

BiG

ANNUAL REPORT

2019 



T.1

(Euro)

Consolidated (Audited)	2019	2018	2017	2016
Net Interest Margin	24,207,301	23,581,515	15,953,463	25,213,609
Net Commissions and Fees	11,074,703	10,034,959	10,591,948	7,661,022
Treasury and Capital Markets	54,419,455	22,975,092	78,420,179	44,308,971
Other Income	-1,615,438	-1,407,970	-1,228,249	-1,491,357
Operating Income	88,086,021	55,183,596	103,737,341	75,692,245
Personnel Expenses	-20,324,787	-19,608,214	-23,089,898	-18,580,524
Other Administrative Costs	-10,567,845	-8,452,926	-9,627,285	-7,658,552
Operating Expenses	-30,892,632	-28,061,140	-32,717,183	-26,239,076
Operating Cash Flow	57,193,389	27,122,456	71,020,158	49,453,169
Amortizations	-2,375,391	-1,961,867	-2,109,865	-1,575,628
Provisions	1,730,876	1,402,500	2,001,590	10,883,496
Impairities	954,000	939,335	265,696	-318,071
Operating Results	57,502,874	27,502,424	71,177,579	58,442,966
Profit Before Income Tax	57,502,874	27,502,424	71,177,579	58,442,966
Current Income Tax	-11,610,532	-3,830,382	-18,520,409	-14,804,968
Deferred Tax	-3,340,919	-526,438	-310,552	74,339
Profit After Income Tax Before Minority Interest	42,551,423	23,145,604	52,346,618	43,712,337
Minority Interest	-472,944	-89,388	0	0
Net Income	42,078,479	23,056,216	52,346,618	43,712,337

Individual	2019	2018	2017	2016
Net Income	40,318,127	20,059,048	50,823,109	43,429,149

Selected Indicators	2019	2018	2017	2016
Total Net Assets	2,268,414,317	2,277,989,803	1,851,222,072	1,759,030,349
Shareholder Funds	399,255,331	347,147,597	339,533,229	265,611,138
Own Funds	367,515,312	329,410,690	329,790,312	290,951,338
Client Deposits	1,289,576,472	1,312,210,871	1,035,793,975	1,049,049,853
Non-Performing Loans / Total Loans	0.1%	0.1%	0.1%	0.0%
Loans / Client Deposits	1.6%	3.0%	29.8%	41.7%
Loans / Total Net Assets	0.9%	1.7%	16.7%	24.9%
Assets Under Supervision *	3,798,642,999	3,401,529,469	3,224,261,765	2,841,439,509

* Assets under management, held in custody and client deposits

Profitability	2019	2018	2017	2016
Return on Average Assets (ROA)	1.9%	1.1%	2.9%	2.6%
Return on Average Equity (ROE)	11.4%	6.7%	17.3%	16.1%
Operating Income / Average Net Assets	3.9%	2.7%	5.7%	4.6%

Solvency	2019	2018	2017	2016
CET1 Capital Ratio	43.2%	31.5%	45.1%	31.6%
T1 Capital Ratio	43.2%	31.5%	45.1%	31.6%

Efficiency	2019	2018	2017	2016
Net Interest Income / Earning Assets	1.1%	1.1%	0.9%	1.5%
Operating Expense / Operating Income	37.8%	54.4%	33.6%	36.7%
Personnel Expense / Operating Income	23.1%	35.5%	22.3%	24.5%

Source: BIG

FINANCIAL INDICATORS

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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 acts as the holding company of the Group. The Bank is licensed to operate in all business areas open to the banking sector and generates most of its revenue in Portugal.

On 31 December 2019, the Bank had € 2.3 billion in assets, € 1.3 billion in client deposits and € 399 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 and wealth management solutions for our clients via a combination of self-directed/digital platforms and sales teams. At an 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 36).

We manage for sustainable growth within a defined business model, which can be tested often by changing market conditions. To this end, the Bank's solvency and other operating ratios are exceptionally strong. Our focus on financial discipline is deliberate 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, occasionally during periods of market stress. 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 or 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 not 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 simultaneously requires a high degree of financial discipline. It 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

In our business, we:

Attract deposits from retail and institutional clients;

Advise corporate and institutional and individual clients on market risk, on asset allocation, and strategic issues associated with their businesses;

Execute equity and fixed income transactions in regulated markets or OTC (Over the Counter) and custody services for individual and institutional clients under a variety of arrangements, depending on their financial needs and risk-appetites;

Invest in liquid and quality assets;

Manage a largely non-credit-intensive Balance Sheet;

Monitor our exposure to a wide variety of business risks and, under specific arrangements, the assets of our clients;

Preserve our reputation and the integrity of our business;

Grow our capital through retained earnings and careful management of asset quality, in a secure and controlled operating environment;

Innovate, by encouraging and developing ideas that derive from our views of the market, and which spring from the entrepreneurial foundations of the Bank.

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 generates most of its revenues in Portugal. The Bank's main subsidiaries focus on investment banking (BiG Mozambique) and FinTech-related investments and activities (One Tier Partners). In 2019, BiG opened an office in Madrid and expects to start full banking activity in Spain during 2020 with a branch license, focusing on client trading, deposit-taking 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 exceptional levels of 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 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, and financial consultants located in key regions. Corporate and Institutional clients are the focus of sales and product teams based mainly in Lisbon, Porto, Maputo (Mozambique) and Madrid (Spain).

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 in order to provide access for our clients to major equity, options and futures exchanges. Platforms for other “over the counter” (“OTC”) products, bonds or mutual funds, usually combine in-house technology solutions and agreements with counterparties and providers.

Wealth Management and Advisory Services

BiG’s client-facing businesses are non-credit-intensive and focus on helping individual and wholesale clients manage their assets. BiG works 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 that BiG offers 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, and is 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.

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 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.

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

Because of its size, at the European level, BiG is considered a “Less Systemically Important” institution (LSI) and is supervised directly by the Bank of 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 2019 Results

An overview of key income statement and balance sheet items is provided in T.2. More 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 € 42.1 million for 2019, compared with € 23.1 million for 2018;

Earnings per share (EPS) were € 0.24 for 2019, as compared with € 0.13 per share for 2018;

The Bank’s Net Operating Revenues for 2019 were € 88.1 million, as compared to € 55.2 million in 2018;

Return on Average Equity (ROE) for 2019 was 11.4%, as compared with 6.7% in 2018;

The Book Value (BV) of BiG’s common stock rose to € 2.32 per share at 31/12/19, versus € 2.02 per share in 2017;

BiG’s consolidated Tier 1 Capital Ratio at 31/12/19 was 43.2%, as compared to 31.5% at year-end 2018;

The consolidated Leverage Ratio was 16.1% at 31/12/19, versus 15.2% at 31/12/18;

The consolidated Liquidity Coverage Ratio at 31/12/19 stood at 265% versus 198% for the prior year-end;

The ratio of Non-performing loans/Total Loans was 0.1%, in line with the historical average of negligible credit losses.

For 2019, 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. Activity on the asset side of the

T.2

(Euro 000)

Summary of Results	2019	2018	2017	2016
Total Net Revenue	88,086	55,184	103,737	75,692
Non Interest Expense	-30,583	-27,681	-32,560	-17,249
Taxes	-14,951	-4,357	-18,831	-14,731
Net Income	42,078	23,056	52,347	43,712
Shareholders Funds	399,255	347,148	339,533	265,611
Own Funds	367,515	329,411	329,790	290,951
Total Net Assets	2,268,414	2,277,990	1,851,222	1,759,030
Loans	21,117	38,827	309,094	437,485
Deposits	1,289,576	1,312,211	1,035,794	1,049,050
CET1 Capital Ratio	43.2%	31.5%	45.1%	31.6%
T1 Capital Ratio	43.2%	31.5%	45.1%	31.6%

Source: BiG

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 interesting 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 political, economic 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, political events in Europe – specifically the UK and Italy – along with the general decline in interest rates, lower economic growth, and events associated with U.S. politics, were among the themes affecting markets.

In this environment, the level of the Bank's earning assets remained stable, liquidity and capital funds grew, as did net interest margin, net commissions, and market-related income. These factors contributed to higher 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 has built a long-term strategy to invest and grow sustainably.

Key Income Statement Items

Net Operating Income for 2019 rose 60% to € 88.1 million. Overall, results benefited from higher revenues from Treasury and Capital Markets, along with higher net interest margin and commissions from brokerage and asset management activities, which offset higher costs associated with investments in Spain and expanded headcount to support growth. Deductions related to impairments and non-performing assets were exceptionally low, as in prior years. Business confidence in segments most associated with BiG's business model were constrained during 2019 by geo-political issues and fears of lower growth in Europe and Asia.

Global equities markets had a strong year, while yields and credit spreads continued to decline, generally across the board. The Bank does not have significant exposure to equity markets, but does manage fixed portfolios of income securities, and in Europe, interest rates remained at historically low levels. The interest rate environment has led to a low rate of savings in Portugal, and significant growth in consumer credit, which is not part of BiG's business model. In general, Management tends to take a contrarian approach to such trends. With market rates near zero, and often not

reflective of underlying credit risks, Management chose not to increase its appetite for risk during much of 2019. As a result, BiG managed significant levels of liquidity and maintained a neutral stance with respect to the higher levels of confidence, the on-going consumer credit boom, and reduction of credit spreads underway domestically.

Year on year, primary operating expenses – salary, administrative and amortization costs – rose 7% overall. Growth in personnel expense was modest, while general administrative expenses increased on higher investments in systems and other costs to support current business and investments in the Bank's future branch in Spain. Taxes rose on higher pre-tax income.

Key Balance Sheet Items

Total Assets at 31 December 2019 were € 2.3 billion, or virtually unchanged from the prior year-end. The Bank's main earning assets, which are managed in order 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.

Loans/Client Deposits at year-end were 1.6% versus 3.0% at the prior year-end; as a percentage of Total Assets, Loans stood at 0.9%, as compared to 1.7% at year-end

2018. These levels may vary slightly year on year but tends to be deliberately low over time. They also contribute to high levels of structural liquidity and reflect a strategy of reduced emphasis on commercial and consumer-related lending in the Bank's business model. The ratio of non-performing loans/Total Loans was 0.1% at 31/12/19, in line with negligible levels recorded in prior years.

The Bank's main sources of funding are, in this order: (i) mainly 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 ECB were again zero for the full year 2019, generally substituted with deposits and the use of repo facilities with global counterparties.

Common equity outstanding at year-end was unchanged at € 171.9 million, (171,947,388 ordinary shares issued, with a nominal value of one euro each). During the year, the Bank redeemed € 12 million of redeemable preferred stock issued in 2016 as part of a program of equity incentives for Management and key staff. The Bank expects to do a second issue of redeemable preferred stock of a similar amount, and for a similar purpose during 2020, subject to regulatory approval.

Shareholder Funds rose to € 399.3 million from € 347.1 million at 31/12/18, due to the positive evolution in revaluation reserves, the distribution of an interim dividend in November 2019 and stronger earnings for 2019. Consolidated Regulatory Capital ("Own Funds") at year-end 2019 was € 367.5 million, versus € 329.4 million at 31/12/18.

Business Environment in 2019

Overview

During 2019, equity markets were stronger, particularly in the U.S., and interest rates remained low, especially in the Eurozone. In the U.S., economic growth was above trend as job-creation and general indicators were unexpectedly positive and consistently so. Europe's recovery weakened, while growth in Asia, and emerging markets decelerated. Geopolitical tensions, always present, were not as determining factors in markets as were concerns on the direction of interest rates, monetary policy, the threat of trade wars, and political issues, such as the search for clarity on Brexit, and the outlook for economic growth in the major blocs. The rate of unemployment in the U.S. declined further to below 4%, inflation remained benign, movements in oil were not major events – in part because the U.S. took the position as the world's largest producer – and gold rose in response to global tensions and expectations on interest rates.

In Portugal, there were no major events of impact. The results of the Parliamentary elections during 2019 were as expected and, with investors focused on other markets and geo-political issues, economic growth in Portugal was modest, against a backdrop of relative political stability and on-going political discussions about budget allocations. The combination of still accommodative monetary policy in Europe, which has produced continued low interest rates, along with careful management of budgets by the current government, has led to normalized access to the markets by the Portuguese Sovereign. There have been gradual upgrades to the Government's creditworthiness to minimum levels of investment grade in recent years. The results of the banking sector are mixed, but capital levels and controls generally have improved, under very tight regulatory scrutiny, and earnings at the group level of most of the larger banks – excluding Novo Banco – seem to have passed from significantly negative to more consistently positive levels of profitability. The increase in consumer lending and continued high levels of non-performing loans in parts of the banking sector remain

a concern in Portugal and other parts of Europe.

Market events most directly associated with the Bank's performance and prospects tend to be linked with credit trends, movements in global interest rates and prospects for growth in major economies, on the one hand, and 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, on the other. The first event is fundamental to our business model, the management of the balance sheet and our business with clients and is a key to creating value for our shareholders. The second is 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.

Macroeconomic Indicators and Economic Trends – Detail

Global

Global economic growth slowed to 2.9% across both developed and emerging economies, in large part because of trade tensions between the USA and China, which extended to intellectual property matters after President Trump announce restrictive measures directed at the activities of Huawei.

International trade declined for this reason, with negative impact on the industrial sector. Tariffs imposed by the USA on imports from China led to reciprocal retaliation, and to an acceleration of trade between the USA and Mexico on the one hand, and China and other Asian partners on the other.

The indicator associated with the industrial Purchasing Managers' Index declined during the year, while the services sector

T.3

	2018	GDP 2019	2020*	2018	CPI 2019	2020*
USA	2.9	2.3	1.8	2.5	1.8	2.1
Euro Area	1.9	1.2	1.0	1.8	1.2	1.3
Portugal	2.4	2.2	1.5	1.2	0.3	0.9
Japan	0.3	1.0	0.4	1.0	0.5	0.6
China	6.7	6.1	5.8	2.1	2.9	3.1
Russia	2.5	1.3	1.7	2.9	4.5	3.3
Middle East	2.6	2.0	2.7	4.0	1.5	2.2
Asia-Pacific	4.9	4.4	4.2	2.1	2.3	2.6
Latin America	1.6	1.1	1.9	7.5	3.3	8.6
Developed Economies	2.3	1.7	1.5	2.3	1.7	1.8
Emerging Economies	4.9	4.4	4.4	3.6	3.2	4.0
World	3.6	2.9	3.1	3.6	3.4	3.0

* Note: forecast data

Source: IMF and BiG Research

was more resilient in a global economy increasingly measured by a focus on the digital world.

Following a cyclical upswing between mid-2016 and 2018, which led to a tightening of output gaps, the past year was characterized by a decline in core inflation, which led the majority of central banks to maintain or adopt expansionist monetary policies, following the lead of the Federal Reserve (FED). The US dollar rose against a basket of international currencies, even in the context of a drop in long term rates in the USA.

USA

The US economy decelerated to a rate of growth of 2.3% in 2019, mirroring the general trend at the global level. The decline in industrial and investment activity was partially mitigated by the favorable trend in internal consumption, which continued to benefit from an historically low rate of unemployment and from upward pressure on wages.

The aggregate, negative effect resulting from an increase in trade tensions, a softening of the fiscal shock of 2017 announced by Trump and the more restrictive financial conditions for different segments of the economy, encouraged the FED to invert the trajectory of the normalization of interest rates. In fact, the Federal Reserve cut its discount rate by a surpris-

ingly larger 75 basis points, fixing its upper limit at 1.75%.

In addition its key discount rate, the FED reversed its policy on reducing the size of its Balance Sheet, in particular, after observing some dislocation in the conditions of the interbank market in the USA, where repo rates increased suddenly to 10% in September (4 times the FED discount rate). This obliged the FED to intervene directly by injecting liquidity, which had not occurred since the 2008/2009 crisis. As a result of this intervention, assets held by the FED rose by \$ 400 billion to \$ 4.15 trillion by the end of 2019.

US equities markets in the reached historic highs, with the S&P 500 index and Nasdaq rising 29% and 38%, respectively. These moves benefitted from expectations surrounding a USA-China trade deal, which was pre-announced at year-end, as well as from the favourable reaction by investors to the surprisingly large rate cuts by the FED. In the bond markets we witnessed a levelling of the yield curve in US debt instruments, where yields in the 10-year benchmark declined to 1.90% at year-end, as compared to 2.60% for the same date the prior year,

Europe

The European economies decelerated markedly, with the region's GDP falling 1.2%, due to a significant drop in external

demand and contraction of inventories. Peripheral economies fared better, relatively, than the core countries, given that the German model for growth, based on the industrial sector and exports, was penalized by Sino-American trade tensions. That Germany escaped recession, marginally, during the second semester, reflected growing pressure on key sectors, namely automotive.

At the level of monetary policy, a point of note was the end of Mario Draghi's mandate as President of the European Central Bank (ECB), and his substitution by Christine Lagarde. As one of his last acts, Draghi announced in September a new plan of Quantitative Easing, involving monthly asset purchases of EUR 20 billion, and an additional cut of 10 basis points in the deposit rate at the ECB, to -0.5%, in order to stimulate credit growth. The weaker macroeconomic situation and risks of a deflationary spiral for the region facilitate the ECB's case. The moves to contain the appreciation of the Euro and to keep rates near zero or negative aimed to ease refinancing costs of European countries, many of which remain with high levels of debt.

Regarding Brexit, following the resignation of Theresa May, Boris Johnson assumed leadership of the Conservative Party and was named Prime Minister. Following Parliament's rejection of the terms of the agreement on Brexit, negotiated by Johnson himself, he opted to call for early elections,

held on December 12, which gave him a convincing victory. This ensured that Brexit would be made official by 31 January 2020, followed by a transition period in order to negotiate commercial agreements by the end of the same year.

European equity markets rose significantly (average of 20%), while interest rates in Europe continued to fall. Yields on German Bunds closed the year at -0,20% and yields on peripheral bonds continued to see spreads to German debt compress further. Meanwhile, the Euro fell to 1.11 in relation to the US dollar.

Portugal

GDP rose 2.2% in 2019, 0.4% less than for the prior year, essentially the result of less internal demand. Net external demand was slightly less negative than for 2018, indicating a deceleration at both the level of exports and imports of goods and services.

The favorable trend in budget execution by the State continued in 2019, as the budget deficit is expected to fall to 0.1% of GDP and public debt/GDP to rest at slightly above 120%. However, the challenges to reduce public spending remain, especially given a likely less favourable 2020 in view of uncertainty in Europe regarding Brexit and a generally weaker moment for European economies.

Legislative elections in October resulted in a victory of the Socialist Party, although without an absolute majority. Meanwhile, some gains were achieved by fringe parties, echoing the trend in other European countries.

The idiosyncratic risks for the country are related to the over-heated real estate market, recent dependency on tourism receipts, and the long-needed increase in productivity for the country.

Business Outlook for 2020

As we begin 2020, key themes globally are:

- ▲ The effect of coronavirus on the global economy and the extension of an expected global recession;
- ▲ Moment of extreme volatility in the financial markets;
- ▲ U.S. politics: the aftermath of the Trump impeachment process, management of the Covid-19 crisis and general elections in November;
- ▲ Fiscal injections in Europe to promote growth, particularly as Germany's industrial engine slows;
- ▲ International trade and prospects for a US / China trade deal;
- ▲ The evolution of inflation.

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 of 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 2019 and the results of operations and cash flows for the year 2019 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 impor-

tant 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. This discipline is reflected, in part, via the Bank's low leverage, focus on solid asset quality, and high levels of solvency. When events take place, which might reduce transparency and/or liquidity in markets, as has been the case on occasion over the past several years, this can generate market volatility and can have a significant impact on how financial securities are valued by the markets and, consequently, on the Bank's financial statements.

Under the accounting principles applied, IFRS 13, the relative degree of uncertainty associated with the measurement of fair value is reflected by 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 active, or where quoted prices are not otherwise available, a valuation technique may be used to estimate fair value 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.

After 1 January 2018, with the transition to 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 Collect 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 portfolio, 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. In addition, depending on market conditions, they are acquired to realize gains or limit losses with their disposal before the respective maturity. In this portfolio, 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 interests. To comply with this requirement, the bank analyzes the characteristics of the financial instruments in order to ensure that it complies with the definition of SPPI (Solely Payment of Principal and Interests) as defined in IFRS 9.

For all these three 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 the implementation of IFRS 9, the recognition and measurement of impairment losses was changed from a “loss perspective incurred” to an “expected loss perspective.” The Bank’s model focuses on 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.

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 period after the reporting date must be recognized in results for the year;

Stage 2 – It 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 – The financial assets classified in this stage show at the reporting date objective evidence of impairment, 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 during the residual life of the financial assets will be recognized in profit or loss.

In order to calculate the expected credit loss, the Bank implemented a model the parameters of which incorporate the requirements of point in time, through the cycle and forward looking, computed monthly. 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 this model, the Bank calculates the expected credit loss.

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

Results of Modeling for Expected Credit Losses (ECL)

The trend in Expected Credit Losses, in accordance with the Bank’s internal modelling under IFRS9 has been declining during the past two years. Note that the values for Dec-2017 refer to the opening position at 01-01-2018, after application of the relevant accounting norm.

The main factors for the recent decline in ECL are (i) a significant reduction of the credit risk in 2018 of one debt security from a Spanish autonomous region, which migrated from stage 2 to stage 1 during 2018; and (ii) the tight continuity of the curves, especially at the level of sovereign debt.

Other significant accounting issues for 2019 include:

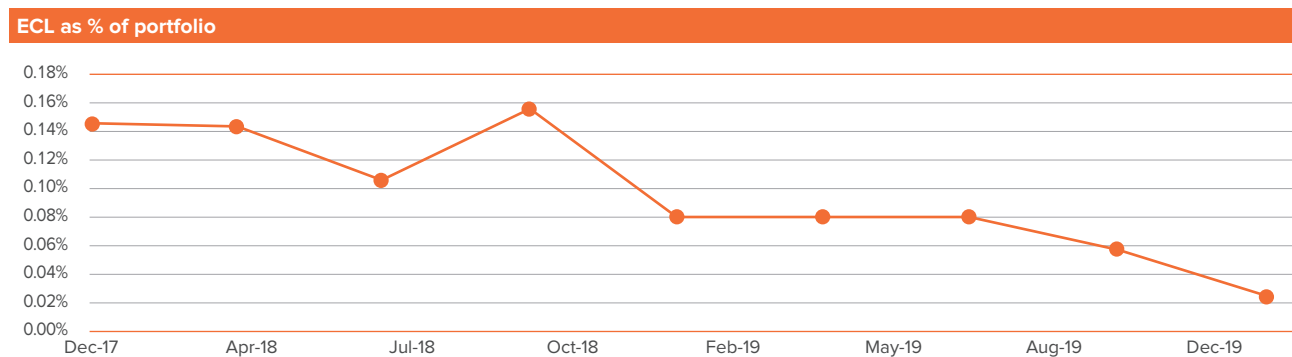
Deferred taxes: Deferred tax assets may arise from a variety of sources, with the most significant being: (i) future tax savings associated with mark to market losses on financial assets measured at fair value through other comprehensive income, (ii) expenses recognized in the income statement that are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

T.4

Country / Geography	Type of exposure	Expected Credit Loss in euros		
		Dec-17	Dec-18	Dec-19
Spain	Sovereign	1,661,770	68,256	-
	Corporates	-	-	7,073
	Financials	-	-	8,724
Italy	Sovereign	-	745,722	86,447
	Corporates	-	3,617	2,200
	Financials	-	670	13,011
Portugal	Sovereign	-	-	-
	Corporates	290,975	212,336	141,186
	Financials	-	1,777	28,397
Emergent Markets	Sovereign	109,303	277,209	80,643
	Corporates	57,813	151,677	28,765
	Financials	-	-	-
Europe & USA	Sovereign	-	-	-
	Corporates	-	646	12,923
	Financials	-	2,673	18,293
ABS	Corporates	11,982	-	2,623
	Financials	122,464	-	35,103
		2,254,307	1,464,583	465,388

F.1



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 Management. 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 2019

In 2019, the financial sector, and in particular the European banking sector, continued to be characterized by a very demanding legislative environment. While policy makers assess the impact and efficiency of current regulation on the activity of institutions, there continues a trend towards strengthening the existing regulatory framework and not reducing it.

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

Second Directive on Payments Services (PSD2)

The Directive (EU) no. 2015/2366 of the European Parliament and of the Council of 25 November, relative to the payment services in the internal market, aimed to respond to the concerns related to the protection and safety of the consumers when using payment services, while ensuring the consumer's choice in better conditions of security, effectiveness and cost efficiency.

PSD2 has been implemented gradually, considering the possibility of dispensing of contingency mechanisms (fallback solution).

