic data available on risk parameters, determining impacts at the level of the expected credit loss (see note 13).

Fair value of derivative financial instruments and other financial assets measured at fair value

Fair values are based on listed market prices, if available, being, in their absence, determined based either by recent transaction prices, similar and realized under market conditions or based on discounting techniques applied to future cash flows which consider market conditions, time value, yield curve and volatility factors. These methodologies may require assumptions or judgments in the estimation of fair value. Consequently, the use of different methodologies or of different assumptions or judgments in applying a particular model could result in financial results different from those reported in notes 21, 22, 23 and 24. The detail of the fair value calculation of derivative financial instruments and other financial assets carried at fair value is presented in note 45.

Impairment of investments in subsidiaries and associates

Banco Montepio assesses the recoverable value when there are signs of evidence of impairment. Impairment losses are assessed based on the difference between the recoverable value of the investments in subsidiaries or associates and their book value. Impairment losses identified are recorded against profit or loss and subsequently reversed through profit or loss if the amount of the estimated loss is reduced in a subsequent period.

The recoverable value is determined based on the higher of the value in use of the assets and the fair value less costs to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, the time value and business risks, which require the use of certain assumptions or judgment in establishing the fair value estimates.

Different methodologies and the use of different assumptions and estimates could result in a different level of impairment losses being recognized and presented in note 26, with the consequent impact on the income statement of Banco Montepio.

Income taxes

Significant interpretations and estimates are required in determining the global amount of corporate income taxes. There are various transactions and calculations for which the assessment of the ultimate tax payable is uncertain during the ordinary course of business. The Bank complies with the guidelines of IFRIC 23 - Uncertainties related to the treatment of income tax related to the determination of taxable income, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with no material impact on its financial statements having resulted from the application of same.

Different interpretations and estimates could result in a different level of corporate income taxes, current and deferred, to those recognized in the financial year and presented in note 29. This aspect has an increased relevance in the deferred tax recoverability analysis, in which the Bank considers projections of future taxable income based on a set of assumptions, including estimated pre-tax income, adjustments to the tax base, the evolution of tax legislation and its interpretation. Accordingly, the recoverability of deferred tax assets depends on the implementation of the strategy of the Bank's Board of Directors, namely the ability to generate the estimated taxable income, the evolution of tax legislation and its respective interpretation.

Law no. 98/2019, of 4 September was approved, establishing the new tax regime of credit impairment and provisions for guarantees for tax periods beginning on or after 1 January 2019, approximating the accounting and tax rules for the purpose of deducting costs in respect of the reinforcement of credit impairment. Until the end of financial year 2023, the rules in force until 2018 will continue to apply, unless the option to apply the new regime is exercised in advance. Banco Montepio opted to not apply the new tax regime for impairment, for which reason the estimated taxable income considers the tax rules in force until 2018.

In the future taxable income projections, namely for the purpose of the deferred tax asset recoverability analysis carried out with reference to 31 December 2021, the tax rules resulting from Law no. 98/2019, of 4 September, were considered, with tax rules identical to those in force in financial years 2015 through 2019 having been considered insofar as Banco Montepio did not adhere to the definitive regime on impairment, as a result of which the limits set forth in Banco de Portugal Notice no. 3/95 and other specific rules must be considered for the purpose of determining the maximum amounts of impairment losses accepted for tax purposes.

The Portuguese Tax and Customs Authority is entitled to review the annual taxable income assessment made by Banco Montepio for a period of four years, save where any deduction or tax credit has been made, in which case the period is that of the exercise of that right. Hence, corrections to the assessments may occur, mainly because of differences in interpretation of tax law. The Board of Directors considers it improbable that these will have a materially relevant effect on the financial statements.

Pensions and other post-employment and long-term benefits

The determination of the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as the discount rate, pension and salary growth rates and mortality tables, estimated return on investments and others factors that may have an impact on the pension plan costs and liabilities.

Changes to these assumptions could have a significant impact on the amounts determined and presented in note 46.

Classification and valuation of assets received in recovery of credit

The classification of the real estate received in recovery of credit is determined in accordance with IFRS 5.

Assets received in recovery of credit are measured at the lower of their fair value less selling costs and the book value of the loans on the date the assets are received in recovery. The fair value is determined based on periodic assessments made by external experts registered with the CMVM. Different methodologies and assumptions could have an impact on the classification and on the determination of the assets’ fair value, which are presented in note 30.

Provisions

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigation and considering the risks and uncertainties inherent in the processes. Different assumptions and judgments could have an impact on the calculation of the amount of the provisions, which are presented in note 36.

Recoverable amount of own properties

The measurement of impairment considers the principles defined in IAS 36, which requires that their recoverable amount be determined as the lower of their fair value and their value in use, being calculated based on the present value of the estimated future cash flows expected to be obtained from the continued use of the assets and from their disposal.

Alternative methodologies and the use of different assumptions and estimates could result in different conclusions about the recoverable amount of the Bank's own properties, which are presented in note 27.

2 Net interest income

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	2020
Interest and similar income		
Loans and advances to customers	225 310	239 528
Other financial assets at amortized cost	5 897	9 452
Deposits from central banks and other loans and advances to credit institutions	24 694	8 503
Financial assets held for trading	8 112	7 962
Hedging derivatives	6 580	6 566
Financial assets at fair value through other comprehensive income	400	1 252
Financial assets at fair value through profit or loss	6	18
Other interest and similar income	11	5
	271 010	273 286
Interest and similar expense		
Deposits from customers	9 608	18 654
Other subordinated debt	19 939	17 256
Financial liabilities associated to transferred assets	14 022	17 943
Debt securities issued	8 401	8 653
Financial liabilities held for trading	7 764	7 239
Deposits from central banks and other credit institutions	8 870	4 766
Hedging derivatives	2 050	3 187
Lease liabilities	621	887
Other interest and similar expense	5 951	97
	77 226	78 682
Net interest income	193 784	194 604

The caption Interest and similar income – Loans and advances to customers, as at 31 December 2021, includes, respectively, the amount of Euro 13,721 thousand and the amount of Euro 2,044 thousand (31 December 2020: Euro 14,207 thousand and Euro 1,513 thousand), related to commissions and to other gains/(losses), which are accounted for under the effective interest rate method, as referred to in the accounting policy described in note 1 b).

The caption Interest and similar income - Financial assets at fair value through profit or loss, as at 31 December 2021, includes the amount of Euro 6 thousand (31 December 2020: 18 thousand) related to loans that do not meet the SPPI criteria and which are recorded at fair value through profit or loss.

For financing lines under the TLTRO III facility, the Bank considers the interest rates applicable to each operation in the elapsed period and the Bank's estimate as to the achievement of the targets in respect of the change in the volume of eligible credit defined by the ECB. During financial year 2021, the Bank updated the rate of return on this liability, situation that justifies, fundamentally, the increase in interest and similar income from these operations in the amount of Euro 13,343 thousand.

The caption Interest and similar expense – Other interest and similar charges includes, as at 31 December 2021, the amount of Euro 5,950 thousand related to costs incurred with the synthetic securitization.

The caption Interest and similar expense – Leases refers to the interest cost related to the lease liabilities recognized in the scope of IFRS 16, as indicated in accounting policy 1 i).

3 Dividends from equity instruments

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	**2020**
Financial assets at fair value through other comprehensive income	1 801	3 052
	1 801	3 052

As at 31 December 2021, this caption records the amount of Euro 1,386 thousand related to dividends received from the Company Unicre, Euro 171 thousand from SIBS and Euro 161 thousand from Monteiro Aranha, S.A. (31 December 2020: Euro 1,710 thousand from the Company Almina, Euro 1,112 thousand from the Company Monteiro Aranha, S.A. and Euro 193 thousand from SIBS).

4 Net fee and commission income

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	2020
Fee and commission income		
From banking services	97 154	93 766
From transactions on behalf of third parties	21 860	21 281
From insurance brokerage services	9 626	10 947
Guarantees provided	3 511	4 200
Other fee and commission income	2 452	1 444
	134 603	131 638
Fee and commission expense		
From banking services rendered by third parties	19 630	16 698
From transactions with securities	875	312
Other fee and commission expense	1 858	1 984
	22 363	18 994
Net fee and commission income	112 240	112 644

As at 31 December 2021 and 2020, the caption Insurance brokerage services has the following breakdown:

(Euro thousand)

	2021	2020
Life insurance	4 402	4 136
Non-life insurance	5 224	6 811
	9 626	10 947

The remuneration of insurance brokerage services was received in full and all the commissions resulted from insurance intermediation for Lusitania, Companhia de Seguros, S.A. and for Lusitania Vida, Companhia de Seguros, S.A.

5 Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss

The amount of this caption has the following breakdown:

(milhares de euros)

	2021			2020		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed-income securities						
Issued by public entities	1 656	1 126	530	3 469	2 516	953
Issued by other entities	304	77	227	289	1	288
Shares	1 281	709	572	1 486	1 816	(330)
Investment units	347	237	110	917	733	184
	3 588	2 149	1 439	6 161	5 066	1 095
Derivative financial instruments						
Interest rate contracts	68 392	66 916	1 476	67 870	68 765	(895)
Exchange rate contracts	27 159	27 307	(148)	32 668	32 876	(208)
Futures contracts	3 836	4 040	(204)	3 662	4 347	(685)
Option contracts	869	892	(23)	1 436	2 015	(579)
Commodities contracts	562	-	562	589	12 840	(12 251)
	100 818	99 155	1 663	106 225	120 843	(14 618)
Financial assets at fair value through profit or loss						
Investment units	7 329	14 690	(7 361)	8 651	16 292	(7 641)
Loans and advances to customers	551	777	(226)	602	448	154
	7 880	15 467	(7 587)	9 253	16 740	(7 487)
Other financial assets at fair value through profit or loss						
Shares	102	-	102	-	131	(131)
Securitization units	79 859	62 548	17 311	20 945	10 980	9 965
Loans and advances to customers	165	143	22	35	72	(37)
	80 126	62 691	17 435	20 980	11 183	9 797
Financial liabilities at fair value through profit or loss						
Deposits from customers	131	284	(153)	-	-	-
Debt securities issued	39	-	39	225	52	173
	170	284	(114)	225	52	173
Hedging derivatives						
Interest rate contracts	17 353	22 159	(4 806)	22 534	22 799	(265)
	17 353	22 159	(4 806)	22 534	22 799	(265)
Hedged financial liabilities						
Debt securities issued	4 468	-	4 468	5 955	4 298	1 657
	4 468	-	4 468	5 955	4 298	1 657
	214 403	201 905	12 498	171 333	180 981	(9 648)

In financial year 2020, the Net gains/(losses) arising from derivative financial instruments shows the impact of the loss of value in a derivative resulting from a loan disposal operation, including the respective mortgage guarantees, as a result of a non-realization of that's portfolio performance compared to what was initially expected, with a loss of Euro 12,840 thousand having been recorded.

Financial assets at fair value through profit or loss include, in 2021, in Investment units, a negative impact of Euro 7,251 thousand (2020: negative impact of Euro 7,457 thousand), determined by the negative effects of Fundo Arrendamento Mais (fund) of Euro 5,217 thousand, Fundo Solução Arrendamento (fund) of Euro 1,490 thousand, Fundo Vega (fund) of Euro 1,346 thousand, Carteira Imobiliária of Euro 1,296 thousand, Fundo

VIP (fund) of Euro 1,058 thousand, partially offset by the positive effect of Fundo CR Revitalizar Centro (fund) of Euro 1,479 thousand.

As at 31 December 2021, the Net gains/(losses) arising from the securitization fund units reflect the evolution of the securitized loan volume in the amount of Euro 733,868 thousand (31 December 2020: Euro 1,741,366 thousand).

6 Net gains/(losses) arising from financial assets at fair value through other comprehensive income

The amount of this caption has the following breakdown:

(Euro thousand)

	2021			2020		
	Gains	Losses	Total	Gains	Losses	Total
Fixed-income securities						
Bonds						
Issued by public entities	2 614	642	1 972	29 183	9 953	19 230
Issued by other entities	63	-	63	4 714	273	4 441
	2 677	642	2 035	33 897	10 226	23 671

In 2021, the caption Bonds – Issued by public entities includes net gains obtained on the sale of Portuguese sovereign bonds in the amount of Euro 1,506 thousand, and of Greek, European, German, Belgian, Italian and Spanish sovereign bonds in the amount of Euro 466 thousand. In 2020, this caption included net gains generated on the sale of Portuguese sovereign bonds in the amount of Euro 13,115 thousand, of Greek sovereign bonds in the amount of Euro 4,058 thousand, and of Croatian, Italian, Chilean and Spanish sovereign bonds in the amount of Euro 2,057 thousand.

7 Net gains/(losses) arising from exchange differences

The amount of this caption has the following breakdown:

(Euro thousand)

	2021			2020		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differencies	18 343	15 299	3 044	47 412	42 984	4 428

This caption includes the results arising from the revaluation of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 q).

8 Net gains/(losses) arising from sale of other financial assets

The amount of this caption has the following breakdown:

		(Euro thousand)
	2021	**2020**
Disposal of financial assets at amortized cost	14 775	30 220
Disposal of other assets	13 173	13 757
Disposal of loans and advances to customers	1 700	(334)
	29 648	43 643

In the first half of 2021, Banco Montepio disposed of Euro 511 million in terms of nominal value of Portuguese sovereign debt classified in the hold to collect portfolio. This operation falls within the limits defined in Banco Montepio's internal regulation for this business model, being classified as infrequent, but significant in terms of value.

The caption Disposal of financial assets at amortized cost records the gains realized on Portuguese sovereign debt bonds in the amount of Euro 14,356 thousand, essentially resulting from the operation described above, of Italian sovereign debt of Euro 380 thousand and of Spanish sovereign debt of Euro 39 thousand. In financial year 2020, capital gains realized on the sale of Portuguese sovereign debt bonds amounted to Euro 29,849 thousand of Greek sovereign debt Euro 327 thousand and of Italian sovereign debt Euro 44 thousand.

The caption Disposal of other assets considers the result of the sale of properties related to assets received in recovery of credit, registering in financial year 2020 a gain of Euro 7,096 thousand related to the sale of a plot of land in the Greater Lisbon area.

9 Other operating income/(expense)

The amount of this caption has the following breakdown:

	(Euro thousand)	
	2021	**2020**
Other operating income		
Management fees on demand deposits	3 187	3 374
Services provided	6 717	5 419
Reimbursement of expenses	1 857	1 797
Repurchase of own issues	-	380
Income from the valuation of financial liabilities	11 749	-
Other	6 708	6 179
	30 218	17 149
Other operating expenses		
Contributions:		
Banking sector	9 536	10 365
Ex-ante to the Single Resolution Fund	7 591	6 099
National Resolution Fund	4 357	4 263
Deposits Guarantee Fund	26	22
Revaluation of investment properties	8 786	8 780
Servicing and expenses with recovery and disposal of loans	7 363	4 568
Expenses with issuances	2 449	1 915
Taxes	433	598
Donations and memberships	492	527
Other	10 880	9 714
	51 913	46 851
Other net operating income/(expense)	(21 695)	(29 702)

In 2021, the caption Other operating income - Other includes, essentially, income from loan recovery in the amount of Euro 3,482 thousand (2020: Euro 3,346 thousand). In 2020, this caption also included income from the assignment of employees - actuarial deviations in the amount of Euro 362 thousand. The caption Other, in the breakdown of Other operating income, includes the recovery of some Customers' assets.

The caption Other operating income - income arising on the valuation of financial liabilities corresponds to an extraordinary gain arising from the change in the book value estimate of the financing lines under the TLTRO III facility that occurred in the second half of 2021 (see note 1 b.4).

The caption Contribution ex-ante to the Single Resolution Fund corresponds to the annual contribution, determined in accordance with number 1 of article 153-H of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), which transposed articles 100(4)(a) and 103(1) of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20 of Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation") and with the conditions provided for in Implementing Regulation 2015/81 of the Council, of 19 December 2014 ("Implementing Regulation").

This contribution was determined by the Banco de Portugal, in its quality as national resolution authority, based on the methodology defined in articles 4, 13 and 20 of the Delegated Regulation. Under the Single Resolution Mechanism this contribution must be transferred to the Single Resolution Fund by 30 June of each year, as stipulated in the Agreement for the Transfer and Mutualization of the contributions to the

Single Resolution Fund, signed in Brussels on 21 May 2014 and approved by Portuguese National Assembly Resolution 129/2015, of 3 September, pursuant to article 67(4) of Regulation (EU) no. 806/2014 of the European Parliament and of the Council, of 15 July 2014 (“MUR Regulation”).

In addition, it is the responsibility of the Single Resolution Council (Conselho Único de Resolução (“CUR”)), in cooperation with the Banco de Portugal, in its quality as national resolution authority, to calculate these contributions on an annual basis, pursuant to and for the purposes of article 70(2) of the MUR Regulation. Banco Montepio opted, in financial years 2021 and 2020, to use irrevocable payment commitments, in the proportion of 15% of the contribution amount, as provided for in article 8(3) of the Implementing Regulation. On this basis, in 2021, Banco Montepio settled Euro 8,424 thousand (2020: Euro 7,093 thousand) in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposits, as disclosed in note 19. For irrevocable payment commitments only cash collateral is accepted.

The caption Contribution to the National Resolution Fund corresponds to mandatory periodic contributions, in accordance with Decree-Law no. 24/2013. The periodic contributions are calculated annually using a base rate, determined based on an Instruction of the Banco de Portugal, which may be adjusted in function of the credit institution’s risk profile, that is to be applied in each year on the objective incidence base of said contributions. The periodic contributions have as incidence base the liabilities of the credit institutions participating in the Fund, defined in accordance with article 10 of said Decree-Law, less the liability elements integrating Tier 1 and Tier 2 and the deposits covered by the Deposits Guarantee Fund.

The caption Other operating costs - Servicing and expenses with the recovery of loans registers the servicing costs charged by third parties related to a portfolio of non-performing loans.

The caption Other operating costs – Expenses with properties held for trading includes, in 2021, the amount of Euro 3,014 thousand (2020: Euro 2,988 thousand) related to services provided by Montepio - Gestão de Activos Imobiliários, A.C.E.

The caption Other operating costs - Other includes card issuance costs, refund of commissions, ECB supervisory fee, transaction costs for the sale of Monteiro Aranha, S.A. shares and other operating costs. Additionally, this caption includes, in 2021, a cost of Euro 1,268 thousand related to the allocation of actuarial deviations related to employees assigned to MGAM and MGAI (in 2020 this had been an income and was recorded under the caption Other operating income - Other).

10 Staff costs

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	2020
Remuneration	97 548	103 518
Mandatory social charges	31 762	31 360
Charges with Pension Funds	9 734	21 485
Other staff costs	10 273	17 108
	149 317	173 471

In 2021, within the scope of the Employee Adjustment Programme, the captions of Charges with the Pension Fund and Other costs include, respectively, the amounts of Euro 4,365 thousand (2020: Euro 14,180 thousand) and Euro 9,459 thousand (2020: Euro 14,163 thousand), related to the resulting charges arising from early retirement and mutual-agreement termination programs.

In 2021 and 2020, the members of the Management Bodies did not receive any variable remuneration. First-line managers are considered Other key management personnel.

The costs with remuneration and other benefits, including the respective social charges, attributed to the General Meeting Board, the Board of Directors (including the members of the Audit Committee) and Other key management personnel, in 2021, are presented as follows:

(Euro thousand)

	General Meeting Board	Board of Directors	Other key managem ent staff	Total
Remuneration and other short-term benefits	7	3 380	4 934	8 321
Pension costs	-	748	331	1 079
Costs with healthcare benefits (SAMS)	-	19	106	125
Social Security charges	1	729	1 084	1 814
	8	4 876	6 455	11 339

The costs with remuneration and other benefits, including the respective social charges, attributed to the General Meeting Board, the Board of Directors (including the members of the Audit Committee), and Other key management personnel, in 2020, are presented as follows:

(Euro thousand)

	General Meeting Board	Board of Directors	Other key managem ent staff	Total
Remuneration and other short-term benefits	7	3 202	3 205	6 414
Pension costs	-	892	93	985
Costs with healthcare benefits (SAMS)	-	17	54	71
Social Security charges	1	681	707	1 389
	8	4 792	4 059	8 859

In 2021, loans granted by Banco Montepio to members of the Board of Directors (including members of the Audit Committee) amounted to Euro 588 thousand (2020: Euro 622 thousand) and to Other key management personnel to Euro 3,349 thousand (2020: Euro 3,905 thousand), as described in note 48.

The average number of employees serving Banco Montepio during financial years 2021 and 2020, distributed by major professional categories, was as follows:

	2021	2020
Administration and Coordination	255	228
Senior management	535	600
Technical staff	1 446	1 413
Administrative staff	1 142	1 238
Auxiliary staff	26	39
	3 404	3 518

11 General and administrative expenses

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	2020
Rental costs	694	755
Specialized services		
IT services	11 326	11 469
Independent work	6 469	4 794
Other specialized services	14 080	15 298
Communication costs	5 547	6 010
Maintenance and repairs	4 289	5 299
Water, energy and fuel	2 851	3 369
Advertising costs	2 158	2 614
Transportation	1 895	2 264
Consumables	487	877
Travel, accommodation and entertainment expenses	509	557
Insurance	917	918
Training	577	372
Other general administrative costs	1 428	2 007
	53 227	56 603

The caption Rental costs includes, in 2021, the amount of Euro 351 thousand (2020: Euro 400 thousand) related to short-term lease agreements, of which Euro 56 thousand (2020: Euro 42 thousand) correspond to leasehold rentals and Euro 295 thousand (2020: Euro 358 thousand) to motor vehicle rentals, in both cases used by Banco Montepio as lessee.

As part of the development of its activity, the Bank records under the caption Other specialized services the costs incurred with the hiring of external consultants, with the payment of services related to databases, with charges associated with processing carried out by SIBS.

The caption Other specialized services includes fees billed by the Group's Statutory Auditors within the scope of their statutory audit functions, as well as other services, including those provided by their network, as follows (excluding VAT):

(Euro thousand)

	2021	2020
Statutory audit services	886	1 108
Services other than statutory audit legally required	289	423
Services other than statutory audit not legally required	642	50
	1 817	1 581

12 Depreciation and amortization

The amount of this caption has the following breakdown:

		(Euro thousand)
	2021	**2020**
Intangible assets (note 28)		
Software	17 455	15 157
Other tangible assets (note 27)		
Real Estate		
For own use	2 716	3 079
Leasehold improvements in rented buildings	478	583
Equipment		
IT equipment	2 599	3 076
Fixtures	1 610	1 542
Furniture	118	117
Security equipment	112	131
Machinery and tools	37	43
Transportation	8	8
Right-of-use assets		
Real Estate	5 473	6 486
Motor vehicles	1 706	1 651
	14 857	16 716
	32 312	31 873

The caption Right-of-use assets corresponds, essentially, to properties (branches and central buildings) and the car fleet, being depreciated according to the period of each lease agreement, as indicated in accounting policy 1 i).

13 Impairment of loans and advances to customers and to credit institutions

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	2020
Other loans and advances to credit institutions (note 19)		
Charge for the financial year net of reversals	(2 547)	6 481
Loans and advances to customers (note 20)		
Charge for the financial year net of reversals	59 634	182 641
Recovery of loans and interest	(3 581)	(1 493)
	56 053	181 148
	53 506	187 629

This caption records the estimate of the expected losses determined according to the accounting policy described in note 1 b).

14 Impairment of other financial assets

The amount of this caption has the following breakdown:

(Euro thousand)

	2021	2020
Financial assets at fair value through other comprehensive income (note 23)		
Charge for the year net of reversals	2 546	3 682
Other financial assets at amotized cost (note 25)		
Charge for the year net of reversals	1 845	4 556
	4 391	8 238

15 Impairment of other assets

The amount of this caption has the following breakdown:

	2021	2020
	(Euro thousand)	
Investments in associated companies (note 26)		
Charge for the year	-	12 363
	-	12 363
Other intangible assets (note 27)		
Charge for theyear	5 912	11 941
Reversals for the year	(269)	-
	5 643	11 941
Other assets (note 30)		
Charge for the year	26 503	12 667
Reversals for the year	(3 358)	(3 940)
	23 145	8 727
	28 788	33 031

In 2020, as referred in note 27, the caption Other tangible assets includes impairment of Euro 11,941 thousand related to the closure of branches, parking areas and offices (above ground floor), also evidencing the impact of the COVID-19 pandemic that, as a result of the reduction in activity levels, namely in non-food goods, which stood at 10%, led to an increase in the number of properties available on the market and a decrease in the value of rents, with a particular impact on trade areas outside Lisbon and Oporto, where, in some cases, this stood at 20%.

16 Other provisions

The amount of this caption has the following breakdown:

	2021	2020
	(Euro thousand)	
Guarantees and commitments (note 36)		
Charge for the year	26 932	46 614
Reversals for the year	(27 449)	(45 475)
	(517)	1 139
Other risks and charges (note 36)		
Charge for the year	4 121	2 982
Reversals for the year	(7 608)	(1 388)
	(3 487)	1 594
	(4 004)	2 733

17 Cash and deposits at central banks

This caption is presented as follows:

(Euro thousand)

	2021	2020
Cash	155 318	163 622
Deposits at central banks		
Bank of Portugal	2 788 426	1 282 692
	2 943 744	1 446 314

The caption Deposits at central banks – Banco de Portugal includes the amount to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of the deposits and other effective liabilities. The cash reserve constitution regime, in accordance with directives of the European Central Bank System for the Eurozone, establishes the maintenance of a deposit at the Central Bank equivalent to 1% of the average value of the deposits and other liabilities, over each reserve constitution period.

18 Loans and deposits to credit institutions repayable on demand

This caption is presented as follows:

(Euro thousand)

	2021	2020
Credit institutions in Portugal	613	1 264
Credit institutions abroad	68 776	36 449
Amounts to be collected	14 851	15 785
	84 240	53 498

The caption Amounts to be collected refers to cheques drawn by third parties on other credit institutions, and which are due for collection.

In 2021, Deposits in other credit institutions were remunerated at the average rate of -0.33% (2020: 0.62%).

19 Other loans and advances to credit institutions

This caption is presented as follows:

	(Euro thousand)	
	2021	**2020**
Loans and advances to credit institutions in Portugal		
Other loans	274 189	699 093
Term deposits	8 690	5 963
	282 879	705 056
Loans and advances to credit institutions abroad		
Term deposits	77 735	61 843
CSA's	25 139	27 949
Reverse repos	-	54 216
Other loans and advances	4 800	17 750
	107 674	161 758
	390 553	866 814
Impairment for credit risk of loans and advances to credit institutions	(2 094)	(8 110)
	388 459	858 704

In 2020 and 2021, the caption Loans and advances to credit institutions in Portugal - Loans, includes loans made to subsidiaries of Banco Montepio.

The change in the caption Other loans and advances to credit institutions abroad – Term deposits corresponds, essentially, to very short-term loans in foreign currency.

Credit Support Annexes ("CSA's") are contracts that regulate the delivery, reception and monitoring of collateral delivered/received to cover the exposure of a counterparty of the contract to the other, as a result of open positions in over-the-counter derivatives. As provided for in most CSA's celebrated by Banco Montepio, this collateral might be in the form of securities or cash, with, however, in Banco Montepio's case, all collaterals being in cash.

Collaterals in cash delivered (constitution of reinforcement) or received (collateral release) result from the changes in the fair value of the various derivative instruments that Banco Montepio negotiated with each one of the counterparties and are materialized through an effective transfer of cash, through TARGET2 transfers to each one of the counterparties in question, as a guarantee/security of Banco Montepio's exposure vis-à-vis the counterparty.

On this basis, and in the scope of the operations of derivative financial instruments with institutional counterparties, and as established in the respective contracts, as at 31 December 2021, Banco Montepio holds an amount of Euro 25,139 thousand (31 December 2020: Euro 27,949 thousand) related to other loans and advances to credit institutions given as collateral for the above-mentioned operations.

In 2021, the caption Loans and advances to credit institutions abroad – Term deposits includes the amount of Euro 8,424 thousand (31 December 2020: Euro 7,093 thousand) related to a deposit made and accepted as collateral in the scope of the Contribution ex-ante to the Single Resolution Fund, as per note 9.

Impairment movements for credit risks of Other loans and advances to credit institutions are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	8 110	1 629
Charge for the year net of reversals	(2 547)	6 481
Transfers	(3 471)	-
Exchange differences	2	-
Closing balance	2 094	8 110

The analysis of the caption Other loans and advances to credit institutions, by period to maturity, is as follows:

(Euro thousand)

	2021	2020
Up to 3 months	92 945	440 446
3 to 6 months	282 612	94 082
6 months to 1 year	-	263 067
1 to 5 years	-	54 032
More than 5 years	4 000	4 000
Undetermined	10 996	11 187
	390 553	866 814

The caption Other loans and advances to credit institutions abroad – Other, in the undetermined period to maturity, also includes guarantee deposits in the scope of the banking activity.

In 2021, the Other loans and advances to banks were remunerated at the average rate of 0.13% (2020: 0.39%).

20 Loans and advances to customers

This caption is presented as follows:

	(Euro thousand)	
	2021	**2020**
Corporate		
Loans not represented by securities		
Loans	2 915 141	2 798 952
Current account loans	645 002	436 689
Finance lease	288 448	286 980
Discounted bills	26 530	35 447
Factoring	197 532	184 667
Overdrafts	723	601
Other loans	337 220	411 384
Loans represented by securities		
Commercial paper	148 383	242 957
Bonds	175 801	162 944
Retail		
Mortgage loans	5 538 793	5 580 462
Finance leases	30 156	32 977
Consumer credit and other loans	811 443	661 653
	11 115 172	10 835 713
Value correction of assets subject to hedging operations	30	8
Past due loans and advances and interest		
Less than 90 days	41 265	45 238
More than 90 days	347 033	611 090
	388 298	656 328
	11 503 500	11 492 049
Impairment for credit risks	(499 471)	(759 445)
	11 004 029	10 732 604

As at 31 December 2021, the caption Loans and advances to customers includes the amount of Euro 2,746,685 thousand (31 December 2020: Euro 2,739,544 thousand) related to the issue of covered bonds realized by Banco Montepio, as referred to in note 34.

As at 31 December 2021, the loans and advances that Banco Montepio granted to its shareholders and to related parties including Companies of the consolidation perimeter, amounted to Euro 274,114 thousand (31 December 2020: Euro 16,346 thousand), as described in note 48. The celebration of business between Banco Montepio and its shareholders or with individual or legal persons related to these, according to article 20 of the Portuguese Securities Code, regardless of the value, is always submitted to deliberation and assessment by the Board of Directors and the Audit Committee, under a proposed made by the commercial network, supported by analyses and opinions as to the compliance with the limit established in article 109 of the Legal Framework of Credit Institutions and Financial Companies issued by the Risk Department. The impairment for credit risks related to these contracts amounts to Euro 4,305 thousand as at 31 December 2021 (31 December 2020: Euro 638 thousand).

As at 31 December 2021, the caption Loans and advances to customers includes the amount of Euro 734,868 thousand (31 December 2020: Euro 1,741,366 thousand) related to loans and advances that were the object of securitization and that, in accordance with the accounting policy outlined in note 1 b), were not the object of derecognition, as described in note 49.

The caption Value correction of assets subject to hedge operations contains the fair value of the part of the portfolio that is hedged. This appreciation is accounted for through the income statement, in accordance with the accounting policy described in note 1 c). Banco Montepio periodically tests the effectiveness of the existing hedging relationships.

The fair value of the Loans and advances to customers' portfolio is presented in note 45.

The analysis of the caption Loans and advances to customers, by interest rate type, as at 31 December 2021 and 2020, is as follows:

		(Euro thousand)
	2021	**2020**
Variable-rate loans and advances	10 207 110	10 291 555
Fixed-rate loans and advances	1 296 390	1 200 494
	11 503 500	11 492 049

The analysis of Past due loans and advances and interest, by credit type, is as follows:

		(Euro thousand)
	2021	**2020**
Asset-backed loans	273 701	465 252
Other guaranteed loans	56 584	119 756
Finance leases	3 474	4 235
Secured loans	33 000	33 950
Other loans and advances	21 539	33 135
	388 298	656 328

The analysis of Past due loans and advances and interest, by Customer type and purpose, is as follows:

		(Euro thousand)
	2021	**2020**
Corporate		
Construction/Production	55 818	136 990
Investment	188 055	284 401
Treasury	87 936	143 272
Other	15 073	18 969
Retail		
Mortgage loans	27 550	45 007
Consumer credit	7 497	12 587
Other	6 369	15 102
	388 298	656 328

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2021, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assed-backed loans	123 965	507 091	8 044 418	273 701	8 949 175
Other guaranteed loans	352 713	132 968	259 765	56 584	802 030
Finance leases	4 778	102 226	211 600	3 474	322 078
Secured laons	148 383	94 531	81 270	33 000	357 184
Other loans and advances	458 185	99 850	493 459	21 539	1 073 033
	1 088 024	936 666	9 090 512	388 298	11 503 500

The analysis of the caption Loans and advances to customers, by maturity and by credit type, as at 31 December 2020, is as follows:

(Euro thousand)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assed-backed loans	131 505	546 766	7 784 182	465 252	8 927 705
Other guaranteed loans	359 235	189 538	313 768	119 756	982 297
Finance leases	4 199	101 116	214 642	4 235	324 192
Secured laons	242 957	95 907	67 037	33 950	439 851
Other loans and advances	200 473	110 465	473 931	33 135	818 004
	938 369	1 043 792	8 853 560	656 328	11 492 049

The outstanding amount of Finance leases, by residual maturity, as at 31 December 2021, is analysed as follows:

(Euro thousand)

	Financial leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	53 291	157 525	114 501	325 317
Outstanding interest	(8 030)	(20 878)	(15 110)	(44 018)
Residual values	1 113	9 499	26 693	37 305
	46 374	146 146	126 084	318 604

The outstanding amount of Finance leases, by residual maturity, as at 31 December 2020, is analysed as follows:

(Euro thousand)

	Financial leases			
	Up to 1 year	1 to 5 years	More than 5 years	Total
Outstanding rentals	48 752	160 041	108 920	317 713
Outstanding interest	(8 868)	(23 318)	(18 285)	(50 471)
Residual values	1 161	9 673	41 881	52 715
	41 045	146 396	132 516	319 957

As regards operating leases, Banco Montepio does not have significant agreements as Lessor.

The movements in impairment for credit risk are analysed as follows:

	2021	2020
Opening balance	759 445	762 877
Charge for the year net of reversals	59 634	182 641
Utilization	(278 143)	(183 790)
Exchange rate differences	2 178	(651)
Transfers	(42 097)	-
Financial liabilities associated with transferred assets and stage 3 interest	(1 546)	(1 632)
Closing balance	499 471	759 445

The caption Transfers includes, in 2021, the impairment associated with the loans and advances included in the Gerês Secured operation which, in accordance with IFRS 5, was recorded in Non-current assets held for sale (see note 26).

The use of impairment corresponds to the loans and advances written off in 2021 and 2020.

The impairment for credit risk, by credit type, is as follows:

(Euro thousand)

	2021	2020
Asset-backed loans and finance leases	364 749	549 233
Other secured loans	83 187	150 229
Unsecured loans	51 535	59 983
	499 471	759 445

The analysis of impairment used, by credit type, is as follows:

(Euro thousand)

	2021	2020
Asset-backed loans and finance leases	164 864	106 186
Other secured loans	69 188	47 029
Unsecured loans	44 091	30 575
	278 143	183 790

Banco Montepio has adopted forbearance measures and practices, aligned in terms of risk, in order to adjust the disposable income or the financial capacity of Customers to their debt service. On this basis, the recommendations legislated in the scope of the non-compliance regimes (Decree-Law no. 227/2012) and, for Companies (SIREVE, PER), were adopted, with these being widely disclosed in the institutional website, in the internal rules and communications, to be disclosed and implemented vis-à-vis Customers presenting evidence of financial difficulties.

Regarding the forbearance measures and in accordance with Implementing Regulation (EU) 2015/227, of 9 January 2015, contractual changes were considered (grace period of the principal, extension of the term, deferral of the principal, etc.) as were the consolidation of debts in another contract with conditions adjusted to the Customer's current situation.

As at 31 December 2021, the loan and advances portfolio includes loans that, given the financial difficulties of the Customer, were subject to amendments of the initial conditions of the contract and these amount to Euro 597,239 thousand (31 December 2020: Euro 796,329 thousand) and present an impairment of Euro 252,564 thousand (31 December 2020: Euro 365,517 thousand).

Additionally, the restructured loans and advances to customers' portfolio includes contracts that resulted in a formal restructuring with the Customers and the consequent celebration of a new loan to replace the previous loans. The restructuring may result from a reinforcement of guarantees and/or liquidation of part of the loan and involve an extension of maturities or a change in the interest rate. The analysis of restructured loans entered, in financial years 2021 and 2020, by credit type, is as follows:

		(Euro thousand)
	2021	**2020**
Corporate		
Loans not represented by securities		
Loans	99 196	169 210
Current account loans	3 241	9 669
Finance leases	2 951	569
Other loans	5 137	938
Retail		
Mortgage loans	11 601	2 427
Consumer credit and other loans	14 382	1 034
	136 508	183 847

As at 31 December 2021, and as regards restructured loans not yet due, the impairment associated with these operations amounts to Euro 53,885 thousand, which corresponds to an impairment rate of 39.5% (31 December 2020: Euro 77,568 thousand, impairment rate of 42.2%).

Synthetic securitization

On 18 December 2020, Banco Montepio carried out an operation that configures a synthetic securitization structure, which is based on a portfolio of loans of Small and Medium-sized Enterprises (SMEs). The legal maturity of the transaction is 25 March 2036 and the respective amount totals Euro 358,661 thousand as at 31 December 2021 (31 December 2020: Euro 415,315 thousand). As mentioned in accounting policy b.12), Banco Montepio contracted two guarantees from the EIB and the EIF to protect the senior and mezzanine tranches of the synthetic securitization operation, bearing, respectively, commissions of 0.3% and 4.0%, with quarterly payments.

21 Financial assets and liabilities held for trading

The caption financial assets and liabilities held for trading is analysed as follows:

(Euro thousand)

	2021	2020
Financial assets held for trading		
Securities		
Shares	-	3 397
Bonds	-	1 053
Investment units	-	3 074
	-	7 524
Derivative instruments		
Derivative financial instruments with positive fair value	1 376	3 984
	1 376	11 508
Financial liabilities held for trading		
Derivative instruments		
Derivative financial instruments with negative fair value	7 470	11 761
	7 470	11 761

As provided for in IFRS 13, as at 31 December 2021 and 2020, the financial instruments measured in accordance with the valuation levels described in note 45, are as follows:

(Euro thousand)

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares		-	-	-
Bonds		-	-	-
Investment units		-	-	-
	-	-	-	-
Derivative instruments				
Derivative instruments with positive fair value	-	1 376		1 376
	-	1 376	-	1 376
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	949	6 521	7 470
	-	949	6 521	7 470

(Euro thousand)

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	3 397	-	-	3 397
Bonds	1 053	-	-	1 053
Investment units	3 074	-	-	3 074
	7 524	-	-	7 524
Derivative instruments				
Derivative instruments with positive fair value	-	2 147	1 837	3 984
	7 524	2 147	1 837	11 508
Financial liabilities held for trading				
Derivative instruments				
Derivative instruments with negative fair value	-	1 996	9 765	11 761
	-	1 996	9 765	11 761

The analysis of the portfolio of securities registered in Financial assets held for trading, by maturity, as at 31 December 2020, is presented as follows:

(Euro thousand)

	2020					
	Less than 3 months	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Undetermined**	**Total**
Fixed income secutities						
Bonds						
Foreign	-	-	-	1 053	-	1 053
Variable income securities						
Shares						
Domestic	-	-	-	-	226	226
Foreign	-	-	-	-	3 171	3 171
Investment units	-	-	-	-	3 074	3 074
	-	-	-	1 053	6 471	7 524

As at 31 December 2020, within the scope of the loan obtained from the EIB, a set of Italian sovereign bonds with a nominal value of Euro 1,000 thousand are part of the collateral, as described in note 32. As at 31 December 2021, there are no securities given as collateral classified as held for trading.

The book value of the derivative financial instruments as at 31 December 2021 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2021								
		Derivative					Related Asset/Liability			
Derivative	**Related finacial asset/liability**	**Notional**	**Positive fair value**	**Negative fair value**	**Total fair value**	**Changes in fair value in the year (1)**	**Fair value**	**Changes in fair value in the year**	**Book value**	**Reimbursement amount at maturity date**
Intereste rate swaps	Debt securities issued	-	-	-	-	-	-	(9)	-	-
Intereste rate swaps	Deposits from customers	25 018	-	(82)	(82)	(82)	153	153	25 009	24 856
Intereste rate swaps	Loans and advances	1 068	4	(26)	(22)	43	30	22	1 004	1 041
Intereste rate swaps	-	682 386	1 323	(7 853)	(6 530)	1 398	-	-	-	-
Currency swap (short)	-	24 479	108	-	108	(110)	-	-	-	-
Currency swap (long)	-	24 597								
Future options (short)	-	-	-	-	-	-	-	-	-	-
Future options (long)	-	-								
Forwards (Short)	-	745	-	-	-	-	-	-	-	-
Forwards (Long)	-	745								
Options (Short)	-	55 709	(59)	491	432	434	-	-	-	-
Options (Long)	-	55 956								
		870 703	1 376	(7 470)	(6 094)	1 683	183	166	26 013	25 897

(1) Includes the result of derivatives disclosed in note 6.

Derivatives held for risk management include derivatives contracted for the purpose of hedging certain financial assets and liabilities, but that were not designated as hedging derivatives.

The book value of the derivative financial instruments as at 31 December 2020 and the comparison with the respective assets and liabilities recorded at fair value, in the specific case of derivatives held for risk management, can be analysed as follows:

(Euro thousand)

		2020								
		Derivative					Related Asset/Liability			
Derivative	Related finacial asset/liability	Notional	Positive fair value	Negative fair value	Total fair value	Changes in fair value in the year (1)	Fair value	Changes in fair value in the year	Book value	Reimburse ment amount at maturity date
Intereste rate swaps	Debt securities issued	-	-	-	-	(191)	9	(8)	3 106	2 960
Intereste rate swaps	Loans and advances	1 174	4	(69)	(65)	(16)	8	(38)	1 207	1 200
Intereste rate swaps	-	1 644 869	3 753	(11 681)	(7 928)	(895)	-	-	-	-
Currency swap (short)	-	50 171	224	(6)	218	(85)	-	-	-	-
Currency swap (long)	-	50 390								
Future options (short)	-	1 776	-	-	-	-	-	-	-	-
Future options (long)	-	355								
Forwards (Short)	-	29 064	-	-	-	-	-	-	-	-
Forwards (Long)	-	28 889								
Options (Short)	-	59 675	3	(5)	(2)	(12 387)	-	-	-	-
Options (Long)	-	64 433								
		1 930 796	3 984	(11 761)	(7 777)	(13 574)	17	(46)	4 313	4 160

(1) Includes the result of derivatives disclosed in note 6.

The fair value of the options corresponds to derivatives traded on organized markets, which market value is settled daily against the margin account and the fair value of the Forwards - Foreign exchange derivatives with short residual maturities, to be settled.

The analysis of financial derivative trading instruments, by maturity, as at 31 December 2021, is as follows:

(Euro thousand)

	2021					
	Notional by remaining maturitiy date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swap	-	50 620	657 852	708 472	1 327	7 961
Options	-	603	86 043	86 646	(67)	(499)
Exchange rate contracts						
Currency swap	49 076	-	-	49 076	108	-
Forwards	1 490	-	-	1 490	-	-
Index/Equities contracts						
Options	-	-	25 019	25 019	8	8
	50 566	51 223	768 914	870 703	1 376	7 470

The analysis of financial derivative trading instruments, by maturity, as at 31 December 2020, is as follows:

(Euro thousand)

	2020					
	Notional by remaining maturitiy date				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swap	-	-	1 646 043	1 646 043	3 757	11 750
Options	5 245	54 891	63 972	124 108	3	5
Exchange rate contracts						
Currency swap	100 561	-	-	100 561	224	6
Forwards	57 630	323	-	57 953	-	-
Index/Equities contracts						
Futures	2 131	-	-	2 131	-	-
	165 567	55 214	1 710 015	1 930 796	3 984	11 761

22 Financial assets at fair value through profit or loss

This caption is presented as follows:

(Euro thousand)

	2021	2020
Variable income securities		
Investment units	257 459	467 267
Securitization units	28 857	98 920
Loans and advances to customers at fair value		
Loans not represented by securities	2 024	3 425
	288 340	569 612

The caption Variable-income securities – Investment units includes, as at 31 December 2021, the amount of Euro 28,775 thousand (31 December 2020: Euro 30,038 thousand) related to investment units in specialized credit funds acquired in the scope of the sale of loans and advances to customers, as referred in note 52. The securitization units correspond to the residual notes acquired by Banco Montepio.

In accordance with IFRS 13, financial instruments are measured according to the valuation levels described in note 45, as follows:

(Euro thousand)

	2021			
	Level 1	Level 2	Level 3	Total
Variable income securities				
Investment units	-	-	257 459	257 459
Securitization units	-	-	28 857	28 857
Loans and advances to customers at fair value				
Loans not represented by securities	-	-	2 024	2 024
	-	-	288 340	288 340

	(Euro thousand)			
	2020			
	Level 1	Level 2	Level 3	Total
Variable income securities				
Investment units	-	-	467 267	467 267
Securitization units	-	-	98 920	98 920
Loans and advances to customers at fair value				
Loans not represented by securities	-	-	3 425	3 425
	-	-	569 612	569 612

As at 31 December 2021, the level 3 assets in the caption Variable-income securities – Investment units include investment units in real estate investment funds, specialized credit recovery funds and venture capital funds that are valued according to the amount of the Net Asset Value of the Fund ("NAVF") disclosed, determined by the management company, in the amount of Euro 257,459 thousand (31 December 2020: Euro 467,267 thousand), of which Euro 216,979 thousand (31 December 2020: Euro 425,383 thousand) are related to real estate investment funds. The net assets of specialized credit recovery funds represent a diversified set of assets and liabilities, which are valued in the respective funds' accounts at fair value determined using internal methodologies adopted by the management entity.

The net assets of the real estate investment funds are valued by the management company based on valuation reports prepared by experts registered with the CMVM.

As at 31 December 2021, for Variable-income securities recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial assets, with an impact of Euro 28,834 thousand (31 December 2020: Euro 56,961 thousand) having been determined.

The movements occurred in the Financial assets at fair value through profit or loss – Variable-income securities, recorded under level 3, are analysed as follows:

	(Euro thousand)	
	2021	2020
Opening balance	566 187	641 572
Acquisitions	2 788	211
Remeasurements	(45 146)	(25 561)
Disposals	(237 513)	(50 035)
Closing balance	286 316	566 187

The movements occurred in level 3 of the Loans and advances to customers at fair value relate, in their entirety, to revaluations made in financial years 2021 and 2020.

23 Financial assets at fair value through other comprehensive income

This caption, as at 31 December 2021, is presented as follows:

(Euro thousand)

	2021				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	21 025	198	-	(46)	21 177
Foreign	41 889	314	-	(78)	42 125
Bonds issued by other entities					
Domestic	7 350	809	(422)	(1 376)	6 361
Foreign	1 327	-	(13)	(2)	1 312
Commercial paper	10 047	1 257	-	(1 257)	10 047
Variable income securities					
Shares					
Domestic	5 124	9 985	-	-	15 109
Foreign	6 242	1 200	(416)	-	7 026
	93 004	13 763	(851)	(2 759)	103 157

(1) Aquisition cost related to variable income securities and amortised cost by debt securities.

This caption, as at 31 December 2020, is presented as follows:

(Euro thousand)

	2020				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Bonds issued by public entities					
Domestic	21 025	406	-	(58)	21 373
Foreign	119 899	1 200	-	(300)	120 799
Bonds issued by other entities					
Domestic	3 661	96	(633)	(707)	2 417
Foreign	2 088	4	(25)	(13)	2 054
Variable income securities					
Shares					
Domestic	74 484	9 685	(1 750)	-	82 419
Foreign	71 542	2 045	(37 329)	-	36 258
	292 699	13 436	(39 737)	(1 078)	265 320

(1) Aquisition cost related to variable income securities and amortised cost by debt securities.

On 4 March 2021, Banco Montepio participated in the public tender offer ("PTO") for the acquisition of shares to increase the shareholding launched by Sociedade Técnica Monteiro Aranha S.A. (the "Offeror"), carried out by B3 S.A. – Brasil, Bolsa, Balcão.

Within the scope of the aforementioned tender, Banco Montepio sold its entire shareholding in Monteiro Aranha S.A. (the "Company"), corresponding to 1,262,743 ordinary shares, equivalent to approximately 10.31% of the Company's share capital. The sale generated a cash inflow of Euro 25,944 thousand (31 December 2020: value of the holding was Euro 27,980 thousand).

In financial year 2021, the Banco Montepio sold its entire shareholding in Almina Holding S.A. (Almina), corresponding to 9,500 ordinary shares, equivalent to 19.0% of the share capital of Almina. The sale generated a cash inflow of Euro 67,600 thousand (31 December 2020: value of the holding was Euro 67,600 thousand).

The main assumptions used in the valuation of shares are as follows:

SIBS

The fair value of the shareholding of 1.74% held by the Bank in the share capital of SIBS, presented in the financial statements as at 31 December 2021, is supported by a valuation that considers the comparable Company multiples analysis (market and transaction) and the Discounted Cash Flows (DCF) methodologies.

For the valuation of SIBS with reference to 31 December 2021, the information included in the reports and accounts on a consolidated basis with reference to financial years 2019 and 2020, the documents prepared by management and updated to June 2021, regarding the budget and forecasts for financial year 2021, as well as information on comparable Company transaction multiples, namely from the Networks' and Payment Systems' sectors, were considered.

For this valuation, a four-year forecast horizon was considered, for which it was necessary to calculate the cash flows based on historical cash flows and estimated growth rates, the latter showing a strong recovery growth for 2022, with 2023 and thereafter evolving in line with the Company's growth potential.

In the valuation using the DCF methodology the continuity of the operations was assumed beyond the forecast horizon, with a conservative scenario having been considered for the annual variation of cash flows in perpetuity as well as for the levels of Investment in CAPEX and depreciation and amortization. Cash flows were discounted at the rate equivalent to the weighted average cost of capital, thus reflecting the time value of money and the specific risk of the industry, and which stood at 8.1%, with reference to 31 December 2021 (31 December 2020: 8.2%).

In the valuation using the market multiples method, multiples were considered for financial years 2020 and 2021, and which include Companies from different geographies, supported on the MergerMarket database.

Unicre

The fair value of the 3.84% shareholding held by the Bank in the share capital of Unicre, presented in the financial statements as at 31 December 2021, is supported by a valuation that considers the Discounted Cash Flows (DCF) methodology, which considered the performance through the projected Cash flows, for a forecast horizon of five years, given that at the valuation date the Company's information for financial year 2021 was not yet public, and was based on the information obtained from Unicre's Reports and accounts for the 2019 and 2020 financial years.

Due to the Company's business model, Banco Montepio chose to consider in its valuation the financial flows in terms of income, as well as the cost of the financing to support Unicre's activity. As at 31 December 2021, the discount rate considered in the valuation was 10.1% (31 December 2020: 10.6%), which corresponds to the opportunity cost of the Company's equity, estimated according to the CAPM model methodology. The components of this rate were estimated based on Professor Damodaran's data and the Bloomberg platform.

ABANCA

The fair value of the 0.0848% shareholding held in the share capital of ABANCA, presented in the financial statements as at 31 December 2021, is supported on an assessment that considers the Discounted Cash

Flows (DCF) methodology, which considered performance through the projected Cash-flows, for a provisional horizon of five years, based on information from ABANCA's Results' Announcement and Reports and accounts for financial years 2019, 2020 and the third quarter of 2021.

Due to the Company's business model, Banco Montepio chose to consider in its valuation the financial flows in terms of operating results, having maintained the financing structure stable compared with previous years, as well as the assumption of a slowdown in activity growth and of the Company's profitability in relation to historical performance. As at 31 December 2021, the discount rate considered in the valuation was 8.7%, which corresponds to the opportunity cost of the Company's equity, estimated in accordance with the CAPM model methodology. The components of this rate were estimated based on data from Professor Damodaran and the Bloomberg platform.

As at 31 December 2021 and 2020, the analysis of financial assets at fair value through other comprehensive income, net of impairment, by valuation levels, is analysed as follows:

(Euro thousand)

	2021				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	20 153	1 024	-	-	21 177
Foreign	42 125	-	-	-	42 125
Bonds issued by other entities					
Domestic	-	-	6 361	-	6 361
Foreign	-	1 312	-	-	1 312
Commercial paper	-	-	10 047	-	10 047
	62 278	2 336	16 408	-	81 022
Variable income securities					
Shares					
Domestic	-	-	14 300	809	15 109
Foreign	-	-	6 730	296	7 026
	-	-	21 030	1 105	22 135
	62 278	2 336	37 438	1 105	103 157

(Euro thousand)

	2020				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	20 339	1 034	-	-	21 373
Foreign	120 799	-	-	-	120 799
Bonds issued by other entities					
Domestic	-	-	2 417	-	2 417
Foreign	-	2 054	-	-	2 054
	141 138	3 088	2 417	-	146 643
Variable income securities					
Shares					
Domestic	-	-	81 600	819	82 419
Foreign	27 979	-	7 818	461	36 258
	27 979	-	89 418	1 280	118 677
	169 117	3 088	91 835	1 280	265 320

As provided for in IFRS 13, financial instruments are measured according to the valuation levels described in note 45.

For all financial assets recorded under level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial asset, with an impact of Euro 3,744 thousand as at 31 December 2021 (31 December 2020: Euro 9,184 thousand) having been determined.

Instruments classified under level 3 have associated unrealized gains and losses in the positive amount of Euro 11,322 thousand (31 December 2020: positive amount of Euro 9,435 thousand) recognized in fair value reserves.

In this caption, Banco Montepio has some securities (shares) measured at acquisition cost. It is Banco Montepio's understanding that the book value presented for financial instruments at cost does not differ materially from the fair value, with the respective fair value not having been determined given the reduced value of the positions.

As at 31 December 2021, the impairment recorded for these level 3 securities amounted to Euro 1,376 thousand (31 December 2020: Euros 708 thousand).

The movements occurred in financial assets at fair value through other comprehensive income recorded in level 3 are analysed as follows:

		(Euro thousand)
	2021	**2020**
Opening balance	91 835	95 581
Acquisitions	15 076	-
Revaluations	(712)	(2 671)
Disposals	(67 600)	-
Amortization at nominal value	(1 161)	(1 075)
Closing balance	37 438	91 835

The movements occurred in impairment of financial assets at fair value through other comprehensive income are analysed as follows:

		(Euro thousand)
	2021	**2020**
Opening balance	1 078	5 279
Charge for the year net of reversals	2 546	3 682
Utilization	(865)	(7 883)
Closing balance	2 759	1 078

The analysis of financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2021 is as follows:

(Euro thousand)

	2021				
	Less than 3 months	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities					
Bonds issued by public entities					
Domestic	-	21 177	-	-	21 177
Foreign	-	42 125	-	-	42 125
Bonds issued by other entities					
Domestic	-	5 029	-	1 332	6 361
Foreign	-	-	1 312	-	1 312
Commercial paper	10 047	-	-	-	10 047
	10 047	68 331	1 312	1 332	81 022
Variable income securities					
Shares					
Domestic	-	-	-	15 109	15 109
Foreign	-	-	-	7 026	7 026
	-	-	-	22 135	22 135
	10 047	68 331	1 312	23 467	103 157

The analysis of financial assets at fair value through other comprehensive income, by maturity, as at 31 December 2020 is as follows:

(Euro thousand)

	2020					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Fixed income securities						
Bonds issued by public entities						
Domestic	-	-	1 034	20 339	-	21 373
Foreign	57 012	-	63 787	-	-	120 799
Bonds issued by other entities						
Domestic	-	-	-	1 161	1 256	2 417
Foreign	-	-	-	2 054	-	2 054
	57 012	-	64 821	23 554	1 256	146 643
Variable income securities						
Shares						
Domestic	-	-	-	-	82 419	82 419
Foreign	-	-	-	-	36 258	36 258
	-	-	-	-	118 677	118 677
	57 012	-	64 821	23 554	119 933	265 320

Securities pledged as collateral, recorded in financial assets at fair value through other comprehensive income, are presented as follows:

- The nominal value of the assets pledged as collateral to the European Central Bank in the scope of liquidity-providing operations amounts, as at 31 December 2021, to Euro 57,721 thousand after haircut (31 December 2020: Euro 74,713 thousand), as described in note 31.
- As at 31 December 2020, the EIB loan obtained is collateralized by a set of Portuguese, Spanish, Greek, Dutch, French and German sovereign bonds with a nominal value of Euro 545,677 thousand, as described in note 32.

These financial assets pledged as collateral can be executed in the event of non-compliance with contractual obligations assumed by Banco Montepio under the terms and conditions of the contracts celebrated.

24 Hedging derivatives

This caption is presented as follows:

(Euro thousand)

	2021	2020
Assets		
Interest rate swaps	5 411	10 550
Currency rate swaps	-	143
	5 411	10 693
Liabilities		
Interest rate swaps	335	397
Net value	5 076	10 296

Banco Montepio contracted an interest rate swap to hedge its interest rate risk arising from a bond issue at fixed rate. The accounting method depends on the nature of the hedged risk, namely whether Banco Montepio is exposed to fair value changes, or cash flow changes, or whether it is hedging future transactions.

Banco Montepio performs periodic effectiveness tests of the hedging relationships.

The analysis of the hedging derivatives' portfolio, by residual maturity, in financial years 2021 and 2020, is as follows:

(Euro thousand)

	2021			
	By matutity date			
	Notional		Fair value	
	October 2022	Total	October 2022	Total
Fair value hedge derivative with interest rate risk:				
Interest rate swap	750 000	750 000	5 076	5 076

(Euro thousand)

	2020			
	By maturity date			
	Notional		Fair value	
	October 2022	Total	October de 2022	Total
Fair value hedge derivative with interest rate risk:				
Interest rate swap	750 000	750 000	10 153	10 153
Fair value hedge derivative with interest rate risk exchange differences:				
Currency rate swap	27 830	27 830	143	143
	777 830	777 830	10 296	10 296

As at 31 December 2021, the fair value hedging operations can be analysed as follows:

(Euro thousand)

2021							
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value(1)**	**Changes in fair value of derivative in the financial year**	**Hedged item fair value(2)**	**Changes in fair value of the hedged item in the financial year (2)**
Interest rate swap	Debt securities issued	Interest rate	750 000	5 076	(5 077)	(3 099)	4 468
Currency swap	Equity	Exchange rate	-	-	(143)	-	-
			750 000	5 076	(5 220)	(3 099)	4 468

(1) Includes accrued interest.
(2) Attributable to the hedge risk.

As at 31 December 2020, the fair value hedging operations can be analysed as follows:

(Euro thousand)

2020							
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value derivative (1)**	**Changes in fair value of derivative in the financial year**	**Fair value of hedge element (2)**	**Changes in fair value of hedged element in the financial year (2)**
Interest rate swap	Debt securities issued	Interest rate	750 000	10 153	(448)	(7 567)	1 657
Currency swap	Equity	Exchange rate	27 830	143	143	-	-
			777 830	10 296	(305)	(7 567)	1 657

(1) Includes accrued interest.
(2) Attributable to the hedge risk.

25 Other financial assets at amortized cost

This caption is presented as follows:

(Euro thousand)

	2021	2020
Fixed income securities		
Bond issued by public entities		
Domestic	669 851	1 360 498
Foreign	2 302 749	948 159
Bonds issued by other entities		
Foreign	562 588	1 677 982
	3 535 188	3 986 639
Impairment for other financial assets at amortised cost	(4 619)	(4 690)
	3 530 569	3 981 949

The fair value of the portfolio of Other financial assets at amortized cost is disclosed in note 45.

The caption Other financial assets at amortized cost, as at 31 December 2021, can be analysed as follows:

(Euro thousand)

Securities	Issue date	Maturity date	Interest rate	Nominal value	Book value
Pelican Mortgages 07/15-09-2054_3_A	30 March 2007	15 September 2054	-	78 693	78 693
Pelican Mortgages 07/15-09-2054_3_B	30 March 2007	15 September 2054	-	2 822	2 822
Pelican Mortgages 07/15-09-2054_3_C	30 March 2007	15 September 2054	-	2 377	2 377
Pelican Mortgages 07/15-09-2054_3_D	30 March 2007	15 September 2054	0.072%	1 263	1 263
Pelican Mortgages 08/15-09-2056_4_A	20 May 2008	15 September 2056	-	323 657	323 657
Pelican Mortgages 08/15-09-2056_4_B	20 May 2008	15 September 2056	-	28 651	28 651
Pelican Mortgages 08/15-09-2056_4_C	20 May 2008	15 September 2056	-	30 974	30 974
Pelican Mortgages 08/15-09-2056_4_D	20 May 2008	15 September 2056	0.297%	12 908	12 908
Pelican Mortgages 07/15-09-2056_4_E	20 May 2008	15 September 2056	0.647%	14 201	14 201
Aqua Mortgages 08/15-12-2063_1_A	9 December 2008	15 December 2063	-	49 447	49 447
Aqua Mortgages 08/15-12-2063_1_B	9 December 2008	15 December 2063	-	17 595	17 595
OT 1.950% 15JUN2029	16 January 2019	15 June 2029	1.950%	143 500	163 696
OT 0.700% 15OCT2027	8 April 2020	15 October 2027	0.700%	25 000	25 919
OT 0.475% 18OCT2030	15 January 2020	18 October 2030	0.475%	210 000	213 381
OT 2.250% 18APR2034	18 April 2018	18 April 2034	2.250%	15 000	18 620
OT 0.900% 12OCT2035	8 July 2020	12 October 2035	0.900%	95 000	100 181
OT 3,875% 15-FEB-2030	10 September 2014	15 February 2030	3.875%	105 000	139 515
OT 1.000% 12APR2052	0 January 1900	12 April 2052	1.000%	7 500	7 512
BONOS 0,350% 30JUL2023	22 maio 2018	30 July 2023	0.350%	166 000	165 837
ADIF 1.875% 28JAN2025	4 March 2015	28 January 2025	1.875%	15 200	16 143
BONOS 1.950% 30JUL2030	1 March 2017	30 July 2030	1.950%	85 000	98 114
BONOS 5.350% 30JUL2033	24 March 2015	30 July 2033	2.350%	65 000	80 512
BTP 1.650% 01MAR2032	1 August 2016	1 March 2032	1.650%	34 000	37 014
BTP 1,250% 01-DEC-2026	1 August 2018	1 December 2026	1.250%	70 000	73 376
BTP 2,800% 01DEC2028	17 September 2018	1 December 2028	2.800%	153 800	178 656
BTP 2,500% 15NOV2025	2 September 2019	15 November 2025	2.500%	33 000	35 994
BTP 1.350% 01APR2030	10 June 2020	1 April 2030	1.350%	82 000	86 993
BTP 1.650% 01DEC2030	16 July 2020	1 December 2030	1.650%	34 000	36 850
BTP 0.950% 15SEP2027	1 September 2020	15 September 2027	0.950%	105 000	108 768
BTP 0.500% 01FEB2026	1 October 2020	2 February 2026	0.500%	14 500	14 725
BTP 0.900% 01APR2031	11 November 2020	1 April 2031	0.900%	36 000	36 542
BONOS 0.500% 30APR2030	21 January 2020	30 April 2030	0.500%	105 000	107 993
BONOS 1,250% 31OCT2030	30 April 2020	31 October 2030	1.250%	80 000	86 910
BONOS 0.000% 31MAY2024	12 January 2021	31 May 2024	0.000%	250 000	252 207
BONOS 0.100% 30APR2031	20 January 2021	30 April 2031	0.100%	115 000	112 782
BONOS 0,500% 31OCT2031	29 June 2021	31 October 2031	0.500%	50 000	51 376
GREECE 3,750% 30JAN2028	5 December 2017	30 January 2028	3.750%	12 000	14 987
IRELAND 0,000% 18OCT2031	12 January 2021	18 October 2031	0.000%	103 000	101 804
BTP 0,250% 15MAR2028	18 January 2021	15 March 2028	0.250%	105 000	105 136
BTP 0.000% 15APR2024	15 March 2021	15 April 2024	-	495 000	496 438
				3 372 088	3 530 569

The caption Other financial assets at amortized cost, as at 31 December 2020, can be analysed as follows:

(Euro thousand)

Securities	Issue date	Maturity date	Interest rate	Nominal value	Book value
Pelican Mortgages 07/15-09-2054_3_A	30 March 2007	15 September 2054	-	99 598	99 598
Pelican Mortgages 07/15-09-2054_3_B	30 March 2007	15 September 2054	-	3 572	3 572
Pelican Mortgages 07/15-09-2054_3_C	30 March 2007	15 September 2054	-	3 008	3 008
Pelican Mortgages 07/15-09-2054_3_D	30 March 2007	15 September 2054	0.132%	1 598	1 598
Pelican Mortgages 08/15-09-2056_4_A	20 May 2008	15 September 2056	-	357 937	357 937
Pelican Mortgages 08/15-09-2056_4_B	20 May 2008	15 September 2056	-	31 686	31 686
Pelican Mortgages 08/15-09-2056_4_C	20 May 2008	15 September 2056	0.057%	34 255	34 256
Pelican Mortgages 08/15-09-2056_4_D	20 May 2008	15 September 2056	0.357%	14 273	14 275
Pelican Mortgages 07/15-09-2056_4_E	20 May 2008	15 September 2056	0.707%	15 700	15 705
Pelican Mortgages 09/15-12-2061_5_A	25 March 2009	15 December 2061	-	314 320	314 320
Pelican Mortgages 09/15-12-2061_5_B	25 March 2009	15 December 2061	-	110 086	110 086
Pelican Mortgages 09/15-12-2061_5_C	25 March 2009	15 December 2061	0.357%	15 525	15 528
Pelican Mortgages 09/15-12-2061_5_D	25 March 2009	15 December 2061	0.707%	15 525	15 530
Aqua Mortgages 08/15-12-2063_1_A	9 December 2008	15 December 2063	-	57 094	57 094
Aqua Mortgages 08/15-12-2063_1_B	9 December 2008	15 December 2063	-	18 609	18 609
Pelican Mortgages 12/02-12-2063_6_A	5 March 2012	2 December 2063	-	292 880	292 880
Pelican Mortgages 12/02-12-2063_6_B	5 March 2012	2 December 2063	-	250 000	250 000
PEL FIN A 12/28	7 May 2014	25 June 2028	3.000%	26 242	26 247
PEL FIN B 12/28	7 May 2014	25 June 2028	-	16 051	16 055
OT 4,95% 25-OCT-2023	10 June 2008	25 October 2023	4.950%	188 000	211 802
OT APR21	23 February 2005	15 April 2021	3.850%	120 000	124 318
OT 2,200% 17-OCT-2022	9 September 2015	17 October 2022	2.200%	212 500	220 012
OT 5.65% 15-FEV-2024	14 May 2013	15 February 2024	5.650%	109 500	132 714
OT 1.950% 15JUN2029	16 January 2019	15 June 2029	1.950%	143 500	166 120
OT 0.700% 15OCT2027	8 April 2020	15 October 2027	0.700%	25 000	26 060
OT 0.475% 18OCT2030	15 January 2020	18 October 2030	0.475%	210 000	213 639
OT 2.250% 18APR2034	18 April 2018	18 April 2034	2.250%	15 000	18 885
OT 0.900% 12OCT2035	8 July 2020	12 October 2035	0.900%	95 000	100 712
OT 3,875% 15-FEB-2030	10 September 2014	15 February 2030	3.875%	105 000	143 261
BONOS 0,750% 30JUL2021	8 March 2016	30 July 2021	0.750%	35 000	35 219
BONOS 0,350% 30JUL2023	22 May 2018	30 July 2023	0.350%	166 000	165 727
BOTS ZERO COUPON 14APR2021	14 April 2020	14 April 2021	-	25 000	24 927
BOTS ZERO COUPON 14MAY2021	14 May 2020	14 May 2021	-	45 000	44 871
BOTS ZERO COUPON 14JUN2021	12 June 2020	14 June 2021	-	104 000	103 842
ADIF 1.875% 28JAN2025	4 March 2015	28 January 2025	1.875%	15 200	16 366
BONOS 1.950% 30JUL2030	1 March 2017	30 July 2030	1.950%	20 000	23 665
BONOS 5.350% 30JUL2033	24 March 2015	30 July 2033	5.350%	65 000	81 812
BTP 1.650% 01MAR2032	1 August 2016	1 March 2032	1.650%	34 000	37 286
BTP 1,250% 01-DEC-2026	1 August 2018	1 December 2026	1.250%	70 000	74 049
BTP 2,800% 01DEC2028	17 September 2018	1 December 2028	2.800%	53 800	63 566
BTP 2,500% 15NOV2025	2 September 2019	15 November 2025	2.500%	33 000	36 743
BTP 1.350% 01APR2030	10 June 2020	1 April 2030	1.350%	82 000	87 553
BTP 1.650% 01DEC2030	16 July 2020	1 December 2030	1.650%	34 000	37 159
BTP 0.950% 15SEP2027	1 September 2020	15 September 2027	0.950%	60 000	62 296
BTP 0.500% 01FEB2026	1 October 2020	2 February 2026	0.500%	14 500	14 774
BTP 0.900% 01APR2031	11 November 2020	1 April 2031	0.900%	36 000	36 587
				3 793 959	3 981 949

Other financial assets at amortized cost are recognized in accordance with the accounting policy described in note 1 b).

