Banking Activity Report

Portuguese Banking Association

2022 | Annual

Índice

Foreword

The Banking Activity Report is a publication of the Portuguese Banking Association (APB) that analyses the aggregate banking activity developed by its member financial institutions[1]. As of 31 December 2022, the APB represented 24 Members, including 30 financial institutions that together accounted for 96% of the total value of the Portuguese consolidated banking assets.

The analysis provided in the Banking Activity Report covers the activity undertaken in Portugal and abroad (at representative offices and branches) by the financial institutions (banks, savings banks and mutual agricultural savings banks) that are Members of the APB, and is based on a pool of financial and non-financial information obtained by adding up each institution's individual financial statements and other management indicators. The analysis of the international activity and solvency is based on consolidated data.

All analyses focus on the banking activity in 2022 and comparison with the previous 3-year period. The financial and non-financial aggregate information about the financial institutions included in the group of APB members is provided in excel format together with this publication.

The 2022 Banking Activity Report is based on the information provided by 21 Members (27 financial Institutions). Where the number of Members on which the analysis is based is different from the sample this is duly indicated.

[1] References to Financial Institutions made throughout this Banking Activity Report refer to the APB's member Banks.

Executive Summary

In 2022, world GDP growth slowed significantly to 3.1%, from 6.0% in 2021. This year, global economic activity developed amid persistent geopolitical tensions, in light of the effects of Russia's invasion of Ukraine, higher interest rates and increased turbulence in international financial markets, notably related to events affecting banks in the US and Switzerland.

The year was also marked by rising inflationary pressures, with the overall average annual inflation rate accelerating from 3.5% in 2021 to 8.3% in 2022. To counteract the upward trend in prices, central banks - with the exception of the People's Bank of China - tightened monetary policy. The US Federal Reserve and the Bank of England began to reduce their balance sheet after the implementation of the asset purchase programmes that had been created to support the economy during the pandemic (Quantitative Tightening).

The main shareholder indices closed the year with losses while government debt yields followed a markedly upward trend. In the foreign exchange market, the euro appreciated slightly against the currencies of its main trading partners. In the interbank market, however, Euribor rates stopped recording negative values and closed the year rising between 247 b.p. (Euribor 1m), to 1.884%, and 379 b.p. (Euribor 12m), to 3.291%.

The Portuguese economy grew by 6.7% in real terms in 2022 (5.5% in 2021), counteracting the slowdown trend affecting the global economy. The increase in GDP was the result of the positive contribution of both domestic demand, notably Private Consumption, and net external demand, due to the growth in Exports of Services (55.7%), as a result of the recovery in the Travel and Tourism sector, and in Exports of Goods. The Consumer Price Index (CPI) maintained the upward path recorded in the second half of 2021, slowing down only in the last two months of the year. The average annual variation in the CPI rose from 1.3% in 2021 to 7.8% in 2022, influenced by the rise in underlying inflation and also by rising prices in unprocessed food and energy products. In turn, the unemployment rate continued the downward trend of the previous year, standing at 6.0%, with wages rising by 8.4% and labour productivity increasing by 2.7%. The Portuguese stock market did not mirror the overall downward trend, with the PSI-20 rising by 2.8%, reaching a peak valuation of 14.0% in June. In turn, the yield of 10-year Treasury Bonds in the secondary market followed the overall trend and closed the year rising 311 b.p. to 3.60% at the end of the year.

Despite recent very significant adverse shocks, which had a negative impact on economic growth outlook, the banking sector has shown strength and resilience, and has continued to respond efficiently to the financing needs of the economy. Indeed, the profitability of the Portuguese banking system continued to show signs of improvement, essentially reflecting positive growth in the net interest margin, due to rapidly rising interest rates, and a very significant reduction in the flow of provisions and impairments, which had been established to accommodate the effects of the pandemic. This performance was achieved despite the extremely challenging context from an economic, regulatory and competitive point of view, which in the Portuguese case is still subject to a number of constraints that do not apply to its European peers. This corresponds to a highly distorted situation, namely due to the ban on collecting commissions on ATM/Multibanco operations; the Contribution to the Banking Sector, the Additional Solidarity Scheme and the contributions to the National Resolution Fund, in addition to the contributions to the Single Resolution Fund, and delays in judicial credit recovery and insolvency proceedings.

In contrast to the growth experienced in the previous two years, the aggregate assets of financial institutions fell by 3.5% compared to 2021, totalling around €369 billion, with only net loans to customers increasing. Loans to customers (gross) increased by 2.0% compared to 2021, with lending to Corporate and Public Administration showing a marginal reduction of 0.2%, while mortgage loans and loans to individuals for consumption and other purposes increased by 4.0% and 0.7% respectively. Despite rising interest rates, caused by the effects of monetary policy normalisation, there was no deterioration in the quality of assets. The NPL ratio maintained the downward trajectory in place since 2016 and stood at 3.6%. Although this ratio remains at a level considered still high vis-à-vis the euro area average, that reached 1.8% in December 2022, progress made in reducing the NPL ratio has been very significant. In turn, the NPL ratio net of impairments was 1.5%, in line with the euro area average. In addition, there was an increase in impairment coverage, with the ratio rising by 3.5 p.p. to 57.8%, and continuing to compare favourably with the European Union average.

Developments in liabilities led to a significant increase in customer deposits (+5.6% YoY) which remains the main source of financing for the system, and accounts for about 70.8% of total sector liabilities. Changes in monetary policy to tackle rising inflation have led to higher interest rates which have resulted in a significant reduction in financing from the Eurosystem (-61.8% compared to 2021), representing 5.0% of assets compared to 13.2% in December 2021.

In terms of solvency, the aggregate CET1 ratio was 15.8%, and the total solvency ratio was 18.5%, both slightly higher than the ratios calculated in the previous year.

I. Macroeconomic Environment

In 2022, global economic activity was strongly affected by the effects of Russia's invasion of Ukraine, mainly due to the importance of the two countries in the production of energy and food raw materials.

World GDP growth slowed significantly, falling from 6.0% in 2021 to 3.1% in 2022. The main economies experienced a slowdown, and Russia a recession (-2.1%).

The average annual headline inflation rate increased from 3.5% in 2021 to 8.3% in 2022. Year-on-year inflation rose for almost the whole year and showed only a slight slowdown in some countries in the last quarter. China was the exception to this trend, with average annual inflation of 1.9%, just above YoY (0.8%) and below target (around 3%).

The sharp rise in energy and food prices was the main responsible for the initial increase in inflation.

The oil price started the year slightly below $80/barrel, but rose to above $120/barrel in March and June, although it closed the year with more modest year-on-year increases of 6.1% for WTI and 10.5% for Brent. The price of natural gas also rose, particularly in Europe, where it recorded an average annual price of €133/MWh, corresponding to an average annual variation of 179%, with a maximum value of around €340/MWh in August.

The Food Price Index from the UN Food and Agriculture Organization (FAO) recorded an average annual variation rate of 14.3%, with dairy products (19.5%) and cereals (+17.9%) standing out. As for monthly changes, there was a sharp rise in the Index in the first quarter, mainly due to cereals and oils. In the third quarter prices stabilised, followed by a gradual reduction in the second half of the year, with this index closing slightly down on the previous year (-1.4%), due to oils (-19.0%), the only one which fell in price.

To combat the upward trend in prices, central banks - with the exception of the People's Bank of China - tightened monetary policy. The US Federal Reserve and the Bank of England began to reduce their balance sheet after the implementation of the asset purchase programmes that had been created to support the economy during the pandemic (Quantitative Tightening). The Central Bank of Brazil (+450 b.p. to 13.75%), the US Federal Reserve (+425 b.p. to 4.25-4.5%) and the Bank of Canada (+400 b.p. to 4.25%) lead the monetary tightening. Conversely, due to the low level of inflation and the economic slowdown, the People's Bank of China decreased interest rates by 15 b.p. to 3.65%. In turn, the European Central Bank raised interest rates by 250 b.p. to 2%.

In 2022, the financial markets experienced a downward trend, albeit with a few exceptions. In the stock markets, the main indices traded down for most of the year and ended it that way. Closing the year with the biggest falls were the Shanghai Shenzhen CSI 300 indices (-21.6%), S&P 500 (-19.4%) and Euro STOXX 50 (-11.7%). The exception was Bovespa (up 4.7%), BSE Sensex 30 (with a 4.4% increase) and FTSE 100 (with a 0.9% increase). In the foreign exchange market, the Real showed one of the best performances of the year, appreciating 15.8% against the Pound Sterling, 11% against the Euro and 5.2% against the US Dollar. The US Dollar appreciated significantly, with the US Dollar Index closing the year up 7.9%. The Euro also appreciated slightly (1.4%) against the currencies of its main trading partners. One of the worst performing currencies was the Japanese Yen, which lost 14.6%

against the US Dollar and 7.5% against the Euro, as the Bank of Japan maintained in place the policy of control of the yields curve. Yields of 10-year sovereign debt in the secondary market showed a markedly upward trend, with the German Bund closing the year up 274 b.p. to 2.56%, British gilts up 270 b.p. to 3.67% and American Treasury Bonds up 233 b.p. to 3.83%.

Portuguese Economy

The Portuguese economy grew by 6.7% in real terms (5.5% in 2021), counteracting the slowdown in the global economy. The pre-pandemic level was surpassed as early as the first quarter, where GDP grew by 2.3% year-on-year, and then slowed down to growth of 0.1%, 0.5% and 0.5%, respectively, in the remaining quarters. In light of the inflationary environment, GDP increased by 11.4% in nominal terms (7.1% in the previous year) and the implicit GDP deflator accelerated to a variation rate of 4.4% (1.5% in 2021).

According to the National Statistical Institute (INE), the increase in GDP was the result of the positive contribution of both domestic demand (+4.7 p.p.) - especially Private Consumption (+3.8 pp.) - and net external demand (+2.0 p.p). Household Private Consumption grew by 5.9%, supported by increases of 11.6% in the Durable Goods segment and 6.6% in Services, despite a 2.3% reduction in Food consumption. In turn, Investment grew by 3.1%, driven by all sectors, particularly *Transport* (+9.4%), *Other Machinery and Equipment and Weapons Systems* (+5.7%), *Intellectual Property Products* (3.3%) and *Construction (+*1.0%, with the *Housing* segment growing by 3.7%). The rate of investment[2] in the economy remained at 20.3% in 2022, as the nominal increases in Gross Fixed Capital Formation and GDP were similar.

Exports of Goods and Services accelerated and increased by 33.8% (in value), due to the growth of both Exports of Services (55.7%), as a result of the recovery in Travel and Tourism, which increased by 110%, and Exports of Goods (25.5%).

Gross Value Added (GVA) increased by 6.5% in volume (5.5% in 2021). All branches of activity contributed positively to this growth, except for *Agriculture, forestry and fishing* (-5.3%). There were changes in Trade and repair of vehicles; Accommodation and catering and Transport and storage; Information and communication activities, both increasing by 15.1% (6.2% and 10.3% respectively in 2021). Taxes net of subsidies on products increased by 9.2% (7.5% last year).

In 2022 the Consumer Price Index (CPI) maintained its upward path in the second half of 2021, slowing down only in the last two months of the year. The average annual variation in the CPI rose from 1.3% in 2021 to 7.8% in 2022, with the underlying inflation indicator, which excludes unprocessed food and energy, also on the rise, from 0.8% in 2021 to 5.6% in 2022. The increase in the rate of variation in the CPI was influenced by the rise in underlying inflation and also by the acceleration of unprocessed food and energy prices, which recorded average annual changes of 12.2% and 23.7% (0.6% and 7.3% in 2021), respectively.

The unemployment rate continued to fall, down to 6.0% (-0.6 p.p.) in 2022, despite steadying at 6.6% in the fourth quarter (+0.2 p.p. in annual terms). Under-utilisation of labour[3] also fell (-1.2 p.p.),

[2] Measured by the ratio of Gross Fixed Capital Formation (GFCF) to nominal GDP.
[3] This indicator aggregates the unemployed population, the underemployment of part-time workers, those who are inactive and looking for employment but are not available and those who are inactive and available but are not seeking employment.

to 11.4% (11.7% in the fourth quarter). Total employment in terms of hours worked increased by 2.9% (3.1% in 2021) and employment measured by number of individuals increased by 1.5% (2.0% in the previous year). Hours worked increased by 3.7% (2.6% in the previous year), reflecting an increase in the number of hours worked per individual as a result of the increase in economic activity in the post-pandemic period.

Earnings grew by 8.4% in 2022 (7.2% in the previous year), which resulted from a 2.5% increase in the number of wage-earning individuals and a 5.7% increase in average pay, slightly higher than in 2021 (2.0% and 5.1% respectively).

In 2022, labour productivity increased by 2.7% (2.8% in 2021), the result of a 6.5% increase in GVA and a 3.7% increase in employment, measured in hours worked. Labour productivity based on the number of individuals rose by 4.8% (3.5% in the previous year), as employment measured in hours worked increased more intensely than that measured in number of individuals (1.5%).

The country recorded a net financing need of 0.6% of GDP after the 0.9% financing capacity recorded in the previous year. This development was due to an increase in Gross Savings (7.9%) that was lower than the increase in Gross Capital Formation (11.5%). The situation of households deteriorated the most, with financing capacity falling to 0.5% of GDP (3.4% in 2021), accompanied by a reduction in the savings rate from 9.9% to 6.1% of gross disposable income.

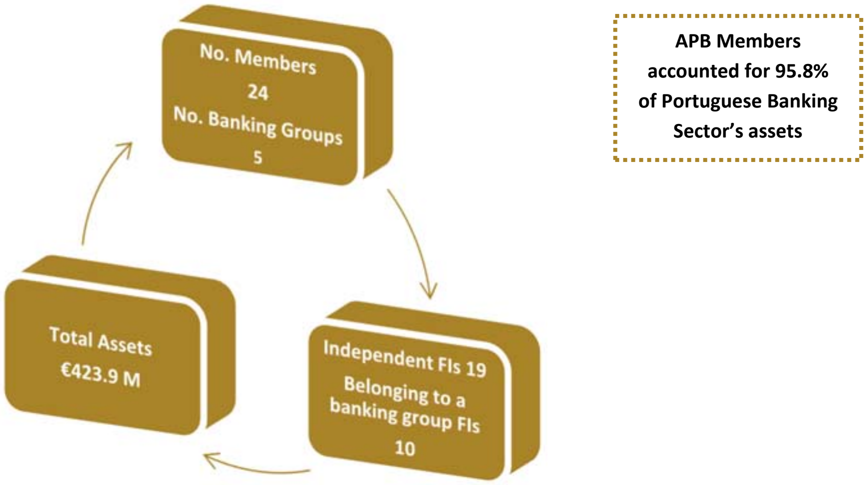
In public finances, the budget deficit improved significantly, despite remaining on negative ground, reaching -0.4% of GDP (-2.9% in 2021), as a result of the increase in total revenue (10.2%) being higher than the increase in total expenditure (4.4%). Revenue developments benefited from the post-pandemic economic and labour market recovery, accentuated by the inflationary environment, notably increases in tax revenue (16.6%), social security contributions (8.5%) and sales (11.6%). On the expenditure side, the fall in subsidies (-40.4%) and interest charges (-9.4%) was noteworthy. The public debt ratio resumed its downward path, reaching 112.4% of GDP at the end of 2022 (124.5% in the previous year).

In 2022, the credit ratings of the Portuguese Republic were revised upwards by most specialist agencies. DBRS, S&P and Fitch raised ratings to A (low), BBB+ and BBB+ respectively, after Moody's moved up to Baa2 in 2021. The yield of 10-year Treasury Bonds in the secondary market followed the overall trend and closed the year rising 311 b.p. to 3.60%. Despite this change, the cost of the State’s direct debt stock fell to 1.7% (1.9% in 2021). In the stock market, however, the PSI-20 did not follow the downward trend and closed the year up again, this time by 2.8%, having recorded a peak valuation of 14.0% in June.

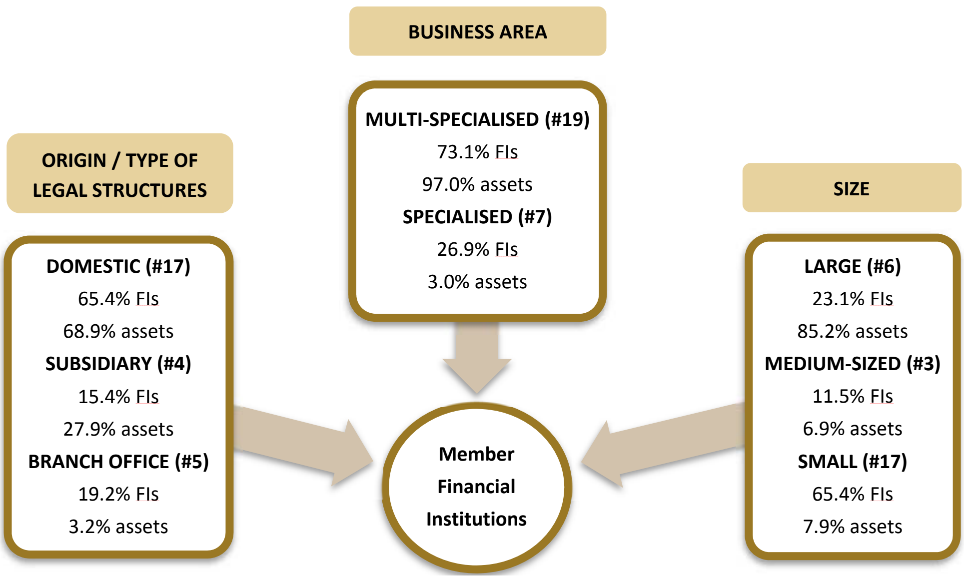
II. Member Financial Institutions analysis

As of 31 December 2022, APB had 24 Members, including 29 financial institutions, representing 95.8% of the consolidated assets of the Portuguese banking system.

Figure 1: Main features of APB's members[4]



Source: APB, Bank of Portugal. Data based on information for all the APB Members at 31 December 2022. Consolidated data.

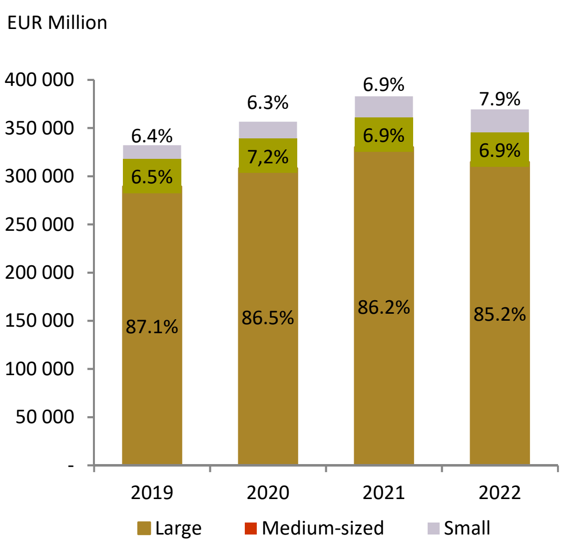


Source: IFs, APB. Data based on the information provided by 21 Members (26 financial Institutions) relative to 31 December 2022.

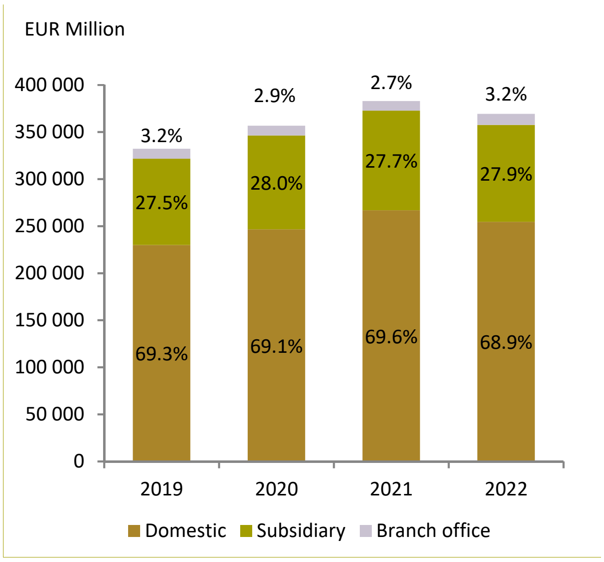
[4] Large financial institutions represent 5% or more of aggregate assets, medium-sized represent between 1% and 5% and small financial institutions represent 1% or less of aggregate assets. Financial institutions' business is classified as "specialised" if they engage exclusively or mostly in one of the following activities: consumer credit, mortgages, car loans and investment banking. In all other cases, they are classified as multi-specialised.

Graph 1: Evolution of aggregate assets

a) By size



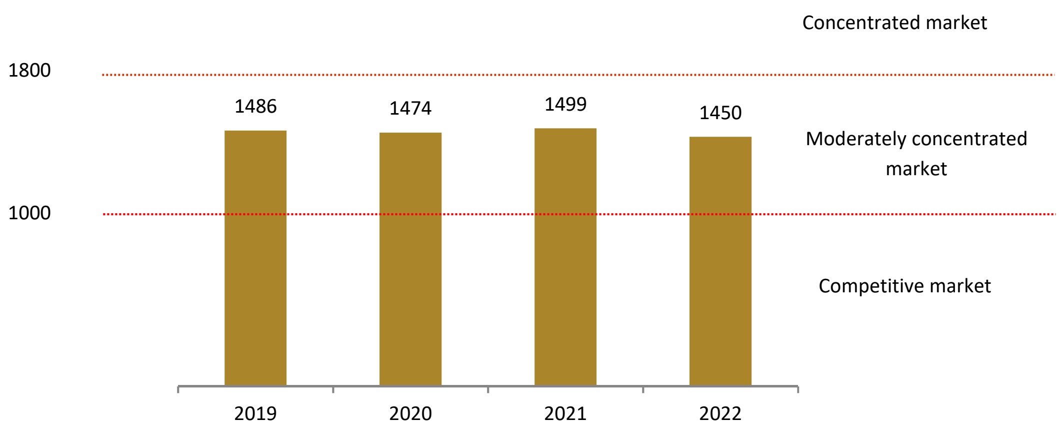
b) By size



Source: FIs, APB.

According to the Herfindahl-Hirschman[5] index, the market is moderately concentrated (1,450), showing a 49 points decline relative to the previous year.

Graph 2: Herfindahl Index



Source: FIs, APB.

[5] The Herfindahl index is calculated as the sum of the squares of the market shares by assets of the 27 financial institutions included in the sample. As a rule, a score of under 1,000 indicates low concentration, of 1,000 to 1,800 moderate concentration, and of over 1,800 high concentration.

