ANNUAL REPORT 2020

BiG

O banco
que entende
os seus valores

T.1 (Euro)

Consolidated	2020	2019	2018	2017
Net Interest Margin	18,068,113	24,207,301	23,581,515	15,953,463
Net Commissions and Fees	11,326,316	11,074,703	10,034,959	10,591,948
Treasury and Capital Markets	41,980,414	54,419,455	22,975,092	78,420,179
Other Income	288,742	741,772	673,770	491,790
Operating Income	**71,663,585**	**90,443,231**	**57,265,336**	**105,457,380**
Personnel Expenses	-19,380,764	-20,324,787	-19,608,214	-23,089,898
Other Administrative Costs	-13,018,649	-12,009,892	-9,782,563	-10,844,227
Cash Contributions	-1,136,151	-915,163	-752,104	-503,097
Operating Expenses	**-33,535,564**	**-33,249,842**	**-30,142,881**	**-34,437,222**
Operating Cash Flow	**38,128,020**	**57,193,389**	**27,122,456**	**71,020,158**
Amortizations	-2,238,810	-2,375,391	-1,961,867	-2,109,865
Provisions	84,000	1,730,876	1,402,500	2,001,590
Imparities	-1,102,840	954,000	939,335	265,696
Operating Results	**34,870,371**	**57,502,874**	**27,502,424**	**71,177,579**
Results of Subsidiaries	0	0	0	0
Profit Before Income Tax	**34,870,371**	**57,502,874**	**27,502,424**	**71,177,579**
Current Income Tax	-8,885,664	-11,610,532	-3,830,382	-18,520,409
Deferred Tax	-336,386	-3,340,919	-526,438	-310,552
Profit Afer Income Tax Before Minority Interest	**25,648,321**	**42,551,423**	**23,145,604**	**52,346,618**
Minority Interest	-602,381	-472,944	-89,388	0
Net Income	**25,045,940**	**42,078,479**	**23,056,216**	**52,346,618**

Individual	2020	2019	2018	2017
Net Income	**24,173,007**	**40,318,127**	**20,059,048**	**50,823,109**

Selected Indicators	2020	2019	2018	2017
Total Net Assets	2,203,605,500	2,268,414,317	2,277,989,803	1,851,222,072
Shareholder Funds	421,904,979	399,255,331	347,147,597	339,533,229
Own Funds	390,682,940	367,515,312	329,410,690	329,790,312
Client Deposits	1,402,939,710	1,289,576,472	1,312,210,871	1,035,793,975
Non-Performing Loans / Total Loans	0.3%	0.1%	0.1%	0.1%
Loans / Client Deposits	2.3%	1.6%	3.0%	29.8%
Loans / Total Net Assets	1.5%	0.9%	1.7%	16.7%
Assets Under Supervision (*)	4,704,561,598	3,798,642,999	3,401,529,469	3,224,261,765

(*) Assets under management, held in custody and client deposits

Profitability	2020	2019	2018	2017
Return on Average Assets (ROA)	1.1%	1.9%	1.1%	2.9%
Profit Before Income Tax / Average Net Assets	1.6%	2.5%	1.3%	3.9%
Return on Average Equity (ROE)	6.2%	11.4%	6.7%	17.3%
Profit Before Income Tax / Average Equity	8.5%	15.4%	8.0%	23.5%
Operating Income / Average Net Assets	3.2%	4.0%	2.8%	5.8%

Solvency	2020	2019	2018	2017
CET1 Capital Ratio	45.3%	43.2%	31.5%	45.1%
T1 Capital Ratio	45.3%	43.2%	31.5%	45.1%

Efficiency	2020	2019	2018	2017
Net Interest Income / Earning Assets	0.8%	1.1%	1.1%	0.9%
Operating Expense / Operating Income	48.3%	38.4%	54.7%	34.2%
Personnel Expense / Operating Income	27.0%	22.5%	34.2%	21.9%

Source: BiG

FINANCIAL INDICATORS

Management Discussion

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Risk Management and Internal Control

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Consolidated Balance Sheet
Consolidated Statement of Changes in Equity
Consolidated Cash Flow Statement

Notes to the Consolidated Financial Statements

MANAGEMENT DISCUSSION

INTRODUCTION

The Bank – Overview

Banco de Investimento Global, S.A. (BiG, or the Bank) is a privately held, specialized savings and investment bank, founded in 1998. With headquarters in Lisbon, the Bank is the holding company of the Group, which has physical offices in Portugal, Spain and Mozambique and an extensive digital presence via www.big.pt and www.bancobig.es. The Bank is licensed to operate in all business areas open to the banking sector, and in 2020, generated most of its revenues in Portugal.

On 31 December 2020, on a consolidated basis, the Bank had € 2.2 billion in assets, € 1.4 billion in client deposits and € 422 million in shareholders' equity. The Bank focuses on savings, investment and advisory activities directed to individual and corporate/institutional client segments. Our businesses concentrate on client acquisition, deposit growth, the marketing of trading and investment products, as well as asset management, wealth management and advisory solutions for our clients via a combination of self-directed/digital platforms and sales teams. On a daily, operational level, we focus on asset quality, liquidity and interest rate risk management, internal operating controls, reliable execution, capital preservation and the control of business risks. The Bank's capital is held by a dispersed, stable base of mainly Portuguese individual and institutional investors (see Shareholder Base section and Note 38). Total staff at year-end 2020 was 320.

We manage for sustainable growth within a defined business model, which has been tested often by changing market conditions, particularly given the events of 2020, which remain with us. As we need to be prepared at any time to operate under adverse market conditions, the Bank's solvency, asset quality, liquidity and other operational metrics are exceptionally strong. Management's focus on financial discipline is deliberate, permanent, and strategic. Since the Bank's founding more than 20 years ago, BiG has relied on internally-generated and largely-retained earnings to finance its growth – after paying regular dividends – and to expand and improve on its business model, frequently during periods of market stress. We manage the business with core tier 1 capital, client deposits, limited wholesale funding, and have never issued debt instruments. BiG's business model favors technology-driven solutions to reach clients and process their transactions. We invest regularly in efficient, scalable processes and procedures and we encourage an operating culture that seeks to limit operational errors and credit losses to very low levels. We favor quality over size or market share across our business lines and have never sought to follow, or to replicate traditional, universal banking models.

BiG is independent of banking, specific shareholder, or special interest groups, and since its inception has never requested, nor required, assistance, capital or guarantees from any outside or official source.

This strategy of financial non-dependence is rooted deeply in our culture. It may bring with it the freedom to think and innovate, but also requires demanding risk management, strong reliance on many years of experience in financial markets, and a healthy respect for the risk/reward nature of our business.

What we do

For individual clients, the Bank provides savings, brokerage, custody, wealth management and general banking and payment services. For corporate and institutional clients, services include market risk management, treasury, brokerage, custody, and corporate advisory services, including debt finance. The Bank's Treasury and Capital Markets area concentrates on liquidity and balance sheet management. This area is also central to our culture of managing market-related and credit risks.

The Bank's businesses, encompassing branches, subsidiaries and specialized sales and product teams are combined and presented around as two main business lines – *Wealth Management and Advisory* and *Treasury and Capital Markets,* described in further detail in RESULTS OF OPERATIONS IN 2020.

The Bank's main subsidiaries focus on investment banking (BiG Mozambique) and FinTech-related investments and activities (One Tier Partners). In Spain, BiG has a branch office in Madrid, which offers deposits and banking services, platforms for client trading, and wealth management via mainly digital platforms, as well as corporate advisory.

The asset side of the Balance Sheet, as a rule, reflects geographic and sectorial diversity, which may vary over time, depending on market conditions and business opportunities. It also reflects our policy of maintaining significant levels of assets that are easily convertible to liquidity. The liability side of the Balance Sheet focuses on stable, retail deposits and capital growth. The business model and Management's view on leverage have not required the issuance of debt instruments over the more than 20 years of the Bank's existence. The Bank interacts with clients through a variety of integrated channels. Retail clients are served by the online investment platform, *www.big.pt*, www.bancobig.es, and financial consultants located in key regions. Corporate and Institutional clients are the focus of sales and product teams based mainly in Lisbon, Porto, Madrid (Spain) and Maputo (Mozambique).

The Bank's brokerage platform is supported by its direct membership in NYSE Euronext, which includes domestic and key international exchanges. In addition, the Bank maintains partnership arrangements with global financial services suppliers and clearing houses to provide access for our clients to major equity, options and futures exchanges. Platforms for other "over the counter" ("OTC") products, bonds, and mutual funds, usually combine in-house technology solutions and agreements with counterparties and providers.

Main Business Lines

Wealth Management and Advisory Services

BiG´s client-facing businesses are non-credit-intensive. They instead focus on helping individual and wholesale clients manage their assets. We work with clients using an integrated multi-channel approach, backed by a proprietary banking and trading platform and a network of business units in Portugal, Spain and Mozambique.

The combination of internet-based platforms and specialized sales teams help clients execute banking transactions, manage savings, and invest through some of the world's most important regulated markets. This business provides banking services and solutions for clients ranging from the self-directed to those seeking assisted investing, with tools for daily banking needs and an array of traditional savings products and investment funds.

For private clients, institutional investors and middle market to large corporations, the Bank's professionals from key product areas design specific financial solutions, execute trading and investment strategies, and help clients to manage their assets and business risks. The broad range of services we offer includes trading in regulated markets, market research, structuring over the counter products, asset management, market risk management and corporate finance advisory services.

Treasury and Capital Markets

This business area focuses on the Bank's investment and credit activities, as well as liquidity and balance sheet management. It is also central to the Bank's culture of managing and analyzing market risks. In addition to managing interest rate risk associated with the Bank's credit portfolio, the area provides expertise and information for internal consumption on markets, may be involved in product design for both retail and wholesale customers, and manages the treasury and risk positions of the Bank.

Shareholder Base

The Bank is not listed on any exchange and is privately held. At year-end 2020, 236 shareholders, mainly Portuguese individuals, owned common stock with voting rights. On the same date, 53.4% of the common stock was held by individuals and 46.6% were held by institutions, foundations, corporations or holding companies. The largest single shareholder, a private individual, held 12.2% of the stock with voting rights directly.

At 31/12/20, 11 shareholders were owners of at least 2% of the Bank's common stock. All are independent of one another and, in aggregate, held 63.5% of the capital. Members of the Bank's Management team held stock or voting rights equal to 19.7% of the capital and, at year-end, included 2 of the largest 5 shareholders, both founders of the Bank.
The above groupings are indicative, as there are no agreements tying shareholders together.

Voting Rights

In accordance with the Bank's statutes, there are no restrictions on the voting rights of shareholders. Each share held corresponds to one vote, provided that each shareholder, or group of shareholders, holds at least 1,000 shares.

People

The breakdown of staff levels by category at the end of the year may be found in Note 12. Total staff on a consolidated basis was 320 at year-end 2020, of which 266 based in Portugal, 17 in Spain, and 37 in Mozambique.

The Bank's business culture derives from a resilient business model, Management's ability to execute its strategies and to control risks, and the quality, training and character of our people. As a result, senior managers are involved directly in the recruitment, training and career development of employees. BiG sees employee development as a key investment and seeks to reward talent from the outset. In hiring staff, we invite diversity, but not in our core values. These include academic excellence, a sense of commitment, teamwork, energy, innovation, respect for others and, above all, integrity.

Regulators

The Bank's activities in Portugal are regulated by the following entities:

- *Banco de Portugal* (Portuguese Central Bank): date of special registry 5 February 1999, under Code Number 61. www.bportugal.pt/.

- *Comissão do Mercado de Valores Mobiliários* (CMVM – Securities Market Commission): date of authorization 8 March 1999, under Code Number 263. www.cmvm.pt.

- *Autoridade de Supervisão de Seguros e Fundos de Pensões* (ASF – Insurance and Pension Funds Supervisory Authority): registered as an adjunct insurance mediator. *www.asf.com.pt.*

The Bank's activity in Spain is authorized under:

- Bank of Spain registry of 31 May 2019, for *Banco de Investimento Global, S.A., Sucursal en España*, under registry number 1569. www.bde.es/bde/en/

- CNMV – Comisión Nacional del Mercado de Valores (Spanish Securities Market Commission). www.cnmv.es

The Bank´s activity in Mozambique is regulated by the following entities:

- *Banco de Moçambique* (Bank of Mozambique) registry of 16 January 2016.

- *Bolsa de Valores de Moçambique* (BVM – Securities Market Regulator): date of authorization 14 December 2015.

Because of its size, at the European level, BiG is considered a “Less Systemically Important” institution (LSI) and is supervised directly by the Banco de Portugal. The European Central Bank directly supervises “Systemically Important” institutions (SI). At the same time, the Bank is subject to the same supervisory “single rulebook” as all other banks under European Banking Authority (EBA) guidelines.

Executive Summary of 2020 Results

An overview of selected income statement and balance sheet items is provided in T.2. Further detailed analysis of financial indicators and results of business segments may be found in RESULTS OF OPERATIONS, in the FINANCIAL STATEMENTS, and in the NOTES TO THE CONSOLIDATED ACCOUNTS.

The Bank generated consolidated Net Income of € 25 million in 2020, *compared with € 42.1 million in 2019;*

The Bank's Net Operating Revenues for 2020 were € 71.7 million, *as compared to € 90.4 million in 2019;*

The Bank's Shareholders´ Equity at 31/12/20 rose to nearly € 421.9 million, *as compared to € 399.3 million for the prior year period.*

Regulatory capital stood at € 390.7 million at 31/12/20 *versus 367.5 million on the same date in 2019;*

Earnings per share (EPS) were € 0.15 for 2020, *as compared with € 0.24 per share for 2019;*

Return on Average Equity (ROE) for 2020 was 6.2%, *as compared with 11,4% in 2019;*

The Book Value (BV) of BiG's common stock rose to € 2.45 per share at 31/12/20, *versus € 2.32 per share on the same date in 2019:*

BiG's consolidated Tier 1 Capital Ratio at 31/12/20 was 45.3%, *as compared to 43,2% at year-end 2019;*

The consolidated Leverage Ratio at 31/12/20 was 17.6%, *as compared with 16.1% at 31/12/19;*

The consolidated Liquidity Coverage Ratio at 31/12/20 stood at 307% *versus 265% for the prior year-end;*

The ratio of Non-performing loans/Total Loans was 0.3%, in line with the historical average of very low credit losses.

For 2020, more than 90% of the Bank's revenues were generated in Portugal, with most of the remainder contributed by the Bank's investment banking unit in Mozambique. The Spain unit opened to the public in Q4 of 2020. Activity on the asset side of the Balance Sheet, focused on high quality, liquid securities in the Bank's trading and banking books. The balance sheet contains a relatively low level of loans, which are, by their nature, less liquid and, in current market conditions, not strategic from a risk/return perspective. Given the highly liquid nature of the balance sheet, credit risks and concentrations are managed actively in the light of overall market conditions and investor sentiment with respect to interest rates. These activities are structural and unchanged from prior years.

BiG's analyses of credit concentrations and earnings opportunities consider Management's expectations with respect to trends in credit quality, interest rates, and market liquidity and how these issues may be influenced by economic, political, and regulatory movements. As a matter of long-term strategy and appetite for risk, a substantial majority of the Bank's exposure involved country risk exposures other than Portugal, including other European, U.S. and Latin America country risk exposure. For much of the year, the business environment included the economic fall-out from the global impact of the coronavirus pandemic, and related political events in Europe and the U.S. These included the general decline in interest rates, historic drops in the growth rates of major economies, unprecedented social and economic challenges posed by the pandemic, and extreme variations in market indicators, as a result.

In this environment, the level of the Bank's earning assets remained stable, liquidity and capital funds grew, as did commissions associated with higher trading volumes by clients. Net interest margin and income related to the Bank's credit and investment activities declined. These two factors contributed to lower net revenues and net income for the year. Key performance ratios linked to asset quality, liquidity and solvency remained strong and are the primary foundations upon which Management

T.2 (Euro 000)

Summary of Results	2020	2019	2018	2017
Total Net Revenue	71,664	90,443	57,265	105,457
Non Interest Expense	-36,793	-32,940	-29,763	-34,280
Taxes	-9,222	-14,951	-4,357	-18,831
Net Income	25,046	42,078	23,056	52,347
Shareholders Funds	421,905	399,255	347,148	339,533
Own Funds	390,683	367,515	329,411	329,790
Total Net Assets	2,203,605	2,268,414	2,277,990	1,851,222
Loans	32,429	21,117	38,827	309,094
Deposits	1,402,940	1,289,576	1,312,211	1,035,794
CET1 Capital Ratio	45.3%	43.2%	31.5%	45.1%
T1 Capital Ratio	45.3%	43.2%	31.5%	45.1%

Source: BiG

has built a long-term strategy to invest and grow sustainably.

Key Income Statement Items

Net Operating Income for 2020 declined 21% to € 71.7 million. Overall, results combined lower revenues from Net Interest Margin and Treasury and Capital Markets, with higher net commissions from brokerage and asset management activities. Costs overall rose 12% due to (i) investments in the Spanish unit, which were expensed during the year, (ii) substantial amounts of "solidarity" taxes imposed on the banking sector, classified as operating expenses, and (iii) growing contributions to the Portuguese resolution and European guarantee funds. These were partially offset by a 5% decline in salary expenses. Excluding the "solidarity contributions," general administrative expenses rose 4%. Deductions related to fair value-related imparities and non-performing assets were about € 1 million, as compared to positive € 566k in 2019. Business confidence in segments most associated with BiG's business model were constrained during 2020 by the pandemic, the associated drop in economic growth and the extraordinary monetary policies and fiscal measures taken by most governments during the year,

Global equities markets rebounded after an historic drop in Q1 2020, while yields and credit spreads continued to decline, generally, across the board. The Bank does not have significant exposure to equity markets, but we do manage fixed portfolios of income securities, and in Europe and elsewhere, interest rates and credit spreads remained at historically low levels. European banks have experienced a rise in non-performing loans, leading to policies of forbearance and other measures by regulators. These specific policies have not significantly affected BiG, generally, given the non-credit-intensive nature of the business model. With market rates near zero, and with returns on debt instruments often not reflective of underlying credit risks, Management remained cautious with respect to its appetite for risk during much of 2020. As a result, we managed significant levels of liquidity, diversified risks, and maintained a neutral stance with respect to expanding the asset base, in spite of lower returns.

Year on year, *primary operating expenses* – salary, administrative and amortization costs – rose 0.4% overall. Personnel expense declined, while general administrative expenses rose on higher investments in systems and other costs to support current and future business of the Bank's branch in Spain, as well as due to the incorporation of the banking sector contribution amounts, previously recorded in the Bank's net operating revenue. Taxes declined on lower pre-tax income.

Key Balance Sheet Items

Total Assets at 31 December 2020 were € 2.2 billion, or slightly lower than at the prior year-end. The Bank's main earning assets, which are managed to maximize liquidity and control concentrations of risks, represented, for the most part, a diversified portfolio of mainly liquid, fixed income securities, and are measured under the headings "Hold to Collect and Sell" or "Hold to Collect," as from January 1, 2018, in accordance with IFRS 9.

The ratio of Loans/Client Deposits at year-end was 2.3% versus 1.7% at the prior year-end. As a percentage of Total Assets, Loans stood at 1.5%, as compared to 0.9% at year-end 2019. These levels may vary slightly year on year but tend to be deliberately low over time. They also contribute to a strategy of maintaining high levels of structural liquidity and reflect reduced emphasis on commercial and consumer-related lending in the Bank's business model. The ratio of non-performing loans/Total Loans was 0.3% at 31/12/20, in line with negligible levels recorded in prior years.

The Bank's main sources of funding are, in this order: (i) retail client deposits, (ii) shareholders' funds, (iii) sales/repurchase agreements executed with market counterparties, among which are global financial institutions, and (iv) occasional sale/repurchase transactions with the EUREX Repo platform for generally shorter tenors. The first two components are core, while the others are a function of market opportunities and pricing. The Bank does not issue long term debt and, considering the Bank's business model and structurally low leverage, has no plans to do so. Deposits taken from the European Central Bank ("ECB") were resumed for the first time in 4 years during 2020, on a limited basis and as a prudential measure under the ECB's Pandemic Emergency Longer Term Refinancing Operations ("PELTRO").

Common equity outstanding at year-end was unchanged at € 171.9 million, (171,947,388 million ordinary shares issued, with a nominal value of one euro each). During the year, the Bank issued € 12 million of redeemable preferred stock as part of a program of medium-term equity incentives for executive Management and staff. These instruments will be redeemed in 2023 at par value, plus a redemption premium calculated as the result of the change in the Bank's shareholders' equity since the issue date of the redeemable preferred stocks.

Shareholder Funds rose to € 422 million from € 399.3 million at 31/12/19, due to retained earnings and the positive evolution in revaluation reserves. The Bank suspended, temporarily, the second portion of a planned dividend on 2019 earnings to comply with Europe-wide regulatory recommendations. Consolidated Regulatory Capital ("Own Funds") at year-end 2020 was € 390.3 million, versus € 367.5 at 31/12/19.

Summary Analysis – Key Financial Metrics

For more detail in addition to the summaries provided below, please refer to RESULT OF OPERATIONS IN 2020 and the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

Capital

The level of our capital provides confidence to clients and counter-parties and reflects key aspects of how we manage our business. These include, among others, such factors as (i) closely monitoring potential risks as well as anticipated returns, (ii) applying the results of capital

T.3

(Euro 000)

Shareholders Capital	2020	2019	2018	2017
Common Stock	171,947	171,947	171,947	171,947
Share premium	1,362	1,362	1,362	1,362
Treasury Stock	-2	-2	-2	-2
Accumulated other comprehensive income	2,257	-2,296	-34,016	-63,827
Other Reserves	217,345	197,867	184,800	188,627
Profit or loss attributable to owners of the parent	25,046	42,078	23,056	52,347
Antecipated Dividends	0	-15,475	0	-10,920
Minority interests	3,950	3,774	0	0
Total Shareholders Capital	421,905	399,255	347,148	339,533
Own Funds	390,683	367,515	329,411	329,790
Book value per share	2.45	2.32	2.02	1.97
Net assets / Equity	5.22	5.68	6.56	5.45

Source: BiG

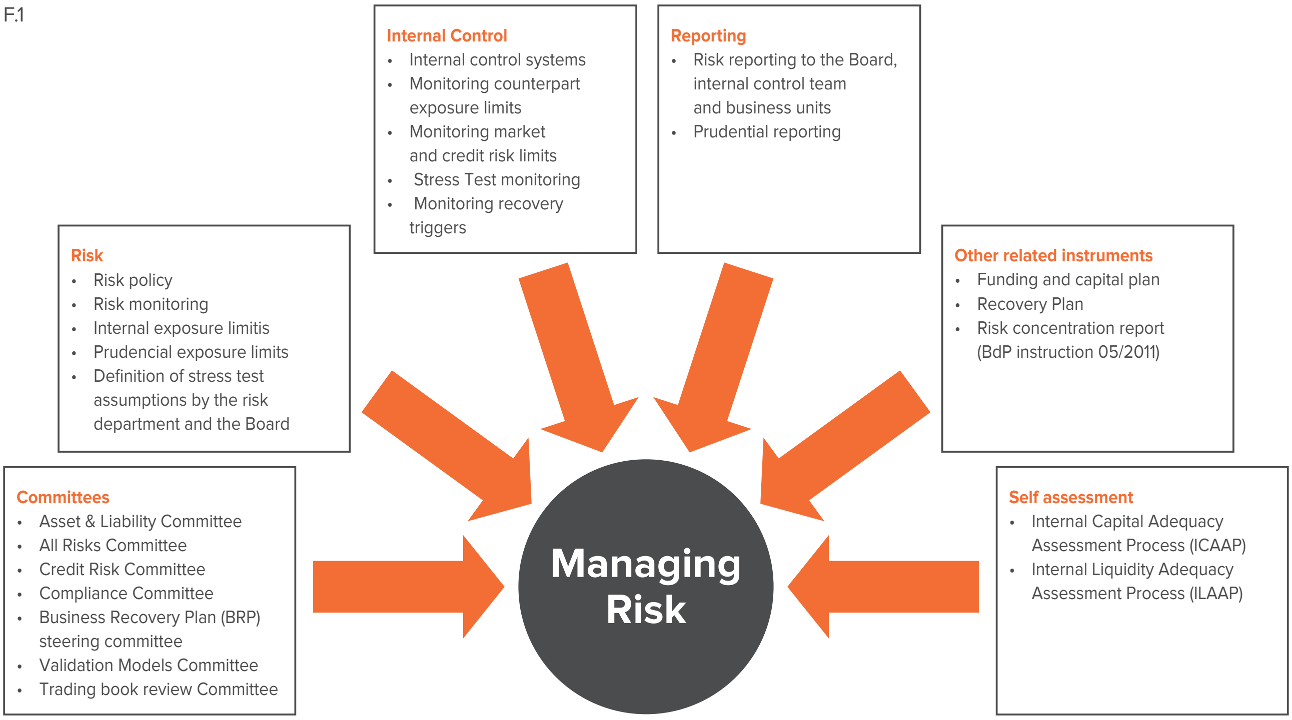
planning and stress testing processes to the daily management of our balance sheet, (iii) objectively assessing the business environment and (iv) identifying and measuring potential material risks, whether specific or strategic. As discussed above, we do projections on funding and capital on a regular basis and provide them to our regulator on an annual basis. These analyses are fundamental to our maintaining discipline in risk taking and, therefore, use of capital.

Summary of the capital management process

For 2020, the Bank's capital and solvency ratios were higher than the normally strong levels registered on average over prior years, as result, in broad terms, of a lower appetite for risk in the current risk/reward environment. On average, however, the consistency is deliberate and is a function of careful management of the business model, controlled risk-taking, attention to the quality of earnings, and a policy of largely retaining profits, through often very different economic cycles and evolving regulations.

The combination of moderate earnings, a temporary suspension of dividends because of regulatory recommendations, and improvements in the value of securities at fair value through other comprehensive income, which is reflected in the Fair Value Reserve of the capital account,

F.1



resulted in a rise in Shareholder Funds to € 422 million at 31/12/20. This compared to € 399.3 million at year end 2019. The total is composed entirely of shareholders' equity and there were no new issues of equity for the year. At 31/12/20, BiG held a negligible amount of treasury stock. The Bank's Regulatory Capital, or "Own Funds," is calculated in accordance with Central Bank regulations and amounted to € 390.7 million at 31/12/2020, compared to € 367.5 million at 31/12/2019. This figure does not include 2020 Net Income results, as these are subject to approval by shareholders at the General Shareholders' Meeting to be held in May 2021.

The Bank's consolidated Tier 1 Capital Ratio was 45.3% at the end of 2020, up from 43.2% at the end of 2019. This ratio has remained consistently above regulatory minimum levels, including under the most stressful market conditions over the past 20 years.

To ensure prudent use of capital and the maintenance of comfortable reserves, daily the Bank (i) performs several internally developed stress tests on the most important balance sheet items. These include (i) stress tests on solvency and (ii) controls prudential and internal limits established by the Bank. These tests were designed to measure the impact on solvency ratios resulting from adverse changes. The results of the stress tests, even though hypothetical, often serve as triggers for Management and business areas to act, by reducing risks or to diversifying concentrations. Examples of some extreme scenarios used by Management at 31/12/20 are shown below and are discussed in further detail in both the RISK MANAGEMENT AND INTERNAL CONTROL section of this report and in Note 42. These results arise from events involving sudden falls and marked in the price of sovereign debt securities.

The results of the impact on the Bank's solvency ratios at year-end December 2020 under each scenario would be as presented in T.4.

Through the Bank's Internal Capital Adequacy Assessment Process (ICAAP), we further analyze how we would manage the Bank's balance sheet during a severe crisis, generate liquidity and/or redeploy equity capital. This assessment incorporates market risk, credit risk and operational risk and, when combined with daily scenario analyses, as described above and in the RISK MANAGMENT AND INTERNAL CONTROL section of this report, forms the basis for Management's ongoing evaluation of the Bank's capital adequacy.

Liquidity and Funding

Liquidity is a key basis for managing the Bank, and remained strong for 2020, in line with prior years.

The ratio of Loans / Deposits in 2020 was consistent with the historical trend. Financing via sale / repurchase agreements with several international banking counterparties continued, although operations tended to be fewer with longer tenors. In 2020, the Bank used long term facilities available at the ECB for the first time since 2016, for a modest amount as a prudential measure during the correction in markets early in 2020. Overall, the Bank's potential, untapped liquidity, based on the capacity to use eligible securities as collateral for further drawdowns, continues with a substantial ratio of eligible assets / deposits. Available liquidity rises to over 100% of deposits when unencumbered, non-eligible but liquid assets available for sale, and cash are added to unused available amounts of the ECB / EUREX Pools.

On a consolidated basis, the ratio of Loans / Total Assets moved to 1.5% in 2020, compared to 0.9% in 2019. The Loans / Deposits ratio, a key measure of balance sheet liquidity, was 2.3%, versus 1.6% the year before. Traditional lending remains non-strategic, which is a key factor in our business model and fundamental to our management of liquidity, our views on asset quality and the efficient use of capital.

In 2020, as in prior years, the majority of the Bank's assets are liquid debt instruments, recorded at fair value through other comprehensive income (HTCS), at amortized cost (HTC) or, to a lesser extent, held for trading (Trading). Management believes that this strategy of maintaining liquid portfolios in a balance sheet that is substantially marked to market encourages discipline in position-taking and balance sheet growth and coincides with the culture of transparency with respect to valuations of all securities. The combination of (i) a low concentration of illiquid loans, (ii) reduced overall balance sheet

T.4

December 2020 - Stress test	Base scenario	Scenario 1	Scenario 2
T1 Capital Ratio	45.3%	41.8%	41.1%
Total Capital Ratio	45.3%	41.8%	41.1%

Scenario 1: Negative variation in fair value recognized 100% in own funds after EBA haircuts
Scenario 2: Negative variation in fair value recognized 120% in own funds after EBA haircuts.
Source: BiG

T.5

(Euro 000)

Liquidity and Funding	2020	2019	2018	2017
Loans / Client Deposits	2.3%	1.6%	3.0%	29.8%
Liquid Earning Assets / Total Net Assets	95.6%	96.3%	95.7%	97.1%
Funding from ECB	75,000	0	0	0
Other sources of Funding	213,180	491,760	554,334	410,261
Client Deposits / Total Liabilites & Capital	63.7%	56.8%	57.6%	56.0%

Source: BiG

T.6 (Euro)

	Average values 1st quarter 2020	Average values 2nd quarter 2020	Average values 3rd quarter 2020	Average values 4th quarter 2020
ECB - POOL value - Eligible assets (includes haircut)[1]	387,550,280	547,180,174	549,153,006	604,640,143
ECB - POOL value - Borrowed	83,333,333	191,666,667	75,000,000	75,000,000
ECB - POOL value - Available	**304,216,947**	**355,513,507**	**474,153,006**	**529,640,143**
EUREX Repo - POOL value[2]	544,705,777	429,526,456	374,224,687	202,109,571
EUREX Repo Borrowed Net: (Borrowed - deposits)	248,333,333	225,000,000	183,333,333	61,666,667
Eurex Repo - Available	**263,020,204**	**178,764,118**	**164,729,268**	**122,252,226**
Eligible assets available for collateral outside the POOL's	**145,394,982**	**115,941,411**	**123,239,159**	**42,669,400**
Total eligible assets available for collateral	**712,632,133**	**650,219,037**	**762,121,433**	**694,561,770**
Eligible assets not available (given as guarantee to other counterparties)	261,385,806	299,224,567	247,568,896	190,822,843
Non eligible assets available held for collateral in repos	12,786,888	0	0	0
Non eligible assets available for collateral	528,880,973	578,387,891	622,444,281	714,968,038
Non eligible assets - Total	541,667,860	578,387,891	622,444,281	714,968,038

(1) POOL assets are valued with the ECB prices, for that reason it may not be equal to market prices.
(2) POOL of assets valued with Eurex prices.
Source: BiG

gearing relative to capital and stable funding sources, and (iii) a policy of maintaining a large inventory of unencumbered assets on hand to ensure comfortable levels of liquidity, are central to Bank's business model and relative profitably during the Bank's history.

As in prior years, the main sources of funding and trends for 2020 were (i) client deposits, (ii) higher shareholder funds, (iii) financing through repurchase agreements with market counterparties, which increased year-on-year and (iv) financing through short-term repurchase agreements with entities such as Eurex Repo. The Bank does not issue debt securities because this type of funding is not strategic to our current business model and investment plans.

Earnings

Net Operating Revenues declined by 20.8% to € 71.7 million for the year, from € 90.4 million in 2019. Consolidated Net Income decreased 40.5% to € 25 million, compared to € 42.1 million in 2019. The Bank's average Return on Equity for the year was 6.2%, compared with 11.4% for 2019.

Stock markets recorded historic swings, while yields and credit spreads on debt instruments remained depressed, in general. The short term and long-term effects of the pandemic, combined with highly unusual and rapid monetary and fiscal measures to counter those negative effects, combined with the outlook for a vaccine and prospects for economic growth in 2021 led to a rebound by equity markets during 2020, while a search for yield influenced most major asset classes.

Regardless of market conditions, the long-term strategy defined by the Board of Directors is to maintain a modest risk profile, preserve capital and grow sustainably. Thus, business during 2020 included (i) a decision to maintain risk appetite at approximately the level of 2019 and limit growth in the portfolio of earning assets, while diversifying risks and managing average maturity periods, (ii) an acceptance of lower financial margin in exchange for said controls over risk appetite, (iii) expanding part of the trading platform / Wealth Management business to Spain, and (iv) a sustained investment in the Bank's core digital approach to

T.7 (Euro 000)

Earnings	2020	2019	2018	2017
Net Operating Revenues	71,664	90,443	57,265	105,457
Net Operating Expenses (net imparities)	-35,690	-33,894	-30,702	-34,545
Imparities	-1,103	954	939	266
Pre-tax Profit	34,870	57,503	27,502	71,178
Taxation	-9,222	-14,951	-4,357	-18,831
Net Profit	25,046	42,078	23,056	52,347

Source: BiG

commission-based, non-credit-intensive client business.

On the expense side, key operating expenses increased, with compensation expense and general administrative expenses and depreciation rising on plans to reinforce business generation and control areas. In 2020, the efficiency ratio, defined as Operating Costs/Operating Income, was 48.3%, versus 38.4% in the previous year.

Net provisions and imparities remained low, and expenses related to credit losses were close to zero.

The Bank's provision for taxes in 2020 dropped to € 9.2 million, from € 15 million due to lower pre-tax earnings. This translated to an effective tax rate of 26.4% for 2020, similar to the previous year.

Dividend Policy

Shareholders have approved, since the Bank's inception, a policy of building the capital base through retained earnings. Proposals to pay dividends are made generally by Management and are subject to prior approval by the Banco de Portugal, in accordance with current regulations, prior to being ratified by the shareholders in the Annual Shareholders' Meeting.

The Bank began paying annual dividends in 2004. Since that date, the Bank has retained, on average for the period, approximately 63% of Net Income and distributed approximately 37% in dividends, while maintaining high levels of solvency

In line with the recommendations of the regulatory authorities, the Bank will not present at the yearly General Assembly of 2021 a proposal for the distribution of dividends.

The Bank's recent history of payouts is described in table T. 8.

The Bank has distributed to the Shareholders approximately € 168.8 million since 2003, which exceeds the total amount of capital injections made by Shareholders in the Bank, since inception, of € 126.6 million.

Business Environment in 2020

Overview

2020 was an unusual year, due to the Covid-19 pandemic. Most economies registered a steep fall in their Gross Domestic Product ("GDP"), leading to implementation of fiscal and monetary stimulus by governments and central banks, respectively. As a result, equity markets experienced high levels of volatility and considerable declines in Q1 2020 because of restrictions on economic activity. Economic recovery began in Q2 2020, based on a more favorable outlook on pandemic's containment and on the aggressive commitments made by major governments to push for early development of vaccines against the virus.

The crisis affected Portugal's GDP, which fell 7.6% for the year. This ended a long period of recovery since 2013, driven by the service sector – namely tourism and exports – which in 2019 had represented 10.3% of GDP. The resulting increased indebtedness, as well as the relatively unproductive economic base, will translate into higher levels of Debt/GDP, which were already above the limits of the European Stability and Growth Pact. Nevertheless, ECB's expansionary stance and optimism towards the European economic agreement drove Portugal's 10y yields close to 0.03% at year end.

Market events most directly associated with the Bank's performance and prospects tend to be linked with credit trends, movements in global interest rates, prospects for growth in major economies and clients' higher demand for financial assets due to superior volatility levels. Domestic politics and risks and opportunities associated with the management of the State machinery, the intensity and volume of regulation, and the effect of legacy issues on our competition, also play a key role. The first variables are fundamental to our business model, the management of the balance sheet and our business with clients and are a key to creating value for our shareholders. The latter are critical as well, as the credibility of the sovereign and others in Southern Europe is watched closely by external creditors and international investors, while the impact on the banking sector and competitive pressures are relevant.

On a detailed level, our response to business opportunities, regulatory, tax, labor, social, and competitive issues is discussed in this section and throughout the Management Report.

Global

According to the IMF, the world's GDP declined by 3.5% in 2020. China was an exception, as it was able to contain the pandemic efficiently in its first phase. The strong stimulus provided thereafter allowed its economy to grow, while still below recent historic levels. The resilience of China and other Asian economies translated into a recovery of industrial production in Western regions of the globe in the second half of the year. Thus, Commodities' prices rose, as there was a pick-up in demand.

As for services, despite the summer's recovery, it was again negatively affected by new economic restrictions in autumn and winter. The development of vaccines and vaccination plans by various countries supported further appreciation of financial assets at year end, while some

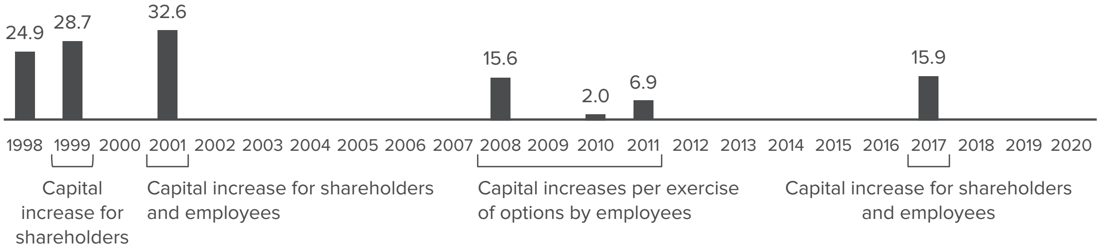
T.8 (Euro)

Dividends	2020	2019	2018	2017	2016
Dividend per share	0.000	0.090	0.075	0.150	0.100
% Individual Net Income Distributed	0%	38%	64%	49%	36%

Source: BiG

F.2

Capital Injections *(€ millions)*

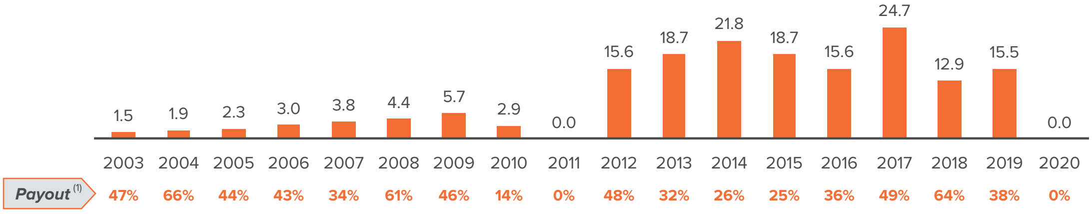


Total capital injections, including the initial capital

€ 126.6 million

F.3

Distributed Dividends *(€ million)*



(1) Based on the individual net income.

Total distributed dividends: € 168.8 million

Average payout 2003-2020: **37%**

T.9

Macroeconomic Indicators and Economic Trends - Detail	GDP Growth			Inflation		
	2019	2020	2021E	2019	2020	2021E
World	2.8%	-3.5%	5.5%	3.5%	3.2%	3.4%
Developed Economies	1.6%	-4.9%	4.3%	1.7%	1.0%	1.9%
USA	2.2%	-3.4%	5.1%	1.8%	1.2%	2.8%
Euro Area	1.3%	-6.8%	4.2%	1.2%	0.3%	0.9%
Germany	0.6%	-5.4%	3.5%	1.4%	0.4%	1.1%
Spain	2.0%	-11.1%	5.9%	0.8%	-0.3%	0.8%
Portugal	2.5%	-7.6%	6.5%	0.3%	-0.1%	1.1%
Japan	0.3%	-5.1%	3.1%	0.5%	0.0%	0.3%
United Kingdom	1.4%	-10.0%	4.5%	1.8%	0.9%	1.2%
Emerging Economies	3.6%	-2.4%	6.3%	3.9%	3.1%	3.5%
Emerging Asia	5.4%	-1.1%	8.3%	2.6%	2.6%	2.2%
China	6.0%	2.3%	8.1%	2.9%	2.5%	2.7%
India	4.2%	-8.0%	11.5%	3.7%	6.6%	6.2%
Russia	1.3%	-3.6%	3.0%	4.5%	3.4%	3.2%
Latin America	0.2%	-7.4%	4.1%	9.5%	2.9%	9.5%
Brazil	1.4%	-4.5%	3.6%	3.7%	3.2%	2.9%

Note: E = forecast data
Source: FMI and BiG Research

pressure was exerted by new contagious variants of the virus, which led to a surge in the number of cases.

Green policies were extremely relevant in 2020. The European Union prepared an investment plan focused on this topic, China made a commitment to achieve carbon neutrality by 2060, and the candidate with the most ambitious green plan, Joe Biden, was elected President of the United States.

USA

The decline in private consumption, exports, private investment and local government spending, dictated the fall of 3.4% in U.S. GDP in 2020. These were balanced by countermeasures such as extraordinary spending by federal government and by investment in housing. The significant impact of the pandemic on the workforce was fought with government's direct subsidies, which maintained purchasing power by consumers.

Several socio-economic events impacted the course of the country's economy and policies. Namely, the first impeachment process against the U.S. President, the measures implemented by the federal government to cope with the pandemic, the anti-racist movement "Black Lives Matter," the importance of environmental issues and the economic inequality in the country led to the non re-election of President Trump, contradicting the historical trend of the re-election of the President in office.

The election of a new U.S. President, paired with Democratic control of both Houses of the Congress, is expected to trigger a new dynamism in economic policies and international relations, and possibly, ambitious fiscal programs.

The Federal Reserve ("FED") acted in accordance with the gravity of the circumstances by cutting interest rates, in a first moment, by 50 bps to between 1% and 1.25%, and later by further 100 bps to 0% – 0.25%. To support the sovereign debt yields, the FED announced unlimited purchases of Treasuries, and, for the first time, included corporate debt in its purchases. The strong monetary stimulus stabilized the corporate debt market and led to a fall in yields of 10y treasuries to levels below 1% for the first time.

Europe

The Covid-19 crisis reinforced asymmetries in economic stability of European countries, which had been present since the 2008's financial crisis and Europe's Sovereign Debt crisis. Countries like Germany, despite having suffered at the beginning of the pandemic a negative impact in industrial production and a fall in exports, were able to implement several government programs to mitigate the negative impacts of the crisis and support their economies. As such, GDP in Germany fell by 5%, less than in 2009's aftermath of the Financial Crisis, which was -5.7%.

On the other hand, countries such as Italy, Portugal, Greece or Spain, which are highly dependent on services sector – such as restaurants, tourism and retail – were the most affected by social distancing measures. Adding to this fact has been a lower capacity to implement fiscal stimulus, which led to substantial drops in economic activity in these countries.

This divergence in public finances of EU member states threatened the region's economic balance, leading to the implementation of strong European recovery plans, namely Next Generation EU and the multi-year budget. These are expected to limit the distance between European core and periphery countries.

It should be also highlighted the finalization of Brexit, which led to a soft exit by the UK from the EU. The commercial agreement is expected to form a stable commercial relationship and ensure cooperation between the 2 regions.

Regarding the monetary policy during 2020, the ECB played a crucial role in preserving liquidity and in maintaining stable levels of debt spreads between the different member states. In the first year of the newly-elected President of ECB, the Asset Purchase Program ("APP") was expanded by EUR 120 billion for 2020, and the Emergency Asset Purchases ("PEPP") was introduced, which was later increased to EUR 1.85 trillion. Moreover, the central bank offered enhanced liquidity conditions to banks through the TLTRO III, and introduced an emergency liquidity program, PELTRO.

Portugal

2020 brought opportunities and threats to the Portuguese economy. On the one hand, there was an economic impact due to pressure on internal demand, as private consumption declined by 6.8% in 2020, while the savings rate reached to 22.2%, the highest level recorded in the last 20 years. On the other hand, the help from European funds should support the expected economic recovery. The E uropean Recovery Plan is designed to enable the country to develop sectors with greater productivity and competitive capacity.

Despite the negative effects of Covid-19, the real estate market maintained the upward trend seen in recent years. The high demand and limited supply of real estate properties in city centres led to an increase of 9.3% in the median value of houses in the first 6 months of 2020.

The Portuguese banking sector, which still presented some fragilities inherited from the financial crisis and resulting European sovereign debt crisis, played a critical role as a vehicle of monetary policy towards the real economy, while remaining prudent in order to be able to cope with a potential rise in non-performing loans.

Business Outlook for 2021

As we begin 2021, key themes globally are:

- Covid-19 control: effectiveness of vaccination programs and the spread of potential new variants.

- Implementation of fiscal stimulus by governments.

- Support towards plans for clean energy transition and consequent infrastructure investments.

- Impact of higher non-performing loans in the banking sector.

Critical Accounting Policies

The Bank's financial statements are prepared in accordance with International Financial Reporting Standards ("IAS/IFRS") as issued by the International Accounting Standards Board (IASB). The application of these accounting standards requires the use of judgment, based on estimates and assumptions that may involve significant uncertainty at the time they are made. Such judgments, which combine historical experience, expectations on the future and other factors, are evaluated regularly to determine their relevance based on current conditions. Changes in assumptions may have a significant impact on the financial statements in the periods when they occur. Management believes the assumptions made are reasonable under the circumstances, and that the financial statements fairly present the financial position of BiG as of 31 December 2020 and the results of operations and cash flows for the year 2020 in accordance with IFRS.

The Bank's critical accounting policies are discussed in detail in the Notes to the Consolidated Financial Statements. Of the policies described, one of the most important for the Bank is the use of fair value to measure financial instruments. This is because most of the Bank's earning assets are mainly liquid, fixed and variable income securities, as opposed to less-liquid loans. As a result, substantially all the balance sheet is "marked to market," which results in improved accounting transparency. However, this model also increases the need for financial discipline, because of the effects that volatile markets can have on key balance sheet categories. Such discipline is reflected, in part, via the Bank's low leverage, focus on solid asset quality, and high levels of solvency. When events which might reduce transparency and/or liquidity in markets occur, as has been the case on occasion over the past several years, this can generate market volatility and a potential impact on how financial securities are valued by the markets and, consequently, on the Bank's financial statements.

Under the accounting principles applied, specifically IFRS 13, the relative degree of uncertainty associated with the measurement of fair value is reflected on the use of a three-level valuation hierarchy. The best evidence of fair value is a quoted price in an actively traded market (Level 1). When the market for a financial instrument is not reliable, or when quoted prices are not otherwise available, the fair value estimate may be assessed based principally on observable market data in respect of equivalent financial instruments (Level 2). Level 3 applies to instruments that are measured by a valuation technique which incorporates in the valuation model one or more significant variables unobservable in market data.

Valuation techniques that rely on unobservable inputs require a higher level of judgment to calculate a fair value than those based entirely on observable inputs. Substantially all the Bank's financial assets are based on observable prices and inputs and hence are classified in Levels 1 and 2 of the hierarchy. Where valuation techniques, including models, are used to determine fair values, they are periodically reviewed and validated. Models are calibrated to ensure that outputs reflect actual data and comparable market prices. Also, models prioritize the use of observable inputs, when available, over unobservable inputs. Judgment is required in selecting appropriate models as well as inputs for which observable data is less readily or not available.

In accordance with the accounting standard IFRS 9 – Financial Instruments ("IFRS 9"), the Bank classifies its financial assets into the following categories: (i) Financial assets held for trading, (ii) Financial assets measured at fair value through other comprehensive income (Held to Collect and Sell or HTCS) and (iii) Financial assets measured at amortized cost (Held to Collet or HTC).

Financial assets held for trading correspond to assets acquired with the purpose of realizing capital gains through their disposal before maturity. In this category, changes in the fair value of assets are recognized in the income statement.

Financial assets accounted for at fair value through other comprehensive income correspond to financial instruments acquired with the purpose of receiving contractual cash flows. Depending on market conditions, they may be used to realize gains or limit losses with their disposal before the respective maturity. In this category, changes in the fair value of assets are recognized in revaluation reserves (i.e. in equity).

Financial assets measured at amortized cost are long-term financial instruments acquired with the purpose of receiving all contractual cash flows.

To be able to measure financial instruments at fair value through other comprehensive income or at amortized cost, the payoff of these financial instruments must be composed solely by principal and interest. To comply with this requirement, the bank analyzes the characteristics of the financial instruments to ensure that it complies with the definition of SPPI (Solely Payment of Principal and Interests) as defined in IFRS 9.

For any of these three asset categories, financial instruments are recognized or derecognized on trade date, which is the date on which the Bank commits to purchase or sell the asset.

Financial assets carried at fair value through other comprehensive income and financial assets carried at amortized cost are subject to impairment losses, with their recognition and measurement being assessed in an "expected loss perspective." Notwithstanding the irrefutable relevance of the number of days overdue, the Bank's model takes into consideration the concept of a significant increase in credit risk, the determination of which is based on the evolution of market factors such as ratings and prices, for instruments held in the Bank's securities portfolio, and on evidence of risks, for the Retail Credit portfolio.

The increase of credit risk is then classified in three different stages:

Stage 1 – Financial assets are classified in stage 1 whenever there is no significant increase in credit risk as of the date of their initial recognition. For these assets, the expected loss of credit impairment ("ECL") resulting from non-performing events occurring during the 12 months after the reporting date must be recognized in results for the year;

Stage 2 – Incorporates financial assets in which there has been a significant increase in credit risk since the date of its initial recognition, although this situation has not materialized in concrete losses and are only indications. For these financial assets, expected impairment losses are recognized over the life of the assets ("lifetime");

Stage 3 – Financial assets classified in this stage show objective evidence of impairment at the reporting date, as a result of one or more events that have already occurred, and which result in a loss. In this case, the expected loss of credit impairment will be also recognized in profit or loss during the residual life of the financial assets ("lifetime").

To calculate the expected credit loss, the Bank implemented models, the parameters of which incorporate the requirements of point in time, through the cycle and forward looking, as demanded by the accounting standard IFRS9. In the case of the securities portfolio, which has the biggest weight in the balance sheet, the probability of default (PD) is estimated based on the credit spreads that are obtained from the market interest rate curves (issuer's interest rate curve vs. risk-free interest rate curve), with the losses given default (LGD) estimated through external studies by international rating agencies.

Financial liabilities, including deposits and financing through sale/repurchase agreements, are measured at amortized cost.

Results of Modeling for Expected Credit Losses (ECL)

Following the declining trend observed until the end of 2019 in the trend in Expected Credit Losses, according to the the Bank's internal model developed in accordance with IFRS9, in 2020 volatility in the markets returned to 2018 levels as result of the impact of Covid-19.

Note that the values for Dec-2017 refer to the opening position at 01-01-2018, after application of the relevant accounting norm.

Main factors explaining the growth in ECL in 2020, include: (i) the larger investment in the corporates and RMBS segments; and (ii) the widening of the curves, especially at the level of emerging sovereign and corporate debts.