As at 31 December 2021, the loan obtained from the EIB is collateralized by Portuguese, Italian, Spanish, Irish and Greek sovereign bonds with a nominal value of Euro 537,614 thousand (31 December 2020: Euro 120,000 thousand by Portuguese and Spanish sovereign bonds), provided as collateral and recorded in the caption Other financial assets at amortized cost, as disclosed in note 32.

As at 31 December 2021, the nominal value of the assets pledged as collateral to the European Central Bank under liquidity-providing operations amounts to Euro 3,778,298 thousand (31 December 2020: Euro 1,991,814 thousand) after applying a haircut.

As at 31 December 2021, the nominal value of the securities given in guarantee to the Deposits' Guarantee Fund amounted to Euro 24,000 thousand (31 December 2020: Euro 23,000 thousand) as per note 44.

Securities pledged as collateral to the Portuguese Securities Market Commission ("CMVM") within the scope of the Investors' Compensation System, recorded under Other financial assets at amortized cost, have a nominal value of Euro 1,000 thousand, as at 31 December 2021 and 2020.

The movements in Impairment of other financial assets at amortized cost are analysed as follows:

		(Euro thousand)
	2021	**2020**
Opening balance	4 690	1 750
Charge for the year net of reversals	1 845	4 556
Utilization	(1 916)	(1 616)
Closing balance	4 619	4 690

26 Investments in associated companies and Non-current assets held for sale

This caption is presented as follows:

		(Euro thousand)
	2021	**2020**
Investments in associated companies		
Montepio Holding, S.G.P.S., S.A.	413 750	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 200	3 200
Montepio Gestão de Activos Imobiliários, A.C.E.	637	637
CESource, A.C.E.	-	-
	417 587	417 587
Impairment of investments in associated companies	(97 939)	(97 939)
	319 648	319 648
Non-current Assets held for sale		
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	8 997	8 997
Gerês *Secured Operation*	38 836	-
	47 833	8 997

Within the scope of the decisions taken by the Management and Administration Bodies of Banco Montepio, namely the analysis of a set of strategic options for Banco Montepio Geral Cabo Verde – Em Liquidação as a result of the change in the legal framework for banking entities operating in Cape Verde, the financial shareholding in this entity was reclassified to Non-current assets held for sale.

In view of this legal imposition, the competent Bodies of the Banco Montepio Group deliberated to proceed with the voluntary dissolution and liquidation of Banco Montepio Geral Cabo Verde – Em Liquidação, having, for this, initiated the respective procedures with the Cape-Verdean authorities.

Banco Montepio analysed the impairment of investments made in its subsidiaries, considering the recoverable value of the businesses developed by each one. The recoverable value, in accordance with the accounting policy described in this report, was determined by the higher of fair value less costs to sell and value in use, in the case of continuing subsidiaries, and fair value less costs to sell, in the case of discontinued subsidiaries.

The value in use was determined based on the business plan approved by management and, depending on the specificity of the businesses and the markets in which Banco Montepio's subsidiaries operate, differentiated levels for the discount rate, for the solvency levels required for the banking activity and for the growth of net income in perpetuity, were also considered.

The verification of the assumptions used and the evolution of the macroeconomic and market conditions may result in the change of these same assumptions and, consequently, in the recoverable value determined for the subsidiaries object of this analysis.

The financial statements have been prepared on the assumption of the continuity of the respective operations, which depend on the future evolution of the assumptions underlying the recoverable value of its financial shareholdings as well as on the success of the initiatives to be taken by the Board of Directors to reinforce the net equity.

Montepio Holding, S.G.P.S., S.A.

As a result of the analyses carried out, we concluded on the need to recognize, in the financial statements as at 31 December 2021 and 2020, an impairment in Banco Montepio in the amount of Euro 97,939 thousand related to the financial shareholding held in Montepio Holding, S.G.P.S., S.A. (Montepio Holding). Montepio Holding holds financial shareholdings of 100% of the share capital and voting rights of Montepio Investimento, S.A., Montepio Crédito – Instituição Financeira de Crédito, S.A. and Ssagincentive, Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. and a shareholding of 80.22% in Finibanco Angola, S.A. The valuation of Montepio Holding was made considering that the best estimate for determining its fair value corresponded to the amount of its equity adjusted for the fair value effect of assets and liabilities recorded at amortized cost or historical cost, except for the shareholding in Montepio Investimento, S.A. (Banco Empresas Montepio) which considered the business plan for the next triennium.

The movements in impairment of investments in subsidiaries and associates are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	97 939	85 576
Charge for the year	-	12 363
Closing balance	97 939	97 939

The information related to subsidiaries and associates is presented in the following table:

(Euro thousand)

	Number of shares	% Stake	Unit value	Acquisition cost
31 December de 2021				
Investments in associated companies				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100.00%	1.00	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20.00%	5.00	3 200
Montepio - Gestão de Activos Imobiliários, A.C.E.	636 924	26.00%	1.00	637
CESource, A.C.E.	-	18.00%	-	-
				417 587
Non-current Assets held for sale				
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	99 200	100.00%	90.69	8 997
31 December de 2020				
Investments in associated companies				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100.00%	1.00	413 750
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20.00%	5.00	3 200
Montepio - Gestão de Activos Imobiliários, A.C.E.	636 924	26.00%	1.00	637
CESource, A.C.E.	-	18.00%	-	-
				417 587
Non-current Assets held for sale				
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	99 200	100.00%	90.69	8 997

The subsidiaries and associates of Banco Montepio are listed in note 54.

On 29 December 2021, the Bank signed a promissory contract for the purchase and sale of a set of non-performing loans (“NPLs”) with guarantee (Secured tranche) and a set of properties received in recovery of credit, including price deposits. Although the conditions set out in IFRS 9 to ensure their derecognition from the balance sheet as at 31 December 2021 were not met, it was determined, however, that the conditions set out in IFRS 5 for their transfer to Non-current assets held for sale were met given that the sale of the operation is expected to occur in the short term.

The global gross value and the impairment losses of the assets included in the Gerês Secured operation are detailed as follows:

(Euro thousand)

	Loans and advances on balance	Price deposits	Property received in deed	Financial assets at fair value through profit or loss	Total
Gross value	82 336	1 314	1 613	114	85 377
Impairment	(45 568)	(904)	(69)	-	(46 541)
Net value	36 768	410	1 544	114	38 836

27 Other tangible assets

This caption is presented as follows:

	2021	2020
	(Euro thousand)	
Investments		
Real estate		
For own use	171 357	206 236
Leasehold improvements in rented building	28 301	28 851
Equipment		
IT equipment	86 015	94 614
Fixtures	30 626	33 452
Furniture	17 417	18 189
Securityu equipment	4 222	7 686
Machinery and tools	2 691	2 697
Transportation equipment	298	472
Other equipment	1	1
Works of art	2 870	2 870
Assets in operating leases	58	74
Righ-of-use assets		
Real estate	23 220	26 160
Motor vehicles	6 907	6 948
Other tangible assets	539	1 844
Work in progress	785	750
	375 307	430 844
Accumulated depreciation		
Charge for the year	(14 857)	(16 716)
Accumulated charge in previous years	(176 172)	(186 348)
	(191 029)	(203 064)
Impairment of Other Tangible Assets	(480)	(11 941)
	183 798	215 839

The caption Right-of-use assets corresponds, essentially, to real estate (branches and central buildings) and to the car fleet, being depreciated according to the lease term of each agreement, as indicated in note 1 i).

The movements in the caption Other tangible assets, during financial year 2021, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	206 236	150	90	(34 939)	171 357
Leasehold improvements in rented bu	28 851	-	550	-	28 301
Equipment					
IT equipment	94 614	2 545	11 149	5	86 015
Fixtures	33 452	31	3 917	1 060	30 626
Furniture	18 189	3	775	-	17 417
Securityu equipment	7 686	21	3 485	-	4 222
Machinery and tools	2 697	1	7	-	2 691
Transportation equipment	472	2	176	-	298
Other equipment	1	-	-	-	1
Works of art	2 870	-	-	-	2 870
Assets in operating lease	74	-	16	-	58
Righ-of-use assets	-				-
Real estate	26 160	-	2 286	(654)	23 220
Motor vehicles	6 948	370	376	(35)	6 907
Other tangible assets	1 844	-	1 305	-	539
Work in progress	750	1 101	-	(1 066)	785
	430 844	4 224	24 132	(35 629)	375 307
Accumulated depreciation					
Real estate					
For own use	17 158	2 716	3	(3 056)	16 815
Leasehold improvements in rented bu	27 602	478	486	-	27 594
Equipment					
IT equipment	90 910	2 599	11 150	-	82 359
Fixtures	22 541	1 610	3 772	-	20 379
Furniture	17 733	118	775	-	17 076
Securityu equipment	7 467	112	3 485	-	4 094
Machinery and tools	2 570	37	7	-	2 600
Transportation equipment	438	8	176	-	270
Other equipment	1	-	-	-	1
Assets in operating lease	74	-	16	-	58
Righ-of-use assets					
Land and buildings	12 134	5 473	2 286	-	15 321
Motor vehicles	2 624	1 706	376	-	3 954
Other tangible assets	1 812	-	1 304	-	508
	203 064	14 857	23 836	(3 056)	191 029
Impairment of Other Tangible Assets	(11 941)				(480)
	215 839				183 798

The movements in the caption Other tangible assets, during financial year 2020, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Disposals	Transfers	Closing balance
Investments					
Real estate					
For own use	206 292	-	56	-	206 236
Leasehold improvements in rented bu	28 851	-	-	-	28 851
Equipment					
IT equipment	94 056	1 202	644	-	94 614
Fixtures	31 766	82	-	1 604	33 452
Furniture	18 425	49	280	(5)	18 189
Securityu equipment	7 607	89	-	(10)	7 686
Machinery and tools	2 698	2	3	-	2 697
Transportation equipment	601	-	129	-	472
Other equipment	1	-	-	-	1
Works of art	2 870	-	-	-	2 870
Assets in operating lease	109	-	35	-	74
Righ-of-use assets	-			-	-
Real estate	27 658	33	1 547	16	26 160
Motor vehicles	5 339	1 771	157	(5)	6 948
Other tangible assets	1 877	-	-	(33)	1 844
Work in progress	1 228	1 128	-	(1 606)	750
	429 378	4 356	2 851	(39)	430 844
Accumulated depreciation					
Real estate					
For own use	14 083	3 079	4	-	17 158
Leasehold improvements in rented bu	27 019	583	-	-	27 602
Equipment					
IT equipment	88 477	3 076	643	-	90 910
Fixtures	20 999	1 542	-	-	22 541
Furniture	17 896	117	280	-	17 733
Securityu equipment	7 336	131	-	-	7 467
Machinery and tools	2 530	43	3	-	2 570
Transportation equipment	560	8	130	-	438
Other equipment	1	-	-	-	1
Assets in operating lease	109	-	35	-	74
Righ-of-use assets					
Land and buildings	7 124	6 486	1 476	-	12 134
Motor vehicles	1 130	1 651	157	-	2 624
Other tangible assets	1 812	-	-	-	1 812
	189 076	16 716	2 728	-	203 064
Impairment of Other Tangible Assets	-				(11 941)
	240 302				215 839

The movements in impairment of Other tangible assets are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	11 941	-
Charge for the year	5 912	11 941
Reversal for the year	(269)	-
Transfers	(17 104)	-
Closing balance	480	11 941

The caption Transfers relates to branches closed that were transferred to Other assets – Assets received in recovery of credit, as described in note 30.

28 Intangible assets

This caption is presented as follows:

	(Euro thousand) 2021	2020
Investments		
Software	169 039	150 662
Other Intagible Assets	2 049	2 049
Work in progress	6 210	2 761
	177 298	155 472
Accumulated depreciation		
Charge for the year	(17 455)	(15 157)
Accumulated charge in previous years	(122 369)	(107 211)
	(139 824)	(122 368)
	37 474	33 104

The movements in the caption Intangible assets, during financial year 2021, are analysed as follows:

(Euro thousand)

	Opening balance	Acquisitions	Transfers	Closing balance
Cost				
Software	150 662	-	18 377	169 039
Other Intagible Assets	2 049	-	-	2 049
Work in progress	2 761	21 826	(18 377)	6 210
	155 472	21 826	-	177 298
Accumulated depreciation				
Software	122 368	17 455	1	139 824
	122 368	17 455	1	139 824
	33 104			37 474

The movements in the caption Intangible assets, during financial year 2020, are analysed as follows:

(milhares de euros)

	Opening balance	Acquisitions	Transfers	Closing balance
Cost				
Software	134 350	-	16 312	150 662
Other Intagible Assets	1 319	-	730	2 049
Work in progress	3 365	16 438	(17 042)	2 761
	139 034	16 438	-	155 472
Accumulated depreciation				
Software	107 212	15 157	(1)	122 368
	107 212	15 157	(1)	122 368
	31 822			33 104

29 Taxes

Deferred tax assets and liabilities, in financial years 2020 and 2019, can be analysed as follows:

(Euro thousand)

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Deferred taxes not dependent on future profitability						
Impairment on loans granted	42 625	44 095	-	-	42 625	44 095
Post-employment and long-term benefits	22 746	22 815	-	-	22 746	22 815
Tax Credit 2020	(4 319)	-	-	-	(4 319)	-
	61 052	66 910	-	-	61 052	66 910
Deferred taxes dependent on future profitability						
Financial instruments	21 745	22 110	(9 122)	(9 652)	12 623	12 458
Other tangible assets	-	-	(6)	(7)	(6)	(7)
Provisions/Impairment						
Impairment on loans granted	119 213	166 835	-	-	119 213	166 835
Other risks and charges	8 414	9 292	-	-	8 414	9 292
Impairment in securities and non-financial assets	2 967	3 653	-	-	2 967	3 653
Impairment in financial assets	2 323	1 788	-	-	2 323	1 788
Post-employment and long-term benefits	48 945	48 545	-	-	48 945	48 545
Other	-	130	-	-	-	130
Taxes losses carried forward	215 071	200 760	-	-	215 071	200 760
	418 678	453 113	(9 128)	(9 659)	409 550	443 454
Net deferred tax assets/(liabilities)	479 730	520 023	(9 128)	(9 659)	470 602	510 364

Special regime applicable to deferred tax assets

On 6 July 2016, the Extraordinary General Meeting of Banco Montepio was held, approving the adherence to the Special Regime Applicable to Deferred Tax Assets (“REAID”), approved by Law no. 61/2014, of 26 August, which is applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to the part of the costs and negative equity changes associated with same. In accordance with Law no. 23/2016, of 19 August, the REAID is not applicable to costs and negative equity changes recorded in tax periods beginning on or after 1 January 2016 nor to their associated deferred tax assets.

Law no. 61/2014, of 26 August, determines an optional framework with a subsequent waiving option, in accordance with which, in some cases (i.e. net loss in separate annual accounts or in settlement accounts on the voluntary winding-up, insolvency decided by law or withdrawal of the respective authorization), there will be a conversion into tax credits of deferred tax assets that resulted from the non-deduction of costs and of deductions of asset values resulting from credit impairment losses and post-employment and long-term employment benefits. In such case, a special reserve corresponding to 110% of their amount shall be constituted, requiring the simultaneous constitution of conversion rights attributable to the State in the same amount. These rights can be acquired by the shareholders upon payment to the State of the same amount. Tax credits may be offset against tax debts of the beneficiaries (or of an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. The recovery of deferred tax assets covered by the regime approved by Law no. 61/2014, of 26 August, is not dependent upon future profits.

The aforementioned legal framework was regulated by Ordinance no. 259/2016, of 4 October, on the control and use of tax credits, and by Ordinance no. 293-A/2016, of 18 November, the latter altered by Ordinance no. 272/2017, of 13 September, determining the conditions and procedures for the acquisition of the referred State rights by the shareholders. According to this legislation, those rights are, among other factors, subject to a right of acquisition by the shareholders on their inception date, exercisable in periods to be established by the Board of Directors up to 10 years after the respective constitution, with the issuing bank depositing in the State's name the full amount corresponding to the rights issued, within 3 months from the confirmation date of the deferred tax asset conversion into tax credit. This deposit shall be redeemed when and to the extent that the State rights are acquired by the shareholders or exercised by the State.

Bearing in mind that Banco Montepio recorded a net accounting loss in 2020, and following the approval of the annual accounts by the corporate bodies and the application of the referred REAID, in financial year 2021 there was a conversion into tax credits of deferred tax assets that resulted from the non-deduction of expenses and of deductions in respect of the value of assets resulting from impairment losses on credits and of post-employment and long-term employee benefits, and, a special reserve corresponding to 110% of its amount was constituted for this purpose (see note 42).

Hence, under the terms of article 8 of the annex to Law no. 61/2014, of 26 August, Banco Montepio constituted, in financial year 2021, a special reserve in the amount of Euro 4,750 thousand, that corresponds a tax credit of Euro 4,319 thousand, and which, as at 31 December 2021, is an integral part of the total current tax assets. These amounts may be changed in the context of the certification that the Tax and Customs Authority will carry out.

Deferred taxes are determined using the tax rates that are expected to be in force on the date of reversal of the timing differences, which correspond to the rates approved or substantially approved in the balance sheet date.

The caption Post-employment and long-term employee benefits includes the amount of Euro 2,317 thousand (31 December 2020: Euro 2,554 thousand) related to deferred taxes associated with the cost generated by the transfer of liabilities with pensioners to the General Social Security System.

The cost generated by the transfer of liabilities with pensioners to the General Social Security System is deductible for tax purposes, in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of the pensioners whose liabilities were transferred (20 years in the case of Banco Montepio).

In financial year 2021, deferred taxes associated with Post-employment and long-term employee benefits include the amount of Euro 30,099 thousand (2020: Euro 31,479 thousand) related to post-employment and long-term benefits in excess of the existing limits.

In financial years 2021 and 2020, and in function of (i) the tax rates in force, (ii) the expectation of the conversion into tax-accepted costs and profits, and (iii) the prospects of tax profits or tax losses in each one of the subsequent periods, the rate (considering the base rate and the surcharges) used by Banco Montepio to calculate deferred taxes, depending on the specific cases associated with timing differences or tax loss carry-forwards, corresponds, respectively, to 30.5% and 21.0%.

Analysis of the recoverability of deferred tax assets

Deferred tax assets related to losses carried forward are recognized only if the existence of future taxable income is probable, for which reason the uncertainty associated with the recoverability of the tax losses carried forward is considered in the calculation of deferred tax assets.

As referred in the accounting policy described in note 1 s), and in accordance with the requirements defined in IAS 12, the deferred tax assets recognized in Banco Montepio's financial statements have an underlying high expectation of recoverability. The assessment of the recoverability of deferred tax assets is based on the business plan used to draw up the budget and considers the expectations regarding the impacts of the pandemic at the level of the financial markets, economic activity, and the evolution of credit risk levels.

The recovery of the profitability, liquidity and capital levels of Banco Montepio, is sought from four strategic focuses, having as the first condition the sustainability of the capital position, the growth in strategic business areas, with lower capital consumption and lower risk, the improvement of the efficiency and profitability, with a focus on cost control, and the simplification of the organizational structure and processes.

In this context, the prospects of sustainable improvements in the profitability levels derive from the following principles:

- Reduction of operating costs, eliminating redundancies, taking advantage of synergies, and simplifying the organizational structure.
- Increase in the commercial network business with growth in credit portfolios with less risk and less capital consumption, based on an appropriate management of return on capital, exploring the potential for growth in the complementary margin in cross-selling and new business areas, and leveraging the potential of the Customer base of Banco Montepio, benefiting from the unique positioning of an almost bicentennial and mutualistic institution.
- The strategy outlined reflects a favourable effect at the level of net interest income, as well as of commissions, the latter evidencing the impacts of the management of the price list to adjust same to Banco Montepio's value proposal for each segment, defined in function of its life cycle and financial profile, as well as in terms of the growth of its "first bank" quota, leading to the progressive increase of the Customer base with a greater transactionality and level of commitment.
- Funding cost management, considering the adequacy of the liquidity position and sources of financing vis-à-vis market conditions. The increase in the deposits' portfolio reflects the objective of strengthening customer resources as the main source of financing for the activity, together with the gradual reduction in the cost of deposits, namely through the mix between demand and time deposits.
- Deleveraging in non-strategic assets with the objective of enhancing the profitability of the assets, either through the sustained decline in non-performing credit based on the improvement of credit recovery processes and the sale of portfolios, or through the reduction of properties held for trading.
- Positive evolution of the loan portfolio's risk profile in the new origination component, due to the change in the credit granting policy, as well as the growth strategy focus on business segments with lower risk, with favourable impacts in terms of the cost of the prospective risk and the return on the allocated capital.
- Improvement in efficiency and in the cost-to-income ratio, supported essentially by the reduction of operating costs, based on the rationalization and implementation of a set of measures outlined by the Board of Directors, as well as by the effect of the growth in the core banking product.

Following this assessment, and with reference to financial years 2021 and 2020, Banco Montepio recognized all deferred tax assets; hence, there are no deferred tax assets to be recognized.

In addition, a sensitivity analysis was carried out considering a scenario in which profit or loss before tax grown at a rate 10% lower than that considered in the aforementioned projections, with no impact at the level of deferred taxes being determined.

The deferred tax assets associated with tax losses carried forward, by expiry year, are presented as follows:

(Euro thousand)

Expiry date	2021	2020
2026	11 966	13 106
2029	46 542	44 439
2030	127 998	128 830
2032	15 629	14 385
2033	12 936	-
	215 071	200 760

The expiry years indicated above reflect that stipulated in the Supplementary State Budget for 2020 (Law no. 27-A/2020, of 24 July), under which the tax losses assessed in the tax periods of 2020 and 2021 are now deductible in one or more of the 12 subsequent tax periods (instead of the carry-forward period of 5 tax periods) and, for the same tax periods 2020 and 2021, the deduction of tax losses carried forward may amount to 80% of the taxable income (previously the limit was 70%). In addition, the counting of the period to deduct tax losses carried forward until tax period 2019, inclusive, is suspended during the tax periods of 2020 and 2021.

Tax recognized in net income/(loss) and in reserves during financial years 2021 and 2020 originated as follows:

(Euro thousand)

	2021		2020	
	Charged to net income/(loss)	Recognized in reserves and retained earnings	Recognized in net income/(loss)	Recognized in reserves and retained earnings
Financial instruments	172	(7)	(949)	6 868
Impairment/Provision	(45 637)	-	(1 582)	-
Post-employment and long-term benefits	5 734	(5 533)	5 763	8 875
Tax losses carried forward	14 310	-	29 094	-
Deferred taxes/recognized as profit/(losses)	(25 421)	(5 540)	32 326	15 743
Current taxes	1 700	-	1 939	-
	(23 721)	(5 540)	34 265	15 743

The reconciliation of the effective tax rate, as regards the amount recognized in the income statement, can be analysed as follows:

(Euro thousand)

	2021		2020	
	%	Amount	%	Amount
Profit/(loss) before income tax		15 818		(150 886)
Income tax based on the current nominal tax rate	(21.0)	(3 322)	(20.8)	31 318
Fiscal Profit/(loss)	(0.9)	(135)	-	-
Banking sector extraordinary contribution	(12.7)	(2 003)	1.4	(2 177)
Post-employement benefits and Pension fund	(0.1)	(8)	1.4	(2 119)
Taxable provisions/impairment	(34.4)	(5 435)	6.1	(9 273)
Autonomous taxation	(3.5)	(561)	0.5	(812)
Corrections to previous periods	2.2	344	(1.8)	2 752
Effect of differences in income tax for the year	(93.3)	(14 761)	(0.6)	920
Deferred tax from taxes losses carried forward	(17.9)	(2 828)	(9.7)	14 709
Other	31.5	4 988	0.7	(1 053)
Income tax for the year	(150.0)	(23 721)	(22.7)	34 265

Law no. 98/2019, of 4 September, amended the rules applicable to impairment losses recognized as at 1 January 2019, as well as impairment losses recorded in tax periods beginning before 1 January 2019 and not yet accepted for tax purposes, contemplating a maximum adjustment period of 5 years, i.e., until 31 December 2023.

Banco Montepio has not opted for the application of the new tax regime on impairment, for which reason, for the current and deferred tax assessment for financial years 2021 and 2020, it estimated its taxes based on the regime that was in force until 31 December 2018.

The Tax Authority can review Banco Montepio's taxable income during a period of four years, except in the event of the carry-forward of tax losses, as well as any other deduction or tax credit, in which case the relevant period is the period of the exercise of that right.

Banco Montepio was subject to inspection by the Tax Authority up to and including the 2019 tax period.

In 2018, Banco Montepio became the dominant company of the Tax Group subject to corporate income tax under the Special Taxation Regime of Groups of Companies ("RETGS"), which former dominant company was Montepio Holding, S.G.P.S., S.A.

In this context, the Group considers that the effects of the calculation of the taxable income according to RETGS are reflected in the amount of the current tax of the period of each entity, including the effect on the calculation of the current tax of the period arising from the use of tax losses generated by another entity of the Group.

The caption Current tax assets, in the amount of Euro 6,539 thousand (31 December 2020: Euro 2,313 thousand) includes the amount of Euro 4,319 thousand related to the tax credit amount for financial year 2020 determined in the scope of the REAID and IRC recoverable in the amount of Euro 2,221 thousand, of which, Euro 2,194 thousand (31 December 2020: Euro 105 thousand) relates to payments on account, additional payments on account and special payments on account.

30 Other assets

This caption is presented as follows:

	(Euro thousand)	
	2021	**2020**
Assets received in recovery of credit	571 228	649 807
Post-employment benefits	8 961	-
Supplies - Montepio Holding	130 019	127 708
Other debtors	36 780	35 109
Sundry debtors	30 669	7 320
Price deposits	11 492	11 740
Bonifications to be received from the Portuguese Government	10 521	8 054
Deferred costs	2 978	3 179
Other amounts receivable	2 548	3 289
	805 196	846 206
Impairment for assets received in recovery of credit	(133 653)	(126 342)
Impairment for other assets	(23 358)	(25 840)
	648 185	694 024

The caption Assets received in recovery of credit is presented as follows:

	(Euro thousand)	
	2021	**2020**
Assets received in recovery of credit	571 228	649 807
Impairment for assets received in recovery of credit	(133 653)	(126 342)
	437 575	523 465

The assets included in the caption Assets received in recovery of credit are accounted for in accordance with the accounting policy described in note 1 h).

The caption Assets received in recovery of credit includes the amount of Euro 1,218 thousand (31 December 2020: Euro 1,289 thousand) related to equipment resulting from the resolution of loans and advances to customers' contracts and which are fully impaired.

The resolution of loans and advances to customers' contracts results from (i) the simple foreclosure, delivery with a repurchase option or delivery with a leasing option, being accounted for upon the celebration of the contract or the promissory contract to deliver the asset and the respective irrevocable power of attorney issued by the Customer in Banco Montepio's name; or (ii) the adjudication of the assets as a result of a judicial guarantee execution process, being accounted for based on the title of adjudication or the adjudication request after having registered the first pledge.

Banco Montepio has implemented a plan aimed at the immediate sale of the assets received in recovery of credit. According to Banco Montepio's expectation, it is intended that these assets be sold in a period under one year and that there is a strategy for their sale. Nevertheless, given current market conditions, in some situations it is not possible to materialize these sales within the expected time period. The referred caption includes, as at 31 December 2021, properties for which promissory contracts to buy and sell, in the amount of Euro 29,531 thousand (31 December 2020: Euro 28, 659 thousand), have already been celebrated.

The movements in financial years 2021 and 2020 in Assets received in recovery of credit are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	649 807	687 852
Acquisitions	26 737	24 452
Disposals	(132 581)	(63 039)
Other movements	(3 004)	542
Transfers	30 269	-
Closing balance	571 228	649 807

The movement in impairment of Assets received in recovery of credit are analysed as follows

(Euro thousand)

	2021	2020
Opening balance	126 342	124 184
Charge for the year	24 345	9 118
Reversal for the year	(120)	(1 208)
Utilization	(33 949)	(5 752)
Transfers	17 035	-
Closing balance	133 653	126 342

The caption Transfers refers to branches closed that were transferred to Other tangible assets as described in note 27.

The caption Post-employment and long-term benefits corresponds to the net value of assets and liabilities of the Pension Fund.

In addition to the impairment losses observed, Banco Montepio recognized in profit or loss, in financial year 2021, gains in the amount of Euro 13,053 thousand (31 December 2020: Euro 13,758 thousand), included in the caption Disposal of other assets in note 8.

As at 31 December 2021 and 2020, the caption Other debtors is analysed as follows:

(Eurot thousand)

	2021	2020
Supplementary capital contributions	14 910	14 910
Other	21 870	20 199
	36 780	35 109

The caption Supplementary capital contributions considers the value of supplementary capital contributions subscribed in the scope of a loans and advances sales operation in the amount of Euro 14,910 thousand, loans which are fully provided against as at 31 December 2021 and 2020.

The caption Other includes the amounts outstanding related to factoring and confirming operations, advances to suppliers and other debtors.

Additionally, the amount shown in Others, as at 31 December 2021, included in the caption Other debtors, also considers amounts receivable related to sales operations of non-productive assets, in accordance with the contracts signed, and also amounts invoiced by Banco Montepio with financial settlement in 2022.

As at 31 December 2021 and 2020, the caption Recoverable grants receivable from the Portuguese State are presented as follows:

		(Euro thousand)
	2021	**2020**
Bonifications overdue and not yet claimed	2 062	2 486
Bonifications claimed from state not yet settled	8 408	5 533
Bonifications processed and not yet claimed	51	35
	10 521	8 054

The caption Recoverable grants receivable from the Portuguese State corresponds to recoverable grants in respect of mortgage and SME loans, determined in accordance with the legal provisions applicable to low-interest loans. These amounts do not bear interest and are claimed monthly.

The movements in the impairment of Other assets are analysed as follows:

		(Euro thousand)
	2021	**2020**
Opening balance	25 840	26 597
Charge for the year	2 158	3 549
Reversal for the year	(3 238)	(2 732)
Utilization	(1 402)	(1 574)
Closing balance	23 358	25 840

As at 31 December 2021, the impairment of Other assets includes the exposures of Supplementary capital contributions (Euro 14,910 thousand), Deposits in court (Euro 5,004 thousand), Guarantee commissions (Euro 424 thousand), Factoring operations (Euro 498 thousand) and Other debtors (Euro 2,522 thousand).

The expectations regarding receipts associated with price deposits are regularly evaluated by the Credit Recovery Department, considering, namely, the status of each process and the information known/made available by the insolvency administrators. Consequently, the estimate of impairment associated with these price deposits is adjusted whenever necessary.

31 Deposits from central banks

This caption includes deposits obtained from the European System of Central Banks, which are collateralized by the pledge of securities from the portfolio of financial assets at fair value through other comprehensive income and the portfolio of other financial assets at amortized cost, as described in notes 23 and 25.

For the financing lines under the TLTRO III facility, the effective interest rate used in financial years 2021 and 2020 considers the interest rates applicable to each operation in the elapsed period and the Bank's estimate as to the achievement of the targets in respect of the change in the volume of eligible credit defined by the

ECB. This procedure implies the periodization of the interest rate of each of the TLTRO III operations by tranches.

As at 31 December 2021, these funds consist of five operations with maturities in March 2023, in the amount of Euro 280,375 thousand, in June 2023, in the amount of Euro 887,344 thousand, in September 2023, in the amount of Euro 187,367 thousand, in March 2024, in the amount of Euro 1,482,157 thousand and in December 2024, in the amount of Euro 54,822 thousand.

The operations are remunerated at the Banco de Portugal rates in force as at the contract date.

The analysis of the caption Deposits from central banks for the remaining period, as at 31 December 2021 and 2020, is presented as follows:

(Euro thousand)

	2021	2020
More than 6 months	2 892 065	1 372 546
	2 892 065	1 372 546

32 Deposits from other credit institutions

This caption is presented as follows:

(Euro thousand)

	2021			2020		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions						
Deposits repayable on demand	39 027	-	39 027	55 350	-	55 350
Term deposits	-	-	-	-	9 207	9 207
	39 027	-	39 027	55 350	9 207	64 557
Deposits from credit institutions abroad						
EIB loan	-	300 007	300 007	-	650 819	650 819
Deposits repayable on demand	59 866	-	59 866	55 973	-	55 973
Term deposits	-	-	-	-	116 487	116 487
Sales operations with repurchase agreement	-	190 616	190 616	-	109 712	109 712
Repos collaterais	-	2 125	2 125	-	-	-
Other deposits	6 979	-	6 979	9 280	-	9 280
	66 845	492 748	559 593	65 253	877 018	942 271
	105 872	492 748	598 620	120 603	886 225	1 006 828

The EIB loan, in the amount of Euro 300,000 thousand, has as its main objective the financing of SMEs, has a term of twelve years, a grace period of four years and constant amortizations and a rate of 0.019%.

The analysis of the caption Deposits from other credit institutions for the remaining period of the operations, is presented as follows:

(Euro thousand)

	2021	2020
Up to 3 months	292 313	227 813
3 to 6 months	-	114 416
6 months to 1 year	-	4 502
1 to 5 years	-	350 812
More than 5 years	300 007	300 007
Undetermined	6 300	9 278
	598 620	1 006 828

The amount of the EIB loan is collateralized by Portuguese, Spanish, Italian, Irish and Greek sovereign bonds in the nominal amount of Euro 537,614 thousand (31 December 2020: Euro 666,677 thousand by Portuguese, Greek, Spanish, Dutch, Italian, French and German sovereign bonds), recorded in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income and Other financial assets at amortized cost, as described in notes 21, 23 and 25, respectively.

33 Deposits from customers

This caption is presented as follows:

(Euro thousand)

	2021			2020		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	6 417 488	55	6 417 543	5 233 897	48	5 233 945
Term deposits	-	6 209 159	6 209 159	-	6 869 635	6 869 635
Saving accounts	-	134 123	134 123	-	127 809	127 809
Other deposits	20 496	-	20 496	318 034	-	318 034
Adjustments arising from fair value option operations	153	-	153	-	-	-
	6 438 137	6 343 337	12 781 474	5 551 931	6 997 492	12 549 423

Ordinance no. 180/94, of 15 December, gave rise to the incorporation of the Deposits Guarantee Fund to guarantee the reimbursement of funds deposited at credit institutions. The criteria to calculate the annual contributions to the referred Fund are defined in Banco de Portugal Notice no. 11/94, of 29 December.

The analysis of the caption Deposits from customers for the remaining period of the operations, is presented as follows:

(Euro thousand)

	2021	2020
Deposits repayable on demand	6 417 543	5 233 945
Term deposits and saving accounts		
Up to 3 months	1 460 502	1 714 007
3 to 6 months	1 103 629	1 234 285
6 months to 1 year	1 343 738	1 849 069
1 to 5 years	2 408 762	2 173 425
More than 5 years	26 651	26 658
	12 760 825	12 231 389
Other deposits		
Up to 3 months	20 496	318 034
Adjustments from fair value option operations	153	-
	12 781 474	12 549 423

In 2021, deposits from customers were remunerated at the average rate of 0.08% (2020: 0.15%).

34 Debt securities issued

The analysis of Debt securities issued has the following breakdown:

(Euro thousand)

	2021	2020
Cash bonds	-	3 123
Covered bonds	1 215 119	1 218 375
	1 215 119	1 221 498

The fair value of the debt securities issued is presented in note 45.

In 2020, the caption Debt securities issued includes issues of cash bonds recognized at fair value through profit or loss, in the amount of Euro 3,123 thousand, in accordance with internal valuation techniques and considering, mainly, observable market data. According to the hierarchy of valuation sources, as laid down in IFRS 13, these instruments are categorized in Level 2.

The financial liabilities at fair value through profit or loss included in this caption are revalued in accordance with the accounting policy presented in note 1 b), with a gain having been recognized in 2021 in the amount of Euro 39 thousand (2020: a gain in the amount of Euro 173 thousand) related to fair value changes.

The periods to maturity of the caption Debt securities issued, as at 31 December 2021 and 2020, is as follows:

(Euro thousand)

	2021	2020
Up to 6 months	-	3 103
6 months to 1 year	751 405	1 423
1 to 5 years	460 615	1 209 386
	1 212 020	1 213 912
Adjustments from fair value option operations	3 099	7 586
	1 215 119	1 221 498

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, Banco Montepio has issues in circulation in a total amount of Euro 2,300,000 thousand, at nominal value, in financial years 2021 and 2020.

As at 31 December 2021, the main characteristics of the covered bonds issues in circulation are as follows:

(Euro thousand)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/ Dbrs)
Covered bonds - 6S	300 000	300 101	-	November 2016	November 2023	Quarterly	Euribor 3M + 0.80%	A1/AA-/BBBh
Covered bonds - 8S	500 000	500 062	-	December 2016	December 2026	Quarterly	Euribor 3M + 0.90%	A1/AA-/BBBh
Covered bonds - 9S	250 000	250 077	-	May 2017	May 2024	Quarterly	Euribor 3M + 0.85%	A1/AA-/BBBh
Covered bonds - 10S	750 000	754 033	754 033	October 2017	October 2022	Anually	Fixed in 0.875%	A1/AA-/BBBh
Covered bonds - 11S	500 000	461 086	461 086	November 2019	November 2023	Anually	Fixed in 0.125%	A1/AA-/BBBh
	2 300 000	2 265 359	1 215 119					

As at 31 December 2020, the main characteristics of the covered bonds issues in circulation are as follows:

(milhares de euros)

Description	Nominal value	Value at amortized cost	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/ Dbrs)
Covered bonds - 6S	300 000	300 123	-	November 2016	November 2023	Quarterly	Euribor 3M + 0.80%	A1/AA-/BBBh
Covered bonds - 8S	500 000	500 074	-	December 2016	December 2026	Quarterly	Euribor 3M + 0.90%	A1/AA-/BBBh
Covered bonds - 9S	250 000	250 085	-	May 2017	May 2024	Quarterly	Euribor 3M + 0.85%	A1/AA-/BBBh
Covered bonds - 10S	750 000	757 933	757 933	October 2017	October 2022	Anually	Fixed in 0.875%	A1/AA-/BBBh
Covered bonds - 11S	500 000	460 442	460 442	November 2019	November 2024	Anually	Fixed in 0.125%	A1/AA-/BBBh
	2 300 000	2 268 657	1 218 375					

The covered bonds are guaranteed by a pool of mortgage loans which are segregated as an autonomous asset in Banco Montepio's accounts, thus providing a statutory special creditor privilege to the holders of these securities over any other creditor.

The legal and regulatory framework of these bonds is set out in Decree-Law no. 59/2006, in Banco de Portugal Notices no. 5/2006, of 11 October, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October and Instruction no. 13/2006, of 15 November, of the Banco de Portugal.

As at 31 December 2021, the value of the loans collateralizing these issues amounted to Euro 2,746,685 thousand (31 December 2020: Euro 2,739,544 thousand), according to note 20.

The movements in Debt securities issued during financial year 2021, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Issuance	Reimbursements	Net purchases	Other movements (a)	Balance on 31 December
Cash bonds	3 123	-	(2 960)	-	(163)	-
Covered bonds	1 218 375	-	-		(3 256)	1 215 119
	1 221 498	-	(2 960)	-	(3 419)	1 215 119

(a) Included is the movement of accrued interest on the balance sheet date, corretions for operations at fair value option exchange variation.

The movements in Debt securities issued during financial year 2020, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Issuance	Reimbursements	Net purchases	Other movements (a)	Balance on 31 December
Cash bonds	7 357	-	(4 000)	-	(234)	3 123
Covered bonds	1 255 904	-	-	(37 100)	(429)	1 218 375
	1 263 261	-	(4 000)	(37 100)	(663)	1 221 498

(a) Included is the movement of accrued interest on the balance sheet date, corretions for operations at fair value option exchange variation.

In accordance with the accounting policy described in note 1 b), the purchase of debt securities issued by Banco Montepio is written off from liabilities and the difference between the acquisition cost and the respective book value is recognized in the income statement.

As at 31 December 2021, the caption Debt securities issued is composed of the following issues:

(Euro thousand)

Security	Issue date	Maturity date	Interest rate	Book value
Covered bonds - 10S	17/11/2017	17/11/2022	Annual fixed rate of 0,875%	750 000
Covered bonds - 11S	14/11/2019	14/11/2024	Annual fixed rate of 0,125%	500 000
				1 250 000
			Hedging operations adjustments	3 099
			Covered bonds - 11S - Repurchases	(37 100)
			Accrual based accounting, deferred income and costs	(880)
				1 215 119

As at 31 December 2020, the caption Debt securities issued is composed of the following issues:

(milhares de euros)

Security	Issue date	Maturity date	Interest rate	Book value
CAIXA-MG CAPITAL CERTO BONDS 2013/2021-1st SERIES	28/02/2013	01/03/2021	Annual fixed rate: 5.15% (3rd year's rate: 5.30%; 4th year: 5.30%; 5th year: 5.90%; 6th cupon Max[5.95%; Min (CPI+2%;8.25%)];7th cupon Max[6.15%; Min (CPI+2%;8.50%)]; 8th cupon Max[6.45%; Min (CPI+2%;8.50%)])	2 148
CAIXA-MG CAPITAL CERTO BONDS 2013/2021-2nd SERIES	28/06/2013	29/06/2021	Annual fixed rate: 4.9% (3rd year's rate: 5.1%; 4th year: 5.1%; 5th year: 5.65% and from 6th to 8th year's rate= Max(5.95%; min(CPI+2%;8.15%))	812
Covered bonds - 10S	17/11/2017	17/11/2022	Annual fixed rate = 0.875%	750 000
Covered bonds - 11S	14/11/2019	14/11/2024	Annual fixed rate = 0.125%	500 000
				1 252 960
			Hedging operations adjustments	7 586
			Covered bonds - 11S - Repurchases	(37 100)
			Accrual based accounting, deferred income and costs	(1 948)
				1 221 498

35 Financial liabilities associated to transferred assets

In the scope of the securitization operations described in note 49, in respect of which Banco Montepio retained the majority of the risks and rewards associated with the securitized loans, it recorded the financial liabilities associated to transferred assets, which are detailed as follows:

(Euro thousand)

	2021	2020
Pelican Mortgages No 3	115 377	144 119
Pelican Mortgages No 4	405 906	449 981
Aqua Mortgages No 1	67 309	75 354
Pelican Finance No 2	141 661	-
Pelican Finance No 1	-	41 700
Pelican Mortgages No 5	-	451 081
Pelican Mortgages No 6	-	559 462
	730 253	1 721 697

36 Provisions

This caption is presented as follows:

(Euro thousand)

	2021	2020
Provisions for guarantess and commitments	16 076	16 594
Provisions for other risks and charges	11 810	16 406
	27 886	33 000

The Provisions for other risks and charges were set up based on the probability of the occurrence of certain contingencies related to risks inherent to Banco Montepio's activity, being revised at each reporting date to reflect the best estimate of the amount of the loss. This caption includes provisions for tax contingencies (Stamp Duty, Value added tax (VAT) and Property taxes (IMI)), legal cases and fraud.

The movements in provisions for guarantees and commitments assumed in financial years 2021 and 2020, are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	16 594	15 456
Charge for the year	26 932	46 614
Reversal for the year	(27 449)	(45 475)
Other movements	(1)	(1)
Closing balance	16 076	16 594

The movements in provisions for other risk and charges are analysed as follows:

(Euro thousand)

	2021	2020
Opening balance	16 406	14 812
Charge for the year	4 121	2 982
Reversal for the year	(7 608)	(1 388)
Utilization	(1 109)	-
Closing balance	11 810	16 406

37 Other subordinated debt

The characteristics of subordinated debt are analysed as follows:

(Euro thousand)

Issue	Issue date	Maturity date	Issue amount	Interest date	2021	2020
MONTEPIO EMTN SUB 2018/2028	Dec 2018	Dec 2018	50 000	8.0% the first 5 years and at EurSwap for 5y + 7.77% for the remaining years	50 044	50 044
MONTEPIO EMTN SUB 2019/2029	Apr 2019	Apr 2019	100 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 10.514%	107 825	107 824
MONTEPIO EMTN SUB 2020/2030	Jun 2020	Jun 2023	50 000	10.5% the first 5 years and at EurSwap for 5y + Fixing ICE (FFT 11:00 AM) + 9.742%	52 705	52 705
FINIBANCO VALOR INVEST 2010	Feb 2010	-	15 000	7% for the first 4 coupon dates and Max[Euribor 6M + 2.75%; 5%] for the remaining years	6 691	6 323
					217 265	216 896

The movements in Other subordinated debt during financial years 2021 and 2020, were as follows:

(Euro thousand)

	2021			
	Balance at 1 January	Issued	Other movements (a)	Balance on 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	-	-	50 044
MONTEPIO EMTN SUB 2019/2029	107 824	-	1	107 825
MONTEPIO EMTN SUB 2020/2030	52 705	-	-	52 705
FINIBANCO VALOR INVEST 2010	6 323	-	368	6 691
	216 896	-	369	217 265

	2020			
	Balance at 1 January	Issued	Other movements (a)	Balance on 31 December
MONTEPIO EMTN SUB 2018/2028	50 044	-	-	50 044
MONTEPIO EMTN SUB 2019/2029	107 803	-	21	107 824
MONTEPIO EMTN SUB 2020/2030	-	50 000	2 705	52 705
FINIBANCO VALOR INVEST 2010	-	-	6 323	6 323
	157 847	50 000	9 049	216 896

(a) Include accrued interest on the balance sheet.

In financial year 2020, under the Euro Medium Term Note Programme (EMTN) of Banco Montepio, bonds were issued in the amount of Euro 50,000 thousand, with a 10-year maturity, with a rate of 9.5% in the first five years and a call option, at par, in the 5th year.

The issue of “Finibanco Valor Invest 2010” was transferred to this liability category, as described in note 40. The main characteristics of this issue are as follows:

- Interest rate: fixed rate of 7% on the first 4 interest payment dates and on the following interest payment dates, a variable rate corresponding to the Euribor rate for the period of 6 months plus 2.75%, with a minimum of 5%;
- Maturity: Not applicable (not subject to mandatory refund);
- Refund amount: Refund at nominal value. As a result of applicable laws or regulations, including any European Union directives or regulations, which establish a legal regime for the recovery and liquidation of credit institutions (Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014 and Law no. 23-A/2015, of 26 March), or any implementation of those in Portugal, the amounts may be used to cover the issuer's losses, and may be called upon to absorb losses.

38 Other liabilities

This caption is presented as follows:

(Euro thousand)

	2021	2020
Domestic and foreign operations pending settlement	93 597	84 799
Sundry creditors	38 239	28 233
Lease liabilities	10 479	18 296
Post-employment benefits	-	9 875
Staff costs payable	32 334	37 558
Other expenses	10 348	10 647
Suppliers	11 145	6 939
Administrative public sector	10 798	9 553
Deferred income	286	335
	207 226	206 235

As at 31 December 2021, the caption Lease liabilities corresponds to the amount of lease liabilities recognized in the scope of IFRS 16, as described in accounting policy 1 i), and relates to operating leases of real estate and motor vehicles.

The residual maturity of the lease liabilities is as follows:

(Euro thousand)

	2021	2020
Up to 1 year	1 312	-
1 to 5 years	9 167	16 623
More than 5 years	-	1 673
	10 479	18 296

As at 31 December 2021, the caption Staff charges payable includes the amount of Euro 17,336 thousand (31 December 2020: Euro 18,416 thousand), related to holiday pay and subsidy. Additionally, as at 31 December 2021, this caption also includes the amount of Euro 2,462 thousand (31 December 2020: Euro 2,251 thousand) related to end-of-career awards, as per note 46 and the amount of Euro 8,266 thousand (31 December 2020: Euro 13,331 thousand) for the employee adjustment program.

The caption Amounts payable corresponds, essentially, to the application of the accruals' principle to General and administrative expenses.

39 Share capital

As at 31 December 2021 and 2020, Banco Montepio's share capital, which is fully realized, amounts to Euro 2,420,000 thousand.

The shareholder structure of Banco Montepio's share capital as at 31 December 2021 and 2020, is as follows:

	2021		**2020**	
	Number of shares	Percentage	Number of shares	Percentage
Montepio Geral Associação Mutualista	2 419 830 580	99.9930%	2 419 830 580	99.9930%
Other shareholders	169 420	0.0070%	169 420	0.0070%
	2 420 000 000	100.0%	2 420 000 000	100.0%

40 Other equity instruments

The issue of Euro 15,000 thousand, occurred in the 1st quarter of 2010, of Subordinated Perpetual Securities with conditional interest ("Finibanco Valor Invest 2010" – ISIN: PTFNI1OM0011) made by Montepio Investimento, S.A. (previously designated Finibanco, S.A.), and that, in the scope of the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated Finibanco Holding, S.G.P.S., S.A.) and its subsidiaries, was integrated in Banco Montepio's equity.

At the Bondholders' Meeting held on 29 January 2020, ratified at the General Meeting of 30 June 2020, it was deliberated to amend the bond's technical sheet to adapt its conditions to the prudential treatment adopted.

Within the scope of the proposed changes, this instrument was reclassified to the caption Other subordinated liabilities.

41 Legal reserve

In accordance with article 97 of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" – "RGICSF"), approved by the Decree-Law no. 298/92, of 31 December and amended by the Decree-Law no. 201/2002, Banco Montepio shall reinforce the legal reserve annually with, at least, 10% of the annual net profits, up to the limit equal to the amount of the share capital or to the sum of the free reserves and retained earnings, if higher. This reserve cannot, normally, be distributed.

As at 31 December 2021 and 2020, the legal reserve amounts to Euro 193,266 thousand.

42 Fair value reserves, other reserves and retained earnings

This caption is presented as follows:

		(Euro thousand)
	2021	**2020**
Fair value reserve		
Fair value reserve		
Financial assets at fair value through other comprehensive income	12 912	(26 301)
Loans and advances to customers	-	103
Own credit risk	-	19
Currency reserve hedging	-	1 243
	12 912	(24 936)
Taxes		
Financial assets at fair value through other comprehensive income	(3 938)	(3 900)
Loans and advances to customers	-	(31)
	(3 938)	(3 931)
Fair value reserve net of taxes	8 974	(28 867)
Other reserves and retained earnigs		
Special regime applicable to deferred tax assets	4 750	-
Post-employment benefits	(264 493)	(291 131)
Other reserves and retained earnings	(934 170)	(807 267)
Realized gains on equity instruments	(35 294)	4 018
	(1 229 207)	(1 094 380)

Fair value reserves related to financial assets at fair value through other comprehensive income represent the potential gains and losses in the portfolio of financial assets at fair value through other comprehensive income, and also records the amount of the fair value reserve related to the loans and advances to customers' portfolio reclassified from Other financial assets at fair value through other comprehensive income to Loans and advances to customers.

The caption Loans and advances to customers records the amount of the fair value reserve related to the loans and advances to customers' portfolio reclassified to Other financial assets at fair value through other comprehensive income.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income, during financial year 2021, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Recognized impairment in the period	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	406	(219)	-	-	11	198
Bonds issued by foreign public entities	1 200	(322)	-	(786)	222	314
Bons issued by other entities:						
Domestic	(537)	347	1 438	(193)	(668)	387
Foreign	(21)	(6)	-	4	10	(13)
Commercial Paper	-	-	2 514	-	(1 257)	1 257
	1 048	(200)	3 952	(975)	(1 682)	2 143
Variable income securities						
Shares						
Domestic	7 935	60	240	1 750	-	9 985
Foreign	(35 284)	(1 253)	-	37 321	-	784
	(27 349)	(1 193)	240	39 071	-	10 769
	(26 301)	(1 393)	4 192	38 096	(1 682)	12 912

The amount of Euro 39,071 thousand refers to the disposals of Monteiro Aranha, S.A. and Almina Holding, S.A., as described in note 23.

The movements in the fair value reserve related to financial assets at fair value through other comprehensive income, during financial year 2020, are analysed as follows:

(Euro thousand)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Recognized impairment in the period	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	14 344	-	464	(15 678)	1 276	406
Bonds issued by foreign public entities	5 739	-	1 499	(9 346)	3 308	1 200
Bons issued by other entities:						
Domestic	(1 793)	1 594	-	202	(540)	(537)
Foreign	1 550	2	-	(1 730)	157	(21)
	19 840	1 596	1 963	(26 552)	4 201	1 048
Variable income securities						
Shares						
Domestic	7 735	200	-	-	-	7 935
Foreign	(17 345)	(17 939)	-	-	-	(35 284)
	(9 610)	(17 739)	-	-	-	(27 349)
	10 230	(16 143)	1 963	(26 552)	4 201	(26 301)

Fair value reserves related to financial assets at fair value through other comprehensive income, are detailed as follows:

(Euro thousand)

	2021	2020
Amortized cost of financial assets at fair value through other comprehensive income	93 004	292 699
Recognized accumulated impairment	(2 759)	(1 078)
Amortized cost of financial assets at fair value through other comprehensive income net of impairment	90 245	291 621
Market value of financial assets at fair value through other comprehensive income	103 157	265 320
Potential realized gains/(losses) recognized in the fair value reserve	12 912	(26 301)

43 Distribution of dividends

In financial years 2021 and 2020, Banco Montepio did not distributed dividends.

The Annual General Meeting realized on 29 June 2021 approved the Net Income for financial year 2020, in the negative amount of Euro 116,621 thousand, appropriating it to Retained earnings.

44 Guarantees and other commitments

The balances of these accounts are analysed as follows:

(Euro thousand)

	2021	2020
Guarantees granted	448 366	474 469
Commitments to third parties	1 801 777	1 878 882
Deposit and custody of securities	7 757 554	7 639 492
	10 007 697	9 992 843

The amounts of Guarantees granted, and Commitments assumed to third parties are analysed as follows:

(milhares de euros)

	2021	2020
Guarantees granted		
Guarantees	432 385	463 458
Letters of credit	15 981	11 011
	448 366	474 469
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit facilities	958 453	1 058 335
Potential liability with the Investors Indemnity System	903	1 209
Term liability to the Guarantee Deposits Fund	22 768	23 957
Securities subscription	2 277	2 552
Revocable commitments		
Revocable credit facilities	817 376	792 829
	1 801 777	1 878 882

Bank guarantees and standby letters granted are financial operations that do not necessarily result in mobilization of funds by Banco Montepio.

Documentary credits correspond to irrevocable commitments, by Banco Montepio, on behalf of its Customers, to pay/order to pay a certain amount to the supplier for a certain good or service, within a defined period, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable or alterable without the express agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to Banco Montepio's Customers (for example unused credit facilities). These agreements are generally contracted for fixed periods of time or with other expiring requirements and, usually, require the payment of a commission.

Substantially, all credit concession commitments require that Customers maintain the compliance with certain conditions defined at the time the commitments were contracted.

Notwithstanding the particular characteristics of these commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying Customer and business, with Banco Montepio requiring that these operations be adequately covered by collaterals when necessary. Considering that it is expected that the majority of these expire without having been used, the indicated amounts do not necessarily represent future cash-flow needs.

As at 31 December 2021 and 2020, the caption Term liability to the Deposits Guarantee Fund is related to the irrevocable commitment assumed by Banco Montepio, as required by law, to deliver the unrealized amounts of the annual contributions, to that Fund, if requested to do so.

As at 31 December 2021, in the scope of the Deposits Guarantee Fund, Banco Montepio pledged treasury bonds (OT October 2024 and OT February 2030), recorded as Other financial assets at amortized cost, with a nominal value of Euro 24,000 thousand (31 December 2020: Euro 23,000 thousand), as described in note 25.

As at 31 December 2021 and 2020, the caption Potential liability - Investors' Compensation System refers to the irrevocable obligation that Banco Montepio assumed, as required by law, to deliver to that System, if actioned by same, the amounts necessary to pay its share of the indemnities due to investors.

The financial instruments accounted for as Guarantees and other commitments are subject to the same approval and control procedures applied to the loans and advances to customers' portfolio, namely regarding the assessment of the adequacy of the impairment constituted, as referred in the accounting policy described in note 1 b). The maximum credit exposure is represented by the nominal amount that could be lost related to contingent liabilities and other commitments assumed by Banco Montepio in the event of default by the respective counterparties, without considering potential loan or collateral recoveries.

45 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as is the case with many products sold to Customers, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to their financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy of Banco Montepio.

Therefore, the fair value obtained is influenced by the parameters used in the valuation model that, necessarily, have some degree of judgement and reflect, exclusively, the value attributed to the different financial instruments. However, it does not consider prospective factors, like the future business evolution. Consequently, the values presented cannot be understood as an estimate of the economic value of Banco Montepio.

Financial instruments recorded in the balance sheet at fair value

Financial instruments accounted for in the balance sheet at fair value were classified by levels in accordance with IFRS 13.

Debt and equity instruments

- Level 1: In addition to financial instruments admitted to trading on a regulated market, bonds and investment units in harmonized funds, valued based on active market prices/quotations, disclosed through trading platforms, are included in this category.

  The aforementioned financial instruments are traded on an active market whenever the financial instruments in question are quoted through multi-contributed sources for bonds and the primary exchange for shares.

- Level 2: Financial instruments that are not traded on an active market or valued using valuation techniques supported by observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect (derivatives), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument, are considered Level 2. The classification of fair value in Level 2 is made according to the following rules:

  a) Financial instruments shall be classified in level 2 if they are:

     i. valued based on models using observable market data (such as interest rate curves or exchange rates). Market interest rates are calculated based on information disseminated by financial content providers, for example Bloomberg, namely those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. The same interest rate curves are also used to project non-deterministic cash flows, such as indexers; or

     ii. valued using indicative third-party purchase prices, based on observable market data.

- Level 3: Financial instruments are classified in level 3 whenever they do not meet the criteria to be classified in level 1 or level 2, or fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, namely:

  a) financial instruments not admitted to trading on a regulated market that are valued using valuation models and for which there is no generally accepted consensus on the criteria to be used, namely:

     i. valuation prepared in accordance with the Net Asset Value of non-harmonized funds, updated and disclosed by the respective management companies;

     ii. valuation prepared in accordance with indicative prices disclosed by the entities that participated in the issuance of certain financial instruments, without an active market; or

     iii. valuation prepared in accordance with the realization of impairment tests, using the performance indicators of the underlying operations (e.g. degree of protection by subordination of the tranches held, delinquency rates of underlying assets, evolution of ratings, etc.);

b) financial instruments valued through indicative purchase prices based on theoretical valuation models disclosed by specialized third parties.

The following are the main methods and assumptions used in estimating the fair value of financial assets and liabilities.

Derivative financial instruments

Operations involving financial derivatives, in the form contracts in respect of exchange rate, interest rate, share or share indices, inflation or a combination of these are traded over the counter (OTC) and in organized markets (especially stock markets). For OTC derivative operations (swaps and options), their valuation is based on generally accepted methods, always favouring market values.

- Level 1: This classification includes futures, options and other derivative financial instruments traded on a regulated market.

- Level 2: This level includes derivative financial instruments traded on unregulated (OTC) markets that do not have an optional component.

  The valuation of these derivatives is made by discounting the cash flows from operations, using as a discounting base the market interest rate curves deemed appropriate for the currency in force at the time of the calculation. Interest rates are obtained from Bloomberg or Reuters

  Market interest rates are calculated based on information disseminated by financial content providers - Bloomberg or Reuters - specifically those resulting from interest rate swap quotations. The values for very short-term rates are obtained from a similar source, but with reference to the interbank money market. The interest rate curve obtained is further calibrated against the values of short-term interest rate futures. Interest rates for specific cash-flow periods are determined by appropriate interpolation methods. Interest rate curves are also used to project non-deterministic cash flows such as indexers.

- Level 3: This level includes options and derivatives traded on an unregulated (OTC) market, incorporating optional elements.

Options are valued based on statistical models that consider the market values of the underlying assets and their volatilities (assuming that they are not directly observable in the market). The theoretical models used in the valuation of derivatives classified in level 3 are presented as follows:

iii. For simple options, the Black-Scholes, Black, Ho and other models are used, considering the applicable volatility surfaces for their derivatives (models commonly used by the market in valuing this type of operations). Unobservable market inputs used in the valuation (implied volatilities of the subjacent) are taken from Bloomberg.

iv. For exotic options or for complex derivatives with embedded optional elements for which no valuation models are available, Banco Montepio hires specialized entities that value such assets using specific models that they develop according to generally accepted criteria and methodologies.

The valuations thus obtained are, in the case of interbank operations, compared with those used by the counterparties and, whenever it is understood that there are insufficient quality market references or that the available models do not fully apply to the characteristics of the financial instrument, specific quotations provided by an external entity, typically the counterparty of the business, are used.

The valuation of non-optional components, not adjusted for credit risk, (cash flows from the operations), is made based on their respective discounting, using a methodology similar to that used for derivatives without an optional component; even so, the derivative in question is still considered in level 3.

Financial instruments recorded in the balance sheet at amortized cost

For financial instruments recorded in the balance sheet at amortized cost, Banco Montepio calculates their fair value using valuation techniques that seek to be based on the market conditions applicable to similar operations at the reference date of the financial statements, namely the value of the respective cash flows discounted based on the interest rates considered most appropriate, that is:

- *Other loans and advances to credit institutions, Deposits from central banks, Deposits from other credit institutions and Assets with repurchase agreements*

  The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates.

  For Deposits from central banks, it was considered that the book value is a reasonable estimate, considering the nature of the operations and the associated period. The rate of return of funding from the European Central Bank is negative in 0.60% for live operations as at 31 December 2021 (31 December 2020: negative in 0.33%).

  For the remaining deposits from credit institutions, the discount rate used reflects the current conditions applied by Banco Montepio to identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity dates (money market or interest rate swap market rates, at the end of the financial period). As at 31 December 2021 and 2020, the average discount rate was negative in 0.60% (as at 31 December 2020: negative in 0.21%) for the remaining funds.

  For Loans and advances to other credit institutions a discount rate reflecting the conditions in use by Banco Montepio for the most significant residual term operations was applied. Considering the short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

- *Other financial assets at amortized cost*

  These financial instruments are accounted for at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for associated factors, predominantly the credit and liquidity risks, determined in accordance with the respective market conditions and periods.

- *Loans and advances to customers without a defined maturity date and Deposits from customers repayable on demand*

  Considering the short-term maturity of this type of financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. Therefore, the book value is a reasonable estimate of their fair value.