PSD2 has materialized (i) the security rules to initiate and process electronic payments, as well to protect the consumers' financial data, through indicators only known by the user, (ii) the opening of payment services to third-party providers (TPPs), to whom the institutions are required to provide data and APIs (Application Programming Interface) and (iii) the reinforcement of control mechanisms to monitor and oversee potential severe operating or security incidents that are or become susceptible to have repercussions on the financial interests of the payment service users.

PRIIPs ("Packaged Retail Investment Products")

The legal framework on packaged retail investment and insurance-based investment products (PRIIPs) has ensured the transposition of Regulation (EU) 1286/2014 of the European Parliament and of the Council of 26 November, which is expected to reinforce the transparency in the offer of these products to non-professional investors and to ensure application, transversely and harmonized at the European Union level, of uniform standards for the marketing process and disclosure of the Key Information Document ("KID") of these products, some of which have a higher degree of complexity and difficulty in terms of characteristics, costs and risks.

This package has established a set of norms over the content on advertisements to PRIIPs and the prior notice of the pre-contractual information, as well the respective maintenance and monitoring, which have resulted in the publication of the Regulation no. 8/2018 of CMVM, the Portuguese securities market commission.

The before-mentioned regulation establishes the rules on matters that are essential for the protection of the non-professional investor, namely through the awareness and accountability of the non-professional investor.

Anti-Money Laundering/Combating the Financing of Terrorism ("AML/CFT") – Ministerial Order no. 310/2018

Ministerial Order no. 310/2018 of 4 December, which rules article 45 of Law no. 83/2017, defines the types of transactions that must be reported to the Central Department of Investigation of the Attorney General's office (DCIAP – *Departamento Central de Investigação e Ação Penal da Procuradoria Geral da República*), as well to the the Financial Information Unit of the Portuguese criminal police (UIF – *Unidade de Informações Financeiras*), along with the terms of the transactions.

The identification of the type of transactions covered by this report that do not fall within the category of suspicious transactions is particularly relevant for the prevention of money laundering and the financing of terrorism.

The first report within the scope of the Ministerial Order no. 310/2018 was sent in January 2019.

Central Registry of Effective Beneficiary (RCBE) – Law no. 89/2017

Law no. 89/2017 was published in August 2017, establishing the legal framework of the Central Register of Beneficial Ownership. It transposed chapter III of Directive IV, which covers the prevention of money laundering and the fight against financial terrorism.

The Central Register contains a data base which combines sufficient, exact and updated information about the single individual or individuals that, even if via indirectly or via third parties, hold ownership or effective control over entities subject to this legislation.

Since 31 January 2020, covered entities, within the scope of Law no. 83/2017 of 18 August, are required to consult the RCBE regarding their clients, and make the establishment of any business relationship, or occasional transaction, subject to the verification of the compliance of the registry obligation.

ASF – Autoridade de Supervisão de Seguros e Fundos de Pensões – Law no. 7/2019

Law no. 7/2019 approved the legal framework for the distribution of insurance and reinsurance products, which transposed the Directive (EU) no. 2016/97 of the European Parliament and of the Council of 20 January to the Portuguese legal system, and revoked the Decree-Law 144/2006 of 31 July.

In this context, and in line with article 8 of Law no. 7/2019 of 16 January, and with effect as from January 2019, BiG's registry with the Portuguese Insurance and Pensions Supervisory Authority ASF) was changed from that of Tied Insurance Intermediary 2 to Insurance Agent.

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 Bank of Portugal Instruction nº03/2019, which superseded Instruction nº 15/2017, 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 an analysis of the main risk controls and mitigation techniques regarding market, credit, operational, interest rate, concentration, information systems, liquidity, exchange rate, and compliance and reputation risk. 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), the interest rate risk of the Bank's portfolio, concentration risk, and sovereign 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 considering: (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)

Bank of Portugal 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 Bank of 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. These include scenarios for recession or crises, and consider plans and how these relate to macroeconomic factors.

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 it is, or may be ex-

posed to. 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 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. Bank of 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. In order 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 Bank of 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 in order 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 periodically submitted 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 several changes, namely related to its reporting frequency, its format, 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 do adjustments in 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.

BiG's funding structure is composed mostly of a majority retail deposit base, funding from other credit institutions and the Bank's own funds.

When prepared in early 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 (including the interim dividend referring to 2019) the Bank's capital funds have risen to the current € 399.2 million, mainly from retained earnings.

T.5

	2015	2016	2017	2018	2019
Financial Assets Portfolio⁽¹⁾	1,019,177,466	1,096,511,868	1,331,048,616	1,979,944,350	1,977,172,221
% growth	-8.9%	7.6%	21.4%	48.8%	-0.1%
Net Credit⁽²⁾	376,820,146	437,484,869	309,093,538	38,826,818	21,116,693
% growth	176.7%	16.1%	-29.3%	-87.4%	-45.6%

(1) Includes financial assets held to collect and sell, held to collect and held for trading, in accordance with the dispositions of IFRS 9.

(2) Includes, until 2017, financial assets with mortgage collateral (mortgage-backed securities). As of 2018, in accordance with IFRS 9, such assets are classified as financial assets at fair value through other comprehensive income (HTCS).

Source: BiG

(Euro)

Funding and Capital Plan Mar 2019	
2020E	2021E
2,234,862,185	2,346,605,294
-	5.0%
37,532,939	36,633,011
-	-2.4%

T.6

	2015	2016	2017	2018	2019
Demand Deposits	315,113,085	428,793,894	488,408,314	626,908,586	803,363,046
Time Deposits	519,022,094	589,609,007	508,366,207	661,937,825	460,186,446
Others	51,350,688	30,646,952	39,019,454	23,364,460	26,026,980
Total Deposits from Clients	885,485,868	1,049,049,853	1,035,793,975	1,312,210,871	1,289,576,472
% growth	10.0%	18.5%	-1.3%	26.7%	-1.7%

Source: BiG

(Euro)

Funding and Capital Plan Mar 2019	
2020E	2021E
645,297,975	653,065,045
762,040,913	816,737,409
43,100,496	54,367,927
1,450,439,384	1,524,170,381
-	5.1%

T.7

	2015	2016	2017	2018	2019
Common Equity Tier 1	33.2%	31.6%	45.1%	31.5%	43.2%

Source: BiG

Funding and Capital Plan Mar 2019	
2020E	2021E
31.6%	31.3%

Summary Analysis – Key Financial Metrics

For more detail in addition to the summaries provided below, please refer to RESULT OF OPERATIONS IN 2018 and the Notes to the Consolidated Statements.

Capital and Solvency

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

returns, (ii) applying the results of capital 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 2019, the Bank’s capital and solvency ratios were higher than the normally strong levels registered on average over prior years. In broad terms, higher level of the past year was the result of a lower appetite for risk. 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.

T.8

(Euro 000)

Capital	2019	2018	2017	2016
Common stock	171,947	171,947	171,947	156,000
Issue premiums	1,362	1,362	1,362	1,362
Treasury stock	-2	-2	-2	-2
Fair value reserve	-2,296	-34,016	-63,827	-87,095
Other reserves and retained earnings	197,867	184,800	188,627	160,994
Net profit	42,078	23,056	52,347	43,712
Shareholder Funds	399,255	347,148	339,533	265,611
Own Funds	367,515	329,411	329,790	290,951
CET 1 Capital Ratio	43.2%	31.5%	45.1%	31.6%

Fonte: BIG

F.2



The combination of stronger earnings, a conservative and consistent policy on dividends, and improvements in the value of securities available for sale, which is reflected in the Fair Value Reserve of the capital account, resulted in a rise in Shareholder Funds to € 399.3 million at 31/12/19, versus € 347.1 million at year end 2018. This total is composed entirely of shareholders' equity and there were no new issues of equity for the year. At 31/12/19, 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 € 367.5 million at 12/31/2019, compared to € 329.4 million at 12/31/2018. This figure does not include 2019 Net Income results, as these are subject to approval by shareholders at the General Shareholders' Meeting to be held in May 2020.

The Bank's consolidated Tier 1 Capital Ratio was 43.2% at the end of 2019, up from 31.5% at the end of 2018 and was calculated on a fully-phased-in basis. 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 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, either to reduce risk or to diversify concentrations. Examples of some extreme scenarios used by Management at 31/12/19 are shown below and are discussed in further detail in both the RISK MANAGEMENT AND INTERNAL CONTROL section of this report and in Note 39. 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 2019 under each scenario would be as described in T.9.

Through the Bank's 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 MANAGEMENT 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 2019, in line with prior years.

The ratio of Loans / Deposits declined in 2019 and remained in line with the historical trend. Financing via sale / repurchase agreements with several international banking counterparties continued, although operations tended to be fewer with longer tenors. Since 2016, the Bank has not used ECB financing facilities. 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 on 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 decreased to 0.9% in 2019, compared to 1.7% in 2018. The Loans / Deposits ratio, a key measure of balance sheet liquidity decreased to 1.6% from 3.0% 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 2019, 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

T.9

December 2019 - Stress test	Scenario 1	Scenario 2
Total Capital Ratio	37.3%	36.1%
T1 Capital Ratio	37.3%	36.1%

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.10

(Euro 000)

Liquidity and Funding	2019	2018	2017	2016
Loans / Client Deposits	1.6%	3.0%	29.8%	41.7%
Liquid Earning Assets / Total Net Assets	78.1%	79.2%	80.4%	69.5%
Funding from ECB	0	0	0	0
Other sources of Funding	491,760	554,334	410,261	396,823
Client Deposits / Total Liabilities & Capital	56.8%	57.6%	56.0%	59.6%

Source: BiG

T.11

(Euro)

	Average values 1st quarter 2019	Average values 2nd quarter 2019	Average values 3rd quarter 2019	Average values 4th quarter 2019
ECB - POOL value - Eligible assets (includes haircut) ⁽¹⁾	276,898,662	208,546,514	247,479,787	279,134,855
ECB - POOL value - Borrowed	0	0	0	0
ECB - POOL value - Available	276,898,662	208,546,514	247,479,787	279,134,855
EUREX Repo - POOL ⁽²⁾ value	495,295,890	564,938,656	543,163,751	549,113,824
EUREX Repo Borrowed Net: (Borrowed - Deposits)	116,666,667	95,000,000	128,333,333	160,000,000
Eurex Repo - Available	344,561,126	438,901,725	393,096,570	369,279,631
Eligible assets available for collateral outside the POOL's	137,618,275	126,399,698	129,788,716	103,861,867
Total eligible assets available for collateral	759,078,063	773,847,937	770,365,073	752,276,353
Eligible assets not available given as guarantee to other counterparties)	128,584,720	79,914,707	68,697,122	176,717,167
Non eligible assets available held for collateral in repos	120,523,240	5,351,708	0	0
Non eligible assets available for collateral	595,783,362	610,528,149	626,931,173	558,308,479
Non eligible assets - Total	716,306,602	615,879,858	626,931,173	558,308,479

(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

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 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 the Bank's business model and relative profitably during the Bank's history.

As in prior years, the main sources of funding and trends for 2019 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 Eurex Repo. The Bank does not issue debt securities because this type of funding is not strategic to the current business model and investment plans.

Earnings

Net Revenues rose by 59.6% to € 88.1 million for the year, from € 55.2 million in 2018. Consolidated Net Income increased by 82.5% to € 42.1 million, compared to € 23.1 million in 2018. The Bank's average Return on Equity for the year was 11.4%, compared with 6.7% for 2018.

Stock markets rebounded strongly, while yields and credit spreads on debt instruments declined in general. Potential obstacles to markets – Italian politics, geo-political issues, European growth and BREXIT, to name a few – failed to dent overall confidence, 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 2019 included (i) a decision to reduce risk appetite and limit growth in the portfolio of earning assets, while managing average maturity periods, (ii) a focus on growing the financial margin

T.12

(Euro 000)

Earnings	2019	2018	2017	2016
Net Operating Revenues	88,086	55,184	103,737	75,692
Net Operating Expenses (net imparities)	-31,537	-28,621	-32,825	-16,931
Impairment losses	954	939	266	-318
Pre-tax Profit	57,503	27,502	71,178	58,443
Taxation	-14,951	-4,357	-18,831	-14,731
Net Profit	42,078	23,056	52,347	43,712

Source: BIG

(iii) expanding part of the trading platform / Wealth Management business to Spain, and (iv) a continued, careful investment in the Bank's core digital approach to 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 2019, the efficiency ratio, defined as Operating Costs/Operating Income, was 37.9%, versus 50.9% in the previous year, which reflects the improvement in the Bank's revenues.

Net provisions were positive for the year, imparities remained low, and expenses related to credit losses were essentially zero.

The Bank's provision for taxes in 2019 rose to € 14.9 million, due to higher pre-tax earnings. This translated to an effective tax rate of 26.0% for 2019, compared to 14.2% for 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 Bank of 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 60% of Net Income and distributed approximately 40% in dividends, while maintaining high levels of solvency

The Bank's recent history of payouts is described in table T.13.

Considering the portion of the 2019 dividend already distributed in November 2019, the Bank has distributed to the Shareholders approximately € 168.8 million since 2004, which exceeds the total amount of capital injections made by Shareholders in the Bank, since inception, of € 126.7 million.

Corporate Structure

The Bank's structure reflects Management's desire to provide efficient and competitive financial services to our clients, to create long-term value for our shareholders. The goal is sustained growth and a balance between long-term vision and the need for short term execution of objectives.

BiG's Board of Directors aims that to achieve these objectives by having a clear and efficient internal operating structure, built around talented people, well-designed processes and reliable technology. Together, the components serve to maximize operating efficiency and help to maintain a competitive cost structure designed to benefit the end client and our shareholders. They are also key to maintaining tight controls over the different risks, namely market, credit and operating risks, to which any financial institution is exposed.

The internal 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 financial crisis. To this end, the Bank seeks to be transparent, flexible, focused on market risks and managed in order 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 by strengthening investment in information systems and adjusting the daily management of each of the lines of business.

Legal Structure and Corporate Bodies

BiG's corporate structure is headed by the Bank. At year-end, the Bank held interests in three subsidiaries: (i) ONETIER Partners, SGPS, SA, which in turn held 100% of ONETIER Partners, Sociedade de Capital de Risco, SA, an investment company in FinTech, (ii) BiG Serviços Financeiros, SA, responsible for providing auxiliary and financial advisory services and (iii) Banco BiG Moçambique, SA, a banking entity launched in Mozambique during 2016.

During the first quarter of 2019, BiG Mozambique increased its capital, which included (i) the subscription of new shares via an injection of funds by BiG Portugal and (ii) the sale of a tranche of shares by BiG Portugal to the three institutional shareholders based in southern Africa. After this operation, BiG Moçambique's capital stock increased to 1,171,345,000 Meticais (approximately € 17.0 million) and BiG Portugal held 83.99% of BiG Moçambique's capital at year-end.

The Bank's retail business combines an internet-based platform, www.big.pt, and integrated sales teams located in 16 agencies throughout Portugal, with concentrations in the Lisbon and Porto regions. Institutional Clients are covered by teams located in Lisbon and Oporto.

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

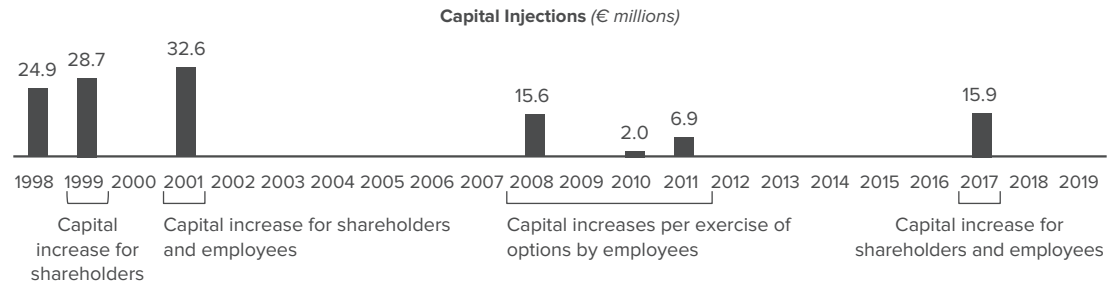
T.13

(Euro)

Dividends	2019*	2018	2017	2016
Dividend per share	0.090 €	0.075 €	0.150 €	0.100 €
% Payout	38%	64%	49%	36%

* Value corresponding to the interim dividend of € 0.09 / share distributed in November 2019.

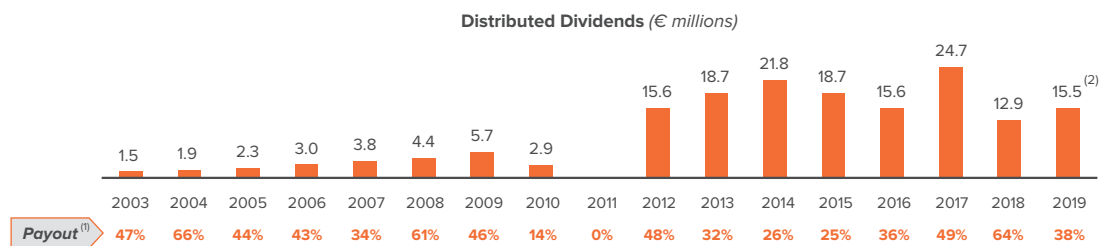
F.3



Total capital injections, including the initial capital

€ 126.7 million

F.4



(1) Based on the individual net income.

(2) Value corresponding to the interim dividend of € 0.09 / share distributed in November 2019.

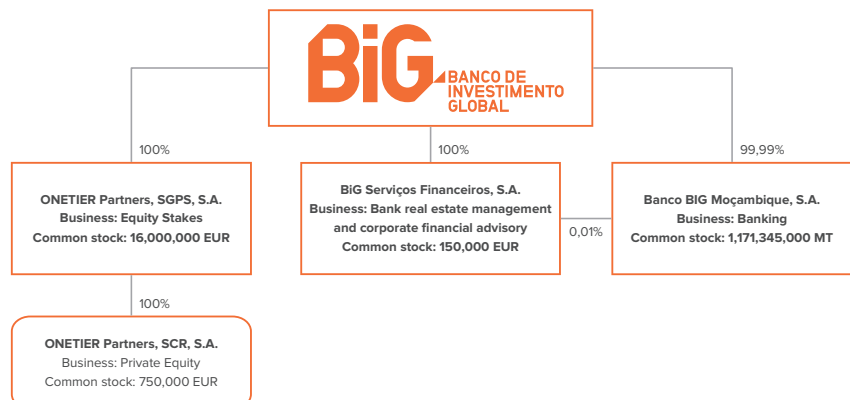
Total distributed dividends: € 168.8 million

Average payout 2003-2019: 40%

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

F.5



Governance and Oversight

The Bank's internal organization reflects focus on simplicity, transparency and operating control over the different business areas. This philosophy encourages the efficient use of resources and a clear distribution of responsibility, particularly as to how these resources are used, and the risks assumed. The Bank strives to comply with the recommendations and guidelines on corporate governance emanating from the Organization for Economic Cooperation and Development (OECD), supervisory bodies and the Portuguese Institute of Corporate Governance, seeking to incorporate practices which are consistent with the guidelines and are recognized at the national and international levels as being of good governance, insofar as they are practicable and appropriate to the size and complexity of the Bank's organizational model. While not defined

as a "systemically important institution," according to regulatory guidelines under European Banking Union, BiG seeks to be a sustainable business, regardless of market conditions, based on the assumption that the organization can and should function without outside assistance. Management reviews and, where necessary, makes improvements in practices and instruments of Corporate Governance as a tool in reinforcing the culture of internal control and as a basis for its social and economic development.

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 1000 shares.

Internal Oversight

The internal control system 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. As of 2019, of the 8 members of the Board, 3 have supervisory functions, while 5 were

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: Nomination, 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.

members of the Executive Committee and, as such, 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. 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.

Shareholder Base

At year-end 2019, 232 shareholders held common stock with voting rights. The common equity of the Bank continues to be largely in the hands of Portuguese individuals or Portuguese tax residents. At year-end 2019, 53.7% of the common stock was held by individuals and 46.3% 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.

On the same date, a total of 9 shareholders held at least 2% of the stock. All are independent of one another and, in aggregate, owned 63.1% of the capital. The Bank’s Management team represented a combined position of 18.3% of the capital and, at year-end, included 2 of the largest 5 shareholders. The above groupings are indicative, as there are no agreements tying shareholders together.

People

The breakdown of average staff levels by location, category and gender during 2019 may be found in Note 12. Total staff on a consolidated basis was 293 at year-end 2019 (average: 277): 248 based in Portugal, 7 in Spain, and 38 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.

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. Management stresses a culture of personal responsibility and mutual surveillance in the common interest.

Generally, the Bank seeks to generate revenues from diversified sources – all of which imply a certain level of exposure to a variety of risks – while at the same time operating within reasonable guidelines. These guidelines combine basic, prudential aspects of the banking business, and 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 the Bank operates, and its appetite from time to time for certain risks given market conditions.

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

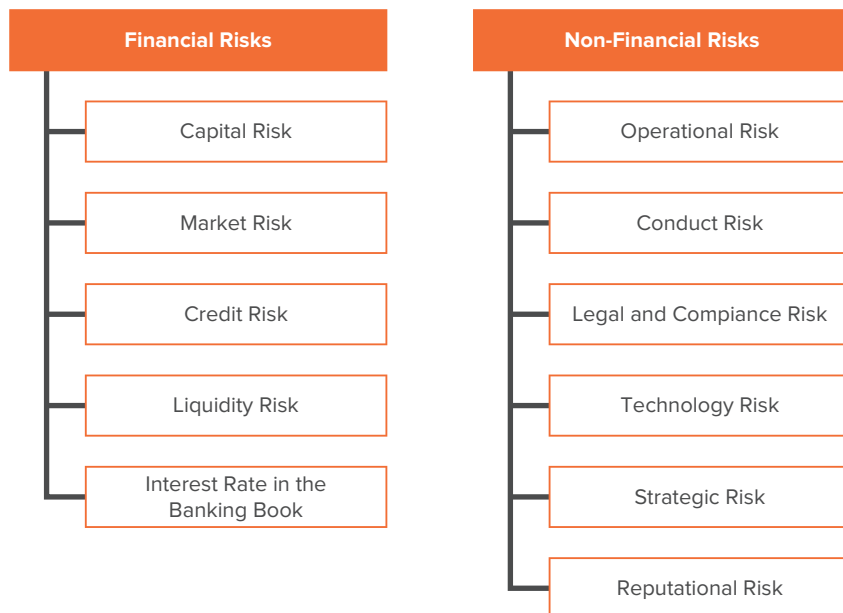
The appetite for assuming risks is reviewed at regular intervals, from daily to annually, as reflected in the Bank’s *Risk Appetite Framework (RAF)* document, which forms part of the Bank’s annual capital adequacy self-assessment process. This appetite is reflected in limits, and controls over exposures 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 the Bank is exposed to. These include financial,

F.7



F.8



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 improved or 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, credit-related losses, as well as costs associated with operating risks, were negligible for the year 2019, in line with prior years.

Factors that Affect our 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, are the following:

- ▲ Risk of disruption in the financial markets and global economy as consequence of the pandemic crisis caused by the spreading of Covid-19;
- ▲ Changes in the global economic conditions, such as declines in growth or recessions in major countries (e.g. China, Germany, Spain);
- ▲ The unexpected impact on financial markets as a result of political instability, deriving from elections, such as those in the USA, and/or tensions associated with trade wars between major economies (e.g. USA and China);
- ▲ Uncertainties and potentially negative commercial and political impact associ-

ated with the UK's departure from the European Union (Brexit);

- ▲ 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;
- ▲ Budget policies and obstacles of various types, which might be interpreted by financial markets as being insufficient commitment to reducing levels of public and private indebtedness;
- ▲ 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, and reporting requirements;
- ▲ Reductions in the rating of securities held on the Bank's books and the potential negative impact on asset quality;

- ▲ Negative implications of fiscal policy in Portugal, currently at excessively high/confiscatory levels, 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 at levels with which banks may be unable to compete;
- ▲ 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;
- ▲ The risks of disruption of global growth caused by exogenous factors, (e.g. geopolitical tensions between the USA and Iran, or the USA and North Korea);
- ▲ Economic and financial impact deriving from potential political instability in Portugal, namely associated with the ability of the current minority government to govern effectively;
- ▲ Potential negative impacts associated with the Resolution Fund and required payments by the banking sector into that vehicle.

Events Following the Year End 2019

Market Conditions – Coronavirus

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The spreading of this pandemic originated, among other aspects, a high degree of uncertainty and, as consequence, high volatility in the financial markets, which registered significant declines in recent weeks.

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 is following closely and permanently the evolution of the pandemic and of the financial markets and has implemented a set of measures to mitigate the potential impacts in BiG's activity. Since the beginning of the year, Management has reduced exposure to certain markets while enhancing liquidity. In operating terms, the digital profile that has characterized the Bank since its inception permitted a rapid adjustment in terms of internal operations. The Bank implemented measures to permit employees key to the regular activity of the Bank to work remotely with the necessary resources and equipment. Additionally, the Bank defined a COVID-19 contingency plan which comprises a set of operating procedures to face possible adverse events resulting from the spreading of the pandemic.

