2022 ANNUAL REPORT

BiG

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(Euro)

Consolidated	2022	2021	2020	2019
Net Interest Margin	28,388,331	19,942,939	18,068,113	24,207,301
Net Commissions and Fees	17,508,837	15,702,237	11,326,316	11,074,703
Treasury and Capital Markets	10,347,623	26,495,372	41,980,415	54,419,455
Other Income	194,870	294,261	288,742	741,773
Operating Income	**56,439,661**	**62,434,810**	**71,663,585**	**90,443,232**
Personnel Expenses	-21,233,057	-21,070,352	-19,380,764	-20,324,787
Other Administrative Costs	-13,591,009	-12,547,803	-13,018,649	-12,009,892
Cash Contributions	-1,164,782	-1,228,416	-1,136,151	-915,163
Operating Expenses	**-35,988,849**	**-34,846,571**	**-33,535,564**	**-33,249,842**
Operating Cash Flow	**20,450,812**	**27,588,239**	**38,128,021**	**57,193,390**
Depreciation	-3,473,142	-3,187,138	-2,238,810	-2,375,391
Provisions	319,059	1,055,500	84,000	1,730,876
Impairments	-2,695,616	-625,177	-1,102,840	954,000
Operating Results	**14,601,114**	**24,831,423**	**34,870,371**	**57,502,875**
Profit Before Income Tax	**14,601,114**	**24,831,423**	**34,870,371**	**57,502,875**
Current Income Tax	-3,605,892	-2,096,910	-8,885,664	-11,610,532
Deferred Tax	-274,776	-986,964	-336,386	-3,340,919
Profit Afer Income Tax Before Minority Interest	**10,720,446**	**21,747,549**	**25,648,321**	**42,551,424**
Minority Interest	-478,959	-546,342	-602,381	-472,944
Net Income	**10,241,487**	**21,201,207**	**25,045,941**	**42,078,480**

Individual	2022	2021	2020	2019
Net Income	**8,704,277**	**18,007,237**	**24,173,007**	**40,318,127**

Selected Indicators	2022	2021	2020	2019
Total Net Assets	2,436,982,999	2,772,026,509	2,203,605,500	2,268,414,317
Shareholder Funds	350,043,120	412,680,913	421,904,979	399,255,331
Own Funds	316,065,294	374,811,723	390,682,940	367,515,312
Client Deposits	1,611,444,893	1,553,888,768	1,402,939,710	1,289,576,472
Non-Performing Loans / Total Loans	0.3%	0.3%	0.3%	0.1%
Loans / Client Deposits	2.2%	2.7%	2.3%	1.6%
Loans / Total Net Assets	1.4%	1.5%	1.5%	0.9%
Assets Under Supervision (*)	5,808,620,545	6,060,342,028	4,704,561,598	3,798,642,999

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

Profitability	2022	2021	2020	2019
Return on Average Assets (ROA)	0.4%	0.9%	1.1%	1.9%
Return on Average Equity (ROE)	2.8%	5.2%	6.2%	11.4%
Operating Income / Average Net Assets	2.2%	2.5%	3.2%	4.0%

Solvency	2022	2021	2020	2019
CET1 Capital Ratio	28.8%	34.4%	45.3%	43.2%
T1 Capital Ratio	28.8%	34.4%	45.3%	43.2%

Efficiency	2022	2021	2020	2019
Net Interest Income / Earning Assets	1.3%	0.8%	0.9%	1.1%
Operating Expense / Operating Income	67.9%	58.9%	48.3%	38.4%
Personnel Expense / Operating Income	37.6%	33.7%	27.0%	22.5%

Source: BiG

1. FINANCIAL INDICATORS

MANAGEMENT REPORT

2. INTRODUCTION

2.1. BIG PROFILE

Banco de Investimento Global, S.A. ("BiG", or the "Bank") is a specialized savings and investment bank. Founded in 1998 and with headquarters in Lisbon, the Bank has physical offices in Portugal, Spain and Mozambique and a digital presence via www.big.pt, www.bancobig.es and www.bancobig.co.mz. The Bank is licensed to operate in all business areas open to the banking sector, and in 2022 generated most of its revenues in Portugal.

On 31 December 2022, on a consolidated basis, the Bank had € 2.4 billion in assets, € 1.6 billion in client deposits and € 350 million in shareholders' equity.

The Bank focuses on savings, investment and advisory activities to individual and corporate/institutional client segments. Our client businesses concentrate on deposit offering, trading platforms, asset management, wealth management and advisory solutions via digital platforms and sales teams.

On a daily, operational level, we focus on asset quality, liquidity and interest rate risk management, internal operating controls, reliable execution, capital preservation and the control of business risks.

The Bank's capital is held by a dispersed, stable base of mainly Portuguese individual and institutional investors (see the Section 2.3 – Shareholder Structure and Note 41 of the notes to the Consolidated Accounts).

Total staff for the Group at year-end 2022 was 382 (see the Section 2.4 – People).

The Bank's business model and risk appetite are designed to prepare us for operations under adverse market conditions. With this objective in mind, the Bank's solvency, asset quality, liquidity and other operational metrics are consistently strong and Management's focus on financial discipline is deliberate, permanent, and strategic. Since the Bank's founding more than 20 years ago, BiG has relied on internally-generated and largely-retained earnings to finance its growth – after paying regular dividends – and to expand and improve on its business model, frequently during periods of market stress. We manage the business with own funds, client deposits, wholesale funding, and have never issued debt instruments. BiG's business model is based on technology-driven solutions to reach clients and process their transactions. We invest regularly in efficient, scalable processes and procedures and we encourage an operating culture that seeks to limit operational errors and credit losses to very low levels. We favor quality over size and market share across our business lines and have never sought to follow, or to replicate traditional, universal banking models.

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

2.2. WHAT BIG DOES

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

The Bank's businesses, encompassing the Spain branch, subsidiaries and specialized sales and product teams are combined and presented for purposes of internal reporting as two main business lines – Wealth Management and Advisory and Treasury and Capital Markets. These business areas are described in further detail in Section 6.2 – Earnings in 2022.

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

The asset side of the Balance Sheet, as a rule, reflects geographic and sectorial diversity, which may vary over time, depending on market conditions and business opportunities. It also reflects our policy of maintaining significant levels of assets that are easily convertible to liquidity. The liability side of the Balance Sheet focuses on stable retail deposits and capital growth. The business model and Management's view on leverage have not required the issuance of debt instruments over the more than 20 years of the Bank's existence. The Bank interacts with clients through a variety of integrated channels. Retail clients are served by the online investment platforms, www.big.pt, www.bancobig.es, and by a network of 14 branches located in key regions in Portugal. Corporate and Institutional clients are the focus of sales and product teams based in Lisbon, Porto, Madrid (Spain) and Maputo (Mozambique).

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

2.2.1. WEALTH MANAGEMENT AND ADVISORY

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

The combination of internet-based platforms and specialized sales teams help clients execute banking transactions, manage savings, and invest in 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 larger corporations, the Bank's professionals from key product areas design specific financial solutions, execute trading and investment strategies, and help clients manage their assets and business risks. The broad range of services includes trading in regulated markets, market research, structuring over the counter products, asset management, market risk management and corporate advisory services.

2.2.2. TREASURY AND CAPITAL MARKETS

This business area focuses on the Bank's investment activities, as well as liquidity and balance sheet management. It is also central to the Bank's culture of managing and analyzing market risks, in particular, the interest rate risk inherent to the Bank's portfolio.

2.3. SHAREHOLDER STRUCTURE

At year-end 2022, the Bank's shareholder structure was composed by about 230 common stockholders, mainly Portuguese individuals. On the same date, 59,5% of the common stock was held by individuals and 40.5% were held by institutions, foundations, corporations or holding companies. The largest single shareholder, a private individual, held 12.7% of the stock with voting rights directly.

At 31/12/22, 12 shareholders were owners of at least 2% of the Bank's common stock. All are independent of one another and, in aggregate, held 65% of the capital. There are no agreements tying shareholders together.

In accordance with the Bank's statutes, there are no restrictions on the voting rights of shareholders. Each share held corresponds to one vote, which can be exercised provided that each shareholder, or group of shareholders, holds at least 1000 shares.

2.4. PEOPLE

The breakdown by category of staff levels during 2022 may be found in Note 12 of the notes to the Consolidated Accounts. Total staff on a consolidated basis was 382 at year-end 2022, of which 303 were based in Portugal, 28 in Spain, and 51 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.

T.2

	2020	2021	2022
Portugal	266	289	303
Mozambique	37	44	51
Spain	17	30	28
Number of Employees	**320**	**363**	**382**

Source: BiG

3. PERFORMANCE HIGHLIGHTS IN 2022

3.1. MAIN HIGHLIGHTS

An overview of selected income statement and balance sheet items is provided in Table 3 (indicators on a consolidated basis). Further detailed analysis of financial indicators and results of business segments may be found in Section 6.2 – Earnings in 2022 and in the Notes to the Consolidated Accounts.

The Bank generated consolidated Net Income of € 10.2 million in 2022, versus € 21.2 million in 2021;

The Bank's consolidated Net Operating Revenues in 2022 were € 56.4 million, versus € 62.4 million in 2021;

The Bank's consolidated Shareholders' Equity at 31/12/22 was 350.0 million, versus € 412.7 million for the prior year at 31/12/21;

Consolidated Own Funds at 31/12/2022 were € 316.1 million, versus 374.8 million at 31/12/21;

Earnings per share (EPS) in 2022 were € 0.05, versus € 0.12 in 2021;

Return on Average Equity (ROE) in 2022 was 2.8%, versus 5.2% in 2021;

The Book Value (BV) of BiG's common stock at 31/12/2022 was € 1.87, versus € 2.21 per share at 31/12/21;

BiG's consolidated Tier 1 Capital Ratio at 31/12/2022 was 28.8%, versus 34.4% at 31/12/21;

The consolidated Leverage Ratio at 31/12/2022 was 13.2%, versus 13.4% at 31/12/21;

The consolidated Liquidity Coverage Ratio at 31/12/2022 was 240%, versus 230% at 31/12/21;

The ratio of Non-performing loans/Total Loans at 31/12/2022 was 0.3%, in line with the historical average of very low credit losses.

In 2022 more than 85% of the Group's revenues were generated in Portugal, with most of the remainder generated by the Bank's investment banking unit in Mozambique. In terms of the balance sheet, the Bank's activity focuses on investment grade, liquid securities, recognized in trading and banking books. The balance sheet contains a reduced amount of loans, which are naturally less liquid and not considered strategic from a risk/return perspective. Given the liquid nature of the balance sheet, credit risks and concentrations are managed actively in the context of overall market conditions and investor sentiment with respect to interest rates. These activities are structural and remain unchanged from prior years.

BiG's analysis of credit concentrations and earnings opportunities takes into consideration Management's expectations with respect to trends in credit quality, interest rates and market liquidity, as well as how these issues may be influenced by economic, political, and regulatory movements. As a matter of long-term strategy and appetite for risk, a substantial majority of the Bank's exposure involved country risk exposures other than Portugal, including other European countries, U.S. and, to a lesser extent, other geographies.

3.2. KEY FINANCIAL METRICS IN 2022

For a more detailed analysis, please refer to Section 6.2 – Earnings in 2022 and the Notes to the Consolidated Accounts.

3.2.1. MARKET BACKGROUND

For much of the year, the market context was impacted by the military conflict between Russia and Ukraine and the resulting geopolitical and economic tensions and consequences. This conflict, and the unprecedented sanctions imposed on Russia, resulted in higher levels of volatility in the market, significant variations across virtually all asset classes, increases in commodity prices, rising inflation and a flight to refuge assets.

In addition, 2022 was marked by the aggressive action of the main interna-tional central banks in raising reference interest rates – both in terms of pace

T.3 (Euro 000)

Summary of Results	2022	2021	2020	2019
Total Net Revenue	56,440	62,435	71,664	90,443
Non Interest Expense	-41,839	-37,603	-36,793	-32,940
Taxes	-3,881	-3,084	-9,222	-14,951
Minority Interest	-479	-546	-602	-473
Net Income	10,241	21,201	25,046	42,078
Shareholders Funds	350,043	412,681	421,905	399,255
Own Funds	316,065	374,812	390,683	367,515
Total Net Assets	2,436,983	2,772,027	2,203,605	2,268,414
Loans	34,869	41,467	32,429	21,117
Deposits	1,611,445	1,553,889	1,402,940	1,289,576
CET1 Capital Ratio	28.8%	34.4%	45.3%	43.2%
T1 Capital Ratio	28.8%	34.4%	45.3%	43.2%

Source: BiG

and magnitude. The unprecedented monetary tightening led global bond indices to record their worst annual performance ever and the market to discount an expectation of economic recession in mid-2023.

3.2.2. EARNINGS

Regardless of market conditions, the long-term strategy defined by Management is to maintain a low risk profile, to preserve capital and to grow in a sustainable manner.

In 2022, the Group's net interest margin increased, reflecting a context of rising interest rates and wider spreads relative to prior years, Net commissions also increased, as a result of higher levels of client trading and the expansion of business, namely through the acquisition of DIF Broker. In turn, results from treasury and capital market activities declined, in a year marked by strong corrections in financial markets.

As a result of this performance, **the Bank's consolidated net operating revenues in 2022 declined by 9.6% to € 56.4 million from € 62.4 million in 2021**.

Operating costs rose 11.3%, reflecting the consolidation of DIF Broker and the investments in expansion and team building, particularly in the Wealth Management segment, which, as per its nature, is a business of accumulation and, therefore, slower to generate relevant results. Operating costs include expenses associated with "solidarity" taxes on the banking sector and contributions to the Portuguese resolution and European guarantee funds. Excluding expenses related to resolution and deposit guarantee funds, key operating expenses related to personnel, administrative expenses and depreciation increased 4.1%.

The efficiency ratio, defined as Operating Expenses/Operating Income, rose to 67.9% from 58.9% in the prior year.

Net provisions remained low, while impairment losses increased to about € 2.7 million, from € 0.6 million in 2021, reflecting higher expected credit losses (ECL) in a context of market corrections and widening credit spreads.

The Bank's estimated income tax for 2022 is € 3.9 million, compared to € 3.1 million in 2021, or 26.4% of pre-tax income, compared to 12.42% in 2021 (which was influenced by the positive contribution of tax benefits under the SIFIDE II program).

Consolidated net income decreased 52% to € 10.2 million, compared to € 21.2 million in 2021.

3.2.3. KEY BALANCE SHEET ITEMS

Total Assets as at 31 December 2022 amounted to € 2.4 billion, 12.1% less than at the end of the previous year.

The Bank maintains a significant component of its assets valued at market prices. This practice translates the principles of prudence, rigor and transparency to which the Bank has been committed since its foundation. It also means that the Bank's financial statements reflect in real time the adjustments in market conditions and in market sentiment of economic agents. As such, notwithstanding the mitigating effect of the Bank's interest rate hedging strategy, there was a reduction in the value of earning assets in 2022, associated in part with market corrections on the valuations of financial assets.

The composition of BiG's earning assets continued to correspond, essentially, to net fixed income financial instruments, measured under the accounting headings of *Hold to Collect and Sell* and *Hold to Collect*.

T.4 (Euro 000)

Earnings	2022	2021	2020	2019
Net Operating Revenues	56,440	62,435	71,664	90,443
Net Operating Expenses	-41,839	-37,603	-36,793	-32,940
Pre-tax Profit	**14,601**	**24,831**	**34,870**	**57,503**
Taxes	-3,881	-3,084	-9,222	-14,951
Net profit before minority interests	**10,720**	**21,748**	**25,648**	**42,551**
Minority Interests	-479	-546	-602	-473
Profit or loss for the year	**10,241**	**21,201**	**25,046**	**42,078**

Source: BiG

T.5 (Euro)

Key Balance Sheet Items	2022	2021	2020	2019
Total Net Assets	2,436,982,999	2,772,026,509	2,203,605,500	2,268,414,317
Shareholder Funds	350,043,120	412,680,913	421,904,979	399,255,331
Own Funds	316,065,295	374,811,723	390,682,940	367,515,312
Deposits from Clients	1,611,444,893	1,553,888,768	1,402,939,710	1,289,576,472
Non-Performing Loans / Total Loans	0.3%	0.3%	0.3%	0.1%
Loans / Client Deposits	2.2%	2.7%	2.3%	1.6%
Loans / Total Net Assets	1.4%	1.5%	1.5%	0.9%
Assets Under Supervision (*)	5,808,620,545	6,060,342,028	4,704,561,598	3,798,642,999

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

In 2022, in the context of its strategy to reinforce the most recurring components of net operating revenues (net interest income and commissions), BiG created a new business model designated as "Medium Term Net Interest Margin Portfolio", whose assets are managed with the purpose of generating net interest income until maturity and recorded under the *Hold to Collect* accounting heading. In this context, in September 2022 a group of securities were transferred to the referred new "Medium Term Net Interest Margin Portfolio", with a nominal value of € 547,419 thousand and a fair value of € 488,151 thousand. As such, these assets were reclassified from the *Hold to Collect and Sell* accounting item to the *Hold to Collect* item.

Loans / Client deposits ratio was 2.2% at the end of 2022, which compares with 2.7% at the end of the previous year. The amount of loans outstanding represented 1.4% of total Assets, similarly to 2021. These ratios may vary slightly from year to year, but tend to remain structurally low over time, contribute to the strategy of maintaining a high level of structural liquidity, and reflect the Bank's business model of placing little emphasis on consumer lending. The ratio of Non-performing Loans / Total Loans was 0.3% at the end of 2022, in line with the negligible levels of previous years.

The Bank's main sources of funding in 2022 were (i) retail client deposits, (ii) shareholders' funds, (iii) asset sale/repurchase agreements with market counterparties, among which are financial institutions with global presence and (iv) occasionally, funding transactions with the European Central Bank. Retail client deposits and equity are considered core, while other components vary according to market opportunities and prices. To date, the Bank has not issued any debt instruments and, in line with its business model and structurally low leverage, has no plans to do so.

Consolidated Shareholder Funds declined to € 350.0 million at year-end 2022 from € 412.7 million at year-end 2021, reflecting, in addition to the distribution of results for 2021, a negative performance in terms of fair value reserves, associated with the mark-to-market of the *Hold to Collect and Sell* portfolio.

3.2.4. CAPITAL

The Bank's capital level provides confidence to clients and counter-parties and reflects key aspects of management. The Bank manages capital by (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 the balance sheet, (iii) objectively assessing the business environment and (iv) identifying and measuring potential material risks, whether specific or strategic.

As discussed above, the Bank performs projections on funding and capital on a regular basis and provides them to the regulator on an annual basis. Such analyses are fundamental to maintaining discipline in risk taking and, therefore, in the deployment of capital.

The following diagram briefly illustrates the capital management process:

The value of the shareholders' capital at the end of the year was € 186.9 million, corresponding to 186,947,388 ordinary shares issued, each with a nominal value of € 1. The Bank's capital additionally includes € 12 million of redeemable preferred shares, issued as part of a medium-term incentive program for executive board members and employees, which are expected to be redeemed in 2023.

The combination of lower earnings and a decline in the Fair Value Reserve resulted in a decrease in Shareholder Funds to € 350 million at 31/12/22. This compares to € 413 million at year end 2021. At 31/12/22, BiG held treasury stock in an amount inferior to 0.01% of the Total Shareholder's Capital.

The Bank's Regulatory Capital, or "Own Funds," is calculated in accordance with Central Bank regulations and amounted to € 316.1 million at 31/12/2022, versus € 374.8 million at 31/12/2021. This figure does not include the 2022 Net Income, which at year-end is still subject to approval by the shareholders at the General Shareholders' Meeting.

The Bank's consolidated Tier 1 Capital Ratio was 28.8% at the end of 2022,

T.6 (Euro 000)

Shareholders Capital	2022	2021	2020	2019
Common Stock	186,947	186,947	171,947	171,947
Share premium	1,362	1,362	1,362	1,362
Treasury Stock	-2	-2	-2	-2
Accumulated other comprehensive income	-86,398	-21,788	2,257	-2,296
Other Reserves	232,347	220,111	217,345	197,867
Profit or loss attributable to owners of the parent	10,241	21,201	25,046	42,078
Antecipated Dividends	0	0	0	-15,475
Minority Interest	5,545	4,849	3,950	3,774
Total Shareholders Capital	350,043	412,681	421,905	399,255
Book value per share	1.87	2.21	2.45	2.32
Net assets / Equity	6.96	6.72	5.22	5.68

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down from 34.4% at the end of 2021. This ratio has remained consistently and significantly 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, the Bank performs stress tests to the most critical balance sheet items. These include: (i) stress tests on solvency and (ii) controls on prudential and internal limits established by the Bank. These tests are designed to measure the impact on solvency ratios resulting from adverse changes.

The results of the stress tests, while hypothetical, often serve as triggers for Management and business areas to act, by reducing risks or diversifying concentrations. Examples of extreme scenarios used by Management at 31/12/22 are shown below and are discussed in further detail in Section 7 – Risk Management and Internal Control of this report, and in Note 41 of the Notes to the Consolidated Accounts. These results arise from scenarios involving sudden falls in the price of sovereign and other debt securities.

The results of the impact on the Bank's solvency ratios at year-end December 2022 under each scenario are as follows in Table 7.

Through the Bank's Internal Capital Adequacy Assessment Process (ICAAP), the Bank further analyses how to manage the balance sheet during a severe crisis, how to generate liquidity and/or how to redeploy capital. This assessment incorporates market risk, credit risk and operational risk and, when combined with daily scenario analyses, as described above and in Section 7 – Risk Management and Internal Control of this report, forms the basis for Management's ongoing evaluation of the Bank's capital adequacy.