- *Loans and advances to customers with a defined maturity date*

  The fair value of these financial instruments is calculated by discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. For loans in default, the value, net of impairment, of these operations is a reasonable estimate of their fair value, given the economic valuation performed for the calculation of this impairment for individually significant Customers. The discount rate used reflects the current conditions applied by Banco Montepio to similar instruments for each of the homogeneous classes of this type of instrument and with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread used at the reporting date, calculated based on the average production of the last quarter. As at 31 December 2021, the average discount rate was 2.20% for mortgage loans (31 December 2020: 2.06%), 7.15% for private individual loans (31 December 2020: 6.59%) and 3.50% for the remaining loans (31 December 2020: 2.89%), assuming a projection of the variable rates that is based on macroeconomic fundamentals and on market forward rates. The calculations also include the credit risk spread.

- *Deposits from customers*

  The fair value of these financial instruments is calculated discounting the expected future cash flows of principal and interest of these instruments, considering that the payments of the instalments occur on the contractually defined dates. The discount rate used reflects the current conditions applied by Banco Montepio to identical instruments with a similar residual maturity. The discount rate includes the market rates for the residual maturity periods (money market or interest rate swap market rates, at the end of the financial period) and the spread of Banco Montepio at the reporting date, calculated based on the average production of the last quarter. The average discount rate as at 31 December 2021 was a negative 0.08% (31 December 2020: 0.05%).

- *Debt securities issued and Other subordinated debt*

  For these financial instruments, the fair value was calculated for the components which fair value is not yet reflected in the balance sheet. For the fixed interest rate instruments in respect of which Banco Montepio applies hedge accounting, the fair value related to the interest rate risk is already accounted for.

  In the fair value calculation, the other risk components were also considered, besides the interest rate risk already accounted for. Fair value is based on market quotations, whenever these are available. If these are not available, fair value is estimated using internal models, based on cash-flow discounting techniques, using the market interest rate curve adjusted by the associated factors, predominantly the credit risk and the trading margin, the latter only in the case of issues sold to non-institutional Customers of Banco Montepio.

As original reference, the interest rate swaps market curves for each specific currency are used. The credit risk (credit spread) is represented by an excess over the interest rate swaps' curve, calculated specifically for each term and class of instruments based on the market prices of equivalent instruments.

In case of covered bond issues, the fair value is determined based on quotations disseminated by the financial content provider Bloomberg.

As regards subordinated issues, the fair value was determined to reflect the spreads observed on the market for comparable issues increased by a liquidity premium, considering the lower depth of the market for the subordinated debt issued by Banco Montepio.

- *Cash, Deposits at central banks and Loans and advances to credit institutions repayable on demand*

  Considering the extremely short-term maturity of these financial instruments, the book value is a reasonable estimate of their fair value.

It should be noted that the fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario, since it has not been calculated for this purpose.

The main valuation methods, assumptions and inputs used to calculate the fair value estimate for levels 2 and 3, depending on the type of financial instrument, are presented as follows:

Type of instruments			Valuation methods	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	Implied volatilities
		Interest rate options	Normal model	Probability of default for CVA and DVA calculation
	Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3] Market observable prices
Financial assets at fair value though profit or loss	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3] Market observable prices
Financial assets at fair value through other comprehensive income	Own equity representative financial instruments Debt representative financial instruments		Discounted Cash Flow Method [2]	Interest rate curves Risk premium Comparable assets [3]
Financial Assets at amortized cost	Debt securities Loans and advances outstanding		Discounted Cash Flow Method [2]	Interest rate curves Comparable assets [3] *Spreads*
Derivatives - Hedge accounting	*Swaps* [1]		Discounted Cash Flow Method [2]	Interest rate curves Implied volatilities Probability of default for CVA and DVA calculation
Financial liabilities at amortized cost	Term deposits Debt securities issued		Discounted Cash Flow Method [2]	Interest rate curves *Spreads*

(1) In derivative valuations, an adjustment to the valuation is made to take into account counterparty credit risk when the exposure is the Bank's or the credit risk of the Bank's when the exposure is the counterparty's (generally referred to by the abbreviations CVA - Credit Valuation Adjustment and DVA - Debit Valuation Adjustment).

(2) Cash-flow discounting method (net present value): this model uses the cash flows of each instrument, established in the different contracts, and discounts them to calculate their present value.

(3) Comparable assets (prices of similar assets): comparable financial instrument prices or market benchmarks are used to calculate yield from the purchase price to its current valuation, making subsequent adjustments to take into account possible differences between the revalued instrument and the reference instrument. It can also be assumed that the price of one instrument equals that of another.

Valuation adjustments for Credit Risk

Counterparty Credit Risk Valuation Adjustments ("CVA") and the Bank's Credit Risk Valuation Adjustments ("DVA") are incorporated in the valuation of OTC derivatives as a result of the risk associated with the credit exposure of the counterparty and its own, respectively.

The CVA value is calculated considering the expected exposure for each counterparty in each future term, with the CVA by counterparty being calculated by summing the various CVA values of the various future terms. The adjustments are then determined by estimating the counterparty's exposure at default (EAD), the respective probability of default (PD) and the loss given default (LGD) for all derivative financial instruments traded under the same contract negotiated with Banco Montepio with a netting clause (of the same netting set). Similarly, the DVA corresponds to the product of the negative expected exposure at default by the probability of default and by Banco Montepio's LGD.

The PD and LGD values are calibrated using market data, for the effect using the counterparty's rating and sector or historical information on the probability of default.

Changes in CVA/FVA and DVA/FVA adjustments are accounted for as gains or losses on assets and liabilities held for trading in the profit or loss. The detail of the movements of these adjustments is shown in the table.

CVA and DVA Movements

(Euro thousand)

	2021		2020	
	CVA	DVA	CVA	DVA
Adjustment	**239**	**671**	**393**	**394**
Of which: Derivatives expiry	111	(62)	1	-

Fair value of assets received in recovery of credit

The fair value and impairment constituted for real estate assets received in recovery of credit are a function of the valuation amount and the book value of the properties. The valuation amount is equal to the lower of the following values:

- Value of an *in-situ* valuation;

- Sale value (if a sale and purchase contract is celebrated).

Real estate valuations and revaluations shall be carried out by expert appraisers, regulated by Law no. 153/2015, of 14 September

Pursuant to Decree-Law no. 74-A/2017, of 23 June, and for the purpose of article 18 thereof, in mortgage loan agreements for residential real estate, the borrower may request of the Bank a second valuation of the property.

Since the same appraisers are required to carry out surveys of works in progress subject to funding to determine the amount of the works realized to be financed, given the nature of this type of valuation, the training and professional qualifications of these experts shall, cumulatively, respect the professional qualifications defined by Law no. 31/2009, of 3 July, as amended by Law no. 40/2015, of 1 June.

External Appraiser Companies

The selection of appraiser Companies is based on the universe of entities registered as “expert appraisers” with the CMVM and seeks to always ensure an adequate diversification and rotation in the performance of the valuations.

Independent external appraisers follow the principles defined by:

- Notice no. 5/2006 of the Banco de Portugal (Valuation of Mortgaged Properties as a Guarantee of Loans with Mortgage requirements);
- Regulation no. 575/2013 of the European Parliament and of the Council (Prudential Requirements).

Fair value determination is made by independent appraisers duly certified for this purpose, duly registered with the CMVM, and using at least two of the following methods.

Comparative market method

This method provides an estimate of the amount by which it is understood that a particular property may be traded, after an appropriate period of trading, between an interested seller and buyer, in which both parties act in an informed, prudent and unconditional or non-coerced manner.

The value of the property is determined after analysis of comparable transaction and property offer values, obtained through knowledge of the local market and the exhaustive collection of real estate market data that provides knowledge of the supply and demand situation for similar properties, and which constitute a decisive factor in determining the Market Value of the property under valuation.

Income method

In this method, the market value of a property corresponds to the present value of all the rights to future benefits arising from its ownership.

This method assumes that property management and operation is based on the principles of legality, rationality, and competence. The purpose of the analysis is to determine its respective ability to generate revenue flows, as well as the frequency of their occurrence, as well as to infer all the inherent expenses.

Cost method

In this method, the estimated value of a property corresponds to the cost of constructing a property that fulfils the same functions and with the same material and technology characteristics, at current market prices. The value assessed includes the value of the land, construction costs and the investment promotion profit margin, as well as a deduction corresponding to the depreciation, or loss of property value, resulting from physical, functional, economic or environmental obsolescence or a combination of these.

For all valuations not based on all 3 valuation methods, the expert appraiser should consider the local market characteristics and the specific characteristics of the property under valuation. The valuation adopted shall be the lower of the values determined because it is the most prudent in terms of guarantee.

As at 31 December 2021, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	United States Dollar	Proud Sterling	Swiss Franc	Japanese yen
1 day	-0.500000	0.135000	0.210000	-0.755000	-0.110000
7 days	-0.478356	0.076250	0.230000	-0.695000	-0.081500
1 month	-0.478356	0.140000	0.240000	-0.650000	-0.250000
2 months	-0.478356	0.150000	0.250000	-0.650000	-0.220000
3 months	-0.478356	0.180000	0.390000	-0.650000	-0.220000
6 months	-0.478356	0.290000	0.610000	-0.650000	-0.240000
9 months	-0.478356	0.410000	0.670000	-0.650000	-0.150000
1 year	-0.485000	0.530000	0.840000	-0.670000	-0.150000
2 years	-0.295000	0.947000	1.232000	-0.487500	-0.006300
3 years	-0.145000	1.186000	1.338000	-0.375000	-0.001300
5 years	0.016000	1.383000	1.328000	-0.230000	0.016300
7 years	0.130000	1.491000	1.275000	-0.080000	0.043800
10 years	0.303000	1.602000	1.241000	0.090000	0.106300
15 years	0.492000	1.730000	1.216000	0.232500	0.223800
20 years	0.548000	1.734000	1.216000	0.232500	0.223800
30 years	0.479000	1.710300	1.216000	0.232500	0.223800

As at 31 December 2020, the following table presents the interest rates adopted in the calculation of the interest rate curve of the major currencies, namely Euro, United States Dollar, Pound Sterling, Swiss Franc and Japanese Yen used to determine the fair value of financial assets and liabilities of Banco Montepio:

	Currencies				
	Euro	United States Dollar	Proud Sterling	Swiss Franc	Japanese Yen
1 day	-0.495000	0.165000	0.090000	-0.725000	-0.150000
7 days	-0.578000	0.098000	0.090000	-0.595000	-0.330000
1 month	-0.554000	0.170000	0.090000	-0.600000	-0.330000
2 months	-0.549800	0.180000	0.090000	-0.745000	-0.310000
3 months	-0.545000	0.190000	0.090000	-0.600000	-0.280000
6 months	-0.526000	0.220000	0.145000	-0.690000	-0.270000
9 months	-0.512500	0.250000	0.195000	-0.630000	-0.210000
1 year	-0.499000	0.280000	0.195000	-0.640000	-0.260000
2 years	-0.524000	0.349698	0.194905	-0.712500	-0.260163
3 years	-0.508000	0.419396	0.194905	-0.675000	-0.260163
5 years	-0.457500	0.558983	0.194905	-0.561000	-0.260163
7 years	-0.384500	0.698378	0.194905	-0.441000	-0.260163
10 years	-0.265000	0.907854	0.194905	-0.287500	-0.260163
15 years	-0.072000	1.145451	0.194905	-0.112500	-0.260163
20 years	0.009000	1.309000	0.194905	-0.112500	-0.260163
30 years	-0.025000	1.398350	0.194905	-0.112500	-0.260163

Exchange rates and volatility

We present below the exchange rates (European Central Bank) as at the balance sheet date and the implied volatilities (at the Money) for the main currency pairs used in the valuation of derivatives:

			Volatility (%)				
Exchanges rates	2021	2020	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.1326	1.2271	5.250	5.500	5.675	5.688	5.700
EUR/GBP	0.84028	0.89903	5.300	5.835	6.190	6.400	6.535
EUR/CHF	1.0331	1.0802	4.475	4.775	5.025	5.130	5.075
EUR/JPY	130.38	126.49	6.113	6.550	7.000	7.010	7.225
EUR/AOA	635.7510	797.1291	-	-	-	-	-

Regarding exchange rates, Banco Montepio uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of the financial assets and liabilities of Banco Montepio as at 31 December 2021 and 2020, is presented as follows:

(Euro thousand)

	2021				
	At fair value through profit or loss	**At fair value through reserves**	**Amortized cost**	**Book value**	**Fair value**
Financial assets					
Cash and deposits at central banks	-	-	2 943 744	2 943 744	2 943 744
Loans and deposits to credit institutions payable on demand	-	-	84 240	84 240	84 240
Loans and advances to credit institutions	-	-	388 459	388 459	388 841
Loans and advances to customers	1 004	-	11 003 025	11 004 029	10 918 990
Financial assets held for trading	1 376	-	-	1 376	1 376
Financial assets at fair value through profit or loss	288 340	-	-	288 340	288 340
Financial assets at fair value through other comprehensive income	-	103 157	-	103 157	103 157
Non-current assets held for sale	-	-	47 833	47 833	38 836
Hedging derivatives	5 411	-	-	5 411	5 411
Other financial assets at amortized cost	-	-	3 530 569	3 530 569	3 491 454
	296 131	103 157	17 997 870	18 397 158	18 264 389
Financial liabilities					
Deposits from central banks	-	-	2 892 065	2 892 065	2 892 065
Deposits from other credit institutions	-	-	598 620	598 620	586 128
Deposits from customers	25 009	-	12 756 465	12 781 474	12 793 438
Debt securities issued	-	-	1 215 119	1 215 119	1 215 365
Financial liabilities related to transferred assets		-	730 253	730 253	748 812
Financial liabilities held for trading	7 470	-	-	7 470	7 470
Hedging derivatives	335	-	-	335	335
Other subordinated debt	-	-	217 265	217 265	218 957
	32 814	-	18 409 787	18 442 601	18 462 570

(Euro thousand)

	2020				
	At fair value through profit or loss	**At fair value through reserves**	**Amortized cost**	**Book value**	**Fair value**
Financial assets					
Cash and deposits at central banks	-	-	1 446 314	1 446 314	1 446 314
Loans and deposits to credit institutions payable on demand	-	-	53 498	53 498	53 498
Loans and advances to credit institutions	-	-	858 704	858 704	864 077
Loans and advances to customers	1 207	-	10 731 397	10 732 604	10 652 227
Financial assets held for trading	11 508	-	-	11 508	11 508
Financial assets at fair value through profit or loss	569 612	-	-	569 612	568 383
Financial assets at fair value through other comprehensive income	-	265 320	-	265 320	265 320
Hedging derivatives	10 693	-	-	10 693	10 693
Other financial assets at amortized cost	-	-	3 981 949	3 981 949	4 034 119
	593 020	265 320	17 071 862	17 930 202	17 906 139
Financial liabilities					
Deposits from central banks	-	-	1 372 546	1 372 546	1 372 546
Deposits from other credit institutions	-	-	1 006 828	1 006 828	1 002 430
Deposits from customers	-	-	12 549 423	12 549 423	12 558 283
Debt securities issued	3 106	-	1 218 392	1 221 498	1 226 099
Financial liabilities related to transferred assets	-	-	1 721 697	1 721 697	1 720 394
Financial liabilities held for trading	11 761	-	-	11 761	11 761
Hedging derivatives	397	-	-	397	397
Other subordinated debt	-	-	216 896	216 896	200 803
	15 264	-	18 085 782	18 101 046	18 092 713

The following table summarizes, by valuation levels, for each group of financial assets and liabilities of Banco Montepio, their fair values with reference to 31 December 2021:

(Euro thousand)

	2021				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Fair value**
Financial assets					
Cash and deposits at central banks	2 943 744	-	-	-	2 943 744
Loans and deposits to credit institutions payable on demand	84 240	-	-	-	84 240
Loans and advances to credit institutions	-	-	388 841	-	388 841
Loans and advances to customers	-	1 004	10 917 986	-	10 918 990
Financial assets held for trading	-	1 376	-	-	1 376
Financial assets at fair value through profit or loss	-	-	288 340	-	288 340
Financial assets at fair value through other comprehensive income	62 278	2 336	37 438	1 105	103 157
Non-current assets held for sale	-	-	38 836	-	38 836
Hedging derivatives	-	5 411	-	-	5 411
Other financial assets at amortized cost	3 491 454		-	-	3 491 454
	6 581 716	10 127	11 671 441	1 105	18 264 389
Financial liabilities					
Deposits from central banks	2 892 065	-	-	-	2 892 065
Deposits from other credit institutions		-	586 128	-	586 128
Deposits from customers	-	-	12 793 438	-	12 793 438
Debt securities issued	-	-	1 215 365	-	1 215 365
Financial liabilities related to transferred assets	-	-	748 812	-	748 812
Financial liabilities held for trading	-	949	6 521	-	7 470
Hedging derivatives	-	335	-	-	335
Other subordinated debt	-	-	218 957	-	218 957
	2 892 065	1 284	15 569 221	-	18 462 570

The following table summarizes, by valuation levels, for each group of financial assets and liabilities of Banco Montepio, their fair values with reference to 31 December 2020:

	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Fair value**
Financial assets					
Cash and deposits at central banks	1 446 314	-	-	-	1 446 314
Loans and deposits to credit institutions payable on demand	53 498	-	-	-	53 498
Loans and advances to credit institutions	-	-	864 077	-	864 077
Loans and advances to customers	-	1 207	10 651 020	-	10 652 227
Financial assets held for trading	7 524	3 984	-		11 508
Financial assets at fair value through profit or loss	-	-	568 383		568 383
Financial assets at fair value through other comprehensive income	169 117	3 088	91 835	1 280	265 320
Hedging derivatives	-	10 693	-	-	10 693
Other subordinated debt	4 034 119	-	-	-	4 034 119
	5 710 572	18 972	12 175 315	1 280	17 906 139
Financial liabilities					
Deposits from central banks	1 372 546	-	-	-	1 372 546
Deposits from other credit institutions	-	-	1 002 430	-	1 002 430
Deposits from customers	-	-	12 558 283	-	12 558 283
Debt securities issued	-	3 106	1 222 993	-	1 226 099
Financial liabilities related to transferred assets		-	1 720 394	-	1 720 394
Financial liabilities held for trading	-	11 761	-	-	11 761
Hedging derivatives	-	397		-	397
Other subordinated debt	-	-	200 803	-	200 803
	1 372 546	15 264	16 704 903	-	18 092 713

46 Post-employment and long-term benefits

Banco Montepio assumed the responsibility to pay its employees and members of the Management Bodies old-age and disability pensions and other benefits, in accordance with the accounting policy described in note 1 s).

In accordance with the same policy, Banco Montepio calculates at least once a year, with reference to 31 December of each year, the liabilities with retirement pensions and other benefits. This also occurs whenever the changes substantiated on the main actuarial assumptions so determine.

Banco Montepio's general pension plan for employees covers liabilities for the retirement benefits provided for in the Collective Labour Agreement for the Banking Sector and is a complementary plan to the General Social Security System.

Under the Collective Labour Agreement ("ACT") for the Banking Sector, employees admitted after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria determining the amount of pension that an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The benefits provided by this pension plan are as follows:

- Retirement due to presumable disability (old age);

- Retirement due to disability; and

- Survival pension.

The respective beneficiaries are guaranteed all social benefits, on the terms, conditions and values included in the pension plan in the quality of employees who at their retirement date are in the service of Banco Montepio, or as employees who had been permanent employees of same and at their retirement date meet all the enforceability requirements defined in the pension plan.

The pension provided by the Pension Fund is that corresponding to the employee's level at retirement and respective seniority payments, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund ("Caixa Geral de Aposentações") or the National Pensions Centre ("Centro Nacional de Pensões"), same shall be deducted from the pension guaranteed by the present pension plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survival pension equal to 40% of the remuneration to which the employee would be entitled if he/she retired or the pension he/she would receive, respectively.

Banco Montepio's former employees, when attaining the situation of retirement due to old-age or disability, are entitled to the payment by the Pension Fund of a pension calculated as per the preceding paragraph, proportional to the time of service rendered to Banco Montepio.

Additionally, pursuant to the ACT, the pension plan guarantees the Social-Medical Assistance Services ("SAMS") costs and the death subsidy.

Banco Montepio has no other mechanisms that ensure the coverage of liabilities assumed with old-age, disability and survival pensions, health benefits and death subsidy of its employees.

In December 2016, Banco Montepio signed a new Collective Labour Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished seniority bonus.

As a result of the amendment to the ACT, the contributions to SAMS were now made based on a fixed cost per employee and were no longer indexed to salaries.

The main actuarial assumptions used in calculating the present value of the liabilities are as follows:

	Assumptions	
	2021	**2020**
Financial assumptions		
Salary growth rate	0.50%	0.50%
Pension growth rate	0.30%	0.30%
Rate of return of Fund	1.40%	1.15%
Discount rate	1.40%	1.15%
Revaluation rate		
Salary growth rate - Social Security	1.25%	1.25%
Pension growth rate	1.00%	1.00%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90	TV 88/90
Women	TV 88/90 -3 years	TV 88/90 -3 years
Actuarial valuation method	UCP	UCP

The assumptions used in calculating the present value of the liabilities are in accordance with the requirements defined by IAS 19. The determination of the discount rate considered: (i) the evolution of the main indices, for high-quality corporate bonds, and (ii) duration of the liabilities. As at 31 December 2021, the average duration of the pension liabilities of the employees is 17.5 years (31 December 2020: 19.0 years), including both active employees and pensioners.

The participants in the pension plan have the following breakdown:

	2021	**2020**
Active	2 811	2 999
Retirees and survivors	1 548	1 469
	4 359	4 468

The liabilities for pensions and other benefits and respective coverage levels are presented as follows:

(Euro thousand)	2021	2020
Net assets/(liabilities) recognized in the balance sheet		
Liabilities with pension benefits		
Pensioners	(381 036)	(400 792)
Active	(397 327)	(389 474)
	(778 363)	(790 266)
Liabilities with healthcare benefits		
Pensioners	(27 411)	(26 933)
Active	(37 269)	(42 235)
	(64 680)	(69 168)
Liabilities with death benefits		
Pensioners	(2 230)	(2 235)
Active	(1 676)	(1 752)
	(3 906)	(3 987)
Total liabilities	(846 949)	(863 421)
Coverages		
Pension Fund value	855 910	853 546
Net assets/(liabilities) in the balance sheet	8 961	(9 875)
Accumulated actuarial remeasurements recognized in other comprehensive income	264 493	291 131

The evolution of liabilities with retirement pensions, health benefits and death subsidy can be analysed as follows:

(Euro thousand)	2021				2020			
	Pension benefits	Healthcare benefits	Death benefits	Total	Pension benefits	Healthcare benefits	Death benefits	Total
Liabilities at the beginning of the financial year	790 266	69 168	3 987	863 421	771 532	65 335	3 694	840 561
Recognized in net income/(loss) (note 10)								
Current service cost	3 385	1 694	74	5 153	4 902	1 778	79	6 759
Interest cost	9 088	795	46	9 929	11 573	980	55	12 608
Early retirement, mutually agreed termination and others	4 365	-	-	4 365	14 180	-	-	14 180
Recognized in equities (Note 42)								
Actuarial gains/(losses)								
- Changes in assumptions	(15 405)	(3 334)	(239)	(18 978)	1 983	2 270	200	4 453
- Not related to changes in assumptions	11 192	(3 643)	38	7 587	6 656	(1 196)	(41)	5 419
Other								
Pensions paid by the Fund	(24 948)	-	-	(24 948)	(20 527)	-	-	(20 527)
Pensions paid by Banco Montepio	(1 932)	-	-	(1 932)	(2 395)	-	-	(2 395)
Participant contributions	2 352	-	-	2 352	2 362	-	-	2 362
	-		-	-	-	1	-	1
Liabilities at the end of the financial year	778 363	64 680	3 906	846 949	790 266	69 168	3 987	863 421

The evolution of the Pension Fund's net asset value as at 31 December 2021 and 2020 can be analysed as follows:

(Euro thousand)

	2021	2020
Value of the Fund at the beginning of the financial year	853 546	826 051
Recognized in net income/(loss) (note 10)		
Share of net interest	9 713	12 062
Recognized in equity (note 42)		
Financial deviations	15 247	9 598
Others		
Contributions from Banco Montepio	-	24 000
Participant Contributions	2 352	2 362
Pensions paid by the Fund	(24 948)	(20 527)
Fund's value at the end of year	855 910	853 546

No additional contributions to the defined benefit plans are foreseen for the following financial year since it is expected that the Pension Fund's return will be sufficient to cover for the changes in the liabilities.

As at 31 December 2021 and 2020, Banco Montepio participates in 98.7% in the Pension Fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

As at 31 December 2021 and 2020, the assets of the Pension Fund, split between quoted and unquoted, can be analysed as follows:

(Euro thousand)

	2021				2020			
	Assets of the Fund	%	Quoted	Unquoted	Assets of the Fund	%	Quoted	Unquoted
Variable-income securities								
Shares	53 458	6%	53 458	-	47 743	6%	47 743	-
Shares investment funds	121 600	14%	-	121 600	128 906	15%	-	128 906
Bonds	584 094	68%	473 993	110 101	584 665	68%	514 929	69 736
Real Estate	5 329	1%	-	5 329	5 554	1%	-	5 554
Real Estate investment funds	44 060	5%	-	44 060	34 358	4%	-	34 358
Venture capital funds	2 943	0%	-	2 943	6 250	1%	-	6 250
Loans and advances in banks and other	44 426	5%	-	44 426	46 070	5%	-	46 070
	855 910	100%	527 451	328 459	853 546	100%	562 672	290 874

The assets of the Pension Fund related to securities, real estate and loans and advances to banks that are Banco Montepio entities are analysed as follows:

(Euro thousand)

	2021	2020
Loans and advances in banks and other	38 701	46 070
Real Estate	5 329	5 554
Bonds	2 092	2 109
	46 122	53 733

The evolution of the remeasurements in the balance sheet are analysed as follows:

(Euro thousand)

	2021	2020
Actuarial gains/(losses) at the beginning of the financial year	291 131	290 857
Actuarial gains/(losses) in the financial year		
Changes in discount rate	(36 974)	54 437
Payroll update	-	(21 970)
Pensions growth rate update	-	(28 014)
Deviation of the Pension Fund return	(15 247)	(9 598)
Resulting from changes in plan conditions	17 996	-
Other changes	7 587	5 419
Actuarial gains/(losses) recognized in other comprehensive income	264 493	291 131

The costs with retirement pensions, health benefits and death subsidy are analysed as follows:

(Euro thousand)

	2021	2020
Current service cost	5 153	6 759
Net interest income/(expense) on the liabilities coverage balance	216	546
Costs with early retirement, mutually agreed termination and other	4 365	14 180
Costs for the financial year	9 734	21 485

The evolution of net assets/(liabilities) in the balance sheet, as at 31 December 2021 and 2020, is analysed as follows:

(Euro thousand)

	2021	2020
At the beginning of the financial year	(9 875)	(14 510)
Contributions by Banco Montepio	-	24 000
Current service cost	(5 153)	(6 759)
Net interest income/(expense) on the liabilities coverage balance	(216)	(546)
Actuarial gains/(losses)	11 391	(9 872)
Financial gains/(losses)	15 247	9 598
Pensions paid by Banco Montepio	1 932	2 395
Early retirement, mutually agreed termination and other	(4 365)	(14 180)
Others	-	(1)
At the end of the financial year	8 961	(9 875)

The actuarial assumptions have a significant impact on the liabilities for pensions and other benefits. Thus, Banco Montepio performed a sensitivity analysis to a positive and negative change of 25 basis points in some of the actuarial assumptions with the purpose of calculating the effect on the value of pension liabilities, which impact is analysed as follows:

(Euro thousand)

	2021		2020	
	Liabilities		Liabilities	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% change)	(34 712)	36 979	(36 385)	38 880
Salary growth rate (0.25% change)	23 184	(20 795)	28 180	(25 738)
Pension growth rate (0.25% change)	31 231	(29 749)	34 557	(32 928)
SAMS contribution (0.25% change)	3 321	(3 321)	3 666	(3 666)
Future mortality (1 year change)	(25 133)	25 143	(27 015)	27 074

As at 31 December 2021, the cost associated with the end-of-career awards amounted to Euro 2,462 thousand (31 December 2020: Euro 2,251 thousand), in accordance with the accounting policy described in note 1 r) and as per note 38.

47 Assets under management

In accordance with the legislation in force, the fund management companies, and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under law and the regulations of the funds managed.

As at 31 December 2021 and 2020, the amount of the funds for which Banco Montepio acts as depository bank is analysed as follows:

(Euro thousand)

	2021	2020
Securities investment funds	175 839	158 724
Real Estate investment funds	629 741	594 370
Pension funds	292 638	265 616
Bank and insurance	30 729	955
	1 128 947	1 019 665

The amounts recognized in these captions are measured at fair value determined as at the balance sheet date.

48 Related parties

As defined in IAS 24, the Companies detailed in note 54, the Pension Fund, the members of the Corporate, Management and Supervisory Bodies and the key management personnel are considered related parties of Banco Montepio. In addition to the members of the Corporate, Management and Supervisory Bodies and the key management personnel, their family and entities controlled by them or in which management they have significant influence are also considered related parties.

According to Portuguese law, namely under article no. 85 of the Legal Framework of Credit Institutions and Financial Companies (“RGICSF”), the shareholders of Banco Montepio, as well as individuals related to them, and entities controlled by them or in which management they have significant influence are also considered related parties. Banco Montepio’s first-line managers are considered Other key management personnel.

In operations carried out between Banco Montepio entities that are in a situation of special relationships, terms and conditions are contracted, accepted and practiced substantially identical to those that would normally be contracted, accepted and practiced between independent entities in comparable operations, that is, at market prices.

On this basis, with reference to 31 December 2021, the list of related parties considered by Banco Montepio is presented as follows:

Major Shareholder
Montepio Geral Associação Mutualista

Board of Directors
Chairman of the Board of directors
Carlos Tavares
Non-executive members
Manuel Ferreira Teixeira
Amadeu Paiva
Carlos Ferreira Alves
José Nunes Pereira
Pedro Alves
Rui Heitor [1]
Vítor Martins
Executive Committee
Chief Executive Officer
Pedro Leitão
Executive members
Dulce Mota
Helena Soares de Moura
Jorge Baião [2]
José Carlos Mateus
Leandro Graça Silva
Nuno Mota Pinto
Pedro Ventaneira
Audit comittee
Chairman of the Audit Commitee
Manuel Ferreira Teixeira
Members
Amadeu Paiva
Carlos Ferreira Alves
José Nunes Pereira
Vítor Martins

Other related parties Board of Directors
Alice Pinto
Amândio Coelho
Ana Sá Couto
António Gouveia
Carlos Beato
Dalila Teixeira
Edite Cheira
Fernanda Brázia
Fernando Santo
Fernão Thomaz
Francisco Simões
Idália Serrão
Isabel Brito
Isabel Cidrais Guimarães
João Almeida Gouveia
João Andrade Lopes
João Carvalho das Neves
João Costa Pinto
João Neves
Jorge Oliveira
José António Gonçalves
José Luís Leitão
José Mendes Alfaia
Laura Duarte
Lúcia Bica
Luís Almeida
Luís Antunes
Luís Filipe Costa
Manuel Baptista
Manuel Carlos Silva
Manuela Rodrigues
Margarida Andrade
Margarida Duarte
Nuno Coelho
Nuno Marques da Silva
Nuno Mendes
Nuno Van Zeller
Paulo Raimundo
Rosa Rodrigues

Other related parties Board of Directors (cont.)
Paulo Martins da Silva
Pedro Crespo
Pedro Líbano Monteiro
Pedro Simão
Ricardo Carvalho
Rui Pereira
Tereza Amado
Virgílio Lima
Vitor Filipe

Other key management Personnel
Alexandra Ponciano
Alexandra Rolo
Ana Mendonça Neves
António Carlos Machado
António Coelho
António Figueiredo Lopes
Armando Cardoso
Armando Lopes
Bruno Magalhães
Carla Sousa
Carlos Figueiral Azevedo
Conceição Barbosa
Daniel Caçador
Fabienne Lehuédé
Fernanda Correia
Fernando Alexandre
Fernando Amaro [3]
Fernando Teixeira
Filipa Costa
Helder Reis
Helena Valente
Hélio Marques
Inês Dargan
Isabel Silva
Jaquelina Rodrigues
Joaquim Canhoto
Jorge Barros Luís
José Jesus
Luis Filipe Nunes
Luís Melo
Luís Sena
Manuel Castanho
Maria Eduarda Osório
Miguel Mello
Miguel Oliveira
Miguel Teixeira Coelho
Mónica Araújo
Nuno Cavilhas
Nuno Soares
Patrícia Fernandes
Patrícia Medeiros
Paula Maia Fernandes
Paula Pinheiro
Paulo Jorge Rodrigues
Paulo Trindade
Pedro Araújo
Pedro Pires
Pedro Vieira
Ricardo Chorão
Ricardo Silva Ribeiro
Rui Calheiros Gama
Rui Jorge Santos
Rui Magalhães Moura
Sandra Brito Pereira
Sanguini Shirish
Susana Pinheiro
Tânia Madeira
Tiago Coito
Tiago Martins
Tiago Teixeira
Vânia Fernandes
Vasco Almeida
Vítor Ventura

[1] Mr. Rui Heitor was elected Executive Member of the Board of Directors of Montepio Geral Associação Mutualista, on 17th of december of 2021, for the 2022-2025 quadrennium.
[2] Mr. Jorge Baião was co-opted in the 18th of february of 2021 and authorized by the Bank of Portugal in the 09th of february of 2021, thereby becoming a Member of the Executive committee in the 22nd of february of 2021.
[3] Mr. Rui Heitor was elected Executive Member of the Board of Directors of Montepio Geral Associação Mutualista, on 17th of december of 2021, for the 2022-2025 quadrennium.

Other related parties

Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - Em Liquidação
Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto
CESource, A.C.E.
Clínica CUF Belém, S.A.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Finibanco Angola, S.A.
Fundação Montepio Geral
Fundo de Pensões - Montepio Geral
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
HTA – Hoteis, Turismo e Animação dos Açores, S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique, Companhia de Seguros, S.A.
Montepio Arrendamento - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional [a]
Montepio Arrendamento II - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional [a]
Montepio Crédito - Instituição Financeira de Crédito, S.A.
Montepio Gestão de Activos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
Montepio Gestão de Activos Imobiliários, A.C.E.
Montepio Holding, S.G.P.S., S.A.
Montepio Investimento, S.A.
Montepio Residências para Estudantes, S.A.
Montepio Seguros, S.G.P.S., S.A.
Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. [b]
NovaCâmbios - Instituição de Pagamento, S.A.
Polaris - Fundo de Investimento Imobiliário Fechado
Portugal Estates Fund - Fundo de Investimento Imobiliário Fechado
Residências Montepio, Serviços de Saúde, S.A.
SAGIES - Segurança e Higiene no Trabalho, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado

Related parties resulting from the stake held in Finibanco Angola, SA:

Banco de Negócios Internacional, S.A. (BNI)

[a] These Funds were settled on 30th of december of 2021.
[b] The subsidiary Montepio Valor was sold to Montepio Greal Associação Mutualista on 30th of december of 2021.

As at 31 December 2021, the assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Deposits in other credit institutions, Other loans and advances to other credit institutions, Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and other commitments assumed, are presented as follows:

(Euro thousand)

	2021									
Company	Loans and deposits to credit institutions payable on demand	Other loans and advances to credit institutions	Loans and advances to customers	Impairment for Loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment for Financial assets at fair value through other comprehensive income	Other assets	Guarantees and other commitments	Provisions for Guarantees and other commitments	Total
Board of directors	-	-	588	-	-	-	-	-	-	588
Other related parties Board of directors	-	-	2 618	-	-	-	-	-	-	2 618
Other key management personnel	-	-	3 349	-	-	-	-	-	-	3 349
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - Em Liquidação	-	-	-	-	-	-	14	-	-	14
Bolsimo - Gestão de Activos, S.A.	-	-	3 346	300	-	-	22	8 681	-	11 749
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	-		23	-	-	23
CESource, A.C.E.	-	-	-	-	-	-	83	-	-	83
Finibanco Angola, S.A.	22 905	-	-	-	-	-	-	39 017	-	61 922
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	-	-	1	1	-	-	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	20	3	-	-	-	-	-	17
Lusitania, Companhia de Seguros, S.A.	-	-	-	-	2 079	747	-	46	-	1 378
Moçambique Companhia de Seguros, S.A.R.L.	-	-	-	-	250	-	-	-	-	250
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	32 518	261 900	3 943	-	-	167	226 100	-	516 742
Montepio Geral Associação Mutualista	-	-	5	7	-	-	3 949	120	-	4 067
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	-	-	1	-	5	-	-	6
Montepio Gestão de Ativos Imobiliários, A.C.E.	-	-	-	-	-		607	-	-	607
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	-	-	130 035	-	-	130 035
Montepio Investimento, S.A.	-	241 919	-	-	-	-	3	83 262	-	325 184
Montepio Residências para Estudantes, S.A.	-	-	-	-	-	-	4	-	-	4
Montepio Valor - S.G.O.I.C., S.A.	-	-	1	-	-	-	-	-	-	1
NovaCâmbios - Instituição de Pagamento, S.A.	-	-	775	35	-	-	-	1 386	4	2 122
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	150	-	150
Residências Montepio, Serviços de Saúde, S.A.	-	-	1 511	16	-	-	29	750	-	2 274
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.	-	-	-	-	-	-	41	-	-	41
	22 905	274 437	274 114	4 305	2 330	747	134 982	359 512	4	1 063 224

As at 31 December 2020, assets held by Banco Montepio in respect of related parties, represented or not by securities, included in the captions Deposits in other credit institutions, Other loans and advances to other credit institutions, Loans and advances to customers, Impairment of loans and advances to customers, Financial assets at fair value through other comprehensive income, Impairment of financial assets at fair value through other comprehensive income, Other assets, Guarantees and commitments assumed and Provisions for guarantees and other commitments assumed, are presented as follows:

(Euro thousand)

	2020									
Company	Loans and deposits to credit institutions payable on demand	Other loans and advances to credit institutions	Loans and advances to customers	Impairment for Loans and advances to customers	Financial assets at fair value through other comprehensive income	Impairment for Financial assets at fair value through other comprehensive income	Other assets	Guarantees and other commitments	Provisions for Guarantees and other commitments	Total
Board of directors	-	-	622	-	-	-	-	-	-	622
Other related parties Board of directors	-	-	2 555	2	-	-	-	-	-	2 553
Other key management personnel	-	-	3 905	4	-	-	-	-	-	3 901
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - Em Liquidação	-	-	-	-	-	-	55	-	-	55
Bolsimo - Gestão de Activos, S.A.	-	-	7 483	393	-	-	22	5 431	-	12 543
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	-		29	-	-	29
CESource, A.C.E.	-	-	-	-	-	-	48	-	-	48
Finibanco Angola, S.A.	20 938	-	-	-	-	-	85	35 615	-	56 638
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	-	-	1	-	-	-	26	-	-	27
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	-	-	-	-	-	500	-	500
Lusitania, Companhia de Seguros, S.A.	-	-	-	-	1 867	612	86	46	-	1 387
Moçambique Companhia de Seguros, S.A.R.L.	-	-	-	-	415	-	-	-	-	415
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	437 501	-	-	-	-	131	99 700	-	537 332
Montepio Geral Associação Mutualista	-	-	2	8	-	-	1 947	120	1	2 060
Montepio Gestão de Activos - S.G.O.I.C., S.A.	-	-	-	-	1	-	10	-	-	11
Montepio Gestão de Ativos Imobiliários, A.C.E.	-	-	-	-	-		648	-	-	648
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	-	-	127 736	-	-	127 736
Montepio Investimento, S.A.	-	262 067	-	-	-	-	1 548	238 181	2	501 794
Montepio Valor - S.G.O.I.C., S.A.	-	-	-	-	-	-	45	-	-	45
NovaCâmbios - Instituição de Pagamento, S.A.	-	-	830	92	-	-	-	1 446	8	2 176
PEF - Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	200	7	193
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	150	5	145
Residências Montepio, Serviços de Saúde, S.A.	-	-	948	139	-	-	47	500	7	1 349
	20 938	699 568	16 346	638	2 283	612	132 463	381 889	30	1 252 207

As at 31 December 2021, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	2021				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued	Other liabilities	Total
Board of Directors	-	1 704	-	-	1 704
Other related parties Board of directors	-	3 281	-	-	3 281
Other key management personnel	-	2 795	-	-	2 795
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - Em Liquidação	9 029	-	-	-	9 029
Bolsimo - Gestão de Activos, S.A.	-	1 359	-	-	1 359
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	7 032	-	-	7 032
Clínica CUF Belém, S.A.	-	13	-	-	13
Empresa Gestora de Imóveis da Rua do Prior S.A	-	207	-	-	207
Finibanco Angola, S.A.	30 616	-	-	-	30 616
Fundação Montepio Geral	-	1 748	-	-	1 748
Fundo de Pensões - Montepio Geral	-	38 652	2 115	-	40 767
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	1 923	-	-	1 923
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	124	-	-	124
Lusitania Vida, Companhia de Seguros, S.A.	-	20 221	-	-	20 221
Lusitania, Companhia de Seguros, S.A.	-	4 121	-	-	4 121
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	1 840	-	-	1 840
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	2 828	-	-	2 828
Montepio Geral Associação Mutualista	-	151 962	201 076	-	353 038
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	2 974	-	-	2 974
Montepio Gestão de Activos Imobiliários, A.C.E.	-	2 406	-	-	2 406
Montepio Holding, S.G.P.S., S.A.	-	29 065	-	-	29 065
Montepio Investimento, S.A.	4 463	-	-	350	4 813
Montepio Residências para Estudantes, S.A.	-	396	-	-	396
Montepio Seguros, S.G.P.S., S.A.	-	721	-	-	721
Montepio Valor - S.G.O.I.C., S.A.	-	4 578	-	-	4 578
NovaCâmbios - Instituição de Pagamento, S.A.	-	451	-	-	451
PEF - Fundo de Investimento Imobiliário Fechado	-	482	-	-	482
Polaris-Fundo de Investimento Imobiliário Fechado	-	132	-	-	132
Residências Montepio, Serviços de Saúde, S.A.	-	466	-	-	466
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	85	-	-	85
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	2 756	-	-	2 756
Sociedade Portuguesa de Administrações, S.A.	-	357	-	-	357
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	30 556	-	-	30 556
	44 108	315 235	203 191	350	562 884

As at 31 December 2020, Banco Montepio's liabilities in respect of related parties, included in the captions Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated debt and Other liabilities, are analysed as follows:

(Euro thousand)

	2020				
Company	Deposits from other credit institutions	Deposits from customers	Debt securities issued	Other liabilities	Total
Board of Directors	-	1 757	-	-	1 757
Other related parties Board of directors	-	3 479	-	-	3 479
Other key management personnel	-	2 406	-	-	2 406
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. -Em Liquidação	117 619	-	-	-	117 619
Bolsimo - Gestão de Activos, S.A.	-	1 902	-	-	1 902
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	9 447	-	-	9 447
Clínica CUF Belém, S.A.	-	10	-	-	10
Empresa Gestora de Imóveis da Rua do Prior S.A	-	166	-	-	166
Finibanco Angola, S.A.	36 059	-	-	4 300	40 359
Fundação Montepio Geral	-	838	-	-	838
Fundo de Pensões - Montepio Geral	-	39 188	2 103	-	41 291
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	493	-	-	493
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	89	-	-	89
In Posterum, A.C.E.	-	93	-	-	93
Lusitania Vida, Companhia de Seguros, S.A.	-	10 396	-	-	10 396
Lusitania, Companhia de Seguros, S.A.	-	4 031	-	-	4 031
Montepio Arrendamento - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	17 984	-	-	17 984
Montepio Arrendamento II - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	7 697	-	-	7 697
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	29 320	-	-	29 320
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	6 393	-	-	6 393
Montepio Geral Associação Mutualista	-	140 129	200 388	-	340 517
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	1 600	-	-	1 600
Montepio Gestão de Activos Imobiliários, A.C.E.	-	2 450	-	-	2 450
Montepio Holding, S.G.P.S., S.A.	-	23 540	-	-	23 540
Montepio Investimento, S.A.	33 181	-	-	31	33 212
Montepio Residências para Estudantes, S.A.	-	537	-	-	537
Montepio Seguros, S.G.P.S., S.A.	-	2 028	-	-	2 028
Montepio Valor - S.G.O.I.C., S.A.	-	4 825	-	-	4 825
NovaCâmbios - Instituição de Pagamento, S.A.	-	512	-	-	512
PEF - Fundo de Investimento Imobiliário Fechado	-	3 635	-	-	3 635
Polaris-Fundo de Investimento Imobiliário Fechado	-	192	-	-	192
Residências Montepio, Serviços de Saúde, S.A.	-	138	-	-	138
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	45	-	-	45
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	3 122	-	-	3 122
Sociedade Portuguesa de Administrações, S.A.	-	148	-	-	148
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	20 584	-	-	20 584
	186 859	339 174	202 491	4 331	732 855

As at 31 December 2021, Banco Montepio’s income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, Staff costs, and General and administrative expenses, are analysed as follows:

(Euro thousand

	2021						
Empresas	Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/ (expense)	(losses) arising from financial assets and liabilities at fair value through other comprehensiv	Staff costs	General and administrative expenses
Conselho de Administração	-	1	1	-	-	-	-
Conselho de Administração de Outras Partes Relacionadas	10	3	4	1	-	-	-
Outro Pessoal Chave de Gestão	15	3	4	1	-	-	-
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - Em Liquidação	-	1 344	1	91	-	(94)	-
Bolsimo - Gestão de Ativos, S.A.	206	-	1	-	-	(264)	-
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	101	-	893	-	-
CESource, A.C.E.	-	-	-	-	-	(542)	-
Finibanco Angola, S.A.	-	-	1	-	-	(51)	-
Fundo de Pensões - Montepio Geral	-	8	-	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	3 050	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	4		2	-	-	-	-
Iberpartners Cafés, S.G.P.S., S.A.		-	-	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	4 919	-	-	-	-
Lusitania, Companhia de Seguros, S.A.	-	-	5 945	7	-	-	-
Montepio Arrendamento - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	57	1	-	-	-
Montepio Arrendamento II - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	27	1	-	-	-
Valor Arrendamento - Fundo de Investimento Imobiliário Fechado	-	-	73	1	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	2 353	-	383		-	(297)	-
Montepio Geral Associação Mutualista	2	18 413	2 288	(1 108)	-	(10 356)	1 922
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	914	16	-	-	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(3 174)	-	(2 312)	-
Montepio Hording, S.G.P.S., S.A.	-	-	18		-	-	-
Montepio Investimento, S.A.	984	353	39	422	-	(841)	-
Montepio Residências para Estudantes, S.A.	-		-	-	-	(26)	-
Montepio Seguros, S.G.P.S., S.A.	-	-	-	-	-	-	-
Montepio Valor - S.G.O.I.C., S.A.	-	-	254	8	-	(604)	-
NovaCâmbios - Instituição de Pagamento, S.A.	58	-	59	6	-	-	-
PEF - Fundo de Investimento Imobiliário Fechado		-	12	-	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	2	-	3	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	65	-	53	4	-	(113)	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	2	1	-	-	-	-
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	1	-	-	-	-
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.	-	-	-	33	-	-	-
	3 699	20 127	18 211	(3 690)	893	(15 500)	1 922

As at 31 December 2020, Banco Montepio’s income and expenses with related parties, included in the captions Interest and similar income, Interest and similar expense, Net fee and commission income, Other operating income/(expense), Staff costs, and General and administrative expenses, are analysed as follows:

(Euro thousand)

	2020						
Company	Interest and similar income	Interest and similar expense	Net fee and commission income	Other operating income/ (expense)	(losses) arising from financial assets and liabilities at fair value through other comprehensiv	Staff costs	General and administrative expenses
Board of directors	-	2	1	-	-	-	-
Other related parties Board of directors	9	5	3	-	-	-	-
Other key management personnel	24	4	3	1	-	-	-
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - Em Liquidação	-	1 968	1	99	-	(72)	-
Bolsimo - Gestão de Ativos, S.A.	424	3	1	-	-	(110)	-
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	7	125	-	2 583	-	-
CESource, A.C.E.	-	-	-	-	-	(578)	-
Finibanco Angola, S.A.	-	-	1	-	-	(112)	-
Fundo de Pensões - Montepio Geral	-	15	-	-	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-		2 729	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	6	-	1	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-		4 136	-	-	-	-
Lusitania, Companhia de Seguros, S.A.	-		6 810	9	-	-	-
Montepio Arrendamento - F.I.I. Fechado para Arrendamento Habitacional	-	-	59	1	-	-	-
Montepio Arrendamento II - F.I.I. Fechado para Arrendamento Habitacional	-	-	28	1	-	-	-
Montepio Arrendamento III - F.I.I. Fechado para Arrendamento Habitacional	-	-	104	1	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	2 473	-	13	278	-	(287)	-
Montepio Geral Associação Mutualista	8	15 818	1 245	1	-	(14 896)	2 171
Montepio Gestão de Activos - S. G. O. I. C., S.A.	-	-	2	-	-	-	-
Montepio Gestão de Activos Imobiliários, A.C.E.	-	-	-	(2 988)	-	(4 057)	-
Montepio Hording, S.G.P.S., S.A.	-	-	13	51	-	(790)	-
Montepio Investimento, S.A.	668	-	24	422	-	-	-
Montepio Residências para Estudantes, S.A.	-	1	-	-	-	-	-
Montepio Seguros, S.G.P.S., S.A.	-	-	38	-	-	-	-
Montepio Valor - S.G.O.I.C., S.A.	-	-	294	172	-	(575)	-
NovaCâmbios - Instituição de Pagamento, S.A.	37	-	62	6	-	-	-
PEF - Fundo de Investimento Imobiliário Fechado	1	-	12	-	-	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	1	-	3	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	36	-	24	-	-	(113)	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	5	1	-	-	-	-
	3 687	17 828	15 733	(1 946)	2 583	(21 590)	2 171

Remuneration and social charges with the members of the Board of Directors (including members of the Audit Committee), and Other key management personnel are detailed in note 10.

In financial years 2021 and 2020, there were no transactions with Banco Montepio's Pension Fund.

49 Securitization of assets

As at 31 December 2021, there are five securitization operations, three of which originated in Banco Montepio, one in Montepio Investimento, S.A., and one realized jointly by Banco Montepio and Montepio Crédito.

We present next some additional details of these live securitization operations as at 31 December 2021.

As at 30 March 2007, Banco Montepio celebrated a mortgage loan securitization contract with Sagres – Sociedade de Titularização de Créditos, S.A. (Sagres), Pelican Mortgages no. 3. The total period of the operation is 47 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 762,375 thousand. The sale was made at par, with the initial sale process costs representing 0.0165% of par.

As at 20 May 2008, Banco Montepio celebrated a mortgage loan securitization contract with Sagres, *Pelican Mortgages* no. 4. The total period of the operation is 48 years, without a revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,028,600 thousand. The sale was made at par, with the initial sale process costs representing 0.083% of par.

As at 9 December 2008, Montepio Investimento S.A. (at that date, Finibanco, S.A.) sold a mortgage loan portfolio to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus), in the amount of Euro 236,500 thousand (Aqua Mortgages no. 1). The total period of this operation is 55 years, with a revolving period of 2 years. It should be noted that Montepio Investimento disposed of this securitization portfolio to Banco Montepio in 2011.

On 6 December 2021, Banco Montepio and Montepio Crédito signed contracts with Ares Lusitani – STC, S.A. leading to the securitization of a consumer loan portfolio. The securitization operation, with the name Pelican Finance no. 2, has a legal maturity of 13 years (25 January 2035), with the associated obligations having a Weighted Average Life of 2.76 years (assuming a CPR of 7.5%). The outstanding capital of the securitized loans (Aggregate Principal Amount Outstanding) was, on the reference date of 31 October 2021 (Portfolio Determinative Date), Euro 356,774 thousand, this being a static portfolio, without revolving mechanisms. The sale was carried out using a syndicated public placement model, with class A being placed above par (100.606%) and the rest at par.

The entity that guarantees the debt service (servicer) of the traditional securitization operations is Banco Montepio, assuming the collection of the loans sold and channelling the amounts received to the respective Credit Securitization Companies (Sociedades de Titularização de Créditos) (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Pelican Finance no. 2 and Aqua Mortgages no. 1).

The credit securitization operations Pelican Finance no 1, on 25 March 2021, Pelican Mortgages no 5, on 10 December 2021, and Pelican Mortgages no 6, on 29 December 2021, were liquidated.

Banco Montepio does not hold any direct or indirect shareholding in the Companies Tagus and Sagres.

The loans covered by the securitization operations referred above were not derecognized from the balance sheet as the Bank retained most of the risks and rewards associated with the securitized loans. If the Bank substantially transfers the risks and rewards associated with their holding, the securitization operations are derecognized.

As at 31 December 2021, the securitization operations realized by Banco Montepio are presented as follows:

(Euro thousand)

Issue	Settlement date	Currency	Asset transferred	Loan and advances: Initial amount	Loan and advances: Current amount	Securities issued: Initial nominal amount	Securities issued: Current nominal amount	Securities issued: Third party amount*
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	116 091	762 375	119 898	30 618
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	407 525	1 028 600	438 985	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	68 130	236 500	70 542	-
*Pelican Finance No. 2***	December 2021	euro	Consumer loans	360 301	142 122	360 301	360 301	362 214
				2 387 776	733 868	2 387 776	989 726	392 832

* Includes nominal value, accrued interest and other adjustments.

** The values presented correspond to the total issuance (Banco Montepio and Montepio Crédito jointly).

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2021, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations: *Pelican Mortgage n.º 3*	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Finance n.º 2*	Total
Domestic loans and advances					
Retail					
Mortgage	115 193	405 999	67 285	-	588 477
Consumer loans and other	-	-	-	142 117	142 117
	115 193	405 999	67 285	142 117	730 594
Credit and overdue interest					
Less than 90 days	96	546	540	-	1 182
More than 90 days	802	980	305	5	2 092
	898	1 526	845	5	3 274
	116 091	407 525	68 130	142 122	733 868

As at 31 December 2020, the securitization operations realized by Banco Montepio are presented as follows:

Issue	Settlement date	Currency	Assets transferred	Initial amount	Current amount	Initial nominal amount	Current nominal amount	Third party amount *
Pelican Mortgages No. 3	March 2007	euro	Mortgage loans	762 375	145 225	762 375	111 901	38 667
Pelican Mortgages No. 4	May 2008	euro	Mortgage loans	1 028 600	452 144	1 028 600	482 450	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage loans	236 500	76 424	236 500	79 203	-
Pelican Mortgages No. 5	March 2009	euro	Mortgage loans	1 027 500	452 911	1 027 500	478 456	-
Pelican Mortgages No. 6	February 2012	euro	Mortgage loans	1 107 000	570 033	1 107 000	648 080	-
Pelican Finance No. 1	May 2014	euro	Consumer loans	185 300	44 629	185 300	51 094	-
				4 347 275	1 741 366	4 347 275	1 851 184	38 667

* Includes nominal value, accrued interest and other adjustments.

Additionally, the detail of the securitized loans not derecognized, by securitization operation and contract nature, as at 31 December 2020, is presented as follows:

(Euro thousand)

	Non-derecognized securitization operations						
	Pelican Mortgage n.º 3	*Pelican Mortgage n.º 4*	*Aqua Mortgage n.º 1*	*Pelican Mortgage n.º 5*	*Pelican Mortgage n.º 6*	*Pelican Finance n.º 1*	**Total**
Domestic loans and advances							
Retail							
Mortgage	143 949	450 648	75 641	451 592	561 276	-	1 683 106
Consumer loans and other	-	-	-	-	-	42 348	42 348
	143 949	450 648	75 641	451 592	561 276	42 348	1 725 454
Credit and overdue interest							
Less than 90 days	107	648	540	344	2 260	243	4 142
More than 90 days	1 169	848	243	975	6 497	2 038	11 770
	1 276	1 496	783	1 319	8 757	2 281	15 912
	145 225	452 144	76 424	452 911	570 033	44 629	1 741 366

As a form of financing, the securitization vehicles created (Pelican Mortgages no. 3, Pelican Mortgages no. 4, Pelican Finance no. 2 and Aqua Mortgages no. 1) issued bonds which nominal value is presented below, and which were fully subscribed by Banco Montepio in the case of Aqua Mortgages no. 1, Pelican Mortgages no. 4, and partially, in the case of Pelican Mortgages no. 3 and Pelican Finance no.2.

The bonds issued by the securitization vehicles Pelican Mortgages no. 5 and Pelican Mortgages no. 6, which were liquidated during financial year 2021, were fully subscribed by Banco Montepio as at 31 December 2020.

In the case of the more senior notes, these are recorded as Other financial assets at amortized cost (note 25), while in the case of the residual notes these are recorded in the caption Financial assets at fair value through profit or loss (note 22), and, as at 31 December 2021, these are analysed as follows:

						Rating (initial)				*Rating* (current)			
Issue	**Bonds**	**Initial nominal amount euro**	**Current nominal amount euro**	**CEMG interest held (nominal amount) euro**	**Maturity date**	***Fitch***	**Moodys**	**S&P**	**DBRS**	***Fitch***	**Moodys**	**S&P**	**DBRS**
Pelican Mortgages No 3	Class A	717 375 000	109 311 458	78 693 431	2054	AAA	Aaa	AAA	n.a.	BBB	A1	AA	n.a.
	Class B	14 250 000	2 822 267	2 822 267	2054	AA-	Aa2	AA-	n.a.	BBB	Baa3	BBB	n.a.
	Class C	12 000 000	2 376 646	2 376 646	2054	A	A3	A	n.a.	BB+	Ba3	BB	n.a.
	Class D	6 375 000	1 262 593	1 262 593	2054	BBB	Baa3	BBB	n.a.	BB	B3	B+	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	323 657 030	323 657 030	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	AAA
	Class B	55 500 000	28 651 332	28 651 332	2056	AA	n.a.	n.a.	A+	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	30 974 413	30 974 413	2056	A-	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	n.a.
	Class D	25 000 000	12 906 006	12 906 006	2056	BBB	n.a.	n.a.	B+	B-	n.a.	n.a.	n.a.
	Class E	27 500 000	14 196 606	14 196 606	2056	BB	n.a.	n.a.	B	B-	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	49 446 848	49 446 848	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	17 594 980	17 594 980	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance n.º 2	Class A	285 400 000	285 400 000	-	2035	AA-	n.a.	n.a.	AA	AA-	n.a.	n.a.	AA
	Class B	20 700 000	20 700 000	-	2035	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class C	17 500 000	17 500 000	-	2035	BBB+	n.a.	n.a.	BBB	BBB+	n.a.	n.a.	BBB
	Class D	19 300 000	19 300 000	-	2035	BB+	n.a.	n.a.	BH	BB+	n.a.	n.a.	BH
	Class E	17 400 000	17 400 000	-	2035	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.
	Class X	1 000	1 000	400	2035	n.a.	n.a.	n.a.	n.a.	B-	n.a.	n.a.	n.a.

As at 31 December 2020, the securities issued by the special purpose vehicles, are analysed as follows:

Issue	Bonds	Initial nominal amount euro	Current nominal amount euro	CEMG interest held (nominal amount) euro	Maturity date	*Rating* (initial)				*Rating* (current)			
						Fitch	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 3	Class A	717 375 000	138 350 012	99 598 316	2054	AAA	Aaa	AAA	n.a.	BBB-	A3	BBB-	n.a.
	Class B	14 250 000	3 572 001	3 572 001	2054	AA-	Aa2	AA-	n.a.	BBB-	Ba1	B-	n.a.
	Class C	12 000 000	3 008 001	3 008 001	2054	A	A3	A	n.a.	BB	B2	B-	n.a.
	Class D	6 375 000	1 598 001	1 598 001	2054	BBB	Baa3	BBB	n.a.	B	Caa1	B-	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	PIF	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	357 936 501	357 936 501	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	AA
	Class B	55 500 000	31 685 880	31 685 880	2056	AA	n.a.	n.a.	A+	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	34 255 005	34 255 005	2056	A-	n.a.	n.a.	BBB	BBB	n.a.	n.a.	n.a.
	Class D	25 000 000	14 272 919	14 272 919	2056	BBB	n.a.	n.a.	B+	BB	n.a.	n.a.	n.a.
	Class E	27 500 000	15 700 211	15 700 211	2056	BB	n.a.	n.a.	B	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	57 093 499	57 093 499	2063	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A+	AAA
	Class B	29 824 000	18 609 200	18 609 200	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Class A	750 000 000	314 319 574	314 319 574	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAH
	Class B	195 000 000	110 086 392	110 086 392	2061	BBB-	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	27 500 000	15 525 004	15 525 004	2061	B	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class D	27 500 000	15 525 004	15 525 004	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	-	-	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23 000 000	23 000 000	23 000 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Class A	750 000 000	292 879 799	292 879 799	2063	A	n.a.	A-	AA	A+	n.a.	A	AAA
	Class B	250 000 000	250 000 000	250 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1 800 000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65 000 000	65 000 000	65 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Class A	202 900 000	43 715 916	26 242 477	2028	A	n.a.	n.a.	A	A+	n.a.	n.a.	AAL
	Class B	91 100 000	26 732 717	16 051 368	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	14 700 000	14 700 000	8 800 000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

At each interest payment date, Tagus and Sagres have the possibility of partially redeeming the bonds, redemption which is realized sequentially and in function of the degree of subordination of the bonds.

50 Risk management

Objectives of the Risk Management Policy

Banco Montepio is exposed to several risks the most relevant of which in the financial component being credit, concentration, market, interest rate, banking portfolio market, foreign currency, liquidity, real estate and Pension Fund risks. Additionally, Banco Montepio is subject to other non-financial risks, namely operating, reputational, information and communication technologies, strategy and business risks as well as other emerging risks, namely Environmental, Social and Governance (ESG) risks of which the climatic risks stand out. Depending on the nature and relevance of the risk, plans, programs or actions are designed, supported by information systems and procedures providing a high degree of reliability as regards risk management measures established in due course. For all risks identified as material, Banco Montepio has implemented a process for the identification and review of same, being subject to regular monitoring and mitigation actions in order to reduce potential losses for Banco Montepio.

The control and the efficient management of risk play a key role in the balanced and sustained development of Banco Montepio. In addition to contributing to the optimization of the profitability/risk binomial of the various lines of business, they also ensure the maintenance of an adequate risk profile in terms of solvency and liquidity.

The monitoring of these risks is centralized in the Risk Department, the unit responsible for the risk management function of Banco Montepio, which regularly informs the Management (elsewhere also “Board of Directors”) and Supervisory bodies of the evolution of the risk profile of the institution and, if necessary, proposes risk exposure mitigation/reduction actions.

Banco Montepio's risk management policy is the responsibility of the Board of Directors, which defines the tolerance levels and maximum risk limits, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plan, with this policy being reviewed regularly. It is also the responsibility of the Board of Directors to ensure the existence of an adequate risk control at Group level, namely through the respective supervisory boards. The Risk Committee is a non-executive body with the role of risk management supervision, which mission is to monitor the design and implementation of the risk strategy and risk appetite of Banco Montepio and to verify whether these are aligned with the sustainable strategy in the medium- and long-term, providing advice to the Board of Directors and Executive Committee in these areas.

The Board of Directors with the support of the Audit Committee (a supervisory body of Banco Montepio) must ensure that the Institution has sufficient capital to meet regulatory requirements and to cover potential losses resulting from the activity, with an optimized balance sheet structure that maintains a stable and safe funding capacity and liquidity profile, allowing it to face stress situations and ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

Banco Montepio has clear and well-defined objectives in its strategic plan, namely as regards capital ratios, transformation of deposits into credit, liquidity and financing ratios, in addition to a feasible and sustainable business model aligned with its risk appetite.

To this end, the definition of risk appetite is based on certain principles - namely solidity, sustainability and profitability – being prepared in function of the strategic plan and the intended market positioning, as well as the risks faced in its activity that are materially relevant. For these, objectives are set according to the desired level of return and the business strategy, tolerance levels, that is, risk variation intervals that can lead to discussions and decisions about corrective measures and limits that, if exceeded, lead to immediate corrective measures.

In defining risk appetite, the Board of Directors ensures its alignment with the other organizational components (business strategy and the global vectors of risk strategy). In addition, the Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making and that can affect risk exposure and it's monitoring.

Banco Montepio's risk management policy is designed to ensure an adequate relationship, at all times, between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line, assuming particular importance in this scope the monitoring and control of the main types of financial and non-financial risks – credit, market, liquidity, real estate and operating – to which Banco Montepio's business is subject.

Credit risk

Credit Risk is the probability of negative impacts on results or capital, due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists mainly in loan exposures (including secured), credit lines, guarantees and derivatives.

The credit risk management process is based on the existence of a solid process of credit analysis and decision, supported by several tools aiding the credit decision process. The quantification of credit risk is also supported by the model used to calculate impairment losses (loss given default) and in the estimation of the regulatory and economic capital requirements (non-expected losses).

The fundamental principle of credit risk analysis is independence from the business decisions. In this analysis, instruments are used, and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (e.g., the modelling capacity of such risks) and the liquidity of the instruments.

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio operations is based on a set of policies, relying on scoring models for the retail portfolios and rating models for the non-retail segment.

In the credit risk scope, and as regards analytical methodologies, the risk control techniques and models are based on econometric modelling, based on the Institution's experience in the granting of various types of credit and, whenever possible, also in credit recovery.

Credit decisions are dependent on risk ratings and compliance with various rules governing the financial capacity and behaviour of the applicants.

There are scoring models for the admission of individuals to the retail portfolios, namely for mortgage loans, individual loans and credit cards.

Self-employed individuals ("Empresários em nome individual" – "ENI") and Micro businesses are considered retail, being therefore subject to the respective scoring models.

There are also behavioural scoring models for retail portfolios, which are used to monitor the credit portfolio as well as to evaluate new credit proposals, being coupled with software-based scoring information, where applicable.