The future prospects for the Bank's activity until the end of the year will depend on how the global pandemic develops, on the evolution of the financial markets conditions, and on the consequences felt by the global economy. To mitigate the impacts of the unfavorable conditions, supervisory entities and governments have taken measures, most notably labor and fiscal measures to protect jobs and the income of companies and individuals, as well as mechanisms to support liquidity for the financial sectors and others most affected by the pandemic. Central Banks in Europe also eased certain regulatory and supervisory requirements to allow, among other aspects, the use of capital and liquidity reserves. These measures will allow financial institutions to operate, temporarily and if needed, at below the recommended levels of "own funds" (Pillar 2 Guidance), as well as below the required levels of liquidity coverage.

BiG Spain

During 2020, BiG expects to launch its digital banking strategy for the Spanish market. The unit will focus, initially, on trading platforms, deposit taking, asset management and corporate advisory.

Big Mozambique – Capital Increase

In order to meet recently revised minimum capital requirements for banks established by the regulator in Mozambique, BiG Portugal subscribed, in Q1 2020, to the approximate euro equivalent of € 6.3 million in local currency (436,863,985 Meticaís) as part of a total capital increase of 528,655,000 Meticaís. The difference was subscribed by the other shareholders, local institutional investors in the proportion of their ownership stake in the Bank. As a result of this operation and the conclusion of the sale of a block of 15,823 shares to one of the shareholders, BiG's share of the unit's capital stood at 82.64% (approximately the local currency equivalent of € 20.1 million).

BiG vs. BIC legal dispute on brand confusion

The case, which BiG brought several years ago against Banco BIC (which currently uses the marketing brand "EuroBic") continues, with decisions by EUIPO (European Union Intellectual Property Office) generally favouring BiG's case for not allowing the registering of the EuroBic brand, while recent decisions by the Portuguese equivalent, INPI, seem to contradict this view, a decision also upheld by the Tribunal de Propriedade Intelectual. The decision by this court, which initially had decided in favour of BiG's contention that brand confusion existed, upheld BIC's appeal partially, while confirming the original decision to oblige BIC to pay compulsory damages.

RESULTS OF OPERATIONS FOR 2019

T.14

(Euro 000)

Revenues	2019	2018	2017	2016
Interest income	45,005	51,296	46,402	46,143
Interest expense	-20,798	-27,715	-30,448	-20,930
Net interest margin	24,207	23,582	15,953	25,214
Income from capital instruments	26	0	0	929
Fee and commission income	13,560	12,184	12,375	9,680
Fee and commission expenses	-2,485	-2,149	-1,783	-2,019
Profit / loss of assets and liabilities at fair value through Profit & Loss	4,656	4,667	14,125	-9,265
Financial assets at fair value through other comprehensive income	49,127	17,424	42,711	51,541
Exchange differences, net	610	760	-3,580	-2,863
Income from the sale of other assets	0	124	25,165	3,966
Other income	-1,615	-1,408	-1,228	-1,491
Net operating income	88,086	55,184	103,737	75,692

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 2019, the Bank's results included (i) higher net interest margin, (ii) a rise in net commissions, (iii) significantly higher results from investing and credit activities, (iv) increased operating expenses to support organic growth, and (v) higher taxes due to the increase in pre-tax profit.

Net Interest Margin was € 24.2 million in 2019 versus € 23.6 million in 2018. Earning assets were slightly lower on average for the year, but lower funding costs resulted in improvement 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 on average, in part because of few opportunities to increase assets at an appropriate level of risk. Net interest margin represented 27.5% of total net revenues in 2019, as compared with 42.7% in 2018.

Non-interest income for the year was € 63.9 million in 2019, up from € 31.6 million in 2018, equivalent to an annual growth of 102%. 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 trading and assets held for sale 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 certificates for difference. 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 2018, as near-zero 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 business¹ for 2019 on an internal management basis rose to € 59.6 million, as compared to € 28.4 million in 2018. Within this group of categories, trading revenues were stable year on year, while net investment gains ("Income from financial assets available for sale") more than doubled. 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 tenors and country risks. This portfolio is a key to the Bank's management of liquidity and interest rate positions.

Revenues going forward are expected to be consistent with 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 nor does Management anticipate an increase in complexity for the foreseeable future. The respective proportions may vary as client deposits and assets under supervision rise, the balance sheet gradually expands, and as the Bank's coverage of the domestic and selected international markets grows. Areas of emphasis include advisory services, assets under supervision, savings products, and balance sheet management, with a permanent focus on sound asset quality and comfortable levels of liquidity.

Operating Expenses: Total costs include operating costs, provisions and impairments.

¹ Non-audited figures

T.15

(Euro 000)

Expenses	2019	2018	2017	2016
Administrative expenses				
Staff expenses	-20,325	-19,608	-23,090	-18,581
Other administrative expenses	-10,568	-8,453	-9,627	-7,659
Depreciation	-2,375	-1,962	-2,110	-1,576
Provisions	1,731	1,403	2,002	10,883
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	566	1,256	0	0
Financial assets at amortised cost	394	-318	-5	-3
Financial asset available for sale	0	0	260	-283
Impairment or reversal of impairment on non-financial assets				
Other	-6	1	11	-31
Total costs	-30,583	-27,681	-32,560	-17,249

Source: BiG

These are influenced primarily by compensation, the growth in headcount and management's confidence regarding levels of business activity.

In 2019, total net costs including impairments and provisions, were € 30.5 million, compared to € 27.7 million in 2018, an increase of 12.4%. Impairments were positive in 2019 and 2018.

Net operating costs, – i.e. personnel costs, administrative expenses and depreciation/amortization totaled – € 33.3 million, 11% higher than in 2018, on higher personnel expense and investments associated with the planned unit in Madrid. While growing the headcount, and building businesses in Mozambique and Spain, operating expenses for 2019 were in line with the past four-year average. With higher revenues, the Bank's operating costs/total net revenues ratio improved to 37.8%, compared to 54.4% in 2018.

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 tightly. Compensation, traditionally the Bank's largest single operating expense category, rose 3.6% and represented 61.1% of net operating costs in 2019, as compared with 70.8% 2018. The components of compensation are impacted by, among other things, the level of net revenues, the Bank's overall perform-

ance, business line and individual contributions, plans for expansion, current labor legislation, and the market environment.

Besides compensation-related expenses, dominant operating expense categories include administrative costs. These expenses 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 25% in 2019 and include specific investments in systems and software associated with the unit in Spain.

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, 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 outside IT solutions and equipment to support our infrastructure and have dedicated resources to managing the infrastructure with in-house solutions. This expense

category represented 71% of total expenses in 2019, or in line with prior years.

Costs associated with net impairments were negligible. Loan-related impairments registered in 2019 were negligible and were consistent with prior years' levels of close to zero.

Pre-tax income and Taxation: Pre-Tax income was € 57.5 million in 2019, compared with € 27.5 million in 2018. For 2019, net provisions for taxes were € 14.9 million in 2019, versus € 4.4 million in 2018. (See Note 34). The effective tax rate for 2019 was 26.0% as compared to 15.8% for 2018.

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, which 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.

T.16

(Euro 000)

Results and Taxation	2019	2018	2017	2016
Operating results	57,503	27,502	71,178	58,443
Profit or loss before tax and minority interests	57,503	27,502	71,178	58,443
Tax expense or (-) income related to profit or loss from continuing operations				
Current Taxes	-11,611	-3,830	-18,520	-14,805
Deferred Taxes	-3,341	-526	-311	74
Net income before minority interests	42,551	23,146	52,347	43,712
Minority Interests	-473	-89	0	0
Profit or loss for the year	42,078	23,056	52,347	43,712

Fonte: BiG

The combined business areas under general Wealth Management and Advisory Services² contributed € 33.4 million in net revenues for 2019, as compared with € 32.1 million for 2018. 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 27.9%, on higher client trading and interest in asset management solutions by clients. Growth in this segment tends to be sustained, not explosive. This area generates most of the client-related funding of the Bank. The contribution of the segment to total net revenues declined on a relative basis, in view of the higher income from markets.

Commissions from brokerage, asset management and banking operations represented 32% of the total in 2019, versus 29% 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 with different businesses to fund and a near-zero interest rate environment in Europe's slow-growth environment – we aim 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

² Non-audited figures

T.17

(Euro 000)

Wealth Management and Advisory Services	2019	(%)	2018	(%)	2017	(%)	2016	(%)
Fees and Commissions - Core Business	9,676	29%	7,563	24%	9,972	38%	6,779	23%
Margin	7,972	24%	7,266	23%	5,177	20%	5,023	17%
Other Banking Commissions	1,161	3%	1,678	5%	1,194	5%	1,988	7%
Trading / Sales	825	2%	887	3%	338	1%	323	1%
Corporate Finance	2,131	6%	2,567	8%	849	3%	503	2%
Additional Margin Allocated	11,633	35%	12,166	38%	8,478	33%	15,321	51%
Net Revenues	33,397	100%	32,127	100%	26,009	100%	29,935	100%
Operating Expenses	-21,422		-21,399		-20,196		-17,672	
Pre-tax Income	11,975		10,729		5,812		12,264	
% Operating Revenues / Total Segments Revenues	36%		53%		24%		38%	
% Operating Expenses / Total Segments Revenues	72%		75%		79%		76%	

Note: Non-audited figures

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 con-

junction 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 managing the balance sheet in recent years has been to contain growth to the level 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 current period of strong demand for consumer credit, declining risk margins and historically low rates of interest. For 2019, 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 Held for Sale and Collect portfolios of

T.18

(Euro 000)

Treasury & Capital Markets	2019	(%)	2018	(%)	2017	(%)	2016	(%)
Income from capital instruments	26	0%	0	0%	0	0%	929	2%
Profit / loss of assets and liabilities at fair value through Profit & Loss	4,656	8%	4,667	16%	14,125	17%	-9,265	-19%
Profit / loss of financial assets at fair value through Profit & Loss, net	49,127	82%	17,424	61%	42,711	53%	51,541	105%
Exchange differences, net	610	1%	760	3%	-3,580	-4%	-2,863	-6%
Results from sale of other assets	0	0%	124	0%	25,165	31%	3,966	8%
Financial assets at fair value through comprehensive income	566	1%	1,256	4%	0	0%	0	0%
Financial assets available for sale	0	0%	0	0%	260	0%	-283	-1%
Additional Margin Allocated	4,603	8%	4,150	15%	2,298	3%	4,870	10%
Net Revenues	59,588	100%	28,381	100%	80,978	100%	48,895	100%
Operating Expenses	-8,476		-7,299		-5,474		-5,617	
Pre-tax Income	51,113		21,082		75,504		43,278	
% Operating Revenues / Total Segments Revenues	64%		47%		76%		62%	
% Operating Expenses / Total Segments Expenses	28%		25%		21%		24%	

Note: Non-audited figures

T.19

(Euro 000)

Key Balance Sheet Items	2019	2018	2017	2016
Total Net Assets	2,268,414	2,277,990	1,851,222	1,759,030
Earning Assets	2,185,302	2,179,606	1,797,877	1,660,135
Loans to Total Net Assets	0.9%	1.7%	16.7%	24.9%
Deposits from Central Banks	0	0	0	0
Funding from other Credit Institutions	491,760	554,334	410,261	396,823
Deposits from Clients	1,289,576	1,312,211	1,035,794	1,049,050

Source: BIG

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 and 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 2019 were just below € 2.3 billion, or virtually unchanged from level at 31/12/18. Earning Assets at 31/12/19 were € 2.2 billion, or at same level as on the prior year-end and were 96.3% 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. These facilities are short term in nature and structured to be self-liquidating in stressful conditions. At year-end 2019, essentially all of loan assets in this class

were fully collateralized and are, therefore, lower 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 70,5% of total earning assets at 31/12/19, 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 declined slightly to just under € 1.3 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

T.20

(Euro 000)

Earning Assets	2019	2018	2017	2016
Deposits with Banks	187,013	160,835	157,734	126,138
Financial assets at amortized cost				
Debt securities	384,840	336,293	0	0
Loans and advances	21,117	38,827	309,094	437,485
Financial assets held for trading	50,444	73,246	30,330	13,482
Financial assets at fair value through other comprehensive income	1,541,888	1,570,405	0	0
Available for sale assets	0	0	1,300,718	1,083,030
Total	2,185,302	2,179,606	1,797,877	1,660,135

Source: BIG

T.21

(Euro 000)

Main Liabilities and Capital	2019	2018	2017	2016
Deposits from central banks	0	0	0	0
Financial liabilities held for trading	60	183	543	1,148
Deposits from other banks	491,760	554,334	410,261	396,823
Clients Deposits	1,289,576	1,312,211	1,035,794	1,049,050
Shareholder funds	399,255	347,148	339,533	265,611

Source: BIG

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 40.

Shareholder Funds: Shareholder Funds at 31/12/19 were € 399.2 million, as compared with € 347.1 million on the same date in 2018. 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 Bank of 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.

Profitability indicators improved in 2019.

Return on Average Equity (ROE) was 11.4% compared to 6.7% for 2018. The

Bank's operating expenses / operating income ratio moved to 37.8% from 54.4% in 2018.

T.22

(Euro 000)

Shareholders Capital	2019	2018	2017	2016
Common Stock	171,947	171,947	171,947	156,000
Share premium	1,362	1,362	1,362	1,362
Treasury Stock	-2	-2	-2	-2
Accumulated other comprehensive income	-2,296	-34,016	-63,827	-87,095
Other Reserves	197,867	184,800	188,627	160,994
Profit or loss attributable to owners of the parent	42,078	23,056	52,347	43,712
Anticipated Dividends	-15,475	0	-10,920	-9,360
Interesses minoritários	3,774	0	0	0
Total Shareholders Capital	399,255	347,148	339,533	265,611
Book value per share	2.32	2.02	1.97	1.70
Net assets / Equity	5.68x	6.56x	5.45x	6.62x

Source: BIG

T.23

(Euro 000)

Consolidated Regulatory Capital	2019	2018	2017	2016
Shareholders Equity	399,255	347,148	339,533	265,611
Own Funds	367,515	329,411	329,790	290,951
Risk-weighted assets	851,619	1,047,326	731,483	921,344
CET 1 Capital Ratio	43.2%	31.5%	45.1%	31.6%
T1 Capital Ratio	43.2%	31.5%	45.1%	31.6%

Source: BIG

T.24

Performance Measures	2019	2018	2017	2016
Profitability				
Return on Assets (ROA)	1.9%	1.1%	2.9%	2.6%
Return on Equity (ROE)	11.4%	6.7%	17.3%	16.1%
Operating Revenues / Average Net Assets	3.9%	2.7%	5.7%	4.6%
Efficiency				
Net Margin / Earning Assets	1.1%	1.1%	0.9%	1.5%
Operating Expenses / Operating Income	37.8%	54.4%	33.6%	36.7%
Personnel Expenses / Operating Income	23.1%	35.5%	22.3%	24.5%
Solvency				
CET1 Capital Ratio	43.2%	31.5%	45.1%	31.6%
T1 Capital Ratio	43.2%	31.5%	45.1%	31.6%

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, strategy and reputational risks. To assist in these controls, Management stresses (i) the need for a well-designed, 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. For additional information, including stress tests for reputational and correlation risks please refer to Note 40.

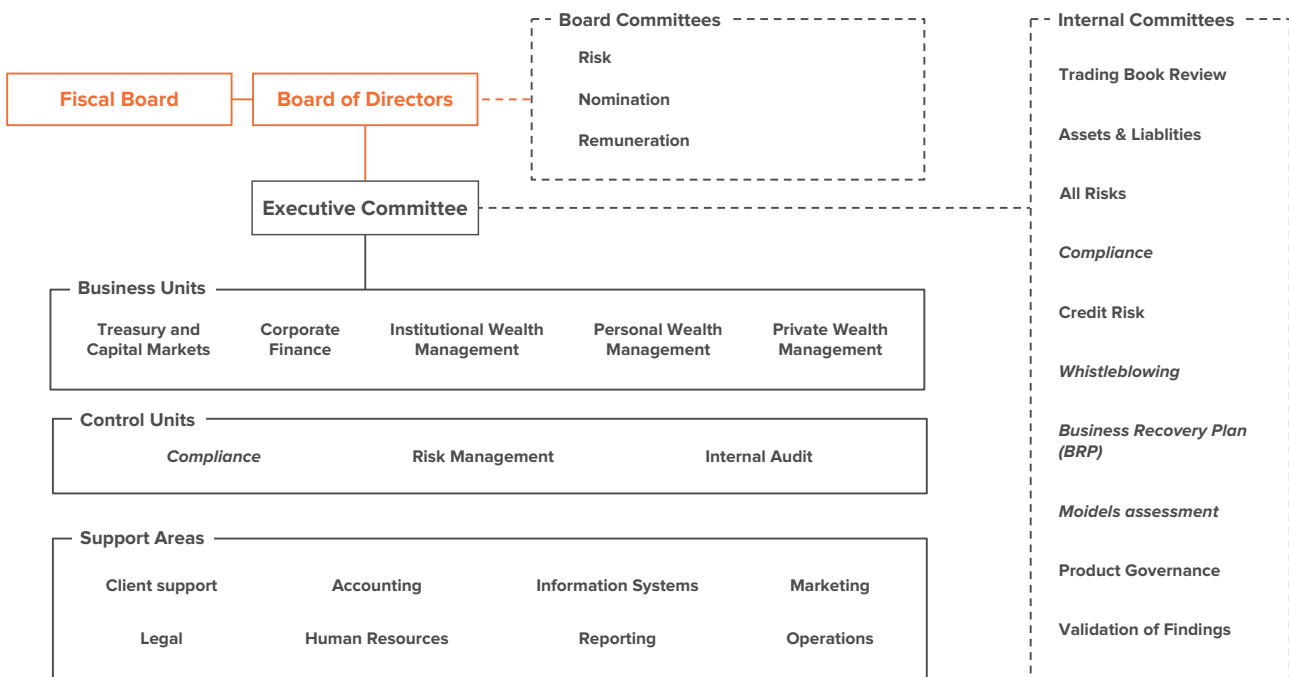
The *risk framework*, in broad terms, includes (i) the governance structure, (ii) the Bank's policies and procedures, and (iii) the people involved directly in the firm-wide or individual risk control units.

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.

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. 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.

F.9



An overview of the Bank's structure of governance for managing risks is presented in figure F.9.

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 substantially all our earning assets on a daily basis, (iii) daily or intra-day review of our financial exposures and net revenues, (iv) daily, 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, and encouraging the rapid communication and escalating of important trends and significant issues.

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;

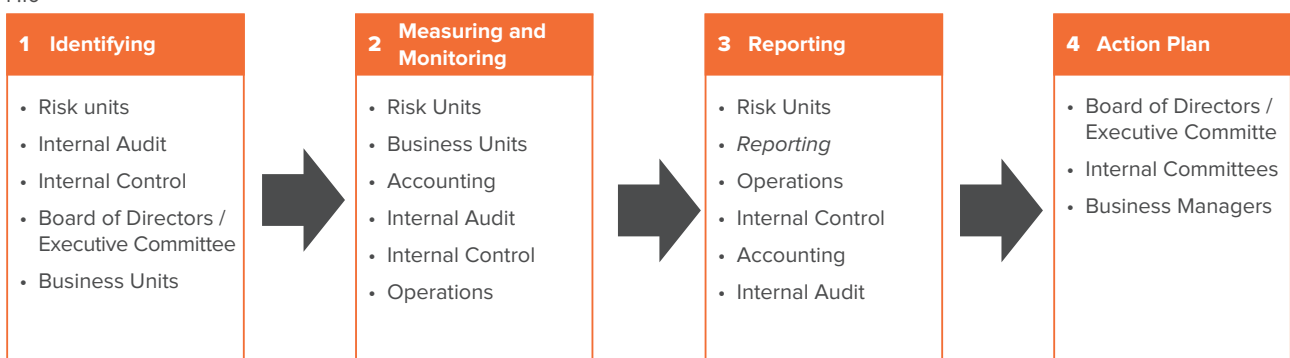
- ▲ Concentration Limits;
- ▲ Qualitative analysis and procedures.

The process requires 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** generally focuses on nominal and fractional exposures, concentrations by

F.10



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**, which involve some of the more subjective risks to which the Bank may be exposed, 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 Market Risk function 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 in order to:

- ▲ Invest and grow the business through cycles and moments of stress;
- ▲ Meet regulatory requirements by comfortable margins;
- ▲ Distribute dividends, while ensuring a "well-capitalized" status;
- ▲ Retain flexibility when opportunities arise;
- ▲ 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.

Oversight of strategic risk ranges from daily review of results, balance sheet strategy and risk appetite, to the annual planning process, 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.

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, counter-parties, the Bank's advisory council, and shareholders.

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, as they may 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 delegates day-to-day oversight and control 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 third-party 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, 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 by Sector

VaR analysis of fixed and variable income asset classes by sector indicate the largest exposures, on average through 2019, were associated with Government issues, followed to a lesser extent by Basic Utilities, Energy and Non-cyclical Consumer. The concentration in Government had to do with the larger availability and liquidity of issues from that segment as compared with others, which tend to yield lower returns as a function of credit risk in a market inundated with liquidity.

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 16 scenarios to test 96 different 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. 28 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.

T.25

(Euro)

Trading VaR 2019 (vs 2018)	2019				2018			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Foreign exchange risk	19,365	19,344	91,684	1,762	5,217	137,727	708,515	212
Interest Rate Risk	186,479	247,146	2,521,885	15,208	173,360	736,505	4,317,670	44,294
Equity	18,983	86,944	305,057	0	0	208,103	807,059	0
Options	3,393	8,671	29,809	3,393	19,439	73,393	353,064	13,368
Diversification	39%	29%			16%	28%		
	139,486	258,371	2,492,079	36,515	167,094	835,467	4,256,929	44,410

Source: BiG

VaR: Loss expected 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.

T.26 (Euro)

Sector	Average VaR
Government	10,422,118
Basic Materials	803,838
Energy	621,242
Consumer, Non-cyclical	463,341
Utilities	431,936
Financial	299,799
Industrial	122,723
Consumer, Cyclical	46,036
Funds	34,676
Communications	20,901

Note: Non-audited figures

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, 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.27

(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	47	8	24	20	12	32	(5)	1	18	3	30	37	15	(5)	6	24
Options	(11)	(3)	(5)	(5)	(9)	(3)	(3)	(3)	(3)	(6)	(1)	(1)	(11)	0	(0)	(0)
FX	8	21	11	(0)	114	8	41	(4)	(0)	(18)	20	3	59	(2)	7	(18)
Interest Rate Risk	308	(36)	75	(26)	(148)	28	(373)	(239)	(147)	(16)	5	119	(30)	(43)	4	(234)
Total	351	(10)	106	(10)	(30)	66	(340)	(245)	(133)	(36)	55	159	32	(50)	16	(228)

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	1,807	(3,407)	1,936	(6,148)	(2,875)	(8,899)	(9,902)	(4,881)	(13,664)	(13,704)	(2,059)	(3,575)	(5,480)	(5,432)	(2,069)	(4,069)
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,807	(3,407)	1,936	(6,148)	(2,875)	(8,899)	(9,902)	(4,881)	(13,664)	(13,704)	(2,059)	(3,575)	(5,480)	(5,432)	(2,069)	(4,069)

T.28

(Euro 000)

Equity Worst Scenarios	
C1	Downgrade of US Debt/Bear Market 09-08-2011
C2	Possible withdraw of Greece from the eurozone 23-07-2012
C3	A weak Outlook for economic growth in Europe 06-11-2012
C4	Federal Reserve decision to further trim the economic stimulus Plan 23-01-2014
C5	Reflection of bad economic indicators for the Eurozone 14-10-2014

Bonds Worst Scenarios	
C1	Flash Crash, worst time of the Greece Crisis 05-05-2010
C2	Downgrade Portugal by Moody's 05-07-2011
C3	Downgrade Portugal by Standard & Poors 27-01-2012
C4	Greece political crisis 11-05-2012
C5	Germany rejects Eurobonds 22-06-2012

Source: BiG

FX Worst Scenarios	
C1	Europe's economy to grow faster than US 02-04-2001
C2	Renewed worries that Europe's debt crisis could spread 17-08-2011
C3	Labor manipulation 02-04-2012
C4	Low expectation on US economy 05-06-2013
C5	The US economy recovery 24-09-2014

Commodity Worst Scenario	
C1	Impact on FED decision: gold prices have sunk 19-06-2013

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.29 shows assets and liabilities by maturity as of 31 December 2019 and the corresponding basis point values (bpvs) per period.

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.

The table T.30 measures the impact of the beforementioned movements on revenues at December 2019.

Table T.31 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.