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December 2022 – *Stress test*	Base Scenario	Scenario 1	Scenario 2
T1 Capital Ratio	28.8%	24.5%	23.7%
Total Capital Ratio	28.8%	24.5%	23.7%

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

3.2.5. LIQUIDITY AND FUNDING

Liquidity is a key basis for managing the Bank, and remained strong for 2022, in line with prior years.

The ratio of Loans / Deposits in 2022 was consistent with the historical trend. Financing via sale / repurchase agreements with several international banking counterparties continued during 2022, although with a lower value at the end of the year than in the previous year. In 2022, the Bank maintained residual use of the long-term facilities made available at the ECB as a prudential measure. Overall, the Bank's potential, untapped liquidity, based on the capacity to use eligible securities as collateral for further drawdowns, continues, with a substantial ratio of eligible assets / deposits. Available liquidity rises to over 100% of deposits when unencumbered, non-eligible but liquid assets available for sale, and cash are added to unused available amounts of the ECB / EUREX Pools.

On a consolidated basis, the ratio of Loans / Total Assets was 1.4% at year-end 2022, close to that of 2021. The Loans / Deposits ratio, a key measure of balance sheet liquidity, was 2.2%, versus 2.7% the year before. Traditional lending remains non-strategic, which is a key factor in the Bank's business model and fundamental to its management of liquidity, Management's views on asset quality and the efficient use of capital.

In 2022, as in prior years, the majority of the Bank's assets are generally liquid debt instruments, recorded at fair value through other comprehensive income (*HTCS*), at amortized cost (*HTC*), or held for trading (*Trading*). Management believes that this strategy of maintaining significant portfolios of liquid assets which are marked to market encourages discipline in position-taking and balance sheet growth and appropriately reflects a culture of transparency with respect to valuations of 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 Bank's business model and relative profitability during the Bank's history.

T.8 (Euro 000)

Liquidity and Funding	2022	2021	2020	2019
Loans / Client Deposits	2.2%	2.7%	2.3%	1.6%
Liquid Earning Assets / Total Net Assets	92.0%	95.1%	95.6%	96.3%
Funding from ECB	25,017	50,000	75,000	0
Other sources of Funding	323,944	496,759	213,180	491,760
Client Deposits / Total Liabilites & Capital	66.1%	56.1%	63.7%	56.8%

Source: BiG

T.9 (Euro)

	Average values 1st quarter 2022	Average values 2nd quarter 2022	Average values 3rd quarter 2022	Average values 4th quarter 2022
ECB - POOL value - Eligible assets (includes haircut)(1)	522,252,418	495,949,504	509,002,218	546,431,384
ECB - POOL value - Borrowed	50,000,000	50,000,000	41,666,667	25,000,000
ECB - POOL value - Available	472,252,418	445,949,504	467,335,551	521,431,384
EUREX Repo - POOL value(2)	303,903,001	199,373,495	200,839,405	217,061,427
EUREX Repo Borrowed Net: (Borrowed - deposits)	118,333,333	43,333,333	60,000,000	28,333,333
Eurex Repo - Available	175,706,090	147,177,191	132,893,902	180,968,038
Eligible assets available for collateral outside the POOL's	35,457,270	93,227,561	80,922,767	66,021,901
Total eligible assets available for collateral	683,415,779	686,354,256	681,152,220	768,421,323
Eligible assets not available (given as garantee to other counterparties)	282,387,606	243,980,380	184,568,834	153,006,649
Non eligible assets available held for collateral in repos	141,427,393	144,379,346	146,218,863	133,175,858
Non eligible assets available for collateral	680,578,857	631,142,800	613,036,776	607,629,598
Non eligible assets - Total	822,006,250	775,522,146	759,255,639	740,805,455

(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.
Fonte: BiG

3.2.6. 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 approval by the shareholders in the Annual Shareholders' Meeting.

The Bank began paying annual dividends in 2004 (relative to 2003 Earnings). Since that date, and until the end of 2021, the Bank has retained, on average, approximately 56% of Net Income and distributed approximately 44% in dividends, while maintaining high levels of solvency.

The Bank's recent history of payouts is described in Table 10.

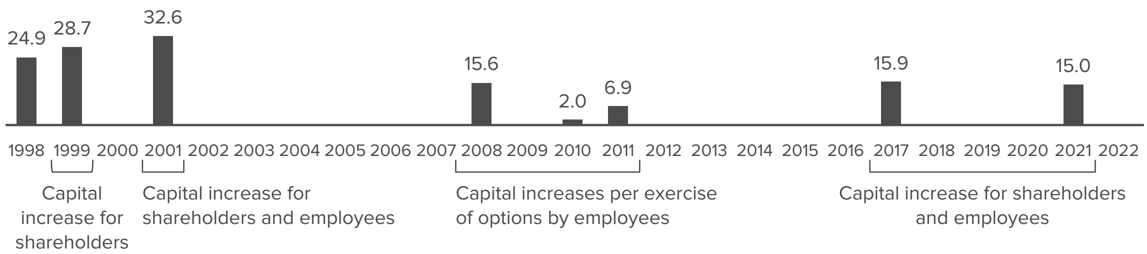
The Bank has distributed to the Shareholders approximately € 203.9 million since 2004, which exceeds the total amount of capital injections made by Shareholders since inception, of € 141.7 million.

T.10 (Euro)

Dividends	2022[1)]	2021[2)]	2020	2019	2018
Dividend per share	0.035	0.050	0.150	0.090	0.075
% Individual Net Income Distributed	75%	52%	106%	38%	64%

1) Subject to approval by General Shareholders' Meeting
2) Reserves distribution performed in November 2021
Source: BiG

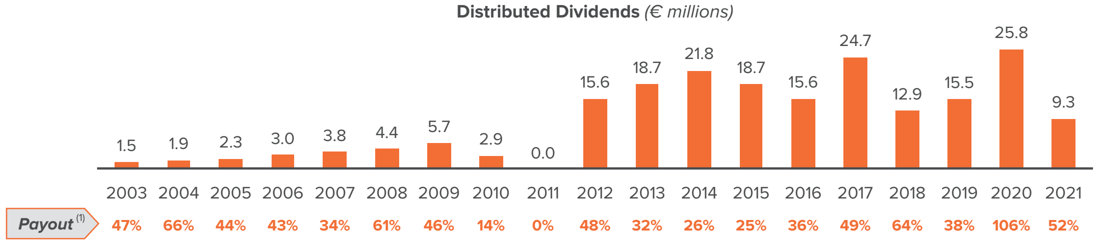
F.2 **Capital Injections** *(€ millions)*



Total capital injections, including the initial capital

€ 141.7 million

F.3 **Distributed Dividends** *(€ millions)*



(1) Based on the individual net income.

Total distributed dividends: € 203.9 million

Average Payout 2003-2021: **44%**

4. REGULATORY BACKGROUND

4.1. REGULATORS

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

- *Banco de Portugal* (Bank of Portugal): beginning of activity March 1st 1999, under Code Number 61. www.bportugal.pt/.

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

- *ASF – Autoridade de Supervisão de Seguros e Fundos de Pensões* (Insurance and Pension Funds Supervisory Authority): registered as an Insurance Agent no. 419501242, registered in the categories Life/Non-life since January 21st 2019 www.asf.com.pt.

The Bank's activity in Spain is regulated by the following supervisory bodies:

- *Banco de España* (Bank of Spain): registry on May 31st 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

Banco BiG Moçambique, S.A., a BiG Group entity headquartered in Mozambique, is regulated by the following entities:

- *Banco de Moçambique* (Bank of Mozambique): registry on January 16th 2016 www.bancomoc.mz

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

Because of its size at the European level, BiG is considered a "Less Significant Institution" (LSI) and is supervised by the Bank of Portugal, according to the guidelines handed down by the Single Supervisory Mechanism (SSM) of the European Central Bank. The SSM directly supervises "Significant 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.

4.2. REGULATORY DEVELOPMENTS

After two years of the Covid-19 pandemic, 2022 was marked by the military invasion of Ukraine by Russia. Following this, new economic sanctions were imposed by the European Union on the Russian Federation and its citizens based on the sanctions implemented in 2014 because of the illegal annexation of the Crimean Peninsula. In this regard, the main legislative instrument re-used for this purpose was Regulation (EU) 269/2014, amended by Regulation (EU) 880/2022 and enforced by Implementing Regulation (EU) 1274/2022. Because of the application of those regimes, the list of sanctioned persons and entities already contained in Annex I to Regulation (EU) 269/2014 was extended by adding persons and entities deemed responsible for actions and policies undermining or threatening the territorial integrity, sovereignty, and independence of Ukraine. Thus, these measures apply to all those who may have in any way undermined the stability or security of Ukraine, including Russian, Belarusian, Chechen and Syrian persons and entities.

Additionally, several decisions have been adopted by the European Union concerning these matters, the most relevant of which are Decision (CFSP) 327/2022 and Decision (CFSP) 395/2022. The implementation of these decisions entails a prohibition to accept deposits from Russian nationals or natural persons residing in the Russian Federation, or from legal persons, entities or bodies established in the Russian Federation, if the total value of the deposits of the natural or legal person, entity or body per credit institution exceeds EUR 100,000.00.

In addition, Council Regulation (EU) 398/2022 of March 9th, imposing restrictive measures in view of the situation in Belarus and its involvement in Russia's aggression against Ukraine, provides in its Article 1-Z an obligation binding on credit institutions, implying the reporting of deposits in excess of EUR 100.000.00 if they are made by Belarusian nationals or natural persons residing in Belarus who have acquired citizenship or residence rights in a Member State through an investor citizenship or investor residence regime.

Finally, Council Regulation (EU) 328/2022 of February 25th amended Regulation (EU) 833/2014, imposing restrictive measures that include, among others, a ban on providing financial intermediation services and financial advisory services for the acquisition of financial instruments to legal persons of Russian nationality, as well as reporting to the supervisory authority of Russian citizens holding bank accounts on the national territory of each of the Member States.

For the year 2022, we highlight the following legislative or regulatory changes that had a strong organizational impact during the year under review:

Amendments to the RGICSF – *Regime Geral das Instituições de Crédito e Sociedades Financeiras* (General Regime of Credit Institutions and Financial Companies)

Law No. 23-A/2022, of December 9th – the law transposes Directive (EU) 2019/878, on access to banking activity and prudential supervision, and Directive (EU) 2019/879 on the recovery and resolution of credit institutions and investment firms, amending the General Regime of Credit Institutions and Financial Companies, the Securities Code and related legislation (Decree-Law No. 221/2000; Decree-Law No. No. 199/2006; Law No. 63-A/2008; Law No. 35/2018; Decree-Law No. 31/2022).

In addition to transposing the aforementioned Directives, deadlines were set for certain decisions by the Bank of Portugal, a penalty regime was foreseen for covered bonds and more demanding requirements were defined for credit institutions.

ESG – Environmental, Social and Corporate Governance

Commission Delegated Regulation (EU) 2022/1288, supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council as regards regulatory technical standards, which further specify the (i) content and presentation of information related to the principle of "no significant detriment", (ii) the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and finally, (iii) the content and presentation of information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

Money Laundering and Terrorism Financing

Notice No. 1/2022 of June 6th from the Bank of Portugal – Regulates, in the exercise of the powers conferred by Article 94 of Law No. 83/2017 of August 18th, the conditions of exercise, procedures, instruments, mechanisms, implementation formalities, reporting obligations and other aspects necessary to ensure compliance with the duties to prevent money laundering and terrorist financing, in the context of the activity of financial entities subject to supervision by the Bank of Portugal. In the exercise of the powers conferred by Article 27 of Law No. 97/2017 of August 23rd, it regulates the means and mechanisms necessary for financial entities subject to supervision by the Bank of Portugal to comply with the duties set out in that law. Finally, it regulates the measures that payment service providers adopt to detect transfers of funds where information on the payer or payee is missing or incomplete and the procedures they adopt to manage transfers of funds that are not accompanied by the information required by Regulation (EU) 2015/847 of the European Parliament and of the Council of May 20th on information accompanying transfers of funds. It repeals and replaces Notice No. 2/2018 and Instruction No. 2/2021 from the Bank of Portugal.

Anticorruption and Whistleblowing

Ministerial Order 164/2022 of June 23rd was also published, regulating the implementation of the National Anti-Corruption Mechanism (NACME), following the publication of Decree-Law 109-E/2021 of December 9th, in the scope of the National Anti-Corruption Strategy. This NACME assumes the nature of an independent administrative entity, with legal personality of public law and authority powers, endowed with administrative and financial autonomy and its mission is to promote transparency and integrity in public action and to ensure the effectiveness of policies to prevent corruption and related infractions. It is this entity that will oversee compliance with anti-corruption regimes (among others, whether we have an adequate policy and plans, appointed officials, etc.). This legislation has involved the revision of BiG's Whistleblowing Policy and the approval of a new BiG Anti-Corruption and Anti-Bribery Policy.

4.3. RELEVANT ACCOUNTING POLICIES

BiG's financial statements are prepared in accordance with International Financial Reporting Standards ("IAS/IFRS") as adopted by the European Union. IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The preparation of the financial statements in accordance with IAS/IFRS, requires the Bank to make several judgements and estimates and uses assumptions that can affect the application of the accounting policies and the amounts of revenue, expenses, assets and liabilities. These analyses reflect the accumulated experience and perspectives of the Board of Directors, among other factors, and are periodically reassessed in light of the operating environment. Possible alterations to these estimates and assumptions may have a significant impact on the financial statements of the Bank in the periods in which they occur. The Board of Directors considers that the estimates and assumptions adopted appropriately reflect the current environment, and that the financial statements adequately present BiG's financial situation, the operating results and the cash flows on 31 December 2022, in accordance with IFRS standards, as adopted by the European Union.

The relevant accounting policies used by the Bank are presented in detail in the Notes to the Consolidated Financial Statements, and the most relevant for the Bank corresponds to the fair value measurement of financial instruments. This results from the fact that the portfolio of earning assets mostly consists of liquid assets, of fixed or variable income, as opposed to less liquid assets. As a result, most of the Balance Sheet is assessed at market prices (marked to market), which leads to greater transparency in accounting information. However, this model requires greater financial discipline, given the impact that market volatility has on certain key categories of the Balance Sheet. In part, this financial discipline is reflected in the Bank's low gearing, in its focus on quality, solid assets and its high levels of solvency.
In view of the occurrence of events that reduce transparency and/or liquidity in the markets, as has occurred occasionally in recent years, thus generating market volatility, the use of this fair value measurement policy can have a significant impact on the way in which financial assets are assessed and, consequently, on the Bank's financial statements.

In accordance with the accounting standard, IFRS 13, the calculation of the fair value of the assets can be based on three levels of information, corresponding to different degrees of uncertainty. The method with the lowest level of uncertainty corresponds to the price quotation of the asset in a highly liquid market (Level 1). When an asset is not traded on a liquid market or when there are no quoted prices, fair value may be calculated through evaluation methodologies based on market information of comparable financial assets (Level 2). The method with the highest level of uncertainty corresponds to the calculation of fair value through valuation techniques incorporating relevant market information that is not observable (Level 3).

Valuation methodologies based on non-observable market data imply a higher degree of judgement compared to methodologies based entirely on observable data. The Bank's financial assets are valued based on prices and market information that reflect the use of Level 1 and 2 methodologies described above. When other valuation techniques, namely the use of financial models, are used to calculate the fair value of some assets, these techniques are periodically reviewed and validated. The models are adjusted in order to guarantee that the respective conclusions reflect the prices and the market information on comparable assets. Furthermore, the models prioritize the incorporation of market information, when available, over the incorporation of unobservable information. The selection of appropriate financial models and the incorporation of information require a higher degree of discretionary analysis when there is no market information immediately available.

In accordance with IFRS 9 – Financial instruments ("IFRS 9") and according to the business model the Bank classifies its financial assets according to the following categories: (i) financial assets held for trading (*Trading*), (ii) financial assets entered in the accounts at fair value through other comprehensive income (*Hold to Collect and Sell* or *HTCS*) and (iii) financial assets carried at amortised cost (*Hold to Collect* or *HTC*).

For these three categories, financial instruments are recognised or not recognised on their trade date, or rather, on the date on which the Bank undertakes to purchase or sell the asset.

Financial assets entered in the accounts at fair value through other comprehensive income and financial assets entered in the accounts at amortised cost are subject to impairment losses, their recognition and measurement being calculated from an "expected loss" perspective. The Bank's model focuses on the concept of significant increase in the credit risk, whose determination is based on the evolution of market factors such as ratings and prices.

The increase in credit risk is classified based on three different stages:

- *Stage 1* – Financial assets are classified in stage 1 whenever no significant increase in the credit risk is noted from the date of its initial recognition. For these assets the expected credit impairment loss resulting from events of non-compliance occurring during 12 months after the reporting date should be recognized in the income statement of the year;

- *Stage 2* – Incorporates the financial assets in which there has been a significant increase in the credit risk from 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 recognized over the assets' lifetime;

- *Stage 3* – Financial 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 that result in a loss. In this case, the expected credit impairment during the expected residual life of the financial assets loss will be recognized in the income statement of the year.

To ascertain the expected credit loss, the Bank implemented a model whose parameters incorporate point in time, through the cycle and forward-looking requirements, calculated monthly. In the case of the securities portfolio, which is the one that is more significant 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 interest rate curve vs. risk-free interest rate curve).

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

4.3.1. OTHER RELEVANT ACCOUNTING ITEMS

Deferred tax: Deferred tax assets can arise from a variety of factors, the most significant of which are: (i) potential losses with financial assets entered in the accounts at fair value through other comprehensive income recorded at market prices, which may lead to future losses recognizable for tax purposes, (ii) losses recorded in the Income Statement that can only be recognized for tax purposes when the corresponding cash flow is recorded and (iii) tax losses that may be recognized in the future. Deferred tax is calculated according to the tax rules in force or substantially approved and using the tax rates on the balance sheet date and are expected to be applied when the temporary differences are reversed. Deferred tax assets are recognized only when it can be expected that there will be taxed profits in the future.

Control over valuation of financial instruments: The control infrastructures are independent of the revenue generating areas. These processes, together with the methodologies mentioned above, are defined by the Executive Committee and controlled or revised by the internal and external audit functions of the Bank.

Review of net income and expenditure: The accounting of income and expenses is the responsibility of independent and control functions and is checked daily by the Executive Committee. The objective is to identify and resolve potential problems associated to the fair or book value of revenues on an objective and regular basis.

4.4. OTHER PERIODIC REGULATORY ASSESSMENTS

4.4.1. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

Within the scope of the annual Internal Capital Adequacy Assessment Process ("ICAAP") process, BiG performs an internal analysis of the techniques and models used in the qualitative and quantitative assessment of internal capital and risks to which it is or could be exposed. BiG also carries out a critical analysis of: (i) the suitability of its capital and risk management and monitoring processes, (ii) prospects for the evolution of internal capital and materially relevant risks, (iii) its risk profile and (iv) the adequacy of internal capital levels and assessment of capital requirements.

From a qualitative point of view, in the ICAAP process, this report also reflects a descriptive analysis: (i) of the internal capital and risk management and monitoring processes and (ii) of the adequacy of the organization, structure and processes in view of the internal capital needs and the risks incurred.

Regarding the quantitative aspects, there should be (i) an identification and quantification of the materially relevant risks, (ii) a description of the process of aggregating risk assessments, (iii) a global assessment of capital requirements, which should contemplate, namely, uncertainty about the model used, weaknesses in procedures, risk systems and controls and the differences between equity funds and internal capital.

The ICAAP process also includes: (i) a description of the contingency plan to ensure business management and internal capital adequacy in the event of a recession or crisis, (ii) indication of the macroeconomic factors considered relevant for the purpose of a recession or crisis scenario and (iii) indication of the main shortcomings detected in the ICAAP and the measures defined to overcome such shortcomings, including the respective calendarization.

The regulatory framework of this report is Instruction no. 03/2019 of the Bank of Portugal, which is reported on an annual basis, and can be more detailed or simplified at the regulator's discretion.

In its annual ICAAP report, the Bank presents a self-assessment analysis of the main risks: market, credit, operational, interest rate, concentration, information systems, compliance, reputation and business model. Of the various risks to which the Bank is subject, BiG considers as materially relevant those that are defined in Pillar I (market, credit, operational and credit valuation adjustment), the interest rate risk of the banking book, the concentration risk, the sovereign risk and credit spread risk. Capital requirements are calculated for each of these types of risk. The starting point for the methodologies adopted to establish the requirements for Pillar I risks is the regulatory models. For Pillar II risks (interest rate risk of the banking book, concentration, sovereign and credit spread) internal models are used or models based on methodologies developed by other Central Banks.

Following the annual exercise conducted by BiG, the Board of Directors considers that the current levels of capital and liquidity are appropriate taking into account: (i) the risk profile, (ii) the current conditions, (iii) the prospects for the near future and (iv) the dimension and complexity of the Bank.