Other significant accounting issues for 2020 include:

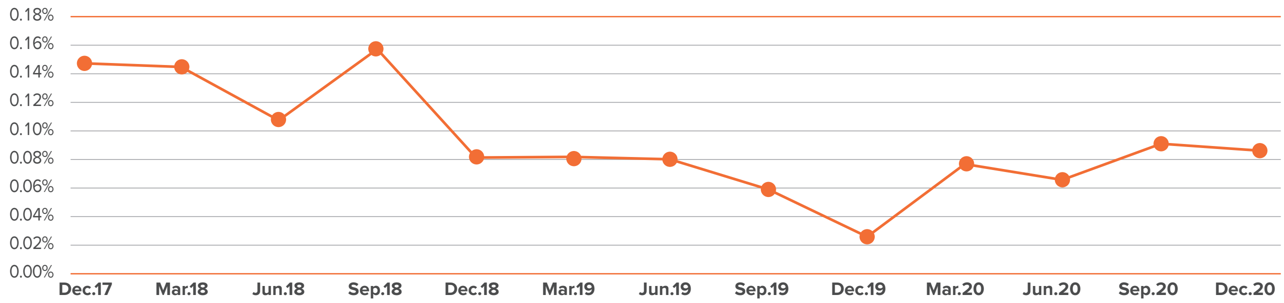
Deferred taxes: Deferred tax assets may arise from a variety of sources, with the most significant being: (i) future tax savings associated with mark to market losses on financial assets measured at fair value through other comprehensive income (ii) expenses recognized in the income statement that are not deductible until the associated service occur, and

T.10

		Expected Credit Loss in euros			
Country / Geography	Type of exposure	dec/17	dec/18	dec/19	dec/20
Spain	Sovereign	1,661,770	68,256	-	-
	Corporates	-	-	7,073	38,116
	Financials	-	-	8,724	-
Italy	Sovereign	-	745,722	86,447	-
	Corporates	-	3,617	2,200	31,457
	Financials	-	670	13,011	68,125
Portugal	Sovereign	-	-	-	-
	Corporates	290,975	212,336	141,186	443,533
	Financials	-	1,777	28,397	40,987
Emergent Markets	Sovereign	109,303	277,209	80,643	203,850
	Corporates	57,813	151,677	28,765	325,372
	Financials	-	-	-	-
Europe & USA	Sovereign	-	-	-	-
	Corporates	-	646	12,923	130,651
	Financials	-	2,673	18,293	76,676
Mozambique	Sovereign	43,757	53,707	88,575	20,050
	Corporates	36,518	-	11,452	-
	Financials	3,022	5,658	66	2
ABS	Sovereign	11,982	-	2,623	15,935
	Corporates	122,464	-	35,103	135,486
		2,337,605	**1,523,948**	**565,482**	**1,530,240**

F.4

% ECL of amount portfolio



(iii) tax losses that can be carried forward and utilized against profits in future years. Deferred taxes are calculated in accordance with current or substantially approved tax rules and using the tax rates at the balance sheet date and are expected to be applied when the temporary differences reverse. Deferred tax assets are recognized only when it is expected that there will be taxable income in the future.

Controls over valuation of financial instruments: The control infrastructure is independent of the revenue generating areas. These processes, along with the methodologies above, are defined by the Board and supervised or reviewed by internal and external audit functions of the Bank.

Review of net revenues and expenses: The accounting for revenues and expenses is the responsibility of independent and control functions and is validated daily by the Executive Committee. The aim is to identify and resolve potential issues associated with fair value or booking of revenues on an objective and timely basis. More information may be found in Notes 42 and 43.

Regulatory Developments Affecting our Business in 2020

2020 was marked by the pandemic and the consequent extension of the legislative deadlines in response to the social and economic impacts of Covid-19. Both Banco de Portugal and CMVM, taking into consideration the decisions announced by European Central Bank (ECB), European Banking Authority (EBA) and ESMA on the consequences to the financial system of the current context of the Covid-19 pandemic, presented a set of exceptional legislative measures, as well as a set of recommendations and additional easing measures in areas related to their supervisory responsibilities.

Nevertheless, in 2020, the financial sector, and particularly the European banking sector, continued to be subjected to a very demanding legislative environment. While policy makers assess the impact and efficiency of current regulation on the activity of institutions, a trend continues towards strengthening the existing regulatory framework and not reducing it.

For the year 2020, we highlight the following legislative or regulatory changes:

Banco de Portugal Notice 3/2020 – Internal Control

More than ten years after the Banco de Portugal Notice no. 5/2008, the regulator issued Notice 3/2020 and other diplomas in the light of developments in terms of European and Portuguese legislation on these matters, from guidelines of the European Banking Authority and based on best international practices.

This Notice centralizes a set of relevant issues in terms of organizational culture, namely (i) organizational structure and strategic planning, (ii) internal control and risk management system, (iii) related parties and conflicts of interest, (iv) participation irregularities, (v) subcontracting the operational tasks of the internal control functions and the technological systema to support the participation of irregularities (whistleblowing), (vi) policies for the selection and appointment of external auditors, (vii) remuneration policies and practices of the financial groups, (viii) the self-assessment by the regulated entities of the matters provided for therein, and (ix) the documentation, systematization of information and disclosure of information to the public.

The afore-mentioned Notice is based on three control milestones with different responsibilities in terms of risk management and control: (i) the business generating units and related areas, (ii) the support and control functions that include the Risk Management and Compliance functions, (iii) and the Internal Audit function.

This Notice reinforces the role of the management and inspection bodies, namely through a set of duties of more active and regular supervision over the institution with a more active inspection, with the aim of promoting a transparent organizational culture that conveys confidence to employees and all stakeholders.

CMVM Regulation 9/2020 – Internal Control

Following the Notice 3/2020 of Banco de Portugal, and the transition from the current model of assessment report, provided for CMVM Regulation No. 2/2007 and then the CMVM Regulation No. 2/2007, CMVM intends to promote, strengthen, and simplify the reporting requirements in this area.

In this context, entities subject to joint supervision will only have to make the internal control report provided for Banco de Portugal Notice 3/2020 to the CMVM.

Directive on Administrative Cooperation 6 (DAC-6)

The Council Directive 2018/822 / EU, of May 25th, known as DAC-6, introduced the obligation of administrative cooperation in the field of taxation between the Member States of the European Union, establishing a mechanism for the automatic exchange of information regarding cross-border transactions that have certain key characteristics and, for that reason, indicate a potential risk of tax vasion.

Portugal, as a member state of the European Union, transposed DAC-6 into the domestic legal order, namely through the publication of Law No. 26/2020, of July 20th, and Decree-Law No. 29 / 2008, of February 25th. It integrates the guidelines imposed by the European Union and identifies the mechanisms to report to the Tax Authority, those responsible for their compliance, and sets out the sanctioning regime associated with the violation of such obligations.

This Law came into force on the date of its publication, but the deadlines for submitting information related to cross-border mechanisms were postponed under Decree-Law no. 53/2020, of August 11th.

CMVM Regulation 2/2020 – Report on the Prevention of Money Laundering/*Relatório de Prevenção do Branqueamento* (RPB)

For the purposes of regulating the Law 83/2017, of August 18th, as amended by the Law 58/2020, of August 31st, the CMVM published the Regulation 2/2020 applicable to financial institutions with exclusive or shared supervision of CMVM and Banco de Portugal and the auditors, constituted in partnership or in individual practice.

This Regulation, similar to the Notice 2/2018, issued by Banco de Portugal, defines, among other topics, the obligation for entities to submit, annually, the report on Money Laundering Prevention or *Relatório de Prevenção do Branqueamento* (RPB) with qualitative and quantitative information about the system and within the scope of the prevention of money laundering and terrorist financing.

SFTR – Securities Financing Transactions Regulation

The Regulation (EU) 2015/2365 of the European Parliament and of the Council, of November 25th, requires transparency of financing operations through securities and reuse – Securities Financing Transactions Regulation (SFTR). The SFTR regime establishes the reporting and transparency duties related to “margin lending operations”, defined as “an operation in which a counterparty grants credit related to the purchase, sale, transfer or trading of securities”.

Also in this context, the Commission Delegated Regulation (EU) 2019/356 of 13 December 2018 was published, the entry into force for which was extended from 13 April 2020 to 13 July 2020, due to the pandemic situation COVID-19.

Regulatory Norm no. 13/2020-R, of 30 December – Regulation of the legal regime for the distribution of insurance and reinsurance

On December 30th, 2020, the Insurance and Pension Funds Supervisory Authority or *Autoridade de Supervisão de Seguros e Fundos de Pensões* (ASF) approved the Regulatory Norm No. 13/2020-R that fulfills a set of duties from the Legal Regime for the Distribution of Insurance and Reinsurance, approved as an annex to the Law No. 7/2019, of January 16th.

This Standard also establishes the requirements applicable to the new category of insurance intermediaries, the review of the procedures applicable to the assessment of suitability and control of qualified holdings and the fulfillment of the applicable obligations regarding the policy of treatment of policyholders. insurance, beneficiaries and third parties and claims management.

Decree-Law 10-J / 2020, of March 26th, Decree-Law 26/2020, of June 26th and Decree-Law 78-A / 2020, of September 29th – Credit (public) moratoriums

Due to Covid-19 pandemic and its constraints, particularly for private bank customers, the Decree-Law 10-J / 2020 of March 26th, was approved for the purposes of applying a moratorium on the payment of credits contracted, effective until September 30th, 2020.

This (public) moratorium was initially extended to March 31st, 2021, with the publication of Decree-Law 26/2020, of June 26th, and later to September 30th, 2021, with the publication of Decree-Law 78-A / 2020, of September 29th.

Still in this context, the regulation approved the provision of (private) moratoria by credit institutions at their discretion, with the application of this type of moratoria not having a mandatory nature to the aforementioned institutions.

Shareholders’ Directive II

During the year 2020, financial institutions that provide securities custody services, were required to reinforce the duties of transparency in terms of information disclosure through a set of developments with regard to the identification of shareholders, information on the transmission of stock information and facilitating the exercise of shareholders’ rights, following the entry into force of Directive (EU) No. 2017/828, of the European Parliament and of the Council, of May 17th, amending Directive No. 2007 / 36 / EC, with regard to incentives for long-term shareholder involvement, referred to as the “Shareholder Directive II”. This was transposed to the national regime through Law no. 50/2020, of August 25th, and the Commission Implementing Regulation (EU) 2018/1212, of September 3rd, which establishes the minimum requirements for the application of the provisions of Directive 2007/36 / EC.

Periodic Regulatory Processes

Internal Capital Adequacy Assessment Process (ICAAP)

In the context of the annual Internal Capital Adequacy Assessment Process ("ICAAP"), the Bank performs an internal analysis of the techniques and models it employs in the qualitative and quantitative valuation of its internal capital and of the risks to which it may be exposed. The Bank also performs a critical analysis of: (i) the adequacy of the process it employs to manage and monitor capital and risks, (ii) the evolution of estimates of internal capital and of the most relevant risks, (iii) its risk profile and (iv) internal capital adequacy and capital requirements.

From a qualitative perspective, this report encompasses a descriptive analysis of: (i) the Bank's capital and risk management and monitoring processes, and (ii) the adequacy of the organization, structure and processes given the internal capital needs and incurred risks.

The report's quantitative valuation includes: (i) identifying and quantifying the most material risks, (ii) a description of the process for aggregating risk assessments, and (iii) a global valuation of capital needs, which also reflects the uncertainty of the models employed, the shortcomings of the procedures, systems and risk controls, as well as the differences between own funds and internal capital.

The ICAAP process also includes: (i) a description of the Bank's contingency plan to ensure the ongoing management of the operation and internal capital adequacy in a recession or crisis scenario, (ii) an indication of the most relevant macroeconomic factors in the recession or crisis scenario, and (iii) the indication of the main shortcoming identified by the ICAAP and the measures envisaged to overcome such shortcomings, including a calendar for their execution.

The legal framework of the ICAAP report is the Banco de Portugal Instruction nº03/2019, with an annual reporting frequency, which can be more detailed or simplified at the discretion of the regulator.

In its annual ICAAP report (detailed version), the Bank presents a self-assessment analysis regarding market, credit, operational, interest rate, concentration, information systems, compliance and reputation risks. Among the risks the Bank is subject to, BiG considers the most relevant to be Pillar I risks (market, credit, operational and Credit Valuation Adjustment), as well as interest rate risk on the Bank's portfolio, concentration risk, sovereign risk and credit spread risk. Own funds requirements are calculated for each of these risks. For assessing each of these types of risk, the Bank adopts methodologies based on regulatory models. Concerning Pillar II risks (interest rate risk of the Bank's portfolio, concentration, sovereign and credit spread risks), BiG employs either internal models or models based on methods developed by central banks.

Following the latest yearly exercise carried out by BiG, the Board considered the current capital and liquidity levels to be adequate attending to: (i) the Bank's risk profile, (ii) the current context, (iii) perspectives regarding the near future and (iv) the size and complexity of the Bank.

Self-Assessment Process for the Adequacy of Internal Liquidity (ILAAP)

Banco de Portugal's Instruction No. 02/2019 is intended to comply with the guidelines of EBA/GL/2016/10 – Guidance in relation to information concerning ICAAP and ILAAP collected for the purpose of the broader Supervisory Review and Evaluation Process (SREP). This instruction aims to define the procedures related to the ILAAP process and to establish the respective reporting models to the Banco de Portugal in order to ensure that the liquidity risk to which the institutions are exposed is adequately evaluated and that they maintain adequate levels of liquidity. Institutions are required to: (i) ensure that the liquidity and financing risks to which they are exposed are adequately identified, measured, managed and monitored and that their liquidity is adequate in view of their risk profile, and (ii) have an internally developed process to identify, measure, manage and monitor liquidity that meets the minimum requirements and guidelines defined in Instruction No. 02/2019.

ILAAP is a process which: (i) integrates the management process and culture of the institution, is reviewed regularly, and considers the regulatory context and the economic environment in which the institution operates; (ii) takes into account the type, size, complexity and business model of the institution, as well as the operational environment and the nature and risks of the activities carried out; and (iii) implies a forward-looking stance with respect to institutions having an internal strategy to maintain adequate levels of liquidity.

Supervisory Review and Evaluation Process (SREP)

The Supervisory Review and Evaluation Process (SREP) is an analysis and assessment process carried out by the supervisory authorities, which aims to ensure that each financial institution is employing adequate strategies, processes, capital and liquidity for the risks to which it is, or may be, exposed. This process falls under Pillar 2 of the Basel Accords.

The goal of the supervisor is to determine the capital and liquidity requirements, as well as any additional supervisory measures, necessary to tackle the specific shortcomings of each financial institution, in the light of the individual profile and risk for the financial system.

Both significant and non-significant financial institutions are subject to the SREP process, in accordance with the principle of proportionality. The frequency and depth of the assessment carried out by the supervisory under SREP may vary according to: (i) the potential impact of the financial institution in the financial system and (ii) the individual risk profile.

The analysis performed by the supervisor under SREP determines that all the risks to which financial institutions are exposed must be assessed. This analysis must include: (i) business model, (ii) internal governance and risk management, (iii) capital risks and (iv) liquidity and financial risks.

Following this analysis, the supervisor performs a global, holistic assessment, deciding on the quantitative capital and liquidity measures that must be implemented, as well as on any other supervisory measures.

The following exercises are included in the SREP process:

Risk assessment

Risk assessment allows for a continuous evaluation of the risk levels to which the financial institution is exposed, and of its internal controls. This assessment is based on a quantitative and qualitative analysis with recourse to backward-looking and forward-looking indicators.

Risks that may have an impact on the capital and liquidity are assessed by risk level and by the associated risk control and mitigation procedures which have been implemented. Banco de Portugal assesses the risk and profitability of the financial institution's business, as well as its internal governance and risk management. Each analysis performed by the supervisor is subsequently integrated into a global assessment.

Capital and Liquidity Adequacy Assessments

The SREP process encompasses a broad analysis of the internal procedures for the assessment of capital (ICAAP) and liquidity (ILAAP) adequacy. These are key risk management processes, which contribute to determining capital and liquidity requirements.

The supervisor assesses compliance of minimum requirements for own funds defined under Pillar I of the Basel Accords. Also, financial institutions must ensure additional specific own funds and liquidity levels to cover risks which do not fall under Pillar I. To determine these additional requirements, financial institutions employ their own internal assessment methods, which are reflected in the ICAPP and ILAAP.

Quantifying adequate Capital and Liquidity, and assessing other qualitative requirements

In the SREP process, Banco de Portugal examines a wide range of information about each financial institution, including: (i) periodic reports, (ii) ICAAP and ILAAP, (iii) risk appetite, (iv) benchmarks or proxies used to assess estimates, (v) risk assessment results, (vi) stress test results, and (vii) the supervisor's general priorities regarding risk.

Based on the information analyzed and assessed during the SREP process, Banco de Portugal performs a global assessment of a financial institution's own funds and liquidity adequacy and prepares its SREP decision. In the SREP decision, key objectives are set to address the capital and liquidity issues identified.

The supervisor may also ask the bank to set qualitative requirements, which could refer to the bank's governance structure or its management. The SREP decision is sent to the financial institution, which is given the opportunity to present any written remarks concerning the facts and any legal arguments that may be relevant for the supervisor's decision.

Recovery Plan

The Recovery Plan is an instrument designed to help financial institutions prepare to manage a financial crisis. It details the measures and procedures the bank will take to restore its financial position and normal business operations, should a crisis occur.

The main objective of a Recovery Plan is to establish a preventive, organized process of the measures that should be employed if an idiosyncratic or systemic crisis erupts, thus ensuring that the bank is able to react in an adequate and timely manner.

This instrument falls under the legal framework of Notice 03/2015 of the Banco de Portugal (BdP), Article 116-D of the RGICSF and of Delegated Regulation (EU) 2016/1075 of the Commission. BiG has been preparing and reporting yearly Recovery Plans since 2013.

The Recovery Plan outlines a set of recovery measures aimed at enhancing a bank's liquidity, capital or own funds, describing the mechanisms and the assumptions that underlie its hypothetical execution in a serious macroeconomic and financial stress scenario. These mechanisms may include the potential disposal of the bank's assets, access to funding necessary to maintain the bank's normal ongoing operation, and any capital increases that may be necessary to enhance the sustainability and financial soundness of the bank.

As an integral part of the Bank's management, and to prepare its Recovery Plan, BiG has identified relevant recovery indicators, which include: (i) capital, (ii) liquidity, (iii) asset quality and (iv) asset profitability. These indicators act as preventive alerts for the need to execute recovery measures. The levels of these recovery indicators are monitored daily taking into consideration relevant events that take place, but also stress tests and scenario analyses performed in the context of the Bank's risk management and control functions. This control mechanism allows for prompt action to be taken in order to ensure the sustainability and financial soundness of the Bank.

Current regulation establishes that for each recovery indicator, an alert level and a trigger level must be defined in the Recovery Plan. If any of these levels is breached, the financial institution must notify Banco de Portugal and must assess the need to execute recovery measures. The goal of the indicator levels is to anticipate, mitigate and avoid potential situations of financial distress for the financial institution. BiG employs not only alert and trigger levels, but also pre-alert levels for each recovery indicator. These pre-alert levels are used only for internal purposes with the objective of ensuring that appropriate measures are pro-actively executed to avoid reaching any alert or trigger level.

Funding and Capital Plan

The Funding and Capital Plan (the "Plan") is a medium to long term forward-looking plan, prepared by the Bank on an annual basis, which focuses on the expected future evolution of the Bank's main profit & loss, asset, liability and capital items. This plan is submitted periodically by national financial institutions to Banco de Portugal, under the latter's prudential supervision competences, and according to Instruction No. 18/2015.

Since 2011, when these reports were made mandatory for financial institutions in the context of Portugal's economic and financial assistance program, the Funding and Capital Plan has undergone various changes, namely related to its reporting frequency, template, contents and detail level. Currently, the Plan is prepared and reported by the Bank on an annual basis and presents detailed projections of profit & loss, balance sheet and capital items, for a 3-year horizon, including quarterly projections for the economic exercise ongoing at the time the report is prepared.

The Bank's planning process

The Plan is largely based on an internal medium to long term financial planning process, which is coordinated by the Board. This planning process incorporates expectations about the management of the Bank's assets and funding sources. Given the forward-looking nature of the exercise, the Bank generally assumes normalized market conditions. Nevertheless, some risk factors which may have an impact in the Bank's business and in the projections are identified.

Normally, the Bank does not estimate a specific growth rate for its assets. Balance sheet growth estimates result from the availability of funds, market conditions and the availability of capital levels that ensure resiliency in the most extreme stress scenarios.

Also, depending on market conditions, the Bank may adjust specific business areas, products or distribution channels, with the goal of ensuring funding stability, capital preservation and growth in revenues. It should be emphasized that this planning exercise occurs during the first quarter of a business year and therefore the projections may not coincide with the effective results for that same period.

Bank planning: Summary of guidance and forward-looking evolution of selected indicators

The main assumptions considered by the Bank include sustainable organic growth and continuous focus on a business model based on low leverage, strong capital levels and comfortable liquidity. BiG's asset portfolio is composed mainly of high-quality liquid financial assets, cash and short-term investments.

BiG's earning asset base has been largely focused on investment grade corporate and sovereign debt issued by Eurozone member states and by the United States. It is likely that this profile will be maintained, given the overall risk profile when compared to alternatives, and based on Management's understanding of those specific markets.

BiG's limited focus on traditional lending has been based on the perception of inadequate risk/reward levels over the past two decades. Management expects that the Bank's loans/deposits ratio will remain well below market averages in the foreseeable future. Given the general credit weakness in the Portuguese corporate sector, and the growing pressure on the financial sector to generate results, Management believes that it continues to be unattractive to alter the current mix of earning assets in favor of traditional lending.

It should be noted additionally that the funding and capital plan was elaborated in the context of high uncertainty associated to the impacts on the global economy and on the financial markets caused by the Covid-19 pandemic. Therefore, BiG prepared the funding and capital plan based on two scenarios, each with different assumptions for the evolution of the macroeconomic and financial environments, in line with the guidelines defined by Banco de Portugal. These include a central scenario – which assumes the impact of a single wave of the Covid-19 pandemic – and a severe scenario – which assumes the additional impact of a second wave.

BiG's funding structure consists mainly of retail deposits, funding from other credit institutions and the Bank's own funds.

When prepared in 2020, the Funding and Capital Plan projected an unchanged profile and a prudent strategy regarding the Bank's funding, mostly based on stable resources and with reduced dependence from money markets.

For strategic reasons, the Bank has used its capital conservatively over the years and Management expects this to continue. Over the years, while paying dividends since 2004, the Bank's capital funds have risen to the current € 422.0 million, mainly from retained earnings.

T.11

(Euro)

				Funding and Capital Plan Aug 2020			
				Central scenario		Severe scenario	
	2018	2019	2020	2021E	2022E	2021E	2022E
Financial Assets Portfolio	1,979,944	1,977,172	1,861,823	2,287,550	2,401,928	2,271,361	2,384,929
% growth	48.8%	-0.1%	-5.8%	22.9%	5.0%	22.0%	5.0%
Net Credit	38,827	21,117	32,429	24,684	25,765	24,361	25,418
% growth	-87.4%	-45.6%	53.6%	-23.9%	4.4%	-24.9%	4.3%

Source: BiG

T.12

(Euro)

	2018	2019	2020	Funding and Capital Plan Aug 2020 Central scenario 2021E	Central scenario 2022E	Severe scenario 2021E	Severe scenario 2022E
Demand Deposits	626,909	803,363	921,023	907,992	915,625	867,341	853,509
Time Deposits	661,938	460,186	447,641	515,474	579,617	492,396	540,296
Other	23,364	26,027	34,276	29,321	30,799	28,008	28,710
Total Deposits from Clients	**1,312,211**	**1,289,576**	**1,402,940**	**1,452,787**	**1,526,042**	**1,387,745**	**1,422,515**
% growth	26.7%	-1.7%	8.8%	3.6%	5.0%	-1.1%	2.5%

Source: BiG

T.13

	2018	2019	2020	Funding and Capital Plan Aug 2020 Central scenario 2021E	Central scenario 2022E	Severe scenario 2021E	Severe scenario 2022E
Common Equity Tier 1	31.5%	43.2%	45.3%	35.3%	34.1%	35.7%	35.0%

Source: BiG

Legal Structure and Corporate Bodies

Overview

The organizational structure reflects key aspects of the business culture, which focuses on our goal to ensure the resilience and integrity of the Bank's business model and our ability to withstand any type of crisis, financial or otherwise. To this end, we seek to be transparent, flexible, focused on market risks and managed to be able to react quickly to perceived increases in business opportunities. The business model is based on the following pillars: comfortable liquidity levels, solid asset quality and a robust capital profile. The Bank's strategy has sought to adapt to the volatile political-economic context and the challenges it poses to the financial sector, notably through ongoing investment in information systems and often daily adjustments to managing of each of our lines of business.

BiG's corporate structure is headed by the Bank. At year-end, the Bank held interests in three subsidiaries: (i) ONETIER PARTNERS, Sociedade de Capital de Risco, S.A., which manages investments in FinTech companies, (ii) BiG Serviços Financeiros, S.A., responsible for providing auxiliary and financial advisory services and (iii) Banco BiG Moçambique, S.A., a wholesale bank based in Maputo, majority-owned by BiG and launched in 2016.

The entity ONETIER PARTNERS, Sociedade de Capital de Risco, S.A. was until the 31st of December of 2020 indirectly owned by Banco de Investimento Global, S.A. via its 100% equity stake in ONETIER PARTNERS, SGPS, S.A.. Nevertheless, and at the end of 2020, ONETIER PARTNERS, SGPS, S.A. entity was dissolved. At the time, this entity only owned a 100% equity stake in ONETIER PARTNERS, Sociedade de Capital de Risco, S.A., which is now directly owned by the Bank.

The Bank also operates a branch in Madrid, Spain, which focuses on digital investment platforms, Wealth Management and Corporate Advisory.

The Bank's retail business combines two internet-based platforms, *www.big.pt and www.bancobig.es*, and integrated sales teams located in 16 offices across Portugal and Spain, with concentrations in the Lisbon, Oporto and Madrid areas. Institutional Clients are covered by teams located in Lisbon, Oporto, Madrid and Maputo.

In its business model, the Bank does not operate any offshore entity or any special purpose vehicles ("SPV").

Properties occupied by the Bank are either leased or directly owned by the Bank. The Bank's head office building at Av. 24 de Julho in Lisbon is owned directly by the Bank. In its approach to the market, the Bank uses the following

F.5

brands: *BiG – Banco de Investimento Global*, *Banco BiG* and *bigonline*.

Internal Oversight

The system of internal control is defined by a set of strategies, systems, processes, policies and procedures established by the Board and implemented by the Executive Committee. Functional management responsibilities lie with the members of the Bank's Executive Committee, to whom the general Board of Directors has delegated day to day management. During 2020, of the 8 members of the Board, 3 have supervisory functions and head key committees, while 5 were members of the Executive Committee. As such, these members supervise the various heads of trading, front office, back office, and control functions. Under its internal control system, the Bank also has a set of Bank-wide committees which provide management and oversight functions, described in detail in the RISK MANAGEMENT AND INTERNAL CONTROL section of this report. Together, they ensure informed and independent management of key areas of the Bank and assess the risks and effectiveness of Bank controls by ensuring oversight functions by area.

F.6

BiG's Corporate Governance

General Assembly	General Assembly meets at least once a year and is presided over by a President and Secretary, elected by the shareholders for four year terms. Responsibilities include electing the governing bodies, evaluating annual management reports and accounts and approving the application of results.
Advisory Board	Composed typically of fifteen individuals, it includes the main shareholders of BiG and other elements whose presence is considered relevant. The Chairman and the members of the Advisory Board are invited by the Chairman of the Board of Directors, who also has a seat in this body. The Advisory Board meets on average three times per year, or when invited by the Chairman, to discuss strategy and main policies of the Bank, formulating recommendations on this matter. The decisions of the Advisory Board are not formally binding on the Board of Directors.
Board of Directors	Consists of eight members: three members with supervisory responsibilities, and five executive members ("Executive Committee"), to whom the Board has delegated day to day management responsibilities. The three non-executive/supervisory members include the Chairman, the Vice Chairman, and one Independent member, who preside over the following Board committees: Nominations, Risk and Compensation, respectively. The Chief Executive Officer / CEO is nominated by the Board of Directors, from among the executive board members, to preside over the Bank's Executive Committee.
Fiscal Board	The Fiscal Board is the independent supervisory body, consisting of three effective members and an alternate member, elected for four year terms. This body reports directly to the shareholders. Responsibilities include periodic reviews and validation of internal control mechanisms, in accordance with internal and external regulations in line with international accounting policies and standards. The Fiscal Board is also responsible for the election of a CPA. The independent CPA performs periodic audits and also provides an opinion of the accounts.
Compensation Committee	Consisting of three independent individuals elected by the General Assembly for four year terms, this body reports directly to the shareholders. Compensation for the Board of Directors, Audit Committee and key function holders is determined periodically by this Committee. It is also responsible for the periodic review of compensation policies.

F.7

Internal Committees

Trading Book Review	Assets & Liabilities	All Risks	Compliance	Credit Risk
Whistleblowing	Business Recovery Plan (BRP)	Product Governance	Validation of Findings	Models assessment

Executive Summary: Risk Management Policies and Procedures

In broad terms, the Bank is in the business of assuming and managing risk in a prudential manner to create value for our shareholders. Policies and practices designed to control these fundamental aspects of our business ensure a sound operating environment and allow us to meet the expectations of our stakeholders.

The Bank's view to managing risk involves regular and frequent contacts between the various business and control units to ensure that general policies and procedures are well designed, disciplined, independent, objective and quantitative. This process seeks to be compliant with regulatory standards and sensible business practices. Processes to manage risks associated with global markets, lending, processing, technology and general business risks require a comprehensive and integrated system of policies and controls to ensure the integrity of the Bank's business model and to preserve stability and enhance profitability.

While stressing a culture of personal responsibility and mutual surveillance in the common interest, the Bank seeks to generate revenues from diversified sources. The business implies assuming a certain level of exposure to a variety of risks and operating within reasonable guidelines. These guidelines combine basic, prudential aspects of the banking business, reflect the specific experience of Management and our business managers, and are updated via regulatory or legislative measures. Internal communications on risk include, but are not limited to, the Bank's adherence to prudential regulations and capacity to monitor transactions appropriately, our knowledge of clients and understanding of markets, the regulatory environment in which we operate, and our appetite from time to time for certain risks given market conditions.

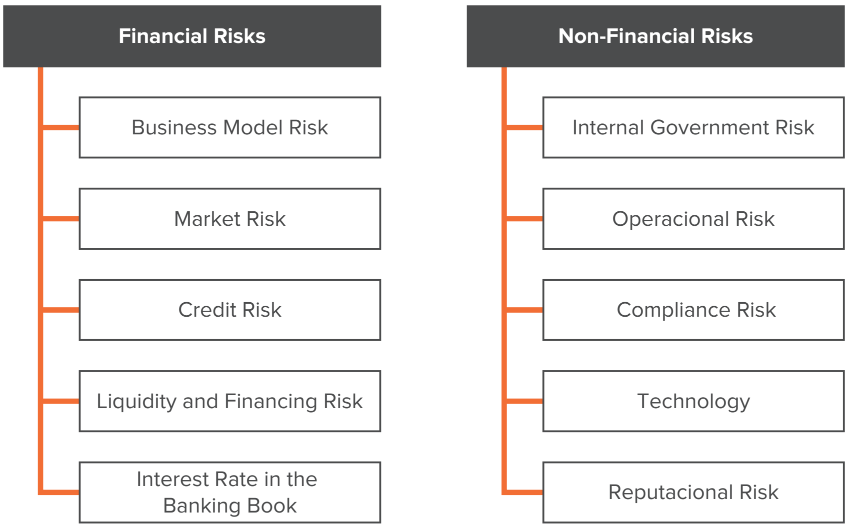
The main risks to which the Bank is exposed are summarized in figure F.8 and are described in the RISK MANAGEMENT and INTERNAL CONTROL section of this Annual Report.

Appetite for assuming risks is reviewed at regular intervals, from daily to annually, as reflected in the Bank's *Risk Appetite Framework (RAF)* document, which forms part of the Bank's annual capital adequacy self-assessment process. This appetite is reflected in limits, and controls over exposures against those limits. Our business relies heavily on the confidence we have in our people and on the reliability of our systems to process operations on a continuous and relatively error-free basis. Generally, the process begins with identifying risk, then measuring, controlling and eventually reporting risk internally and externally at appropriate intervals.

Bank-wide, Management and control units use several different techniques to review and analyze the risks to which we are exposed. These include financial, non-financial and other risks, with a primary focus on market risks, credit risks, operational risk, and reputational risk. Control processes involve a range of stress tests, performed daily, which are adjusted from time to time and which examine results of scenarios for all major asset classes and portfolios.

For the year, credit exposures involving mainly investment grade risks have grown in a controlled manner, while asset quality, as measured by the current and historical level of non-performing assets and credit-at-risk remained satisfactory. Assessments made by major external credit rating agencies on the long-term debt ratings of prime Portuguese issuers, which include the Government and the major banks, have remained stable. In the case of the sovereign, several major ratings agencies maintained their assessment of investment grade during 2019. Internal and external ratings are employed to measure levels of expected credit losses and to evaluate positions and their expected evolution. For BiG, retail credit-related losses, as well as costs associated with operating risks, were negligible for the year 2020, in line with prior years.

F.8



Factors that Affect BiG's Business

The Bank manages a variety of risks inherent to the banking business. In addition to those risks summarized above, which are discussed in greater detail in this Management Discussion and the Notes to the Consolidated Financial Statements, changing economic and political conditions affect the business.

Selected risk factors, which may have an impact on markets, and on BiG, include the following:

- Risk of new disruptions in the financial markets and global economy as consequence of the pandemic crisis caused by Covid-19;

- Delays in the ongoing vaccination plan and consequent evolution of the pandemic, as well as the emergence of new waves throughout the course of this year, with impact in the economic activity at both national and international levels;

- Extension of the economic recession or slow recovery in Portugal and Spain, as well as in the main international blocs and in countries with which these countries have strong commercial ties (USA, Germany, France, United Kingdom, etc.);

- The unexpected impact on financial markets as a result of different tensions at the international level, namely associated with trade wars between major economies (e.g. USA and China);

- Impact resulting from changes in the policies of monetary expansion designed to stimulate economic growth in Europe, and consequences for peripheral economies in less robust financial condition;

- Constraints or delays in the implementation of the European Recovery Fund that may compromise the relaunch of the European economy;

- Policies designed to reverse or delay implementation of necessary structural reforms, whose objective is restoring or increasing the economic competitiveness of Portugal;

- The impact of complex or excessive regulation on operating costs (systems, staff, etc.), and the increase in operational risk associated with a lower capacity of such infrastructures to respond appropriately to a growing number, and complexity, of legislation, regulations, guidance, etc;

- Reductions in the rating of securities held on the Bank's books and the potential negative impact on asset quality;

- Potential negative impacts resulting from substantial burden with the Resolution Fund, the Single Resolution Fund, contributions to the banking sector and additional solidarity contribution;

- Negative implications of fiscal policy in Portugal, which might lead to the relocation of businesses and capital investment to more attractive locations;

- Direct competition by the State for deposits currently in the banking system, via offerings of savings products;

- The risk that a lower perception of Portuguese country risk might lead to restrictions on access to financing by participants in the market;

- A decline in exports and subsequent impact on external trade imbalances and economic growth;

- Economic and financial impact deriving from potential political instability in Portugal, namely associated with the ability of the current minority government to govern effectively;

Events Following the Year End 2020

Market Conditions – Coronavirus

Following an unusual year, marked by a secular, global pandemic, we continue to operate under extraordinary conditions, with high degrees of uncertainty about the future and in the expectation that exceptional volatility of financial markets in 2020 will continue into 2021.

It is the understanding of the Board of Directors that (i) the Bank's positioning and quality of its balance sheet, (ii) solid capital structure, (iii) low leverage, (iv) high levels of liquidity, and (v) a policy of diversification of funding sources, as described in this Report, allow the Bank to face adverse market conditions.

The Board of Directors follows closely and permanently the evolution of the pandemic and its impact on financial markets. The Board has implemented a set of measures to ensure the safety of staff and clients and continues to seek ways to mitigate the potential impacts on BiG's activity. Since the beginning of 2020, Management has reduced exposure to certain markets while enhancing liquidity.

Operationally, the digital profile, which has characterized the Bank since its inception, facilitated a rapid and relatively comfortable adjustment to the new reality, with its social, economic, labor and regulatory implications. The measures implemented in early 2020 to permit employees to continue the normal activity of the Bank, while working remotely and safely with the necessary resources and equipment, have continued without interruption. The Bank´s COVID-19 contingency plan, which comprises a set of operating procedures to face possible adverse events resulting from the spreading of the pandemic, has been in force for over a year, with periodic enhancement.

Supervisory Review and Evaluation Process (SREP)

The Bank's annual SREP was concluded in early 2021. The Banco de Portugal maintained BiG's overall classification as a "moderate to low risk."

RESULTS OF OPERATIONS FOR 2020

T.14 (Euro 000)

Revenues	2020	2019	2018	2017
Interest income	37,795	45,005	51,296	46,402
Interest expense	-19,727	-20,798	-27,715	-30,448
Net interest margin	**18,068**	**24,207**	**23,582**	**15,953**
Income from capital instruments	41	26	0	0
Fee and comission income	14,339	13,560	12,184	12,375
Fee and comission expenses	-3,012	-2,485	-2,149	-1,783
Profit / loss of assets and liabilities at fair value through Profit & Loss	5,157	4,656	4,667	14,125
Financial assets at fair value through other comprehensive income	34,748	49,127	17,424	42,711
Exchange differences, net	2,074	610	760	-3,580
Income from the sale of other assets	-40	0	124	25,165
Other income	289	742	674	492
Net operating income	**71,664**	**90,443**	**57,265**	**105,457**

Source: BiG

The components of the Bank's net operating income have remained consistent for several years, with variations year to year due to changing financial conditions, as well as regulatory economic conditions globally and domestically. For 2020, the Bank's results reflect (i) lower net interest margin, (ii) a rise in net commissions, (iii) lower results from investing and credit activities, (iv) increased operating expenses to support organic growth, and (v) lower taxes due to the decline in pre-tax profit.

Net Interest Margin was € 18.1 million in 2020 versus € 24.2 million in 2019. Earning assets were stable for the year, but lower yields resulted in a decline in this category. Management tends to limit the growth of earning assets to rises in core client deposit base and capital funds. Relatively less expensive funding from mainly market counterparties declined overall, in part because of few opportunities to increase assets at an appropriate level of risk. Net interest margin represented 25.2% of total net revenues in 2020, as compared with 26.8% in 2019.

Non-interest income for the year was € 53.6 million in 2020, down from € 66.2 million in 2019. The components of this category include (i) income from capital instruments, (ii) commissions from client trading activity and banking services, managing and distributing assets, and advisory assignments for corporate and institutional customers, (iii) realized gains associated with managing credit risk and interest rate risk via the financial assets at fair value through other comprehensive income portfolio, and (iv) other income.

Net commissions derive largely from asset management and brokerage activities with retail and wholesale clients. These businesses include a variety of managed investments and largely self-directed, client trading platforms placed at the disposition of clients to trade cash equities, warrants, futures, foreign exchange, and contracts for differences ("CFDs"). This category also includes fees from distribution and custody services, banking fees, such as revenues from ATMs, and retainers and commissions associated with corporate advisory mandates. Revenues from asset management and financial intermediation were higher than in 2019, as market volatility and the continued decline in interest rates encouraged clients to seek alternatives to low-yielding deposits. The Bank has focused on building its Wealth Management business over the past several years and expects this trend to continue.

Net Revenues from credit and investing combine all categories of Non-Interest income, less net revenues from fees and commissions. In aggregate, income from the Treasury and Markets business[1] for 2020 on an internal management basis declined to € 41.96 million, as compared to € 58.8 million in 2019. Within this group of categories, trading revenues increased year on year, while net investment gains ("Income from financial assets at fair value through other comprehensive income") were lower. While the two form key components of the Bank's business model, they also tend to be dependent on market conditions and, as most revenues derive from the market views of clients and the management of positions taken to support client activity, are subject to daily review. These revenues usually involve some margin income, plus realized gains from investing and credit activities in a diversified portfolio of liquid, fixed income securities. They are associated with management of credit concentrations, diversified maturities and country risks. This portfolio is a key to the Bank's management of liquidity and interest rate positions.

We expect that revenues going forward will consist largely of the categories described above. Even with adjustments in the management and measurement of financial assets with the introduction of IFRS 9 in 2018, the Bank has not made significant alterations to the current business model, other than to intensify investments in client, fee-generating businesses. The respective proportions may vary as client deposits and assets under supervision rise, the balance sheet gradually expands, and as the Bank's

[1] Non-audited figures

coverage of the domestic and selected international markets grows. Areas of emphasis include investment and advisory services, assets under supervision, savings products, and balance sheet management, with a permanent focus on sound asset quality and comfortable levels of liquidity.

Total costs include operating costs, provisions and imparities. These are influenced primarily by compensation, the growth in headcount and management's confidence regarding levels of business activity.

In 2020, *total costs*, including impairments and provisions, were € 36.8 million, compared to € 32.9 million in 2019, an increase of 12.4%

The *operating costs*, – i.e. personnel costs and other administrative expenses – and depreciation expenses together amounted to € 34.6 million, on lower personnel expense, but higher investments associated with the planned unit in Madrid and new solidarity taxes applied to the banking sector. While growing the headcount, and building businesses in Mozambique and Spain, operating expenses for 2020 were somewhat above the past four-year average. With lower revenues, the Bank's operating costs/ total net revenues ratio moved to 48.3% in 2020, compared to 38.4% in 2019, or slightly above the past four-year average.

In general, Management's view on growth of the Bank's balance sheet year on year was conservative, in accordance with our view of risks. We manage the business with a light operating structure, and with a focus on building capital and controlling expenses, while investing prudently in growth businesses in targeted market segments. Compensation, traditionally the Bank's largest single operating expense category, decreased 4.6% and fell to 54.2% of net operating costs in 2020, as compared with 57.1% in 2019. The components of compensation are impacted by, among other things, the level of net revenues, the Bank's overall performance, business line and individual contributions, plans for expansion, current labor legislation, and the market environment.

Besides compensation-related expenses, other dominant operating expense categories are administrative costs, which include communications, information services, publicity, license fees, arrangements with stock exchanges and related suppliers, consultants, occupancy and other expenses related to the normal functioning of the Bank. They tend to be correlated closely with growth in personnel, the level of business activity, and/ or associated with specific investments. Administrative expenses rose by 8.4% in 2020, in part because of higher investments in systems, marketing and occupancy expenses associated with the unit in Spain and the mentioned taxes classified as administrative expenses. *Cash Contributions* refer to the escalating costs of the Portuguese resolution fund, associated in the main with the ex-BES/Novo Banco operation, plus the additional costs of the European Resolution Fund. In prior years, these amounts were classified in "Other operating results".

Amortization expenses are related principally to real estate occupied by the Bank, investments in hardware and other equipment, initial license fees associated with software agreements and rights of use resulting from leases under the IFRS 16, namely real estate and vehicle leasing contracts. The portion associated with premises includes the head office building and investments in and improvements to the Bank's branch and ATM network. The Bank regularly invests in its IT infrastructure to ensure quality execution, state of the art security and appropriate redundancy. We invest in third-party IT solutions and equipment to support our infrastructure and have dedicated resources to managing the infrastructure with in-house solutions. This expense category represented 6.1% of total expenses in 2020, as compared with 7.2% in 2019.

Costs associated with net impairments remained low. Retail credit-related impairments registered in 2020 were negligible.

Pre-tax income and Taxation: Pre-Tax income was € 34.9 million in 2020,

T.15 (Euro 000)

Expenses	2020	2019	2018	2017
Administrative expenses				
Staff expenses	-19,381	-20,325	-19,608	-23,090
Other administrative expenses	-13,019	-12,010	-9,783	-10,844
Cash Contributions	-1,136	-915	-752	-503
Depreciation	-2,239	-2,375	-1,962	-2,110
Provisions	84	1,731	1,403	2,002
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss				
Financial assets at fair value through other comprehensive income	-1,029	566	1,256	0
Financial assets at amortised cost	-34	394	-318	-5
Financial asset available for sale	0	0	0	260
Impairment or reversal of impairment on non-financial assets				
Others	-39	-6	1	11
Total costs	**-36,793**	**-32,940**	**-29,763**	**-34,280**

Source: BiG

T.16 (Euro 000)

Results and Taxation	2020	2019	2018	2017
Operating results	**34,870**	**57,503**	**27,502**	**71,178**
Results of subsidiaries	0	0	0	0
Profit or loss before tax and minority interests	**34,870**	**57,503**	**27,502**	**71,178**
Tax expense or (-) income related to profit or loss from continuing operations				
Current Taxes	-8,886	-11,611	-3,830	-18,520
Deferred Taxes	-336	-3,341	-526	-311
Net income before minority interests	**25,648**	**42,551**	**23,146**	**52,347**
Minority Interests	-602	-473	-89	0
Profit or loss for the year	**25,046**	**42,078**	**23,056**	**52,347**

Source: BiG

compared with € 57.5 million in 2019. For 2020, net provisions for taxes were € 9.2 million, versus € 15 million in 2019 (see Note 36). The effective tax rate for 2020 was 26.4%, similar to 2019.

Results of Business Lines

Internally, Management reviews the performance of the Bank at the level of major business lines, sales teams and product areas, using objective criteria and the Bank's accounting results as a base. Performance is reviewed at various levels and for dozens of individual profit centers. These, for purposes of presentation, are combined below into two broad segments: *Wealth Management and Advisory* activities, and *Treasury and Capital Markets*. Operating results on a "management" basis involve allocating revenues and expenses by client segment or business area. Costs are allocated based on actual expenditures by area and a general division of other operating expenses based on criteria decided by the Board of Directors.

The combined business areas under general Wealth Management and Advisory Services contributed € 30.7 million in net revenues for 2020, as compared with € 33.4 million for 2019. The main contributions came from net commissions, which included brokerage and asset management activities, and margin income, associated with the liability margin allocated from mainly savings and investment products, as opposed to lending products. Net commissions rose 24.2% in 2020 and have grown by approximately 59% over the past two years, on higher client trading and interest in asset management solutions by clients. Growth in this segment tends to be sustained, not exponential. This area generates most of the client-related funding of the Bank. The contribution of the segment to total net revenue rose on a relative basis, in view of the lower income from markets.

Commissions from brokerage, asset management and banking operations represented 41% of the total revenues for this segment in 2020, versus 32% the year before. The trend reflects the emphasis on asset accumulation, involving activities in savings, investment, trading, custody and other banking transactions. For several reasons – competition for deposits from banks

T.17 (Euro 000)

Wealth Management and Advisory Services	2020	(%)	2019	(%)	2018	(%)	2017	(%)
Fees and Commissions - Core Business	12,000	39%	9,676	29%	7,563	24%	9,972	38%
Margin	7,264	24%	7,972	24%	7,266	23%	5,177	20%
Other Banking Commissions	627	2%	1,161	3%	1,678	5%	1,194	5%
Trading / Sales	1,626	5%	825	2%	887	3%	338	1%
Corporate Finance	895	3%	2,131	6%	2,567	8%	849	3%
Additional Margin Allocated	8,268	27%	11,633	35%	12,166	38%	8,478	33%
Net Revenues	**30,680**	**100%**	**33,397**	**100%**	**32,127**	**100%**	**26,009**	**100%**
Operating Expenses	-23,121		-21,422		-21,399		-20,196	
Pre-tax Income	7,560		11,975		10,729		5,812	
% Operating Revenues / Total Segments Revenues	42%		36%		53%		24%	
% Operating Expenses / Total Segments Expenses	76%		72%		75%		79%	

Source: BiG

with different businesses to fund and a near-zero interest rate environment in Europe's slow-growth environment – we are planning for an increase in commissions over funding-related margin activity going forward.

The retail sub-segment of BiG Wealth Management and Advisory business is a combination of a brokerage and investment platforms and an integrated, specialized banking offering for the private individual. The approach combines "high touch," or personalized service, with "low touch," associated with electronic means of transacting business. Products and services include checking accounts, debit and credit cards, payment services and, to a lesser extent, certain consumer credit arrangements, such as margin accounts. The platform provides a range of savings and investment products from general banking and credit arrangements for the client requiring assistance, to more sophisticated online trading and investment platforms for self-directed clients. These include trading in equities, warrants, futures, foreign exchange, CFDs (contracts for difference), and third-party mutual funds. We reach clients via different channels, including via internet, telephone and physical branches, staffed by financial consultants. The range of products and distribution methods are designed to reach target clients with different investment profiles, appetite for risk and transaction needs profiles in an efficient manner.

The Institutional and Corporate Advisory sub-segments of this business features specialized sales teams and tailored solutions for wholesale clients with specific needs. Product offerings include institutional asset management, brokerage, risk management, sales of tailored investment products, and independent advisory services for corporate, banking and institutional clients.

The Treasury and Capital Markets business segment seeks to generate revenues, while managing the exposure of the Bank in such areas as interest rates, foreign exchange, fixed income, equities and derivative instruments. The business focuses on managing the Bank's liquidity and exposure to interest rate risk, in conjunction with credit activities and their concentrations. Credit exposures feature liquid debt instruments of quality corporate, financial and sovereign issuers for a variety of maturities. The Bank may also trade in major foreign currency instruments, interest rate and equity futures, futures on major indices and similar instruments, mainly in connection with the Bank's hedging activities. In managing the various trading books, the activity of the Treasury and Capital Markets team touches on many areas internally and is a source of expertise, market risk management and consistent profitability for the organization.

Balance Sheet and Sources of Funding

Balance Sheet Management

Management's view on risks and our business model tends to limit expansion of the balance sheet to the amount of increase in retail deposits, opportunities to acquire liquid assets with funding under repurchase agreements and reinvested earnings. This conservative strategy has been reinforced during the frequent periods of strong demand for

T.18 (Euro 000)

Treasury & Capital Markets	2020	(%)	2019	(%)	2018	(%)	2017	(%)
Income from capital instruments	41	0%	26	0%	0	0%	0	0%
Profit / loss of assets and liabilities at fair value through Profit & Loss	5,157	12%	4,656	8%	4,667	16%	14,125	17%
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	34,748	83%	49,127	84%	17,424	61%	42,711	53%
Exchange differences, net	448	1%	610	0%	760	3%	-3,580	-4%
Results from sale of other assets	0	0%	0	0%	124	0%	25,165	31%
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	-1,029	-2%	566	1%	1,256	4%	0	0%
Financial assets available for sale	0	0%	0	0%	0	0%	260	0%
Additional Margin Allocated	2,536	6%	4,603	8%	4,150	15%	2,298	3%
Net Revenues	**41,901**	**100%**	**59,588**	**100%**	**28,381**	**100%**	**80,978**	**100%**
Operating Expenses	-7,188		-8,476		-7,299		-5,474	
Pre-tax Income	34,714		50,287		21,082		75,504	
% Operating Revenues / Total Segments Revenues	58%		64%		47%		76%	
% Operating Expenses / Total Segments Expenses	24%		28%		25%		21%	

Source: BiG

T.19 (Euro 000)

Key Balance Sheet Items	2020	2019	2018	2017
Total Net Assets	2,203,605	2,268,414	2,277,990	1,851,222
Earning Assets	2,105,776	2,185,302	2,179,606	1,797,877
Loans to Total Net Assets	1.5%	0.9%	1.7%	16.7%
Deposits from Central Banks	75,000	0	0	0
Funding from other Credit Institutions	213,180	491,760	554,334	410,261
Deposits from Clients	1,402,940	1,289,576	1,312,211	1,035,794

Source: BiG

consumer credit, declining margins, which do not necessarily reflect the risks assumed, and an environment of historically low rates of interest. For 2020, the Bank's management of assets and liabilities has featured a steady level of stable retail client deposits, a moderate level of wholesale funding at negative rates, and a rise in total capital, which together funded an unchanged level of financial assets at fair value through other comprehensive income portfolios of mainly liquid fixed income securities and loan assets. Generally, and as in prior years, changes in nature of the balance sheet are gradual, with year-end levels of assets not differing materially from balance sheets on other reporting dates throughout the year.

Close attention to the size and composition of the Bank's balance sheet is one of Management's most important exercises in risk management. Assets and liabilities frequently change due to client activity, market conditions and available business opportunities, but the size and composition of the Bank's balance sheet at any given time may reflect a variety of factors. These include (i) the nature and availability of stable sources of funding, (ii) the level of the Bank's capital or own funds, based on actual and stressed, or hypothetical levels, and (iii) Management's overall view of opportunities and associated risks. The process involves frequent review of Management's appetite for risk, planning of available investment opportunities and funding strategies via the ALCO (asset and liability) committee, limits on balance sheet growth by business, asset class or concentration, daily monitoring of key metrics by Risk Management, and importantly, the use of scenario analyses and stress tests as an essential tool in maintaining financial discipline. Most earning assets of the Bank are securities classified as financial assets at fair value through other comprehensive income. They are marked to market daily and are used to manage the Bank's exposure to movements in interest rates and to invest excess liquid funds.

Our risk framework has been based, for many years, on a core strategy of maintaining an exceptionally liquid balance sheet. The Bank's processes and procedures encourage a dynamic management of our assets and liabilities and include:

- Daily review and at least weekly planning of key asset and liability items;
- Daily monitoring of key risk measures and utilization of capital;
- Analysis of different scenarios compiled and measured daily;
- Annual projections of funding and capital requirements for a multi-year period;
- Annual review of limits, or more frequently, as required.

