Pillar 3 Report 2021

Disclosure of information in accordance with Part VIII of Regulation (EU) N.° 575/2013 of the European Parliament and of the Council of 26 june 2013 (reviewed by Regulation 876/2019) and Execution Regulation (EU) 637/2021, regarding disclosure requirements.

29 June 2022

(With reference to 31 December 2021)

Índice

Foreword

This report is prepared in accordance with the regulatory requirements set out in Part VIII of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013 (CRR or Regulation (EU) No. 575/2013) on the disclosure of information of prudential relevance (Pillar III), and the Regulation (EU) No. 2021/637 of the Commission of 15 March 2021, on the requirements of such disclosure, as a complement to the information required in the scope of the annual financial statements.

On this basis, the information disclosed in this report complies with the requirements set out in the CRR, for Banco Finantia, S.A. (on a consolidated basis whilst "parent institution in the EU" hereinafter “Banco Finantia”) regarding the information specified in articles 435, 437, 438, 447, and 450) and is structured in accordance with Title II and Title III of Part VIII of the CRR, as follows:

1. Scope of application (article 436)
2. Risk management policies (article 435)
3. Own funds (article 437)
4. Capital requirements and and risk-weighted exposure amount (article 438)
5. Key metrics (article 447)
6. Remuneration policy (article 450)

Banco Finantia

Unless expressly stated to the contrary or when the context results otherwise,the information disclosed in this report was prepared with reference to 31 December 2021 and applies to Banco Finantia consolidation perimeter, including all its subsidiaries (together with Banco Finantia referred to in this report as "Group").

Banco Finantia as parent institution, is the entity that conducts the Group's business activities, directly or through its subsidiaries, following the strategy outlined for the Group.

Group disclosure policy

Group's Disclosure Policy has approved by the Board of Directors was drafted in accordance with article 431.º, n.º 3, first paragraph and article 434.º, n.º 1 in Part VIII of Regulation (EU) No. 575/2013. This Policy aims to ensure that the disclosure requirements laid down in Part VIII of CRR, are subject (at least) to the same level of verification and internal procedures than the management information disclosed in the Annual Report and Accounts and to establish the internal controls and procedures in place to assess their appropriateness. In this context, the Board of Directors and heads of department are responsible to establish and maintain an adequate and efficient internal control system to support information disclosures, including the disclosure requirements laid down in Part VIII of CRR, ensuring as well their appropriateness and verification.

Statment

The Board of Directors of Banco Finantia certify that the present document was prepared with reference to 31 December 2021 and that the procedures deemed necessary for the public disclosure of the information have been carried out and that, to the best of their knowledge, all the information disclosed is true and reliable.

The information reported in this document, with reference to 31 December 2021, suffered during the year of 2021 influence of the outbreak caused by Covid-19 that spread globally, affecting less developed and more vulnerable geographic areas, and in which the measures decreed to contain them caused severe impacts on the markets, particularly the financial ones, negatively affecting economic activity worldwide.

The macroeconomic outlook for 2022 is associated with a high degree of uncertainty. The armed conflict in Ukraine has created an unpredictable economic, social and geopolitical environment, which has been compounded by the apearance of new Covid-19´s variants and risks to inflation, in particular those stemming from the possibility of a higher pass-through of commodity and intermediate goods price increases to consumer prices, which have created further uncertainty about the projections for the coming years.

Taking into consideration the uncertainty regarding the potential economic impact associated with the current situation, namely what is occurring in Eastern Europe, the Board of Directors of Banco Finantia will continue to assume a prudent posture and monitor the evolution of the situation in order to assess the short and medium-term impacts on Group's activity and risk profile aiming to prioritise the interests of the different stakeholders, including depositors and customers, employees and shareholders.

1 Scope of application (Article 436)

1.1 Banco Finantia Group

Banco Finantia is an independent bank, with 30 years of domestic and international experience, and a reference institution in Portugal in the areas of investment and private banking. Throughout the 30 years, Banco Finantia was always solid and profitable, presenting capital ratios above sector average – in 31 December 2021 its Common Equity Tier 1 (CET1) ratio was 26.1%.

It operates in two important niche markets:

1) Corporate & Investment Banking - Capital markets, fixed-income products to companies and investors, corporate loans, financial restructurings and financial advisory services focusing on cross-border Mergers and Acquisitions;

2) Private Banking - quality personalized services, for affluent and wealthy customers.

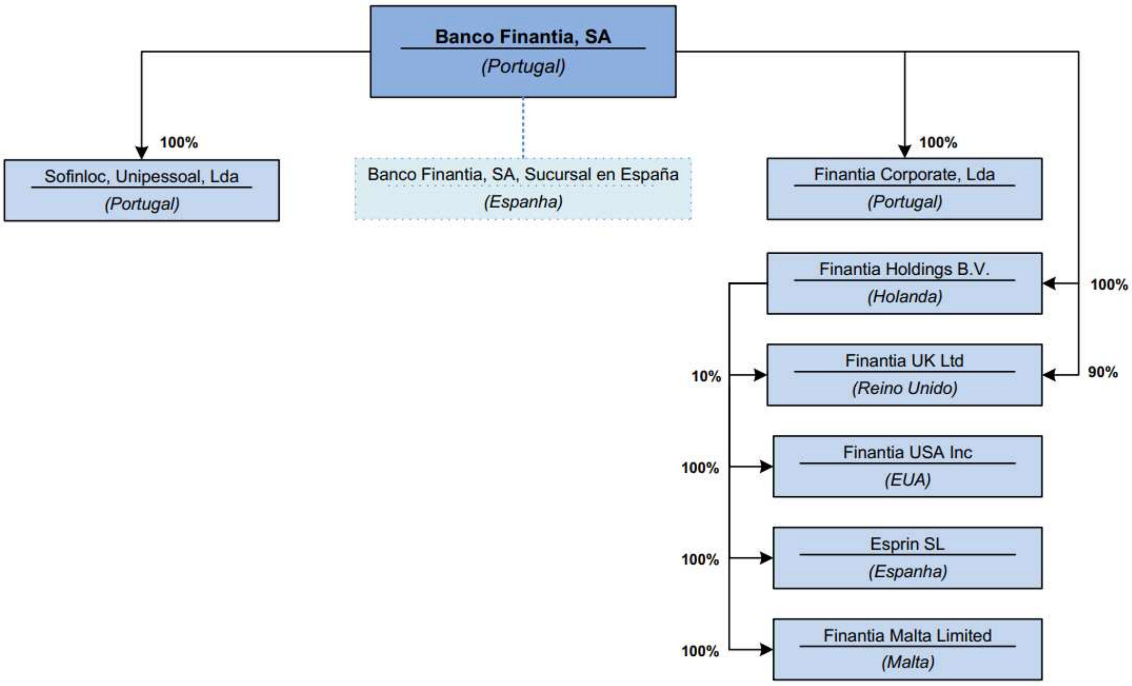
Banco Finantia focuses, geographically, on Portugal and Spain, having as its main operatings units a bank in Portugal with a branch in Spain, a investment firm in the United Kingdom and and a broker-dealer in the United States, and an auxiliary subsidiary in Malta.

The organizational chart below identifies the entities that are included in the Group, as well as the jurisdictions where they are based. Of these entities, only Banco Finantia carries out banking activity.

There are no differences between the consolidation perimeter used for accounting and prudential purposes, all the entities included in the consolidation perimeter are being consolidated using the full consolidation method and there are no current or foreseeable legal or factual impediments to a timely transfer of own funds or the prompt liabilities refund between the parent company and its subsidiaries.

Organizational Chart

(31 December 2021)



The following changes occurred in 2021 in the Group's structure:

- The function of monitoring compliance with the regulatory framework provided for in Article 7 of Bank of Portugal Regulation No. 2/2018 (hereinafter "AML Function") was segregated from the Compliance Function with effect from 1 June 2021;
- The subsidiary Finantia Brasil Ltda. was voluntarily dissolved by decision of its shareholders and liquidated on 1 July, and the respective office in Brazil was closed;
- The process of accounting and prudential deconsolidation of Finantipar, S.A. was completed during November 2021, with Banco Finantia becoming the Group's parent company;
- On 25 November the process of merger by incorporation of Banco Finantia Spain, S.A. into Banco Finantia was completed, and consequently a branch of Banco Finantia in Spain was created, through which Banco Finantia now directly develops in Spain the activity previously developed by Banco Finantia Spain S.A..

1.2 Description of the activity developed by the various Group entities

Banco Finantia, S.A.

A credit institution that undertakes the Group's main activity, operating in two important niche markets: Corporate & Investment Banking and Private Banking, as better described in point 1.1. above..