4.4.2. INTERNAL LIQUIDITY ADEQUACY ASSESSMENT PROCESS (ILAAP)

Instruction no. 02/2019 of the Bank of Portugal intends to fulfil the guidelines of EBA/GL/2016/10 – Guidelines on ICAAP and ILAAP information collected for the purpose of the broader Supervisory Review and Evaluation Process (SREP). This instruction's objective is to define the procedures relating to the ILAAP process and to establish the respective reporting templates for the Bank of Portugal, in order to guarantee that the liquidity risk to which the institutions are exposed is adequately assessed and that these maintain adequate levels of liquidity, institutions are required to: (i) guarantee that the liquidity and funding risks to which they are exposed are adequately identified, measured, managed and monitored and that their liquidity is appropriate in view of the respective risk profile, (ii) have an internally developed process to identify, measure, manage and monitor the liquidity that complies with the minimum requirements and guidelines defined in Instruction no. 02/2019 of the Bank of Portugal.

The ILAAP is a process that: (i) is part of the management process and culture of the institution, is regularly reviewed and considers the regulatory context and the economic environment in which the institution operates; (ii) takes into account the type, dimension, complexity and business model of the institution, and also the operating environment and nature and risks of the activities performed; and (iii) is forward looking with reference to the institutions that have an internal strategy to maintain adequate levels of liquidity.

4.4.3. SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)

The SREP is the process of analysis and assessment, conducted by the supervisory authorities, to ensure that each credit institution has strategies, processes, capital, and liquidity that are adequate for the risks to which it is or may come to be exposed. This process is part of the second Pillar of Basel.

The supervisor aims to determine the capital and liquidity requirements and other supervisory measures to address the specific weaknesses of each institution considering not only the characteristics of each institution, but also the risk it poses for the financial system.

The SREP is a process that is applied to both significant and non-significant entities, taking into account the principle of proportionality. The frequency and depth of the assessment made in the SREP by the supervisor can vary according to: (i) the potential impact of each institution on the financial system and (ii) the respective risk profile.

The analysis made by the supervisor within the scope of the SREP establishes that the risks to which the institutions are exposed must be assessed. This analysis should include: (i) the business model, (ii) internal governance and risk management, (iii) risks for capital and (iv) risks for liquidity and financing.

Following this analysis, an overall assessment is made based on a holistic approach, where decisions are taken relating to quantitative capital and liquidity measures, as well as other supervisory measures.

The following exercises are included in this approach of SREP by the supervisor:

Risk assessment

Risk assessment allows continuous evaluation of the risk levels to which the institution is exposed and establish the respective internal controls. This assessment is based on a quantitative and qualitative analysis and uses retrospective and prospective indicators.

Risks that have an impact on capital and liquidity are assessed by risk levels and by the corresponding risk control/mitigation procedures implemented. The Bank of Portugal assesses business risk and profitability of the institutions, as well as the respective internal governance and risk management framework. All evaluations are later integrated into a global assessment.

Assessment of Capital and Liquidity Adequacy

The SREP comprises a comprehensive review of the internal processes of capital adequacy assessment – ICAAP and liquidity adequacy assessment – ILAAP. These are key risk management processes for all institutions, which help to determine capital and liquidity requirements.

The supervisor assesses the fulfilment of the capital requirements defined in Pillar I of the Basel Accords, which are considered as minimum limits. Furthermore, institutions should set up specific additional own funds and liquidity requirements to cover risks not covered, or not fully covered, by Pillar I. For this purpose, institutions must use internal methods of measurement and assessment, which are then reflected in their ICAAP and ILAAP processes.

Quantification of Capital and Liquidity

In SREP exercise, Bank of Portugal uses various information provided by each institution, such as: (i) periodic regulatory reporting, (ii) ICAAP and ILAAP reports, (iii) risk appetite framework, (iv) supervisory benchmarks or proxies used to verify and test institutions' own estimates, (v) risk assessment results, (vi) stress test results, and also takes in consideration (vii) general priorities of the Bank of Portugal concerning risks thematic.

Based on the information analyzed and assessed throughout the SREP, Bank of Portugal makes an overall assessment of the adequacy of the equity funds and liquidity of the credit institution and prepares decisions and recommendations. SREP decisions include an overall conclusion on the adequate level of equity funds and liquidity of the institution assessed. They may also include qualitative measures recommended, such as ones for addressing deficiencies in the institutions' risk management. The conclusions of this analysis and any corrective action necessary are communicated to the credit institution, which is given the opportunity to present in writing to the Bank of Portugal observations on the facts, objections, and legal grounds relevant for the decision.

4.4.4. RECOVERY PLAN

The Recovery Plan is an instrument designed to help financial institutions prepare for financial crisis management. The Recovery Plan describes the measures and procedures to be adopted to return to financial equilibrium and normal operation of the business after the occurrence of an event of this kind.

The main objectives of the Recovery Plan involve establishing an organized and preventive planning process of the management measures to follow in the event of a financial crisis, idiosyncratic or systemic, ensuring that the Bank has the capacity to react in a timely and adequate manner to it.

The regulatory framework for this reporting is Notice no. 03/2015 of the Bank of Portugal, Art. 116-D of the RGICSF and Delegated Regulation (EU) 2016/1075 of the Commission.

BiG's Recovery Plan provides a set of recovery measures aimed at strengthening the Bank's liquidity, capital, or equity funds, describing the mechanisms and assumptions underlying their possible triggering in a scenario of severe macroeconomic and financial tension. These mechanisms can be, namely, the possibility of the divestment of the Bank's assets to correct financial shortfalls or needs, access to means of financing as a way to maintain the normal development of the activity, and a capital increase in order to reinforce the levels of solvency of the Bank.

As an component of the management process, and for the purpose of preparing the Recovery Plan, BiG identified the relevant recovery indicators. These indicators can be setup on: (i) capital, (ii) liquidity, (iii) quality of the assets and (iv) profitability of the assets. The indicators are essentially preventive alerts for the activation of recovery measures defined in the Plan. These measures reflects the results from the monitoring of events and/or in results of the stress tests and analysis of scenarios made within the scope of the Bank's risk management and control structure. This monitoring allows a prompt response and immediate action to be taken to ensure the viability and financial solvency of the Bank.

The regulatory framework provides that the Recovery Plan must define an alert level and an activation level for each of the recovery indicators. If any of the triggers is reached, institutions will have to notify Bank of Portugal of that fact, as well as assess the need to take any recovery measures. These levels are preventive signals that aim to anticipate, mitigate, and avoid possible financial problems in the Institution. Besides the alert and activation levels, BiG has also defined pre-alert levels for each of the recovery indicators. These pre-alert levels constitute an internal warning and have as objective to prompt necessary measures to be taken proactively so that the alert and activation levels are never reached.

4.4.5. FUNDING AND CAPITAL PLAN

The Funding and Capital Plan is a medium to long-term forecasting exercise carried out annually by the Bank, which relates to the expected future evolution of the main captions of results, assets, liabilities, and equity funds of the Bank. It is an element of information submitted periodically by national financial institutions to the Bank of Portugal under its functions of prudential supervision, and as contemplated in Instruction no. 18/2015 of the Bank of Portugal.

Since 2011, the year in which the requirement of this reporting by financial institutions was established, in the context of the Economic and Financial Assistance Program to Portugal, the Funding and Capital Plan has undergone several changes, including in its frequency, format, content, and level of detail. Currently, the Plan is prepared and reported by the Bank annually and contains detailed forecasts of captions of results, balance, and equity funds for a time horizon of 3 years, including quarterly forecasts for the financial year ongoing at the reporting date.

The Bank's planning process

The preparation of the Funding and Capital Plan is based on an internal medium-to-long term financial planning process coordinated by the Board of Directors. This planning process incorporates a set of expectations regarding the management of the Bank's earning assets and sources of funding. In as much as it is a forward-looking exercise, the Bank typically assumes normal market conditions, although several risk factors with potential impact on the Bank are identified.

Normally, the Bank does not estimate a specific rate for the growth of its assets. Conversely, the growth of the Balance Sheet derives from the funds available, market conditions, and existence of a capital base that guarantees resilience in scenarios of greater stress.

In parallel, according to market conditions, the Bank adjust to the different business areas, products and distribution channels, in order to increase stable funding and to ensure the preservation of capital and increase revenues. It should be noted that this exercise typically takes place during the first quarter of the year, and so the projections may not coincide with the actual results at the end of the same period.

The Bank's planning: summary of guidelines and projected development for selected indicators

The key assumptions considered by the Bank include sustainable organic growth and a continuous focus on a business model based on low gearing, high levels of capital and comfortable levels of liquidity. BiG's asset structure is mostly made up of financial assets with quality and liquidity, cash, and short-term investments.

The Bank's base of earning assets has focused on investment-grade bonds and corporate and sovereign debt securities issued by Eurozone member countries and the USA. This strategy should remain stable for the next years, given the risk profile of the alternatives and based on the Board of Directors' experience with these specific markets.

BiG's reduced focus on traditional lending is based on the perception of risk levels and return has been inadequate over the past two decades. The Board of Directors expects that the Bank's loans/deposits ratio will remain below the market average for the near future. In fact, given the high level of indebtedness of Portuguese companies and families, and the growing pressure on the financial sector to generate results, the Board of Directors understands that a change in the current profile of earning assets in favour of an increase in traditional credit continues to be unattractive.

BiG's funding structure mostly made up of a base of retail deposits, resources from other banks and the Bank's own capital.

At the time of its preparation at the start of 2022, it was expected that the Bank's resource profile would be maintained over the next few years, above all based on stable resources and reduced dependence on the money market.

For strategic reasons, the Bank has used its capital conservatively, and this trend is expected to continue. Over the years, and despite the payment of dividends since 2004, the Bank's equity has increased, essentially through retained earnings.

T.11

(Euro 000)

	2020	2021	2022	Funding and Capital Plan Apr 2022 2023E	2024E
Financial assets portfolio	**1,861,823**	**2,167,067**	**1,925,525**	**2,232,266**	**2,279,310**
% growth	-5.8%	16.4%	-11.1%	15.9%	2.1%
Net credit	**32,429**	**41,467**	**34,869**	**43,101**	**43,990**
% growth	53.6%	27.9%	-15.9%	23.6%	2.1%

Source: BiG

T.12

(Euro 000)

	2020	2021	2022	Funding and Capital Plan Apr 2022 2023E	2024E
Demand deposits	921,023	981,634	990,630	1,004,926	989,570
Time deposits	447,641	453,182	497,099	488,090	534,225
Other	34,276	119,072	123,716	122,076	124,592
Total client deposits	**1,402,940**	**1,553,889**	**1,611,445**	**1,615,092**	**1,648,386**
% growth	8.8%	10.8%	3.7%	0.2%	2.1%

Source: BiG

T.13

	2020	2021	2022	Funding and Capital Plan Apr 2022 2023E	2024E
Common Equity Tier 1	45.3%	34.4%	28.8%	36.0%	38.0%

Source: BiG

5. CORPORATE GOVERNANCE

5.1. LEGAL STRUCTURE

The organizational structure reflects key aspects of the business culture, which focuses on our goal to ensure the resilience and integrity of the Bank's business model and our ability to withstand any type of crisis, financial or of some other nature. To this end, we seek to be transparent, flexible, focused on market risks and manage 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.

BiG's corporate structure is headed by the Bank. At year-end, the Bank held interests in four subsidiaries: (i) DIF Broker – *Empresa de Investimento*, S.A., acquired in 2021, (ii) ONETIER Partners, SCR, S.A., venture capital management company with investments in FinTech companies and management of venture capital funds, (iii) BiG *Serviços Financeiros*, S.A., financial advisory and auxiliary services company and (iv) *Banco BiG Moçambique*, S.A., a wholesale bank based in Maputo, majority-owned by BiG and launched in 2016.

The Group has a presence in Spain, through (i) a branch office with an offering focused on digital investment platforms, Wealth Management and Corporate Advisory and Private Equity funds and (ii) a DIF Broker branch office, focused on supporting Spanish clients of brokerage services.

The Bank's retail business combines internet-based platforms, www.big.pt and www.bancobig.es, mobile (BiG ES and BiG PT), and integrated sales teams located in Portugal and Spain, concentrated in Lisbon, Oporto and Madrid. Institutional Clients are covered by teams located in Lisbon, Oporto, Madrid, and Maputo.

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

Properties occupied by the Bank are either leased or directly owned by the Bank. The Bank's head office building at Av. 24 de Julho in Lisbon is owned directly by the Bank. In its approach to the market, the Bank uses the following brands: *BiG – Banco de Investimento Global*, *Banco BiG, Banco de Inversión Global* and *bigonline*.

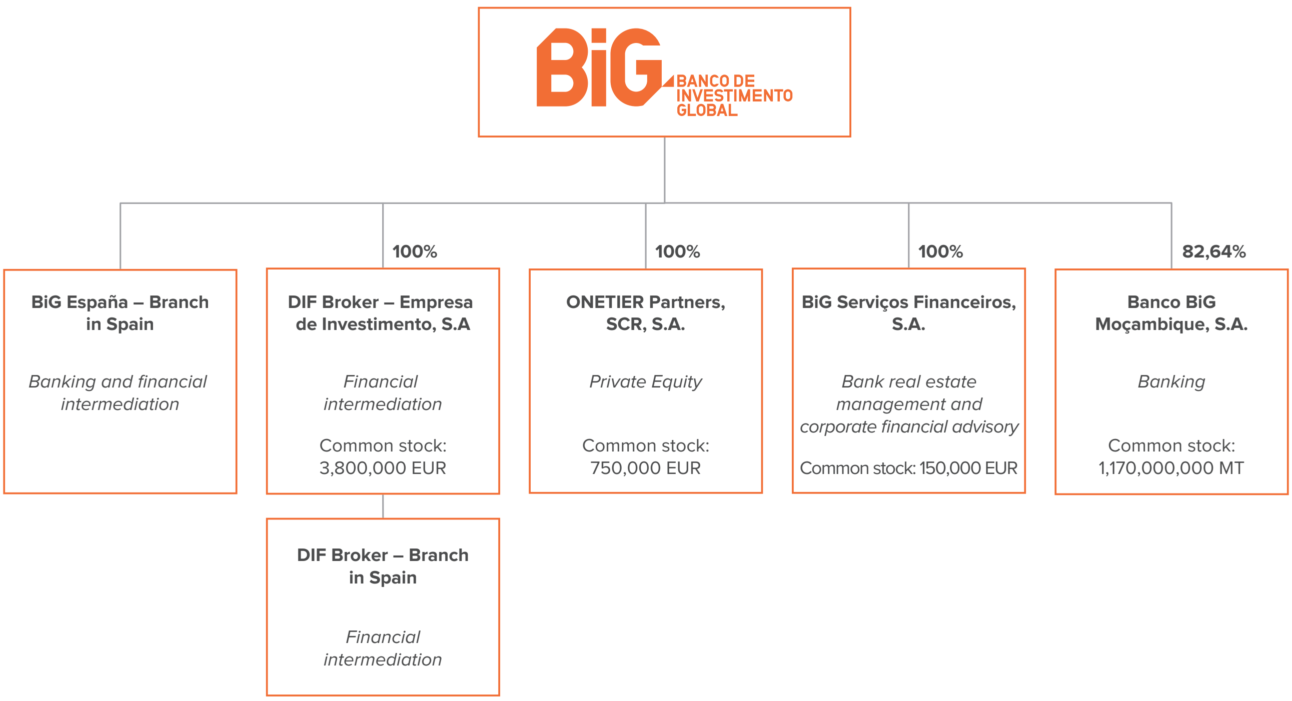
5.2. CORPORATE BODIES

Figure 5 describes BiG's governing bodies.

5.3. INTERNAL CONTROL

The system of internal control is defined by a set of strategies, systems, processes, policies and procedures established by the Board and implemented by the Executive Committee. Functional management responsibilities lie with the members of the Bank's Executive Committee, to whom the general Board of Directors has delegated day to day management. The non-executive members of the Board of Directors oversee the management of the business and the support and control areas of the Bank. As such, these members supervise the various heads of trading, front office, back office, and control functions. As part of its internal control system, the Bank also has a few committees, described in detail in Section 7 – Risk Management and Internal Control – of this Report. These committees are an integral part of the day-to-day management of the Bank's main risks and control systems.

F.4



5.4. INTERNAL AUDIT

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

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

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

The Audit activity complies with international standards for Internal Audit which are verified through a quality assurance program. The Audit activity is performed with independence, objectivity, and high standards of conduct and integrity.

This function reports directly to the Board of Directors. The communication of the results of the evaluation carried out by the Internal Audit function includes an auditor's opinion, conclusions, recommendations, and action plans. Internal Audit has procedures to monitor the degree of implementation of the agreed action plans.

F.5

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 when invited by the Chairman, to discuss strategy of the Bank, formulating recommendations on this matter. The decisions of the Advisory Board are not binding on the Board of Directors.
Board of Directors	Consists of eight members, including 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, and two Independent members, who participate over the following Board committees: Nominations, Risk and Compensation, respectively. The Chief Executive Officer / CEO is nominated by the Board of Directors, from among the executive board members, to preside over the Bank's Executive Committee.
Fiscal Board	The Fiscal Board is the independent supervisory body, consisting of three effective members and an alternate member, elected for four year terms. This body reports directly to the shareholders. Responsibilities include periodic reviews and validation of internal control mechanisms, in accordance with internal and external regulations in line with international accounting policies and standards. The Fiscal Board is also responsible for the election of a CPA. The independent CPA performs periodic audits and also provides an opinion of the accounts.
Compensation Committee	Consisting of three independent individuals elected by the General Assembly for four year terms, this body reports directly to the shareholders. Compensation for the Board of Directors, Audit Committee and key function holders is determined periodically by this Committee. It is also responsible for the periodic review of compensation policies.

F.6

Internal Committees

Portfolio Booking Review Committee	Assets & Liabilities	All Risks	*Compliance*	Credit Risk
Whistleblowing	*Business Continuity Management Steering Committee*	Product Governance	Validation of Findings	*Models assessment*

5.5. RISK MANAGEMENT POLICIES AND PROCEDURES

The Bank assumes and manages risks in a prudential manner to create value for shareholders. Policies and practices are designed to control these fundamental aspects of the business, ensure a sound operating environment, and allow the Bank to meet the expectations of the stakeholders.

Risk management within the organization involves regular and frequent contacts between business units, internal control areas, and internal supervisory bodies, to ensure that general policies and procedures are well designed and implemented, disciplined, independent, objective, and quantitative. This process also seeks to guarantee compliance with regulatory standards and while putting adopting sensible business practices. Managing risks associated with global markets, lending, processing, technology, and general business risks must be designed and monitored to ensure the integrity of the Bank's business model, to preserve stability and to enhance profitability.

With a culture of personal responsibility and mutual surveillance to the common interest, the Bank seeks to generate revenues from diversified sources. Running the business implies assuming a certain level of exposure to a variety of risks and operating within defined and reasonable guidelines. These guidelines combine common sense but also prudential aspects of the banking business, reflecting the specific experience of the Management and the business managers, and are complemented via regulatory or legislative measures. Internal communications on risk matters include but is not limited to: (i) the Bank's adherence to prudential regulations, (ii) the capacity to monitor transactions appropriately, (iii) knowledge of the clients and understanding of the markets, (iv) the regulatory environment in which the Bank operates, and (v) the appetite for bearing with certain risks given market conditions.

The main risks to which the Bank is exposed are summarized in the following graph and are described in Section 7 – Risk Management and Internal Control.

5.5.1. RISK APPETITE

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.

This process begins with the identification of risks, followed by their quantification, control, and eventual internal and external reporting at appropriate different intervals.

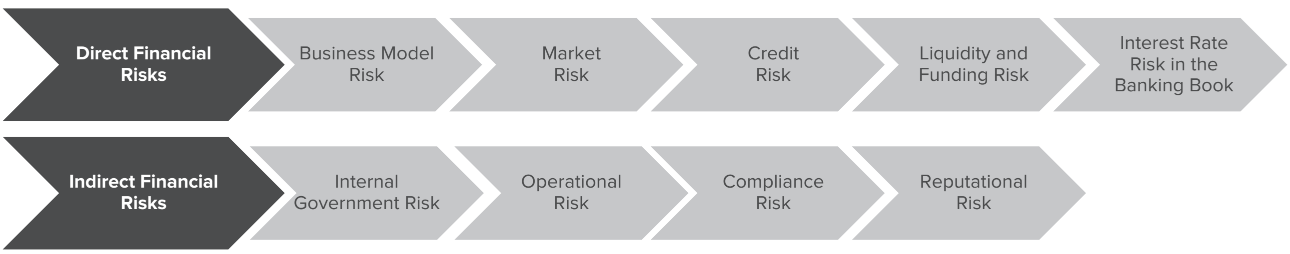
Among other aspects, the definition of risk appetite takes into consideration the fact that the Bank's business relies heavily on the confidence of its employees and stakeholders, and on the reliability of its systems to process operations on a continuous and relatively error-free basis.

5.5.2. RISK MEASUREMENT

Management and control units use several different processes and techniques to review and analyze the risks to which we are exposed. These include financial, non-financial and other kinds of risks, with a primary focus on market risks, credit risks, operational risk, and reputational risk.

Control processes, besides checking internal and prudential limits, involve a range of stress tests, performed daily, which are adjusted periodically, and which examine results of scenarios for all major asset classes and portfolios.

F.7



6. FINANCIAL PERFORMANCE

6.1. MARKET ENVIRONMENT

6.1.1. OVERVIEW

2022 was marked by the reopening of the world economy, following the Covid-19 pandemic, a process in which the Chinese economy was the last to participate – after, following strong social protest, it gave up all restrictive policies to the spread of Covid-19 late in the year. This had a positive effect on relieving the pressure on global supply chains, providing a significant reduction in shipping and trade costs, which were one of the factors triggering inflation.