Regarding non-retail credit portfolios, internal rating models are used for small, medium and large Companies, distinguished by activity sectors, such as the tertiary sector, or by ageing of the Company's activity, namely start-up Companies.

Regardless of the typology of the applicable model, any proposal, contract or credit Customer is classified into a single risk scale class, in ascending order of Probability of Default, with this scale being composed of 19 classes, of which the first 15 correspond to performing risk classes, classes 16 to 18 to credit incidents/ record of arrears in the financial system, and class 19 to default, in accordance with the applicable internal definition, which follows the regulators' prudential requirements.

It is possible to derogate the response of scoring systems, internal ratings and internal price lists, but only by higher decision levels, in accordance with the established principles of delegation of responsibilities. Rejection situations are defined in order to minimize the risk of adverse selection, with risk classes for rejection having been defined.

Intervention limits are also defined for the different decisions, by operation amount and global Customer exposure, type of operation/collateral and assigned risk class. In this context, higher hierarchical positions must approve operations with higher exposures. The levels and limits are approved by the Board of Directors, and the highest decision level corresponds to the Board of Directors. At the intermediate levels, the collegial intervention of at least two persons is compulsory, one belonging to the commercial network and the other to the Credit Analysis Department, a body independent of the commercial structure. The Risk Department is the unit responsible for the development of the credit risk models (scoring and rating), and for the monitoring of Banco Montepio's risk control, on a global basis.

Within the scope of credit risk monitoring, internal reports are prepared with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. In terms of preventive monitoring, an alert system is in place for indicators of credit risk profile deterioration of a certain counterpart (Early Warning Signs).

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or using revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. Most of the physical collaterals are revalued at least annually. The financial collaterals are revalued based on market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility.

The expected loss measurement process follows the general principles defined in IFRS 9. The accounting policies considered in this process are described in note 1 b.10.4).

As part of the calculation of the estimated impairment losses, sensitivity analyses were carried out on the macroeconomic variables considered in the forward-looking models and the following results were obtained:

3. Macroeconomic projection degradation scenario of 10%: impact of 2.77% of total impairment of the loan portfolio;
4. Macroeconomic projection improvement scenario of 10%: impact of -2.56% of total impairment of the loan portfolio.

In addition, sensitivity analyses were also performed directly on the PD and LGD parameters, with the following results being obtained:

3. Parameter degradation scenario of 5%: impact of 6.61% of total impairment of the loan portfolio;
4. Parameter improvement scenario of 5%: impact of -6.55% of total impairment of the loan portfolio.

Regarding the process of incorporating macroeconomic projections into the parameters for estimating impairment, the established process provides for the projections to be updated at least annually.

Below is a summary of the evolution of the main macroeconomic variables considered in the models:

	2021	2022	2023
Unemployment Rate [(2)]			
Base Scenario	6.76%	5.89%	5.61%
Worst-case Scenario	6.76%	11.22%	10.66%
Best-case Scenario	6.76%	5.84%	5.44%
GDP Growth Rate [(2)]			
Base Scenario	3.76%	3.95%	2.13%
Worst-case Scenario	3.76%	-1.04%	2.70%
Best-case Scenario	3.76%	5.92%	2.17%
Growth Rate of Direct Investment in Assets [(3)]			
Base Scenario	1540.00%	27.08%	-13.66%
Worst-case Scenario	1540.00%	8.33%	8.33%
Best-case Scenario	1540.00%	20.83%	-1.72%
Private Consumption Expenditure Growth Rate [(2)]			
Base Scenario	6.31%	3.11%	2.10%
Worst-case Scenario	6.31%	-0.56%	2.30%
Best-case Scenario	6.31%	4.67%	1.84%
Government Balance Growth Rate as a Percentage of GDP [(1)]			
Base Scenario	15.70%	54.39%	41.28%
Worst-case Scenario	15.70%	-8.79%	46.92%
Best-case Scenario	15.70%	67.57%	52.90%
PSI Index Growth Rate [(4)]			
Base Scenario	21.14%	-1.41%	2.29%
Worst-case Scenario	21.14%	-23.44%	12.06%
Best-case Scenario	21.14%	8.10%	0.38%

[(1)] Source: Eurostat; Projections: Moody's Analytics

[(2)] Source: National Institute of Statistics; Projections: Moody's Analytics

[(3)] Source: International Monetary Fund; Projections Moody's Analytics

[(4)] Source: SIX Financial Information; Projections Moody's Analytics

Banco Montepio’s credit risk exposure can be analysed as follows:

(Euro thousand)

	2021	2020
Loans and deposits at credit institutions repayable on demand	84 240	53 498
Loans and advances to credit institutions	388 459	858 704
Loans and advances to customers	11 004 029	10 732 604
Financial assets held for trading	1 376	5 037
Financial assets at fair value through profit or loss	30 881	102 345
Financial assets at fair value through other compensative income	81 023	146 643
Hedging derivatives	5 411	10 693
Other financial assets at amortized cost	3 530 569	3 981 949
Other assets	192 597	164 909
Guarantees granted	448 373	474 469
Irrevocable credit lines	958 453	1 058 335
Revocable credit lines	871 346	792 800
	17 596 757	18 381 986

The analysis of the main credit risk exposures by sector of activity, for financial year 2021, can be analysed as follows:

Activity	2021														
	Loans and deposits at others credit institutions repayable	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets not held for trading mandatory at fair value	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees granted	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value		Provisions
Corporate															
Agriculture, forestry, and fishing	-	-	-	90 453	5 064	-	-	-	-	-	-	-	876	5 598	124
Extractive industries	-	-	-	15 187	587	-	-	-	-	-	-	-	1 216	2 258	8
Manufacturing industries	-	-	-	935 192	85 984	-	845	3 995	444	-	-	-	22 707	109 367	1 638
Electricity generation and distribution, gas steam and air conditioning	-	-	-	84 430	5 204	-	-	-	-	-	-	-	993	10 798	5
Water supply	-	-	-	48 245	1 072	-	-	-	-	-	-	-	1 782	5 393	13
Construction	-	-	-	423 019	65 230		470			-	-	-	94 739	88 734	7 578
Wholesale and retail trade	-	-	-	819 467	73 470	-	233			-	-	-	41 393	144 362	1 559
Transport and storage	-	-	-	295 505	18 137	-	-	-	-	-	-	-	5 643	15 075	188
Accommodation and catering activities	-	-	-	571 107	26 122	-	-	-		-	-	-	8 295	24 828	508
Information and Communication	-	-	-	51 789	2 007	-	-	-	-	5 411	-	-	1 596	21 872	122
Financial and insurance activities	84 240	390 553	2 094	677 963	97 793	1 376	-	9 388	1 560	-		-	214 588	333 942	214
Real estate activities	-	-	-	582 032	27 180		87	-	-	-	-	-	15 802	102 784	1 006
Consulting, scientific, technical and similar	-	-	-	201 491	6 349	-	-	-	-	-	-	-	14 764	32 509	286
Administrative and supporting service activities	-	-	-	103 693	3 766		263	-	-	-	-	-	5 086	23 626	913
Public administration and defence, compulsory social security	-	-	-	37 452	572	-	-	63 426	124	-	2 972 600	4 619	104	277	13
Education	-	-	-	62 656	2 471	-	-	-	-	-	-	-	185	4 260	36
Human Health Services and Social action activities	-	-	-	273 206	8 107	-	-	-	-	-	-	-	1 529	16 944	388
Artistic activities, shows and recreational	-	-	-	56 758	3 021	-	-	-	-	-	-	-	9 969	7 396	683
Other services	-	-	-	82 660	6 556	-	126	-	-	-	-	-	3 698	8 430	77
Retail															
Mortgage Loans	-	-	-	5 675 514	37 804	-	28 857	1 315	2	-	-	-	-	-	-
Others	-	-	-	415 681	22 975	-	-	5 658	629	-	562 588	-	3 408	-	717
	84 240	**390 553**	**2 094**	**11 503 500**	**499 471**	**1 376**	**30 881**	**83 782**	**2 759**	**5 411**	**3 535 188**	**4 619**	**448 373**	**958 453**	**16 076**

The analysis of the mains credit risk exposures by sector of activity, for financial year 2020, can be analysed as follows:

Activity	2020														
	Loans and deposits at others credit institutions repayable	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	Financial assets not held for trading mandatory at fair value	Financial assets at fair value through other comprehensive income		Hedging derivatives	Other financial assets at amortised cost		Guarantees granted	Irrevocable lines of credit	Provisions for off-balance sheet liabilities
	Book value	Gross value	Impairment	Gross value	Impairment	Book value	Book value	Gross value	Impairment	Book value	Gross value	Impairment	Off-balance sheet value		Provisions
Corporate															
Agriculture, forestry, and fishing	-	-	-	81 052	3 879	-	-	-	-	-	-	-	600	6 071	241
Extractive industries	-	-	-	13 721	621	-	-	-	-	-	-	-	1 378	1 928	21
Manufacturing industries	-	-	-	864 350	92 671		1 440	-	-	-	-	-	18 769	120 572	1 475
Electricity generation and distribution, gas steam and air conditioning	-	-	-	68 620	4 558		-	-	-	-	-	-	983	9 789	21
Water supply	-	-	-	65 389	2 596	-	-	-	-	-	-	-	2 070	4 854	40
Construction	-	-	-	605 170	167 257		588			-	-	-	94 000	106 874	5 798
Wholesale and retail trade	-	-	-	820 105	100 284	-	217			-	-	-	46 993	152 587	1 956
Transport and storage	-	-	-	303 588	44 748	-	6	-	-	-	-	-	4 834	16 637	285
Accommodation and catering activities	-	-	-	510 627	22 862	-	-	-		-	-	-	14 166	33 665	602
Information and Communication	-	-	-	52 840	3 126	-	-	-	-	10 693	-	-	1 675	22 845	112
Financial and insurance activities	53 498	866 814	8 110	547 071	102 330	3 984	-	3 125	708	-		-	221 088	387 104	419
Real estate activities	-	-	-	711 455	86 364	-	85	-	-	-	-	-	22 936	109 396	1 581
Consulting, scientific, technical and similar	-	-	-	226 727	9 710	-	-	-	-	-	-	-	19 486	29 126	629
Administrative and supporting service activities	-	-	-	92 319	6 599	-	47	-	-	-	-	-	5 537	21 492	313
Public administration and defence, compulsory social security	-	-	-	45 486	272	1 053	904	142 529	357	-	2 308 656	4 690	109	557	14
Education	-	-	-	62 433	2 900	-	-	-	-	-	-	-	236	4 809	34
Human Health Services and Social action activities	-	-	-	229 913	9 186	-	-	-	-	-	-	-	4 048	15 525	404
Artistic activities, shows and recreational	-	-	-	64 967	10 347	-	-	-	-	-	-	-	8 485	5 303	179
Other services	-	-	-	65 979	821	-	138	-	-	-	-	-	3 702	9 133	75
Retail															
Mortgage Loans	-	-	-	5 631 703	55 654	-	98 920	2 067	13		1 677 983	-	-	-	-
Others	-	-	-	428 534	32 660	-	-	-	-	-	-	-	3 374	68	2 395
	53 498	**866 814**	**8 110**	**11 492 049**	**759 445**	**5 037**	**102 345**	**147 721**	**1 078**	**10 693**	**3 986 639**	**4 690**	**474 469**	**1 058 335**	**16 594**

As regards credit risk, the portfolio of financial assets at amortized cost is dominated by bonds of sovereign issuers, essentially the Portuguese Republic.

In terms of credit quality, an increase in the average level of the counterparties was observed, due to the improved rating of the Portuguese sovereign debt.

Banco Montepio's total credit portfolio, in addition to Loans and advances to customers includes the guarantees and standby letters provided and the documentary credits in the aggregate amount of Euro 448,193 thousand (31 December 2020: Euro 474,288 thousand), the irrevocable credit facilities amounting to Euro 875,372 thousand (31 December 2020: Euro 720,635 thousand) and the revocable credit facilities in the amount of Euro 817,346 thousand (31 December 2020: Euro 792,800 thousand), broken down between collective and individual analysis, is presented as follows:

(Euro thousand)

Stage impacts	2021 Gross value	2021 Impairment	2021 Net value	2020 Gross value	2020 Impairment	2020 Net value
Collective analysis	**10 511 703**	**180 314**	**10 331 389**	**8 987 835**	**222 574**	**8 765 261**
Stage 1	8 743 003	23 405	8 719 598	6 378 650	12 122	6 366 528
Stage 2	1 493 972	40 674	1 453 298	2 299 358	59 113	2 240 245
Stage 3	274 728	116 235	158 493	309 827	151 339	158 488
Collective analysis	**3 132 707**	**335 233**	**2 797 474**	**4 491 936**	**553 465**	**3 938 471**
Stage 1	1 606 830	9 958	1 596 872	2 099 112	12 284	2 086 828
Stage 2	794 413	25 092	769 321	1 358 335	46 376	1 311 959
Stage 3	731 464	300 183	431 281	1 034 489	494 805	539 684
	13 644 410	**515 547**	**13 128 863**	**13 479 771**	**776 039**	**12 703 732**

As at 31 December 2021 and 2020, the detail of the application of Stages to other financial assets is presented as follows:

(Euro thousand)

Stage impacts	2021 Gross value	2021 Impairment	2021 Net value	2020 Gross value	2020 Impairment	2020 Net value
Amortized cost (AC)	**3 535 188**	**4 619**	**3 530 569**	**3 986 639**	**4 690**	**3 981 949**
Stage 1	3 535 188	4 619	3 530 569	3 986 639	4 690	3 981 949
Fair value (FVOIC)	**83 781**	**2 759**	**81 022**	**147 721**	**1 078**	**146 643**
Stage 1	81 294	2 009	79 285	145 070	454	144 616
Stage 2	2 487	750	1 737	2 651	624	2 027
Loans and advances to other institutions	**390 553**	**2 094**	**388 459**	**866 814**	**8 110**	**858 704**
Stage 1	390 553	2 094	388 459	823 806	7 617	816 189
Stage 2	-	-	-	43 008	493	42 515
	4 009 522	**9 472**	**4 000 050**	**5 001 174**	**13 878**	**4 987 296**

As at 31 December 2021 and 2020, the detail of the loans and advances subject to collective analysis, structured by segment and by Stage, is as follows:

(Euro thousand)

Segment	2021 Gross value	2021 Impairment	2021 Net value	2020 Gross value	2020 Impairment	2020 Net value
Retail	**6 488 362**	**56 205**	**6 432 157**	**6 404 109**	**83 139**	**6 320 970**
Mortgage loans	*5 771 440*	*35 180*	*5 736 260*	*5 680 033*	*54 860*	*5 625 173*
Stage 1	5 029 547	604	5 028 943	4 419 967	1 208	4 418 759
Stage 2	649 708	6 246	643 462	1 156 757	14 999	1 141 758
Stage 3	92 185	28 330	63 855	103 309	38 653	64 656
Consumer credit	*456 139*	*19 483*	*436 656*	*462 136*	*24 182*	*437 954*
Stage 1	366 771	1 078	365 693	241 204	906	240 298
Stage 2	64 579	3 537	61 042	195 469	7 518	187 951
Stage 3	24 789	14 868	9 921	25 463	15 758	9 705
Credit cards	*260 783*	*1 542*	*259 241*	*261 940*	*4 097*	*257 843*
Stage 1	240 176	520	239 656	147 512	691	146 821
Stage 2	18 530	195	18 335	109 577	1 002	108 575
Stage 3	2 077	827	1 250	4 851	2 404	2 447
Corporate	**4 023 341**	**124 109**	**3 899 232**	**2 583 726**	**139 435**	**2 444 291**
Non Construction	*3 645 772*	*111 077*	*3 534 695*	*2 336 767*	*125 486*	*2 211 281*
Stage 1	2 822 938	19 761	2 803 177	1 414 052	8 481	1 405 571
Stage 2	700 208	28 729	671 479	778 316	33 055	745 261
Stage 3	122 626	62 587	60 039	144 399	83 950	60 449
Construction	*377 569*	*13 032*	*364 537*	*246 959*	*13 949*	*233 010*
Stage 1	283 570	1 443	282 127	155 915	836	155 079
Stage 2	60 948	1 966	58 982	59 239	2 539	56 700
Stage 3	33 051	9 623	23 428	31 805	10 574	21 231
	10 511 703	**180 314**	**10 331 389**	**8 987 835**	**222 574**	**8 765 261**

As at 31 December 2021 and 2020, impairment is detailed as follows:

(Euro thousand)

	2021						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	3 119 089	330 331	4 023 342	124 108	7 142 431	454 439	6 687 992
Mortgage loans	6 748	1 046	5 771 440	35 181	5 778 188	36 227	5 741 961
Other loans	6 870	3 856	716 921	21 025	723 791	24 881	698 910
	3 132 707	335 233	10 511 703	180 314	13 644 410	515 547	13 128 863

(Euro thousand)

	2020						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loans amount	Impairment	Loans amount	Impairment	Loans amount	Impairment	Loans net of impairment
Corporate loans	4 468 382	548 290	2 583 726	139 435	7 052 108	687 725	6 364 383
Mortgage loans	12 489	794	5 680 033	54 860	5 692 522	55 654	5 636 868
Other loans	11 065	4 381	724 076	28 279	735 141	32 660	702 481
	4 491 936	553 465	8 987 835	222 574	13 479 771	776 039	12 703 732

As at 31 December 2021, the transfer between Stages, related to loans and advances to customers (gross loans and advances and impairment) is presented as follows:

(Euro thousand)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross value at the beginning of the year	8 477 762	3 657 693	1 344 316	13 479 771
Transfer for stage 1	1 328 465	(1 323 188)	(5 277)	-
Transfer for stage 2	(393 522)	406 310	(12 788)	-
Transfer for stage 3	(28 948)	(146 664)	175 612	-
Write-Offs	(521)	(1 198)	(291 127)	(292 846)
Exposure of new net derecognition credits refunds and other variations	966 597	(304 568)	(204 544)	457 484
Gross value at the end of the year	10 349 833	2 288 385	1 006 192	13 644 409

(Euro thousand)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Impairment losses at the beginning of the year	24 406	105 489	646 144	776 039
Transfer for stage 1	5 526	(5 513)	(13)	-
Transfer for stage 2	(10 181)	10 528	(347)	-
Transfer for stage 3	(7 833)	(33 349)	41 182	-
Write-Offs	(521)	(1 198)	(291 127)	(292 846)
Exposure of new net derecognition credits refunds and other variations	21 966	(10 191)	20 579	32 354
Impairment losses at the end of the year	33 363	65 766	416 418	515 547

As at 31 December 2021 and 2020, the fair value analysis of collaterals associated with Banco Montepio's total credit portfolio, is as follows:

(Euro thousand)

Fair value of collaterals	2021	2020
Individual analysis		
Securities and other financial assets	*139 411*	*186 504*
Real estate - Mortgage loans	*12 436*	*17 902*
Real estate - Construction and CRE	*2 035 380*	*2 473 058*
Other real estate	*1 510 202*	*1 815 245*
Other guarantees	*403 414*	*475 019*
Collective analysis - Stage 1		
Securities and other financial assets	*416 589*	*144 527*
Real estate - Mortgage loans	*11 134 391*	*9 722 413*
Real estate - Construction and CRE	*498 013*	*199 467*
Other real estate	*792 495*	*423 300*
Other guarantees	*98 601*	*41 905*
Collective analysis - Stage 2		
Securities and other financial assets	*76 282*	*66 706*
Real estate - Mortgage loans	*1 346 240*	*2 172 996*
Real estate - Construction and CRE	*150 022*	*156 836*
Other real estate	*462 332*	*478 838*
Other guarantees	*28 379*	*25 967*
Collective analysis - Stage 3		
Securities and other financial assets	*3 044*	*1 941*
Real estate - Mortgage loans	*169 224*	*155 858*
Real estate - Construction and CRE	*36 889*	*66 543*
Other real estate	*66 634*	*61 690*
Other guarantees	*3 825*	*3 136*
	19 383 803	**18 689 851**

Banco Montepio uses real and financial collaterals as instruments to mitigate credit risk. The real collaterals correspond mainly to mortgages on residential properties in the scope of housing loans and mortgages on other types of properties in the scope of other types of loans. To reflect the market value of these, they are reviewed regularly based on valuations conducted by certified independent appraiser entities or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. The financial collaterals are revaluated based on the market values of the respective assets, when available, with certain depreciation coefficients being applied to reflect their volatility. Most of the real collaterals are revalued at least once a year.

Banco Montepio's total loans and advances portfolio, by segment, and respective impairment, constituted as at 31 December 2021 and 2020, is presented as follows:

(Euro thousand)

	2021		2020	
Segment	Total exposure	Total impairment	Total exposure	Total impairment
Corporate	5 733 584	353 082	5 324 412	426 336
Construction and CRE	1 408 847	101 357	1 727 696	261 389
Retail mortgage loans	5 778 188	36 227	5 692 522	55 654
Retail other loans	723 791	24 881	735 141	32 660
	13 644 410	515 547	13 479 771	776 039

The loans and advances portfolio, by segment and by production year, as at 31 December 2021, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Mortgage loans			Other loans		
Production year	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment
2004 and previous	483	35 720	1 202	602	55 238	19 872	39 002	1 116 660	8 447	19 829	16 799	467
2005	130	12 434	603	151	12 967	3 705	9 891	462 157	3 914	5 093	5 244	125
2006	193	23 930	1 937	148	17 730	5 850	11 963	574 524	6 681	13 524	19 556	3 662
2007	400	22 677	1 095	187	33 155	9 241	12 343	584 744	6 716	37 006	41 679	922
2008	1 177	39 080	1 302	355	16 203	1 369	6 407	303 618	3 119	58 564	77 267	607
2009	1 880	78 816	2 491	414	21 804	3 746	3 481	185 900	1 434	46 307	50 994	1 867
2010	1 642	75 149	3 822	317	29 917	6 079	3 540	214 091	1 554	33 467	23 315	696
2011	2 219	94 945	3 105	365	15 432	2 201	1 307	76 273	467	26 958	25 342	1 702
2012	1 954	82 344	4 720	354	24 576	6 952	807	47 585	421	19 278	12 575	343
2013	4 065	247 303	29 956	376	22 388	1 699	1 038	60 129	243	18 586	17 229	1 088
2014	5 493	366 089	29 589	1 428	67 465	3 724	1 232	74 983	194	21 486	26 900	2 137
2015	5 560	297 652	80 909	637	26 852	1 650	1 450	89 891	131	18 713	28 321	2 554
2016	7 336	488 479	29 363	968	80 411	10 199	2 041	148 682	398	29 661	39 330	1 949
2017	9 314	397 554	24 822	904	242 218	8 215	2 818	219 124	332	21 554	32 992	1 357
2018	10 477	465 625	41 444	1 608	89 584	2 730	2 973	242 758	525	32 120	57 782	1 391
2019	10 579	572 767	38 815	1 786	168 726	7 400	3 603	307 386	898	24 702	65 300	1 605
2020	13 544	1 269 976	36 974	1 815	238 814	4 231	3 866	370 281	366	20 793	71 610	1 514
2021	17 794	1 163 044	20 933	2 257	245 367	2 494	6 686	699 402	387	27 633	111 556	895
	94 240	5 733 584	353 082	14 672	1 408 847	101 357	114 448	5 778 188	36 227	475 274	723 791	24 881

The loans and advances portfolio, by segment and by production year, as at 31 December 2020, is presented as follows:

(Euro thousand)

	Corporate			Construction and CRE			Mortgage loans			Other loans		
Production year	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment	No. Of operations	Amount	Impairment
2004 and previous	552	34 252	1 878	689	104 162	49 944	43 342	1 289 781	13 500	20 998	17 957	723
2005	165	13 522	990	171	33 779	21 315	10 595	513 857	6 577	5 340	5 938	218
2006	279	26 468	2 398	183	71 949	44 614	12 997	638 786	10 031	14 184	20 579	2 845
2007	467	29 506	1 389	226	44 802	13 355	13 278	649 321	9 989	39 574	45 398	1 293
2008	1 381	48 858	5 130	420	23 144	5 659	6 920	339 344	5 092	62 491	83 539	1 244
2009	2 233	86 905	4 359	509	39 181	17 033	3 762	206 819	2 277	49 560	55 110	2 120
2010	1 814	97 723	12 219	361	37 731	10 695	3 791	236 348	2 268	35 597	25 799	1 172
2011	2 654	108 778	6 708	426	21 728	5 678	1 443	86 479	587	29 132	27 764	1 902
2012	2 948	107 655	10 088	309	30 142	10 061	886	53 770	522	20 746	14 686	967
2013	4 967	324 362	68 544	465	28 079	3 586	1 146	69 600	457	20 607	21 439	2 086
2014	6 877	426 791	39 691	1 564	120 936	14 525	1 361	86 112	339	24 039	35 536	4 034
2015	7 300	380 741	83 005	800	39 144	5 975	1 598	102 974	286	21 591	37 424	3 505
2016	9 217	625 308	51 190	1 813	165 237	19 023	2 242	167 242	660	34 287	54 139	3 374
2017	11 118	458 807	33 031	1 174	288 383	9 048	3 077	248 667	732	24 896	46 562	2 570
2018	11 840	501 581	46 345	1 637	158 893	16 851	3 247	272 372	826	35 254	73 383	2 107
2019	11 988	721 271	36 603	1 709	237 371	8 110	3 841	335 765	1 096	26 893	81 355	1 822
2020	19 366	1 331 884	22 768	2 228	283 035	5 917	4 003	395 285	415	22 171	88 533	678
	95 166	5 324 412	426 336	14 684	1 727 696	261 389	117 529	5 692 522	55 654	487 360	735 141	32 660

The gross exposure of loans and advances and impairment, individual and collective, by segment, as at 31 December 2021 and 2020, is analysed as follows:

(Euro thousand)

	2021									
	Corporate		Construction and CRE		Retail mortgage loans		Retail other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	2 331 878	248 056	787 211	82 275	6 748	1 046	6 870	3 856	3 132 707	335 233
Collective	3 401 706	105 026	621 636	19 082	5 771 440	35 181	716 921	21 025	10 511 703	180 314
	5 733 584	353 082	1 408 847	101 357	5 778 188	36 227	723 791	24 881	13 644 410	515 547

(Euro thousand)

	2020									
	Corporate		Construction and CRE		Retail mortgage loans		Retail other loans		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment										
Individual	3 117 910	306 967	1 350 473	241 322	12 489	794	11 065	4 381	4 491 937	553 464
Collective	2 206 502	119 369	377 223	20 067	5 680 033	54 860	724 076	28 279	8 987 834	222 575
	5 324 412	426 336	1 727 696	261 389	5 692 522	55 654	735 141	32 660	13 479 771	776 039

The gross exposure of loans and advances and impairment, individual and collective, by activity sector for Companies, as at 31 December 2021 and 2020, is analysed as follows:

(Euro thousand)

	2021											
	Construction		Industries		Trade		Real estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	315 446	60 120	395 882	58 823	200 134	42 781	471 765	22 155	1 734 962	146 451	3 118 189	330 330
Collective	377 569	13 032	768 898	29 403	883 678	32 255	244 066	6 050	1 750 031	43 369	4 024 242	124 109
	693 015	73 152	1 164 780	88 226	1 083 812	75 036	715 831	28 205	3 484 993	189 820	7 142 431	454 439

(Euro thousand)

	2020											
	Construction		Industries		Trade		Real estate activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Assessment												
Individual	636 917	159 462	541 036	56 164	322 097	56 372	728 098	81 861	2 240 235	194 431	4 468 383	548 290
Collective	246 959	13 949	552 046	38 629	758 070	42 360	133 480	6 116	893 170	38 381	2 583 725	139 435
	883 876	173 411	1 093 082	94 793	1 080 167	98 732	861 578	87 977	3 133 405	232 812	7 052 108	687 725

The amount of restructured loans and advances by stage and by segment, as at 31 December 2021 and 2020, is presented as follows:

(Euro thousand)

	2021									
	Corporate		**Construction and CRE**		**Mortgage loans**		**Other loans**		**Total**	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Stage 2	27 904	1 557	5 082	259	21 590	133	5 371	241	59 947	2 190
Stage 3	355 534	179 128	124 670	49 475	41 583	12 857	15 901	8 914	537 688	250 374
	383 438	180 685	129 752	49 734	63 173	12 990	21 272	9 155	597 635	252 564

	2020									
	Corporate		**Construction and CRE**		**Mortgage loans**		**Other loans**		**Total**	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Stage 2	35 183	2 189	10 883	826	28 177	302	4 394	276	78 637	3 593
Stage 3	361 993	180 861	299 079	156 678	45 691	18 292	9 056	6 092	715 819	361 923
	397 176	183 050	309 962	157 505	73 868	18 594	13 450	6 368	794 456	365 517

The gross exposure of performing and non-performing loans and advances, in financial years 2021 and 2020, is analysed as follows:

(Euro thousand)

2021

	Gross carrying amounts of performing and non-performing							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due >30 days and <= 90 days	Of which performing loans	Of which non-performing				on performing exposure		on non-performing exposure		on non-performing exposure	of which forborne
					of which in default	of which impairment	of which forborne		of which forborne		of which forborne		
Loans represented by securities (a)	4 005 011	-	-	33 000	33 000	33 000	-	9 959	-	14 272	-	-	-
Other balance sheet credit exposures (b)	14 411 559	27 741	59 768	891 952	891 952	891 038	537 968	92 250	2 188	392 464	250 354	393 710	270 609
Off-balance sheet exposures (c)	2 224 202	1 285	280	81 433	81 433	81 433	419	6 788	2	9 270	21	-	-

(a) Includes debt intruments of the financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, guarantees and documentary credit provided.

(Euro thousand)

2020

	Gross carrying amounts of performing and non-performing							Accumulated impairment and other negative fair value adjustments related to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due >30 days and <= 90 days	Of which performing loans	Of which non-performing				on performing exposure		on non-performing exposure		on non-performing exposure	of which forborne
					of which in default	of which impairment	of which forborne		of which forborne		of which forborne		
Loans represented by securities (a)	4 673 131	-	-	33 950	33 950	33 950	-	8 190	-	15 147	-	45	-
Other balance sheet credit exposures (b)	13 258 863	31 276	78 309	1 217 630	1 210 800	1 216 043	716 147	125 782	3 589	624 204	361 881	405 826	302 848
Off-balance sheet exposures (c)	2 325 634	1 678	199	94 392	94 112	94 392	571	10 233	5	6 361	41	-	-

(a) Includes debt intruments of the financial asset available for sale and commercial paper and bonds recognisd under loans and advances to customers.
(b) Includes loans and advances to customers, cash and deposits at central banks and other loans and advances to credit institutions and foreign exchange operations to be settled.
(c) Includes revocable and irrevocable credit facilities, guarantees and documentary credit provided.

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Commercial Real Estate ("CRE"), and Mortgage segments, as at 31 December 2021, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real estate		Other collateral		Real estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	4 792	625 484	6 063	390 010	91 219	12 233 154	250	6 749
>= 0,5 M€ and <1M€	499	348 414	155	98 906	528	327 626	1	500
>= 1 M€ and <5M€	533	1 155 548	106	197 327	60	88 696	-	-
>= 5 M€ and <10M€	66	466 117	10	72 622	2	12 816	-	-
>= 10 M€ and <20M€	46	627 572	2	28 578	-	-	-	-
>= 20 M€ and <50M€	16	493 070	3	116 000	-	-	-	-
>= 50M€	14	1 671 872	3	201 080	-	-	-	-
	5 966	5 388 077	6 342	1 104 523	91 809	12 662 292	251	7 249

The fair value of the collateral underlying the loans and advances portfolio of the Corporate, Construction and Commercial Real Estate ("CRE"), and Mortgage segments, as at 31 December 2020, is presented as follows:

(Euro thousand)

	Construction and CRE				Mortgage			
	Real estate		Other collateral		Real estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	5 776	717 248	3 697	185 753	92 013	11 734 813	287	8 123
>= 0,5 M€ and <1M€	499	350 672	97	60 581	416	258 140	1	500
>= 1 M€ and <5M€	543	1 157 573	99	192 571	43	62 434	-	-
>= 5 M€ and <10M€	70	490 460	13	95 522	2	13 781	-	-
>= 10 M€ and <20M€	53	718 575	2	23 318	-	-	-	-
>= 20 M€ and <50M€	22	677 071	3	116 000	-	-	-	-
>= 50M€	10	1 389 045	3	201 080	-	-	-	-
	6 973	5 500 644	3 914	874 824	92 474	12 069 168	288	8 623

The LTV (loan-to-value) ratio of the Corporate, Construction and CRE, and Mortgage segments, as at 31 December 2021 and 2020, is presented as follows:

(Euro thousand)

Segment/Ratio	2021			2020		
	No. Of real estate	Total exposure	Impairment	No. Of real estate	Total exposure	Impairment
Corporate						
With out real estate (*)		4 438 919	246 059	-	3 908 913	268 885
< 60%	2 349	461 128	28 124	2 673	450 888	38 468
>= 60% and < 80%	681	363 052	35 045	819	430 737	35 687
>= 80% and < 100%	802	419 426	39 207	813	476 960	52 382
>= 100%	6	51 059	4 647	16	56 914	30 915
Construction and CRE						
With out real estate (*)		523 074	24 746	-	566 532	55 697
< 60%	973	422 414	22 638	1 230	550 491	84 417
>= 60% and < 80%	456	254 997	16 863	494	309 091	33 903
>= 80% and < 100%	633	181 964	27 166	781	247 209	49 085
>= 100%	66	26 398	9 944	147	54 373	38 287
Mortgage						
With out real estate (*)		31 840	2 413	-	54 272	2 563
< 60%	61 433	2 621 020	9 295	61 292	2 487 250	11 662
>= 60% and < 80%	22 990	1 968 716	8 728	23 684	1 943 146	12 495
>= 80% and < 100%	7 067	1 119 245	10 632	7 053	1 158 646	17 748
>= 100%	319	37 368	5 159	445	49 208	11 185

(*) Includes operations with other associated collaterals, namely financial collaterals.

The fair value and the net value of real estate received in recovery of loans, by asset type, as at 31 December 2021 and 2020, are presented as follows:

(Euro thousand)

Assets	2021		
	No. Of real estate	Fair value	Book value
Land	**1 319**	**262 753**	**244 145**
Urban	1 085	219 141	202 841
Rural	234	43 612	41 304
Buildings under construction	**377**	**57 549**	**51 064**
Commercial	41	5 043	4 846
Housing	238	51 822	45 568
Other	98	684	650
Constructed buildings	**1 359**	**159 660**	**142 366**
Commercial	584	86 667	78 155
Housing	398	66 210	58 026
Other	377	6 783	6 185
	3 055	479 962	437 575

(Euro thousand)

Assets	2020		
	Number of properties	Fair value assets	Book value
Land	**1 603**	**324 070**	**293 513**
Urban	1 356	274 066	247 084
Rural	247	50 004	46 429
Buildings under construction	**469**	**66 988**	**59 491**
Commercial	50	6 223	5 713
Housing	313	60 011	53 062
Other	106	754	716
Constructed buildings	**1 447**	**193 248**	**170 461**
Commercial	596	112 328	99 879
Housing	485	73 641	64 207
Other	366	7 279	6 375
	3 519	584 306	523 465

The time elapsed since the receipt in recovery/execution of real estate received in recovery of loans, as at 31 December 2021 and 2020, is presented as follows:

(Euro thousand)

Elapsed time since recovery/execution	2021				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**2 467**	**8 037**	**73 585**	**160 056**	**244 145**
Urban	908	7 322	67 097	127 514	202 841
Rural	1 559	715	6 488	32 542	41 304
Buildings under construction	**59**	**4 352**	**16 225**	**30 428**	**51 064**
Commercial	59	358	2 179	2 250	4 846
Housing	-	3 819	14 046	27 703	45 568
Other	-	175	-	475	650
Constructed buildings	**25 984**	**15 960**	**19 964**	**80 458**	**142 366**
Commercial	14 143	8 891	11 441	43 680	78 155
Housing	11 201	4 691	8 209	33 925	58 026
Other	640	2 378	314	2 853	6 185
	28 510	28 349	109 774	270 942	437 575

(Euro thousand)

Elapsed time since recovery/execution	2020				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land	**9 287**	**17 614**	**97 275**	**169 337**	**293 513**
Urban	8 571	14 572	84 755	139 186	247 084
Rural	716	3 042	12 520	30 151	46 429
Buildings under construction	**5 444**	**13 398**	**10 233**	**30 416**	**59 491**
Commercial	667	1 755	1 177	2 114	5 713
Housing	4 594	11 624	9 025	27 819	53 062
Other	183	19	31	483	716
Constructed buildings	**20 693**	**15 538**	**38 172**	**96 058**	**170 461**
Commercial	10 115	8 825	25 458	55 481	99 879
Housing	8 065	6 385	10 644	39 113	64 207
Other	2 513	328	2 070	1 464	6 375
	35 424	46 550	145 680	295 811	523 465

Concentration risk

The concentration risk results from the existence of common or correlated risk factors between different entities or portfolios. The deterioration of any of these factors may have a simultaneous negative impact on the credit quality of each of the counterparties or on the results of each class of assets and liabilities. In a concentration scenario, the loss effects on a small number of exposures may be disproportionate, confirming the importance of managing this risk in the maintenance of adequate solvability levels. At Banco Montepio, concentration risk monitoring focuses mainly on credit concentration, investment portfolio, financing, interest rate and operational risks.

Credit concentration risk is the most important risk for Banco Montepio and, as such, there are several procedures related to its identification, measurement and management. To control the concentration risk of the exposure to a Customer/group of Customers that are related, maximum exposure limits were set for the aggregate positions of the credit and investment portfolios.

To reduce concentration risk, Banco Montepio seeks to diversify its activity areas and income sources, as well as its exposures and funding sources.

The concentration risk management is carried out in a centralized manner, with regular monitoring of the concentration indices by the Risk Department. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the degree of regional diversification, the level of individual concentration and the degree of diversification of the quality of the Corporate portfolio are regularly monitored by the Risk Department. Maximum exposure limits are established per Customer/group of Customers related to each other, activity sectors, as well as limits for the concentration of the largest depositors.

Market risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and/or prices of the different financial instruments that compose it, considering both the existing correlations between them and the respective volatilities.

Banco Montepio regularly calculates its “VaR” both for its own trading portfolio as well as for that of the financial assets at fair value through other comprehensive income (these portfolios are not material to the Bank’s total assets), with same being determined based on a 10-day horizon and a 99% confidence level, using the historical simulation method. The types of risk considered in this methodology are the interest rate, exchange rate, price, spread and commodities’ risks.

Banco Montepio's investment portfolio is mainly concentrated in bonds, and as at 31 December 2021 this represented 91.6% (31 December 2020: 86.0%) of the total portfolio, (excluding notes held of own securitizations not derecognized) with the dominant position being held by bonds of sovereign issuers of the Eurozone.

Regarding credit derivatives, Banco Montepio held no position in these instruments as at 31 December 2021 and 2020.

Regarding the credit quality of debt securities, circa 99.2% of the portfolio is investment grade (31 December 2020: 99.6%). Of note are the Spanish, Portuguese and Italian sovereign bonds with a rating of BBB+, BBB and BBB-, respectively, and that represent 95.4% (31 December 2020: 86.4%) of the bond portfolio. Concerning the composition of the portfolio, one verifies a decrease in the Portuguese sovereign debt exposure (from 54.6% to 22.7%) offset by an increase in exposure to sovereign debt of Italy and Spain.

The distribution of the bond portfolio, recognized in the captions Financial assets held for trading, Financial assets at fair value through other comprehensive income (excluding notes of own securitizations held) and Other financial assets at amortized cost, is presented as follows:

(Euro thousand)

Rating	2021		2020		Change	
	Value	%	Value	%	Value	%
AAA	-	-	-	-	-	-
AA+	453	-	779	-	(326)	(41,8)
AA	-	-	-	-	-	-
AA-	454	-	-	-	454	-
A+	406	-	1 090	-	(684)	(62,8)
A	101 804	3,3	-	-	101 804	-
A-	-	-	-	-	-	-
BBB+	955 731	31,5	306 424	12,5	649 307	211,9
BBB	684 967	22,6	16 366	0,7	668 601	4 085,3
BBB-	1 273 794	41,9	2 117 400	86,4	(843 606)	(39,8)
BB+	-	-	185	-	(185)	(100,0)
BB	14 987	0,5	7 001	0,3	7 986	114,1
B+		-	-	-	-	-
NR	6 360	0,2	2 418	0,1	3 942	163,0
Total	3 038 956	100,0	2 451 663	100,0	587 293	24,0

The position in bonds (excluding notes of own securitizations held not derecognized) recognized in the portfolio of Financial assets at fair value through other comprehensive income stood at Euro 70,975 thousand (31 December 2020: Euro 146,643 thousand), the position in Other financial assets at amortized cost stood at Euro 2,967,981 thousand (31 December 2020: Euro 2,303,967 thousand). In 2020, the position in Financial assets held for trading stood at Euro 1,053 thousand.

Regarding the trading portfolio, as at 31 December 2021 and 2020, the main VaR indicators are as follows:

(Euro thousand)

	2021	Average	Minimum	Maximum	2020
Market VaR	7	617	7	2 411	1 545
Interest rate risk	-	223	-	589	30
Exchange risk	6	63	6	201	155
Price risk	-	320	-	1 494	1 548
Spread risk	-	383	-	886	55
Diversification effect	-	*(373)*	-	*(758)*	*(243)*

The residual value of the VaR of the trading portfolio as at 31 December 2021 results from the fact that, in the scope of the negotiation strategy, positions were closed in shares and bonds in the portfolio. It should be referred that the decrease in the average daily VaR in 2021, compared with 2020, reflects the lower volatility in the financial markets, after a year of 2020, especially in the period March and April, marked by the shock associated with the start of the pandemic we are still crossing.

Bank portfolio's interest rate risk

The assessment of interest rate risk originated by banking portfolio operations is performed by a sensitivity analysis to the risk, on a consolidated basis for the Banco Montepio entities (including the subsidiary recognized in discontinued operations).

Interest rate risk is measured according to the impact on net interest income, economic value and own funds caused by changes in market interest rates. The main risk factors arise from lags in maturities for the resetting of rates and/or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indices with the same repricing period (basis risk) and the options associated with instruments that enable different decisions being taken by the players/participants depending on the level of rates contracted and those practiced at the moment (option risk).

Based on the financial characteristics of each contract, a projection of the expected cash flows is made, according to the rate reset dates and eventual behavioural assumptions.

The aggregation, for each currency analysed, of the expected cash flows in each of the time intervals allows one to determine the interest rate gaps by repricing period.

The following tables present the interest rate gaps as at 31 December 2021 and 2020:

(Euro thousand)

	Below 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Above 5 years
31 December 2021					
Assets					
Debt securities	22 544	38 162	13 305	1 186 064	1 875 387
Loans and advances	6 422 001	2 907 608	1 255 067	512 749	310 041
Others	89 599	32 537	-	-	50 375
Off-balance sheet	1 041	-	756 654	25 018	-
Total	6 535 185	2 978 307	2 025 026	1 723 831	2 235 803
Liabilities					
Debt securities issued	349 223	-	811 226	651 267	36 545
Term deposits	1 712 280	1 153 293	1 444 060	2 040 140	-
Others	195 311	-	-	2 951 505	274 358
Off-balance sheet	758 996	-	15	119	1 145
Total	3 015 811	1 153 293	2 255 301	5 643 031	312 048
GAP (Assets - Liabilities)	3 519 374	1 825 014	(230 275)	(3 919 200)	1 923 755
31 December 2020					
Assets					
Debt securities	84 967	281 557	59 727	910 333	1 168 720
Loans and advances	6 744 415	2 875 481	1 099 129	430 811	233 954
Others	105 890	32 546	-	-	38 945
Off-balance sheet	1 148	-	6 654	756 654	-
Total	6 936 419	3 189 584	1 165 509	2 097 798	1 441 619
Liabilities					
Debt securities issued	8 584	150 809	57 283	1 258 516	19 398
Term deposits	2 760 525	1 471 272	2 099 714	687 524	-
Others	577 054	54 245	392	1 600 005	301 096
Off-balance sheet	750 008	-	16	131	1 295
Total	4 096 171	1 676 326	2 157 407	3 546 177	321 789
GAP (Assets - Liabilities)	2 840 249	1 513 258	(991 897)	(1 448 380)	1 119 830

The following table present the interest rate gaps, in financial years 2021 and 2020:

(Euro thousand)

	2021				2020			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate GAP	3 118 670	2 987 559	3 118 670	2 856 447	3 033 060	3 830 089	4 627 117	3 033 060

Sensitivity to the balance sheet interest rate risk is calculated by the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows, simulating parallel shifts of the market interest rate curve.

As at 31 December 2021, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause a change in the economic value expected from the banking portfolio in the negative amount of Euro 73,388 thousand (31 December 2020: negative amount of Euro 47,793 thousand).

Foreign exchange risk

Regarding the foreign exchange risk of the banking portfolio, the general procedure is to apply funds raised in the various currencies, through assets in the respective money market and for terms not exceeding those of the funding. Thus, existing exchange rate gaps are essentially due to mismatches between the periods of the applications and of the funding.

The following table presents the average interest rates, in relation to Banco Montepio's major asset and liability categories for financial years 2021 and 2020, as well as the respective average balances and the interest for the financial year:

(Euro thousand)

	2021			2020		
	Average balance	Average interest rate (%)	Intrest	Average balance	Average interest rate (%)	Intrest
Interest generating assets						
Deposits at central banks and other credit institutions	2 195 913	-0,33	(7 414)	886 629	0,62	5 621
Other loans and advances to credit institutions	849 546	0,13	1 129	720 087	0,39	2 882
Loans and advances to customers	11 481 378	1,94	225 310	11 657 287	2,02	239 528
Securities portfolio	4 503 759	0,14	6 439	4 482 625	0,44	18
Other assets at fair value	2 279	0,26	6	4 012	0,24	11 029
Other (including derivatives)	-	-	14 561	-	-	14 208
	19 032 875	**1,24**	**240 031**	**17 750 640**	**1,51**	**273 286**
Interest generating liabilities						
Deposits from ECB	2 522 430	-0,92	(23 563)	1 451 452	0,06	907
Deposits from other credit institutions	973 206	0,15	1 454	756 191	0,50	3 859
Deposits from customers	12 539 982	0,08	9 608	12 367 576	0,15	18 654
Senior debt	2 762 186	0,80	22 423	3 060 867	0,85	26 596
Subordinated debt	216 406	9,09	19 939	188 646	9,00	17 256
Other (including derivatives)	-	-	16 386	-	-	11 410
	19 014 210	**0,24**	**46 247**	**17 824 732**	**0,43**	**78 682**
Net interest income		**1,00**	**193 784**		**1,08**	**194 604**

The breakdown of assets and liabilities, by currency, as at 31 December 2021 and 2020, is analysed as follows:

(Euro thousand)

	2021							
	Euro	US Dollar	Sterling Pound	Canadian dollar	Swiss Franc	Brazilian real	Other foreign currencies	Total Amount
Assets by currency								
Cash and deposits at central banks	2 926 574	10 663	1 998	937	3 241	-	331	2 943 744
Loans and advances to credit institutions payable on dema	22 892	35 339	1 099	23 468	911	-	531	84 240
Loans and advances to credit institutions	320 958	67 485	-	-	16	-	-	388 459
Loans and advances to customers	10 955 565	48 464	-	-	-	-	-	11 004 029
Financial assets held for trading	1 376	-	-	-	-	-	-	1 376
Other financial assets at fair value through profit or loss	288 340	-	-	-	-	-	-	288 340
Other financial assets at fair value through other comprehensive income	103 157	-	-	-	-	-	-	103 157
Hedging derivatives	5 411	-	-	-	-	-	-	5 411
Other financial assets at amortized cost	3 530 569	-	-	-	-	-	-	3 530 569
Investments in associated companies	319 648	-	-	-	-	-	-	319 648
Non-current assets held for sale	47 833			-	-	-	-	47 833
Other tangible assets	183 798	-	-	-	-	-	-	183 798
Intangible assets	37 474	-	-	-	-	-	-	37 474
Current tax assets	6 539	-	-	-	-	-	-	6 539
Deferred tax assets	470 602	-	-	-	-	-	-	470 602
Other assets	617 481	30 021	2	-	681	-	-	648 185
Total assets	19 838 217	191 972	3 099	24 405	4 849	-	862	20 063 404
Liabilities by currency								
Deposits from central banks	2 892 065	-	-	-	-	-	-	2 892 065
Deposits from other credit institutions	567 436	30 360	87	14	25	-	698	598 620
Deposits from customers	12 615 452	116 057	13 714	28 780	2 804	-	4 667	12 781 474
Debt securities issued	1 215 119	-	-	-	-	-	-	1 215 119
Financial liabilities related to transferred assets	730 253	-	-	-	-	-	-	730 253
Financial liabilities held for trading	7 470	-	-	-	-	-	-	7 470
Hedging derivatives	335	-	-	-	-	-	-	335
Provisions	27 886	-	-	-	-	-	-	27 886
Current tax liabilities	561	-	-	-	-	-	-	561
Other subordinated debt	217 265	-	-	-	-	-	-	217 265
Other liabilities	202 557	1 915	77	2 632	45	-	-	207 226
Total liabilities	18 476 399	148 332	13 878	31 426	2 874	-	5 365	18 678 274
Exchange forward transactions		(22 343)	10 711	6 948	(2 033)	-	4 805	
Exchange gap		21 297	(68)	(73)	(58)	-	302	
Stress Test		(4 529)	14	15	12	-	(60)	

(Euro thousand)

	2020							
	Euro	US Dollar	Sterling Pound	Canadian dollar	Swiss Franc	Brazilian real	Other foreign currencies	Total Amount
Assets by currency								
Cash and deposits at central banks	1 437 178	5 535	908	459	1 931	-	303	1 446 314
Loans and advances to credit institutions payable on dema	23 887	26 003	408	228	2 362	-	610	53 498
Loans and advances to credit institutions	803 047	55 657	-	-	-	-	-	858 704
Loans and advances to customers	10 681 494	51 101	9	-	-	-	-	10 732 604
Financial assets held for trading	7 307	3 600	467	-	134	-	-	11 508
Other financial assets at fair value through profit or loss	569 612	-	-	-	-	-	-	569 612
Other financial assets at fair value through other comprehensive income	237 340	-	-	-	-	27 980	-	265 320
Hedging derivatives	10 693	-	-	-	-	-	-	10 693
Other financial assets at amortized cost	3 981 949	-	-	-	-	-	-	3 981 949
Investments in associated companies	319 648	-	-	-	-	-	-	319 648
Non-current assets held for sale	8 997	-	-	-	-	-	-	8 997
Other tangible assets	215 839	-	-	-	-	-	-	215 839
Intangible assets	33 104	-	-	-	-	-	-	33 104
Current tax assets	2 313	-	-	-	-	-	-	2 313
Deferred tax assets	510 364	-	-	-	-	-	-	510 364
Other assets	639 534	54 489	1	-	-	-	-	694 024
Total assets	19 482 306	196 385	1 793	687	4 427	27 980	913	19 714 491
Liabilities by currency								
Deposits from central banks	1 372 546	-	-	-	-	-	-	1 372 546
Deposits from other credit institutions	930 780	52 111	3 737	20 132	29	-	39	1 006 828
Deposits from customers	12 409 904	106 249	9 925	16 102	3 972	-	3 271	12 549 423
Debt securities issued	1 221 498	-	-	-	-	-	-	1 221 498
Financial liabilities related to transferred assets	1 721 697	-	-	-	-	-	-	1 721 697
Financial liabilities held for trading	11 761	-	-	-	-	-	-	11 761
Hedging derivatives	397	-	-	-	-	-	-	397
Provisions	33 000	-	-	-	-	-	-	33 000
Current tax liabilities	812	-	-	-	-	-	-	812
Other subordinated debt	216 896	-	-	-	-	-	-	216 896
Other liabilities	204 277	776	438	300	412	-	32	206 235
Total liabilities	18 123 568	159 136	14 100	36 534	4 413	-	3 342	18 341 093
Exchange forward transactions		(50 171)	12 013	35 630	(69)	(28 007)	2 747	
Exchange gap		(12 922)	(294)	(217)	(55)	(27)	318	
Stress Test		2 585	59	44	11	5	(63)	

The result of the stress test performed corresponds to the estimated impact (before tax) on equity, including non-controlling interests, due to a devaluation of 20.0% in the exchange rate of each currency against the Euro.

Liquidity risk

Liquidity risk reflects Banco Montepio's inability to meet its obligations at due date, without incurring in significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of its assets at values lower than market values (market liquidity risk).

The assessment of the liquidity risk is made using regulatory indicators defined, as well as other internal metrics for which internal limits are defined. This control is reinforced with the monthly execution of stress tests, to characterize the risk profile of Banco Montepio and ensure that it fulfils its obligations in a liquidity crisis scenario and the calculation of the LCR prudential ratio is performed monthly.

As at 31 December 2021, the LCR value was 260.9% (31 December 2020: 191.0%).

As at 31 December 2021, the net stable funding ratio, designated NSFR, stood at 123.6% (31 December 2020: 110.5%).

As at 31 December 2021, Banco Montepio's financing structure was as follows:

(Euro thousand)

Liabilities	Total	Undetermined	Up to 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 892 065	-	-	-	-	2 892 065
Deposits from other credit institutions	598 620	-	298 613	-	-	300 007
Deposits from customers	12 781 474	-	7 898 694	1 103 629	1 343 738	2 435 413
Debt securities issued	1 215 119	-	3 099	-	751 405	460 615
Financial liabilities associated with transferred assets	730 253	-	-	-	-	730 253
Financial liabilities held for trading	7 470	-	-	(267)	246	7 491
Other subordinated debt	217 265	-	-	-	10 942	206 323
Other liabilities	207 226	207 226	-	-	-	-
Total liabilities	**18 649 492**	**207 226**	**8 200 406**	**1 103 362**	**2 106 331**	**7 032 167**

As at 31 December 2020, Banco Montepio's financing structure was as follows:

(Euro thousand)

Liabilities	Total	Undetermined	Up to 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	1 372 546	-	-	-	-	1 372 546
Deposits from other credit institutions	1 006 828	-	237 091	114 416	4 502	650 819
Deposits from customers	12 549 423	-	7 265 986	1 234 285	1 849 069	2 200 083
Debt securities issued	1 221 498	-	9 852	837	1 423	1 209 386
Financial liabilities associated with transferred assets	1 721 697	-	-	-	-	1 721 697
Financial liabilities held for trading	11 761	-	10	-	-	11 751
Other subordinated debt	216 896	-	-	-	10 573	206 323
Other liabilities	206 235	206 235	-	-	-	-
Total liabilities	**18 306 884**	**206 235**	**7 512 939**	**1 349 538**	**1 865 567**	**7 372 605**

In the scope of Banco de Portugal Instruction no. 28/2014, which focuses on the guidance of the European Banking Authority in relation to the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3) and considering the recommendation made by the European Systemic Risk Committee, we present the following information, as at 31 December 2021 and 2020, on the assets and related collaterals:

(Euro thousand)

Assets	2021			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets
Assets from the reporting institution	5 995 075	-	14 068 328	-
Equity instruments	-	-	279 593	279 593
Debt securities	2 111 704	1 889 571	1 869 077	1 715 235
Other assets	-	-	1 876 185	-

(Euro thousand)

Assets	2020			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets
Assets from the reporting institution	3 103 517	-	16 613 169	-
Equity instruments	-	-	592 414	592 414
Debt securities	783 897	880 019	3 865 721	3 371 655
Other assets	-	-	1 965 152	-

Collateral received	2021	2020
	Fair value of encumbered collateral received or own debt securities issued	
Assets from the reporting institutions	-	17 473
Debt securities	-	17 473

(Euro thousand)

Encumbered assets, encumbered collateral received and associated liabilities	2021	2020
	Carrying amount of selected financial liabilities	
Associated liabilities, contingent liabilities and securities borrowed	3 390 158	1 785 772
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	5 967 186	3 094 043

(Euro thousand)

The encumbered assets are mostly related to Banco Montepio's funding operations, namely of the ECB, of repo operations, of the issuance of covered bonds and of securitization programs. The type of assets used as collateral for securitization programs and for the issuance of covered bonds, whether those placed outside the Group, or those used to reinforce the collateral pool with the ECB, are constituted by customers' loans contracts. Repo transactions in the money market are collateralized, essentially, by covered bonds and securitization programs, of which Banco Montepio is the originator, and by securitized credit operations.

The amounts presented in the previous tables correspond to the position as at 31 December 2021 and 2020 and reflect the high level of collateralization of the wholesale funding of Banco Montepio. The buffer of eligible assets for funding from the ECB, after haircuts, uncommitted and available for use in new operations amounts, as at 31 December 2021, to Euro 839,871 thousand (31 December 2020: Euro 1,694,981 thousand).

It should be noted that the total value of collaterals available at the European Central Bank (ECB), as at 31 December 2021, amounts to Euro 3,778,297 thousand (31 December 2020: Euro 3,096,957 thousand) with a usage of Euro 2,957,530 thousand (31 December 2020: Euro 1,407,650 thousand):

(Euro thousand)

	2021	2020
Total eligible collateral	**4 576 410**	**4 285 491**
Total collateral in the pool	3 778 297	3 096 957
Collateral outside the pool	798 113	1 188 534
Used collateral	**3 736 539**	**2 590 510**
Collateral used for ECB	2 957 530	1 407 650
Collateral committed to other financing operations	779 009	1 182 860
Collateral available for ECB	**820 767**	**1 689 307**
Total available collateral	**839 871**	**1 694 981**

Note: collateral amount considers the applied haircut

Real estate risk

Real estate risk results from possible negative impacts on Banco Montepio's results or equity due to fluctuations in the market price of real estate.

The real estate risk results from the exposure in real estate assets, whether from the foreclosure of properties or judicial auction in the scope of credit recovery processes or from investment units in real estate funds held in the securities' portfolio. These exposures are monitored through scenario analyses that attempt to estimate the potential impacts of changes in the real estate markets in the portfolios of these real estate assets and make available the information elements necessary for the definition of the real estate risk management policy.

As at 31 December 2021 and 2020, the exposure to real estate and investment units in real estate funds, except for the properties included in the Gerês operation, presented the following values:

		(Euro thousand)
	2021	**2020**
Real estate received in recovery of credit	437 575	523 465
Investment units in real estate funds	216 979	425 383
	654 554	948 848
Stress test	(65 455)	(94 885)

Stress test results correspond to the estimated impact on equity (before taxes) of a negative 10% variation in the values of real estate and investment units in real estate funds.

Notwithstanding that described in the accounting policy disclosed in note 1 h) in relation to properties, the net realizable value of the inventories is determined based on a valuation made by an independent appraiser. Real estate appraisals are based on assumptions on which the influence of the economic and financial situation and the market's ability to transact the available offer, at each moment, are decisive. In this way, the realization of the appraisal value determined by the independent appraisers is dependent on the verification of the assumptions used in the respective appraisals, meaning that the evolution of the macroeconomic conditions and the real estate market may translate into changes in these same assumptions, and, consequently, have an impact on the recoverability of the appraised value of the properties. The real estate appraisal reports, considered for the valuation of said inventories, consider the global pandemic situation experienced at the moment, with no additional uncertainty factors having been identified in same.

Operational risk and Going concern

Operational risk corresponds to the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events. Banco Montepio adopted the standard method to quantify its own capital requirements for operational risk, supported on the existence of an operational risk management system based on the identification, assessment, monitoring, measurement, mitigation and reporting of this type of risk.

The operational risk management model implemented complies with the 3-lines-of-defence principle.

The Risk Department exercises the corporate function of operational risk management of Banco Montepio which is supported by the existence of participants in different organic units that ensure the proper implementation of the operational risk management.

Regarding operational risk monitoring as at 31 December 2021, the collection and analysis of operational risk loss events were continued.

One of the essential aspects in the management of this specific type of risk is the prior identification of the relevant operational risks whenever a product, process or system is implemented or revised, as well as the monitoring of action plans aimed at avoiding or mitigating the effects of materialization of risks with greater frequency/severity of loss events or with greater residual value, within the scope of the self-assessment process.

Monitoring

Within the scope of Banco Montepio's Operational Risk Management System, the key risk indicators (KRIs) aim to monitor the exposure factors associated with the main risks, allowing to measure and monitor the risk appetite and anticipate the occurrence of losses through preventive actions.

In this sense, the defined limits were regularly monitored and action plans were promoted in cases where they were exceeded.

These indicators are part of the Operational Risk Reports presented to the Risk Committee and the Executive Committee.

Operational Risk Self-Assessment

The operational risk management cycle implemented at Banco Montepio is based on the preparation of a table of activities and respective operational risks and controls, allowing the identification of the potential exposure of each body/organic unit to operational risk, determining its risk profile and prioritizing eventual risk mitigation actions. Operational risks are mapped considering seven main categories: internal fraud; external fraud; employment and occupational safety practices; Customer, product and commercial practices; damage to physical assets; activity disruptions and system failures; and execution, delivery and management of processes. Operational risks and the respective controls are regularly self-assessed, usually in the form of workshops with the representatives of each body/organic unit and with the support of the Risk Department.

Based on the results of the self-assessments - carried out in terms of impacts and frequencies for risks and the percentage of effectiveness for controls - a residual risk tolerance matrix is established, which will support the level of risk considered acceptable to the institution and which will allow to identify the risks for which additional mitigation measures will have to be considered.

Business Continuity Management

The business continuity management cycle is supported by a set of assessment, design, implementation and monitoring activities, integrated in a continuous improvement cycle that aims to make business processes more resilient, allowing to ensure the continuity of operations in the case occurrence of events that cause the interruption of activity.

The epidemiological situation related to the Covid-19 pandemic continued to mark the activity in financial year 2021. Banco Montepio maintained a permanent monitoring of the rules issued by the Portuguese General Health Department, considering the necessary adaptation to same whenever deemed necessary.

The Crisis Management Office, which is responsible for the management of the crisis, for the management and execution of the Operational Continuity Plans and for the coordination of the business recovery teams remained in operation, overseeing the operational continuity and monitoring of the recovery of the business.

Banco Montepio had always followed a conservative strategy that had as its main principle the safeguarding of the safety and health of its Customers and its Employees.

Pension Fund risk

The Pension Fund risk results from the potential devaluation of the Fund's asset portfolio or the decrease in the respective expected returns, as well as the increase in the Fund's liabilities as a result of the evolution of the different actuarial assumptions. In such scenarios, Banco Montepio will have to make unplanned contributions in order to maintain the benefits defined by the Fund.

Regular analysis and monitoring of Banco Montepio’s Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Risk Department ensures the production of monthly reports with the evolution of the market value of the Pension Fund’s portfolio and the associated risk indicators.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has strengthened control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's “QIS Pension Funds” studies is used. The development of tolerance indicators for this model allows for the monitoring of the variations of these indicators, in accordance with the investment policy defined for the Pension Fund.

Market risk monitoring is based on the VaR calculation, with a confidence level of 99.5% for a one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose of calculating the impact of several extreme scenarios on the value of the portfolio.

The assessment of the liquidity level of the share-based and bond-based components of the Pension Fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days for their liquidation, considering the assets in the portfolio. This test consists of verifying the liquidity of the share-based segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond-based segment, the cash receipts (positive cash flows) resulting from bond coupon (interest) payments and amortizations or possible call option exercises are calculated for one month. All these tests allow for the assessment of the degree of liquidity in the short term and to monitor or act in the event of a possible shortage of liquidity, in a timely manner.

Other risks

Regarding other risks – reputation, compliance, strategy and business risks - these are also monitored by the Board of Directors, with the risks being controlled and corrective measures being taken based on the results obtained compared with the objectives/limits established, of note being, namely, the monitoring and control of deviations from the approved strategic plan and budget.

Within the scope of emerging risks, among which ESG risks stand out, the Bank is implementing its own framework for the management of these risks, ensuring their interconnection with credit, market, liquidity, operational and real estate risks, among others. Within the scope of this framework, the Management and Supervisory bodies will monitor the current and prospective evolution of the institution's risk profile to these risks. It should be noted that, within the scope of the review of the Bank's risk appetite for the year 2022, KRI's have already been included to regulate the exposure at risk to ESG risks (namely, climatic risks).

Hedging policies and Risk reduction

For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees, and financial collateral are relevant, as well as the provision of personal credit protection, namely of guarantees.

In terms of the direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, term deposits. In financial collaterals, the market and foreign exchange risks of the assets involved are considered, and, when applicable, the value of the collateral is adjusted.

Regarding real mortgage guarantees, Banco Montepio has defined valuation and revaluation models to be applied to properties that may or already constitute real collateral for credit operations. The asset valuations are carried out by independent expert appraisers, and the management of the valuations and inspections is centralized in a unit that is independent of the commercial area. In accordance with (EU) Regulation no. 575/2013 (CRR), the requirements for the verification and revaluation of the assets' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation amount by an expert appraiser are assured.

For credit guarantees, the principle of the substitution of the Customer's risk by that of the protection provider is applied, provided that the risk of the latter is not inferior to that of the prior.

Banco Montepio does not usually use on-balance sheet and off-balance sheet offsetting processes, nor does it hold credit derivatives on positions in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures with financial products with a symmetric risk to decrease the total risk of the exposures or the partial or total sale of exposures to reduce exposure or cancel it completely.

Regarding the banking portfolio, interest rate and foreign exchange risk mitigation techniques correspond to the negotiation of hedging operations with derivatives and the closure of exposures through the sale of open exposures.

Own funds and Capital ratios

The capital monitoring and management process at Banco Montepio has as its objective to ensure the accuracy of the determination and assessment of the level of regulatory and economic capital, taking into account the risk profile determined by the Board of Directors and the Banco de Portugal add-ons of in the scope of the SREP, as well as assess the potential effects, on the Group's financial conditions, resulting from changes in risk factors due to exceptional but plausible events (stress tests).