Key inter-related concepts of liquidity management, control over asset quality and capital adequacy are discussed in the chapters contained in this Management Discussion covering Market Risk Management, Credit Risk Management and Internal Capital Adequacy.

Total Net Assets at year-end 2020 were € 2.2 billion, as compared with € 2.3 billion at 31/12/19. Earning Assets at 31/12/20 were € 2.1 billion, or at approximately same level as on the prior year-end, and were 95.6% of Total Net Assets.

Deposits with Banks are used to manage short-term liquidity and reserve requirements with the central bank and main counterparties. A small portion of the Bank's loan book at year-end included mainly margin accounts to retail clients. At year-end 2020, essentially all of retail credit assets were fully collateralized and

T.20 (Euro 000)

Earning Assets	2020	2019	2018	2017
Deposits with Banks	211,524	187,013	160,835	157,734
Financial assets at amortized cost				
Debt securities	359,812	384,840	336,293	0
Loans and advances	32,429	21,117	38,827	309,094
Financial assets held for trading	50,107	50,444	73,246	30,330
Financial assets at fair value through other comprehensive income	1,451,904	1,541,888	1,570,405	0
Available for sale assets	0	0	0	1,300,718
Total	**2,105,776**	**2,185,302**	**2,179,606**	**1,797,877**

Source: BiG

T.21 (Euro 000)

Main Liabilities and Capital	2020	2019	2018	2017
Deposits from central banks	75,000	0	0	0
Financial liabilities held for trading	23	60	183	543
Deposits from other banks	213,180	491,760	554,334	410,261
Clients Deposits	1,402,940	1,289,576	1,312,211	1,035,794
Shareholder funds	421,905	399,255	347,148	339,533

Source: BiG

were, therefore, of low risk. Loans of this nature to clients tend to grow with a rising market and to decline in periods of stress. (see Credit Risk Management).

The Held to Collect and Sale portfolio (HTCS) remained stable relative to the prior year and represented grew because of higher levels of liquidity, representing 69% of total earning assets at 31/12/20, or at about the same level as for prior year, and included a variety of sovereign, financial and senior corporate debt instruments. Factors that may affect the size of the portfolio include the opportunities for creating either margin or investment revenue during the year. The decision to either hold securities for margin income or divest is decided at the level of the Bank's Asset and Liability Committee (ALCO), and takes into consideration market conditions, credit concentrations and the Bank's over-all liquidity profile.

Main sources of funding were, as in prior years, client deposits, capital, and funding via sale/repurchase agreements with market participants, such as EUREX Repo and other banks. Client deposits are mainly retail in nature and rose to € 1.4 billion. Deposits taken from other banks are mainly repurchase agreements with international counterparties, and include EUREX REPO, which the bank joined as clearing member during 2011.

Through the ALCO process, which provides a view of the nature of the concentrations and liquidity of our assets, combined with conservative management of the funding mix described before, we seek to ensure that substantial excess cash positions are maintained to meet normal, and via analysis of our stress testing scenarios, any hypothetical out-flow of funds. For further details on secured funding and client deposits, please refer to *Summary Analysis – Liquidity and Liquidity Risk Management* and Note 42.

Shareholder Funds: Shareholder Funds at 31/12/20 were € 421.9 million, as compared with € 399.3 million on the same date in 2019. The number of common shares issued – each with a nominal value of one euro each, fully subscribed and paid up – was unchanged at 171.9 million.

Regulatory Capital: BiG's primary regulator is the Banco de Portugal and in accordance with banking regulations, we are subject to consolidated risk-based regulatory capital requirements. In broad terms, regulatory capital is used as a basis for measuring key aspects of our banking business and involves a variety of regular adjustments to the Bank's capital account, which are then reported regularly. Capital requirements are expressed as capital ratios that compare adjusted capital to risk-weighted assets. The Bank's regular and required reporting of Core Tier 1 and other solvency ratios are a key part of the regulatory capital process.

Key measures of profitability declined in 2020. **Return on Average Equity (ROE) was 6.2%, compared to 11.4% for 2019**. Regarding its efficiency, the Bank's operating expenses / operating income ratio moved to 48.3% from 38.4% in 2019.

T.22 (Euro 000)

Shareholders Capital	2020	2019	2018	2017
Common Stock	171,947	171,947	171,947	171,947
Share premium	1,362	1,362	1,362	1,362
Treasury Stock	-2	-2	-2	-2
Accumulated other comprehensive income	2,257	-2,296	-34,016	-63,827
Other Reserves	217,345	197,867	184,800	188,627
Profit or loss attributable to owners of the parent	25,046	42,078	23,056	52,347
Antecipated Dividends	0	-15,475	0	-10,920
Minority interests	3,950	3,774	0	0
Total Shareholders Capital	421,905	399,255	347,148	339,533
Book value per share	2.45	2.32	2.02	1.97
Net assets / Equity	5.22	5.68	6.56	5.45

Source: BiG

T.23

(Euro 000)

Consolidated Regulatory Capital	2020	2019	2018
Shareholders Equity	**421,905**	**399,255**	**347,148**
Dividends payable	0	15,475	-12,896
Net income	-25,046	-42,078	0
Intangible assets	-4,053	-2,938	-2,114
Loans to Employees	-568	-569	-1,065
Value adjustments due to the requirements for prudent valuation	-1,555	-1,630	-1,662
Own Funds	**390,683**	**367,515**	**329,411**
Risk-weighted assets	863,321	851,619	1,047,326
CET 1 Capital Ratio	45.3%	43,2%	31,5%
T1 Capital Ratio	45.3%	43,2%	31,5%

Source: BiG

T.24

Performance Measures	2020	2019	2018	2017
Profitability				
Return on Assets (ROA)	1.1%	1.9%	1.1%	2.9%
Profit Before Income Tax / Average Net Assets	1.6%	2.5%	1.3%	3.9%
Return on Equity (ROE)	6.2%	11.4%	6.7%	17.3%
Profit Before Income Tax / Average Equity	8.5%	15.4%	8.0%	23.5%
Operating Revenues / Average Net Assets	3.2%	4.0%	2.8%	5.8%
Efficiency				
Net Margin / Earning Assets	0.8%	1.1%	1.1%	0.9%
Operating Expenses / Operating Income	48.3%	38.4%	54.7%	34.2%
Personnel Expenses / Operating Income	27.0%	22.5%	34.2%	21.9%
Solvency				
CET1 Capital Ratio	45.3%	43.2%	31.5%	45.1%
T1 Capital Ratio	45.3%	43.2%	31.5%	45.1%

Source: BiG

RISK MANAGEMENT AND INTERNAL CONTROL

Overview

The assumption and control of Risks are basic concepts inherent to our business. These include *financial risks,* such as capital, market, liquidity, interest rate, and credit risks; and *non-financial risks*, including operational, technological, compliance, strategic, regulatory and reputational risks. To assist in these controls, Management stresses (i) the need for a well-designed, continuously evolving internal structure of governance, (ii) the understanding, identification, and acceptance of responsibility by individuals within the organization, and (iii) ownership of risk assessment, control, and management by the oversight functions within business units.

To identify and manage these risks, which are inter-related, the Bank maintains, and regularly updates, a comprehensive and integrated system of internal controls, policies and procedures. These are both quantitative and qualitative in nature. The Board reviews, approves, and oversees the respective risk management functions and ensures compliance with policies and procedures, either as a group or by delegation. Generally, our systems and policies are designed to ensure effective processing, reliable systems, appropriate risk taking, daily or intra-day measurement of positions, independent reporting and responsible behavior. Policies and procedures on enforcement also seek to ensure respect for and adherence to internal, regulatory, legal and prudential guidelines designed to protect the interests of clients and shareholders, while preserving and protecting the reputation of the Bank.

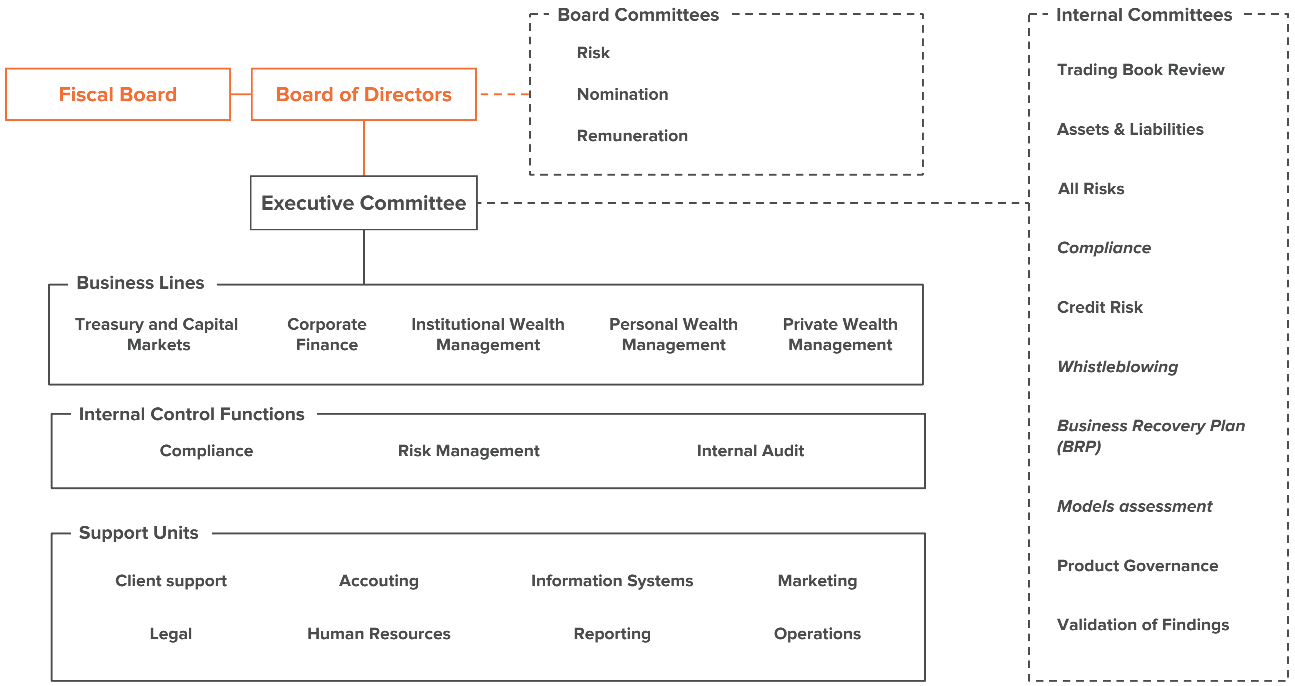
As part of its processes to measure the main risks inherent to banking, mentioned above, Management relies on Value at Risk measurements and a variety of stress testing scenarios in addition to other methodologies. These are subject to continuous review and have responded well to the paradigm-changing events associated with domestic and global political and economic events, which have defined the past few years. These events have had a significant impact on market practices, the regulatory environment, the nature of audits and ratings, as well as on competition, strategic planning, assumptions, market prices and expectations. These risks figure prominently in our view and measurement of market, liquidity and credit risks.

The *risk framework*, in broad terms, includes *(i) the governance structure, (ii) the Bank's policies and procedures, and (iii) the people involved directly in the firm-wide or individual risk control units.* This latter group form the *3 lines of defense* associated with the risk management process, starting with *business units*, which own the responsibility for identifying and controlling risks, *support functions*, which control and report the process from approval to execution, and the *Internal Audit function*, which assesses and advises on proper implementation of the process. For additional information, including stress tests for reputational and correlation risks, please refer to Note 42.

Governance Structure

Primary responsibility for monitoring risks throughout the Bank rests with Board of Directors, the Executive Committee, the Bank's All Risks Committee, the business units, and various sub-groups, which monitor specific risk areas. The *All Risks Committee* combines the various individual control functions and functional groups overseeing Risk Management (discussed in detail below) and the Compliance area of the Bank.

F.9



F.10

Identifying	Measuring and Monitoring	Reporting	Action Plan
• Risk units • Internal Audit • Internal Control • Board of Directors / Executive Committee • Business Units	• Risk Units • Business Units • Accounting • Internal Audit • Internal Control • Operations	• Risk Units • Reporting • Operations • Internal Control • Accounting • Internal Audit	• Board of Directors / Executive Committee • Internal Committees • Business Managers

Presiding over the Governance Structure is the Board of Directors, which delegates day to day matters to the Bank's Executive Committee. This group is accountable, and may refer matters to, the Board of Directors, whose non-executive members preside over specific Board committees and liaise, as appropriate, with the Bank's statutory Fiscal Board. It is the responsibility of the overall Board and its members – with both supervisory and executive functions – to provide guidance on strategy and risk appetite, approve policies and maintain an integrated view of risk exposures.

Oversight by the Board includes such areas as:

- Strategy;
- Risk Appetite;
- Risk Management and Internal Control;
- Financial Performance and Reporting;
- Remuneration of key executives / relation to Performance over a cycle;
- Nominations and Succession Planning;
- Culture and *Tone from the Top*.

The following chart presents an overview of the Bank's structure of governance for managing risks.

General Policies and Processes

Management reviews policies, procedures and any underlying regulatory changes regularly, and seeks to ensure their clear communication throughout the organization as a basis for building a sound, operating environment. The nature of the governance structure for risk and the existence of clear policies aim to ensure that processes associated with four key steps in the risk management process – identifying, measuring, controlling and reporting risk exposures to potential losses – are in accordance with sound banking practices and regulatory standards.

In managing its exposures to various risks, the Bank is guided by the following basic principles:

- Regular review of policies, procedures and regulations by Senior Management;
- Formal definition of responsibilities for risk management in the Bank;
- Policies and procedures to ensure independent oversight;
- Appropriate diversification of risks and formal review of concentrations;
- Systems of independent measurement and reporting;
- Overlapping systems to measure and control risk;
- Training to assist in identifying risk across business areas.

Critical policies and processes include: (i) the active review and management of our positions, (ii) marking to market of approximately 80% of the earning assets on a daily basis, (iii) daily or intra-day review of our financial exposures and net revenues, (iv) continuous, independent review of credit exposures, controls over limits and accounting processes, (v) independent reporting and regular dialogue among revenue-producing teams and independent risk control and support functions, (vi) extensive stress testing procedures, including the application of extreme scenarios, and (vii) the direct involvement of Management in the process of controlling and assessing the Bank's appetite for risk. In addition, Management encourages and expects the rapid communication and escalation of important trends and potentially significant risks.

Measuring Risk

In taking decisions and in managing risk, Management applies its business judgment in combination with a variety of quantitative tools and systems used to monitor and measure exposures. These are discussed in the following sections and include:

- Scenario stress testing;
- Market Risk Limits based on VaR (Value at Risk);
- Sensitivity analyses, particularly with interest rate risk;
- Measurement of exposures based on Basis Point Values (bpvs);

- Control of limits by counterparty, family, asset class and portfolio;
- Concentration Limits;
- Qualitative analysis and procedures.

The process involves regular self-assessment exercises, updates in techniques and periodic changes of assumptions, as well as adherence to changing regulatory and accounting issues. As a result, this is a daily focus of Management, line functions and support areas. We assume as part of the process that no single methodology to measure risks is enough, by itself, to provide a complete picture of our exposures. Management and risk oversight teams, therefore, often review risks, particularly market-related risks, with a combination of approaches. As a policy, we seek to quantify the potential for losses associated with every aspect of our business, to have a reasonable prior estimate of potential damages in the event of unexpected events. These can range from those that are possible, based on recent historical data, to those that we deem to be highly unlikely, but which nevertheless can be estimated based on the assumption of certain extreme scenarios.

Generally,

- ***Market risk*** involves at least a daily review of all the above measures;
- ***Liquidity risk and Interest rate risk*** focus on several methodologies, among which basis point values and scenario analyses;
- ***Credit risk*** focuses on nominal and fractional exposures, concentrations by borrower/issuer by group, sector or geography, and on stress testing techniques;
- ***Derivatives exposures*** are measured with sensitivity analyses of exposures measured in basis points;
- ***Operational risk, Reputation risk and Correlation risk*** involve some of the more subjective risks to which the Bank may be exposed, and usually depend on scenario analyses in order arrive at quantitative estimates.

Limits and Controls

Limits on all risk activities are essential to the process of controlling risks and involve a series of frequently-reviewed controls organized by class of product, by tenor, and by individual trader. They may be measured via a combination of non-statistical measures, including basis point values (bpvs), and statistical measures, such as value at risk (VaR), discussed below.

Management and the Risk functions work closely to ensure continuous update, daily reporting, dialogue and review of assumptions and models. A variety of criteria are used for determining appropriate limits on risk-taking associated with trading and investment risk-taking, including our current and historical analyses of markets, statistics on volatility and liquidity, fundamental and technical analysis, the level of experience and performance of traders and managers, and importantly, the Bank's appetite for risk in accordance with market conditions.

Approved limits specifying authorized exposures by counterparty and concentrations by asset class are reviewed on a periodic basis and are communicated formally and periodically to managers, traders, sales staff and back office personnel. All personnel are responsible for adhering to approved limits, which are monitored by separate and independent middle and back office functions to ensure that positions are valued and recorded accurately.

Reporting

Daily, risk management and back office functions compile and report positions to Management based on established statistical and non-statistical measures. Exceeded limits are reported to Senior Management immediately and action is taken to guarantee compliance with the limit. Formal controls are enhanced by informal systems of monitoring position taking and limits, including at least daily meetings by Senior Management with markets areas to review positions and evaluate trends. Reports on daily stress tests serve as a basis for discussion on the appropriateness of exposures and the need to act to reduce risk concentrations via the sale or repositioning of our positions or hedging of risks.

Risk control units

Each of the internal risk committees – the Asset and Liability Committee, the Credit Risk function, and groups responsible for such areas as Internal Audit, Compliance, Operating risks and Technology risks – includes individuals responsible for the day-to-day controls. Each also involve, normally, at least two other members of the Board. Within limits established by the Board, these risk groups have decision-making authority in their respective areas. Daily events of an exceptional nature require the approval of at least two Executive Directors. Major exposures or significant policy decisions falling outside of these limits require review and approval of the general Board of Directors. In addition, the Bank's All Risks Committee meets regularly to ensure proper communication, regulatory compliance and understanding of the inter-relationship of risks across various areas of the Bank.

Capital Risk

Capital risk management ensures that the Bank has acceptable capital funds and operating ratios to support the institution's strategy, business activities, and underlying risks during both normal and stressed operating conditions.

As capital risk and strategy are closely linked in our business, Management's views on leverage, minimum capital targets, and sustained capital growth, mainly through retained earnings, within the context of competitive, market and regulatory conditions, in effect, determine the Bank's strategy and risk appetite. These issues are discussed extensively in the sections on *Funding and Capital Planning,* are formally addressed as part of the Bank's *ICAAP* (Internal Capital Adequacy *and Assessment Process*) review sent to regulators annually and are the target of daily position reporting and stress testing.
The management of capital risk is directly

connected to Management's long-established views on what constitutes acceptable capital ratios and buffer, asset quality and balance sheet management, dividend policy, ROE targets, the nature of shareholder funds versus regulatory capital, and general risk management.

The results of daily controls discussed in the individual, but inter-related, risks discussed below combine to provide Management with a clear picture on capital risk management. The objective is to maintain levels of capital to:

- Invest and grow the business through cycles and moments of stress;
- Meet regulatory requirements by a comfortable margin;
- Distribute dividends, while ensuring a "well-capitalized" business;
- Retain flexibility when opportunities present themselves; and
- Protect the integrity of the Bank's business model and its reputation.

Strategic Risk

Strategic Risk is the risk that the core assumptions of the Bank's strategy may be disrupted, and transverses the various risks described above. It includes the risk to current and anticipated earnings, the integrity of capital and liquidity positions, the Bank's intrinsic value and/or reputation arising from business decisions or deficient execution and requires consideration of external factors. As a result, it is one of the most important risks for Management to consider in the middle of a secular pandemic and the unknowns or opportunities deriving from this period.

Oversight of strategic risk ranges from daily review of results, balance sheet strategy and risk appetite, to Annual Plans, review of new business investments, and a formal bi-annual Strategic Plan approved by the Board of Directors.

The process involves:

- The planning process by business unit;
- Review of risk strategies;
- Trends in revenues, asset composition and quality, their mix and concentrations;
- Scenario planning;
- Digital transformation and investment;
- Review of client needs and expectations;
- Competition, regulatory and market environment;
- Building a culture able to respond to unexpected changes in market conditions.

The Bank's global view of the risks mentioned above derive from the strategic decisions of Management, and how the results are executed and measured. They involve processes to assess the risks – as well as opportunities and advantages – to the business model from competitive factors, technology, regulation and changes to the external environment, and may involve decisions to invest in new business opportunities and/or to modify or exit current businesses. The process considers regular and frequent interaction with clients, suppliers, analysts, counterparties, the Bank's advisory council, and shareholders.

Regulatory Risk

Regulatory Risk, considered by the Board as a sub-risk of Strategic Risk, is the risk of regulatory or legal changes, which may affect, in a material way, an industry or a business. Such changes may reduce the attractiveness of an industry and the respective ability to attract capital and investment in the banking business. These changes may result in increased costs and affect the competitive landscape in a highly-regulated sector, in comparison with other sectors, namely at the level of one of the main stakeholders of the industry: the shareholders.

In Portugal, the existence of special taxes, classified as "solidary contributions", applicable specifically to the banking sector, and of two "resolution funds" – one domestic to address shortcomings of capital involving banks recently resolved, and a European deposit guarantee system still to be unified – represent added costs to banking activity. These reduce profitability, may affect the competitiveness of the national banking sector relative to comparable entities located in other geographies, and may demand changes to strategy. The general recommendations to banks, issued by regulators at the European level, to suspend their shareholders remuneration policies – suspending, in practice, the payment of dividends in cash or through share buybacks, independently of the individual economic situation of the banks – may impact the sector, relative to other sectors, penalizing institutions with capacity to distribute dividends in a prudent and balanced manner. This may result in added constraints to Capital Risk management and may cause, potentially, an increase of business risks. Regulatory risks may be difficult to predict and frequently demand a reactive, rather than proactive, intervention from the Board. These factors may contribute to a range of challenges, namely to planning, implementing strategy, controls over costs, and the management of stakeholders' expectations.

Market Risk

Market Risk represents the possible decline in the value of financial instruments as a result of changes in market conditions. Key risks that we manage in our market activities, which have a direct impact on the Bank's daily profit and loss account, and/or on the Fair Value Reserve of the capital account, include:

- ***Fixed Income Risks***, resulting from movements in prices in assets held for trading or for longer periods;
- ***Equity Price Risk***, resulting from exposures to changes in underlying prices and volatility;
- ***Currency Rate Risk***, resulting from exposure to changes in spot prices, forward prices and volatility;
- ***Derivatives Risk***, resulting from the management of our exposure to changes

in the prices of underlying assets used to hedge client product and positions.

In managing the above risks, the Board exercises oversight through its Risk Committee. Day-to-day oversight and management is delegated to the Executive Committee, the Bank's Asset and Liability Committee ("ALCO") and the Market Risk Unit. The ALCO is chaired by the Chairman and includes other members of the Board, in addition to other business managers involved of both revenue-producing units and risk control teams.

Underlying the committees are the primary risk control units – Market and Credit Risk – which are responsible for reviewing methodologies for measuring risk and limits for all investment and trading activities. They also control broad investment management decisions discussed at the level of ALCO, review of models and analytics associated with calculating value at risk limits within both Bank and client portfolios and are responsible for conducting daily portfolio stress tests. They also oversee the independent control and enforcement of limits on risk taking by front office personnel. As a result, the Bank group seeks to ensure an efficient balance between risks and return, as well an appropriate level of volatility in operating results.

In its Treasury and Market activities, BiG seeks to generate or to protect revenues while managing its exposure to changes in the value of financial instruments across various markets, products and portfolios. To manage and report risks, Management establishes and reviews, on a periodic basis, comprehensive procedures and systems designed to ensure levels of control commensurate with the Bank's capital and business objectives.

The Market Risk function, along with Management, Compliance and other operating areas, reviews policies and procedures on product development to ensure that levels of risk assumed by clients, and as marketed by BiG, are appropriate in the circumstances. Some members of the ALCO are also part of the Bank's Investment Committee, which oversees trends, allocations and policies with respect to the management of client assets, including responsibilities associated with advisory and discretionary mandates. The activities of this area, while separate from the Bank's own portfolio, are subject to the same type of control mechanisms and procedures as those exercised by the Bank in the management of its own capital. Both groups meet regularly and, as they normally include two or more Board members, have the authority to decide on day-to-day issues. Major exposures or significant policies are generally put before the general Board of Directors for prior review.

Methodologies

The Bank utilizes a variety of methodologies to measure and control market-related exposures, which are analyzed in conjunction with information covering country and counter-party risks. Often risks are managed through a process of diversifying exposures, controlling position sizes, and establishing hedges in related securities or derivatives. Key quantitative tools used to measure, and control exposures efficiently include statistical measures and non-statistical measures, among which:

- VaR (Value at Risk);
- Stress testing;
- Calculations of basis point values;
- Sensitivity testing.

The Bank employs these systems simultaneously with others, such as loss advisories and daily controls of concentrations to ensure the integrity of the process if one or more methodologies should fail, as a result of some extraordinary event occurring in the markets.

Value at Risk (VaR)

VaR, which measures risk assuming normal market conditions, is combined with non-statistical measures, including stress testing, back testing and stop loss advisories, to ensure proper controls of expected returns by risk type under all market conditions. The Bank calculates VaR using historical series to calculate the volatility,

T.25 (Euro)

Trading VaR 2020 (vs 2019)	2020 December	2020 Average	2020 Maximum	2020 Minimum	2019 December	2019 Average	2019 Maximum	2019 Minimum
Foreign exchange risk	8,868	15,857	63,365	2,291	19,365	19,344	91,684	1,762
Interest Rate Risk	460,489	314,058	748,052	33,631	186,479	247,146	2,521,885	15,208
Equity	0	16,227	182,793	0	18,983	86,944	305,057	0
Options	7,338	3,452	15,424	0	3,393	8,671	29,809	3,393
Diversification	16%	19%			39%	29%		
	401,419	**284,581**	**710,501**	**30,307**	**139,486**	**258,371**	**2,492,079**	**36,515**

Source: BiG

VaR: *Loss expected, in the worst case, within the confidence level indicated; larger losses may be possible but have a correspondingly lower probability of happening.*
Back-testing: *Process of validating a model by comparing its predictions to actual results.*
Confidence level: *Probability that actual losses will not exceed the estimated value at risk, the greater the confidence level, the higher the value at risk.*
Diversification Effect: *Represents the gain, in risk terms, of having a diversified portfolio.*

the one-year time horizon and a 99% confidence level. This means that the Bank would expect to incur losses greater than the predicted VaR estimates only once in every 100 trading days or approximately 2.5 times per year. Since VaR is a theoretical approach based on historical returns, the model has limitations and may not always produce accurate predictions of future market risk. Changes in VaR between reporting periods, for example, are due generally to changes in levels of exposure, volatility and correlation among securities.

Utilization of trading limits, as indicated below and in line with prior years, was lower and less used, on average, than investment limits, with most value at risk concentrated in the Bank's Held to Collect and Sell portfolio (HTCS).

Components and concentrations of the portfolio are typically dynamic as the Bank seeks to maximize stable flows of revenue, while maximizing flexibility to recognize gains and to maintain high levels of available liquidity. The highest levels of VaR were associated with the fixed income portfolio, reflecting concentrations in that class of instrument. Further detail on exposures may be found in the Concentration Risk section of this report. VaR analysis of fixed and variable income asset classes by sector indicate the largest exposures, on average through 2020, were associated with Government issues, followed to a lesser extent by Basic Utilities, Energy and Non-cyclical Consumer. The concentration in Governments had to do with the larger availability and liquidity of issues from that segment as compared with others.

Stress Testing Trading and Investment Portfolios

The Bank does extensive stress testing of its positions daily, and considers this approach, in combination with VaR measurements, to be an essential tool for managing market risks. With stress testing, the Bank seeks to estimate the potential losses associated with an instrument or portfolio under different scenarios. Each day we apply several scenarios to test several positions across the Bank's trading and investment portfolios assuming certain worst-case historical market events. These scenarios are revised frequently as market conditions change. When historical data is not available, underlying assets from identical classes and with a higher level of correlation may be used.

Most tests are based on historical events and known reactions by markets to those events.

Historical scenarios observed are used given the adverse periods in the market and used as a basis for running daily tests identified below as "C1, C2….C5." The historical scenarios described in T. 27 are applied to current exposures to estimate potential gains or losses in major trading or investment books. Results are then compiled and reported daily to Management by the Bank's Market Risk area.

Liquidity Risk

Liquidity Risk arises from the management of the Bank's assets and liabilities.

BiG's policy on liquidity and funding is based on the following principles: (i) pre-funding of assets prior to their acquisition; (ii) the ability to convert a significant part of our investments to liquidity within a very short timeframe; (iii) a program of building a stable client deposit base, and (iv) the assumption that we will maintain a reasonable level of independence from wholesale funding markets. These principles define the Bank's business model, which is non-credit-intensive, commission and service-based, and implies an asset base composed largely of highly liquid securities as opposed to illiquid loans.

In practice, the Bank's liquidity management process is both a daily and strategic issue for Management. It encompasses detailed controls of inflows and outflows, pricing and reputational issues, controls over collateral, considerations on liquid versus less liquid assets, eligibility requirements, the ALCO process and the aspects of our business recovery plan that touch on the fundamental nature of our business model: liquid, flexible, quality assets funded conservatively by mainly stable deposits and capital.

T.26 (Euro 000)

Trading Book

	Worst Scenarios - Equity					Worst Scenarios - Bonds					Worst Scenarios - FX					Commodity
	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Options	2	6	8	21	36	(1)	6	2	2	18	8	5	3	10	16	8
FX	(12)	160	(262)	(161)	(174)	(51)	7	(34)	609	(334)	(189)	(101)	46	79	266	(28)
Interest Rate Risk	(40)	(189)	(18)	881	544	(543)	(45)	(35)	601	(113)	(117)	40	(196)	(248)	(116)	(45)
Total	(50)	(23)	(273)	741	406	(595)	(32)	(67)	1.212	(428)	(298)	(55)	(148)	(160)	166	(66)

Investment Book

	Worst Scenarios - Equity					Worst Scenarios - Bonds					Worst Scenarios - FX					Commodity
	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1
Interest Rate Risk	(3.287)	(12.777)	(6.089)	(11.208)	(17.571)	(10.494)	(14.611)	(13.291)	(16.538)	(6.484)	(7.390)	(9.907)	(8.054)	(9.600)	(13.979)	(7.881)
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	(3.287)	(12.777)	(6.089)	(11.208)	(17.571)	(10.494)	(14.611)	(13.291)	(16.538)	(6.484)	(7.390)	(9.907)	(8.054)	(9.600)	(13.979)	(7.881)

T.27

(Euro 000)

Equity Worst Scenarios		
C1	Decision of Federal Reserve to cut the monetary stimulus plan	23-01-2014
C2	Greek crisis and, consequently in the Eurozone	26-06-2015
C3	First fears from the spread of COVID-19	26-02-2020
C4	Black Monday of 2020	06-03-2020
C5	COVID-19 declared as global pandemic	11-03-2020

Bonds Worst Scenarios		
C1	Portugal downgraded by Moody's	05-07-2011
C2	Greek political crisis	11-05-2012
C3	Germany rejects Eurobonds	22-06-2012
C4	New uncertainties in the Euro zone – Italy	28-05-2018
C5	Growing concerns on the impacts of COVID-19	17-03-2020

FX Worst Scenarios		
C1	Renewed worries that Europe's debt crisis could spread	17-08-2011
C2	Libor Manipulation	02-04-2012
C3	Low expectation on US economy	05-06-2013
C4	Global events affect markets around the world	10-02-2016
C5	Brexit referendum	17-03-2020

Commodity Worst Scenario		
C1	US oil prices collapse	20-04-2020

Source: BiG

Interest Rate Risk

Interest Rate Risk results from exposure to changes in the level, slope and curvature of the yield curve, volatility of interest rates, duration and credit spreads.

Interest Rate Risk measures the probability of impacts on the Bank's earnings or capital due to changes in the absolute level of interest rates, in spreads between two rates or in the shape of the yield curve, among other factors. BiG controls its exposure to adverse events through diversification and via hedging techniques.

The Bank measures interest rate risk in bpvs, meaning that for each change of 0.01% in the rates, we can calculate the economic impact of such movements on the value of assets, usually fixed rate securities that are interest rate sensitive.

Table T.28 shows assets and liabilities by maturity as of 31 December 2020 and the corresponding basis point values (*bpvs*) per period.

T.28

(Euro)

Interest rate risk						
Maturity	Assets	Liabilities	*Hedge Derivatives (+)*	*Hedge Derivatives (-)*	Net	bpv's
Overnight	279,031,057	180,855,740	0	0	98,175,316	136
O/N < t ≤1M	414,591,590	163,483,344	225,145,999	0	476,254,244	-1,404
1M < t ≤3M	198,676,115	175,481,824	40,225,312	0	63,419,603	-2,107
3M < t ≤6M	62,894,526	225,688,463	55,432,288	0	-107,361,649	3,012
6M < t ≤9M	797,468	44,574,601	0	0	-43,777,133	2,781
9M < t ≤1Y	2,602,723	119,565,401	0	0	-116,962,678	9,169
1Y < t ≤1.5Y	50,015	42,079,431	0	0	-42,029,416	5,149
1.5Y < t ≤2Y	39,145,006	42,592,207	0	31,773,825	-35,221,026	6,688
2Y < t ≤3Y	24,582,631	687,968,681	0	0	-663,386,050	166,063
3Y < t ≤4Y	42,449,015	5,464,304	0	0	36,984,711	-12,322
4Y < t ≤5Y	55,543,384	5,743,918	0	0	49,799,466	-20,847
5Y < t ≤6Y	64,776,615	0	0	112,570,888	-47,794,274	21,311
6Y < t ≤7Y	150,201,307	0	0	0	150,201,307	-91,698
7Y < t ≤8Y	15,394,714	0	0	0	15,394,714	-10,623
8Y < t ≤9Y	43,434,578	0	0	0	43,434,578	-34,216
9Y < t ≤10Y	47,872,003	0	0	0	47,872,003	-40,632
10Y < t ≤15Y	430,083,154	0	0	639,196,531	-209,113,378	157,290
15Y < t ≤20Y	95,764,815	0	0	0	95,764,815	-134,577
tCF>20Y	105,248,554	0	0	66,695,189	38,553,364	-63,379
	2,073,139,268	**1,693,497,916**	**320,803,600**	**850,236,434**	**(149,791,482)**	**(40,205)**

Note: Unaudited values

Earnings at risk associated with movements in interest rates are measured by assuming a variety of scenarios on a regular basis, namely a rise or decline of 200 basis points or a similar rise or decline of 50 basis points for maturities over 1 year.

Table T.29 measures the impact of the before-mentioned movements on revenues at 31 December 2020.

Table T.30 shows the impact of a movement of 200 basis points in the interest rate curve on the value of the own funds for the last 3 semesters.

Credit and Investment Risk

Credit Risk is defined as the loss the Bank would incur if a borrower, counterparty or issuer of securities or other instruments we hold as investments failed to perform under its contractual obligations to us.

Overview

The Bank is exposed to credit risks associated with most of its activities. These include, mainly, direct exposure to credit risks associated with securities issued by third parties and held as investment or trading assets of the Bank. Credit risks arising from dealings with professional counterparties as well as issuers of listed securities represent most of our exposures and, given their nature, are assessed in combination with procedures for managing market risks discussed above in Market Risk. To a lesser extent, they also include direct exposure to clients who have contracted loans, usually on a margin basis as part of their normal trading activities, and market or settlement risk associated with trading activities by clients.

Credit exposures at BiG may include corporate and sovereign bonds acquired in the market, direct loans to customers, full value and replacement value interbank risks, securities-related settlement risk, receivables under derivative and foreign exchange contracts, and to a lesser extent, lending-related commitments under guarantees and similar facilities. Credit exposures may result also from failures in operational controls and are implicit in our relationships with key third-party suppliers. In its process of analysis and approval, the Bank assesses these exposures at several levels: at the level of individual transaction, at the level of maximum exposure to the client and related “family,” and, separately, at the level of respective portfolios to measure concentration of risks in a given class of assets, sector, industry or geographic location. As a matter of policy, all exposures are assessed and processed for approval, whether on or off-balance sheet in nature.

T.29 (Euro)

December 2020			
Parralel increase of 200 bp	**Parralel decrease of 200 bp**	**Increase of 50 bp after 1 year**	**Decrease of 50 bp after 1 year**
-8,041,037	8,041,037	-2,589,624	2,589,624

Source: BiG

T.30

Interest Rate Risk - Semi-annual Evolution		
Date	Parallel increase of 200 b.p. in the interest rate curve	% Impact on own funds
dec/19	-35,885,882	-9.8%
jun/20	-27,500,765	-7.6%
dec/20	-8,041,037	-2.1%

Source: BiG

Processes

As an activity inherent to banking, credit risk is a normal part of our business model and fundamental to generating revenue and value for our shareholders. Given the importance of developing profitable business while taking risk and using capital prudently, the credit risk process aims to preserve the independence of the approval process, while allowing an effective integration with the management of business objectives. This process begins with the Board of Directors, which approves general policies and guidelines for credit risks, and which exercises oversight through its committees. The Board then delegates appropriate authorities to credit officers and support personnel, the day-to-day implementation of respective policies and responsibilities. These are:

- Quantitative and qualitative guidelines for credit reviews;
- Quantitative and qualitative guidelines and procedures for control of credit quality issues;
- Control of client, family and “house limit” risks;
- Documentation, control and filing systems;
- Management and control of risk monitoring systems and procedures;
- Maintenance of a credit scoring and approval matrix;
- Attention to the integrity and independence of the approval process;
- Adherence to regulatory guidelines;
- Pricing policy.

Nature of Credit Exposures

The nature of credit risks we manage has not varied substantially over the past several years and reflects the Bank’s business objectives and underlying model.

In broad terms, the Bank’s business strategy reduces credit risk to two broad categories:

- *Secured facilities*, which arise from our relationships with mainly retail clients. These are secured generally by cash, eligible marketable securities. This category also includes issues by banks of residential mortgage-backed securities and covered bonds;

- *Unsecured facilities*, which arise out from managing our main credit risks: namely, portfolio investments in corporate or government issuers of debt, and market trading activities with professional counterparties. Exposures classified by the Bank as unsecured may involve sovereign debt issues, or debt issues of any number of entities guaranteed by sovereign guarantors. Given the size of the Bank's investment portfolio of corporate and sovereign senior bonds, this type of facility represents the largest portion of credit exposure for the Bank.

Credit Procedures

In accordance with the Bank's Credit Policy, the basis for approving credit exposures, whether secured or unsecured, includes a determination of a risk score for the credit exposure, calculated based on primarily objective criteria. The results of the process of financial analysis and risk scoring serve as the basis for deciding the returns associated with the risk assumed, including considerations on minimum pricing, acceptable structure, tenor and appropriate documentation.

In the process, the Bank follows a pre-established approval matrix, which combines the results of credit scoring, tenors, maximum levels of overall exposure including any transaction under consideration, and the pre-approved levels of lending authorities granted to credit officers by the Board of Directors. Other criteria for determining levels of signature include the existence and type of collateral underlying the full-value exposure.

Unsecured exposures

Extensions of credit or related exposures that are not fully collateralized, or where the collateral offered may not be liquid, are subject to an objective and periodic review of historical financials and conservative projections as a basis for approving any type of facility. This process may be accompanied by information provided by an international rating service, particularly in the case of non-domestic issuers and financial institutions. Other criteria used as part of the approval process include qualitative considerations, such as the quality and reputation of management, the borrower's positioning and performance within its peer group and other relevant information.

Principal, full-value unsecured exposures are those to financial institutions via the interbank money market, where the Bank acts as a lender to other banks, to the financial, corporate and sovereign sector represented usually by quoted debt securities of varying maturities.

Concentration of Risks

The Bank views its exposure to concentrations of risk by category: credit risk, market risk, liquidity risk and operational risk.

In the case of managing credit concentrations, Management and the Bank's risk area focus on daily reports which summarize the largest concentrations of risk, including direct, indirect and contingent exposures. These are divided by financial and non-financial exposures. The reports among others serve as a management tool to monitor large exposures regularly and serve as a basis for periodic reporting of regulatory limits, including exposures equal to 10% of own funds and legal lending limits, representing 25% of consolidated regulatory capital. Sector, country and rating exposures at 31 December 2020 are presented in tables T.31 to T.34:

Stress Testing

The Bank measures all relevant exposures in several manners, but none is deemed by Management as important as the series of stress tests we run. As with other portfolios, whose risks are measured in a variety of manners daily, the Bank's investment portfolio, consisting of mainly fixed income securities of varying tenors, is subject to a number of

T.31 (Euro)

Exposure by sector	Amount
Government	849,034,634
Asset backed securities	503,056,301
Financial	131,524,050
Utilities	104,018,533
Energy	95,431,502
Basic Materials	62,366,233
Consumer, Non-Cyclical	51,591,967
Industrial	33,469,900
Consumer, Cyclical	10,011,153
Communications	13,270,801
Technology	4,510,915
Total	**1,858,285,991**

T.32 (Euro)

December 2020 Exposure by Investment Strategy	Amount
Bonds	1,858,285,991
Equity	2,688,767
Cash & Near Cash	197,349,498
Total	**2,058,324,256**

T.33 (Euro)

Exposure by Country - top 15	Amount
Portugal	721,325,774
Italy	661,577,126
Spain	171,865,429
Mexico	51,883,674
United States	49,615,859
France	31,786,558
Germany	26,259,921
China	24,071,002
Colombia	22,236,185
Brazil	20,442,470
Chile	16,053,431
Great Britain	12,899,779
Mozambique	11,422,242
Peru	10,440,051
Indonesia	8,765,163
Total	**1,840,644,663**

T.34 (Euro)

Exposure by rating	Aaa	Aa	A	Baa	Ba	B	Caa	NA	Total
Supranational Debt	892,250	0	523,209	0	0	0	0	0	1,415,459
Government Debt	16,455,639	1,800,709	129,052,828	662,736,531	22,181,338	0	10,840,969	0	843,068,014
Regional Debt	0	0	2,016,369	0	2,534,793	0	0	0	4,551,162
ABS	0	181,526,685	321,529,616	0	0	0	0	0	503,056,301
Covered - Banks	3,035,684	1,011,681	31,602,096	0	0	0	0	0	35,649,462
Senior - Banks	0	0	36,671,109	37,555,915	0	0	0	11,811,269	86,038,293
Subordinated - Banks	0	0	0	4,136,723	2,072,991	2,468,338	0	1,158,244	9,836,296
Senior Debt	0	6,258,593	22,110,632	127,772,984	53,523,194	0	0	144,869,976	354,535,379
Subordinated - Corporate	0	0	2,124,555	9,028,485	8,982,586	0	0	0	20,135,626
Total	**20,383,573**	**190,597,668**	**545,630,414**	**841,230,638**	**89,294,902**	**2,468,338**	**10,840,969**	**157,839,489**	**1,858,285,991**

Source: BiG

stress tests to provide Management with an assessment of potential losses, assuming a number of different, hypothetical scenarios. In addition to historical scenarios, we focus daily on extreme or highly unlikely scenarios, which are applied to positions to test the resiliency of the Bank's balance sheet and capital adequacy. When applied to this portfolio, these scenarios seek to measure potential losses by class, by largest individual potential loss, and by industrial sector.

The simulations below are based on the impact on the movement of credit spreads and yields in evaluating debt securities, along with their maturity and duration. Another variable is the size of the hedge covering the fixed income portfolio. The objective of the tests is to determine the extent to which earnings may be affected and shareholder funds may be depleted in theoretical circumstances. The results of these tests are used to maintain discipline and control position-taking or excessive concentrations.

T.35 (Euro)

Country (Top 10)	Extreme scenarios
Italy	17,983,083
Portugal	6,032,269
Spain	4,183,583
Mexico	2,737,225
Brazil	1,178,407
United States	863,329
France	695,188
China	508,539
Colombia	479,164
Chile	428,470
Total	**35,089,256**

The results at 31 December 2020 follow (T.35) and show that, under the most extreme circumstances, theoretical losses would be significant but would not affect the overall solvency of the Bank, which would remain comfortably above levels necessary to continue operations.

Table T.36 shows the range of testing results during 2020:

T.36 (Euro 000)

Maximum and minimum losses			
Maximum (*)	Minimum (*)	Average	Std Deviation
-70,303	-35,477	-49,041	9,672

(*) Maximum and minimum losses

Source: BiG

Credit Exposure to Derivatives

Derivatives contracts are financial instruments, such as futures, forwards, swaps and options, which derive their value from underlying assets, indices, interest rates or currency exchange rates, among others. BiG utilizes derivative financial instruments and foreign exchange instruments to manage the Bank's exposures to the markets to generate revenues through its trading activities. In assessing risks, the Bank follows the same credit procedures for derivatives and foreign exchange-related exposures, as it does for traditional lending products described above. Credit limits for these products are calculated and controlled based on potential exposure, which takes into consideration current market values and estimates of future movements in market rates based on statistical criteria.

As part of the process, BiG calculates the cost of replacing a derivative or foreign exchange contract as the primary measure of exposure to credit risk. This refers to the cost of replacing a contract at extreme market conditions should a counterparty default prior to the date of settlement. The Bank uses mark to market procedures to assess the cost of replacing a derivative or foreign exchange contract in the open market.

A summary of notional derivatives exposure and related receivables under contracts with counterparties at 31 December 2020 may be found in Note 25.

Model Risk

Model risk is a sub-category of the Bank's Market, Credit and Operational risk management processes. It reflects the use by the Bank of estimations and financial analyses underlying some our daily assessments and the potential that incorrect formulas or assumptions might lead to inappropriate decisions. The methods used to make estimates about our business are applied to valuing positions, measuring risk, calculating regulatory requirements, monitoring appetite for risk via stress testing models, and estimating potential credit losses, among others. They range from simple to varying levels of complexity and require frequent review by the users/owners to ensure their integrity. A separate function, the *Model Validation committee*, analyzes and challenges the appropriateness of models on a regular basis, may approve or recommend changes, depending on the level of underlying risk, and reports findings to the Board.

Operational Risk

Operational risk may arise from inadequate procedures or systems, human risk or external events.

The Bank, given the nature of its business, is exposed to potential losses and/or risk to our reputation from human or systems-related operational errors, unexpected interruptions in business processing or insufficient execution on the part of third-party suppliers of significant components of our complete business model.

In the process of managing operating risks pro-actively to keep exposures to minimal levels, the Bank reviews its system of internal governance on a regular basis to ensure the smooth running of the business under both normal and unusual circumstances.

These systems and procedures are designed to reduce the risks of fraud from internal or external sources, or of errors or breakdowns, which can be the result of unexpected events associated with the technology and systems infrastructure, procedures and telecommunications (see Note 42).

Limiting operating risk by adhering to internal procedures is essential to providing a competent service to our clients and to reducing the risk of loss or regulatory sanctions. Responsibility for managing operating risks lies with the heads of individual business and support units. To monitor risks and the execution and enforcement of procedures throughout the Bank is a separate governance structure, consisting of the following internal oversight groups, which meet separately with their functional supervisors on the Executive Committee, and form part of the Bank's All Risk Committee:

- Operational Risk, which reviews the appropriateness of internal procedures, adequacy of human and systems support to conduct normal business functions and day to day risks to which the Bank is exposed, based on self-assessment processes, controls over operational errors by area, and planned internal and external audits;

- Technology Risk, which oversees the adequacy and security of the complex technical infrastructure supporting every aspect of the Bank's internal processing, reporting and links with third party suppliers of information and execution services;

The respective internal committees also conduct self-assessment exercises periodically, usually with their direct reports, to identify and act on risks associated with operations, technology, and regulatory compliance. The control processes include, as examples, frequent review of relevant operating procedures, adherence to regulatory guidelines, internal and external audits of operating departments, systems, commercial and trading areas, back-up procedures and maintenance of outsourcing arrangements and an appropriate business recovery plan to reduce the effects of any unforeseen interruption of the Bank's business activities.

Because of the nature of our business, operating errors do occur on occasion. It is the aim of the above governance structure and internal departments to ensure adherence to prudential and regulatory guidelines, such that the costs of such errors are kept to levels commensurate with our capital and business strategy.

To assist in this control, the Bank has internal procedures for reporting data associated with operational errors to Senior Management on a regular basis. Such analyses and reporting allow for problems to be identified at their source and amended accordingly. The data compiled is extensive and permits a detailed analysis of actual operational losses incurred by type of event, by business line, by impact, and by specific or average amounts.

The impact of the events as a function of the Bank's operating income is quite low, as can be seen in the table below.

A key to controlling operational risks and maintaining avoidable operational losses at acceptable levels is the Bank's culture of risk identification and mitigation. Management encourages the rapid escalation of actual or potential operational issues to senior managers and their pro-active resolution. The Bank uses tools such as Logic Manager to manage operational

T.37

Operational Risk event types (Basel)	Events #					
	Total '19	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Total '20
Internal fraud	2	0	0	0	0	0
External fraud	2	1	0	0	1	2
Employment practices and workplace safety	0	0	0	0	0	0
Clients, products and business practice	17	1	4	4	2	11
Damage to physical assets	0	0	0	0	0	0
Business disruption and systems failures	14	3	7	6	17	33
Execution, delivery and process management	71	39	42	21	13	115
	106	**44**	**53**	**31**	**33**	**161**

T.38 (Euro)

Operational Risk event types (Basel)	Total '19	Events amount Q1 '20	Q2 '20	Q3 '20	Q4 '20	Total '20
Internal fraud	-16,805	0	0	0	0	0
External fraud	0	0	0	0	0	0
Employment practices and workplace safety	0	0	0	0	0	0
Clients, products and business practice	-14,584	0	-175,000	-2,040	0	-177,040
Damage to physical assets	0	0	0	0	0	0
Business disruption and systems failures	-354	-1	-82,408	-262	-57	-82,729
Execution, delivery and process management	-10,178	-21,650	-59,029	-3,959	-3,766	-88,404
	-41,921	**-21,651**	**-316,437**	**-6,262**	**-3,823**	**-348,173**

T.39

Operational Risk events by Business Lines (Basel)	Total '19	Events # Q1 '20	Q2 '20	Q3 '20	Q4 '20	Total '20
1. Corporate finance	0	0	0	0	0	0
2. Trading and sales	4	5	1	2	1	9
3. Payment and settlement	7	2	0	4	2	8
4. Commercial banking	8	3	1	4	1	9
5. Agency services	1	1	1	1	0	3
6. Retail banking	30	7	7	6	17	37
7. Retail brokerage	18	18	31	9	8	66
8. Asset management	11	3	4	0	0	7
9. Others	27	5	8	5	4	22
	106	**44**	**53**	**31**	**33**	**161**

T.40 (Euro)

Operational Risk events by Business Lines (Basel)	Total '19	Events amount Q1 '20	Q2 '20	Q3 '20	Q4 '20	Total '20
1. Corporate finance	0	0	0	0	0	0
2. Trading and sales	0	-1,498	0	0	0	-1,498
3. Payment and settlement	-2,854	0	0	0	0	0
4. Commercial banking	-19,624	0	170	0	-485	-315
5. Agency services	0	0	0	0	0	0
6. Retail banking	-1,265	-1,296	-61,675	-262	-502	-63,735
7. Retail brokerage	-1,369	-18,348	-70,632	-6,000	982	-93,998
8. Asset management	-3,170	-253	-9,224	0	0	-9,477
9. Others	-13,639	-256	-175,076	0	-3,818	-179,150
	-41,921	**-21,651**	**-316,437**	**-6,262**	**-3,823**	**-348,173**

T.41

Events by Region	Portugal	Mozambique	BiG Group
# Op Risk Incidents	152	9	161
Value (EUR)	-347,405	-768	-348,173

T.42

Year	Op Risk Incidents	Earnings	%
2017	-78,385	105,457,380	0.07%
2018	-71,593	57,265,336	0.13%
2019	-41,921	90,443,231	0.05%
2020	-348,173	71,663,584	0.49%

risk, internal audit, policies and procedures, customer claims, and IT governance.

Business Continuity and Information Security

The continuity of the Bank's business in stressed circumstances, or in a disaster scenario, is a priority, the subject of extensive planning, a key assumption underlying our business model, and a matter of daily attention by Management.