The year was indelibly marked by the outbreak of war between Russia and Ukraine in late February 2022. This conflict on European soil aggravated the scenario of strong geopolitical instability and contributed to accentuate a new cold war as a result of the attempt of demarcation of a new international order and/or sphere of power between the two main economic blocs – USA and its Allies in opposition to China's sphere of influence. In addition to the geopolitical impact and the tragic loss of life associated with the war, the Russia-Ukraine conflict also had a major economic impact, with a significant increase of inflation by restricting supply, particularly of energy and agricultural/food commodities. Its impact was particularly felt in the historic rise in the price of natural gas, creating many difficulties in the replacement of suppliers of this raw material, and forcing a high cost (12% of GDP) in the replacement of gas stocks in Europe, fearing a possible large-scale energy crisis in the winter of 2022, which fortunately did not materialize. Nevertheless, such a risk remains plausible in the medium term, should the military conflict continue indefinitely. It should be noted that the sharp rise in commodity prices recorded in the first half of the year was completely reversed in the second half of the year, as the narrative of a global recession took shape and led to a deterioration in the level of aggregate demand.

Finally, 2022 will go down in history as the year when central banks acted most aggressively in raising key interest rates – both in terms of pace and magnitude. The unprecedented monetary tightening led to global bond indices recording their worst annual performance ever and the market to anticipate an economic recession by mid-2023.

6.1.2. MACROECONOMIC INDICATORS AND ECONOMIC TRENDS

USA

The US economy slowed from a 5.9% growth rate in 2021 to 2.1% in 2022, naturally moderating the pace of growth to a more normalized record following the distortions induced by the pandemic. From the point of view of product aggregates, the evolution of consumption – the main vector of economic growth – stands out positively, although it lost some momentum during the year, following the monetary tightening, which was reflected in the more restrictive financing conditions in the economy. Also noteworthy was the favorable evolution of private investment and exports, while residential investment fell sharply, associated with rising interest rates and the constrained real estate market, as did public spending, which suffered a natural contraction as a result of the record stratospheric levels reached in 2020 and 2021 to deal with the impacts of the Covid-19 pandemic.

The US economy recorded a gradual improvement in the external balance (current account deficit improved from 3.8% to 3.3% of GDP), with exports growing more than imports, even in a context where the

T.14

Macroeconomic Indicators and Economic Trends - Detail	% Real GDP growth 2021	2022E	2023E	Inflation 2021	2022E	2023E
World	**6.2**	**3.4**	**2.1**	**4.7**	**8.8**	**5.3**
Developed Economies	**5.5**	**2.7**	**0.6**	**3.6**	**8.5**	**5.2**
USA	5.9	2.1	0.6	4.7	8	3.8
Euro Zone	5.3	3.3	0.4	2.6	8.4	5.6
Germany	2.6	1.9	-0.2	3.2	8.6	6.3
Spain	5.5	5.5	1.1	3	8.3	4.3
Portugal	5.9	6.9	0.6	0.9	8.1	5.3
Japan	2.3	1.1	1.3	-0.3	2.5	2
United Kingdom	8.5	4.1	-0.7	2.6	9.1	6.8
Emergent Economies	**5.9**	**3.6**	**4.1**	**3.5**	**5.1**	**5.8**
Emergent Asia	5.3	3.5	4.4	1.6	3.4	3.3
Latin America	8.3	4	0.9	11.9	9	10.5
China	8.4	3	5.1	0.9	2	2.4
India	-6.6	8.7	7	5.1	6.7	6.6
Russia	5.6	-3	-3	6.7	13.8	5.9
Brazil	5.2	3	0.8	8.3	9.3	4.9

Source: Bloomberg; FMI

US dollar evolved robustly against international currency peers.

The pandemic left some scars in the North American economic structure, the most visible of which the reduction in the labor force. This, coupled with the reopening of the economy, continues to cause an imbalance between demand and supply of labor, with implications on wages, mainly during the second half of the year. It is worth highlighting the real decrease in North American wages, which was the lowest in the last 24 months. Although the labor market is a lagging indicator, i.e. it reacts more slowly to monetary policy, the high level of job creation/wages in the USA may generate some risks with regard to the possible entrenchment of inflation in the economy, particularly in the services segment. In a context of unprecedented inflationary risks in the last 30 years, the North American Federal Reserve was very aggressive in raising the key rate from 0.25% at the beginning of the year to 4.50% at the end of the year (the most significant tightening cycle ever), with Chairman Jerome Powell mentioning repeatedly that the risk-benefit of raising interest rates a little more is clearly more favorable than "stopping" the path of interest rate hikes too soon in a context of historically still very high inflation and clearly above the target of the FED's mandate, invoking the similarities with the mistake of FED Chairman Volcker (suppressing rate hikes in the early 1980s with very high inflation) that ended up motivating a more severe and lasting recession in the North American economy throughout the 1980s.

The US political landscape has also changed with the Midterm elections for the US Congress. Historically, the incumbent presidential party tends to be heavily penalized in the vote that takes place 2 years after taking office. The Democratic Party ended up with a surprisingly positive result and slightly strengthened the majority it already held in the Senate, while the Republican Party gained control of the House of Representatives. In a context of historically high inflation and with Congress divided between the two US political forces, it is anticipated that there will be little room for additional easing of fiscal policy in the form of new economic stimulus.

Euro Zone

The Eurozone economy recorded a growth of 3.43% in 2022, a slowdown from that observed in 2021 (+5.3%), reflecting some normalization of economic growth rates, following the distortions induced by the Covid-19 pandemic. It should be noted that the lowest point of the economic cycle in the Euro Zone registered a time lag between 6-9 months in relation to that observed in the USA – whose post-Covid cyclical recovery was very fast.

At the level of GDP aggregates, the highlight goes to the favorable contribution of consumption – especially in services (as opposed to goods), in a trend towards universal consumption that reflected the full post-Covid reopening. The level of public spending also contributed positively to the performance of GDP, driven by the set of government support measures aimed at mitigating the impact of inflation. Despite the continued recovery in business investment, the current account balance deteriorated in the period as a result of the increase in imports relative to exports. Exports were penalized by the maintenance of restrictive measures on Covid in China for almost the entire year, while the worsening of imports was due to the dual effect of the devaluation of the Euro and the increase in the cost of energy that resulted from the Russia-Ukraine military conflict, especially regarding the supply of oil and, above all, natural gas.

With the large-scale energy shock following the Russia-Ukraine military conflict, Europe was faced with a major inflationary problem, with inflation in the Eurozone bloc exceeding the 10% threshold. The typology of inflation was different to that of the USA: core inflation (excluding food and energy) only reached 5% at the end of the year, following 2nd order price index effects, and the pace of wage hikes was more gradual, despite evidence of increasing risks of inflation rooting as in the USA. Germany's decision to raise the minimum wage by more than 20% is illustrative of the risk of wages growing well above productivity and of inflation becoming eventually more resilient. Unsurprisingly, but with some delay in relation to other central banks, the ECB decided to raise the reference interest rate to 2.50% and, in the December meeting, announced some details regarding the balance sheet asset reduction program, whose scope for action will be clearer and more effective as of March 2023.

In the political sphere, highlights of the year included the re-election of Emmanuel Macron as French President by a higher margin (58.5%) than anticipated and the surprising election of Giorgia Meloni – leader of the National Brothers Alliance of Italy, a Nationalist and far-right party – who succeeded Mario Draghi as Italy's Prime Minister. After some initial jitters in the financial markets, Meloni's governance and discourse proved relatively restrained, a situation not unconnected to the moment when the European Union finally began allocating funds associated with the European Recovery Plan, created to address the negative economic impact still associated with Covid-19.

Portugal

In 2022, GDP grew by 6.9% in volume, the highest since 1987, after the 5.9 % increase in 2021 that followed the historical decrease of 8.3% in 2020, associated with the adverse effects of the pandemic on economic activity.

Domestic demand contributed significantly to the performance, although less than in the preceding year, with an acceleration in private consumption and a slowdown in investment. The contribution of net external demand was positive in 2022, after having been negative in 2021, with an acceleration in the volume of exports of goods and services and a deceleration of imports. The revamping of the tourism sector was determinant for this historical record, since Portugal had been one of the countries most affected economically by the pandemic and one of the last to recover and realign its output performance with the long-term GDP growth trend.

6.2. EARNINGS IN 2022

For 2022, the Bank's results reflect (i) a higher net interest margin, (ii) a rise in net commissions, (iii) lower results from Treasury and Capital Markets activities, (iv) increased operating expenses, and (v) a higher taxation of results, since in 2021 there was recognition of tax incentives under the SIFIDE II program.

6.2.1. OPERATING INCOME

In 2022, consolidated Operating Income amounted to € 56.4 million, a decrease of 9.6% compared to 2021, essentially driven by the performance in Treasury and Capital Markets.

The following table summarizes the main components of Operating Income in 2022 and in prior years.

Net interest income was € 28.4 million, compared to € 19.9 million in 2021. This performance reflects the change in the market context in terms of interest rates and credit spreads, following the contractionary monetary policies adopted throughout 2022. In this environment, net interest income's contribution to net operating revenues increased to 50.3% from 31.9% in 2021.

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 made available to clients who can 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. Total net commissions were 11.5% higher in 2021, reflecting a higher level of activity by clients and the expansion of the Bank's business, namely through the consolidation of DIF Broker, whose impact on 2021 results had been only partial since the acquisition was only concluded in September of that year.

This performance is in line with the Bank's strategy of strengthening the most recurrent components of net operating revenues (net interest income and commissions) and reflects the focus on developing the Wealth Management business area over the last few years, a trend that is expected to continue.

In turn, revenues from treasury and capital market activities refer to all categories of income not derived from interest or commissions. This category includes income from trading and investment activities related to a diversified portfolio of liquid fixed income assets associated with active management of diversified credit concentrations, maturities, and country risks. This portfolio is a key to managing the Bank's liquidity and interest rate positions.

While representing an important element of the Bank's business model, this revenue tends to be very directly dependent on market conditions, which have been less favorable in 2022. Thus, on an aggregate, internally managed basis, Treasury and Capital Markets income declined in 2022 to € 12.9 million, from € 27.1 million in 2021.

The Bank's Operating Income over the next few years is expected to continue to derive mainly from the categories described above (net interest income, commissions and treasury and capital markets). In particular, the Bank's business and balance sheet management will be aimed, as mentioned above, at strengthening the more recurrent components of income: net interest income and commissions. The proportions may vary depending on the evolution of market conditions and the Bank's performance, notably with respect to client deposits, assets under custody, and assets under management, while maintaining a focus on discipline and strict adherence to BiG's values and culture, in particular the financial pillars of soundness, asset quality, liquidity, and efficiency.

T.15 (Euro 000)

Revenues	2022	2021	2020	2019
Interest income	53,657	36,794	37,795	45,006
Interest expense	-25,268	-16,851	-19,727	-20,798
Net interest margin	**28,388**	**19,943**	**18,068**	**24,207**
Income from capital instruments	129	47	41	26
Fee and comission income	21,837	19,570	14,339	13,560
Fee and comission expenses	-4,328	-3,868	-3,012	-2,485
Profit / loss of assets and liabilities at fair value through Profit & Loss	2,223	1,234	5,157	4,656
Financial assets at fair value through other comprehensive income	500	16,651	34,748	49,127
Exchange differences, net	7,495	8,535	2,074	610
Income from the sale of other assets	1	29	-40	0
Other income	195	294	289	742
Net operating income	**56,440**	**62,435**	**71,664**	**90,443**

Source: BiG

6.2.2. OPERATING EXPENSES

In 2022, operating expenses amount to € 41.8 million, compared to 37.6 million in 2021, a rise of 11.3%.

The following table summarizes the different components of operating costs in 2022 and in prior years.

Operating expenses include operating costs, provisions, and impairments. These are influenced primarily by compensa-tion, the growth in headcount for the costs of external supplies and manage-ment's confidence regarding levels of business activity.

Transformation costs – i.e. staff expenses, other administrative expenses and depreciation – together totaled € 38.3 million, an increase of 4 percent over 2021.

Staff expenses rose 0.8% to € 21.2 million, displaying the Bank's ability to contain costs notwithstanding the higher number of employees and the Bank's business expansion.

Other administrative expenses include costs with communications, information services, publicity, licensing, agreements with stock exchanges and related suppliers, consultants, contribution from the banking sector, rents and other expenses related to the day-to-day operation of the Bank. These costs are correlated with inflation, the evolution of the business and staff, as well as specific investments. In 2022, there was an increase of 8.3% vs. 2021.

Amortization and depreciation expenses essentially concern real estate occupied by the Bank, investments in hardware and other equipment, initial licensing fees 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. The Bank invests in third-party IT solutions and equipment to support infrastructure and has dedicated resources to managing the infrastructure with in-house solutions. This category recorded an increase of approximately 9.0% in 2021.

With decreasing revenues, the Operating Expense / Operating Income ratio increased to 67.9% in 2022, compared to 58.9% in the previous year.

The operating expenses structure also includes cash contributions to the Portuguese Resolution Fund, namely associated with the various bank resolutions that have occurred since 2014, as well as to the European Resolution Fund.

Costs associated with net impairments increased to around € 2.7 million, compared to € 0.6 million in 2021, reflecting an increase in expected credit losses (ECL) in a context of market corrections and widening credit spreads.

In light of the above, and as illustrated in the table below, Operating results and Pre-Tax Profit amounted to €14.6 million in 2022, compared to €24.8 million in 2021.

Despite the decline in earnings, the estimated net provisions for income tax payments in 2022 rose to € 3.9 million from € 3.1 million in 2021, as the lower tax rate in 2021 reflected the SIFIDE II tax incentives (see note 39 of the notes to the consolidated financial statements). As a result, the tax rate on the Bank's income before tax and minority interests in 2022 was 26.6%, compared to 12.4% in 2021.

T.16 (Euro 000)

Expenses	2022	2021	2020	2019
Administrative expenses				
Staff expenses	-21,233	-21,070	-19,381	-20,325
Other administrative expenses	-13,591	-12,548	-13,019	-12,010
Cash Contributions	-1,165	-1,228	-1,136	-915
Depreciation	-3,473	-3,187	-2,239	-2,375
Provisions	319	1,056	84	1,731
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss				
Financial assets at fair value through other comprehensive income	-1,452	-475	-1,029	566
Financial assets at amortised cost	-1,242	-32	-34	394
Financial asset available for sale	0	0	0	0
Impairment or reversal of impairment on non-financial assets				
Others	-1	-118	-39	-6
Total costs	**-42,143**	**-37,603**	**-36,793**	**-32,940**

Source: BiG

T.17 (Euro 000)

Results and Taxation	2022	2021	2020	2019
Operating results	**14,601**	**24,831**	**34,870**	**57,503**
Results of subsidiaries	0	0	0	0
Profit or loss before tax and minority interests	**14,601**	**24,831**	**34,870**	**57,503**
Tax expense or (-) income related to profit or loss from continuing operations				
Current Taxes	-3,606	-2,097	-8,886	-11,611
Deferred Taxes	-275	-987	-336	-3,341
Net income before minority interests	**10,720**	**21,748**	**25,648**	**42,551**
Minority Interests	-479	-546	-602	-473
Profit or loss for the year	**10,241**	**21,201**	**25,046**	**42,078**

Source: BiG

6.3. RESULTS OF BUSINESS LINES

Internally, Management reviews the performance of the Bank at the level of major business lines, sales teams and product areas, based on objective criteria and on the Bank's accounting records. Performance is reviewed at various levels and for numerous individual profit centers. These, for purposes of presentation, are combined below into two broad segments: *Wealth Management and Advisory* activities, and *Treasury and Capital Markets*.

Operating results on a "management" basis involve allocating revenues and expenses by client segment or business area. The operating costs of each business area include direct costs and indirect costs, which are allocated based on criteria defined by the Executive Committee.

6.3.1. *WEALTH MANAGEMENT* AND *ADVISORY*

The following table contains a summary of the results associated with the Wealth Management and Advisory business area.

The combined business areas under general *Wealth Management and Advisory* Services contributed € 42.9 million to net revenues in 2022, compared to € 35.0 in 2021.

The contribution of this segment to total net revenues grew both in absolute and relative terms, in line with the Bank's strategy of focusing on Wealth Management. Growth in this segment tends to be slow and sustainable, rather than immediate and disruptive.

Contributing to total revenues in this segment were net commissions – from brokerage, asset management, financial advisory and other banking services – and net interest margin associated with client funds raised by this business area. In effect, the Bank's client-related funding essentially comes from this area.

The retail sub-segment of BiG *Wealth Management and Advisory* business is a combination of 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 cash accounts, debit and credit cards, payment services and, to a lesser extent, certain consumer credit arrangements, such as margin accounts.

T.18 (Euro 000)

Wealth Management and Advisory	2022	(%)	2021	(%)	2020	(%)	2019	(%)
Fees and Commissions - Core Business	16,242	38%	13,633	39%	12,000	39%	9,676	29%
Margin	9,589	22%	7,740	22%	7,264	24%	7,972	24%
Other Banking Commissions	760	2%	901	3%	627	2%	1,161	3%
Trading / Sales	1,297	3%	1,700	5%	1,626	5%	825	2%
Corporate Finance	1,517	4%	1,485	4%	895	3%	2,131	6%
Additional Margin Allocated	13,541	32%	9,496	27%	8,268	27%	11,633	35%
Net Revenues	**42,944**	**100%**	**34,955**	**100%**	**30,680**	**100%**	**33,397**	**100%**
Operating Expenses	-27,712		-26,380		-23,121		-21,422	
Pre-tax Income	15,233		8,574		7,560		11,975	
% Operating Revenues / Total Segments Revenues	77%		56%		42%		36%	
% Operating Expenses / Total Segments Expenses	72%		78%		76%		72%	

Source: BiG

The platforms provide 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, ETF's, warrants, futures, foreign exchange, CFDs, and third-party mutual funds.

The Bank reaches clients via different channels, including internet, telephone and physical branches, staffed by financial consultants. The range of products and distribution methods are designed to efficiently target clients with different investment profiles, appetite for risk, transaction needs and profiles.

The Institutional and Corporate Advisory sub-segments of this business feature 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 and capital markets for corporate, banking and institutional clients.

6.3.2. TREASURY AND CAPITAL MARKETS

The following table contains a summary of the results associated with the Treasury and Capital Markets business area.

The Treasury and Capital Markets business segment seeks to generate revenues, while managing the exposure of the Bank to interest rates, foreign exchange market, fixed income, equities and derivative instruments.

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

6.4. BALANCE SHEET AND SOURCES OF FUNDING

Management's view on risks and the evolution of the balance sheet takes into consideration the stability of core capital, mainly through reinvested earnings, the evolution of customer deposits, the existence of acquisition opportunities and the core objectives of ensuring prudent levels of liquidity and solvency at all times.

Close attention to the size and composition of the Bank's balance sheet is one of Management's most important exercises in risk management. Assets and liabilities frequently change due to client activity, market conditions and available business opportunities, but the size and composition of the Bank's balance sheet at any given time may reflect a variety of factors. These include (i) the nature and availability of stable sources of funding, (ii) the level of the Bank's capital or own funds, based on actual and stressed, or hypothetical, levels, and (iii) Management's overall view of opportunities and associated risks. The process involves frequent review of Management's appetite for risk, planning of available investment opportunities and funding strategies via the ALCO (asset

T.19 (Euro 000)

Treasury & Capital Markets	2022	(%)	2021	(%)	2020	(%)	2019	(%)
Income from capital instruments	129	1%	47	0%	41	0%	26	0%
Profit / loss of assets and liabilities at fair value through Profit & Loss	500	4%	1,234	5%	5,157	12%	4,656	8%
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	2,223	17%	16,651	62%	34,748	83%	49,127	84%
Exchange differences, net	6,198	48%	6,835	25%	448	1%	-215	0%
Results from sale of other assets	1	0%	29	0%	0	0%	0	0%
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	-1,452	-11%	-475	-2%	-1,029	-2%	566	1%
Additional Margin Allocated	5,259	41%	2,744	10%	2,536	6%	4,603	8%
Net Revenues	12,857	100%	27,064	100%	41,901	100%	58,763	100%
Operating Expenses	-11,350		-7,527		-7,188		-8,476	
Pre-tax Income	1,508		19,537		34,714		50,287	
% Operating Revenues / Total Segments Revenues	23%		44%		58%		64%	
% Operating Expenses / Total Segments Expenses	28%		22%		24%		28%	

Source: BiG

and liability) committee, definition of 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 (i) financial assets at fair value through other comprehensive income, marked to market daily and are used to manage the Bank's exposure to movements in interest rates and (ii) financial assets at amortized cost, including assets in the medium-term financial margin portfolio, constituted in 2022 in the context of defining a new business model aimed at strengthening the contribution of financial margin to the Bank's operating income.

Our risk framework has been based, for many years, on a core strategy of maintaining a 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 use 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);

Some key inter-related concepts of liquidity management, asset quality control and capital adequacy are presented in sections 7.3, 7.4 and 7.5 of this Report.

In general, the changes in the nature of the Bank's balance sheet over the years have been gradual. Accordingly, there have been no significant changes in 2022. The following table summarizes some of the key indicators of the Bank's consolidated balance sheet in 2022 and in prior years.

Consolidated total net assets at the end of 2022 were approximately € 2.4 billion, compared to € 2.8 billion at the end of 2021. This evolution reflects the reduction in total earning assets of about 15% to € 2.2 billion. In 2022, corrections in the value of assets at mark-to-market reflected the overall market conditions. The impacts of these corrections were partially mitigated by the interest rate hedging strategy, under which the Bank took defensive positions with a view to safeguarding against interest rate hikes. In fact, depending on the evolution of market conditions, the Bank maintained a particularly prudent approach throughout the year in terms of portfolio management and risk hedging.