III. Human Resources

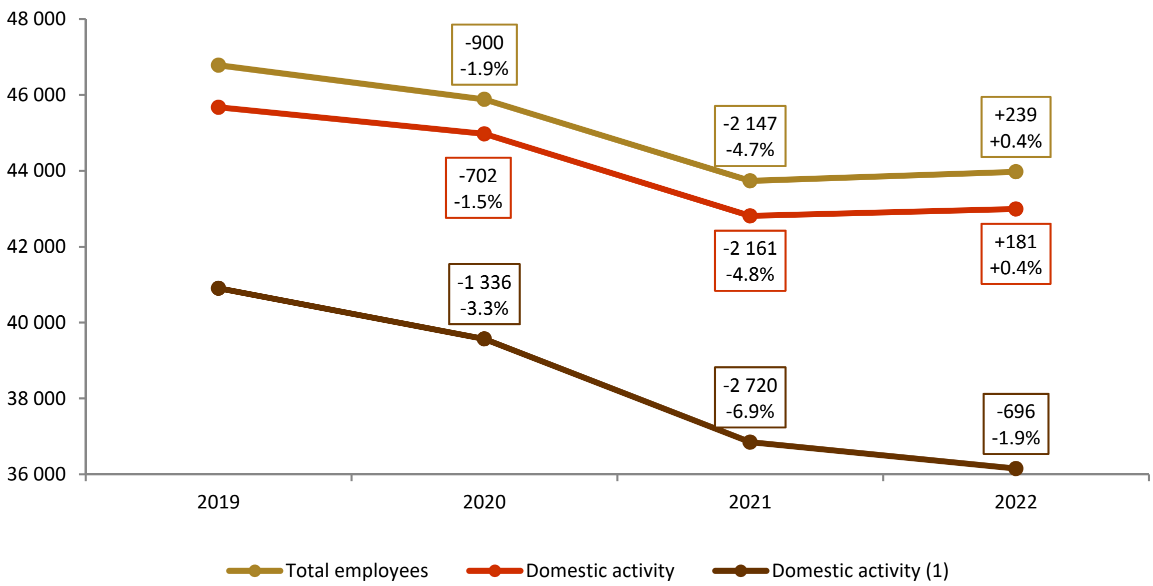
III.1. Evolution

In 2022, APB Members employed 43,975 employees, an increase of 239 employees compared to December 2021. Of the total number of employees, 42,993 worked at the domestic business, totalling around 1% of the employed population. Compared to 2021, there was an annual growth of 181 employees in domestic activity and 58 employees in international activity.

As in previous years, human resources data are influenced by the distinct reality of one Member with a very specific business nature, which has continued to hire staff. Excluding the contribution of this member, the number of employees would have been reduced by 1.9% (or 696 employees).

Developments in banking sector human resources have reflected the need to respond to structural challenges posed by digitalisation, technological innovation, a higher level of competition, and increased operational risks such as cybercrime, money laundering and terrorist financing.

Graph 3: Evolution of total number of employees and annual percentage change



(1) Excludes one APB member due to its specific business activity.
Source: FIs, APB.

In 2022, there was a reduction in staff at management level, and an increase in staff with administrative functions. In addition, as in previous years, there was:

i) An increase in the proportion of female staff, now more than 51% of total employees, which is slightly higher than the national average (about 50%), with about 40% of the sector’s management roles;

ii) An increase in the proportion of the older age brackets (45 years or over) to 55.9%, above the national average (51.3%);

iii) A slight increase in the average age of employees, from 49.5 to 49.9 years;

iv) An increase in the proportion of employees with higher academic qualifications, rising from 68.4% to 69.4%, compared to 33% for the Portuguese labour market as a whole;

v) A reduction in the proportion of employees assigned to the commercial area, which fell from 54.0% to 51.1%.

More specifically, at the end of 2022, of the total number of employees assigned to domestic business of member financial institutions:

51.4% were women (50% in Portugal) and approximately 40% as head of department

54.0% were in the age bracket of 45 or older (51.3% in Portugal)
Employees average age: 49.9 years
Employees average seniority: 20.8 years

58.2% had worked in the banking sector for more than 15 years

69.4% had university-level qualifications (33% in Portugal)

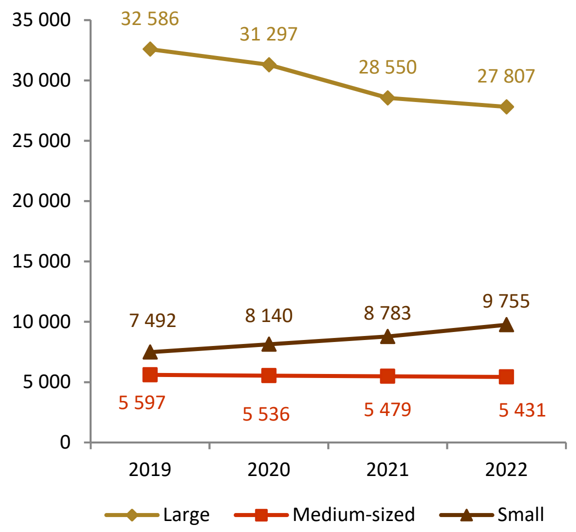
51.2% held specialised jobs

51.1% worked in the commercial area

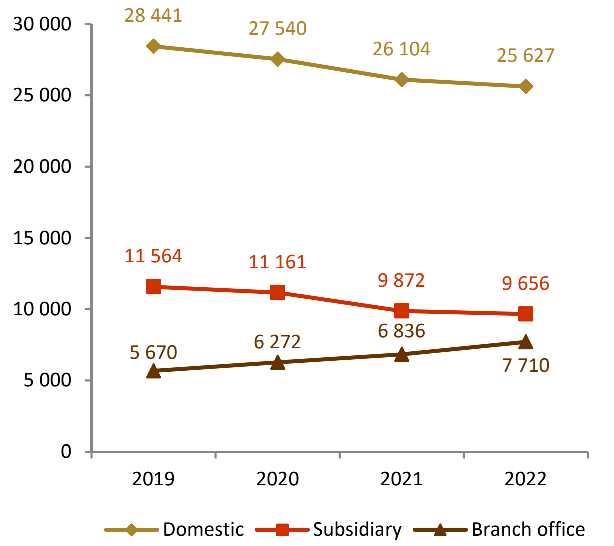
98.5% had permanent employment contracts (82.8% in Portugal)

Graph 4: Evolution of number of employees in domestic activity

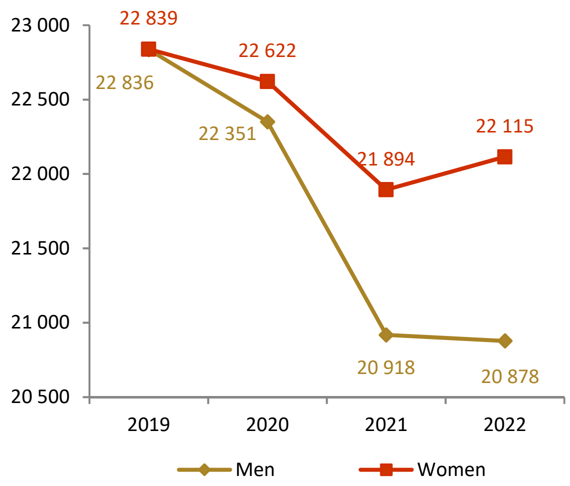
a) By size



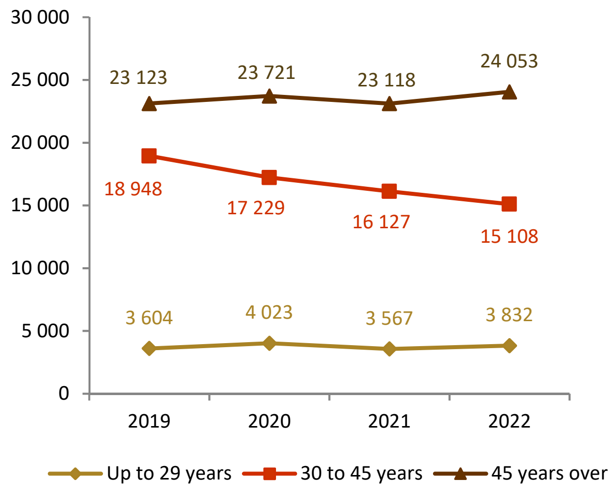
b) By origin / type of legal structure



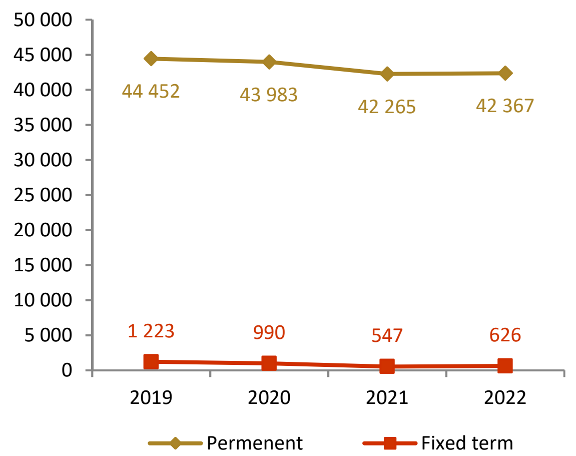
c) By gender



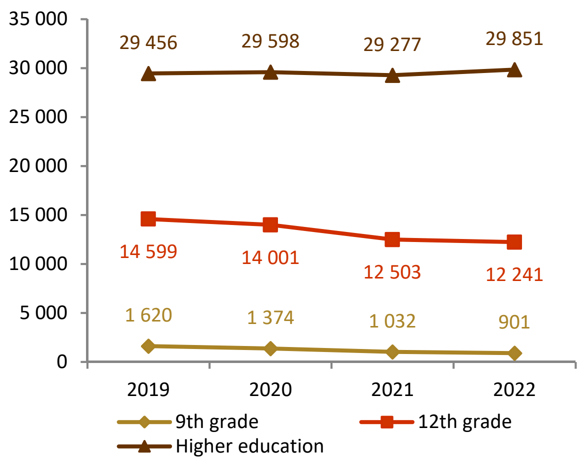
d) By age



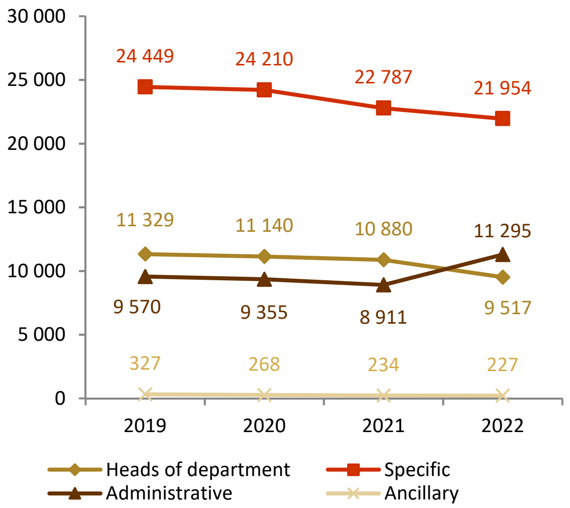
e) By type of employment contract



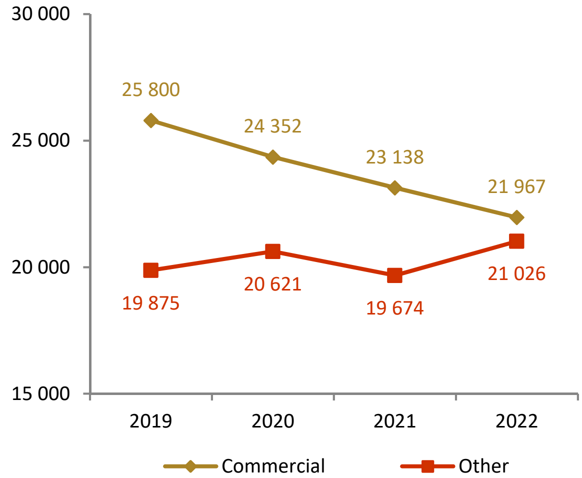
f) By academic qualifications



g) By position

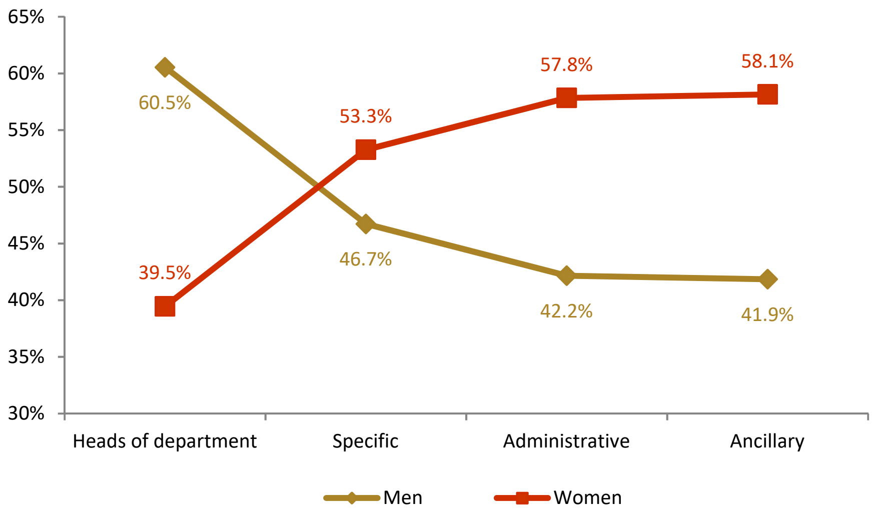


h) By activity



Source: FIs, APB.

i) By position and gender (2022)



Source: FIs, APB.

III.2. Training[6]

Staff training is a priority objective for the financial system due to the profound transformation of the sector taking into account the accelerated process of digitalising the business model, a high level of innovation, support for the sustainable transition of society, and greater vulnerabilities in terms of risk management, control of money laundering, terrorist financing and cybersecurity.

In 2022, training investment amounted to approximately €16.5 million, corresponding to 1.3% of general administrative expenditure, compared to 1% in 2021. This year, there was an increase in both

[6] The human resources training indicators are based on a sample of 22 financial institutions.

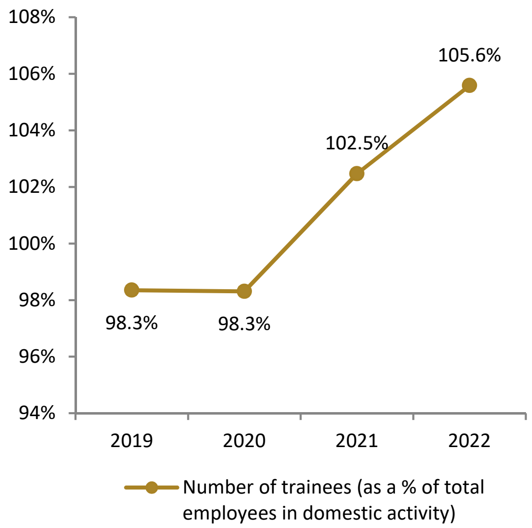
e-learning and in-person training, and a reduction in distance learning, even though this was still around double the number of staff doing in-person training.

In 2022, the main training indicators worth highlighting include:

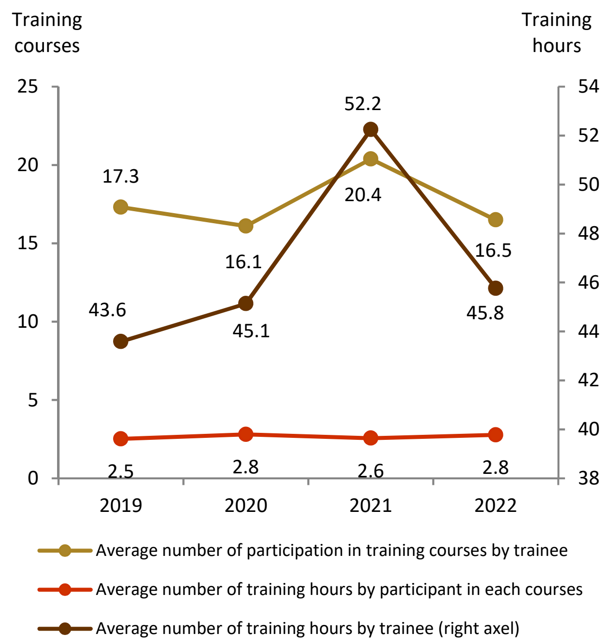
- Global training rate: 105.6% - the ratio is greater than 100% due to the number of departures of employees who received training during the year
- Number of trainees: 44,733, +3.5% relative to 2021
- Total number of training hours: 2,046,980 horas, -9.2%relative to 2021
- Average number of training courses per trainee: 16.5 training courses (20.4 in 2021)
- Average number of training hours per employee: 45.8 hours/year (52.2 hours/year in 2021)
- Training courses breakdown by type: face-to-face – 11.6%; e-learning – 50.9%; remote – 23.3%; other – 14.2%
- In-house training courses: 80.6% of the total (80.2% in 2021)
- Expenditure with external training entities: +33.9% relative to 2021 (64.0% of total training costs)

Graph 5: Training evolution

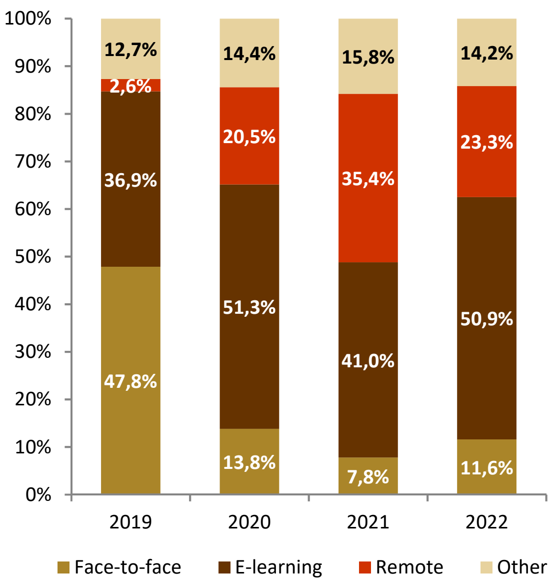
a) Number of trainees as a % of number of employees



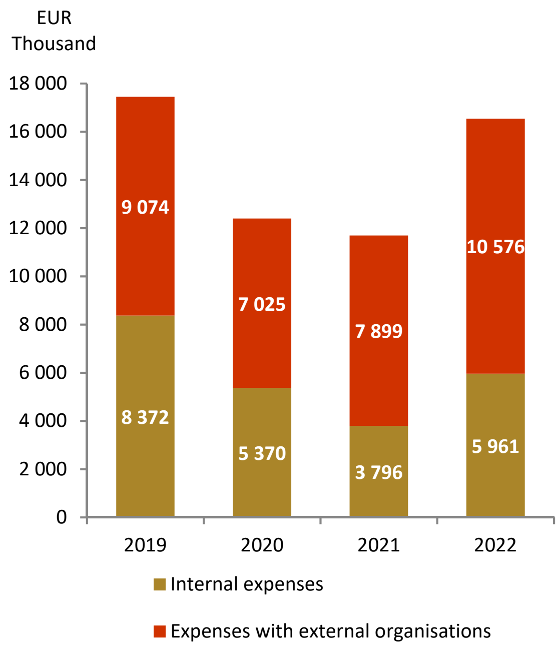
b) Participations and hours in training courses



c) Training methods



d) Training costs



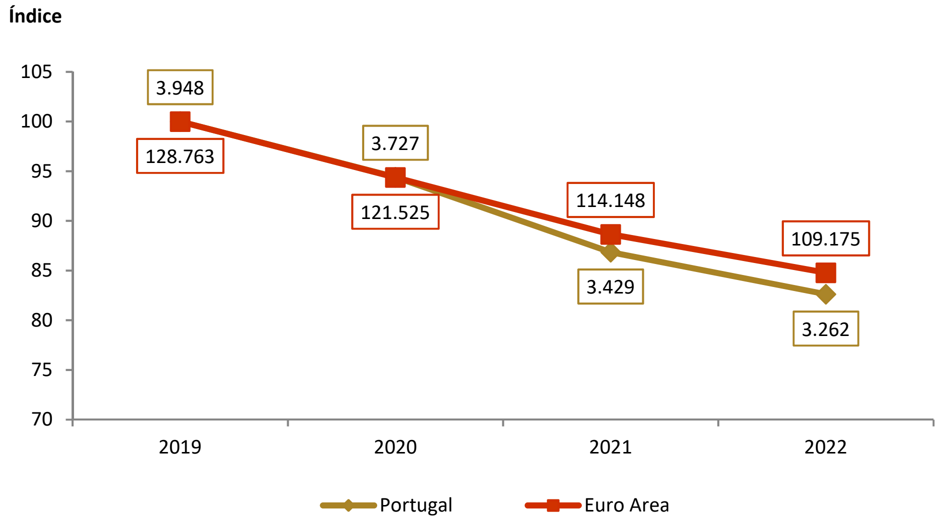
Source: FIs, APB.

IV. Banking Coverage Indicators

IV.1. Branch network in Portugal

At the end of 2022, the Members' branch network consisted of 3,262 branches, with a 4.9% reduction compared to the previous year, i.e. less 167 branches, continuing a model of customer relations resulting in the modernisation of the branch network and the pursuit of the digital transition. In 2022, about 68% of internet users used online banking, compared with 64% in 2021 and only 38% in 2010.

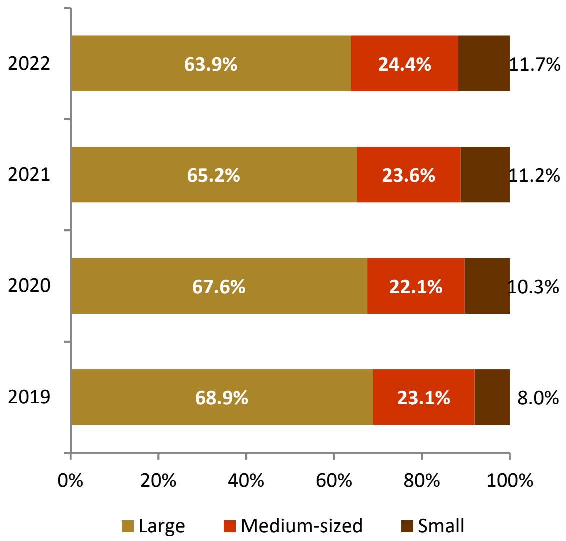
Graph 5: Evolution of total branches (2019 = 100)



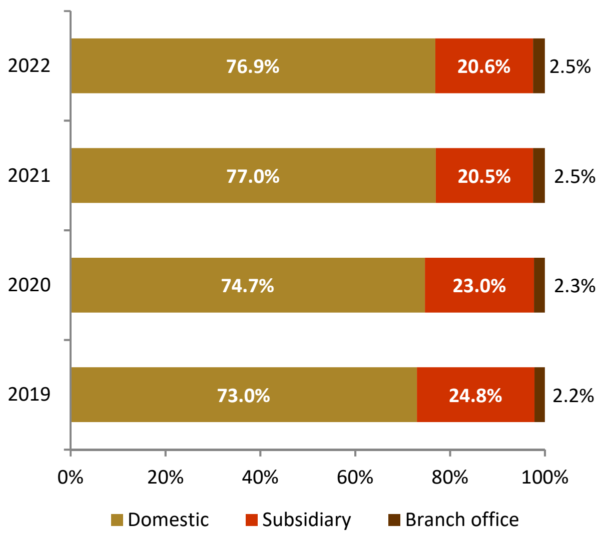
Source: FIs, APB, ECB.

Graph 6: Representativity in terms of number of branches in Portugal as at 31 December

a) By size



b) By origin / type of legal structure



Source: FIs, APB.