To this end, we work to ensure that our business can operate under the most extenuating circumstances and that our procedures, risk management and internal controls, information and systems are secure and reliable. These issues imply continuous review and upgrades as the Bank grows and as market conditions and the regulatory environment change. As reviewed above, our daily controls on risks address our ability to ensure the sustainability of the Bank on a financial basis.

The Bank is currently reviewing and updating the existing plan to adapt it to the latest changes in cloud computing, and growth of the Bank's IT infra-structure. For 2020-2021, this involves working with a specialized external consultant to ensure completion, followed by a set of comprehensive recovery tests for different disaster scenarios.

The Bank continues to operate with non-core information assets in the cloud. This provides unparalleled security for the Bank's documents and email, as well as a full compliance with General Data Protection Regulations (GPDR). Following successful migration of non-core assets to the cloud, the Bank began implementing a data classification system, to ensure adequate levels of confidentiality for the Bank's documents based on clear business rules and content type. This will further enhance information protection and access within the Bank and provides traceability in changes as well as document access.

BiG expects to continue to directly manage the core and most critical parts of its infrastructure, while using technology and services from IBM, to guarantee higher uptime and security to its systems. Also, the agreement with IBM includes Business Continuity support, to be integrated with the Bank's global Business Continuity Plan, thus leveraging this supplier's best practices and datacenters in Europe to assist in recovery of BiG's infrastructure in case of disaster.

The increase and sophistication of cybersecurity events globally is an area of focus and has resulted in higher investment in systems, and we expect this trend to continue in 2021.

Internal Audit

Internal Audit plays a key role in the Bank, acting as the third line of defense. It is responsible for the independent verification of the adequacy and effectiveness of the organizational culture and the internal control and governance systems.

Internal Audit is responsible for evaluating the adequacy and effectiveness of (i) control processes and risk management policies, (ii) internal control mechanisms, (iii) governance issues, and (iv) compliance with internal procedures and regulations.

Internal audit prepares audit plans using a risk-based approach, which consider the priorities set by the Board and by regulatory requirements. The audit universe includes business, activity and all geographic areas and considers their inherent risks and associated controls.

The Audit function complies with the International standards for Internal Audit and performs its work with independence, objectivity, high standards of conduct and integrity, and executes its activity according to a quality assurance program.

This function reports directly to the Board of Directors. The communication of the results of any engagement results in an auditor´s opinion, conclusions, recommendations and action plans, as well as procedures to monitor the progress of the implementation of recommendations and agreed action plans.

Compliance Risk

The Bank's internal control system is based on a culture of compliance with the law and the different norms applicable to the banking activity, as well as compliance with the policies and procedures related with contractual obligations, personal conduct and relationship with Clients. Together, these systems and procedures aim to mitigate the risk that the Bank may incur losses associated with potential sanctions, litigation, limitations to its activity, and/or loss of reputation as a result of a contractual breach or a negative perception of the Bank's public image.

Compliance is both a key function within the bank and an integral part the internal culture. Each business line, therefore, is seen to be accountable for managing compliance risk. In this context, we select staff as much for their values as for their capacities and experience and seek to make transparency, respect for regulations and responsible behavior competitive selling points for the Bank in dealing with clients.

The Compliance function, as a unit, is independent and reports to the Board of Directors. Compliance has the necessary autonomy to act independently from all other areas of the Bank, in order to ensure an adequate monitoring and maintenance of the Bank's internal control systems.

The Bank's Compliance function is responsible for:

- Ensuring respect for applicable legal and regulatory requirements, including approved terms and standards of internal codes of conduct;
- Promoting an environment of control and transparency in the organizational structure that is commensurate with the complexity of services offered and the size of the institution;
- Monitoring the adequacy and efficiency of controls associated with banking risks;
- Protecting the Bank's reputation and
- Ensuring and maintaining relationships and interactions with supervisory bodies.

The Bank's compliance policy is communicated to its entire staff and updated at least on an annual basis. This policy is the core of BiG's risk-based approach culture driven throw identification, evaluation, monitoring and mitigation of the compliance risks.

With respect to anti-money laundering and risks associated with financing of terrorism, the Bank's compliance function is responsible for controlling and detecting suspicious transactions and for monitoring the execution of duties in accordance with current legislation regarding the opening of bank accounts and "know your client" rules. Moreover, it is responsible for market abuse prevention and combat mechanisms, namely through transaction and event monitoring, assuring the existence of robust controls in terms of market safety. In both subjects, the Compliance function is responsible for centralizing the reporting of and interacting with law enforcement and supervisory entities, with respect to investigation and analysis of suspicious processes and transactions.

Compliance is also responsible for analyzing and reviewing new products and services in the light of current regulation, promoting pro-active management and prior validation of the risks of such services, and identifying and preventing conflicts of interest.

Conduct Risk

Conduct Risk is of increasing importance to the financial services industry, given the reputational risk and potential loss of confidence by clients and stakeholders. It is intrinsically related to compliance-related issues and is of paramount importance to Management and the Bank's stakeholders.

As discussed above, the Bank encourages a culture of transparency and control, with clear lines of communication, training and a policy of appropriate behavior toward clients. Management and respective internal control functions are responsible for transmitting guidelines and standards on relations with clients and stakeholders, on professional ethics and on socially responsible behavior. The Bank's Code of Conduct establishes principles, values and rules on proper behavior and is fundamental to orienting and disciplining staff. Management is particularly attentive to conflicts of interest, potential mis-selling of financial products and compliance with current legislation and regulation.

The Bank's internal policy on remuneration emphasizes the need for quality services based on appropriate behavior and seeks to align incentives with the best interests of clients. This policy is reviewed in the light of MIFID II / RMIF regulations to insure the transmission of independent and profession information to clients, based on completeness and clarity. The Bank's internal governance and internal control procedures are clear on the responsibility of the Board and business units, as well as the capacity of internal control functions to act and to evaluate process and events in an independent manner.

Application of results for Banco de Investimento Global, S.A.

In 2020, Banco de Investimento Global S.A. recorded a consolidated net income of € 25,045,940.18 (twenty-five million, forty-five thousand, nine hundred and forty euros and eighteen cents) and individual net income of € 24,173,006.77 (twenty four million, one hundred and seventy-three thousand, six euros and seventy-seven cents). In its individual accounts, Banco de Investimento Global, S.A. shall, in accordance with article 97, paragraph 1, of the General Regime of Credit Institutions and Financial Companies, allocate 10% of net income to the formation of a legal reserve.

Thus, pursuant to Article 30, paragraph 1 of the By-Laws, the Board of Directors proposes the following application of the individual results of the year:

Legal Reserve .... € 2,417,300.68
Free Reserve .... € 21,755,706.09

Additionally, it also proposes to deliberate the allocation to BiG employees of a maximum amount of € 750,000 (seven hundred and fifty thousand euros), as participation on BiG's profits (Balance Sheet Allowances already reflected in the individual net income, according to the accounting rules), under the terms to be defined by the Board of Directors.

Lisbon, 24th March 2021

Board of Directors,

Carlos Adolfo Coelho Figueiredo Rodrigues
Chairman

Nicholas Leo Racich
Vice Chairman

José Galamba de Oliveira
Director

Mário João Abreu Galhardo Bolota
Executive Director / CEO

Paulo José Caramelo de Figueiredo
Executive Director

Ana Rita Gil Simões
Executive Director

Peter Alexander Baptista Rodrigues
Executive Director

João Miguel Barrier Henrique
Executive Director

Statutory Audit Report

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banco de Investimento Global, S.A. (hereon designated as “the Group”), which comprise the consolidated balance sheet as at December 31, 2020 (which shows total assets of Euro 2,203,605,500 and total shareholders' equity of Euro 421,904,979 including a net profit of Euro 25,045,940), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements fairly present in all material respects, the consolidated financial position of Banco de Investimento Global, S.A. as at December 31, 2020, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section below. In accordance with the law, we are independent of the entities that compose the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*Summary of the Audit Approach*
Measurement of financial instruments not listed in an active market at fair value *Measurement and disclosures regarding the fair value of financial instruments not listed in an active market are presented in notes 19, 20, 21 and 41 of the Group's consolidated financial statements.* The measurement of financial instruments not listed in an active market at fair value is considered a key audit matter given its relevance in the context of the consolidated financial statements and the associated level of subjectivity. On December 31, 2020, financial instruments on level 2 and 3 of the fair value hierarchy or which are subject to hedge accounting value adjustments amount to 988,134,447 euros worth of assets and 52,937,935 euros worth of liabilities. On December 31, 2020 the financial instruments not listed in an active market are composed by (i) debt financial instruments whose business model is "hold to collect and sell", classified in the financial statements as financial assets measured at fair value through other comprehensive income or trading assets; (ii) derivatives classified as trading or hedging; (iii) equity instruments; (iv) assets and liabilities subject to hedge accounting adjustments, mainly securities whose business model is hold to collect. For financial instruments classified on level 2 and 3 of the fair value hierarchy, and when observable market prices are not available, the Group determines fair value using estimates, mainly through (i) prices used in recent market transactions; (ii) multiples of comparable societies, namely in terms of activity sector, size, leverage and returns; (iii) models of discounted cash flows; (v) *Black-Scholes* models or Monte Carlo simulations; and (vi) other methodologies based on the fulfilment of the main milestones defined on initial investment, as provided for on	The audit procedures developed included the identification, assessment and evaluation of controls implemented by the Group, which allow for the identification, measurement and monitoring of market risk, as well as key controls underlying fair value measurement methodologies. In the scope of our audit work, we developed, among others, the following procedures: • Understanding of the Group's governance process, mainly in what concerns the implemented controls over the review and approval of the main assumptions and judgements used in the definition and monitoring the results of the valuation models used; • Analysis of the IFRS 9 adoption methodology documentation prepared by the Group and revision of its adherence to the principles of the mentioned standard; • Review, on a sampling basis, of the combined application of the tests to the characteristics of the financial assets' contractual cash flows and the Group's business models, based on the analysis of the available supporting documentation; • For a sample of financial instruments for which measurement was determined based mostly on unobservable data, our procedures included the assessment of the adequacy of the (i) valuation models developed by the Group and the (ii) data and (iii) assumptions used, having compared, for this purpose, the observable data with market information retrieved from external and independent sources, whenever available; and • For a sample of financial instruments for which measurement was determined based mostly on unobservable data, our procedures included, the recalculation of the fair value of those financial instruments, taking into consideration the models and inputs previously analysed.

Key Audit Matter	Summary of the Audit Approach
the International Private Equity and Venture Capital Valuation Guidelines, and which usually involve a high level of judgement by management in defining the main assumptions and inputs to be used. In this context, changes in the assumptions used in the valuation techniques used may cause an impact in the fair value determination of the instruments not listed in an active market recognized in the Group's consolidated financial statements.	Our audit procedures also included the review of disclosures regarding financial instruments not listed in an active market, included on the notes to the Group's consolidated financial statements, considering the applicable accounting policies.
Impairment losses on debt securities *Measurement and disclosures regarding the credit losses recognized for the securities portfolio are presented in notes 20, 21 and 42 of the Group's consolidated financial statements.* The significant expression of the debt securities financial statement lines, as well as the associated credit impairment losses, whose measurement requires the application of a set of assumptions and complex judgments by the Group's management in what concerns the identification of securities with a significant increase in credit risk, as well as the corresponding expected credit loss amount, justify the establishment of a key matter for our audit. On December 31, 2020 the total securities amount to 1,811,716,112 euros (of which 1,451,903,913 are classified as financial assets measured at fair value through other comprehensive income, as described in note 20 of the consolidated financial statements, and 359,812,199 euros, classified as financial assets at amortized cost under the title debt securities, as described in note 21 of the consolidated financial statements). The respective expected credit losses recognized at that date amount to 1,530,230 euros. The measurement of expected credit losses for	The audit procedures developed included the identification, assessment and evaluation of controls implemented by the Group in what concerns the approval, recording and monitoring of credit risk on debt securities, as well as key controls related to the timely identification, recording and appropriate measurement of expected credit losses. In the scope of our audit work, we developed, among others, the following procedures: • Understanding of the Group's governance process, mainly in what concerns the implemented controls over the review and approval of the main assumptions and future economic perspectives used in the models defined for measuring impairment losses; and • Analysis of the methodology documentation prepared by the Group and revision of its adherence to the principles of the mentioned standard. In what concerns the models used by the Group, we have developed a set of procedures meant to evaluate whether the assumptions made by management respond to the IFRS 9 requirements, mainly: (i) review of the model in use methodology documentation; (ii) review and testing of the portfolio segmentation; (iii) analysis of the Groups's default definition and the criteria applied in the staging classification,

Key Audit Matter	*Summary of the Audit Approach*
debt securities, as well as the respective significant increase in credit risk are calculated by the Group, mainly using information provided by external providers such as rating agencies and/or market information from data providers. For these exposures the Group developed analysis models for measurement of expected credit losses in accordance with IFRS 9 requirements, mainly the classification of exposures by different stages according to the risk behavior since inception (stages 1, 2 or 3). These models are based on (i) historical default and recovery information made available by external providers (ii) other information from the market, such as issuers credit spreads on credit default swaps traded, or the respective issuers yield curves. In this context, changes in assumptions or methodologies, or available information by external providers used by the Group in the analysis and quantification of expected credit losses on debt securities may have a relevant impact on the estimate of cash flow recovery and the timing of its receipt, and consequently on the determination of expected credit losses recognized as impairment on the Group's consolidated financial statements on December 31, 2020.	on a sampling basis; (iv) review and testing of the main risk parameters; (v) analysis of the main assumptions and data sources used in the future recoveries incorporated in the LGD (Loss Given Default) measurement; and (vi) recalculation of Expected Credit Loss. Our audit procedures also included the review of disclosures regarding financial instruments not listed in an active market, included on the notes to the Group's consolidated financial statements, considering the applicable accounting policies.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which fairly present the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions made by users based on those financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient and appropriate audit evidence related to the financial information of the entities or activities within the Group to express an opinion regarding the consolidated financial statements. We are responsible for the orientation, supervision and performance of the Group audit and we are responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of the Group in the Shareholders' General Meeting of May 8, 2014 for the period from 2014 to 2017. Our latest appointment took place on the Shareholders' General Meeting of May 10, 2018 for the period from 2018 to 2021.

b) The management has confirmed to us that it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board on March 31, 2021.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

31 March 2021

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

Aurélio Adriano Rangel Amado, R.O.C.

Report and Opinion of the Supervisory Board of
Banco de Investimento Global, S.A. on the Group's consolidated financial statements

To the Shareholders,
As per the articles no. 508-D and no. 420 of the Portuguese Commercial Companies Code, and to the no. 2 of the Twenty-Fourth article of the Articles of Association of Banco de Investimento Global, S.A. (hereinafter referred to as "BiG" ou "Bank"), it is the Supervisory Board's competence to examine the consolidated financial statements of the Group presented to it by the BiG's board of directors with respect to the year ended December 31 2020.

Therefore, in the course of 2020, we have actively accompanied the activity, as and when deemed necessary, the management and the results of the Bank and its subsidiaries (Group). We have verified the adequacy of the accounting records and the correctness of the corresponding consolidated accounts documentation and the valuation criteria adopted by BiG for the correct appraisal of its assets and results.

We have also verified the effectiveness of the systems of internal control, risk management and internal audit, both in general for the whole Group and specifically regarding the anti-money laundering and terrorist financing prevention system, namely the relevant controls for the Group's activity. The Supervisory Board issued a report on the adequacy and effectiveness of the Group's internal control system.
We have analyzed and accompanied the Auditing plan, also in a Group perspective.

We have also monitored the work performed by PriceWaterhouseCoopers & Associados – SROC, Lda, as the external statutory auditors of the Group (PWC) that audited throughout the year and at the end of the year the consolidated accounts that the Board of Directors produced as per the Law and Articles of Association, and we reviewed their Statutory Audit Report, in attachment, with which we concur. In its review of the consolidated Financial Statements of the year, we also took into special consideration the report on the Supervisory Body produced by PWC.

The Statutory Audit Report on the Group present an unqualified opinion and we concur with its content.

Within the scope of our mandate, we have verified that:

i) the consolidated Balance Sheet, the consolidated Income Statement by nature, the consolidated Statement of Comprehensive Income, the consolidated Statement of Changes in Equity, the consolidated Statement of Cash Flows and the corresponding Notes to the accounts allow for an adequate understanding of the financial position of the Group, its results, comprehensive income, changes in equity and the cash flows;

ii) the adopted accounting policies and valuation criteria are adequate;

iii) the consolidated management report is sufficiently clear as to the evolution of the businesses and the position of the Group and the subsidiaries included in the consolidation, and highlights the most significant aspects;

On this basis, and considering the information obtained from the Board of Directors and the conclusions in the statutory audit report, by unanimous decision, we issue a positive opinion on the following topics:

i) Approval of the consolidated management report;

ii) Approval of the consolidated financial statements;

iii) Approval of the proposal for application of results.

Finally, we would like to express our gratitude to the Board of Directors and to all the Group's employees who we contacted, for their valuable cooperation.

Lisbon, April 07, 2021

The President of the Supervisory Board
Mr. Pedro Rogério Barata do Ouro Lameira

Member
Mr. Jorge Alegria Gaspar de Aguiar

Member
Dr. João Augusto Cantiga Esteves

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2020 and 2019
(Amounts in Euros)

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2020 and 2019

	Notes	2020	2019
Interest income	4	37,795,019	45,005,713
Interest costs	4	(19,726,906)	(20,798,412)
Net interest income		**18,068,113**	**24,207,301**
Income from dividends	5	41,476	25,798
Income from fees and commission	6	14,338,782	13,560,058
Expenses from fees and commission	6	(3,012,467)	(2,485,355)
Gains or losses with the derecognition of financial assets and liabilities not measured at fair value through the income statement	7	34,748,018	49,127,291
Gains or losses with financial assets and liabilities held for trading and hedge accounting	8	5,156,644	4,655,993
Exchange differences	9	2,074,427	610,373
Profit/loss from sale of other assets	10	(40,151)	-
Other operating results	11	288,742	741,772
Operating income		**71,663,584**	**90,443,231**
Administrative costs			
Staff costs	12	(19,380,764)	(20,324,787)
Other administrative costs	14	(13,018,649)	(12,009,892)
Cash contributions for resolution funds and deposit guarantee schemes	15	(1,136,151)	(915,163)
Depreciation	26 e 27	(2,238,810)	(2,375,391)
Provisions or reversal of provisions	33	84,000	1,730,876
Impairment or reversal of impairment of financial assets not measured at fair value through the income statement			
Financial assets at fair value through other comprehensive income	20	(1,029,493)	566,316
Financial assets at amortised cost	21, 22 e 23	(34,103)	393,918
Impairment or reversal of impairment of non-financial assets			
Other	29	(39,243)	(6,234)
Operating costs		**(36,793,213)**	**(32,940,357)**
Pre-tax profit		**34,870,371**	**57,502,874**
Tax expenses or revenue related with results from ongoing operating units			
Current	36	(8,885,664)	(11,610,532)
Deferred	36	(336,386)	(3,340,919)
Profit or loss of the year before minority interests		**25,648,321**	**42,551,423**
Minority interests		(602,381)	(472,944)
Profit or loss of the year		**25,045,940**	**42,078,479**
Earnings per basic share	16	0.15	0.24
Earnings per diluted share	16	0.15	0.24

The explanatory Notes attached form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2020 and 2019

	Note	2020	2019
Net Profit / Loss of the year		25,045,940	42,078,479
Items which could be reclassified for results			
Debt instruments at fair value through other comprehensive income			
Gains and losses of the year	38	12,077,713	32,130,346
Reclassification of Gains and Losses	38	(5,658,353)	13,232,487
Deferred tax	38	(2,022,435)	(14,248,124)
Exchange differences	38		843,268
Items which could be reclassified for results			
Debt instruments held for trading			
Gains and losses of the year	38	(566,701)	793,415
Current tax	38	155,843	(238,407)
		3,986,067	**32,512,985**
Total comprehensive income of the year		**29,032,007**	**74,591,464**
Attributable to:			
The Bank's Shareholders		29,032,007	74,591,464
Total gains and losses recognised in the year		**29,032,007**	**74,591,464**
Variation of Other Comprehensive Income of the year		**29,032,007**	**74,591,464**

The explanatory Notes attached form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

On 31 December 2020 and 2019

	Notes	2020	2019
Assets			
Cash, cash balances in central banks and other demand deposits			
Cash and cash reserves in Central Banks	17	89,352,772	99,160,498
Other demand deposits	18	107,996,726	74,194,798
Financial assets held for trading	19	50,106,609	50,444,469
Financial assets at fair value through other comprehensive income	20	1,451,903,913	1,541,888,204
Financial assets at amortised cost			
Debt securities	21	359,812,199	384,839,548
Loans and advances - Clients	22	32,428,823	21,116,693
Loans and advances - Central Banks	23	8,017,812	8,785,469
Loans and advances - Banks	24	6,157,106	4,871,836
Tangible assets	26	19,120,552	21,119,974
Intangible assets	27	4,053,211	2,937,612
Tax assets			
Current tax assets	28	2,689,184	-
Deferred tax assets	36	-	627,803
Other assets	29	71,966,593	58,427,413
Total Assets		**2,203,605,500**	**2,268,414,317**
Liabilities			
Financial liabilities held for trading	19	22,899	59,932
Financial liabilities measured at amortised cost			
Funding from clients	32	1,402,939,710	1,289,576,472
Funding from central banks	31	75,000,000	-
Funding from other banks	30	213,180,134	491,760,263
Derivatives - Hedge accounting	25	52,915,036	37,626,227
Provisions	33	1,523,413	1,607,412
Tax liabilities			
Current tax liabilities	28	-	8,453,341
Deferred tax liabilities	36	1,362,564	-
Share capital reimbursable at sight	34	14,304,989	-
Other liabilities	37	20,451,776	40,075,339
Total liabilities		**1,781,700,521**	**1,869,158,986**
Capital			
Capital	38	171,947,388	171,947,388
Issue premiums	38	1,362,281	1,362,281
Other accumulated comprehensive income	38	2,256,650	(2,296,118)
Other reserves	38	217,344,707	197,866,669
Treasury stock	38	(2,326)	(2,326)
Profit/loss attributable to owners of the parent company		25,045,940	42,078,479
Interim dividends	38	-	(15,475,031)
Minority interests		3,950,339	3,773,989
Total equity		**421,904,979**	**399,255,331**
Total equity and Total liabilities		**2,203,605,500**	**2,268,414,317**

The explanatory Notes attached form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2020 and 2019

	Capital	Issue premiums	Treasury stock	Fair value reserve	Legal reserve	Other reserves	Net result of the year	Interim dividends	Minority interests	Total Equity
Balances on 31 December 2018	**171,947,388**	**1,362,281**	**(2,326)**	**(34,015,688)**	**41,594,112**	**143,205,614**	**23,056,216**	**-**	**-**	**347,147,597**
Comprehensive income										
Other comprehensive income	-	-	-	31,719,570	-	793,415	-	-	-	32,512,985
Net result of the year	-	-	-	-	-	-	42,078,479	-	3,773,989	45,852,468
Total comprehensive income recognised in the year	**-**	**-**	**-**	**31,719,570**	**-**	**793,415**	**42,078,479**	**-**	**3,773,989**	**78,365,453**
Distribution of the result of the year 2019										
Transfer to reserves	-	-	-	-	2,005,905	10,267,623	(10,160,357)	-	-	2,113,171
Distribution of dividends	-	-	-	-	-	-	(12,895,859)	(15,475,031)	-	(28,370,890)
Balances on 31 December 2019	**171,947,388**	**1,362,281**	**(2,326)**	**(2,296,118)**	**43,600,017**	**154,266,652**	**42,078,479**	**(15,475,031)**	**3,773,989**	**399,255,331**
Comprehensive income										
Other comprehensive income	-	-	-	4,552,768	-	(566,701)	-	-	-	3,986,067
Net result of the year	-	-	-	-	-	-	25,045,940	-	176,350	25,222,290
Total comprehensive income recognised in the year	**-**	**-**	**-**	**4,552,768**	**-**	**(566,701)**	**25,045,940**	**-**	**176,350**	**29,208,357**
Distribution of the result of the year 2019										
Transfer to reserves	-	-	-	-	4,031,813	16,012,926	(26,603,448)	-	-	(6,558,709)
Distribution of dividends	-	-	-	-	-	-	(15,475,031)	15,475,031	-	-
Balances on 31 December 2020	**171,947,388**	**1,362,281**	**(2,326)**	**2,256,650**	**47,631,830**	**169,712,877**	**25,045,940**	**-**	**3,950,339**	**421,904,979**

The explanatory Notes attached form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2020 and 2019

	Note	2020	2019
Cash flows from operating activities			
Interest and income received		39,830,230	52,852,169
Interest and costs paid		(19,921,368)	(21,681,868)
Services and commission		12,171,063	11,075,403
Contributions to the pension fund		(387,802)	(344,501)
Cash payments to employees and suppliers		(32,392,991)	(30,863,250)
Other costs and income paid/received		739,071	(1,624,928)
		38,203	9,413,025
Variation in operating assets and liabilities:			
Deposits in central banks		9,613,032	(27,861,685)
Financial assets and liabilities held for trading		10,686,928	28,177,254
Applications in Banks		(3,736,587)	(9,855,771)
Funding from central banks		75,000,000	-
Funding from Banks		(266,720,365)	(61,946,805)
Loans to clients		13,608,347	(30,267,022)
Funding from clients		105,575,060	(22,359,173)
Derivatives for risk management		13,370,972	18,608,544
Other operating assets and liabilities		(31,652,202)	(9,205)
Cash flow net of the operating activities, before taxation		**(74,216,612)**	**(96,100,838)**
Taxation on profits paid / received		(20,638,511)	14,552,068
		(94,855,123)	(81,548,770)
Cash flow from investment activities			
Dividends received		56,823	25,798
Financial assets at fair value through other comprehensive income		120,348,839	116,208,792
Purchase of financial investments		(2,218,860)	(5,647,884)
		118,186,802	110,586,706
Cash flow from financing activities			
Subscription / redemption of participation units		(912,566)	-
Dividends paid from ordinary shares		(353,232)	(28,370,890)
Instruments representing capital		14,304,984	(16,341,504)
Increase/ (Decrease) other liabilities in accounts		(739,735)	(624,034)
Increase in capital		521,787	4,624,392
Cash flow net of financing activities		**12,821,238**	**(40,712,036)**
Cash and cash equivalents at the start of the period		76,494,254	87,771,180
Net variation in cash and cash equivalents		**36,152,917**	**(11,674,100)**
Effect of the change in the exchange rate on cash and cash equivalents		(2,338,640)	397,174
Cash and cash equivalents at the end of the period		**110,308,531**	**76,494,254**
Cash and cash equivalents includes:			
Cash	17	2,311,805	2,299,456
Deposits in other Banks	18	107,996,726	74,194,798
Total		**110,308,531**	**76,494,254**

The explanatory Notes attached form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2020 and 2019
(Amounts in Euros)

INTRODUCTION

Banco de Investimento Global, S.A. (Bank or BiG) was created by public deed on 10 December 1998, and began its banking activity on 1 March 1999. The Bank is licensed to perform all transactions and provide all services allowed in the banking sector, with no legal restriction.

BiG Serviços Financeiros, S.A., fully owned by the Bank, was founded on the 11th of September 2008, and has the main object of providing financial consultancy services, and also owns or manages buildings. This entity is consolidated using the full consolidation method.

The entity ONETIER PARTNERS, SCR, S.A., fully owned by the Bank, was incorporated on the 24th of April of 2004, with headquarters in Lisbon and it is focused in the undertaking of temporary investments, for periods no longer than 10 years, in companies with high growth and value potential. Until the 31st of December of 2020, it was indirectly owned by Banco de Investimento Global, S.A. via its 100% equity stake in ONETIER PARTNERS, SGPS, S.A.. Nevertheless, and at the end of 2020, ONETIER PARTNERS, SGPS, S.A. entity was dissolved. At the time, this entity only owned a 100% equity stake in ONETIER PARTNERS, SCR, S.A., which is now directly owned by the Bank. This entity is consolidated using the full consolidation method.

On 31 December 2020, the Bank held a shareholding of 82.6% in the capital of Banco BiG Moçambique, S.A. (BiG Moçambique). BiG Moçambique was founded on 8 October 2014, based in Maputo, its main social purpose being the realization of any operations and provision of any services that banks are allowed in Mozambique, with no legal restriction.

During the first quarter of 2020, BiG Moçambique implemented an equity raising operation in the total amount of MZN 528,655,000 to comply with the minimum capital requirements for banks, recently reviewed and defined by the regulator in Mozambique. This operation was underwritten by all the shareholders in proportion to their equity stakes, with BiG Portugal underwriting the amount of MZN 436,863,985. As a result of the equity raising operation and the sale of a block of 15,823 shares to one of the shareholders at the share's nominal value, BiG Portugal now holds 82.6% of BiG Moçambique's equity. In 2020, BiG Moçambique distributed dividends amounting to MZN 300,000,000, of which MZN 247,908,176 were attributed to BiG Portugal. This entity is consolidated using the full consolidation method.

BiG Diversified Macro Fund, an open-ended collective investment undertaking, set up on 25 April 2018, based in Dublin, Ireland, and regulated under the Alternative Investment Fund Managers Directive (AIFMD), is held by the Bank in 94.3% of its investment units and it is consolidated using the full consolidation method.

◢ NOTE 1
BASES OF PRESENTATION AND COMPARABILITY OF INFORMATION

Pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, transposed into Portuguese legislation, the consolidated financial statements of Banco de Investimento Global, S.A. (BiG or Group) are prepared in accordance with the International Financial Reporting Standards (IAS/IFRS), as adopted by the European Union.

IFRS include the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and by the respective preceding bodies.

BiG's consolidated financial statements now presented, relate to the year ended on 31 December 2020 and were prepared in accordance with the IFRS, as adopted in the European Union by 31 December 2020. The accounting policies used by the Group in the preparation of the financial statements reported on 31 December 2020 are consistent with those used with reference to 31 December 2019.

The consolidated financial statements are stated in Euros. These were prepared in accordance with the historical cost principle, with the exception of assets and liabilities recorded at fair value, namely derivative financial instruments, financial assets and liabilities held for trading, financial assets at fair value through other comprehensive income, and bonds for which the interest rate risk is hedged by derivatives in their component that is being hedged.

The preparation of consolidated financial statements in accordance with IFRS requires the Group to make judgements and estimates and uses assumptions which affect the application of accounting policies and amounts of revenues, costs, assets and liabilities. Alterations in these assumptions or differences between these and the actual situation can have an impact on the actual estimates and judgements. The areas which involve a greater degree of judgement or complexity, or where significant assumptions and estimates are used in the preparation of the Consolidated Financial Statements are analysed in Note 3.

The accounting policies were applied consistently to all the entities of the Group, and are consistent with those used in the preparation of the financial statements of the previous period

These financial statements were approved in the meeting of the Board of Directors on 24 March 2021.

Comparability of information

Following the publishment of the Commission Implementing Regulation (EU) 2020/429 of 14 February 2020, the 2019 income statement was reclassified. For purposes of comparability of information, the values referring to 2019 are presented as follows.

In this reclassification, the Cash contributions for the resolution funds and deposit guarantee schemes item was reclassified from the item Other operating income to an autonomous item, as well as direct and indirect taxes, which were reclassified from the item Other operating income to the item Other administrative costs.

	2019 Reclassified	2019	Difference
Interest income	45,005,713	45,005,713	
Interest costs	(20,798,412)	(20,798,412)	
Net interest income	**24,207,301**	**24,207,301**	
Income from dividends	25,798	25,798	
Income from fees and commission	13,560,058	13,560,058	
Expenses from fees and commission	(2,485,355)	(2,485,355)	
Gains or losses with the derecognition of financial assets and liabilities not measured at fair value through the income statement	49,127,291	49,127,291	
Gains or losses with financial assets and liabilities held for trading and hedge accounting	4,655,993	4,655,993	
Exchange differences	610,373	610,373	
Profit/loss from sale of other assets	-	-	
Other operating results	741,772	(1,615,438)	2,357,210
Operating income	**90,443,231**	**88,086,021**	**2,357,210**
Administrative costs			
Staff costs	(20,324,787)	(20,324,787)	
Other administrative costs	(12,009,892)	(10,567,845)	(1,442,047)
Cash contributions for resolution funds and deposit guarantee schemes	(915,163)	-	(915,163)
Depreciation	(2,375,391)	(2,375,391)	
Provisions or reversal of provisions	1,730,876	1,730,876	
Impairment or reversal of impairment of financial assets not measured at fair value through the income statement			
Financial assets at fair value through other comprehensive income	566,316	566,316	
Financial assets at amortised cost	393,918	393,918	
Impairment or reversal of impairment of non-financial assets			
Other	(6,234)	(6,234)	
Operating costs	**(32,940,357)**	**(30,583,147)**	**(2,357,210)**
Pre-tax profit	**57,502,874**	**57,502,874**	
Tax expenses or revenue related with results from ongoing operating units			
Current	(11,610,532)	(11,610,532)	
Deferred	(3,340,919)	(3,340,919)	
Profit or loss of the year before minority interests	**42,551,423**	**42,551,423**	
Minority interests	(472,944)	(472,944)	
Profit or loss of the year	**42,078,479**	**42,078,479**	

NOTE 2
MAIN ACCOUNTING POLICIES

The most important accounting policies that were used in the preparation of the financial statements are described below.

2.1. Accrual accounting

The Group adopts the accounting principle of accrual accounting in relation to most of the captions of the financial statements. So, costs and revenue are recorded as they are generated, regardless of when they are paid or received.

2.2. Transactions in foreign currency

The Group's accounts are prepared in the currency of the economic environment in which it operates (functional currency), being stated in Euros.

Transactions in foreign currency are converted at the rate of exchange in force on the date of the transaction. Monetary assets and liabilities expressed in foreign currency are converted into Euros at the rate of exchange in force on the date of the balance sheet. The exchange differences resulting from this conversion are recognised in profit and loss. Non-monetary assets and liabilities recorded at historical cost expressed in foreign currency are converted at the rate of exchange on the date of the transaction. Non-monetary assets and liabilities expressed in foreign currency recorded at fair value are converted at the rate of exchange in force on the date on which the fair value was determined. The resulting exchange differences are recognised in profit and loss, except in respect of differences classified as financial assets at fair value through other comprehensive income, which are recorded as a counter-entry of equity and in profit and loss.

2.3. Derivative financial instruments and hedge accounting

Classification and measurement

The Group classifies the following as derivatives for risk management (i) hedging derivatives and (ii) derivatives taken out with the aim of hedging certain assets and liabilities designated at fair value through the income statement but which were not classified as hedges.

All other derivatives are classified as trading derivatives.

Financial derivative instruments, with the exception of hedging derivatives, are recognised on their trade date at their fair value. Subsequently, the fair value of these instruments is revaluated on a regular basis, with the gains or losses resulting from this revaluation being entered directly in the income statement of the year.

There may be two types of hedging with measurement varying according to their nature:

- *Fair value hedging* consists in the hedging of exposure to changes in the fair value of a recognised asset and liability. Any gain or loss in the hedging instrument and with the opposite sign in the hedged instrument will be included in the results of the year.

- *Cash flow hedge*, consists in the hedging of exposure to the variability in cash flows that is attributable i) to a particular risk of a recognised asset and liability ii) or to a transaction considered highly probable and that might affect profits and losses. The variation in gains and losses in the hedging instrument will be recorded in equity.

Hedge accounting

Classification criteria

As of 1 January 2019, the Group applies the provisions of IFRS 9 in relation to hedge accounting on the understanding that this option is more aligned with its risk management, specifically as regards interest rate risk.

Financial derivative instruments used for hedging may be classified in the accounts as hedges, provided that they cumulatively meet the following conditions:

- There should be an economic relationship between the hedged item and the hedging instrument,

- The credit risk of the counterparty of the hedged item or of the hedging instrument should not have a dominant effect on changes in value resulting from this economic relationship, and

- The hedging ratio of the hedge accounting relationship, understood as the part of the item hedged by the hedging instrument, should be the same as the hedging ratio that is used for management purposes.

At the time when a hedge relationship is established, the Group prepares a dossier where all the information relating to the different hedge relationships is formalised and identifying the hedging instruments and the hedged item, the nature of the risk to be covered and how the Group assesses if the hedge relationship meets the requisites of efficacy of the hedge.

These assumptions are monitored in order to guarantee the effectiveness of the hedge.

Fair value hedging

In a fair value hedging operation of an asset or liability, the balance sheet value of this asset or liability, determined based on the respective accounting policy, is adjusted in order to reflect the variation in its fair value attributable to the hedged risk.

Variations in the fair value of hedge derivatives are recognised in the income statement, together with the variations in fair value of the hedged assets or liabilities, attributable to the hedged risk.

If the hedge no longer meets the criteria of enforceability of the hedge accounting.

i) The derivative financial instrument is transferred to the trading portfolio and hedge accounting is discontinued prospectively.

ii) Regarding the hedging asset or liability, the adjustment to the book value of the hedged instrument is amortised in results for the remaining period of useful life of the hedged item.

2.4. Other financial assets

Classification and measurement

At the time of the initial recognition of a financial instrument its classification depends:

- on the type of financial instrument, debt or capital;
- on the Group's business model;
- depending on the aforementioned elements, the respective financial instrument shall be classified in one of the following categories, specifically:
  - financial assets at amortised cost;
  - financial assets at fair value through other comprehensive income; or
  - financial assets at fair value through results.

Assessment of the business model

The Group analysed the business model in order to determine how its assets are managed and how information is made available and analysed by Management, in order to determine the classification and measurement of its financial instruments. Annually, the Group guarantees that its business model continues to be aligned with the way in which the financial instruments of the Group are managed.

The business model was analysed taking into account management's objective with regard to the portfolio, having considered the following elements, among others:

- The policies and objectives established for the portfolio and practical operability of these policies, including the way in which the management strategy focusses on the receipt of interest contracted, maintaining a determined interest rate profile, adapting the duration of the financial assets to the duration of the liabilities that finance these assets or on the realization of cash flows through the sale of the assets;
- The way in which the portfolio's performance is assessed and reported to the management bodies of the Group;
- The assessment of the risks that affect the performance of the business model (and of the financial assets held using this business model) and the way in which these risks are managed;
- Based on the business model and the analysis performed, for accounting purposes the Group will classify its financial instruments into one of the three categories below presented:
  - financial assets at amortised cost in the situations in which the Group wishes to receive its contractual cash flows, these instruments are measured at amortised cost;
  - financial assets at fair value through other comprehensive income in the situations in which the Group (i) aims to take the contractual cash flows and (ii) if a good opportunity comes up to realize the cash flows through their sale,
  - financial assets at fair value through results, and also financial assets classified in the fair value option are measured at fair value through results, seeing that the Group does not intend (i) to receive their contractual cash flows or (ii) to take the contractual cash flows and if a good opportunity comes up to realize the cash flows through their sale.

Financial assets measured at amortised cost

Classification

A debt security is classified in the category of Financial assets at amortised cost if the following conditions are cumulatively met:

- The financial asset is managed in a business model whose main objective is to hold assets to collect their contractual cash flows; and
- Their contractual cash flows occur on specific dates and only correspond to payments of capital and interest on the outstanding amount (SPPI – Solely Payments of Principal and Interest). For the purpose of this assessment, the Group uses the following definitions (i) Capital was defined as the fair value of the financial asset on their initial recognition, (ii) Interest

was defined as the compensation for the time value of the money, for the credit risk associated to the outstanding amount and for other risks and costs associated to the business (e.g. liquidity risk and administrative costs), and also a profit margin. In the assessment of the financial instruments in which the contractual cash flows refer exclusively to capital and interest, the Group considered the contractual terms at the time of the acquisition / recognition of the respective financial instruments.

To ensure that the financial debt instruments meet the SPPI requisites, the Group thoroughly analysed them, taking the following aspects into consideration, among others:

- Contingent events that could modify the periodicity and amount of the cash flows;
- Characteristics that result in leverage;
- Early payment clauses and maturity extension clauses;
- Clauses that could limit the Group's right to claim the cash flows in relation to specific assets (e.g. contracts with clauses that prevent access to assets in the event of default – non-recourse asset); and
- Characteristics that could modify the compensation by the time value of the money.

Initial recognition and subsequent measurement

The financial assets measured in this caption, specifically applications in banks, loans to clients and debt securities are recognised on their trade date, or rather, on the date on which the Group undertakes to pay the respective amounts or acquire the respective securities.

Financial assets at amortised cost are recognised initially at their fair value, plus transaction costs, and subsequently are measured at amortised cost. After their initial recognition, impairment losses are also calculated, specifically expected credit losses (see note 21), which are recorded as a counter-entry to the caption Impairment of financial assets at amortised cost (income statement).

Interest from financial assets at amortised cost is recognised in the caption of Income with interest, based on the effective interest rate method. The gains or losses generated at the time of their non-recognition are recorded in the caption Gains / (Losses) with the non-recognition of financial assets and liabilities at amortised cost.

Financial assets at fair value through other comprehensive income

Classification

A debt security is classified in the category of Financial assets at fair value through other comprehensive income if the following conditions are cumulatively met:

- The financial asset is held in a business model in which the objective is the collection of their contractual cash flows and, in case a favourable opportunity arises, to proceed with the sale of this financial asset;
- Their contractual cash flows occur on specific dates and only correspond to payments of capital and interest of the outstanding amount (SPPI).

With regard to equity instruments classified in this caption (other than equity instruments which are only classified as an equity instrument from the point of view of the issuer pursuant to the exceptions contemplated in paragraphs 16A to 16D of IAS 32), on their initial recognition, the Group can irrevocably opt to classify them in this category.

This option is exercised on a case-by-case basis, investment by investment.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. Variations in the fair value of these financial assets are recorded as a counter-entry against other comprehensive income and, at the time of their disposal, the respective accumulated gains or losses in other comprehensive income are reclassified to a specific caption of results called Gains or losses as non-recognition of financial assets at fair value through other comprehensive income.

After their initial recognition, debt instruments at fair value through other comprehensive income are also subject to the calculation of impairment losses, more specifically expected credit losses. Estimated impairment losses are recognised in the income statement, in the caption Impairment of financial assets at fair value through other comprehensive income, as a counter-entry against other comprehensive income, without reducing the book value of the financial asset in the balance sheet.

Interest, premiums or discounts of the financial assets at fair value through other comprehensive income are recognised in the caption of Interest Income based on the effective interest rate method.

Capital instruments at fair value through other comprehensive income are recognised initially at fair value, plus transaction costs, and are subsequently measured at fair value. Variations in the fair value of these financial assets are recorded as a counter-entry against other comprehensive income. When dividends remunerate the capital invested, they are recognised in the income statement once the right to receive them is granted.

Impairment is not recognised for capital instruments at fair value through other comprehensive income, the respective accumulated gains or losses being recorded in variations of fair value transferred to retained earnings at the time of their non-recognition.

Financial assets at fair value through results

A financial asset is classified in the category of Financial assets at fair value through results (FVTPL) if the business model defined by the Group for its management or the characteristics of its contractual cash flows do not meet the conditions described above for being measured at amortised cost, nor at fair value through other comprehensive income (FVTOCI).

Furthermore, the Group can classify irrevocably a financial asset, which meets the criteria to be measured at amortised cost or at FVTOCI, at fair value through results, at the time of its initial recognition, if this eliminates or significantly reduces an accounting mismatch in its measurement or recognition (*accounting mismatch*), which otherwise would result from the measurement of assets or liabilities or from the recognition of gains and losses on them on different bases.

Initial recognition and subsequent measurement

Considering that the transactions made by the Group in the normal course of its activity are at market conditions, financial assets at fair value through results are recognised initially at fair value, with the costs or revenue associated to the transactions initially recognised in the income statement. Subsequent variations of fair value of these financial assets are recognised in the income statement.

Accrued interest and premium/discount (when applicable) are recognised in the caption of Interest and equivalent revenue based on the effective interest rate of each transaction, and also accrued interest from derivatives associated to financial instruments (economic hedging) classified in this category. Dividends are recognised in the income statement when the right to receive them is attributed.

Trading derivatives with positive fair value are included in the caption Financial assets held for trading, with trading derivatives with negative fair value being included in the caption Financial liabilities held for trading.

Reclassification between categories of financial assets

Financial assets are reclassified to other categories only if the business model used in their management is altered. In this case, all the financial assets affected are reclassified.

Reclassification is applied prospectively from the date of the respective reclassification, with any gains, losses (including those related with impairment) or interest previously recognised not being restated. The reclassification of investments in capital instruments is not permitted, nor of financial instruments designated at fair value through results (fair value option).

Impairment

On each reporting date the Group assesses if there is (i) objective evidence of impairment; or (ii) a significant increase in the credit risk, for its financial debt instruments, in accordance with the rules of the IFRS9. Expected credit losses (ECL) calculated are recorded against the income statement, being subsequently reversed in results if, in a subsequent period, the amount of the estimated loss reduces.

To carry out the processes included in this procedure, the Group divides its credit portfolio by operations, specifically between loans represented by securities and loans not represented by securities.

The Group determines the expected credit losses of each operation depending on the deterioration of the credit risk verified since initial recognition. For this purpose, the operations are classified into one of the following three stages:

- *Stage* 1: financial assets are classified into stage 1 whenever no significant increase in the credit risk is noted since the date of their initial recognition. For these assets, an expected credit impairment loss resulting from events of non-compliance that occur during the 12 months after the reporting date should be recognised in the income statement of the year;

- *Stage* 2: incorporates financial assets for which there has been a significant increase in the credit risk since the date of their initial recognition, even though this situation may not have led to concrete losses and are only indications. For these financial assets, expected credit impairment losses are recognised throughout the lifetime of the assets. However, interest will continue to be calculated on the gross amount of the asset;

- *Stage* 3: the assets classified in this stage, present objective evidence of impairment on the reporting date as a result of one or more events that have already occurred and which result in a loss. In this case, the expected credit impairment loss during the expected remaining lifetime of the financial assets will be recognised in the income statement of the year. Interest is calculated on the net book value of the assets.

Main drivers in the calculation of expected losses

The measurement of expected losses is the result of the product between the probability of default (PD) of the financial instrument, a loss given as default (LGD) and the exposure on the date of the default (EAD),

With respect to loans not represented by securities, the Group uses the default rates published quarterly by the EBA as a basis for the calculation of the probability of default. The Loss Given Default is calculated based on the risk and typology of associated credit. The respective PD´s are adjusted in order to incorporate forward looking information.

For loans represented by securities, the PD´s and LGDs are inferred using information deriving from external providers, specifically Bloomberg and Moody's.

The main difference between impairment losses measured for financial assets classified in stages 1 and 2 is the respective time horizon in the calculation of the PD. The expected losses for the financial assets in stage 1 will be calculated using a PD at 12 months while the expected losses in stage 2 use a PD-lifetime.

The calculation of the expected loss for financial assets in stage 1, 2 and 3 always considers point-in-time and forward-looking information.

Significant increase in the credit risk and definition of default

Financial assets go from stage 1 to stage 2 when the credit risk increases significantly when compared with the credit risk on the date of their initial recognition. The significant increase in the credit risk should be determined through the analysis of internal quantitative and/or qualitative indicators used by the Group.

The Group regularly assesses its securities portfolio in order to estimate the expected losses in twelve months, and assess if there is a significant increase in the credit risk and if this is confirmed, it estimates the expected loss for the lifetime of the financial instrument.

To determine if there was a significant increase in the credit risk, the Group has implemented a number of variables that should be analysed, specifically:

- Negative evolution of the rating since the acquisition date;
- Negative evolution of the price taking account of the amortised cost;
- Debt of the issuer restructured due to financial difficulties;
- Delays in the payment of capital and/or interest of between 30 and 90 days;
- Inability to measure the credit risk at the time of their origination and/or acquisition.

The assessment of the default and subsequent classification of the financial assets of the portfolio of loans represented by securities in stage 3, is also regularly assessed by the Group, with the following indicators being specifically considered:

- Negative evolution of the price in view of the purchase price;
- Delays in the payment of capital and/or interest of over 90 days;
- Securities with rating equal to or less than CCC+ (non-POCI);
- Loss of the attribution of a rating;
- Disappearance of an active market for the financial asset under analysis due to financial difficulties;
- Bankruptcy/insolvency of the issuer;
- Debt of the issuer restructured due to financial difficulties;

With respect to loans not represented by securities, the Group's credit portfolio is made up principally of loans granted to clients and employees. The Group regularly assesses its portfolio of loans not represented by securities in order to estimate the expected losses at twelve months, and assess if there is a significant increase in the credit risk and if this is confirmed, it estimates the expected loss for the lifetime of the financial instrument.

To determine if there was a significant increase in the credit risk in the non-securitized portfolio, the Group implemented several variables to be analysed. These variables, in turn, will determine the classification in terms of the staging of the loan transactions.

The criteria used by the bank for the analysis and classification of non-securitized loan transactions in stage 2 are the following:

- Delays in payments of capital and/or interest between 30 and 90 days;
- Overdue or written-off credit in the CRC-Credit Liabilities Centre of the Banco de Portugal;
- Indications of risk registered in the Observations field of Customers' Accounts;
- Liens or account blocking registered in the Customers' Accounts;
- Inclusion in the LUR – Banco de Portugal's User Risk List (cheques);
- Inclusion in the internal blacklist;
- Significant restructuring of a loan transaction due to financial difficulties of the debtor.

The assessment of the default and subsequent classification of the financial assets of the portfolio of loans not represented by securities in stage 3classification of the securities in stage 3, is also regularly assessed by the Bank, with the following indicators being specifically considered:

- Delays in the payment of capital and/or interest of over 90 days;
- Bankruptcy/insolvency of the client;
- Contagion – For clients for whom the exposure in default represents more than 20% of the total exposure, all the operations are classified in stage 3;
- Delivery of assets in lieu of payment.

Credit Write-Off Policy

When a loan is considered to be definitively uncollectable (e.g. by a court decision) or the Group decides to forgive the debt or cede its rights on the loan to third parties, this is written off, as mentioned above. Loans are only proposed for write-off when all the steps of the procedure have been taken and there is no expectation of recovering the whole of the outstanding debt.

Loans written off from assets are recorded in off-balance sheet captions when they are derecognised in the Balance Sheet. The entries in off-balance sheet captions remain until the liabilities of each credit operation are definitively eliminated, either by payment or by formal cessation of the right to receive within the legal and contractual terms applicable (for example: forgiving the debt, court sentence or definitive cession of past due loans), notwithstanding that all off-balance sheet records may be kept relating to clients with credit operations recorded in the Balance Sheet.

Loans written off from assets and recorded in off-balance sheet captions are maintained at the amount to which the institution is entitled, within the legal and contractual terms applicable, regardless of expectations of collecting the payment.

The accounting records in off-balance sheet captions relating to loans written off from assets are adequately supported to permit the systematic reconciliation of their components aggregated with outgoing movements due to the writing off of loans from assets.

Impairment reversal policy

On each reporting date BiG assesses if there is an indication that an expected impairment loss recognised in previous periods in relation to an asset, may have been altered, through the use of mechanisms (triggers and alerts) which confirm a possible reversal of the significant increase in the credit risk previously estimated.

The evolution of the Group's expectations is translated into the classification of the exposure into one of the 3 stages: Stage 1, Stage 2 or Stage 3.

Different calculation assumptions in relation to the estimate of the expected impairment loss calculated in each reporting period correspond to each stage.

An alteration of an expected impairment loss of an asset is recognised immediately in profits or losses.

2.5. Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for it to be settled by the payment of money or other financial assets, irrespective of its legal type.

Financial liabilities at fair value through the income statement are measured at fair value. The fair value of listed liabilities is their listed value, and gains or losses resulting from their valuation are recorded in the caption "Results in financial transactions". If there is no listing, the Group estimates the fair value using assessment methodologies considering assumptions based on market information.

Other financial liabilities include funding from banks and clients, among other liabilities.

These liabilities are valued at amortised cost with interest being recognised in the income statement. Financial liabilities will be derecognised when the underlying commitment expires or is cancelled.

2.6. Capital instruments

Equity instruments with the nature of liabilities

Equity instruments with the nature of liabilities include redeemable non-voting preferred shares whose characteristics lend this instrument a hybrid nature as they share clear characteristics of debt instruments.

Under IAS 32, this type of instrument is classified as a financial liability, in the caption Instruments representing capital with the nature of liabilities.

Income from this instrument consists of (i) any dividends received that are recorded in the income statement in the caption of other interest and charges and (ii) a redemption premium, if the difference between the book value per ordinary share in the last annual balance sheet before the redemption date and the last annual balance sheet before the issue date is positive (> 0), which will be accounted as a cost, in the caption of Interest and similar charges of instruments representative of capital with the nature of a liability, as a counter-entry against the Balance Sheet caption of Other interest and similar charges. During the lifetime of the shares, the estimated value of the redemption premium is recognised and accounted incrementally depending on the calculation formula mentioned in note 32.