Deposits with Banks and with other financial institutions are used by the Bank to manage short-term liquidity and reserve requirements with the Central Bank and counterparties.

The item "Financial assets at amortized cost – Debt securities" relates to the assets in the *Hold to Collect* portfolios, including the above mentioned medium-term financial margin portfolio. The increase in this asset component in 2022 reflects, as explained, the creation of the new business model and the reclassification of a number of assets previously recognized in "Financial assets at fair value through other comprehensive income".

The item "Financial assets at amortized cost – Loans and advances – Clients" refers to credit, a portion of which is

T.20 (Euro 000)

Key Balance Sheet Items	2022	2021	2020	2019
Total Net Assets	2,436,983	2,772,027	2,203,605	2,268,414
Earning Assets	2,241,427	2,635,644	2,105,776	2,185,302
Loans to Total Net Assets	1.4%	1.5%	1.5%	0.9%
Deposits from Central Banks	25,017	50,000	75,000	0
Funding from other Credit Institutions	323,944	496,759	213,180	491,760
Deposits from Clients	1,611,445	1,553,889	1,402,940	1,289,576

T.21 (Euro 000)

Earning Assets	2022	2021	2020	2019
Deposits with Banks	246,416	219,057	197,349	173,355
Financial assets held for trading	54,722	75,459	45,815	47,263
Non-trading financial assets mandatorily at fair value through profit or loss	7,787	5,872	3,467	2,829
Financial assets designated at fair value through profit or loss	2,375	1,556	824	352
Financial assets at fair value through other comprehensive income	1,013,518	1,746,150	1,451,904	1,541,888
Financial assets at amortized cost	0	0	0	0
Debt securities	847,123	338,030	359,812	384,840
Loans and advances - Clients	34,869	41,467	32,429	21,117
Loans and advances - Banks	34,616	208,053	14,175	13,657
Total	**2,241,684**	**2,635,644**	**2,105,776**	**2,185,302**

Source: BiG

composed of current account credits (margin accounts) to retail customers. At the end of 2022, virtually all credit assets in this class were fully collateralized by real estate and/or securities and are consequently low risk. Funding of this nature to clients tends to correlate positively with performance in financial markets and, this way, to decline in periods of stress (see Section 7.10 – Credit and Investment Risk).

Mainly as a result of the reclassification during 2022 of a number of assets to "Financial assets at amortized cost", the portfolio of financial assets accounted for at fair value through other comprehensive income (*HTCS*) declined year on year to € 1.0 billion, compared to € 1.7 billion in 2021. This item includes a mix of sovereign, financial and senior debt securities. Factors that may affect the size of this portfolio include opportunities to create margin or investment income during the year.

The decision to hold assets to take advantage of margin or to divest is discussed daily and also, more formally, at the level of the Asset and Liability Committee (ALCO), which takes into consideration market concentrations and the Bank's overall liquidity profile.

At the funding level, the Bank's main sources of funding were, as in prior years, client deposits, shareholder funds, and also access to funding via sale/repurchase agreements at favorable rates with market counterparties such as EUREX Repo and other banks.

Client deposits are primarily retail in nature and grew to over € 1.6 billion.

At the end of 2022, there was approximately € 25 million of ECB funding on the balance sheet, which the Bank drew on during 2020 to strengthen its treasury levels in a pandemic environment (partially repaid in 2021 and 2022).

Deposits from other banks are mainly sale/repurchase agreements with international counterparties and include EUREX Repo, which the Bank joined as a member in 2011, and the European Central Bank.

ALCO provides insight into the nature of the concentrations and liquidity of the Bank's assets and conservative management with respect to the composition of funding referred to above. The Board seeks to ensure that substantial net surplus cash positions exist to cover normal or hypothetical capital outflows. For more information regarding secured funding and client deposits, see Section 7.8 – Liquidity Risk and Note 45 of the notes to the consolidated financial statements.

The Bank's consolidated shareholders' capital at the end of 2022 was € 350.0 million, compared to € 412.7 million at the end of 2021. The reduction reflects, fundamentally, the distribution of earnings to shareholders during 2022 and the negative impact on "Other accumulated comprehensive income", associated with adverse market conditions and the reduction in mark-to-market of assets in the "*Hold to Collect and Sell*" portfolio.

BiG is regulated by the Bank of Portugal and, in accordance with banking regulations, is subject to consolidated, risk-based capital requirements. In broad

T.22 (Euro 000)

Main Liabilities and Capital	2022	2021	2020	2019
Financial liabilities held for trading	0	25,820	23	60
Financial liabilities designated at fair value through profit or loss	20,831	156,233	0	0
Deposits from Clients	1,611,445	1,553,889	1,402,940	1,289,576
Deposits from central banks	25,017	50,000	75,000	0
Deposits from other banks	323,944	496,759	213,180	491,760
Shareholder funds	350,043	412,681	421,905	399,255

Source: BiG

T.23 (Euro 000)

Shareholders Capital	2022	2021	2020	2019
Common Stock	186,947	186,947	171,947	171,947
Share premium	1,362	1,362	1,362	1,362
Treasury Stock	-2	-2	-2	-2
Accumulated other comprehensive income	-86,398	-21,788	2,257	-2,296
Other Reserves	232,347	220,111	217,345	197,867
Profit or loss attributable to owners of the parent	10,241	21,201	25,046	42,078
Antecipated Dividends	0	0	0	-15,475
Minority Interest	5,545	4,849	3,950	3,774
Total Shareholders Capital	350,043	412,681	421,905	399,255
Book value per share	1.87	2.21	2.45	2.32
Net assets / Equity	6.96	6.72	5.22	5.68

Source: BiG

terms, regulatory capital, which is reported regularly, is used as the basis for assessing key aspects of the banking business and involves a number of regular adjustments to the Bank's capital line. Capital requirements are presented as capital ratios that compare adjusted capital to risk-weighted assets. The Tier 1 ratio and other solvency ratios reported regularly by the Bank are a key part of the regulatory capital process.

In light of the above, some of the key performance metrics in 2022 and previous years are summarized in the table below.

The return on average equity (ROE) in 2022 was 2.8%, compared to 5.2% in 2021. In terms of efficiency, the operating expenses / operating income ratio stood at 67.9%, up from 58.9% in 2021. Notwithstanding this performance, the Bank maintained comfortable capital levels, with the T1 Capital Ratio standing at 28.8% at year-end.

6.5. FACTORS THAT AFFECT BiG'S BUSINESS

The Bank manages a number of risks inherent to the banking business. In addition the risks summarized previously and discussed in greater detail in this Management Report and in the Notes to the Consolidated Financial Statements, economic, political, competitive and regulatory conditions and changes also affect the Bank's business.

A set of risk factors which may have an impact on financial markets and on BiG are presented below:

- Additional political, economic and social impacts due to the military conflict in Ukraine resulting from its invasion by Russia;
- Impacts on financial markets arising from international tensions of various kinds, namely associated with commercial conflicts between major international powers (e.g. USA and China);
- Political instability and fragmentation in Europe;
- Additional disruptions in international markets, particularly in the energy sector, commodities or other goods and services with global impact;
- Persistently high inflation and consequent increased central bank response through more contractionary monetary policies;
- Economic slowdown and/or recession in Portugal and Spain, as well as in the

T.24

(Euro 000)

Consolidated Regulatory Capital	2022	2021	2020	2019
Shareholders Equity	**350,043**	**412,681**	**421,905**	**399,255**
Antecipated Dividends	0	0	0	15,475
Net Income	-10,241	-21,201	-25,046	-42,078
Intangible Assets	-11,373	-11,790	-4,053	-2,938
Loans to Employees	-344	-344	-568	-569
Value adjustments due to the requirements for prudent valuation	-1,155	-2,044	-1,555	-1,630
Other	-10,865	-2,490	0	0
Own Funds	**316,065**	**374,812**	**390,683**	**367,515**
Risk-Weighted Assets	1,099,231	1,088,419	863,321	851,619
CET 1 Capital Ratio	28.8%	34.4%	45.3%	43.2%
T1 Capital Ratio	28.8%	34.4%	45.3%	43.2%

Source: BiG

T.25

Performance Measures	2022	2021	2020	2019
Profitability				
Return on Assets (ROA)	0.4%	0.9%	1.1%	1.9%
Return on Equity (ROE)	2.8%	5.2%	6.2%	11.4%
Operating Revenues / Average Net Assets	2.2%	2.5%	3.2%	4.0%
Efficiency				
Net Margin / Earning Assets	1.3%	0.8%	0.9%	1.1%
Operating Expenses / Operating Income	67.9%	58.9%	48.3%	38.4%
Personnel Expenses / Operating Income	37.6%	33.7%	27.0%	22.5%
Solvency				
CET1 Capital Ratio	28.8%	34.4%	45.3%	43.2%
T1 Capital Ratio	28.8%	34.4%	45.3%	43.2%

Source: BiG

large international blocs and in countries with which Iberia maintains strong commercial relations (USA, Germany, France United Kingdom, etc.);

- Deterioration of conditions in the real economy, namely through financial difficulties of companies, reduction in the purchasing power of individuals and increased unemployment;
- Rating downgrades on securities / issues and potential increased credit risk / default;
- Continued growth and complexity of the regulatory and legislative burden on the banking industry;
- Restrictions on access to funding from market counterparties, namely in the use of securities as funding collateral, associated with the perception of Portugal's risk;

6.6. EVENTS FOLLOWING THE YEAR END 2022

Market conditions and instability in the financial sector

Financial markets have been extremely volatile since the beginning of 2023. After a start of the year marked by significant recoveries in most asset classes, the collapse of Silicon Valley Bank in mid-March generated a wave of instability focused on the financial sector.

Following this collapse, a contagion effect to other mid-sized financial institutions in the North American market ensued, such as Signature Bank and First Republic Bank. At the same time, in Europe, pressure on Credit Suisse increased, forcing the Swiss National Bank to make available a liquidity line of 50 billion Swiss francs and to force the acquisition of that financial institution by UBS.

Despite the mitigation of the more immediate risks of a spreading financial crisis, the sector remains in the midst of some turbulence, notably because of factors such as (i) the potential impact on banks' balance sheets of the contractionary monetary policies of global central banks, (ii) the heightened fears of depositors, other creditors and shareholders and (iii) the terms of the acquisition of Credit Suisse by UBS and the unfavorable treatment of holders of Additional Tier 1 (AT1) bonds.

Uncertainty about the course of monetary policy in the major central banks

As at the date of this report, great uncertainty persists as to the direction of the monetary policy of the main central banks over the next few months.

As from 2022, the central banks of the main economic blocs have been successively and expressively raising their reference interest rates, with the aim of controlling persistently high inflation levels. Considering the most recent instability in the financial sector, there is currently greater uncertainty regarding monetary policy decisions over the coming months.

7. RISK MANAGEMENT AND INTERNAL CONTROL

7.1. OVERVIEW

The assumption and control of Risks are basic concepts inherent to our business. These include *direct financial risks*, such as capital, market, liquidity, interest rate, and credit risks; and *indirect financial risks*, including strategic or business model risk, operational, technological, compliance, and reputational risks. Controls over risks include (i) a well-designed and a continuously evolving internal structure of governance, (ii) the understanding, identification, and acceptance of responsibility by individuals within the organization, and (iii) ownership of risk assessment, control, and management by the oversight functions within business units.

To identify and manage these risks, which are interrelated, the Bank maintains a global and integrated system of internal controls, policies, and procedures. These can be 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 body 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 which are designed to protect the interests of clients and shareholders, while preserving and protecting the reputation of the Bank.

As part of the above-mentioned procedures to measure the main risks inherent to the banking activity, the Board of Directors relies on several risk measures, such as Value at Risk (VaR), in several stress test scenarios, exposure limits, together with other comprehensive methodologies. These are subject to continuous review and have been well tested against the paradigm-changing events associated with domestic and global political and economic events, which have defined the recent years. These events 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. Taken together, the major risk categories figure prominently in our view and measurement of market, liquidity, and credit risks.

The *risk management framework*, in broad terms, includes (i) *the governance* structure, (ii) the Bank's policies and procedures, and (iii) the staff involved directly in the firm-wide or individual risk control units. This latter group forms the 3 lines of defense associated to risk management process, starting with *business units*, which own the responsibility for identifying and controlling risks, going through control and *support functions*, which control and report the process from approval to execution, and, lastly, the *Internal Audit function*, which assesses and advises on proper implementation of the process. For additional information please refer to Note 45 of the notes to the consolidated financial statements.

7.2. GOVERNANCE STRUCTURE

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

On top of the governance structure is the Board of Directors, which delegates day-to-day matters to the Executive Committee. This group may redirect matters to the Board of Directors, to any of the committees established within it, or even act in articulation with the Bank's Supervisory Board. It is the responsibility of the Board as a group, and its members, individually – with both supervisory and executive functions – to provide guidance on strategy and risk appetite, approve policies and maintain an integrated view of risk exposures.

Oversight by the Board, as a group and through its committees, includes matters such as:

- Strategy Definition
- Risk Appetite Definition
- Implementation of a Risk Management and Internal Control system
- Financial Performance and Reporting
- Remuneration of key executives / relation to Performance over a cycle
- Preparation of the Nominations and Succession Planning
- Strengthening the Bank's Culture and the Tone from the Top

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

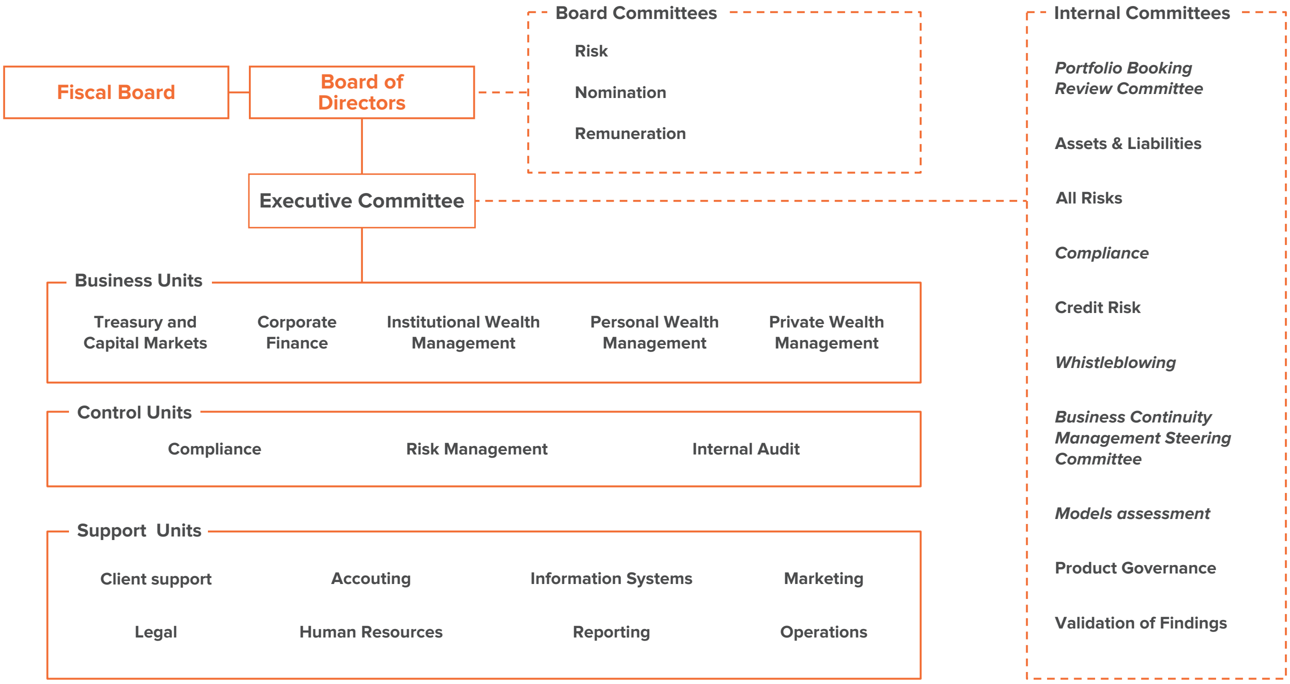
7.3. GENERAL POLICIES AND PROCEDURES

The Board of Directors reviews policies, procedures, and any underlying regulatory changes in a regularly basis, and seeks to ensure clear communication throughout the organization as a basis for building a sound operating environment. The nature of the governance structure for managing 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.

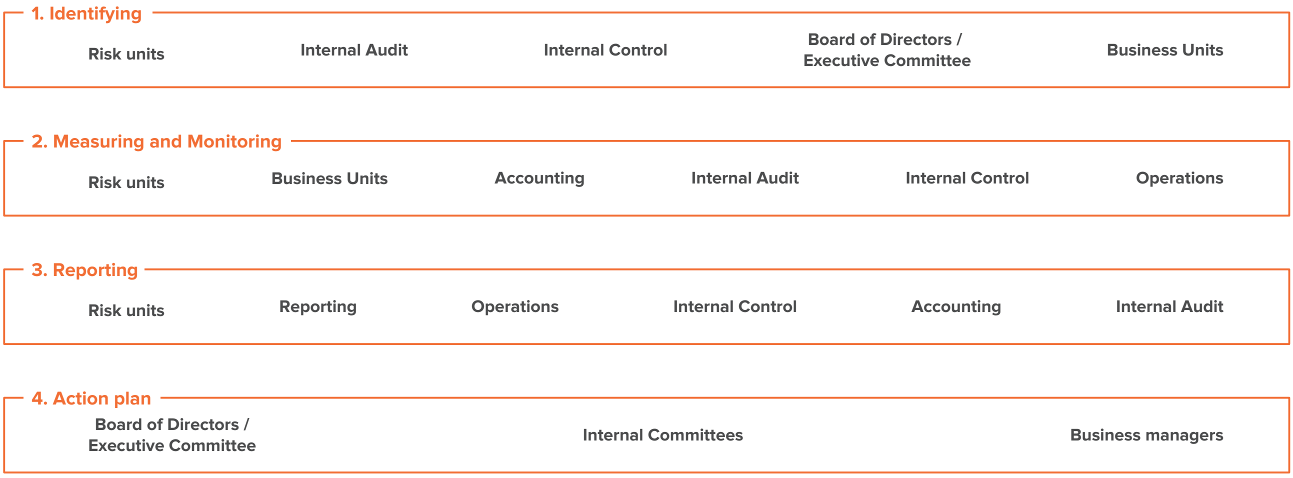
In managing its exposures to various risks, the Bank is guided by the following basic principles:

- Regular review of policies, procedures, and regulations by The Board of Directors;
- Formal definition of responsibilities for risk management in the Bank;
- Policies and procedures to ensure independent oversight;
- Appropriate diversification of risks and formal definition and review of concentrations;

F.8



F.9



- Adequate systems for independent measurement and reporting;
- Overlapping systems to measure and control risk;
- Training to assist staff 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) continuous and independent review of credit exposures, controls over limits and accounting processes, (v) independent reporting and regular dialogue between business teams and independent risk control and support functions, (vi) stress testing procedures, including the application of extreme scenarios, and (vii) the direct involvement of Management in the process of controlling and assessing the Bank's appetite for risk. In addition, Management encourages and expects fast communication and escalation of important trends and potentially significant risks.

7.3.1. MEASURING RISK

In decision-taking and in managing risk, Management applies its professional experience and business judgment in combination with a variety of quantitative tools, supported by various 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;
- Sensitivity analyses, particularly with interest rate risk;
- Measurement of exposures based on Basis Point Values (bpvs);
- Control of limits by counterparty, family, asset class and portfolio;
- Concentration Limits;
- Qualitative analysis and procedures.

The process involves regular self-assessment exercises, updates in techniques and periodic changes of assumptions, as well as adherence to constant demanding 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 management risk process, that no single methodology is enough to measure risks, 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 different approaches. The Bank seeks to quantify the potential for losses associated with every aspect of our business, to have a reasonable and prior estimate of potential damage in the event of unexpected risks materialize. These can range, not only from those that are possible, based on recent historical data, but also to those that we deem to be 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 key points;
- ***Liquidity risk and Interest rate risk*** focus on several methodologies, among which basis point values and scenario analyses;
- ***Credit risk*** focuses on nominal, market and fractional exposures, concentrations by borrower/issuer by group, sector or geography, and on stress testing;
- ***Derivatives exposures*** are measured with sensitivity analyses of exposures measured in basis points;
- ***Operational risk*** monitors potential risks and losses associated with people, systems, external events, legal matters and compliance risks.
- ***Reputation risk and Correlation risk*** involve some of the more subjective risks to which the Bank may be exposed, and usually depend on scenario analyses in order arrive at quantitative estimates.

7.3.2. LIMITS AND CONTROLS

On all risk activities, controlling limits involves a series of frequently reviewed controls organized by class of product, by tenor, and by team or individual decision-maker. They may be measured via a combination of non-statistical measures, including BPV's, and statistical measures, such as VaR.

Management and the Risk Management functions work closely to ensure continuous update, daily reporting, dialogue and review of assumptions and models. A variety of criteria are used for determining appropriate limits associated with trading and investment risk-taking activities, including 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, and sales staff. 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.

7.3.3. REPORTING

On a daily basis, risk management and back-office functions compile and report positions to Management body based on established statistical and non-statistical measures. Exceeded limits, in the case they exist, 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 managers 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, or as a trigger to review concentrations of risk, via the sale or repositioning of our positions or hedging of risks.