Banco Finantia, S.A, Sucursal en España

O Banco Finantia, S.A, Sucursal en España develops its activity in spain in the market segment of Private Banking and Capital Markets through a branch in line with the strategic guidelines established for the Group.

Products and services offered include: i) the discretionary management of portfolios and the trading of shares, bonds and investment funds; ii) investment advice on bonds, shares and investment funds; iii) deposits; and iv) the custodianship of securities.

Sofinloc, Unipessoal, Lda.

Sofinloc is dedicated exclusively to the activity of recovery and management of non-performing loans.

Finantia Corporate, Lda.

Anauxiliary services company which object is to provide investment, administrative, technical and consultancy services and general business support to Group companies.

Finantia Holding, B.V.

Company which object the management of holdings as an indirect form of carrying out economic activities.

Finantia UK Limited

Finantia UK is an investment firm that engages in intermediation activities and operates in the areas of Capital Markets (fixed income) and of Financial Advisory in Corporate Banking and in syndicated loans for professional customers, following the strategic guidelines established for the Group

Finantia USA, Inc.

Investment firm who exercises the activity of broker-dealer, for institutional clients in the acquisition of foreign bonds, acting on behalf of Finantia UK. It is registered as a broker-dealer at Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA").

Esprin Española de Promociones,S.L.

Company that management and administration of securities representative of the capital of other entities.

Finantia Malta Limited

Banco Finantia

Company that manages its own asset portfolio, in accordance with the strategic guidelines established by the Group. Establishes commercial arrangements and channel relevant information to generate business activites at Group level.

2 Risk management policies (Article 435)

2.1 Statement on the adequacy of the risk management systems

The Board of Directors of Banco Finantia confirm that the risk management system implemented, as well as the processes and measures to ensure that the defined risk limits are met, is adequate to ensure the correct development of the business strategy, taking into account the risk profile and size of the Group.

2.2 Statement of the General Risk profile and its relation with the Business Strategy

The Group's risk management policies are based on a conservative approach, reflected in its robust capital ratios and liquidity position. As fundamental principle underlying the management and formulation of risk strategies is the understanding of the risks to which the institution is exposed and the implementation of a comprehensive risk appetite structure for the Group.

On that basis, the Group has established the five fundamental principles that outline its risk appetite, and that guide its activity, business model and business strategy:

- **Solvency principle:** the Group undertakes to maintain an adequate level of capital to accommodate unexpected losses, both under normal and adverse conditions, in order to be perceived as a solid and robust entity;
- **Liquidity principle:** the Group undertakes to maintain a stable financing structure and sufficient liquidity to meet its financial obligations, ensuring its continuity even under stress scenarios;
- **Profitability principle:** the Group undertakes to provide its shareholders with a return adequate to the risks assumed;
- **Sustainability principle:** the Group considers that it is of strategic importance to maintain sustainable levels of activity and exposure to risk, whilst preserving its image and reputation and engaging in social contribution actions. With this objective, the Group works on the proper definition, communication and implementation of its risk strategy and appetite; and
- **Business continuity principle:** Banco Finantia assumes as a strategic objective the commitment to maintain its business continuity management system, applicable to all the Group's entities, which allows ensuring the continuity of the critical business functions, at minimum acceptable levels, in the event of the occurrence of disruptive events. The Board of Directors has overall responsibility for the business continuity management system. This system has the key objectives of ensuring that the Group, in the event of the occurrence of disruptive events, meets its existing commitments to its clients and counterparties, maximises the safety of employees, keeps critical functions and operations resilient, ensures the confidentiality, integrity and availability of information, as well as services, systems and

infrastructures, and resumes operations and processes in the shortest possible timeframe. Banco Finantia has also established a BCP (Business Continuty Plan) Committee, which is responsible for analyzing all emergency situations that may arise with an impact on business continuity, evaluating the various solution alternatives and deciding on the one that minimizes the consequences caused by such situations. The BCP Committee is composed of the managing director responsible for the BCP, as well as the heads of the most relevant departments in terms of business continuity.

As of 31 December 2021 and 2020, Banco Finantia capital ratios can be analysed as follows:

million, except %

	dec/21	dec/20
Common Equity Tier 1 capital	466,6	473,4
Tier 1 capital	466,6	473,4
Total capital	466,6	473,5
Risk weighted exposures (RWA)	1 790,5	1 736,1
Ratio CET1	26,1%	27,3%
Ratio Tier 1	26,1%	27,3%
Ratio Total Capital	26,1%	27,3%

2.3 The Strategies and management processes of those risks

Risk Management Model

Banco Finantia whilst "parent company" is subject to supervision on a consolidated basis and, as such, is responsible for providing information on all the elements that are necessary for the supervision and maintenance of the Group internal control system. Regarding Risk Management, Board of Directors of Banco Finantia is responsible for establishing and monitoring the Group's Risk Management Model.

In addition to the regulatory perspective, the Group also evaluates risks and financial resources from an economic perspective, through the Internal Capital Adequacy Assessment Process (“ICAAP”) and the Internal Liquidity Adequacy Assessment Process (ILAAP).

The management of Banco Finantia is the responsibility of its Board of Directors ("BoD"), which has delegated the broader powers of the day-to-day management of Banco Finantia to three managing directors (MD).

It is the responsibility of the Board of Directors of Banco Finantia to approve and periodically review the strategies and policies regarding the assumption, management and control of the risks to which the Group is or may be subject and to regularly monitor the activity of the Risk

Management Function. In this context, the Board of Directors of Banco Finantia is responsible, amongst others, at least on an annual basis for the revision and the approval of the Risk Appetite Framework (RAF).

The overall risk management of Banco Finantia is the responsibility of the managing directors (MD). The managing directors of Banco Finantia chair internal committees, dependent on the BoD, whose function is essentially to support the development of the day-to-day management responsibilities assigned to this body, monitoring the management of certain areas of the Group, ensuring the implementation and maintenance of an appropriate and effective risk management and internal control system with regard to the management and control of financial and non-financial risks. These committees contribute to the continuous flow of information between the heads of departments and the directors of Banco Finantia.

The Finance and Risk Committee has as main function the global risk monitoring.

The Finance and Risk Committee, which meets monthly and includes two MD, is responsible for assessing and monitoring the various risks to which the Bank and, by extension, the Group are exposed, with special incidence on the limits and tolerances of the RAF.

Risk Management is the responsibility of the Risk Department (RD), centralized and independent, which is in charge of the management, analysis and control of all Group risks.

The RD guarantees that the Risk Management Function, namely: (i) ensures the effective application of the risk management system, through the continuous monitoring of its adequacy and effectiveness, as well as of the measures taken to correct any weaknesses; (ii) provides advice to the management and supervisory bodies; (iii) prepares and submits periodic risk management reports that enable the management body to monitor the various risks to which the Bank is subject; (iv) developes, implements and monitors the ICAAP and ILAAP processes, coordinating the respective preparation of the reports; and (v) promotes the integration of risk principles into the institution's daily activities, ensuring that significant business aspects are included in the risk management framework.

The Bank recognizes that the definition and assessment of adequate capital levels to support the risk profile, as well as the appropriate controls, are essential elements for the implementation of a sustainable business strategy. The planning of the evolution and behaviour of internal capital is crucial to ensure its continued adequacy for the risk profile, strategic objectives and business objectives.

The Bank's risk management model is based on an integrated set of processes, duly planned, reviewed and documented, aimed at ensuring an appropriate understanding of the nature and magnitude of the risks underlying its activity, enabling an adequate implementation of the respective strategy and compliance with the objectives.

This model is based on processes of identification, assessment, monitoring and control of all the risks subjacent to the Bank's activity, which are supported by appropriate and clearly defined policies and procedures to ensure that the established objectives are achieved and that the necessary measures are taken to adequately respond to previously identified risks. In this manner, the risk management model covers all products, activities, processes and systems, considering all the risks underlying its activity and taking into account its size and complexity, as well as the nature and magnitude of the risks.

The risk management model respects the principles recognized and accepted at international and national level and are in line with Notice 3/2020 and with the Instruction 18/2020 of the Banco de Portugal as well as with the “Guidelines on Internal Governance under Directive 2013/36/EU” (EBA/GL/2021/05) issued by the European Banking Authority (EBA).

Risk management has an active influence on the decision-making of the MD, of the Finance and Risk Committee and the Board of Directors of the Bank.

In short, the risk management system ensures:

> An adequate identification, evaluation, monitoring, control and mitigation of all material risks to which the Group is exposed to;
> The adequacy of internal capital to the risk profile, business model and strategic planning; and
> The integration of the risk management process into the Group's culture and decision-making process.

Risk profile

The risk profile of the Group is determined through the analysis of the adherence of the risk matrices to the Group's reality and the subsequent listing and description of the risks to which it is exposed, taking into account the applicable legislation on the risk management system and the activity developed by the Group.