T.29

(Euro)

Interest rate risk						
Maturity	Assets	Liabilities	Off Balance (+)	Off Balance (-)	Net	bpv's
01/01/2020	241,365,342	142,272,731	0	0	99,092,612	110
01/02/2020	334,880,972	366,223,234	228,062,482	0	196,720,220	-972
01/04/2020	240,143,280	344,756,251	40,763,697	0	-63,849,274	-433
01/07/2020	127,820,390	158,758,485	52,776,957	0	21,838,862	-1,026
01/10/2020	1,052,656	57,419,744	0	0	-56,367,089	3,476
01/01/2021	2,428,177	39,976,075	0	0	-37,547,898	3,204
01/07/2021	83,659	48,925,709	0	0	-48,842,050	6,013
01/01/2022	46,938	43,995,147	0	52,595,350	-96,543,559	17,862
01/01/2023	50,096,359	579,544,393	0	0	-529,448,035	130,713
01/01/2024	20,479,385	1,404,207	0	0	19,075,178	-6,107
01/01/2025	57,298,276	4,168,644	0	132,293,411	-79,163,780	40,529
01/01/2026	42,060,940	58,959	0	0	42,001,981	-20,792
01/01/2027	77,860,771	0	0	0	77,860,771	-43,937
01/01/2028	129,759,633	0	0	0	129,759,633	-91,005
01/01/2029	231,918,040	0	0	0	231,918,040	-180,052
01/01/2030	26,348,788	0	0	326,474,940	-300,126,152	263,976
01/01/2035	348,430,636	0	0	338,493,704	9,936,931	-8,245
01/01/2040	206,432,122	0	0	7,538,440	198,893,682	-265,750
01/01/2045	17,566,310	0	0	0	17,566,310	-26,994
	2,156,072,674	1,787,503,579	321,603,136	857,395,846	(167,223,615)	(179,429)

Note: Non-audited figures
Fonte: BiG

T.30

(Euro)

December 2019			
Parallel increase of 200 bp	Parallel decrease of 200 bp	Increase of 50 bp after 1 year	Decrease of 50 bp after 1 year
-35,885,882	35,885,882	-9,189,424	9,189,424

Source: BiG

T.31

Interest Rate Risk - Semi-annual Evolution		
Date	Parallel increase of 200 b.p. in the interest rate curve	% Impact on own funds
dec/18	-21,993,547	-6.7%
jun/19	-1,615,766	-0.4%
dec/19	-35,885,882	-9.8%

Source: BiG

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 inter-bank risks, securities-related settlement risk,

receivables under derivative and foreign exchange contracts, and lending-related commitments under guarantees and similar facilities. 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.

Processes

As an activity inherent to banking, Management views credit risk as 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. 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, i.e. 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 2019 are presented in from T.32 to T.35.

T.32 (Euro)

Exposure by sector	Amount
Government	1,083,214,321
Asset backed securities	446,786,053
Financial	160,968,398
Utilities	91,785,329
Energy	62,801,638
Basic Materials	54,560,871
Industrial	37,789,651
Consumer, Non-Cyclical	24,232,106
Communications	8,419,626
Consumer, Cyclical	3,719,128
Total	1,974,277,122

T.33 (Euro)

December 2019 Exposure by Investment Strategy	Amount
Bonds	1,974,277,122
Equity	1,984,223
Cash & Near Cash	173,355,296
Forex	10,593,700
Total	2,160,210,340

T.34 (Euro)

Exposure by country	Amount
Italy	795,859,567
Portugal	704,681,904
Spain	248,471,382
Mexico	65,002,977
Colombia	41,112,602
France	33,938,371
Mozambique	25,344,167
United States of America	20,509,548
Germany	11,874,682
United Kingdom	10,138,802
Indonesia	5,370,382
Norway	3,067,740
Netherlands	2,991,446
Sweden	2,520,411
Chile	2,181,674
Finland	1,083,923
Greece	127,544
Total	1,974,277,122

T.35

(Euro)

Exposure by rating	Aaa	Aa	A	Baa	Ba	B	Caa	NA	Total
Government guaranteed	0	0	18,172,091	1,042,734,078	0	9,645	21,764,113	3,233,494	1,085,913,422
Covered	8,187,349	2,041,111	44,016,497	0	0	0	0	0	54,244,958
Senior - Banks	0	0	29,553,070	21,169,717	13,055,237	0	0	9,594,213	73,372,237
Subordinated - Banks	0	0	0	9,554,382	2,042,187	0	0	6,460,012	18,056,581
Senior Debt	0	0	2,396,886	164,998,468	0	0	0	108,810,125	276,205,479
Subordinated - Corporate	0	0	2,150,458	8,770,303	1,080,670	0	0	0	12,001,431
Subordinated - Insurance	0	0	4,683,467	0	0	0	0	3,013,494	7,696,961
ABS	0	134,097,625	281,190,148	0	0	0	0	31,498,280	446,786,053
Total	8,187,350	136,138,736	382,162,617	1,247,226,948	16,178,094	9,645	21,764,113	162,609,618	1,974,277,122

Source: BiG

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 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.

Examples of the results of such tests on 31 December 2019 are presented in T.36 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 regulatory minimums.

Table T.37 shows the evolution in the results of this test during 2019.

T.36 (Euro)

Country	Extreme scenarios
Italy	-34,346,784
Portugal	-6,463,735
Mexico	-3,203,382
Spain	-1,602,863
France	-924,003
Colombia	-581,256
Germany	-517,954
United States of America	-365,327
United Kingdom	-190,026
Indonesia	-143,537
Netherlands	-97,625
Chile	-22,567
Greece	-6,401
Total	-48,465,460

T.37

(Euro 000)

Maximum and minimum losses			
Maximum (*)	Minimum (*)	Average	Std Deviation
-78,178	-36,501	-57,171	13,446

(*) 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 2019 may be found in Note 24.

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 40).

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 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 internal committees also regularly conduct self-assessment exercises, 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 on the Bank's operating income is quite low, as can be seen in the table T.43.

Summary of the amount of incidents as a percentage of Operating Income:

One of the keys to controlling operational risks and maintaining avoidable operational losses at acceptable levels is the Bank's culture of risk identification and mitigation.

We encourage the rapid escalation of actual or potential operational issues to senior managers and their pro-active resolution. To improve the management of this type of risk, the Bank has implemented during 2019:

▲ A new application for managing operational risk, internal audit, policies and procedures, customer claims, and IT governance (*Logic Manager*);

▲ A profoundly revised methodology for assessing internal processes, currently in progress.

T.38

Operational Risk event types (Basel)	Events #					Total '19
	Total '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	
Internal fraud	0	1	0	1		2
External fraud	4	0	1		1	2
Employment practices and workplace safety	0	0	0			0
Clients, products and business practice	5	3	1	8	5	17
Damage to physical assets	1	0	0			0
Business disruption and systems failures	22	2	1	6	5	14
Execution, delivery and process management	92	17	16	18	20	71
	124	23	19	33	31	106

T.39

(Euro)

Operational Risk event types (Basel)	Events amount (EUR)					Total '19
	Total '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	
Internal fraud	0	-16,805		0		-16,805
External fraud	0	0	0		0	0
Employment practices and workplace safety	0	0				0
Clients, products and business practice	-37,763	-723	-7,163	-6,253	-444	-14,584
Damage to physical assets	0	0				0
Business disruption and systems failures	-4,617	-364	0	10	0	-354
Execution, delivery and process management	-29,214	-6,235	-273	-2,110	-1,560	-10,178
	-71,593	-24,128	-7,436	-8,353	-2,004	-41,921

T.40

Operational Risk events by Business Lines (Basel)	Events #					Total '19
	Total '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	
1. Corporate finance	0					0
2. Trading and sales	8		1	1	2	4
3. Payment and settlement	6	2		4	1	7
4. Commercial banking	0	3	3	1	1	8
5. Agency services	4				1	1
6. Retail banking	44	5	4	9	12	30
7. Retail brokerage	35	6	4	3	5	18
8. Asset management	17	5	2	4		11
9. Others	10	2	5	11	9	27
	124	23	19	33	31	106

T.41

(Euro)

Operational Risk events by Business Lines (Basel)	Events amount (EUR)					Total '19
	Total '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	
1. Corporate finance	0					0
2. Trading and sales	-4,210		0	0	0	0
3. Payment and settlement	-52	-686		-1,753	-414	-2,854
4. Commercial banking	0	-19,574	0	0	-50	-19,624
5. Agency services	0				0	0
6. Retail banking	-11,182	-356	-37	-307	-566	-1,265
7. Retail brokerage	-25,046	-622	-236	-50	-461	-1,369
8. Asset management	2,451	-2,890	0	-280		-3,170
9. Others	-33,553	0	-7,163	-5,963	-513	-13,639
	-71,593	-24,128	-7,436	-8,353	-2,004	-41,921

T.42

Events by Region	Portugal	Mozambique	BiG Group
# Op Risk Incidents	96	10	106
Value (EUR)	-17,902	-24,018	-41,921

T.43

Year	Op Risk Incidents	Earnings	%
2011	-32,712	33,177,000	0.10%
2012	-20,272	80,328,000	0.03%
2013	-25,984	125,022,000	0.02%
2014	-9,158	169,375,000	0.01%
2015	-14,484	148,706,000	0.01%
2016	-36,738	75,692,000	0.05%
2017	-78,385	103,737,000	0.08%
2018	-71,593	55,184,000	0.13%
2019	-41,921	88,086,021	0.05%

Business Continuity and Information Security

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 require regular attention, review and upgrades as the Bank grows and as market conditions and the regulatory environment changes. As reviewed above, our daily controls on risks address our ability to ensure the sustainability of the Bank on a financial basis.

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 of Management.

Since 2018, the Bank has been implementing a data transfer plan to move non-core information assets to the cloud and in 2019 completed conversion to Microsoft 365. This generally provides the bank with unparalleled security for its documents and email, as well as a fully compliant GDPR environment. In terms of improved IT governance, the Bank implemented COBIT 5 in the following areas:

- ▲ IT governance;
- ▲ Management of suppliers;
- ▲ Security;
- ▲ Business Continuity.

With respect to operational risk, the Bank has moved its main data center to IBM

under an IaaS (Infrastructure as a Service) and Housing (Infrastructure managed by BiG) mixed setup. BiG will continue to directly manage the core and most critical parts of its infrastructure, but uses technology and services from IBM, to guarantee higher uptime and security to its systems. Also, the agreement with IBM includes a Business Continuity plan that will leverage IBM's best practices and datacenters in Europe to recover 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 staff, and we expect this trend to continue in 2020.

Internal Audit

Internal Audit plays a key role and is an integral part of the institution's continuous internal control monitoring system, responsible for the independent verification of the adequacy and compliance of internal policies and procedures.

Internal Audit is responsible for evaluating the efficiency and adequacy of (i) control processes and risk management policies, (ii) internal control mechanisms, (iii) governance issues, and (iv) conformity and compliance with internal procedures and regulations. The Audit function is objective and impartial and, through its periodic analyses, aims to ensure conformity with internal procedures and general standards of integrity and quality defined by the Bank and based on the priorities set by the Board.

For the Internal Audit function to remain objective and impartial, it reports directly

to the Board of Directors the conclusions of its inspections based on the priorities set by the Board. These are set bearing in mind the inherent risks to all Bank's areas of activity and business.

Compliance Risk Management

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 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 through identification, evaluation, monitoring and mitigation of the compliance risks.

The Bank's Compliance function is responsible for (i) ensuring respect for applicable legal and regulatory requirements, including approved terms and standards of internal codes of conduct, (ii) 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, (iii) monitoring the adequacy and efficiency of controls associated with banking risks, (iv) protecting the Bank's reputation and (v) ensuring and maintaining relationships and interactions with supervisory bodies.

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 Management

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. During 2019, the Bank reviewed specifically its internal guidelines areas and accompanies the rulings with internal training dedicated to these themes.

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 in order to ensure 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 2019, Banco de Investimento Global S.A. recorded a consolidated net income of € 42,078,478.89 (forty-two million, seventy-eight thousand, four hundred and seventy-eight euros and eighty-nine cents) and individual net income of € 40,318,127.14 (forty million, three hundred and eighteen thousand, one hundred and twenty-seven euros and fourteen 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.

In November 2019, the Bank distributed € 15,475,031.10 (fifteen million, four hundred and seventy-five, thirty-one euros and ten cents), corresponding to € 0.09 (nine cents) / share.

The total dividend per share implies a dividend pay-out of 38.38% of the individual profit of the year. 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.....	€ 4,031,812.71
Dividends.....	€ 15,475,031.10
Free Reserve	€ 20,811,283.33

Additionally, it also proposes to deliberate the allocation to BiG employees of a maximum amount of € 3,150,000, 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, 26th March 2020

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

Ricardo Dias Carneiro e Gomes de Pinho
Executive Director

Ana Rita Gil Simões
Executive Director

Peter Alexander Baptista Rodrigues
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 Inuestimento Global, S.A. (hereon designated as “the Group”), which comprise the consolidated balance sheet as at December 31, 2019 (which shows total assets of Euro 2,268,414,317 and total shareholders' equity of Euro 399,255,331 including a net profit of Euro 42,078,479), 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 present fairly in all material respects, the consolidated financial position of Banco de Inuestimento Global, S.A. as at December 31, 2019, 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.

Emphasis

We call your attention to the information disclosed in note 43 of the financial statements, containing the explanatory notes concerning the possible impacts of the COVID-19 pandemic on the economy and, consequently, on the Bank's future activity.

Our opinion is not modified in this respect.

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**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 18, 19, 20 and 39 of the Bank'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, 2019, financial instruments on level 2 and 3 of the fair value hierarchy or which are subject to hedge accounting value adjustments amount to 950,007,240 euros worth of assets and 59,932 euros worth of liabilities.

On December 31, 2019 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 Bank 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

Summary of the Audit Approach

The audit procedures developed included the identification, assessment and evaluation of controls implemented by the Bank, 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 Bank'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 Bank 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 Bank'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 Bank 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, we have recalculated the fair value of those financial instruments, taking into consideration the models and inputs previously analysed.

Key Audit Matter

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 Bank's consolidated financial statements.

Summary of the Audit Approach

Our audit procedures also included the review of disclosures regarding financial instruments not listed in an active market, included on the notes to the Bank'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 19, 20 and 40 of the Bank'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 Bank'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, 2019 the total securities amount to 1,926,715,029 euros (of which 1,541,834,790 are classified as financial assets measured at fair value through other comprehensive income, as described in note 19 of the consolidated financial statements, and 336,293,487 euros, classified as financial assets at amortized cost under the title debt securities, as described in note 19 of the consolidated financial statements). The respective expected credit losses recognized at that date amount to 566,842 euros.

The measurement of expected credit losses for

The audit procedures developed included the identification, assessment and evaluation of controls implemented by the Bank 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 Bank'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 Bank and revision of its adherence to the principles of the mentioned standard.

In what concerns the models used by the Bank, 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 Bank's default definition and the criteria applied in the staging classification, on a

Key Audit Matter

debt securities, as well as the respective significant increase in credit risk are calculated by the Bank, mainly using information provided by external providers such as rating agencies and/or market information from data providers.

For these exposures the Bank 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 Bank 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 Banks' consolidated financial statements on December 31, 2019.

Summary of the Audit Approach

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 Bank'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 present fairly 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 22, 2019.
- 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 2020

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.***

To the Shareholders,

In accordance with the Law and our mandate, we herewith present the Report on our supervisory activity and our opinion on the consolidated Management Report and the corresponding consolidated Financial Statements as presented by the Board of Directors of Banco de Investimento Global, S.A., with respect to the year ended December 31 2019.

During 2019 we have actively accompanied the activity, the management and the results of the Bank and its most significant subsidiaries, as and when deemed necessary. We have verified the adequacy of the accounting records and the correctness of the corresponding consolidated accounts documentation.

We have also verified the effectiveness of the systems of internal control, risk management and internal audit, both in general and specifically regarding the Anti Money Laundering and Terrorist Financing system, namely the relevant controls for the Group's activity. The Supervisory Board provided an opinion about the report on the adequacy 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 and have reviewed their Statutory Audit Report, in attachment, with which we concur. In its review of the consolidated Financial Statements of the year, the Supervisory Board also took into special consideration the report on the Supervisory body produced by the statutory auditors, who, throughout the year and at the end of the year 2019, audited the consolidated accounts prepared by the Board of Directors in accordance with the Law and the Bank's Articles of Association.

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 Bank's employees, as well as the conclusions in the Statutory Audit Report, we are of the opinion that:

- i) the consolidated Management Report be approved;
- ii) the consolidated financial statements be approved;
- iii) the proposal for application of results be approved.

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, March 31, 2020

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 2019 and 2018
(Amounts in Euros)

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2019 and 2018

	Notes	2019	2018
Interest income	4	45,005,713	51,296,385
Interest costs	4	(20,798,412)	(27,714,870)
Net interest income		24,207,301	23,581,515
Income from dividends	5	25,798	-
Income from fees and commission	6	13,560,058	12,184,368
Expenses from fees and commission	6	(2,485,355)	(2,149,409)
Gains or losses with the derecognition of financial assets and liabilities not measured at fair value through the income statement	7	49,127,291	17,423,740
Gains or losses with financial assets and liabilities held for trading and hedge accounting	8	4,655,993	4,667,066
Exchange differences	9	610,373	760,356
Profit/loss from sale of other assets	10	-	123,930
Other operating results	11	(1,615,438)	(1,407,970)
Operating income		88,086,021	55,183,596
Administrative costs			
Staff costs	12	(20,324,787)	(19,608,214)
Other administrative costs	14	(10,567,845)	(8,452,926)
Depreciation	25 and 26	(2,375,391)	(1,961,867)
Provisions or reversal of provisions	31	1,730,876	1,402,500
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	19	566,316	1,256,096
Financial assets at amortised cost	20, 21 and 22	393,918	(318,205)
Impairment or reversal of impairment of non-financial assets			
Other	28	(6,234)	1,444
Operating costs		(30,583,147)	(27,681,172)
Pre-tax profit		57,502,874	27,502,424
Tax expenses or revenue related with results from ongoing operating units			
Current	34	(11,610,532)	(3,830,382)
Deferred	34	(3,340,919)	(526,438)
Profit or loss of the year before minority interests		(14,951,451)	23,145,604
Minority interests		(472,944)	(89,388)
Profit or loss of the year		42,078,479	23,056,216
Earnings per basic share	15	0.24	0.13
Earnings per diluted share	15	0.24	0.13

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

▲ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2019 and 2018

	Note	2019	2018
Net Profit / Loss of the year		42,078,479	23,056,216
Items which could be reclassified for results			
Debt instruments at fair value through other comprehensive income			
Gains and losses of the year	36	32,130,346	(13,166,009)
Reclassification of gains and losses	36	13,232,487	(20,823,591)
Deferred tax	36	(14,248,124)	10,686,718
Exchange differences	36	843,268	844,133
Items which shall not be reclassified for results			
Debt instruments held for trading			
Gains and losses of the year	36	793,415	-
Current tax	36	(238,407)	-
		32,512,985	(22,458,749)
Total comprehensive income of the year		74,591,464	597,467
Attributable to:			
The Bank's Shareholders		74,591,464	597,467
Total gains and losses recognised in the year		74,591,464	597,467
Impact IFRS 9		-	52,270,550
Variation of Other Comprehensive Income of the year		74,591,464	52,868,017

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

CONSOLIDATED BALANCE SHEET

On 31 December 2019 and 2018

	Note	2019	2018
Assets			
Cash, cash balances in central banks and other demand deposits			
Cash and cash reserves in Central Banks	16	99,160,498	71,318,698
Other demand deposits	17	74,194,798	85,451,838
Financial assets held for trading	18	50,444,469	73,246,011
Financial assets at fair value through other comprehensive income	19	1,541,888,204	1,570,404,852
Financial assets at amortised cost			
Debt securities	20	384,839,548	336,293,487
Loans and advances - Clients	21	21,116,693	38,826,818
Loans and advances - Central Banks	22	8,785,469	1,161,691
Loans and advances - Banks	23	4,871,836	2,902,751
Tangible assets	25	21,119,974	15,452,911
Intangible assets	26	2,937,612	2,114,081
Tax assets			
Current tax assets	27	-	17,709,259
Deferred tax assets	34	627,803	14,871,407
Other assets	28	58,427,413	48,235,999
Total Assets		2,268,414,317	2,277,989,803
Liabilities			
Financial liabilities held for trading	19	59,932	183,444
Financial liabilities measured at amortised cost			
Funding from other banks	29	491,760,263	554,333,884
Funding from clients	30	1,289,576,472	1,312,210,871
Derivatives - Hedge accounting	24	37,626,227	18,197,101
Provisions	31	1,607,412	3,338,288
Tax liabilities			
Current tax liabilities	27	8,453,341	-
Share capital reimbursable at sight	32	-	16,341,508
Other liabilities	35	40,075,339	26,237,110
Total liabilities		1,869,158,986	1,930,842,206
Capital			
Capital	36	171,947,388	171,947,388
Issue premiums	36	1,362,281	1,362,281
Other accumulated comprehensive income	36	(2,296,118)	(34,015,688)
Other reserves	36	197,866,669	184,799,726
Treasury stock	36	(2,326)	(2,326)
Profit/loss attributable to owners of the parent company		42,078,479	23,056,216
Interim dividends	36	(15,475,031)	-
Minority interests		3,773,989	-
Total equity		399,255,331	347,147,597
Total equity and Total liabilities		2,268,414,317	2,277,989,803

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

▲ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2019 and 2018

	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 2017	171,947,388	1,362,281	(2,326)	(63,827,489)	36,511,801	152,114,774	52,346,618	(10,919,818)	-	339,533,229
Impact of the transition to IFRS 9	-	-	-	52,270,550	-	(29,974,557)	-	-	-	22,295,993
Balances on 1 January 2018	171,947,388	1,362,281	(2,326)	(11,556,939)	36,511,801	122,140,217	52,346,618	(10,919,818)	-	361,829,222
Comprehensive income										
Other comprehensive income	-	-	-	(22,458,749)	-	-	-	-	-	(22,458,749)
Net result of the year	-	-	-	-	-	-	23,056,216	-	-	23,056,216
Total comprehensive income recognised in the year	-	-	-	(22,458,749)	-	-	23,056,216	-	-	597,467
Distribution of the result of the year 2018										
Transfer to reserves	-	-	-	-	5,082,311	21,065,397	(27,671,217)	-	-	(1,523,509)
Distribution of dividends	-	-	-	-	-	-	(24,675,401)	10,919,818	-	(13,755,583)
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

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

▲ CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2019 and 2018

	Notes	2019	2018
Cash flows from operating activities			
Interest and income received		52,852,169	46,835,142
Interest and costs paid		(21,681,868)	(27,327,964)
Services and commission		11,075,403	10,033,849
Contributions to the pension fund		(344,501)	(758,458)
Cash payments to employees and suppliers		(30,863,250)	(28,807,898)
Other costs and income paid/received		(1,624,928)	(1,412,470)
		9,413,025	(1,437,799)
<i>Variation in operating assets and liabilities:</i>			
Deposits in central banks		(27,861,685)	13,054,653
Financial assets and liabilities held for trading		28,177,254	227,556,132
Applications in Banks		(9,855,771)	(360,578)
Funding from Banks		(61,946,805)	143,513,278
Loans to clients		(30,267,022)	(27,487,123)
Funding from clients		(22,359,173)	276,727,617
Derivatives for risk management		18,608,544	21,642,936
Other operating assets and liabilities		(9,205)	(49,003,120)
Cash flow net of the operating activities, before taxation		(96,100,838)	604,205,996
Taxation on profits paid / received		14,552,068	(19,656,318)
		(81,548,770)	584,549,678
Cash flow from investment activities			
Dividends received		25,798	-
Financial assets at fair value through other comprehensive income		116,208,792	(553,399,884)
Purchase of financial investments		(5,647,884)	(1,995,974)
		110,586,706	(555,395,858)
Cash flow from financing activities			
Dividends paid from ordinary shares		(28,370,890)	(13,755,583)
Instruments representing capital		(16,341,504)	-
Increase/ (Decrease) other liabilities in accounts		(624,034)	-
Increase in capital		4,624,392	-
Cash flow net of financing activities		(40,712,036)	(13,755,583)
Cash and cash equivalents at the start of the period		87,771,180	72,267,744
Net variation in cash and cash equivalents		(11,674,100)	15,398,237
Effect of the change in the exchange rate on cash and cash equivalents		397,174	105,199
Cash and cash equivalents at the end of the period		76,494,254	87,771,180
Cash and cash equivalents includes:			
Cash	16	2,299,456	2,319,342
Deposits in other Banks	17	74,194,798	85,451,838
Total		76,494,254	87,771,180

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

▲ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2019 and 2018
(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.