7.3.4. RISK CONTROL UNITS

Some of the internal risk committees – Asset and Liability Committee, Credit Risk Committee, and All Risk Committee – include individuals responsible for the day-to-day controls. Each Committee also involves, 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.

In addition, the All Risks Committee meets regularly to ensure proper communication, compliance with regulations and understanding of the interrelationship of risks across the various areas of the Bank.

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 or the Risk Committee.

7.4. CAPITAL RISK

Capital risk management ensures that the Bank has robust 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, determine the Bank's strategy and risk appetite. These issues are a focus of the Board's Risk Committee. They 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 reported and discussed provides Management with a clear picture on capital risk management. The Bank's objective is to maintain levels of capital to:

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

7.5. 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 Annual Plan, review of new business investments, and the periodic Strategic Plan approved by the Board of Directors.

The process involves:

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

The Bank's global view of the risks mentioned above derives 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 in the external environment, and may involve decisions to invest in new business opportunities and/or to modify or divest form current businesses. The process considers regular and frequent interaction with clients, suppliers, analysts, counterparties, the Bank's advisory council, and shareholders.

7.6. REGULATORY RISK

Regulatory Risk, deemed by Management to be a *sub-risk* of Strategic Risk, is the risk of a change in regulations and laws that might affect an industry or a business, in a material manner. Changes in regulations can reduce the attractiveness of an industry and the capacity of that industry to attract investment, talent, and capital. In the banking sector, expected changes and increasing regulatory requirements can lead to increased costs and may affect the competitive landscape of a highly regulated sector, as compared to other sectors or geographies.

In Portugal, special taxes classified as *"solidarity contributions"* applied only to the banking industry, and the need to make contributions to two "resolution funds" – one domestic to deal with large shortfalls involving banks resolved recently, and one Europe-wide, featuring a still un-unified deposit guarantee system – add fixed costs that affect the ability to run business. They reduce profitability, affect the competitiveness of the domestic banking sector in relation to foreign peers, and require adjustments to strategy.

Regulatory risks can be difficult to predict, often requiring Management to be re-active, rather than pro-active. These factors may contribute to the challenges of planning, implementing strategy, controlling costs, and managing the expectations of stakeholders.

7.7. MARKET RISK

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

- Fixed Income Risks, resulting from movements in risk-free rates 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 risks identified above, the Board of Directors exercises its supervision through the Risk Committee. Daily management is delegated to the Executive Committee, ALCO, and the Risk Department. The ALCO includes members of the Executive Committee, managers of revenue-generating activities and members of the Risk Department.

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 issues discussed at the level of ALCO, review of models and analytics associated with calculating 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 of the Bank.

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 that are designed to ensure levels of control adequate with the Bank's capital and business objectives.

The Market Risk function, along with Management, Compliance, and other operating areas, also reviews policies and procedures about product development to ensure that levels of risk assumed by clients, and as marketed by BiG, are appropriate in all circumstances. The Bank's Investment Committee monitors trends, allocations, and policies with respect to the management of client assets, including responsibilities associated with discretionary management mandates.

These control groups meet regularly and, as they normally include two or more Board members, have the authority to decide on day-to-day issues.

Methodologies

To manage market risk, the Bank uses a variety of methodologies to measure and control market-related exposures, which are analyzed with information covering country and counterparty risks. Risks are often 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:

- Value at Risk

- Stress testing

- Calculations of Basis Point Values

- Sensitivity analysis

The Bank employs these control measures simultaneously with other indicators, such as loss advisories and daily controls of concentrations to ensure the integrity of the risk control process, in case of one or more methodologies fail, in result of some extraordinary event occurring in the markets.

Value at Risk

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 computes VaR using historical series to calculate the volatility, with 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 generally due to changes in levels of exposure, volatility and correlation among securities.

T.26

(Euro)

2022 Trading VaR (vs 2021)	2022 December	2022 Average	2022 Maximum	2022 Minimum	2021 December	2021 Average	2021 Maximum	2021 Minimum
RExchange Rate Risk	21,164	23,132	84,164	3,478	14,524	10,663	51,980	1,365
Interest Rate Risk	151,260	267,060	1,387,364	65,087	177,948	315,784	835,502	69,280
Stocks	85,530	64,675	163,962	0	123,070	15,631	128,596	0
Options	0	0	0	0	0	782	65,954	0
Diversification Effect	42%	40%			38%	13%		
	149,339	**212,414**	**1,345,250**	**69,492**	**195,301**	**298,245**	**807,148**	**60,998**

Source: BiG

T.27

(Euro)

2022 Banking VaR (vs 2021)	2022 December	2022 Average	2022 Maximum	2022 Minimum	2021 December	2021 Average	2021 Maximum	2021 Minimum
Interest Rate Risk	9,057,747	8,616,605	15,176,257	5,856,096	6,545,401	6,533,462	8,957,116	5,018,793
Stocks	42,269	62,225	127,576	36,437	95,327	23,728	95,846	0
	9,100,016	**8,678,830**	**15,263,628**	**5,893,671**	**6,640,728**	**6,557,190**	**9,034,826**	**5,018,793**

Source: BiG

VaR: *Expected Loss within the confidence level indicated; larger losses may be possible but have a lower probability of occurrence.*
Back-testing: *Process of validating a model by comparing its predictions with 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.*

Utilization level of trading limits, as indicated below and in line with prior years, on average, was lower than investment limits defined, 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 (Section 7.10.5)

Stress Testing Trading and Investment Portfolios

The Bank runs 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 tries to estimate the potential losses associated with an instrument or portfolio under different scenarios. Each day we apply 16 different scenarios to test various 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 Table 27 are applied to current exposures to estimate potential gains or losses in major trading or investment books. Results are then compiled and reported daily to Management by the Bank's Market Risk area.

T.28 (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	126	105	264	394	120	16	106	41	47	28	161	122	38	122	263	81
FX	108	(164)	(98)	(114)	(28)	(38)	(7)	(28)	395	(20)	(129)	(74)	37	54	158	(18)
Interest Rate Risk	(98)	(12)	(224)	(315)	44	(308)	(156)	(102)	(156)	51	106	(86)	(58)	(53)	(5)	(156)
Total	136	(71)	(58)	(36)	136	(329)	(57)	(89)	286	59	138	(38)	17	122	416	(93)

T.29 (Euro 000)

Banking 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	(11,814)	(5,556)	(10,976)	(20,025)	(647)	(9,838)	(9,482)	(13,168)	(13,032)	(10,137)	(5,636)	(6,942)	(9,171)	(10,425)	(10,345)	(10,177)
Equity	(53)	(61)	(118)	(241)	(118)	(18)	(60)	(16)	(34)	(32)	(73)	(60)	(16)	(54)	(140)	(22)
Total	(11,867)	(5,617)	(11,094)	(20,267)	(765)	(9,856)	(9,542)	(13,185)	(13,066)	(10,169)	(5,709)	(7,002)	(9,186)	(10,479)	(10,485)	(10,200)

Historical scenarios:

T.30

Equity Worst Scenarios		
C1	Greek crisis and, consequently in the Eurozone	26/06/2015
C2	First fears from the spread of COVID-19	26/02/2020
C3	Black Monday of 2020	06/03/2020
C4	COVID-19 declared as global pandemic	11/03/2020
C5	Growing concerns steeming from the possibility of a second wave in rising Covid-19 cases	11/06/2020

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

Source: BiG

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

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

7.8. LIQUIDITY RISK

Liquidity risk results from the probability of the occurrence of negative impacts on results or capital, arising from the inability of the institution to have liquid funds to meet its financial obligations as they fall due.

BiG's policy on liquidity and funding is based on the following principles: (i) raise 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 market stance so as to permanently capture 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, highly 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. This process encompasses detailed controls of inflows and outflows, pricing and reputational issues, controls over collateral, considerations on liquid versus less liquid assets, eligibility requirements, the Asset and Liability management 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.

7.9. INTEREST RATE RISK

Interest Rate Risk results from the 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 (basis point values), 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 31 below shows assets and liabilities by maturity as of 31 December 2022 and the corresponding basis point values (bpvs) by 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 100 basis points or a similar rise or decline of 50 basis points for maturities over 1 year.

Table 32 below measures the impact of the before-mentioned movements on revenues on 31 December 2022.

Table 33 below shows the impact of a movement of 100 basis points in the interest rate curve on the value of the own funds for the last 3 semesters.

T.31 (Euro)

Interest rate risk Maturity	Assets	Liabilities	*Hedge Derivatives (+)*	*Hedge Derivatives (-)*	*Off-Balance Sheet Assets*	*Off-Balance Sheet Liabilities*	Net	bpv's
Overnight	326,291,903	232,268,831	0	0	36,793,452	0	94,023,073	104
O/N < t ≤1M	286,878,033	191,863,895	242,677,904	0	0	0	337,692,042	-829
1M < t ≤3M	207,072,433	408,891,617	29,848,765	0	0	0	-171,970,420	2,660
3M < t ≤6M	40,875,546	145,906,918	76,607,873	0	0	0	-28,423,499	602
6M < t ≤9M	230,535	83,674,307	0	0	0	0	-83,443,772	5,005
9M < t ≤1Y	5,469,694	73,244,153	0	0	0	0	-67,774,459	5,870
1Y < t ≤1.5Y	2,968,734	49,948,011	0	0	0	0	-46,979,277	5,777
1.5Y < t ≤2Y	35,563,250	43,827,093	0	0	0	0	-8,263,843	1,894
2Y < t ≤3Y	71,482,562	771,631,989	0	0	0	0	-700,149,426	175,506
3Y < t ≤4Y	130,954,172	3,760,172	0	0	0	0	127,194,000	-40,541
4Y < t ≤5Y	113,852,326	1,866,630	0	44,772,135	0	0	67,213,561	-25,438
5Y < t ≤6Y	67,467,601	0	0	0	0	0	67,467,601	-34,958
6Y < t ≤7Y	59,463,687	0	0	72,646,581	0	0	-13,182,894	7,652
7Y < t ≤8Y	95,706,606	0	0	0	0	0	95,706,606	-63,971
8Y < t ≤9Y	98,780,065	0	0	20,831,235	0	0	77,948,830	-60,119
9Y < t ≤10Y	292,719,146	0	0	435,361,591	0	0	-142,642,445	130,147
10Y < t ≤15Y	145,060,815	0	0	49,122,920	0	0	95,937,895	-124,401
15Y < t ≤20Y	110,923,317	0	0	41,797,021	0	0	69,126,295	-105,048
tCF>20Y	76,673,375	0	0	114,398,468	0	0	-37,725,094	98,228
	2,168,433,801	**2,006,883,616**	**349,134,542**	**778,929,952**	**36,793,452**	**0**	**(268,245,226)**	**(21,860)**

7.10. CREDIT 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 the Bank.

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 Section 7.7 – Market Risk. To a lesser extent, credit risks also include direct exposure to clients who have contracted loans and credit lines, usually on a support basis as part of their normal trading activities, and also market or settlement risk associated with trading activities by clients.

Credit risk exposures at BiG may include sovereign, corporate and other institutions bonds acquired in the market, asset-backed securities (ABS), direct loans to customers, full value and replacement value inter-bank risks, securities-related settlement risk, receivables under derivative and foreign exchange contracts, and to a lesser extent, lending-related commitments under guarantees and similar facilities. Credit exposures may involuntarily also result from failures in operational controls and are implicit in our relationships with key third-party suppliers.

In its process of analysis and approvement, Bank assesses these credit risk exposures at several levels: at the level of individual transaction, at the level of maximum exposure to the client and related "family" (connected clients), and, separately, at the level of respective portfolios to measure concentration of risks of a given class of assets, sector, industry, or geographic location. As a matter of policy, all exposures are assessed and processed for approval, whether they have on or off-balance sheet in nature.

7.10.1. PROCESSES

As inherent to banking activities, credit risk is a normal component of BiG business model and its management is fundamental to generate revenue and value for our shareholders. Given the importance of developing profitable business while taking risk and using capital prudently, the credit risk management process aims to preserve the independence of the approval process, while allowing an effective integration with the management of business objectives. This process begins with the Board of Directors, which approves general policies and guidelines for credit risks, and ends with oversight through its committees and members of the Executive Committee, by delegation. The Board also delegates appropriate authorities to credit officers and support personnel. The Executive Committee performs day-to-day implementation of respective policies and responsibilities, which include:

- Quantitative and qualitative guidelines for credit reviews;
- Quantitative and qualitative guidelines and procedures for control of credit quality issues;
- Control of client, family and "connected clients" 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.

T.32 (Euro)

December 2022			
Parallel increase of 100 bp	**Parallel decrease of 100 bp**	**Increase of 50 bp after 1 year**	**Decrease of 50 bp after 1 year**
-2,186,011	2,186,011	-1,763,601	1,763,601

Source: BiG

T.33

Interest Rate Risk - Semi-annual Evolution		
Date	**Parallel increase of 100 b.p. in the interest rate curve**	**% Impact on own funds**
dec/21	-5,513,274	-1.5%
jun/22	-5,856,345	-2.0%
dec/22	-2,186,011	-0.7%

Source: BiG

7.10.2. NATURE OF CREDIT EXPOSURES

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

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

- **Secured facilities**: Arising mainly from our relationships with retail clients. These credit operations are secured generally by cash and eligible marketable securities. This category of protection may also include investing in issues by banks of residential mortgage-backed securities (RMBS) and covered bonds.

- **Unsecured facilities**: Arising 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 as unsecured may involve sovereign debt issues, or debt issues of any number of entities guaranteed by sovereign guarantors, as well as Corporate and other Financial Entities. 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.

7.10.3. CREDIT PROCEDURES

In accordance with the Bank's Credit Risk Policy, approving credit exposures, whether secured or unsecured, starts with the 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 pre-established approval grids, 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 used for determining the levels of signature include the existence and/or type of collateral underlying the full-value exposure.

7.10.4. UNSECURED EXPOSURES

Extensions of credit or related exposures that are not fully collateralized, or where the collateral offered is not considered to 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 market, where the Bank may act as a lender to other banks, to the financial, corporate and sovereign sector represented usually by quoted debt securities of varying maturities.

7.10.5. RISK CONCENTRATION

The Bank views its exposure to risk concentration by category type: 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. These are divided by financial and non-financial entities exposures. The reports among others serve as a management tool to monitor large exposures regularly and is 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, investment class, country and rating exposures as at 31 December 2022 are presented in Table 34 to Table 36.

T.34 (Euro)

Exposure by sector	Amount
Government	835,867,171
Asset backed securities	437,752,856
Financial	275,782,057
Utilities	124,474,527
Energy	76,451,532
Basic Materials	61,213,944
Communications	28,355,981
Industrial	22,796,929
Consumer, Non-Cyclical	13,731,330
Consumer, Cyclical	24,588,467
Technology	10,247,633
Real Estate	1,989,280
Healthcare	471,587
Total	**1,913,723,295**

T.35 (Euro)

Exposure by Country - top 15	Amount
Portugal	555,752,187
Italy	539,069,762
Spain	306,822,815
United States of America	124,908,961
France	57,245,082
Germany	51,620,984
Mexico	55,373,998
Mozambique	39,963,471
Chile	26,589,054
Colombia	20,716,404
Netherlands	17,104,099
Peru	14,930,918
Supranational	13,879,550
Indonesia	13,780,598
Brazil	11,509,207
Others	64,456,205
Total	**1,913,723,295**

T.36 (Euro)

Exposure by rating	Aaa	Aa	A	Baa	Ba	B	Caa	NA	Total
ABS	0	417,867,944	19,884,912	0	0	0	0	0	437,752,856
Subordinated - Banks	0	0	0	0	0	0	0	156,277	156,277
Senior - Banks	0	9,370,768	88,957,942	78,371,801	36,531,931	0	18,601	8,077,664	221,328,708
Covered - Banks	3,788,566	28,113,337	6,130,831	0	0	0	0	0	38,032,734
Senior Debt	0	9,891,411	31,938,461	163,578,030	55,452,725	3,859,116	0	83,127,253	347,846,996
Subordinated - Corporate	0	0	3,210,906	12,148,444	6,003,228	0	0	0	21,362,578
Subordinated - Financial (except banks)	0	0	750,610	1,186,044	0	0	0	0	1,936,654
Government Debt	75,711,566	2,406,379	177,373,610	518,415,812	18,553,760	0	38,965,814	0	831,426,942
Supranational Debt	11,619,300	2,260,250	0	0	0	0	0	0	13,879,550
Grand Total	**91,119,432**	**469,910,090**	**328,247,272**	**773,700,131**	**116,541,645**	**3,859,116**	**38,984,416**	**91,361,194**	**1,913,723,295**

Source: BiG

In 2022, credit exposure, mainly involving investment-grade risk assets, has increased, while asset quality, measured through current and historical levels of overdue credit and credit-at-risk, has remained at fairly robust levels. Analyses by external rating agencies of the credit quality of the long-term debt of the main Portuguese issuers, namely the Portuguese state and the largest banks, improved or remained stable. In the case of Portuguese sovereign debt, the main rating agencies raised the investment grade rating assigned to Portugal during the year, as is the case of Fitch which changed to BBB+ in October, S&P to BBB+ in September and DBRS to A (low) in August. Only Moody's has maintained its Baa2 rating since September 2021. Internal and external ratings are used to measure levels of expected losses and to evaluate positions and their evolution. For BiG, credit-related losses were immaterial for 2022, in line with prior years.

7.10.6. STRESS TESTING

The Bank measures the most relevant exposures in several manners, among which are the stress tests carried out. The Bank's investment portfolio, consisting of mainly fixed income securities of varying tenors, is subject to different stress tests to provide Management with an assessment of potential losses, assuming various hypothetical scenarios. In addition to historical scenarios, we also apply, on a daily basis, other adverse and highly unlikely scenarios, which are applied to positions in order to test the resiliency of the Bank's balance sheet and of its capital adequacy. These results are a daily indicator of the portfolio's potential losses.

The simulations below in Table 37 and Table 38 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 capital may be depleted in theoretical circumstances. The results of these tests are used to maintain discipline and control position-taking or excessive concentrations.

The results as at 31 December 2022 bellow (Table 37) show that, under the most extreme circumstances, with spreads and yields changes in the range between 120% and 130%, theoretical losses would be significant but would not affect the overall solvency of the Bank, which would remain comfortably above levels necessary to continue operations.

Table 38 shows the range of testing results during 2022:

T.37 (Euro)

Country (Top 10)	Extreme scenarios
Italy	-13,564,829
Spain	-12,090,278
Portugal	-5,523,793
United States of America	-2,799,146
Germany	-1,522,124
Chile	-953,922
France	-896,768
Peru	-693,963
Colombia	-665,630
Indonesia	-648,677
Total	**-39,359,132**

T.38 (Euro 000)

Maximum and minimum losses			
Maximum (*)	Minimum (*)	Average	Std Deviation
-69,882	-35,561	-55,373	8,714

(*) Max Value and Min Value of Losses

Source: BiG

7.10.7. RESULTS OF THE EXPECTED CREDIT LOSSES (ECL) MODEL

According to internal modelling, expected credit losses (ECL) increased in 2022 compared to previous years as a result of the perception of higher risk associated with most issuers and with effects on issuer credit spreads.

7.10.8. 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 uses derivative financial instruments and foreign exchange instruments to manage the Bank's exposures to the markets and to generate revenues through its trading activities. In assessing risks, the Bank follows the same credit assessment 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 in 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 on 31 December 2022 may be found in Note 27.

7.11. MODEL RISK

Model risk results from the use of mathematical models where there is a level of uncertainty regarding the sources used: (i) lack of data (both availability and quality), (ii) estimation uncertainty or methodological errors in the model design (volatility of estimators, simplifications, approximations, incorrect assumptions, incorrect design, etc.), and (iii) model misuse (application of the model outside its intended use, lack of updating and recalibration, etc.).

This risk may occur from the use, by the Bank, of estimations and financial analyses underlying some of our daily assessments and the potential that incorrect formulas or assumptions might lead to inappropriate decisions. The methods used to make estimates about our business are applied to value positions, measure risk, calculate regulatory requirements, monitor risk appetite via stress testing models, and estimate potential credit losses, among others.

The methods range from simple to varying levels of complexity and require frequent

T.39

Country / Geography	Type of exposure	dec/19	Expected Credit Loss in euros dec/20	dec/21	dec/22
Spain	Sovereign	-	-	-	95,703
	Corporates	7,073	38,116	20,407	98,264
	Financials	8,724	-	4,647	28,917
Italy	Sovereign	86,447	-	20,353	796,882
	Corporates	2,200	31,457	40,272	401,956
	Financials	13,011	68,125	16,498	86,521
Portugal	Sovereign	-	-	-	1,558
	Corporates	141,186	443,533	184,458	867,223
	Financials	28,397	40,987	82,615	476,041
Emergent Markets	Sovereign	80,643	203,850	103,697	585,680
	Corporates	28,765	325,372	1,365,287	360,518
	Financials	-	-	-	6,857
Europe & USA	Sovereign	-	-	4,772	20,632
	Corporates	12,923	130,651	63,357	326,240
	Financials	18,293	76,676	30,014	158,715
Mozambique	Sovereign	88,575	20,050	74,501	136,081
	Corporates	11,452	-	-	3,849
	Financials	66	2	2,468	505
ABS	Sovereign	2,623	15,935	1,296	36,567
	Corporates	35,103	135,486	20,391	256,813
		565,482	**1,530,240**	**2,035,033**	**4,745,520**

review by the users/owners to ensure their integrity.