The process of monitoring the evolution of regulatory capital adequacy is carried out monthly, while economic capital adequacy is monitored on a quarterly basis. The global monitoring of the risk profile and the respective capital adequacy are an integral part of the regular reports to the Risk Committee, Executive Committee, Audit Committee and Board of Directors, as well as the Bank's Risk Appetite framework. This process has a governance structure and procedures to monitor the evolution of capital (within the objective and risk tolerance limits defined by the Board of Directors), including the definition of roles and responsibilities for escalating and resolving breaches of the defined limits. The responsibility for identifying breaches of the risk limits defined at the Bank level, as well as of the entities that assume the risk management function, lies with the Risk Department. Whenever a situation of non-compliance with the aforementioned limits is identified, the Risk Department carries out an analysis of this situation including the following elements:

- Identification of the limit breached;
- Identification of the risk factors that justify said breach;
- Information on the perspective future evolution of these risk factors;
- Proposal of risk reduction, assumption, mitigation or transfer measures, as applicable;
- Proposal of reallocation of risk limits, if applicable.

The responsibility for defining action plans to remedy the breaches of the limits verified lies with the Risk Department, together with the first-line organic units.

The own funds of Banco Montepio are determined in accordance with the applicable regulatory standards, namely Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), adopted by the European Parliament and by the Council, Notice no. 10/2017 of the Banco de Portugal and Regulation (EU) no. 2020/873 of the European Parliament and Council, which introduced some amendments to the CRR in response to the COVID-19 pandemic. Own funds include level 1 own funds (tier 1) and level 2 own funds (tier 2). Tier 1 includes level 1 core own funds (common equity tier 1 – CET1) and the additional level 1 own funds with the following composition:

- *Level 1 Core Own Funds or Common Equity Tier 1 (CET1):* this category includes the realized share capital (with the deduction of treasury shares held), eligible reserves (including fair value reserves), retained earnings, positive and certified retained earnings for the period or, if negative, the full amount. As regards the fair value reserves, within the scope of Regulation (EU) no. 2020/873, Banco Montepio adhered to the possibility of applying the prudential filters to the fair value reserves associated with sovereign debt. The value of reserves and retained earnings is adjusted for the reversal of the results in financial liabilities at fair value through profit or loss in the part corresponding to the risk of the institution's own credit. The book value of the amounts related to goodwill, other intangible assets (not associated with software), as well as the gap, if positive, between the assets and liabilities of the Pension Fund, is deducted. The amount of the prudent valuation calculated in accordance with articles no. 34 and 105 of the CRR is also deducted, as are the deferred tax assets related to tax losses. The value of the equity tranche is deducted in accordance with article 36 paragraph k) of the CRR, resulting from the synthetic and traditional securitizations carried out between 2020 and 2021. Regarding financial shareholdings in financial sector entities and deferred tax assets arising from timing differences that depend on future profitability, the values in these captions are deducted when, individually, they exceed 10.0% of CET1, or, subsequently, 15.0% of CET1 when considered in aggregate (only on the part not deducted in the first barrier of 10.0% and considering only significant shareholdings). The values not deducted will be subject to the weighting of 250.0% to the total risk-weighted assets. Regarding shareholdings in financial institutions, the deduction is proportionally realized in the corresponding capital levels held. As part of the implementation of the requirements defined in Regulation (EU) no. 575/2013, a transition period was defined to allow for a gradual recognition of some deductions, with, as at this reference date, only the transitory plan applicable to deferred tax assets that do not depend on future profitability, in the balance sheet as at 1 January 2014, being maintained. This plan permits a gradual recognition of the amount subject to deduction determined, with same amounting to 70% in 2021. With the revision of Regulation (EU) no. 575/2013, of 27 June 2019, the applicable amount of insufficient coverage for non-productive exposures is now deducted if said exposures originated after 26 April 2019.

- *Level 1 Own Funds or Tier 1 (T1):* includes capital equivalent instruments, which conditions are in accordance with article 52 of Regulation (EU) no. 575/2013 and that have been approved by the Banco de Portugal. Non-controlling interests relating to additional own funds' minimum requirements of the institutions in which Banco Montepio does not hold full ownership are also eligible if they exist. The eventual shareholdings of T1 capital of financial institutions subject to deduction are deducted from this capital.

- *Level 2 Own Funds or Tier 2 (T2):* includes capital equivalent instruments, which conditions are in accordance with article 63 of Regulation (EU) no. 575/2013 of the European Union and that have been approved by the Banco de Portugal. Non-controlling interests relating to the own fund's minimum requirements of the institutions in which Banco Montepio does not hold full ownership are also eligible if they exist. The eventual shareholdings of T2 capital of financial institutions subject to deduction are deducted from this capital.

Totals Own Funds or Total Capital are constituted by the sum of the three levels of own funds previously referred.

Regarding the calculation of risk-weighted assets, in addition to credit, operating and market risk requirements, reference is made to the weighting of 250.0% of deferred tax assets arising from timing differences that depend on future profitability and financial shareholdings that are within the limit established for non-deduction from CET1. With respect to deferred tax assets arising from timing differences that do not depend on future profitability, these are subject to a 100.0% weighting for capital requirement purposes. The CVA requirement (Credit Valuation Adjustment) is also determined.

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phase-in prudential plan defined in the Regulation, on an ongoing basis, over a 5-year period.

With the entry into force of Regulation (EU) no. 2020/873 of the European Parliament and Council, the dynamic component of the transitional plan applied to the IFRS 9 impacts (Regulation (EU) no. 2017/2395) was revised, with the introduction of an additional plan regarding the impacts of increased IFRS 9 impairment occurring after 1 January 2020 in Stages 1 and 2. These increases are subject to a transitional plan to derecognize these impacts in 100% in 2020 and 2021, 75% in 2022, 50% in 2023 and 25% in 2024.

As referred, the effects of the regulation related to deferred tax assets that do not depend on future profitability (even if not very significant), as well as the effects resulting from the adoption of IFRS 9 are still being gradually introduced. This process is designated Phase-in. The full assumption of the new regulation, without considering transitory plans, is designated Full Implementation. The phase-in process is currently underway, and it is on this basis that an entity verifies that it has own funds for an amount not below the own funds' minimum requirements, thus certifying the adequacy of its capital. This relation is reflected in the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (ratio corresponding to the respective capital level as a percentage of the amount corresponding to 12.5 times the own funds' requirements).

For these ratios, regulatory minimums are indicated by CRD IV/CRR of 4.5% for CET1, 6.0% for Tier 1 and 8.0% for Total Capital. However, on these regulatory minimums are applied reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions). For 2021, the Banco de Portugal defined a Counter-Cyclical Reserve of 0% for exposures to Portuguese non-financial Companies. However, taking into account the geographic dispersion of its exposures and capital requirements, BM, as at 31 December 2021, had a Counter-cyclical Reserve of 0.005%. Regarding the Conservation Reserve, its value is 2.5%. Pursuant to these provisions, as at 31 December 2021 and 2020, the Common Equity Tier 1, Tier 1 and Total regulatory ratios were 7.0%, 8.5% and 10.5%, respectively.

However, as a result of the COVID-19 virus pandemic, in line with the decision taken by the ECB for significant institutions, the Banco de Portugal allows the less significant credit institutions subject to its supervision to operate, on a temporary basis, with a level lower than the combined capital reserve (OCR), considering that capital reserves were designed to allow credit institutions to resist especially adverse situations. As a result, the minimum regulatory ratios as at 31 December 2021 and 2020 for Common Equity Tier 1, Tier 1 and Total were 4.5%, 6.0% and 8.0%, respectively.

The summary of the calculation of Banco Montepio's capital requirements as at 31 December 2021 and 2020, under phase-in, is presented as follows:

(Euro thousand)

	2021	2020
Capital Common Equity Tier 1		
Realized share capital	2 420 000	2 420 000
Net income/(loss), reserves and retained earnings	(1 034 866)	(1 046 602)
Other regulatory adjustments	(235 732)	(543 308)
	1 149 402	830 090
Capital Tier 1	1 149 402	830 090
Capital Tier 2		
Subordinated debt	206 323	206 323
	206 323	206 323
Total own funds	1 355 725	1 036 413
Own funds requirements		
Credit risk	565 222	601 539
Market risk	-	1 114
Operating risk	43 624	46 140
Other requirements	40 700	39 830
	649 546	688 623
Prudential Ratios		
Common Equity Tier 1 Ratio	14.16%	9.64%
Tier 1 Ratio	14.16%	9.64%
Total Capital Ratio	16.70%	12.04%

It should be noted that the ratios, as at 31 December 2021 and 2020, consider the impact of the adherence to the special regime applicable to deferred tax assets, as described in note 29.

With the adoption of IFRS 9 - Financial Instruments, applicable from 1 January 2018, and considering Regulation (EU) no. 2017/2395 of the European Parliament and of the Council, Banco Montepio has chosen to apply the phase-in prudential plan defined in the Regulation, on an ongoing basis, over a 5-year period. If Banco Montepio did not apply this transitional plan, as well as the recent transitional plan defined in Regulation (EU) no. 2020/873, to the impacts arising from the adoption of IRFS 9, Banco Montepio's prudential ratios as at 31 December 2021 and 2020 would be:

	(Euro thousand)	
	2021	**2020**
Capital Common Equity Tier 1	1 060 884	669 157
Capital Tier 1	1 060 884	669 157
Total own funds	1 267 207	875 480
Own funds requirements	642 982	675 332
Prudential ratios		
Common Equity Tier 1 Ratio	13.20%	7.93%
Tier 1 Ratio	13.20%	7.93%
Total Capital Ratio	15.77%	10.37%

If only the transitional plan applied to the initial impacts of the adoption of IFRS 9 was considered, and the transitional plan applicable to the increase in Stage 1 and 2 impairment after 1 January 2020 was not considered, the prudential ratios of Banco Montepio as at 31 December 2021 and 2020 would be:

	(Euro thousand)	
	2021	**2020**
Capital Common Equity Tier 1	1 125 713	770 539
Capital Tier 1	1 125 713	770 539
Total own funds	1 332 036	976 862
Own funds requirements	647 995	683 999
Prudential ratios		
Common Equity Tier 1 Ratio	13.90%	9.01%
Tier 1 Ratio	13.90%	9.01%
Total Capital Ratio	16.45%	11.43%

51 Recently issued accounting policies

1. Impact of the adoption of new standards and amendments to the standards that became effective for annual periods beginning on 1 January 2021:

a) **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 due to the COVID-19 pandemic 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 qualify ad elect to apply this practical expedient, recognise the change in rent payments, as variable rents in the period(s) in which the event or condition that triggers the reduced payment occurs. This amendment is applied retrospectively with the impacts reflected as an adjustment to retained earnings (or another equity component, as appropriate) at the beginning of the annual reporting period in which the lessee applies this amendment for the first time.

b) **IFRS 4** (amendment), 'Insurance contracts – deferral of IFRS 9'. This amendment addresses the temporary accounting consequences of the different effective dates of IFRS 9 Financial Instruments and the forthcoming IFRS 17 Insurance Contracts. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17.

c) **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** (amendments), '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. Over the last few years, financial regulatory authorities worldwide have been promoting the abandonment of the use of IBOR indexes and their replacement by risk-free indexes, which gave rise to the need for a transition from Libor indexes to the new indexes recommended by work groups created in different jurisdictions.

This transition was accelerated with the communication of the cessation of Libor indexes from the beginning of 2022, which implies that market participants will start using new risk-free indexes and change the contracts affected by the cessation of the publication of Libor indexes.

At the end of December 2021, the publication of LIBOR for some currencies and terms was stopped and it is expected that in June 2023, the publication of the remaining LIBOR will cease.

Regarding the change in Euribor methodology, the changes have been applied since 1 January 2021 without significant impacts. Since 15 April 2021, the European Central Bank has started to publish the €STR (Euro Short-Term Rate) in the format of an average compound rate for 1-week, 1, 3, 6 and 12-month maturities.

Approaches to the transition vary from product to product and counterparty to counterparty. At the level of derivative contracts, central clearing counterparties are expected to follow a standardized market-wide approach for the reform, while bilateral derivative contracts, loan contracts and other cash securities are expected to be largely bilaterally traded with counterparties.

The Bank has sought to identify and address the risks inherent in the transition of reference rates in order to ensure an adequate transition, namely with regard to legal and litigation risks, arising from contracts with references to indexes that will be discontinued and which wording will need to be changed, operational risks arising from the need for technological, process and control adaptations, financial and accounting risks due to the use and alteration of indexes, as well as reputational risk. Given the immateriality of the exposure to the affected indexes, there was no need to change the interest rate risk mitigation strategy.

The EUR OIS curve, used by Bloomberg for the valuation of derivatives, was changed, and the 133 curve (Eonia) is no longer available, with Banco Montepio now using the 514 curve (€str).

The Bank has a high exposure to the Euribor index that will not be affected by the transition as this index, after changing its methodology in 2021, received approval from supervisors and regulators. The Bank uses Euribor in customer loan agreements. However, both the European working group on risk-free interest rates and the European authorities recommend that Euribor-based contracts include replacement clauses in the event of a possible future termination of Euribor, which are based on risk-free indexes for the EUR, namely, in temporal structures based on the €STR index.

At the level of the relevant GMRAs and CSAs, the indexation of the rate for remuneration of margins was changed from Eonia to €str.

The Bank considers its exposure to Libor immaterial in the context of its financial statements, given the reduced volume of financial assets and liabilities related to these indexes. USD Libor is the only index in terms of exposure.

These amendments had no material impact on the financial statements of Banco Montepio.

2. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2021, not yet endorsed by the European Union:

a) **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.

b) **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.

c) **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.

d) **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 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.

e) **IFRS 17** (new), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023). This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a general model "building block approach" or a simplified one "premium allocation approach". The "building block approach" is based on discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM'), which represents the unearned profit of the contract. Subsequent changes in estimated cash flows are adjusted against the contractual service margin, unless it becomes negative. IFRS 17 is applied retrospectively.

f) **IFRS 17** (amendment), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023). This amendment includes specific changes in eight areas of IFRS 17, such as: i) scope; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the Statement of Financial Position; vii) recognition and measurement of the Income statement; and viii) disclosures. This amendment also includes clarifications, which aim to simplify some of the requirements of this standard and ease transition. IFRS 17 is applied retrospectively. On the issue this amended the end date for applying IFRS 9 (temporary exemption or overlay approach) under the IFRS 4 standard, was extended to 1 January 2023, aligned with the effective date of IFRS 17

g) **Improvements to the 2018-2020 standards** (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.

Banco Montepio does not anticipate any significant impact derived from the application of these amendments to its financial statements.

3. Standards (new and amended) published, which application is mandatory for annual periods beginning on or after 1 January 2022, not yet endorsed by the European Union:

a) **IAS 1** (amendment), ‘Presentation of financial statements – classification of liabilities’ (effective for annual periods beginning on or after 1 January 2023). 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

b) **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.

c) **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).

d) **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.

e) **IFRS 17** (amendment), ‘Initial Application of IFRS 17 and IFRS 9 – Comparative Information’ (effective for annual periods beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. This amendment relates only to insurers’ transitioning to the IFRS 17 and allows the adoption of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. This amendment seeks to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when applying

IFRS 17 for the first time, providing for (i) the application on a financial asset-by-financial asset basis; (ii) the presentation of comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supported information available at the transition date, to determine how the entity expects that financial asset to be classified in accordance with IFRS 9.
Banco Montepio does not anticipate any significant impact derived from the application of these amendments to its financial statements.

52 Transfer of assets

Banco Montepio carried out several financial asset sale operations, namely loans and advances to customers, to funds specialized in the recovery of loans. These funds take responsibility for the management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of same.

The financial assets sold under these operations are derecognized from the balance sheet of Banco Montepio, since the operations result in the transfer to the funds of a substantial portion of the risks and rewards associated with the assets as well as the control of same.

The funds specialized in the recovery of credit that acquired financial assets from Banco Montepio are closed funds, in respect of which the holders have no possibility of requesting the redemption of their investment units throughout the useful life of same.

These investment units are held by several banks in the market that ceded the loans, in percentages that vary throughout the useful life of the funds, but it is ensured that each bank, separately, does not hold units representative of more than 50% of the capital of the funds.

The funds have a specific management structure (General Partner), fully independent from the seller banks, and that is selected on the date of the incorporation of the funds.

The management structure of the fund has as main responsibilities to:

- Define the objective of the fund; and
- Manage the fund on an exclusive basis, determining the objectives and investment policy and the conduct of the management and business of the fund.

The management structure is remunerated through management commissions charged to the funds.

Generally, these funds, in which Banco Montepio holds minority positions, incorporate companies under Portuguese law in order to acquire the loans from the banks, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds, fully subscribed by the funds that hold the share capital of the companies, matches the fair value of the asset transferred, determined in accordance with a negotiation process based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company holding the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the transfer value of the loans to the Portuguese-law companies.

These junior bonds, when subscribed by Banco Montepio, grant the right to a contingent positive value if the value of the assets transferred exceeds the nominal value of the senior bonds plus their related interest.

However, considering that these junior bonds reflect a valuation difference of the assets transferred, based on valuations performed by independent entities and a negotiation process between the parties, the junior bonds are fully provided against.

Therefore, following the asset sale operations carried out, Banco Montepio subscribed:

- Investment units of the funds, in which the cash flows that will allow their recovery arise mainly from a broad set of assets transferred by the various participant banks (where Banco Montepio has a clear minority interest). These securities are booked in the portfolio of financial assets at fair value through profit or loss and are measured at fair value based on the quotation value, as disclosed by the funds and audited at each year end;
- Junior bonds (with a higher subordination level), issued by the Portuguese-law companies controlled by the funds, which are fully provided against because they reflect the best estimate of the impairment of the financial assets transferred.

In this context, of not holding control but maintaining some exposure to certain risks and rewards, Banco Montepio, in accordance with IFRS 9 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the operation, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence over the funds or the companies holding the assets, Banco Montepio derecognized the assets transferred and recognized the assets received in return as follows:

(Euro thousand)

	2021			2020		
	Amounts associated with the transfer of assets			Amounts associated with the transfer of assets		
	Net assets transferred	**Amount received**	**Result obtained with the transfer**	**Net assets transferred**	**Amount received**	**Result obtained with the transfer**
Fundo Vega, FCR	27 857	43 124	15 267	27 857	43 124	15 267
Fundo de Reestruturação Empresarial, FCR	21 549	21 590	41	21 549	21 590	41
	49 406	64 714	15 308	49 406	64 714	15 308

As at 31 December 2021 and 2020, the assets received under these operations are as follows:

(Euro thousand)

	2021	2020
	Senior securities	
Fundo Vega, FCR	23 985	25 107
Fundo de Reestruturação Empresarial, FCR	4 790	4 931
	28 775	30 038

Although the subordinated securities are fully provided against, Banco Montepio also has an indirect exposure to the financial assets transferred, in the scope of the minority investment in the pool of all the assets transferred by other financial institutions, through the shares and investment units in the funds acquired in the scope of the operations (designated in the table as senior bonds).

53 Contingencies

Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012, of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies ("RGICSF ") and by its regulations and its mission is to provide financial support for the resolution measures implemented by the Banco de Portugal, in its quality as national resolution authority, and to perform all other functions conferred by law in the implementation of such measures.

As with the majority of the financial institutions operating in Portugal, Banco Montepio is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Banco de Portugal based, among others, on the amount of its liabilities. In 2021, the periodic contribution made by Banco Montepio amounted to Euro 4,357 thousand (2020: Euro 4,263 thousand), based on a contribution rate of 0.060%.

Resolution measure applied to Banco Espírito Santo, S.A. (BES)

As part of its responsibility while supervisory and resolution authority of the Portuguese financial sector, the Banco de Portugal, on 3 August 2014, decided to apply to Banco Espírito Santo, S.A. ("BES") a resolution measure under article 145-G(5) of the RGICSF, which consisted of the transfer of most of its activity to a transition bank called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose.

To realize the share capital of Novo Banco, the Resolution Fund, while sole shareholder, provided Euro 4,900 million, of which Euro 365 million corresponding to its own financial resources. A loan was granted by a bank syndicate to the Resolution Fund, in the amount of Euro 635 million, with the participation of each credit institution weighted according to several factors, including their size. The remaining amount (Euro 3,900 million) came from a repayable loan granted by the Portuguese State.

Following the implementation of the referred resolution measure, on 7 July 2016, the Resolution Fund stated that it would review and evaluate the steps to be taken following the publication of the report on the results of the independent valuation exercise, carried out to estimate the level of credit recovery for each class of lenders in the hypothetical scenario of a normal insolvency process of BES as at 3 August 2014. Under the applicable law, if it turns out that lenders which credits have not been transferred to Novo Banco assume a greater loss than they would hypothetically have had BES entered into a liquidation process immediately prior to the application of the resolution, these lenders are entitled to receive the difference from the Resolution Fund.

On 31 March 2017, the Banco de Portugal announced that it had selected Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017, through the injection by the new shareholder of Euro 750 million, which will be followed by a new capital injection of Euro 250 million, to be completed within the period of three years. With this operation, Novo Banco’s status as transition bank ceased, with Lone Star Fund now holding 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%, albeit without the corresponding voting rights.

On 26 February 2018, the European Commission released the non-confidential version of the State aid approval decision underlying the sale process of Novo Banco, which includes a contingent capitalization mechanism whereby the Resolution Fund may be called upon to carry out capital injections if certain conditions materialize related to the performance of a restricted set of assets of Novo Banco and the evolution of the bank's capital levels.

This mechanism is triggered annually, based on the annual accounts of Novo Banco certified by the respective auditor, with the possibility of intra-annual assessments being foreseen, but only in the event of non-compliance, by Novo Banco, with the prudential requirements. For the purpose of this mechanism, the differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairments, recorded as at 30 June 2016 (circa Euro 7.9 thousand million according to the information provided by Novo Banco). Hence, economic losses or gains resulting from, for example, the sale of assets or the restructuring of loans, but also the impairment, or its reversal, recorded by Novo Banco, in accordance with the accounting standards, as well as the costs of financing associated with the maintenance of the assets in the balance sheet of Novo Banco, are considered.

Under the referred mechanism, own financial resources resulting from contributions paid, directly or indirectly, by the banking sector, complemented by a State loan amounting to Euro 430 million under the framework agreement celebrated between the Portuguese State and the Resolution Fund were used. According to the information provided by Novo Banco, as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalization mechanism amounted to approximately Euro 5.4 thousand million.

On 6 May 2019, the Resolution Fund made the payment of Euro 1,149 million to Novo Banco with reference to the accounts of 2018, having used its own resources, resulting from contributions due, directly and indirectly, by the banking sector, and resorted to a loan from the State in the amount of Euro 850 million, which corresponds to the maximum annual financing limit agreed between the Resolution Fund and the State in October 2017.

In May 2020, the Resolution Fund made the payment of Euro 1,035 million to Novo Banco with reference to the accounts of 2019, which resulted from the execution of the agreements celebrated in 2017, in connection with the sale of 75% of the Resolution Fund's shareholding in Novo Banco, complying with all the procedures and limits defined therein, and resorted to a loan from the State in the amount of Euro 850 million.

On 4 June 2021, the Resolution Fund made a payment to Novo Banco of Euro 317 million, referring to the accounts for financial year 2020, which was fully financed with resources from a loan obtained from seven national credit institutions. The amount calculated by the Resolution Fund for the purpose of the payment to Novo Banco was Euro 429 million. The portion amounting to Euro 112 million became conditional on the completion of a supplementary investigation, which includes obtaining an external opinion, regarding Novo

Banco's option not to apply the hedge accounting policy to derivative financial instruments contracted to hedge interest rate risk resulting from exposure to long-term sovereign debt.

This mechanism is valid until 31 December 2025 (and may be extended until 31 December 2026) and is limited to an absolute maximum of Euro 3,890 million.

Resolution measure applied to Banif – Banco Internacional do Funchal, S.A. (Banif)

The Board of Directors of the Banco de Portugal deliberated, on 19 December 2015, to declare that Banif – Banco Internacional do Funchal, S.A. ("Banif") was "at risk or in a situation of insolvency" and to start the urgent resolution of the institution through the mode of the partial or total disposal of its activity, and which materialized, on 20 December 2015, with the disposal of the rights and obligations, representing assets, liabilities, off-balance sheet items and assets under management of Banif to Banco Santander Totta S.A. ("Santander Totta") for Euro 150 million.

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. ("Oitante"), created specifically for this purpose, which has as sole shareholder the Resolution Fund. Oitante issued debt securities in the amount of Euro 746 million, with a guarantee being provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at Euro 2,255 million that aimed to cover future contingencies and that was financed in Euro 489 million by the Resolution Fund and Euro 1,766 million directly by the Portuguese State.

On 21 July 2016, the Resolution Fund made a payment to the State, amounting to Euro 163,120 thousand, as an early partial repayment of the resolution measure applied to Banif, bringing the outstanding amount down from Euro 489 million to Euro 353 million.

As noted above for BES, if lenders are found to assume a greater loss than they hypothetically would have had Banif entered into a liquidation process immediately prior to the application of the resolution measure, those creditors are entitled to receive the difference from the Resolution Fund.

Liabilities and funding of the Resolution Fund

Following the resolution measures applied to BES and Banif and the sale agreement of Novo Banco to Lone Star, the Resolution Fund contracted the loans referred to above and assumed liabilities and contingent liabilities resulting from:

- the effects of the application of the principle that no creditor of an institution under resolution may assume a greater loss than it would have assumed had that institution entered into liquidation;
- the negative effects arising from the resolution process resulting in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;
- legal proceedings against the Resolution Fund;
- the guarantee provided to the bonds issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;
- the contingent capitalization mechanism associated with the sale process of Novo Banco to Lone Star.

To preserve the financial stability through the promotion of conditions that provide predictability and stability to the contributory effort to the Resolution Fund, the Portuguese Government has agreed with the European Commission to change the conditions of the financing provided by the Portuguese State and the participating banks to the Resolution Fund. To this end, an amendment to the Resolution Fund's financing agreements have been formalized, introducing a number of changes to the repayment plans, remuneration rates, and other terms and conditions associated with these loans, to adjust them to the Resolution Fund's ability to fully meet its obligations on the basis of its regular revenues, i.e. without the need for any charges to be made to the participating banks for special contributions or any other type of extraordinary contribution.

According to the Resolution Fund's announcement of 31 March 2017, the revision of the conditions of the financing granted by the Portuguese State and the participating banks was aimed at ensuring the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable burden for the banking sector. Based on this revision, the Resolution Fund considered that the full payment of its liabilities as well as their respective remuneration was ensured, without the need for special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the renegotiation of the terms of the loans granted to the Resolution Fund by the Portuguese State and by a bank syndicate, in which the Bank is included, and the public announcements made by the Resolution Fund and the Office of the Minister of Finance, these financial statements reflect the expectation of the Board of Directors that the Bank will not be called upon to make special contributions or any other extraordinary contributions to finance the Resolution Fund.

Any significant changes in this regard could have material implications on these financial statements.

Competition Authority

On 9 September 2019, Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio) was notified of the final Decision of the Competition Authority on the administrative process PRC-2012/9 ("Decision"), in which it concluded that more than ten banking institutions operating in Portugal, among them Banco Montepio, participated in a concerted practice of restrictive competition, of the exchange of sensitive commercial information, in breach of article 9 of Law no. 19/2012, of 8 May and article 101 of the Treaty on the Functioning of the European Union, having applied on Banco Montepio a fine of Euro 13 million.

The Decision was subject to appeal to the Court of Competition, Regulation and Supervision by all parties concerned, including Banco Montepio. The lodging of an appeal would determine the suspension of the obligation to pay the fine until the decision had become final provided the request was lodged for the suspension of the obligation to provide a guarantee, in an amount to be set by the court, which decision is awaited.

In like manner to various other institutions charged and that have publicly announced this intention, Banco Montepio challenged this Decision judicially on 21 October 2019.

Following the lodging of the appeal with the Court of Competition, Regulation and Supervision, same decided on the provision of a deposit with a view to the suspension of the obligation to pay the fine immediately, with Banco Montepio having placed such deposit with that court, that decided to accept same, and the consequent suspension of the obligation referred to above.

The discussion and judgment hearing began in October 2021 and is still ongoing. The court communicated that the reading of the sentence will take place by the end of April 2022.

Considering all the relevant circumstances, arising from the appeal lodged by Banco Montepio as well as by the other Defendant banks, followed by the Discussion and Judgment Hearing in progress, it is considered that there is a serious and significant probability that Banco Montepio's responsibility in terms of the administrative offense and the fine applied to CEMG will be annulled, in particular by the Court of Appeal.

We are not aware, to date, of any claim for damages related to the Decision or to the related facts. In the light of all the relevant circumstances, it is considered that the chances of success of any legal actions that might be brought against Banco Montepio based on the Decision would be reduced.

Banco de Portugal

As at 31 December 2021 and 2020, the Bank has been the subject of several administrative offense processes instituted by the Banco de Portugal, for alleged practices and infractions in regulatory matters that are applicable to the Bank, in an amount of possible fines of approximately Euro 9 million.

The evolution of these processes is regularly monitored by the Bank's Board of Directors, with technical-legal intervention under the responsibility of its Legal Department and, in certain cases, by law firms, which services are contracted on a case-by-case basis.

For some of these processes, the Banco de Portugal issued decisions in the scope of summary proceedings, whereby it proposed a single fine of substantially less than the amount of the potential maximum fine. Other processes are still in a preliminary phase, with the evidence requested by the defendants still not having been produced, which significantly limits the risk analysis; even so, it is considered that the Bank has serious and reasonable lines of defence, whether in terms of factual support, or in terms of the legal framework, regarding most of the infractions attributed to it.

Thus, the Board of Directors admits as possible that the Bank's lines of defence may be successful, in whole or in part, in relation to many of the infractions that are attributed to it, even though the respective risk of conviction still exists, in relation to some of the imputed infractions, but not exceeding, however, the amount of provisions recognized by the Bank as at 31 December 2021.

54 Subsidiaries and associates and Non-current assets held for sale of Banco Montepio

As at 31 December 2021 and 2020, the companies directly or indirectly held by Banco Montepio are as follows:

Subsidiary	Head office	Share capital	Currency	Activity	Group		Bank
					% of control	% of effective part	% of direct part
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. - Em Liquidação	Praia	992 000 000	Cape Verdean escudo	Banking	100.00%	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Oporto	175 000 000	euro	Managements of shareholding	100.00%	100.00%	100.00%

(Euro thousand

Subsidiary	Head office	Share capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	S. Miguel Island	10 000 000	Accomodation, catering and /similar/hotels with restaurant	20.00%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	2 449 707	Management of real estate	26.00%
CESource, ACE	Lisbon	-	Management of IT systems	18.00%

As at 31 December 2021, Banco Montepio held investment units in investment funds as follows:

Company	Inception year	Acquisition year	Head quart ers	% stake	Consolidation method
Valor Arrendamento – Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full

As at 31 December 2020, Banco Montepio held investment units in investment funds as follows:

Company	Inception year	Acquisition year	Headquarters	% stake	Consolidation method
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisbon	100%	Full
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisbon	100%	Full
Valor Arrendamento – Fundo de Investimento Imobiliário Fechado	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full

55 NPL Disclosures

Following the recommendations of the European Banking Authority explained in document EBA/GL/2018/10, credit institutions with an NPL (Non-Performing Loans) ratio greater than 5% must publish a set of information related to NPE (Non-Performing Exposures), restructured loans and assets received as payment in kind, according to a standardized format, as at 31 December 2021, as follows:

(Euro thousand)

	Gross carrying amount of exposures subject to restructuring measures				Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions		Collateral and financial guarantees received on restructed exposures	
	About productive restructured exhibitions	About non-productive restructured exhibitions			About productive restructured exhibitions	About non-productive restructured exhibitions		Of which, collateral and financial guarantees received on non-productive exposures with restructuring measures
			Of which, in default	Of which, in situations of impairment				
Loans and advances	**59 767**	**537 968**	**537 968**	**537 968**	**(2 188)**	**(250 354)**	**270 609**	**228 781**
Other financial companies	359	48 324	48 324	48 324	(23)	(12 119)	36 362	36 194
Non-financial corporations	31 357	406 380	406 380	406 380	(1 729)	(207 612)	159 366	141 940
Households	28 051	83 264	83 264	83 264	(436)	(30 623)	74 881	50 647
Loans commitments given	280	398	398	398	(2)	(17)	-	-
	60 047	**538 366**	**538 366**	**538 366**	**(2 190)**	**(250 371)**	**270 609**	**228 781**

Credit quality of productive and non-productive exposures for days in arrears

(Euro thousand)

	Grosss carrying amount											
	Productive exhibitions			Non-productive exhibitions								
		No late or lat <= 30 days	Overdue >30 days <= 90 days		Reduce probbility of payment that is not overdue or overdue for <= 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days <= 1 year	Overdue > 1 year <= 2 years	Overdue > 2 years <= 5 years	Overdue > 5 years <= 7 years	Overdue > 7 years	Of which, in default
Loans and advances	**13 519 607**	**13 491 866**	**27 741**	**891 952**	**507 425**	**11 850**	**28 617**	**75 008**	**113 328**	**80 714**	**75 010**	**891 952**
Central banks	2 857 815	2 857 815	-	-	-	-	-	-	-	-	-	-
Central administrations	104 408	104 408	-	-	-	-	-	-	-	-	-	-
Credit institutions	405 404	405 404	-	-	-	-	-	-	-	-	-	-
Other financial companies	284 495	284 494	2	49 571	49 504	1	-	19	47	-	-	49 571
Non-financial corporations	3 603 125	3 595 573	7 551	676 474	342 917	6 438	22 712	66 947	100 690	72 193	64 577	676 474
Of which SME s	3 161 710	3 154 170	7 540	646 797	313 298	6 438	22 710	66 892	100 688	72 193	64 577	646 797
Households	6 264 360	6 244 172	20 188	165 907	115 004	5 411	5 905	8 042	12 591	8 521	10 433	165 907
Debt securities	**3 972 012**	**3 972 012**	**-**	**33 000**	**-**	**-**	**-**	**-**	**33 000**	**-**	**-**	**33 000**
Central administrations	3 019 871	3 019 871	-	-	-	-	-	-	-	-	-	-
Other financial companies	595 339	595 339	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	356 802	356 802	-	33 000	-	-	-	-	33 000	-	-	33 000
Off-balance sheet exposures	**2 142 769**	**-**	**-**	**81 433**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central administrations	2 676			-								-
Credit institutions	295 625			-								-
Other financial companies	246 403			5								-
Non-financial corporations	1 111 929			78 790								-
Households	486 136			2 638								-
	19 634 388	**17 463 878**	**27 741**	**1 006 385**	**507 425**	**11 850**	**28 617**	**75 008**	**146 328**	**80 714**	**75 010**	**924 952**

Credit quality of productive and non-performing exposures and respective provisions

(Euro thousand)

	Carrying amount					Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions						Collateral and financial guarantees and received	
	Productive exhibitions			Non-productive exhibitions		Productive exposures - accumulated impairments and provisions			Non-productive exposures - Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions		Deduction of accumulated partial assets	About productive exhibitions	About non-productive exhibitions
		Of which, stage 1	Of which, stage 2		Of which, stage 3		Of which, stage 1	Of which, stage 2		Of which, stage 3			
Loans and advances	13 519 607	11 627 439	1 891 057	891 952	891 039	(92 250)	(30 423)	(61 828)	(392 464)	(392 464)	(198 495)	8 231 154	393 710
Central banks	2 857 815	2 857 815	-	-	-	-	-	-	-	-	-	-	-
Central administrations	104 408	103 280	1 128	-	-	(579)	(398)	(181)	-	-	-	512	-
Credit institutions	405 404	405 404	-	-	-	(2 094)	(2 094)	-	-	-	-	-	-
Other financial companies	284 495	282 528	1 967	49 571	49 571	(4 114)	(4 018)	(97)	(12 198)	(12 198)	-	14 734	37 246
Non-financial corporations	3 603 125	2 556 402	1 045 612	676 474	675 686	(68 122)	(21 237)	(46 885)	(319 891)	(319 891)	(198 495)	2 339 658	260 170
Of which SME s	3 161 710	2 285 636	875 323	646 797	646 009	(57 498)	(19 251)	(38 247)	(306 167)	(306 167)	-	2 154 140	254 084
Households	6 264 360	5 422 010	842 350	165 907	165 782	(17 341)	(2 676)	(14 665)	(60 375)	(60 375)	-	5 876 250	96 294
Debt securities	3 972 012	3 931 295	11 859	33 000	33 000	(9 958)	(8 700)	(1 259)	(14 272)	(14 272)	-	6 086	-
Central administrations	3 019 871	3 019 871	-	-	-	(4 730)	(4 730)	-	-	-	-	-	-
Other financial companies	595 339	563 995	2 487	-	-	(750)	(1)	(750)	-	-	-	-	-
Non-financial corporations	356 802	347 429	9 372	33 000	33 000	(4 478)	(3 969)	(509)	(14 272)	(14 272)	-	6 086	-
Off-balance sheet exposures	2 142 770	1 755 861	386 907	81 433	81 433	(6 806)	(3 377)	(3 428)	(9 270)	(9 260)	-	-	-
Central administrations	2 676	2 664	12	-	-	(1)	(1)	-	-	-	-	-	-
Credit institutions	295 625	142 957	152 668	-	-	-	-	-	-	-	-	-	-
Other financial companies	246 403	238 599	7 804	5	5	(156)	(4)	(152)	-	-	-	-	-
Non-financial corporations	1 111 929	925 532	186 396	78 790	78 790	(5 219)	(2 645)	(2 573)	(9 235)	(9 225)	-	-	-
Households	486 137	446 109	40 027	2 638	2 638	(1 430)	(727)	(703)	(35)	(35)	-	-	-
	19 634 389	**17 314 595**	**2 289 823**	**1 006 385**	**1 005 472**	**(109 014)**	**(42 500)**	**(66 515)**	**(416 006)**	**(415 996)**	**(198 495)**	**8 237 240**	**393 710**

This caption, as at 31 December 2020, is presented as follows:

(Euro thousand)

	Gross carrying amount of exposures subject to restructuring measures				Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions		Collateral and financial guarantees received on restructed exposures	
	About productive restructured exhibitions	About non-productive restructured exhibitions	Of which, in default	Of which, in situations of impairment	About productive restructured exhibitions	About non-productive restructured exhibitions		Of which, collateral and financial guarantees received on non-productive exposures with restructuring measures
Loans and advances	78 309	716 147	713 863	716 106	(3 588)	(361 880)	302 848	244 529
Other financial companies	-	55 265	55 265	55 265	-	(8 359)	46 903	46 903
Non-financial corporations	41 917	586 925	584 687	586 884	(2 831)	(321 621)	189 304	162 958
Households	36 392	73 957	73 911	73 957	(757)	(31 900)	66 641	34 668
	78 309	**716 147**	**713 863**	**716 106**	**(3 588)**	**(361 880)**	**302 848**	**244 529**

Credit quality of productive and non-productive exposures for days in arrears

(Euro thousand)

	Grosss carrying amount											
	Productive exhibitions			Non-productive exhibitions								
		No late or lat <= 30 days	Overdue >30 days <= 90 days		Reduce probbility of payment that is not overdue or overdue for <= 90 days	Overdue > 90 days <= 180 days	Overdue > 180 days <= 1 year	Overdue > 1 year <= 2 years	Overdue > 2 years <= 5 years	Overdue > 5 years <= 7 years	Overdue > 7 years	Of which, in default
Loans and advances	**12 041 234**	**12 009 957**	**31 276**	**1 217 630**	**448 858**	**11 399**	**134 938**	**123 678**	**218 934**	**186 384**	**93 440**	**1 210 800**
Central banks	1 320 405	1 320 405	-	-	-	-	-	-	-	-	-	-
Central administrations	114 610	114 610	-	-	-	-	-	-	-	-	-	-
Credit institutions	882 835	882 835	-	-	-	-	-	-	-	-	-	-
Other financial companies	28 260	28 217	43	55 324	55 257	10	8	46	3	-	-	55 324
Non-financial corporations	3 512 673	3 503 211	9 462	989 743	319 447	6 019	122 433	103 433	187 322	169 622	81 467	983 018
Of which SME s	3 084 969	3 075 507	9 462	884 536	253 334	5 596	117 047	103 274	154 489	169 328	81 467	877 811
Households	6 182 451	6 160 679	21 771	172 563	74 154	5 370	12 497	20 199	31 609	16 762	11 973	172 458
Debt securities	**4 639 181**	**4 639 181**	**-**	**33 950**	**-**	**-**	**-**	**950**	**33 000**	**-**	**-**	**33 950**
Central administrations	2 434 806	2 434 806	-	-	-	-	-	-	-	-	-	-
Other financial companies	1 782 844	1 782 844	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	421 531	421 531	-	33 950	-	-	-	950	33 000	-	-	33 950
Off-balance sheet exposures	**2 231 241**			**94 392**								**94 112**
Central administrations	1 453			-								-
Credit institutions	556 437			-								-
Other financial companies	50 390			2								2
Non-financial corporations	1 176 122			90 155								89 877
Households	446 839			4 235								4 233
	18 911 656	**16 649 138**	**31 276**	**1 345 972**	**448 858**	**11 399**	**134 938**	**124 628**	**251 934**	**186 384**	**93 440**	**1 338 862**

Credit quality of productive and non-performing exposures and respective provisions

(Euro thousand)

	Carrying amount					Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions					Deduction of accumulated partial assets	Collateral and financial guarantees and received	
	Productive exhibitions			Non-productive exhibitions		Productive exposures - accumulated impairments and provisions			Non-productive exposures - Accumulated impairments, accumulated negative changes in fair value resulting from credit risk and provisions			About productive exhibitions	About non-productive exhibitions
		Of which, stage 1	Of which, stage 2		Of which, stage 3		Of which, stage 1	Of which, stage 2		Of which, stage 3			
Loans and advances	12 041 234	8 958 611	3 080 784	1 217 630	1 217 630	(125 783)	(26 613)	(99 169)	(624 204)	(624 204)	(69 151)	7 984 446	405 826
Central banks	1 320 405	1 299 467	20 938	-	-	-	-	-	-	-	-	-	-
Central administrations	114 610	111 176	2 530	-	-	(295)	(226)	(68)	-	-	-	1 344	-
Credit institutions	882 835	839 827	43 008	-	-	(8 110)	(7 617)	(493)	-	-	-	-	-
Other financial companies	28 260	19 589	8 671	55 324	55 324	(478)	(88)	(390)	(8 398)	(8 398)	-	19 681	46 903
Non-financial corporations	3 512 673	1 924 797	1 586 942	989 743	989 743	(86 172)	(15 501)	(70 671)	(541 864)	(541 864)	(69 151)	2 180 528	276 316
Of which SME s	3 084 969	1 674 778	1 409 257	884 536	884 536	(75 593)	(13 672)	(61 921)	(472 496)	(472 496)	-	2 016 300	252 379
Households	6 182 451	4 763 755	1 418 695	172 563	172 563	(30 728)	(3 181)	(27 547)	(73 942)	(73 942)	-	5 782 893	82 607
Debt securities	4 639 181	4 537 112	3 149	33 950	33 950	(8 190)	(7 559)	(631)	(15 147)	(15 147)	-	6 836	45
Central administrations	2 434 806	2 434 806	-	-	-	(5 034)	(5 034)	-	-	-	-	-	-
Other financial companies	1 782 844	1 681 273	2 651	-	-	(721)	(97)	(624)	-	-	-	-	-
Non-financial corporations	421 531	421 033	498	33 950	33 950	(2 435)	(2 428)	(7)	(15 147)	(15 147)	-	6 836	45
Off-balance sheet exposures	2 231 240	1 591 017	640 225	94 392	94 392	(10 235)	(3 427)	(6 806)	(6 360)	(6 361)	-	-	-
Central administrations	1 453	1 399	54	-	-	(1)	(1)	-	-	-	-	-	-
Credit institutions	556 437	404 149	152 288	-	-	(15)	(1)	(14)	-	-	-	-	-
Other financial companies	50 390	42 409	7 981	2	2	(379)	(28)	(351)	-	-	-	-	-
Non-financial corporations	1 176 122	894 323	281 799	90 155	90 155	(6 955)	(2 683)	(4 272)	(6 350)	(6 351)	-	-	-
Households	446 838	248 737	198 103	4 235	4 235	(2 885)	(714)	(2 169)	(10)	(10)	-	-	-
	18 911 655	**15 086 740**	**3 724 158**	**1 345 972**	**1 345 972**	**(144 208)**	**(37 599)**	**(106 606)**	**(645 711)**	**(645 712)**	**(69 151)**	**7 991 282**	**405 871**

56 Exposures and impacts resulting from COVID-19 measures taken

Following the recommendations of the European Banking Authority, and in accordance with Instruction no. 19/2020 on the reporting and dissemination of information on exposures subject to measures applied in response to the COVID-19 crisis as per the EBA guidelines (EBA/GL/2020/07), we present below the following details regarding moratoria and loans granted under the new public guaranteed plans, with reference to 31 December 2021:

Information on loans and advances subject to legislative and non-legislative moratoriums

(Euro thousand)

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Productives			Non-productive				Produtivos			Não produtivos			
			Of which: exposures subject to restructuring measures	Of which: Instruments with significant increase in credit risk since initial recognition but without credit impairment (stage 2)		Of which: exposures subject to restructuring measures	Of which: Reduced probability of payments that are not overdue or have been overdue for <= 90 days			Of which: exposures subject to restructuring measures	Of which: Instruments with significant increase in credit risk since initial recognition but without credit impairment (stage 2)		Of which: exposures subject to restructuring measures	Of which: Reduced probability of payments that are not overdue or have been overdue for <= 90 days	Tickets for non-productive exhibitions
Loans and advances subject to a moratorium	5 629	5 513	-	974	116	-	116	(328)	(285)	-	(242)	(42)	-	(42)	61
Of which: retail	66	66	-	52	-	-	-	(5)	(5)	-	(5)	-	-	-	-
Of which: secured by residential properties	41	41	-	27	-	-	-	-	-	-	-	-	-	-	-
Of which: non-financial corporations	5 562	5 446	-	922	116	-	116	(323)	(280)	-	(237)	(42)	-	(42)	61
Of which: SMEs	5 562	5 446	-	922	116	-	116	(323)	(280)	-	(237)	(42)	-	(42)	61
Of which: secured by commercial properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Breakdown of loans and advances subject to legislative and non-legislative moratoriums due to the residual term of the moratoriums

(Euro thousand)

	Number of debtors	Gross carrying amout						
			Of which: legislative moratoria	Of which: expired	Residual term of moratorium			
					<= 3 months	>3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months
Loans and advances for which it was requested moratorium	30 957	2 640 795						
Loans and advances for which it has been accepted	30 601	2 623 931	5 629	2 618 303	2 623 931			
of which: private		1 135 746	66	1 135 680	1 135 746			
of which: secured by residential properties		995 256	41	995 215	995 256			
of which: non-financial corporations		1 485 520	5 562	1 479 958	1 485 520			
of which: SMEs		1 281 343	5 562	1 275 781	1 281 343			
of which: secured by commercial properties		908 498	-	908 498	908 498			

This caption, as at 31 December 2020, is presented as follows:

Information on loans and advances subject to legislative and non-legislative moratoriums

(Euro thousand)

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Productives			Non-productive				Produtivos			Não produtivos			
			Of which: exposures subject to restructuring measures	Of which: Instruments with significant increase in credit risk since initial recognition but without credit impairment (stage 2)		Of which: exposures subject to restructuring measures	Of which: Reduced probability of payments that are not overdue or have been overdue for <= 90 days			Of which: exposures subject to restructuring measures	Of which: Instruments with significant increase in credit risk since initial recognition but without credit impairment (stage 2)		Of which: exposures subject to restructuring measures	Of which: Reduced probability of payments that are not overdue or have been overdue for <= 90 days	Tickets for non-productive exhibitions
Loans and advances subject to a moratorium	2 887 585	2 635 670	47 689	1 983 092	251 915	189 951	238 998	(155 951)	(69 092)	(2 337)	(66 651)	(86 859)	(72 492)	(82 104)	43 496
Of which: retail	1 200 326	1 161 984	15 614	816 575	38 342	30 738	33 877	(26 895)	(14 911)	(347)	(14 639)	(11 984)	(9 931)	(10 582)	4 261
Of which: secured by residential properties	1 038 523	1 011 989	11 592	701 871	26 534	20 338	22 725	(16 672)	(9 633)	(165)	(9 518)	(7 040)	(5 624)	(6 179)	2 370
Of which: non-financial corporations	1 684 649	1 471 075	32 074	1 163 916	213 573	159 213	205 121	(128 937)	(54 061)	(1 991)	(51 893)	(74 875)	(62 561)	(71 522)	39 235
Of which: SMEs	1 409 491	1 258 523	30 219	1 003 947	150 967	99 198	143 765	(89 647)	(45 430)	(1 893)	(43 643)	(44 217)	(33 248)	(41 591)	37 584
Of which: secured by commercial properties	981 770	826 479	20 370	645 155	155 291	116 466	152 444	(73 052)	(27 777)	(951)	(26 739)	(45 275)	(40 186)	(44 125)	24 825

Breakdown of loans and advances subject to legislative and non-legislative moratoriums due to the residual term of the moratoriums

(Euro thousand)

	Number of debtors	Gross carrying amout						
			Of which: legislative moratoria	Of which: expired	Residual term of moratorium			
					<= 3 months	>3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months
Loans and advances for which it was requested moratorium	33 867	2 949 720						
Loans and advances for which it has been accepted	33 513	2 932 223	2 848 177	44 638	221 655	13 736	2 695 944	889
of which: private		1 204 511	1 160 918	4 185	45 937	13 736	1 144 026	812
of which: secured by residential properties		1 042 254	1 035 563	3 731	20 226	-	1 021 237	791
of which: non-financial corporations		1 724 908	1 684 649	40 259	175 524	-	1 549 307	77
of which: SMEs		1 449 173	1 409 491	39 683	165 384	-	1 283 712	77
of which: secured by commercial properties		983 727	981 770	1 957	78 081	-	905 646	-

57 Subsequent events

Banco Montepio analyses events occurring after the balance sheet date, i.e., the favourable and unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorized for issue. Consequently, two types of events can be identified:

- Those that provide proof of conditions that existed at the balance sheet date (adjusting events);

- Those that are indicative of conditions that arose after the balance sheet date (non-adjusting events occurring after the balance sheet date).

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

On 29 March 2022, the deeds related to the Gerês Secured operation were celebrated, giving rise to the derecognition of the assets included in this operation in March 2022, as described in note 26.

There were no relevant transactions and/or events, after 31 December 2021, that merit disclosure and/or adjustment in the financial statements.

As is public knowledge, developments since the invasion of Ukraine by Russia on 24 February 2022, which resulted in the application of economic sanctions on Russia by the West and an escalation in commodity prices, have led to a change in perspectives regarding growth of the activity and prices in most world economies, albeit with different intensities.

The revision of perspectives naturally affects Russia's economy with greater intensity, followed, but at a great distance, by the economies of the Eurozone, the United Kingdom and other geographies further away from the centre of the conflict and with less dependence on oil and gas supplied by Russia (among which the USA, Japan and China).

Uncertainty is, however, quite high, so the outlook remains surrounded by downside risks and in permanent revision, being greatly affected by the duration of the ongoing conflict and its impact on financial markets, especially commodities, as well as by the economic policy reactions.

In this context, bearing in mind not only the activity carried out by Banco Montepio, but also the information available to date, the Board of Directors does not estimate material effects in terms of the financial statements for financial year 2021 arising from the conflict. However, given the uncertainty about the course of the conflict and its possible effects, it is not possible to estimate and quantify, at the present date, the future impacts of same on the Portuguese economy, and at the level of the banking business, so the Board of Directors will continue to assess this situation carefully over the coming financial year.

TRANSLATION NOTE

These Financial Statements and Notes to the Financial Statements are a free translation from the original version in the Portuguese language. In the event of misrepresentations or discrepancies the original version shall prevail.

DECLARATION OF CONFORMITY OF THE BOARD OF DIRECTORS

DECLARATION OF CONFORMITY OF THE BOARD OF DIRECTORS

This declaration is issued under the terms of paragraph c) of no. 1 of article 245 and the current paragraph c) of no. 1 of article 29-G of the Securities Code approved by Decree-Law no. 486/99, of 13 November, in the wording introduced by Law No. 99-A/2021, of 31 December.

It is the responsibility of the Board of Directors to prepare the management report and the financial statements, presenting, in a true and appropriate manner, the financial position of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio), the result of operations as well as the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system to prevent and detect any errors or irregularities.

We confirm, to the best of our knowledge and belief, that:

- All individual and consolidated financial information contained in the accounting documents, with reference to 31 December 2021, was prepared in accordance with the applicable accounting standards, giving a true and appropriate image of the assets and liabilities, the financial situation and the results of Banco Montepio and the companies included in the consolidation perimeter;
- The management report truly exposes the evolution of the business, the performance and the position of the Institution and the companies included in the consolidation perimeter and contains a description of the main risks and uncertainties they face.

BOARD OF DIRECTORS

Chairman	Carlos Manuel Tavares da Silva
Members	Manuel Ferreira Teixeira
	Amadeu Ferreira de Paiva
	Carlos Francisco Ferreira Alves
	José da Cunha Nunes Pereira
	Pedro Jorge Gouveia Alves
	Rui Pedro Brás de Matos Heitor *
	Vítor Manuel do Carmo Martins
	Pedro Manuel Moreira Leitão
	Dulce Maria Pereira Cardoso Mota Jorge Jacinto
	Helena Catarina Gomes Soares de Moura Costa Pina
	Jorge Paulo Almeida e Silva Baião **
	José Carlos Sequeira Mateus
	Leandro Rodrigues da Graça Silva
	Nuno Cardoso Correia da Mota Pinto
	Pedro Miguel Nunes Ventaneira

* The Director Rui Heitor, elected on 16/03/2018, resigned from his mandate with effect from 10/01/2022.

** Co-opted by the Board of Directors on 18/02/2021, after being authorized to perform his duties by Banco de Portugal.

Lisbon, 07 April 2022

REPORTS AND OPINION OF THE SUPERVISORY BODY

Banco Montepio
Audit Committee

Activity Report of the Audit Committee 2021

I - INTRODUCTION

The Audit Committee (CAD) was established under the provisions of article 17 of Banco Montepio's Articles of Association, dated 16 March 2018, and item b) of paragraph 1 of article 278 of the Commercial Companies Code, with the competences provided for in article 423-F therein.

The Regulations of the Audit Committee approved by the Board of Directors at a meeting held on 22 May 2018 were subject to a new revision approved on 24 June 2021.

The Audit Committee's mission, in accordance with the law and the articles of association, is to oversee the management of the company, supervise the auditing activities, the process of preparation and disclosure of financial information, the effectiveness of internal control systems, risk management, compliance and the activity and independence of the statutory auditor.

Within the scope of the powers attributed to it and those enshrined in Notice no. 3/2020 and Banco de Portugal Instruction no. 18/2020, of 15 July, the Audit Committee carried out monitoring activities, obtained information and assessed policies and regulations, procedures and practices defined and implemented, enabling it to issue an opinion on the adequacy and effectiveness of Banco Montepio's and Banco Montepio Group's organisational culture and governance and internal control systems, and on their consistency.

The Audit Committee should ensure that the persons in charge of the internal control function can operate in an independent manner and are able to warn the supervisory function about adverse developments in terms of risk, as well as the supervision of the implementation and maintenance of policies on detection, management and mitigation of potential conflicts of interest.

The Audit Committee, which is composed of five members as from 1 April 2020, has the following composition:

- Manuel Ferreira Teixeira, Chairman
- Amadeu Ferreira de Paiva
- Vítor Manuel do Carmo Martins
- Carlos Francisco Ferreira Alves
- José da Cunha Nunes Pereira

The Audit Committee which, under the terms of article 5 of its Regulations, meets at least once a month, in 2021, met at least twice a month, with the minutes being prepared with the topics discussed and the resolutions taken. All the meetings of the Audit Committee, totalling 29 (23 ordinary and 6 extraordinary), were attended by all its members, except for one absence registered in an extraordinary meeting that was justified by the coincidence of attending a training course, as shown in the following table:

January / December 2021	
Manuel Ferreira Teixeira	29/29
Amadeu Ferreira de Paiva	28/29
Vítor Manuel do Carmo Martins	29/29
Carlos Francisco Ferreira Alves	29/29
José da Cunha Nunes Pereira	29/29

The meetings of the Audit Committee were regularly attended by the heads of the Audit and Inspection Department, the Compliance Department, the Risk Department, the Accounting and Financial Reporting Department, the Strategic Planning and Control Department, the Credit Recovery Department, the Information Systems Department, the Information Management Office, the Statutory Auditor and also by executive directors.

Duties

Without prejudice to the other competences conferred by law or the articles of association, the Audit Committee is responsible for the continuous assessment of Banco Montepio, particularly with regard to its financial performance, the definition of its strategy and general policies, the Group's corporate structure and the decisions that must be considered strategic due to the amounts and risks involved.

In particular, it is the Audit Committee's responsibility to:

a) Supervise the management of Banco Montepio;

b) Monitor compliance with the Law and the Articles of Association;

c) Oversee and supervise the effectiveness and adequacy of the governance and internal control systems;

d) Verify the regularity of the books, accounting records and supporting documents, and the accuracy of the financial statements;

e) Verify if the accounting policies and valuation criteria adopted by Banco Montepio lead to a correct evaluation of the assets and liabilities and results;

f) Draw up an annual report on its supervisory action and issue an opinion on the report, accounts and proposals presented by the board, as well as on the proposal regarding the action plan and budget;

g) Select and submit the choice of Statutory Auditor to the General Meeting for deliberation, as well as issuing an opinion on the fees to be paid for the provision of legal auditing services of Banco Montepio Group's accounts and additional services to be provided by the same;

h) Assess annually the audit plan for the individual and consolidated accounts and the internal control system of Banco Montepio and Banco Montepio Group, as well as to supervise the auditing of the accounts;

i) Meet regularly with the Statutory Auditor, namely when assessing the individual and consolidated accounts of Banco Montepio Group;

j) Appraise with the Board of Directors, and the Statutory Auditor, any matters and decisions materially relevant to the preparation of the financial statements, including any significant changes in regulatory standards, accounting policies or judgements;

k) Participate in the Executive Committee meeting where the annual financial statements to be submitted to the Board of Directors are approved;

l) Draw up an annual opinion for Banco de Portugal providing a detailed opinion on the adequacy and efficiency of the internal control system of Banco Montepio and Banco Montepio Group;

m) Carry out control actions and maintain an approved and updated plan of activities, containing a description of the material, technical and human resources necessary for the performance of its functions;

n) Comply with the other duties established in the regulatory provisions of Banco de Portugal and the Securities Market Commission, namely, to promote, in Banco Montepio and other Group companies subject to supervision on a consolidated basis, the pursuit of the fundamental objectives established in terms of internal control and risk management;

o) Give an opinion on share capital increases by resolution of the Board of Directors;

p) Issue a prior and binding opinion on all matters related to the organisational structure under the terms of paragraph 5 of Article 9 of Notice 3/2020;

q) Call a General Meeting of Shareholders when the respective Chairman, having a duty to do so, fails to do so;

r) Confirm and ensure the independence of the internal audit, taking cognisance of any scope restrictions or difficulties in accessing the required information;

s) Appraise the most significant reports, namely those involving reputational risks or relevant actual or potential losses, submitted by internal audit and inspection, risk management and compliance, and the subsequent performance of the management body in its management function;

t) Monitor all inspections by Banco de Portugal, the Securities Market Commission, the Insurance and Pension Funds Supervisory Authority, the Tax and Customs Authority and others that are legitimately carried out on Banco Montepio and other Group companies subject to supervision on a consolidated basis.

Internal Control Duties

1. The Audit Committee is responsible for supervising and overseeing the effectiveness and adequacy of Banco Montepio's governance and internal control systems, in particular, the performance of the Audit and Inspection Department.

2. Within the scope of its functions and responsibilities in the matter of internal control, the Audit Committee shall:

   a) Approve, under the proposal of the Internal Audit and Inspection Department, its annual plans and organisational standards;

   b) Issue an opinion on the activity plans of the different internal control functions, prior to their approval by the Board of Directors;

   c) Provide a prior binding opinion on the appointment, replacement and dismissal of those responsible for control functions;

   d) Supervise the activity of the internal control departments;

   e) Participate in the process of evaluation of the internal control functions, as well as of those responsible for internal control functions;

   f) Exercise control actions in relation to internal control functions;

   g) Issue an opinion on the internal regulations for internal control functions, prior to their approval by the Board of Directors.

Compliance Function

The Audit Committee also has specific powers in relation to the compliance function, namely:

a) Supervise and oversee the effectiveness of compliance activities.

b) Analyse and issue an opinion on the compliance report, prepared in accordance with the provisions of item o) of paragraph 1 of Article 28 of Notice 3/2020, namely on the recommendations for the adoption of measures to correct any shortcomings detected and on the situations or constraints affecting the independence of the compliance function;

c) Analyse and issue an opinion on the report prepared by the compliance function, prepared in accordance with the provisions of item p) of paragraph 1 of Article 28, with reference to the provisions of item s) of paragraph 1 of Article 27 of Notice 3/2020, namely on the recommendations for the adoption of measures to correct any deficiencies detected and on the situations or constraints affecting the independence of the compliance function;

d) Appraise and analyse the reports drawn up by the compliance function regarding complaints submitted, as well as regarding the deficiencies identified in the internal control system in accordance with the provisions of item j) of paragraph 1 of Article 28;

e) Receive and analyse all existing information regarding signs of violations of legal and regulatory obligations, rules of conduct and customer relations, as well as other duties that may cause the institution or its employees to incur in a breach of conduct or cause negative impact.

Risk Management Function

1. The Audit Committee promotes an integrated risk culture that covers all areas of Banco Montepio's activity.

2. The Audit Committee also has specific powers in relation to the risk management function, namely:

a) Supervise and oversee the effectiveness of risk management activities;

b) Appraise and issue a statement on the decision, by the risk function, to exclude certain risk categories identified in the applicable legislation, regulations and guidelines, on the grounds that the underlying risk factors do not manifest themselves in the activity carried out;

c) Issue an opinion, prior to approval by the Board of Directors, on the policies and procedures to be implemented to support the risk management system and its effective application at Banco Montepio;

d) Analyse and issue an opinion on the risk management report prepared by the risk management function, pursuant to the provisions of item r) of paragraph 1 of Article 27 of Notice 3/2020, namely on the recommendations for the adoption of measures to correct any deficiencies detected and on the situations or constraints affecting the independence of the compliance function;

e) Analyse and issue an opinion on the report prepared by the risk management function, pursuant to the provisions of item s) of paragraph 1 of Article 27 of Notice 3/2020, namely on the recommendations for the adoption of measures to correct any deficiencies detected and on the situations or constraints affecting the independence of the compliance function.

Internal Audit Function

1. The Audit Committee also has specific powers in relation to the internal audit function, namely:

a) Supervise and oversee the effectiveness of internal audit activities;

b) Analyse and give an opinion on the overall evaluation report, in accordance with the provisions of item c) of paragraph 1 of Article 32 of Notice 3/2020;

c) Analyse and issue an opinion on the report drawn up annually by the internal audit function, in accordance with the provisions of item d) of paragraph 1 of Article 32 of Notice 3/2020;

d) Ensure that the internal audit function carries out its activity in accordance with internationally recognised and accepted internal audit standards and principles;

e) Approve and appraise, on an annual basis, the audit action plan for the following year, as well as the adequacy of the multi-annual plan;

f) Ensure that, for each assessment carried out by the internal audit function:

i. A programme is drawn up defining the objectives of the audit, identifying the internal control activities and procedures to be audited and establishing the resources needed for its execution;

ii. The criteria for assessing the adequacy of specific policies, procedures and controls implemented by the institution are clearly defined;

iii. A report containing the results of the evaluation referred to in item (ii) above is drawn up.

g) Ensure that the deficiencies identified, as well as the consequent recommendations issued, when classified as level F3 “high” or level F4 “severe” deficiencies, are registered and reported to the Audit Committee, taking into account the classification methodology in the annex to the Instruction of Banco de Portugal no. 18/2020, so as to ensure that the evaluation is not biased and that the issues identified are promptly taken into consideration;

h) Ensure that the deficiencies identified are continuously monitored by the internal audit function and that the measures aimed at correcting them are adopted in a timely and effective manner by the structural unit to which they relate.

II – SUMMARY OF THE ACTIVITIES UNDERTAKEN IN 2021

The main activities developed during 2021 are indicated below.

1. Meetings and opinions issued in 2021

The Audit Committee held 23 ordinary and 6 extraordinary meetings and issued 89 opinions, 13 of which related to non-audit services.

The minutes of the 29 meetings of the Audit Committee give due notice of the matters discussed and the resolutions taken.

2. Participation in the meetings of the Audit Committee

The Audit Committee met regularly with the heads of internal control functions, who attended at least one of its fortnightly meetings where the reports produced were analysed.

The attendance in some meetings of the Audit Committee of the heads of the Accounting and Financial Reporting Department, the Credit Recovery Department, the Strategic Planning and Control Department, the Information Management Office and the Risk Mitigation Working Group (monitoring of moratoriums) should also be noted.

PricewaterhouseCoopers was present at most of the meetings in its capacity as Statutory Auditor and external auditor.

3. Work Plan of the Audit Committee for 2021

The Audit Committee analysed and approved, on 13 January 2021, its Work Plan for 2021, taking into consideration the compliance with the provisions of Banco Montepio's Articles of Association, its own

Regulations, the Credit Regulations and Policy, the applicable legislation and the determinations of Banco de Portugal.

4. Multi-Annual Activity Plan of the Audit Committee

The Audit Committee has prepared and approved its Multi-Annual Activity Plan 2021-2025 for the exercise of its functions, as required by paragraphs 9 and 10 of Article 31 of Notice 3/2020 of Banco de Portugal. For the definition of the activities included in this plan, a review of the Audit Committee's annual plan of activities was carried out and an attempt was made to ensure:

1. that recurrent activities and issues of opinions already reflected on an annual basis are replicated for subsequent years;

2. the inclusion of the requirements of Banco de Portugal Notice 3/2020 for the supervisory body;

3. the involvement and supervision of all the work required of the external auditor as Statutory Auditor and to support the supervisory body in assessing the Governance and Internal Control System;

4. overall, and in accordance with good practices, the critical matters for appraisal and supervision by the Audit Committee are included in this plan.