On 31 December 2013, the Bank held a shareholding of 34.76% in the share capital of ONETIER PARTNERS, S.G.P.S., S.A. (ONETIER). In November of 2014 the Banco repurchased a 65.24% stake in ONETIER from the other shareholders, thereby owning 100% of the share capital of this company. This acquisition was made at a price per share of 0.94 Euros, which corresponded to a total price of 9,811,590 Euros. This company was founded on 29 November 1999, its main object being to manage shareholdings in other entities with the indirect purpose of exercising economic activities. This entity is consolidated using the full consolidation method.

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.

On 31 December 2019, the Bank held a shareholding of 83.99% 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.

BiG Moçambique, initially established with a share capital of 70,000,000 Meticaís, performed its first capital increase in 2015 to 226,125,000 Meticaís and in 2016 a second capital increase to 370,000,000 Meticaís, both fully subscribed by the Bank. During 2017 BiG's holding in BiG Moçambique was increased by 114,791,661 Meticaís and in 2018 a capital increase was carried out by incorporation of reserves and results amounting to MZN 87,133,000. In 2019 a new operation was performed which included (i) the capital increase of BiG Mozambique amounting to 599,421,000 Meticaís, which was subscribed by BiG and by 3 new institutional shareholders, and also (ii) the sale of a block of shares by BiG to the 3 new shareholders. After this operation, BiG then owned 83.99% of the capital of BiG Mozambique. 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 92.1% of its investment units and is consolidated using the full consolidation method.

▲ NOTE 1 BASES OF PRESENTATION

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 2019 and were prepared in accordance with the IFRS, as adopted in the European Union by 31 December 2019. The accounting policies used by the Group in the preparation of the financial statements reported on 31 December 2019 are consistent with those used with reference to 31 December 2018.

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, except with regard to the amendments arising from the adoption of IFRS 16 – Leasing with reference to 1 January 2019.

IFRS 16 replaces IAS 17–Leasing and establishes new rules for the accounting of leasing contracts. The main amendments introduced by IFRS 16, may be summarised into two main areas; (i) in the position of the lessee, the standard introduces a single model for the accounting, with the recognition of right-of-use assets representative of their rights of use of the underlying assets and lease liabilities representative of their obligations to make leasing payments; and (ii) – in the position of the lessor, the accounting remains identical to the existing accounting policies, and the leasing may be classified as finance or operating. (see Note 2.11.– Leasings IFRS 16).

These financial statements were approved in the meeting of the Board of Directors on 26 March 2020.

▲ NOTE 2 MAIN ACCOUNTING POLICIES

The most important accounting policies that were used in the preparation of the financial statements are described below. At the time of the adoption of IFRS 16, the Group chose not to restate the comparison with reference to 31 December 2019, and so the accounting policies related to financial instruments mentioned below are divided into two different headings, (i) leasing IFRS 16 (ii) leasing IAS 17.

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 instrument, 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;
- iii) If a hedge relationship of a future transaction is discontinued, the variations in fair value of the derivative recorded in equity continue to be recognised there until the future transaction is recognised in the income statement. When it can no longer be

expected that the transaction will occur, the accumulated gains or losses recorded as a counter-entry of equity are immediately recognised in results.

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 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 (FVPL) 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 (FVOCI).

Furthermore, the Group can classify irrevocably a financial asset, which meets the criteria to be measured at amortised cost or at FVOCI, 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 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 concept of impairment, based on an objective loss, or rather classification of the securities in stage 3, is also regularly assessed by the Group, 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 Bank of 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 – Bank of 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 concept of impairment, based on an objective loss, or rather classification of the securities in stage 3, is also regularly assessed by the Group, 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 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 net sale price and the 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 case of a impairment loss.

The rights of use are presented in Note 24 – 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 35 – 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. Leasing IAS 17

Up to 31 December 2019, the Group classified leasing operations as finance or operating leases, fulfilling the criteria defined in IAS 17 – Leasing. This classification was based on the substance and not in the legal form of the operations, with finance leasing being considered as leasing in which the risks and benefits intrinsic to the ownership of an asset are substantially transferred to the lessee. All other leasing operations were classified as operational leasing.

Operational leasing

Payments made by the Group under operational leasing contracts are entered in costs in the periods they relate to.

Financial leasing

From the lessee's point of view, financial leasing contracts are registered on their starting date, in assets and liabilities, being capitalised at the lower of the fair value of the leased goods and the minimum lease payments contracted at the acquisition cost of the leased goods, which is equivalent to the current value of the lease instalments becoming due. Instalment payments comprise (i) the financial charge which is debited in profit and loss and (ii) the financial amortisation of the capital which is deducted from liabilities. Financial charges are recognised as costs through the period of the lease in order to produce a constant periodic interest rate on the remaining balance of the liability in each period. Goods acquired via finance leasing are depreciated at the shorter of the useful life of the goods and the lease period.

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

2.13. 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.

2.14. 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.

2.15. 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.

2.16. 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.

2.17. 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.

Income is recorded as it is generated, regardless of when it is paid. Profits are recognised in as much as it is probable that their economic benefit will occur for the Group.

2.18. 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.

2.19. 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.

2.20. Recognition of dividends

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

2.21. Standards and interpretations recently adopted

From 1 January 2019, the Group adopted IFRS 16 based on the modified retrospective approach. The approach adopted meant that the accounts for the comparative period of 2018 did not have to be restated, with the reclassifications and adjustments resulting from the new principles introduced by the standard, recognised on the transition date, being included in the balance sheet or retained earnings (when applicable).

Regarding the process of adoption of IFRS 16, on the transition date, the Group analysed all of the relevant contracts in order to reassess if these constitute, or contain, a lease, not applying though the practical measure of the definition of a lease defined in the standard, or rather, only considering contracts that meet the requisites of leasing defined in IAS 17.

Based on the operations considered as leasing under standard IFRS 16, the lease liability was measured by the present value of the remaining payments of the lease, discounted based on the lessee's incremental borrowing rate, with reference to 1 January 2019.

On the transition date, and to establish the lease liability, the Group established an incremental borrowing rate in relation to the leasing contracts in force, taking into consideration the defined maturity and the contract currency. The methodology underlying its calculation can be seen in Note 3.4 – Estimates and judgements (IFRS 16)

Right-of-use assets were measured by the value equal to the lease liability, adjusted by amounts paid in advance, among others.

With the change in the accounting policy, the Group recorded Right-of-use Assets and Lease Liability in the Balance Sheet items Tangible Assets and Other Liabilities, respectively.

The distribution of right-of-use assets by typology is the following:

	31-12-2019	01-01-2019
Buildings	1,906,371	1,400,997
Vehicles	497,265	422,233
	2,403,636	1,823,230

Lease liability by typology is the following:

	31-12-2019	01-01-2019
Buildings	1,943,812	1,400,997
Vehicles	503,829	422,233
	2,447,641	1,823,230

With the transition of IFRS 16, there were no impacts on Retained Earnings.

2.22. 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.

2.23. 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.

▲ 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 no majority, the intermediate rating is chosen.

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.

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 Bank of 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 – Bank of 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 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.

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.

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 those 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:

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

▲ NOTE 4 NET INTEREST INCOME

The amount of this caption is made up as follows:

	2019			2018		
	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	154,515	-	154,515	106,129	-	106,129
Interest from financial assets at amortised cost						
Interest from applications	1,270,430	-	1,270,430	862,934	-	862,934
Interest from credit to clients	748,252	-	748,252	960,659	-	960,659
Interest from debt securities	5,571,054	-	5,571,054	4,926,478	-	4,926,478
Interest from financial assets held for trading						
Debt securities	-	499,068	499,068	-	1,916,542	1,916,542
Interest from securities at fair value through other comprehensive income	35,756,542	-	35,756,542	33,376,593	-	33,376,593
Interest from hedge derivatives	172,611	-	172,611	-	-	-
Other interest revenue	833,241	-	833,241	9,147,050	-	9,147,050
	44,506,645	499,068	45,005,713	49,379,843	1,916,542	51,296,385
Interest costs						
Interest from financial liabilities measured at amortised cost						
Interest from funding from other Banks	1,356,473	-	1,356,473	4,536,061	-	4,536,061
Interest from funding from clients	4,461,013	-	4,461,013	3,290,543	-	3,290,543
Interest from debt securities	7,124,347	-	7,124,347	-	-	-
Interest from hedge derivatives	7,837,993	-	7,837,993	-	-	-
Other interest costs	18,586	-	18,586	19,888,266	-	19,888,266
	20,798,412	-	20,798,412	27,714,870	-	27,714,870
	23,708,233	499,068	24,207,301	21,664,973	1,916,542	23,581,515

The amount relating to Other interest income or Other interest costs refers essentially to 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.

The caption Other interest costs also includes the accrual of interest payable relating to positions of hedging derivatives.

The interest expenses of leasing registered in 2019 amounts to 14,483 Euros.

▲ NOTE 5 DIVIDEND INCOME

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

NOTE 6 RESULTS OF FEES AND COMMISSIONS

The amount of this caption is made up as follows:

	2019	2018
Income from fees and commissions		
For transactions on behalf of third parties	4,932,108	4,313,480
For services rendered	5,007,896	4,674,780
Other income from fees and commission	1,060,560	845,700
For commission sharing	1,523,554	1,456,159
For financial advisory services	1,021,344	876,468
For commitments before third parties	1,400	2,200
For guarantees provided	13,196	15,581
	13,560,058	12,184,368
Expenses from fees and commission		
For transactions performed by third parties	907,089	896,958
Other expenses from rates and commission	203,902	206,195
For banking services from third parties	904,861	663,009
For transactions on financial instruments	469,503	383,247
	2,485,355	2,149,409
	11,074,703	10,034,959

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:

	2019			2018		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed return securities						
From national public issuers	11,158,299	8,190,249	2,968,050	4,557,967	928,738	3,629,229
From foreign public issuers	68,261,510	28,310,071	39,951,439	11,713,617	593,879	11,119,738
From other national issuers	1,085,255	-	1,085,255	626,515	-	626,515
From other foreign issuers	11,163,065	6,098,130	5,064,935	2,966,789	946,087	2,020,702
Shares of foreign issuers	57,619	7	57,612	27,577	21	27,556
	91,725,748	42,598,457	49,127,291	19,892,465	2,468,725	17,423,740

On 31 December of 2019 the caption Bonds and other fixed return securities – From foreign public issuers, includes the capital gains resulting from the disposal of treasury bonds of public debt Italian amounting to 35,546,506 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:

	2019			2018		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Bonds and other fixed return securities						
From national public issuers	1,563,772	798,983	764,789	1,027,480	191,276	836,204
From foreign public issuers	5,022,602	890,239	4,132,363	4,590,806	3,119,288	1,471,518
From other national issuers	369,345	28,700	340,645	64,286	161,240	(96,954)
From other foreign issuers	839,596	330,952	508,644	1,528,190	1,252,254	275,936
Shares of national issuers	200,558	10,186	190,372	1,488,991	938,540	550,451
Shares of foreign issuers	360,788	294,292	66,496	785,608	541,110	244,498
Participation units of foreign issuers	320,508	297,727	22,781	2,384,961	2,015,492	369,469
Derivative financial instruments						
Contracts on exchange rates	2,366,408	885,493	1,480,915	1,926,910	4,834,850	(2,907,940)
Contracts on interest rates	3,355,598	5,314,164	(1,958,566)	29,126,490	29,404,307	(277,817)
Contracts on shares / indices	2,378,242	2,349,796	28,446	4,189,522	4,576,430	(386,908)
Other	64,973	165,282	(100,309)	1,835,009	692,235	1,142,774
Results of hedge accounting						
Hedge derivatives	67,017,889	75,761,911	(8,744,022)	17,173,652	38,423,704	(21,250,052)
Hedged elements	25,957,973	18,034,534	7,923,439	32,449,553	7,753,666	24,695,887
	109,818,252	105,162,259	4,655,993	98,571,458	93,904,392	4,667,066

On 31 December 2019, the caption Gains of bonds and other fixed return securities – From foreign public issuers includes the amount of 4,437,201 Euros related to gains from the trading of treasury bonds of Italian public debt.

▲ 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 2019, this caption comprises gains amounting to 610,373 Euros, of which 6,339 Euros and 616,712 Euros are related to losses with term currency revaluation and to gains from currency revaluation at sight (31 December 2018: gains 760,356 Euros), respectively.

▲ NOTE 10

PROFIT/LOSS ON THE SALE OF OTHER ASSETS

The amount of this caption is made up as follows:

	2019	2018
Financial transactions		
Other losses	-	(7,043)
Other gains	-	130,973
	-	123,930

Gains from Financial transactions recorded in this caption result, essentially, from estimation differences in the amortisation of the premium or discount in the moment of the early reimbursement of capital.

▲ NOTE 11 OTHER OPERATING RESULTS

The amount of this caption is made up as follows:

	2019	2018
Other operating income		
Provision of diverse services	153,774	145,458
Repayment of expenses	389	352
Other	879,005	660,726
	1,033,168	806,536
Other operating costs		
Direct and indirect taxation	1,442,047	1,329,637
Contributions to deposit guarantee fund	1,583	1,474
Dues and donations	118,159	87,834
Other	1,086,817	795,561
	2,648,606	2,214,506
Other operating results	(1,615,438)	(1,407,970)

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

The caption Other operating costs – Other essentially includes contributions for the Resolution Fund national and for the European Single Resolution Fund.

▲ NOTE 12 ADMINISTRATIVE EXPENSES – STAFF EXPENSES

The amount of this caption is made up as follows:

	2019	2018
Remunerations	14,267,369	14,050,938
Costs with retirements pensions		
of defined Contributions	193,644	554,120
Obligatory social charges	2,843,432	2,872,946
Other staff costs	3,020,342	2,130,210
	20,324,787	19,608,214

On 31 December 2019, costs with remunerations and other benefits attributed to the Corporate Offices were stated at 5,732,110 Euros (31 December 2018: 7,879,152 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:

	2019	2018
Short-term employee benefits	5,023,360	4,928,365
Post-employment benefits	113,181	259,896
Other long-term benefits	20,695	20,699
	5,157,236	5,208,960

By professional category, the number of employees on 31 December 2019 and 2018 is broken down as follows:

	2019	2018
Specific functions	181	169
Middle management functions	31	34
Senior management functions	60	52
Administrative functions	11	12
Auxiliary functions	5	5
	288	272

▲ 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 2019, the Bank recognised as a cost the total amount of 337,689 Euros (31 December 2018: 758,458 Euros) relating to the Defined Contribution Plan, of which 150,857 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 2019 the provision constituted in 2018 was updated, corresponding to the actuarial estimate of the commitment assumed by the Bank as a result of the defined benefit plan, by 3,914,019 Euros (31 December 2018: 1,360,870 Euros), totalling 124,472 Euros (31 December 2019: 4,038,491 Euros).

BiG Stock Option 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.

On 31 December 2018, 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:

	2019	2018
Supplies	1,392,168	1,354,215
Leasing excluded from IFRS 16	12,517	-
Rents	599,169	1,019,648
Communications	520,138	597,001
Travel, hotel and representation costs	507,562	588,026
Advertising and publications	897,648	206,434
Specialised services		
Fees	308,549	242,008
Information Technology	3,422,877	1,957,471
Security and surveillance	140,507	182,952
Information	575,135	491,455
Databases	52,375	49,027
Manual labour	58,507	66,283
Other specialised services	1,480,004	1,218,547
Other	600,689	479,859
	10,567,845	8,452,926

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

	2019	2018
Accounts Auditing and Supervision Services	216,726	162,706
Other reliability guarantee services related with the Statutory Auditor	46,261	39,385
	262,987	202,091

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 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.

	2019	2018
Net profit attributable to the bank's shareholders	42,078,479	23,056,216
Weighted average number of ordinary shares issued	171,944,790	171,947,388
Weighted average number of Treasury Stock in portfolio	(2,598)	(2,598)
Average number of ordinary shares in circulation	171,942,192	171,944,790
Earnings per share attributable to the bank's shareholders	0.24	0.13

Earnings per diluted share are no different from Earnings per ordinary share as there were no dilutive shares on 31 December 2019 and 2018.

▲ NOTE 16

CASH, CASH BALANCES IN CENTRAL BANKS AND OTHER DEMAND DEPOSITS – OTHER DEMAND DEPOSITS

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Cash	2,299,456	2,319,342
Demand deposits in central banks	96,861,042	68,999,356
	99,160,498	71,318,698

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. 2818/98 of the European Central Bank, of 1 December 1998, the minimum obligatory amount held in demand deposits in the Bank of Portugal is remunerated and corresponds to 1% of the deposits and debt securities with a maturity period of less than 2 years, excluding deposits and debt securities 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 Bank of Portugal during this period. The balance of the account in the Bank of Portugal on 31 December 2019 includes an average mandatory reserve of 12,826,600 Euros which corresponds to the maintenance period from 18 December 2019 to 28 January 2020.

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 12/GBM/2017 of 8 June 2017. Pursuant to this Notice, obligatory reserves correspond, as a percentage of the balance of clients' deposits, to 14% and 27% 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 2019 includes 143,924,822 Meticais and 53,385 U.S. Dollars corresponding to the minimum obligatory reserves to be observed in the maintenance period from 7 December 2019 to 6 January 2020.

On 31 December 2019 and 2018 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 17

CASH, CASH BALANCES IN CENTRAL BANKS AND OTHER DEMAND DEPOSITS – OTHER DEMAND DEPOSITS

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Deposits in other Banks in Portugal		
Demand deposits	1,318,358	2,622,319
Deposits in other Banks abroad		
Demand deposits	72,876,440	82,829,519
	74,194,798	85,451,838

The banks where the BiG has deposits have a high rating, and at the end of the year 77% of these are in institutions whose rating is investment grade. The other deposits are in banks that are not classified (23%).

NOTE 18 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Financial assets held for trading		
Securities		
Bonds and other fixed return securities		
From national public issuers	4,257,785	6,910,085
From foreign public issuers	10,385,885	9,075,113
From other national issuers	8,894,358	8,497,882
From other foreign issuers	24,064,755	45,046,345
Shares of national issuers	1,117,498	932,824
Shares of foreign issuers	813,311	1,326,616
Participation units of foreign issuers	-	621,666
	49,533,592	72,410,531
Derivatives		
Derivative financial instruments with positive fair value	13,185	384,497
Credit and other amounts receivable	727,288	381,008
Other equity instruments	170,404	69,975
	50,444,469	73,246,011
Financial liabilities held for trading		
Derivatives		
Derivative financial instruments with negative fair value	59,932	183,444
	59,932	183,444

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 captions of Shares and Other equity instruments include participations in early-stage start-ups located in Portugal, Germany and the United Kingdom, amounting to a total of 2,101,213 Euros. The amounts recorded in the caption Credit and other amounts receivable refer to other debt instruments (727,288 Euros).

The caption Derivative financial instruments on 31 December 2019 and 2018 is broken down as follows:

	2019			2018		
	Notional	Fair value		Notional	Fair value	
		Assets	Passivo		Assets	Liabilities
Derivatives held for trading						
Contracts on shares/indices						
Equity / Index Options	1,010,000	-	52,711	6,983,137	332,870	132,965
Equity / Index Futures	2,643,855	-	-	-	-	-
Term transactions	-	2,019	7,221	-	-	-
Other	-	11,166	-	157,205	51,627	50,479
	3,653,855	13,185	59,932	7,140,342	384,497	183,444

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 2019 the notional total of derivatives associated to complex financial products marketed by the Group is registered in the classes of Equity/Index Options and Term transactions, amounting to 1,010,000 Euros. The negative fair value of these derivatives is 52,711 Euros, representing 88% of the total liabilities held for trading.

On 31 December 2019 and 2018, the distribution of the Financial assets held for trading – Securities by residual maturity, is as follows:

	2019	2018
Securities		
Up to 3 months	-	306,568
From 3 months to 1 year	120,380	1,707,127
From 1 to 5 years	29,529,375	43,721,340
Over 5 years	17,953,029	23,794,390
Unspecified duration	1,930,808	2,881,106
	49,533,592	72,410,531

On 31 December 2019 and 2018, the distribution of the Financial assets and liabilities held for trading – Derivative financial instruments, by residual maturity is presented as follows:

	2019		2018	
	Notional	Fair value	Notional	Fair value
Derivative financial instruments				
Up to 3 months	250,000	(13,650)	1,775,248	(97,147)
From 3 months to 1 year	-	-	4,136,753	197,595
From 1 to 5 years	760,000	(33,097)	1,228,341	100,605
Over 5 years	2,643,855	-	-	-
	3,653,855	(46,747)	7,140,342	201,053

NOTE 19

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 31 December 2019 and 2018, 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	204,217,529	86,732	(883,107)	(4,757,159)	-	198,681,034
From foreign public issuers	585,838,028	125,545	(12,640,783)	(8,877,812)	709,582	563,569,258
From other national issuers	239,492,797	345,934	(3,843,973)	(1,543,993)	192,537	234,628,879
From other foreign issuers	589,469,893	2,342,363	(13,190,784)	(6,799,672)	186,484	573,495,203
Shares of national issuers	13,978	-	-	-	-	13,978
Shares of foreign issuers	16,500	-	-	-	-	16,500
Balance on 31 December 2018	1,619,048,725	2,900,574	(30,558,646)	(21,978,636)	1,088,603	1,570,404,852
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	117,767
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	248,084,076
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

(1) amortised cost for debt securities and acquisition cost with regard to shares and others.

On 31 December 2019, the caption Bonds and other fixed income securities – From other national and foreign issuers includes 442,761,333 Euros relating to asset backed securities (ABS).

On 31 December 2019, around 49% 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 2019, was 1.6% (31 December 2018: 2.1%).

In 2018 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 37. Off-balance sheet accounts.

On 31 December 2019 and 2018, the distribution of this caption by residual maturity periods is as follows:

The movements in expected credit loss in Financial assets at fair value through other comprehensive income are presented as follows:

	2019	2018
Up to 3 months	1,156,050	52,202
From 3 months to 1 year	73,052	148,561
From 1 to 5 years	146,212,482	205,514,058
Over 5 years	1,394,393,206	1,364,659,553
Unspecified duration	53,414	30,478
	1,541,888,204	1,570,404,852

	2019	2018
Opening balance	1,088,603	-
Implementation IFRS 9	-	2,337,387
Additions	3,405,288	3,760,513
Reversals	(3,971,603)	(5,009,297)
Exchange	3,863	-
Closing balance	526,151	1,088,603

NOTE 20

FINANCIAL ASSETS AT AMORTISED COST – DEBT SECURITIES

On 31 December 2019 the caption Financial assets at amortised cost – Debt securities comprised fixed income securities of public issuers, amounting to 384,839,548 Euros (31 December 2018: 336,293,487 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. On 31 December 2019 the impairment of credit, constituted for performing credits, (stage 1) amounted to 40,691 Euros (31 December 2018: 434,996 Euros).

The average interest rate, before interest rate hedging during the year ending on 31 December 2019, amounted to 1.49% (31 December 2019: 1.6%).

	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	343,655,387	(6,926,904)	434,996	336,293,487
Balance on 31 December 2018	343,655,387	(6,926,904)	434,996	336,293,487
Financial assets at amortised cost				
Bonds and other fixed return securities				
From foreign public issuers	419,381,965	(34,501,726)	40,691	384,839,548
Balance on 31 December 2019	419,381,965	(34,501,726)	40,691	384,839,548

The adjustment in reference to the hedging relations at 31 December 2019 was -34,501,726 euros (-6,926,904 euros at 31 December 2018). 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 364,112,398 euros (336,293,487 euros at 31 December 2018).

NOTE 21 FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES – CLIENTS

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Domestic loans		
To companies		
Loans	87,859	321,986
Loans at sight	2,856,646	5,371,936
Overdrafts	38,383	38,627
Leasing	384,113	445,087
Other specialised loans	5,161	11,629
To private individuals		
Loans at sight	8,260,695	9,617,640
Mortgages	6,026,290	5,838,539
Leasing	1,449,107	1,988,841
Overdrafts	25,647	88,155
Other specialised loans	424,855	585,410
Other credit	568,939	12,839,458
	20,127,695	37,147,308
Foreign loans		
To companies		
Overdrafts	56	5,598
To private individuals		
Loans at sight	644,571	1,315,113
Mortgages	345,681	360,025
Overdrafts	1,522	3,653
	991,830	1,684,389
Past due loans and interest		
Over 90 days	29,790	27,472
	29,790	27,472
	21,149,315	38,859,169
Impairment of credit to clients	(32,622)	(32,351)
Loans to clients	21,116,693	38,826,818

On 31 December 2019 and 2018 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 2019, the Group's credit portfolio included loans granted to a member of the Board of Directors amounting to 778,544 Euros arising from the staff policy, pursuant to art. 85(4) of the General Regime of Credit Institutions and Financial Companies (31 December 2018: 8,772,984 Euros). At 31 December 2019, the loans granted to key management staff with senior management functions amounted to 1,435,291 Euros (31 December 2018: 5,828,119 Euros).