For such, the Group considers in its internal evaluation the following risk categories: a) financial risks - credit, market, interest rate and credit spread of the banking book, foreign exchange rate, market risk in trading book, liquidity; and b) the non-financial risks - business model/strategy, internal government, operational, compliance which includes compliance risk and the money-laudering and terrorism financing risk and reputational.

The evolution of the Group's risk profile is monitored through a number of indicators, in particular those established under the RAF, making it possible to guarantee that decisions that may affect the Group's risk exposure do not exceed the institution's risk appetite levels.

All risk categories contributing to the Group's risk profile are analysed, discussed and monitored monthly by the Finance and Risk Committee from the perspective of the exposure levels (and possible measures to increase effectiveness and risk mitigation), ICAAP, ILAAP and RAF, which are reported to the BoD.

Credit risk

Credit risk derives from the possibility that a counterparty defaults or the credit quality of a given financial instrument degrades. The Group's objective is to maintain a high-quality asset portfolio, based on a prudent credit policy. The Group is also constantly concerned to diversify its own portfolio, as a way to mitigate the credit concentration risk.

The Group developed an expected credit loss model (ECL), in accordance with IFRS 9 requirements, where the ECL corresponds to the weighted average of the credit losses, using as weighting factor the probability of occurrence of default events.

A credit loss is the difference between the cash flows due to an entity in accordance with the agreed contract, and the cash flows that the entity expects to receive, discounted at the original effective interest rate. To calculate expected cash flows, consideration should be given to amounts that may be generated by collateral or any other risk mitigant.

On that basis, impairment is measured as: (i) Expected credit losses for 12 months: corresponding to the expected losses resulting from possible default events of the financial instrument in the 12 months following the reporting date and (ii) Expected credit losses over the lifetime of the instrument: corresponding to the expected losses that may occur from a default event over the entire lifetime of a financial instrument.

The method of calculating impairment is based on the classification of the instruments into three stages, taking into account the changes in the credit risk of the financial asset since its initial recognition, as follows:

1) Stage 1: where the ECL is recognized for 12 months;

2) Stage 2: where the ECL is recognized over the lifetime of the assets; and

3) Stage 3: where ECL is recognized over the lifetime of the asset, with its respective PD being 100%.

The Group recognizes that within the scope of its risk management model, the definition and evaluation of adequate capital levels to support the risk profile are essential elements for the implementation of a sustainable business strategy. Thus, the planning of the internal capital evolution and the maintenance of appropriate levels of capital in relation to the economic capital requirements (ascertained in the internal capital adequacy assessment process - ICAAP) are crucial to ensure the continuous adequacy of the risk profile to the Group's strategic objectives.

Market risk in trading book

Market risk consists of the probability of negative impacts on results or capital due to unfavourable movements in the market price of the trading book instruments.

The Group adopted the strategy of managing the market risk associated with its trading book (fixed income) in a conservative manner, through the definition of prudent exposure limits and holding periods, as well as through its the daily monitoring.

Interest Rate Risk and Credit Spread Risk in the banking book – IRRBB&CSRBB

The risk of occurring unfavourable variations in the value of the instruments which form the banking book presents two aspects or subcategories:

> the interest rate risk in the banking book (IRRBB), derives from the probability of the occurrence of negative impacts caused by unfavourable changes in the interest rates; and

- the credit spread risk in the banking book (CSRBB), resulting from the probability of the occurrence of negative impacts caused by unfavourable changes in the credit spread that are not explained either by the IRRBB or by default risk.

Interest Rate Risk in the banking book

Interest rate risk – Interest Rate Risk in the Banking Book (IRRBB) – derives from the probability of negative impacts caused by unfavourable changes in interest rates as a result of maturity mismatches between assets and liabilities.

The Group adopted the strategy of minimizing the interest rate risk associated with its fixed-rate assets through the use of hedging instruments of this type of risk (usually IRS – Interest Rate Swaps), thereby maintaining a balanced structure between assets and liabilities in terms of fixed-rate mismatch.

The Group monitors the distribution of its fixed-rate assets over time intervals, net of the corresponding fixed-rate liabilities and hedging instruments used.

Considering the nature and characteristics of the Group's business, as well as the processes implemented for the monitoring and mitigation of interest rate risk, the Group also analyses the behaviour of VaR ("Value at Risk") related to interest rate risk. VaR is calculated using the historical simulation approach, based on a one year rate history, a one-day holding period, and a 99% confidence interval. This model is validated with back tests.

Within the scope of ICAAP, the Group has been applying the VaR methodology for the allocation of economic capital to interest rate risk. The economic capital requirements for this risk are calculated through the historical simulation, based on a ten-year historical rate, a one-year holding period and a 99.9% confidence interval.

Credit spread risk in the banking book

Credit Spread Risk in the Banking Book (CSRBB) - refers to the risk arising from changes in the price of a financial asset subject to credit risk that are not explained either by the IRRBB or by the default risk / jump to default risk.

The adoption of control measures through the monitoring of securities spreads, the monitoring of fair value reserves, and the analysis of historical price series together with the monitoring of the limit for economic capital for CSRBB within the scope of the RAF, allows a timely management of this risk, reducing its impact on the Group's risk profile.

Within the scope of ICAAP, the Group has been applying the VaR methodology for allocating economic capital to the CSRBB. The economic capital requirements for this risk are calculated through historical simulation, net of classic credit risk, based on a ten-year history of rates, a one-year holding period and a 99.9% confidence interval.

Foreign Exchange Rate Risk

Foreign exchange rate risk is characterized by the probability of negative impacts due to unfavourable changes in foreign exchange rates and adverse changes in the price of foreign currency instruments.

It is the Group's policy to operate only with assets and liabilities denominated in EUR or USD (positions in other currencies are sporadic and insignificant).

The Group adopted the strategy of minimizing the foreign exchange rate risk associated with its assets and liabilities. Thus, foreign exchange rate risk is regularly hedged in order to ensure a comfortable foreign currency exposure margin against the pre-established limits, and said exposure is monitored on a daily basis, both for the on sight position and for the forward position.

Within the scope of ICAAP, the Group has been applying the VaR methodology for the allocation of economic capital to foreign exchange rate risk. The economic capital requirements for this risk are calculated through the historical simulation, based on a ten-year historical rate, a one-year holding period and a 99.9% confidence interval.

Liquidity Risk

Liquidity risk is defined as the possibility of a financial institution defaulting on its maturity dates due to its inability to liquidate assets, obtain financing or refinance liabilities on a timely basis.

In liquidity risk management, and in the scope of the Internal Liquidity Adequacy Assessment Process (ILAAP) the Group aims to ensure a stable and robust liquidity position, through the holding of liquid assets, the control of liquidity gaps and the monitoring of a liquidity buffer, which allow to balance contractual financial outflows in stress situations.

Liquidity risk management is carried out in a way to keep all liquidity levels within the pre-established limits, in accordance with two main parameters: (i) cash flow management, through the daily calculation of financial flows and treasury balances over an extensive time horizon, allowing for the maintenance of a positive cash balance over normal and stress temporal horizons and (ii) inventory management, with the daily calculation of liquidity metrics in order to ensure their maintenance within the pre-established limits determined by the Group.

The Treasury Department monitors the Group's liquidity risk on a daily basis in the two aforementioned aspects. The Risk Department is responsible for the periodic analysis of the Group's liquidity risk management, preparing a monthly report to the Finance and Risk Committee.

The metrics monitored by the Group and that are used to measure liquidity risk in the context of balance sheet management include, amongst others, the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio) prudential ratios, as well as a broad set internal ratios related to liquidity mismatches, concentration of major counterparties, distribution of repayment flows of the main liabilities, collateral of the repos operations, asset liquidity characteristics and immediate liquidity.

Non-financial Risks

Non-financial risks for the Group include, business model/strategy risks, governance risk, operational risk, compliance risk (which includes compliance risk and the money laundering and terrorist financing risk) and reputational risk. These risks consist of the likelihood of negative impacts on the results or on capital arising, essentially, (i) for operational risk, from operational failures, inadequacy of information and technology systems, conduct errors or model weaknesses, (ii) for compliance risk, from non-compliance with laws and regulations, (iii) for reputation risk, from a negative perception of the institution's public image, (iv) for business model/strategy risk, from inadequate plans and strategic decisions, and (v) for governance risk, from inadequate governance structure, definition of responsibilities and internal control framework.

The management of non-financial risks has been gaining increasing relevance in the Group. In this context, advanced tools and methods have been developed, focused on the identification, evaluation, monitoring and control of these types of risks. Among others, these tools include risk matrices and controls, heat-maps and spider-charts, with inputs derived from an extensive and comprehensive process of self-assessment specifically directed at non-financial risks. This process serves as a basis for the definition of action plans for non-financial risks.