Other equity instruments

An instrument is classified as a capital instrument when there is no contractual obligation for its settlement to be made by payment of money or any other financial asset, irrespective of its legal form, showing a residual interest in the assets of an entity after deduction of all liabilities.

Costs directly attributable to the issue of capital instruments are charged against equity capital as a deduction against the amount of the issue. Amounts paid and received for the purchase and sale of capital instruments are entered in equity capital, net of transaction costs.

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

Treasury stock

Treasury Stock is entered in capital accounts at acquisition value and is not subject to revaluation. Capital gains and capital losses made on the sale of Treasury Stock are entered directly in equity capital without affecting the result for the year.

2.7. Compensation of financial instruments

Financial assets and liabilities are entered in the balance sheet for their net value when there is an exercisable legal right to compensate the amounts recognised at the same time. The exercisable right legal cannot be contingent on future events and should be exercisable in the normal course of the Group's activity and also in the case of default, bankruptcy or insolvency of the Group or counterparty.

2.8. Sale transactions with repurchase agreement

Securities sold with a repurchase agreement (repos) for a fixed price or for a price which is the same as the sale price plus interest inherent to the period of the operation are recognised in the balance sheet. The corresponding liability is entered as an amount payable to other financial institutions or to clients, as appropriate. The difference between the sale value and the repurchase value is treated as interest and is deferred during the life of the agreement through the effective interest rate method.

Securities purchased with a resale agreement (reverse repos) for a fixed price or for a price which is the same as the sale price plus interest inherent to the period of the operation are not recognised in the balance sheet, with the purchase value being entered as a loan to other financial institutions or clients, as appropriate. The difference between the purchase value and the resale value is treated as interest and is deferred during the life of the agreement through the effective rate method.

2.9. Tangible assets

The tangible assets of the Group are valued at acquisition cost, less the respective accumulated depreciation and impairment losses. The cost includes expenses which are directly attributable to the acquisition of the goods.

Subsequent costs with tangible assets are recognised only if it can be proven that future economic benefits will result from them for the Group. All expenses with maintenance and repairs are recognised as a cost, in accordance with the accrual accounting principle.

Land is not depreciated. The depreciation of other tangible assets is calculated using the straight-line method, at the following rates of depreciation which reflect the expected useful life of the goods:

	Years
Works on rented buildings	5
Furniture and material	8 and 10
Machines and tools	5 and 7
Computer equipment	3 to 4
Interior installations	4 to 8
Transport material	4
Safety equipment	8
Buildings for own use	50

Whenever there is an indication that assets may be impaired, the Group estimates their recoverable value, and an impairment loss should be recognised whenever the book value net of an asset exceeds its recoverable value. Impairment losses are recognised in the income statement of the year, and are reversed in later reporting periods when the reasons that led to their initial recognition cease, for the purpose, and the new amortised amount will not be higher than that that would have been accounted, if impairment losses had not been imputed to the assets, considering the depreciation that this would have suffered.

The recoverable value is determined as being the higher of the fair value deducted of the sale costs and its value in use, this being calculated based on the current value of the estimated future cash flows that are expected to be obtained from the continued use of the asset and from its sale at the end of its useful life.

2.10. Intangible assets

Intangible assets are recorded at cost and are amortised linearly over the expected useful life of three years.

2.11. Leasing IFRS 16

IFRS 16 defines a leasing as a contract, or part of a contract, which transfers the right of use of an asset (the underlying asset), during a certain period, in exchange of a fee.

At the start of the contract the Group assesses if a contract is or contains a lease, i.e., if the contract grants the right to control the use of an identified asset for a period of time in exchange for a consideration. This assessment implies an exercise of judgement by the management on whether (i) each contract identifies a specific asset, (ii) the entity obtains substantially all the economic benefits of the use of that asset, and if (iii) the entity has the right to control the use of the asset.

In the case of contracts which constitute, or contain, a lease, the standard states that the entities should account for each lease component in the contract as a lease, separately from the other components of the contract that are not leasing, except if the entity applies the practical measure contemplated in the standard. The Group did not adopt this practical measure, separating these components for each class of leased asset.

Group as lessee

The Group applies a unique approach of recognition and measurement for all leasing, except for short-term leases and low-value asset leases.

On the start date of the lease, the Group recognises an asset which corresponds to the right to use the underlying asset during the period of the lease and the liability related with the lease payments (or the lease liability). The term of the lease contract is the non-cancellable period of the lease and is determined taking into account (i) the lessor's and lessee's purchase and renewal options, and (ii) underlying economic incentives, when applicable. In the contracts concluded, the Group assesses the minimum cancellable terms associated with each contract.

IFRS 16 states that on the start date of the contract, the lessee should measure the lease liability by the present value of the leasing payments that are not paid on this date and discount these payments at the interest rate implicit in the lease, or, if this cannot be easily determined, use the lessee's incremental borrowing rate.

Right to use

The Group recognises the right to use the assets on the start date of the lease, the date on which the underlying asset is available for use.

The right to use the assets is carried at acquisition cost, less accumulated depreciation and impairment losses and adjusted by the measurements of the lease liabilities, if any. The cost of the right of use of the assets includes the value recognised of the lease liability, any direct costs initially incurred and payments already made before the initial date of the lease, less any incentives received.

The rights of use of the assets recognised by the Group are amortised on a straight-line basis during the shorter period between their estimated useful life of the underlying asset and the period of the lease. Periodically, the Group performs impairment tests to its right-of-use assets, reducing their value in in case of a impairment loss.

The rights of use are presented in Note 26 – Tangible assets and are subject to impairment according to the Group's policy, as mentioned in Note 2.

Lease liability

On the start date of the lease, the Group recognises the liabilities measured by the present value of the future payments to be made until the end of the leasing contract. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable payments based on an index or rate and the amounts expected to be payable under residual value guarantees.

The lease payments also include the exercise price of a purchase option, if it is reasonably certain that the Group will exercise the option, and payments of penalties for terminating the lease, if it is reasonably certain that the Group will terminate the contract.

In the calculation of the present value of the lease payments, if the implicit interest rate is not easily determinable, the Group uses an incremental borrowing rate on the starting date of the lease.

The lease liability, after its initial recognition, is measured by the amortised cost by the effective interest rate method, being remeasured every time a change in the following variables occurs:

(i) Change in the value of variable payments linked to an index or rate (solely for the period concerned);

(ii) Change in the decision evaluation on whether to exercise, or not, the purchase, extension or termination option on the underlying asset;

(iii) Change in the asset's residual value;

(iv) Change in the term of the contract. In case a change in the term of the contract or a change of the decision evaluation of exercising the purchase, extension and termination option (points (iv) and (ii), respectively) are observed, a new discount rate shall be determined to measure the liability.

When the lease liability is revalued, the respective difference resulting from the revaluation is registered as a charge to the right-of-use asset, or it is registered in net income if the booking value of the right-of-use asset has been reduced to zero.

Variable payments that do not depend on an index or rate are recognised as an expense in the period in which the event that triggers the payment occurs.

The lease liability is presented in Note 37 – Other liabilities.

Practical measures

As contemplated in IFRS 16, the Group adopted the following practical measures:

- Non-recognition of the lease liability and respective right to use in operations in which the leasing contract has a maturity not exceeding 12 months – short-term leases;
- Non-recognition of the lease liability and respective right to use in operations in which the value of the asset underlying the leasing contract, when new, is less than 5,000 Euros – low-value leases;
- No inclusion of the initial direct costs incurred in the calculation of the right to use associated with the lease;
- Application of an incremental rate of interest, for all types of underlying assets;

Group as lessor

The Group classifies leasing operations as financial leasing if the contract transfers substantially all the risks and advantages inherent to the ownership of the underlying asset. All other leasing operations are classified as operating leases.

Operating lease payments are recognised as rental income on a straight-line basis throughout the period of the contract and are included in the income statement as revenue due to their operational nature.

From the lessor's point of view, financial leasing contracts are registered in the balance sheet as credits granted for the value equivalent to the net investment realised in the leased assets. Interest included in the instalments debited to customers is registered as income, while the amortisation of capital, also included in the instalments, is deducted from the value of the credit granted to clients. The recognition of the interest reflects a constant periodic rate of return on the remaining net investment of the lessor, together with any residual amount not guaranteed in favour of BiG.

2.12. Employee benefits

Employees under contract with Banco de Investimento Global are all registered with the Social Security. Thus, the Bank's liabilities with pensions consist in the payment of a supplement which will complement any payment from the Social Security system.

The Bank has been providing retirement benefits of its staff through two pension plans, a defined contribution plan and a defined benefit plan, the latter being implemented following the decisions taken in the General meetings of 8 April 2005 and 5 April 2006.

Since that date each member of the board of directors of the company or worker of the Bank could choose between the two existing plans, opting for the one that they would benefit from for the purpose of retirement;

The Bank's Board of Directors made an analysis of the impact of there being two plans, which, despite being different in nature (defined benefit vs. defined contribution), were established equally for most employees. In this context, it saw that since the Defined Benefit Plan was set up in 2006, and after the staff initially joined it, no-one else signed up for this plan. The Board also noted that there was a trend in the market to convert defined benefit plans into defined contribution plans, namely due to the greater foreseeability, limitation and lower volatility of the inherent liabilities.

In this context, it was agreed in the General Meeting held on 21 May 2014 to stop the defined benefit plan, with the Bank providing only a defined contribution plan that would cover all the members of the board of directors of the company and the workers of the Bank.

The participants of the defined benefit pension plan were included in the defined contribution pension plan, with the Bank assuming the commitment to maintain a reserve account for any differences that might appear with respect to future liabilities.

As regards the defined benefit pension plan, there were no pensions being paid or rights acquired that would prevent it from being closed. These alterations were duly authorised by the Insurance and Pension Fund Authority.

Pension plan

Up to 2014 the Bank provided the retirement benefits of its employees through two pension plans, a defined contribution plan and a defined benefit plan.

In 2015 the defined benefit plan was terminated, leaving the Bank with only a defined contribution plan.

Liabilities with retirement pensions are calculated annually on the closing date of the accounts by independent actuaries based on the Projected Unit Credit Method. The discount rate used in this calculation is based on the market rates associated to obligations of highly rated companies, denominated in the currency in which the benefits will be paid and with a similar maturity on the date that the obligations of the plan end.

On each balance sheet date, the Bank evaluates the possibility of recovering any excess of the fund in relation to responsibilities with retirement pensions, based on an expectation of a reduction in future contributions necessary.

Variable remunerations to Employees and Corporate Offices

Variable remunerations attributed to employees and to the corporate offices are accounted in the income statement of the year to which they relate.

2.13. Provisions

Provisions are recognised when (i) the Group has a present, legal or constructive obligation, (ii) it can be proven that payment will be required and (iii) when a reliable estimate of the value of this obligation can be made. In the cases where the effect of the discount is material, the provision corresponds to the current value of the expected future payments, discounted at a rate that considers the risk associated to this obligation.

Provisions cease to be recognised through their use for the obligations for which they were initially set up or in cases in which the obligations are no longer observed.

2.14. Tax on profits

The Group is subject to the regime established in the Corporation Tax Code (IRC). Furthermore, deferred tax resulting from the temporary differences between the accounting bases and the fiscal bases of the assets and liabilities is recorded, whenever the criteria established in IAS 12 – Income tax are met.

Taxation on profits includes current taxation and deferred taxation. Taxation on profits is recognised in the income statements, except when related with items which are moved in equity capital, a fact which implies their recognition in equity capital. Taxation on profits recognised in equity capital arising from the revaluation of financial assets at fair value through other comprehensive income is subsequently recognised in profit and loss at the time the gains and losses which gave rise to it were recognised in profit and loss.

Current taxation is that which is expected to be paid based on the taxable income calculated in accordance with the tax rules in force and using the tax rate approved or substantially approved, and using the tax rate approved or substantially approved in the Group's jurisdiction.

Deferred taxation is calculated in accordance with the fiscal rules in force or substantially approved and using the tax rates on the Balance Sheet date in each mandate, which are expected to be applied when the temporary differences are reversed.

2.15. Recognition of income from services and commissions

Income from services and commissions is recognised in accordance with the following criteria:

- when obtained as the services are provided, income is recognised in the income statement in the period to which it relates;
- when income is part of the effective interest rate of a financial instrument it is stated in the income statement by the effective interest rate method.

2.16. Recognition of interest

Results relating to interest from non-derivative financial instruments is recognised in the captions of Interest income and costs, using the effective rate method. Interest from other financial assets and liabilities is also included in this, respectively.

The effective interest rate is the rate which exactly discounts estimated future payments or receipts during the expected life of the financial instrument, or when appropriate, a shorter period, for the current net balance sheet value of the financial asset or liability. In the case of a fixed interest rate, the effective interest rate is established on the initial recognition of the financial assets and liabilities and is not subsequently revised.

For the calculation of the effective interest rate, the future cash flow is estimated considering all the contractual terms of the financial instrument (for example early payment options), but without considering, however, possible future credit losses. The calculation includes commissions which are an integral part of the effective interest rate, transaction costs and all the premiums and discounts directly related with the transaction.

In the case of financial assets or groups of similar financial assets for which impairment losses were recognised, the interest recorded in the income statement is determined based on the interest rate used in the measurement of the impairment loss.

With regard to derivative financial instruments, with the exception of those classified as derivatives for risk management (note 2.3), the component of interest inherent to the variation in fair value is not separated and is classified in the caption of results of fair value assets and liabilities through results. The component of interest inherent to the variation in fair value of the derivative financial instruments for risk management is recognised in the captions of Interest income and costs.

2.17. Earnings per share

Earnings per basic share are calculated by dividing the net result attributable to the shareholders of the Group by the average weighted number of ordinary shares in circulation, excluding the average number of Treasury Stock held by the Group.

For the calculation of results per diluted share, the average weighted number of ordinary shares in circulation is adjusted so as to reflect the effect of all potentially dilutive ordinary shares, like those resulting from convertible debt and from treasury stock options granted to the workers. The effect of the dilution produces a reduction in the earnings per share, resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

2.18. Cash and cash equivalents

For the purpose of the cash flow statement, cash and its equivalents include the amounts recorded in the balance sheet with a maturity of less than three months as from the date of acquisition/contracting, with an immaterial risk of fluctuation of the fair value, where cash and deposits in central banks and in other banks are included.

Cash and cash equivalents exclude deposits of an obligatory nature made with Central Banks.

2.19. Recognition of dividends

Income from capital instruments (dividends) is recognised when the right to receive their payment is declared.

2.20. Subsidiary companies

Subsidiary companies are all entities over which the Group exercises control. The Group controls an entity when it is exposed to, or has rights over, the variable returns generated by the entity, as a result of its involvement, and has the capacity to affect these variable returns, through the power it exercises over the entity's relevant activities.

Financial holdings in subsidiaries are stated at acquisition cost in the individual accounts of the Group. Adjustments are made for impairment losses in cases where justified, or rather, when these financial holdings record significant deteriorations in their financial position. This accounting occurs following impairment tests, through which the Group concludes if impairment losses must be registered or not in relation to these holdings.

2.21. Reporting by segments

Considering that the Group does not have equity or debt securities that are traded publicly, in the light of paragraph 2 of IFRS 8, the Group does not present information relating to segments.

2.22. Guarantees provided

Responsibilities for guarantees provided and irrevocable commitments are recorded in off-balance sheet captions for the amount at risk. Interest, commissions, and other related income are recognized in the income statement throughout the duration of these guarantees and commitments. The operations associated to guarantees provided are also subject to impairment in accordance with the expected loss model defined by the Bank – as described in note 3 – and considering the respective CCFs – Credit Conversion Factors applicable.

2.23. Consolidation basis

Consolidation principles and recording of subsidiaries

From 1 January 2010, the Group started to apply IFRS 3 (revised) for the accounting recognition of concentration of businesses. The changes in accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively. The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (Group), and the results attributable to the Group referring to its investments in associated companies.

Investments in subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has the power to direct the relevant activities of the entity, and when it is exposed, or has rights, to the variability in returns resulting from its involvement with that entity and it is able to appropriate the results through the power it holds over the relevant activities of that entity (de facto control).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group acquires control until the date on which control ceases. Accumulated losses are attributed to non-controlling interests in the proportions held, which may imply the recognition of negative non-controlling interests.

Acquisition and dilution of non-controlling interests

The acquisition of non-controlling interests which does not result in a change in control over a subsidiary is accounted as a transaction with shareholders and, as such, no additional goodwill is recognised as a result of this transaction. The difference between the acquisition cost and the fair value of the non-controlling interests acquired is recognised directly in reserves. Likewise, gains or losses arising from disposals of controlling interests that do not result in a loss of control over a subsidiary are always recognised against reserves.

Loss of control

Gains or losses arising from the dilution or sale of a portion of an interest in a subsidiary, with loss of control, are recognised by the Group in the income statement.

Investments in foreign subsidiaries and associates

The financial statements of the Group's foreign subsidiaries and associates are prepared in their functional currency, defined as the currency of the economy in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. On consolidation, the value of assets and liabilities, including goodwill, of foreign subsidiaries are recorded in Euros at the official exchange rate ruling at balance sheet date. Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, the exchange differences between the conversion to Euros of the opening net assets at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date are accounted for against "Reserves – exchange differences".

Changes in the fair value of instruments that are designated and qualified as hedging instruments in respect of investments in foreign operations are recorded in equity under "Reserves and retained earnings". Whenever the hedge is not fully effective, the difference is recorded in the net profit of the period.

Exchange differences from the conversion to Euros of the net profit of the period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date are recognised in the caption "Reserves and retained earnings – exchange difference arising on consolidation of Group companies". On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment and the respective hedging operation previously recognised in reserves, are transferred to profit and loss as part of the gain or loss arising on the disposal.

Transactions eliminated on consolidation

Balances and transactions between Group companies, as well as unrealised gains and losses arising from transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising on transactions with associates and jointly controlled entities are eliminated in the portion of the Group's share in those entities.

◢ NOTE 3
MAIN ESTIMATES AND JUDGEMENTS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Estimates and judgements that have an impact on the Group's consolidated financial statements are continually assessed, representing the Board of Directors' best estimate on the date of each report, taking into account historic performance, accumulated experience and expectations concerning future events which, in the circumstances in question, are believed to be reasonable.

The intrinsic nature of estimates means that the real reflection of the situations that were subject to an estimate may, for the purposes of financial reporting, differ from the estimated amounts.

The IFRS establish a series of accounting procedures and require management to make necessary judgements and estimates in order to decide the most appropriate accounting procedure. The main accounting estimates and judgements used by the Group in the application of the accounting principles are presented in this note with the objective of improving the understanding of how its application affects the results reported by the Group and their notification. A more detailed description of the main accounting policies used by the Group is presented in note 2 to the financial statements.

3.1. Impairment of financial assets

IFRS 9 states that the concept of impairment based on expected losses is applied to all financial assets except financial assets measured at fair value through results and equity instruments measured at fair value through equity.

To record the expected impairment losses for financial instruments various judgements are used, specifically:

Significant increase in the credit risk and definition of default

The transition of financial assets from stage 1 to stage 2 occurs when their credit risk increases significantly when compared with the credit risk on the date of their initial recognition. A significant increase in the credit risk should be determined through the analysis of quantitative and/or qualitative internal indicators used by the Group in the management of credit risk, thus requiring greater articulation of the accounting requisites with the credit risk management policies established by the Group.

The assessment of the significant increase in the credit risk is a new concept introduced by IFRS 9, which requires the application of a strong component of judgement. The existence of a significant increase in the credit risk is assessed for each financial asset, considering a set of quantitative and qualitative indicators. The transition of financial assets from stage 2 to stage 3 occurs when these are in default.

Nature of the main judgements, estimates and hypotheses used in the determination of the ECL

Loans represented by securities

The Group uses a broad set of market data in estimating the ECL for this typology of assets.

I – *Staging*

To determine the staging, besides the regulatory indicators related with delay (< 30 days, 30-90 days, > 90 days), and other more qualitative alerts and triggers, the Group assesses if there is a significant increase in the credit risk based on two criteria/alerts:

- variation in rating
- variation in price

a) Variation in price
In the case of a variation in price, external data are used, specifically, Moodys' transition matrix and accumulated PD. In this case, the Group constructed Price Matrices where the thresholds are defined from which a significant increase in credit risk occurs. The construction of these matrices is based on yield curves per rating, provided by Bloomberg.

b) Variation in rating
The attribution of a rating is based on the following rules, whether on the date of origination, or on the reference date:

(I) if there are ratings of 3 agencies, the Group selects the best of the 2 worst;

(Ii) if there are ratings of 2 agencies, the Group selects the lower;

(iii) if there is just one, the Group uses that rating.

Given that the assets in portfolio are acquired at different times, the acquisition date considered to determine the rating on origination is calculated by the weighting of the amount acquired and the respective acquisition date.

The Ratings Matrix, built based on observable data from Moody's, allows us to see how many notches a security can vary without implying a significant increase in the credit risk. This matrix depends on the rating and the number of years the Group has held the position.

Triggers and alerts for significant increases in the credit risk

Staging Criterion – Transfer to stage 2	
TRIGGERS (automatic)	i. Delay in the payment of capital and/or interest of between 31 and 90 days; ii. Debt of the issuer restructured due to financial difficulties; iii. Inability to measure the credit risk at the time of its origination and/or acquisition;
OTHER ALERTS (subject to revision and analysis in the Credit Risk Committee)	i. Negative evolution of the rating compared to the acquisition date (as per ratings matrix); ii. Negative evolution of price compared to amortised cost and comparison with the threshold permitted in the price matrix);

Staging Criterion - Transfer to stage 3	
TRIGGERS (automatic)	i. Delay in the payment of capital and/or interest equal to or longer than 91 days; ii. Debt of the issuer restructured due to financial difficulties; iii. Inability to measure the credit risk at the time of its origination and/or acquisition;
OTHER ALERTS (subject to revision and analysis in the Credit Risk Committee)	i. Negative evolution of the rating (2 more notches than that recorded for stage 2) compared to the acquisition date; ii. Decline in the fair value of the financial asset on a continuous basis during 12 months or decline of the fair value of the financial asset significantly (over 30%); iv. Securities with rating equal to or less than CCC+ (not POCI); v. Loss of attribution of rating, with BiG being unable to infer the risk associated to the asset; vi. Disappearance of active market for the bond under analysis due to financial difficulties; vii. Bankruptcy/insolvency of the issuer;

II – Calculation of the ECL

To estimate the ECL, the parameters PD, LGD are used.

- The PD-Probability of Default is determined differently, according to the market information available:
  - Sovereign securities: the PD may be inferred based on the CDS/Yield curve of the issuer, also considering the characteristics of the security. (e.g. tenor, currency, subordination, among others);
  - Non-sovereign securities: the PD is estimated based on the generic curves available on the market, deriving from comparable issuers by rating.

- The LGD-Loss Given Default used for the calculation of the expected credit losses is based on studies carried out by Moody's by typology of financial asset and collateral (sovereign, collateralized bonds, non-collateralized).

Seeing that the parameters used are based on market information, the point-in-time, forward-looking and through-the-cycle assumptions of the IFRS 9 are ensured.

Economic cycles of 7 years are assumed in the estimation of these parameters.

Loans not represented by securities

Considering the simplicity and dimension of the portfolio, and also the absence of a history of statistically relevant non-compliance, in addition to the internal data available, the Group uses some data of the EBA – CREDIT RISK PARAMETERS, relating to Portugal, in the calculation of its risk parameters.

I – *Staging*

Besides the mandatory criteria defined in IFRS 9, relating to the length of the delay (< 30 days, 30-90 days, > 90 days), the Group also uses a number of alerts and qualitative triggers to determine if a significant increase has occurred in the credit risk, specifically:

- Overdue or written-off credit in the CRC-Credit Liabilities Centre of the Banco de Portugal;
- Indications of risk registered in the Observations field of Customers' Accounts;
- Liens or account blocking registered in the Customers' Accounts;

- Inclusion in the LUR – Banco de Portugal's User Risk List (cheques);
- Inclusion in the internal blacklist;
- Significant restructuring of a loan transaction due to financial difficulties of the debtor;
- Bankruptcy/insolvency of the client;
- Delivery of assets in lieu of payment.

II – Calculation of the ECL

The parameters PD, LGD and EAD are used to estimate the ECL.

- Considering that the credit portfolio of this typology is Retail, for the estimate of the PD-Probability of Default, the Group uses the Default Rates published by the EBA, for the segments Retail – Secured on real estate property (Mortgage) and Retail – Other Retail (Other Non-mortgage loans);
- To estimate the LGD-Loss Given Default, the Group uses internal data for the Motor, Mortgage and Margin account credit portfolio. For the other products, and for the segment Retail – Other Retail (Other Non-mortgage loans), the LGD published in the above-mentioned study of the EBA is used;
- EAD – Exposure at Default is determined by the Bank using the instalment plan associated to each credit operation and it represents the expected exposition, in case of default by the client and / or the exposition. The Bank gets the EAD values through the current exposition of the counterparty and the foreseen changes to the respective current value, depending on the contractual conditions, including amortizations and advance payments. For guarantees and sureties, the EAD value considers the total value guaranteed by the Bank, under the assumption that the amount may be fully used (i.e. it is applied a 100% CCF – Credit Conversion Factor)

As for the portfolio of loans represented by securities, the Group assumes an economic cycle of 7 years in its calculations, which covers 4 past years and 3 future years, these being extrapolated based on macroeconomic estimates that may influence it in the future.

Triggers and alerts for significant increases in the credit risk

Staging Criterion - Transfer to stage 2	
TRIGGERS (automatic)	i. Delay in the payment of capital and/or interest of between 31 and 90 days;
OTHER ALERTS (subject to revision and analysis in the Credit Risk Committee)	i. Indications of risk in the CRC-Credit Liabilities Centre of the Bank of Portugal; ii. Indications of risk in the Clients' accounts; iii. Liens or bank blocks recorded in the Clients' accounts; iv. Inclusion in the List of Cheque Defaulters); v. Inclusion in the internal blacklist; vi. Significant restructuring of a credit operation due to financial difficulties of the debtor;

Staging Criterion - Transfer to stage 3	
TRIGGERS (automatic)	i. Delay in the payment of capital and/or interest equal to or longer than 91 days;
OTHER ALERTS (subject to revision and analysis in the Credit Risk Committee)	i. Client in insolvency proceedings, PER - Special Recovery Plan, or any other equivalent situation of protection; ii. Classification of the operation as "unproductive" (without interest); iii. Termination of the contract due to non-compliance and consequent filing of legal case for recovery; iv. Sale, by BiG, of credit operation with significant financial loss (>20% of the outstanding nominal value on the date of the sale) due to reasons exclusively connected to the quality of the credit risk of the debtor; v. Contagion from other operations to the debtor (if the same are significant against the total value in debt). For "Non Retail" exposures, this contagion is mandatory. For "Retail" exposures, the contagion is not mandatory, being employed an indicative threshold of 20%.

Curing Period

The "curing period" is defined as the period in which the Bank, after finding some sign or evidence of risk, collects proofs of good behavior of the debtor regarding its payment efforts.

After the term of the curing period, the Bank recognizes that the client / counterparty no longer shows or demonstrates the risk levels that made the Bank increase that risk level.

The curing period has impact in the staging classification and in its change.

All staging changes are automatic, with no need of going through a minimum curing period, except in the change of Stage 3 to Stage 2, which should follow specific criteria:

Staging change	Curing period
1 -> 2	Automatic
1 -> 3	Automatic
2 -> 3	Automatic
2 -> 1	Automatic
3 -> 2	Non restructured credit: 3 months
3 -> 2	Restructured credit: 12 mont

3.2. Fair value of financial instruments

Fair value is based on market quotations, when available, and, in the absence of a quotation, is based on recent, similar transaction prices made in market conditions, or based on evaluation methodologies, based on discounted future cash flow techniques considering market conditions, the temporal value, the profitability curve and volatility factors. These methodologies can require the use of assumptions or judgments in the estimate of fair value. Consequently, the use of different methodologies or of different assumptions or judgments in the application of a certain model may lead to financial results different from the reported.

3.3. Tax on profits

The determination of the global amount of taxation on profits requires certain interpretations and estimates. There are diverse transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle.

Other interpretations and estimates may result in a different level of current and deferred taxation on profits recognised in the period.

The Tax Authorities are empowered to review the Group's fiscal situation for a period of 4 years, except in cases where reportable tax losses are used, in which case the period of expiry is the year of this right. In this way it is possible that there may be corrections to the annual taxable earnings resulting mainly from differences in the interpretation of tax law. However, the Board of Directors of the Group is confident that there will be no material corrections to the taxation on profits recorded in the financial statements.

3.4. Leases

In accordance with IFRS 16, the lease liability is measured as the present value of the sum of the future due payments that result from the leasing contract. To discount the payments, the Group shall use the contract's implicit interest rate, considering that all information required to determine it is known. In case the implicit rate cannot be determined, it shall be used an incremental interest rate, requiring the entity to develop a methodology dully supported in internal and external information to determine it.

I. Implicit interest rate: it is the discount rate that matches the fair value of the expected instalments laid down in the contract (including the residual value) to the fair value of the asset with the addition of all the initial direct costs. The main difficulty regarding the estimation of this rate is, in most cases, in the lack of information made available to the lessee related to the residual value of the underlying asset and / or the amount of direct costs incurred by the lessor.

II. Incremental interest rate: it is the rate that a third-party would charge the Group in financing the acquisition of an asset comparable to the underlying asset of the lease, with similar conditions, namely the term and guarantees. To determine the incremental interest rate, the Group developed a risk-free yield curve, to which it was added its credit risk dully adjusted by the existence of collateral.

It should be nevertheless highlighted that at the transition date, incremental interest rates were applied to determine the lease liability for all the operations under the norm. Except for that period, the instalment payments are updated using the contract implicit discount rate, if it is possible to determine.

III. Maturity of the leasing contracts: As to establish the maturity of the lease contract to be considered in the calculus of the lease liability, it shall be considered the non-cancellable period of the lease contract, as well the period foreseen by potential term extension and/or anticipated termination options, if there is a reasonable certainty that these options will be exercised. In situations in which there are term extension and/or termination options, it is up to the Management to evaluate the possibility of their exercise – concept of "reasonably certain" – relative to the future decision.

To support its analysis, the Group made use of internal and market data which may lack professional judgment, such as:

- The importance of the asset to the Group's activity and the non-existence of suitable alternatives;
- Significant economic benefits to the Group in case an extension / termination option of the contract is exercised, or acquisition of the underlying asset;
- Potential associated costs to the anticipated termination of the contract, switching costs and/or return of the asset;
- Comparison of the terms and conditions of the contract with the current market conditions; among other data considered relevant.

3.5. Redemption premium

As described in the accounting policy 2.6, throughout the life of the redeemable preferred shares, it is estimated the value of the redemption premium to be paid on the redemption date, being recognized and accounted in an incremental way following the calculation formula mentioned in note 34. For the calculation it is namely considered the change in the equity net value adjusted to the dividends value that the Bank expects to come to distribute. Additionally, it is recognised the redemption premium component for a period of 38 months in the result for the year, which results from the difference between the initial shareholders' equity of reference (31 December 2018) and the value of shareholders' equity at the allocation date (31 December 2019).

NOTE 4
NET INTEREST INCOME

The amount of this caption is made up as follows:

	2020			2019		
	From assets/liabilities at amortised cost and assets available for sale	From assets/liabilities at fair value through the income statement	Total	From assets/liabilities at amortised cost and assets available for sale	From assets/liabilities at fair value through the income statement	Total
Interest income						
Interest from deposits with banks	85,458	-	85,458	154,515	-	154,515
Interest from financial assets at amortised cost						
Interest from applications	2,218,319	-	2,218,319	1,270,430	-	1,270,430
Interest from credit to clients	474,090	-	474,090	748,252	-	748,252
Interest from debt securities	5,354,338	-	5,354,338	5,571,054	-	5,571,054
Interest from financial assets held for trading						
Debt securities	-	396,554	396,554	-	499,068	499,068
Interest from securities at fair value through other comprehensive income	27,653,292	-	27,653,292	35,756,542	-	35,756,542
Interest from hedge derivatives	-	696,561	696,561	-	172,611	172,611
Other interest revenue	916,407	-	916,407	833,241	-	833,241
	36,701,904	**1,093,115**	**37,795,019**	**44,334,034**	**671,679**	**45,005,713**
Interest costs						
Interest from financial liabilities measured at amortised cost						
Interest from funding from other Banks	663,877	-	663,877	1,356,473	-	1,356,473
Interest from funding from clients	2,401,972	-	2,401,972	4,461,013	-	4,461,013
Interest from debt securities	8,009,051	-	8,009,051	7,124,347	-	7,124,347
Interest from hedge derivatives	-	5,933,670	5,933,670	-	7,837,993	7,837,993
Other interest costs	2,718,336	-	2,718,336	18,586	-	18,586
	13,793,236	**5,933,670**	**19,726,906**	**12,960,419**	**7,837,993**	**20,798,412**
	22,908,668	**(4,840,555)**	**18,068,113**	**31,373,615**	**(7,166,314)**	**24,207,301**

The captions Interest from securities include the depreciation of the premium/discount resulting from the difference between the nominal value of the bonds acquired and their purchase price. The value of the depreciation of the discount and of the premium is calculated using the effective rate method and is recorded in the income statement of the year throughout the life of the bond.

NOTE 5
DIVIDEND INCOME

On 31 December 2020, this caption, amounting to 41,476 Euros comprises dividends from financial assets at fair value through other comprehensive income (31 December 2019: 25,798 Euros).

NOTE 6
RESULTS OF FEES AND COMMISSIONS

The amount of this caption is made up as follows:

	2020	2019
Income from fees and comissions		
For transactions on behalf of third parties	6,320,855	4,932,108
For services rendered	4,513,127	5,007,896
Other income from fees and commission	1,171,529	1,060,560
For commission sharing	1,728,702	1,523,554
For financial advisory services	600,380	1,021,344
For commitments before third parties	1,950	1,400
For guarantees provided	2,239	13,196
	14,338,782	**13,560,058**
Expenses from fees and commission		
For transactions performed by third parties	1,213,140	907,089
Other expenses from rates and commission	519,546	203,902
For banking services from third parties	969,780	904,861
For transactions on financial instruments	310,001	469,503
	3,012,467	**2,485,355**
	11,326,315	**11,074,703**

NOTE 7
GAINS OR LOSSES WITH THE NON-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH RESULTS

The amount of this caption is made up as follows:

	2020			2019		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed return securities						
From national public issuers	1,490,248	1,034,474	455,774	11,158,299	8,190,249	2,968,050
From foreign public issuers	43,319,995	18,899,649	24,420,346	68,261,510	28,310,071	39,951,439
From other national issuers	924,703	535,965	388,738	1,085,255	-	1,085,255
From other foreign issuers	12,932,000	3,452,849	9,479,151	11,163,065	6,098,130	5,064,935
Shares of foreign issuers	4,250	241	4,009	57,619	7	57,612
	58,671,196	**23,923,178**	**34,748,018**	**91,725,748**	**42,598,457**	**49,127,291**

On 31 December of 2020 the caption Bonds and other fixed return securities – From foreign public issuers, includes the capital net gains resulting from the disposal of treasury bonds of Italian public debt amounting to 9,726,130 Euros (31 December 2019: 35,546,506 Euros) and treasury bonds of Spanish public debt amounting to 11,945,410 Euros (31 December 2019: 2,271,561 Euros).

◢ NOTE 8
GAINS OR LOSSES WITH FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING AND HEDGE ACCOUNTING

The amount of this caption is made up as follows:

	2020			2019		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Assets and liabilities held for trading						
Bonds and other fixed return securities						
From national public issuers	467,580	170,460	297,120	1,563,772	798,983	764,789
From foreign public issuers	3,414,497	142,314	3,272,183	5,022,602	890,239	4,132,363
From other national issuers	191,763	263,705	(71,942)	369,345	28,700	340,645
From other foreign issuers	979,521	1,705,436	(725,915)	839,596	330,952	508,644
Shares of national issuers	148,616	101,440	47,176	207,790	10,186	197,604
Shares of foreign issuers	599,787	81,943	517,844	360,788	381,188	(20,400)
Credits and other receivables	25,000	166,085	(141,085)	81,285	-	81,285
Participation units of foreign issuers	-	-	-	231,991	210,831	21,160
Derivative financial instruments						
Contracts on exchange rates	4,277,336	3,853,062	424,274	2,366,408	885,493	1,480,915
Contracts on interest rates	8,541,617	6,502,904	2,038,713	3,355,598	5,314,164	(1,958,566)
Contracts on shares / indices	859,829	2,208,299	(1,348,470)	2,378,242	2,349,796	28,446
Other	2,765,754	1,172	2,764,582	64,973	165,282	(100,309)
Results of hedge accounting						
Hedge derivatives	6,305,196	50,162,566	(43,857,370)	67,017,889	75,761,911	(8,744,022)
Hedged elements	44,286,799	2,347,265	41,939,534	25,957,973	18,034,534	7,923,439
	72,863,295	**67,706,651**	**5,156,644**	**109,818,252**	**105,162,259**	**4,655,993**

On 31 December 2020, the caption Bonds and other fixed return securities – From foreign public issuers includes capital net gains amounting to 1,029,441 Euros related to gains from the trading of treasury bonds of Italian public debt (31 December 2019: 3,788,727 Euros) and treasury bonds of Spanish public debt amounting to 1,925,666 Euros (31 December 2019: 335,652 Euros).

◢ NOTE 9
EXCHANGE DIFFERENCES

This caption includes the results arising from the currency revaluation of monetary assets and liabilities expressed in foreign currency in accordance with the accounting policy described in Note 2.2.

On 31 December 2020, this caption comprises gains amounting to 2,074,427 Euros, of which 8,486 Euros and 2,065,941 Euros are related to losses with term currency revaluation and to gains from currency revaluation at sight (31 December 2019: gains 610,373 Euros), respectively.

◢ NOTE 10
PROFIT/LOSS ON THE SALE OF OTHER ASSETS

The amount of this caption is made up as follows:

	2020	2019
Non-financial transactions	(40,151)	-
	(40,151)	**-**

The loss recorded in this caption corresponds to the result of the sale of own property where the Évora branch office was operated.

NOTE 11
OTHER OPERATING RESULTS

The amount of this caption is made up as follows:

	2020	2019 reclassified
Other operating income		
Provision of diverse services	143,989	153,774
Repayment of expenses	128	389
Other	679,255	879,005
	823,372	**1,033,168**
Other operating costs		
Dues and donations	144,700	118,159
Other	389,930	173,237
	534,630	**291,396**
Other operating results	**288,742**	**741,772**

The caption Other operating income – Other includes amounts relating to operations of the Multibanco network.

NOTE 12
ADMINISTRATIVE EXPENSES – STAFF EXPENSES

The amount of this caption is made up as follows:

	2020	2019
Remunerations	14,877,820	14,267,369
Costs with retirements pensions		
of defined Contributions	387,802	344,501
Obligatory social charges	3,031,874	2,843,432
Other staff costs	1,083,268	2,869,485
	19,380,764	**20,324,787**

On 31 December 2020, costs with remunerations and other benefits attributed to the Corporate Offices were stated at 6,991,626 Euros (31 December 2019: 5,732,110 Euros).

The caption Other staff costs includes health insurance and life assurance, among others. This caption also includes the recognition of the differential of the interest rate of the loans granted to employees and the market interest rate.

Expenses with remunerations and other benefits attributed to key management staff with senior management functions may be analysed as follows:

	2020	2019
Short-term employee benefits	4,193,607	5,023,360
Post-employment benefits	118,279	113,181
Other long-term benefits	10,584	20,695
	4,322,470	**5,157,236**

By professional category, the number of employees on 31 December 2020 and 2019 is broken down as follows:

	2020	2019
Specific functions	205	181
Middle management functions	38	31
Senior management functions	60	60
Administrative functions	12	11
Auxiliary functions	5	5
	320	**288**

◢ NOTE 13
EMPLOYEE BENEFITS

The Bank takes care of the retirement benefits of its employees through a defined contribution pension plan.

In 2019 the base contribution defined for the Pension Fund changed from 5% to 2% and an additional contribution (incentive) of an amount equal to that of the voluntary contribution of the employees, changed from 4.5% to 3% of the monthly base salary.

On 31 December 2020, the Bank recognised as a cost the total amount of 387,802 Euros (31 December 2019: 344,501 Euros) relating to the Defined Contribution Plan, of which 157,467 Euros relate to the additional contribution (incentive).

Since 2006 the Bank has been providing the retirement benefits of its staff through two pension plans, a defined contribution plan and a defined benefit plan, the latter being implemented following the decisions taken in the general meetings of 8 April 2005 and 5 April 2006.

Since that date each member of the board of directors of the company or worker of the Bank could choose between the two existing plans, opting for the one that they would benefit from for the purpose of retirement;

The Bank's Board of Directors made an analysis of the impact of there being two plans, which despite being different in nature (defined benefit *vs* defined contribution) they were established equally for most employees. In this context, it saw that since the Defined Benefit Plan was set up in 2006, and after the staff initially joined it, no-one else signed up for this plan. The Board also noticed that there was a trend in the market to convert defined benefit plans into defined contribution plans, namely due to the greater foreseeability, limitation and lower volatility of the inherent liabilities.

In this context, it was agreed in the General Meeting held on 8 May 2014 to stop the defined benefit plan, with the Bank providing only a defined contribution plan that would cover all the members of the board of directors of the company and the workers of the Bank.

With respect to the defined benefit pension plan, there were no pensions being paid or rights acquired that would prevent it from being closed. These alterations were duly authorised by the Insurance and Pension Fund Authority.

The participants of the defined benefit pension plan were included in the defined contribution pension plan, with the Bank assuming the commitment to maintain a reserve account for any differences that might appear compared with the defined benefits established for the participants of the previous defined benefit plan.

Only 6 employees in service are participants in the Defined Benefits Plan. Under the terms of the Plan, the benefits defined are acquired by right after 60 years of age with a minimum of 10 years' service.

On 31 December 2015, the Bank made its best estimate of its liability with pensions inherent to the defined benefit plan, taking into consideration the number of employees it expected to opt for this benefit. The value of the responsibilities corresponding to past services, up to 2012, was being deferred over a period of 11.5 years, when the plan was introduced, corresponding to the estimated period of service of these employees. The discount rate used to estimate the liability with retirement pensions corresponds to the market rates in force on the balance sheet date, stated in the currency in which the benefits will be paid.

In 2020 the provision corresponding to the actuarial estimate of the commitment assumed by the Bank as a result of the defined benefit plan, remained unchanged, amounting to 124,472 Euros (31 December 2019: 124,472 Euros).

BiG Stock Option Plan

On 31 December 2020, BiG's stock option programs had the following main characteristics:

Plan	Expected end date of the plan (1)	Number of options on the start date of the plan	Exercise price	Number of options	Number of shares per option
2012	jan/2025	7,150,000	1.00	4,544,121	1.94
2013	jan/2027	5,000,000	1.00	4,500,000	1.58

(1) The expiry date refers to the lapse date of the last year for each Plan.

On 31 December 2019, BiG's stock option programs had the following main characteristics:

Plan	Expected end date of the plan (1)	Number of options on the start date of the plan	Exercise price	Number of options	Number of shares per option
2012	jan/2025	7,150,000	1.00	4,544,121	1.94
2013	jan/2027	5,000,000	1.00	4,500,000	1.58

(1) The expiry date refers to the lapse date of the last year for each Plan.

The options mature, individually, after ten years has passed from the respective due dates.

The regulations relating to the stock options plan have remained substantially the same since 2005, except with respect to the due dates and to the financing. Normally the due dates are distributed over 3 years, except in the case of the corporate officers, which fall due 3 years after their attribution. The maturity period, 10 years after the first due date, remained unchanged. Taking into consideration that the Bank is not listed, the exercise of the options occurs only when the Bank makes a capital increase, which may not coincide with the communication of intention to exercise by the holders of the options.

Valuation methodology of the options

The valuation of the BiG's stock options is based on the adoption of internationally accepted market methodologies and takes the specific characteristics of the BiG's stock option programs and market data into consideration.

For the purpose of the application of the option valuation model, the value of BiG's shares is estimated based on a combination of the Discounted Cash Flows to Equity, Market Multiples and Adjusted Book Value methodologies based on the Gordon model.

NOTE 14
ADMINISTRATIVE EXPENSES – OTHER ADMINISTRATIVE EXPENSES

The amount of this caption is made up as follows:

	2020	2019 reclassified
Supplies	1,263,531	1,392,168
Leasing excluded from IFRS 16	140,509	12,517
Rents	200,544	599,169
Communications	624,626	520,138
Travel, hotel and representation costs	373,533	507,562
Advertising and publications	1,132,296	897,648
Specialised services		
Fees	153,699	308,549
Information Technology	3,995,245	3,422,877
Security and surveillance	155,895	140,507
Information	647,269	575,135
Databases	116,944	52,375
Manual labour	49,647	58,507
Other specialised services	1,574,522	1,480,004
Other	530,664	600,689
Direct and indirect taxes	2,059,725	1,442,047
	13,018,649	**12,009,892**

The fees billed during the year by the external auditors are detailed as follows:

	2020	2019
Accounts Auditing and Supervision Services	225,055	216,726
Other reliability guarantee services related with the Statutory Auditor	47,868	46,261
	272,923	**262,987**

The fees relating to the different services of the audit include the services provided with regard to the issue of the Impairment Report and of the Opinions on the Group's Internal Control System on the Safekeeping of Clients' Goods.

NOTE 15
CASH CONTRIBUTIONS FOR RESOLUTION FUNDS AND DEPOSIT GUARANTEE SCHEMES

The value of this caption is comprised of:

	2020	2019 Reclassified
Cash contributions for resolution funds	1,133,627	913,580
Cash contributions for deposit guarantee schemes	2,524	1,583
	1,136,151	**915,163**

NOTE 16
EARNINGS PER SHARE

Earnings per basic share are calculated by dividing the net income by the weighted average number of ordinary shares in circulation during the year.

Earnings per diluted share are calculated by adjusting the effect of all potential dilutive ordinary shares to the average weighted number of ordinary shares in circulation and to the net result attributable to the shareholders of the Group.

	2020	2019
Net profit attributable to the bank's shareholders	25,045,940	42,078,479
Weighted average number of ordinary shares issued	171,947,388	171,947,388
Weighted average number of Treasury Stock in portfolio	(2,598)	(2,598)
Average number of ordinary shares in circulation	**171,944,790**	**171,944,790**
Earnings per share attributable to the bank's shareholders	**0.15**	**0.24**

Earnings per diluted share are no different from Earnings per ordinary share as there were no dilutive shares on 31 December 2020 and 2019.

NOTE 17
CASH, CASH BALANCES IN CENTRAL BANKS AND OTHER DEMAND DEPOSITS – OTHER DEMAND DEPOSITS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Cash	2,311,805	2,299,456
Demand deposits in central banks	87,040,967	96,861,042
	89,352,772	**99,160,498**

The caption Demand Deposits in Central Banks includes the deposits made to satisfy the requirements of the Minimum Reserve System of the European System of Central Banks. Pursuant to Regulation (EC) no. 1745/2003 of the European Central Bank of 12 September 2003, changed by the Regulation (EU) no. 2016/1705 of the European Central Bank of 9 September 2016, the minimum obligatory amount held in demand deposits in the Banco de Portugal is remunerated and corresponds to 1% of the deposits and debt securities with a maturity period of less than 2 years, excluding deposits of institutions subject to the European System of Central Banks' regime of minimum reserves.

Fulfilment of the minimum obligatory amounts, for a given period of observation, is achieved taking into consideration the value of the balances of the deposits in the Banco de Portugal during this period. The balance of the account in the Banco de Portugal on 31 December 2020 includes an average mandatory reserve of 15,226,200 Euros which corresponds to the maintenance period from 16 December 2020 to 26 January 2021.

This caption also includes the demand deposits in the Bank of Mozambique to meet the requirements of the regime for the constitution of obligatory minimum reserves, as established by Notice 08/GBM/2019 of 17 June 2019. Pursuant to this Notice, obligatory reserves correspond, as a percentage of the balance of clients' deposits, to 11.5% and 34.5% in national currency and foreign currency, respectively, from which the banks subject to the regime of obligatory reserves are excluded. The reserves are kept in Meticais for deposits in national currency and in U.S. Dollars for deposits in foreign currency, these deposits not being remunerated.

The fulfilment of the minimum obligatory amounts, for a given period, takes into consideration the value of the balances of deposits in the Bank of Mozambique during this period. The balance of the accounts in the Bank of Mozambique on 31 December 2020 includes 64,783,378 Meticais and 72,862 U.S. Dollars corresponding to the minimum obligatory reserves to be observed in the maintenance period from 7 December 2020 to 6 January 2021.

On 31 December 2020 and 2019 there is no impairment allocated to Cash, cash balances in central banks and other demand deposits – Cash on hand and cash balances in central banks, seeing that these financial instruments are redeemable at any time, and the Group, in accordance with its credit risk management policies, controls and assesses the credit quality of the respective counterparties (banks) daily.

◢ NOTE 18
CASH, CASH BALANCES IN CENTRAL BANKS AND OTHER DEMAND DEPOSITS – OTHER DEMAND DEPOSITS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Deposits in other banks in Portugal Demand deposits	858,292	1,318,358
Deposits in other banks abroad Demand deposits	107,138,434	72,876,440
	107,996,726	**74,194,798**

The banks where the Group has deposits have a high rating, and at the end of the year 73% of these are in institutions whose rating is investment grade. The other deposits are in banks without external rating grade (27%).

◢ NOTE 19
FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Financial assets held for trading		
Securities		
Bonds and other fixed return securities		
From national public issuers	5,446,094	4,257,785
From foreign public issuers	8,539,669	10,385,885
From other national issuers	7,025,571	8,894,358
From other foreign issuers	25,625,103	24,064,755
Shares of national issuers	937,071	1,117,498
Shares of foreign issuers	1,685,138	813,311
	49,258,646	**49,533,592**
Derivatives		
Derivative financial instruments with positive fair value	3,303	13,185
Credit and other amounts receivable	511,203	727,288
Other equity instruments	333,457	170,404
	50,106,609	**50,444,469**
Financial liabilities held for trading		
Derivatives		
Derivative financial instruments with negative fair value	22,899	59,932
	22,899	**59,932**

As per the accounting policy described in Note 2.4. Financial assets held for trading are those acquired with the objective of being traded in the short term, regardless of their maturity, or managed considering fair value.

The average interest rate of the assets held for trading during the year ended on 31 December 2020 and 2019 was 0.8%.

The captions of Shares of domestic and foreign issuers, as well as the captions of Credits and other amounts receivable and Other equity instruments include participations in early-stage start-ups located in Portugal, Germany and the United Kingdom, amounting to a total of 3,466,869 Euros (31 December 2019: 2,828,501 Euros). The amounts recorded in the caption Credit and other amounts receivable refer to other debt instruments.

The caption Derivative financial instruments on 31 December 2020 and 2019 is broken down as follows:

	2020			2019		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Contracts on exchange rates						
Currency Futures	-	-	5,325	-	-	-
Contracts on shares/indices						
Equity / Index Options	760,000	-	17,555	1,010,000	-	52,711
Equity / Index Futures	-	-	-	2,643,855	-	-
Term transactions	-	3,303	19	-	2,019	7,221
Other	-	-	-	-	11,166	-
	760,000	**3,303**	**22,899**	**3,653,855**	**13,185**	**59,932**

The value recorded in the Balance Sheet, in the caption Derivative financial instruments, in line with Note 2.3., is the fair value of the derivatives, while the notional amount is recorded off-Balance Sheet.

On 31 December 2020 the notional total of derivatives associated to complex financial products marketed by the Bank is registered in the classes of Equity/Index Options, amounting to 760,000 Euros. The negative fair value of these derivatives is 17,574 Euros, representing 76.8% of the total liabilities held for trading.