The average interest rate during the year ended on 31 December 2019 and 2018 was 2.4%.

The residual periods of Loans and advances – Clients, including past due loans and interest, were structured as follows:

	2019	2018
Up to 3 months	11,846,140	16,456,604
From 3 months to 1 year	240,100	12,047,065
From 1 to 5 years	2,423,435	2,966,289
Over 5 years	6,609,850	7,361,739
Unspecified duration	29,790	27,472
	21,149,315	38,859,169

The movements in impairment of Loans and advances – Clients are presented as follows:

	2019	2018
Opening balance	32,351	248,282
Additions	2,318	2,549
Reversals	(2,047)	(119,340)
Used	-	(1,374)
IFRS 9	-	(97,766)
Closing balance	32,622	32,351

The distribution of Loans and advances – Clients by type of rate may be presented as follows:

	2019	2018
Variable rate	20,737,357	38,331,362
Fixed rate	411,958	527,807
	21,149,315	38,859,169

The residual periods of leased capital were structured as follows:

	2019	2018
Instalments and residual values due		
Up to 3 months	10,638	7,128
From 3 months to 1 year	85,981	65,255
From 1 to 5 years	1,648,557	1,659,813
Over 5 years	202,204	877,825
	1,947,380	2,610,021
Interest due		
Up to 3 months	55	18
From 3 months to 1 year	1,445	1,136
From 1 to 5 years	93,962	91,419
Over 5 years	18,698	83,520
	114,160	176,093
Capital due		
Up to 3 months	10,583	7,110
From 3 months to 1 year	84,536	64,119
From 1 to 5 years	1,554,595	1,568,394
Over 5 years	183,506	794,305
	1,833,220	2,433,928

The detail of the portfolio of loans not represented by securities (retail and guarantees and sureties provided) year of production, is as follows:

31-12-2019 Year of production	Current Account Credit			Mortgages			Other		
	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	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

31-12-2018 Year of production	Current Account Credit			Mortgages			Other		
	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up
2006 and previous	46	2,557,911	-	14	454,487	68	2	44,200	6
2007	16	545,460	-	4	191,888	29	1	50,844	8
2008	16	142,855	-	9	439,504	67	1	20,052	3
2009	15	826,098	-	4	393,729	61	-	-	-
2010	12	173,575	-	3	251,410	39	-	-	-
2011	16	1,176,515	-	10	563,973	87	2	15,675	2
2012	10	775,326	-	1	56,278	9	2	2,812	66
2013	13	988,579	-	2	74,178	12	11	18,583	11,151
2014	26	828,934	66	5	286,217	43	24	221,657	4,576
2015	12	4,009,324	-	4	514,525	80	41	240,978	1,362
2016	13	1,376,888	-	8	451,832	84	94	13,039,946	2,402
2017	18	1,694,146	-	8	823,252	122	144	2,578,284	2,664
2018	38	1,209,050	-	10	892,436	140	1,745	1,599,332	9,204
	251	16,304,661	66	82	5,393,709	841	2,067	17,832,363	31,444

On 31 December 2019 and 2018, impairment was broken down as follows:

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

2018												
	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	6,257,825	(1,720)	6,256,105	5,495	(60)	5,435	-	-	-	6,263,320	(1,780)	6,261,540
Private individuals	32,883,255	(2,848)	32,880,407	120,744	-	120,744	27,762	(27,723)	39	33,031,761	(30,571)	33,001,190
Guarantees and sureties provided												
Companies	44,350	-	44,350	-	-	-	-	-	-	44,350	-	44,350
Private individuals	191,302	-	191,302	-	-	-	-	-	-	191,302	-	191,302
Total	39,376,732	(4,568)	39,372,164	126,239	(60)	126,179	27,762	(27,723)	39	39,530,733	(32,351)	39,498,382

▲ NOTE 22

FINANCIAL ASSETS TO THE AMORTISED COST – LOANS AND ADVANCES – CENTRAL BANKS

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Loans and advances - Central Banks		
Very short-term applications	8,785,469	1,161,691
	8,785,469	1,161,691

The residual periods of Loans and advances – Central Banks were structured as follows:

	2019	2018
Up to 3 months	8,785,469	1,161,691
	8,785,469	1,161,691

▲ NOTE 23

FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES – BANKS

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Loans and advances - Banks in Portugal		
Deposits	700,000	700,000
Loans	39,268	68,921
Loans and advances - Banks abroad		
Deposits	4,132,568	2,133,830
	4,871,836	2,902,751

The residual periods of Loans and advances – Banks was structured as follows:

	2019	2018
Up to 3 months	3,782,585	994,391
From 3 months to 1 year	1,068,234	1,839,825
From 1 to 5 years	21,017	68,535
	4,871,836	2,902,751

On 31 December 2019 and 2018 there is no impairment allocated to Loans and advances – Banks, seeing that these loans 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 24 DERIVATIVES – HEDGE ACCOUNTING

On 31 December 2019 and 2018 this caption was broken down as follows:

2019							
Derivative product	Associated financial asset/liability	Hedge instrument			Hedge instrument (*)		
		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

2018							
Derivative product	Associated financial asset/liability	Hedge instrument			Hedge instrument		
		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	494,000,000	(18,197,101)	(18,197,101)	(11,516,251)	(15,740,951)	544,523,381
Futures	Debt instruments	640,335,641	-	(17,944,223)	(17,411,734)	165,661	754,901,913
		1,134,335,641	(18,197,101)	(36,141,324)	(28,927,985)	(15,575,290)	1,299,425,294

(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 assets and liabilities at fair value through the income statement (Note 7). With regard to the fair value of futures, this is reflected in the caption of Deposits in other banks (Note 17).

The residual periods of the notional values of hedging instruments can be analysed in the table below:

2019				
Derivative product	Associated financial asset / liability	Notional		Fair Value
		From 1 to 5 years	Over 5 years	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)

2018				
Derivative product	Associated financial asset / liability	Notional		Fair Value
		From 1 to 5 years	Over 5 years	Liabilities
Interest Rate Swap	Debt instruments	-	494,000,000	(18,197,101)
Futures	Debt instruments	99,455,050	540,880,591	-
		99,455,050	1,034,880,591	(18,197,101)

NOTE 25 TANGIBLE ASSETS

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Buildings		
Improvements to buildings	4,289,165	4,188,807
For own use	19,270,528	15,888,882
	23,559,693	20,077,689
Equipment		
Computer equipment	5,583,933	5,497,154
Furniture and material	1,476,999	1,457,989
Installations and interiors	2,424,485	2,406,506
Security equipment	266,597	244,705
Machines and tools	276,524	264,415
Other equipment	232,055	222,277
Transportation material	101,419	93,023
	10,362,012	10,186,069
Right of use		
Buildings	2,384,385	-
Vehicles	668,704	-
	3,053,089	-
Tangible assets in progress	121,982	100,968
Impairment	(183,502)	(301,115)
Accumulated depreciation	(15,793,300)	(14,610,700)
	21,119,974	15,452,911

The movement in this caption was the following:

	Buildings	Equipment	Tangible fixed assets in progress	Right of use		Total
				Buildings	Vehicles	
Acquisition cost						
Balance on 31 December 2017	19,961,759	9,681,421	83,293	-	-	29,726,473
Additions	116,362	662,717	17,957	-	-	797,036
Write-downs	-	(156,830)	-	-	-	(156,830)
Currency exchange differences	(433)	(1,239)	(281)	-	-	(1,953)
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
Depreciation						
Balance on 31 December 2017	5,381,372	8,968,433	-	-	-	14,349,805
Write-downs of the year	-	(156,830)	-	-	-	(156,830)
Depreciation of the year	443,241	279,885	-	-	-	723,126
Currency exchange differences	(3,916)	(370)	-	-	-	(4,286)
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
Net balance on 31 December 2018	14,256,991	1,094,951	100,969	-	-	15,452,911
Net balance on 31 December 2019	17,542,632	1,051,725	121,981	1,906,371	497,265	21,119,974

NOTE 26 INTANGIBLE ASSETS

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Acquired from third parties		
Automatic data treatment system	12,156,319	11,678,022
Other	587,197	587,197
	12,743,516	12,265,219
Intangible assets in progress		
Automatic data treatment system	2,121,878	738,609
	2,121,878	738,609
	14,865,394	13,003,828
Accumulated amortization	(11,927,782)	(10,889,747)
	2,937,612	2,114,081

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 2017	10,814,250	587,197	244,659	11,646,106
Additions	645,612	-	712,399	1,358,011
Transfers	218,319	-	(218,319)	-
Currency exchange differences	(159)	-	(130)	(289)
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
Depreciation				
Balance on 31 December 2017	9,064,033	587,197	-	9,651,230
Depreciation of the year	1,238,741	-	-	1,238,741
Currency exchange differences	(224)	-	-	(224)
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
Net balance on 31 December 2018	1,375,472	-	738,609	2,114,081
Net balance on 31 December 2019	815,734	-	2,121,878	2,937,612

NOTE 27 CURRENT TAX ASSETS AND LIABILITIES

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Estimated tax for the year	(12,581,925)	(8,145,259)
Payments on account	114,433	11,687,104
Withholding tax	676,095	877,145
Corrections to tax relating to previous years	3,338,056	3,338,056
Estimated tax on retained earnings	-	9,952,213
Current tax assets / (liabilities)	(8,453,341)	17,709,259

On 31 December 2019 the caption of Estimate of tax of the year includes 1,225,000 Euros relating to the contribution of the banking sector (31 December 2018: 1,200,000 Euros).

NOTE 28 OTHER ASSETS

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Debtors and other applications		
Margin applications	54,582,651	43,274,132
Public sector	94,189	50,136
Other debtors	682,726	556,668
Debtors and other applications	143,745	144,080
Other assets	133,899	133,899
	55,637,210	44,158,915
Impairment losses on other assets	(59,783)	(53,549)
	55,577,427	44,105,366
Expenses with deferred costs	780,106	915,294
Income receivable	1,254,506	841,948
Other accruals and deferrals		
Other pending transactions	815,374	2,373,391
	58,427,413	48,235,999

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.

On 31 December 2019 the caption Expenses with deferred costs includes an amount of 159,354 Euros (31 December 2018: 377,131 Euros) relating to the recognition of the difference between the interest rate of the loans granted to employees for mortgages, personal loans and the acquisition of securities and the market interest rate.

The movements in Impairment losses for other assets are presented as follows:

	2019	2018
Opening balance	53,549	55,265
Additions	56,758	25,849
Reversals	(50,524)	(27,293)
IFRS 9	-	(272)
Closing balance	59,783	53,549

NOTE 29 FINANCIAL LIABILITIES HELD AT AMORTISED COST – FUNDING FROM OTHER BANKS

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Domestic		
Deposits	29,815,238	133,043,092
	29,815,238	133,043,092
Abroad		
Deposits	1,529,416	9,597,593
Loans	460,415,609	411,693,199
	461,945,025	421,290,792
	491,760,263	554,333,884

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 2019 was 0.4% (31 December 2018: 0.6%).

The residual period of the Funding from other banks may be analysed as follows:

	2019	2018
Up to 3 months	485,110,263	499,155,986
From 3 months to 1 year	5,500,000	55,177,898
From 1 to 5 years	1,150,000	-
	491,760,263	554,333,884

NOTE 30

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – FUNDING FROM CLIENTS

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Demand deposits	803,363,045	626,908,585
Term deposits	460,186,447	661,937,827
Other	26,026,980	23,364,459
	1,289,576,472	1,312,210,871

The caption Other essentially relates to the balances available, and to the balances used in margin accounts, necessary to maintain derivative positions of customers on external trading platforms.

The residual periods of Funding from clients were structured as follows:

	2019	2018
Up to 3 months	1,060,217,464	1,110,441,752
From 3 months to 1 year	199,259,405	188,750,443
From 1 to 5 years	30,042,103	13,018,676
Over 5 years	57,500	-
	1,289,576,472	1,312,210,871

NOTE 31

PROVISIONS OR REVERSAL OF PROVISIONS

On 31 December 2019 and 2018, this caption was broken down as follows:

	Other provisions
Balance on 31 December 2017	4,740,788
Additions	50,000
Reversals	(1,452,500)
Balance on 31 December 2018	3,338,288
Additions	-
Reversals	(1,730,876)
Balance on 31 December 2019	1,607,412

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 2018 and 2019 essentially relate to other losses arising from the Group's activity.

NOTE 32

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.

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: $\text{Max} [0; 1.5 \times (\text{VCPAn} - \text{VCPAi}) / \text{VCPAi}] \times \text{VN}$

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 December 2017 there were two capital increases, decided by the Board of Directors of the Bank on 15 November 2017 and 14 December 2017, with the issue of 15,947,388 new ordinary shares which led to a direct reduction in the book value per share. Before these capital increases the book value per share was € 2.1384 and it became € 2.0328, and so an adjustment should be made to the formula to calculate the redemption premium of the redeemable preferred shares in order to ensure the neutrality of these events.

The need to adjust the calculation of the redemption premium was established in the justificatory report on the proposal to suppress the preference right in the capital increase with the issue of redeemable preferred shares, approved by BiG's Shareholders in the General Meeting of 21 April 2016, in the following terms: 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 on the Attribution of Redeemable Preferred Shares in force in the Bank.

In this regard, the term sheet of the capital increase approved by the Board of Directors of the Bank on 15 May 2016 also allows for the application of this adjustment mechanism to guarantee the entirety of the redemption premium contemplated in the event of exceptional corporate situations, implemented by BiG, that could artificially prejudice the contemplated redemption premium.

Likewise, the Regulations of May 2016 for the subscription of redeemable preferred shares and of subscription options or the acquisition of shares for employees, workers, and members of the corporate offices of Banco de Investimento Global, approved by BiG and accepted by the subscribers of the redeemable preferred shares, establishes that: If Banco de Investimento Global, S.A. performs any act that might affect the rights of the holders of the redeemable preferred shares, namely with regard to the calculation of the redemption premium, the Group will make the necessary adjustments so that these rights of the holders of the redeemable preferred shares are identical to those that would exist if the act had not been performed.

Consequently, to compensate the impact of the capital increases performed in December 2017, the book value per share based on the last annual balance sheet prior to the redemption date should be multiplied by the correction factor of 1.051937907 (corresponding to the result of € 2.1384 / € 2.0328), as in the formula below:

$$PR = \text{MAX} [0; 1,5 \times (VCPA_n \times F - VCPA_j) / VCPA_j] \times VN$$

Wherein:

PR – Redemption premium

VN – Nominal value

VCPAi – Book value per share based on the last annual balance sheet prior to the Issue Date

VCPAn – Book value per share based on the last annual balance sheet prior to the Redemption Date

F – Correction factor of corporate events, corresponding to 1.051937907

1.5 – Multiple of book value

For the purposes of the calculation of the book value per share, the total number of ordinary shares will be considered.

The accounting policy inherent to the accounting of this type of instrument is described in Note 2.5. Financial liabilities.

In 2018, under the formula for the calculation of the redemption premium the amount entered in the Balance Sheet was 3,441,508 Euros relating to the accrual of this premium (in 2017: 3,805,716).

Of the total of 12,000,000 redeemable preferred shares issued, 8,000,000 were subscribed by the members of the Board of Directors and 4,000,000 by relevant employees.

	2019	2018
Instruments representing capital	-	16,341,508

The reduction of capital instruments representing capital is the result of the redemption of redeemable shares on 16 September 2019, in accordance with the terms foreseen at the date of the issuance of these shares.

NOTE 33 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 Bank of 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 Bank of Portugal, which is based on the amount of its liabilities. In 2019, the Bank's periodical contribution amounted to 528,136 Euros (31 December 2018: 319,903 Euros), based on a contribution rate of 0.057% calculated pursuant to Instruction 32/2018 of the Bank of Portugal.

As part of its responsibility as the authority of supervision and resolution of the Portuguese financial sector, on 3 August 2014, the Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), pursuant to article 145°-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 Bank of 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.

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 BiG 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 Bank 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, BiG 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 Bank of 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 34

TAX

The Bank and its subsidiaries determined the amount of its current tax on income for the years 2019 and 2018 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 2019 and 2018 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 2019 and 2018 may be analysed as follows:

	2019	2018
Financial assets at fair value through other comprehensive income	548,624	15,275,805
Other	79,179	(404,398)
Net deferred tax assets / (liabilities)	627,803	14,871,407
Tax movement in the year	(14,243,604)	(13,846,386)

The income tax reported in results and reserves is explained as follows:

	2019	2018
Recognised in reserves		
Current tax		
Of the year	(164,922)	9,952,213
	(164,922)	9,952,213
Deferred tax		
Of the year	(14,801,924)	(13,346,533)
From previous years	-	26,585
	(14,966,846)	(3,367,735)
Recognised in results		
Current tax		
Of the year	(11,827,133)	(7,250,240)
From previous years	216,601	3,419,858
	(11,610,532)	(3,830,382)
Deferred tax	(3,340,919)	(526,438)
	(14,951,451)	(4,356,820)
	(29,918,297)	(7,724,555)

The reconciliation of the tax rate for 2019 and 2018 may be analysed as follows:

	2019		2018	
	Tax rate	Amount	Tax rate	Amount
Pre-tax profit		57,502,874		27,502,424
Estimated tax charge	31.78%	18,272,998	27.50%	7,563,166
Non-deductible costs for tax purposes	6.85%	3,937,363	1.74%	479,480
Tax benefits	-0.06%	(35,392)	-0.31%	(85,745)
Tax loss	-6.54%	(3,763,183)	-0.06%	(17,073)
Autonomous taxation and double taxation	0.00%	-	0.04%	9,861
Contributions on the banking sector	0.57%	328,665	1.20%	330,000
Other	-6.59%	(3,789,000)	-14.26%	(3,922,869)
	26.00%	14,951,451	15.85%	4,356,820

NOTE 35 OTHER LIABILITIES

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Creditors and other dues		
Diverse funds	-	4,402,000
Public sector	1,228,825	1,225,736
Leasing liabilities	2,447,641	-
Other creditors	5,972,714	163,196
	7,201,539	5,790,932
Costs payable		
Staff charges	6,152,959	7,452,887
Other charges payable	2,920,233	1,985,156
	9,073,192	9,438,043
Revenue from deferred income	32,978	38,141
Minority interests	-	5,089,388
Other accruals and deferrals		
Other pending transactions	23,767,630	5,880,606
	23,767,630	5,880,606
	40,075,339	26,237,110

The caption Other pending transactions essentially relates to operations that were still unsettled by 31 December 2019 and 2018.

Lease liabilities refer to the value relating to the updated future payments of the Bank's leasing operations, specifically relating to buildings and vehicles.

NOTE 36 CAPITAL, ISSUE PREMIUMS, TREASURY STOCK AND RESERVES

Capital

On 31 December 2019 and 2018 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 2019 and 2018, the Bank's shareholder structure was the following:

	2019	2018
	Ordinary shares	Ordinary shares
António da Silva Rodrigues	12.18%	12.18%
Carlos Adolfo Coelho Figueiredo Rodrigues	11.31%	11.31%
Adger – SGPS, S.A.	10.43%	10.43%
WWC World Wide Capital - SPGS, S.A.	9.30%	9.30%
Nicholas Leo Racich	5.67%	5.67%
JRI – SGPS, S.A.	4.81%	4.81%
Bâloise Vie Luxembourg S.A.	4.60%	4.66%
Oceangest - Gestão e Empreendimentos Imobiliários, S.A.	4.34%	4.34%
LNKM Hospitality Capital - Fundo Capital de Risco	2.14%	2.14%
Other	35.22%	35.16%
	100.00%	100.00%

In 2018 the Bank held 12,000,000 (twelve million) non-voting redeemable preferred shares issued, which had the nature of liabilities (note 32). 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.

At 16 September 2019 it was conducted the redemption of the redeemable preferred shares, as under the terms foreseen on the deliberation of the issuance of these stocks.

Issue premiums

On 31 December 2019 and 2018, 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 2019 and 2018, 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 2019 and 2018 is analysed as follows:

	2019	2018
Cost of financial assets at fair value through other comprehensive income	1,545,575,633	1,619,048,725
Market value of financial assets at fair value through other comprehensive income	1,541,888,204	1,570,404,852
Fair value reserve of financial assets at fair value through other comprehensive income	5,058,682	(27,753,840)
Fair value reserve associated to macro-hedging for interest rate risk	(8,746,150)	(21,978,636)
Impairment of financial assets at fair value through other comprehensive income	426,056	1,088,603
Exchange differences	-	(843,268)
Deferred tax	1,027,681	15,275,805
Current tax	(62,387)	176,019
Other	-	19,629
	(2,296,118)	(34,015,688)

(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 2019 and 2018 is analysed as follows:

	2018	Variations in fair value	Adjustment of fair value hedge	Disposals	Tax	2019
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)

	2017	Variations in fair value	Adjustment of fair value hedge	Disposals	Tax	2018
Financial assets at fair value through other comprehensive income						
Debt instruments	(63,787,680)	50,824,255	(11,325,665)	3,712,186	(13,438,784)	(34,015,688)
Capital instruments	(39,808)	39,808	-	-	-	-
	(63,827,488)	50,864,063	(11,325,665)	3,712,186	(13,438,784)	(34,015,688)

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.

Interim dividends

The Board of Directors approved the payment of a partial, interim dividend of 0.09 Euros per share, in November of 2019, amounting to 15,475,031 Euros, based on the certified results of the period from 1 January 2019 to 30 September 2019.

NOTE 37

OFF-BALANCE SHEET ACCOUNTS

On 31 December 2019 and 2018, this caption was broken down as follows:

	2019	2018
Guarantees provided and other liabilities		
Assets given as guarantee	1,336,064,761	1,368,917,425
Guarantees and sureties	223,150	235,652
	1,336,287,911	1,369,153,077
Guarantees received		
Personal guarantees		
Guarantees and sureties	3,749,606	3,803,736
Other	11,705	11,705
Real guarantees		
Securities	81,958,595	86,595,549
Loans	8,354,905	6,294,019
Real Estate	8,061,487	7,904,824
	102,136,298	104,609,833
Commitments before third parties		
Irrevocable commitments		
Potential liability to the Investor Compensation System	674,614	674,614
Term deposit contracts	25,000,000	-
Revocable commitments		
Bank overdraft facilities	69,588,799	59,880,973
	95,263,413	60,555,587
Liabilities for services provided		
Asset custody and deposit	1,795,139,495	1,492,776,117
For asset administration	428,400,458	308,024,594
For collection of amounts	849,753	535,527
	2,224,389,706	1,801,336,238

On 31 December 2019 and 2018, the balance of the caption Assets Given as Guarantee includes:

- ▲ securities provided as a guarantee to the Investor Compensation System amounting to 731,759 Euros (31 December 2018: 667,926 Euros);
- ▲ securities provided as a guarantee to the European System of Central Banks amounting to 414,457,771 Euros (31 December 2018: 343,917,331 Euros). Assets provided as a guarantee correspond to a pool of securities, which on 31 December 2019 were not to be used as collateral in liquidity operations;
- ▲ other securities provided as a guarantee 920,875,231 Euros (31 December 2018: 1,024,332,168 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 38 TRANSACTIONS WITH RELATED PARTIES

The Group'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) shareholders whose shareholding exceeds, directly or indirectly, in the terms of articles 13-A and 13-B of the General Regime of Credit Institutions and Financial Companies (RGICSF), 10% of the share capital or of the voting rights of the Bank. (The shareholder structure of the Group may be consulted in Note 36);
- (ii) the members of the corporate and supervisory bodies of the Bank;
- (iii) the spouse, domestic partner, close members of the family of the people mentioned in line (ii) above;
- (iv) members of the key management personnel of companies of the Group, who correspond to people with a category or functions, with authority and responsibility for the planning, management and control of activities of the Group;
- (v) 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;
- (vi) other entities in which any related party of BiG is: (i) partner; (ii) director, namely as a member of the corporate or supervisory bodies (iii) holder, individually or jointly, directly or indirectly of, at least, half of the respective share capital or voting rights;
- (vii) entities controlled, directly or indirectly, by the Group or where this exercises significant influence, in accordance with the definition of International Accounting Standard IAS – 24 Disclosures of Related parties.