The Model Validation Committee reviews and challenges the appropriateness of models used by the Bank on a regular basis and may recommend the changes deemed necessary. The conclusions of the work performed are reported to the Board.

7.12. 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 emergent risks to our reputation from human or systems-related operational errors, unexpected interruptions in business processing or insufficient execution of certain activities on the part of hired third-party suppliers of significant components of our complete business model.

In the process of managing pro-actively operating risks to keep exposures to this risk typology 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.

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 45).

Limiting operating risk by complying to internal procedures is essential to provide a competent service to our clients and to reduce the risk of loss or regulatory sanctions. Responsibility for managing operating risks lies with the heads of individual business and support units. To monitor risks and the execution and enforcement of procedures throughout the Bank there are separate governance structures, consisting of the following internal oversight groups, which meet separately with their functional supervisors on the Executive Committee, and together are 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 Bank also conducts self-assessment exercises periodically to identify risks associated with operations, technology, and regulatory compliance. The control processes include, as examples, frequent review of relevant operating procedures, checking 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 time to time. It is the aim of the above governance structure and other internal departments to ensure adherence to prudential and regulatory guidelines, such that the costs of such errors are kept to commensurate levels, in line 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 allows 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 revenues has been small, as can be seen in Table 43.

A key to the Bank's success in controlling operational risks and maintaining avoidable operational losses at acceptable levels relies on a culture of timely identification and mitigation of the Bank's risks. Management encourages the rapid escalation of actual or potential operational issues to senior managers and their pro-active resolution.

The Bank uses tools such as Logic Manager to manage operational risk, internal audit, policies and procedures, customer claims, and IT governance.

T.40

Operational Risk Events by Type of Event (Basel)	% Number of Events	% Total Amount
Internal Fraud	-	-
External Fraud	0.52%	-
HR Policies and Workplace Safety	-	-
Customers, Products and Business Practices	3.14%	8.24%
Damage to Tangible Assets	-	-
Activity Disorders	0.26%	-
Information and communication technologies	40.58%	0.01%
Execution, delivery, and process management	55.50%	91.75%

T.41

Operational Risk Events by Business Line (Basel)	% Number of Events	% Total Amount
Corporate Finance	0%	0%
Trading and Sales	1.83%	0.09%
Payment and Settlement	16.23%	-0.09%
Commercial Banking	0.26%	0%
Agency Services	1.57%	0%
Retail Banking	18.32%	5.79%
Retail Brokerage	44.76%	3.60%
Asset Management	7.33%	90.31%
Others	9.69%	0.30%

T.42

Operational Risk Events by Geography	% Number of Events	% Total Amount
Portugal	85.86%	99.86%
Mozambique	2.62%	0.09%
Spain	11.52%	0.05%

T.43

	% Operating Income
2018	0.13%
2019	0.05%
2020	0.49%
2021	0.01%
2022	1.85%

7.12.1. BUSINESS CONTINUITY AND INFORMATION SECURITY

The continuity of the Bank's business in stressed circumstances, or in a disaster scenario, is subject of extensive planning, being one of the main concerns of Management and a topic of daily attention of that body.

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

During the past year, tensions surrounding the issue of cyber-security continued to escalate and, as expected, culminated in unprecedented events in Portugal, both in sophistication and service disruption. We expect this tendency to persist, promoted by geo-political tensions and by a significant increase in the footprint of players in the digital market. Although none of the incidents has affected domestic financial institutions seriously, to date, we expect the sector to be an obvious target. Warnings by regulators of eventual attacks on the European banking community have grown, as have regulatory concerns via an increase in assessments, reports, and mandatory requirements on cybersecurity.

The Bank's partners with specialized providers and the CSIRT (Computer Security Incident Response Team) community to ensure a continuous feed of information on cybersecurity trends, which helps to focus our investment on the relevant systems and services. A major concern relates to human behavioral patterns, which tend to play a central role in cyber-attacks. Key measures to minimize the Bank's exposure to behavioral risks include user awareness initiatives, centralized management of corporate devices and security endpoints, clear policies on systems updates and investment in identity protection.

Security by design has become transversal and is a common best practice in major areas, including staff onboarding, information access, project management, software development, customer relationship and KYC. The Bank undergoes independent audits and assessments made by internal and external specialized auditors, and actions to close any findings contribute to full transparency in terms of these risks across the organization.

The constraints emerging from the pandemic situation and a global demand for remote working present reasonable challenges on resource retention, security procedures on remote access to the Bank's systems and *Cloud* resources. On the other hand, these challenges also increased the Bank's overall resilience and provided Management with reasonable confidence regarding business continuity. Consolidation of security projects, of operational resilience and business protection procedures, and continuous investment in research and monitoring are the main goals for 2023.

BiG continues to operate with non-core information assets in the cloud. This provides unparalleled security for our corporate documents and emails, as well as a full compliance with General Data Protection Regulations (GPDR).

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

7.13. COMPLIANCE RISK

The Bank's internal control system is based on a culture of compliance with the law and the different norms applicable to the banking activity, as well as compliance with the policies and procedures related with contractual obligations, personal conduct, and relationship with Clients. Together, these systems and procedures aim to mitigate the risk that the Bank may incur in 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 fundamental component of the internal culture. Each business line, therefore, is seen to be accountable for managing compliance risk. In this context, we select staff as much for their values as for their capacities and experience and seek to make transparency, respect for regulations and responsible behavior competitive selling points for the Bank in dealing with clients.

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

The Bank's Compliance function is responsible for:

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

7.14. CONDUCT RISK

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

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

The Bank's internal 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. This includes (i) identifying and assessing conduct risk vulnerabilities throughout the organization, (ii) monitoring key conduct risk metrics and (iii) educating and training staff about their conduct risk avoidance responsibilities.

8. APPLICATION OF RESULTS FOR BiG

8. APPLICATION OF RESULTS

In 2022 Banco de Investimento Global S.A. recorded a consolidated net income of € 10,241,486.77 (ten million, two hundred and forty-one thousand, four-hundred and eighty-six euros and seventy-seven cents) and an individual net income of € 8,704,276.90 (eight million, seven hundred and four thousand, two hundred and seventy-six euros and ninety 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 reinforcement of legal reserve.

The Board of Directors proposes that, with respect to 2022, a dividend of €0.035 (three point five cents of euro) / share is paid to each of the 186,947,388 ordinary shares on 31 December 2022. The total dividend per ordinary share implies a dividend pay-out of 75.17% 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 .... € 870,427.69

Dividends .... € 6,543,067.65

Free Reserve .... € 1,290,781.56

In addition, a dividend of € 0.05 (five cents of euro) will be distributed to each of the 12,000,000 preferred redeemable shares outstanding on December 31, 2022. This amount is already recognized in the individual net income, in accordance with the applicable accounting standards.

Lisbon, 30th of March 2023

The Board of Directors

Carlos Adolfo Coelho Figueiredo Rodrigues
Chairman

José Galamba de Oliveira
Director

Maria Teresa Corrêa de Barros Cardoso de Menezes
Director

Mário João Abreu Galhardo Bolota
Executive Director / CEO

Ana Rita Gil Simões
Executive Director

Peter Alexander Baptista Rodrigues
Executive Director

João Miguel Barrier Henrique
Executive Director

Vitor Manuel Carvalho Luis
Executive Director

Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Banco de Investimento Global, S.A. (the Group), which comprise the consolidated statement of financial position as at 31 December 2022 (which shows total assets of Euros 2,436,982,999 and total shareholders' equity of Euros 350,043,120, including a net profit attributable to Bank's shareholders of Euros 10,241,487), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Banco de Investimento Global, S.A. as at 31 December 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	Summary of the Audit Approach

Measurement of financial instruments not listed in an active market at fair value

Measurement and disclosures regarding the fair value of financial instruments not listed in an active market and presented in notes 2.5, 2.10, 3.2, 19, 20, 21, 22, 23, 27 and 44 of the Bank's consolidated financial statements.

Due to its relevance in the context of the Bank's consolidated financial statements and the associated judgment, the fair value measurement of financial instruments not quoted in an active market was a relevant matter for the purposes of our audit. As at 31 December 2022, financial instruments on level 2 and 3 of the fair value hierarchy or which are subjected to hedge accounting value adjustments amount to Euros 670,034,621.

As at 31 December 2022 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, the Bank determines fair value using estimates, mainly through (i) prices used in similar and recent market transactions; (ii) multiples of comparable societies, namely in terms of activity sector, size, leverage and returns; (iii) models of discounted cash flows; and (iv) other methodologies based on the fulfilment of the main milestones defined on initial investment, as provided for on 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.

The audit procedures we have developed included the identification, assessment and evaluation of key controls implemented by the Bank, to identify, quantify and monitoring the market risk, as well as key controls underlying fair value measurement methodologies.

In the specific 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 methodological documents for the valuation of these financial instruments, prepared by the Bank and review of their adherence to the principles stated in the IFRS 9 and IFRS 13;

- 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 also included the assessment of whether (i) the valuation models developed by the Bank and (ii) the data and (iii) the assumptions used are adequate, 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 whose measurement was determined based mostly on unobservable data in the market, our procedures included the recalculation of the fair value of those financial instruments, taking into consideration the

Key Audit Matter	*Summary of the Audit Approach*
	models and inputs previously analysed. Our audit procedures also included the review of the 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 and presented in notes 2.5, 3.1, 22, 23 and 45 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. As at 31 December 2022 the total securities amounts to Euros 1,859,444,701 (of which Euros 1,011,055,785 are classified as financial assets measured at fair value through other comprehensive income, as described in note 22 of the financial statements, and Euros 848,388,916 classified as financial assets at amortized cost under the title debt securities, as described in note 23 of the consolidated financial statements). The respective expected credit losses recognized at that date amount to Euros 4,744,113. The measurement of expected credit losses for 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, namely the classification of the exposures by different stages according to the risk behaviour since the inception (stages 1, 2 or 3). These models are based on (i) historical default and recovery information made available by external providers and (ii) other information from the market, such as issuers credit	The audit procedures developed included the identification, understanding and assessment of key controls implemented by the Bank regarding the approval, recording and monitoring of credit risk on debt securities, as well as the Bank's key controls underlying 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 to 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 accounting standard. In what concerns the models used by the Bank, we have developed a set of procedures in order to assess whether the assumptions made by management respond to the IFRS 9 requirements, namely: (i) review of the methodological documentation underlying the model used; (ii) review and testing the portfolio segmentation; (iii) analysis of the Bank’s default definition and the criteria applied in the staging classification, on a sampling basis; (iv) review and testing of the main risk parameters; (v) critical 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.

Key Audit Matter	Summary of the Audit Approach
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 as at 31 December 2022.	Our audit procedures also included the review of disclosures regarding financial instruments not listed in an active market as well as the respective impairments, included in the notes to the Bank's consolidated financial statements, considering the applicable accounting policies.
Change in the business model *<u>Measurements and disclosures related with the change in the business model disclosed in notes 1, 22, 23, 39 and 41 of the Bank's consolidated financial statements</u>* During August 2022, the Bank's Board of Directors decided and approved the reclassification of certain debt financial assets, classified until then in the business model with the objective of collecting contractual cash flows (capital and interest) as well as the sale of these assets ("hold to collect and sell"). Based on the principles stated in IFRS 9, and for the reasons disclosed in note 1 of the Bank's consolidated financial statements, these financial assets were reclassified to a new business model, based exclusively on the objective of collecting all contractual cash flows ("hold to collect"). On the reclassification date, the portfolio of financial assets measured in accordance with the new business model, amounts to Euros 488,151,483, corresponding to a nominal value of Euros 547,418,893, and a negative revaluation reserve, net of deferred taxes and other adjustments resulting from fair value hedge accounting, in the amount of Euros 30,066,343. This reclassification had (i) a positive impact on the negative revaluation reserve of Euros 30,066,343, (ii) a positive remeasurement of the book value of these assets by Euros 43,892,471, and (iii) a reversal of a deferred tax asset recognized in the statement of financial position in the amount of Euros 13,826,128. The significant expression resulting from the change in the business model, which decision required significant analysis and judgements of the Bank's	The audit procedures we have developed included: • Analysis of the documentation prepared by the Bank's Board of Directors that supports the decision related with the change in the business model and the reclassification of certain financial assets to a new business model based on the objective of collecting capital and interest contractual cash flows ("hold to collect"); • Reading the minutes of the governing bodies and the committees that support senior management's decision regarding the change on the business model; • Review of the Bank's supporting documentation and the compliance with IFRS 9 requirements of of the basis for the decision regarding the assets reclassification; • Review of the underlying impacts related with the change in the business model; and • Reconciliation of the inventory of reclassified financial assets with the accounting records and respective business model. The audit procedures also included the disclosures review related with the change in the business model, disclosed in the Bank's consolidated financial statement notes s, taking in consideration the applicable accounting standards.

Key Audit Matter	*Summary of the Audit Approach*
Board of Directors, justifies that this has constituted a key audit matter for the purposes of our audit.	

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

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

b) the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

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

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

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

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

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

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

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

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

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

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

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

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

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

i) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

Consolidated Directors’ report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the consolidated Directors’ report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the consolidated 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 16 April 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed as Bank's auditors in the Shareholders' General Meeting of 8 May 2014 for the period from 2014 to 2017, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 24 May 2022 for the years 2022 and 2023.

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

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of this date.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014 and that we remain independent of the Group in conducting our audit.

21 April 2023

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

[Original in Portuguese signed by]

João Ricardo Amorim Gravito, ROC no.1917
Registered with the Portuguese Securities Market Commission under no. 20210027

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

To the Shareholders,

As per the articles no. 508-D and no. 420, 1 g) of the Portuguese Commercial Companies Code, and to the no. 2 of the Twenty-Fourth article of the Articles of Association of Banco de Investimento Global, S.A. (hereinafter referred to as "BiG" ou "Bank"), it is the Supervisory Board's competence to examine the consolidated financial statements of the Group presented to it by the BiG's board of directors with respect to the year ended December 31 2022.

Therefore, in the course of 2022, we have actively accompanied the activity, as and when deemed necessary, the management and the results of the Bank and its subsidiaries (Group). We have verified the adequacy of the accounting records and the correctness of the corresponding consolidated accounts documentation and the valuation criteria adopted by BiG for the correct appraisal of its assets and results.

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

We have also monitored the work performed by PriceWaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., as the external statutory auditors of the Group ("PwC") that audited throughout the year and at the end of the 2022 year the consolidated accounts that the Board of Directors produced as per the Law and Articles of Association, and we reviewed their Statutory Audit Report, in attachment, with which we concur. In its review of the consolidated Financial Statements of the year, we also took into special consideration the report on the Supervisory Body produced by PwC.

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

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

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

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

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

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

i) Approval of the consolidated management report; and

ii) Approval of the consolidated financial statements.

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

Lisbon, April 21, 2023

The President of the Supervisory Board
Maria Aline Bastos Moreira Veloso de Almeida

Member
Pedro Rogério Barata do Ouro Lameira

Member
Jorge Manuel Jacob Miguel Tainha

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended on 31 December 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 december 2022
(Amounts in Euros)

	Notes	2022	2021
Interest income	4	53,656,560	36,794,353
Interest expenses	4	(25,268,229)	(16,851,413)
Net interest income		**28,388,331**	**19,942,940**
Dividend income	5	128,865	47,207
Fee and commission income	6	21,837,270	19,569,999
Fee and commission expenses	6	(4,328,434)	(3,867,761)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	7	499,554	16,650,614
Gains or losses with financial assets and liabilities held for trading and hedge accounting	8	2,223,229	1,233,812
Exchange differences	9	7,494,846	8,534,913
Gains or losses on derecognition of non-financial assets	10	1,130	28,826
Other operating results	11	194,870	294,259
Total Operating income		**56,439,661**	**62,434,809**
Administrative expenses			
Staff expenses	12	(21,233,057)	(21,070,352)
Other administrative expenses	14	(13,591,009)	(12,547,803)
Cash contributions for resolution funds and deposit guarantee schemes	15	(1,164,782)	(1,228,416)
Depreciation		(3,473,142)	(3,187,138)
Provisions or reversal of provisions	36	319,059	1,055,500
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss			
Financial assets at fair value through other comprehensive income		(1,452,456)	(475,369)
Financial assets at amortised cost		(1,241,681)	(31,532)
Impairment or reversal of impairment of non-financial assets			
Other		(1,479)	(118,276)
Operating expenses		**(41,838,547)**	**(37,603,386)**
Profit or loss before tax from continuing operations		**14,601,114**	**24,831,423**
Tax expense or income related to profit or loss from continuing operations			
Current	39	(3,605,892)	(2,096,910)
Deferred	39	(274,776)	(986,964)
Profit or loss after tax from continuing operations		**10,720,446**	**21,747,549**
Minority interests		(478,959)	(546,342)
Profit or loss of the year		**10,241,487**	**21,201,207**
Earnings per basic share	16	0.05	0.12
Earnings per diluted share	16	0.05	0.12

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 december 2022
(Amounts in Euros)

		2022			2021		
	Note	Total	Attributable to shareholders of the bank	Minority interests	Total	Attributable to shareholders of the bank	Minority interests
Net Profit / Loss of the year		10,720,446	10,241,487	478,959	21,747,549	21,201,207	546,342
Items which could be reclassified for results							
Debt instruments at fair value through other comprehensive income							
Gains and losses of the year	41	(317,528,498)	(317,500,378)	(28,120)	(54,506,718)	(54,464,726)	(41,993)
Reclassification of Gains and Losses	41	178,106,070	178,106,070	-	16,263,135	16,263,135	-
Deferred tax	41	43,929,628	43,918,493	11,135	11,961,436	11,948,602	12,834
Exchange differences	41	1,763,453	1,371,905	391,548	5,849,600	5,096,744	752,856
Changes in the business model							
Gross results	41	43,892,471	43,892,471	-	-	-	-
Deferred tax	41	(13,826,128)	(13,826,128)	-	-	-	-
Items which could not be reclassified for results							
Equity instruments at fair value through other comprehensive income							
Gains and losses of the year	41	(291,720)	(292,729)	1,009	246,544	249,584	(3,040)
Current tax	41	(67,783)	(67,783)	-	-	-	-
Deferred tax	41	169,505	169,828	(323)	6,083	5,027	1,056
Variation of Other Comprehensive Income of the year		**(63,853,002)**	**(64,228,251)**	**375,249**	**(20,179,920)**	**(20,901,634)**	**721,713**
Total comprehensive income for the year		**(53,132,556)**	**(53,986,764)**	**854,208**	**1,567,629**	**299,573**	**1,268,055**

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

CONSOLIDATED BALANCE SHEET

For the year ended 31 december 2022
(Amounts in Euros)

	Notes	2022	2021
Assets			
Cash, cash balances at central banks and other demand deposits			
Cash and cash reserves at Central Banks	17	126,582,804	47,968,473
Other demand deposits	18	119,833,641	171,088,061
Financial assets at fair value through profit and loss			
Financial assets held for trading	19	54,721,721	75,705,416
Non-trading financial assets mandatorily at fair value through profit or loss	20	7,787,300	5,624,838
Financial assets designated at fair value through profit or loss	21	2,375,091	1,556,095
Financial assets at fair value through other comprehensive income	22	1,013,518,043	1,746,150,320
Financial assets at amortised cost			
Debt securities	23	847,122,893	338,030,213
Loans and advances - Clients	24	34,869,145	41,467,260
Loans and advances - Central Banks	25	8,815,094	15,037,521
Loans and advances - Banks	26	25,800,970	193,015,319
Derivatives - Hedge accounting	27	55,571,232	1,197,229
Tangible assets	28	19,560,572	19,865,820
Intangible assets	29	11,373,083	11,789,978
Tax assets			
Current tax assets	30	5,416,787	8,274,305
Deferred tax assets	39	39,693,589	9,714,878
Other assets	31	63,941,034	85,540,783
Total Assets		**2,436,982,999**	**2,772,026,509**
Liabilities			
Financial liabilities held for trading		-	25,819,649
Financial liabilities designated at fair value through profit or loss	32	20,831,235	156,232,960
Financial liabilities measured at amortised cost			
Funding from clients	35	1,611,444,893	1,553,888,768
Funding from central banks	34	25,017,361	50,000,000
Funding from other banks	33	323,944,223	496,758,527
Derivatives - Hedge accounting	27	-	31,965,908
Provisions	36	466,657	808,726
Tax liabilities			
Deferred tax liabilities	39	671,124	692,167
Share capital repayable on demand	37	12,231,975	12,795,923
Other liabilities	40	92,332,411	30,382,968
Total liabilities		**2,086,939,879**	**2,359,345,596**
Capital			
Capital	41	186,947,388	186,947,388
Share premium	41	1,362,308	1,362,306
Accumulated other comprehensive income	41	(86,397,717)	(21,787,972)
Other reserves	41	232,346,564	220,111,105
Treasury shares	41	(2,326)	(2,326)
Profit or loss attributable to owners of the parent		10,241,487	21,201,207
Minority interests		5,545,416	4,849,205
Total equity		**350,043,120**	**412,680,913**
Total equity and Total liabilities		**2,436,982,999**	**2,772,026,509**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 december 2022
(Amounts in Euros)