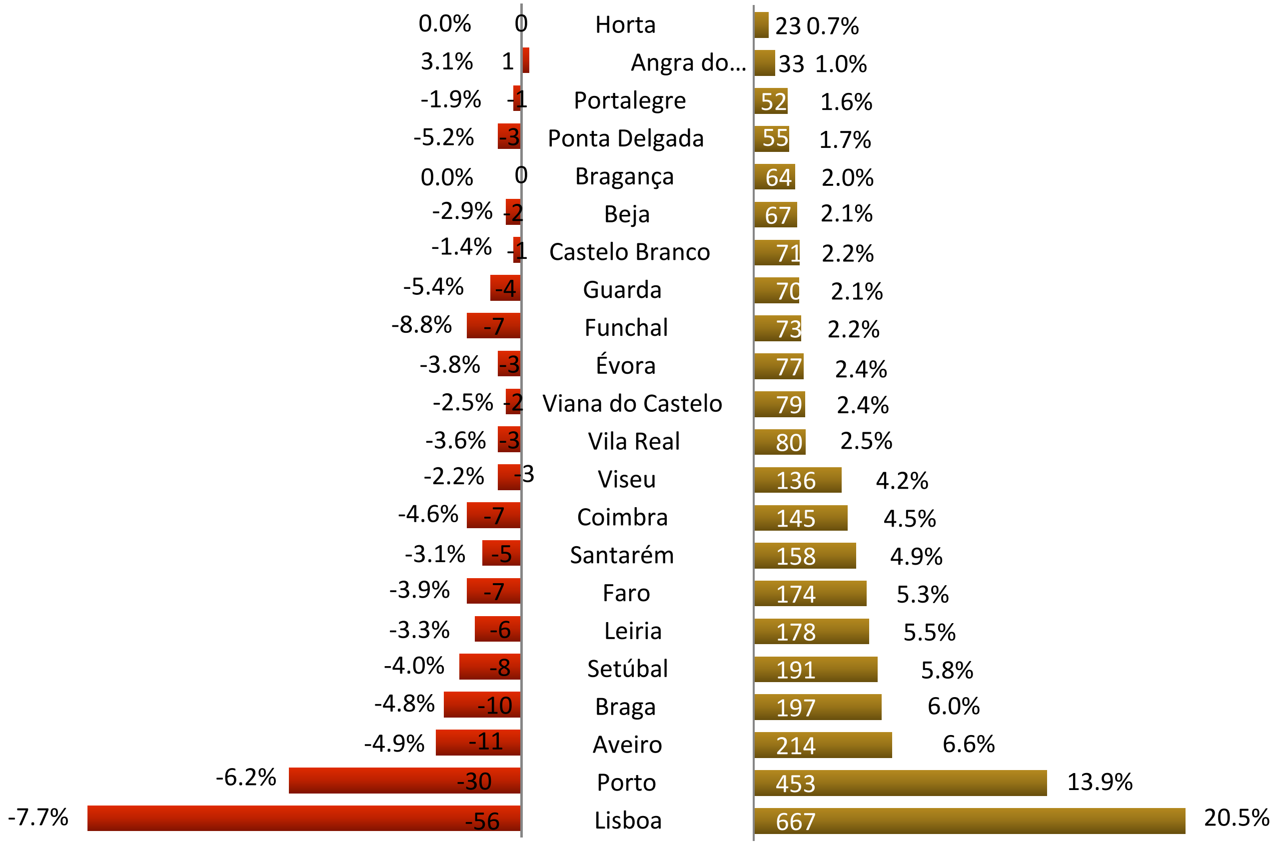
In 2022, the Lisbon and Porto districts continued to record the most significant annual variation in terms of branch closures, together representing about 51% of branches closed in 2022.

Graph 7: Branch network per district, as at 31 December 2022

a) Absolute and percentual change in the number of branches against 31 December 2021

b) Branch network in absolute and percentual terms

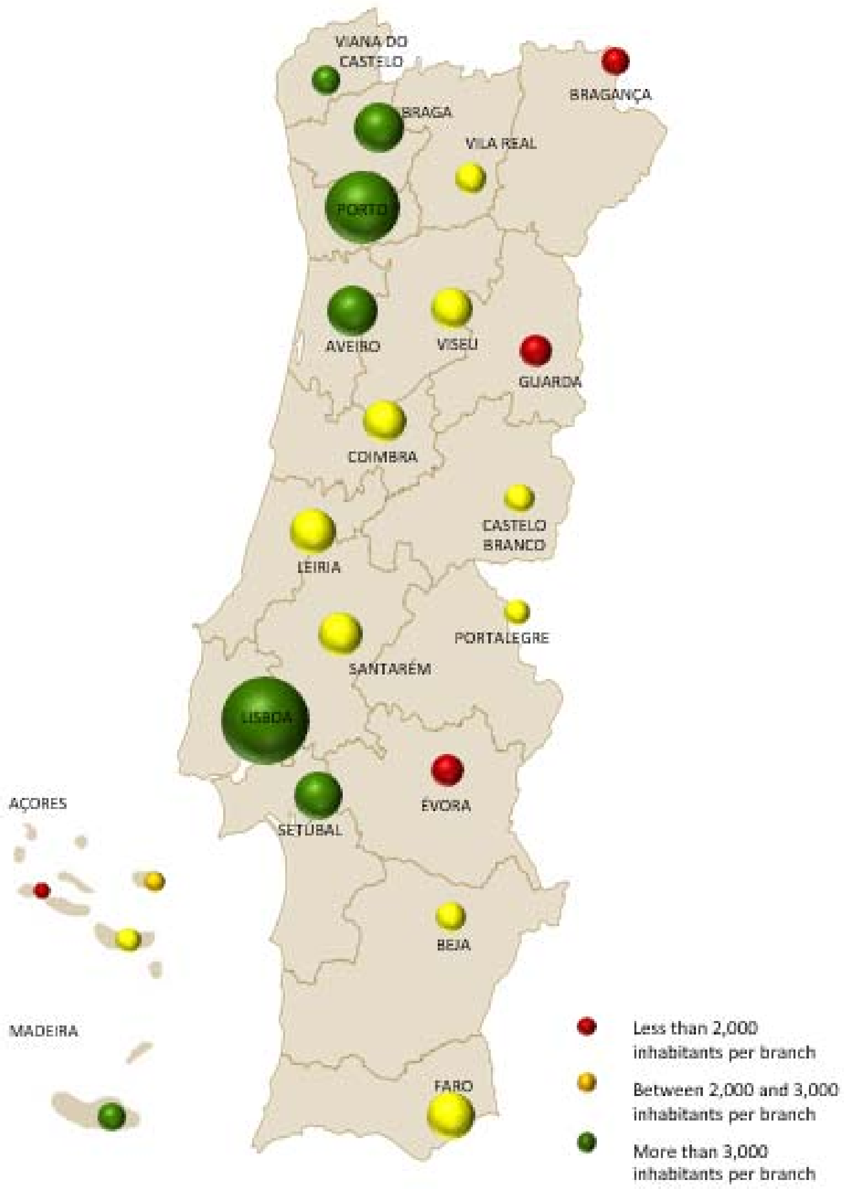
c



Source: FIs, APB.

Note: Does not include 4 mobile branches.

Figure 2: Branch distribution by district and number of inhabitants per branch, in each district as at 31 December 2022

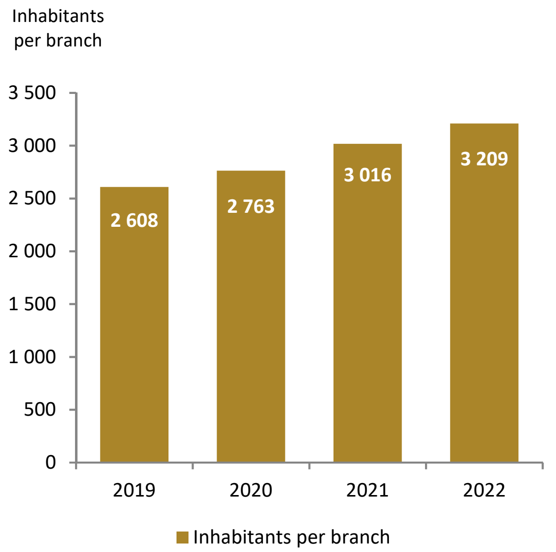


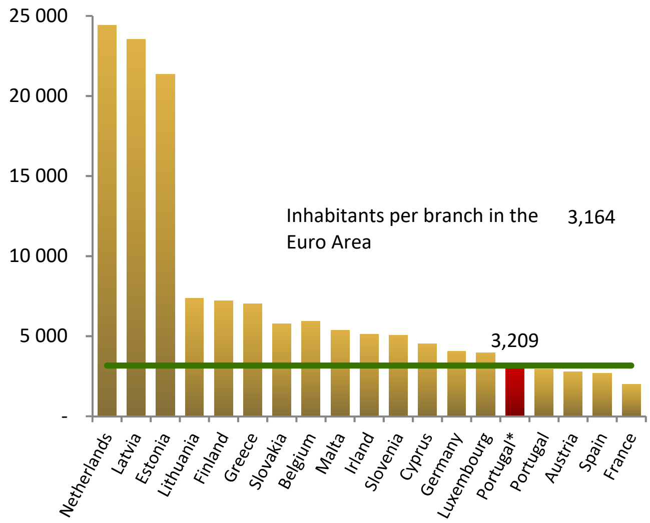
Source: FIs, INE – Statistics Portugal, APB.

Note: The size of the bubbles indicates the absolute number of the branches in the district, while the colour shows the number of inhabitants per branch. Does not include 4 mobile branches.

The number of inhabitants per branch has been increasing and, by comparison, the APB's member financial institutions are already in line with the average for the euro area countries.

Graph 8: Evolution of the number of inhabitants per branch

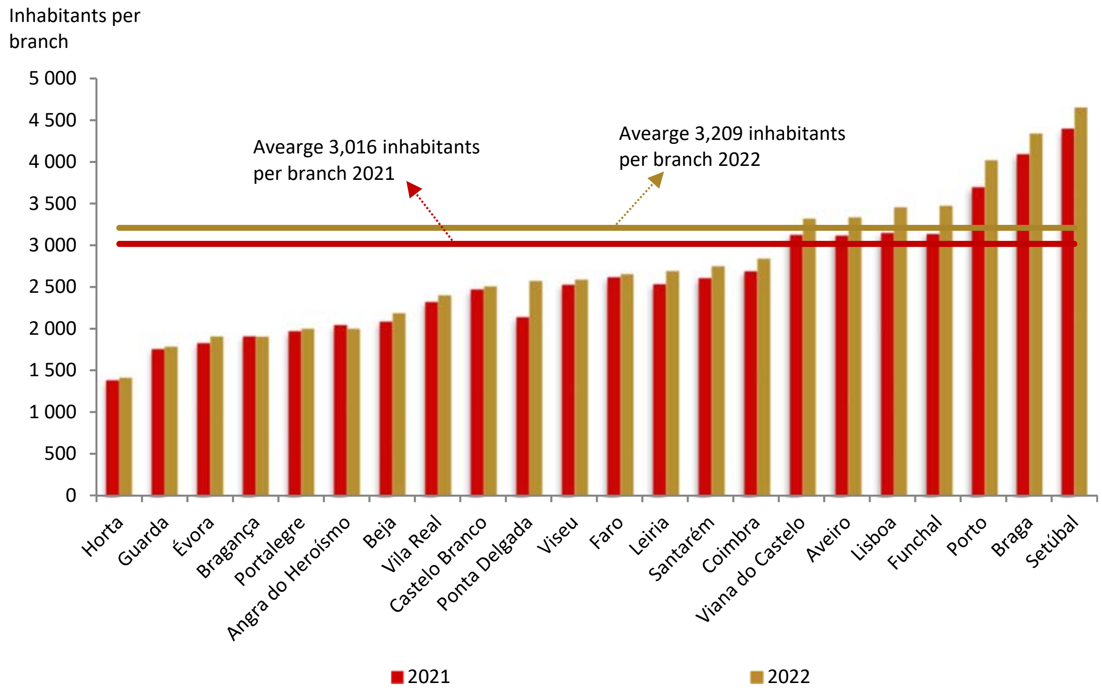




Source: FIs, INE – Statistics Portugal, APB.

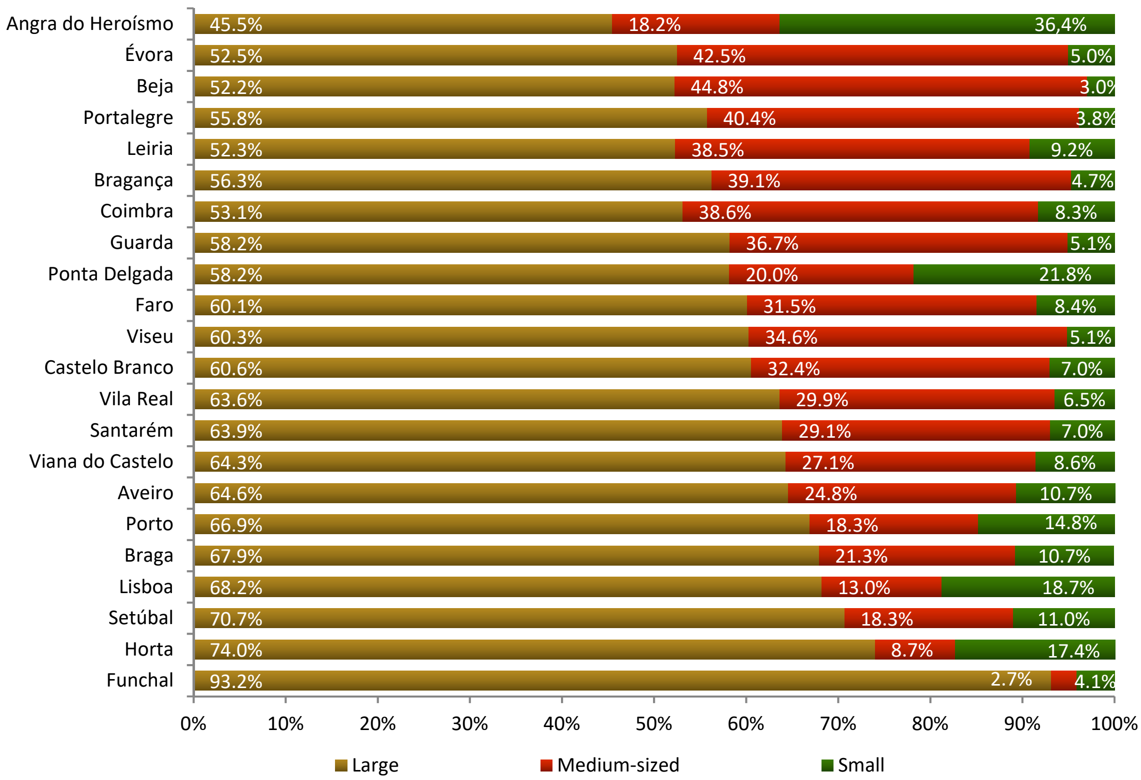
Source: Eurostat, BCE (including data for Portugal).
*APB Members.

Graph 9: Number of inhabitants per branch in each district



Source: FIs, APB. Does not include 4 mobile branches.

Graph 10: Percentage breakdown of branches by size and district, at 31 December 2022

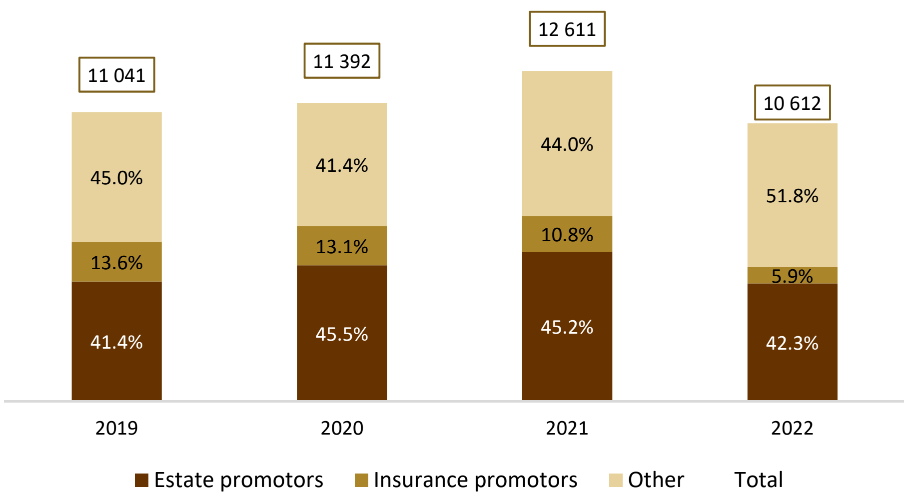


Source: FIs, APB. Does not include 4 mobile branches.

External promoters

External promoters are a marketing channel used by financial institutions that are not integrated into their organisational structures. This channel includes real estate agents, insurance agents and financial advisers.

Graph 11: Evolution in the number and type of external promotors

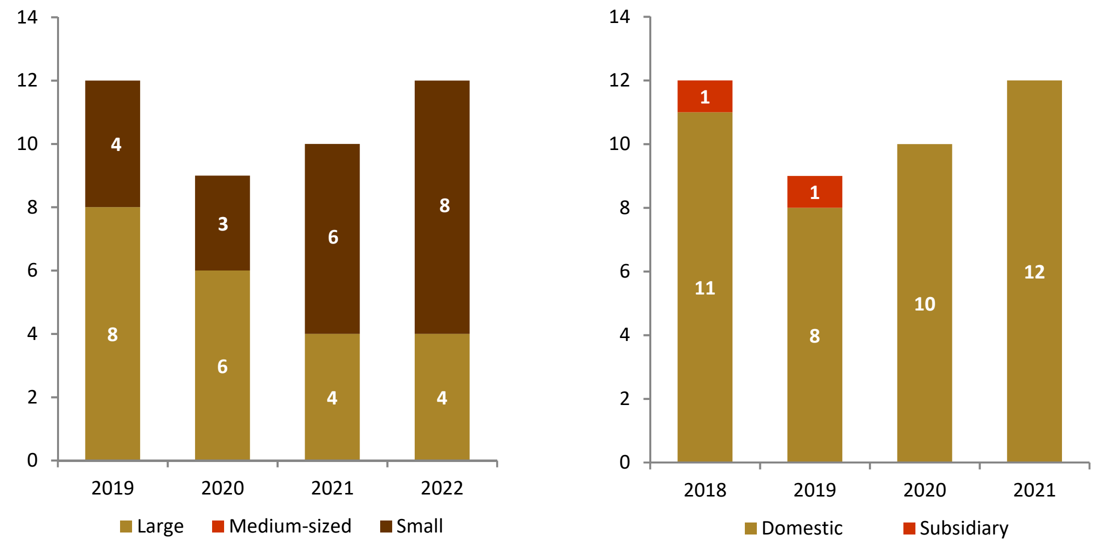


Source: FIs, APB.

IV.2. Branches and representative offices abroad

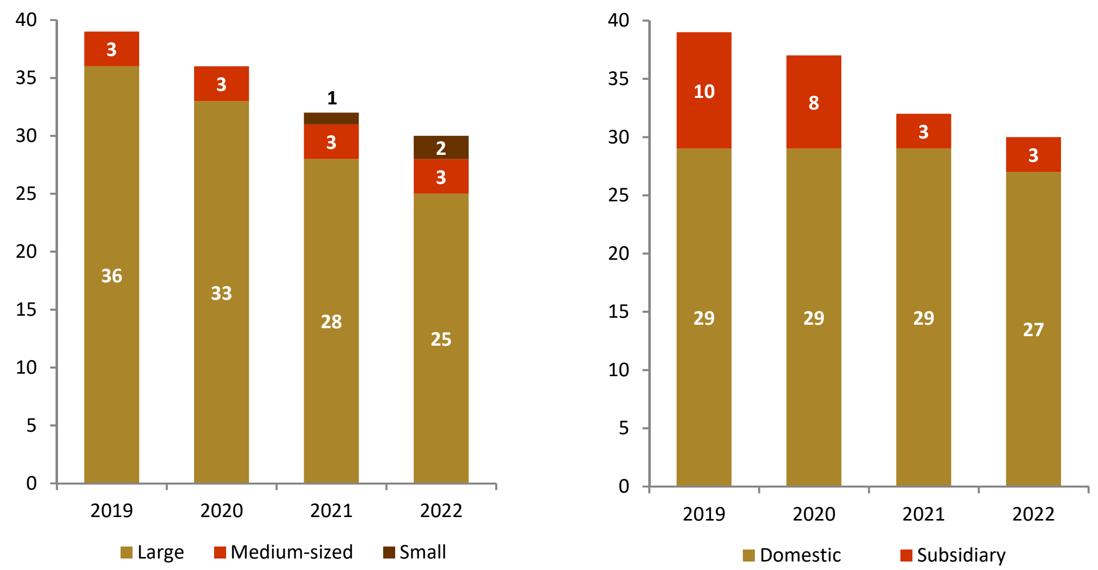
At the end of 2022, APB's financial institutions branch and representative offices abroad consisted of 42 units, similar to the previous year: 28 units in Europe, 7 in the American continent, 5 in Asia and 2 in Africa. The branch and representative office networks of financial institutions located in Europe are concentrated mainly in Switzerland. The branch offices network has approximately 62 units.

Graph 12: Number of branch offices abroad (2019-2022)



Source: FIs, APB.

Graph 13: Number of representative offices abroad (2019-2022)



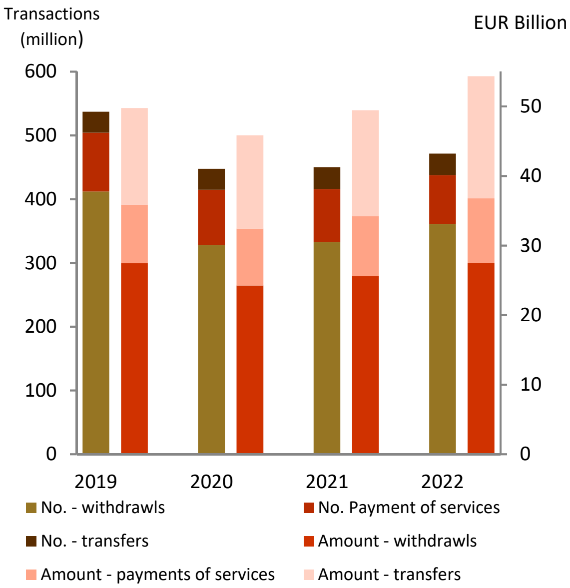
Source: FIs, APB.

IV.3. ATMs and homebanking

Portugal continues to have one of the highest rates in Europe in terms of the number of ATMs per inhabitant. In 2022, the total number of ATMs[7] belonging to the APB's member financial institutions totalled 13,327[8], remaining broadly stable compared to 2021 (-0.6%). In this period, the APB members' financial institutions represented 92% of the Multibanco network.