On 31 December 2020 and 2019, the distribution of the Financial assets held for trading – Securities by residual maturity, is as follows:

	2020	2019
Securities		
Up to 3 months	1,029,769	-
From 3 months to 1 year	4,085,290	120,380
From 1 to 5 years	29,268,155	29,529,375
Over 5 years	12,253,223	17,953,029
Unspecified duration	2,622,209	1,930,808
	49,258,646	**49,533,592**

On 31 December 2020 and 2019, the distribution of the Financial assets and liabilities held for trading – Derivative financial instruments, by residual maturity is presented as follows:

	2020		2019	
	Notional	Fair value	Notional	Fair value
Derivative financial instruments				
Up to 3 months	760,000	(19,596)	250,000	(13,650)
From 1 to 5 years	-	-	760,000	(33,097)
Over 5 years	-	-	2,643,855	-
	760,000	**(19,596)**	**3,653,855**	**(46,747)**

◢ NOTE 20
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 31 December 2020 and 2019, this caption was broken down as follows:

	Cost (1)	Fair value reserve			Expected credit loss	Balance Sheet Value
		Positive	Negative	Fair value hedge		
Financial assets at fair value through other comprehensive income						
Bonds and other fixed return securities						
From national public issuers	113,994	3,773	-	-	88,642	2,151,682
From foreign public issuers	691,611,254	3,511,760	(13,509,888)	2,000,210	126,400	683,613,336
From other national issuers	247,374,035	2,380,846	(79,592)	(1,591,213)	144,827	246,050,161
From other foreign issuers	606,422,936	13,358,762	(606,940)	(9,155,147)	166,282	610,019,611
Shares of national issuers	13,978	-	-	-	-	13,978
Shares of foreign issuers	39,436	-	-	-	-	39,436
Balance on 31 December 2019	**1,545,575,633**	**19,255,141**	**(14,196,420)**	**(8,746,150)**	**526,151**	**1,541,888,204**
Financial assets at fair value through other comprehensive income						
Bonds and other fixed return securities						
From national public issuers	14,943,240	60,504	-	(71,726)	-	14,932,018
From foreign public issuers	463,207,445	5,588,535	(174,059)	(2,835,698)	223,893	465,786,222
From other national issuers	267,852,126	2,515,816	(1,713,678)	(1,743,187)	371,621	266,911,077
From other foreign issuers	702,676,596	12,307,919	(1,022,586)	(9,753,891)	934,716	704,208,038
Shares of national issuers	13,978	-	-	-	-	13,978
Shares of foreign issuers	52,580	-	-	-	-	52,580
Balance on 31 December 2020	**1,448,745,964**	**20,472,774**	**(2,910,323)**	**(14,404,503)**	**1,530,230**	**1,451,903,913**

(1) amortised cost for debt securities and acquisition cost with regard to shares and others.

On 31 December 2020, the caption Bonds and other fixed income securities – From other national and foreign issuers includes 501,277,909 Euros (31 December 2019: 442,761,333 Euros) relating to asset backed securities (ABS).

On 31 December 2020, around 62% of the asset portfolio financial at fair value through other comprehensive income, comprising bonds and other fixed income securities, was hedged by derivative financial instruments, specifically interest rate futures.

The average interest rate during the year ended on 31 December 2020, was 1.2% (31 December 2019: 1.6%).

In 2020 and 2019 and in accordance with the accounting policy described in Note 2.4. Other financial assets, the Group regularly assesses the significant increase of the credit risk of the Financial assets at fair value through other comprehensive income.

The securities in the Group's portfolio which are given by it as a guarantee are analysed in Note 39. Off-balance sheet accounts.

On 31 December 2020 and 2019, the distribution of this caption by residual maturity periods is as follows:

	2020	2019
Up to 3 months	1,839	1,156,050
From 3 months to 1 year	7,617,150	73,052
From 1 to 5 years	231,293,953	146,212,482
Over 5 years	1,212,924,413	1,394,393,206
Unspecified duration	66,558	53,414
	1,451,903,913	**1,541,888,204**

The movements in expected credit loss in Financial assets at fair value through other comprehensive income are presented as follows:

	2020	2019
Opening balance	**526,151**	**1,088,603**
Additions	3,584,037	3,405,288
Reversals	(2,554,544)	(3,971,603)
Exchange	(25,414)	3,863
Closing balance	**1,530,230**	**526,151**

NOTE 21
FINANCIAL ASSETS AT AMORTISED COST – DEBT SECURITIES

On 31 December 2020 the caption Financial assets at amortised cost – Debt securities comprised fixed income securities of public issuers, amounting to 359,812,199 Euros (31 December 2019: 384,839,548 Euros) with a period of maturity of over 5 years, and whose interest rate risk is hedged through the contracting of IRS (interest rate swap), for the maturity of each of the securities.

The Group regularly assesses if there is any significant increase in the credit risk of these financial debt instruments, as per Note 2.4. Other financial assets. No impairment of credit was recorded by 31 December 2020, and on 31 December 2019 the impairment of credit, constituted for performing credits, (stage 1) amounted to 40,691 Euros.

In 2020, following the analysis performed by the Bank's Risk department, it was issued a recommendation to reduce the exposition to Italy, considering the macroeconomic context caused by Covid-19 and the existing the level of uncertainty. Following this recommendation, facing a possible increase of the Italy's credit risk and having in consideration the material levels of this geography in the portfolio, it was decided in a ALCO Committee meeting to reduce the Bank's exposure to this country. This reduction was partially executed through the sale of securities previously classified in the amortized cost category. The decision occurred in the period of highest pressure of the financial markets and it had as main goal to align the Bank's portfolio structure and exposition to the levels of risk appetite, as well as to ensure the preservation of capital, one of the pillars that guide the Management's decisions.

The average interest rate, before interest rate hedging during the year ending on 31 December 2020, amounted to 1.4% (31 December 2019: 1.5%).

	Cost	Fair value hedge	Expected credit loss	Balance Sheet Amount
Financial assets at amortised cost				
Bonds and other fixed return securities				
From foreign public issuers	350,378,513	34,501,726	40,691	384,839,548
Balance on 31 December 2019	**350,378,513**	**34,501,726**	**40,691**	**384,839,548**
Financial assets at amortised cost				
Bonds and other fixed return securities				
From foreign public issuers	309,775,147	50,037,052	-	359,812,199
Balance on 31 December 2020	**309,775,147**	**50,037,052**	**-**	**359,812,199**

The adjustment in reference to the hedging relations at 31 December 2020 was 50,037,052 euros (34,501,726 Euros at 31 December 2019). This adjustment results from the hedging of debt instruments at fixed rate, which with the respective expected credit loss, presented a balance sheet value of 359,812,199 euros (384,839,548 euros at 31 December 2019).

NOTE 22
FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES – CLIENTS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Domestic loans		
To companies		
Loans	85,298	87,859
Loans at sight	2,094,157	2,856,646
Overdrafts	141,476	38,383
Leasing	225,557	384,113
Other specialised loans	-	5,161
To private individuals		
Loans at sight	9,285,647	8,260,695
Mortgages	5,675,478	6,026,290
Leasing	930,158	1,449,107
Overdrafts	43,838	25,647
Other specialised loans	388,730	424,855
Other credit	12,252,351	568,939
	31,122,690	**20,127,695**
Foreign loans		
To companies		
Overdrafts	480	56
To private individuals		
Loans at sight	987,135	644,571
Mortgages	330,801	345,681
Overdrafts	2,452	1,522
	1,320,868	**991,830**
Past due loans and interest		
Over 90 days	92,764	29,790
	92,764	**29,790**
	32,536,322	**21,149,315**
Impairment of credit to clients	(107,499)	(32,622)
Loans to clients	**32,428,823**	**21,116,693**

On 31 December 2020 and 2019 the caption Loans at sight reflects loans granted under the margin account, which are collateralised with deposits and/or securities held in the Group.

On 31 December 2020, the Group's credit portfolio included loans granted to members of the Board of Directors amounting to 5,379,276 Euros arising from the staff policy, pursuant to art. 85(4) of the General Regime of Credit Institutions and Financial Companies (31 December 2019: 778,544 Euros). At 31 December 2020, the loans granted to key management staff with senior management functions amounted to 6,634,700 Euros (31 December 2019: 1,435,291 Euros). In both cases, the verified increase resulted essentially from the credit lent by the Bank, arising from the staff policy, for the underwriting of the second program of redeemable preferred shares, which was implemented in May 2020.

The average interest rate during the year ended on 31 December 2020 was 1.7% (31 December 2019: 2.4%).

The residual periods of Loans and advances – Clients, including past due loans and interest, were structured as follows:

	2020	2019
Up to 3 months	12,592,689	11,846,140
From 3 months to 1 year	710,717	240,100
From 1 to 5 years	13,060,361	2,423,435
Over 5 years	6,079,791	6,609,850
Unspecified duration	92,764	29,790
	32,536,322	**21,149,315**

The movements in impairment of Loans and advances – Clients are presented as follows:

	2020	2019
Opening balance	**32,622**	**32,351**
Additions	75,015	2,318
Reversals	(138)	(2,047)
Closing balance	**107,499**	**32,622**

The distribution of Loans and advances – Clients by type of rate may be presented as follows:

	2020	2019
Variable rate	32,173,231	20,737,357
Fixed rate	363,091	411,958
	32,536,322	**21,149,315**

The residual periods of leased capital were structured as follows:

	2020	2019
Instalments and residual values due		
Up to 3 months	4,158	10,638
From 3 months to 1 year	139,195	85,981
From 1 to 5 years	1,015,128	1,648,557
Over 5 years	53,141	202,204
	1,211,622	**1,947,380**
Interest due		
Up to 3 months	11	55
From 3 months to 1 year	1,640	1,445
From 1 to 5 years	48,775	93,962
Over 5 years	5,481	18,698
	55,907	**114,160**
Capital due		
Up to 3 months	4,147	10,583
From 3 months to 1 year	137,555	84,536
From 1 to 5 years	966,353	1,554,595
Over 5 years	47,660	183,506
	1,155,715	**1,833,220**

The detail of the portfolio of loans not represented by securities (retail and guarantees and sureties provided) year of production, is as follows:

31-12-2020	Current Account Credit			Mortgages			Other		
Year of production	Number of transactions	Gross exposure	Impairment set up	Number of transactions	Gross exposure	Impairment up	Number of transactions	Gross exposure	Impairment set up
2008 and previous	105	1,993,844	-	28	945,296	127	-	-	-
2009	19	403,569	-	2	221,083	31	1	53	53
2010	14	181,565	-	3	224,342	30	559	4,767	336
2011	23	506,545	-	12	527,583	73	1	53	53
2012	18	219,842	-	1	51,922	7	6	370	370
2013	15	100,894	-	0	-	-	14	1,998	1,998
2014	30	576,520	-	3	139,048	18	51	21,475	14,688
2015	24	1,705,998	-	4	475,851	66	132	47,675	1,912
2016	15	600,831	-	8	710,808	100	146	190,569	3,721
2017	40	783,793	-	11	1,175,920	189	227	995,368	1,653
2018	47	1,311,852	-	8	713,868	100	182	635,260	3,836
2019	35	746,440	-	4	422,479	59	338	180,038	4,301
2020	73	3,296,857	61,613	3	570,532	80	678	11,989,638	12,085
	458	**12,428,550**	**61,613**	**87**	**6,178,732**	**880**	**2,335**	**14,067,264**	**45,006**

31-12-2019	Current Account Credit			Mortgages			Other		
Year of production	Number of transactions	Gross exposure	Impairment set up	Number of transactions	Gross exposure	Impairment up	Number of transactions	Gross exposure	Impairment set up
2006 and previous	104	2,558,009	-	17	556,379	81	2	61,139	9
2007	28	75,245	-	9	411,309	61	1	17,370	2
2008	31	560,925	-	3	277,786	42	1	52	52
2009	21	142,090	-	3	240,786	36	1	111	111
2010	31	1,304,212	-	10	538,748	81	3	15,038	54
2011	27	354,377	-	1	54,106	8	6	363	363
2012	25	240,015	-	-	-	-	12	4,810	2,215
2013	44	337,798	-	3	161,798	23	54	183,066	14,473
2014	37	1,594,100	-	4	495,404	75	157	156,921	1,793
2015	28	1,234,292	-	8	437,178	73	176	775,548	3,018
2016	56	1,032,401	-	8	792,231	121	272	1,766,265	2,012
2017	72	1,596,974	-	10	859,806	131	232	942,944	3,575
2018	46	731,474	-	1	164,215	25	1,329	735,305	4,305
	550	**11,761,912**	**-**	**77**	**4,989,746**	**757**	**2,246**	**4,658,932**	**31,982**

On 31 December 2020 and 2019, impairment was broken down as follows:

2020												
	Stage 1			Stage 2			Stage 3			TOTAL		
	Gross Exposure	Impairment	Net Exposure	Gross Exposure	Impairment	Net Exposure	Gross Exposure	Impairment	Net Exposure	Gross Exposure	Impairment	Net Exposure
Loans granted												
Companies	2,534,815	(460)	2,534,355	11,449	(75)	11,374	2,099	(2,099)	-	2,548,363	(2,634)	2,545,729
Private individuals	29,604,870	(2,868)	29,602,002	288,724	(9,517)	279,207	92,480	(92,480)	-	29,986,074	(104,865)	29,881,209
Guarantees and sureties provided												
Companies	9,350	-	9,350	-	-	-	-	-	-	9,350	-	9,350
Private individuals	120,760	-	120,760	10,000	-	10,000	-	-	-	130,760	-	130,760
Total	**32,269,795**	**(3,328)**	**32,266,467**	**310,173**	**(9,592)**	**300,581**	**94,579**	**(94,579)**	**-**	**32,674,547**	**(107,499)**	**32,567,048**

2019												
	Stage 1			Stage 2			Stage 3			TOTAL		
	Gross Exposure	Impairment	Net Exposure	Gross Exposure	Impairment	Net Exposure	Gross Exposure	Impairment	Net Exposure	Gross Exposure	Impairment	Net Exposure
Loans granted												
Companies	2,616,631	(527)	2,616,104	706,846	-	706,846	1,372	(1,372)	-	3,324,849	(1,899)	3,322,950
Private individuals	17,312,718	(1,715)	17,311,003	520,879	(15)	520,864	28,993	(28,993)	-	17,862,590	(30,723)	17,831,867
Guarantees and sureties provided												
Companies	9,350	-	9,350	-	-	-	-	-	-	9,350	-	9,350
Private individuals	213,800	-	213,800	-	-	-	-	-	-	213,800	-	213,800
Total	**20,152,499**	**(2,242)**	**20,150,257**	**1,227,725**	**(15)**	**1,227,710**	**30,365**	**(30,365)**	**-**	**21,410,589**	**(32,622)**	**21,377,967**

NOTE 23
FINANCIAL ASSETS TO THE AMORTISED COST – LOANS AND ADVANCES – CENTRAL BANKS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Loans and advances - Central Banks		
Very short-term applications	8,017,812	8,785,469
	8,017,812	**8,785,469**

The residual periods of Loans and advances – Central Banks were structured as follows:

	2020	2019
Up to 3 months	8,017,812	8,785,469
	8,017,812	**8,785,469**

This caption is related to the deposits held by Banco BiG Moçambique in the Banco Central de Moçambique, which are renumerated at local interest rates. The average interest rate throughout the exercise ended in 31 December 2020 amounted to 11.1% (31 December 2019: 14.5%).

NOTE 24
FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES – BANKS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Loans and advances - banks in Portugal		
Deposits	1,750,004	700,000
Loans	8,537	39,384
Loans and advances - banks abroad		
Deposits	4,398,598	4,132,568
	6,157,139	**4,871,952**
Impairment losses	(33)	(116)
	6,157,106	**4,871,836**

The average interest rate during the year ended on 31 December 2020, amounted to 0.02% (31 December 2019: 0.8%).

The residual periods of Loans and advances – Banks was structured as follows:

	2020	2019
Up to 3 months	5,095,547	3,782,585
From 3 months to 1 year	1,061,559	1,068,234
From 1 to 5 years	-	21,017
	6,157,106	**4,871,836**

The changes occurred in the impairment to Loans and advances – Banks, are presented as follows:

	2020	2019
Opening balance	**116**	**-**
Additions	-	116
Reversals	(83)	-
Closing balance	**33**	**116**

NOTE 25
DERIVATIVES – HEDGE ACCOUNTING

On 31 December 2020 and 2019 this caption was broken down as follows:

2020

		Hedge instrument			Hedge instrument (*)		
Derivative product	**Associated financial asset/liability**	**Notional**	**Fair value (1)**	**Variation in fair value in the year**	**Fair value component of the element covered**	**Variation in fair value in the year**	**Balance Sheet value**
Interest Rate Swap	Debt instruments	319,000,000	(52,915,036)	(15,288,809)	(50,248,015)	(15,746,289)	380,313,907
Futures	Debt instruments	476,230,683	-	(9,770,284)	(9,433,344)	(5,621,433)	491,037,214
		795,230,683	**(52,915,036)**	**(25,059,093)**	**(59,681,359)**	**(21,367,722)**	**871,351,121**

2019

		Hedge instrument			Hedge instrument (*)		
Derivative product	**Associated financial asset/liability**	**Notional**	**Fair value (1)**	**Variation in fair value in the year**	**Fair value component of the element covered**	**Variation in fair value in the year**	**Balance Sheet value**
Interest Rate Swap	Debt instruments	316,000,000	(37,626,227)	(19,429,127)	(34,501,726)	(22,985,475)	358,473,066
Futures	Debt instruments	503,344,603	-	(2,573,972)	(3,811,911)	13,599,823	506,067,142
		819,344,603	**(37,626,227)**	**(22,003,099)**	**(38,313,637)**	**(9,385,652)**	**864,540,208**

(1) Includes accrued interest
(*) Element hedged - HTCS Business Model

The variations in fair value associated to the assets described above and the respective hedge derivatives are entered in the income statement of the year in the caption of Profit/loss on financial assets and liabilities held for trading and hedge accounting (Note 8). With regard to the fair value of futures, this is reflected in the caption of Deposits in other banks (Note 18).

The residual periods of the notional values of hedging instruments can be analysed in the table below:

2020

		Notional			Fair Value	
Derivative product	**Associated financial asset / liability**	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**Assets**	**Liabilities**
Interest Rate Swap	Debt instruments	-	-	319,000,000	-	(52,915,036)
Futures	Debt instruments	-	144,459,910	331,770,773		
		-	**144,459,910**	**650,770,773**	**-**	**(52,915,036)**

2019

		Notional			Fair Value	
Derivative product	**Associated financial asset / liability**	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**Assets**	**Liabilities**
Interest Rate Swap	Debt instruments	-	20,000,000	296,000,000	-	(37,626,227)
Futures	Debt instruments	-	164,833,263	338,511,340	-	-
		-	**184,833,263**	**634,511,340**	**-**	**(37,626,227)**

NOTE 26
TANGIBLE ASSETS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Buildings		
Improvements to buildings	4,109,579	4,289,165
For own use	18,179,241	19,270,528
	22,288,820	**23,559,693**
Equipment		
Computer equipment	6,295,508	5,583,933
Furniture and material	1,475,034	1,476,999
Installations and interiors	2,386,599	2,424,485
Security equipment	250,554	266,597
Machines and tools	290,492	276,524
Other equipment	232,055	232,055
Transportation material	81,612	101,419
	11,011,854	**10,362,012**
Right of use		
Buildings	2,272,356	2,384,385
Vehicles	710,924	668,704
	2,983,280	**3,053,089**
Tangible assets in progress	94,736	121,982
Impairment	(177,549)	(183,502)
Accumulated depreciation	(17,080,589)	(15,793,300)
	19,120,552	**21,119,974**

The movement in this caption was the following:

	Buildings	Equipment	Tangible fixed assets in progress	Right of use Buildings	Right of use Vehicles	Total
Acquisition cost						
Balance on 31 December 2018	20,077,688	10,186,069	100,969	-	-	30,364,726
Additions	326,541	134,301	3,623,838	2,384,385	668,704	7,137,769
Transfers	3,559,070	45,946	(3,605,016)	-	-	-
Write-downs	(113,536)	(6,812)	-	-	-	(120,348)
Reversals	(295,344)	(15,316)	-	-	-	(310,660)
Currency exchange differences	5,276	17,823	2,190			25,289
Balance on 31 December 2019	23,559,695	10,362,011	121,981	2,384,385	668,704	37,096,776
Additions	26,524	772,662	6,984	-	49,301	855,471
Transfers	(93,298)	95,944	(3,995)	-	-	(1,349)
Write-downs	-	-	(322)	-	-	(322)
Reversals	(272,068)	(3,326)	-	(112,029)	(7,080)	(394,503)
Currency exchange differences	(932,031)	(215,438)	(29,914)	-	-	(1,177,383)
Balance on 31 December 2020	22,288,822	11,011,853	94,734	2,272,356	710,925	36,378,690
Depreciation						
Balance on 31 December 2018	5,820,697	9,091,118	-	-	-	14,911,815
Write-downs of the year	(198,530)	(2,157)	-	-	-	(200,687)
Reversals	(64,995)	(15,316)	-	-	-	(80,311)
Depreciation of the year	458,393	231,459	-	478,014	171,439	1,339,305
Currency exchange differences	1,498	5,182	-	-	-	6,680
Balance on 31 December 2019	6,017,063	9,310,286	-	478,014	171,439	15,976,802
Write-downs of the year	(139,917)	(3,326)	-	(31,742)	(1,976)	(176,961)
Depreciation of the year	465,170	400,485	-	521,021	195,123	1,581,799
Currency exchange differences	(30,156)	(93,346)	-	-	-	(123,502)
Balance on 31 December 2020	6,312,160	9,614,099	-	967,293	364,586	17,258,138
Net balance on 31 December 2019	**17,542,632**	**1,051,725**	**121,981**	**1,906,371**	**497,265**	**21,119,974**
Net balance on 31 December 2020	**15,976,662**	**1,397,754**	**94,734**	**1,305,063**	**346,339**	**19,120,552**

NOTE 27
INTANGIBLE ASSETS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Acquired from third parties		
Automatic data treatment system	13,036,990	12,156,319
Other	586,747	587,197
	13,623,737	12,743,516
Intangible assets in progress		
Automatic data treatment system	2,991,307	2,121,878
	2,991,307	2,121,878
	16,615,044	14,865,394
Accumulated amortization	(12,561,833)	(11,927,782)
	4,053,211	**2,937,612**

The movement in this caption was the following:

	Automatic data treatment system	Other financial investments	Tangible fixed assets in progress	Total
Acquisition cost				
Balance on 31 December 2018	11,678,022	587,197	738,609	13,003,828
Additions	341,194	-	1,518,423	1,859,617
Transfers	135,154	-	(135,154)	-
Currency exchange differences	1,949	-	-	1,949
Balance on 31 December 2019	12,156,319	587,197	2,121,878	14,865,394
Additions	891,972	-	880,638	1,772,610
Transfers	11,209	-	(11,209)	-
Reversals	-	(450)	-	(450)
Currency exchange differences	(22,510)	-	-	(22,510)
Balance on 31 December 2020	13,036,990	586,747	2,991,307	16,615,044
Depreciation				
Balance on 31 December 2018	10,302,550	587,197	-	10,889,747
Depreciation of the year	1,036,086	-	-	1,036,086
Currency exchange differences	1,949	-	-	1,949
Balance on 31 December 2019	11,340,585	587,197	-	11,927,782
Depreciation of the year	657,011	-	-	657,011
Reversals	-	(450)	-	(450)
Currency exchange differences	(22,510)	-	-	(22,510)
Balance on 31 December 2020	11,975,086	586,747	-	12,561,833
Net balance on 31 December 2020	**1,061,904**	**-**	**2,991,307**	**4,053,211**
Net balance on 31 December 2019	**815,734**	**-**	**2,121,878**	**2,937,612**

◢ NOTE 28
CURRENT TAX ASSETS AND LIABILITIES

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Estimated tax for the year	(10,192,899)	(12,581,925)
Payments on account	8,984,548	114,433
Withholding tax	510,294	676,095
Corrections to tax relating to previous years	3,387,241	3,338,056
Current tax assets / (liabilities)	**2,689,184**	**(8,453,341)**

On 31 December 2020 the caption of Estimate of tax of the year includes 1,485,000 Euros relating to the contribution of the banking sector (31 December 2019: 1,225,000 Euros).

◢ NOTE 29
OTHER ASSETS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Debtors and other applications		
Margin applications	67,011,515	54,582,651
Public sector	70,714	94,189
Other debtors	362,725	682,726
Debtors and other applications	258,872	143,745
Other assets	133,899	133,899
	67,837,725	**55,637,210**
Impairment losses on other assets	(99,026)	(59,783)
	67,738,699	**55,577,427**
Expenses with deferred costs	708,393	780,106
Income receivable	2,218,042	1,254,506
Other accruals and deferrals		
Other pending transactions	1,301,459	815,374
	1,301,459	**815,374**
	71,966,593	**58,427,413**

The caption Margin Applications refers to collateral maintained with counterparties for trading in derivative instruments.

The caption Other pending transactions essentially relates to transactions that were still to be settled on 31 December.

The movements in impairment losses for other assets are presented as follows:

	2020	2019
Opening balance	**59,783**	**53,549**
Additions	47,495	56,758
Reversals	(8,252)	(50,524)
Closing balace	**99,026**	**59,783**

◢ NOTE 30
FINANCIAL LIABILITIES HELD AT AMORTISED COST – FUNDING FROM OTHER BANKS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Domestic		
Deposits	44,813,841	29,815,238
	44,813,841	**29,815,238**
Abroad		
Deposits	1,275,802	1,529,416
Loans	167,090,491	460,415,609
	168,366,293	**461,945,025**
	213,180,134	**491,760,263**

The captions of Deposits essentially comprise deposits made by banks in the Group. The amounts relating a Loans relate to loans obtained, with collateral of securities, contracted with international institutions.

The average interest rate during the year ended on 31 December 2020 was 0.1% (31 December 2019: 0.4%).

The residual period of the Funding from other banks may be analysed as follows:

	2020	2019
Up to 3 months	208,618,234	485,110,263
From 3 months to 1 year	3,061,900	5,500,000
From 1 to 5 years	1,500,000	1,150,000
	213,180,134	**491,760,263**

◢ NOTE 31
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – FUNDING FROM CENTRAL BANKS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Funding from central banks		
Term deposits	75,000,000	-
	75,000,000	**-**

The residual periods of Funding from central banks were structured as follows:

	2020	2019
From 3 months to 1 year	75,000,000	-
	75,000,000	**-**

The full amount of this caption is comprised of funds held in longer-term refinancing operations under the program PELTRO (Pandemic Emergency Longer-term Refinancing Operations) of the European Central Bank. These instruments are remunerated at a -0.3% interest rate.

The average interest rate of the term deposits during the year ended on 31December 2020 amounted to -0.4%.

◢ NOTE 32
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – FUNDING FROM CLIENTS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Demand deposits	921,022,822	803,363,045
Term deposits	447,641,346	460,186,447
Other	34,275,542	26,026,980
	1,402,939,710	**1,289,576,472**

The caption Other essentially relates to the clients balances available and used in margin accounts, as part of the trading of derivative positions.

The average interest rate of term deposits during the year ended on 31 December 2020, amounted to 0.2% (31 December 2019: 0.2%)

The residual periods of Funding from clients were structured as follows:

	2020	2019
Up to 3 months	1,109,503,077	1,060,217,464
From 3 months to 1 year	259,283,946	199,259,405
From 1 to 5 years	34,152,687	30,042,103
Over 5 years	-	57,500
	1,402,939,710	**1,289,576,472**

◢ NOTE 33
PROVISIONS OR REVERSAL OF PROVISIONS

On 31 December 2020 and 2019, this caption was broken down as follows:

	Outras provisões
Balance on 31 December 2018	**3,338,289**
Reversals	(1,730,876)
Balance on 31 December 2019	**1,607,413**
Reversals	(84,000)
Balance on 31 December 2020	**1,523,413**

The caption Other provisions includes provisions set up to cover other specific risks, legal proceedings and other losses arising from the Group's activity.

The reversals occurred in 2020 and 2019 essentially relate to other losses arising from the Group's activity.

◢ NOTE 34
SHARE CAPITAL REIMBURSABLE AT SIGHT

The General Meetings of the BiG held on 08 May 2014 and on 21 April 2016, authorised the Board of Directors to make a capital increase through the issue of redeemable preferred shares intended for workers and members of the Corporate Offices of the Bank. Following these deliberations, in July 2016, the Board of Directors of the Bank made a capital increase by the issue of 12,000,000 (twelve million) non-voting redeemable preferred shares, which was the first underwriting program of this type of shares.

The underlying shares to this first underwriting program were redeemed on September 2019, having been implemented a new underwriting program of this type of shares on May 2020.

The non-voting redeemable preferred shares have characteristics that grant this instrument a hybrid nature as they share clear characteristics of debt instruments. It is for this reason that, under the International Accounting Standards, they are classified as a financial liability, in the caption Instruments representing capital with the nature of liabilities, and the respective income paid is entered as interest.

The redeemable preferred shares issued by BiG are, in accordance with the deliberation for their issue and the current wording of BiG's by-laws, subject to redemption in the period of 38 months from the date of their issue, or rather, the shares are issued for a fixed period and both the issuer and their holders have an unconditional right to redemption, with reimbursement of the capital holding and to the redemption premium, in accordance with the following formula:

Redemption premium per share: Max [0; 1.5 x (VCPAn – VCPAi) / VCPAi] x VN
VN – Nominal value
VCPAi – Book value per share at the time i (last balance sheet annual prior to the issue date)
VCPAn – Book value per share at the time n (last balance sheet annual prior to the redemption date)
1.5 – Multiple of book value
For the purposes of the calculation of the book value per share the total number of ordinary shares is considered.
Redemption Period / Date: 38 months

In the event of the occurrence of an exceptional corporate situation that affects the book value of the shares, the redemption premium may be adjusted so that the holder is not affected positively or negatively by this event, in the terms set out in the Regulations of the second underwriting program of redeemable preferred shares in force in the Bank.

The accounting policy inherent to the accounting of this type of instrument is described in Note 2.5. Financial liabilities.

In 2020, under the formula for the calculation of the redemption premium the amount entered in the Balance Sheet was 684,989 Euros relating to the accrual of this premium. The value recorded at the end of the year includes the cost with the expected dividend referring to 2020, amounting to 1,620,000.

The accounting policy inherent to the recording of this type of instrument is described in note 2.5. Financial Liabilities.

	2020	2019
Instruments representing capital	14,304,989	-

NOTE 35
CONTINGENT LIABILITIES – RESOLUTION FUND

The Resolution Fund is a legal entity under public law with administrative and financial autonomy, created by Decree Law no. 31-A/2012, of 10 February, which is governed by the General Regime of Credit Institutions and Financial Companies (“RGICSF”) and by its regulations and whose mission is to provide financial support to the resolution measures applied by the Banco de Portugal, in the capacity of the national resolution authority, and to perform all the other functions granted by the law related with the execution of these measures.

As most of the financial institutions operating in Portugal, BiG is one of the participants in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Banco de Portugal, which is based on the amount of its liabilities. In 2020, the Bank’s periodical contribution amounted to 481,363 Euros (31 December 2019: 528,136 Euros), based on a contribution rate of 0.06% calculated pursuant to Instruction 24/2019 of the Banco de Portugal.

As part of its responsibility as the authority of supervision and resolution of the Portuguese financial sector, on 3 August 2014, the Banco de Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. (“BES”), pursuant to article 145º-G(5) of the RGICSF, which consisted in the transfer of the majority of its activity to a transition bank, called Novo Banco, S.A. (“Novo Banco”), created especially for this purpose.

To make up the share capital of the Novo Banco, the Resolution Fund provided 4,900 million Euros, of which, 377 million Euros corresponded to its own financial resources. A loan of 700 million Euros was also granted by a bank syndicate to the Resolution Fund, the participation of each credit institution being weighted according to diverse factors, including the respective size. The remaining amount (3,823 million Euros) was from a refundable loan granted by the Portuguese State.

In December 2015, the national authorities decided to sell the majority of assets and liabilities associated to the activity of Banif – Banco Internacional do Funchal, S.A. (“Banif”) to Banco Santander Totta, S.A. (“Santander Totta”), for 150 million Euros, also in the context of the application of a resolution measure. This operation involved an estimated amount of 2,255 million Euros in public funds which aimed to cover future contingencies, of which 489 million Euros was financed by the Resolution Fund and 1,766 million Euros directly by the Portuguese State. In the context of this resolution measure, Banif’s assets identified as problematic were transferred to an asset management vehicle, created for the purpose – Oitante, S.A., with the Resolution Fund being the sole holder of its share capital, through the emission of bonds representative of the debt of this vehicle, amounting to 746 million Euros, with the guarantee of the Resolution Fund and counter-guarantee of the Portuguese State.

The resolution measures applied in 2014 to the BES (a process that gave rise to the creation of Novo Banco) and in 2015 to Banif created uncertainties related with the risk of litigation involving the Resolution Fund, which is significant, and also with the risk of the possible shortage of funds to cover the liabilities, in particular the short term reimbursement of the financing taken out.

It was in this context that in the second semester of 2016 that the Portuguese Government reached an agreement with the European Commission, in order to alter the conditions of the financing granted by the Portuguese State and by the banks participating in the Resolution Fund in order to preserve financial stability, by means of fostering conditions that would grant predictability and stability to the contributory effort towards the Resolution Fund. For the purpose, a supplement to the loan contracts to the Resolution Fund was formalised, which introduced a series of alterations to the reimbursement plans, to the rates of remuneration and other terms and conditions associated to these loans in order to adjust them to the capacity of the Resolution Fund to fully meet its obligations based on its normal revenue, or rather, without the need to charge special contributions or any other type of extraordinary contribution from the banks participating in the Resolution Fund.

According to the statement of the Resolution Fund of 31 March 2017, the review of the conditions of the financing granted by the Portuguese State and by the participating banks aimed to ensure the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable charge for the banking sector. Based on this review, the Resolution Fund assumed that the full payment of the responsibilities of the Resolution Fund is ensured, and also the respective remuneration, without the need for the banking sector to resort to special contributions or any other type of extraordinary contributions.

Also on 31 March 2017, the Banco de Portugal advised that it had selected the Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017 through the injection, by the new shareholder, of 750 million Euros, which will be followed by a new entry of capital of 250 million Euros, to be made in a period of up to three years. The Lone Star Fund became the owner of 75% of the share capital of Novo Banco and the Resolution Fund the remaining 25%. Furthermore, the conditions approved include a contingent funding mechanism, pursuant to which the Resolution Fund, as a shareholder, may be called on to make injections of capital if certain cumulative conditions arise, related with: (i) the performance of a restricted number of assets of Novo Banco and (ii) the evolution of the bank's capitalization levels, namely the contemplated issue in the market of 400 million Euros of Tier 2 capital instruments. The possible capital injections to be made pursuant to this contingent mechanism are subject to an absolute maximum limit of 3,890 million Euros during a period of 8 years. On 18 October 2017, Banco de Portugal and the Resolution Fund announced the decision to conclude the sale of Novo Banco to Lone Star.

Given the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by the bank syndicate, in which the Group is not included, and the public statements made by the Resolution Fund and by the Office of the Minister for Finance which mention that this possibility will not be used, although this possibility is contemplated in the applicable legislation on the payment of special contributions, these financial statements do not reflect any eventual future requirement for the Group to make special contributions or any extraordinary contributions to finance the resolution measures applied to BES and to Banif, and also the contingent funding mechanism mentioned in the previous paragraph.

Given the relevance and materiality of the topic, the Group has closely accompanied all the events that implied alterations regarding the operation of the Resolution Fund, having recognised, immediately in 2014, in the caption of provisions for general banking risks, a provision to address contingencies arising from this event, based on the Bank's prudent interpretation of paragraph 14 of IAS 37.

In this context of uncertainty, and in spite of the background presented, in order to address the guidelines given by the Banco de Portugal in this matter, in 2017 BiG reversed the remaining amount of 3,500,000 Euros of the provision relating to the Resolution Fund set out in the caption of Provisions for general banking risks; this provision was constituted in 2014, presenting a balance of 8,000,000 Euros at the close of that year; the balance of this provision was reinforced in 2015 to 9,000,000 Euros, and partially reversed in 2016 to 3,500,000 Euros.

NOTE 36
TAX

The Bank and its subsidiaries determined the amount of its current tax on income for the years 2020 and 2019 based on a nominal tax rate of 21%, plus a municipal surtax rate of 1.5%. An additional rate of 3% relating to the State Tax is also applied, for the years 2019 and 2018 on the taxable income of over 1,5 million Euros to 7,5 million Euros, a rate of 5% relating to State Tax is also applied to taxable income between 7,5 million Euros and 35 million Euros, and a rate of 9% for State Tax being applied to taxable income over 35 million Euros.

The Group calculated the amount of its deferred tax for the years 2020 and 2019 based on a rate of tax of 31.5%. A breakdown of this rate reflects a nominal rate of 21%, plus a rate of 1.5% relating to Municipal Surtax (*Derrama Municipal*), and a rate of 9% corresponding to State Tax.

The Portuguese Tax Authorities are empowered to review the Bank's calculation of its annual taxable earnings for a period of 4 years, except if there are reportable tax losses, where the period of expiry is the year of this right. In this way, possible corrections may be made to the tax base, resulting mainly from differences in interpretation of fiscal legislation. However, the Board of Directors considers that there are no material differences in respect of taxation of profits recorded in the financial statements.

The deferred tax assets and liabilities recognised in the Balance Sheet in 2020 and 2019 may be analysed as follows:

	2020	2019
Financial assets at fair value through other comprehensive income	(1,089,935)	548,624
Other	(272,629)	79,179
Net deferred tax assets / (liabilities)	**(1,362,564)**	**627,803**
Tax movement in the year	**(1,990,367)**	**(14,243,604)**

The income tax reported in results and reserves is explained as follows:

	2020	2019
Recognised in reserves		
Current tax		
Of the year	155,843	(164,922)
	155,843	**(164,922)**
Deferred tax		
Of the year	(1,637,301)	(14,801,924)
	(1,481,458)	**(14,966,846)**
Recognised in results		
Current tax		
Of the year	(9,244,769)	(11,827,133)
From previous years	359,105	216,601
	(8,885,664)	**(11,610,532)**
Deferred tax	(336,386)	(3,340,919)
	(9,222,050)	**(14,951,451)**
	(10,703,508)	**(29,918,297)**

The reconciliation of the tax rate for 2020 and 2019 may be analysed as follows:

	2020		2019	
	Tax rate	Amount	Tax rate	Amount
Pre-tax profit		34,870,371		57,502,874
Estimated tax charge	29.97%	10,450,086	31.78%	18,272,998
Non-deductible costs for tax purposes	0.38%	133,612	6.85%	3,937,363
Tax benefits	-0.31%	(108,692)	-0.06%	(35,392)
Tax loss	0.00%	-	-6.54%	(3,763,183)
Autonomous taxation and double taxation	0.00%	-	0.00%	-
Contributions on the banking sector	1.25%	434,656	0.57%	328,665
Other	-4.84%	(1,687,612)	-6.59%	(3,789,000)
	26.45%	**9,222,050**	**26.00%**	**14,951,451**

NOTE 37
OTHER LIABILITIES

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Creditors and other dues		
Diverse funds	200,000	-
Public sector	1,373,791	1,228,825
Leasing liabilities	1,687,370	2,447,641
Other creditors	293,753	5,972,714
	3,554,914	**7,201,539**
Costs payable		
Staff charges	5,513,623	6,152,959
Other charges payable	5,324,125	2,920,233
	10,837,748	**9,073,192**
Revenue from deferred income	86,288	32,978
Minority interests		-
Other accruals and deferrals		
Other pending transactions	5,972,826	23,767,630
	5,972,826	**23,767,630**
	20,451,776	**40,075,339**

The caption Other pending transactions essentially relates to operations that were still unsettled by 31 December 2020 and 2019.

Lease liabilities refer to the present value of the future payments of the Bank's leasing operations, specifically relating to buildings and vehicles.

NOTE 38
CAPITAL, ISSUE PREMIUMS, TREASURY STOCK AND RESERVES

Capital

On 31 December 2020 and 2019 the Bank's capital was represented by 171,947,388 ordinary shares, with the nominal value of 1 Euro each, fully subscribed and paid up.

On 31 December 2020 and 2019, the Bank's shareholder structure was the following:

	2020	2019
	Ordinary shares	**Ordinary shares**
António da Silva Rodrigues	12.18%	12.18%
Adger – SGPS, S.A.	10.70%	10.43%
WWC World Wide Capital - SPGS, S.A.	9.30%	9.30%
Carlos Adolfo Coelho Figueiredo Rodrigues	6.08%	11.31%
Nicholas Leo Racich	5.67%	5.67%
JRI – SGPS, S.A.	4.81%	4.81%
Bâloise Vie Luxembourg S.A.	4.69%	4.60%
Oceangest - Gestão e Empreendimentos Imobiliários, S.A.	4.34%	4.34%
Peter Alexander Batista Rodrigues	2.73%	0.11%
Phillip John Batista Rodrigues	2.62%	0.00%
LNKM Hospitality Capital - Fundo Capital de Risco	2.14%	2.14%
Other	34.74%	35.11%
	100.00%	100.00%

In 2020 the Bank held 12,000,000 non-voting redeemable preferred shares issued, which had the nature of liabilities (note 34). Thus, even though strictly for statutory purposes the Bank's share capital was considered to be 183,947,388 Euros, given the accounting treatment and characteristics of the redeemable non-voting preferred shares, the caption Share capital was represented by 171,947,388 ordinary shares with the nominal value of 1 Euro each.

the first issuance of redeemable preferred shares was done on July 2016. As foreseen under the terms on the deliberation of the issuance of these stocks, their redemption occurred on 16 September 2019.

Having in sight a second underwriting program of redeemable preferred shares targeted to BiG's Employees and Executive Board Members, on 27 May 2020 was concluded a new issuance of this type of shares in the amount of 12,000,000, in replacement of the shares redeemed on September 2019.

Issue premiums

On 31 December 2020 and 2019, the issue premiums amounting to 1,362,281 Euros refer to the premiums paid by the shareholders in the capital increases made.

Treasury stock

During 2020 and 2019, there were no movements in the Treasury stock caption.

Other accumulated comprehensive income

The caption Other accumulated comprehensive income represents potential capital gains and losses relating to the portfolio of financial assets at fair value through other comprehensive income less impairment recognised in the income statement. The value of this item is presented net of deferred taxation and current taxation.

The caption Other accumulated comprehensive income for the years ended on 31 December 2020 and 2019 is analysed as follows:

	2020	2019
Cost of financial assets at fair value through other comprehensive income	1,448,745,964	1,545,575,633
Market value of financial assets at fair value through other comprehensive income	1,451,903,913	1,541,888,204
Fair value reserve of financial assets at fair value through other comprehensive income	16,032,221	5,058,682
Fair value reserve associated to macro-hedging for interest rate risk	(14,404,503)	(8,746,150)
Impairment of financial assets at fair value through other comprehensive income	1,530,230	426,056
Deferred tax	(994,754)	1,027,681
Current tax	93,455	(62,387)
	2,256,650	**(2,296,118)**

(1) amortised cost for debt securities and acquisition cost with regard to shares and other.

The movement of the fair value reserve, net of taxation, for 2020 and 2019 is analysed as follows:

	2019	Variations in fair value	Adjustament of fair value hedge	Disposals	Tax	2020
Financial assets at fair value through other comprehensive income						
Debt instruments	(2,296,118)	12,081,447	14,401,962	(20,064,049)	(1,866,592)	2,256,650
	(2,296,118)	**12,081,447**	**14,401,962**	**(20,064,049)**	**(1,866,592)**	**2,256,650**

	2018	Variations in fair value	Adjustament of fair value hedge	Disposals	Tax	2018
Financial assets at fair value through other comprehensive income						
Debt instruments	(34,015,688)	32,881,840	58,006,761	(44,774,274)	(14,394,757)	(2,296,118)
	(34,015,688)	**32,881,840**	**58,006,761**	**(44,774,274)**	**(14,394,757)**	**(2,296,118)**

Legal reserve

Pursuant to article 97 of the General Regime of Credit Institutions and Financial Companies approved by Law no. 298/91, of 31 December and altered by Law no. 201/2002, of 25 September, the companies of the Group should set aside a portion of not less than 10% of net profits in each year for the creation of a legal reserve, up to a limit equal to the value of the share capital or to the sum of the free reserves set up and of the retained earnings, if greater.

NOTE 39
OFF-BALANCE SHEET ACCOUNTS

On 31 December 2020 and 2019, this caption was broken down as follows:

	2020	2019
Guarantees provided and other liabilities		
Assets given as guarantee	1,032,861,089	1,336,064,761
Guarantees and sureties	140,110	223,150
	1,033,001,199	**1,336,287,911**
Guarantees received		
Personal guarantees		
Guarantees and sureties	2,494,095	3,749,606
Other	-	11,705
Real guarantees		
Securities	92,979,125	81,958,595
Loans	5,611,139	8,354,905
Real Estate	7,786,199	8,061,487
	108,870,558	**102,136,298**
Commitments before third parties		
Irrevocable commitments		
Potential liability to the Investor Compensation System	674,614	674,614
Term deposit contracts	50,000,000	25,000,000
Revocable commitments		
Bank overdraft facilities	64,368,579	69,588,799
	115,043,193	**95,263,413**
Liabilities for services provided		
Asset custody and deposit	2,530,511,068	1,795,139,495
For asset administration	455,825,597	428,400,458
For collection of amounts	1,287,440	849,753
	2,987,624,105	**2,224,389,706**

On 31 December 2020 and 2019, the balance of the caption Assets Given as Guarantee includes:

- securities provided as a guarantee to the Investor Compensation System amounting to 735,000 Euros (31 December 2019: 731,759 Euros);

- securities provided as a guarantee to the European System of Central Banks amounting to 733,565,659 Euros (31 December 2019: 414,457,771 Euros). Assets provided as a guarantee correspond to a pool of securities, of which 75,000,000 was being used as collateral in liquidity operations (on 31 December 2019 there were no liquidity operations);

- other securities provided as a guarantee 298,560,430 Euros (31 December 2019: 920,875,231 Euros). Assets given as guarantee correspond to a pool of securities, of which a significant part was not being used as collateral in liquidity operations.

◢ NOTE 40
TRANSACTIONS WITH RELATED PARTIES

The Bank's policy on transactions with related parties establishes the rules to be observed and procedures to be followed, whenever there are transactions with related parties. Within the terms contemplated in IAS 24, and based on this policy, the following are considered related parties of the BiG, namely:

i. Qualified participants of the institution and other people or entities covered by the regime foreseen on article 109 of the General Regime of Credit Institutions and Financial Companies;
ii. the members of the corporate and supervisory bodies of BiG;
iii. the spouse, domestic partner, close members of the family of the people mentioned in line (ii) above;
iv. an entity in which a corporate or supervisory bodies member, or its spouse, domestic partner, or close members of the family hold a qualified stake equal or higher than 10 % of the share capital or of the voting rights, or on which those people exercise significant influence or exercise senior management functions or belong to the corporate and supervisory bodies;
v. Senior staff members, who correspond to people with a category or functions, with authority and responsibility for the planning, management and control of activities of the Group;
vi. any fund or benefit plan, such as pensions, other retirement benefits, life insurance and medical care insurance, for the benefit of the employees of BiG;
vii. Members of the corporate bodies of entities belonging to the Group;
viii. the people or entities, including namely, depositors, creditors, debtors, participated entities by BiG, Bank's employees or of other Group's entities, which through the relation with BiG may, potentially, influence its management, in such way to obtain a commercial relationship not in line with the normal market conditions.
ix. the entities of any Related Party with BiG that are: (i) partner; (ii) director, namely as a member of the corporate or supervisory bodies or if it has regular access to privileged information and participates in decisions related to management and control of the entity or (iii) holder, individually or jointly, directly or indirectly of, at least, half of the respective share capital or voting rights, as well as entities which have been incorporated for the benefit of any BiG's Related Party; and
x. Entities with which there is an interdependent economic relationship, namely due to their insertion in a crossed relationship of participations in diverse entities or that, for being connected to the institution is such a way, in the contingency of one of them having financial problems, the institution may also struggle financially.

On 31 December 2020 and 2019, the balances reflected in the captions of Assets relating to related parties are represented as follows:

2020	Credit	Financial Instruments	Other Assets
Shareholders with holdings over 10%	-	-	1,233
Governing Body	5,248,970	-	8,081
Closely related people	-	-	-
Related companies	-	13,978	-
Senior management of Group companies	1,708,750	-	130,951
	6,957,720	**13,978**	**140,265**

2019	Credit	Financial Instruments	Other Assets
Shareholders with holdings over 10%	-	-	1,227
Governing Body	956,413	-	251
Closely related people	-	-	-
Related companies	-	-	-
Senior management of Group companies	-	-	3,934
	956,413	**-**	**5,412**

On 31 December 2020 and 2019, the balances reflected in the captions of Liabilities relating to related parties are represented as follows:

2020	Funding	Other Liabilites
Shareholders with holdings over 10%	7,862,104	-
Governing Body	6,104,201	36,062
Closely related people	482,535	-
Related companies	1,703,373	-
Senior management of Group companies	2,365,670	6,799
	18,517,883	**42,861**

2019	Funding	Other Liabilites
Shareholders with holdings over 10%	9,403,479	
Governing Body	7,458,538	780
Closely related people	690,477	-
Related companies	-	
Senior management of Group companies	127,909	-
	17,680,403	**780**

On 31 December 2020 and 2019, the balances reflected in the captions of the Income Statement relating to related parties are represented as follows:

2020	Interest expenses	Interest income	Fees and commissions income
Shareholders with holdings over 10%	(904)	-	5,631
Governing Body	(937)	566	8,669
Closely related people	(48)	-	214
Related companies	(1,240)	-	-
Senior management of Group companies	(2,605)	1,402	1,169
	(5,734)	**1,968**	**15,683**

2019	Interest expenses	Interest income	Fees and commissions income
Shareholders with holdings over 10%	(8,101)	-	5,022
Governing Body	(2,945)	6,648	1,926
Closely related people	(136)	2	378
Related companies	-	-	-
Senior management of Group companies	-	-	6
	(11,182)	**6,650**	**7,332**

NOTE 41
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

On 31 December 2020 and 2019, the fair value of the financial assets and liabilities is presented as follows:

	Amortised cost	Listed market values (level 1)	Evaluation models with parameters / prices observable in the market (level 2)	Evaluation models with no parameters in the market (level 3)	Total Balance Sheet value	Fair value
31 December 2020						
Cash, cash balances in central banks and other demand deposits						
Money in cash and Cash balances in central banks	89,352,772	-	-	-	89,352,772	89,352,772
Other demand deposits	107,996,726	-	-	-	107,996,726	107,996,726
Financial assets held for trading						
Securities						
Bonds and other fixed return securities						
From public issuers	-	10,030,746	10,409,688	-	20,440,434	20,440,434
From other issuers	-	3,275,659	22,920,344	-	26,196,003	26,196,003
Shares	-	-	-	2,622,209	2,622,209	2,622,209
Derivatives						
Contracts on shares/indices	-	-	-	-	-	-
Term transactions	-	-	3,303	-	3,303	3,303
Credit and other amounts receivable	-	-	-	511,203	511,203	511,203
Other equity instruments	-	-	-	333,457	333,457	333,457
Financial assets at fair value through other comprehensive income						
Bonds and other fixed return securities						
From public issuers	-	464,058,069	14,626,256	-	478,684,325	478,684,325
From other issuers	-	396,287,720	576,865,310	-	973,153,030	973,153,030
Shares	-	36,080	-	30,478	66,558	66,558
Financial assets at amortised cost						
Debt securities	359,812,199				359,812,199	340,410,744
Loans and advances - Clients	32,428,823				32,428,823	32,428,823
Loans and advances - Central Banks	8,017,812				8,017,812	8,017,812
Loans and advances - Banks	6,157,106				6,157,106	6,157,106
Financial assets	**603,765,438**	**873,688,274**	**624,824,901**	**3,497,347**	**2,105,775,960**	**2,086,374,505**
Financial liabilities held for trading						
Derivatives						
Contracts on shares/indices	-	-	17,555	-	17,555	17,555
Term transactions	-	-	5,344	-	5,344	5,344
Other						
Financial liabilities measured at amortised cost	1,402,939,710	-	-	-	1,402,939,710	1,402,939,710
Funding from central banks	75,000,000	-	-	-	75,000,000	75,000,000
Fuding from banks	213,180,134	-	-	-	213,180,134	213,180,134
Derivatives - hedge accounting	-	-	52,915,036	-	52,915,036	52,915,036
Share capital reimbursable at sight	14,304,989	-	-	-	14,304,989	14,304,989
Financial liabilities	**1,705,424,833**	**-**	**52,937,935**	**-**	**1,758,362,768**	**1,758,362,768**
31 December 2019						
Cash, cash balances in central banks and other demand deposits						
Money in cash and Cash balances in central banks	99,160,498	-	-	-	99,160,498	99,160,498
Other demand deposits	74,194,798	-	-	-	74,194,798	74,194,798
Financial assets held for trading						
Securities						
Bonds and other fixed return securities						
From public issuers	-	14,522,358	121,312	-	14,643,670	14,643,670
From other issuers	-	2,775,098	30,184,015	-	32,959,113	32,959,113
Shares	-	-	-	1,930,809	1,930,809	1,930,809
Derivatives						
Contracts on shares/indices	-	-	-	-	-	-
Term transactions	-	11,166	2,019	-	13,185	13,185
Credit and other amounts receivable	-	-	-	727,288	727,288	727,288
Other equity instruments	-	-	-	170,404	170,404	170,404
Financial assets at fair value through other comprehensive income						
Bonds and other fixed return securities						
From public issuers	-	662,088,302	21,642,801	-	683,731,103	683,731,103
From other issuers	-	327,017,971	531,085,716	-	858,103,687	858,103,687
Shares	-	22,936	-	30,478	53,414	53,414
Financial assets at amortised cost						
Debt securities	384,839,548	-	-	-	384,839,548	353,930,656
Loans and advances - Clients	21,116,693	-	-	-	21,116,693	21,116,693
Loans and advances - Central Banks	8,785,469	-	-	-	8,785,469	8,785,469
Loans and advances - Banks	4,871,836	-	-	-	4,871,836	4,871,836
Financial assets	**592,968,842**	**1,006,437,831**	**583,035,863**	**2,858,979**	**2,185,301,515**	**2,154,392,623**
Financial liabilities held for trading						
Derivatives						
Contracts on shares/indices	-	-	33,097	19,614	52,711	52,711
Term transactions	-	-	7,221	-	7,221	7,221
Other						
Financial liabilities measured at amortised cost	491,760,263	-	-	-	491,760,263	491,760,263
Funding from central banks	-	-	-	-	-	-
Fuding from banks	1,289,576,472	-	-	-	1,289,576,472	1,289,576,472
Derivatives - hedge accounting	-	-	37,626,227	-	37,626,227	37,626,227
Share capital reimbursable at sight	-	-	-	-	-	-
Financial liabilities	**1,781,336,735**	**-**	**37,666,545**	**19,614**	**1,819,022,894**	**1,819,022,894**

The Group's fair value assets and liabilities are valued, pursuant to IFRS 7 and IFRS 13, in accordance with the following hierarchy:

Level 1– Financial instruments registered at fair value based on the listed prices available in official markets and as disclosed by entities which usually provide prices of transactions for these assets/liabilities traded on liquid markets.