In addition to the maintenance of risk matrices, the Group maintains an organized process of collecting and performance on the various categories of non-financial risks, as well as recording the resulting information in a database of non-financial risks. This database includes, amongst others, records of the (i) events, (ii) possible associated losses, and (iii) corrective and/or mitigating measures implemented. It matters to highlight that the Group maintains a central database of findings (Group wide) which provides valuable insights in monitoring ation plans from a Risk Management perspective within the scope of management of non-financial risks.

In the scope of ICAAP, and although there are no relevant historical losses, the Group has been using the Basic Indicator Approach (BIA) methodology to quantify operational risk and internally developed methodologies to quantify compliance, reputation and business model/strategy risks.

During the course of 2021, several training actions were carried out in the area of non-financial risks, namely training on Prevention of Money Laundering, GDPR and Cybersecurity, among others. For 2022, the Bank will continue to focus on training as a form of reducing non-financial risks.

2.4 Structure and organization of the relevant risk management unit

The Board of Directors is responsible to ensure that the internal control framework is based on a risk management approach which allows to identify, assess, follow and monitor all risk and to implement a risk management function, in accordance with Notice 3/2020 of the Banco de Portugal and the EBA ”Guidelines on Internal Governance” (EBA/GL/2021/15).

The Group’s risk management is under the responsibility of the Risk Department, that is responsible for:

> Assisting the Board of Directors, the Audit Committee and the managing directors in establishing strategies, developing and submit to their approval, policies and procedures to attain and keep the pretended risk profile;

> Drafting, review and monitor the RAF, with the aim to ensure that Group´s risk profile is aligned with its objectives and submit proposals for its amendments to the Audit Committee, for appraisal and issuance of a prior opinion, and to the Board of Directors, for approval;

- Develop, implement and monitor internal assessment processes for the adequacy of the capital and liquidity levels (ICAAP and ILAAP), in order to ensure that the Group has adequate capital and liquidity for its risk profile;

- Defining and implement risk management policies and procedures, in accordance with the business strategy, the risk management culture and the RAF, as well as the regulations in force, promoting the integration of risk principles in the Group's daily activities and ensuring that there is no significant aspect of the business not included in the risk management framework

- Ensuring the effective application and review of the risk management system, namely through the definition and implementation of processes for the identification, assessment, monitoring and control of all existing and emerging financial and non-financial risks;

- Systematically revisit exposures and the risk profile, in order to ensure that the risk levels assumed comply with the established objectives and limits;

- Carrying out the function independently from the departments and subsidiaries it monitors and/or controls, having direct access to the Board of Directors, the Audit Committee and the remaining committees, being able, on its own initiative, to transmit any information or send directly, to the Audit Committee, any document that it deems relevant, without the need for a request or prior communication to the Board of Directors;
- Defining the criteria and methodologies for assessing and quantifying the risks to which the Group is exposed;
- Preparing monthly information for the Finance and Risk Committee, namely the Finance and Risk Committee Report, which is subsequently submitted to the Board of Directors;
- Carrying out the appropriate continuous monitoring of situations identified with regard to corrective and prospective measures, and opportunities for improvement in the risk management scope to ensure that the necessary corrective measures are taken and that same are properly managed;
- Promoting the integration of the risk principles into the institution's daily activities, ensuring that there are no significant business aspects not included in the risk management framework; and
- Actively participating in the definition and review of the institution’s strategic management of capital and liquidity.

The head of the risk management function reports functionally to the Board of Directors and to the Audit Committee. The functional reporting comprises a set of interactions that provide management and supervisory bodies with an adequate knowledge, and allow for the monitoring and evaluation of the risk management function’s activity, as well as ensuring that the risk management function has direct and unconditional access to those bodies and that the function has the conditions and resources necessary to act independently, in order to have a holistic view of all risk categories to which the Group is, or may become, exposed. Complementing the functional reporting, the risk management function reports hierarchically to a director with executive functions which aims at a more immediate monitoring of the daily functioning and current activity of the risk management function, specifically the assistance and support to the risk management function, when necessary, in order to ensure the cooperation of the operational areas in a timely consideration of the reports issued and implementation of recommendations within the scope of the work of the respective functions.

The Group confers on the head of the risk management function the necessary powers to perform the functions independently, granting access to the relevant information. The risk management function is independent of the other functional areas of Banco Finantia subject to assessment, namely of the commercial areas, thereby granting it the conditions to perform its competencies in an objective and autonomous manner. In addition, at the level of the remuneration policy of its employees, the Group has implemented some specificities applicable to employees exercising internal control functions, designated Key Function Holders. The determination of the remuneration of these employees, which includes the head of the risk management function, is subject to certain rules and procedures that aim to guarantee the performance of their duties in an objective manner and to safeguard its effective independence.

The interaction process of the risk management function with the other structure units is of fundamental importance to the execution of its activities and attributions in the scope of risk management and internal control (in the latter case, the interaction with the Internal Audit Function, Compliance Function and the AML Function). In addition, the risk management function participates in a number of internal risk-related forums, including the Finance and Risk Committee and other periodic meetings, in which the heads and representatives of the various Group areas participate, thereby enhancing the interaction between the risk management function and the other structure units.

It is the responsibility of the Risk Department to control the limits and tolerances defined in the Group's RAF, approved by the Board of Directors. It is also responsible for drawing up proposals for changes to limits and tolerances, supervising the quality of the calculation of the metrics in light of the parameters provided to the Risk Department by the other structure units, monitoring the evolution of the Bank’s risk profile through the RAF metrics and for providing timely advice to the management and supervisory bodies about possible deviations in the adequacy of the risk assumed by the institution in light of its risk appetite.

The purpose of the RAF is to determine risk appetite and it is an integral part of the Group's strategic planning process, thus evidencing the link between the strategy and the risk appetite. It provides a common structure regarding the activity of the entire Group for the communication to, and the understanding and evaluation by top management and by the management and supervisory bodies of the types of risks and of the respective levels to be assumed, explicitly defining the limits and tolerances within which the management of the business must operate. The RAF constitutes a holistic approach that includes policies, controls and systems through which the risk appetite is established, communicated and monitored. In this manner, in addition to defining limits and tolerances to risk, the RAF clarifies the actions to be taken in the event of those being exceeded and establishes the responsibilities and the roles of those responsible for the implementation and maintenance of same.

The risk indictor control schedule (dashboard) established by the RAF is updated on a monthly basis and is included in the Finance and Risk Committee Report, which is submitted monthly to the Finance and Risk Committee and the Board of Directors of Banco Finantia, which include the members of the Audit Committee, for analysis and follow-up. The RAF dashboard presents several risk metrics to which the institution is exposed, as well as their respective limits and tolerances. These metrics are aggregated into groups, including solvency, liquidity, profitability, credit risk, credit spread and interest rate risk and foreign currency risk and non-financial risks.

2.5 Scope and nature of the reporting and mediation systems of risks

The risk measurement and reporting systems in the Group are supported by information universes that are an integral part of the Group's information management system. These information universes are centralized in the Group's information management tool, Business Objects, where all the information is constantly updated, historically maintained and available to the end user.

The two major information universes are BFM (Bank Fusion Midas) and MIS. The former serves the accounting purpose, whilst the latter collects and processes the information resulting from the normal operations of the Group's activity. These operations are recorded by the Front-Office, Middle-Office and Operations' teams through the TOMS (Bloomberg), Kondor+ (Thomson Reuters) and BFM interfaces.

2.6 Risk coverage and mitigation policies

The Group's risk management system, including the hedging and risk mitigation policies and the strategies and processes to control their effectiveness, aims to ensure that the risks to which the Group is exposed remain at the level defined by the management body and do not significantly affect the Group's financial position, thereby enabling the proper implementation of the strategy, the meeting of the objectives and the taking of the necessary actions to respond to the risks.

Hence, within the scope of the risk management system, the Group acts to ensure, on a timely basis, the prevention of undesired or unauthorized situations and the detection of these situations should they occur, so that the immediate adoption of corrective risk mitigation measures is possible. In this context, the Group established its RAF, whereby it defined the overall and specific objectives with regard to the risk profile and the degree of risk tolerance, as well as the escalation process in the event limits or tolerances are exceeded.

Coverage and risk mitigation policies and strategies and the processes to control their effectiveness are continuously monitored, both by the Risk Department in the scope of the regular exercise of its functions, or monthly by the Finance and Risk Committee, covering all the categories of risk to which the Group is exposed.