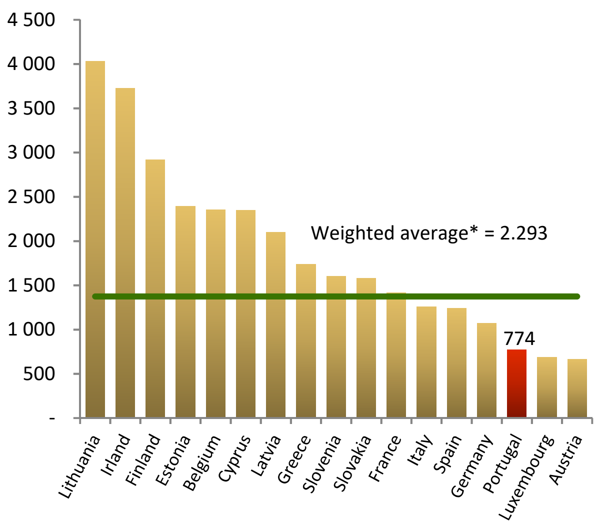
In 2022, ATM transactions increased again on an annual basis, both in amount (+9.9% YoY) and in number (+4.7% YoY). With regard to the value of transactions, there were increases in terms of transfers (15.2%), payments of services (7.7%) and withdrawals (7.5%). In turn, with regard to the number of transactions, service payments continued to decline (-7.9%) and transfers also fell (-1.4%), while withdrawals increased by 8.5%. Thus, the average value per transaction increased again (+4.9%) to €115.23.

Graph 14: Transactions in ATMs



Source: SIBS.

Graph 15: Inhabitants per ATM in the Euro Area



Source: Eurostat, BCE.

Nota: * Average number of inhabitants per ATM weighted by the population of each country. Does not include Malta and Netherlands due to unavailability of data.

In 2022, the number of users of the home banking[9] service stood at 7,031,507, an increase of 7.4% compared to 2021. This reflects the increasing use of digital banking, a trend that has seen greater dynamism as a result of the pandemic crisis which started in 2020.

The number and value of transactions carried out through home banking [10] increased by 5.3% and 17.9% respectively. By transaction amount, service payments increased by 17.7% and transfers

[7] Automated Teller Machine.

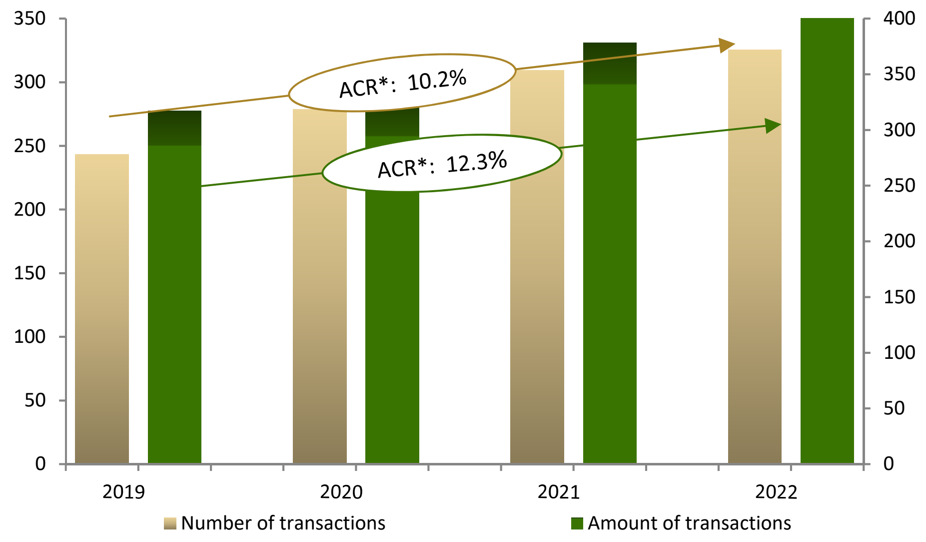
[8] This figure includes the ATM network and the network of financial institutions of APB members. For the purposes of analysing the ATM network, the sample consists of 14 member financial institutions.

[9] For the purposes of analysing the number of home banking users, information is only available for 16 member financial institutions.

[10] All data on the number and volume of transactions cover the whole sample (27 member financial institutions). Data provided by SIBS.

grew by 17.9%. In turn, and by number of transactions, service payments grew by 4.4% and transfers by 6.0%.

Graph 16: Evolution in the number and volume of service payments via homebanking

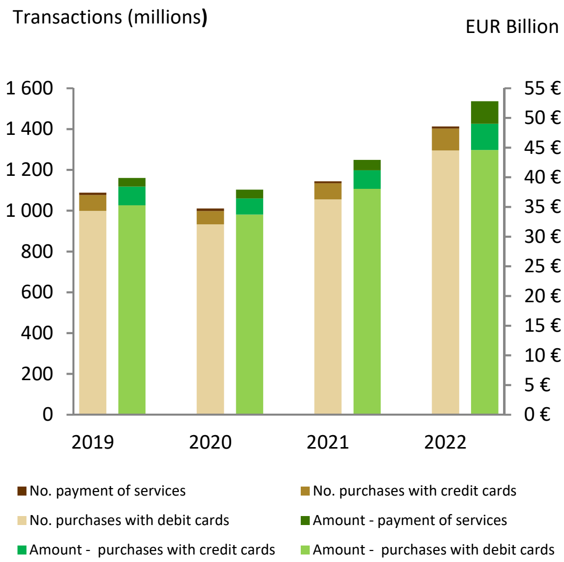


Source: SIBS.
Note: *ACR – Annual average change rate.

IV.4. POS[11]

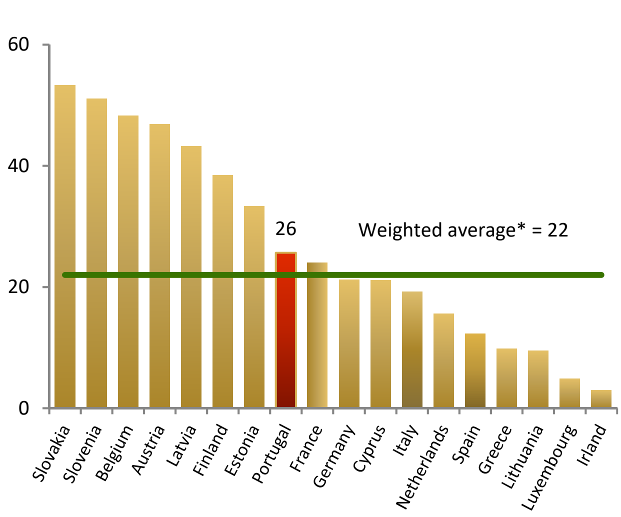
The increase in the number of POS[12,13] installed (+4.2% compared to 2021) was accompanied by an increase in both the number of transactions (+23.5%) and their value (+23.0%), which can be explained by the end of the lockdown measures and the consequent increase in mobility, after the restrictions applicable in 2020 and 2021 due to the pandemic.

Graph 17: Transactions in POS



Source: SIBS.

Graph 18: Inhabitants per POS in the Euro Area



Source: Eurostat, ECB, APB.

Note: *Average number of inhabitants per POS weighted by the population of each country. Does not include Malta due to unavailability of data.

[11] Point of Sale.

[12] For the purposes of analysing the POS network, information is only available for 14 member financial institutions.

[13] All data on the number and volume of transactions cover the whole sample (27 member financial institutions).

V. Performance analysis

V.1. Analysis of balance sheet

In 2022, the aggregated assets of financial institutions fell by 3.5%, totalling around €369 billion, after the growth recorded in the previous two years. There was a reduction in the weight of the banking system in the economy from 177.2% of GDP in 2021 to 152.4% in 2022, remaining at levels lower than those recorded before the sovereign debt crisis.

This year banking activity developed amid persistent geopolitical tensions, inflationary pressures, higher interest rates and increased turbulence in international financial markets, notably related to events affecting banks in the US and Switzerland.

Table 1: Composition and evolution of aggregate assets structure, as at 31 December (2019 – 2022)

	2019	2020	2021	2022
Cash and cash equivalents				
Total (million €)	21 963	34 962	61 609	50 557
Annual change rate	-	*59.2%*	*76.2%*	*-17.9%*
As % of total assets	*6.6%*	*9.8%*	*16.1%*	*13.2%*
Financial assets at fair value through profit or loss				
Total (million €)	19 720	16 262	11 253	7 829
Annual change rate	-	*-17.5%*	*-30.8%*	*-30.4%*
As % of total assets	*5.9%*	*4.6%*	*2.9%*	*2.0%*
Financial assets at fair value through other comprehensive income				
Total (million €)	33 116	35 227	32 030	16 344
Annual change rate	-	*6.4%*	*-9.1%*	*-49.0%*
As % of total assets	*10.0%*	*9.9%*	*8.4%*	*4.3%*
Financial assets at amortised cost				
Total (million €)	232 285	245 274	255 677	272 149
Annual change rate	-	*5.6%*	*4.2%*	*6.4%*
As % of total assets	*70.0%*	*68.8%*	*66.8%*	*71.1%*
Other assets(1)				
Total (million €)	25 014	24 888	22 306	22 412
Annual change rate	-	*-0.5%*	*-10.4%*	*0.5%*
As % of total assets	*7.5%*	*7.0%*	*5.8%*	*5.9%*
Total assets	332 098	356 614	382 875	369 291
Annual change rate	-	*7.4%*	*7.4%*	*-3.5%*

Source: FIs, APB.
Note: (1) Includes: Hedging derivatives, Fair value changes of the hedged items in portfolio hedge of interest rate risk, Investments in subsidiaries, joint ventures and associated companies, tangible assets, intangible assets, tax assets, other assets and Non-current assets and disposal groups classified as held for sale.

In 2022, the aggregated assets of the member financial institutions saw a reduction in virtually all items, with the exception of loans which grew by 2.0%.

Table 2: Composition of financial assets structure, as at 31 December (2019 – 2022)

	2019				2020				2021				2022			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
Derivatives[1] (million €)	3 392	-	-	3 392	3 090	-	-	3 090	1 873	-	-	1 873	1 468	-	-	1 468
Annual change ratel	-	-	-	-	-8.9%	-	-	-8.9%	-39.4%	-	-	-39.4%	-21.6%	-	-	-21.6%
As % of total	*17.2%*	-	-	*1.2%*	*19.0%*	-	-	1.0%	*16.6%*	-	-	0.6%	*18.8%*	-	-	0.5%
Equity instruments (million €)	5 054	1 040	-	6 094	4 285	906	-	5 191	3 793	821	-	4 614	2 662	946	-	3 608
Annual change ratel	-	-	-	-	-15.2%	-12.9%	-	-14.8%	-11.5%	-9.4%	-	-11.1%	-29.8%	15.2%	-	-21.8%
As % of total	*25.6%*	*3.1%*	-	*2.1%*	*26.3%*	*2.6%*	-	1.7%	*33.7%*	*2.6%*	-	1.5%	*34.0%*	*5.8%*	-	1.2%
Debt securities (million €)	11 178	32 065	41 801	85 044	8 802	31 172	53 660	93 634	5 510	28 206	57 757	91 473	3 634	13 110	69 420	86 164
Annual change ratel	-	-	-	-	-21.3%	-2.8%	28.4%	10.1%	-37.4%	-9.5%	7.6%	-2.3%	-34.1%	-53.5%	20.2%	-5.8%
As % of total	*56.7%*	*96.8%*	*18.0%*	*29.8%*	*54.2%*	*88.5%*	*21.9%*	31.6%	*49.0%*	*88.0%*	*22.6%*	30.6%	*46.4%*	*80.2%*	*25.5%*	29.1%
Loans and advances (million €)	96	11	190 484	190 591	85	3 149	191 614	194 848	78	3 003	197 920	201 000	65	2 288	202 728	205 081
Annual change ratel	-	-	-	-	-11.4%	29627.9%	0.6%	2.2%	-8.8%	-4.6%	3.3%	3.2%	-15.9%	-23.8%	2.4%	2.0%
As % of total	*0.5%*	*0.1%*	*82.0%*	*66.9%*	*0.5%*	*8.9%*	*78.1%*	65.7%	*0.7%*	*9.4%*	*77.4%*	67.3%	*0.8%*	*14.0%*	*74.5%*	*69.2%*
Total	19 720	33 116	232 285	285 121	16 262	35 227	245 274	296 763	11 253	32 030	255 677	298 960	7 829	16 344	272 149	296 321

Source: FIs, APB.

Note: [1] Does not include hedging derivatives.

Table 3: Loans and advances to customers, as at 31 December (2019 – 2022)

	2019	2020	2021	2022
Companies and public sector				
Total (million €)	79 589	84 372	86 815	86 650
Annual change rate	-	*6.0%*	*2.9%*	*-0.2%*
As % of total loans and advances to customers	*42.6%*	*43.7%*	*43.3%*	*42.4%*
Mortgages				
Total (million €)	89 728	94 325	98 580	102 550
Annual change rate	-	*5.1%*	*4.5%*	*4.0%*
As % of total loans and advances to customers	*48.1%*	*48.8%*	*49.2%*	*50.2%*
Consumer credit and other				
Total (million €)	17 409	14 509	15 107	15 214
Annual change rate	-	*-16.7%*	*4.1%*	*0.7%*
As % of total loans and advances to customers	*9.3%*	*7.5%*	*7.5%*	*7.4%*
Total loans and advances to customers	186 727	193 206	200 502	204 414
Annual change rate	-	*3.5%*	*3.8%*	*2.0%*
Total impairment of loans and advances to customers	-8 460	-8 270	-7 543	-6 704
Total net	178 267	184 936	192 959	197 710
Annual change rate	-	*3.7%*	*4.3%*	*2.5%*

Source: FIs, APB.

Loans to customers (gross) increased by 2.0% compared to 2021, with loans to companies and the public administration showing a marginal reduction of 0.2% while loans for house purchases and for consumption and other purposes increased by 4.0% and 0.7% respectively.

The marginal reduction of loans to companies and public administration occurred after the end of the pandemic support measures, namely the end of the public moratorium and reduction of access to publicly guaranteed credit lines, and in a context of higher interest rates and uncertainty regarding the progress of economic activity. This development contrasts with the positive dynamics observed in 2020 and 2021.

In 2022, loans for house purchases maintained the recovery trend started in 2020, rising by 4.0%. However, from mid-year onwards, new loans for house purchases, recorded year-on-year rates of change decreases. This is justified by the preponderance of the variable rate regime and due to the new context of significant rise in interest rates that took place from the third quarter of the year onwards. According to Bank of Portugal data, variable-rate mortgage loans accounted for around 90% of the stock of loans, although there has been an increase in the share of fixed- or mixed-rate new mortgage loans, which in December already accounted for 24.6% of the total.

In turn, loans to individuals for consumption and other purposes slowed down, remaining practically stable compared to 2021. Unlike mortgage loans, most consumer loans are contracted at fixed interest rate.

Table 4: Asset quality, as at 31 December (2019-2022)

	2019				2020				2021				2022			
	Total	**Mortgages**	**Consumer credit and other**	**Companies and public sector**	**Total**	**Mortgages**	**Consumer credit and other**	**Companies and public sector**	**Total**	**Mortgages**	**Consumer credit and other**	**Companies and public sector**	**Total**	**Mortgages**	**Consumer credit and other**	**Companies and public sector**
Non-performing loans (million €)	13 697	2 201	1 302	8 999	11 232	1 730	1 331	7 343	9 413	1 434	1 337	6 178	7 533	1 024	1 186	5 009
NPL Ratio	6.2%	2.4%	8.5%	13.4%	5.5%	1.8%	8.8%	10.2%	4.5%	1.5%	8.8%	8.4%	3.6%	1.0%	7.5%	6.9%
NPL Coverage Ratio	52.8%	24.0%	62.2%	58.9%	56.7%	28.8%	71.0%	59.1%	54.3%	31.6%	71.3%	55.4%	57.8%	40.8%	71.2%	58.0%
Non-performing loans (million €)	3.0%	2.0%	1.8%	2.0%	2.4%	1.5%	1.3%	2.5%	2.1%	1.2%	1.0%	2.5%	1.5%	0.8%	0.6%	2.1%

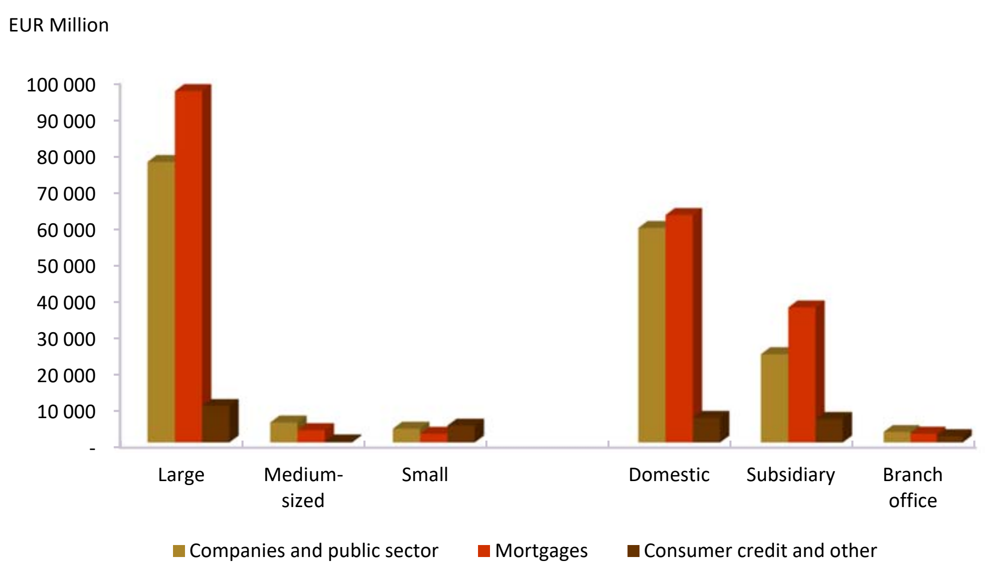
Source: FIs, APB.

Despite the increase in interest rates, which occurred amid the context of high inflation and the consequent start of the process of normalising monetary policy, there was no deterioration in asset quality. The NPL ratio maintained the downward trajectory experienced since 2016 and stood at 3.6%. Compared to the previous year, NPLs decreased by around €1.9 billion reflecting the fall in non-performing loans, mainly due to the sale of credit portfolios and asset write-downs, and the stabilisation of performing loans. Although the NPL ratio in Portugal remains at a level considered still high vis-à-vis the euro area average of 1.8% in December 2022, progress made in bringing it down has been very significant. In turn, the NPL ratio net of impairments was 1.5%, in line with the Euro Area average.

The decrease in the gross NPL ratio was common to the corporate and households segments, and in the latter case there was a reduction both in the housing loan segment (from 1.5% in 2021 to 1.0% in 2022), and in the consumption and other purposes segment (8.8% in 2021 to 7.5% in 2022). On the other hand, the NPLs of companies and public administration, responsible for 66.5% of all member FIs' NPLs, fell by 18.9% compared to 2021, with the NPL ratio decreasing by 1.5 p.p. to 6.9%.

In 2022, impairment coverage increased with the coverage ratio rising by 3.5 p.p. to 57.8% and continuing to compare favourably with the European Union average. This performance is explained, among other factors, by the reduction in NPLs on the balance sheet that is greater than the reduction observed in accumulated impairments.

Graph 19: Loans and advances to customers, by size and by origin / type of legal structure, as at 31 December 2022



Source: FIs, APB.

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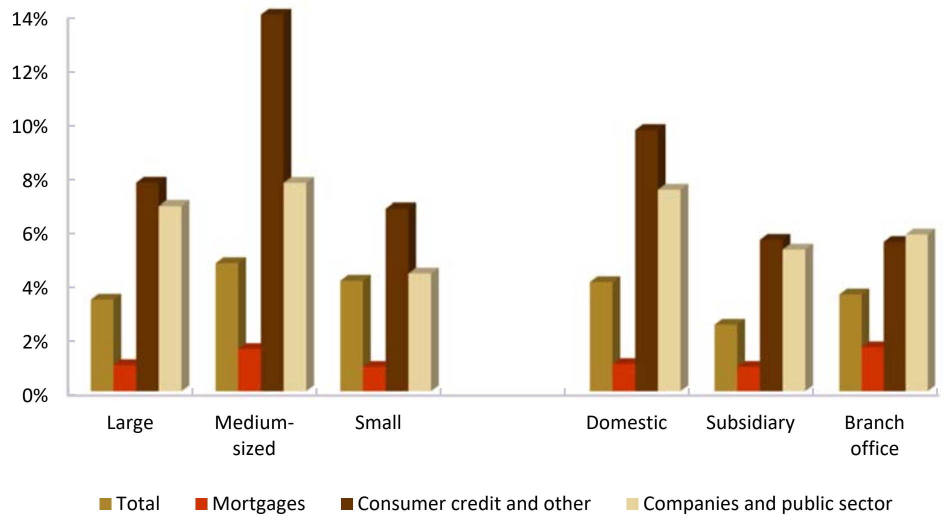
Graph 20: NPL Ratio by size and by origin / type of legal structure, as at 31 December 2022



Source: FIs, APB.

In 2022, exposure to public and private debt securities fell by 5.8% compared to the previous year.

The proportion of debt securities valued at amortised cost, i.e. where changes in value are only recognised on the balance sheet at the time of sale, amounted to approximately 80% of total debt securities and 18.8% of assets, and has been increasing over the last few years. This portfolio represents a lower exposure to market risk volatility.

Regarding public debt securities, there was an annual reduction of 3.4%, slightly higher than the fall observed in 2021, although they maintained their share of total assets (15.1%). This variation essentially reflected the reduction in the importance of Portuguese and Italian public debt securities, and despite the increase in exposure to Spanish public debt.

Table 5: Composition of debt securities portfolio, as at 31 December (2019-2022)

	2019	2020	2021	2022
Public debt				
Total (million €)	52 075	59 282	57 920	55 936
Annual change rate	-	*13.8%*	*-2.3%*	*-3.4%*
As % of total	*61.2%*	*63.3%*	*63.3%*	*64.9%*
Other issuers				
Total (million €)	32 968	34 353	33 553	30 229
Annual change rate	-	*4.2%*	*-2.3%*	*-9.9%*
As % of total	*38.8%*	*36.7%*	*36.7%*	*35.1%*
Total debt securities	85 043	93 635	91 473	86 163
Annual change rate	-	*10.1%*	*-2.3%*	*-5.8%*
Public debt as % of total assets	*15.7%*	*16.6%*	*15.1%*	*15.1%*

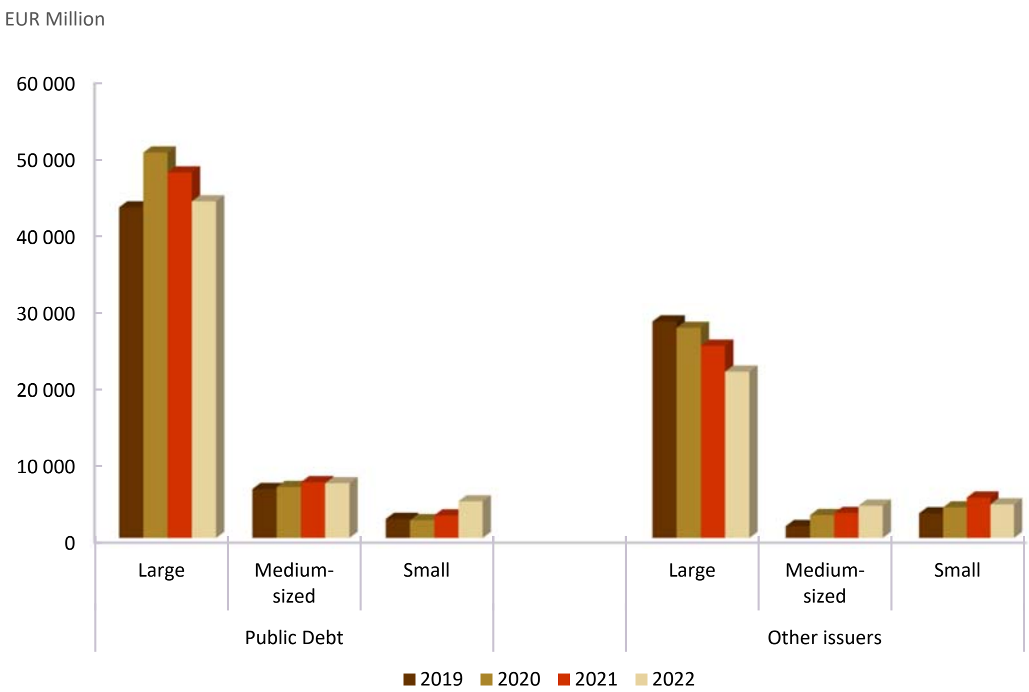
Source: FIs, APB.