On 31 December 2019 and 2018, the balances reflected in the captions of Assets relating to related parties are represented as follows:

2019	Credit	Other Assets
Shareholders with holdings over 10%	-	1,227
Governing Body		
Members of the Board of Directors	956,413	251
Senior management of Group companies	-	3,934
	956,413	5,412

2018	Credit	Other Assets
Shareholders with holdings over 10%	-	1,138
Governing Body		
Members of the Board of Directors	8,617,817	159,354
Closely related persons	761,006	11,813
Senior management of Group companies	-	3,859
	9,378,823	176,164

On 31 December 2019 and 2018, the balances reflected in the captions of Liabilities relating to related parties are represented as follows:

2019	Funding from Clients	Other Liabilities
Shareholders with holdings over 10%	9,403,479	-
Governing Body		
Members of the Board of Directors	7,242,117	780
Closely related persons	522,822	-
Members of the Supervisory Board		
Members of the Board of Auditors	233,217	-
Closely related persons	167,655	-
Senior management of Group companies	127,909	-
	17,697,199	780

2018	Funding from Clients	Other Liabilities
Shareholders with holdings over 10%	6,796,323	-
Governing Body		
Members of the Board of Directors	3,949,217	40
Closely related persons	369,979	-
Members of the Supervisory Board		
Members of the Board of Auditors	249,331	-
Closely related persons	274,985	-
Pension fund	-	-
Senior management of Group companies	53,856	-
	11,693,691	40

NOTE 39

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

On 31 December 2019 and 2018, 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 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						
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
Financial liabilities measured at amortised cost						
Funding from other banks	491,760,263	-	-	-	491,760,263	491,760,263
Funding from clients	1,289,576,472	-	-	-	1,289,576,472	1,289,576,472
Financial liabilities	1,781,336,735	-	40,318	19,614	1,781,396,667	1,781,396,667
31 December 2018						
Cash, cash balances in central banks and other demand deposits						
Money in cash and Cash balances in central banks	71,318,698	-	-	-	71,318,698	71,318,698
Other demand deposits	85,451,838	-	-	-	85,451,838	85,451,838
Financial assets held for trading						
Securities						
Bonds and other fixed return securities						
From public issuers	-	15,985,198	-	-	15,985,198	15,985,198
From other issuers	-	45,924,638	7,619,589	-	53,544,227	53,544,227
Shares	-	441,162	-	1,818,278	2,259,440	2,259,440
Participation units foreign issuers	-	621,666	-	-	621,666	621,666
Derivatives						
Contracts on shares/indices	-	-	297,520	35,350	332,870	332,870
Term transactions	-	-	49,994	-	49,994	49,994
Other	-	-	1,633	-	1,633	1,633
Credit and other amounts receivable	-	-	-	381,008	381,008	381,008
Other equity instruments	-	-	-	69,975	69,975	69,975
Financial assets at fair value through other comprehensive income						
Bonds and other fixed return securities						
From public issuers	-	700,758,424	61,491,868	-	762,250,292	762,250,292
From other issuers	-	424,690,311	383,433,771	-	808,124,082	808,124,082
Shares	-	-	-	30,478	30,478	30,478
Financial assets at amortised cost						
Debt securities	336,293,487	-	-	-	336,293,487	285,741,932
Loans and advances - Clients	38,826,818	-	-	-	38,826,818	38,826,818
Loans and advances - Banks	2,901,612	-	-	-	4,064,442	4,064,442
Financial assets	534,792,453	1,188,421,399	452,894,375	2,335,089	2,179,606,146	2,129,054,591
Financial liabilities held for trading						
Derivatives						
Contracts on shares/indices	-	-	132,965	-	132,965	132,965
Term transactions	-	-	48,857	-	48,857	48,857
Other	-	-	1,622	-	1,622	1,622
Financial liabilities measured at amortised cost						
Funding from other banks	554,333,884	-	-	-	554,333,884	554,333,884
Funding from clients	1,312,210,871	-	-	-	1,312,210,871	1,312,210,871
Share capital reimbursable at sight	-	-	-	16,341,508	16,341,508	16,341,508
Financial liabilities	1,866,544,755	-	183,444	16,341,508	1,883,069,707	1,883,069,707

^{a)} The prices mentioned may not reflect normal market conditions as mentioned in note 21, as the amounts are not supported by effective transactions on the market, due to the fact that this is inactive.

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.

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.

The interest rate curves of the main currencies for the years 2019 and 2018 are as follow:

(amounts expressed as a percentage)

	2019		2018	
	EUR	USD	EUR	USD
Overnight	-0.625	1.560	-0.430	2.400
1 month	-0.438	1.763	-0.363	2.503
3 months	-0.383	1.908	-0.309	2.808
6 months	-0.324	1.912	-0.237	2.876
1 year	-0.249	1.996	-0.117	3.005
3 years	-0.238	1.689	-0.077	2.590
5 years	-0.129	1.729	0.198	2.570
7 years	0.017	1.797	0.469	2.624
10 years	0.211	1.895	0.811	2.705
15 years	0.455	2.010	1.170	2.801
20 years	0.587	2.066	1.327	2.836
25 years	0.625	2.085	1.373	2.839
30 years	0.628	2.093	1.377	2.838

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 2019 and 2018 are as follow:

(amounts expressed as a percentage)

	2019		2018	
	EUR	USD	EUR	USD
3 years	0.927	2.207	0.857	1.021
5 years	1.819	3.320	1.757	2.175
7 years	3.128	4.936	2.638	3.317
10 years	4.792	5.144	3.749	3.265

The evolution of the exchange rates of the main currencies for the years 2019 and 2018, and respective historic volatilities used in the evaluation of currency exchange derivatives are as follow:

	2019	2018	Volatilities 2019 (in %)		
			3 months	6 months	1 year
EUR/USD	1.123	1.145	4.475	4.642	4.907
EUR/GBP	0.851	0.895	7.777	7.169	7.486
EUR/JPY	121.940	125.850	5.538	5.635	5.838
EUR/CHF	1.085	1.127	3.842	3.848	3.925

The evolution of the main share indices for the years 2019 and 2018, 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 %)	
	2019	2018	Variation %	1 month	3 months	Call	Put
PSI20	5,214.14	4,731.47	10.2	9.667	10.419	12.090	12.090
Eurostoxx	3,745.15	3,001.42	24.8	11.147	11.680	11.910	11.910
DAX	13,249.01	10,588.96	25.1	10.701	12.112	12.880	12.880
S&P	3,230.78	2,506.85	28.9	7.318	9.531	11.610	11.610
Nasdaq 100	8,733.07	6,329.96	38.0	9.270	12.155	14.960	14.960
Dow Jones Ind.	28,538.44	23,327.46	22.3	7.938	9.821	12.050	12.050

NOTE 40 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 related, 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 an appropriate 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, which are analysed together with information on the specific counterparty or country risk, 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.

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 2019 and 2018 is presented as follows:

	2019				2018			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange risk	19,365	19,344	91,684	1,762	5,217	137,727	708,515	212
Interest rate risk	186,479	247,146	2,521,885	15,208	173,360	736,505	4,317,670	44,294
Shares	18,983	86,944	305,057	-	-	208,103	807,059	-
Options	3,393	8,671	29,809	3,393	19,439	73,393	353,064	13,368
Effect of diversification	39%	29%			16%	28%		
Total VaR	139,486	258,371	2,492,079	36,515	167,094	835,467	4,256,929	44,410

The average VaR of the exposures allocated to the various trading portfolios reduced in 2019 compared to the amounts recorded in 2018.

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 2019 and 2018:

	List price			Historic volatility 2019	
	2019	2018	Variation %	1 month	3 months
DAX	13,249.01	10,558.96	25.48	10.70	12.12
IBEX 35	9,549.20	8,539.90	11.82	12.15	12.24
FTSE MIB	23,506.37	18,324.03	28.28	12.77	13.25
PSI20	5,214.14	4,731.47	10.20	9.67	10.42
Eurostoxx	3,745.15	3,001.42	24.78	11.15	11.68
S&P	3,230.78	2,506.85	28.88	7.32	9.53
Dow Jones	28,538.44	23,327.46	22.34	7.94	9.82

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 2019 and 2018 is presented as follows:

Impact resulting from a sudden movement in stock indices	2019		2018	
	+10%	-10%	+10%	-10%
DAX	-	-	3,143	(3,143)
IBEX 35	-	-	(75)	75
FTSE MIB	-	-	349	(349)
PSI20	(3,410)	3,410	10,590	(10,590)
Eurostoxx	3,652	(3,652)	36,815	(36,815)
S&P	-	-	12,733	(12,733)
Dow Jones	(101,506)	101,506	-	-
Total impact	(101,264)	101,264	63,555	(63,555)

Stress Testing

These tests are complementary to VaR limits 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 of income 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 our 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 carry out more than 96 daily stress tests 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

One of the assumptions in the Group's strategy is that of 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 2019 and 2018:

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 - Central Banks	-	8,785,469	-	-	-	-	8,785,469
Loans and advances - Banks	-	3,782,585	1,068,234	21,017	-	-	4,871,836
	185,192,675	13,746,050	1,501,766	178,186,309	1,803,795,633	2,911,704	2,185,334,137
Liabilities							
Financial liabilities held for trading	-	26,835	-	33,097	-	-	59,932
Financial liabilities measured at amortised cost							
Funding from other banks	29,288,934	455,821,329	5,500,000	1,150,000	-	-	491,760,263
Funding from clients	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

2018							
	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	71,318,698	-	-	-	-	-	71,318,698
Other demand deposits	85,451,838	-	-	-	-	-	85,451,838
Financial assets held for trading	-	376,199	1,909,516	43,833,817	23,794,390	3,332,089	73,246,011
Financial assets at fair value through other comprehensive income	-	52,202	148,561	205,514,058	1,364,659,553	30,478	1,570,404,852
Financial assets at amortised cost							
Debt securities	-	-	-	-	336,293,487	-	336,293,487
Loans and advances - Clients	-	16,456,604	12,047,065	2,966,289	7,361,739	27,472	38,859,169
Loans and advances - Banks	-	2,156,082	1,839,825	68,535	-	-	4,064,442
	156,770,536	19,041,087	15,944,967	252,382,699	1,732,109,169	3,390,039	2,179,638,497
Liabilities							
Financial liabilities held for trading	-	166,778	4,794	11,872	-	-	183,444
Financial liabilities measured at amortised cost							
Funding from other banks	-	499,155,986	55,177,898	-	-	-	554,333,884
Funding from clients	-	1,110,441,752	188,750,443	13,018,676	-	-	1,312,210,871
Derivatives - Hedge accounting	-	-	-	-	18,197,101	-	18,197,101
	-	1,609,764,516	243,933,135	13,030,548	18,197,101	-	1,884,925,300

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 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 2019 and 2018:

2019				
Time frame	Portfolio ⁽¹⁾		Off-Balance Sheet ⁽²⁾	
	Assets	Passivo	Assets	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 available for sale, retail portfolio and RMBS

(2) Interest rate hedging instruments

2018				
Time frame	Portfolio ⁽¹⁾		Off-Balance Sheet ⁽²⁾	
	Assets	Passivo	Assets	Liabilities
Spot - 1 month	468,199,575	500,720,596	335,565,531	-
1 - 3 months	258,200,814	469,963,890	39,972,128	-
3 - 6 months	62,903,040	235,397,279	117,947,625	-
6 - 12 months	15,865,620	98,707,922	-	-
1 - 2 years	1,088,449	87,346,261	-	-
2 - 3 years	293,925	455,018,328	-	-
3 - 4 years	104,655,665	372,810	-	-
4 - 5 years	69,086,635	961,578	-	-
5 - 7 years	174,514,522	1,000	-	130,572,385
7 - 10 years	397,316,314	-	-	-
10 - 15 years	327,811,851	-	-	833,768,465
15 - 20 years	270,804,281	-	-	185,513,353
> 20 years	248,629	-	-	10,114,720
Total	2,150,989,320	1,848,489,664	493,485,284	1,159,968,923

(1) Financial assets available for sale, retail portfolio and RMBS

(2) Interest rate hedging instruments

Sensitivity analysis

Included in the non-statistical Basis Point Value indicators, the sensitivity to the interest rate risk for the years ended on 31 December 2019 and 2018 is presented as follows:

	2019				2018			
	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	(17,942,941)	17,942,941	(9,189,424)	9,189,424	10,996,773	(10,996,773)	5,121,886	(5,121,886)

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 2019 and 2018 are presented as follows:

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 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

2018						
	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	71,318,698	71,318,698	-	-	-	-
Other demand deposits	85,451,838	85,451,838	-	-	-	-
Financial assets held for trading	73,246,011	3,028,748	376,199	1,909,516	44,137,158	23,794,390
Financial assets at fair value through other comprehensive income	1,570,404,852	30,478	52,202	148,561	205,514,058	1,364,659,553
Financial assets at amortised cost						
Debt securities	336,293,487	-	-	-	-	336,293,487
Loans and advances - Clients	38,859,169	27,472	16,456,604	12,047,065	2,966,289	7,361,739
Loans and advances - Banks	4,064,442	-	2,156,083	1,839,824	68,535	-
Total	2,179,638,497	159,857,234	19,041,088	15,944,966	252,686,040	1,732,109,169
Financial liabilities held for trading	183,444	-	166,778	4,794	11,872	-
Financial liabilities measured at amortised cost						
Funding from other banks	554,333,884	-	499,155,986	55,177,898	-	-
Funding from clients	1,312,210,871	-	1,110,441,752	188,750,443	13,018,676	-
Derivatives - Hedge accounting	18,197,101	-	-	-	-	18,197,101
Total	1,884,925,300	-	1,609,764,516	243,933,135	13,030,548	18,197,101
GAP (Assets - Liabilities)	294,713,197	159,857,234	(1,590,723,428)	(227,988,169)	239,655,492	1,713,912,068

Currency exchange risk

In the currency exchange markets there was a reduction of the levels of volatility for the main currency pairs, specifically Euro-Dollar, Euro-Yen and Euro-Swiss franc. In relation to the Euro-Pound there was an increase in the levels of volatility, with the maximum of the year being reached in October.

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 depreciating trend of the Euro against the Dollar and against the Yen up to August 2019, recovering in the last quarter of 2019, although still at lower levels than those registered at the start of the year. In relation to the Euro against the Pound, there was a depreciating trend in the first quarter of the year, having appreciated until August, followed by a marked devaluation in the last months of the year closing the year at values close to its minimum. We also witnessed a consistent devaluation throughout 2019 of the Euro against the Swiss franc.

The distribution of the Balance Sheet by currency for the years ended on 31 December 2019 and 2018 is presented as follows:

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
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
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

2018					
	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	69,513,872	547,260	28,958	1,228,608	71,318,698
Other demand deposits	65,474,171	15,643,925	1,420,462	2,913,280	85,451,838
Financial assets held for trading	71,961,517	1,284,494	-	-	73,246,011
Financial assets at fair value through other comprehensive income	1,339,426,944	217,209,588	-	13,768,320	1,570,404,852
Financial assets at amortised cost					
Debt securities	336,293,487	-	-	-	336,293,487
Loans and advances - Clients	38,826,698	41	79	-	38,826,818
Loans and advances - Banks	1,393,699	-	-	2,670,743	4,064,442
Tangible assets	14,534,778	-	-	918,133	15,452,911
Intangible assets	2,114,081	-	-	-	2,114,081
Current tax assets	17,365,129	-	-	344,130	17,709,259
Deferred tax assets	14,846,944	-	-	24,463	14,871,407
Other assets	46,787,786	1,094,796	14,265	339,152	48,235,999
	2,018,539,106	235,780,104	1,463,764	22,206,829	2,277,989,803
Liabilities by currency					
Financial liabilities held for trading	68,011	115,433	-	-	183,444
Financial liabilities measured at amortised cost					
Funding from other banks	377,417,501	176,915,564	-	819	554,333,884
Funding from clients	1,239,692,191	61,649,800	1,403,461	9,465,419	1,312,210,871
Derivatives - Hedge accounting	18,197,101	-	-	-	18,197,101
Provisions	3,338,288	-	-	-	3,338,288
Instruments representing capital	16,341,508	-	-	-	16,341,508
Other liabilities	24,044,912	1,503,260	12,212	676,726	26,237,110
	1,679,099,512	240,184,057	1,415,673	10,142,964	1,930,842,206
	339,439,594	(4,403,953)	48,091	12,063,865	347,147,597

Sensitivity analysis

The Group does not speculate on currency markets (FX) and the exposure to foreign currency fundamentally reflects its Clients' business, associated fluxes, as well the exposure to subsidiaries or branches of the Group. During 2019, the Group had exposure to some assets in foreign currency, namely futures and bonds.

In order to analyse the impact of a decline in exchange rates on the exposures held in the FX trading portfolio, 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 2019 and 2018 is presented as follows:

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

2018				
Currency	Base scenario		Impact resulting from a movement of:	
	Original currency	Equivalent	+15%	-15%
Australian Dollar	(7,679,850)	(4,734,803)	617,583	(835,553)
Argentine Peso	(20,086)	(466)	61	(82)
Brazilian Real	(9)	(2)	0	(0)
Canadian Dollar	(24,071,814)	(15,425,706)	2,012,049	(2,722,183)
Swiss Franc	(4,794,738)	(4,254,803)	554,974	(750,848)
Danish Krone	257,293	34,456	(4,494)	6,080
Pound Sterling	(4,062,625)	(4,541,631)	592,387	(801,464)
Yen	299,397	2,379	(310)	420
Norwegian Krone	(17,788)	(1,788)	233	(316)
Swedish Krone	376,710	36,735	(4,792)	6,483
American Dollar	34,155,353	29,830,003	(3,890,870)	5,264,118
Hong Kong Dollar	52,872	5,896	(769)	1,040
Mexican Peso	180	8	(1)	1
Turkish Lire	(1,757)	(290)	38	(51)
Metical	(15,245,455)	(216,524)	28,242	(38,210)
South African Rand	4,707	286	(37)	50
Total impact			(95,706)	129,485

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 levels of sensitivity to volatility (Vega) recorded values that were significantly lower in relation to the values registered in 2018. The reduced exposure to this class of assets has to do with the strategic perspective and a lack of interest in contracting new products throughout 2019. This strategic decision also had an impact on the delta values, where they were lower than those registered in 2018.

In fixed return products, the Bank opted for a long strategy in bonds. Exposure to the interest rate risk was lower during 2019, and this reduction reflected both the exposure to fixed rate assets and also the higher levels of the hedging of the interest rate risk.

2019				
	<i>Rho</i>	<i>Vega</i>	<i>Delta</i>	<i>Theta</i>
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

2018				
	<i>Rho</i>	<i>Vega</i>	<i>Delta</i>	<i>Theta</i>
Minimum	(768,866)	(3,408)	(168,041)	(11,645)
Maximum	72,087	75,774	182,292	(98)
Average	(123,207)	11,817	(36,351)	(1,758)
Standard Deviation	133,027	16,075	29,319	2,195

<i>Rho</i>	Sensitivity of the interest rate risk
<i>Vega</i>	Sensitivity of the volatility risk
<i>Delta</i>	Sensitivity of the underlyings risk
<i>Theta</i>	Sensitivity to the time risk

Limits and Reporting

Limits on trading activity are essential to the process, 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 BPV's (Basis Point Value), and statistical measures, such as VaR (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.

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 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, 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.

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, always backed by pondered and cautious commercial decisions, due to a variety 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 Group.

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, without the benefit of adequate assessment or appropriate control over risk exposure, 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.

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 process is a focus daily of the Board of Directors, especially because any autonomous methodology of risk measurement alone is generally insufficient to 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 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.

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 2019 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.

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 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 indications. 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 transition of financial assets from stage 2 to stage 3 occurs when these are in default. The significant increase in the credit risk should be determined through the analysis of internal quantitative and/or qualitative indicators used by the Group 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.

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.

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 will be 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:

	2020e	2021e
GDP	1.7%	1.6%
Unemployment Rate	5.5%	5.31%

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. 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 Compliance Department, together with the firm of lawyers 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.

D. 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, to calculate 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 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.

E. 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.

F. 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.

G. Triggers and alerts for significant increases in the credit risk

Staging Criterion – Transfer to stage 2		
	Securities portfolio	Credit portfolio
<i>TRIGGERS (automatic)</i>	<ul style="list-style-type: none"> 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; 	<ul style="list-style-type: none"> i. Delay in the payment of capital and/or interest of between 31 and 90 days;
<i>OTHER ALERTS (subject to revision and analysis in the Credit Risk Committee)</i>	<ul style="list-style-type: none"> 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; 	<ul style="list-style-type: none"> 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		
	Securities portfolio	Credit portfolio
<i>TRIGGERS (automatic)</i>	<ul style="list-style-type: none"> 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; 	<ul style="list-style-type: none"> i. Delay in the payment of capital and/or interest equal to or longer than 91 days;
<i>OTHER ALERTS (subject to revision and analysis in the Credit Risk Committee)</i>	<ul style="list-style-type: none"> 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; 	<ul style="list-style-type: none"> 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;

The distribution by sector of activity for the years ended on 31 December 2019 and 2018, is presented as follows:

2019					
	Financial assets at amortised cost		Financial assets held for trading	Financial assets at fair value through other comprehensive income	Guarantees and sureties provided
	Loans and advances Clients	Debt securities			
	Gross value	Gross value			
Agriculture, silviculture and fisheries	6,368	-	-	-	-
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

2018					
	Financial assets at amortised cost		Financial assets held for trading	Financial assets at fair value through other comprehensive income	Guarantees and sureties provided
	Loans and advances Clients	Debt securities			
	Gross value	Gross value			
Agriculture, silviculture and fisheries	10,132	-	-	-	-
Mining industries	-	-	416,498	76,025,110	-
Manufacturing industries	77	-	8,934,096	84,536,445	-
Electricity, gas, steam, hot and cold water and cold air	-	-	-	33,637,610	-
Construction	55,233	-	2,059,274	2,257,704	-
Bulk and retail trade; repair of motor vehicles and motorcycles	21,279	-	1,547	-	-
Transports and storage	451	-	1,892,005	13,749,700	-
Financial activity and insurance	3,949,985	-	34,618,901	600,328,337	-
Real estate	714,944	-	-	-	-
Scientific, technical consultancy and similar	863,068	-	485,701	30,478	15,000
Public administration and defence; Obligatory social security	-	336,293,487	16,012,491	750,715,640	-
Human health and social support	151,705	-	51,663	9,123,828	-
Mortgages	5,831,411	-	-	-	-
Loans to private individuals	26,829,681	-	258,971	-	191,302
Other	398,852	-	8,514,864	-	29,350
	38,826,818	336,293,487	73,246,011	1,570,404,852	235,652

(1) includes 301 260 606 euros relating to asset backed securities

(2) sovereign bonds

Exposure to public debt

On 31 December 2019 and 2018 the Group's exposure to public debt is as follows:

	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
Greece	127,544	-	-
Other	-	64,655,075	-
	14,522,356	662,088,304	384,839,548

	2018		
	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
Portugal	6,910,085	179,091,229	-
Spain	-	159,738,064	-
Italy	-	229,591,039	336,293,487
Greece	38,992	-	-
Other	-	174,208,168	-
	6,949,077	742,628,500	336,293,487

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:

	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	-
Greece					
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.

2018					
	Nominal value	List value	Accumulated interest	Balance Sheet value ⁽¹⁾	Fair value reserve ⁽²⁾
Financial assets held for trading					
Portugal					
Maturity under 1 year	6,572,722	6,842,362	49,353	6,891,715	-
Maturity over 1 year	17,503	17,913	458	18,370	-
Greece					
Maturity over 1 year	76,082	37,837	1,155	38,992	-
Financial assets at fair value through other comprehensive income					
Portugal					
Maturity over 1 year	182,713,000	176,656,910	2,434,319	179,091,229	5,481,098
Spain					
Maturity over 1 year	123,838,000	155,571,664	4,166,400	159,738,064	9,819,053
Italy					
Maturity over 1 year	234,000,000	228,648,892	942,147	229,591,039	5,851,467
Other					
Maturity over 1 year	173,637,436	170,404,432	3,803,735	174,208,168	6,438,910
Financial assets at amortised cost					
Italy					
Maturity over 1 year	325,000,000	283,997,850	1,744,082	336,293,487	-
	1,045,854,743	1,022,177,860	13,141,649	1,085,871,064	27,590,528

(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 2019 and 2018 the Group's debt exposure by rating is as follows:

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 31-12-2018								
	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	-	336,728,483	-	-	-	336,728,483	434,996	336,293,487
Hold to Collect and Sell								
Stage 1	125,109,378	1,191,245,699	103,679,416	-	150,410,171	1,570,435,330	1,088,603	1,569,346,727
	125,109,378	1,527,974,182	103,679,416	-	150,410,171	1,907,163,813	1,523,599	1,905,640,214

Exposure by type and staging

As a matter of presentation, the Group decided to group together the segments of Loans not represented by securities into only 3 segments: Loans at sight, Mortgages and Other Credits.