Credit risk

The Group seeks to minimize credit risk through a careful analysis, applying strict standards of credit analysis to its debtors and counterparties, as well as a systematic monitoring of the economic environment and other aspects that may contribute to the deterioration of the quality of the credit granted.

In addition, the Group seeks to mitigate credit risk through the diversification of the loan portfolio - by geographical area, counterparties, sectors of activity, entity types and instrument types. Credit Risk Management policies and procedures are subject to periodic review, being ratified by the competent body.

Exposure to credit risk is only possible after a credit limit is assigned to the risk entity. It is the responsibility of the Credit Department to analyse and prepare its opinion, proposing a limit, which is then approved according to the procedures formalized in the institution. It should be noted that credit exposures above 40 million Euros or in derogation from the opinion issued by the person responsible for Credit will have to obtain the approval of the Board of Directors.

Compliance with these limits is monitored daily by the Risk Department, that is also responsible for monitoring the geographical concentration by country and region. The Finance and Risk Committee monitors monthly compliance with the limits and with the composition of the portfolio.

Being the main risk to which the Group is exposed, specific indicators were set up in the scope of the RAF to monitor it against the respective limits and tolerances approved by the Board of Directors. Thus, from the RAF dashboard, on a monthly basis, the Finance and Risk Committee monitors several metrics related to credit risk, namely impaired assets, non-performing exposures (NPE) and concentration risk, amongst others that are reported to the Board of Directors in line with the risk management function.

Market risk in trading book

Although the trading book is of minor importance, the Group has a market risk mitigation policy, based on several measures to mitigate this risk in order to reduce the potential for negative impact from a residual risk perspective, in particular the definition of aggregate exposure limits and holding periods.

Market risk in banking book

The risk of occurrence of unfavourable variations in the value of the instruments that make up the banking book has two aspects or subcategories: interest rate risk in the banking book (IRRBB) and credit spread risk in the banking book (CSRBB).

Interest rate risk in banking book

Interest rate risk coverage is ensured through the contracting of interest rate derivative financial instruments, which allow for the matching of maturities and average refixing periods of the rates of these assets with those resulting from the liabilities

The systematic monitoring of the distribution of assets and liabilities is carried out in accordance with their rate refixinf periods, proceeding regularly to the hedging of risks in case they come close to the limits defined by the Board of Directors and formalized within the scope of the RAF, through the use of appropriate instruments (currently interest rate swaps).

The interest rate risk metric subject to the limit mentioned in the RAF is based on the calculation of the impact on the consolidated net equity, measured as a percentage of own funds, of the variation of 200 basis points in the yield curves in EUR and USD, considering the temporal bands in Instruction 03/2020 of the Banco de Portugal.

Concerning interest rate risk, an analysis is also carried out of the interest rate mismatch (gap analysis), a methodology used to measure the risk resulting from the temporal mismatch of the maturities of the fixed-rate assets, liabilities and off-balance-sheet instruments of the Group, distributed by time buckets. This analysis is carried out monthly by the Risk Department and monitored monthly in the Finance and Risk Committee.

Hedge effectiveness is the extent to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or in the cash flows of the hedging instrument. The effectiveness of the interest rate risk hedging strategies is assessed monthly in the Finance and Risk Committee.

Credit spread risk in the banking book

Credit Spread Risk in the Banking Book (CSRBB) mitigation is ensured by monitoring the structure of the banking portfolio, by balancing investment grade (IG) exposures and non-investment grade (HY) exposures. This diversification in terms of credit quality is complemented by diversification in the sectors of economic activity, in countries, and also by geographic regions, which allow occasional increases in the CSRBB in part of the portfolio will not lead to the spread of other duly diversified parts.

The adoption of control measures through the monitoring of securities spreads, the monitoring of fair value reserves, and the analysis of historical price series together with the monitoring of the limit for economic capital for CSRBB within the scope of the RAF, allows for control the low level of these risks, making its impact in line with the Group's risk profile.

The Financial and Risk Committee assess the effectiveness of the credit spread risk reduction strategies monthly.

Foreign Exchange Rate Risk

The foreign exchange rate position is systematically monitored, with the foreign exchange rate risk being regularly hedged if it comes close to the limits defined by the Board of Directors and formalized in the scope of the RAF, through the use of appropriate instruments (e.g. spots, forwards, swaps).

For foreign exchange rate risk, the Risk Department calculates the foreign exchange position daily, both from a regulatory and accounting perspective. All analyses produced are sent to various members of the Finance and Risk Committee. The information prepared for the monthly meeting of the Finance and Risk Committee, in addition to the RAF dashboard, includes a specific schedule dedicated to the foreign exchange rate position.

Liquidity risk

In the scope of defining its liquidity management policies, the Group adopts conservative rules, in order to be able to sustain the normal development of its activities, minimizing liquidity risk. The liquidity risk management in the Group is carried out in a global and centralized manner, in line with the ILAAP, being the responsibility of the Treasury Department, with the second line of defence control being exercised by the Risk Department, and with monthly monitoring by the Finance and Risk Committee.

Being a critical risk for the Group, specific indicators for its monitoring were defined in the RAF together with the respective limits and tolerances approved by the Board of Directors. Thus, from the RAF dashboard, on a monthly basis, the Finance and Risk Committee monitors a number of liquidity risk metrics, both in terms of immediate liquidity, as well as of the concentration and stability of financing sources, amongst others.

In addition, the Finance and Risk Committee monitors, monthly, several other liquidity metrics, safeguarding the continued and constant compliance with the Group's internal liquidity policies.

Non-financial Risks

The non-financial risks of the Group are essentially associated with operational failures, inadequacy of information and technology systems, conduct errors, model weaknesses (operational risk), regulatory non-compliance (compliance risk), inadequate definition or implementation of strategic decisions (business model/strategy risk) and negative perception of its public image (reputation risk), and inadequate organizational structure and internal governance (risk of internal governance) that may surge as a result of the development of its activity.

Non-financial risks are continuously monitored and controlled, with various mitigation measures being adopted in order to reduce the potential negative impact of these risks from a residual risk perspective.

To monitor operational risk, there are established mechanisms for regular communication on operational risk events associated with operational, information systems, conduct and model risks, which include a description of the risk as well as its classification into three grades (high, medium and low).

These mechanisms aim to minimize operational risk events and related losses, allowing for a close follow-up of these events and a fast acting on their resolution and the introduction of risk mitigation measures to avoid future occurrences of the same events and potential associated losses.

Additionally, it is intended to monitor the net losses associated with operational risk events through the definition of limits and tolerances for this metric in the RAF, permitting, in this manner, to mitigate the Group's operational risk. The RAF dashboard is reported monthly to the Finance and Risk Committee.

The Group objective is the minimization of non-compliance breaches and related losses, complying with laws, regulations and guidelines relevant to its nature and business activity, bearing in mind that risk mitigation measures and controls must be adequate to the inherent level of compliance risk subjacent to the activities of the Group. The Group maintains a close track on its internal policies and is focused in strengthening the effectiveness of controls in order to avoid compliance breaches. The Group maintains an updated compliance risk database which includes the registry of compliance tables, eventual breaches, and time of resolution and implementation of mitigation measures.

In addition, there are complementary risk mitigation measures, in order to strengthen the compliance risk monitoring process.

In addition to the above monitoring, it is intended to add monitoring under the RAF of the seven metrics relating to Compliance/AML Risk, which cover sanctioned Compliance/AML irregularities and unresolved Compliance/AML deficiencies that exceeded the stipulated resolution deadline. By defining limits and tolerances for these metrics within the RAF, the Group's compliance/AML risk is mitigated. The RAF dashboard is reported to the Finance and Risk Committee on a monthly basis.

To monitor business model/strategy risk, there are established mechanisms, described below, with the objective of mitigating the risk of exposure to the risk of inadequate definition or implementation of strategic decisions. To this end, the Group, on the one hand, monitors the evolution of the commercial activities developed and the main indicators, based on the strategic plan "Strategic Planning Finantipar Group" and the resulting business plan, and, on the other hand, identifies aspects that may cause adverse impacts on said activities, and which call for the adoption of adequate measures. These indicators include, amongst others, the loan portfolio, the funding, the capital and the net interest income margin, in respect of which the Group is focused on sustainable growth, and the shareholder structure, in respect of which the Group is focused on stability. The evolution of these indicators is monitored through the analysis of the management accounts as well as of the regular schedules that are reported monthly to the Finance and Risk Committee. Possible strategy risk events are reported to the Finance and Risk Committee on a monthly basis.

Additionally, it is intended to monitor the profitability of the Group's assets through the definition of limits and tolerances for this metric in the RAF, allowing, in this manner, for the mitigation of the Group's strategy risk. The RAF dashboard is reported monthly to the Finance and Risk Committee.