Level 2 – Financial instruments registered at fair value through the use of internal evaluation models, specifically discounted cash flow models and option evaluation models, which imply the use of estimates and require judgements which vary according to the complexity of the products being assessed. However, the Group uses variables provided by the market as inputs in its models, such as interest rate curves, credit spreads, volatility and indices on quotations. It also includes instruments the valuation of which is obtained through quotations divulged by independent entities but in markets which have much less liquidity.

Level 3 – This level includes financial instruments that are measured based on evaluation models with parameters that are not observable in the market. This group includes valuations determined by the use of internal evaluation models or quotations provided by third parties but where the parameters used are not observable in the market.

Presented below are the main methods and assumptions used in the estimate of the fair value of the financial assets and liabilities recorded in the balance sheet at amortised cost:

Cash and deposits in central banks, Deposits in other banks and Applications in banks
Considering the short terms associated to these financial instruments, the Balance Sheet value is a reasonable estimate of the respective fair value.

Loans and advances to clients
Considering that the Bank's portfolio is composed essentially of short term and recent loans, the Balance Sheet value is considered as a reasonable estimate of the fair value of the loans and advances to clients.

Funding from other banks
Considering the short terms associated to these financial instruments, the Balance Sheet value is a reasonable estimate of the respective fair value.

Funding from clients
Considering that the interest rates applicable are variable in nature and the period of maturity of the deposits is substantially less than one year, there are no materially relevant differences in their fair value.

Funding from central banks
Considering the short term nature associated to these instruments, it is assumed that the fair value equals the book value.

Financial assets at amortised cost – Debt securities
For the calculation of the fair value of financial instruments-debt securities recorded at amortised cost, the valuation methods used consisted of valuation techniques, specifically through the update of future cash flow.

Share capital reimbursable at sight
It is assumed that the book value is a reasonable estimation of the respective fair value.

The interest rate curves of the main currencies for the years 2020 and 2019 are as follow:

(amounts expressed as a percentage)

	2020		2019	
	EUR	USD	EUR	USD
Overnight	-0.515	0.080	-0.625	1.560
1 month	-0.554	0.144	-0.438	1.763
3 months	-0.545	0.238	-0.383	1.908
6 months	-0.526	0.258	-0.324	1.912
1 year	-0.499	0.342	-0.249	1.996
3 years	-0.512	0.241	-0.238	1.689
5 years	-0.459	0.430	-0.129	1.729
7 years	-0.384	0.653	0.017	1.797
10 years	-0.260	0.925	0.211	1.895
15 years	-0.082	1.190	0.455	2.010
20 years	-0.002	1.317	0.587	2.066
25 years	-0.002	1.374	0.625	2.085
30 years	-0.023	1.402	0.628	2.093

The 90-day volatility of interest rate instruments, calculated on the price of public debt instruments for the most liquid terms (bond futures), in the years 2020 and 2019 are as follow:

(amounts expressed as a percentage)

	2020		2019	
	EUR	USD	EUR	USD
3 years	0.758	0.643	0.927	2.207
5 years	1.469	1.381	1.819	3.320
7 years	2.451	3.175	3.128	4.936
10 years	3.500	3.008	4.792	5.144

The evolution of the exchange rates of the main currencies for the years 2020 and 2019, and respective historic volatilities used in the evaluation of currency exchange derivatives are as follow:

			Volatilities 2019 (in %)		
	2020	2019	3 months	6 months	1 year
EUR/USD	1.227	1.123	5.806	6.304	7.570
EUR/GBP	0.899	0.851	8.171	7.612	8.911
EUR/JPY	126.490	121.940	6.335	7.078	8.074
EUR/CHF	1.080	1.085	3.324	4.097	3.721
EUR/MZN	91.050	68.700	5.918	6.425	7.559

The evolution of the main share indices for the years 2020 and 2019, and respective volatilities used in the evaluation of derivatives on shares and share indices are as follow:

	List price			Historic volatility (as %)		Historic volatility (as %)	
	2020	2019	Variation %	1 month	3 months	Call	Put
PSI20	4,898.36	5,214.14	(6.1)	17.033	20.333	18.62	18.62
Eurostoxx	3,552.64	3,745.15	(5.1)	13.273	21.615	18.58	18.58
DAX	13,718.78	13,249.01	3.5	14.967	22.505	21.02	21.02
S&P	3,756.07	3,230.78	16.3	9.453	18.737	18.07	18.07
Nasdaq 100	12,888.28	8,733.07	47.6	11.382	26.629	23.86	23.86
Dow Jones Ind.	30,606.48	28,538.44	7.2	9.774	17.953	18.34	18.34

NOTE 42
RISK MANAGEMENT

Background

The Bank seeks to manage the risks inherent to the banking business on a daily basis, specifically market, liquidity, credit, operational, technological, compliance and reputational risks. Additional information on this topic is available in the Board of Directors Report.

As these risks are normally interrelated, the Group structured a system of internal control which, through procedures, policies and other instruments of control, seeks to manage all of the risks in a comprehensive and integrated manner. These procedures and policies are generically conceived to ensure effective processing, to ensure robust systems, an appropriate assumption of risk, independent reporting and responsible behaviour, as well as respect for adhering to regulatory, legal and prudential guidelines.

In the management of its exposure to risk, the Group is guided by the following basic principles:
- Regular review of policies and procedures by the Administration
- Formal establishment of responsibilities for Risk Management in the Group
- Independent process of surveillance of business units
- Policies and procedures intended to ensure an appropriate diversification of risk categories
- Maintenance of a suitable system of internal reporting
- Evaluation and disciplined measurement of risks, including statistical and qualitative measures
- Training in the identification of risks in the diverse business units.

Risk measurement

The Group uses a series of different methodologies to measure and control the different types of risk exposure, specifically:

- Value at Risk (VaR);
- Limits per counterparty, family, class of assets or portfolio
- Limits of concentration;
- Basis point values;
- Non-statistical indicators, such as stress tests (Economic Value and Earnings at Risk) and sensitivity analyses of the risk parameters of derivative products (greeks)
- Back-testing.

Risk management is an evolving process and is one of the daily centres of attention of the Administration, especially because any single methodology is usually insufficient to provide a complete view of our exposure. As a policy, we seek to quantify the potential losses associated with all the aspects of our business in order to have a reasonable prior estimate of the potential damage upon the occurrence of unexpected events. These can range from those which are possible based on recent historic data, to those which we consider highly improbable, but which nevertheless can be estimated based on the assumption of certain extreme scenarios.

An assessment of market risk involves a daily review of all the measures mentioned above. The credit risk generally concentrates its focus on nominal and fractional exposures, concentrations by lender or group, sector or geography and stress testing. The risk management of liquidity, interest and exchange rate combine various methodologies, which include basis point values and scenario analyses. The exposure to derivatives is measured with sensitivity analyses of exposures measured in basis points. An evaluation of the more subjective risks to which the bank may be exposed, such as the reputational risk and the correlation risk, depend on scenario analyses in order to arrive at quantitative estimates. Finally, the Group's exposition to the operating risk is very oriented towards the study of the Group's processes and to ongoing occurring events.

Market Risk

Market Risk represents the possible loss in value of financial instruments as a result of changes in market conditions.

In terms of financial markets, the key risks to be managed are related with:

- Liquidity risk: resulting from treasury management and the different maturities of assets and liabilities.
- Interest rate risk: resulting from changes in the level, slope and curvature of interest rate curves, interest rate volatility and the duration of the credit margins.
- Price risk of securities and raw materials: resulting from exposure to changes in the price of the underlying assets and volatility.
- Exchange rate risk: resulting from exposure to changes in the spot price, at a future point in time, and volatility.
- Risk hedging: resulting from the management of exposure to changes in the price of the underlying assets used to hedge Clients' positions and products.

VaR

In terms of the product lines and portfolios of private clients, statistical measures, such as VaR, are combined with non-statistical measures, including stress tests, back-testing and measures of earnings-at-risk advisories, to ensure that there are adequate controls over the expected results by risk type in any market conditions. The Group calculates VaR using a time horizon of one month (22 working days) and a confidence interval of 99%. This means that the Group can expect to incur losses greater than the estimated VaR only once every 100 working days, or approximately 2.5 times per year. As the VaR is a theoretical approach based on historic data, the model has limitations and cannot always produce exact forecasts on the future market risk. Changes in VaR between reporting periods, for example, are generically due to changes in levels of exposure, volatility and the correlation between securities.

The VaR for the years ended on 31 December 2020 and 2019 is presented as follows:

	2020				2019			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange risk	8,868	15,857	63,365	2,291	19,365	19,344	91,684	1,762
Interest rate risk	460,489	314,058	748,052	33,631	186,479	247,146	2,521,885	15,208
Shares	-	16,227	182,793	-	18,983	86,944	305,057	-
Options	7,338	3,452	15,424	-	3,393	8,671	29,809	3,393
Effect of diversification	16%	19%			39%	29%		
Total VaR	**401,419**	**284,581**	**710,501**	**30,307**	**139,486**	**258,371**	**2,492,079**	**36,515**

The average VaR of the exposures allocated to each of the trading portfolios reduced in 2020 compared to the amounts recorded in 2019, with the exception of the bonds portfolio where, on average, the values increased.

Sensitivity analysis

With regard to the sensitivity analysis to stock market indices in the portfolio, or of stock market indices for which we have shares of the respective index in portfolio, the variation in prices of these indices is presented below in relation to the years ended on 31 December 2020 and 2019:

	List price			Historic volatility 2019	
	2020	2019	Variation %	1 month	3 months
DAX	13,718.78	13,249.01	3.55	14.967	22.505
PSI20	4,898.36	5,214.14	(6.06)	17.033	20.333
Eurostoxx	3,552.64	3,745.15	(5.14)	13.273	21.615
S&P	3,756.07	3,230.78	16.26	9.453	18.737
Dow Jones	30,606.48	28,538.44	7.25	9.774	17.953
Mexbol	44,066.88	43,541.02	1.21	19.639	19.730
KOSPI 200	389.29	293.77	32.52	18.440	17.937
Nikkei 225	27,444.17	23,656.62	16.01	13.861	14.036
Nasdaq 100	12,888.28	8,733.07	47.58	11.382	26.629
S&P/TSX 60	1,034.76	1,014.92	1.96	8.750	13.545
Russell 2000	1,974.86	1,668.47	18.36	17.407	23.422
RDX USD	1,544.96	1,879.96	(17.82)	30.762	30.100
SMI	10,703.51	10,616.94	0.82	11.017	15.081
FTSE Taiwan	1,286.35	1,082.78	18.80	13.388	13.357
S&P / ASX 200	6,587.10	6,684.08	(1.45)	11.851	16.600
FTSE 100	6,460.52	7,542.44	(14.34)	14.683	19.004
NSE Nifty 50	13,981.75	12,168.45	14.90	14.959	16.351
FTSE China A50	17,706.72	14,383.81	23.10	15.809	15.867

In order to analyse the impact that a decline in stock market prices has on the shares of the trading portfolio, sensitivity analyses are performed on them. Within this analysis a sudden change of +/- 10% was applied in all the indices, and for each share the magnitude of the decline was weighted by the Beta of the share with the respective reference index.

The sensitivity analysis resulting from a +/- 10% decline in the stock market indices for the years ended on 31 December 2020 and 2019 is presented as follows:

Impact resulting from a sudden movement in stock indices	2020		2019	
	+10%	-10%	+10%	-10%
DAX	68,730	(68,730)	-	-
PSI20	-	-	(3,410)	3,410
Eurostoxx	(17,811)	17,811	3,652	(3,652)
S&P	(150,351)	150,351	-	-
Dow Jones	-	-	(101,506)	101,506
Mexbol	29,196	(29,196)	-	-
KOSPI 200	36,655	(36,655)	-	-
Nikkei 225	21,753	(21,753)	-	-
Nasdaq 100	21,095	(21,095)	-	-
S&P/TSX 60	92,632	(92,632)	-	-
Russell 2000	8,083	(8,083)	-	-
RDX USD	17,946	(17,946)	-	-
SMI	29,525	(29,525)	-	-
FTSE Taiwan	16,709	(16,709)	-	-
S&P / ASX 200	30,940	(30,940)	-	-
FTSE 100	229,967	(229,967)	-	-
NSE Nifty 50	(64,249)	64,249	-	-
FTSE China A50	(63,793)	63,793	-	-
Total impact	**307,027**	**(307,027)**	**(101,264)**	**101,264**

Stress Testing

These tests are complementary to VaR analysis and are an essential tool for managing the market risk. By using economic stress testing, the Group tries to estimate the potential losses associated with a given instrument or portfolio, in different scenarios. Stress tests exercises of positiions at risk provide Management with an estimate of the potential variation in the value of a given position, whether current or contemplated, as a result of various scenarios used to take decisions relating to the assumption, increase or reduction of positions. We undertake tests on the portfolios held by the Group daily assuming certain historic market events or other scenarios to simulate our exposure and, in certain cases, the exposure of ours Clients to potential losses. When no historic data is available, underlying assets of classes of identical assets with a high level of correlation may be used.

Currently, the Group uses 16 different scenarios to simulate potential losses on the various trading and investment positions. The potential impact on the Group's portfolios is also estimated daily when we allow for worst case scenarios in the credit market, *Stress Test Debt*. These stress tests are presented and discussed in the Report of the Board of Directors.

Liquidity risk

Group's strategy takes as an assumption a reduced exposure to the liquidity risk. The basic principles of this strategy are (i) to pre-fund the acquisition/constitution of any asset, (ii) to ensure that a major part of the Group's Balance Sheet can be converted into liquidity in the short term and (iii) to be fully independent of the interbank market in terms of financing.

The management of the Group's immediate resources is carried out so as to minimise the risk of an increase in lending activities which might imply a decrease in liquidity, or rather, a rate of growth in loans which is greater than that of resources.

The exposure by maturity of the Group's Balance Sheet assets and liabilities are distributed in the following way for the years ended on 31 December 2020 and 2019:

2020							
	Spot	**Up to 3 months**	**From 3 months to 1 year**	**Between 1 to 5 years**	**Over 5 years**	**Undefined**	**Total**
Assets							
Cash, cash balances in central banks and other demand deposits							
Money in cash and Cash balances in central banks	89,352,772	-	-	-	-	-	89,352,772
Other demand deposits	107,996,726	-	-	-	-	-	107,996,726
Financial assets held for trading	-	1,033,072	4,085,290	29,268,155	12,253,223	3,466,869	50,106,609
Financial assets at fair value through other comprehensive income	-	1,839	7,617,150	231,293,953	1,212,924,413	66,558	1,451,903,913
Financial assets at amortised cost							
Debt securities	-	-	-	-	359,812,199	-	359,812,199
Loans and advances - Clients	12,590,003	2,686	710,717	13,060,361	6,079,791	92,764	32,536,322
Loans and advances - Central Banks	-	8,017,812	-	-	-	-	8,017,812
Loans and advances - Banks	-	5,095,547	1,061,559	-	-	-	6,157.,06
	209,939,501	**14,150,956**	**13,474,716**	**273,622,469**	**1,591,069,626**	**3,626,191**	**2,105,883,459**
Liabilities							
Financial liabilities held for trading	-	22,899	-	-	-	-	22,899
Financial liabilities measured at amortised cost							
Funding from clients	954,897,735	154,605,342	259,283,946	34,152,687	-	-	1,402,939,710
Funding from central banks	-	-	75,000,000	-	-	-	75,000,000
Funding from other banks	50,802,692	157,815,542	3,061,900	1,500,000	-	-	213,180,134
Derivatives - Hedge accounting	-	-	-	-	52,915,036	-	52,915,036
	1,005,700,427	**312,443,783**	**337,345,846**	**35,652,687**	**52,915,036**	**-**	**1,744,057,779**

2019							
	Spot	Up to 3 months	From 3 months to 1 year	Between 1 to 5 years	Over 5 years	Undefined	Total
Assets							
Cash, cash balances in central banks and other demand deposits							
Money in cash and Cash balances in central banks	99,160,498	-	-	-	-	-	99,160,498
Other demand deposits	74,194,798	-	-	-	-	-	74,194,798
Financial assets held for trading	-	13,185	120,380	29,529,375	17,953,029	2,828,500	50,444,469
Financial assets at fair value through other comprehensive income	-	1,156,050	73,052	146,212,482	1,394,393,206	53,414	1,541,888,204
Financial assets at amortised cost							
Debt securities	-	-	-	-	384,839,548	-	384,839,548
Loans and advances - Clients	11,837,379	8,761	240,100	2,423,435	6,609,850	29,790	21,149,315
Loans and advances - Banks	-	3,782,585	1,068,234	21,017	-	-	4,871,836
	185,192,675	**4,960,581**	**1,501,766**	**178,186,309**	**1,803,795,633**	**2,911,704**	**2,176,548,668**
Liabilities							
Financial liabilities held for trading	-	26,835	-	33,097	-	-	59,932
Financial liabilities measured at amortised cost							
Funding from clients	29,288,934	455,821,329	5,500,000	1,150,000	-	-	491,760,263
Funding from central banks	-	-	-	-	-	-	-
Funding from other banks	829,429,667	230,787,797	199,259,405	30,042,103	57,500	-	1,289,576,472
Derivatives - Hedge accounting	-	-	-	598,054	37,028,173	-	37,626,227
	858,718,601	**686,635,961**	**204,759,405**	**31,823,254**	**37,085,673**	**-**	**1,819,022,894**

Interest rate risk

Interest rate risk measures the probability of the occurrence of negative impacts on the Group's income or capital caused by movements in the absolute levels of interest rates, in spreads between two rates, or in the configuration of the interest rate curve, among other factors.

The balance sheet exposure of the assets and liabilities to the interest rate risk is presented in the table below, by maturity, for the years ended on 31 December 2020 and 2019:

2020

Time frame	Portfolio(1) Assets	Portfolio(1) Liabilities	Off-Balance Sheet Assets	Off-Balance Sheet Liabilities
Spot - 1 month	693,622,646	344,339,085	225,145,999	-
1 - 3 months	198,676,115	175,481,824	40,225,312	-
3 - 6 months	62,894,526	225,688,463	55,432,288	-
6 - 12 months	3,400,191	164,140,003	-	-
1 - 2 years	39,195,021	84,671,638	-	31,773,825
2 - 3 years	24,582,631	687,968,681	-	-
3 - 4 years	42,449,015	5,464,304	-	-
4 - 5 years	55,543,384	5,743,918	-	-
5 - 7 years	214,977,922	-	-	112,570,888
7 - 10 years	106,701,295	-	-	-
10 - 15 years	430,083,154	-	-	639,196,531
15 - 20 years	95,764,815	-	-	-
> 20 years	105,248,554	-	-	66,695,189
Total	**2,073,139,269**	**1,693,497,916**	**320,803,599**	**850,236,433**

(1) Financial assets at fair value through other comprehensive income, financial assets at amortised cost and retail portfolio

2019

Time frame	Portfolio(1) Assets	Portfolio(1) Liabilities	Off-Balance Sheet Assets	Off-Balance Sheet Liabilities
Spot - 1 month	576,246,314	508,495,965	228,062,482	-
1 - 3 months	240,143,280	344,756,251	40,763,697	-
3 - 6 months	127,820,390	158,758,485	52,776,957	-
6 - 12 months	3,480,833	97,395,819	-	-
1 - 2 years	130,597	92,920,856	-	-
2 - 3 years	50,096,359	579,544,393	-	52,595,350
3 - 4 years	20,479,385	1,404,207	-	-
4 - 5 years	57,298,276	4,168,644	-	20,735,660
5 - 7 years	119,921,711	58,959	-	111,557,751
7 - 10 years	388,026,461	-	-	-
10 - 15 years	348,430,636	-	-	664,968,644
15 - 20 years	206,432,122	-	-	-
> 20 years	17,566,310	-	-	7,538,440
Total	**2,156,072,674**	**1,787,503,579**	**321,603,136**	**857,395,845**

(1) Financial assets at fair value through other comprehensive income, financial assets at amortised cost and retail portfolio

Sensitivity analysis

Included in the non-statistical, the basis point value indicators measure the sensitivity to the interest rate risk for the years ended on 31 December 2020 and 2019, presented as follows:

	2020				2019			
	Parallel increase of 100 pb	Parallel reduction of 100 pb	Increase after 1 year of 50pb	Reduction after 1 year of 50pb	Parallel increase of 100 pb	Parallel reduction of 100 pb	Increase after 1 year of 50pb	Reduction after 1 year of 50pb
On 31 December	(4,020,519)	4,020,519	(2,589,624)	2,589,624	(17,942,941)	17,942,941	(9,189,424)	9,189,424

Asset and liability re-pricing risk

Included in the non-statistical earnings at risk indicators, the re-pricing bands for the years ended on 31 December 2020 and 2019 are presented as follows:

2020

	Balance Sheet value	Not sensitive	Up to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years
Cash, cash balances in central banks and other demand deposits						
Money in cash and Cash balances in central banks	89,352,772	89,352,772	-	-	-	-
Other demand deposits	107,996,726	107,996,726	-	-	-	-
Financial assets held for trading	50,106,609	3,466,869	1,033,072	4,085,290	29,268,155	12,253,223
Financial assets at fair value through other comprehensive income	1,451,903,913	66,558	1,839	7,617,150	231,293,953	1,212,924,413
Financial assets at amortised cost						
Debt securities	359,812,199	-	-	-	-	359,812,199
Loans and advances - Clients	32,536,322	92,764	12,592,689	710,717	13,060,361	6,079,791
Loans and advances - Central Banks	8,017,812	-	8,017,812	-	-	-
Loans and advances - Banks	6,157,106	-	5,095,547	1,061,559	-	-
Total	**2,105,883,459**	**200,975,689**	**26,740,959**	**13,474,716**	**273,622,469**	**1,591,069,626**
Financial liabilities held for trading	22,899	-	22,899	-	-	-
Financial liabilities measured at amortised cost						
Funding from other banks	213,180,134	-	208,618,234	3,061,900	1,500,000	-
Funding from central banks	75,000,000	-	-	75,000,000	-	-
Funding from clients	1,402,939,710	-	1,109,503,077	259,283,946	34,152,687	-
Derivatives - Hedge accounting	52,915,036	-	-	-	-	52,915,036
Total	**1,744,057,779**	**-**	**1,318,144,210**	**337,345,846**	**35,652,687**	**52,915,036**
GAP (Assets - Liabilities)	**361,825,680**	**200,975,689**	**(1,291,403,251)**	**(323,871,130)**	**237,969,782**	**1,538,154,590**

2019

	Balance Sheet value	Not sensitive	Up to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years
Cash, cash balances in central banks and other demand deposits						
Money in cash and Cash balances in central banks	99,160,498	99,160,498	-	-	-	-
Other demand deposits	74,194,798	74,194,798	-	-	-	-
Financial assets held for trading	50,444,469	2,828,500	13,185	120,380	29,529,375	17,953,029
Financial assets at fair value through other comprehensive income	1,541,888,204	53,414	1,156,050	73,052	146,212,482	1,394,393,206
Financial assets at amortised cost						
Debt securities	384,839,548	-	-	-	-	384,839,548
Loans and advances - Clients	21,149,315	29,790	11,846,140	240,100	2,423,435	6,609,850
Loans and advances - Central Banks	8,785,469	-	8,785,469	-	-	-
Loans and advances - Banks	4,871,836	-	3,782,585	1,068,234	21,017	-
Total	**2,185,334,137**	**176,267,000**	**25,583,429**	**1,501,766**	**178,186,309**	**1,803,795,633**
Financial liabilities held for trading	59,932	-	26,835	-	33,097	-
Financial liabilities measured at amortised cost						
Funding from other banks	491,760,263	-	485,110,263	5,500,000	1,150,000	-
Funding from central banks	-	-	-	-	-	-
Funding from clients	1,289,576,472	-	1,060,217,464	199,259,405	30,042,103	57,500
Derivatives - Hedge accounting	37,626,227	-	-	-	598,054	37,028,173
Total	**1,819,022,894**	**-**	**1,545,354,562**	**204,759,405**	**31,823,254**	**37,085,673**
GAP (Assets - Liabilities)	**366,311,243**	**176,267,000**	**(1,519,771,133)**	**(203,257,639)**	**146,363,055**	**1,766,709,960**

Currency exchange risk

In the currency exchange markets there was an increase of the levels of volatility for the main currency pairs, specifically Euro-Dollar, Euro-Yen, Euro-Swiss franc and Euro-Pound.

The reference interest rate of the Euro was at 0%, the same as since the first quarter of 2016, a historic minimum level.

In relation to the exchange rates of the Euro against other major currencies, it is important to stress the appreciating trend of the Euro against the Dollar, having reached the highest values on December 2020. In relation to the Euro against the Swiss franc, there was a depreciating trend in the first 4 months of the year, having recovered during the month of May, and notwithstanding the recorded volatility in the second semester, the values observed by the end of the year were at the same level of those recorded in the beginning of the year. After a start of the year in which minima values of the Euro-Pound were recorded, a strong recovery of the Euro against the Pound was observed until March 2020, when a new depreciating trend, but not as marked, occurred again. Regarding the Euro-Yen, it was observed a depreciating trend of the Euro in the first three months of the year, having occurred an appreciation of Euro starting on May, with this trend lasting until the end of the year. At last, regarding the Euro-Metical, it was observed an appreciation of the Euro throughout the entire year of 2020.

The distribution of the Balance Sheet by currency for the years ended on 31 December 2020 and 2019 is presented as follows:

	2020				
	Euros	North American Dollars	Pound Sterling	Other Foreign Currencies	Total
Assets by currency					
Cash, cash balances in central banks and other demand deposits					
Money in cash and Cash balances in central banks	87,377,976	992,249	8,794	973,753	89,352,772
Other demand deposits	64,277,976	37,322,043	3,601,340	2,795,367	107,996,726
Financial assets held for trading	48,134,006	256,005		1,716,598	50,106,609
Financial assets at fair value through other comprehensive income	1,274,394,048	166,875,891		10,633,974	1,451,903,913
Financial assets at amortised cost					
Debt securities	359,812,199				359,812,199
Loans and advances - Clients	32,420,013	8,810			32,428,823
Loans and advances - Central Banks				8,017,812	8,017,812
Loans and advances - Banks	1,758,508	3,022		4,395,576	6,157,106
Tangible assets	15,979,079			3,141,473	19,120,552
Intangible assets	3,969,304			83,907	4,053,211
Deferred tax assets	2,689,184				2,689,184
Other assets	71,767,410	142,737	7,501	48,945	71,966,593
	1,962,579,703	**205,600,757**	**3,617,635**	**31,807,405**	**2,203,605,500**
Liabilities by currency					
Financial liabilities held for trading	22 899				22 899
Financial liabilities measured at amortised cost					
Funding from clients	1,301,790,207	93,047,335	1,334,292	6,767,876	1,402,939,710
Funding from central banks	75,000,000				75,000,000
Funding from other banks	189,752,625	22,855,205	248,491	323,813	213,180,134
Derivatives - Hedge accounting	52,915,036				52,915,036
Provisions	1,523,413				1,523,413
Current tax liabilities	1,309,677			52,887	1,362,564
Share capital reimbursable at sight	14,304,989				14,304,989
Other liabilities	19,538,728	325,186	76,710	511,152	20,451,776
	1,656,157,574	**116,227,726**	**1,659,493**	**7,655,728**	**1,781,700,521**
	306,422,129	**89,373,031**	**1,958,142**	**24,151,677**	**421,904,979**

	2019				
	Euros	North American Dollars	Pound Sterling	Other Foreign Currencies	Total
Assets by currency					
Cash, cash balances in central banks and other demand deposits					
Money in cash and Cash balances in central banks	98,141,960	985,110	15,404	18,024	99,160,498
Other demand deposits	49,934,593	19,409,914	2,062,757	2,787,534	74,194,798
Financial assets held for trading	50,045,731	46,251	-	352,487	50,444,469
Financial assets at fair value through other comprehensive income	1,506,726,482	10,147,105	-	25,014,617	1,541,888,204
Financial assets at amortised cost					
Debt securities	384,839,548	-	-	-	384,839,548
Loans and advances - Clients	21,086,430	28	-	30,235	21,116,693
Loans and advances - Central Banks	-	-	-	8,785,469	8,785,469
Loans and advances - Banks	1,789,268	-	-	3,082,568	4,871,836
Tangible assets	16,700,637	-	-	4,419,337	21,119,974
Intangible assets	2,937,612	-	-	-	2,937,612
Current tax assets	-	-	-		-
Deferred tax assets	1,031,249	-	-	-	1,031,249
Other assets	56,672,271	1,604,232	1,021	148,893	58,426,417
	2,189,905,781	**32,192,640**	**2,079,182**	**44,639,164**	**2,268,816,767**
Liabilities by currency					
Financial liabilities held for trading	59,932	-	-	-	59,932
Financial liabilities measured at amortised cost					
Funding from other banks	490,380,828	834,450	544,660	325	491,760,263
Funding from clients	1,201,948,512	68,250,328	1,422,393	17,955,239	1,289,576,472
Derivatives - Hedge accounting	37,626,227	-	-	-	37,626,227
Provisions	1,607,412	-	-	-	1,607,412
Current tax liabilities	8,525,471	-	-	-	8,525,471
Instruments representing capital	-	-	-	-	-
Other liabilities	39,211,562	57,000	10,480	855,043	40,134,085
	1,779,359,944	**69,141,778**	**1,977,533**	**18,810,607**	**1,869,289,862**
	410,545,837	**(36,949,138)**	**101,649**	**25,828,557**	**399,526,905**

Sensitivity analysis

The Bank does not speculate on currency markets (FX) and the use of VaR limits reflect its strategy to limit the exposure to foreign currency fundamentally to Clients' business and associated fluxes. During 2020, BiG decided to include in its balance sheet some assets in U.S. dollars. The exposition to Euro-Dollar futures contracts had therefore the goal to hedge the exchange rate risk of these assets. Even if residual, BiG had some exposure to some debt securities in other currencies throughout 2020.

In order to analyse the impact of a decline in exchange rates on the Bank's exposures, an alteration of +/- 15% was applied to all exchange rates.

The sensitivity analysis resulting from a +/- 15% decline in exchange rates for the years ended on 31 December 2020 and 2019 is presented as follows:

2020

Currency	Base scenario		Impact resulting from a movement of:	
	Original currency	Equivalent	+15%	-15%
Australian Dollar	2,098,007	1,319,833	(172,152)	232,912
Brazilian Real	(6,900,000)	(1,082,608)	141,210	(191,048)
Canadian Dollar	1,367,570	874,797	(114,104)	154,376
Swiss Franc	(9,849,249)	(9,117,987)	1,189,303	(1,609,056)
Chinese Yuan	32,569,890	4,099,829	(534,760)	723,499
Danish Krone	491,828	66,098	(8,621)	11,664
Pound Sterling	272,998	303,658	(39,608)	53,587
Yen	23,742,212	187,700	(24,483)	33,124
Won	2,310,629,324	1,729,513	(225,589)	305,208
Norwegian Krone	10,233,022	977,338	(127,479)	172,471
Swedish Krone	(4,103,074)	(408,905)	53,335	(72,160)
American Dollar	(18,051,716)	(14,710,876)	1,918,810	(2,596,037)
Hong Kong Dollar	1,437	151	(20)	27
Indian Rupee	626,000,000	6,981,893	(910,682)	1,232,099
Mexican Peso	9,379,500	384,154	(50,107)	67,792
New Zealand Dollar	1,700,000	1,000,942	(130,558)	176,637
Turkish Lire	8,189,673	898,670	(117,218)	158,589
Metical	(102,989,766)	(1,125,169)	146,761	(198,559)
Russian Rouble	(47,500,000)	(519,312)	67,736	(91,643)
Polish Zloty	(5,695)	(1,249)	163	(220)
Singapore Dollar	58,829	36,437	(4,753)	6,430
South African Rand	5,494,995	304,907	(39,770)	53,807
Total impact			**1,017,414**	**(1,376,501)**

2019

Currency	Base scenario		Impact resulting from a movement of:	
	Original currency	Equivalent	+15%	-15%
Australian Dollar	89,556	55,990	(7,303)	9,881
Brazilian Real	10,499,932	2,325,206	(303,288)	410,330
Canadian Dollar	1,017,961	697,329	(90,956)	123,058
Swiss Franc	(1,026,230)	(945,485)	123,324	(166,850)
Chinese Yuan	1,610,223	206,210	(26,897)	36,390
Danish Krone	1,043,518	139,666	(18,217)	24,647
Pound Sterling	943,015	1,108,386	(144,572)	195,598
Yen	(180,067,610)	(1,476,690)	192,612	(260,592)
Won	(210,553,365)	(162,429)	21,186	(28,664)
Norwegian Krone	29,887,415	3,030,010	(395,219)	534,708
Swedish Krone	(16,481,504)	(1,577,661)	205,782	(278,411)
American Dollar	(4,220,126)	(3,756,566)	489,987	(662,923)
Hong Kong Dollar	1,435	164	(21)	29
Indian Rupee	150,000,000	1,870,627	(243,995)	330,111
Mexican Peso	112,695,720	5,310,776	(692,710)	937,196
New Zealand Dollar	700,000	420,345	(54,828)	74,178
Turkish Lire	(7)	(1)	0	(0)
Metical	85,450,902	1,236,224	(161,247)	218,157
Russian Rouble	105,000,000	1,500,937	(195,774)	264,871
Singapore Dollar	58,796	38,973	(5,083)	6,878
South African Rand	9,019,698	571,688	(74,568)	100,886
Total impact			**(1,381,787)**	**1,869,476**

Hedging risk

The quantification of the risk of the Group's book of derivative products depends on a number of variables related with the market, including the price of underlying assets, volatility, interest rates and time to maturity. The Group quantifies its exposure to these variables carrying out sensitivity analyses known as "greeks" which are mathematical terms defined below.

In general, the value recorded for the greeks, vega, delta and theta, recorded values quite low in line with the values registered in 2019. The reduced exposure to this class of assets has to do with the strategic perspective of the lack of interest in contracting new products, with all the portfolio products reaching their maturity date in 2021 though.

In fixed return products, the Bank opted for a long strategy in bonds. On average, the exposure to the interest rate risk was higher during 2020, reflecting both the exposure to fixed rate assets and also the lower levels of the hedging of the interest rate risk.

2020

	Rho	*Vega*	*Delta*	*Theta*
Minimum	(421,305)	(3,264)	(12,431)	(313)
Maximum	(148,510)	2,384	(431)	219
Average	(313,167)	(1,122)	(4,810)	34
Standard Deviation	57,857	1,529	2,276	105

2019

	Rho	*Vega*	*Delta*	*Theta*
Minimum	(402,944)	(3,612)	(41,069)	(2,429)
Maximum	54,287	3,068	(3,875)	143
Average	(183,189)	233	(16,546)	(388)
Standard Deviation	103,595	1,301	9,758	436

Rho Sensitivity of the interest rate risk
Vega Sensitivity of the volatility risk
Delta Sensitivity of the underlyings risk
Theta Sensitivity to the time risk

Limits and Reporting

Limits on trading activity are essential to the control process of the risk appetite level, with there being limits approved by class of product, content and by portfolio and which may be calculated by means of a combination of non-statistical measures, including basis point value, and statistical measures, such as value at risk, analysed beforehand. A daily report is prepared for the Senior Administration with all of the relevant indicators and positions, based on the statistical and non-statistical measures established.

Credit risk

Credit Risk is the risk of loss as a result of a default by a borrower or counterparty.

A. Credit Risk Management

The Group is exposed to credit risks in a number of its activities. These necessarily include i) direct exposure to clients who have contracted loans, ii) direct exposure to credit risks associated with securities issued by third parties and held by the Group, and iii) market or settlement risk associated with trading activities by clients (settlement risk).

Credit risk arising from dealings with professional counterparties as well as the risk associated to issuers of quoted securities, is assessed in combination with procedures for managing market risks discussed above in Market Risk.

The Board of Directors delegates the execution of the general policies and guidelines on the management of the Credit Risk to the Executive Committee which, together with the Credit Risk Department and other members of the Credit Risk Committee and support area teams, implements daily these policies and liabilities daily. These activities specifically include:

- Definition of quantitative and qualitative guidelines for credit reviews;
- Analysis and control of the counterparty risk;
- Maintenance of a credit scoring and approval matrix;

- Integrity of the credit approval process;
- Control and monitoring of client, family and “house limit” risks;
- Documentation, control and form completion systems;
- Management and control of risk monitoring policies and systems;
- Strict adherence to regulatory standards and principles;
- Application of prices appropriate to the risks assumed.

In its process of analysis and approval, the Group assesses its exposure both in terms of individual transactions, relating to the maximum exposure allowed per client and, separately, in terms of the respective portfolios, to ensure there is adequate control over risk concentrations in each sector or industry.

So, the Management of the Credit Risk in the Group is an integrated process at both transaction level and portfolio level:

- In terms of transactions: It means that all transactions need the approval of at least two representatives with credit authority, granted by the Board of Directors and by the senior members of the Credit Risk Management Committee. In the case of portfolios of securities, the limits are approved by members of the Board of Directors.

- In terms of portfolios: It means that the exposure will be managed – whether of loans, loans represented by securities, derivatives, currency exchange, etc. – so as to minimise excessive concentrations of risk relating to clients, industries, products or geographic location. Problematic loans, rates of cover by provisions, write-offs and recoveries are also analysed. There are various credit reporting procedures in force and available internally for the information of the Bank’s Board of Directors.

As policy, all exposures are assessed and approved, whether they are included in the balance sheet or not.

The correct risk management is fundamental for BiG to create value for the shareholders. In general terms, the Group is exposed to risk as a direct result of the taking of positions with respect to particular markets or combinations of Markets, Products or Customers.

In the course of the Group’s current activity, integrated exposure control systems are a key element of the credit risk management process.

In the management of exposure to risk, the Group is guided by the following basic principles:

- Frequent review of policies and procedures by the Board of Directors;
- Formal definition of responsibility for the risk management in the Group;
- Existence of policies and procedures that allow independent supervision;
- Policy of adequate diversification of risks;
- Independent reporting systems;
- Overlapping of risk measurement and control systems;
- Training to help in the identification of risks in the various areas.

Therefore, the credit risk is managed in order to make the organization’s performance sustainable within acceptable parameters of risk versus return. This aim is achieved through a combination of policies, systems and controls, which are always backed by pondered and cautious commercial decisions.

In relation to its risk appetite, BiG strategically seeks to limit exposure to the credit risk, and essentially to:

- Exposure to investment grade companies, sovereigns with rating or banks with good credit quality, approval of which is supported by internal analyses and/or by research by Moody’s (or other provider of independent research);
- Foreign Exchange or exposure to settlement associated to Companies, Institutional Investors and Private Investors. In this last group, limits are frequently approved on a case-by-case basis;
- Exposure to occasional credit risk analysed in detail by internal analysts;
- Collateralised credit, especially connected to the business of Wealth Management.

The exposure to the retail credit risk is traditionally very low, due to a number of reasons, such as:

- Non-strategic nature of the credit business, typical of commercial banking;
- Focus on other investment banking business and Wealth Management;
- Lack of scale/dimension of the Bank.

In the taking of decisions and risk management of the Group, the Administration applies its strategy and business model in combination with a set of quantitative tools and systems used to monitor and measure exposure. These aspects include:

- Non-statistical measurements, such as scenario analyses, stress and sensitivity tests;
- Limits per counterparty, family, class of assets and portfolio;
- Limits of concentration;
- Qualitative analysis and control procedures.

The quantification of risk is an evolving process that requires regular self-assessment, updates to techniques and changes in assumptions, besides adherence to regulatory and accounting standards. As a result, the Board of Directors considers that any methodology of risk measurement alone is generally insufficient and may not provide a complete perspective of all the exposures.

As a policy, the Group seeks to quantify the potential losses associated with all the aspects of the business, in order to make a reasonable estimate of the potential damage in the event of the occurrence of unexpected events. These events include not only those that are observed, based on historic data and those that we consider to be highly improbable, but which, even so, may be estimated based on the assumption of certain extreme scenarios.

As explained previously, BiG's exposure to the credit risk can include the concession of loans to clients, investments in corporate bonds, interbank total value and replacement value risks, the risk of liquidation of certain securities, amounts receivable under derivatives and foreign currency contracts, sovereign bonds and commitments assumed under guarantees or commercial paper programmes.

The credit risk generally concentrates its focus on nominal and fractionated exposures, concentrations by borrower or group, sector or geography, in an analysis that is based on stress tests.

The retail credit portfolio is segmented into 5 sub-portfolios, into which operations with similar characteristics are grouped:

- Mortgages
- Loans at sight
- Car purchase loans
- Credit for Employees to buy BiG's shares
- Other (overdrafts, personal loans, etc.)

B. Calculation of impairment

During 2020 the Group continued to calibrate the models that it developed to comply with the requisites of the IFRS 9 and to monitor possible orientations of national and international regulators with regard to the application of this standard.

With the consequences of the pandemic Covid-19 at a socioeconomic level, the Bank updated its risk parameters with a higher frequency, looking in this way to adjust the determination of impairments to the evolution of the socioeconomic reality.

IFRS 9 contemplates the classification of financial assets according to three criteria:

- The business model under which the financial assets are managed;
- The type of financial instrument, or rather (i) derivative financial instruments, (ii) equity instruments or (iii) financial debt instruments; and
- The characteristics of the contractual cash flows of the financial debt instruments (which represent only payments of capital and interest).

In this context, the main categories of financial assets contemplated in the IFRS 9 are summarised as follows:

- A financial debt instrument that (i) is managed under a business model whose objective involves keeping the financial assets in the portfolio and receiving all their contractual cash flows and (ii) may have contractual cash flows in specific dates that correspond exclusively to the payment of capital and interest on the outstanding capital, should be measured at amortised cost, unless it is designated at fair value through profit and loss under the fair value option – Hold to Collect.
- A financial debt instrument that (i) is managed under a business model whose objective is achieved either through the receipt of the contractual cash flows or through the sale of the financial assets and (ii) contemplate contract clauses that give rise to cash flows that correspond exclusively to the payment of capital and interest on the outstanding capital, should be measured at fair value as a counter-entry against equity (FVTOCI), unless it is designated at fair value through profit and loss under the fair value option – Hold to Collect & Sell.
- All other financial debt instruments should be measured at fair value through profit and loss (FVTPL).

The Group assessed its business models based on a broad set of indicators, some of the main ones being its Business Plan, and also its current risk management policies. For the Hold to Collect business model, in order to assess the frequency and materiality of sales, quantitative thresholds were defined based on past experience. The sales contemplated for the financial assets classified in this business model do not exceed the thresholds defined by the Group.

With respect to other financial instruments, specifically equity instruments and derivatives, these are, by definition, classified at fair value through results.

For equity instruments, there is the irrevocable option of designating for all fair value variations to be recognised in other comprehensive income, and in this case, only the dividends are recognised in results, as gains and losses are not reclassified for results even at the time of their non-recognition/sale.

IFRS 9 establishes that the concept of impairment based on expected losses (ECL – Expected Credit Loss) is applied to all financial assets, except to financial assets measured at fair value through results and equity instruments measured at fair value through equity.

Also covered by the concept of expected losses of the IFRS 9 are financial assets at amortised cost, debt instruments measured at fair value through equity, off-balance sheet exposures, financial leasing, other amounts receivable, financial guarantees and loan commitments not valued at fair value.

Financial assets subject to impairment are classified in different stages according to the evolution of their credit risk from the date of initial recognition and do not depend on the credit risk at the reporting date:

- Stage 1: financial assets are classified in stage 1 whenever there is no significant increase in the credit risk since the date of their initial recognition. For these assets the expected credit impairment loss resulting from events of non-compliance that occur during the 12 months after the reporting date should be recognised in the income statement of the year;
- Stage 2: incorporates the financial assets in which a significant increase in the credit risk has been verified since the date of their initial recognition, even though this situation may not have materialised in concrete losses and are only the result of evidences. For these financial assets expected credit impairment losses are recognised throughout of the life of the assets (lifetime). However, interest will continue to be calculated on the gross amount of the asset;
- Stage 3: the assets classified in this stage demonstrate objective evidence of impairment on the reporting date, as a result of one or more events that have already occurred which result in a loss. In this case, the expected credit impairment loss during the expected remaining lifetime of the financial assets will be recognised in the income statement of the year. Interest is calculated on the net book value of the assets.

On each reporting date, BiG assesses if there is a significant increase in the credit risk, in order to determine the stage into which each exposure should be classified.

Financial assets go from stage 1 to stage 2 when the credit risk increases significantly when compared with the credit risk on the date of their initial recognition. The significant increase in the credit risk should be determined through the analysis of internal quantitative and/or qualitative indicators used in the normal management of credit risk, thus requiring greater articulation of the accounting requisites with the management policies on credit risk established by the Group. The transition of financial assets from stage 2 to stage 3 occurs when these are in default.

In the identification and assessment of the significant increase in the credit risk, the Group uses the information that is fed into the credit risk models implemented, supporting its decisions based on a broad set of triggers and alerts.

The Group uses a number of tools, where it considers the following factors, among others:

- the evolution of the rating of the issuer and of the prices of the securities in the portfolio (when applicable);
- the aggregate exposure to the client and the existence of overdue loans;
- the existence of other triggers (even though indirect) that could lead the Group to suspect impairment (evidences/indications);
- the economic-financial viability of the client's business or professional activity and its capacity to generate sufficient means to service the debt in the future;
- the existence, nature and estimated value of the collateral associated to each credit;
- if there are privileged creditors;
- the client's level of indebtedness in the financial sector;
- the analysis carried out weekly in relation to PARI – Plan of Action for the Risk of Non-compliance
- the amount and timing of estimated recovery.

The amount of the ECL to be recognised corresponds to the difference between the book value of the exposure and the current value of the estimated future cash flow (considering the recovery period) discounted at the original effective interest rate of the contract.

For a credit with a variable interest rate, the discount rate to be used to determine the respective ECL is the original effective interest rate contracted, determined based on the clauses of each contract.

The measurement of expected losses is the result of the product between (i) the probability of default (PD) of the financial instrument, (ii) the LGD (Loss Given Default) and (iii) the exposure on the date of the non-compliance (EAD – Exposure at Default), discounted at the initial effective interest rate of the contract. This measurement, and also the assessment of the significant increase in the credit risk, should consider not only information on past events, but also the current conditions and reasonable forecasts substantiated on events and future economic conditions (i.e. forward-looking information).

These parameters are obtained through statistical models, market data, historical data or through external benchmarks, if internal sources are not available, their calculation being validated by independent bodies and their values regularly updated.

- The EAD represents the expected exposure, in the case of non-compliance by the client and/or of the exposure. The Group obtains the values of the EAD through the current exposure of the counterparty and foreseeable alterations to the respective current value, depending on the contract conditions, including amortisation and advance payments. For guarantees and sureties provided, the value of the EAD considers the total value guaranteed by the Group, on the assumption that the amount may be used in full (i.e. it is applied a CCF – Credit Conversion Factor of 100%).
- The PD are estimated considering a determined historic period, or through external benchmark indicators, if historic data is not available. The Group regularly gathers indicators of performance and default of its credit risk exposures, with analyses by type of exposure/client. For segments where there is no information available, but it is possible to determine the debtor's external rating, BiG uses external information published by the rating agencies or market data, such as CDS spreads and bond yields to gauge the PD.
- The LGD represents the value of the loss that the Group expects in the event of a non-compliance. The Group estimates the parameters using external benchmark data (e.g. Moody's) or internal data, when available, through the recovery rates.

As mentioned previously, the main difference between impairment losses measured for financial assets classified in stages 1 and 2 is the respective time horizon in the calculation of the PD. The expected losses for financial assets in stage 1 are calculated using a PD of 12 months while the expected losses in stage 2 use a lifetime PD. The calculation of the expected loss for the financial assets always considers point-in-time and forward-looking.

The estimates take macroeconomic factors into consideration that can influence them. The following estimates were used in the models to calculate the ECL:

	2021e	**2022e**
GDP	3.9%	4.5%
Unemployment Rate	8.8%	8.1%

The different business generating areas involved in this process do not perform the calculation, revision and approval of impairment losses, therefore retaining the independence that is absolutely necessary in this type of analysis.

C. Moratoria on loan repayments

Motivated by the Covid-19 pandemic situation and its socioeconomic consequences, the public and private sectors united efforts to implement a set of supporting measures targeting companies and families, of which the following are highlighted:

- Launch by the Portuguese State of financing lines to the economy, with partial guarantee by the Sociedade de Garantia Mútua; and
- Give to companies and families the possibility to adhere to the temporary suspension of loan repayments (commonly known as "moratoria").

Regarding the first measure, the Group has not made it available to its Clients, as its specialized business model in saving and investments does not include that type of credit offer to its Clients. As for the second measure, the Group ended supporting its Clients considering the exceptional economic situation, through the application of moratoria, under the following provisions:

- of the Decree-Law no. 10-J/2020, of 26 March 2020, in its current draft including the introduced changes by the Law no. 8/2020, of 10 April 2020, by the Decree-Law no. 26/2020, of 16 June 2020, by the Law no. 27-A/2020, of 24 July, by the Decree-Law no. 78-A/2020, 29 September 2020 and by the Decree-Law no. 107/2020, of 31 December 2020, relative to the "legal moratoria" for companies and individuals; and
- of the Protocol on "general moratoria of private initiative" to apply under the context of the Covid-19 pandemic by a set of Financial Institutions and the Portuguese Banking Association (APB – *Associação Portuguesa de Bancos*).

The legal moratoria, foreseen in the Decree-Law no. 10-J/2020, are principal or principal and interest moratoria, initially with an expected term until 30 September 2020 and included permanent housing mortgage and corporate loans, for clients which fulfilled the requirements to access this program. In June, the moratoria started to include all type of mortgage loans, and personal credits for education purposes as well, while the grace period was extended until 31 March 2021. In September 2020, the application period was extended until the 30 September 2021. In December 2020, the Government allowed the reopening of legal moratoria until 31 March 2021, to mitigate the pandemic growth felt during that period.

Complementary to the legal moratoria, the Group signed the interbank Protocol headed by APB (APB Protocol), which established the principal and principal and interest moratoria until 30 September 2020 for other mortgage loans and consumer credit up to € 75 thousand and for a period of 12 months. In June 2020, it was also extended until 31 March 2021 the APB mortgage loan and consumer credit moratoria until 30 June 2021.