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 2019 and 2018 the Group's exposure by type and staging is as follows:

a.1)

	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

	Gross exposure 31-12-2018			
	Stage 1	Stage 2	Stage 3	TOTAL
Loans not represented by securities				
Current Account Credit	16,232,319	72,276	66	16,304,661
Mortgages	5,393,709	-	-	5,393,709
Other	17,515,052	53,963	27,696	17,596,711
Loans represented by securities				
Hold to Collect	336,728,483	-	-	336,728,483
Hold to Collect and Sell	1,570,435,330	-	-	1,570,435,330
Guarantees and sureties provided	235,652	-	-	235,652
TOTAL	1,946,540,545	126,239	27,762	1,946,694,546

	Impairment 31-12-2018			
	Stage 1	Stage 2	Stage 3	TOTAL
Loans not represented by securities				
Current Account Credit	-	-	66	66
Mortgages	841	-	-	841
Other	3,727	60	27,657	31,444
Loans represented by securities				
Hold to Collect	434,996	-	-	434,996
Hold to Collect and Sell	1,088,603	-	-	1,088,603
Guarantees and sureties provided	-	-	-	-
TOTAL	1,528,167	60	27,723	1,555,950

	Net exposure 31-12-2018			
	Stage 1	Stage 2	Stage 3	TOTAL
Loans not represented by securities				
Current Account Credit	16,232,319	72,276	-	16,304,595
Mortgages	5,392,868	-	-	5,392,868
Other	17,511,325	53,903	39	17,565,267
Loans represented by securities				
Hold to Collect	336,293,487	-	-	336,293,487
Hold to Collect and Sell	1,569,346,727	-	-	1,569,346,727
Guarantees and sureties provided	235,652	-	-	235,652
TOTAL	1,945,012,378	126,179	39	1,945,138,596

a.2)

GROSS EXPOSURE 31-12-2019	Stage 1	Stage 2			Total	Stage 3			TOTAL
		Paid on time	Days late <= 30	Days late > 30		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									
Segment	Stage 1	Stage 2			Total	Stage 3			TOTAL
		Paid on time	Days late <= 30	Days late > 30		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	-	-	-	-	-	-	-	-	-
	564,483	(13)	-	(2)	(15)	(575)	(29,790)	(30,365)	534,103

NET EXPOSURE 31-12-2019									
Segment	Stage 1	Stage 2			Total	Stage 3			TOTAL
		Paid on time	Days late <= 30	Days late > 30		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

GROSS EXPOSURE 31-12-2018									
Segment	Stage 1	Stage 2			Total	Stage 3			TOTAL
		Paid on time	Days late <= 30	Days late > 30		Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	16,232,319	72,276	-	-	72,276	-	66	66	16,304,661
Mortgages	5,393,709	-	-	-	-	-	-	-	5,393,709
Other	17,515,052	48,468	5,495	-	53,963	290	27,406	27,696	17,596,711
Loans represented by securities									
Hold to Collect	336,728,483	-	-	-	-	-	-	-	336,728,483
Hold to Collect and Sell	1,570,435,330	-	-	-	-	-	-	-	1,570,435,330
Guarantees and sureties provided	235,652	-	-	-	-	-	-	-	235,652
	1,946,540,545	120,744	5,495	-	126,239	290	27,472	27,762	1,946,694,546

IMPAIRMENT 31-12-2018									
Segment	Stage 1	Stage 2			Total	Stage 3			TOTAL
		Paid on time	Days late <= 30	Days late > 30		Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	-	-	-	-	-	-	66	66	66
Mortgages	841	-	-	-	-	-	-	-	841
Other	3,727	-	60	-	60	251	27,406	27,657	31,444
Loans represented by securities									
Hold to Collect	434,996	-	-	-	-	-	-	-	434,996
Hold to Collect and Sell	1,088,603	-	-	-	-	-	-	-	1,088,603
Guarantees and sureties provided	-	-	-	-	-	-	-	-	-
	1,528,167	-	60	-	60	251	27,472	27,723	1,555,950

NET EXPOSURE 01-01-2018	Stage 1	Stage 2			Stage 3			TOTAL	
		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	16,232,319	72,276	-	-	72,276	-	-	-	16,304,595
Mortgages	5,392,868	-	-	-	-	-	-	-	5,392,868
Other	17,511,325	48,468	5,435	-	53,903	39	-	39	17,565,267
Loans represented by securities									
Hold to Collect	336,293,487	-	-	-	-	-	-	-	336,293,487
Hold to Collect and Sell	1,569,346,727	-	-	-	-	-	-	-	1,569,346,727
Guarantees and sureties provided	235,652	-	-	-	-	-	-	-	235,652
	1,945,012,378	120,744	5,435	-	126,179	39	-	39	1,945,138,596

Reconciliation of exposures

On 31 December 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 01-01-2019		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)	(13,410,124)
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		1,880,626,587	-	-	1,880,626,587
Increases due to origination or acquisition		906,397,185	-	-	906,397,185
Reductions due to derecognition		(911,822,580)	-	-	(911,822,580)
Net variations due to alterations in the credit risk		-	-	-	-
Net variations due to modifications without derecognition		26,404,390	-	-	26,404,390
Alterations due to updates to methodologies used		-	-	-	-
Reductions due to write-offs		-	-	-	-
Other adjustments		-	-	-	-
Closing balance on 31-12-2019		1,901,605,582	-	-	1,901,605,582
Exposure Total on 31-12-2019		1,921,758,081	1,227,726	30,366	1,923,016,173

	Stage 1	Stage 2	Stage 3	Total
Exposure Loans not represented by securities and Guarantees and sureties provided				
Opening balance on 01-01-2018	37,287,365	3,098,391	164,084	40,549,840
Increases due to origination or acquisition	5,540,614	5,495	7,432	5,553,541
Reductions due to derecognition	-	-	(125,900)	(125,900)
Net variations due to alterations in the credit risk	2,652,037	(2,652,070)	33	-
Net variations due to modifications without derecognition	(6,103,284)	(325,577)	(16,514)	(6,445,375)
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	(1,373)	(1,373)
Other adjustments	-	-	-	-
Closing balance on 31-12-2018	39,376,732	126,239	27,762	39,530,733
Exposure Loans represented by securities				
Opening balance on 01-01-2018	1,324,774,091	12,165,413	-	1,336,939,504
Increases due to origination or acquisition	710,334,613	-	-	710,334,613
Reductions due to derecognition	(324,504,823)	-	-	(324,504,823)
Net variations due to alterations in the credit risk	12,165,413	(12,165,413)	-	-
Net variations due to modifications without derecognition	184,394,519	-	-	184,394,519
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2018	1,907,163,813	-	-	1,907,163,813
Exposure Total on 31-12-2018	1,946,540,545	126,239	27,762	1,946,694,546

Reconciliation of exposures

On 31 December 2019 and 2018 the movements in the Group's exposure subject to the calculation of 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 01-01-2019	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	(760)	3	543	(214)
Net variations due to modifications without derecognition	(13)	11	2	-
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2019	2,359	14	30,366	32,739
ECL Loans represented by securities				
Opening balance on 01-01-2019	1,447,459	-	-	1,447,459
Increases due to origination or acquisition	200,598	-	-	200,598
Reductions due to derecognition	(714,751)	-	-	(714,751)
Net variations due to alterations in the credit risk	-	-	-	-
Net variations due to modifications without derecognition	(466,559)	-	-	(466,559)
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2019	466,747	-	-	466,747
Total ECL on 31-12-2019	469,106	14	30,366	499,486

	Stage 1	Stage 2	Stage 3	Total
ECL Loans not represented by securities and Guarantees and sureties provided				
Opening balance on 01-01-2018	1,620	368	148,528	150,516
Increases due to origination or acquisition	3,307	60	7,557	10,924
Reductions due to derecognition	-	-	(125,900)	(125,900)
Net variations due to alterations in the credit risk	177	(177)	-	-
Net variations due to modifications without derecognition	(536)	(191)	(1,089)	(1,816)
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	(1,373)	(1,373)
Other adjustments	-	-	-	-
Closing balance on 31-12-2018	4,568	60	27,723	32,351
ECL Loans represented by securities				
Opening balance on 01-01-2018	780,878	1,556,508	-	2,337,386
Increases due to origination or acquisition	1,714,504	-	-	1,714,504
Reductions due to derecognition	(417,018)	(1,556,508)	-	(1,973,526)
Net variations due to alterations in the credit risk	(554,765)	-	-	(554,765)
Net variations due to modifications without derecognition	-	-	-	-
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2018	1,523,599	-	-	1,523,599
Total ECL on 31-12-2018	1,528,167	60	27,723	1,555,950

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, a weighting (calculated by the system) is automatically attributed to all the assets held as collateral 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 assessor.

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 2017 and 2018 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:

31-12-2019	Current Account Credit		Mortgages				Other			
	Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
	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€ and < 1 M€	8	5,416,846	-	-	-	-	-	-	1	500,000
>= 1 M€ and < 5 M€	4	6,986,648	-	-	-	-	-	-	-	-
	525	38,459,442	76	7,230,664	-	-	14	1,644,874	57	1,396,289

* Examples: Shares, bonds and deposits (at market prices)

31-12-2018	Current Account Credit		Mortgages				Other			
	Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	239	18,638,482	74	11,582,943	1	30,000	11	2,023,467	77	4,638,285
>= 0,5 M€ and < 1 M€	4	3,088,323	5	3,357,000	-	-	-	-	3	2,631,000
>= 1 M€ and < 5 M€	6	10,304,422	1	2,200,000	-	-	2	4,814,500	3	6,125,000
>= 5 M€	1	15,796,696	-	-	-	-	-	-	-	-
	250	47,827,923	80	17,139,943	1	30,000	13	6,837,967	83	13,394,285

* Examples: Shares, bonds and deposits (at market prices)

a) LTV ratio of the Housing and Other segments:

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% and < 80%	23	1,467,560	-	-	1,467,560	(220)	1,467,340
>= 80% and < 100%	30	2,530,897	-	-	2,530,897	(384)	2,530,513
Other							
No associated collateral	-	-	-	-	-	-	-
< 60%	5	446,147	-	-	446,147	(67)	446,080
>= 60% and < 80%	5	220,730	-	-	220,730	(42)	220,688
>= 80% and < 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

Segment / Ratio	31/12/2018						
	Number of buildings	Credit Stage 1	Credit Stage 2	Credit Stage 3	Total Credit	Impairment	Net exposure
Mortgages							
No associated collateral	-	-	-	-	-	-	-
< 60%	50	3,436,751	-	-	3,436,751	524	3,436,227
>= 60% and < 80%	24	1,712,031	-	-	1,712,031	267	1,711,764
>= 80% and < 100%	6	236,973	-	-	236,973	37	236,936
Other collateral	-	7,954	-	-	7,954	14	7,940
Other							
No associated collateral	-	227,340	5,495	27,696	260,531	29,318	231,213
< 60%	9	1,299,253	-	-	1,299,253	1,165	1,298,088
>= 60% and < 80%	3	91,637	-	-	91,637	331	91,306
>= 80% and < 100%	1	11,756	-	-	11,756	2	11,754
Other collateral	-	16,120,718	48,468	-	16,169,186	629	16,168,557
	93	23,144,413	53,963	27,696	23,226,072	32,287	23,193,785

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 2019.

The movements of incomings and outgoings in the restructured credit portfolio are presented as follows:

	2019	2018
Opening balance of restructured loans portfolio (gross of impairment)	-	4,743
Payment of restructured loans (partial or total)	-	(4,743)
Closing balance of restructured loans portfolio (gross of impairment)	-	-

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 2019 and 2018 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:

2019	Current Account Credit		Mortgages		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	-	-	164,422	(24)	602,801	(60)	767,224	(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)	21,410,590	(32,738)

2018	Current Account Credit		Mortgages		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	66	66	-	-	230,252	27,430	230,318	27,496
Collective	16 304 595	-	5,393,709	841	17,602,111	4,014	39,300,415	4,855
	16 304 661	66	5,393,709	841	17,832,363	31,444	39,530,733	32,351

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%	+ 341 euros
-1%	- 341 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, processing failures, unexpected interruptions in activity or stoppages or shortages in terms of third party supplies or provision of services.

To monitor the risks and the effective fulfilment of the 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 2019 and 2018 are presented as follows:

		2019	2018
A - Equity Funds			
Ordinary paid-up capital, issue premiums and treasury stock		172,738,404	172,242,408
Results and reserves formed from retained earnings		195,570,550	160,944,394
Minority interest recognised in FPP1		3,773,989	-
Intangible assets		(2,937,612)	(2,114,081)
Adjustments due to prudential filters		(1,630,019)	(1,662,031)
Common Equity Tier 1 Capital	(A1)	367,515,312	329,410,690
Tier 1 Capital	(A2)	367,515,312	329,410,690
Total Equity Funds	(A3)	367,515,312	329,410,690
B - Risk weighted assets	(B)	851,619,265	1,047,325,984
C - Prudential Ratios			
Common Equity Tier 1 Capital ratio	(A1 / B)	43.2%	31.5%
Tier 1 Capital ratio	(A2 / B)	43.2%	31.5%
Total capital ratio	(A3 / B)	43.2%	31.5%

The movement in equity funds for the years ended on 31 December 2019 and 2018 is presented as follows:

	2019	2018
Opening Balance	329,410,690	329,790,312
Ordinary paid-up capital, issue premiums, treasury stock and other	495,996	4,061,298
Results and reserves formed from retained earnings	34,626,156	8,474,091
Other temporary adjustments	-	(12,864,342)
Minority interest recognised in FPP1	3,773,989	-
Intangible assets	(823,531)	279,770
Adjustments due to prudential filters	32,012	(330,439)
Closing Balance	367,515,312	329,410,690

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 quite negative news relating to the Group, with consequences in terms of the partial or total withdrawal of deposits by clients on the same day or within the period of one week.

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 in the period of one week

Liquidity available in the period of one week: 173,355,296 Euros.

Liabilities: 267,787,553 Euros.

In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 94,432,257 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 41,657,462 Euros.

Scenario 2 – 50% of Demand Deposits are withdrawn by clients in the period of one week

Liquidity available in the period of one week: 173,355,296 Euros.

Liabilities: 401,681,329 Euros.

In this scenario, it would be necessary to sell assets or seek additional funding, for a total amount of 228,326,033 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 41,657,462 Euros.

Scenario 3 – 50% of Demand Deposits and of Term Deposits are withdrawn by clients in the period of one month

Liquidity available in the period of one month: 173,355,296 Euros.

Liabilities: 644,788 236 Euros.

In this scenario, it would be necessary to sell assets or seek additional funding, for a total amount of 471,432,940 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 41,657,462 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 2018, the impact of which is described below:

Scenario 1 – 33% of Demand Deposits are withdrawn by clients in the period of one week

Liquidity available in the period of one week: 173,355,296 Euros.

Liabilities: 267,787,553 Euros.

In this scenario, it would be necessary to sell assets or seek additional funding, for a total amount of 94,432,257 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 25,262,255 Euros.

Scenario 2 – 50% of Demand Deposits are withdrawn by clients in the period of one week

Liquidity available in the period of one week: 173,355,296 Euros.

Liabilities: 401,681,329 Euros.

In this scenario, it would be necessary to sell assets or seek additional funding, for a total amount of 228,326,033 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 25,262,255 Euros.

Scenario 3 – 50% of Demand Deposits and of Term Deposits are withdrawn by clients in the period of one month

Liquidity available in the period of one month: 173 355 296 Euros.

Liabilities: 644,788,236 Euros.

In this scenario, it would be necessary to sell assets or seek additional funding, for a total amount of 471,432,940 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 25,262,255 Euros.

▲ NOTE 41 PLEDGING OF ASSETS

On 31 December 2019 and 2018 pledges on assets may be analysed as follows:

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	

2018	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	528,439,163	517,046,787	1,448,193,119	1,409,033,940
Shares	-	-	2,289,918	2,289,918
Other securities	-	-	621,666	621,666
Other assets	700,000	-	297,745,937	-
	529,139,163		1,748,850,640	

On 31 December 2019 the amount of liabilities associated to pledged assets was 452,571,329 Euros (31 December 2018: 405,598,411 Euros).

NOTE 42 RECENTLY ISSUED STANDARDS

IFRS Disclosures – New standards on 31 December 2019:

1. Impact of the adoption of new standards, alterations to the standards and interpretations that became effective on 1 January 2019:

a) IFRS 16 (new), 'Leasing'. This new standard replaces IAS 17 – 'Leasing', with a significant impact on the accounting of lessees who are now obliged to recognise a leasing liability reflecting future payments of the lease and a right-of-use asset for all leasing contracts, except certain short-term leasing and low-value assets. The definition of a leasing contract also was altered, being based on the "right to control the use of an identified asset. With regard to the transition regime, the new standard may be applied retrospectively or a modified retrospective approach may be followed. The impact of this standard is identified in Note 25.

b) IAS 19 (amendment), 'Amendments, curtailments and settlements of defined benefit plans'. This amendment to IAS 19 requires an entity to: (i) use updated assumptions to determine the cost of the current service and the net interest for the remaining period after the amendment, curtailment or settlement of the plan; and (ii) recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The impact on the asset ceiling is always registered in Other Comprehensive Income and cannot be reclassified to profit or loss. This alteration did not have significant impact on the bank

c) Improvements to standards 2015 – 2017. This cycle of improvements affects the following standards: IAS 23, IAS 12, IFRS 3 and IFRS 11.

d) IFRIC 23 (new), 'Uncertainty over the treatment of Income Tax'. This is an interpretation of IAS 12 – 'Income tax', referring to the requisites of measurement and recognition to be applied when there are uncertainties regarding the acceptance of a given fiscal treatment by the Tax Authorities in relation to Income Tax. In the event of uncertainty regarding the position of the Tax Authorities on a specific transaction, the entity should make its best estimate and enter the income tax assets or liabilities in the light of IAS 12, and not of IAS 37– 'Provisions, contingent liabilities and contingent assets', based on the expected value or the most probable value. Application of IFRIC 23 may be on a retrospective or modified retrospective basis.

2. Amendments to the standards published, whose application is obligatory for annual periods that start on or after 1 January 2020, which the European Union has already endorsed:

a) IAS 1 and IAS 8 (amendment), 'Definition of material' (to be applied in years that start on or after 1 January 2020). 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.

b) Conceptual structure, 'Amendments in the reference to other IFRS' (to be applied in years that start on or after 1 January 2020). As a result of the publication of the new Conceptual Structure, the IASB introduced amendments in the text of various standards and interpretations, like: 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, in order to clarify the application of the new definitions of asset / liability and of expense / income, besides some of the characteristics of the financial information. These amendments are to be applied retrospectively, unless this is impracticable.

3. Standards (new and amendments) published, whose application is obligatory for annual periods that start on or after 1 January 2020, but that the European Union has not yet approved:

a) IFRS 3 (amendment), 'Definition of business' (to be applied in years that start on or after 1 January 2020). This amendment is still subject to the process of endorsement by the European Union. 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.

b) IFRS 9, IAS 39 and IFRS 7 (amendment), 'Reform of reference interest rates' (in force for annual periods beginning on or after 1 January 2020). These amendments are still subject to the approval of the European Union. 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.

c) IFRS 17 (new), 'Insurance contracts' (to be applied in years that start on or after 1 January 2021). 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, on each reporting date. Current measurement can be based on a complete model ("building block approach") or simplified model ("premium allocation approach"). Recognition of the technical margin differs according to whether this is positive or negative. IFRS 17 is to be applied retrospectively.

Summary table of new standards:

Description	Amendment	Date of effect
1. New standards, amendments to the standards and interpretations effective on 1 January 2019		
IFRS 16 – Leasing	New definition of leasing. New accounting of leasing contracts for the lessees. There are no amendments to the accounting of leasing by lessors	1 January 2019
IFRS 9 – Financial instruments	Exemption from the classification of financial assets to the amortised cost for financial assets with pre-payment conditions.	1 January 2019
IAS 19 – Employee benefits	Obliges the use of updated assumptions for the calculation of the remaining liabilities after update, curtailment or settlement of benefits, with an impact on the income statement, except regarding the reduction of any excess within the scope asset ceiling	1 January 2019
IAS 28 – Investments in associated and joint ventures	Clarification regarding long-term investments in associated and joint ventures that are not being measured through the equity pick-up method	1 January 2019
Improvements to standards 2015 – 2017	Clarificações várias: IAS 23, IAS 12, IFRS 3 e IFRS 11	1 January 2019
IFRIC 23 – Uncertainties over the treatment of income tax	Clarification relating to the application of the principles of recognition and measurement of IAS 12 when there is uncertainty over the fiscal treatment of a transaction, by way of income tax	1 January 2019
2. Amendments to standards that become effective, on or after 1 January 2020, already endorsed by the EU		
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
3. Standards (new and amendments) that become effective, on or after 1 January 2020, not yet approved by the EU		
IFRS 3 – Concentrations of business activities	Alteration of the definition of business	1 January 2020
IFRS 9, IAS 39 and IFRS 7 – Reform of the reference interest rates	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
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with characteristics of discretionary participation.	1 January 2021

NOTE 43 SUBSEQUENT EVENTS

Market conditions – Coronavirus

The pandemic caused by Covid-19, will most likely affect the global economy and the Bank's activity and assets. More specifically, impacts are expected on the financial statements from the reassessment of the financial instruments measured at fair value, and also on expected credit losses. However, the Bank has comfortably a capital ratio above the minimum limit, which grants it a significant level of resilience.

It should be pointed out, however, that the Bank is implementing its contingency plan. In operational terms, a set of measures was implemented which provided the necessary resources to all the employees that are essential to the normal deployment of the Bank's activity in order to be able to work remotely. Furthermore, a COVID-19 contingency plan was defined containing operating procedures to address the possible adverse events arising from the propagation of the pandemic.

Currently, the Bank is closely monitoring the evolution of the pandemic caused by COVID-19 in order to assess potential impacts on its activity. Given the uncertainties and measures in progress that are being assessed by national and international regulators, the Bank still cannot precisely and reliably estimate the impacts on its financial statements.

BiG Spain

During 2020, BiG plans to launch its digital banking strategy for the Spanish market. At an early stage, the focus will be essentially on trading platforms, on attracting clients' funds, on asset management and on the provision of financial consultancy services.

BiG Moçambique – Capital increase

In order to meet the minimum capital requirements that banks must comply with, recently revised and defined by the regulator in Mozambique, BiG Portugal subscribed, in the first quarter of 2020, for the approximate amount of 6.3 million Euros in local currency (436,863,985 Meticais), part of the total capital increase of 528,655,000 Meticais. The difference was subscribed by the other shareholders, local institutional investors, in the proportion of their shareholding positions in BiG Mozambique. As a result of the operation and the conclusion of the sale of a block of 15,823 shares to one of the shareholders, BiG Portugal owned 82.64% of the capital of BiG Mozambique (corresponding in the local currency to around € 20.1 million).

BiG vs. BIC lawsuit – possible confusion of the brand names

The lawsuit that BiG filed several years ago against Banco BIC (which currently uses the commercial brand "EuroBic") continues, with the EUIPO (European Union Intellectual Property Office – Intellectual Property Institute of the European Union) generally taking decisions that are favourable to BiG's position in not allowing registration of the brand "EuroBic", while recent decisions by the equivalent national body, the INPI (National Institute for Intellectual Property), appear to be contradictory in this regard, a position equally supported by the Intellectual Property Court. The decision of this court, which initially had decided in favour of BiG's position in relation to the possible confusion of the brands, partially accepted the appeal made by Banco BIC, although confirming the original decision that obliges Banco BIC to pay compensatory damages.

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Aurélio Adriano Rangel Amado or

José Manuel Henriques Bernardo

CONTACTS IN BUSINESS AREAS

General

Online Services

Client Contact Center

213 305 377

www.big.pt

apoio@big.pt

Clients

Personal Wealth Management

Private Wealth Management

Institutional Wealth Management – Lisboa

Institutional Wealth Management – Porto

Tiago Eusébio

Pedro Coutinho

Rui Bolsa

Diogo Costa

Cláudio Sousa

tiago.eusebio@big.pt

pedro.coutinho@big.pt

rui.bolsa@big.pt

diogo.costa@big.pt

claudio.sousa@big.pt

Business Areas

Markets

Asset Management

Corporate Finance

Platforms and Brokerage

Research

João Henrique

Rui Broega

Bruno Caixeirinho

Steven Santos

João Calado

joao.henrique@big.pt

rui.broega@big.pt

bruno.caixeirinho@big.pt

steven.santos@big.pt

joao.calado@big.pt

Support Areas

IT

Operations

Accounting

Reporting

Compliance

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Risk

Vitor Luís

Paulo Campos

Dora Moreira

Luisa André

Francisco Passaradas

David Almeida

Paula Moreira

Patricia Caetano

Miguel Machado

Lúcia Ventura

Miguel Mira

Teresa Raimundo

vitor.luis@big.pt

paulo.campos@big.pt

dora.moreira@big.pt

luisa.andre@big.pt

francisco.passaradas@big.pt

david.almeida@big.pt

paula.moreira@big.pt

patricia.caetano@big.pt

miguel.machado@big.pt

lucia.ventura@big.pt

miguel.mira@big.pt

teresa.raimundo@big.pt

Head Office

Av. 24 de Julho, n.º 74-76, 1200-869 Lisboa

213 305 300