To monitor reputation risk, there are established mechanisms, described below, with the objective of mitigating the risk of a negative perception of the Group's public image. To this end, the Group monitors the evolution of that image, as well as the evolution of the assessment of any vulnerabilities that may negatively affect same, and which call for the adoption of adequate measures. In particular, press releases and public opinion, in general, cyber-attack attempts/occurrences and complaints from customers and counterparts. Possible reputation risk events are reported to the Finance and Risk Committee on a monthly basis, which is complemented by the non-financial risks report.

Additionally, it is intended to monitor the variation of customer deposits through the definition of limits and tolerances for this metric in the RAF, allowing, in this manner, for the mitigation of the Group's reputation risk. The RAF dashboard is reported monthly to the Finance and Risk Committee.

With regard to internal governance risk mitigation, it is important to mention that the Group has internal control functions with statute, authority and independence in the organizational structure. It has a risk management system that makes it possible to identify, assess, monitor and control risks that may affect the objectives and defined strategy, and which also allows decision-making to respond to deviations or unexpected events. There is a set of reports that ensure the communication of information on risk management and internal control matters to the management and supervisory bodies. Risk, internal control and compliance policies are reviewed at adequate intervals and communicated to all employees.

2.7 Information on the governance system

The information required by paragraph a) of no. 2, article 435 of Regulation (EU) 575/2013, is indicated in the following table.

Number of positions held by members of the management body of Banco Finantia as at 31 December 2021:

Member of the Board of Directors	Group Companies	Non-Group Companies
António Manuel da Silva Vila Cova	-	2
David Paulino Guerreiro	2	-
Ricardo da Mota Borges Caldeira	1	-
Marina Telma Alves Hasse de Oliveira	-	-
Manuel Luís Barata de Faria Blanc	-	2
José Manuel de Almeida Archer	-	16
Alzira da Encarnação das Neves Cabrita	-	-

As regards the disclosure of the information referred to in paragraph b) and c) of no. 2 of article 435 of Regulation (EU) 575/2013, the "Policy for the Selection and Adequacy Assessment of Members of the Management Body, of the Supervisory Body and of Key Function Holders ", as approved by the General Meeting of Banco Finantia on 10 May 2021 (hereinafter "Selection and Evaluation Policy" and which can be consulted at: https://www.finantia.pt/pt/outra-informacao-obrigatoria), establishes that the members of the management body shall meet the necessary requirements of repute, professional qualification, independence and availability, considering the nature, size and complexity of the activity and the demands and responsibilities associated with the specific functions to be carried out.

In particular, and in light of the specific duties to be performed, past professional experience, technical skills and interpersonal skills shall be assessed in the context of the respective selection process of those members, in accordance with the "EBA Guidelines on Assessment of the Suitability of Board Members and Key Function Members" (EBA/GL/2021/06) and the "Internal Governance Guidelines" (EBA/GL/2021/05).

Additionally and in accordance with the terms and provisions of Notice 3/2020, Banco Finantia, has established in its internal regulations and procedures, the profiles corresponding to the functions to be performed by the members of the management and supervisory bodies, namely according to the responsibilities to be performed including identification of the skills and professional experience required for this purpose.

On the other hand, in the scope of the individual assessment of members of the management and supervisory bodies, a collective assessment of the body as a whole must be made, in order to verify whether the body itself, considering its composition, collectively possesses the qualification and professional experience in relevant areas, and an adequate independence and sufficient availability to fulfil its legal and statutory functions.

With regard to the diversification policy of the members of the corporate bodies, chapter “4.2.1. Requirements of collective adequacy” of the "Policy for the Selection and Adequacy Assessment of Members of the Management Body, of the Supervisory Body and of Key Function Holders " of the Group, establishes that “diversity in the composition of the management and supervisory bodies, namely diversity of gender, professional values and generational diversity, to improve the performance of the respective body and to ensure a better balance in its composition, should be promoted." As described in the “Policy for the Selection and Adequacy Assessment of Members of the Management Body, of the Supervisory Body and of Key Function Holders”, in particular with regard to gender diversity and with the intention of increasing the number of the under-represented gender, it is established as an objective "the presence of at least 20% of the female gender in the governing bodies of the institution, and from the beginning of the current term of office and by 31 December 2021, this objective had been achieved in both the management body and the supervisory body.

Regarding paragraph d) of no. 2 of article 435, and despite the fact that a risk committee has not been formally established, as this is only mandatory for significant institutions in terms of size, internal organization and nature, scope and complexity of their activities, the functions assigned to the risk committee are performed by the Audit Committee of Banco Finantia, under the terms of article 115º-L of the General Regime for Credit Institutions and Financial Companies, as Banco Finantia, including its subsidiaries, is the entity that carryies out the Group's operational activities.

Banco Finantia, in turn, as the parent company, monitors the evolution of the risk profile and control through the reports and the respective implications for the Group, and is responsible for establishing and monitoring the Risk Management Model of the Group.

Thus, the ultimate responsibility for the strategies and policies relating to the Group’s risk assumption, management, and control rest with the Board of Directors of Banco Finantia.

The Finance and Risk Committee is composed of two managing directors and includes the heads of the following departments: Treasury, Principal Investments, Corporate Banking, Accounting, Consolidation and Financial Information, Risk, Credit and Compliance. At the invitation of the Chairman of the Finance and Risk Committee, any employees from other areas of the Bank may participate in the meeting, as relevant to the matters to be discussed.

The Finance and Risk Committee meets monthly, and a report is distributed covering all aspects of the Group's financial activity/risks. Minutes are kept of the meetings which are sent to the members of the Board of Directors and Audit Committee, together with the supporting documentation of the respective meeting and filed in the Intranet, to which the members of the Finance and Risk Committee, the members of the Board of Directors, of the Audit Committee and the employees of the Departments assigned to internal control functions.

The heads of the various departments that take part are responsible to inform members of their respective departments of any decisions taken that are relevant to the performance of their duties. It is the duty of the Chairman of the Finance and Risk Committee to report to the Board of Directors the relevant decisions taken by this Committee that have a material impact on the institution.

In chapter 2.4 of this Report, a detailed description of the flow of risk information to the management body is also presented.

3. Own Funds (article 437)

Own funds are calculated in accordance with the prudential framework established by Regulation (EU) No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), both issued by the European Parliament and Council, on 26 June 2013 ("Basel III").

3.1 Reconciliation of the own funds elements

As at 31 December 2021 own funds are as follows:

31/12/2021
thousand euros

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	162 849	a) more b)
	of which: Instrument type 1	Ordinary shares	
2	Retained earnings	-2 120	e)
3	Accumulated other comprehensive income (and other reserves)	300 117	d) more f)
EU-3a	Funds for general banking risk	0	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	0	
5	Minority interests (amount allowed in consolidated CET1)	0	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	12 123	g) Deducted from the dividend to be distributed (12 123m€)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**472 969**	

	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-1 384	
8	Intangible assets (net of related tax liability) (negative amount)	-724	h)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-1 473	i)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0	
12	Negative amounts resulting from the calculation of expected loss amounts	0	
13	Any increase in equity that results from securitised assets (negative amount)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	
15	Defined-benefit pension fund assets (negative amount)	0	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-2 811	c)
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
20	Not applicable		

EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0	
EU-20c	of which: securitisation positions (negative amount)	0	
EU-20d	of which: free deliveries (negative amount)	0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	0	
22	Amount exceeding the 17,65% threshold (negative amount)	0	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	
25	of which: deferred tax assets arising from temporary differences	0	
EU-25a	Losses for the current financial year (negative amount)	0	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	
27a	Other regulatory adjustments	0	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-6 392**	
29	**Common Equity Tier 1 (CET1) capital**	**466 577**	

	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	0	
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	0	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0	
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**	

	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	0	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0	
42a	Other regulatory adjustments to AT1 capital	0	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	
44	**Additional Tier 1 (AT1) capital**	**0**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**466 577**	

	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	0	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	0	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	0	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0	
49	of which: instruments issued by subsidiaries subject to phase out	0	
50	Credit risk adjustments	0	
51	**Tier 2 (T2) capital before regulatory adjustments**	**0**	

	Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	**0**	
EU-56b	Other regulatory adjustments to T2 capital	**0**	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	
58	**Tier 2 (T2) capital**	**0**	
59	**Total capital (TC = T1 + T2)**	**466 577**	
60	**Total Risk exposure amount**	**1 790 460**	

	Capital ratios and requirements including buffers		
61	Common Equity Tier 1 capital	26,1%	
62	Tier 1 capital	26,1%	
63	Total capital	26,1%	
64	Institution CET1 overall capital requirements	9,3%	
65	of which: capital conservation buffer requirement	2,5%	
66	of which: countercyclical capital buffer requirement	0,0%	
67	of which: systemic risk buffer requirement	0,0%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0,0%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	2,3%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	11,6%	