Table 6: Composition of debt securities by portfolio, as at 31 December (2019-2022)

	2019	2020	2021	2022
Public debt				
Fair value through profit or loss (million €)	5 879	3 819	920	1 080
As % of total public debt	11.3%	6.4%	1.6%	1.9%
Fair value through other comprehensive income (million €)	26 976	26 085	22 422	9 471
As % of total public debt	51.8%	44.0%	38.7%	16.9%
Amortised cost (million €)	19 220	29 378	34 578	45 385
As % of total public debt	36.9%	49.6%	59.7%	81.2%
Other issuers				
Fair value through profit or loss (million €)	5 300	4 983	4 590	2 553
As % of total other issuers debt	16.1%	14.5%	13.7%	8.4%
Fair value through other comprehensive income (million €)	5 087	5 087	5 783	3 640
As % of total other issuers debt	15.4%	14.8%	17.2%	12.0%
Amortised cost (million €)	22 581	24 283	23 180	24 035
As % of total other issuers debt	68.5%	70.7%	69.1%	79.6%
Total public debt	85 043	93 635	91 473	86 163
Annual change rate	-	*10.1%*	*-2.3%*	*-5.8%*

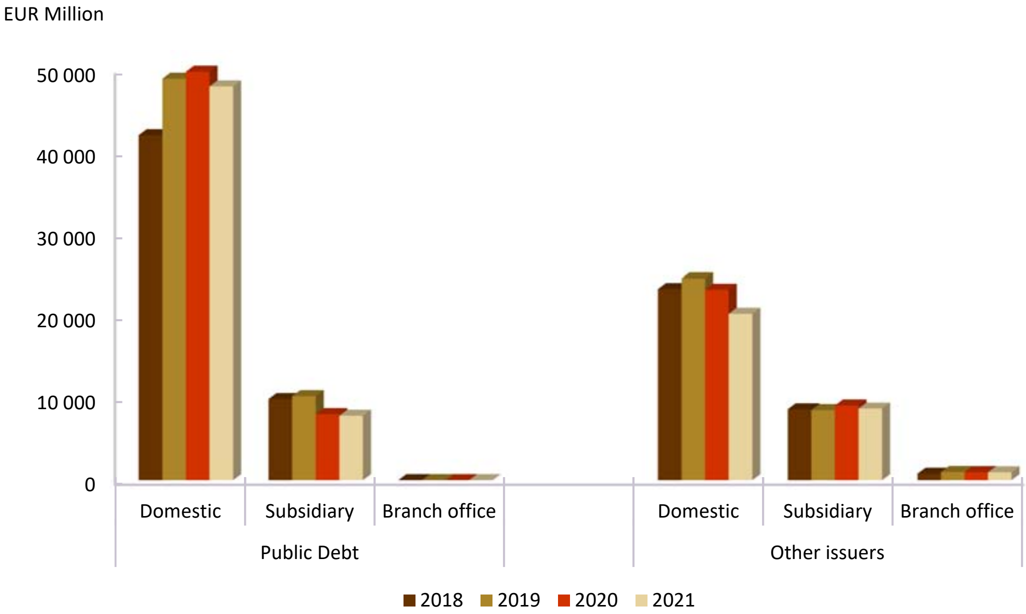
Source: FIs, APB.

Graph 21: Debt securities of FIs, by size, as at 31 December



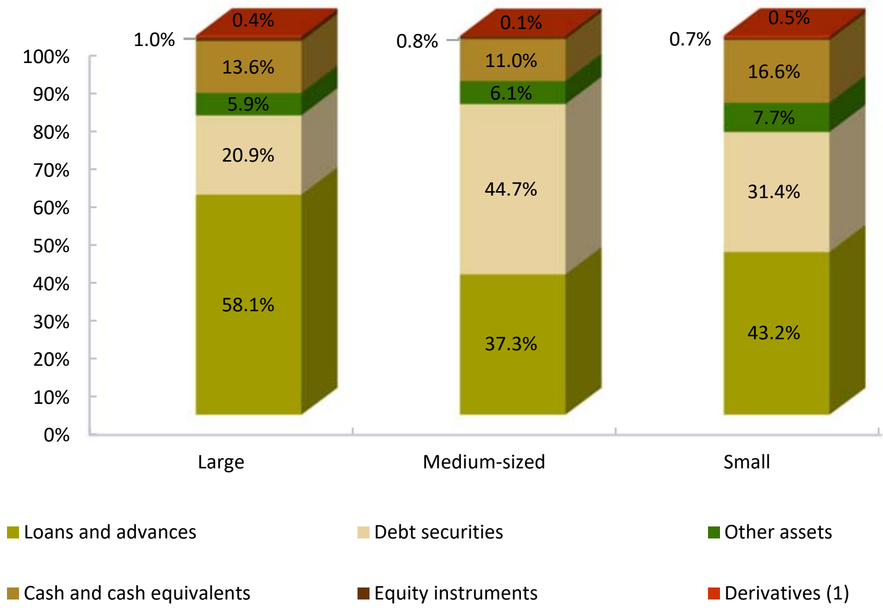
Source: FIs, APB.

Graph 22: Debt securities of FIs, by origin / type of legal structure, as at 31 December



Source: FIs, APB.

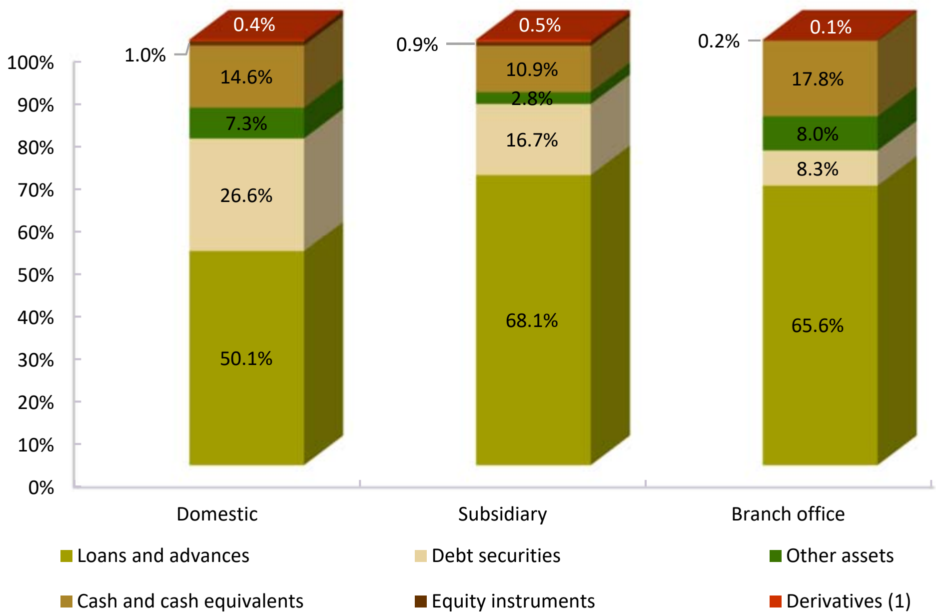
Graph 23: Total assets structure by size, as at 31 December 2022



Source: FIs, APB.

Note: [1] Does not include hedging derivatives.

Graph 24: Total assets structure by origin / type of legal structure, as at 31 December 2022

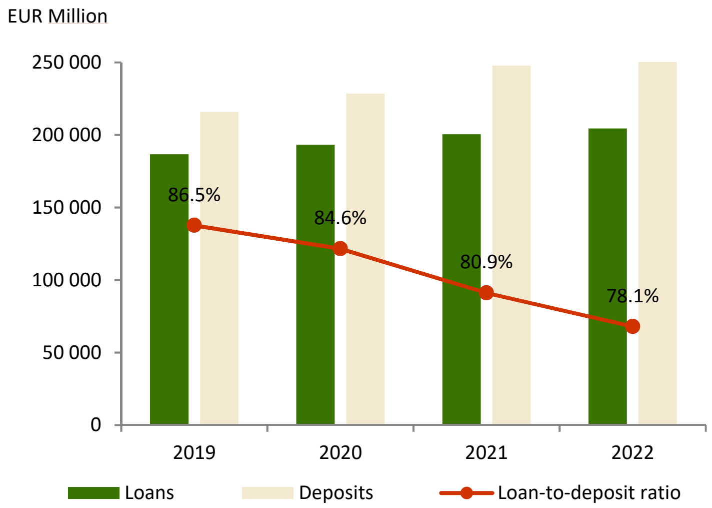


Source: FIs, APB.
Nota: (1) Não inclui derivados de cobertura.

Deposits increased as a proportion of financial institutions' funding structure to 70.8%, increasing by 5.6% compared to 2021, to €261.6 billion. This increase occurred both in individual customers' segment (+ 5.9%) and the corporate and public administration segment (+5.0%). In terms of maturity, there was an increase in demand deposits of 41.1% and a reduction of 12.8% in deposits with agreed maturity, a trend that should be reversed in the current context of sharp increase in interest rates.

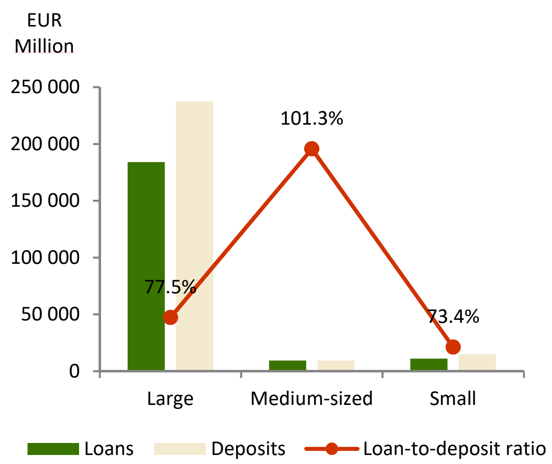
As the increase in Loans to customers was lower than the increase in customer deposits, the loan to deposits ratio continued to decrease, reaching 78.1% in 2022, which compares to 80.9% in 2021.

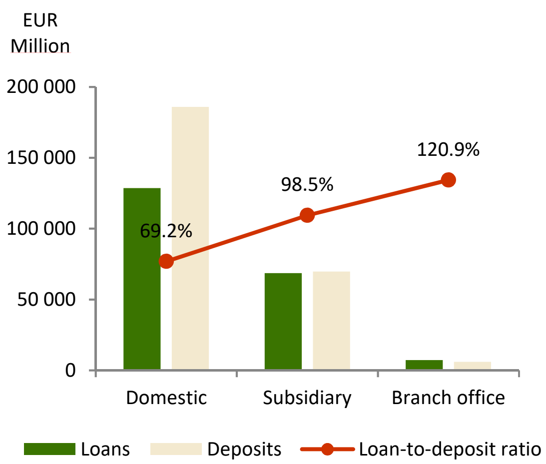
Graph 25: Loan-to-Deposit ratio, as at 31 December



Source: FIs, APB.

Graph 26: Loan-to-Deposit ratio by size and by origin / type of legal structure, as at 31 December2022





Source: FIs, APB.

Funding from market sources decreased by 10.1% compared to 2021, despite the issuance by major banks of instruments eligible to meet the minimum requirement for own funds and eligible liabilities (MREL). Even so, in 2022, the importance of these instruments within the financing structure of financial institutions was negligible (5.0% compared to 5.3% in the previous year).

Funding from the Eurosystem decreased significantly (-61.8% compared to 2021), and represented 5.2% of assets as a result of the early repayment by banks in response to changes in the rates applicable to TLTRO III loans which became linked to changes in key interest rates from November 2022.

Table 7: Composition and evaluation of aggregate financing structure, as at 31 December (2019-2022)

	2019	2020	2021	2022
Financial liabilities at fair value through profit or loss				
Total (million €)	6 543	4 732	3 588	3 244
Annual change rate	-	*-27.7%*	*-24.2%*	*-9.6%*
As % of total assets	*2.0%*	*1.3%*	*0.9%*	*0.9%*
Financial liabilities at amortised cost				
Total (million €)	287 743	312 989	341 664	327 896
Annual change rate	-	*8.8%*	*9.2%*	*-4.0%*
As % of total assets	*86.6%*	*87.8%*	*89.1%*	*88.9%*
Other liabilities				
Total (million €)	8 172	9 453	6 954	7 956
Annual change rate	-	*15.7%*	*-26.4%*	*14.4%*
As % of total assets	*2.5%*	*2.7%*	*1.8%*	*2.2%*
Total Liabilities	302 458	327 174	352 206	339 097
Annual change rate	-	*8.2%*	*7.7%*	*-3.7%*
As % of total assets	*91.1%*	*91.7%*	*92.0%*	*91.8%*
Equity				
Total (million €)	29 640	29 440	30 669	30 194
Annual change rate	-	*-0.7%*	*4.2%*	*-1.5%*
As % of total assets	*8.9%*	*8.3%*	*8.0%*	*8.2%*
Total Liabilities and Equity	332 098	356 614	382 875	369 291

Source: FIs, APB.

Table 8: Composition of financial liabilities structure, as at 31 December (2019 – 2022)

	2019			2020			2021			2022		
	Financial liabilities at fair value through profit or loss	**Financial liabilities at amortised cost**	**Total**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total**
Derivatives[1] (million €)	3 243	-	3 243	3 074	-	3 074	1 764	-	1 764	1 338	-	1 338
As % of total	*49.6%*	-	1.1%	*65.0%*	-	1.0%	*49.1%*	-	0.5%	*41.2%*	-	0.4%
Deposits (million €)	1 720	263 351	265 071	259	288 799	289 058	25	315 540	315 565	538	305 573	306 111
As % of total	*26.3%*	*91.5%*	90.1%	*5.5%*	*92.3%*	91.0%	*0.7%*	*92.4%*	91.3%	*16.6%*	*93.2%*	92.5%
Debt securities issued (million €)	1 488	13 556	15 044	1 344	12 585	13 929	1 582	16 847	18 429	1 341	15 225	16 567
As % of total	*22.7%*	*4.7%*	5.1%	*28.4%*	*4.0%*	4.4%	*44.1%*	*4.9%*	5.3%	*41.3%*	*4.6%*	5.0%
Other financial liabilities (million €)	92	10 836	10 928	55	11 605	11 660	217	9 277	9 494	27	7 098	7 125
As % of total	*1.4%*	*3.8%*	3.7%	*1.2%*	*3.7%*	3.7%	*6.1%*	*2.7%*	2.7%	*0.8%*	*2.2%*	2.2%
Total	6 543	287 743	294 286	4 732	312 989	317 721	3 588	341 664	345 252	3 244	327 896	331 141

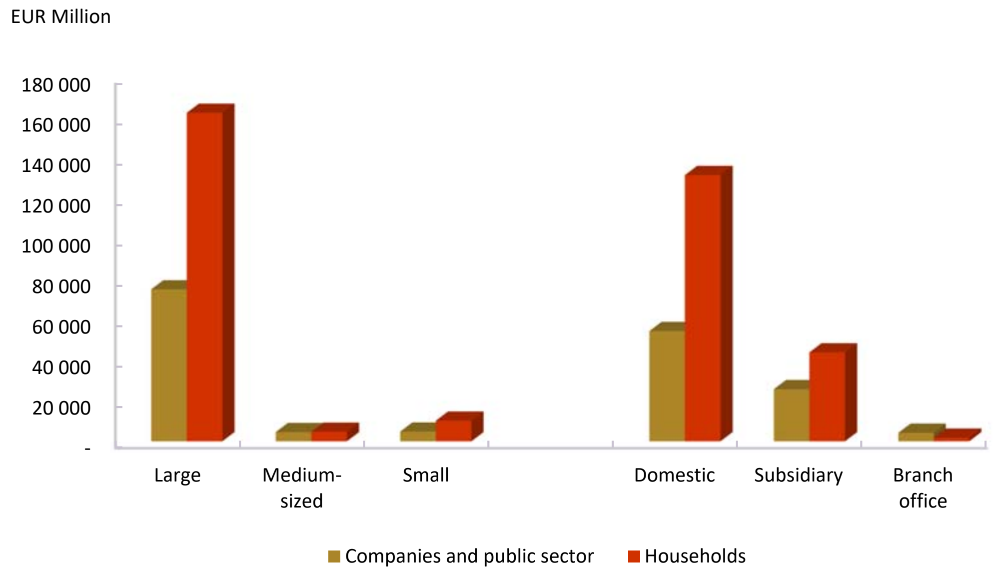
Source: FIs, APB.

Table 9: Deposits, as at 31 December (2019-2022)

	2019	2020	2021	2022
Central banks				
Total (million €)	16 998	32 137	41 506	15 846
Annual change rate	-	*89.1%*	*29.2%*	*-61.8%*
As % of total deposits	*6.4%*	*11.1%*	*13.2%*	*5.2%*
Credit institutions				
Total (million €)	32 250	28 505	26 318	28 695
Annual change rate	-	*-11.6%*	*-7.7%*	*9.0%*
As % of total deposits	*12.2%*	*9.9%*	*8.3%*	*9.4%*
Companies and public setor				
Total (million €)	68 564	71 912	80 366	84 389
Annual change rate	-	*4.9%*	*11.8%*	*5.0%*
As % of total deposits	*25.9%*	*24.9%*	*25.5%*	*27.6%*
Households				
Total (million €)	147 259	156 504	167 375	177 180
Annual change rate	-	*6.3%*	*6.9%*	*5.9%*
As % of total deposits	*55.5%*	*54.1%*	*53.0%*	*57.8%*
Total deposits from customers	215 823	228 416	247 741	261 569
Annual change rate	-	*5.8%*	*8.5%*	*5.6%*
Total de deposits	265 071	289 058	315 565	306 111
Annual change rate	-	*9.0%*	*9.2%*	*-3.0%*

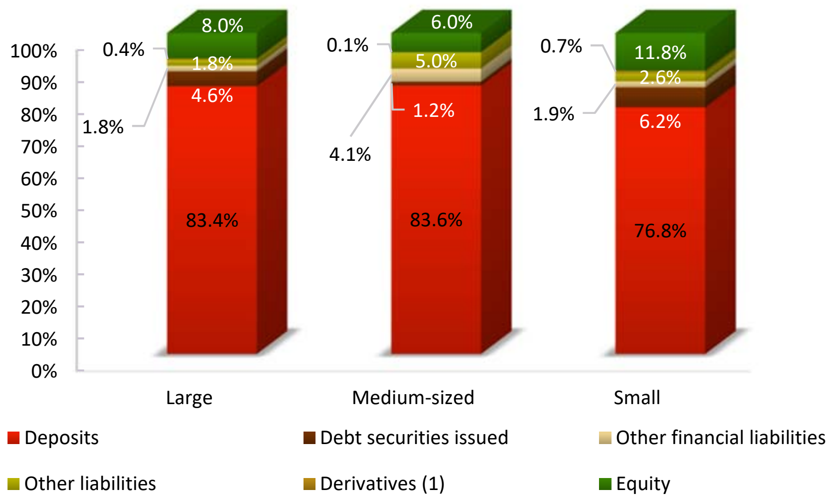
Source: FIs, APB.

Graph 27: Deposits from customers by size and type of legal structure, as at 31 December 2022



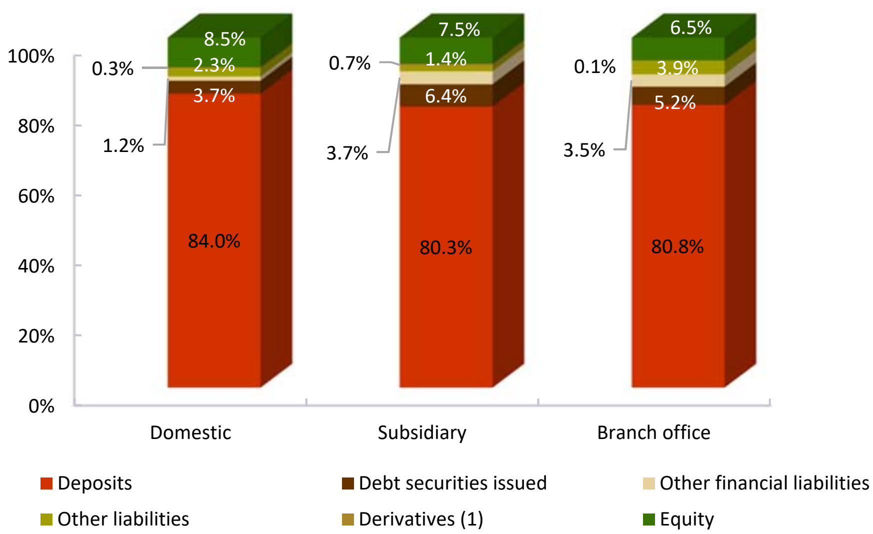
Source: FIs, APB.

Graph 28: Liabilities structure by size, as at 31 December 2022



Source: FIs, APB.
Note: [1] Does not include hedging derivatives.

Graph 29: Liabilities structure by origin / type of legal structure, as at 31 December 2022



Source: FIs, APB.
Note: [1] Does not include hedging derivatives.

V.2. Income statement analysis

In 2022, a significant increase in the aggregate profitability of financial institutions continued to be observed, essentially reflecting the positive evolution in the net interest income, due to the rapidly rising interest rates, and a significant reduction in the flow of provisions and impairments.