In summary, the Multi-Annual Plan presented seeks to ensure the following contents:

i) the monitoring and evaluation of the activities of the Control Functions, including the opinions to be issued by the Audit Committee on the regulations and activity plans of the control functions, as well as the appraisal of the independent evaluations performed on the Control Functions;

ii) the assessment matters, requested to the Audit Committee, under the terms of article 56 of Notice 3/2020 and which will be an integral part of the annual self-assessment report of the Bank and of Banco Montepio Group;

iii) the monitoring of the Strategic Planning, Funding and Capital Plan, Risk Appetite Statement and the Risk Management System;

iv) the monitoring and supervision of the work carried out by the external auditors of Banco Montepio and Banco Montepio Group and appraisal of the reports produced on the work carried out, including new work requested to support the assessment of the Internal Control System;

v) the appraisal of the Policies and Regulations of the Committees of the Bank and of the Banco Montepio Group, where Notice 3/2020 requires the Audit Committee to appraise and issue an opinion;

vi) the appraisal of matters pertaining to Internal Governance, Conduct and Organisational Culture, the evaluation of the Internal Control System as a whole, including monitoring the resolution of internal control deficiencies and holding meetings with the subsidiaries' supervisory bodies;

vii) the monitoring of the quarterly, half-yearly and annual financial information of the Bank and the Banco Montepio Group;

viii) a complete list of the opinions that will have to be issued by the Audit Committee in the course of its supervisory activity.

The Audit Committee will develop the activities set out in the Multi-Annual Plan with the support of its adviser, the Audit and Inspection Department, the external auditor/statutory auditor and other areas of the Bank or even external entities, if deemed necessary.

5. Activity Report of the Audit Committee in 2020

The Audit Committee prepared and approved its Activity Report for 2020, in which it stated that it had held thirty meetings and issued eighty-five opinions, with regular attendance at its meetings by the heads of the Audit and Inspection Department, the Compliance Department, the Risk Department, the Accounting and Financial Reporting Department, the Strategic Planning and Control Department, the Credit Recovery Department, the Information Systems Department, the Information Management Office, the Statutory Auditor and also executive directors.

6. Annual Individual Self-Assessment Report – Audit Committee

The Audit Committee has prepared the Annual Individual Self-Assessment Report in accordance with paragraph 1 of article 56 of Notice 3/2020, of 29 June, of Banco de Portugal, as part of the process for the issuance of an opinion by the Audit Body of Caixa Económica Montepio Geral, caixa económica bancária, S.A. to Banco de Portugal on the adequacy and effectiveness of the organisational culture in force in the institution and of its governance and internal control systems, for the reference period from 1 June 2020 to 30 November 2020.

The Audit Committee, based on the monitoring work carried out, was of the opinion that the evaluations made, the activities developed, the information provided by Banco Montepio's own structures and the policies, procedures and practices defined and implemented, including remuneration practices and policy, in the period from 1 June to 30 November 2020, reasonably ensured the adequacy and effectiveness of Banco Montepio's organisational culture and its governance and internal control systems.

The Audit Committee also issued the Summary Individual Self-Assessment Report dated 26 February 2021 for the period from 1 June 2020 to 30 November 2020.

The Audit Committee also prepared the Annual Individual Self-Assessment Report for the period from 1 December 2020 and 30 November 2021 and, as in relation to the previous period, was of the opinion that the adequacy and effectiveness of Banco Montepio's organisational culture and its governance and internal control systems were reasonably assured.

7. Group Annual Self-Assessment Report – Audit Committee

The Audit Committee prepared the Group's Annual Self-Assessment Report in accordance with item b), paragraph 1 of article 58 of Notice 3/2020 of 29 June of Banco de Portugal, as part of the process of issuing an opinion to the Parent Company's Supervisory Body on the adequacy and effectiveness of the organisational culture in force in the Group and of its governance and internal control systems, and on the coherence between the internal control systems, including the subsidiaries abroad, for the reference period from 1 June 2020 to 30 November 2020.

In the context of the financial group and with a view to ensuring compliance with Article 54 of Notice 3/2020, individual self-assessment reports were prepared for each of the entities subject to supervision on a consolidated basis, namely for Banco Montepio, as the parent company, for Banco de Empresas Montepio and Montepio Crédito, as subsidiaries, and for Finibanco Angola and Banco Montepio Geral Cabo Verde, as subsidiaries in third countries.

The Audit Committee, based on the information and explanations provided, the evidence analysed and the assessments made, found that, although there are opportunities to improve the governance and internal control system itself, as well as in the process of remedying deficiencies in entities and in the Group, it found that the principle of coherence was reasonably applied at the level of organisational culture and governance and internal control systems as a whole within the Group.

The Audit Committee also issued the Group Self-Assessment Report Summary dated 3 March 2021 for the period from 1 June 2020 to 30 November 2020.

The Audit Committee also prepared the Group's Annual Self-Assessment Report for the period from 1 December 2020 to 30 November 2021 and, as in relation to the previous period, was of the opinion that the principle of coherence was found to be reasonably applied at the level of organisational culture and governance and internal control systems as a whole in the context of the Group.

8. Review of the Regulations of the Audit Committee

As part of the annual assessment of the adequacy of the Audit Committee Regulations, in June 2021, this Committee revised its regulations, which were approved by the Board of Directors on 24 June 2021.

The Audit Committee has taken into consideration in the revision of its Regulation:

i) the General Framework of Credit Institutions and Financial Companies;
ii) Banco de Portugal Notice 3/2020;
iii) Banco de Portugal Instruction 18/2020;

iv) the Commercial Companies Code;
v) the EBA Guidelines (EBA/GL/2017/11) on Internal Governance.

The Regulation of the Audit Committee establishes the competences, attributions and duties of the Audit Committee, as a supervisory body of Banco Montepio, as well as the rules of conduct and the rules regarding its composition, appointment and participation, in addition to the applicable legal, statutory and regulatory provisions.

9. Appraisal of the Activity Plan of the Internal Audit Function for 2021

The Internal Audit Function Activity Plan was prepared in accordance with item b) of paragraph 7 of Article 32 of Notice 3/2020 of Banco de Portugal, published on 16 July, and the "Audit Plan Preparation Methodology Manual" was taken into consideration, having reviewed the audit objects and introduced new ones, namely:

i) the management of funding;
ii) organisational conduct and culture;
iii) the performance of the management and supervisory bodies;
iv) the sale of non-productive assets;
v) procurement;
vi) the management of litigation;
vii) the evaluation of the internal control system of the Financial Group.

Note for the planning of information system audits, in which the methodology used in the identification of auditable objects should be based on different criteria, so that a methodology to be applied in this area is being developed, aligned with the available information that allows characterising the IT processes and applications. With regard to 2021, the relevant applications, a recommendation from Banco de Portugal and an audit that was not possible to carry out in 2020 were considered.

The Audit Plan identified 32 objects/processes that could be audited in 2021, ranked by scoring the object for Banco Montepio, of which 15 were mandatory, and included three processes of Finibanco Angola for which Banco de Portugal requested the intervention of Banco Montepio's DAI.

The Plan included the monitoring, by the Audit and Inspection Department (DAI), of the activity of the internal audit function of Finibanco Angola (FBNA), in accordance with the Internal Control Policy of the CEMG Group, since that Department ensures the functional coordination of the Internal Audit Function (FAI) of the FBNA, in order to ensure the alignment of internal audit practices and procedures at Group level. The DAI will issue quarterly opinions on local FAI activity.

The Plan also included the following activities:

i) the development of new rules and indicators for continuous distance auditing;

ii) the implementation of 15 of the 17 recommendations that resulted from the external Quality Assurance Review exercise carried out by EY;

iii) the monitoring of the resolution of internal control deficiencies.

The Internal Audit Plan 2021 also included the Employee training component, whose Plan covered both technical skills (functional and technical) and behavioural skills.

The Audit Committee concluded that the Activity Plan of DAI for 2021 complied with the provisions of Article 32 of Notice no. 3/2020 of Banco de Portugal, namely with item a) of paragraph 1 as to "examine and evaluate the adequacy and effectiveness of the organisational culture and of the governance and internal control systems of the institution" and resolved to approve the document under the terms of item b) of paragraph 7 of Article 32 of the same Notice.

10. Appraisal of the Multi-Annual Plan of the Internal Audit Function of Banco Montepio 2021-2025

The Audit and Inspection Department (DAI) prepared the Multi-Annual Plan 2021-2025 in compliance with the provisions of item a) of paragraph 1 of Article 32 of Banco de Portugal's Notice 3/2020 published on 16 July. The DAI is responsible for "preparing and keeping updated a multi-annual action plan to examine and evaluate the adequacy and effectiveness of the organisational culture and the governance and internal control systems of the institution, as well as their individual components, including corporate bodies and their support committees, ensuring its implementation according to the schedule proposed by the head of the function and approved by the management body".

The DAI prepared the Multi-Annual Plan taking into consideration the classification of the auditable process/object in a five-year cycle, by activity areas and respective organic units, in order to cover the main processes and activities of Banco Montepio.

The Multi-Annual Plan includes 60 processes over the period 2021 to 2025, as follows:

i) 15 processes to be audited every year;

ii) 8 processes audited every 2 years;

iii) 37 processes with 1 or 2 audits during the five years.

The Audit Committee has verified the scope of processes that the Multi-Annual Plan 2021-2025 contemplates, in compliance with the provisions in item a) of paragraph 1 of Article 32, except in relation to information systems, insofar as it still verifies, for the year 2021, the recourse to external technicians to carry out audits.

The Audit Committee assessed favourably the Multi-Annual Plan 2021-2025.

11. Appraisal of the Risk Management Activity Plan for 2021

The Risk Department (DRI), in conjunction with the Specialised Credit Analysis Department (DAEC) and the Risk Management Functions of Montepio Crédito and Finibanco Angola, drew up the 2021

Activities Plan for the Risk Management Function of Banco Montepio Group, which included the following main objectives:

i) strengthening the governance and functioning of the risk management function from a corporate and Group perspective;
ii) strengthening and improving the various models of support for the Function;
iii) addressing outstanding shortcomings;
iv) improvement in terms of strengthening processes, procedures, regulations and supporting documentation in line with the recommendations of SREP and the requirements inherent to Notice 3/2020.

The methodology followed defined the functional areas based on Banco Montepio's strategic guidelines, having identified the processes associated with them and assessed the underlying compliance risk.

The risk agenda in the 2021 Plan identified:

i) the functioning in a corporate logic;
ii) the governance and functioning of Risk Management;
iii) the reinforcement of risk management in strategy and business;
iv) the improvement of decision support models;
v) the increase of efficiency in RWA management.

The Plan includes a description of the recurrent and non-recurrent activities of DRI and DAEC and also includes the Training Plan, which foresees actions related to functional, technical and behavioural skills.

The Plan also contemplated initiatives aimed at substantially reducing the backlog of 333 shortcomings that were open as at 31 December 2020, with 52% relating to the review of impairment models, 21%, to processes and procedures and 14%, to supporting documentation.

The document also included the Activity Plans of Montepio Crédito and Finibanco Angola, presented with a similar structure.

The Audit Committee issued a favourable opinion on the Risk Management Activity Plan 2021.

12. Appraisal of the Activity Plan of the Compliance Function for 2021

The Activity Plan of the Compliance Function for 2021 has been defined with three priority objectives in mind:

i) raise the maturity level of the Compliance Function (DCOMP);
ii) correct the shortcomings identified;
iii) strengthen the internal control system for the prevention of financial crime.

Regarding the objective of raising the maturity level, as the result of the external evaluation positioned the Compliance Function in most dimensions, at the intermediate level, a roadmap was defined to position it, already in 2021, at the consistent level. The Activity Plan also included in the initiatives planned for 2021 those resulting from the gap analysis of Notice 3/2020, as well as a significant part of the deficiencies identified by the External Auditor (PwC) and also the SREP measures, whose resolution is the responsibility of DCOMP.

With regard to the objective of correcting deficiencies, the initiatives envisaged included the correction of deficiencies identified either by the internal auditors or by the external auditors, either in the context of the Internal Control Report or the Prevention of Money Laundering report.

With regard to the third objective - to strengthen the Internal Control System for the Prevention of Financial Crime (MLP/FT and market abuse) – the plan was to improve the processes and controls relating to the prevention of money laundering by using an external consultant.

The Audit Committee issued a favourable opinion on the Risk Management Activity Plan 2021.

13. External Evaluation of the Compliance

The External Evaluation of the Compliance Function allowed assessing the current maturity level of the Compliance Function against Notice no. 3/2020, issued by Banco de Portugal, the best practices of the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as well as the best market practices.

The evaluation was based on five aspects of analysis:

- i) governance and organisation;
- ii) people and knowledge;
- iii) processes;
- iv) technology;
- v) reporting.

27 topics of analysis and 133 analysis characteristics were defined, which made it possible to assess the level of compliance of the Compliance Function.

The Audit Commission verified that DCOMP has included in its Activity Plan the actions recommended under this external evaluation.

14. Annual Report on the Individual Self-Assessment of the Internal Audit Function of Banco Montepio

The Audit Committee analysed the 2020 Annual Individual Self-Assessment Report of Banco Montepio's Internal Audit Function, which was prepared in accordance with article 32 of Notice 3/2020, of 29 June, of Banco de Portugal.

The Audit Committee found in its assessment of the independence of the Internal Audit Function that there were aspects of improvement relevant to the performance of the FAI, namely in terms of strengthening human resources and technological tools to support the activity (workflow of internal audit, data analytics with datamart audit report), which would allow greater efficiency in the development of audit actions and in using their results.

The Audit Committee considered that the internal audit function had sufficient authority to perform its duties objectively and independently and is not aware of any occurrences or indications that question this assertion.

The Audit Committee issued a favourable opinion to the approval of the Individual 2020 Self-Assessment Report of the Internal Audit Function by the Board of Directors, having recommended, however, the need to reinforce the human resources and technological tools to support the function, as well as the implementation of the recommendations according to plan, in order to increase effectiveness in the development of audit actions and the use of their results.

The Audit Committee also analysed the 2021 Annual Individual Self-Assessment Report of the Internal Audit Function of Banco Montepio and issued a favourable opinion to its approval by the Board of Directors, recommending, however, the need to reinforce human resources and technological tools to support the function, as well as the implementation of the recommendations according to plan, in order to increase the effectiveness in the development of audit actions and the use of their results.

15. Annual Individual Risk Management Self-Assessment Report of Banco Montepio

The Audit Committee analysed the 2020 Annual Individual Self-Assessment Report of Banco Montepio's Risk Management Function, which was prepared in accordance with article 27 of Notice 3/2020, of 29 June, of Banco de Portugal.

The Audit Committee noted, in its appraisal, the insufficiency of human resources (11 employees), following the concerns and steps taken by the Risk Committee to remedy this situation. The Audit Committee considered that the time foreseen for the recruitment of the missing employees (until the end of 2021) was too long.

The Audit Committee was not aware of any occurrences or indications that would undermine the necessary authority of the risk management function or limit its independence in carrying out its responsibilities.

The Audit Committee issued a favourable opinion to the approval of the 2020 Individual Annual Self-Assessment Report of the Risk Management Function by the Board of Directors, having however drawn attention to the need to timely resolve the insufficiency of human resources and remedy the deficiencies, and to implement the recommendations and suggestions for improvement mentioned in the report.

The Audit Committee also analysed the 2021 Annual Individual Self-Assessment Report of Banco Montepio's Risk Management Function, having monitored the continuous efforts and diligence undertaken by the Risk Department to solve the insufficiency in human resources (6 employees), being expected that, by the end of the first quarter of 2022, 3 new admissions will be confirmed.

The Audit Committee issued a favourable opinion to the approval of the Annual Individual Self-Assessment Report 2021 of Banco Montepio's Risk Management Function by the Board of Directors, drawing attention to the need to resolve the remedy of the deficiencies in a timely manner.

16. Annual Individual Self-Assessment Report of the Compliance Function of Banco Montepio

The Audit Committee analysed the 2020 Annual Individual Self-Assessment Report of the Compliance Function of Banco Montepio, which was prepared in accordance with article 28 of Notice 3/2020, of 29 June, of Banco de Portugal.

The evaluation of the independence of the Compliance Function took into consideration the status and authority, the Activity Plan, the independent performance of responsibilities, the person responsible for the Function, the resources of the Function, systems and access to information, direct access to the Board of Directors, the Audit Committee, the Risk Committee, as well as the remaining Committees and Commissions, having concluded on the inexistence of any situations or constraints that compromise or may materially compromise the adequate authority and independence of the Compliance Function, and the Audit Committee is not aware of any occurrence or evidence that would compromise this statement.

The Audit Committee issued a favourable opinion on the approval of the 2020 Annual Individual Self-Assessment Report of the Compliance Function by the Board of Directors.

The Audit Committee also analysed the 2021 Annual Individual Self-Assessment Report of the Compliance Function of Banco Montepio and, having concluded on the inexistence of any situations or constraints that would or could materially compromise the adequate authority and independence of the Compliance Function, issued a favourable opinion to the approval of the Report by the Board of Directors.

17. Quarterly monitoring report on the Banco Montepio Group's Internal Control Deficiencies Resolution Plan

The Audit Committee analysed on a quarterly basis the Monitoring Reports of the Internal Control Deficiencies Resolution Plan of Banco Montepio Group, having observed the evolution of the deficiencies, and regularly remarked to the Board of Directors on the importance of accelerating the timely implementation of the respective recommendations.

Throughout the year the Audit Committee expressed its concern with the high number of unresolved deficiencies and urged the Executive Committee and the Board of Directors to implement a faster process to remedy as many internal control deficiencies as possible.

The Audit Committee took note of the fact that an Internal Control Department was created within the Compliance Department (DCOMP), which has, among others, the mission of following up existing deficiencies and monitoring the execution of action plans with the respective owners, carrying out the periodic follow-up of these and identifying constraints on their implementation, promoting articulation with the different areas, anticipating potential non-compliance with conclusion deadlines and proposing initiatives for their resolution.

18. Opinion on the Internal Control System for the Prevention of Money Laundering and Terrorist Financing

The Audit Committee carried out the procedures deemed necessary to verify the adequacy and effectiveness, in materially relevant aspects, of Banco Montepio's Internal Control System for the Prevention of Money Laundering and the Financing of Terrorism, in the reference period from 1 January to 31 December 2020 with regard to compliance with legal and regulatory rules in force, namely the requirements on that system defined in Notice no. 2/2018 of the Bank of Portugal, and issue an opinion on the quality of that system, pursuant to item c) of paragraph 4 of article of Notice of Banco de Portugal No. 2/2018, based on the procedures performed above.

The Audit Committee was of the opinion, based on the procedures performed, that, except for the possible effects of the materially relevant deficiencies identified by PwC and Internal Audit, the internal control system implemented and maintained by Banco Montepio in the specific scope of the prevention of money laundering and financing of terrorism in force on 31 December 2020 was, for the materially relevant aspects, adequate and effective in view of the legal and regulatory standards, namely in view of the requirements set out in Notice no. 2/2018 of Banco de Portugal and given the activity that Banco Montepio developed in fact in the reference period under analysis.

19. Opinions of the Commission on Policies, Regulations and Code of Conduct

The Audit Committee assessed and issued an opinion on the various Policies prepared in accordance with Notice 3/2020 of Banco de Portugal, such as the Risk Management Policy of Banco Montepio Group, the Liquidity Risk Management Policy, the Risk Appetite Policy of Banco Montepio Group and the Related Party Transactions Policy.

The Audit Committee also issued opinions on several Regulations, such as the Regulation of the Risk Management Function and the Regulation on the Provision of Services by the Statutory Auditor or Auditing Firm.

The Audit Committee also issued an opinion on the revision of Banco Montepio's Code of Conduct.

20. Recovery Plan 2021

The Audit Committee assessed the 2021 Recovery Plan of Banco Montepio Group, as part of the annual review, in accordance with the regulatory requirements set out in the RGICSF, Notice no. 3/2015, of 2 November 2015 of Banco de Portugal, in Directive 2014/59/EU of the European Parliament and of the Council of the European Union, of 15 May 2014, complemented by Delegated Regulations (EU) no. 2016/778 and 2016/1075 of the European Commission and also in OS 74/2021, of 14 September.

The 2021 Recovery Plan has been designed to ensure alignment with the other management and risk mechanisms and instruments, such as the risk appetite statement (RAS), the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the contingent management mechanisms relating to the Business Continuity plan.

The 2021 Recovery Plan addressed the determinations of Banco de Portugal and the recommendations of the Audit and Inspection Department.

Banco de Portugal allowed the definition of a single adverse scenario concerning liquidity risk, instead of the four scenarios envisaged in its Notice 3/2015, and Banco Montepio opted to apply the base scenario of the planning exercise with the inclusion of an idiosyncratic component with an impact on liquidity. As the recovery plan was active, the Funding and Capital Plan exercise was cumulatively a base and capital recovery scenario, thus allowing the effectiveness of the recovery measures to be assessed.

The Audit Committee noted that, despite the notorious severity of the adverse scenario defined with impact on liquidity, it was found that the recovery measure adopted was sufficient to recover, in a timely and effective manner, the Group's liquidity indicators to levels above the established alert limits by the end of the analysis period (2023).

The Audit Committee concluded that the recovery measures defined in the 2021 Recovery Plan for Banco Montepio Group were feasible and effective for Banco Montepio Group's recovery in the scenario considered and issued a favourable opinion on the Plan.

21. ICAAP 2020 Exercise

The Audit Committee assessed the annual report of the Internal Capital Adequacy Assessment Process (ICAAP) of Banco Montepio Group with reference to 31 December 2020.

The ICAAP process was carried out in accordance with Instruction No. 3/2019 issued by BDP and the documents “Guidelines on ICAAP and ILAAP information collected for SREP purposes” issued by the European Banking Authority (EBA) in November 2016 and “ECB Guide to the internal capital adequacy assessment process (ICAAP)” issued by the European Central Bank (ECB) in November 2018.

Internal capital adequacy was contained in Banco Montepio's Risk Appetite Statement and formed part of the Group's risk appetite framework control and reporting processes, and this process also had a governance structure and procedures for monitoring internal capital consumption (economic capital requirements and RTC), including the definition of roles and responsibilities for escalation and resolution of breaches.

The Audit Committee noted that the ICAAP report mentioned that the established methodologies, the implemented processes and procedures, as well as the existing infrastructure, had been reviewed, in order to respond to the recommendations and suggestions for improvement from Banco de Portugal, as well as from the units responsible for the independent validation of the ICAAP, with the aim of ensuring the robustness and reliability of the exercise to timely detect and effectively manage the Group's risks, namely regarding the materially relevant risk typologies.

The Audit Committee finally noted the fact that the Audit and Inspection Department, as well as the Model Validation Office of Banco Montepio, ensure the independent review of the ICAAP process and verify whether it complies with the regulatory requirements in force and the guidelines and guidance documents issued by the EBA.

The Audit Committee gave a favourable opinion on the 2020 ICAAP Report and the Capital Adequacy Statement.

22. ILAAP 2020 Exercise

The Audit Committee assessed the annual report on the Internal Liquidity Adequacy Assessment Process (ILAAP) of Banco Montepio Group with reference to 31 December 2020.

Banco Montepio has a Risk Appetite Framework (RAF), which establishes risk tolerance levels related to liquidity and funding, with the definition of quantitative metrics, reviewed and approved by the Board of Directors (BoD) at least once a year. The process and general procedures of the internal risk appetite governance are described in the internal regulation on the Risk Appetite Policy of Banco Montepio Group, approved by the BoD.

ILAAP interlinks with the risk appetite process to define or adjust liquidity and funding risk management metrics, as well as providing valuable information for the planning process to achieve business, capital and funding objectives.

The Audit Committee noted that, based on the defined limits, the evolution of the Banco Montepio Group's risk profile is regularly monitored in relation to the risk appetite, where liquidity and financing risks are included, in accordance with the Group's Risk Management Policy.

The Audit Committee reviewed the Liquidity Adequacy Statement for the 2020 ILAAP exercise, and found that the established methodologies, the implemented processes and procedures, as well as the existing infrastructure, were globally adequate to identify the liquidity and funding risks and manage them effectively.

The Audit Committee issued a favourable opinion on the 2020 ILAAP Report and the related Liquidity Adequacy Statement.

23. Opinion on the Planning and Budget for 2021 and Projections until 2023

The Audit Committee assessed the proposal of Planning and Budget for 2021 and Projections until 2023, having taken into account the provisions of Notice 3/2020 of Banco de Portugal concerning strategic planning, namely its article 10.

The Audit Committee found that the defined strategy and action plans were based on founded assumptions and reliable information, revealed an ambition of sustainability of recurring profitability and the business model of Banco Montepio Group, noting the existence of a plan to strengthen capitalisation levels with alternative and diversified capital measures, which mitigated the respective risk of implementation, without the need for additional support from the main shareholder.

The Audit Committee considered that, particularly, the strategic planning exercise was conditioned by the high degree of uncertainty that marked the economic and banking activity with the outbreak of the Covid-19 pandemic in March 2020, which could lead to deviations from the projections presented.

The Audit Committee gave a favourable opinion on the Planning and Budget for 2021 and Projections until 2023, but made recommendations regarding the critical monitoring of deviations in budget execution, given the high degree of uncertainty in macroeconomic terms

24. Monitoring of the Funding and Capital Plan (FCP)

The Audit Committee regularly reviewed the reports on the Control of the Funding and Capital Plan, observing its execution, both at balance sheet and income statement levels, as well as the capital initiatives planned throughout the year.

25. Impairment Report - 31 December 2020

The Audit Committee analysed the Report on the impairment quantification process of the Bank's loan portfolio with reference to 31 December 2020, in compliance with Instruction no. 5/2013 of Banco de Portugal, republished by Instruction no. 18/2018, which established the mandatory regular assessment by the external auditors of that process.

PwC, in its review of the impairment quantification process of Banco Montepio, Montepio Crédito and Banco Empresas Montepio, in terms of individual analysis, identified seven deficiencies and, in terms of collective analysis, detected twenty-five deficiencies, fourteen of low relevance and eighteen of medium relevance. The Audit Committee found that several of the situations analysed have in the meantime been settled or were in the process of being resolved.

The report concluded that "the loan portfolio impairment quantification process defined by the Group allowed, in a reasonable way, in all materially relevant aspects in the context of the financial statements, the calculation of the impairment of the loan portfolio in accordance with the International Financial Reporting Standard 9 – Financial Instruments (IFRS 9)".

The report also concluded that "the individual and collective impairment of the loan portfolio accounted for by the Group in its consolidated financial statements as at 31 December 2020 was, in all material respects within the context of the Group's financial statements, reasonable in relation to the requirements of IFRS 9" and that it "incorporated subsequent events occurring after 31 December 2020, if they were considered material, in accordance with the definition provided in International Accounting Standard no. 10 – Events after the reporting date, which came to its attention and which occurred up to the review date".

The Audit Committee noted the fact that it was the first report in the last three years on impairments that had an unreserved conclusion. It also mentioned that the Committee has always followed all the work that has been produced, being certain that there was still a lot to do, namely in the resolution of all the deficiencies or in the situations where there are opportunities for improvement.

26. Opinion on the Management Report and Individual and Consolidated Accounts of 2020

The Audit Committee monitored the preparation of the Management Report and Accounts, prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2020, meeting with the Executive Committee, the Accounting and Financial Reporting Department and the Statutory Auditor, having requested all the information and clarifications it deemed relevant to comply with the applicable legal and statutory rules.

The Audit Committee stated that, to the best of its knowledge, the financial information had been prepared in accordance with the applicable accounting standards, including compliance with the accounting policies set out in the IFRS, giving a true and fair view of the assets and liabilities and financial position of Banco Montepio and the companies included in its consolidation perimeter. In a similar way and with identical assumptions, the Audit Committee considered that the Management Report correctly reflects the evolution of the business, the performance and the position of Banco Montepio and the companies included in the consolidation perimeter and contains a description of the main risks and uncertainties they face.

The Audit Committee agreed with the contents of the Legal Certification of Accounts and Audit Reports prepared by PwC and gave a favourable opinion on the Management Report and Accounts of Banco Montepio, which includes the financial statements, on an individual and consolidated basis, for the year ended 31 December 2020, approved on 29 April 2021 by the Board of Directors.

The Audit Committee was of the opinion that Banco Montepio's General Meeting should approve:

a) the Management Report and all the other documents presenting the financial statements, both individual and consolidated, relative to the year ended on 31 December 2020;
b) the information on corporate governance relative to 2020;
c) proposal of the Board of Directors for the appropriation of the net profit of the balance sheet for 2020, in the amount of -116,621,139.35 euros, to be transferred to retained earnings.

27. Whistleblowing Report 2020

The Audit Committee has analysed the Annual Irregularities Report of 2020, as determined in the General Regime for Credit Institutions and Financial Companies (RGICSF), in paragraph 7 of article 116-AA, having Instruction no. 18/2020 of Banco de Portugal defined the content of the report, covering the irregularities' reports received between 1 January 2020 and 30 November 2020.

The Bank has a Policy on Reporting Irregularities (PCI), approved on 16 July 2020, which determines that reports of irregularities must be made to the Chairman of the Audit Committee who, with the support of the Compliance Department and the Audit and Inspection Department, develops the necessary diligence to ascertain whether there are sufficient grounds to initiate an enquiry procedure. If the matter complained about in the communication constitutes a customer complaint, the process is forwarded to the Customer's Office, which will ensure a response to the complainant.

In the period under review, six communications were registered, only three of which were considered under the terms of the Policy on Reporting Irregularities and the respective enquiry procedures were opened. The other three reports were related to customer complaints and were forwarded to the Customer Office.

The Audit Committee approved the Annual Irregularities Report for 2020.

28. Meetings of the Audit Committee with Banco de Portugal

During 2021, the Audit Committee met with the heads of the Prudential Supervision Department of Banco de Portugal, which increased the effectiveness of its supervisory action.

III – CONCLUSION

The Audit Committee, in concluding its annual report, highlights the good institutional cooperation and the fruitful relations established with the Board of Directors and its Committees, with the Departments belonging to Banco Montepio's organic structure and with the Statutory Auditor.

The Audit Committee also notes with great appreciation the sense of cooperation, the technical quality and the dedication to Banco Montepio of the directors and employees of all the Departments with which it worked directly, highlighting in particular the advisor of the Audit Committee itself, as well as the contribution of the other Departments and employees to the results achieved.

Finally, we would like to highlight the adequacy and timeliness of all written and oral information from the abovementioned entities, which is an indispensable support for the exercise of the competences and responsibilities inherent to the activity of this Audit Committee, a fact that has greatly contributed to its good operational functioning as a supervisory body.

Lisbon, 23 March 2022

The Audit Committee

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Manuel Ferreira Teixeira
(Chairman)

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Amadeu Ferreira de Paiva

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Vítor Manuel do Carmo Martins

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Carlos Francisco Ferreira Alves

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José da Cunha Nunes Pereira

OPINION OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR OF 2021

1. Pursuant to the regulatory terms and its statutory duties, the Audit Committee appraised the Management Report and Accounts relative to the year ended on 31 December 2021 of Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio), approved by the Board of Directors.

2. The Audit Committee appraised the Additional Report on the Audit Committee, drawn up by PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. (PwC) as well as the Legal Certifications of the Accounts and Audit Reports on the financial statements relative to the year ended on 31 December 2021, on an individual and consolidated basis, issued without reservations. As far as the Audit Committee is aware, the audit carried out by PwC was conducted in accordance with the International Standards on Auditing ("ISA"), as well as other standards and the technical and ethical guidelines of the Statutory Auditors Association.

3. The Audit Committee monitored the preparation of the Management Report and Accounts, drawn up in accordance with the International Financial Reporting Standard (IFRS) for the year ended on 31 December 2021, namely their final version approved by the Board of Directors. For the preparation of its opinion, the Audit Committee held meetings with the Executive Committee, the Accounting and Financial Reporting Department and the Statutory Auditor, having requested all the information and clarifications that it considered relevant for compliance with the applicable legal and statutory rules.

4. As far as the Audit Committee is aware, the financial information was prepared in conformity with the applicable accounting standards, including compliance with the accounting policies defined in the IFRS, giving a true and appropriate image of the assets and liabilities and financial situation and results of Banco Montepio and the companies included in its consolidation perimeter. Likewise, and under the same assumptions, the Audit Committee considers that the Management Report correctly reflects the evolution of the business, performance and position of Banco Montepio and the companies included in its consolidation perimeter, and contains a description of the main risks and uncertainties faced.

5. The Legal Certification of Accounts and Audit Reports on the individual and consolidated financial statements of Banco Montepio were prepared in accordance with the formats pursuant to Regulation (EU) 537/2014, of the European Parliament and of the Council of 16 April 2014, and Law 140/2015 of September 7, and include audit focus areas, referred to as ''Key Audit Matters'' which PwC identified as being:

(i) Impairment losses on loans and advances to customers;
(ii) Measurement of real estate properties received by way credit recovery;
(iii) Recoverability of the deferred tax assets;
(iv) Fair value of financial instruments not listed in active markets – level 3 of the fair value IFRS 13 hierarchy;
(v) Liabilities related to pensions and other benefits;
(vi) Provisions and contingent liabilities.

The issues in question were systematically monitored by the Audit Committee of Banco Montepio, as evidenced in the respective minutes.

6. The proposed appropriation of net income is not contrary to the applicable legal and statutory provisions.

7. To conclude:

   The Audit Committee agrees with the content of the Legal Certifications of the Accounts and Audit Reports prepared by PwC and issues a favourable opinion on the Management Report and Accounts of Banco Montepio, which includes the financial statements, on an individual and consolidated basis, for the year ended on 31 December 2021, approved on 07 April 2022 by the Board of Directors.

8. In view of the above, the Audit Committee is of the opinion that Banco Montepio's General Meeting should approve:
   a) The Management Report and all the other documents presenting the financial statements, both individual and consolidated, relative to the year ended on 31 December 2021;
   b) the information on corporate governance relative to 2021;
   c) the proposal of the Board of Directors, under the terms of article 66, point 5, paragraph f), and for the purposes of article 376, point 1, paragraph b), of the Commercial Companies Code, concerning the application of the net income recorded in the individual financial statement pertaining to the financial year of 2021, in the amount of -7,903,029.59 euros, that the latter should be carried forward.

Lisbon, 12 April 2022

Manuel Ferreira Teixeira, Chairman

Amadeu Ferreira de Paiva, Member

Vitor Manuel do Carmo Martins, Member

Carlos Francisco Ferreira Alves, Member

José da Cunha Nunes Pereira, Member

Banco Montepio, S.A.
Summary of the Self-Assessment Report (Group) of 27 December 2021 for the period from 1 December 2020 to 30 November 2021

This summary is presented in accordance with the provisions of Article 60 of Notice 3/2020 of Banco de Portugal, published on 16 July 2020 (Notice).

The Self-Assessment Report (Report), prepared in accordance with the provisions of Article 55 of the Notice, in force since 16 July 2020, and Instruction no. 18/2020 of Banco de Portugal (Instruction), contains the results of the assessment carried out by Banco Montepio Group (Group) regarding the adequacy and effectiveness of the financial group's internal control system to ensure compliance with the requirements defined in Article 51 of the Notice, as well as regarding the coherence between the internal control systems of the subsidiaries and the internal control system of the parent company, Banco Montepio (parent company or Bank), for the reference period of 1 December 2020 to 30 November 2021.

The Report includes a description of the activities specifically undertaken, ongoing, and planned for 2022, aimed at ensuring the implementation of and compliance with the provisions of the Notice and the Instruction at the Group level.

Individual self-assessment reports were drawn up, in accordance with the provisions of Notice no. 3/2020, for Banco Montepio, as the parent company, for Banco de Empresas Montepio and Montepio Crédito, as subsidiaries, and for Finibanco Angola, as a subsidiary in a third country, entities subject to supervision on a consolidated basis.

The Banco Montepio Group Audit Committee has the necessary skills to fulfil its responsibilities, taking into account the requirements of knowledge, competence and independence, existing regulations, and access to all Banco Montepio Group entities, in particular the areas of internal control and external auditors.

The Audit Committee developed monitoring activities, analysed information it considered relevant to support its analysis and assessed policies and regulations, procedures and practices defined and implemented by Banco Montepio Group.

The set of matters covered by Notice no. 3/2020 are reflected in policies that are defined and applicable at Group level, namely the risk management policy, the policy for managing conflicts of interest, the policy for communicating irregularities, the remuneration policies, the code of conduct, among others. The aforementioned policies prepared at Group level are subject to transposition to each of the entities, with the adaptations considered pertinent to the framing of local and business specificities.

In addition to the supervisory bodies themselves, the control functions of each Group entity, namely compliance, risk management and internal audit functions, as an integral part of the internal control system, are provided with regulations aimed at ensuring the performance of the responsibilities set out in the Notice and their suitability in the context of the Group.

Within the scope of the monitoring process of the internal control system, the development of monitoring/control actions is foreseen that aim to verify the correct implementation of such policies, actions that are defined in the activity plans of the Control Functions (including multiannual plans of the internal audit Function), in the activities of the external auditors and the Supervisory Body of the various Group entities. The Control Functions of the parent company, in their periodic report to the Audit Committee, communicate the evolution of the plan of activities, in particular the monitoring and control actions, collaborating towards a global and integrated vision of the Group's internal control system.

In order to ensure that the Group's internal control system is adequate and effective, the control functions of the parent company are responsible for ensuring functional coordination with the control functions of the Group's entities, with a view to aligning and monitoring practices and procedures at Group level. For some subsidiaries, control functions are established under common services provided for in article no. 50 of Notice 3/2020, based on the service agreements established between Banco Montepio and each entity. The existence of these common services and the aforementioned functional coordination aim to contribute so that subsidiaries, including those based in third countries, implement internal control systems that are internally coherent and in line with the policies in force at the Banco Montepio Group level.

The Audit Committee, within the scope of its responsibilities, acts on the instruments that frame the Internal Control Functions of the parent company, approving the organisational rules and their annual plans, ensuring a follow-up of their alterations and deviations and assessing, together with the people responsible for the control functions, their responsibilities, resource allocations, action methodologies and periodic reports.

The Audit Committee has access to relevant information of Banco Montepio Group, as well as to the documentation produced by the external auditors, and may request from them further information it deems necessary, as well as to the areas of internal audit, risk management, compliance, accounting, financial reporting, strategic planning and control.

The Audit Committee performed its duties on a permanent basis, which included 27 meetings during the period and issued 89 opinions, all unanimously approved, analysed and took a position on numerous matters throughout the period from 1 December 2020 to 30 November 2021, including all the work necessary to respond to the requests and determinations of Banco de Portugal.

The activities carried out by the Audit Committee on matters concerning the Group included work carried out with the external auditor, the Internal Audit Function, the Risk Management Function, and the Compliance Function and with the management and supervisory bodies of the different entities.

In the Report a description and characterisation of the open deficiencies is made, having been identified a set of 536 deficiencies, of which 199 classified as F1 (Low), 308 classified with risk level F2 , 28 classified with risk level F3, and one considered risk level F4.

Of the 536 deficiencies, i) 92% are being implemented, ii) 8% are in the validation process and iii) 53% had their implementation deadline extended.

The aforementioned description and characterisation of the deficiencies was made based on the analysis carried out on i) the evolution of the deficiencies identified in the internal control self-assessment report for the period from 1 December 2020 to 30 November 2021, on which it issued the competent opinion, ii) the report "Banco Montepio – Memorandum on the governance and internal control systems implemented by the Bank pursuant to the requirements defined in Notice 3/2020 of Banco de Portugal, November 2021" issued by PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., (iii) the Individual Self-Assessment Reports prepared by Banco Montepio Group entities, (iv) the recommendations of Banco de Portugal.

It should be noted that the deficiencies relating to the prevention of money laundering and financing of terrorism of national entities are not included in the Report, as they are subject to autonomous reporting, as provided for in Notice No. 3/2020. However, since entities with head offices abroad do not report these deficiencies to Banco de Portugal, the deficiencies on this matter that are open in entities with head offices abroad were included in the respective self-assessment reports.

The Audit Committee, in accordance with the best information available and in view of the articulation with the entities' supervisory bodies, external auditors and the Parent Company's Control Functions, believes that the Group reasonably presents an organisational culture and effective systems of governance and internal control suited to the nature and complexity of the activities performed.

The Audit Committee considers that the processes of identification, communication and follow-up of deficiencies have been defined and implemented. However, further improvements in the efficiency of the correction of deficiencies should be considered, namely through the faster implementation of the respective action plans.

The Audit Committee, based on the information provided and the assessments made (opinions issued by the Audit Committee on policies, regulations and practices of the function) and taking into account the activities carried out in the reporting period by the Risk Management Function, the Compliance Function and the Internal Audit Function, believes that their performance is adequate and carried out Independently.

Under the terms and for the purposes of the provisions of item f) of paragraph 1 of article 56 of the Notice, and based on its monitoring of the preparation of prudential and financial reports, the analysis of the aforementioned reports, the results of the assessment of the internal control of Banco Montepio Group, the information obtained from the Statutory Auditor as well as the results of the external audit work on the quarterly, half-yearly and annual accounts, as well as the confirmation of the inexistence of non-compliance with deadlines in the exercise of the Control Functions, expressed by its managers, the Audit Committee declares that it recognises the reliability of the preparation process of prudential and financial reports of Banco Montepio Group.

Under the terms and for the purposes of the provisions of item g) of paragraph 1 of article 56 of the Notice, and based on information, sources and documentation equivalent to those referred to in the preceding paragraph, but relating to the preparation of information disclosed to the public under legislation and regulations, including prudential and financial reports of Banco Montepio Group, the Audit Committee states that it considers these processes to be reliable.

Under the terms and for the purposes of item h) of paragraph 1 of article 56 of Banco de Portugal Notice no. 3/2020, and taking into account the information obtained from the persons in charge of the Control Functions and the Accounting and Financial Reporting Department, as well as the confirmation by the persons in charge of the Control Functions in meetings held with the Audit Committee of the non-existence of non-compliance with deadlines in the exercise of their functions, the Audit Committee declares that all the duties of public disclosure were adequately fulfilled.

Banco Montepio Group, in order to respond to the implementation of the provisions of Notice no. 3/2020 and Instruction no. 18/2020 of Banco de Portugal, defined an integrated approach, which encompassed all the Group's entities. As a result of this approach, an integrated roadmap of activities for 2021 was prepared, with the identification of the actions, owners and timings of implementation, which aimed to ensure a complete and homogeneous response to all the requirements of the Notice and the Instruction applicable to the Group context. The Audit Committee regularly monitored the progress of compliance with the Action Plans contained in the aforementioned roadmap.

The principle of coherence of the internal control systems at the level of Banco Montepio Group is ensured through the control functions established under the common services, by the articulation processes between the control functions of the Group's entities and those of the parent company, by the definition, transposition and implementation of policies governing the matters set out in Notice no. 3/2020 and by the articulation of the Audit Committee with the Group's management and supervisory bodies.

The Audit Committee is involved in the process of reviewing and assessing the relevant policies and pursues the goal of making the necessary recommendations, taking into consideration the Group context, expressing the importance of adopting these policies swiftly and effectively by all entities.

The principle of coherence makes it possible to ensure a consistent application of the internal control systems in the entities and the involvement of the Control Functions of the parent company in monitoring the activity of the Group's entities.

All policies are subject to the monitoring process, with the monitoring/control actions incorporated in the activity plans of the Control Functions, as well as by the activities carried out by the external auditors and by the Supervisory Bodies of the entities.

During the reporting period, within the scope of the evaluation of the coherence between the internal control systems of the Group's entities, the Audit Committee, in addition to the activities already mentioned, received and analysed the evaluations of the Supervisory Bodies of all entities of the Group, with their opinions on the adequacy and efficiency of the culture and systems of governance and internal control. The Supervisory Bodies have concluded, in general terms, by a sufficient evaluation of the adequacy and effectiveness of the matters addressed in Notice no. 3/2020, despite the fact that the aforementioned reports identified opportunities to improve the governance and internal control system itself, as well as the process to remedy deficiencies in the Group's entities.

The Audit Committee, based on the information and clarifications provided, the evidence analysed and the assessments made, believes that, although there are opportunities to improve the governance and internal control system itself, as well as in the process of correcting deficiencies in the entities and in the Group, it finds that the principle of coherence is reasonably applied at the level of organisational culture and governance and internal control systems as a whole within the Group.

Lisbon, 29 March 2022

The Audit Committee

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Manuel Ferreira Teixeira
(Chairman)

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Amadeu Ferreira de Paiva

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Vítor Manuel do Carmo Martins

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Carlos Francisco Ferreira Alves

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José da Cunha Nunes Pereira

Banco Montepio, S.A.
Summary of the (Individual) Self-Assessment Report dated 27 December 2021 for the period 1 December 2020 to 30 November 2021

This summary is presented in accordance with the provisions of Article 60 of Notice 3/2020 of Banco de Portugal, published on 16 July 2020 (Notice).

Banco Montepio's Audit Committee (hereinafter referred to as the Audit Committee) has the necessary skills to fulfil its responsibilities, taking into account the requirements of knowledge, competence and independence, existing regulations, and access to all areas of Banco Montepio, in particular the areas of internal control and external audit. The Audit Committee performed its duties on a permanent basis, which included 27 meetings during the reporting period, with the assessment, among other matters, of the periodic reports of the internal audit, compliance and risk functions, the reports of the statutory auditors, and also the reports on the detection of internal control deficiencies and follow-up on the implementation of the respective recommendations, as well as the internal policies and regulations and the financial statements.

Within the scope of the competences attributed to it in Notice no. 3/2020 and in the Instruction no. 18/2020, of 15 July, of Banco de Portugal, the Audit Committee, as per the previous point, carried out monitoring activities, obtained information and assessed policies and regulations, procedures and practices defined and implemented in Banco Montepio, and is therefore in a position to issue an opinion on the adequacy and effectiveness of Banco Montepio's organisational culture and its systems of governance and internal control.

The approach by relevant matters for a sound and prudent management of the activity carried out by Banco Montepio, defined in accordance with the aforementioned regulations, took into consideration i) organisational conduct and culture, ii) the internal control and risk management system, iii) related parties and conflicts of interest, iv) reporting irregularities and v) self-assessments.

The Audit Committee, according to paragraph 3 of Article 5 of its Regulations, has unrestricted access to all data, records, governing bodies and their members and employees, both in relation to Banco Montepio and its subsidiaries. It also has access to the documentation produced by internal and external auditors and may request from them any information they deem necessary, as well as from the Internal Audit, Risk and Compliance, Management, Accounting and Financial Reporting and Strategic Planning and Control areas.

The members of the Audit Committee participate, as directors, in the meetings of the General Meeting of Shareholders and of the Board of Directors (management and supervisory structure according to item b) of paragraph 1 of Article 278 of the Portuguese Companies Code), in the meetings of the Executive Committee where the accounts for the financial year are analysed (Article 423-G of the Portuguese Companies Code) and may, if they so wish, attend the meetings of the Risk Committee (paragraph 7 of Article 5 of the Risk Committee Regulation).

The Audit Committee has a multi-annual activity plan, in accordance with paragraph 9 of Article 31 of Notice 3/2020.

The Audit Committee, which under the terms of Article 4 of its Regulations met at least once a month, continued to meet at least twice a month, with the minutes being prepared with the topics discussed and the resolutions taken.

The meetings of the Audit Committee were regularly attended by the heads of the Audit and Inspection Department, the Compliance Department, the Risk Department, the Accounting and Financial Reporting Department, the Credit Recovery Department, the Strategic Planning and Control Department, the Information Systems Department, the Information Management Office, the Statutory Auditor and members of the Executive Committee, among others.

The Audit Committee, in accordance with the responsibilities assigned to it, acts on the instruments that frame the internal control functions, as well as the respective activity plans.

During the reporting period, the Audit Committee issued an opinion on the Internal Control System regarding the Prevention of Money Laundering and Financing of Terrorism, in compliance with the legal and regulatory standards in force, namely the requirements on that system, defined in Notice No. 2/2018 of Banco de Portugal, and issued an opinion on the quality of that system, pursuant to item c) of paragraph 4 of Article 73 of the same Notice.

The internal control functions have direct access to the Audit Committee, and no constraints were placed on the independent exercise of internal control functions.

The Audit Committee accompanied the creation of the Internal Control Department, integrated in the Compliance Department, in close articulation with the internal control functions, having the following responsibilities:

i) define and keep updated the framework, methodologies and other internal regulations supporting the internal control system;

ii) monitor and centralise, in an integrated and global manner, the internal control deficiencies and respective mitigation measures (action plans) and internal control recommendations identified/detected by the control functions, external auditors and supervisors, fostering their implementation with the owners of the measures taking into account all the entities of the Banco Montepio Group.

The Audit Committee analysed the annual report of the internal audit function, in the terms referred in item d) of paragraph 1 of Article 32 of Notice 3/2020, dated 30 November 2021, having issued a favourable opinion to its approval by the Board of Directors.

The Audit Committee in the opinions it issues on credit and other operations, as well as in the operations it supervises, verifies whether the counterparties are related parties, and if so, proceeds in accordance with the Credit Risk Regulation (PLT 7/2021, of April 6, no. 14.), with the provisions of the Policy on Transactions with Related Parties (OS 39/2021, of 16 December, in point 42) and with Article 85 of the RGICSF.

Banco Montepio has a previously mentioned Conflict of Interest Management Policy, which is published on the Bank’s website and intranet, and which contemplates the fundamental points related to this subject, namely: the scope of application, objectives, principles, segregation of duties, limits on the use of information, quantitative and qualitative criteria, independence, accumulation of positions, customer satisfaction, financial intermediation services, duty to avoid conflicts of interest, registration of activities giving rise to conflicts of interest, handling of conflicts of interest, as well as a listing of several examples of conflicts of interest.

Banco Montepio has a Whistleblowing Policy, approved by the Board of Directors on 29 April 2021, and the Annual Whistleblowing Report is issued, which was submitted on 29 December 2021 to Banco de Portugal under Instruction 18/2020.

The Audit Committee, based on the monitoring work carried out, is of the opinion that the assessments made, the activities developed, the information provided by Banco Montepio's own structures and the policies, procedures and practices defined and implemented in Banco Montepio, including the remuneration policy and practices, in the period from 1 December to 30 November 2021, reasonably ensure the adequacy and effectiveness of Banco Montepio's organisational culture and its governance and internal control systems.

The Audit Committee issued 89 opinions, all unanimously approved. It also analysed and took a position on numerous matters during the period to which this report refers, including all the work required to respond to the requests and determinations of Banco de Portugal.

Of the 298 deficiencies, 113 were classified as F1, 167 as F2, 17 as F3, and 1 as F4, of which i) 92% are in the process of implementation, ii) 8% are in the process of validation, and iii) 40% with an extended implementation deadline.

The Audit Committee considers that adequate processes of identification and communication of deficiencies have been defined and implemented, and that the control functions have sufficient resources to fulfil their responsibilities and do so in a permanent, effective, responsible and independent manner.

However, the Audit Committee considers that the improvement in efficiency in the correction of deficiencies and the timely implementation of the correction plans should be pursued.

As mentioned before, the Audit Committee has issued an opinion on the Internal Control System regarding Prevention of Money Laundering and Terrorism Financing, however, the deficiencies mentioned therein were not included in the self-assessment report summarised herein, as defined by Notice 3/2020 itself.

The Audit Committee concluded that there is independence of the risk management function, the compliance function and the internal audit function.

Under the terms and for the purposes of item f) of paragraph 1 of Article 56 of Notice 3/2020, and based on the monitoring carried out of the preparation of prudential and financial reports, the analysis of the aforementioned reports, the results of the assessment of Banco Montepio's internal control, the information obtained from the Statutory Auditor, as well as the results of the external audit work on the quarterly, half-yearly and annual accounts, the Audit Committee declares that the preparation process of prudential and financial reports of Banco Montepio is reliable.

Under the terms and for the purposes of item g) of paragraph 1 of Article 56 of Notice 3/2020, and based on the information obtained from the persons in charge of the control, accounting and financial reporting functions of Banco Montepio, the monitoring carried out on the preparation of information disclosed to the public under the legislation and regulations, including prudential and financial reports, the information obtained from the Statutory Auditor, as well as the confirmation of the persons in charge of the control functions in meetings held with the Audit Committee of the non-existence of non-compliance with deadlines in the exercise of their functions, the Audit Committee declares that the preparation process of the information disclosed to the public under the legislation and regulations, including prudential and financial reports of Banco Montepio are reliable.

Under the terms and for the purposes of item h), paragraph 1, Article 56 of Notice 3/2020, and taking into account the information obtained from the heads of control functions and accounting and financial reporting, as well as the confirmation of the heads of control functions in meetings held with the Audit Committee of the non-existence of non-compliance with deadlines in the performance of their duties, the Audit Committee declares that all the duties of public disclosure were adequately fulfilled.

Lisbon, 29 March 2022

The Audit Committee

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Manuel Ferreira Teixeira
(Chairman)

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Amadeu Ferreira de Paiva

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Vítor Manuel do Carmo Martins

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Carlos Francisco Ferreira Alves

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José da Cunha Nunes Pereira

STATUTORY AUDIT REPORT AND AUDITORS' REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Banco Montepio", "Bank" or "Group"), which comprise the consolidated balance sheet as at 31 December 2021 (which shows total assets of Euros 19.713.160 thousand, and total shareholders' equity of Euros 1.363.133 thousand including a consolidated net profit attributed to the shareholders of Euros 6.570 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 Montepio as of 31 December 2021, and its consolidated financial performance and its consolidated 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.

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Key Audit Matter	Summary of the Audit Approach
Impairment losses on loans and advances to customers	
Measurement and disclosures related to impairment loses on loans and advances to customers presented in notes 1 point c), 13, 21 and 54 attached to the consolidated financial statements of the Bank	
As of 31 December 2021, the gross amount of loans and advances to customers amounts to Euros 12.189.465 thousand and the corresponding impairment losses recognized at that date amounts to Euros 521.777 thousand. The relevance expression of loans and advances to customers, and the associated impairment losses, whose calculation requires a set of complex assumptions and judgements 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, justify that this has been key matter for the purposes of our audit. Impairment losses on loans and advances to customers are determined by the management body on an individual basis, through a case-by-case analysis of a significant component of the total impairment of the loan's portfolio and for the remaining portfolio determined through 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 analysis which includes a staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an impairment measurement analysis. The impairment determined through a detailed analysis of the economic and financial position of each customer, has as reference (i) the estimated future cash flows for the fulfilment of their responsibilities – "going" approach; or (ii) the evaluation attributed to the collateral received for the loan granted, whenever the recovery is anticipated through foreclosure, execution and/or sale of the collateral, less the costs inherent to its recovery and sale – "gone" approach. For exposures not covered by the individual analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the IFRS 9 requirements, which include namely the classification of exposures in different stages according to the evolution of the 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	The audit procedures developed included the identification, understanding and evaluation of the policies and procedures established by the Bank for the purpose of measuring impairment losses on the loans and advances to customers portfolio determination process as well as its key controls relating to the approval, recording and monitoring of credit risk, namely those that were subject to moratoriums and government guarantees in the specific context of the Covid-19 pandemic, and 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 staging analysis and in the 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 by the Bank as of 31 December 2021, the procedures we have developed consisted of: (i) reviewing the documentation on credit processes; (ii) verifying the debt service payment capacity; (iii) examining the criteria for determining the significant increase in credit risk (stage 2) and classification under impairment (stage 3) on an individual basis; (iv) reviewing the incorporation of forward looking information; (v) assessing the evolution of exposures; and (vi) understanding the views of the Bank's management regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as their view regarding the collectability of the loans and advances. In the specific case of the individual impairment measurement (*stage* 3), we performed a set of additional procedures that consisted of analysing (i) the correspondence of the financing plans used for the purpose of impairment quantification with the

Key Audit Matter	*Summary of the Audit Approach*
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 also use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the expected variation rate of the balance of payments, (iv) the expected variation rate of the private consumption; (v) the prospects for the evolution of government debt ratio; or (vi) the prospects for the evolution of the stock market. Considering these macroeconomic data, potential scenarios are developed in order to adjust the expected loss in each segment based on a probability of occurrence. The specific context motivated by the COVID-19 pandemic led to an increase in complexity in identifying significant increases in credit risk and default indicators, taking into account the various support measures granted to families and companies, namely the release of support lines for the economy and the availability to families and companies of the possibility of adhering the temporary suspension of loan installments payments (moratoria). In these circumstances, the internal impairment models developed by the Bank were adapted to incorporate new criteria and other judgments such as (i) the use of temporary flexibility measures to prevent contractual changes resulting from the granting of moratoria conditions, would result restructured operations due to financial difficulties, in line with the guidelines of the supervisors in this matter; (ii) the consideration of additional criteria to identify a significant increase in the credit risk of exposures under moratoria conditions (e.g. criteria based on the type of moratoria conditions granted or the average amount of customer funds in their accounts); and (iii) updating the macroeconomic scenarios used to determine the expected loss, taking into account information that incorporates the economic effects of the COVID-19 pandemic.	respective agreements (ii) the most relevant collaterals and its most recent appraisals and confirming the registration of them in favour of the Bank; and (iii) the discounted cash flows underlying the impairment determination. 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 the risk variables by comparison to the historical performance and recoveries of the Bank's loan portfolio, namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) review and testing of portfolio segmentation; (iii) 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 considered por the exposures with moratoria conditions; (iv) review and testing of the risk parameters; (v) review of the incorporation of macroeconomic scenarios in the main risk parameters; (vi) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default); and (vii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to 31 December 2021. Our audit procedures also included the review of the disclosures regarding loans and advances to customers, and their respective impairment losses, presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Measurement of properties received by credit recovery *Measurement and disclosures related to the valuation of properties presented in notes 1 point h) and 33 attached to the consolidated financial statements of the Bank* As of 31 December 2021, the net value of real estate properties received in respect of loan recovery and registered in Other assets amounts to Euros 463.590 thousand.	The audit procedures developed included the assessment of the key controls implemented by the Group to identify the real estate properties with impairment risk to determine the corresponding amounts of impairment losses as needed.

Key Audit Matter	*Summary of the Audit Approach*
According with the policies in force in the Group, real estate properties are subject to periodic valuations, carried out by valuation experts registered with the CMVM, which consider specific methodologies and incorporate several assumptions in order to determine the best estimate of the fair value of the assets. In the case of real estate classified as Other assets, these valuations give rise to the recording of impairment losses whenever the value resulting from those valuations, net of selling costs, is lower than their book value. Given the expression of these assets in the consolidated balance sheet of the Group and bearing in mind that the respective valuation requires the application of a set of assumptions and judgments by the management for the purposes of determining the amount and timing of recognition of impairment losses of properties under recovery of credit classified under Other assets, this constituted a relevant matter for the purposes of our audit.	Our procedures also included the execution of analytical procedures in order to understand the main variations occurred in the real estate properties classified as Other Assets and its effects in the results of the year. Additionally, for a sample of rest estate properties, their valuation and, when applicable, the respective impairment loss recorded as a result of the valuations carried out by independent experts were analysed. The analysis performed included an assessment of the reasonableness of the methodology applied and the assumptions used in determining the valuation value of the selected real estate properties. Additionally, our analysis also included an assessment of the competence, capacity and objectivity of the valuation experts hired by the Group, including the confirmation of their registration with the CMVM. Our audit procedures also included the review of the disclosures on Other Assets presented in the Group's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Recoverability of deferred tax assets *Measurement and disclosures related to deferred assets presented in notes 1 points t) and 32 attached to the consolidated financial statements of the Bank* In the Bank's balance sheet as of 31 December 2021, the deferred tax assets amounts to Euros 459.871 thousand, of which the recoverability of Euros 398.819 thousand depends on the ability to generate future taxable income (deferred tax assets not eligible under the special regime applicable to deferred taxes, approved by Law no. 61/2014 of August, 26), namely: (i) Euros 119.213 thousand related to the impairment losses for loans and guarantees; (ii) Euros 13.823 thousand related to other taxed impairment losses and provisions; (iii) Euros 48.945 thousand related to employee benefits and; (iv) Euros 214.344 thousand originated by tax losses where the majority of them are related to the individual activity of Banco Montepio, generated in 2015 and 2016. 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 and results for the period from 2022 to 2032. This estimate required the application by management of a set of judgments, namely: (i)	The audit procedures developed included the identification and understanding of key controls established by the Bank related to (i) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (ii) the identification of the main assumptions considered by the management to estimate the future taxable profits. We assessed the reasonabless of the Bank's activity projections underlying the estimates of future taxable profits, calculated by management for the period 2022-2032, taking into account the main assumptions used, the profit before taxes presented in the past years, the Bank's perspectives for the future activity and other available information on this matter. We carried out a review of the calculations prepared by the Bank that support the recoverability of deferred tax assets in the light of its interpretation of tax legislation, involving, for this purpose, internal specialists in tax matters. Our audit procedures have also included a review of

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estimation of future taxable income, depending on the Bank's future strategy and the markets in which it operates; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) discount rates. Due to the relevance of this matter in the context of the consolidated financial statements of the Group and considering the degree of judgement associated, the recovery of deferred tax assets was considered as a key audit matter.	disclosures related to the deferred tax assets presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy of IFRS 13 *Measurement related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presents in note 48 attached to consolidated financial statements of the Bank.* As of 31 December 2021, the total of financial instruments valued based on valuation techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy, amounts to Euros 252.144 thousand, and are composed by (i) debt and equity financial instruments classified as financial assets at fair value through other comprehensive income, (ii) derivatives classified as financial assets held for trading and (iii) investments in real estate and venture capital funds classified in the financial assets at fair value through profit and loss portfolio. For the financial instruments classified as level 3 of the fair value hierarchy, the Bank determines the fair value of such instruments through estimates, namely through the use of valuation models based on discounted cashflows techniques, which incorporates a high level of judgement in the definition of assumptions and inputs to be used. Due to its expression in the context of the Bank's consolidated financial statements and due to the associated degree of judgement, the fair value of financial instruments not quoted in an active market was considered a key audit matter.	The audit procedures we developed included the identification and understanding of the key controls instituted by the Bank underlying the methodologies adopted and the selection and determination of the main assumptions used in determining the fair value of financial instruments not quoted on an active market classified in level 3 of the hierarchy of fair value. For a sample of instruments, our procedures included: (i) understanding the methodologies and main assumptions used by the Bank; (ii) the assessment of whether the models developed by the Bank and the data and assumptions used are reasonable in the circumstances; and (iii) the analytical review of the fair value of these financial instruments, comparing it with the same period and with the latest financial information and respective audit reports, whenever available. Our audit procedures also included reviewing the disclosures on financial instruments not listed on an active market classified at level 3 of the fair value hierarchy, contained in the notes annexed to the Bank's consolidated financial statements, taking into account the applicable accounting standards in force.
Post-employment benefits and other benefits *Measurement and disclosures related to employees' post-employment benefits presented in notes 1 point s), 10, 33 and 49 attached to the consolidated financial statements of the Bank.* As of 31 December 2021, the liabilities resulting from past services of the Bank in relation to its pensioners, employees and directors amounts to Euros 856.427	The audit procedures developed included the identification and understanding of the key controls instituted by the Bank to ensure that the information

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thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit, in particular those foreseen in the Collective Labour Agreement (“Acordo Coletivo de Trabalho”) of Banco Montepio. 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, duration of the responsibilities, 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 behavior 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 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. Thus, this subject was considered a key matter for the purposes of our audit.	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 fund’s 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 key financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the key assumptions, comparing them with the data that we independently obtained. A compliance review was performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition 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, independently calculating its value for a sample of assets. We analysed the actuarial study prepared by the independent actuary with reference to 31 December 2021, based on the results of the procedures mentioned above. We verified the registration of the actuary in charge in ASF as well as his declaration of independence contained in the actuarial study of 31 December 2021. The audit procedures also included the review of the disclosures on the post-employment benefits presented in the Bank’s accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Provisions and Contingent Liabilities *Measurement and disclosures related to contingent liabilities presented in notes 1 point v), 38 and 57 attached to the consolidated financial statements of the Bank.* From the provisions and contingent liabilities disclosed in notes 38 and 57 attached to the consolidated financial statements of the Bank as of 31 December 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.	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 fund’s 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 key financial and actuarial

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("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 neutralized by the Resolution Fund and (iv) of the contingent capitalization 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 capitalization levels are verified. Competition Authority In 2012, the Competition Authority initiated an administrative infraction proceeding against a number of banks, including Banco Montepio, for alleged practices that restrict competition. On 9 September 2019, the Competition Authority notified the banks of its decision, which points to their conviction, and a sanction in the amount of 13 million euros was imposed on the Bank. The Bank understands that it did not commit the alleged infringement, so on 21 October 2019 it appealed against the aforementioned decision to the Court of Competition, Regulation and Supervision. On December 21, 2020, by decision of the aforementioned court, the Bank posted a guarantee for the amount related to half of the fine imposed, which is provisional in nature, as it is pending the decision on the judicial challenge made by the Bank. The discussion and trial hearing that began in October 2021 is still ongoing. The court communicated that the reading of the sentence will take place until the end of April 2022. The consolidated financial statements as at 31 December 2021 reflect the management's expectation that the Bank, as an entity participating in the Resolution Fund, will not be required to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the	assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the key assumptions, comparing them with the data that we independently obtained. A compliance review was performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition 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, independently calculating its value for a sample of assets. We analysed the actuarial study prepared by the independent actuary with reference to 31 December 2021, based on the results of the procedures mentioned above. We verified the registration of the actuary in charge in ASF as well as his declaration of independence contained in the actuarial study of 31 December 2021. The audit procedures also included the review of the disclosures on the post-employment benefits presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards. The audit procedures we developed for this matter included the identification and understanding of the key processes and controls established by the Bank with regard to the identification and monitoring of provisions and contingencies. In view of the relevance and complexity of the judgments required by the management body, within the scope of our audit we carried out, among others, the following procedures in relation to the Resolution Fund: (i) monitoring of the most significant changes to the simplified model of cash flow projections of the Resolution Fund presented by the Bank when renegotiating the loans granted, based on the contractual conditions agreed between the Banks and the Resolution Fund; (ii) consideration of the relevant public communications on the liabilities and contingent liabilities assumed by the Resolution Fund and/or the Portuguese State; (iii) analysis of the evolution of the Bank's exposure to the Resolution Fund; and (iv) understanding of the Bank's management body's view of the Resolution Fund's economic and financial situation and the predictability of expected cash flows from its regular income. Regarding the process initiated by the Competition Authority, our work included (i) an analysis of the Bank's assessment of the nature and status of the

Key Audit Matter	Summary of the Audit Approach
Resolution Fund. Additionally, the Bank's Board of Directors is also convinced that the probabilities that the process initiated by the Competition Authority will end without the Bank having to pay a fine are higher than those of the opposite happening. Contingent liabilities may evolve differently than originally expected, so they are subject to ongoing review to determine whether such an eventual outflow of funds has become probable. In these circumstances, the assessment of these contingent liabilities implies that the Bank's management body uses complex estimates and judgments regarding the probability of materialization and quantification of the amounts of liabilities that may result from disputes and contingencies in which the Bank is a party, and, to that extent, this was a matter considered relevant for the purposes of our audit.	aforementioned process, and (ii) an assessment of the information obtained from the Bank's external lawyer. We also analyzed the information available on developments on these matters after 31 December 2021. Our audit procedures also included a review of the disclosures on provisions and contingencies, contained in the notes annexed to the consolidated financial statements, taking into account the accounting standards applicable and in force.