	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2 036	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	0	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	5 817	

Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	21 032	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	g
82	Current cap on AT1 instruments subject to phase out arrangements	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on T2 instruments subject to phase out arrangements	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

Model CC1 of Implementing Regulation (EU) 2021/637 of 15 March 2021

The reconciliation of regulatory own funds to the balance sheet in the audited financial statements as at 31 December 2021 is presented as follows:

31/12/2021
thousand euros

		Balance [1] As at period end	Reference
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements			
1	**Cash and deposits with central banks and other demand deposits**	66 126	
2	**Financial assets at fair value through profit or loss**	5 342	
3	**Financial assets at fair value through other comprehensive income**	1 318 016	
4	**Financial assets at amortized cost**	673 789	
5	**Hedging derivatives**	10 463	
6	**Non-current assets held for sale**	-	
7	**Investment properties**	988	
8	**Other tangible assets**	13 320	
9	**Intangible assets**	724	h)
10	**Current tax assets**	4 643	
11	**Deferred tax assets**	5 885	
	of which: Deferred tax assets that depend on future profitability and do not arise from temporary differences	1 473	i)
12	**Other assets**	5 613	
13	**Total Assets**	**2 104 909**	
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial			
1	**Financial liabilities held for trading**	32 461	
2	**Financial liabilities at amortized cost**	1 558 850	
3	**Hedging derivatives**	18 032	
4	**Current tax liabilities**	3 401	
5	**Deferred tax liabilities**	1 927	
6	**Provisions**	883	
7	**Other liabilities**	7 073	
8	**Total liabilities**	**1 622 628**	
Shareholders' equity			
1	**Share capital**	150 000	a)
2	**Share premium**	12 849	b)
3	**Treasury stock**	-2 811	c)
4	**Other acc. comprehensive income, retained earnings & other reserves**	297 997	
	Other accumulated comprehensive income	-9 072	d)
	Retained earnings	-2 120	e)
	Other reserves	309 189	f)
5	**Net profit attributable to shareholders of the Bank**	24 246	g)
6	**Total Shareholders' Equity attributable to shareholders of the Bank**	**482 281**	

Model CC2 of Implementing Regulation (EU) 2021/637 of 15 March 2021

[1] Balance sheet as in published financial statements and under regulatory scope of consolidation

4. Capital Requirements and risk-weighted exposure amounts (article 438)

4.1 Method used to assess the adequacy of internal capital

In addition to the regulatory perspective, the Group also evaluates risks and financial resources available (Risk Taking Capacity "RTC") from an economic perspective, by conducting the internal capital adequacy self-assessment exercise (ICAAP) envisaged in Pillar 2 of Basel III and in line with Instruction No. 3/2019 from Banco de Portugal.

The risks and the RTC are estimated on a going concern basis to ensure that the Group is able, at all times, to liquidate all its liabilities in a timely manner.

To quantify the risks, the Group has developed a number of internal capital requirement calculations that estimate the maximum potential loss over a one-year period, with a 99.9% confidence interval. These methodologies cover all categories of risk to which the Group is exposed, except for the market risk in the trading book and operational risk, for which regulatory requirements are used.

The Group has assumed a conservative perspective for the economic capital requirements, considering the higher between the regulatory and the internal capital requirements, by risk category.

The ICAAP results are continuously monitored to ensure that the Group's capital is sufficient to cover the risks, incurred or potential, and are reported monthly to the Finance and Risk Committee. From the analysis of the results, it can be concluded that the Group has a solid and robust capital position, presenting a coverage ratio substantially above the internal minimum level defined in the RAF.

The aforementioned monthly capital adequacy analysis is supplemented at the end of each year by a prospective analysis of the economic capital requirements and of the financial resources available, over a three-year horizon, in the scope of the annual ICAAP exercise and of the preparation of the Group's Funding and Capital Plan.

The above-mentioned monitoring is supplemented by the performance of stress tests, which cover all categories of risk to which the Group is exposed.

The stress tests aim to provide a better understanding of the Group's risk profile, allowing for the assessment of the internal capital and of the capacity to absorb shocks, and to facilitate the detection of vulnerabilities in the Group's exposure to different risk categories.

Two types of stress tests are performed:

- Sensitivity analyses, carried out regularly - consist of assessing the impact on the Group's financial condition resulting from the application of shocks to risk parameters (including, amongst others, PD, LGD, ratings, interest rates with and free of risk and foreign exchange rates).
- Scenario analyses, carried out annually - consist of assessing the impact on the Group's financial condition resulting from the application of simultaneous and consecutive shocks to several factors that affect the business plan. In 2022, the scenario used under the ICAAP 2021

stress test was designed taking into consideration the possible impacts arising from a systemic crisis, modeled based on the history of the crisis caused by the Covid-19 pandemic.

The results of the stress tests reinforce the conclusion that the Group has a solid and robust capital position. The scenario analyses performed as of 31 December 2021 resulted in a coverage ration always above the minimum internal level defined in RAF.

4.2 Credit risk - Own Funds minimum requirements

The Group applies the Standardised Approach in the calculation of the capital requirements for credit risk, in accordance with the prudential rules in force at the reference date, according to article 112, Title II, Part III, Chapter 2.

Under this method, exposures (elsewhere also “positions at risk”) are classified according to the counterparty, by risk classes. The exposure value of an asset element corresponds to its net carrying amount after making the adjustments for specific credit risk, additional value adjustments and other own funds’ reductions, related to the asset element.

To calculate the amounts of the risk weighted assets ("RWA"), risk weighting coefficients are applied to all exposures, unless deducted from own funds. The application of risk weighting coefficients is based on the risk class to which the exposure is allocated and on its credit quality. Credit quality is determined by reference to ECAI (External Credit Assessment Institutions) credit assessments. Whenever necessary to determine capital requirements, 8% of the risk-weighted exposure amounts is considered.

An external credit assessment may only be used to determine the risk-weighting coefficient of an exposure if it has been issued by an ECAI or has been approved by an ECAI in accordance with Regulation (EC) No. 1060/2009. EBA publishes on its website the list of ECAIs authorized under no. 4 of article 2 and no. 3 of article 18 of Regulation (EC) No. 1060/2009.

Under EBA guidelines (in line with paragraph d) of article 438), the capital requirements and the corresponding RWA exposures on a yearly basis, as presented in the following table, provide an overview of the denominator used in the calculation of the capital requirements as at 31 December 2021:

thousand euros

		Total risk exposure amounts (TREA)		Total own funds requirements
		31-12-2021	31-12-2020	31-12-2021
1	Credit risk (excluding CCR)	1 595 748	1 564 858	127 660
2	Of which the standardised approach	1 595 748	1 564 858	127 660
6	Counterparty credit risk - CCR	92 192	70 420	7 375
7	Of which the standardised approach	86 836	67 676	6 947
8	Of which internal model method (IMM)			0
EU 8a	Of which exposures to a CCP			0
EU 8b	Of which credit valuation adjustment - CVA	5 357	2 744	429
9	Of which other CCR	0	0	0
20	Position, foreign exchange and commodities risks (Market risk)	13 800	13 171	1 104
21	Of which the standardised approach	13 800	13 171	1 104
23	Operational risk	88 720	87 617	
EU 23a	Of which basic indicator approach	88 720	87 617	
29	**Total**	**1 790 460**	**1 736 066**	**136 139**

Model OV1 of Implementing Regulation (EU) 2021/637 of 15 March 2021

5. Key matrics (article 447)

Some of the indicators as 31 of December 2021 are as follows:

thousand euros, except %

		31/12/2021	31/12/2020
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	466 577	473 403
2	Tier 1 capital	466 577	473 424
3	Total capital	466 577	473 453
	Risk-weighted exposure amounts		
4	Total risk exposure amount	1 790 460	1 736 066
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	26,1%	27,3%
6	Tier 1 ratio (%)	26,1%	27,3%
7	Total capital ratio (%)	26,1%	27,3%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	4,0%	4,0%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2,3%	2,3%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	3,0%	3,0%
EU 7d	Total SREP own funds requirements (%)	4,0%	4,0%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2,5%	2,5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,0%	0,0%
9	Institution specific countercyclical capital buffer (%)	0,0%	0,0%
EU 9a	Systemic risk buffer (%)	0,0%	0,0%
10	Global Systemically Important Institution buffer (%)	0,0%	0,0%
EU 10a	Other Systemically Important Institution buffer (%)	0,0%	0,0%
11	Combined buffer requirement (%)	2,5%	2,5%
EU 11a	Overall capital requirements (%)	14,5%	14,5%
12	CET1 available after meeting the total SREP own funds requirements (%)	11,6%	12,8%
	Leverage ratio		
13	Total exposure measure	2 248 760	2 129 894
14	Leverage ratio (%)	20,7%	22,2%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	N/A	N/A
EU 14b	of which: to be made up of CET1 capital (percentage points)	N/A	N/A
EU 14c	Total SREP leverage ratio requirements (%)	3%	3%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure percentagem da medida de exposição total)		
EU 14d	Leverage ratio buffer requirement (%)	0%	N/A
EU 14e	Overall leverage ratio requirement (%)	3%	N/A
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	330 429	412 449
EU 16a	Cash outflows - Total weighted value	69 180	69 267
EU 16b	Cash inflows - Total weighted value	45 417	54 927
16	Total net cash outflows (adjusted value)	23 763	17 317
17	Liquidity coverage ratio (%)	1143,0%	2172,3%
	Net Stable Funding Ratio (NSFR)		
18	Total available stable funding	1 540 659	1 518 093
19	Total required stable funding	1 271 203	1 221 418
20	NSFR ratio (%)	121,2%	124,3%