Table 10: Aggregate income statement (2019-2022)

	2019	2020	2021	2022
	million €	million €	million €	million €
Interest income	6 154	5 541	5 416	6 436
Interest expense	-1 915	-1 447	-1 389	-1 673
Net interest income (NII)	**4 239**	**4 094**	**4 027**	**4 763**
Fee and commission income	2 710	2 588	2 814	3 018
Fee and commission expense	-468	-450	-474	-525
Net results from fees and commissions	2 242	2 138	2 340	2 493
Net results from financial operations	80	-168	592	316
Other results	446	348	540	787
Operating income (OI)	**7 007**	**6 412**	**7 499**	**8 359**
Staff costs	-2 274	-2 194	-2 140	-2 453
General administrative expenses	-1 311	-1 217	-1 204	-1 263
Depreciation and amortisation	-393	-410	-438	-475
Operating costs	-3 978	-3 821	-3 782	-4 191
Gross operating results (GOR)	**3 029**	**2 591**	**3 717**	**4 168**
Provisions net of reversals	-122	-273	-598	-139
Impairment of financial assets, net of reversals	-1 086	-2 089	-858	-533
Impairment of investments in subsidiaries, joint ventures and associates, net of reversals	25	-129	47	114
Impairment of non-financial assets, net of reversals	-269	-315	-84	-23
Provisions and impairment	-1 452	-2 806	-1 493	-581
Negative goodwill recognised in profit or loss	52	-	-	-
Share of profit or loss investments in associates	86	106	18	37
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	132	51	37	49
Other results	270	157	55	86
Profit or loss before tax (PLBT)	**1 847**	**-58**	**2 279**	**3 673**
Tax expenses or income related to profit or loss from continuing operations	-814	-401	-623	-811
Profit or (-) loss after tax from discontinued operations	-	-41	1	-
Net income for the year (NI)	**1 033**	**-500**	**1 657**	**2 862**

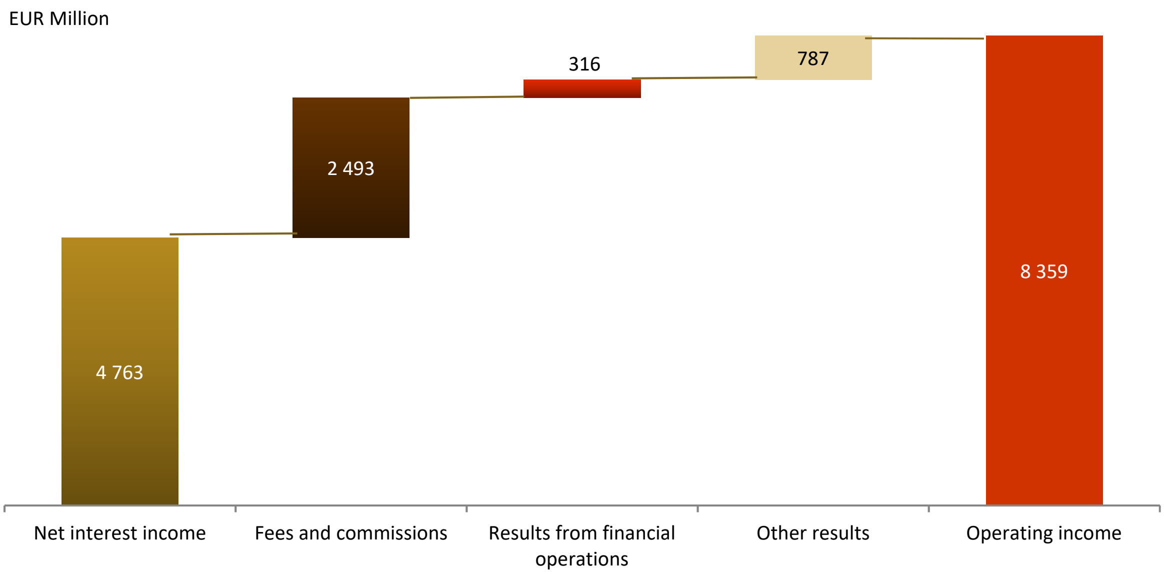
Source: FIs, APB.

The aggregate net interest income of financial institutions amounted to €4.8 billion, an annual increase of 18.3%. The evolution in the interest received benefited from the sharp and rapid increase in interest rates, with variable-rate mortgage loans accounting for around 90% of the stock of loans. In turn, the slower transmission of the rise in interbank market interest rates to deposit interest rates contributed to a significant increase in the spread between the interest rates on loans and deposits.

Net fees and commissions increased by 6.5% compared to 2021, due to the increased demand for credit and financial intermediation operations.

Results from financial operations stood at €316 million, compared to €592 million in 2021.

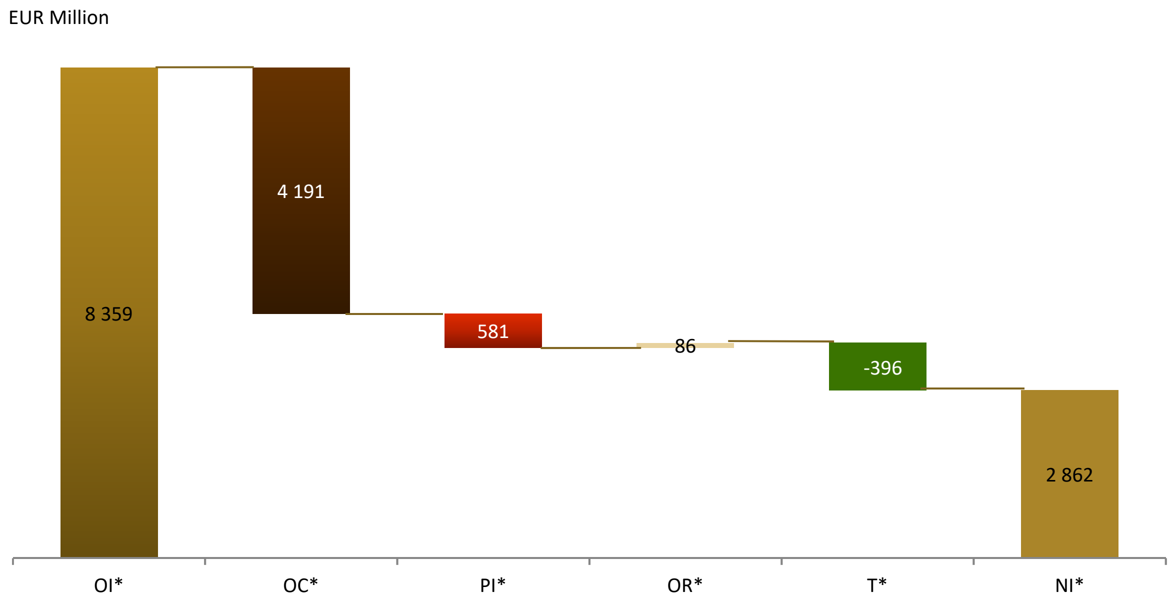
Graph 30 Composition of Operating Income, 2022



Source: FIs, APB.

Operating costs increased by 10.8% compared to 2021, mostly due to the increase in staff costs occurring in a particular financial institution (caused by the financial compensation on the back of the extinction of its Pension Fund).

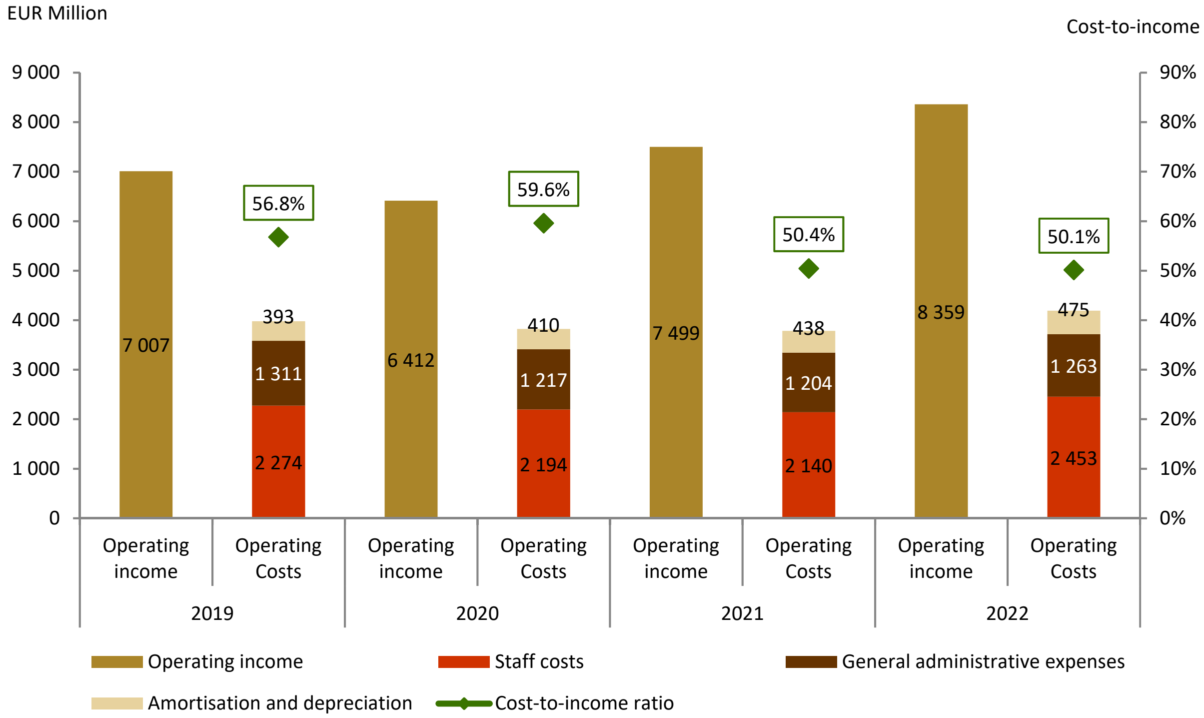
Graph 31: Composition of Net income, 2022



Source: FIs, APB.

Note: OI* – operating income; OC* – Operating costs; PI* – provisions and impairment; OR* – other results; T* – taxes; NI* – net income.

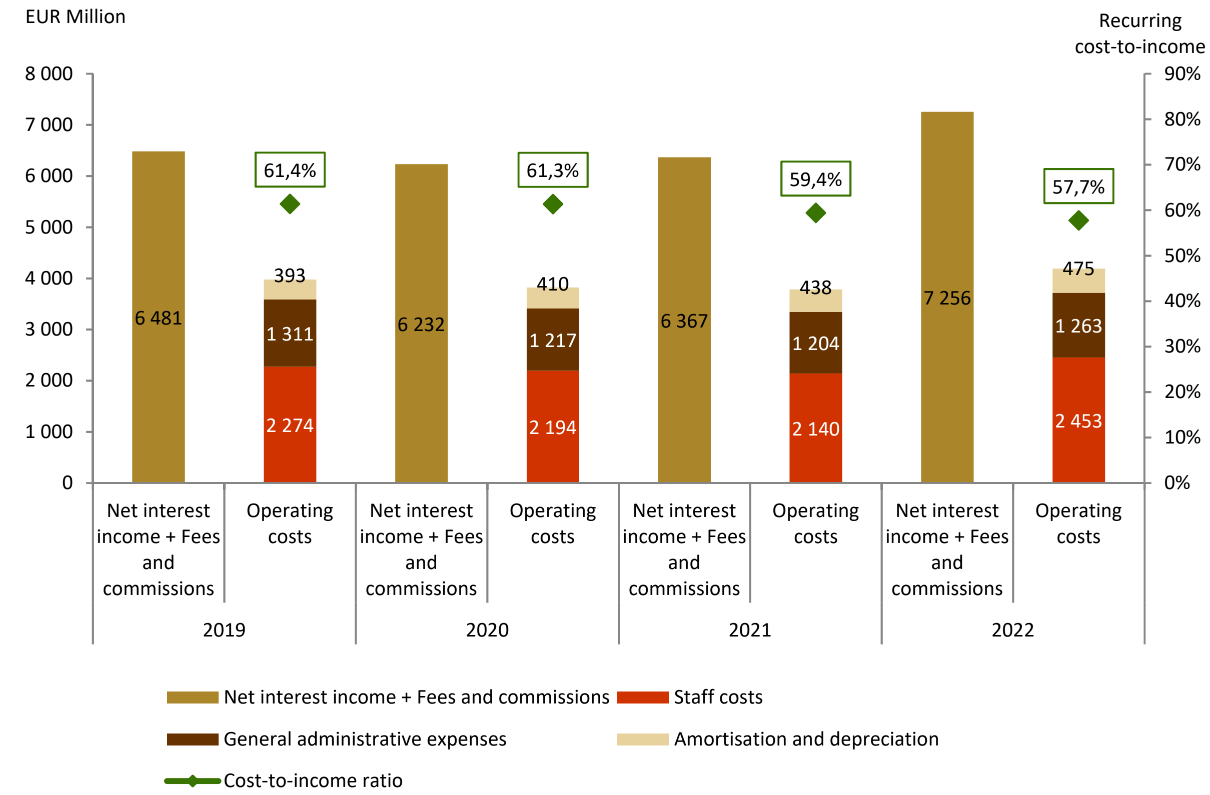
Graph 32: Evolution of operating income, operational costs and cost-to-income ratio



Source: FIs, APB.

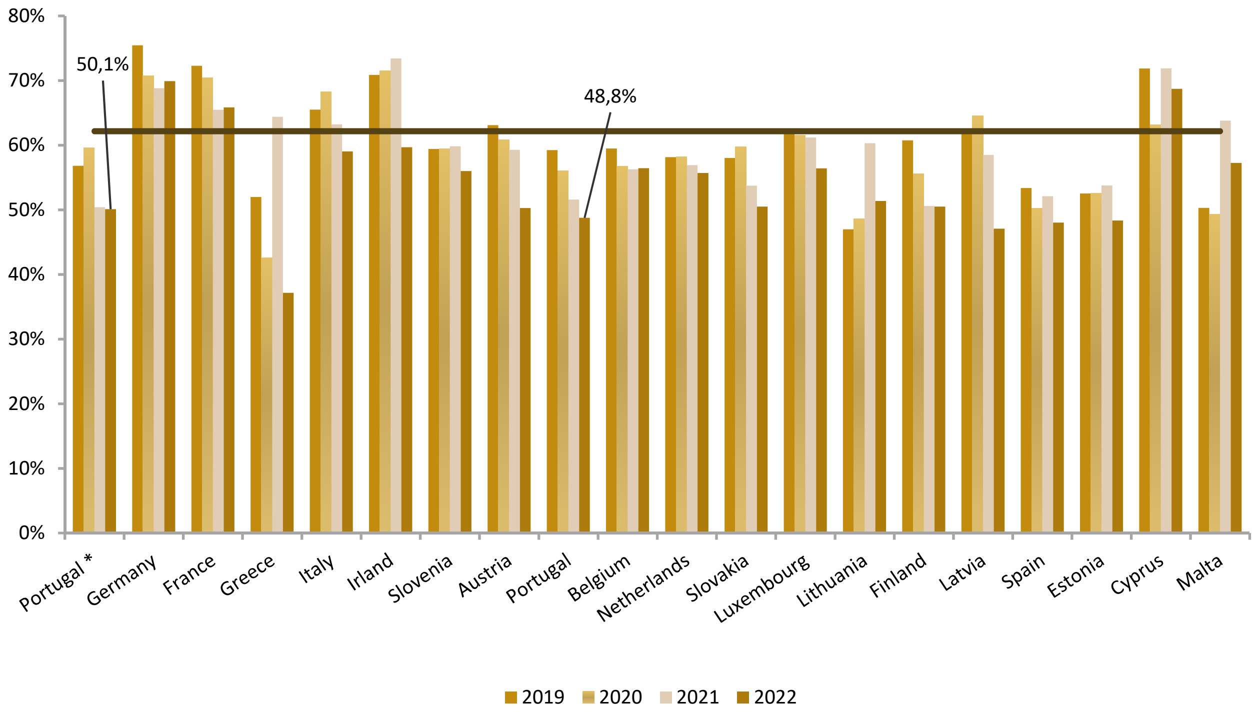
The cost-to-income ratio decreased 0.3 p.p. to 50.1%, and remained below the Euro Area average. This development reflected the increase in banking income which more than offset the increase in operating costs. The recurrent cost-to-income ratio also improved by 1.7 p.p. to 57.7%.

Graph 33: Recurring Cost-to-income



Source: FIs, APB.

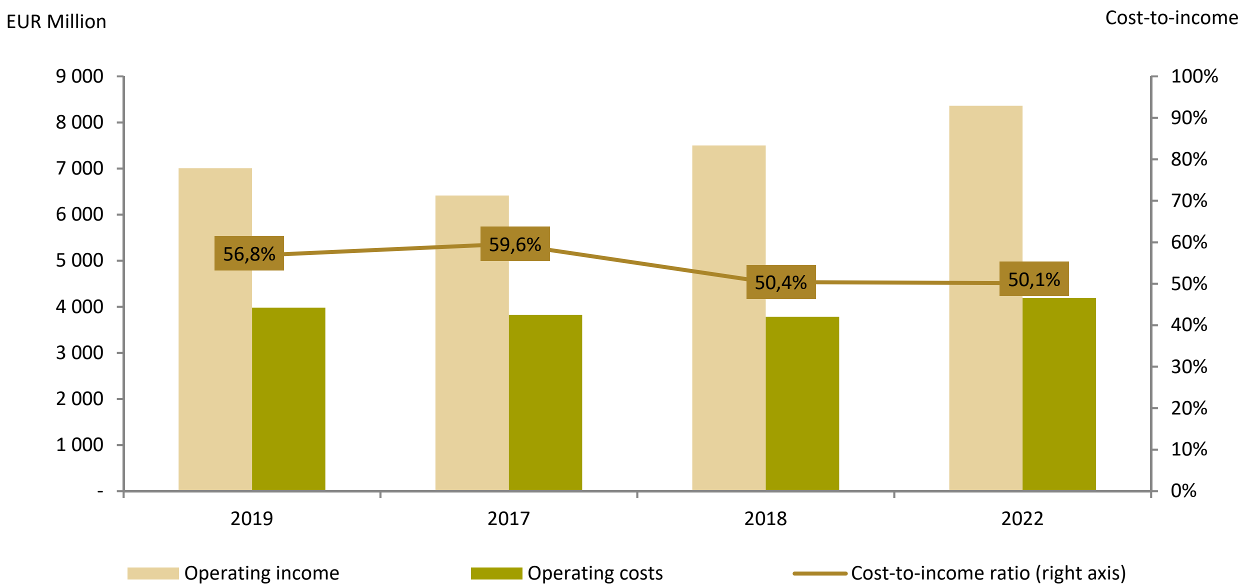
Graph 34: Cost-to-income ratio in the Euro Area



Source: ECB, FIs, APB.

Note*: Cost –to-income ratio of APB's member financial institutions.

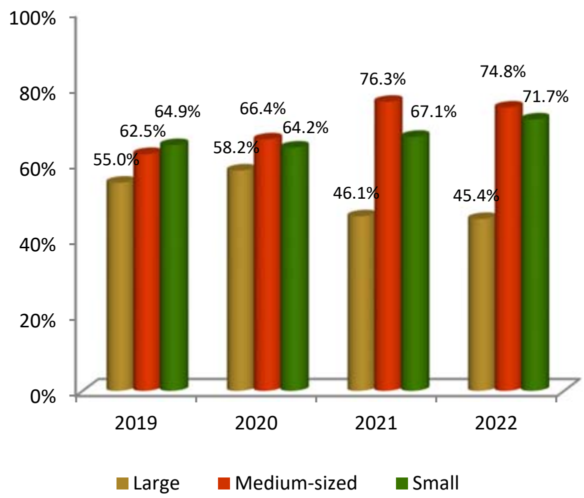
Graph 35: Cost-to-income ratio in Portugal



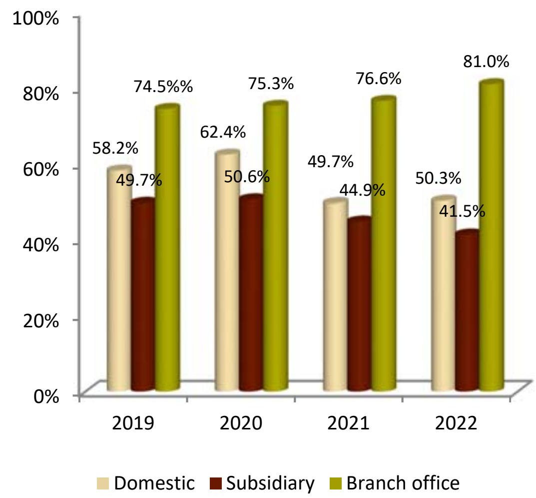
Source: IFs, APB.

Graph 36: Evolution of cost-to-income ratio

a) By size



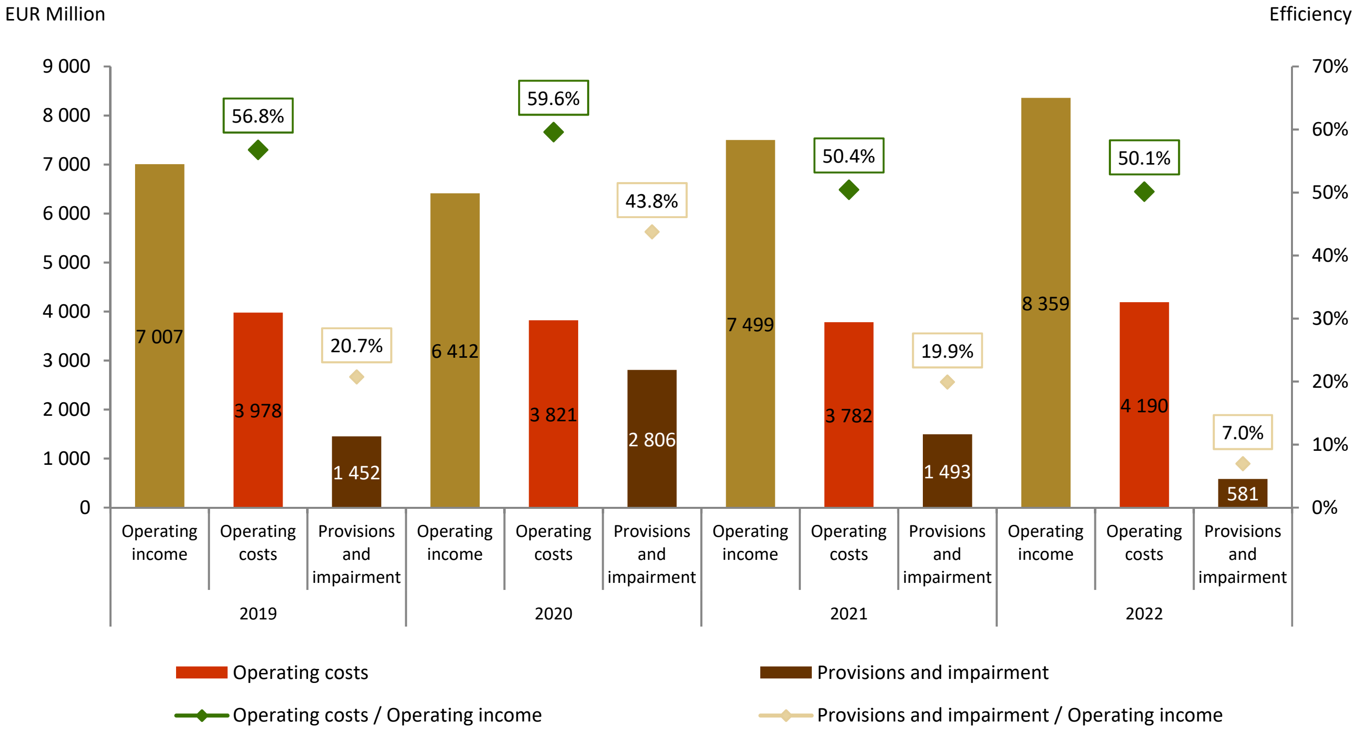
b) By origin / type of legal structure



Source: FIs, APB.