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 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 and the non-financial statement 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes 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 on corporate governance matters and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law it is our opinion that the Directors' 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 Directors' 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-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 1 c), d), f), h), i) and l) of No.1 of that article.

European Single Electronic Format (ESEF)

The Group's consolidated financial statements for the year ended on 31 December 2021 must comply with the applicable requirements established in Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 (ESEF Regulation).

The management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements included in the annual report are presented in accordance with the requirements of the ESEF Regulation.

Our procedures took into account the OROC Technical Application Guide on ESEF reporting and included, among others:

a) obtaining an understanding of the financial reporting process, including the annual report presentation in valid XHTML format; and
b) the identification and assessment of the risks of material misstatement associated with the tagging of information in the consolidated financial statements, in XBRL format using iXBRL technology.
This assessment was based on an understanding of the process implemented by the Bank to tag the information.

In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Consolidated Non-financial statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Group included in its Directors' report the non-financial statement set forth 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 16 April 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 the Banco Montepio in the Shareholders' General Meeting of 27 May 2019 for the period from 2019 to 2021;

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. 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 as of the same date; and

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014 and that we remain independent of the Group in conducting our audit.

12 April 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

[Original in Portuguese signed by]

José Manuel Henriques Bernardo, ROC no. 903
Registered with the Portuguese Securities Market Commission under no. 20160522

STATUTORY AUDIT REPORT AND AUDITORS' REPORT TO THE FINANCIAL STATEMENTS

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Caixa Económica Montepio Geral, caixa económica bancária, S.A. ("Banco Montepio" or "Banco"), which comprise the balance sheet as at 31 December 2021 (which shows total assets of Euros 20.063.404 thousand and total shareholders' equity of Euros 1.385.130 thousand including a net loss of Euros 7.903 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 Montepio as of 31 December 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 the Bank 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.

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Key Audit Matter	*Summary of the Audit Approach*
Impairment losses on loans and advances to customers *<u>Measurement and disclosures related to impairment loses on loans and advances to customers presented in notes 1 point b), 13, 20 and 50 attached to the financial statements of the Bank</u>* As of 31 December 2021, the gross amount of loans and advances to customers amounts to Euros 11.503.500 thousand and the corresponding impairment losses recognized at that date amounts to Euros 499.471 thousand. The relevance of loans and advances to customers, and the associated impairment losses, whose calculation requires a set of complex assumptions and judgements 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, justify that this has been key matter for the purposes of our audit. Impairment losses on loans to customers are determined by the management body on an individual basis, through a case-by-case analysis of a significant component of the total impairment of the loan's portfolio and for the remaining portfolio determined through 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 analysis which includes a staging analysis, in order to corroborate the indicative allocation of automatic stage (stages 1, 2 and 3), and an impairment measurement analysis. The impairment determined through a detailed analysis of the economic and financial position of each customer, has as reference (i) the estimated future cash flows for the fulfilment of their responsibilities – "going" approach; or (ii) the evaluation attributed to the collateral received for the loan granted, whenever the recovery is anticipated through foreclosure, execution and/or sale of the collateral, less the costs inherent to its recovery and sale – "gone" approach. For exposures not covered by the individual analysis, the Bank developed collective analysis models to determine expected impairment losses, in light of the IFRS 9 requirements, which include namely the classification of exposures in different stages according to the evolution of the 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	The audit procedures developed included the identification, understanding and evaluation of the policies and procedures established by the Bank for the purpose of measuring impairment losses on the loans and advances to customers portfolio determination process as well as its key controls relating to the approval, recording and monitoring of credit risk, namely those that were subject to moratoriums and government guarantees in the specific context of the Covid-19 pandemic, and 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 staging analysis and in the 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 by the Bank as of 31 December 2021, the procedures we have developed consisted of: (i) reviewing the documentation on credit processes; (ii) verifying the debt service payment capacity; (iii) examining the criteria for determining the significant increase in credit risk (stage 2) and classification under impairment (stage 3) on an individual basis; (iv) reviewing the incorporation of forward looking information; (v) assessing the evolution of exposures; and (vi) understanding the views of the Bank's management regarding the economic and financial situation of the clients, as to the predictability of expected cash flows of the respective businesses, as well as their view regarding the collectability of the loans and advances. In the specific case of the individual impairment measurement (*stage* 3), we performed a set of additional procedures that consisted of analysing (i) the correspondence of the financing plans used for

Key Audit Matter	***Summary of the Audit Approach***
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 also use available forward looking prospective information such as (i) the expected GDP growth rate; (ii) the expected unemployment rate; (iii) the expected variation rate of the balance of payments, (iv) the expected variation rate of the private consumption; (v) the prospects for the evolution of government debt ratio; or (vi) the prospects for the evolution of the stock market. Considering these macroeconomic data, potential scenarios are developed in order to adjust the expected loss in each segment based on a probability of occurrence. The specific context motivated by the COVID-19 pandemic led to an increase in complexity in identifying significant increases in credit risk and default indicators, taking into account the various support measures granted to families and companies, namely the release of support lines for the economy and the availability to families and companies of the possibility of adhering the temporary suspension of loan installments payments (moratoria). In these circumstances, the internal impairment models developed by the Bank were adapted to incorporate new criteria and other judgments such as (i) the use of temporary flexibility measures to prevent contractual changes resulting from the granting of moratoria conditions, would result restructured operations due to financial difficulties, in line with the guidelines of the supervisors in this matter; (ii) the consideration of additional criteria to identify a significant increase in the credit risk of exposures under moratoria conditions (e.g. criteria based on the type of moratoria conditions granted or the average amount of customer funds in their accounts); and (iii) updating the macroeconomic scenarios used to determine the expected loss, taking into account information that incorporates the economic effects of the COVID-19 pandemic.	the purpose of impairment quantification with the respective agreements (ii) the most relevant collaterals and its most recent appraisals and confirming the registration of them in favour of the Bank; and (iii) the discounted cash flows underlying the impairment determination. 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 the risk variables by comparison to the historical performance and recoveries of the Bank's loan portfolio, namely the following: (i) review of the methodological documentation for the development and validation of the models; (ii) review and testing of portfolio segmentation; (iii) 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 considered por the exposures with moratoria conditions; (iv) review and testing of the risk parameters; (v) review of the incorporation of macroeconomic scenarios in the main risk parameters; (vi) critical analysis of the main assumptions and sources of information used in the future recoveries incorporated in the LGD (Loss Given Default); and (vii) recalculation of Expected Credit Loss (ECL) for the loan portfolio, with reference to 31 December 2021. Our audit procedures also included the review of the disclosures regarding loans and advances to customers, and their respective impairment losses, presented in the Bank's accompanying notes to the consolidated financial statements, considering the applicable accounting standards.
Measurement of properties received by credit recovery *<u>Measurement and disclosures related to the valuation of properties presented in notes 1 point h) and 30 attached to the financial statements of the Bank</u>* As of 31 December 2021, the net value of real estate properties received in respect of loan recovery and registered in Other assets amounts to Euros 437.575 thousand. According with the policies in force at the Bank, real	The audit procedures developed included the assessment of the key controls implemented by the Bank to identify the real estate properties with impairment risk, to determine the corresponding amounts of impairment losses.

Key Audit Matter	*Summary of the Audit Approach*
estate properties are subject to periodic valuations, carried out by valuation experts registered with the CMVM, which consider specific methodologies and incorporate several assumptions in order to determine the best estimate of the fair value of the assets. In the case of real estate classified as Other assets, these valuations give rise to the recording of impairment losses whenever the value resulting from these valuations, net of selling costs, is lower than their book value. Given the expression of these assets in the Bank's balance sheet and bearing in mind that the respective valuation requires the application of a set of assumptions and judgments by the management for the purposes of determining the amount and timing of recognition of impairment losses of properties under recovery of credit classified under Other assets, this constituted a relevant matter for the purposes of our audit.	Our procedures also included the execution of analytical procedures in order to understand the main variations occurred in the real estate properties classified as Other Assets and its effects in the results of the year. Additionally, for a sample of real estate properties, their valuation and, when applicable, the respective impairment loss recorded as a result of the valuations carried out by independent experts were analysed. The analysis performed included an assessment of the reasonableness of the methodology applied and the assumptions used in determining the valuation value of the selected real estate properties. Additionally, our analysis also included an assessment of the competence, capacity and objectivity of the valuation experts hired by the Bank, including the confirmation of their registration with the CMVM. Our audit procedures also included the review of the disclosures on Other Assets presented in the Bank's accompanying notes to the financial statements, considering the applicable accounting standards
Recoverability of deferred tax assets *<u>Measurement and disclosures related to deferred tax assets presented in notes 1 points s) and 29 attached to the Bank financial statements</u>* In the Bank's balance sheet as of 31 December 2021, the deferred tax assets amounts to Euros 470.602 thousand, of which the recoverability of Euros 409.550 thousand depends on the ability to generate future taxable income (deferred tax assets not eligible under the special regime applicable to deferred taxes, approved by Law no. 61/2014 of August, 26), namely: (i) Euros 119.213 thousand related to the impairment losses for loans and guarantees; (ii) Euros 13.704 thousand related to other taxed impairment losses and provisions; (iii) Euros 48.945 thousand related to employee benefits and; (iv) Euros 215.071 thousand originated by tax losses where the majority of them are related to the individual activity of Banco Montepio, generated in 2015 and 2016. 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 and results for the period from 2022 to 2032. This estimate required the application by management of a set of judgments, namely: (i) estimation of future taxable income, depending on the	 The audit procedures developed included the identification and understanding of key controls established by the Bank related to (i) the analysis of the recoverability of deferred tax assets recognized in the financial statements and (ii) the identification of the main assumptions considered by the management to estimate the future taxable profits. We assessed the reasonabless of the Bank's activity projections underlying the estimates of future taxable profits, calculated by management for the period 2022-2032, taking into account the main assumptions used, the profit before taxes presented in the past years, the Bank's perspectives for the future activity and other available information on this matter. We carried out a review of the calculations prepared by the Bank that support the recoverability of deferred tax assets in the light of its interpretation of tax legislation, involving, for this purpose, internal specialists in tax matters. Our audit procedures have also included a review of disclosures related to the deferred tax assets presented in the Bank's accompanying notes to the

Key Audit Matter	*Summary of the Audit Approach*
Bank's future strategy and the markets in which it operates; (ii) long-term growth rates; (iii) investments' rates of return; and (iv) discount rates. Due to the relevance of the matter in the context of the financial statements and considering the degree of judgement associated, the recovery of deferred tax assets was considered as a key audit matter.	financial statements, considering the applicable accounting standards.
Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy of IFRS 13 *Measurement related to the fair value of financial instruments not listed in an active market, classified as level 3 of the fair value hierarchy and presents in note 45 attached to Bank's financial statements.* As of 31 December 2021, the total of financial instruments valued based on valuation techniques that use variables which are not observable on the market and, therefore, are classified on the level 3 of the fair value hierarchy, amounts to Euros 325.778 thousand, and are composed by (i) debt and equity financial instruments classified as financial assets at fair value through other comprehensive income, (ii) derivatives classified as financial assets held for trading and (iii) investments in real estate and venture capital funds classified in the financial assets at fair value through profit and loss portfolio. For the financial instruments classified as level 3 of the fair value hierarchy the Bank determines the fair value of such instruments through estimates, namely through the use of valuation models based on discounted cashflows techniques, which incorporates a high level of judgement in the definition of assumptions and inputs to be used. Due to its expression in the context of the Bank's financial statements and due to the associated degree of judgement, the fair value of financial instruments not quoted in an active market was considered a key audit matter.	The audit procedures we developed included the identification and understanding of the key controls instituted by the Bank underlying the methodologies adopted and the selection and determination of the main assumptions used in determining the fair value of financial instruments not quoted on an active market classified in level 3 of the hierarchy of fair value. For a sample of instruments, our procedures included: (i) understanding the methodologies and main assumptions used by the Bank; (ii) the assessment of whether the models developed by the Bank and the data and assumptions used are reasonable in the circumstances; and (iii) the analytical review of the fair value of these financial instruments, comparing it with the same period and with the latest financial information and respective audit reports, whenever available. Our audit procedures also included reviewing the disclosures on financial instruments not listed on an active market classified at level 3 of the fair value hierarchy, contained in the notes annexed to the Bank's financial statements, taking into account the applicable accounting standards in force.
Post-employment benefits and other benefits *Measurement and disclosures related to employees' post-employment benefits presented in notes 1 point r), 10, 30 and 46 attached to the financial statements of the Bank.* As of 31 December 2021, the liabilities resulting from past services of the Bank in relation to its pensioners, employees and directors amounts to Euros 846.949 thousand, mainly covering retirement and survivors' pensions, disability, health care and death benefit, in particular those foreseen in the Collective Labour	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

Key Audit Matter	***Summary of the Audit Approach***
Agreement (“Acordo Coletivo de Trabalho”) of Banco Montepio. 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, duration of the responsibilities, 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 behavior 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 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. Thus, this subject was considered a key matter for the purposes of our audit.	fund’s 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 key financial and actuarial assumptions adopted. Given the relevance of the judgments required from management, we proceeded to evaluate the reasonableness of the key assumptions, comparing them with the data that we independently obtained. A compliance review was performed on: (i) the employee historical information used for the purpose of calculating responsibilities; (ii) the accounting recognition 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, independently calculating its value for a sample of assets. We analysed the actuarial study prepared by the independent actuary with reference to 31 December 2021, based on the results of the procedures mentioned above. We verified the registration of the actuary in charge in ASF as well as his declaration of independence contained in the actuarial study of 31 December 2021. The audit procedures also included the review of the disclosures on the post-employment benefits presented in the Bank’s accompanying notes to the financial statements, considering the applicable accounting standards.
Provisions and Contingent Liabilities *Measurement and disclosures related to contingent liabilities presented in notes 1 point u), 36 and 53 attached to the financial statements of the Bank.* From the provisions and contingent liabilities disclosed in notes 36 and 53 attached to the financial statements of the Bank as of 31 December 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	 The audit procedures we developed for this matter included the identification and understanding of the key processes and controls established by the Bank with regard to the identification and monitoring of provisions and contingencies. In view of the relevance and complexity of the judgments required by the management body, within the scope of our audit we carried out, among others, the following procedures in relation to the Resolution Fund: (i) monitoring of the most significant changes to the simplified model of cash flow projections of the Resolution Fund presented by the Bank when renegotiating the loans granted, based on the contractual conditions agreed between the Banks and the Resolution Fund; (ii) consideration of the relevant

Key Audit Matter	Summary of the Audit Approach
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 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 number of banks, including Banco Montepio, for alleged practices that restrict competition. On 9 September 2019, the Competition Authority notified the banks of its decision, which points to their conviction, and a sanction in the amount of 13 million euros was imposed on the Bank. The Bank understands that it did not commit the alleged infringement, so on 21 October 2019 it appealed against the aforementioned decision to the Court of Competition, Regulation and Supervision. On 21 December 2020, by decision of the aforementioned court, the Bank posted a guarantee for the amount related to half of the fine imposed, which is provisional in nature, as it is pending the decision on the judicial challenge made by the Bank. The discussion and trial hearing that began in October 2021 is still ongoing. The court communicated that the reading of the sentence will take place until the end of April 2022. The financial statements as at 31 December 2021 reflect the management's expectation that the Bank, as an entity participating in the Resolution Fund, will not be required to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund. Additionally, the Bank's Board of Directors is also convinced that the probabilities that the process initiated by the Competition Authority will end without the Bank having to pay a fine are higher than those of the opposite happening. Contingent liabilities may evolve differently than	public communications on the liabilities and contingent liabilities assumed by the Resolution Fund and/or the Portuguese State; (iii) analysis of the evolution of the Bank's exposure to the Resolution Fund; and (iv) understanding of the Bank's management body's view of the Resolution Fund's economic and financial situation and the predictability of expected cash flows from its regular income. Regarding the process initiated by the Competition Authority, our work included (i) an analysis of the Bank's assessment of the nature and status of the aforementioned process, and (ii) an assessment of the information obtained from the Bank's external lawyer. We also analysed the information available on developments on these matters after 31 December 2021. Our audit procedures also included a review of the disclosures on provisions and contingencies, contained in the notes annexed to the financial statements, considering the accounting standards applicable and in force.

Key Audit Matter	*Summary of the Audit Approach*
originally expected, so they are subject to ongoing review to determine whether such an eventual outflow of funds has become probable. In these circumstances, the assessment of these contingent liabilities implies that the Bank's management body uses complex estimates and judgments regarding the probability of materialization and quantification of the amounts of liabilities that may result from disputes and contingencies in which the Bank is a party and, to that extent, this was a matter considered relevant for the purposes of 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 and the non-financial statement 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 relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes 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 on corporate governance matters and verifying that the non-financial statement was presented.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' 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 Directors' 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-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 1 c), d), f), h), i) and l) of No.1 of that article.

European Single Electronic Format (ESEF)

The Bank's financial statements for the year ended on 31 December 2021 must comply with the applicable requirements established in Commission Delegated Regulation (EU) 2019/815, of 17 December 2018 (ESEF Regulation).

The management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the financial statements included in the annual report are presented in accordance with the requirements of the ESEF Regulation.

Our procedures took into account the OROC Technical Application Guide on ESEF reporting and included, among others:

a) obtaining an understanding of the financial reporting process, including the annual report presentation in valid XHTML format; and

b) the identification and assessment of the risks of material misstatement associated with the tagging of information in the financial statements, in XBRL format using iXBRL technology. the identification and assessment of the risks of material misstatement associated with the marking of information in the financial statements, in XBRL format using iXBRL technology.
This assessment was based on an understanding of the process implemented by the Bank to mark the information.

In our opinion, the financial statements included in the annual report are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Non-financial statement

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Bank included in its Directors' 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 16 April 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 the Banco Montepio in the Shareholders' General Meeting of 27 May 2019 for the period from 2019 to 2021;

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. 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 as of the same date; and

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014 and that we remain independent of the Bank in conducting our audit.

12 April 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

[Original in Portuguese signed by]

José Manuel Henriques Bernardo, ROC no. 903
Registered with the Portuguese Securities Market Commission under no. 20160522

PART III

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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1. Introduction

Founded in 1844 as an entity attached to Montepio Geral - Associação Mutualista, the Caixa Económica Montepio Geral, caixa económica bancária, S.A. (CEMG) is a credit institution that, pursuant to Decree-Law 190/2015 of 10 September, takes the form of a savings bank, with this same legislation having given rise to its transformation into a public limited company.

Following the transformation of CEMG into a public limited company and alteration of its institutional capital to share capital, represented by shares, conditions were created for the entry of Social Economy Institutions into its share capital. This occurred with the entrance of 33 social sector entities into its share capital as at 31 December 2018, strengthened by the entrance of a further 3 entities in 2019 and a 1 entity in 2020, to a total of 37 social sector entities, all without qualifying holdings.

At the Extraordinary General Meeting of CEMG, held on 16 March 2018, the nature of the governance model was changed from a two-tier model to a one-tier model, with a Board of Directors, an Audit Committee (elected at the General Meeting) and a Statutory Auditor.

The same General Meeting elected the new members of governing bodies for the term of office 2018-2021, pursuant to Article 5(3) of the Articles of Association of CEMG, that established the duration of the term of office of four years, with re-election being permitted.

The Board of the General Meeting took office on 16 March 2018 and the rest of the governing bodies took office on 21 March 2018.

At the General Meeting of 16 March 2018 that approved the new articles of association, 12 directors were elected, with the following changes having taken place that, as at 31 December 2021, determined the composition of the Board of Directors with a total of 16 members, namely:

- On 30 October 2018, Leandro Rodrigues da Graça Silva took office and Dulce Maria Pereira Mota Jorge Jacinto took office on 23 November 2018;
- On 15 January 2019, Carlos Ferreira Alves took office as non-executive director;
- On 30 September 2019, the non-executive member and Chairman of the Audit Committee, Luís Guimarães, resigned, with Manuel Ferreira Teixeira, up until that date Chairman of the Risk Committee, having been elected Chairman of the Audit Committee, and Vítor Martins having been appointed Chairman of the Risk Committee;
- Pedro Leitão took office on 9 January 2020, having been appointed Chairman of the Executive Committee;
- On 31 March 2020, the executive director, Carlos Leiria Pinto, resigned;
- On 1 April 2020, José Nunes Pereira took office as non-executive director; and
- On 22 February 2021, the Board co-opted a new executive director, Jorge Baião, ratified at the General Meeting of 29 June 2021.

Exceptionally, and by authorisation of Banco de Portugal, the Chairman of the Board of Directors, Carlos Tavares, accumulated, up to January 2020, the positions of Chairman of the Board of Directors and Chairman and Chairman of the Executive Committee.

At the beginning of the current term of office, in March 2018 new strategy was endorsed for the Bank and the Board of Directors approved a Transformation Plan aimed at positioning CEMG as a reference Institution in the support to Families, Companies and Social Economy Entities, based on a multidisciplinary approach, with a view to developing the different aspects of the banking business, having, for this purpose, adopted the trade name of “Banco Montepio” in February 2019.

Accordingly, the scenario of the international holdings changed, with the sale of the holding in Banco Terra Moçambique and the first steps taken in the process of sale of the stake in Finibanco Angola.

In an original perspective of providing a complete service to Companies, in May 2019, Montepio Investimento, S.A. adopted the trade name of Banco de Empresas Montepio (BEM), with a view to tackling one of the flaws that has long been detected in the Portuguese financial system, by giving companies access to integrated commercial banking and investment banking services able to support their capitalisation and strengthen their competitiveness.

The years of 2020 and 2021 were marked by the serious health and economic crisis due to the Covid-19 pandemic, with profound consequences for all economic agents, including banks, which were faced with an extremely adverse and highly uncertain macroeconomic scenario. This placed in question not only the defined strategies but also the sustainability and paradigms of life of people and organisations.

Under these circumstances, in 2020, Banco Montepio activated the Crisis Management Office with a view to ensuring business continuity and its recovery, and approved the Adjustment Plan based on 4 pillars – Focus 1: Maximisation of the complementary margin; Focus 2: Operational adjustment; Focus 3: Preservation of capital; and Focus 4: Simplification of the group and offer –, which involved the optimisation of the branch network, the resizing of the staff and acceleration of the digital transition which, in a manner integrated with the initial Transformation Plan, sought to achieve a service and business model that enables ensuring the sustained increase of the efficiency of the Banco Montepio Group.

At the beginning of 2021, the pandemic crisis intensified and the Government was forced to take strong lockdown measures, which was reflected in the results and activity of the Banco Montepio Group. The impact of the contingencies on the institution’s main activities were regularly followed and monitored with procedures for fast-tracking the digital transition and the optimisation and innovation of its processes, in order to increase their efficiency, both in terms of response to Customers and in the internal organisation.

As established in the Adjustment Plan, the Bank has progressively achieved a considerable reduction of the negative consolidated net income and, in the third quarter of 2021, Banco Montepio returned to positive quarterly results.

Also, during 2021, as the sole shareholder of Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A. (BMGCV) and following the new legal framework applicable to credit institutions in Cape Verde, Banco Montepio started the process of voluntary dissolution and liquidation of that subsidiary with the Local Authorities, with the closure of its activity having taken place on 30 November 2021.

At the end of 2021, on 30 December, Montepio Holding SGPS, S.A., a subsidiary of Banco Montepio, sold Montepio Valor - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. (“Montepio Valor”) to Montepio Geral - Associação Mutualista, majority shareholder of Banco Montepio, with no impact on the consolidated net income of Banco Montepio or on the capital ratios.

As a reference agent of social sustainability, Banco Montepio continued focused on integrating environmental concerns in its mode of action, positively affecting the life of Families, Companies, Entities of the Social and Solidarity Economy, as well as incorporating Environmental, Social and Governance (ESG) factors in its different areas of action within the institution.

To this end, Banco Montepio promoted throughout the year of 2021 the provision of unique solutions that add value to the daily life of Entities of the Social and Solidarity Economy and to the granting of loans, both to support treasury and to support investment projects in the Social Sector.

With this Corporate Governance Report, Banco Montepio complies with the duty to disclose annual information about the Corporate Governance structure and practices, stipulated in number 1, paragraphs c), d), f), h), i) and m) and number 6 of Article 245-A, and current paragraphs c), d), f), h), i) and m) of number 1 of article 29-H, of the Securities Code, in the wording introduced by Law No. 99-A/2021, of 31 December, rules applicable to companies with securities, other than shares, listed for trading on regulated markets located or operating in Portugal, which is the case of Banco Montepio.

The following norms were also considered, among others: the Legal Framework of Credit Institutions and Financial Companies (RGICSF); the Securities Code (CVM); the Commercial Companies Code (CSC); Law 50/2020 of 25 August, which repealed Law 8/2009 of 19 June; Law 148/2015 of 9 September, concerning the obligations of entities of public interest; CMVM Regulation 7/2018, concerning duties of disclosure; and Banco de Portugal Notice 3/2020, which regulates the internal governance and control systems and the regulation and guidelines of the competent European regulatory and supervisory entities.

2. Mission and objectives

Banco Montepio, a public limited company since 2017, amended its Articles of Association and consequent governance model in order to comply with more stringent regulatory requirements and a tougher competitive environment, while remaining bound to the essential values of its foundation, namely regarding the important role that it performs in the context of the Social Economy.

Thus, Banco Montepio stands firmly as a unique financial institution in the national panorama due to its origin and mutualist foundations, and, consequently, due to its vocation as an Institution geared towards savings and provision of universal financial services for its Individual Customers, at all stages of their life cycle, for all Customers of the business sectors and, in particular, institutions of the Social Economy and social entrepreneurs, based locally, regionally and nationally.

The General Meeting of 30 June 2020 approved the following Social Commitment Charter of Banco Montepio "Being the country's bank of mutualist inspiration, for a further 175 years":

Banco Montepio was founded in 1844, having been authorised by royal charter of Queen Dona Maria II, of 4 January, as an entity attached to Montepio Geral - Associação Mutualista. It is, therefore, Portugal's oldest financial institution.

Banco Montepio is also unique in the national financial panorama due to its origin and mutualist foundations, and, consequently, due to its vocation as an institution geared towards savings and provision of universal financial services for its Individual Customers, at all stages of their life cycle, for Customers of the business sector and for Institutions of the Social Economy and social entrepreneurs.

Throughout the more than 175 years of its existence, Banco Montepio has consistently supported Families, small and medium-sized enterprises, Companies and the community in general. It actively supported successive generations of Portuguese at very critical times, including wars, public health crises, public financing crises, revolutions and political upheavals. Loyal to the reason for its existence, it proved able to innovate, grow and expand, always guided by the ideals of commitment with the past, present and future of Portugal, its mutualist origin, tradition, proximity, solidity, trust, transparency, innovation and inclusion.

Thus, aware of its heritage of almost two centuries of service to the community, giving rise to enhanced social responsibilities and in matters of sustainable development, Banco Montepio is committed, before the community and to all its Stakeholders, to governing its activity in conformity with the following standards and conduct:

- *Serving well and prioritising the interests of all its Customers, including, predominantly and as a factor of differentiation, those who are also associates of MGAM and represent its mutualist base, providing an efficient and rigorous service, meeting customer expectations concerning security in its commitments, responsibility in investment, and access to instruments and services that enable improving the quality of life of people and Families, and the productivity of Companies;*
- *Pursuing its historical vocation of providing financial services with added value and suited to the nature of the Social Economy's institutions and for social entrepreneurs;*
- *Promoting technological innovation in its services and operations in the understanding that technology should be used by people and communities to improve their quality of life and support processes of social innovation;*
- *Treating its suppliers in a fair and ethical manner;*
- *Valorising its Employees, giving them working conditions that allow them to achieve balance in their professional and personal lives, adopting the criterion of merit for recruitment, remuneration and career progression, and fostering their training, their professional and personal valorisation and boosting gender equality;*
- *Adopting best international practices and the highest ethical standards in compliance with the law and contracts, in particular with respect to money laundering, terrorism financing, tax evasion, breaches of labour or environmental legislation;*
- *Respecting and protecting the environment, adopting sustainable practices in its operations, and boosting economic, social and environmental sustainability among all its Stakeholders; and*

- *Providing banking services and financing instruments adapted to situations of major crisis or public calamity, whether national, regional or local, that severely affect economic circuits and disrupt the normal operation of social structures, so as to permanently meet the community's needs and contribute to trust, confidence and security in the banking system.*

Last, but not least, creating value for all its shareholders, providing fair remuneration of the invested capital, always bearing in mind the principles that presided over the creation of Caixa Económica do Montepio Geral, now under the trademark Banco Montepio.

In the development of its different business segments, Banco Montepio stands out as a trustworthy Institution, attentive to the needs of its Customers and the national economy, boosting the full use of their diverse capabilities.

As priority is given to the domestic market, it ensures a prudent management of the existing international holdings – namely in the Portuguese-speaking countries – seeking possible alliances with international institutions with a similar philosophy, in particular of the cooperative and Social Economy sectors.

The social context of Banco Montepio highlights its interpersonal relations and its activity is founded on “banking of relations” between people, both in terms of geographical presence and through remote channels, with an intergenerational and interclass positioning.

In this context, it is crucial to adapt the business models, using technological innovation which enables combining increased efficiency with preservation of personalised relations with its Customers.

The commitments undertaken are based on the pillars of high standards, rigour and ethics, in strict compliance with respect for human values and for the people who work for the Institution, boosting their human capital and talent as irrefutable factors for sustained development.

The driving force underlying the Institution's destinations always bears in mind the principles of ethics in business, the primacy of the Customers' interest and protection of the savings they entrust; loyalty to Customers, investors and supervision authorities; but also, the solidarity and social responsibility that its vocation and centenary origin require.

3. Shareholder Structure

I. Qualifying holdings in the share capital of the Company

As at 31 December 2021 the share capital of Banco Montepio was 2,420,000.00 euros, represented by 2,419,830,580 shares held by Montepio Geral - Associação Mutualista (MGAM), which corresponds to a qualifying holding of 99.99% in the share capital, with the remaining share capital (0.01%), corresponding to 169,420 shares, being dispersed among the following 37 Social Economy Entities:

	Shareholders	No. Shares
1	Santa Casa da Misericórdia de Albufeira	1 000
2	Santa Casa da Misericórdia de Alhos Vedros	1 000
3	Irmandade da Santa Casa da Misericórdia de Vila Cova de Alva	1 000
4	Santa Casa da Misericórdia do Barreiro	1 000
5	Fundação INATEL	10 000
6	A "Benéfica e Previdente" - Associação Mutualista	1 000
7	Associação e Socorros Mútuos João Deus	1 500
8	A Lacobrigense - Associação de Socorros Mútuos	1 500
9	Irmandade da Santa Casa da Misericórdia de Grândola	5 000
10	Santa Casa da Misericórdia de Évora	1 000
11	Santa Casa da Misericórdia do Porto	10 000
12	Santa Casa da Misericórdia de Boticas	1 000
13	Santa Casa da Misericórdia de Idanha-a-Nova	1 000
14	Santa Casa da Misericórdia de Vagos	1 000
15	Santa Casa da Misericórdia de Soure	1 000
16	Santa Casa da Misericórdia de Lisboa	75 000
17	CSC - Associação de Socorros Mútuos de Empregados no Comércio de Lisboa	10 000
18	União Mutualista Nossa Senhora da Conceição - Associação Mutualista	3 000
19	Santa Casa da Misericórdia de Santiago do Cacém	1 000
20	Santa Casa da Misericórdia de Vila Verde	1 000
21	CEEPS - Centro de Estudos em Economia Pública e Social	1 000
22	Santa Casa da Misericórdia da Vila de São Sebastião	1 000
23	Santa Casa da Misericórdia de Póvoa do Lanhoso	2 420
24	Santa Casa da Misericórdia de Arganil	1 000
25	Mutualidade Popular - Associação Mutualista	5 000
26	Santa Casa da Misericórdia de Alcácer do Sal	1 500
27	Santa Casa da Misericórdia de Tomar	1 000
28	Santa Casa da Misericórdia de Castelo Branco	1 000
29	A Mutualidade da Moita - Associação Mutualista	1 000
30	Montepio Rainha D. Leonor - Associação Mutualista	5 000
31	A Associação Vilanovense de Socorro Mútuo	1 000
32	AME - Associação Mutualista dos Engenheiros	5 000
33	Liga das Associações de Socorros Mútuos de Vila Nova de Gaia	5 000
34	Santa Casa da Misericórdia do Bom Jesus de Matosinhos	1 000
35	Associação de Intervenção Social de Grândola (AISGRA)	1 000
36	Santa Casa da Misericórdia de Arcos de Valdevez	1 000
37	União das Misericórdias Portuguesas	7 500
	TOTAL SHARES	**169 420**

II. Identification of shareholders with special rights and description of those rights

There are no shareholders with special rights.

Banco Montepio is a “Caixa Económica Bancária” (Savings Bank) ruled by the “Regime Jurídico das Caixas Económicas” (Legal Framework of Savings Banks) (Decree-Law 190/2015 of 10 September). Founded in 1844 as Caixa Económica de Lisboa, it changed its name in 1989 to Caixa Económica Montepio Geral. Before the transformation into a public limited company, Banco Montepio's capital was composed of institutional capital (2,020 million euros) corresponding to cash entries of Montepio Geral Associação Mutualista and by a Fundo de Participação (Holding Fund) (400 million euros of which 85.4% are held by Montepio Geral Associação Mutualista).

The transformation into a public limited company – occurred in 2017 pursuant to Decree-Law 190/2015 of 10 September which approved the legal system of savings banks – marked the amendment of its Articles of Association and consequent governance model. With the Participation Fund and institutional capital having been converted into ordinary shares representing the share capital.

This was followed by a public take-over bid (public offer for acquisition or OPA) of Montepio Geral Associação Mutualista (MGAM) and a potestative acquisition that led to MGAM holding 100% of the shares from November 2017. Since 31 December 2018, it is represented by registered book-entry shares, 99.99% held by this association, with the remaining share capital being dispersed among the 37 Social Economy Entities that hold a 0.01% stake in the share capital.

III. Any restrictions on the right to vote, such as limitations on voting rights depending on ownership of a certain number or percentage of shares, deadlines for exercising voting rights or systems highlighting ownership rights

The General Meeting is composed of the shareholders with the right to vote, and each share corresponds to one vote. Shareholders may exercise their right to vote by correspondence, but voting by electronic means is not permitted (see Articles 6 and 7 of Banco Montepio's Articles of Association).

Pursuant to Article 10 of Banco Montepio's Articles of Association, the deliberations of the General Meeting are taken by simple majority of the votes cast. Deliberations of the General Meeting taken at an extraordinary session concerning amendment of articles of association, merger, demerger, dissolution and incorporation of or in Banco Montepio, require the approval of a majority of third thirds of the votes cast.

IV. Rules applicable to the appointment and replacement of members of the Management Body and amendment of the Articles of Association of the Company

The General Meeting is responsible for electing the members of the Governing Bodies and approving the amendment of the Articles of Association. The Board of Directors is responsible, in the case of definitive absence, under the terms of Article 7(2)(l) of the Regulations of the Board of Directors, for proceeding with the replacement of directors by co-optation.

Under the terms of Banco Montepio's Articles of Association, Article 13(1)(m), the Board of Directors is responsible for constituting, among others, a Remunerations, Nominations and Assessment Committee (CRNA) composed of three members from among the directors without executive functions, including its Chairman, the majority of whom, including the Chairman, must have independent status.

The Board of Directors may also appoint up to two alternate members without executive functions, who participate in the meetings without the right to vote, and may cover for the absence and impediment of the permanent members and coordinate work entrusted to them.

The process of selection and assessment of the adequacy of candidates to be included in the Board of Directors, whether directors with non-executive functions or directors with executive functions, ensues compliance with the applicable legislation and is ruled by the principles of diversity, proportionality, excellence, the plurality and comparability of the candidates, and by the principle of non-discrimination. The CRNA is responsible for conducting the processes of assessment of adequacy, under the terms established in the Legal Framework of Credit Institutions and Financial Companies, and in accordance with the competences defined in its Internal Regulations.

Concerning nominations, the CRNA is responsible for formulating and conveying to the Board of Directors recommendations on candidate members of the Management and Supervisory bodies, including the process of assessment of adequacy and suitability (Fit & Proper), appraising the respective profile in terms of suitability, professional qualification, independence and availability to hold the position, commenting on supervenient alterations or nominations for new duties and about nominations in terms of knowledge, skills, diversity and experience.

V. Powers of the Management Body, namely with respect to deliberations to increase share capital

The General Meeting is responsible for deliberating on share capital increases, under proposal of the Board of Directors. However, the Board of Directors can deliberate a share capital increase, by cash entries, once or more times, up to the maximum amount corresponding to 10% of the share capital in force.

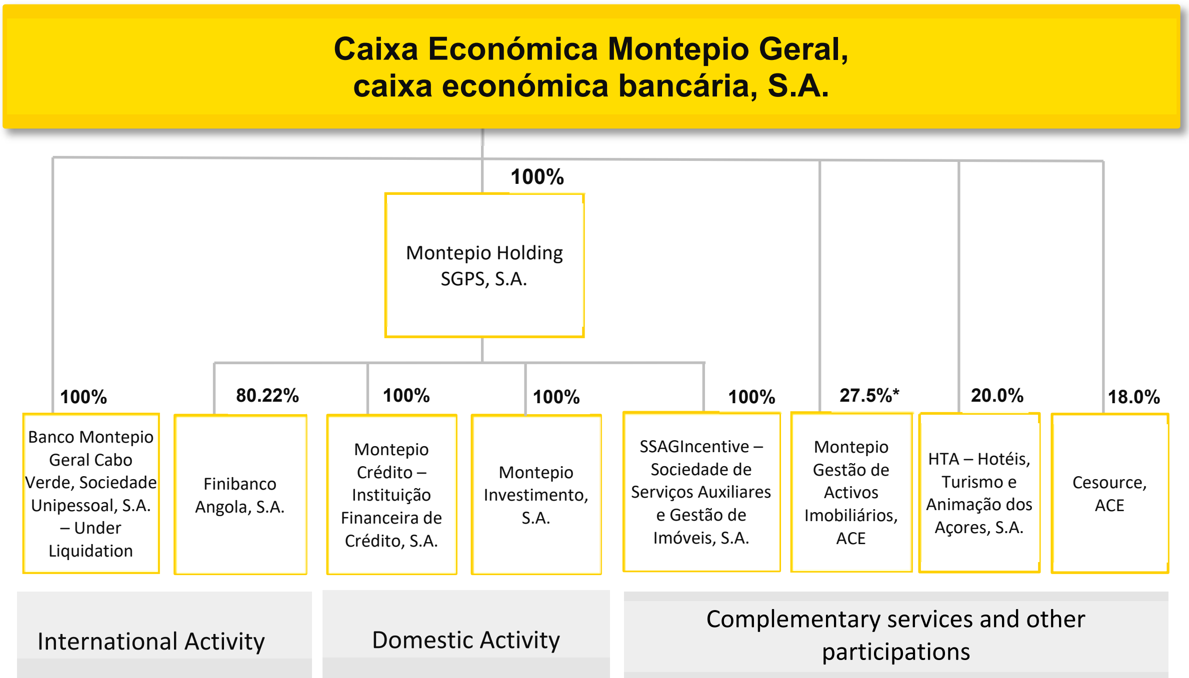
4. Governance model

I. Banco Montepio Group

The Banco Montepio Group is a diversified banking and financial group, aligned with its mutualist nature and purpose, which lends it unique features and an unrivalled position in its activity sector and in Portuguese society.

As at 31 December 2021, the Banco Montepio Group was composed of the following entities:

- Full consolidation: Caixa Económica Montepio Geral, caixa económica bancária, S.A. (Banco Montepio); Montepio Holding, Sociedade Gestora de Participações Sociais, S.A.; Banco Montepio Geral Cabo Verde, Sociedade Unipessoal S.A. – under liquidation; Finibanco Angola, S.A.; Montepio Crédito - Instituição Financeira de Crédito, S.A.; Montepio Investimento, S.A. (Banco Empresas Montepio), e SSAGIncentive – Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.
- Consolidation by the equity method: Montepio Gestão de Activos Imobiliários, ACE; HTA – Hotéis, Turismo e Animação dos Açores, S.A.; Cesource, ACE.



**CEMG 26.0%, Montepio Investimento 1.0% and SSAGIncentive 0.5%.*

(% of equity stake)

II. Governing and Statutory Bodies

a) Governance model

The Management and Supervisory structure of Banco Montepio corresponds to the mode established in Article 278(1)(b) of the Commercial Companies Code, with a Board of Directors that includes an Audit Committee (elected at the General Meeting from among the non-executive members) and a Statutory Auditor.

Under the terms of Article 5(3) of Banco Montepio's Articles of Association, the duration of the terms of office is four years, with re-election being permitted.

The **Board of Directors** is responsible for deciding on any issue of the Company's management, and may specifically entrust one or more directors to deal with certain management matters. The Board of Directors is authorised by the Articles of Association to create the specialised committees and commissions deemed necessary to pursue its duties and to delegate the Company's current management to one or more directors, or to an executive committee (which is explicitly exempt from the provisions in Article 7(2) of the Regulations of the Board of Directors).

The Board of Directors of Banco Montepio created internal committees, composed only of non-executive directors, the majority of whom with independent status, including their chairpersons, such as the **Risk Committee**, the **Remunerations, Nominations and Assessment Committee**, which performs the duties attributed to the Nominations Committee and the Remuneration Committee established in the Legal framework of Credit Institution and Financial Companies (RGICSF) and the **Corporate Governance, Ethics and Sustainability Committee**.

The **Audit Committee**, elected at the General Meeting, supervises the company's management, supervises the audit activities, the process of preparation and disclosure of financial information, the efficacy of the internal control, risk management, control of compliance systems, and the activity and independence of the Statutory Auditor and external auditor.

The **Board of Directors** delegated management powers to an **Executive Committee**, whose terms in force are presented in the decision of 21 May 2020, with exception of the matters reserved to the Board of Directors, pursuant to Article 7 and 13 of the Regulation of the Board of Directors, and in accordance with that established in Article 14 of the Articles of Association.

b) Composition of the Governing Bodies

Pursuant to Article 12(1) of Banco Montepio's Articles of Association, the Board of Directors is composed of a minimum of twelve and a maximum of nineteen members, including a Chairman without executive functions, all elected at the General Meeting.

The Audit Committee, under the terms of Article 17(1) of the Articles of Association, is composed of a minimum of three and a maximum of five members, elected at the General Meeting from among the non-executive members of the Board of Directors.

In 2021, at the meeting of the Board of Directors held on 18 February, and following the authorisation granted by Banco de Portugal, approval was given for the co-optation of Jorge Paulo Almeida e Silva Baião as Director of the Board of Directors of Banco Montepio for the remaining period of the term of office 2018/2021, who took office as an Executive Director on 22 February 2021.

As at 31 December 2021, the **composition of the governing bodies of Banco Montepio** was as follows:

Board of the General Meeting	Functions
António Tavares	Chairman
Cassiano Galvão	Secretary

Board of Directors			
Name	**Functions**	**Election**	**Start of Duties**
Carlos Tavares	Director – Chairman of the Board of Directors	16/03/2018	21/03/2018
Manuel Ferreira Teixeira	Director	16/03/2018	21/03/2018
Amadeu Paiva	Director	16/03/2018	21/03/2018
Carlos Ferreira Alves	Director	30/10/2018	15/01/2019
José Nunes Pereira	Director	05/12/2019	01/04/2020
Pedro Alves	Director	16/03/2018	23/08/2018
Rui Heitor *	Director	16/03/2018	21/03/2018
Vítor Martins	Director	16/03/2018	21/03/2018
Pedro Leitão	Director	05/12/2019	09/01/2020
Dulce Mota	Director	23/11/2018	09/01/2019
Helena Soares de Moura	Director	16/03/2018	21/03/2018
Jorge Baião	Director	18/02/2021	22/02/2021
José Carlos Mateus	Director	16/03/2018	21/03/2018
Leandro Graça Silva	Director	30/10/2018	09/11/2018
Nuno Mota Pinto	Director	16/03/2018	21/03/2018
Pedro Ventaneira	Director	16/03/2018	21/03/2018

NOTE:
- The Director Rui Heitor, elected on 16/03/2018, resigned taking effect from 10/01/2022, in order to take office at Montepio Geral Associação Mutualista, for which he was elected member of the Board of Directors.

Audit Committee	Functions
Manuel Ferreira Teixeira	Chairman
Amadeu Paiva	Member
Carlos Ferreira Alves	Member
José Nunes Pereira	Member
Vítor Martins	Member

During the performance of its duties, the Audit Committee supervises the Company's management, supervises the audit activities, both internal and external, supervises the integrity of the financial and reporting information, the process of preparation and disclosure of that information, the efficacy of the internal control, risk management and control of compliance systems, and the activity and independence of the Statutory Auditor and external auditor.

Without prejudice to all the other powers and duties that may be entrusted by the law or by the Articles of Association, the Audit Committee is also responsible for performing a role of continuous assessment of Banco Montepio, in particular concerning its financial performance, the definition of the strategy and general policies of the Institution, the Group's corporate structure and the decisions that should be considered strategic due to their value and risk, and in particular:

a) Supervising the management of Banco Montepio;

b) Monitoring the observance of the law and Articles of Association;

c) Verifying the correctness of the accounting ledgers, accounting records and supporting documents and the accuracy of the account verification documents;

d) Verifying that the accounting policies and valuation criteria adopted by Banco Montepio lead to a correct assessment of assets and liabilities and results;

e) Preparing annual reports on its supervisory action and issuing opinions on the report, the accounts and the proposals submitted by the Management, as well as its proposal on the action plan and budget;

f) Selecting and submitting to the deliberation of the General Meeting the election of the Statutory Auditor, as well as issuing an opinion on the fees payable for provision of legal review of accounts and audit services to the Banco Montepio Group and additional services rendered by the Statutory Auditor;

g) Annually appraising the audit plan for the individual and consolidated accounts and for the internal control system of Banco Montepio and the Banco Montepio Group, as well as supervising the review of accounts;

h) Meeting regularly with the Statutory Auditor, namely during the appraisal of the individual and consolidated accounts of the Banco Montepio Group;

i) Appraising, with the Executive Committee and Statutory Auditor, any issues and decisions of material relevance for the preparation of the financial statements, including any significant changes of regulatory rules, accounting policies and judgements;

j) Participating in the Executive Committee's meeting in which the annual presentations of accounts to be submitted to the Board of Directors are finalised;

k) Annually preparing an opinion for Banco de Portugal issuing a detailed opinion on the adequacy and efficacy of the internal control system of Banco Montepio and the Banco Montepio Group;

l) Complying with all other duties contained in the regulatory provisions of Banco de Portugal and the "Comissão do Mercado de Valores Mobiliários" (Securities Market Commission), namely, promoting, at Banco Montepio and all other Companies of the Group subject to supervision on a consolidated basis, the pursuit of the fundamental objectives established on matters of internal control and risk management.

<table>
<tr><th>Statutory Auditor</th><th>PricewaterhouseCoopers & Associados (PwC)*</th></tr>
<tr><td rowspan="2">Represented by:</td><td>José Manuel Henriques Bernardo
Enrolled at the Statutory Auditors Association (OROC) under number 903</td></tr>
<tr><td>Carlos José Figueiredo Rodrigues
Enrolled at the Statutory Auditors Association (OROC) under number 1737</td></tr>
<tr><td colspan="2">Sociedade PricewaterhouseCoopers & Associados elected at the General Meeting held on 27 May 2019, as Statutory Auditor of Banco Montepio for the three-year period 2019-2021.</td></tr>
</table>

c) Composition of the internal committees of the Board of Directors

As foreseen in Chapter IV of the Regulations of the Board of Directors, the internal committees supporting the Board of Directors are as follows:

- Risk Committee (CR)
- Remunerations, Nominations and Assessment Committee (CRNA)
- Corporate Governance, Ethics and Sustainability Committee (CGSES)

As at 31 December 2021, the composition of the Risk Committee was as follows:

Risk Committee	Functions
Vítor Martins	Chairman
Carlos Ferreira Alves	Vice-Chairman
Amadeu Paiva	Member
Manuel Ferreira Teixeira	Member
Rui Heitor *	Member

NOTE: * The Member Rui Heitor resigned taking effect from 10/01/2022, in order to take office at Montepio Geral Associação Mutualista, for which he was elected member of the Board of Directors.

The mission of the **Risk Committee** is to permanently monitor the definition and implementation of the Institution's risk strategy and risk appetite, and check that they are compatible with the medium and long-term sustainable strategy and with the action programme and budget that have been approved, advising the Executive Committee and Board of Directors in these spheres, being responsible, in particular, for:

a) Advising the Board of Directors and the Executive Committee on Banco Montepio's risk appetite and risks strategy, take into account all the risk categories, assessing their alignment with the business strategy, the objectives, the corporate culture and values of Banco Montepio;

b) Assisting the Board of Directors in supervising the implementation of Banco Montepio's risk strategy and in compliance with the respective limits that have been established;

c) Regularly reviewing the risk profile, risk strategies and risk policies of the Institution;

d) Assessing the consistency between the business model, the strategy, the recovery plan, the remuneration policies and the budget, as well as the efficacy and the effectiveness of the structure, procedures and instruments associated with the implementation and execution of the risk strategies;

e) Issuing recommendations, namely on necessary adjustments to the risk strategy as a result of changes to the business model, the market evolution or business context in which CEMG operates, as well as on aspects under its powers;

f) Analysing and assessing the methodology and respective results supporting the process of identification, assessment and measurement of risks;

g) Analysing scenarios, including stress tests, aimed at determining their impact on Banco Montepio's risk profile, and assessing the Institution's resilience to changes caused by idiosyncratic, systemic or mixed factors;

h) Analysing whether the conditions of the products and services offered to the Customers take into account the business model and risk strategy of Banco Montepio, and submitting a correction plan to the Board of Directors, when this analysis indicates that these conditions do not adequately reflect the risks;

i) Examining whether the incentives established in Banco Montepio's remuneration policy take in consideration the risk, capital, liquidity and expectations as to the results, including the dates of the revenues;

j) Assessing the existence of effective risk control processes and monitoring any flaws in internal control related to the risk management framework;

k) Assessing the conditions of authority and independence supporting the exercise of responsibility in risk management matters, including the approval of the work plan of the risk management function;

l) At the Group level, periodically reviewing and monitoring the scope and nature of the activities developed by the CEMG Group related to risk management; and

m) Assessing whether the risk management function has appropriate resources to perform its functions.

Remunerations, Nominations and Assessment Committee	Functions
José Nunes Pereira	Chairman
Amadeu Paiva	Member
Carlos Ferreira Alves	Member
Manuel Ferreira Teixeira	Alternate Member
Rui Heitor *	Alternate Member

NOTE: * The Alternate Member Rui Heitor resigned taking effect from 10/01/2022, in order to take office at Montepio Geral Associação Mutualista, for which he was elected member of the Board of Directors.

Within the scope of its activity, the **Remuneration, Appointments and Assessment Committee** observes the interests of Banco Montepio, considering the long-term interests of the shareholders and investors, and weighing up the interests of other relevant players for the institution's sustainability, as well as the public interest, in order to prevent decision-making by the management body being dominated by any person or small group of people in detriment of the general interests of Banco Montepio. This Committee is also responsible for the matters attributed by law, by the Articles of Association and by the Board of Directors, namely a series of processes related to remunerations, appointments and evaluations, covering Members of the Management and Supervisory Body (MOAF), key function holders (KFH) that include the control functions (compliance, risk management and internal audit) and other functions classified as such by the Board, as well as Employees performing senior management functions reporting directly to the Board, and others placed in the remuneration bracket of the senior management and MOAF, provided that their activity has a material impact on Banco Montepio’s risk profile.

Corporate Governance, Ethics and Sustainability Committee	Functions
Carlos Tavares	Chairman
Carlos Ferreira Alves	Member
José Nunes Pereira	Member
Pedro Alves	Member
Rui Heitor *	Member

NOTE: * The Member Rui Heitor resigned taking effect from 10/01/2022, in order to take office at Montepio Geral Associação Mutualista, for which he was elected member of the Board of Directors.

The mission of the **Corporate Governance, Ethics and Sustainability Committee** is to support the Board of Directors in the definition of governance policies and structures, sustainability and social responsibility policies, policies on conflicts of interest, principles on ethics and codes of conduct to be adopted by Banco Montepio and its subsidiaries, being responsible, in particular, for:

a) in the area of Corporate Governance, supporting the Board of Directors in the definition of the structure of the Management and Supervisory Bodies, including their commissions and committees, of Banco Montepio and its subsidiaries, and assessing the corporate governance policy of Banco Montepio and its subsidiaries;

b) in the area of Ethics, supporting the Board of Directors in matters of codes of conduct applicable to Banco Montepio and its subsidiaries, and supporting the Board of Directors in the definition and assessment of the systems for identification and settlement of conflicts of interest;

c) in the area of Sustainability, supporting the Board of Directors in the definition of a sustainability policy, including social responsibility and environmental protection principles and values to safeguard the interests of the shareholders, investors, Customers, employees and all other stakeholders of the Institution.

d) Executive Committee

The Executive Committee is responsible for exercising the powers of the current management of the Bank that are delegated to it by the Board of Directors, except for the powers related to matters whose delegation is prohibited by law, or those that the Board of Directors reserves for itself, under the terms of its Regulations.

The Chairman of the Executive Committee is especially responsible for proposing to the Board of Directors the distribution of the areas of responsibility, allocating one or more of its executive members the direct responsibility for specific areas, representing the Executive Committee and ensuring that relevant information is provided to all the other members of the Board of Directors regarding its activity and resolutions, as well as ensuring compliance with the limits of the delegation of powers, the approved strategy for the Bank and its Group, and the duties of collaboration with the Board of Directors and, in particular, its Chairman.

As at 31 December 2021, the composition of the Executive Committee was as follows:

Executive Committee	Functions
Pedro Leitão	Chairman
Dulce Mota	Vice-Chairman
Helena Soares de Moura	Member
Jorge Baião	Member
José Carlos Mateus	Member
Leandro Graça Silva	Member
Nuno Mota Pinto	Member
Pedro Ventaneira	Member

The Executive Committee entrusted the ongoing monitoring of certain specific issues to the following operational Committees:

- **ALCO Committee (COMALCO)**, the mission of proposing to the Board of Directors (i) the liquidity management policies; (ii) the funding strategy for the Group; and (iii) the capital adequacy policies; as well as monitoring their implementation, so as to ensure their full effectiveness;
- **Impairment Committee (COMIMP)**, the mission of analysing the loan impairments of Banco Montepio, monitoring the loan portfolios and ensuring the follow-up of non-performing exposures (NPE);
- **Credit Committee (COMCRED)**, decision-making power delegated to the Executive Committee on credit operations that are not reserved under the terms of the Regulations of the Board of Directors and that are accordingly framed under the Credit Regulation and Policy;
- **Business, Distribution and Products Committee (COMNEG)** with the mission of: (i) analysing and proposing for resolution the proposals for production and distribution of new products and services and/or significant changes to the offer being marketed (new products) with a view to submission for the approval of the Board of Directors; (ii) follow-up of compliance with the defined business objectives, analysing and proposing the commercial action priorities; (iii) monitoring the approved strategic actions for business development;
- **Cost and Investments Committee (COMCINTO)**, empowered to develop, conduct the follow-up and monitor the action programmes aimed at ensuring the optimisation of the costs and investments approved under each budget year;
- **Pension Fund Monitoring Committee (COMAFP)**, delegated by the Executive Committee to monitor the pension fund;
- **Non-Performing Asset Monitoring Committee (COMAANP)**, empowered to propose the strategy for management of the portfolio of non-performing assets (NPA) and monitor the evolution and propose the measures for appropriate management;
- **Internal Control Committee (COMCI)**, whose main mission is to support the Executive Committee of Banco Montepio in the process of implementation of an effective internal control system at the level of the Banco Montepio Group, namely through a continuous and effective process of follow-up and monitoring

of the detected flaws, contributing to promote a robust control environment and solid risk management, as well as supporting the follow-up and management of non-financial risks, namely operational, compliance, information system and reputation risk;

- **Technology Committee (COMTECH)**, responsible for proposing the strategy for the development of information systems and technology-based systems, the follow-up and management of the development and operation of the supporting systems, and for promoting the ongoing survey of needs and defining the implementation priorities; and
- **Cybersecurity Committee (COMCIBER)**, whose main mission is to support the Executive Committee of Banco Montepio in the definition and follow-up of the objectives for cybersecurity management (information security), aligned with the business requirements and with the requirements and expectations of the stakeholders, laws and regulations of relevance, in addition to supporting the follow-up of the implementation and continuous improvement of the information security management system (SGSI).

The composition of these committees is established in their operating regulations which stipulate the following attendance:

ALCO Committee (COMALCO)	**Functions**	**No. of meetings foreseen in the regulations**	**Total meetings held in 2021**
José Carlos Mateus - Chairs the Committee	Chief Financial Officer (CFO)	Frequency: monthly Total annual: 12	Total meetings held: 12
Pedro Ventaneira	Chief Risk Officer (CRO)		
Pedro Leitão (optional attendance)	Chief Executive Officer (CEO)		
Dulce Mota	Director of Credit (DC)		
Leandro Graça Silva	Director of Credit Recovery (DRC)		
Helena Soares de Moura (optional attendance)	Director of Credit Recovery (DCOMP)		
Impairment Committee (COMIMP)	**Functions**	**No. of meetings foreseen in the regulations**	**Total meetings held in 2021**
Pedro Leitão (optional attendance)	Chief Executive Officer (CEO)	Frequency: monthly Total annual: 12	Total meetings held: 12
Pedro Ventaneira – Chairs the Committee	Chief Risk Officer (CRO)		
José Carlos Mateus	Chief Credit Officer (CCO)		
Dulce Mota	Director of Credit (DC)		
Leandro Graça Silva	Chief Credit Recovery Officer (CCRO)		
Pedro Ventaneira	Director of Credit Recovery (DCRF)		
Nuno Mota Pinto	Director of Credit Recovery (DCESSP)		
Impairment Committee (COMIMP)	**Functions**	**No. of meetings foreseen in the regulations**	**Total meetings held in 2021**
Pedro Ventaneira – Chairs the Committee	Director of Credit Recovery (DCRF)	Frequency: monthly Total annual: 12	Total meetings held: 12
José Carlos Mateus	Chief Credit Officer (CCO)		
Pedro Ventaneira	Chief Risk Officer (CRO)		
José Carlos Mateus	Chief Financial Officer (CFO)		
Leandro Graça Silva	Director of Credit Recovery (DRC)		

Credit Committee (COMCRED)	Functions	No. of meetings foreseen in the regulations	Total meetings held in 2021
Pedro Ventaneira – Chairs the Committee	Chief Risk Officer (CRO)	Frequency: Up to twice a week Annual total: see approved calendar	Total meetings held: 53
José Carlos Mateus	Chief Credit Officer (CCO)		
Leandro Graça Silva	Chief Credit Recovery Officer (CCRO)		
Dulce Mota (optional attendance)	Director of Credit (DC)		
Nuno Mota Pinto (optional attendance)	Director of Credit Recovery (DCESSP/ DBE)		
Credit Committee (COMCRED)	**Functions**	**No. of meetings foreseen in the regulations**	**Total meetings held in 2021**
Pedro Ventaneira – Chairs the Committee	Chief Risk Officer (CRO)	Frequency: Up to twice a week Annual total: see approved calendar	Total meetings held: 53
José Carlos Mateus	Chief Credit Officer (CCO)		
Leandro Graça Silva	Chief Credit Recovery Officer (CCRO)		
Business, Distribution and Products Committee (COMNEG)	**Functions**	**No. of meetings foreseen in the regulations**	**Total meetings held in 2021**
Pedro Leitão – Chairs the Committee	Chief Marketing Officer (CMO)	Frequency: monthly Total annual: 12	Total meetings held: 0
José Carlos Mateus	Chief Financial Officer (CFO)		
Pedro Ventaneira	Chief Risk Officer (CRO)		
Helena Soares de Moura	Chief Legal Officer (CLO)		
Jorge Baião	Chief Operating Officer (COO) and Chief Technical Officer (CTO)		
Costs and Investments Committee (COMCINTO)	**Functions**	**No. of meetings foreseen in the regulations**	**Total meetings held in 2021**
Pedro Leitão (optional attendance)	Chief Executive Officer (CEO)	Frequency: weekly Total annual: 52	Total meetings held: 57
Jorge Baião – Chairs the Committee	Director of Credit Recovery (CCOMP)		
José Carlos Mateus	Chief Financial Officer (CFO)		
Helena Soares de Moura (optional attendance)	Director of Credit Recovery (DCOMP)		
Pension Fund Monitoring Committee (COMAFP)	**Functions**	**No. of meetings foreseen in the regulations**	**Total meetings held in 2021**
Pedro Leitão (optional attendance)	Chief Executive Officer (CEO)	Frequency: quarterly Total annual: 4	Total meetings held: 4
Helena Soares de Moura – Chairs the Committee	Director of People Management (DGP)		
Pedro Ventaneira	Chief Risk Officer (CRO)		
José Carlos Mateus	Chief Financial Officer (CFO)		
Non-Performing Asset Monitoring Committee (COMAANP)	**Functions**	**No. of meetings foreseen in the regulations**	**Total meetings held in 2021**
Pedro Leitão (optional attendance)	Chief Executive Officer (CEO)	Frequency: monthly Total annual: 12	Total meetings held: 11
Leandro Graça Silva – Chairs the Committee	Director of Credit Recovery (DRC)		
Pedro Ventaneira	Chief Risk Officer (CRO)		
José Carlos Mateus	Chief Financial Officer (CFO)		

Internal Control System (COMCI)	Functions	No. of meetings foreseen in the regulations	Total meetings held in 2021
Pedro Leitão	Chief Executive Officer (CEO)	Frequency: bimonthly (entry into force on 21.06.2021)	Total meetings held: 4
Helena Soares de Moura – Chairs the Committee	Director of Credit Recovery (DCOMP)		
Pedro Ventaneira	Chief Risk Officer (CRO)		
Jorge Baião	Director of Credit Recovery (DSI)		
Technology Committee (COMTECH)	**Functions**	**No. of meetings foreseen in the regulations**	**Total meetings held in 2021**
Pedro Leitão (optional attendance)	Chief Executive Officer (CEO)	Frequency: monthly (entry into force on 14.10.2021)	Total meetings held: 2
Jorge Baião – Chairs the Committee	Director of Credit Recovery (DSI)		
Dulce Mota	Director of Credit (DC)		
Pedro Ventaneira	Chief Risk Officer (CRO)		
Cybersecurity Committee (COMCIBER)	**Functions**	**No. of meetings foreseen in the regulations**	**Total meetings held in 2021**
Pedro Leitão	Chief Executive Officer (CEO)	Frequency: quarterly (entry into force on 01.10.2021)	Total meetings held: 2
Jorge Baião – Chairs the Committee	Director of Credit Recovery (GCS)		
Pedro Ventaneira	Chief Risk Officer (CRO)		

e) Distribution of areas of responsibility

The Board of Directors has approved the distribution of areas of responsibility which, as at 31 December 2021, was as follows:

	Areas of Responsibility	Replacement
Carlos Tavares Chairman of the Board of Directors	Office of the Board of Directors (GCA) General Secretariat of the Company (SGS) Office of Economic and Financial Studies (GEEF)	**Pedro Leitão**
	Audit and Inspection Department (DAI)	
Pedro Leitão Chairman of the Executive Committee	People Management Department (DGP) (1) Strategic Marketing Department (DME) Operational Marketing Department (DMO) Communication and Brand Department (DCM)	**Helena Soares de Moura** (1)
	Market Relations Office (GRM)	**José Carlos Mateus**
Dulce Mota Vice-Chairman of the Executive Committee	North and Centre Commercial Department (DCNC) South and Islands Commercial Department (DCSI) Commercial Stimulation Department (DDC)	**Nuno Mota Pinto**
Helena Soares de Moura Member of the Executive Committee	People Management Department (DGP) (1) Legal Advisory Department (DAJ) Litigation Department (DCONT) Compliance Department (DCOMP) Data Protection Office (GPD) Customer and Quality Office (GC)	**Pedro Ventaneira**
Jorge Baião Member of the Executive Committee	Transformation and Innovation Centre (CTI) Information Systems Department (DSI) Service and Operation Department (DSO) Shared Services Unit (USP) (2) Procurement Centre (CCOMP) (2)	**Leandro Silva**
José Carlos Mateus Member of the Executive Committee	Financial and International Department (DFI) Financial Asset Monitoring Office (GAAF)	**Nuno Mota Pinto**
	Strategic Planning and Control Department (DPEC) Credit Analysis Department (DAC)	**Jorge Baião**
Leandro Graça Silva Member of the Executive Committee	Credit Recovery Department (DAC) Real Estate Area (MGAI) (2)	**Jorge Baião**

Nuno Mota Pinto Member of the Executive Committee	Corporate Banking Department (DBE)	**Dulce Mota**
	Social Economy and Public Sector Department (DCESSP)	
Pedro Ventaneira Member of the Executive Committee	Risk Department (DRI)	**Helena Soares de Moura**
	Specialised Credit Analysis Department (DAC)	
	Model Validation Office (GVM)	
	Accounting and Financial Reporting Department (DCRF)	
	Information Management Office (GGI)	**José Carlos Mateus**

(1) With delegation of follow-up by Helena Soares de Moura.