As of 31 December 2020, the detailed application of moratoria by BiG is as follows:

	Corporates		Individuals		Total	
	Number	Book Value	Number	Book Value	Number	Book Value
Public / Legal	4	110,170	2	207,114	6	317,284
Mortgage	1	84,925	2	207,114	3	292,039
Non-mortgage	3	25,245	-	-	3	25,245
Private APB	-	-	4	64,081	4	64,081
Mortgage	-	-	-	-	-	-
Non-mortgage	-	-	4	64,081	4	64,081
Total	**4**	**110,170**	**6**	**271,195**	**10**	**381,365**

In accounting terms, it is relevant to highlight the following aspects:

1) **Treatment of foreseen moratoria**
The moratoria framework foresees the extension of the loan repayments, forcing the banks to suspend this repayment for a certain period.

The existent moratoria frameworks allow the application of two types of repayment suspensions, which are selected by the clients:
- Suspension of only the principal amortization, keeping the interest repayment;
- Full suspension of principal and interest amortization, with no loan repayment by the Clients.

2) **Treatment of significant increase in credit risk**
Having in consideration the EBA guidelines, *Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 Crisis* (EBA/GL/2020/02), published on 2 April 2020, it was implemented the non-worsening criterium for the Stage of the operations with approved moratoria via the days due criterium, since the date of the respective request.

Nonetheless, the Group kept control of the operations, namely through the monitoring of evidences, which could trigger the potential deterioration of the credit quality and leading to a reclassification;

3) **Identification of restructured operations**
The operations with approved moratoria requests were not identified as restructuring due to financial difficulties, be the "legal moratoria", applied under the Decree-law no. 10-J/2020 (and respective follow-up Decree-Laws), be the "general moratoria of private initiative" applied in result of the interbank Protocol sponsored by APB.

4) **Update of the macroeconomic scenarios**
Throughout 2020, the Group updated more frequently the macroeconomic scenarios considered in its model to estimate the Expected Credit Loss (ECL) in accordance with IFRS9.

The macroeconomic indicators were updated in March, June and October, having in consideration the publishing of the Macroeconomic Projections by Banco de Portugal, which incorporated the economic impacts resulting from the Covid-19 pandemic and the economic and social support packages that the Portuguese State put in place.

D. Policy relating to the degrees of internal risk

BiG does not use internal credit ratings in the treatment of irregular credit.

The internal treatment of a client classified as in default should contemplate taking all the operational measures that appear necessary, namely the inhibition of (i) movements in accounts and means of moving accounts, (ii) transfers of amounts outside of the Group, (iii) attempts to reduce or remove collateral and (iv) increases in exposure by the borrower.

As necessary, still in relation to this internal analysis, the legal mechanisms that ensure the execution of guarantees or the filing of enforcement proceedings will be triggered. This action will be coordinated by the Legal department, together with the law firm that assists the Group in legal matters.

The actions described above should also take into consideration (i) knowledge of the client, (ii) awareness of the product, (iii) the necessary understanding of standards, regulations, procedures, timings of reporting to the supervisory bodies and (iv) the need to adjust the Group's internal accounts and reports.

E. Calculation of the current value of the future cash flow in the calculation of impairment losses assessed individually and collectively

On an individual basis, and for the retail credit portfolio, the method of calculation adopted by the Group for the determination of credit impairment is the discounted cash flow (DCF) method or rather, the Group determines the PV (Present Value) of the cash-flows becoming due for the time of the analysis, discounted at the original effective interest rate of the contract. This PV is then compared with the exposure value and, if the difference is negative, there will then be an impairment loss.

In the calculation of the ECL, the Group determines the net amount of each exposure (credit amount – collateral amount). This collateral amount is adjusted by haircuts, in accordance with the rules defined in the point valuation of collateral. For the purpose of the analysis of impairment, only in operations with financial guarantees (margin account) or real guarantees (mortgage or car loans) is the respective collateral evaluated, while in other operations a collateral equal to zero is assumed, even in the case of the automobile leases where the item belongs to the Group.

In the case of the DCF method, the interest rate used in the calculation of impairment is determined in accordance with the following rules:
- fixed rate contracts: initial fixed interest rate
- variable rate contracts: current interest rate, resulting from the contract clauses (e.g. indexed to the Euribor)

When the exposures are guaranteed by collateral, the Group takes into consideration the expected value of the collateral as well as the expectations of recovery, and the recovery and sale costs.

F. Conversion of debt into capital of the debtor

The Group does not normally use this type of solution and has no exposure to any economic group that has undergone this form of credit restructuring.

G. Emergent period used for the different segments and justification of its suitability

BiG does not consider an emergent period in its model. In all the segments, the rule defined by the IFRS9 is used, with expected losses at 12 months, in the case of exposures classified in stage 1, and lifetime expected losses for exposures in stage 2 and stage 3.

H. Triggers and alerts for significant increases in the credit risk

Staging Criterion – Transfer to stage 2

	Securities portfolio	**Credit portfolio**
TRIGGERS (automatic)	i. Delay in the payment of capital and/or interest of between 31 and 90 days; ii. Debt of the issuer restructured due to financial difficulties iii. Inability to measure the credit risk at the time of its origination and/or acquisition;	i. Delay in the payment of capital and/or interest of between 31 and 90 days;
OTHER ALERTS (subject to revision and analysis in the Credit Risk Committee)	i. Negative evolution of the rating compared to the acquisition date (as per ratings matrix); ii. Negative evolution of price compared to amortised cost and comparison with the threshold permitted in the price matrix);	i. Indications of risk in the CRC-Credit Liabilities Centre of the Banco de Portugal; ii. Indications of risk in the Clients' accounts; iii. Liens or bank blocks recorded in the Clients' accounts; iv. Inclusion in the List of Cheque Defaulters); i. Inclusion in the internal blacklist; vi. Significant restructuring of a credit operation due to financial difficulties of the debtor;

Staging Criterion – Transfer to stage 3		
	Securities portfolio	**Credit portfolio**
TRIGGERS (automatic)	i. Delay in the payment of capital and/or interest equal to or longer than 91 days; ii. Debt of the issuer restructured due to financial difficulties iii. Inability to measure the credit risk at the time of its origination and/or acquisition;	i. Delay in the payment of capital and/or interest equal to or longer than 91 days;
OTHER ALERTS (subject to revision and analysis in the Credit Risk Committee)	i. Negative evolution of the rating (2 more notches than that recorded for stage 2) compared to the acquisition date. ii. Decline in the fair value of the financial asset on a continuous basis during 12 months or decline of the fair value of the financial asset significantly (over 30%); iii. Securities with rating equal to or less than CCC+ (not POCI); iv. Loss of attribution of rating, with BiG being unable to infer the risk associated to the asset; v. Disappearance of active market for the bond under analysis due to financial difficulties; vi. Bankruptcy/insolvency of the issuer;	i. Client in insolvency proceedings, PER - Special Recovery Plan, or any other equivalent situation of protection; ii. Classification of the operation as “unproductive” (without interest); iii. Termination of the contract due to non-compliance and consequent filing of legal case for recovery; iv. Sale, by BiG, of credit operation with significant financial loss (>20% of the outstanding nominal value on the date of the sale) due to reasons exclusively connected to the quality of the credit risk of the debtor; v. Contagion from other operations to the debtor (if the same are significant against the total value in debt). For “Non Retail” exposures, this contagion is mandatory. For “Retail” exposures, the contagion is not mandatory, being employed an indicative threshold of 20%.

The distribution by sector of activity for the years ended on 31 December 2020 and 2019, is presented as follows:

2020					
	Financial assets at amortised cost		Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Guarantees and sureties provided
	Loans and advances Clients	Debt securities			
	Gross value	Gross value	Gross value	Gross value	Gross value
Agriculture, silviculture and fisheries	2,688	-	-	-	-
Mining industries	-	-	-	11,642,121	-
Manufacturing industries	577	-	5,340,830	164,072,859	-
Electricity, gas, steam, hot and cold water and cold air	67	-	618,045	21,452,682	-
Construction	33,693	-	-	36,080	-
Bulk and retail trade; repair of motor vehicles and motorcycles	37,966	-	-	-	-
Transports and storage	657	-	1,029,769	17,109,992	-
Financial activity and insurance	1,406,593	-	15,446,957	725,018,003	-
Real estate	46,169	-	-	-	-
Scientific, technical consultancy and similar	869,696	-	2,110,601	20,146,728	-
Public administration and defence; Obligatory social security	133	359,812,199	20,683,509	467,121,603	-
Human health and social support	63,271	-	80,628	5,921,776	-
Mortgages	6,005,445	-	-	-	-
Loans to private individuals	23,876,833	-	-	-	-
Other	85,035	-	4,796,270	19,382,069	140,110
	32,428,823	**359,812,199**	**50,106,609**	**1,451,903,913**	**140,110**

2019					
	Financial assets at amortised cost		Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Guarantees and sureties provided
	Loans and advances Clients	Debt securities			
	Gross value	Gross value	Gross value	Gross value	Gross value
Agriculture, silviculture and fisheries	6,368	-	-	-	-
Mining industries	-	-	-	-	-
Manufacturing industries	241	-	7,901,253	141,427,796	-
Electricity, gas, steam, hot and cold water and cold air	11	-	25,108	6,437,161	-
Construction	43,449	-	46,455	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	155,886	-	-	-	-
Transports and storage	159	-	1,060,172	22,126,937	-
Financial activity and insurance	1,769,027	-	21,227,833	673,928,542	-
Real estate	748,667	-	-	-	-
Scientific, technical consultancy and similar	292,212	-	1,117,498	30,478	-
Public administration and defence; Obligatory social security	21	384,839,548	14,574,315	683,660,183	-
Human health and social support	106,041	-	161,372	6,094,553	-
Mortgages	6,364,513	-	-	-	-
Loans to private individuals	11,380,796	-	-	-	213,800
Other	249,302	-	4,330,463	8,182,554	9,350
	21,116,693	**384,839,548**	**50,444,469**	**1,541,888,204**	**223,150**

Exposure to public debt

On 31 December 2020 and 2019 the Group's exposure to public debt is as follows:

2020	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
Portugal	5,446,094	14,932,017	-
Spain	8,144,344	92,897,898	-
Italy	-	258,203,900	359,812,199
Other	7,093,070	114,682,558	-
	20,683,508	**480,716,373**	**359,812,199**

2019	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
Portugal	4,257,784	117,767	-
Spain	10,137,028	216,004,134	-
Italy	-	381,311,328	384,839,548
Other	127,544	64,655,075	-
	14,522,356	**662,088,304**	**384,839,548**

The breakdown of the exposure to securities in the portfolio of Financial assets at fair value through other comprehensive income, Financial assets held for trading and Financial assets at amortised cost is as follows:

2020

	Nominal value	List value	Accumulated interest	Balance Sheet value(1)	Fair value reserve(2)
Financial assets held for trading					
Portugal					
Maturity up to 1 year	1,498,499	1,522,735	9,958	1,532,693	
Maturity over 1 year	3,594,971	3,887,127	26,274	3,913,401	
Spain					
Maturity over 1 year	7,500,000	8,129,700	14,644	8,144,344	
Other					
Maturity up to 1 year	87,363	88,488	3,463	91,951	
Maturity over 1 year	6,778,674	6,990,155	10,964	7,001,119	
Financial assets at fair value through other comprehensive income					
Portugal					
Maturity over 1 year	15,500,000	14,854,597	77,420	14,932,017	12,059
Spain					
Maturity over 1 year	84,000,000	92,560,980	336,918	92,897,898	(81,734)
Italy					
Maturity over 1 year	246,800,000	257,069,824	1,134,076	258,203,900	(2,221,475)
Other					
Maturity up to 1 year	7,398,930	7,494,833	122,290	7,617,123	237,680
Maturity over 1 year	108,465,002	105,990,551	1,074,884	107,065,435	(230,467)
Financial assets at amortised cost					
Italy					
Maturity over 1 year	305,000,000	338,714,700	1,696,044	359,812,200	-
	786,623,439	**837,303,690**	**4,506,935**	**861,212,081**	**(2,283,937)**

(1) the Balance Sheet value of Financial assets at amortised cost - Debt securities, includes the component of hedge impairment.
(2) the fair value reserve presented includes the component of hedge impairment.

2019

	Nominal value	List value	Accumulated interest	Balance Sheet value(1)	Fair value reserve(2)
Financial assets held for trading					
Portugal					
Maturity over 1 year	3,739,596	4,219,697	38,087	4,257,784	-
Spain					
Maturity over 1 year	10,000,000	10,126,700	10,328	10,137,028	-
Other					
Maturity over 1 year	160,850	124,842	2,702	127,544	-
Financial assets at fair value through other comprehensive income					
Portugal					
Maturity over 1 year	113,000	116,931	836	117,767	3,733
Spain					
Maturity over 1 year	198,000,000	214,767,380	1,236,754	216,004,134	(701,984)
Italy					
Maturity over 1 year	341,331,000	378,965,200	2,346,128	381,311,328	10,804,993
Other					
Maturity over 1 year	56,000,000	63,374,775	1,280,300	64,655,075	86,551
Financial assets at amortised cost					
Italy					
Maturity over 1 year	345,000,000	352,160,982	1,769,675	384,839,548	-
	954,344,446	**1,023,856,507**	**6,684,810**	**1,061,450,208**	**10,193,293**

(1) the Balance Sheet value of Financial assets at amortised cost - Debt securities, includes the component of hedge impairment.
(2) the fair value reserve presented includes the component of hedge impairment.

Debt exposure by rating

The Group does not use internal ratings, and so the ratings of external entities (Moody's, S&P and Fitch) are considered.

If the rating notations differ between external entities, the Group uses the following criteria:

- When there are three rating notations different, the best of the two worst ratings is used;
- When there are two rating notations different, the worst of the two ratings is used;
- When there is only one rating, this rating is used;

On 31 December 2020 and 2019 the Group's debt exposure by rating is as follows:

	EXPOSURE 31-12-2020							
	Rating AAA - AA	Rating A - BBB	Rating BB - B	CCC	Unrated	GROSS EXPOSURE	ECL	NET EXPOSURE
Loans represented by securities								
Hold to Collect								
Stage 1	-	359,812,199	-	-	-	359,812,199	-	359,812,199
Hold to Collect and Sell								
Stage 1	201,454,584	1,024,276,464	82,572,402	10,596,029	132,937,876	1,451,837,355	1,530,230	1,450,307,125
	201,454,584	**1,384,088,663**	**82,572,402**	**10,596,029**	**132,937,876**	**1,811,649,554**	**1,530,230**	**1,810,119,324**

	EXPOSURE 31-12-2019							
	Rating AAA - AA	Rating A - BBB	Rating BB - B	CCC	Unrated	GROSS EXPOSURE	ECL	NET EXPOSURE
Loans represented by securities								
Hold to Collect								
Stage 1	-	384,880,240	-	-	-	384,880,240	40,691	384,839,549
Hold to Collect and Sell								
Stage 1	159,627,890	1,252,772,497	10,307,409	21,660,456	97,566,633	1,541,934,885	526,151	1,541,408,735
	159,627,890	**1,637,652,737**	**10,307,409**	**21,660,456**	**97,566,633**	**1,926,815,125**	**566,842**	**1,926,248,284**

Exposure by type and staging

Considering the portfolios indicated in line A. above, the retail credit exposures were grouped as follows:

- Loans at sight;
- Mortgages;
- Other (car loans, credit for employees to buy BiG's shares and other credits, which include overdrafts and personal loans).

On 31 December 2020 and 2019 the Group's exposure by type and staging is as follows:

a.1)

	Gross exposure 31-12-2020			
	Stage 1	Stage 2	Stage 3	TOTAL
Loans not represented by securities				
Current Account Credit	12,115,343	251,594	61,613	12,428,550
Mortgages	6,178,732	-	-	6,178,732
Other	13,845,609	48,580	32,965	13,927,154
Loans represented by securities				
Hold to Collect	359,812,199	-	-	359,812,199
Hold to Collect and Sell	1,451,837,355	-	-	1,451,837,355
Guarantees and sureties provided	130,110	10,000	-	140,110
TOTAL	**1,843,919,348**	**310,174**	**94,578**	**1,844,324,100**

	Impairment 31-12-2020			
	Stage 1	Stage 2	Stage 3	TOTAL
Loans not represented by securities				
Current Account Credit	-	-	61,613	61,613
Mortgages	880	-	-	880
Other	2,448	9,593	32,965	45,006
Loans represented by securities				
Hold to Collect	-	-	-	-
Hold to Collect and Sell	1,530,230	-	-	1,530,230
Guarantees and sureties provided	-	-	-	-
TOTAL	**1,533,558**	**9,593**	**94,578**	**1,637,729**

	Net exposure 31-12-2020			
	Stage 1	Stage 2	Stage 3	TOTAL
Loans not represented by securities				
Current Account Credit	12,115,343	251,594	-	12,366,937
Mortgages	6,177,852	-	-	6,177,852
Other	13,843,161	38,987	-	13,882,148
Loans represented by securities				
Hold to Collect	359,812,199	-	-	359,812,199
Hold to Collect and Sell	1,450,307,125	-	-	1,450,307,125
Guarantees and sureties provided	130,110	10,000	-	140,110
TOTAL	**1,842,385,790**	**300,581**	**-**	**1,842,686,371**

	Gross exposure 31-12-2019			
	Stage 1	Stage 2	Stage 3	TOTAL
Loans not represented by securities				
Current Account Credit	10,641,931	1,119,980	-	11,761,911
Mortgages	4,989,746	-	-	4,989,746
Other	4,297,672	107,745	30,365	4,435,782
Loans represented by securities				
Hold to Collect	384,880,240	-	-	384,880,240
Hold to Collect and Sell	1,541,934,885	-	-	1,541,934,885
Guarantees and sureties provided	223,150	-	-	223,150
TOTAL	**1,946,967,624**	**1,227,725**	**30,365**	**1,948,225,714**

	Impairment 31-12-2019			
	Stage 1	Stage 2	Stage 3	TOTAL
Loans not represented by securities				
Current Account Credit	-	-	-	-
Mortgages	757	-	-	757
Other	1,602	15	30,365	31,982
Loans represented by securities				
Hold to Collect	40,691	-	-	40,691
Hold to Collect and Sell	526,151	-	-	526,151
Guarantees and sureties provided	-	-	-	-
TOTAL	**569,201**	**15**	**30,365**	**599,581**

	Net exposure 31-12-2019			
	Stage 1	Stage 2	Stage 3	TOTAL
Loans not represented by securities				
Current Account Credit	10,641,931	1,119,980	-	11,761,911
Mortgages	4,988,989	-	-	4,988,989
Other	4,296,070	107,730	-	4,403,800
Loans represented by securities				
Hold to Collect	384,839,549	-	-	384,839,549
Hold to Collect and Sell	1,541,408,735	-	-	1,541,408,735
Guarantees and sureties provided	223,150	-	-	223,150
TOTAL	**1,946,398,424**	**1,227,710**	**-**	**1,947,626,134**

a.2)

GROSS EXPOSURE 31-12-2020	Stage 1	Stage 1				Stage 2			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	12,115,343	251,594	-	-	251,594	-	61,613	61,613	12,428,550
Mortgages	6,178,732	-	-	-	-	-	-	-	6,178,732
Other	13,845,609	32,216	-	16,364	48,580	10	32,955	32,965	13,927,154
Loans represented by securities									
Hold to Collect	359,812,199	-	-	-	-	-	-	-	359,812,199
Hold to Collect and Sell	1,451,837,355	-	-	-	-	-	-	-	1,451,837,355
Guarantees and sureties provided	130,110	10,000	-	-	10,000	-	-	-	140,110
	1,843,919,348	**293,810**	**-**	**16,364**	**310,174**	**10**	**94,568**	**94,578**	**1,844,324,100**

IMPAIRMENT 31-12-2020	Stage 1	Stage 1				Stage 2			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	-	-	-	-	-	-	61,613	61,613	61,613
Mortgages	880	-	-	-	-	-	-	-	880
Other	2,448	666	-	8,927	9,593	10	32,955	32,965	45,006
Loans represented by securities									
Hold to Collect	-	-	-	-	-	-	-	-	-
Hold to Collect and Sell	1,530,230	-	-	-	-	-	-	-	1,530,230
Guarantees and sureties provided	-	-	-	-	-	-	-	-	-
	1,533,558	**666**	**-**	**8,927**	**9,593**	**10**	**94,568**	**94,578**	**1,637,729**

NET EXPOSURE 31-12-2020	Stage 1	Stage 1				Stage 2			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	12,115,343	251,594	-	-	251,594	-	-	-	12,366,937
Mortgages	6,177,852	-	-	-	-	-	-	-	6,177,852
Other	13,843,161	31,550	-	7,437	38,987	-	-	-	13,882,148
Loans represented by securities									
Hold to Collect	359,812,199	-	-	-	-	-	-	-	359,812,199
Hold to Collect and Sell	1,450,307,125	-	-	-	-	-	-	-	1,450,307,125
Guarantees and sureties provided	130,110	10,000	-	-	10,000	-	-	-	140,110
	1,842,385,790	**293,144**	**-**	**7,437**	**300,581**	**-**	**-**	**-**	**1,842,686,371**

GROSS EXPOSURE 31-12-2019	Stage 1	Stage 1				Stage 2			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	10,641,931	1,105,080	-	14,900	1,119,980	-	-	-	11,761,911
Mortgages	4,989,746	-	-	-	-	-	-	-	4,989,746
Other	4,297,672	107,627	-	118	107,745	575	29,790	30,365	4,435,782
Loans represented by securities									
Hold to Collect	384,880,240	-	-	-	-	-	-	-	384,880,240
Hold to Collect and Sell	1,541,934,885	-	-	-	-	-	-	-	1,541,934,885
Guarantees and sureties provided	223,150	-	-	-	-	-	-	-	223,150
	1,946,967,624	**1,212,707**	**-**	**15,018**	**1,227,725**	**575**	**29,790**	**30,365**	**1,948,225,714**

IMPAIRMENT 31-12-2019	Stage 1	Stage 1				Stage 2			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	-	-	-	-	-	-	-	-	-
Mortgages	757	-	-	-	-	-	-	-	757
Other	1,602	13	-	2	15	575	29,790	30,365	31,982
Loans represented by securities									
Hold to Collect	40,691	-	-	-	-	-	-	-	40,691
Hold to Collect and Sell	526,151	-	-	-	-	-	-	-	526,151
Guarantees and sureties provided	-	-	-	-	-	-	-	-	-
	569,201	**13**	**-**	**2**	**15**	**575**	**29,790**	**30,365**	**599,581**

NET EXPOSURE 31-12-2019	Stage 1	Stage 1				Stage 2			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	10,641,931	1,105,080	-	14,900	1,119,980	-	-	-	11,761,911
Mortgages	4,988,989	-	-	-	-	-	-	-	4,988,989
Other	4,296,070	107,614	-	116	107,730	-	-	-	4,403,800
Loans represented by securities									
Hold to Collect	384,839,549	-	-	-	-	-	-	-	384,839,549
Hold to Collect and Sell	1,541,408,735	-	-	-	-	-	-	-	1,541,408,735
Guarantees and sureties provided	223,150	-	-	-	-	-	-	-	223,150
	1,946,398,424	**1,212,694**	**-**	**15,016**	**1,227,710**	**-**	**-**	**-**	**1,947,626,134**

Reconciliation of exposures

On 31 December 2020 and 2019 the movements in the Group's exposures subject to calculation of expected impairment losses are presented as follows:

	Stage 1	Stage 2	Stage 3	Total
Exposure Loans not represented by securities and Guarantees and sureties provided				
Opening balance on 01-01-2020	20,152,499	1,227,726	30,366	21,410,591
Increases due to origination or acquisition	16,006,226	17,516	73,267	16,097,009
Reductions due to derecognition	(2,256,170)	(11,527)	(672)	(2,268,369)
Net variations due to alterations in the credit risk	(264,740)	(237,309)	319	(501,730)
Net variations due to modifications without derecognition	(1,368,020)	(694,947)	12	(2,062,955)
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2020	32,269,795	301,459	103,292	32,674,546
Exposure Loans represented by securities				
Opening balance on 01-01-2020	1,926,815,125	-	-	1,926,815,123
Increases due to origination or acquisition	701,048,073	-	-	701,048,073
Reductions due to derecognition	(810,231,609)	-	-	(810,231,609)
Net variations due to alterations in the credit risk	-	-	-	-
Net variations due to modifications without derecognition	(5,982,033)	-	-	(5,982,033)
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	(2)	-	-	(2)
Closing balance on 31-12-2020	1,811,649,554	-	-	1,811,649,552
Total Exposure on 31-12-2020	**1,843,919,349**	**301,459**	**103,292**	**1,844,324,098**

	Stage 1	Stage 2	Stage 3	Total
Exposure Loans not represented by securities and Guarantees and sureties provided				
Opening balance on 01-01-2019	39,376,732	126,239	27,762	39,530,733
Increases due to origination or acquisition	2,776,548	16,159	5,137	2,797,844
Reductions due to derecognition	(13,401,164)	(5,920)	(3,039)	(13,410,123)
Net variations due to alterations in the credit risk	(7,632,821)	137,130	330	(7,495,361)
Net variations due to modifications without derecognition	(966,796)	954,118	176	(12,502)
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2019	20,152,499	1,227,726	30,366	21,410,591
Exposure Loans represented by securities				
Opening balance on 01-01-2019	1,907,173,147	-	-	1,907,173,147
Increases due to origination or acquisition	919,558,748	-	-	919,558,748
Reductions due to derecognition	(926,323,026)	-	-	(926,323,026)
Net variations due to alterations in the credit risk	(10,308)	-	-	(10,308)
Net variations due to modifications without derecognition	26,416,565	-	-	26,416,565
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2019	1,926,815,125	-	-	1,926,815,125
Total Exposure on 31-12-2019	**1,946,967,624**	**1,227,726**	**30,366**	**1,948,225,716**

Reconciliation of expected impairment losses

On 31 December 2020 and 2019 the movements in the Group's expected impairment losses are presented as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL Loans not represented by securities and Guarantees and sureties provided				
Opening balance on 01-01-2020	2,240	15	30,365	32,620
Increases due to origination or acquisition	1,233	20	73,267	74,520
Reductions due to derecognition	(734)	(15)	(672)	(1,421)
Net variations due to alterations in the credit risk	(53)	189	319	455
Net variations due to modifications without derecognition	644	669	12	1,325
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2020	3,330	878	103,291	107,499
ECL Loans represented by securities				
Opening balance on 01-01-2020	566,842	-	-	566,842
Increases due to origination or acquisition	626,683	-	-	626,683
Reductions due to derecognition	(220,987)	-	-	(220,987)
Net variations due to alterations in the credit risk	-	-	-	-
Net variations due to modifications without derecognition	195,176	-	-	195,176
Alterations due to updates to methodologies used		-	-	-
Reductions due to write-offs		-	-	-
Other adjustments	362,516	-	-	362,516
Closing balance on 31-12-2020	1,530,230	-	-	1,530,230
Total ECL on 31-12-2020	**1,533,560**	**878**	**103,291**	**1,637,729**

	Stage 1	Stage 2	Stage 3	Total
ECL Loans not represented by securities and Guarantees and sureties provided				
Opening balance on 01-01-2019	4,568	60	27,723	32,351
Increases due to origination or acquisition	751	-	5,137	5,888
Reductions due to derecognition	(2,187)	(60)	(3,039)	(5,286)
Net variations due to alterations in the credit risk	(878)	3	543	(332)
Net variations due to modifications without derecognition	(13)	11	2	-
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	(1)	1	(1)	(1)
Closing balance on 31-12-2019	2,240	15	30,365	32,620
ECL Loans represented by securities				
Opening balance on 01-01-2019	1,523,948	-	-	1,523,948
Increases due to origination or acquisition	252,282	-	-	252,282
Reductions due to derecognition	(742,510)	-	-	(742,510)
Net variations due to alterations in the credit risk	(348)	-	-	(348)
Net variations due to modifications without derecognition	(466,531)	-	-	(466,531)
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2019	566,842	-	-	566,842
Total ECL on 31-12-2019	**569,082**	**15**	**30,365**	**599,462**

Details on collateral

For the purpose of quantitative analysis, the following valuation criteria are used:

i) Financial: performed automatically by the systems depending on the market prices and weightings that are periodically revised by the Board of Directors:

- Every month the financial assets used as collateral are analysed with regard to their Liquidity, Volatility and stock market capitalisation (if applicable);
- Every week automatically, taking only the 30 day volatility of securities traded on regulated markets into account, for all the financial assets which were previously approved as acceptable to be held as collateral, it is calculated the respective weighting (calculated by the system) over which the client can leverage the credit (80%, 70%, 60% and 50%).

ii) Buildings: the value of the last formal valuation of the building, performed by an independent entity, is used. Furthermore, a correction factor is applied to this value, according to the scale below:

- Up to 12 months: 0%
- From 12 to 24 months: 15%
- From 24 to 36 months: 25%
- More than 36 months: 50%

The determination of the recoverable amount is based on the evaluation (with or without the correction factor) plus a time discount factor.

When a credit operation collateralised by buildings shows sufficiently strong indications that so justify it, the collateral is reassessed by an external appraiser. This also occurs when the client become non-compliant.

iii) Other collateral: are analysed on a case by case basis.

Weightings and other corrective factors are periodically revised, at least once a year, taking history, economic prospects and the published indicators of the competitors into account, according to the type of product.

On 31 December 2020 and 2019 the collateral of the exposures of the portfolio of loans not represented by securities (retail and guarantees and sureties provided) is as follows:

Breakdown of the fair value of the collateral underlying the credit portfolio by segments:

31-12-2020	Current Account Credit		Mortgages				Other			
	Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	393	29,536,837	85	8,839,256	-	-	-	-	189	7,087,939
>= 0,5 M€ e < 1 M€	23	16,723,431	1	500,000	-	-	-	-	1	600,000
>= 1 M€ e < 5 M€	14	30,418,887	-	-	-	-	-	-	4	4,550,000
>= 5 M€	1	8,573,829	-	-	-	-	-	-	-	-
	431	**85,252,984**	**86**	**9,339,256**	**-**	**-**	**-**	**-**	**194**	**12,237,939**

* Examples: shares, bonds and deposits (at market price)

31-12-2019	Current Account Credit		Mortgages				Other			
	Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	513	26,055,948	76	7,230,664	-	-	14	1,644,874	56	896,289
>= 0,5 M€ e < 1 M€	8	5,416,846	-	-	-	-	-	-	1	500,000
>= 1 M€ e < 5 M€	4	6,986,648	-	-	-	-	-	-	-	-
>= 5 M€	-	-	-	-	-	-	-	-	-	-
	525	**38,459,442**	**76**	**7,230,664**	**-**	**-**	**14**	**1,644,874**	**57**	**1,396,289**

* Examples: shares, bonds and deposits (at market price)

a) LTV ratio of the Housing and Other segments:

Segment / Ratio	31/12/2020						
	Number of buildings	Credit Stage 1	Credit Stage 2	Credit Stage 3	Total Credit	Impairment	Net exposure
Mortgages							
No associated collateral	-	647	-	-	647	2	645
< 60%	29	1,467,014	-	-	1,467,014	197	1,466,817
>= 60% e < 80%	32	1,919,855	-	-	1,919,855	290	1,919,565
>= 80% e < 100%	25	2,791,216	-	-	2,791,216	391	2,790,825
>= 100%	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-
Other							
No associated collateral	-	-	-	-	-	-	-
< 60%	-	-	-	-	-	-	-
>= 60% e < 80%	-	-	-	-	-	-	-
>= 80% e < 100%	-	-	-	-	-	-	-
>= 100%	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-
	86	**6,178,732**	**-**	**-**	**6,178,732**	**880**	**6,177,852**

Segment / Ratio	31/12/2019						
	Number of buildings	Credit Stage 1	Credit Stage 2	Credit Stage 3	Total Credit	Impairment	Net exposure
Mortgages							
No associated collateral	-	2,186	-	-	2,186	(7)	2,179
< 60%	23	989,102	-	-	989,102	(145)	988,957
>= 60% e < 80%	23	1,467,560	-	-	1,467,560	(220)	1,467,340
>= 80% e < 100%	30	2,530,897	-	-	2,530,897	(384)	2,530,513
>= 100%	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-
Other							
No associated collateral	-	-	-	-	-	-	-
< 60%	5	446,147	-	-	446,147	(67)	446,080
>= 60% e < 80%	5	220,730	-	-	220,730	(42)	220,688
>= 80% e < 100%	3	616,101	-	-	616,101	(93)	616,008
>= 100%	2	280,601	-	-	280,601	(27)	280,574
Other collateral	-	840,142	-	-	840,142	-	840,142
	91	**7,393,466**	**-**	**-**	**7,393,466**	**(986)**	**7,392,480**

Details on restructured credit

When, due to the financial difficulties of a given client, the Group agrees to change the contract conditions of existing credit operations (namely, extension of the repayment period, introduction of grace periods, capitalization of interest, reduction in interest rates, forgiving the interest or capital) or contracts new credit facilities for the settlement (total or partial) of existing debt, these credit operations should be identified and marked as restructured credit due to financial difficulties of the client, and impairment should be calculated on these loans. A client is in a situation of financial difficulty when s/he has not complied with some of their financial obligations with BiG or if it is foreseeable, in view of the information available, that this may occur, taking into consideration, among other things, the indications of impairment.

No new credit operations were restructured during 2020. The credit moratoria applied to some operations are not considered credit restructured under the guidelines published by the supervisor authorities.

Details on analysis of credit

For the purpose of the identification of individually significant exposures (which obligatorily will be analysed on an individual basis), the Group sets thresholds that should be considered. These are, among other things, exposures collateralised by non-liquid assets which represent a relevant percentage of the retail credit portfolio or of BiG's own funds. Nevertheless, even if a given exposure does not come within these criteria and bearing in mind the Group's conservative position in relation to the credit risk, this may be subject to individual analysis for impairment.

On 31 December 2020 and 2019 the detail of the portfolio of loans not represented by securities (retail and guarantees and sureties provided) by individual and collective assessment model, is as follows:

2020	Current Account Credit		Mortgages		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	-	-	-	-	32,215	667	32,215	667
Collective	12,428,550	61,613	6,178,732	880	14,035,049	44,339	32,642,331	106,832
	12,428,550	**61,613**	**6,178,732**	**880**	**14,067,264**	**45,006**	**32,674,546**	**107,499**

2019	Current Account Credit		Mortgages		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	-	-	164,422	24	602,801	60	767,223	84
Collective	11,761,912	-	4,825,323	732	4,056,131	31,922	20,643,366	32,654
	11,761,912	**-**	**4,989,745**	**756**	**4,658,932**	**31,982**	**21,410,589**	**32,738**

Sensitivity analysis on expected credit loss

A sensitivity analysis exercise was carried out on the expected credit loss (ECL), based on amendments of the fundamental hypotheses applied individually to the calculation of the expected loss.

Presented below is the estimated sensitivity to changes in the projection of the annual variation of the rate of growth of unemployment for the twelve following months:

Annual variation in the unemployment rate	Variation of expected credit loss (ECL)
+1%	+ 269 euros
-1%	- 105 euros

Operational Risk

Operating risk is part of the Group's day to day business and may arise as a result of inadequate procedures or systems, human risk or external events.

Given the nature of its business, the Group is exposed to potential losses or operational risk as a result of human error, system breakdown, operation processing failures, unexpected interruptions in activity or stoppages or shortages in terms of third party supplies or provision of services.

To monitor tthis type of risk and the effective fulfilment of the operating procedures throughout the Group, there is a control structure which supervises the appropriateness of the procedures, systems and human resources in order to ensure the normal development of the activity in any circumstances.

The objective of this structure is to ensure that the Group adheres to the established procedures and limits, so that the cost inherent to operational errors can be kept within controlled levels, vis-à-vis the Group's capital and its strategy. Alongside this structure, a culture of risk detection and mitigation is nurtured in the Group, which encourages the proactive resolution of problems based on their early identification.

Capital and solvency ratio management

Equity funds for the years ended on 31 December 2020 and 2019 are presented as follows:

		2020	2019
A - Equity Funds			
Ordinary paid-up capital, issue premiums and treasury stock		172,739,404	172,738,404
Results and reserves formed from retained earnings		219,601,357	195,570,550
Minority interest recognised in FPP1		3,950,339	3,773,989
Intangible assets		(4,053,211)	(2,937,612)
Adjustments due to prudential filters		(1,554,949)	(1,630,019)
Common Equity Tier 1 Capital	(A1)	390,682,940	367,515,312
Tier 1 Capital	(A2)	390,682,940	367,515,312
Total Equity Funds	(A3)	390,682,940	367,515,312
B - Risk weighted assets	(B)	863,321,123	851,619,265
C - Prudential Ratios			
Common Equity Tier 1 Capital ratio	(A1 / B)	45.3%	43.2%
Tier 1 Capital ratio	(A2 / B)	45.3%	43.2%
Total capital ratio	(A3 / B)	45.3%	43.2%

The movement in equity funds for the years ended on 31 December 2020 and 2019 is presented as follows:

	2020	2019
Opening Balance	**367,515,312**	**329,410,690**
Ordinary paid-up capital, issue premiums, treasury stock and other	1,000	495,996
Results and reserves formed from retained earnings	24,030,807	34,626,156
Minority interest recognised in FPP1	176,350	3,773,989
Intangible assets	(1,115,599)	(823,531)
Adjustments due to prudential filters	75,070	32,012
Closing Balance	**390,682,940**	**367,515,312**

Other Risks and their measurement:

Reputational Risk

In terms of Reputation Risk, understood as the probability of the occurrence of a negative impact on results or on capital arising from a negative perception of the public image of the institution, founded or not, by the different stakeholders, the press or by public opinion in general, BiG conceived stress tests which allow for the existence of negative news relating to the Group, with consequences in terms of the withdrawal of deposits by clients.

Correlation Risk

The different types of risk, liquidity, reputation, credit, counterparty, market concentration, interest rate, market, etc., are correlated between each other. This correlation is evidently clearer in some pairs of risks while having no particular relevance in other risk pairs.

- Liquidity risk *versus* Reputation risk:
  The decline in the reputation of a financial institution can lead to a lack of trust of clients and of investors in general.
  Such a situation can lead to the liquidity risk for the institution with regard to its immediate liabilities.

- Liquidity risk versus Reputation risk versus Market risk:
  In the above case the reputation risk versus liquidity risk is analysed. We can nevertheless assume that there is an unusual variation in the different financial instruments in the market.

- Liquidity risk versus Reputation risk versus Credit risk:
  In this case, as in the previous point, the Group allows for scenarios where there is Reputation risk and Liquidity risk.
  In addition, we can also consider a scenario of the probability of default of the assets, as well as the impact of downgrades in their rating.

Liquidity risk *versus* Reputation risk *versus* Market risk:

(30% drop in the stock market, a 100 b.p. decline in the interest rate curve and a massive withdrawal of deposits as consequence of reputational risk)

The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2019, the impact of which is described below.

Scenario 1 – 33% of Demand Deposits are withdrawn by clients
Liquidity available: 197,349,046 Euros.
Liabilities: 306,784,939 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 109,435,892 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (a drop of 30% in the stock market and a 100 b.p. decline in the interest rate curve), the Group would have a maximum loss of de 32,695,332 Euros.

Scenario 2 – 50% of Demand Deposits are withdrawn by clients
Liquidity available: 197,349,046 Euros
Liabilities: 460,177,408 Euros.
In this scenario, it would be necessary to sell assets or seek additional funding, for a total amount of 262,828,362 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (drop of 30% in the stock market and a 100 b.p. decline in the interest rate curve), the Group would have a maximum loss of 32,695,332 Euros.

Scenario 3 – 50% of Demand Deposits and of Term Deposits are withdrawn by clients
Liquidity available: 197,349,046 Euros.
Liabilities: 701,469,855 Euros.
In this scenario, it would be necessary to sell assets or seek additional funding, for a total amount of 504,120,809 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (drop of 30% in the stock market and a 100 b.p. decline in the interest rate curve), the Group would have a maximum loss of 32,695,332 Euros.

Liquidity risk versus Reputation risk versus Credit risk:

Scenario of *downgrades* of debt securities and massive withdrawal of deposits as a consequence of reputational risk)

- Aaa – Aa2: the rating is maintained
- Aa3 – A3: a drop of 2 notches in the rating
- Baa1 and lower ratings: a drop of 4 notches in the rating

The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2020, the impact of which is described below:

Scenario 1 – 33% of Demand Deposits are withdrawn by clients
Liquidity available: 197,349,046 Euros.
Liabilities: 306,784,939 Euros.
In this scenario, it would be necessary to sell assets or seek additional funding, for a total amount of 109,435,892 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (*downgrade of debt securities*), the Group would have a maximum loss of 26,545,035 Euros.

Scenario 2 – 50% of Demand Deposits are withdrawn by clients
Liquidity available: 197,349,046 Euros.
Liabilities: 460,177,408 Euros.
In this scenario, it would be necessary to sell assets or seek additional funding, for a total amount of 262,828,362 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (*downgrade of debt securities*), the Group estimates a potential loss of 26,545,035 Euros.

Scenario 3 – 50% of Demand Deposits and of Term Deposits are withdrawn by clients
Liquidity available: 197,349,046 Euros.
Liabilities: 701,469,855 Euros.
In this scenario, it would be necessary to sell assets or seek additional funding, for a total amount of 504,120,809 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (downgrade of debt securities), the Group estimates a potential loss of 26,545,035 Euros.

◢ NOTE 43
PLEDGING OF ASSETS

On 31 December 2020 and 2019 pledges on assets may be analysed as follows:

2020	Book value of pledged assets	Fair value of pledged assets	Book value of unencumbered assets	Fair value of unencumbered assets
Securities				
Bonds and other fixed return securities	271,574,099	271,574,099	1,586,711,892	1,575,422,471
Shares	-	-	2,688,767	2,688,767
Other securities	-	-	844,660	844,660
Other assets	1,750,000	-	340,036,082	-
	273,324,099		**1,930,281,401**	

2019	Book value of pledged assets	Fair value of pledged assets	Book value of unencumbered assets	Fair value of unencumbered assets
Securities				
Bonds and other fixed return securities	581,617,156	554,435,521	1,392,659,965	1,319,401,203
Shares	-	-	1,984,223	1,984,223
Other securities	-	-	897,692	897,692
Other assets	700,000	-	290,555,281	-
	582,317,156		**1,686,097,161**	

On 31 December 2020 the amount of liabilities associated to pledged assets was 225,315,541 Euros (31 December 2019: 452,571,329 Euros).

◢ NOTE 44
RECENTLY ISSUED STANDARDS

1. Impact of the adoption of new standards, alterations to the standards that became effective for annual periods that started on 1 January 2020

a) IFRS 3 (amendment), ‘Definition of business’ This amendment constitutes a revision to the definition of business for the purpose of accounting of concentrations of business activities. The new definition requires that an acquisition should include an input and a substantial process that together produce outputs. The outputs come to be defined as goods and services that are provided to clients, which generate income from financial investments and other income, excluding returns in the form of cost reductions and other economic benefits for the shareholders. It allows for ‘concentration tests’ to determine if a transaction refers to the acquisition of an asset or of a business. This amendment had no significant impact on the Group.

b) IFRS 9, IAS 39 and IFRS 7 (amendment), ‘Reform of reference interest rates – phase 1’These amendments are part of the first stage of the IBOR reform project of the IASB and allow exemptions related with the reform of the benchmark for reference interest rates. The exemptions refer to hedge accounting, in terms of: i) risk components; ii) requisite of ‘highly probable’; iii) prospective assessment; iv) retrospective effectiveness test (for adopters of IAS 39); and v) recycling of the cash flow hedge reserve flow, and intend that the reform of the reference interest rates should not cause hedge accounting to terminate. However, all ineffectiveness should still be calculated and recorded in the income statement. This amendment had no significant impact on the Group.

c) IAS 1 and IAS 8 (amendment), ‘Definition of material’. This amendment introduces a modification to the concept of material and clarifies that the mention to unclear information refers to situations the effect of which is similar to omitting or misstating this information, and the entity should assess its materiality considering the financial statements as a whole. Clarifications are also made regarding the meaning of “main users of the financial statements’, these being defined as ‘current and future investors, financiers and creditors’ who depend on the financial statements to obtain a significant part of the information that they need.

d) Conceptual Structure, “Amendments in the reference to other IFRS”. As result of the publishing on a new Conceptual Structure, the IASB introduced changes in the text of several norms and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32. These changes aim to clarify the application of new definitions of asset / liability and gain / income, beside some of the characteristics of financial information. These amendments are to be applied retrospectively, unless this is impracticable.

2. Standards (new and amendments) published, whose application is mandatory for annual periods beginning on or after 1 January 2021, already endorsed by the European Union:

a) IFRS 16 (amendment), 'Leases – COVID-19 rent subsidies' (effective for annual periods beginning on or after 1 June 2020). This amendment introduces a practical expedient for lessees (but not for lessors), which exempts them from assessing whether subsidies granted by lessors under COVID-19 qualify as "modifications" when three criteria's are cumulatively met: i) the change in lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration immediately before the change; ii) any reduction in lease payments only affects payments due on or before 30 June 2021; and iii) there are no significant changes to other terms and conditions of the lease. Lessees that elect to apply this exemption, account for the change in rental payments as variable rental payments in the period(s) in which the event or condition that triggers the payment reduction occurs. This amendment is applied retrospectively with the impacts reflected as an adjustment to retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. This amendment had no significant impact on the Group.

b) IFRS 4 (amendment), 'Insurance Contracts – Deferral of application of IFRS 9' (effective for annual periods beginning on or after 1 June 2021). This amendment addresses the temporary accounting consequences that result from the difference between the effective date of IFRS 9 – Financial Instruments and the future IFRS 17 – Insurance Contracts. In particular, the amendment made to IFRS 4 postpones until 2023 the expiration date of the temporary exemption from applying IFRS 9 in order to align the effective date of the latter with that of the new IFRS 17. This standard is not applicable to the Group.

3. Standards (new and amendments) published, whose application is mandatory for annual periods beginning on or after 1 January 2021, not yet endorsed by the European Union:

a) IAS 1 (amendment), 'Presentation of financial statements – classification of liabilities' (effective for annual periods beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. This amendment intends to clarify the lassification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period. The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether the entity will or will not exercise that right), or by events that occur after the reporting date, such as non-compliance with a covenant. This amendment also includes a new definition of "settlement" of a liability. This amendment has a retrospective application. This amendment had no significant impact on the Group.

b) IAS 16 (amendment) 'Pre-commencement income' (effective for annual periods beginning on or after 1 January 2022). This amendment is still subject to endorsement by the European Union. Amendment to the accounting treatment given to the consideration obtained with the sale of products resulting from the production in test phase of tangible fixed assets, prohibiting its deduction from the acquisition cost of the assets. This change is of retrospective application, without restatement of comparatives. This amendment had no significant impact on the Group.

c) IAS 37 (amendment) 'Onerous contracts – costs of fulfilling a contract' (effective for annual periods beginning on or after 1 January 2022). This amendment is still subject to endorsement by the European Union. This amendment specifies that in assessing whether a contract is onerous or not, only expenses directly related to the performance of the contract can be considered, such as incremental costs related to direct labour and materials and the allocation of other directly related expenses such as the allocation of depreciation costs of tangible assets used to perform the contract. This amendment should be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without giving rise to the restatement of the comparative. This amendment had no significant impact on the Group.

d) Improvement cycle 2018 – 2020 (to be applied for financial years beginning on or after 1 January 2022). These amendments are still subject to endorsement by the European Union. This cycle of improvements amends the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41.

e) IFRS 3 (amendment) 'References to the Conceptual Structure' (effective for annual periods beginning on or after 1 June 2022). This amendment is still subject to endorsement by the European Union. This amendment updates the references to the Conceptual Structure in the text of IFRS 3, and no changes have been made to the accounting requirements for concentration of businesses. This amendment also clarifies the accounting treatment to be adopted regarding liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately versus included in a concentration of businesses. This amendment is of prospective application. This amendment had no significant impact on the Group.

f) IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) 'Reform of the reference interest rates – Phase 2' (effective for annual periods beginning on or after 1 January 2021). This amendment is still subject to endorsement by the European Union. These amendments address issues that arise during the reform of a reference interest rate, including the replacement of a reference interest rate with an alternative one, allowing the adoption of exemptions such as: (i) changes in hedge designation and documentation; (ii) cumulative amounts in the cash flow hedge reserve; (iii) retrospective assessment of the effectiveness of a hedging relationship under IAS 39; (iv) changes in hedging relationships for groups of items; v) presumption that an alternative reference rate, designated as a risk component not contractually specified, is separately identifiable and qualifies as a hedged risk; and vi) updating the effective interest rate, without recognizing gain or loss, for financial instruments measured at amortized cost with changes in contractual cash flows as a result of the IBOR reform, including leases that are indexed to an IBOR. This amendment had no significant impact on the Group

g) IFRS 17 (new), 'Insurance contracts' (to be applied in years that start on or after 1 January 2023). This standard is still subject to the process of approval by the European Union. This new standard replaces IFRS 4 and is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with characteristics of discretionary participation. IFRS 17 is based on the current measurement of technical liabilities, which are reassessed on each reporting date. Current measurement can be made by the application of the complete model ("building block approach") or simplified model ("premium allocation approach"). The complete model is based on scenarios of discounted cash flows weighted by the probability of occurrence and adjusted to the risk, and a technical margin, which represents an estimation of the future profit of the contract. Subsequent changes to the estimated cash flows are adjusted against the technical margin, except if the latter becomes negative. IFRS 17 is to be applied retrospectively, with some exemptions at the transition date. This norm is not applied to the Group.

h) IFRS 17 (amendment), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023). This amendment is still subject to endorsement by the European Union. This amendment comprises specific changes in eight areas of IFRS 17, such as: i) scope; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the Statement of Financial Position; vii) recognition and measurement of the Income Statement; and viii) disclosures. This amendment also includes clarifications, which aim to simplify some of the requirements of this standard and streamline its implementation. This standard does not apply to the Group.

Summary table of new standards:

Description	Amendment	Date of effect
	1. New standards, amendments to the standards effective on 1 January 2020	
IFRS 3 – Concentration of businesses	Alteration of the definition of business	1 January 2020
IFRS 9, IAS 39 e IFRS 7 – Reform of the reference interest rates – phase 1	Introduction of exemptions to hedge accounting with the objective that the reform of reference interest rates does not cause hedge accounting to terminate	1 January 2020
IAS 1 – Presentation of the financial statements; IAS 8 – Accounting policies, amendments to accounting estimates and errors	Update of the definition of material, in the application of the standards to the financial statements as a whole	1 January 2020
Conceptual structure – Amendments to the reference to other IFRS	Amendment to some IFRS in relation to cross references and clarifications on the application of the new definitions of assets / liabilities and expenses / income	1 January 2020
	2. Standards (new and amendments) that become effective, on or after 1 January 2021, already endorsed by the EU	
IFRS 16 – COVID-19 related rent subsidies	Application of exemption in the accounting of subsidies granted by lessors related to COVID-19, as modifications	1 June 2020
IFRS 4 – Deferral of application of IFRS 9	End of the deferral of the start of application of IFRS 9 for entities with insurance activity, postponed to 1 January 2023	1 January 2021
	3. Standards (new and amendments) that become effective, on or after 1 January 2021, not yet endorsed by the EU	
IAS 1 – Presentation of the financial statements – Classification of liabilities	Classification of a liability as current or non-current, depending on the right that an entity has to defer its payment. New definition of "settlement" of a liability	1 January 2023
IAS 16 – Pre-commencement income	Prohibition of deducting income obtained from the sale of items produced during the testing phase, at the acquisition cost of tangible assets	1 January 2022
IAS 37 – Onerous contracts - costs of fulfilling a contract	Clarification on the nature of expenses to be considered in determining whether a contract has become onerous	1 January 2022
Improvement Cycle 2018 - 2020	Specific and one-off changes to IFRS 1, IFRS 9, IFRS 16 e IAS 41	1 January 2022
IFRS 3 – References to the Conceptual Structure	Update to references to the Conceptual Structure and clarification on the recording of provisions and contingent liabilities in the context of concentration of business	1 January 2022
IFRS 9, IAS 39, IFRS 7, IFRS 4 e IFRS 16 – Reform of the reference interest rates – Phase 2	Additional exemptions related to the impacts of the reform of the reference interest rates ("IBOR"), and especially the replacement of a reference interest rate by an alternative one in traded financial instruments	1 January 2021
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation	1 January 2023
IFRS 17 – Insurance contracts (amendments)	Inclusion of amendments to IFRS 17 in areas such as: i) scope of application; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the Statement of Financial Position; vii) recognition and measurement of the Income Statement; and viii) disclosures	1 January 2023

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