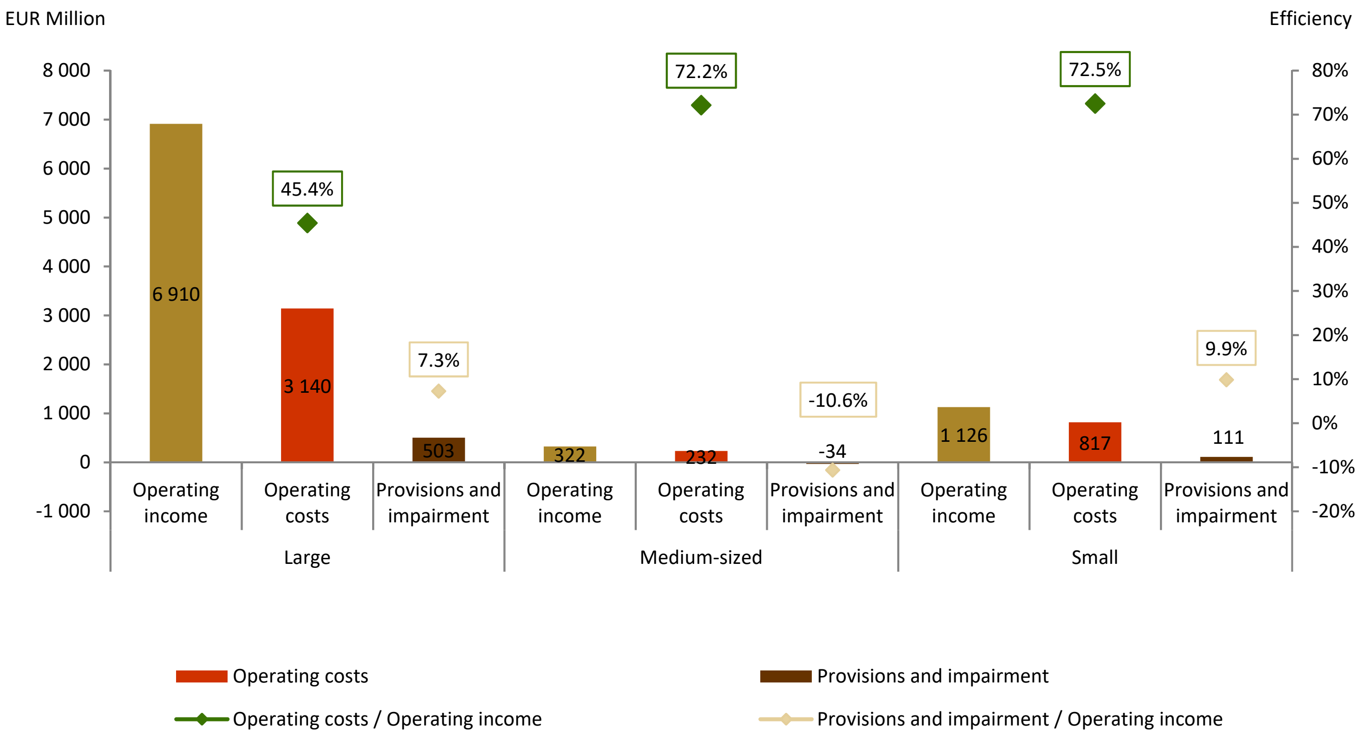
Provisions and impairments totalled around €0.6 billion in 2022, compared to €1.5 billion in the previous year. This development is due to the fact that a very high amount was constituted during the pandemic crisis and that it was reversed in the following years, as well as to the reversal of the base effect of provisions recorded in 2021 by a banking institution with a view to implementing an operational and commercial transformation plan.

Graph 37: Evolution of operating income, operational costs and impairment



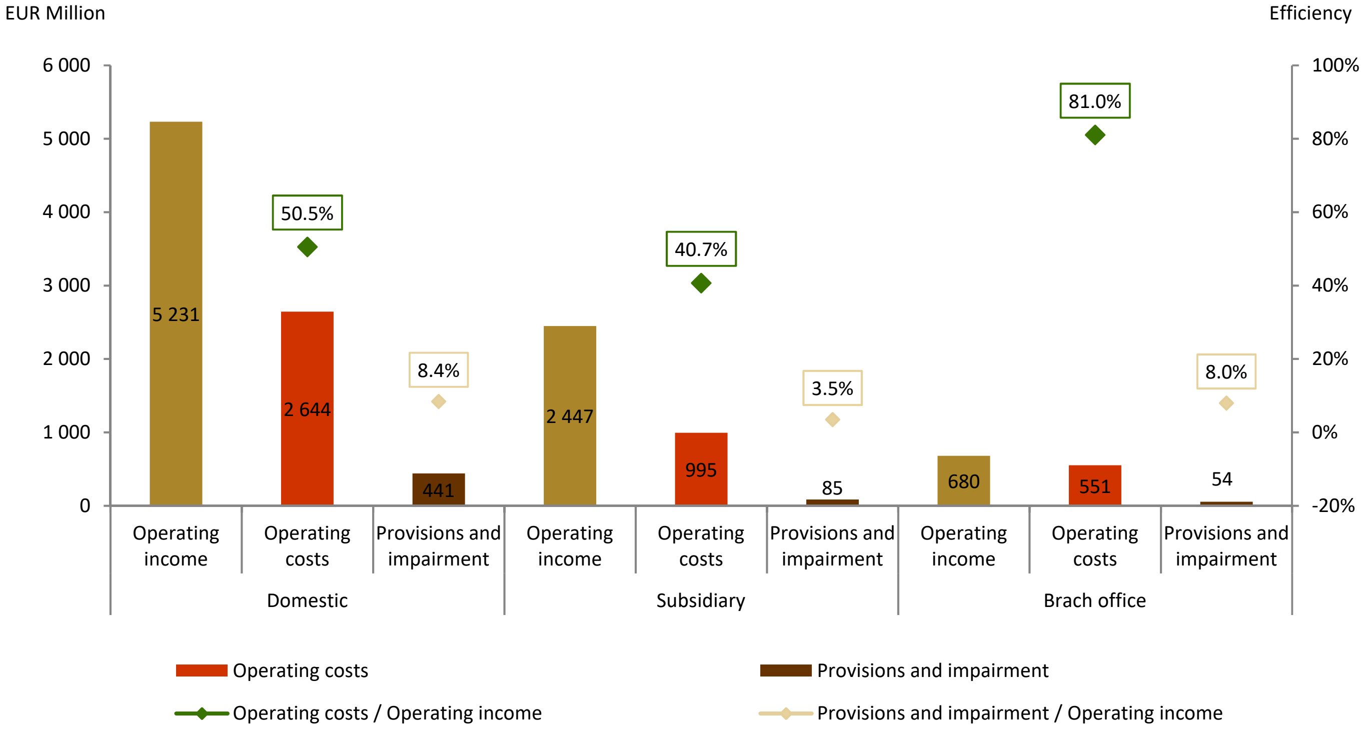
Source: FIs, APB.

Graph 38 Evolution of operating income, operational costs and impairment, by size, 2022



Source: FIs, APB.

Graph 39: Evolution of operating income, operational costs and impairment, by origin / type of legal structure, 2022



Source: FIs, APB.

V.3. Tax and parafiscal analysis

The total corporate income tax payable to the State by member institutions is estimated to be around €206 million in 2022 (compared to €122 million in 2021), which corresponds to an estimated effective corporate income tax rate of 21.1% (compared to 21.6% in 2021).

For purposes of this analysis, an approximate aggregate amount of the total corporate income tax payable to the State by member institutions has been calculated. This calculation considered the estimated tax base based on profit or loss before tax and changes in equity recognised in reserves and retained earnings and corrected by the adjustments made pursuant to the corporate income tax code ("CIRC").

Table 11: Approximate total amount of tax payable to the State in terms of corporate tax in 2021 and 2022. It is based on estimated figures for the tax base, which were calculated from the net income before tax and changes in equity recognized in reserves and retained earnings

	2021 million €	2022 million €
Net income before tax [a)]	**2 252**	**3 657**
Adjustments for calculation of taxable income / tax loss		
Applicable to all tax payers subject to corporate income tax:		
Capital gains and impairment in investments (net)	-1 306	-702
Elimination of double taxation of distributed profits	-265	-382
Tax benefits	-9	-7
Non-relevant expenses and income for tax purposes	-30	-35
Provisions for other risks	50	-215
Allocation of profits of non-resident companies subject to special tax schemes	54	49
Employment termination and retirement benefits and other post-employment or long-term benefits	-78	-67
Impairment for credit risk	-1 459	-1 748
Other [b)]	53	341
Taxable income / Tax loss	**-738**	**891**
Use of tax losses from prior years	-66	-203
Tax base [c)]	**566**	**976**
Income tax	122	206
Income tax rate (%)	**21.6%**	**21.1%**

Source: FIs, APB.

a) Net income before tax of the 23 financial institutions in the sample in this chapter.

b) Includes positive and negative changes in equity not reflected in the net income for the year but recognised in reserves and retained earnings.

c) Aggregate taxable income consists of the sum of taxable income and tax losses of the financial institutions in the sample. The financial institutions that recorded a tax loss in the year have no tax base, and therefore the Tax Base field only includes the aggregate figures for members that record taxable income (even after deduction of losses), this amount being necessarily higher than the amount of aggregate taxable income (which contains said losses).

In addition, it is estimated that the amount to be paid by financial institutions to the Portuguese State, relating to local taxes, autonomous taxation and taxes to which they are subject in the countries where they operate, amounted to €124 million in 2022, compared with €75 million in the previous year.

Table 12: Approximate local taxes, autonomous taxation and income tax levied in foreign countries (2021-2022)

	2021 million €	2022 million €
Income tax levied in foreign countries net of the deduction of double taxation	13	7
Autonomous taxation	7	8
Local taxes [a)]	55	109
Total local taxes, autonomous taxation and income tax levied in foreign countries	**75**	**124**

Source: FIs, APB.

[a)] The approximate amount of local surtaxes was calculated by applying a rate of 1.5% to taxable income, plus an additional 3% to 7% depending on the amount of taxable income

Financial institutions also incur other operating tax charges, such as stamp duty, non-deductible value added tax (VAT), and Municipal Property Tax (IMI). For the purposes of Table 13, these taxes are grouped under the heading of other operating tax and totalled €302 million in 2022, compared to €252 million in 2021.

In 2022, specific taxes on the banking sector totalled €419 million, compared with €374 million in the previous year. More specifically, this amounted to €176 million relating to the Contribution to the Banking Sector; €32 million relating to the Additional Solidarity Scheme for the Banking Sector and €211 million relating to the Contribution to the Resolution Fund and the Single Resolution Fund.

These taxes are calculated as follows:

- Contribution to the Banking Sector (Law 55 - A/2010 of 31 December and Ordinance 121/2011 of 30 March of the Ministry of Finance and Public Administration), concerns:

  (a) Liabilities calculated and approved by taxable persons minus basic (*Tier* 1) and supplementary (*Tier* 2) own funds and deposits covered by the Deposit Guarantee Fund. The applicable rate is 0.05% of the calculated value.

  (b) The notional value of off-balance sheet derivative financial instruments calculated by the taxable persons. The applicable rate is 0.00015% of the calculated value.

- The Additional Solidarity Scheme for the Banking Sector (Law 27-A/2020 of 24 July) aims to strengthen the financing mechanisms of the social security system. The reserve base is the same as the Contribution to the Banking Sector, with the applicable rates for points (a) and (b) being 0.02% and 0.00005% respectively.

The Para-fiscal levies includes contributions to Social Security, pension funds and SAMS (Medical-Social Assistance Service) and totalled €412 million, compared to €558 million in 2021. This change was due to a reduction in pension costs following the increase in the discount rate (as a result of the increase in interest rates), which led to a reduction in pension liabilities.

Table 13: Tax and para-fiscal burden (2021-2022)

	2021 million €	2022 million €
Tax Burden		
Other operating taxes [a)]	252	302
Banking sector contribution	160	176
Additional solidarity contribution on the banking sector	30	32
Contribution to resolution fund and single resolution fund	184	211
Total	626	721
Para-fiscal levies		
Single social rate	277	272
Pension expenses	194	49
Other expenses	87	91
Total	558	412
Total	**1 184**	**1 133**

Source: FIs, APB.

a) Include Stamp Duty, non-deductible VAT and Real Estate Municipal Tax (“IMI”).

VI. Solvency analysis [14]

Table 14: Capital adequacy as at 31 December (2019-2022)

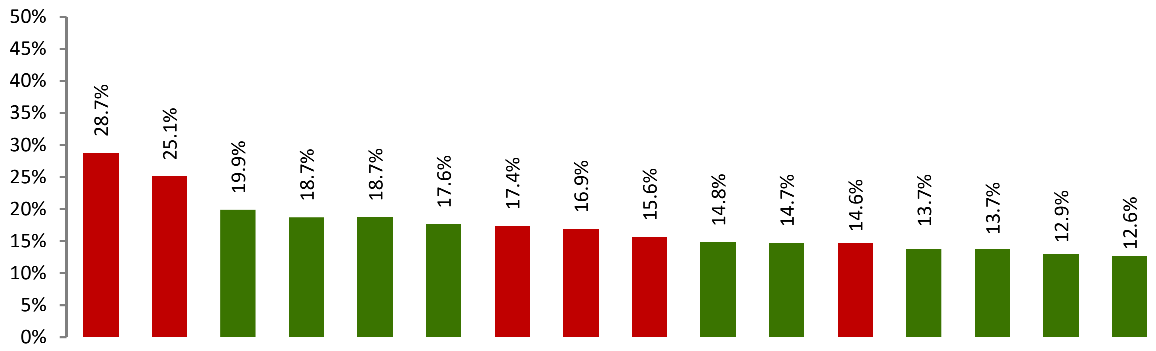
	2019	2020	2021	2022
Total Assets (Million €)				
Total assets [a)]	353 561	372 770	407 696	400 860
Own Funds (Million €)				
Common Equity Tier 1 (CET1)	27 069	27 789	27 804	27 225
Tier 1	29 094	29 839	29 140	28 548
Tier 2	2 774	2 789	3 087	3 425
Total eligible own funds	31 868	32 628	32 227	31 973
Risk-weighted assets (Million €)				
Credit risk	155 958	159 694	155 629	148 332
Market risk	5 421	5 917	5 747	5 606
Operational risk	15 501	15 234	15 261	15 778
Exposures – credit valuation adjustment	408	372	359	891
Other	788	1 312	1 643	2 030
Risk-weighted assets	178 076	182 529	178 639	172 637
Capital Ratios (%)[15]				
CET1	15,2%	15,2%	15,6%	15,8%
Tier 1	16,3%	16,3%	16,3%	16,5%
Total Capital Ratio	17,9%	17,9%	18,0%	18,5%

Source: FIs, APB.

a) Does not include off balance sheet items.

The aggregate CET1 ratio was 15.8%, and the total solvency ratio stood at 18.5%, both slightly higher than the ratios reached in the previous year.

Graph 40: Common Equity Tier 1 Ratio of APB Member Institutions as at 31 December, 2022



Source: FIs, APB. Note: CET1 ratios sorted in descending order. The red (green) columns identify the institutions whose solvency ratio decreased (increased) from 2021 to 2022.

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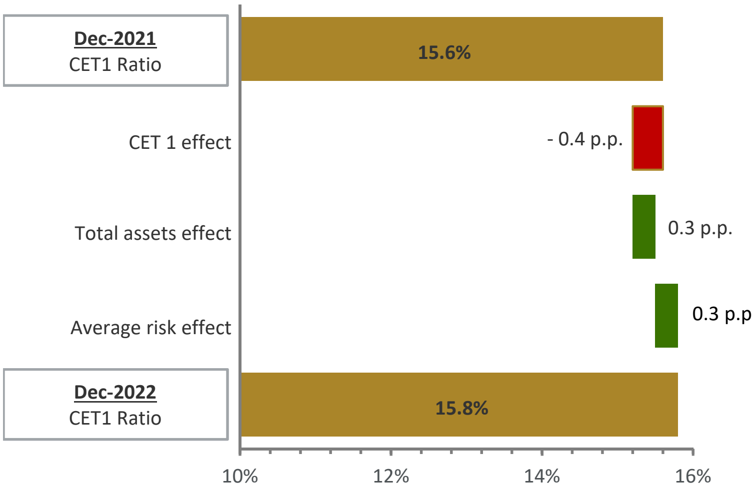
[14] The solvency review is based on the financial statements subject to prudential requirements of domestic institutions and subsidiaries. This criterion resulted in a sample of 15 members FIs. For two of them we used their individual accounts and for the remainder their consolidated accounts.

[15] Phased-in ratios.

The CET1 ratio increased by 0.2 p.p. compared to the previous year which reflects the combined effect of the positive contribution of the assets' average risk effect (+0.3 p.p.)[16] and total assets (0.3 p.p.), which more than offset the reduction in CET1 capital.

Graph 41: Breakdown of the change in CET 1 ratio



Source: FIs, APB.

The reduction in CET1 capital was mainly due to the resumption of dividend distribution after the retention that occurred during the pandemic, and to the losses recorded in securities valued at fair value through other comprehensive income as a consequence of the increase in interest rates.

The main reason for the decrease in aggregate risk-weighted assets (RWAs) was the decrease in RWAs for credit risk (€7.3bn) which, in 2022, continued to be the largest source of capital consumption, corresponding to 85.9% of total requirements.

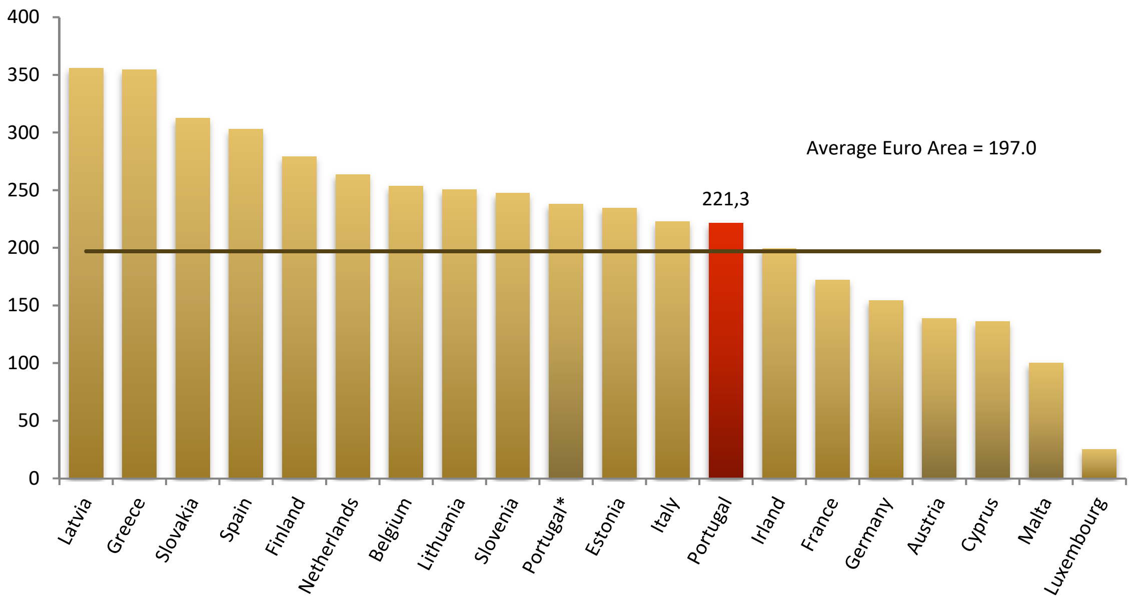
[16] In order to understand the effects of these three elements, it should be recalled that the solvency level is calculated as: Own funds / (Total assets * Average risk), where the 'average risk', also referred to as the assets' average risk weighting, is given by the ratio of the risk-weighted assets to total assets.

VII. Indicators of Productivity

The evolution of productivity indicators[17], which quantify activity or performance by branch or employee, reflects the impact of restructuring and resizing of the operating structures of the Portuguese banking system implemented in recent years.

The sector has a higher number of inhabitants per employee than the Euro Area average. However, productivity both in terms of assets generated per branch and assets per employee, despite having increased in recent years, is substantially lower than the Euro Area average. In terms of assets generated per branch, Portugal is the country with the lowest value in the Euro Area.

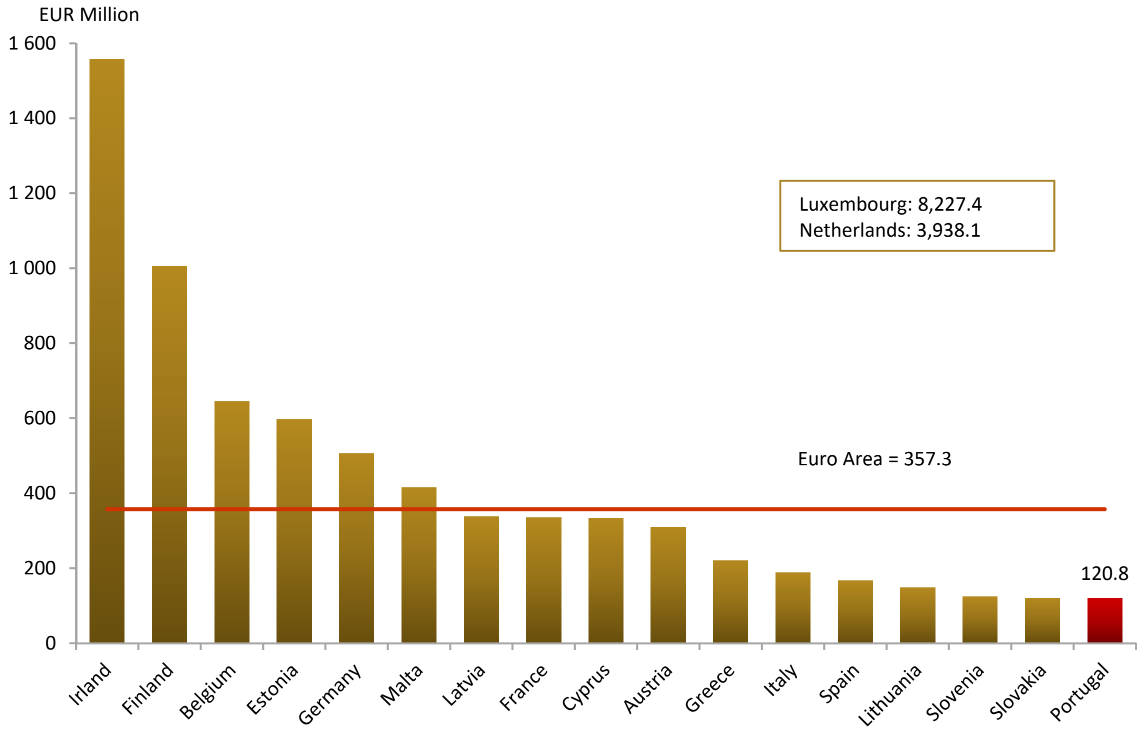
Graph 42: Inhabitants per employee in the Euro Area, 31 December 2022



Source: Eurostat and ECB.

[17] The analysis was carried out on the basis of the overall number of employees (involved in domestic and international activity), as well as the total number of branches (including bank branches in Portugal and those of branches and representative offices abroad).