(2) Shared service areas that are not part of the organisational chart of Banco Montepio.

f) Supervision

Pursuant to the Institution's governance model, the Audit Committee is the body that supervises the management of Banco Montepio, performing a role of continuous assessment, in particular concerning financial performance; the definition of the Institution's general strategy and policies, the Group's business structure and the decisions that should be considered strategic due to their value and risk; and all the aspects defined in Article 5 of its Regulations, which supervises the audit activities, whether internal or external; the processes of preparation and disclosure of financial information; the efficacy of the internal control, risk management, control of compliance systems; in addition to the activity and independence of the Statutory Auditor and external auditor, as established in the Articles of Association of Banco Montepio and in the Regulations of the Audit Committee.

g) Procedures and criteria applicable to the intervention of the Supervisory Body for the purposes of hiring additional services from the external auditor

Pursuant to the provisions in the Regulations of the Audit Committee, this body is entitled to, on its own initiative, request independent opinions or hire specialised advisory or external consultant services.

The Board of Directors is responsible for negotiating the fees and contracting of the services to be carried out.

h) Identification of the Statutory Auditor and partners representing it

Considering the rotation policy established in the new Statutes of the Statutory Auditors Association (OROC), approved by Law 140/2015 of 7 September, which was enforced on 1 January 2016, and with a view to ensuring the maintenance of the high level of quality and independence, at the beginning of 2019, and pursuant to Article 21 of the Articles of Association of Banco Montepio, the Audit Committee conducted a process of selection and assessment of the adequacy of a new Statutory Auditor. This culminated with the election, at the General Meeting held on 27 May 2019, of the firm PricewaterhouseCoopers & Associados (PwC) for the three-year period 2019-2021, represented by José Manuel Henriques Bernardo, ROC number 903 and by Carlos José Figueiredo Rodrigues, ROC number 1737.

i) Other services provided by the statutory auditor to the Company

PricewaterhouseCoopers & Associados (PwC), as Statutory Auditor of Banco Montepio, performs the duties of external auditor at this Institution and non-audit services, in compliance with the legal requirements of independence established in Article 77 of Law 140/2015 of 7 September.

The services provided by PwC are entirely functionally and hierarchically independent in relation to Banco Montepio, pursuant to the applicable regulatory and professional standards.

Any services other than legal review of accounts are previously approved by the Audit Committee and refer to technical services, namely for the interpretation and review of the procedures required for Banco Montepio's submission of an application to use the internal ratings-based approach to calculate solvency ratios.

Pursuant to the Regulations, the Audit Committee is responsible for approving the fees payable for the provision of legal review of accounts and audit services of the Banco Montepio Group and additional services provided by the auditors.

j) Support to the Board of Directors

The **General Secretariat of the Company** (SGS) is the body responsible for providing functional support to the Board of Directors, Executive Committee and remaining collegiate bodies, including the Company Secretary, performing the secretarial duties of the meetings pursuant to Notice 3/2020, as well as the reporting of mandatory corporate information to the supervisory entities and to the members of the governing bodies, the registration of corporate acts and support to the management in performing its shareholder function among the Group's Companies, on matters of corporate management. Pursuant to the Organic Statutes of the SGS and Regulations of the Remunerations, Nominations and Assessment Committee, the General Secretariat is also responsible for supporting this Committee of the Board of Directors in the development of the activities entrusted to it by law or in its Regulations.

The main mission of the **Office of the Board of Directors** (GCA) is to advise the Board of Directors on meeting agenda management, on training, disclosure and follow-up of the resolutions, on the provision of management information and on the monitoring of relations with shareholders, regulators and other institutional entities, and to advise the Management and Supervisory Bodies on matters concerning governance of the internal control system, and support the coordination between the entities comprising the Banco Montepio Group.

k) Key Function Holders

In compliance with Article 63 of Banco de Portugal Notice 3/2020, and the provisions in number 4(1)(e) of the Annex to this Notice, the following Departments were classified as key function holders:

The **Accounting and Financial Reporting Department** (DCRF) is a first line organic unit in Banco Montepio's structure, hierarchically reporting to the Director of the area of the Executive Committee, tasked with supporting the internal control and ensuring the book-keeping system and process, as well as compliance with the tax duties and the financial and statistical reporting duties.

The **Strategic Planning and Control Department** (DPEC) is a first line organic unit in Banco Montepio's structure, hierarchically reporting to the Director of the area of the Executive Committee, responsible for drafting the planning with financial projections and definition of suitable goals for the overall activity and for each business area, covering the main activities and products, and for producing management and control information that ensures a comprehensive vision of the overall financial situation, with the evolution of the main business lines and costs, in line with the strategy and achievement of Banco Montepio's defined goals, on an individual and consolidated basis.

The **Specialised Credit Analysis Department** (DAEC) is also a first line organic unit in Banco Montepio's structure, hierarchically reporting to the Director of the area of the Executive Committee, responsible for contributing to a comprehensive and consistent vision of Company Customers for purposes of risk assessment (rating), recognition of individual impairment level and assessment of lending operations to assist and support the credit decision-making process, contributing to enhance its robustness and technical underpinning, working as a centre of technical excellence in the assessment of credit risk, a context in which it contributes a proactive approach to the market.

The **Financial and International Department** (DFI) consists of a first line organic unit in Banco Montepio's structure, hierarchically reporting to the Director of the area of the Executive Committee, tasked with ensuring the implementation of the financial policies of the Banco Montepio Group, at the individual and consolidated level, in conformity with the Funding and Capital Plan (PFC) and with the Action and Budget Plan (PAO) approved by the Board of Directors, through active intervention in the money, foreign exchange, capital and derivative markets, promoting the Bank's close connection with the different counterparts, namely with other Banks and International Bodies, aimed at trading and contracting of operations and opening of credit lines for funding the Banco Montepio Group's activity projected in the PFC and PAO, with a view to the representation of Banco Montepio at non-resident institutions in the context of the institutional relations underlying the Banco Montepio Group's strategy.

The **Credit Analysis Department** (DAC) is a first line organic unit in Banco Montepio's structure, hierarchically reporting to the Director of the area of the Executive Committee, with the responsibility of implementing the policy on subscription and prevention of risk, recovery of situations of default, acting at the level of contractual granting, renewal and/or amendment of loan exposures to natural or legal persons. This Department participates in the process of credit analysis and decision-making in coordination with the Commercial Departments, contributing to the sustained improvement of the quality of the loan portfolio of the Banco Montepio Group, ensuring the implementation of the defined policies.

Key Function Holders	CEMG	MC	BEM	FNBA
	Head	Head	Head	Head
Internal Audit	Fernanda Correia	Exercised by CEMG	Exercised by CEMG	Telma Cabral
Compliance	Miguel Oliveira	Paulo Trindade	Fernando Alexandre	Guilherme Abreu Loureiro
Risk management	Bruno Magalhães	Rui Jorge Santos	Exercised by CEMG	Pedro Simão
Accounting and Reporting	António Figueiredo Lopes	-	Exercised by CEMG	Rafael Matias
Planning and Control	Jaquelina Rodrigues	-	Exercised by CEMG	-
Specialised Credit Analysis	Miguel Teixeira Coelho	-	-	-
Financial and International	to be appointed	-	-	Teófilo Quintino
Credit Analysis	to be appointed	-	-	-

l) Curricular information of the current members of the Board of Directors

See ANNEX I

m) Accumulation of positions by members of the Board of Directors

See ANNEX II

5. Internal Organisation

I. Internal control system

a) Main elements of the internal control and risk management systems implemented at the Company regarding the procedure for reporting financial information

By virtue of Notice 3/2020, institutions are now duty-bound to carry out internal assessments of the adequacy and effectiveness of their organisational culture, governance and internal control systems, promoting regular reflection to consider the need to implement the necessary measures to overcome any flaws that may have been detected. The Supervisory Body's requirements have been clarified, with its assessment now covering its organisational culture, governance and internal control systems, among other aspects, as well as the determination of a review and clarification of the role of the Statutory Auditor concerning the process of preparation and disclosure of financial information.

In this regard, Banco Montepio instituted a Steering Committee composed of the Chairpersons of the Board of Directors, Audit Committee, Risk Committee and ,Executive Committee, as well as the Chief Risk Officer and the Chief Compliance Officer, and the directors responsible for the areas of internal control – Internal Audit Department (DAI), Risk Department (DRI) and Compliance Department (DCOMP) – including the Office of the Board of Directors which coordinates the work of monitoring the internal control system and drafting the Internal Assessment Report, annually submitted to the supervisor pursuant to Banco de Portugal Notice 3/2020.

The **Board of Directors** is responsible for the implementation and maintenance of an adequate and effective internal control system that guarantees the achievement of the performance, information and compliance objectives.

The **Audit Committee** is responsible for performing a role of continuous assessment of the Institution concerning the financial performance and decisions which should be considered strategic due to their amount and risk. The Audit Committee is responsible for performing all the other duties contained in the regulatory provisions of Banco de Portugal and the Securities Market Commission (CMVM), namely, promoting at Bank Montepio and all other Group Companies subject to supervision on a consolidated basis, the pursuit of the fundamental objectives established on matters of internal control and risk management, and annual preparation of an opinion for Banco de Portugal, issuing detailed comments on the adequacy and efficacy of the internal control system of Banco Montepio and of the Banco Montepio Group.

The mission of the **Risk Committee** is to permanently monitor the definition and implementation of the Institution's risk strategy and risk appetite, and check that they are compatible with the medium and long-term sustainable strategy and with the action programme and budget that have been approved, advising the Executive Committee and Board of Directors in these spheres. At the level of the Banco Montepio Group, the Risk Committee is responsible for periodically reviewing and monitoring the scope and nature of the activities developed by the Banco Montepio Group related to risk management.

The **Audit and Inspection Department** (DAI) is responsible for the **internal audit function**, integrated in the process of monitoring the internal control system, on an ongoing basis, and provides independent and objective assessment and consulting services aimed at enhancing value and improving the operationality of the Banco Montepio Group to achieve its goals by using a systematic and disciplined approach in the assessment and improvement of the efficacy of the risk management, control and governance processes.

Thus, the internal audit function constitutes an integral part of the process of monitoring the internal control system and, as a third line of defence, assesses the activities, systems and processes, including the risk management function and the compliance function.

Department	Position	Name
Internal Audit Department (DAI)	Director	Fernanda Correia

The **Risk Department** (DRI) is a first-line organic unit in in Banco Montepio's structure, responsible for the **risk management function**, with hierarchical reporting to one of the members of the Executive Committee. It reports functionally to the Board of Directors, under which are the Audit Committee, the Bank's Supervisory Body, and the Risk Commission, the specialised advisory body of the Board of Directors and Executive Committee on matters of risk, to which the Risk Department also reports functionally in performing its duties.

Department	Position	Name
Risk Department	Director	Bruno Magalhães

The main mission of the **Compliance Department** (DCOMP) is the **compliance function** for prevention and/or detection of situations that cause, or could cause, conformity compliance risk for Banco Montepio (among others, criminal or administrative offence penalties and/or financial loss or reputational damage, on an individual and consolidated basis). DCOMP should act in a manner preventing the existence of situations of internal or external fraud, actions tending to jeopardise internal control, obstructions to information that should be known by the Management and Supervisory Bodies, among others.

Department	Position	Name
Compliance Department	Director	Miguel Oliveira

It should be noted that the Internal Control Department was created in June 2021, integrated in DCOMP, for the purpose of supporting the Executive Committee in its follow-up of the Internal Control flaws.

b) Policy on communication of irregularities (whistleblowing)

Banco Montepio has implemented the specific, independent and autonomous means appropriate to the receipt, treatment and filing of reports on serious irregularities related to its management, accounting organisation, internal supervision and serious indications of breach of duty established in Legal Framework of Credit Institutions and Financial Companies (RGICSF), in Regulation (EU) 575/2013 of 26 June of the European Parliament and of the Council, in Regulation (EU) 596/2014 of 16 April of the European Parliament and of the Council, April 2014, and respective regulations and delegated acts, facts related to the matters referred to in number 3 of Article 388 of the Securities Code (CVM), as well as the duties imposed by Law 83/2017 of 18 August.

Accordingly, the Institution’s employees must inform the Audit Board, the Supervisory Body, of any irregular practices they detect or of which they have become aware, or have grounds to suspect, in order to prevent or preclude irregularities which might cause financial or reputation damages to Banco Montepio.

The Regulations of Communication of Irregularities in force, reviewed in April 2021 and published and made available to all the Employees, defines the procedures and terms under which whistleblowing can be done, in person or in writing (by electronic mail or via the post), indicating all the elements and information which the Employee possesses and considers necessary for assessment of the irregularity.

The reports are addressed to the Chairman of the Audit Committee, under an arrangement of anonymity, and may be done by email to comunicar.irregularidades@montepio.pt, or sent by post to the Chairman of the Audit Committee (Presidente da Comissão de Auditoria, Rua Castilho n.º 5, Piso 10, sala 80, 1250-066 Lisboa).

Confidentiality of the received reports and the protection of the personal data of the author of the communication are assured, with the Bank being able to convey the personal data collected to supervisory entities or judicial entities, in cases where this data proves relevant.

The Audit Committee is responsible for keeping records of all reports of irregularities covered by the scope of application of the Regulations of Communication of Irregularities (www.bancomontepio.pt/politicas-regulamentos).

II. Website for consultation: articles of association, regulations and corporate information

Banco Montepio provides essential information to assure suitable knowledge on its activity at www.bancomontepio.pt/institucional/informacao-investidores (Portuguese version) and www.bancomontepio.pt/institucional/investor-relations (English version).

The Institution's website – www.bancomontepio.pt – provides all the general corporate information about Banco Montepio, including the Articles of Association and Regulations of the Board of Directors, Audit Committee, Executive Committee and all the other committees, as well as the Policies, miscellaneous Regulations and Code of Conduct.

The internal portal, the Intranet, also discloses the internal rules for information of all the Employees, which includes, in addition to the legal, statutory and regulatory provisions, rules on conduct and ethical standards.

With regard to compliance with the prudential standards in force and the respective periods of reporting to external entities, Work Order 38/2021 presents and systematises the set of information, time limits and department responsible for ensuring compliance with this reporting duty.

With the approval of the Banco Montepio trade name in 2019, the image and accesses to the website were redesigned, with further improvements having been made during 2020 and 2021 to the accesses and contents of the institutional area, namely regarding information to the investors and on corporate governance.

III. Number of meetings held

Although Banco Montepio's Articles of Association establish that the Board of Directors should hold a meeting at least once a month, the Board held fortnightly meetings during 2021, and extraordinary meetings whenever called for such by the Chairman.

During 2021, the **Board of Directors held 27 meetings**, with the minutes having been drawn up recording the presence of its members and the following occasional absences due to training duly justified and accepted by the Board: Amadeu Ferreira de Paiva (1) and Jorge Baião (1).

Although the Regulations of the Audit Committee establish that this committee should hold a meeting at least once a month, the Committee held fortnightly meetings during 2021, and extraordinary meetings whenever called for such by its Chairman or by any of the other members

During 2021, the **Audit Committee held 29 meetings**, with the minutes having been drawn up recording the presence of its members that participated in them, including the following occasional absences due to training duly justified and accepted by the Committee: Amadeu Ferreira de Paiva (1).

Pursuant to its Regulations, the Executive Committee holds weekly meetings and whenever called by its Chairman or alternate.

During 2021, the **Executive Committee held its 50 meetings**, with the minutes having been drawn up recording the presence of the members who participated in them, including the following occasional absences due to holidays, sickness, training, company travel abroad duly justified and accepted by the Executive Committee: Nuno Mota Pinto (1), José Carlos Mateus (1), Pedro Ventaneira (1), Leandro Graça Silva (4) and Jorge Baião (1).

The Regulations of the Risk Committee establish that this committee should hold ordinary meetings on a monthly basis, and extraordinary meetings whenever deemed appropriate to the sound performance of its functions, at the substantiated request of any of the governing bodies of Banco Montepio or any of the Risk Committee's members.

During 2021, the **Risk Committee held 12 meetings**, with minutes having been drawn up recording the attendance of all its members.

The Regulations of the Remunerations, Nominations and Assessment Committee establishes that this committee should hold monthly meetings, and whenever called by its Chairman, on the Chairman's initiative or requested by the Chairman of the Board of Directors or by any of the other members of this Committee.

During 2021, the **Remunerations, Nominations and Assessment Committee held 35 meetings**, with the minutes having been drawn up recording the presence of its members that participated in them, including the following occasional absences due to training duly justified and accepted by the Committee: Amadeu Ferreira de Paiva (1).

The Regulations of the Corporate Governance, Ethics and Sustainability Committee establishes that this committee should hold a meeting at least once a quarter, preferably in the months of March, June, September and December, and whenever desired by the Chairman or requested by any of the other members.

During 2021, the **Corporate Governance, Ethics and Sustainability Committee held 8 meetings**, with minutes having been drawn up recording the attendance of all its members.

The following table summarises the information on the meetings that were held:

Committees of the Board of Directors	No. of meetings foreseen in the regulations	Total meetings held in 2021
Audit Committee (CAD)	Frequency: monthly Total annual: 12	Total meetings held: **29**
Risk Committee (CR)	Frequency: bimonthly Total annual: 6	Total meetings held: **12**
Remunerations, Nominations and Assessment Committee (CRNA)	Frequency: bimonthly Total annual: 6	Total meetings held: **35**
Corporate Governance, Ethics and Sustainability Committee (CGSES)	Frequency: quarterly Total annual: 4	Total meetings held: **8**

6. Disclosure of Remunerations

I. Power to establish

Pursuant to Article 11(c) of the Articles of Association of Banco Montepio, the General Meeting is responsible for electing a Remuneration Committee composed of three independent members empowered to establish the remunerations of the members of the Governing Bodies, see Article 399(1) of the Commercial Companies Code.

Considering that this Remuneration Committee is not appointed by the shareholders, the power and duty to establish the remunerations of the members of the governing bodies of Banco Montepio are entrusted, under the terms of the law, to the General Meeting.

II. Quantitative information on the annual remuneration values paid in 2021 by Banco Montepio

In compliance with the provisions in Article 47 of Banco de Portugal Notice 3/2020, the quantitative information on the remuneration values paid in 2020 by Banco Montepio to the different categories of Employees established in Article 115-C(2), of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), are henceforth disclosed, namely:

a) Members of the Management and Supervisory Body (MOAF);
b) Senior management;
c) Persons in charge of risk-taking;
d) Persons in charge of the control functions; and
e) Employees whose remuneration places them in the same remuneration bracket of the previous categories a), b) or c), provided that their professional activities have material impact on the Institution's risk profile.

a) Members of the Management and Supervisory Body (MOAF)

In 2021, it was not decided by the General Meeting that any variable component of remuneration should be paid to the MOAF, nor were they paid. The aggregate sums of the annual remunerations that were processed to the Members of the Management and Supervisory Body, during 2021, are in conformity with the requirements of Article 47 of Banco de Portugal Notice 3/2020 and the provisions established in Article 450(1)(g) to (j) of Regulation (EU) 575/2013.

During 2021, the value of fixed remuneration received, in an aggregate and individual form, by the Members of the Management and Supervisory Body of the Bank, are presented in the following table:

Members of the Management and Supervisory Body		
Name	**Functions**	**Total fixed remunerations paid in 2021 (€)**
Carlos Tavares	Chairman of the Board of Directors	€401,457.29
Manuel Ferreira Teixeira	Chairman of the Audit Committee	€159,600.00
Amadeu Ferreira de Paiva	Member of the Board of Directors	€126,000.00
Carlos Ferreira Alves	Member of the Board of Directors	€126,000.00
José Nunes Pereira	Chairman of the Rem., Nom. & As.	€126,000.00
Pedro Gouveia Alves	Member of the Board of Directors	€84,000.00
Rui Heitor	Member of the Board of Directors	€126,000.00
Vítor do Carmo Martins	Chairman of the Risk Committee	€126,000.00
Pedro Leitão	Chairman of the Executive Committee	€361,557.15
Dulce Mota	Vice-Chairman of the Executive Committee	€254,457.29
Helena Soares Moura	Executive member	€254,321.21
Jorge Baião	Executive member	€217,044.85
José Carlos Mateus	Executive member	€254,203.66
Leandro Graça Silva	Executive member	€254,408.69
Nuno Mota Pinto	Executive Member	€254,457.29
Pedro Ventaneira	Executive member	€254,457.29
	No. of holders: 16	**€3,379,964.72**

b) Senior management, persons in charge of risk-taking, persons in charge of the control functions, and others whose actions have significant impact on the Institution's risk profile:

The aggregate values of the remunerations paid in 2021 to the Employees in reference, in conformity with the requirements of Article 47 of Banco de Portugal Notice 3/2020 and the provisions in Article 450(1)(g) to (j) of Regulation (EU) 575/2013, were as follows:

	Fixed remuneration	Variable Remuneration	No. members
Senior management	€3,943,555.82	Not applicable	41
Persons in charge of risk-taking	€380,040.15	Not applicable	6
Persons in charge of the control functions	€610,817.25	Not applicable	8
Employees whose remuneration places them in the same remuneration bracket of the previous categories a), b) or c), provided that their professional activities have material impact on the Institution's risk profile.	Not applicable	Not applicable	Not applicable

The remunerations paid in 2021 to the aforesaid categories of Employees were reported to the CRNA by the People Management Department which carries out the processing of the Institution's remunerations.

Concerning the quantitative information provided, the People Management Department informed that no other situations were identified that should be reported under the following paragraphs of Article 450 of Regulation (EU) 575/2013, namely:

i) The number of individuals with remuneration of 1 million euros or more per financial year, broken down into remuneration brackets of 500,000 euros for remuneration between 1 million and 5 million euros, and broken down into remuneration brackets of 1 million euros for remuneration of 5 million euros or more; and

j) Upon demand from the relevant Member State or competent authority, the total remuneration of each member of the Management Body or senior management.

The **Remunerations, Nominations and Assessment Committee** (CRNA) is responsible for formulating, at least on an annual basis, informed and independent judgements on the remuneration policy and practices, and respective criteria to establish the fixed and variable component or other existing remuneratory incentives, and for proposing to the Board of Directors the criteria to be used in the annual process of assessment and establishment of the variable component of the remuneration of the Executive Committee members, which should include the adequate weighting of merit, individual performance and contribution to the efficiency of the body.

The CRNA will prepare, for submission to the annual General Meeting, an assessment report on compliance with the remuneration policies and procedures endorsed by Banco Montepio in 2021, in the context of the formulation of informed and independent judgements on the remuneration policy and practices, and incentives created for purposes of risk, capital and liquidity management, pursuant to Article 115-C(6) of the RGICSF and in Article 44 of Notice 3/2020.

Remuneration policies of Banco Montepio

By unanimous determination in writing of the General Meeting of 23 April 2018, the remunerations of the Members of the Management and Supervisory Body (MOAF) of Banco Montepio were established for the term of office 2018-2021, including the annual value paid to the members of the Board of the General Meeting, under the terms of the law.

Pursuant to Article 16 of the Articles of Association of Banco Montepio, the remunerations of the Members of the Management and Supervisory Body and of the Statutory Auditor are established by the Remuneration Committee as stipulated in Article 11(c) of the Articles of Association, which corresponds to the provisions established in Article 399 of the Commercial Companies Code, by preparation of the decisions by the CRNA, an internal committee of the Board of Directors, foreseen in Article 19 of the Articles of Association, and as established in the MOAF Remuneration Policy approved at the General Meeting.

As this Remuneration Committee is not appointed by the shareholders, the power and duty to establish the remunerations of the Members of the Management and Supervisory Body of Banco Montepio are, under the terms of the law, exclusively entrusted to the General Meeting.

The current **Remuneration Policy of the Members of the Management and Supervisory Body of Banco Montepio** is published on the Bank's institutional website, and was approved at the General Meeting of 29 June 2021. This policy has been subject to an annual review by the CRNA, as established in point 11.2 of this policy, with the review subject to approval by the Board of Directors for submission to the next General Meeting of 20221, at a date to be scheduled under the terms of the law.

The revisions to the Remuneration Policy of the Members of the Management and Supervisory Body of Banco Montepio to be submitted at the next Annual General Meeting, as mentioned above, continues to ensure the compatibility of the defined remuneration mechanisms with the long-term strategy, goals and interests of Banco Montepio, and ensure sound and prudent risk management that discourages excessive and imprudent risk-taking. The Remuneration Policy of the Members of the Management and Supervisory Body of Banco Montepio establishes appropriate remunerative practices, stipulating criteria for the allocation, determination of the value, limits and composition of the variable component of remuneration, its alignment with the performance and risks incurred in the case that, if all the requirements for attribution are met, this is determined by the shareholders.

In 2021, the CRNA drafted a **Regulation of Implementation of the Remuneration Policy of Members of the Management and Supervisory Bodies (MOAF)**, to be approved by the Board of Directors and by the General Meeting, which establishes the rules for implementation of the Remuneration Policy of Members of the Management and Supervisory Bodies (MOAF), covering annual fixed remuneration, annual variable remuneration and other benefits attributable to the Members of the Board of Directors.

The current **Remuneration Policy of the Key Employees** was approved by the Board of Directors at its meeting held on 29 April 2021, and is published in the institutional area of the Banco Montepio's website.

The current version was the result of the annual review process that took place in 2021, which incorporated the recommendations issued by the regulator.

A **Remuneration Policy of the Employees** is also in force, having been approved by the Board of Directors on 5 November 2019 (OS number 116/2019, of 30/12/2019), which coexists with the other two remuneration policies at Banco Montepio referred to above.

III. Annual process of assessment of individual and collective adequacy

Between July and December 2021, the CRNA conducted the annual process of assessment of the adequacy, suitability, independence and availability of the members of the Board of Directors, as well as the collective assessment of the Board of Directors, Executive Committee, Audit Committee, Risk Committee, Corporate Governance, Ethics and Sustainability Committee, and its own self-assessment, in light of the general rules of Corporate Governance and Article 115-B(2)(c) and (d) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), in addition to the applicable policies of Banco Montepio.

In conclusion, the CRNA issued a Report of the Assessment Process that was analysed during a meeting of the Board of Directors, with the results having been appraised.

Annex I - Curricular information of members of the Board of Directors.

Annex II - Accumulation of positions by members of the Board of Directors.

Annex I

Relevant Curricular information of members of the Board of Directors

- **CARLOS MANUEL TAVARES DA SILVA**

Academic qualifications:

Licentiate degree in Economics from the Faculdade de Economia da Universidade do Porto; Governance & The Future of Banking Programme at INSEAD - Institut Européen d'administration des affaires (2019).

Professional activities performed over the last few years:

Chairman of the Board of Directors and Chairman of the Corporate Governance, Ethics and Sustainability Committee of Banco Montepio (since 2018); Chairman of the Board of Directors of Montepio Holding, SGPS (since 2018); Chairman of the Board of Directors of Montepio Investimento, S.A. (since 2018); Coordinator of the Working Group for the Reformation of the Financial Supervision Model (2017); Advisor of the Board of Directors of CGD (2016-2018); Chairman of the Governing Board / Board of Directors of the Securities Market Commission (2005-2016); Vice-Chairman of the European Securities and Markets Authority (ESMA) (2011-2016); Chairman of the Committee of European Securities Regulators (CESR) (2010-2011); Vice-Chairman of the Committee of European Securities Regulators (CESR) (2007-2010); Chairman of the Committee of Economic and Markets Analysis of the CESR (2007-2010); Chairman of the Standing Committee on Risk and Research / Committee on Emerging Risks of IOSCO (2011-2015); Chairman of the European Regional Committee of IOSCO (2010-2015); Member of the Board da International Organization of Securities Commissions (IOSCO) (2010-2015); Member of the Board of Trustees of the University of Porto (2009-2014); Director of the Bureau of European Policy Advisers of the European Commission (2004-2005); Minister of the Economy of the XV Constitutional Government (2002/2004); Vice-Chairman of the Executive Committee of Banco Santander de Negócios Portugal and Executive Director of Banco Totta and Crédito Predial Português (2000-2002); Chairman of the Board of Directors of BSN Dealer and Totta Finance (2000-2002); Vice-Chairman of Banco Totta & Açores and Banco Pinto e Sotto Mayor (1999-2000); Vice-Chairman of the Board of Directors of Banco Chemical Finance, S.A.; Director of Banco Pinto Sotto Mayor, Banco Totta e Açores and Crédito Predial Português (1998-1999); Director of Banco CISF (1996-1998); Chairman of the Board of Directors of Banco Nacional Ultramarino (1992-1996); Director of CGD (1992-1993); Vice-Chairman of CGD (1993-1996); Director of SIBS - Sociedade Interbancária de Serviços (1992-1993); Chairman of the Board of Directors of Unicre - Cartão Internacional de Crédito, S.A. (1992-1993); Chairman of the Board of Directors of Espaço Atlântico – Formação Financeira (1992-1995); Director of Banco Português do Atlântico (1992); Secretary of State and Treasury of the XI Constitutional Government (1989/1991); Member of the Monetary Committee and Coordination Group of the Economic Policies of the European Communities (1986-1991); Director of INGA – Instituto Nacional de Garantia Agrícola (1986-1987); Director of the Department of Economic Studies of the Ministry of Finance (1988-1989); Director of the Office of Analysis and Financing of the State and Public Enterprises (1987-1989); Chairman of the Supervisory Board of Companhia de Seguros Bonança (1986-1989); Advisor and Consultant of the Minister of Finance (1985-1989); Member of the Department of Economic Studies of Banco Português do Atlântico (1980-1985) performing duties of coordinator of the Department of Macroeconomics and coordinator of the team of the project of construction of a macroeconomic model of the Portuguese economy; Assistant at the Faculdade de Economia da Universidade do Porto (1975/1985).

- **MANUEL FERREIRA TEIXEIRA**

Academic qualifications:

Licentiate degree in Economics from Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa (1981); Post-graduation in European Economics from Universidade Católica de Lisboa (1985); Masters in Economics from Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa (1989); Corporate Governance – Board Leadership Programme from Nova - School of Business and Economics (2018); Governance & The Future of Banking Programme at INSEAD - Institut Européen d'administration des affaires (2020).

Professional activities performed over the last few years:

Director, Chairman of the Audit Committee (since 2018), Member of the Risk Committee (since 2019), Alternate Member of the Remunerations, Nominations and Assessment Committee (since October 2020) and Chairman of the Remunerations, Nominations and Assessment Committee (2019 to October 2020) of Banco Montepio; Executive Member of the Board of Directors of Hospital da Cruz Vermelha - CVP - Sociedade de Gestão Hospitalar, S.A. (since December 2020); Invited Professor at Universidade Nova – IMS (since 2015); Consultant of Santa Casa da Misericórdia de Lisboa (2015-2020); Secretary of State for Health of the XIX Constitutional Government (2011-2015) and Undersecretary of State of the Minister of Health of the XX Constitutional Government (2015); Chairman of the Central Administration of the Health System (2005-2011); Secretary of State for the Budget of the XVI Constitutional Government (2004-2005); Chairman of the Instituto de Gestão Financeira da Segurança Social (2002-2004); Member of the Advisory Board of the Instituto de Gestão dos Fundos de Capitalização da Segurança Social (2002-2004); Member of the Board of Directors of the Fundo para a Revitalização e Modernização do Tecido Empresarial, SGPS, S.A. (2002-2004); Chairman of the Instituto de Gestão Informática e Financeira da Saúde (1999-2002); Member of IFADAP-Instituto de Financiamento da Agricultura e Pescas (1998-1999); Director-General of Public Accounts and subsequently Director-General of the Budget (1996-1998); Chairman of the Accounts Review Committee of the Fundação Calouste Gulbenkian (1996-1998); Member of the Audit Board of the Fundação Ricardo Espírito Santo (1996-1998); Subdirector-General of the Junta do Crédito Público (1992-1996); Member of the Audit Committee of Santa Casa Misericórdia de Lisboa (1996-2004); Consultant of the Ministry of Finance (1989-1992); Assistant at ISEG - Instituto Superior de Economia e Gestão (1982-1994).

- **AMADEU FERREIRA DE PAIVA**

Academic qualifications:

Licentiate degree in Economics from the Instituto Superior de Economia (ISE) of Universidade Técnica de Lisboa (1978); taught part of the doctorate in International Relations-Geopolitics and Geoeconomics of the Universidade Autónoma de Lisboa (2016); Corporate Governance Programme: Board Leadership (8th edition), from Nova Business School & Economics (2021).

Professional activities performed over the last few years:

Director, Member of the Audit Committee (since 2018) Member of the Remunerations, Nominations and Assessment Committee (since 2019) and Member of the Risk Committee (since 2020) of Banco Montepio; Chairman of the Board of Directors of the Portuguese Committee for UNICEF (former Vice-Chairman) (since 2018); Professor at Universidade Autónoma de Lisboa (1995-1999 and from 2007 up to date); Board Advisor at SIBS Internacional, S.A. (2017-2018); Member of the General Board of Montepio Geral - Associação Mutualista (2015-2018); Director, Assistant Managing Director and Managing Director (1990-2002) and Executive Director at Unicre, IFIC, S.A. (2002-2014); Chairman of the Board of the General Meeting of ACEPI– Associação do Comércio Eletronico e da Publicidade Interativa (since 2013); Member of the Board of Directors of Paywatch (2009-2013); Member of the Board of Directors of Visa Portugal - Associação Nacional dos Operadores de Cartões Visa (2004-2008); Member of the Products and Marketing Advisers Group (1992-2013) and Acquirer Forum of Visa Europe, Ltd.; Executive Director of Banco Comercial dos Açores (1989-1990); Coordinator of Montepio Geral-Associação Mutualista (1986-1988). Professor at ISE, then ISEG, and Invited Professor at Universidade dos Açores and Universidade Eduardo Mondlane (1976-

2005). Researcher at CEDEP - Centro de Estudos de Economia Internacional, and its Executive Director (1978-2009).

- **CARLOS FRANCISCO FERREIRA ALVES**

Academic qualifications:

Licentiate, Masters and Doctoral degree in Economics from the Faculdade de Economia da Universidade do Porto. Aggregation in Management (Finance) at the same university.

Professional activities performed over the last few years:

Director, Vice-Chairman of the Risk Committee (since 2020), Member of the Audit Committee (since 2019), member of the Member of the Remunerations, Nominations and Assessment Committee and Member of the Corporate Governance, Ethics and Sustainability Committee (since 2019) of Banco Montepio; Member of the Coordinating Board of SEDES – Associação para o Desenvolvimento Económico e Social (since 2018); Chairman of the Academic Board of Porto Business School (since 2015); Associate Professor at the Faculdade de Economia da Universidade do Porto (since 2014); Chairman and Member of the Conselho Nacional de Supervisão de Auditoria (CNSA) (2012-2015); Chairman of the Committee for Economic and Markets Analysis (CEMA) and European Securities and Markets Authority (ESMA) (2011-2015); Representative of the CMVM at the General Board of the European Systemic Risk Board (ESBR) (2010-2016); Deputy Member of the Board of Supervisors of ESMA (2010-2016); Lecturer at Porto Business School (since 2009); Vice-Chairman of ECONET (2009-2010); Member of the Board of Directors of the CMVM - Comissão do Mercado de Valores Mobiliários (2008-2016); Member of the Board of the Instituto Português de Corporate Governance (2007-2010); Member of the Board of Directors of the Associação Portuguesa de Analistas Financeiros (2002-2008); Consultant of the Governing Board of the CMVM (2000-2008); Chairman of the Advisory Board of the Comissão Gestora dos Índices de Bolsa da Euronext Lisboa (2000-2003); Vice-Chairman of the Comissão Gestora dos Índices de Bolsa da Euronext Lisboa (2000-2003); Member of the Governing Board of the CMVM (1998-2000); Chairman of the Audit Board of the Instituto Nacional de Estatística (1997-1998); Undersecretary of State for the Treasury and Finance of the XIII Constitutional Government (1995-1998); Director of the Instituto Mercado de Capitais (1994-1995); Member of the Gabinete de Estudos da Bolsa de Valores do Porto (1990-1994); Member of the Commission that drafted the White Paper on Corporate Governance in Portugal.

- **JOSÉ DA CUNHA NUNES PEREIRA**

Academic qualifications:

Licentiate degree in Law from the Faculdade de Direito da Universidade de Coimbra.

Professional activities performed over the last few years:

Director, Chairman of the Remunerations, Nominations and Assessment Committee, Member of the Audit Committee and Member of the Corporate Governance, Ethics and Sustainability Committee (since 2020) of Banco Montepio; Member of the Steering Board of the Instituto de Valores Mobiliários of the Faculdade de Direito da Universidade de Lisboa (since 2020); Member of the Ethics Committee of Banco de Portugal (2016-2019); Chairman of the Portuguese Delegation of GAFI - Grupo de Ação Financeira Internacional (2011-2014); Director of the Investigation and Disciplinary Action Department of Banco de Portugal (2011-2014); Director of the Banking Supervision Department of Banco de Portugal (2009-2010); Director of the Internal Audit Department of Banco de Portugal and Member of the Internal Auditors Committee of the European System of Central Banks, having chaired the “Audit Task Force on Banknotes” (2001-2009); Member of the Advisory Board of the Comissão do Mercado de Valores Mobiliários (2000-2003); Vice-Chairman of the Executive Committee of the International Organization of Securities Commissions (IOSCO) (1998-2000); Chairman of the Comissão do Mercado de Valores Mobiliários (1996-2000); Vice-Chairman of the Comissão do Mercado de Valores Mobiliários (1995); Member of the technical team appointed by the ministry to draft the Legal Framework of Credit Institutions and Financial Companies (RGICSF) (1991); Member of the Audit Board of the Comissão do Mercado de Valores Mobiliários (1991-1994); Legal Consultant of the Minister of Finance (1990-1993); Legal Consultant at Banco de Portugal (1983-1989); Member of the technical team appointed by the ministry to draft the Securities Market Code (1988); Assistant on Law of Obligations and Commercial Law at the Faculdade de Direito da Universidade de Coimbra (1973-1978).

- **PEDRO JORGE GOUVEIA ALVES**

Academic qualifications:

Licentiate degree in Economics from the Faculdade de Economia da Universidade Católica Portuguesa, in Lisbon; Postgraduation in Marketing Management at Instituto Superior de Gestão; Postgraduation in Management of Information and Electronic Commerce at Universidade Católica Portuguesa, in Lisbon; Masters in Finance (Complete Curricular Programme, without Dissertation) at Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), Instituto Universitário de Lisboa; Advanced Executive Education of Big Data to Decision: Artificial Intelligence and Machine Learning at the London Business School; Blue Ocean Strategy Program, INSEAD, Fontainebleau; Governance & The Future of Banking Programme at INSEAD - Institut Européen d'administration des affaires (2020).

Professional activities performed over the last few years:

Director (since 2018) and Member of the Corporate Governance, Ethics and Sustainability Committee (since 2020) of Banco Montepio; Chairman of the Board of Directors of Montepio Crédito, S.A. (since 2018); Member of the Board of ASFAC – Associação Portuguesa de Instituições de Crédito Especializado (since 2021);General Coordinator of the Corporative Centre of Montepio Geral Associação Mutualista-MGAM (2016-2018); Non-executive Member of the Board of Directors of Bolsimo, S.A., in representation of the shareholder MGAM (2016-2018); Member of the Management Board of ASFAC Logalty (since 2015); Non-executive Member of the Board of Directors of the Portugal Venture Capital Initiative, SICAV, FIS/AIFM (REG), in representation of the shareholder MGAM (2009-2018); Chief Executive Officer (CEO) of Montepio Crédito, IFIC, S.A. (2014-2016); Executive Chairman of the Board of Directors (CEO) of Finicrédito, IFIC, S.A. (2012-2014); Chairman of the Supervisory Board of ASFAC (2012-2016); Member of the Board of ALF - Associação Portuguesa de Leasing, Factoring e Renting (2015-2016); Director of the Commercial Department of Companies and Institutions of Banco Montepio (2011-2012); Executive Member of the Board of Directors of Finibanco, S.A. (2011); Non-executive Member of the Board of Directors of Finicrédito, IFIC, S.A. (2011-2012); Non-executive Member of the Board of Directors of Finibanco Holding, SGSP, S.A. (2011-2013); Non-executive Member of the Board of Directors of Lestinvest, SGSP, S.A. (2011-2012); Director of the Department of Planning and Economic Studies of Banco Montepio (2008-2010); Director of the Department of Marketing and New Channels of Banco Montepio (2004-2008); Director of the Department of New Distribution Channels of Banco Montepio (1999-2004); Assistant Director of the Department of Strategic Marketing of BES - Banco Espírito Santo, S.A. (1998-1999); Subdirector of the Department of Strategic Marketing of BES (1995-1997).

- **RUI PEDRO BRÁS MATOS HEITOR**

Academic qualifications:

Licentiate degree in Law from the Faculdade de Direito da Universidade de Lisboa; Attendance of the postgraduation in Arbitration at the Faculdade de Direito da Universidade Nova de Lisboa; Postgraduation in Corporate Governance from the Faculdade de Direito da Universidade de Lisboa – Centro de Investigação de Direito Privado; Corporate Governance-Leadership of Boards Programme at the Faculdade de Economia da Universidade Nova de Lisboa; Inspiring Strategic Reflection Programme at the Faculdade de Economia da Universidade Nova de Lisboa.

Professional activities performed over the last few years:

Director (since 2018), Member of the Risk Committee, Member of the Corporate Governance, Ethics and Sustainability Committee (since 2019) and Alternate Member of the Remunerations, Nominations and Assessment Committee (since 2020) of Banco Montepio; Non-executive Director of HTA - Hotéis Turismo e Animação dos Açores, S.A. (since 2018); Secretary of the Board of the General Meeting of Montepio Gestão de Ativos, Sociedade Gestora de Fundos de Investimento, S.A. (since 2018); Secretary of the Board of the General Meeting of Futuro - Sociedade Gestora de Fundos de Pensões, S.A. (since 2018); Secretary of the

Board of the General Meeting of Residências Montepio, Serviços de Saúde, S.A. (since 2018); Member of the General and Supervisory Board of Banco Montepio (2015-2018); Employee of Banco Montepio, working as a lawyer at the Credit Recovery Department and Litigation Department; Head of the area of lawyers at Montepio Recuperação de Crédito, A.C.E.; Head of the Department of Judicial Recovery and Lawyers of the Credit Recovery Division, and Assistant Secretary-General of Montepio Geral Associação Mutualista-MGAM (since 2005).

- **VÍTOR MANUEL DO CARMO MARTINS**

Academic qualifications:

Licentiate Degree in Finance from ISCEF - Instituto Superior de Ciências Económicas e Financeiras; Audit from *Hautes Études Commerciales* in Jouy-en-Josas, France; Financial Accounting at Arthur Andersen & Co. in Madrid; Preparatory Course for Auditors – CROC; Industrial Project Analysis – IPE; Course of the Statutory Auditors Association (OROC) in the context of continuous training; Postgraduation in Corporate Governance at the Faculdade de Direito da Universidade de Lisboa.

Professional activities performed over the last few years:

Director, Chairman of the Risk Committee (since 2019) and Members of the Audit Committee (since 2018) of Banco Montepio; Member of the General and Supervisory Board of Caixa Económica Montepio Geral (2015-2018); Statutory Auditor at Companies of various economic, industrial, commercial, SPGS and financial Sectors (1983-2018); Auditor at Arthur Anderson & Co. (1973-1974).

- **PEDRO MANUEL MOREIRA LEITÃO**

Academic qualifications:

Licentiate degree in Economics from Universidade de Évora; Postgraduation in e-Business, Masters in Management and MBA, all at Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa; Postgraduation in Management Consulting at Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), in Lisboa; Leading Businesses into the Future and Senior Executive Program at the London Business School, London; Leading Digital Business Transformation at IMD, Switzerland; Value Creation for Owners and Directors – Corporate Governance for Long Term Value Creation at INSEAD, France; Customer Focused Innovation at Stanford University, USA.

Professional activities performed over the last few years:

Chairman of the Executive Committee (since 2020) of Banco Montepio; Vice-Chairman of the Board of Directors of Montepio Holding, SGPS (since 2021) ;Member of the Supervisory Board of Oeiras International School (since 2019); Executive Director of Banco Atlântico EUROPA, Portugal (2015-2019); Executive Director of Banco Millennium Atlântico, Angola (2011-2016); Partner of Deloitte in financial services (2001-2011); Lecturer at Porto Business School (2008-2011) and ISEG - Licentiate degree in Economics and Postgraduation for Executives (2002-2010); Director and previously Manager and Customer Manager at Banco Bilbao Vizcaya Argentaria (1997-2001).

- **DULCE MARIA PEREIRA CARDOSO MOTA JORGE JACINTO**

Academic qualifications:

Licentiate degree in Corporate Organisation and Management from Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE); Senior Management Programme at AESE Business School; Top Management Programme at INSEAD; Governance & The Future of Banking Programme at INSEAD - Institut Européen d'administration des affaires (2020).

Professional activities performed over the last few years:

Vice-Chairman of the Executive Committee (since 2019) of Banco Montepio; CEO of Banco Activobank, S.A. (2018); Member of the Board of Directors of Fundação Millennium BCP (2013-2018); at Banco Comercial Português, S.A.: Director of Communication (2016-2017), Head of the Office of the Chairman of the Board of

Directors (2012-2017), Director of Private Banking Marketing (2012-2016), Head of the Area of Individuals Internet (2004-2005), Head of the Investment Product Unit (2003-2004), Head of the Real Estate Credit Product Unit (2003) and Head of the Brokerage and Securities Product Unit (2002); Member of the Board of Directors of Banco Activobank, S.A. (2006-2010); Member of the Board of Directors of AF Investimentos - Sociedade Gestora de Fundos (1995-2010); Director of Communication and Marketing of AF Investimentos (1995-2000); at CTT - Correios de Portugal, S.A.: Director of the Business Unit (1995); Central Commercial and Marketing Director (1994); Central Marketing Director (1992-1994); Director of Correspondence (1989-1991); University Professor at ISCTE (subjects of Maths and Operational Research).

- **HELENA CATARINA GOMES SOARES DE MOURA COSTA PINA**

Academic qualifications:

Licentiate degree in Law from the Faculdade de Direito da Universidade de Lisboa (FDUL); Postgraduation in Studies on the Society of Information and Electronic Commerce at FDUL; Attendance of the post-graduation in Industrial Law at FDUL; Attendance of the Cross-Border Dispute Resolution course at the Lex Mundi Institute, USA; Corporate Governance - Board Leadership Programme at Nova School of Business and Economics, Lisbon; International Directors Banking Programme at INSEAD - Institut Européen D'Administration des Affaires.

Professional activities performed over the last few years:

Executive Director (since 2018) at Banco Montepio; Member of the Board of Directors of SIBS, SGPS, S.A., in representation of Banco Montepio (2018-2021); Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A., in representation of Banco Montepio (2018-2021); Director of Litigation of the Ageas Group in Portugal (2017-2018); Member of the Business Board of the Associação Portuguesa de Arbitragem (since 2017); Partner (2013-2017), Senior Lawyer (2009-2013), Principal Associate (2005-2008), Associate Lawyer (1999-2004) and Lawyer (1997-1999) at the law firm Morais Leitão, Galvão Teles, Soares da Silva & Associados (formerly named Morais Leitão & Galvão Teles).

- **JORGE PAULO ALMEIDA E SILVA BAIÃO**

Academic qualifications:

ISPA University attendance – 4th year of Applied Psychology – Social and Organisations Branch; Specialisation Diploma in Bank Management from the Instituto de Formação Bancária.

Professional activities performed over the last few years:

Director with executive duties (since 2021) of Banco Montepio; Member of the Board of Directors of SIBS, SGPS, S.A., as representative of Banco Montepio (since 2021); Member of the Board of Directors of SIBS, Forward Payment Solutions, S.A., as representative of Banco Montepio (since 2021); CIO of Grupo Crédito Agrícola - CA Serviços, ACE and CFO of CA Serviços, ACE and CA Informática, S.A. (2013-2021)(2021); Chief Executive Officer (CEO) and responsible for the conduct of Corporate Finance, M&A, Private Equity and Financial and Management Advice of Grupo Crédito Agrícola at CA Consult, S.A. (2006-2013); Executive Director for the conduct of consulting for the Financial and Health sectors - (Build & Buy Strategies for Private Equity, Value Growth Strategy and Value Based Management) at Arthur D. Little (2004-2006); Invited professor at the Instituto Superior de Economia e Gestão and at the Instituto para o Desenvolvimento de Estudos Económicos, Financeiros e Empresariais - (IT Governance and IT Strategy) (2003-2019); Director of Business Development, in the areas of Value Growth Strategy, Risk Management and OPEX/CAPEX reduction programmes for the Financial, Health and Public sectors at Deloitte Consulting, Grupo Deloitte (2001-2004); Executive Board Member of Banco Uno-e, Spain, of Grupo Financeiro BBVA (1999-2001); Director responsible for the development and implementation of Management Control, Risk Management and IT Framework models for various Banks of Grupo Santander in Latin America (Argentina, Chile, Venezuela and Brazil) (1995-1999); Coordinator of the areas of Analysis of Credit Risk and Market Risk and Information Systems applied to Management Control at Banco Santander Portugal (1992-1995); Area Manager for Information Technologies and Operations supporting the business in the areas of Credit Risk, Market Risk and Management Control at Banco Comércio e Indústria (1991-1992); Senior Analyst of Organisation, Processes and Competences at Banco Comércio e Indústria (1988-1991).

- **JOSÉ CARLOS SEQUEIRA MATEUS**

Academic qualifications:

Licentiate degree in Economics from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa; Masters in Maths Applied to Economics and Management (without presentation of dissertation) from Instituto Superior de Economia e Gestão (ISEG), Universidade Técnica de Lisboa; Governance & The Future of Banking Programme at INSEAD - Institut Européen d'administration des affaires (2020).

Professional activities performed over the last few years:

Director with executive duties (since 2018) at Banco Montepio; Managing Director (former executive) of the Board of Directors of Montepio Holding, SGPS (since 2018); Non-executive Director of the Board of Directors of Montepio Investimento, S.A. (since 2018); Non-executive Director of the Board of Directors of Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A. (2017-2021); Non-executive Director of Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A. (2015-2017); Non-executive Director of Finivalor - Sociedade Gestora de Fundos de Investimento, S.A. (2011-2013); Member of the Board of Directors of Montepio Investimento (former Finibanco) (2011); Non-executive Director of Montepio Gestão de Ativos (2008-2012); Director of the Financial and International Department of Banco Montepio (2008-2018); Executive Director of Banco Montepio Geral Cabo Verde (2008); Non-executive Director of Futuro-Sociedade Gestora de Fundos de Pensões, S.A. (2008-2018); Central Subdirector Central - Department of Global Markets at Millennium BCP (2007-2008); Director of the Treasury Department of Bank Millennium, in Poland (2001-2007); Director responsible for Funding & Liquidity at the Treasury Department of Banco Comercial Português (2000-2001); Director, Subdirector and Manager at Banco Mello de Investimentos (1996-2000); Manager at Banco Totta & Açores (1990-1995).

- **LEANDRO RODRIGUES DA GRAÇA SILVA**

Academic qualifications:

Licentiate degree in Finance from Instituto Superior de Economia e Gestão of Universidade Técnica de Lisboa.

Professional activities performed over the last few years:

Director with executive duties (since 2018) of Banco Montepio; Managing Director of Montepio Investimento, S.A. (since 2021); Member of the Board of Directors of Montepio Gestão de Ativos Imobiliários, ACE, in representation of Banco Montepio (since 2020); Executive Director of the Board of Directors of Banco Nacional Ultramarino, S.A., in Macau (2014-2018); Member of the Board of Directors and Executive Head of Sogrupo, Compras e Serviços Partilhados, ACE, S.A. (2008-2014); Coordinator Director of the Department of Customers of Caixa Banco de Investimento, S.A. (2007-2008); Member of the Board of Directors and Executive Committee of Banco Comercial do Atlântico, S.A. and of Companhia de Seguros Garantia, S.A., in Cape Verde (2004-2007); Member of the Board of Directors of SISP - Sociedade Interbancária e Sistemas de Pagamento, S.A., in representation of Banco Comercial do Atlântico, S.A. (2004-2007); Deputy; Head of Office and Advisor of the Minister of the Economy of the XV Constitutional Government (2002-2004); Deputy Director of the Research Department of Caixa Valores do Caixa Banco de Investimento, S.A. (Banco Totta & Sottomayor Investimentos) (1999-2002); Technician of the Corporate Research Department and of the Planning and Control Department of Banco CISF, S.A., Grupo Banco Comercial Português, S.A. (1991-1999).

- **NUNO CARDOSO CORREIA DA MOTA PINTO**

Academic qualifications:

Licentiate degree in Economics from the Faculdade de Economia da Universidade de Coimbra; Master in Business Administration (MBA) at INSEAD, Fontainebleau; Corporate Governance – Board Leadership Programme at Nova - School of Business and Economics (2018); Governance & The Future of Banking Programme at INSEAD - Institut Européen d'administration des affaires (2020).

Professional activities performed over the last few years:

Director with executive duties (since 2018) of Banco Montepio; Managing Director (former executive) of the Board of Directors of Montepio Investimento, S.A. (since 2019); Non-executive Director (former executive) of the Board of Directors of Montepio Holding, SGPS (since 2018); Non-executive Director of the Board of Directors of Montepio Crédito, S.A. (since 2018); Chairman of the Board of Directors of Finibanco Angola, S.A. (since 2018); Alternate Director of the World Bank Group (2003-2018); Member of the Administration of the World Bank Group (2003-2018); Member of the Administration of the International Bank for Reconstruction and Development - IBRD (2003-2018); Member of the Administration of the International Finance Corporation - IFC (2003-2018); Member of the Administration of the Multilateral Investment Guarantee Agency - MIGA (2003-2018); Alternate member of the Board of Directors of the Global Environment Facility (since 2003); Financial Adviser *ex-officio* at the Portuguese Embassy in Washington DC (2011-2014); Representative of Portugal at the Donors Committee of the Multilateral Investment Fund of the Inter-American Development Bank Group (2009-2015); Member of the Advisory Board of the Programme of Partnerships for Development of Fundação Calouste Gulbenkian (2013-2017); Member of the Advisory Board of the Faculdade de Economia da Universidade de Coimbra (since 2010); Director at Banco Português de Investimento, S.A. and Banco BPI, S.A. (1994-2003).

- **PEDRO MIGUEL NUNES VENTANEIRA**

Academic qualifications:

Licentiate degree in Corporate Organisation and Management from Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), Lisbon; Postgraduation in International Financial Management at FUTOP – Training and IESF; Strategic Management in Banking and International Directors Banking Programmes, INSEAD - Institut Européen D'Administration des Affaires.

Professional activities performed over the last few years:

Director with executive duties (since 2018) at Banco Montepio; Managing Director (Chief Risk Officer) of Montepio Holding, SGPS (since 2018); Director responsible for Risk Control, Chief Risk Officer (former Executive) of the Board of Directors of Montepio Investimento, S.A. (since 2019); Representative of Banco Montepio on Board B of the APB - Associação Portuguesa de Bancos (since 2019); Non-executive Director of the Board of Directors and Coordinator of the Risk and Asset and Liability Management Committee of Finibanco Angola, S.A. (since 2018); Haitong Bank, S.A. (formerly named Banco Espírito Santo de Investimento, S.A.): /Group Chief Risk Officer/Senior Managing Director (2016-2017), Director at the Centre/Senior Management and in the Management and Coordination of the Management Information Department (2005-2016), Director in the Management and Coordination of the Accounting and Oversight Department (2002-2016) and Director of Implementation and Management of the Group's Risk Control Area (2000-2016); Senior at PricewaterhouseCoopers – Audit and Financial Advisory Division (1996-1999); Certified accountant number 38845; CF 28, Financial Conduct Authority (FCA), issued in February 2017.

Annex II - Accumulation of positions by members of the Board of Directors

Accumulated positions, including additional responsibilities at commissions and committees

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Carlos Tavares	**Caixa Económica Montepio Geral** - Chairman of the Board of Directors - Chairman of the Corporate Governance, Ethics and Sustainability Committee **Montepio Holding, SGPS** Chairman of the Board of Directors **Montepio Investimento, S.A.** Chairman of the Board of Directors	• Fundação Montepio Geral (Member of the Board of Trustees). • Fundação da AEP - Associação Empresarial de Portugal (Representative of Banco Montepio at the Board of Trustees) • Fundação Casa da Música (Member of the Board of Founders) • Fundação Benjamim Dias Costa (Chairman of the Board of Trustees)
Manuel Ferreira Teixeira	**Caixa Económica Montepio Geral** - Chairman of the Audit Committee - Member of the Risk Committee - Alternate Member of the Remunerations, Nominations and Assessment Committee	• Universidade Nova de Lisboa - Information Management School (Invited Professor) • Hospital da Cruz Vermelha - CVP - Sociedade de Gestão Hospitalar, S.A. (Executive Member of the Board of Directors)
Amadeu Paiva	**Caixa Económica Montepio Geral** - Director - Member of the Audit Committee - Member of the Risk Committee - Member of the Remunerations, Nominations and Assessment Committee	• Universidade Autónoma de Lisboa (Professor) • Associação do Comércio Eletrónico e da Publicidade Interativa (Chairman of the Board of the General Meeting) • Casa do Concelho de Castro Daire (Chairman of the Board of the General Meeting) • Portuguese Committee for UNICEF - United Nations Children's Fund (Chairman of the Board of Directors)
Carlos Ferreira Alves	**Caixa Económica Montepio Geral** - Director - Vice-Chairman of the Risk Committee - Member of the Audit Committee - Member of the Remunerations, Nominations and Assessment Committee - Member of the Corporate Governance, Ethics and Sustainability Committee	• Faculdade de Economia da Universidade do Porto (Associate Professor with Aggregation) • CEF.UP - Centro de Economia e Finanças of Universidade do Porto (Researcher) • Porto Business School (Chairman of the Academic Board and Professor) • Futebol Clube Paços de Ferreira (Chairman of the Supervisory Board) • SEDES - Associação para o Desenvolvimento Económico e Social (Member of the Coordinating Board)
José Nunes Pereira	**Caixa Económica Montepio Geral** - Director - Chairman of the Remunerations, Nominations and Assessment Committee - Member of the Audit Committee - Member of the Corporate Governance, Ethics and Sustainability Committee	• Instituto de Valores Mobiliários (Member of the Steering Board)
Pedro Alves	**Caixa Económica Montepio Geral** - Director - Member of the Corporate Governance, Ethics and Sustainability Committee **Montepio Crédito, S.A.** Executive Chairman of the Board of Directors	• ASFAC Logalty (Member of the Management Board) • ASFAC (Board Member)
Rui Heitor	**Caixa Económica Montepio Geral** - Director - Member of the Risk Committee - Member of the Corporate Governance, Ethics and Sustainability Committee - Alternate Member of the Remunerations, Nominations and Assessment Committee **HTA - Hotéis Turismo e Animação dos Açores S.A.*** Non-executive Director * Consolidation by the equity method	• Futuro - Sociedade Gestora de Fundos de Pensões, S.A. (Secretary of the Board of the General Meeting) • Residências Montepio, Serviços de Saúde, S.A. (Secretary of the Board of the General Meeting) • Montepio Gestão de Ativos, Sociedade Gestora de Fundos de Investimento, S.A.* (Secretary of the Board of the General Meeting) * Consolidation by the equity method

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
Vítor Martins	**Caixa Económica Montepio Geral** - Director - Chairman of the Risk Committee - Member of the Audit Committee	• Floresta Atlântica, Soc. Gestora Fundos Investimento Imobiliário, S.A. (Chairman of the Supervisory Board) • Martins & Ahmad, SROC, Lda (Partner) • CA Capital SCR, S.A. (Member of the Supervisory Board)
Pedro Leitão	**Caixa Económica Montepio Geral** - Chairman of the Executive Committee - Chairman of the Business Committee - Member of the Internal Control Committee - Member of the Cybersecurity Committee - Member of the ALCO Committee * - Member of the Impairment Committee * - Member of the Costs and Investments Committee * - Member of the Pension Fund Monitoring Committee * - Member of the Non-Performing Asset Monitoring Committee * - Member of the Credit Committee * - Member of the Technology Committee * * Optional attendance **Montepio Holding, SGPS** - Vice-Chairman of the Board of Directors	• APB– Portuguesa de Bancos (Member of Board A in representation of Banco Montepio) • AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado (Member of the General Board, in representation of Banco Montepio) • Oeiras Internacional School (Member of the Supervisory Board)
Dulce Mota	**Caixa Económica Montepio Geral** - Director - Vice-Chairman of the Executive Committee - Member of the ALCO Committee - Member of the Impairment Committee - Member of the Technology Committee - Member of the Credit Committee * * Optional attendance	• Alumni ISCTE (Member of the Advisory Board) • AFIP- Associação FinTech e Insurtech Portugal (Member of the Advisory Board) • Câmara de Comércio e Indústria Portuguesa (Board Member in representation of Banco Montepio).
Helena Soares de Moura	**Caixa Económica Montepio Geral** - Director - Member of the Executive Committee - Chairman of the Pension Fund Monitoring Committee - Chairman of the Internal Control System - Member of the Business Committee - Member of the ALCO Committee * - Member of the Costs and Investments Committee * - Member of the Credit Committee * Optional attendance	• APA - Associação Portuguesa de Arbitragem (Member of the Business Board)
Jorge Baião	**Caixa Económica Montepio Geral** - Director - Member of the Executive Committee - Chairman of the Costs and Investments Committee - Chairman of the Technology Committee - Chairman of the Cybersecurity Committee - Member of the Business Committee - Member of the Internal Control Committee - Member of the Credit Committee * * Optional attendance	• Plenary of CISP - Comissão Interbancária para os Sistemas de Pagamentos (in representation of Banco Montepio) • Resilience and Cybersecurity Forum (in representation of Banco Montepio) • SIBS, SGPS, S.A. (Member of the Board of Directors, in representation of Banco Montepio) • SIBS, Forward Payment Solutions, S.A. (Member of the Board of Directors, in representation of Banco Montepio) • SOPRUS – Consultoria Unipessoal, Lda. (Managing Partner)

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	Outside the consolidation perimeter
José Carlos Mateus	**Caixa Económica Montepio Geral** - Director - Member of the Executive Committee - Chairman of the ALCO Committee - Member of the Impairment Committee - Member of the Credit Committee - Member of the Business Committee - Member of the Costs and Investments Committee - Member of the Pension Fund Monitoring Committee - Member of the Non-Performing Asset Monitoring Committee **Montepio Holding, SGPS** - Managing Director **Montepio Investimento, S.A.** - Executive Director **Banco Montepio Geral Cabo Verde, Sociedade Unipessoal, S.A.** (entity that closed its activity on 30/11/2021, by decision of voluntary dissolution) - Executive Director	
Leandro Graça Silva	**Caixa Económica Montepio Geral** - Director - Member of the Executive Committee - Chairman of the Non-Performing Asset Monitoring Committee - Member of the ALCO Committee - Member of the Impairment Committee - Member of the Credit Committee **Montepio Investimento S.A**. - Managing Director - **Montepio Gestão de Ativos Imobiliários, ACE** - Member of the Board of Directors, in representation of Banco Montepio	• Olympic Committee of Portugal (Chairman of the Supervisory Board) • Federação Portuguesa de Orientação (Chairman of the Supervisory Board)
Nuno Mota Pinto	**Caixa Económica Montepio Geral** - Director - Member of the Executive Committee - Member of the ALCO Committee - Member of the Impairment Committee - Member of the Credit Committee * * Optional attendance **Montepio Holding, SGPS** - Non-executive Director **Montepio Investimento S.A**. - Managing Director **Montepio Crédito, S.A.** - Non-executive Director **Finibanco Angola, S.A.** - Chairman of the Board of Directors	• Startup Lisboa (AIEL - Associação Para a Inovação e Empreendedorismo de Lisboa; Member of the Board in representation of Banco Montepio)

Members of the Board of Directors	Within the consolidation perimeter – Banco Montepio Group	• Outside the consolidation perimeter
Pedro Ventaneira	**Caixa Económica Montepio Geral** - Director - Member of the Executive Committee - Chairman of the Impairment Committee - Chairman of the Credit Committee - Member of the ALCO Committee - Member of the Business Committee - Member of the Pension Fund Monitoring Committee - Member of the Non-Performing Asset Monitoring Committee - Member of the Internal Control Committee - Member of the Technology Committee - Member of the Cybersecurity Committee **Montepio Holding, SGPS** - Managing Director (CRO) **Montepio Investimento S.A**. - Director responsible for Risk Control (CRO) **Finibanco Angola, S.A.** - Non-executive Director and Coordinator of the Risk, Asset and Liability Management Committee	• APB - Associação Portuguesa de Bancos (B Board Member in representation of Banco Montepio)

REPORT AND ACCOUNTS
2021

Banco Montepio © 2022 | CAIXA ECONÓMICA MONTEPIO GERAL, caixa económica bancária, S.A., Head Office Rua Castilho, n°5, 1250-066 Lisboa | Share Capital: 2.420 million of euros | Registered at the Commercial Registry of Lisbon under the single registration and tax identification number 500792615

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