Model KM1 of the Implementing Regulation (EU) 2021/637 of 15 March 2021

6. Remuneration policy (article 450)

As regards the remuneration policies and practices of Banco Finantia, the Group generally meets the requirements established in a manner appropriate to its size and internal organization, as well as to the nature, scope and complexity of the activities carried out.

Information on remuneration policies and practices which disclosure is required by paragraphs a) to d) and j) of number 1 of article 450 of Regulation (EU) No. 575/2013 is detailed and disclosed in Part II. Remuneration, pages 26-36 of the “Report on the Structure and the Corporate Governance Practices of Banco Finantia” (document which is attached to and makes an integral part of the 2021 Annual Report and Accounts), which can be accessed at https://www.finantia.com/pt/banco-finantia_pt/informaaao-financeira/).

In addition, it should be noted that, with the aim of promoting consistent remuneration practices within the Group’s entities, Banco Finantia´s remuneration policies and practices are generally applicable to its subsidiaries, irrespective of their location, with the necessary adaptations in virtue of, namely, proportionality criteria, the need to conform with the local legislation applicable in the jurisdictions where such entities develop their activities and/or the adoption of duly justified rules.

As regards the categories of staff identified as having a professional activity with a significant impact in the institution´s risk profile, as at 31 december 2021 the identified staff members included the members of Banco Finantia´s management and supervisory corporate bodies, the members with executive functions and effective intervention in the execution of the activity of the subsidiaries considered relevant in light of their respective activity and impact in the Group’s risk profile, as well as the heads of Banco Finantia´s Internal Control Functions, the branch managers, and the heads of the following Departments, Legal, Accounting, Consolidation and Financial Information, Human Resources, Corporate Banking, IT, Systems and Telecommunications, Credit, Treasury, Principal Investments and Capital Markets.

The Remuneration Committee of Banco Finantia, appointed by the General Shareholders Meeting, undertakes annually an independent and centralised analysis of the remuneration policy and practices adopted by the institution, in compliance with the provisions of paragraph 6 of article 115-C of the General Regime for Credit Institutions and Financial Companies (“RGICSF”) and of article 44, no.1 of the Notice no. 3/2020 of the Bank of Portugal.Additionally, and since Banco Finantia assumed the capacity of parent company of the Group, the Remuneration Committee also undertook, with reference to the 2021 financial year, the annual evaluation of the foreign subsidiaries´remuneration practices´ impact, in particular on risk management, namely capital and liquidity of the institution, as per articles 53, no. 3 of Notice no. 3/2020. Banco Finantia´s Remuneration Committee has therefore submitted to the Annual General Shareholders Meeting, held on 31 may 2021, the main conclusions of its evaluation, according to which (i) the remuneration policy continues to comply with the applicable laws and regulations and is being effectively applied in the institution, being adequate and proportionate to the size, internal organisation, nature, scope and complexity of the institution´s activities, coherent, not encouraging excessive and imprudent risk taking and promoting the preservation of Banco Finantia´s solidity and stability; and (ii) the Group´s remuneration policy and practices, including the foreign subsidiaries, do not encourage and excessive risk taking, are adjusted to the risks and performance and promite the continuity and sustainability of the Group´s results.

In what converns the disclosure of the quatitative information foreseen in paragraphs h) to i) of no. 1 of article 450 of Regulation (EU) No. 575/2013, reference is made to the tables below. As regards the financial year 2021, the detail of the remuneration awarded is as follows:

thousand euros

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	4	3	9	9
2		Total fixed remuneration	86	325	580	638
3		Of which: cash-based	86	325	580	638
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	3	9	8
10		Total variable remuneration	-	75	129	137
11		Of which: cash-based	-	75	129	137
12		Of which: deferred	-	26	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14 a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		86	400	709	775

Model REM1 of Implementing Regulation (EU) 2021/637 of 15 March 2021

Within the context of “Template EU REM1 - Remuneration awarded for the financial year” as per above (“REM1 Table”), in column (d) “Other identified staff” is included information of the members with executive functions of the corporate bodies of Banco Finantia´s subsidiaries identified as having a material impact on the risk profile. In addition, and for the purposes of the REM1 Table, the information regarding variable remuneration concerns the amounts of variable remuneration awarded with reference to the 2021 financial year´s performance, amounts which were determined in 2022 (row 10), and row 12 includes the amounts of variable remuneration awarded with reference of the 2021 financial year´s performance (determined in 2022) which payment was deferred to 2023 and 2024.

There are no amounts to report for the purposes of “Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions’ risk profile (identified staff)”.

Banco Finantia

thousand euros

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	146	94	52	-	-	-	-	-
8	Cash-based	146	94	52	-	-	-	-	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	-	-	-	-	-	-	-	-
14	Cash-based	-	-	-	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	-	-	-	-	-	-	-	-
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	146	94	52	-	-	-	-	-

Model REM3 of Implementing Regulation (EU) 2021/637 of 15 March 2021

Within the context of “Template EU REM3 - Deferred remuneration”, and in particular, column (b) “Of which due to vest in the financial year” considers the remuneration amounts awarded with reference to financial years previous to 2021 (and excluding 2021) and diferred, paid in the course of 2021 and the amounts of variable remuneration awarded with reference to the 2020 financial year´s performance determined and paid in 2021 also having been therein included. For the purposes of column (c) “Of which vesting in subsequent financial years”, the amounts of remuneration awarded with reference to financial years previous to 2021 (and excluding 2021) and diferred and to be paid on 2022 abd 2023 are considered therein.

At Group level, there are no members of staff being awarded high remunerations within the meaning of article 450, paragraph i) of Regulation (EU) No. 575/2013, that is, members of staff with an annual remuneration equal to or higher than 1 (one) million Euros.

In what concerns the information determined in paragraph k) of article 450 of Regulation (EU) No. 575/2013, Banco Finantia is included within the scope of the derogation foreseen in article 94 no. 3 of Directive 2013/36/EU, based on its respective paragraph a) since Banco Finantia is not a large institution in the sense of article 4 no. 1 paragraph 146 of Regulation (EU) No. 575/2013 and its assets do not reach, in average and in an individual basis, as per such Directive and Regulation, an amount higher than 5 billion euros in the four year period immediately preceding the financial year at stake. Without prejudice, and as regards the parcial deferral of a possible variable component of remuneration, Banco Finantia´s remuneration policies include provisions that foresee the deferral, in certain circumstance, of a portion corresponding to 40% of the variable remuneration, in particular in the case of management corporate body and key function holders.

As regards the quatitative data foreseen in paragrapgh k) of no. 1 of article 450 of Regulation (EU) No. 575/2013, and in respect of identified staff members whose professional activity has a significant impact on the instituition´s risk profile comprised by the scope of the applied derogations or who are not subject to the application of such provisions due to not earning a variable remuneration, reference is made to the table below:

thousand euros

no. of employees identified	Fixed remuneration[1]	Variable remuneration[2]	Total Remuneration
26	1 618	340	1 958

1 Fixed remuneration earned in 2021.
2 Variable remuneration awarded with reference to 2021, paid in 2022 and payable in subsequent years (by deferral)

7. Exposures subject to measures in response to COVID-19 crisis

In line with the recommendations of the European Banking Authority (EBA) regarding the disclosure of information on exposures subject to measures applied in response to the Covid-19 crisis, it should be noted that as at 31 December 2021, the Group did not hold any exposures related to credit moratoria and loans granted under the credit lines guaranteed by the Portuguese State.

TRANSLATION NOTE

The above translation is a free translation of the original document issued in the Portuguese language. In the event of discrepancies or misinterpretations, the original version shall prevail.