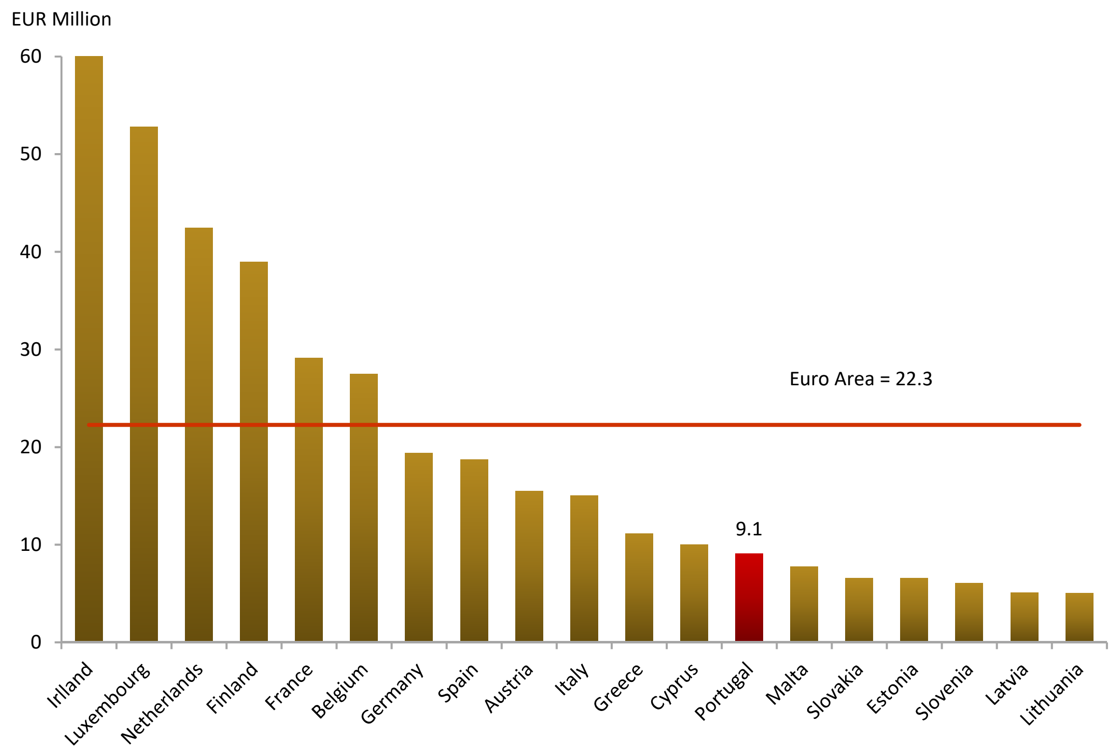
Graph 43: Assets by branch, as at 31 December 2022



Source: ECB.

Note: The graph does not include Luxembourg and Netherlands due to scale reasons.

Graph 44: Assets by employee, as at 31 December 2022



Source: ECB.

Table 15: Other productivity indicators (2019-2022)

	2019	2020	2021	2022
Number of employees [a)]				
Total	42 012	40 478	37 772	37 134
Annual change rate	-	*-3.7%*	*-6.7%*	*-1.7%*
Inhabitants per employee				
Total (number of inhabitants)	245	254	274	282
Annual change rate	-	*3.8%*	*7.6%*	*2.9%*
Average total assets[b)] per employee				
Total (thousands €)	7 795	8 443	9 714	10 032
Annual change rate	-	*8.3%*	*15.1%*	*3.3%*
Average cost[c)] per employee				
Total (thousands €)	50	49	51	59
Annual change rate	-	*-1.5%*	*2.7%*	*15.7%*
Operating income per employee				
Total (thousands €)	161	151	190	215
Annual change rate	-	*-5.9%*	*25.3%*	*13.2%*
Number of branches [a)]				
Total	4 068	3 832	3 532	3 305
Annual change rate	-	*-5.8%*	*-7.8%*	*-6.4%*
Inhabitants per branch				
Total (number of inhabitants)	2 531	2 687	2 928	3 167
Annual change rate	-	*6.2%*	*9.0%*	*8.2%*
Branches per 100.000 inhabitants				
Total (number of branches)	40	37	34	32
Annual change rate	-	*-5.8%*	*-8.2%*	*-7.5%*
Average total assets [b)] per branch				
Total (thousands €)	80 497	89 180	103 883	112 715
Annual change rate	-	*10.8%*	*16.5%*	*8.5%*
Deposits per branch				
Total (thousands €)	52 776	59 265	69 823	78 233
Annual change rate	-	*12.3%*	*17.8%*	*12.0%*
Operating income per branch				
Total (thousands €)	1 663	1 600	2 029	2 414
Annual change rate	-	*-3.8%*	*26.8%*	*19.0%*

Source: FIs, APB.

Note: Excludes one APB member due to its specific business activity.

[a)] Number of employees (in domestic and international activity) and number of branches (bank branches in Portugal and branches and representative offices abroad).

[b)] Arithmetic average of assets in period n and assets in period n-1.

[c)] Only staff costs.

Table 16: Other productivity indicators, by size (2019-2022)

	Large				Medium-sized				Small			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Number of employees [a)]												
Total	33 590	32 093	29 345	28 592	5 944	5 875	5 866	5 824	2 478	2 510	2 561	2 718
Annual change rate	-	*-4.5%*	*-8.6%*	*-2.6%*	-	*-1.2%*	*-0.2%*	*-0.7%*	-	*1.3%*	*2.0%*	*6.1%*
Inhabitants per employee												
Total (number of inhabitants)	306	321	351	360	1 729	1 752	1 756	1 768	4 147	4 102	4 021	3 789
Annual change rate	-	*4.9%*	*9.4%*	*2.6%*	-	*1.4%*	*0.2%*	*0.7%*	-	*-1.1%*	*-2.0%*	*-5.8%*
Average total assets[b)] per employee												
Total (thousands €)	8 564	9 310	10 878	11 279	3 888	4 594	4 991	4 992	7 193	6 876	7 743	8 366
Annual change rate	-	*8.7%*	*16.8%*	*3.7%*	-	*18.2%*	*8.6%*	*0.0%*	-	*-4.4%*	*12.6%*	*8.0%*
Average cost[c)] per employee												
Total (thousands €)	54	54	55	65	23	21	24	25	66	59	62	63
Annual change rate	-	*-0.1%*	*2.4%*	*18.2%*	-	*-5.8%*	*12.1%*	*5.8%*	-	*-10.4%*	*5.4%*	*0.7%*
Operating income per employee												
Total (thousands €)	169	158	209	242	67	65	61	64	283	271	270	255
Annual change rate	-	*-6.3%*	*32.0%*	*15.9%*	-	*-3.5%*	*-6.3%*	*5.4%*	-	*-4.2%*	*-0.4%*	*-5.4%*
Number of branches [a)]												
Total	2 837	2 620	2 328	2 116	914	896	883	870	317	316	321	319
Annual change rate	-	*-7.6%*	*-11.1%*	*-9.1%*	-	*-2.0%*	*-1.5%*	*-1.5%*	-	*-0.3%*	*1.6%*	*-0.6%*
Inhabitants per branch												
Total (number of inhabitants)	3 622	3 930	4 424	4 867	11 244	11 491	11 663	11 837	32 418	32 582	32 082	32 283
Annual change rate	-	*8.5%*	*12.6%*	*10.0%*	-	*2.2%*	*1.5%*	*1.5%*	-	*0.5%*	*-1.5%*	*0.6%*
Branches per 100.000 inhabitants												
Total (number of branches)	28	25	23	21	9	9	9	8	3	3	3	3
Annual change rate	-	*-7.8%*	*-11.2%*	*-9.1%*	-	*-2.2%*	*-1.5%*	*-1.5%*	-	*-0.5%*	*1.6%*	*-0.6%*
Average total assets [b)] per branch												
Total (thousands €)	101 403	114 045	137 123	152 406	25 282	30 123	33 156	33 419	56 230	54 619	61 773	71 278
Annual change rate	-	*12.5%*	*20.2%*	*11.1%*	-	*19.1%*	*10.1%*	*0.8%*	-	*-2.9%*	*13.1%*	*15.4%*
Deposits per branch												
Total (thousands €)	69 476	79 586	96 919	112 179	10 720	11 008	12 124	12 227	26 363	29 689	33 783	37 795
Annual change rate	-	*14.6%*	*21.8%*	*15.7%*	-	*2.7%*	*10.1%*	*0.8%*	-	*12.6%*	*13.8%*	*11.9%*
Operating income per branch												
Total (thousands €)	1 996	1 935	2 629	3 266	437	425	403	428	2 210	2 151	2 152	2 174
Annual change rate	-	*-3.1%*	*35.9%*	*24.2%*	-	*-2.8%*	*-5.1%*	*6.2%*	-	*-2.6%*	*0.0%*	*1.0%*

Source: FIs, APB. Note: Excludes one APB member due to its specific business activity.

[a)] Number of employees (domestic and international activity) and number of branches (bank branches in Portugal and branches and representative offices abroad). [b)] Arithmetic average of assets in period n and assets in period n-1.

Table 17: Other productivity indicators, by origin / type of legal structure (2019-2022)

	Domestic				Subsidiary				Branch office			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Number of employees [a]												
Total	29 241	28 148	26 745	26 323	11 872	11 463	10 155	9 942	899	867	872	869
Annual change rate	-	*-3.7%*	*-5.0%*	*-1.6%*	-	*-3.4%*	*-11.4%*	*-2.1%*	-	*-3.6%*	*0.6%*	*-0.3%*
Inhabitants per employee												
Total (number of inhabitants)	351	366	385	391	866	898	1 014	1 036	11 431	11 875	11 810	11 851
Annual change rate	-	*4.1%*	*5.3%*	*1.6%*	-	*3.8%*	*12.9%*	*2.1%*	-	*3.9%*	*-0.6%*	*0.3%*
Average total assets[b] per employee												
Total (thousands €)	7 722	8 463	9 597	9 902	7 895	8 353	10 128	10 507	10 101	10 473	10 110	10 584
Annual change rate	-	*9.6%*	*13.4%*	*3.2%*	-	*5.8%*	*21.3%*	*3.7%*	-	*3.7%*	*-3.5%*	*4.7%*
Average cost[c] per employee												
Total (thousands €)	48	47	47	59	54	55	58	58	70	69	67	71
Annual change rate	-	*-3.2%*	*1.7%*	*23.5%*	-	*2.2%*	*5.8%*	*-0.2%*	-	*-1.4%*	*-2.0%*	*5.9%*
Operating income per employee												
Total (thousands €)	143	130	168	196	191	189	234	253	351	347	344	343
Annual change rate	-	*-9.2%*	*29.2%*	*17.0%*	-	*-0.7%*	*23.5%*	*7.9%*	-	*-1.2%*	*-0.9%*	*-0.3%*
Number of branches [a]												
Total	2 988	2 876	2 737	2 545	994	871	710	678	86	85	85	82
Annual change rate	-	*-3.7%*	*-4.8%*	*-7.0%*	-	*-12.4%*	*-18.5%*	*-4.5%*	-	*-1.2%*	*0.0%*	*-3.5%*
Inhabitants per branch												
Total (number of inhabitants)	3 439	3 580	3 763	4 046	10 339	11 821	14 505	15 189	119 496	121 128	121 156	125 588
Annual change rate	-	*4.1%*	*5.1%*	*7.5%*	-	*14.3%*	*22.7%*	*4.7%*	-	*1.4%*	*0.0%*	*3.7%*
Branches per 100.000 inhabitants												
Total (number of branches)	29	28	27	25	10	8	7	7	0.8	0.8	0.8	0.8
Annual change rate	-	*-3.9%*	*-4.9%*	*-7.0%*	-	*-12.5%*	*-18.5%*	*-4.5%*	-	*-1.3%*	*0.0%*	*-3.5%*
Average total assets [b] per branch												
Total (thousands €)	75 571	82 830	93 776	102 413	94 292	109 928	144 858	154 079	105 589	106 827	103 716	112 162
Annual change rate	-	*9.6%*	*13.2%*	*9.2%*	-	*16.6%*	*31.8%*	*6.4%*	-	*1.2%*	*-2.9%*	*8.1%*
Deposits per branch												
Total (thousands €)	50 672	55 766	63 753	72 873	60 838	73 098	97 207	103 497	39 251	43 601	43 168	54 042
Annual change rate	-	*10.1%*	*14.3%*	*14.3%*	-	*20.2%*	*33.0%*	*6.5%*	-	*11.1%*	*-1.0%*	*25.2%*
Operating income per branch												
Total (thousands €)	1 400	1 272	1 640	2 031	2 280	2 494	3 347	3 704	3 667	3 537	3 526	3 630
Annual change rate	-	*-9.1%*	*29.0%*	*23.8%*	-	*9.4%*	*34.2%*	*10.7%*	-	*-3.6%*	*-0.3%*	*2.9%*

Source: FIs, APB. Note: Excludes one APB member due to its specific business activity.

[a] Number of employees (domestic and international activity) and number of branches (bank branches in Portugal and branches and representative offices abroad). [b] Arithmetic average of assets in period n and assets in period n-1.

VIII. Analysis of International Activity [18]

The analysis of the international activity was based on the aggregate consolidated activity of seven member banking groups (BCP, BPI, CGD, Montepio, Novo Banco, BIG and Haitong). The total net assets of the international activity of these FIs amounted to €47.8 billion, growing by 8.3% compared to 2021 (+€3.6 billion), which counters the declining trend observed in the last two years.

The assets of the Members' international activity accounted for 15.8% of the total consolidated assets, compared with 14.3% in 2021.

Table 18: Consolidated balance sheet regarding international business activity (2019-2022)

	2019	2020	2021	2022
Aggregate Assets				
Total (million €)	46 057	44 497	44 142	47 786
Annual change rate	-	*-3.4%*	*-0.8%*	*8.3%*
As % of total consolidated net assets	*17,5%*	*16,6%*	*14,3%*	*15,8%*

Source: FIs, APB.

In terms of profitability, the contribution of the international activity continued to be positive, with net income (NI) totalling €216 million, compared to €252 million obtained in 2021 (-14.3%).

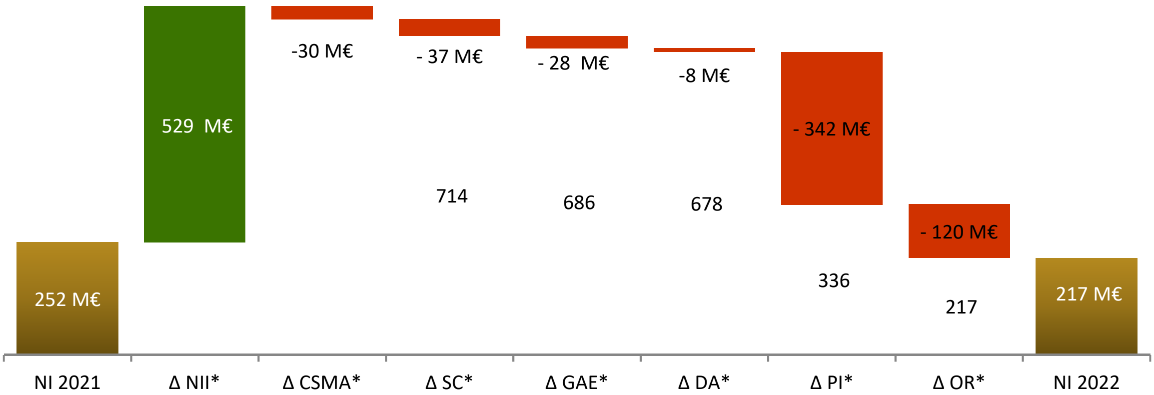
[18] The international activity includes the activity developed by the subsidiaries.

Table 19: Consolidated income statement - international business activity (2019-2022)

	2019	2020	2021	2022
Net interest income				
Total (million €)	1 249	1 142	1 240	1 769
Annual change rate	-	*-8.6%*	*8.6%*	*42.7%*
As % of total consolidated net interest income	*30.9%*	*29.5%*	*31.6%*	*34.9%*
Operating income				
Total (million €)	1 688	1 560	1 668	2 167
Annual change rate	-	*-7.6%*	*6.9%*	*29.9%*
As % of total consolidated operating income	*28.9%*	*28.4%*	*26.1%*	*28.4%*
Operating costs				
Total (million €)	846	759	729	802
Annual change rate	-	*-10.4%*	*-3.9%*	*10.0%*
As % of total consolidated operating costs	*24.1%*	*23.4%*	*23.3%*	*22.4%*
Provisions and impairment				
Total (million €)	327	495	672	1 014
Annual change rate	-	*51.4%*	*35.8%*	*50.9%*
As % of total consolidated provisions and impairment	*24.0%*	*18.6%*	*36.7%*	*63.7%*
Other results				
Total (million €)	-164	-147	-15	-135
Annual change rate	-	*-10.2%*	*-89.7%*	*s.s.*
As % of total consolidated other results	*41.0%*	*53.3%*	*6.8%*	*29.8%*
Net income				
Total (million €)	351	160	252	216
Annual change rate	-	*-54.5%*	*58.0%*	*-14.3%*
As % of total consolidated net income	*81.7%*	*-26.4%*	*20.9%*	*10.7%*

Source: FIs, APB.

Graph 45: Contribution from the main components of NI from the international activity to the change in NI between 2021 and 2022

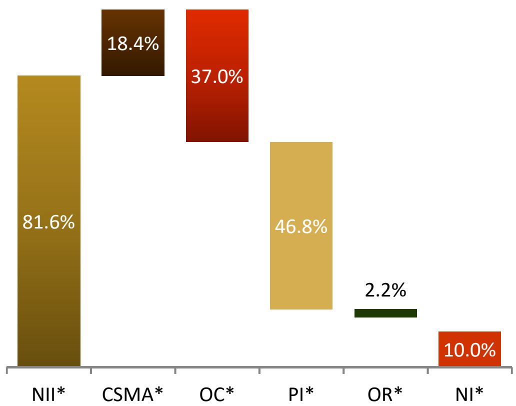


Source: FIs, APB.
Note: NI – Net income; Δ NII* – change in net interest income; Δ CSMA* – change in customer services and market activities; Δ SC* – change in staff costs; Δ GAE* – change in general and administrative expenses; Δ DA* – Change in depreciation and amortisation; Δ PI* – Change in provisions and impairments; Δ OR* – Change in other results.

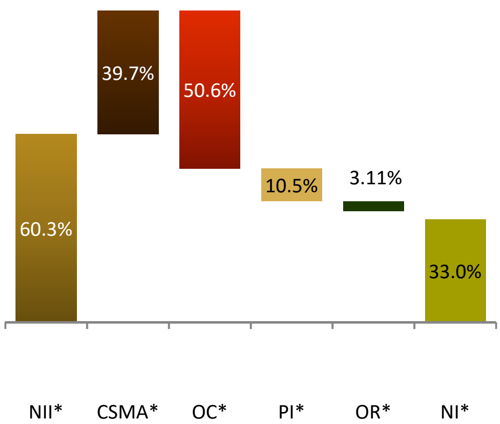
In comparative terms, the income structure of international business shows significant differences in relation to the domestic segment, with the greater relative preponderance of the financial margin in international business and a much lower proportion of customer services and market activities and operating costs. Provisions and impairments are considerably more significant in international business in 2022 than in domestic business, mainly due to the constitutions of impairments by one member in particular.

Graph 46: Breakdown of NI as a percentage of operating income, 2022

a) International activity

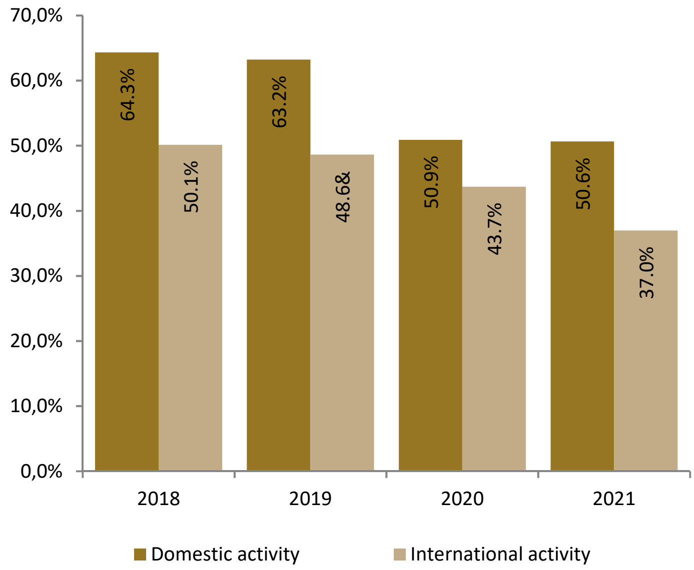


b) Domestic activity



Source: FIs, APB.
Note: * NII – net interest income; CSMA – customer services and market activities; OC – operating costs; PI – provisions and impairments; OR – other results; NI – net income.

Graph 47: Cost-to-income: domestic vs. International (2019-2022)



Source: FIs, APB.

Acknowledgements

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Associação Portuguesa de Bancos is also grateful to SIBS – Forward Payment Solutions for providing the information used to prepare part of the chapter on coverage indicators.

List of financial institutions that are members of the APB

Financial institutions – Domestic

Financial Institutions	Name of the Group used in the presentation of consolidated accounts
Banco BIC Português, S.A.	
Banco Comercial Português, S.A. Banco ActivoBank, S.A.	Banco Comercial Português Group
Banco CTT, S.A.	Banco CTT Group
Banco de Investimento Global, S.A.	Banco de Investimento Global Group
Banco Finantia, S.A.	Banco Finantia Group
Banco Invest, S.A.	Banco Invest Group
Banco Carregosa, S.A.	
Caixa Central - Caixa Central de Crédito Agrícola Mútuo, CRL (SICAM - Sistema Integrado de Crédito Agrícola Mútuo)	Crédito Agrícola Group
Caixa de Crédito Agrícola Mútuo de Leiria	
Caixa de Crédito Agrícola Mútuo de Mafra	
Caixa Económica da Misericórdia de Angra do Heroísmo	
Caixa Económica Montepio Geral Montepio Investimento, S.A.	Caixa Económica Montepio Geral Group
Caixa Geral de Depósitos, S.A. Caixa - Banco de Investimento, S.A.	Caixa Geral de Depósitos Group Caixa – Banco de Investimento Group
Novo Banco, S.A. BEST – Banco Eletrónico de Serviço Total, S.A. Novo Banco dos Açores, S.A.	Novo Banco Group

Financial institutions – Subsidiaries

Financial Institutions	Name of the Group used in the presentation of consolidated accounts
Banco BPI, S.A.	BPI Group
Banco Credibom, S.A.	Banco Credibom Group
Banco Santander Totta, S.A.	Santander Totta, SGPS, S.A.
Haitong Bank, S.A.	Haitong Bank Group

Financial institutions – Branch offices

Financial Institutions	Name of the Group used in the presentation of consolidated accounts
ABANCA Corporación Bancaria, S.A. – Sucursal em Portugal	
Banco Bilbao Vizcaya Argentaria (Portugal), S.A.	
Bankinter, S.A. – Sucursal em Portugal	
BNP Paribas – Sucursal em Portugal	
Deutsche Bank, AG – Sucursal em Portugal	
WiZink Bank, S.A. – Sucursal em Portugal	

Source: APB.

Associação Portuguesa de Bancos
Avenida da República 35 – 5º | 1050–186 Lisboa | Portugal
Tel. 21 351 00 70 | Fax. 21 357 95 33 | apbancos@apb.pt | www.apb.pt