	Note	Capital	Share premium	Accumulated other comprehensive income	Legal reserve	Other Reserves	Treasury shares	Profit or loss attributable to owners of the parent	Minority interests	Total Equity
Balances on 31 December 2020		**171,947,388**	**1,362,281**	**2,256,650**	**47,631,830**	**169,712,877**	**(2,326)**	**25,045,940**	**3,950,339**	**421,904,979**
Comprehensive income										
Other comprehensive income		-	-	(25,998,378)	-	-	-	-	(31,143)	(26,029,521)
Exchange differences		-	25	1,953,756	754,535	2,388,454	-	-	752,856	5,849,626
Net result of the year		-	-	-	-	-	-	21,201,207	546,342	21,747,549
Total comprehensive income recognised in the year		**-**	**25**	**(24,044,622)**	**754,535**	**2,388,454**	**-**	**21,201,207**	**1,268,055**	**1,567,654**
Distribution of the result of the year 2020										
Transfer to reserves		-	-	-	2,811,001	22,604,127	-	(25,045,940)	-	369,188
Distribution of dividends		-	-	-	-	-	-	-	(369,189)	(369,189)
Interim dividends		-	-	-	-	(25,791,719)	-	-	-	(25,791,719)
Capital increase		15,000,000	-	-	-	-	-	-	-	15,000,000
Balances on 31 December 2021	**41**	**186,947,388**	**1,362,306**	**(21,787,972)**	**51,197,366**	**168,913,739**	**(2,326)**	**21,201,207**	**4,849,205**	**412,680,913**
Comprehensive income										
Other comprehensive income		-	-	(95,912,982)	-	246,483	-	-	(16,299)	(95,682,798)
Changes in the business model		-	-	30,066,343	-	-	-	-	-	30,066,343
Exchange differences		-	2	1,236,894	156,465	45,354	-	(66,810)	391,548	1,763,453
Net result of the year		-	-	-	-	-	-	10,241,487	478,959	10,720,446
Total comprehensive income recognised in the year		**-**	**2**	**(64,609,745)**	**156,465**	**291,837**	**-**	**10,174,677**	**854,208**	**(53,132,556)**
Distribution of the result of the year 2021										
Transfer to reserves		-	-	-	2,907,661	8,879,496	-	(11,787,157)	-	-
Distribution of dividends		-	-	-	-	-	-	(9,347,240)	(332,643)	(9,679,883)
Minority interests in Liabilities									234,432	234,432
Distribution of reserves		-	-	-	-	-	-	-	(59,786)	(59,786)
Balances on 31 December 2022	**41**	**186,947,388**	**1,362,308**	**(86,397,717)**	**54,261,492**	**178,085,072**	**(2,326)**	**10,241,487**	**5,545,416**	**350,043,120**

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

◢ CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 december 2022
(Amounts in Euros)

	Notes	2022	2021 restated
Cash flows from operating activities			
Interest and income received		54,370,580	35,729,000
Interest and costs paid		(25,676,167)	(17,652,891)
Services and commission		17,233,045	15,442,016
Contributions to the pension fund		(388,930)	(438,396)
Cash payments to employees and suppliers		(38,025,291)	(35,790,308)
Other costs and income paid/received		(297,024)	1,793,498
		7,216,213	**(917,081)**
Variation in operating assets and liabilities:			
Deposits in central banks		167,283	2,090,019
Financial assets and liabilities held for trading		(851,957)	(185,728)
Financial liabilities designated at fair value through profit or loss		(136,121,724)	155,716,509
Applications in central banks		(59,582,315)	12,671,808
Applications in banks		7,192,505	(1,026,178)
Funding from central banks		112,840,403	(209,590,642)
Funding from banks		114,253,755	130,511,684
Financial assets at amortised cost		(25,000,000)	(25,000,000)
Funding from clients		(174,830,603)	284,189,104
Derivatives for risk management		173,369,355	(23,643,422)
Other operating assets and liabilities		71,198,182	(11,730,751)
Cash flow net of the operating activities, before taxation		**89,851,097**	**313,085,322**
Taxation on profits paid / received		(1,125,540)	(8,325,126)
		88,725,557	**304,760,196**
Cash flow from investing activities			
Investment / reduction in investment in subsidiaries		(1,242,842)	-
DIF Broker (1)		-	31,649,653
Dividends received		128,865	43,616
Financial assets at fair value through other comprehensive income		(64,385,175)	(313,216,302)
Purchase of financial investments		(2,547,733)	(2,779,683)
		(68,046,885)	**(284,302,716)**
Cash flow from financing activities			
Subscription / redemption of participation units		13,789,451	5,773,947
Dividends paid from ordinary shares	41	(9,739,669)	(26,022,123)
Instruments representing capital	41	(168,000)	(182,500)
Increase/ (Decrease) other liabilities in accounts	40	(674,967)	(724,504)
Increase in capital	41	-	15,000,000
Cash flow net of financing activities		**3,206,815**	**(6,155,180)**
Cash and cash equivalents at the start of the period		219,056,534	197,349,046
Net variation in cash and cash equivalents		23,885,487	14,302,300
Effect of the change in the exchange rate on cash and cash equivalents		3,474,424	7,405,188
Cash and cash equivalents at the end of the period		246,416,445	219,056,534
Cash and cash equivalents at the beginning of the period includes:			
Cash	17	47,968,473	89,352,772
Deposits in other Banks	18	171,088,061	107,996,274
Total		**219,056,534**	**197,349,046**
Cash and cash equivalents at the end of the period includes:			
Cash	17	126,582,804	47,968,473
Deposits in other Banks	18	119,833,641	171,088,061
Total		**246,416,445**	**219,056,534**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the years ended on 31 December 2022

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.

At the end of 2020, Onetier Partners, SGPS, S.A., whose capital was held 100% by the Bank, was dissolved with immediate sharing. At the date of liquidation, this company only held a 100% stake in Onetier Partners, Sociedade de Capital de Risco, S.A., which is now held directly by the Bank.

Onetier Partners, Sociedade de Capital de Risco, S.A.,100% owned by Banco de Investimento Global, S.A, was constituted on 20 April 2004 and the main goal is the realisation of investments temporary in companies with a high growth potential and valuation. Since 2016, the company's investment policy has favoured the acquisition of equity stakes or concession of debt convertible to early-stage start-up companies that operate preferably in the Fintech, Insurtech and Cybersecurity segments.

BiG Serviços Financeiros, S.A., fully owned by the Bank, was founded on the 11th of September 2008, based in Lisbon and has the main object of providing financial consultancy services, and also owns or manages buildings.

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. Banco de Investimento Global, SA owns 82.64% of BiG Mozambique.

On 7 September 2021 the Bank acquired 100% of the capital of DIF Broker – Empresa de Investimento, S.A., an investment company incorporated in 1999 with the purpose of carrying out the activities permitted by law for financial brokerage companies, including all ancillary, connected or similar operations compatible with this activity and permitted at law, with no legal restriction.

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 69.7% of its investment units and it is consolidated using the full consolidation method.

The entity Onetier – Fundo Capital de Risco is a venture capital fund managed by Onetier Partners, Sociedade de Capital de Risco, S.A. constituted in December 2021.

NOTE 1
BASIS OF PRESENTATION AND COMPARABILITY OF INFORMATION

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

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

The consolidated financial statements and accompanying notes were approved by the Board of Directors of Banco de Investimento Global, S.A. on March 30, 2023. The consolidated financial statements now presented refer to December 31, 2022 and will be submitted for the approval of the General Meeting, which has the power to make changes them. It is, however, the conviction of BiG's Board of Directors that they will be approved without significant alterations.

BiG's consolidated financial statements now presented, relate to the year ended on 31 December 2022 and were prepared in accordance with the IFRS, as adopted in the European Union by 31 December 2022. The accounting policies used by the Group in the preparation of the financial statements reported on 31 December 2022 are consistent with those used with reference to 31 December 2021.

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, expenses, 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.

The Group proceeded, on December 31, 2022, at the level of the cash flow statement, to the reclassification of Cash and deposits at central banks from the caption Cash flows from operating activities – Changes in operating assets and liabilities to the caption Cash and deposits at central banks. Following this change, the Bank corrected the comparatives at 31 December 2021, and the restatement is presented as follows:

These consolidated financial statements were approved in the meeting of the Board of Directors on 30 March 2023 and will be submitted to the approval of the shareholders and it is expected that they will be approved without alterations.

	31-12-2021 restated	Ajustment	31/12/2021
Cash flows from operating activities			
Variation in operating assets and liabilities:			
Deposits in central banks	-	(41,500,695)	41,500,695

	31-12-2021 restated	Ajustment	31/12/2021
Cash and cash equivalents at the beginning of the period includes:			
Cash	89,352,772	87,040,968	2,311,804
Deposits in other Banks	107,996,274	-	107,996,274
Cash and cash equivalents at the end of the period includes:			
Cash	47,968,473	45,540,273	2,428,200
Deposits in other Banks	171,088,061	-	171,088,061

Reclassifications between portfolios of financial instruments

In accordance with IFRS 9, if the entity changes its business model, it must reclassify the respective assets in accordance with its new business model.

According to this standard, these changes should be infrequent and should comply with the following requirements, namely:

- The change in the respective business model should be taken by the Management;
- The said change should have a significant impact on the entity's operations; and
- The change must be demonstrable to external entities.

During 2022, the Bank established a new business model focused on generating medium-term net interest margin, in line with its strategic plan. In recent years, the Bank has pursued a growth strategy focused on increasing the most recurrent revenue components of its Operating Income (commissions and net interest income), having taken a number of strategic decisions with an impact on its business model. In this context, and with the objective of fostering the growth of the Wealth Management & Advisory activity, the Bank implemented a set of initiatives to strengthen the teams and systems associated with this business, and also decided to extend this activity to the Spanish market, through the establishment of a branch, which opened to the public in the last quarter of 2020. Additionally, in September 2021, the Bank acquired 100% of DIF Broker, with the main objective of accelerating the growth of the client business in the Spanish market. DIF Broker is headquartered in Portugal and has a branch in Spain. In pursuing its strategy of creating a stable Operating Income, in addition to the focus on increasing commissions and taking into consideration the level and stability of customer deposits, the Bank now intends to build an asset base with a more stable and diversified component of financial margin, which will allow it to complement the commercial initiatives underway. These changes have been more evident in the portfolio of medium term financial margin and generation of capital gains, which in accounting terms corresponds to the accounting item Hold to Collect and Sell, in which there has been greater stability and seniority in the asset base.

In this sense, a set of securities were identified, previously recorded under the heading of Financial assets at fair value through other comprehensive income, but which present a profile corresponding to the new business model, and it was decided to transfer them to this new business model and reclassify them under the heading of Financial assets at amortized cost.

In view of the above, and once all the requirements defined in IFRS 9 were met, the Bank reclassified the respective instruments, and they are now measured at amortised cost, when they were previously measured at fair value through other comprehensive income. The difference between the fair value and the respective book value on the reclassification date was recognised in other comprehensive income, as presented below:

	Opening balance	Ajustments in the business model	Closing balance
Assets			
Financial assets at fair value through other comprehensive income	1,596,761,675	(488,151,483)	1,108,610,192
Financial assets at amortised cost - Debt securities	281,860,129	532,043,954	813,904,083
Deferred tax assets	53,090,186	(13,826,128)	39,264,057
Shareholder funds			
Other comprehensive income	(115,038,996)	30,066,343	(84,972,654)

NOTE 2
MAIN ACCOUNTING POLICIES

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

2.1. Bases of consolidation

Consolidation principles and recording of subsidiaries

The Group applies IFRS 3 (revised) for the accounting recognition of concentration of businesses. The consolidated financial statements now presented reflect the assets, liabilities, revenues and expenses of the Bank and its subsidiaries (Group).

Investments in subsidiaries

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group acquires control until the date on which control ceases.

Goodwill

Business combinations are recorded using the purchase method of accounting. The acquisition cost corresponds to the fair value, determined on the date of purchase of the assets given and liabilities incurred or assumed. The Group, on a transaction-by-transaction basis (for each business combination) chooses to measure any minority interest in the acquired company either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The costs directly related to the acquisition of a subsidiary are charged directly to profit or loss.

The Group performs a set of procedures to assess whether it is facing an asset purchase or a business combination. Or rather, it determines that it has acquired a business when the acquired set of activities and assets includes a substantive input and process that, together, contribute significantly to the ability to create outputs. The acquired process is considered substantive if it is considered critical for the ability to continue to produce outputs, and the acquired inputs include an organised workforce, with the knowledge or experience necessary to carry out this process or if it contributes significantly to the ability to continue to produce outputs and is considered unique or scarce or cannot be replaced without significant cost, effort or delay in the ability to continue to produce outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for the due classification and designation according to the contractual terms, economic circumstances and relevant conditions at the date of acquisition. This includes the separation of embedded derivatives in host contracts by the acquiree.

The value of contingent future payments is recognised as a liability at the time of the business combination according to its fair value, and any change to the amount initially recognised is recorded against goodwill, but only if it occurs within the period of measurement (12 months after the acquisition date) and if it is related with facts and circumstances that existed at the date of acquisition, otherwise it should be recorded against the income statement, unless this contingent payment is classified as equity, and in this case it should not be remeasured and, only when it is settled, will the impact on equity be recognised.

Positive goodwill resulting from acquisitions is recognised as an asset and carried at acquisition cost, and is not subject to amortisation. Goodwill resulting from the acquisition of participations in subsidiary companies is defined as the difference between the value of the acquisition cost and the total or proportional fair value of the assets and liabilities and contingent liabilities of the acquiree, according to the option taken. If the goodwill arrived at is negative, this is recorded directly in profit and loss for the period when the business combination occurs.

Goodwill is not corrected according to the final determination of the value of the contingent price paid, this impact being recognised against the income statement or equity, if applicable.

In accordance with IFRS 3 – Business Combinations, if the initial accounting of a business combination is not completed by the end of the first financial reporting period in which the combination occurs, this is recorded at its provisional values. These provisional values may be adjusted during the period of measurement, which may not exceed one year from the acquisition date.

During this period, the Group should adjust retrospectively the amounts recognised provisionally at the date of acquisition, in order to reflect new information obtained on facts and circumstances that existed on the date of the acquisition and that, if known, would have affected the measurement of the amounts recognised on that date. During this period, the Group should also recognise additional assets and liabilities, if new information is obtained on facts and circumstances that existed at the date of acquisition and that, if known, would have resulted in the recognition of these assets and liabilities on that date.

At least once a year, the Group performs impairment tests on goodwill carried in the balance sheet, according to the requirements of IAS 36 – "Impairment of Assets". For this purpose, goodwill is allocated to units that give rise to cash flows, and the respective recoverable amount is determined based on estimates of the future cash flow, updated based on discount rates considered appropriate by the Group. Impairment losses associated with goodwill are recorded in the income statement of the year and cannot be reversed.

Acquisition and dilution of non-controlling interests

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

Loss of control

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

Investments in foreign subsidiaries

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

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

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

Transactions eliminated on consolidation

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

2.2. 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.

2.3. Transactions in foreign currency

The Group's accounts are presented 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 or in profit and loss.

2.4. 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 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 accounting 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.

If a hedging instrument matures or is terminated beforehand, the gains or losses recognised in the valuation of the hedged risk as value adjustments of the hedged items are amortised over its remaining life.

If the hedged asset or liability is sold or paid, all amounts recognised in the valuation of the hedged risk are recognised in the income statement of the year and the derivative financial instrument becomes part of the trading portfolio.

If the hedge ceases to be effective, the gains or losses recognised as value adjustments of the hedged items are amortised through profit and loss over the remaining period of validity.

In the case of exchange rate risk hedges on monetary items, hedge accounting is not applied, and the gain or loss associated with the derivative is recognised in the income statement, and also the exchange variations of the monetary items.

Classification criteria

As of 1 January 2018, 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 hedge

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 the derivative financial instrument is transferred to the trading portfolio and hedge accounting is discontinued prospectively. Regarding the hedging asset or liability, the adjustment to the book value of the hedged instrument is amortised in results for the remaining period of useful life of the hedged item.

2.5. 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;
- on the characteristics of the contractual cash flows of the financial asset.

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 debt 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 profit or loss, when they do not meet the criteria to be recognised at amortised cost or at fair value through other comprehensive income.

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 involves collecting 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 expenses associated to the business (e.g. liquidity risk and administrative expenses), and also a profit margin. In the assessment of the financial instruments in which the contractual cash flows refer exclusively to capital and interest, the Group considered the contractual terms at the time of the acquisition / recognition of the respective financial instruments.

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

- Contingent events that could modify the periodicity and amount of the cash flows;
- Characteristics that result in leverage;
- Early payment clauses and maturity extension clauses;

- Clauses that could limit the Group's right to claim the cash flows in relation to specific assets (e.g. contracts with clauses that prevent access to assets in the event of default – non-recourse asset); and

- Characteristics that could modify the compensation by the time value of the money.

Initial recognition and subsequent measurement

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

Financial assets at amortised cost are recognised initially at their fair value, plus transaction expenses, and subsequently are measured at amortised cost. After their initial recognition, impairment losses are also calculated, specifically expected credit losses (see note 23 and 24), 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 possible realisation of the asset through 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 expenses, 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 expenses, 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. Only dividends, if they remunerate the invested capital are recognised in the income statement once the right to receive them is granted.

Losses and reversals of impairment losses of capital instruments at fair value through other comprehensive income are not recognised separately from other changes in fair value, with the respective accumulated gains or losses being recorded in variations of fair value transferred to retained earnings at the time of their non-recognition.

Financial assets at fair value through results

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

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

Initial recognition and subsequent measurement

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

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

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

Reclassification between categories of financial assets

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

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

Impairment

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

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

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

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

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

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

Main drivers in the calculation of expected losses

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

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

For loans represented by securities, the PDs 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 portfolios 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, with regard to loans represented by securities, the Group has implemented a number of variables that should be analysed, specifically:

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

The assessment of the default and subsequent classification of the financial assets of the portfolio of loans represented by securities in stage 3, is also regularly assessed by the Group, with the following indicators being 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 Group for the analysis and classification of non-securitized loan transactions in stage 2 are the following:

- Delays in payments of capital and/or interest between 30 and 90 days.
- Overdue or written-off credit in the CRC-Credit Liabilities Centre of the Banco de Portugal;
- Indications of risk registered in the Observations field of Customers' Accounts;
- Liens or account blocking registered in the Customers' Accounts;
- Inclusion in the LUR – Bank of Portugal's User Risk List (cheques);
- Inclusion in the internal watchlist;

- Significant restructuring of a loan transaction due to financial difficulties of the debtor.

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

- Delays in the payment of capital and/or interest of over 90 days.
- Bankruptcy/insolvency of the client;
- Contagion – For clients for whom the exposure in default represents more than 20% of the total exposure, all the operations are classified in stage 3;
- Delivery of assets in lieu of payment;
- Loan classified as non-performing (no interest due);
- Sale of a loan transaction with significant financial loss (higher than 5% of the nominal value in debt on the date of the sale for reasons exclusively connected to the quality of the credit risk of the debtor).

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 are no realistic expectations of recovering the full amount of the outstanding loan.

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 the results of the year.

2.6. 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.

In relation to financial liabilities designated at fair value through profit or loss ("Fair Value Option"), the Group can irrevocably designate a financial liability at fair value through profit or loss at the time of its initial recognition, if at least one of the following conditions is met: the financial liability is managed, assessed and reported internally at fair value; or, the designation eliminates or significantly reduces the accounting mismatch of the transactions.

As the transactions made by the Group in the normal course of its activity are in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value, with the expenses or income associated with the transactions recognised in the income statement at the outset.

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.

2.7. 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 payable 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 37.

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 expenses.

Distributions made on behalf of capital instruments arºe 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.

2.8. 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.

2.9. Sale transactions with repurchase agreement

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

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

2.10. Fair value

In order to determine the fair value of its financial instruments, and based on accounting standard IFRS 13, the Group maximises the use of/prioritises information from markets considered liquid (level 1) or alternatively information from less liquid markets (level 2), and whenever this is not available, it will use information not observed in the market (level 3).

In situations where the price is not directly observable in the market, the Group determines its fair value through models/methodologies that are widely used by the participants in the market where the financial instrument is traded. As mentioned above, whenever available, the Group tries to maximise the use of information from liquid markets considered as level 1 to feed these models.

The fair value hierarchy attributed to the diverse financial instruments is not static and varies according to particular market situations, namely liquidity, volatility, and also any change in the sources used for their valuation, among others. Accordingly, the fair value hierarchy attributed to financial instruments is reviewed at each reporting date.

2.11. 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 expenses with tangible assets are recognised only if it can be proven that future economic benefits will result from them for the Group. All normal/recurring maintenance and repair costs 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 and 4
Interior installations	4 and 8
Transport material	4
Safety equipment	8
Buildings for own use	50

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

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

Gains and losses obtained on the sale of these assets are recognised in the caption profits or losses with non-current assets being determined by the difference between the sale value and the book value of the asset.

The useful life and residual values are revised at each reporting date.

2.12. Intangible assets

BiG records in intangible assets the costs associated with software acquired from third parties and amortizes them on a straight-line basis over the estimated useful life of three years. BiG does not capitalize internally generated costs relating to the development of software.As part of the DIF Broker acquisition process, the Group identified an intangible asset that will be amortised on a straight-line basis over an estimated useful life of 10 years.

2.13. IFRS 16 Leasing

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 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-of-use assets

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

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

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

Right-of-use assets are presented in Note 28 – Tangible assets and are subject to impairment according to the Group's policy, as described in this note.

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 40 – 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.

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.

2.14. Contingent assets and liabilities

Contingent liabilities and assets are not recognised in the financial statements, being framed in the standard IAS 37 and disclosed whenever the possibility of an outflow or inflow of resources encompassing economic benefits is not remote.

2.15. Employee benefits

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

The Group 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 Group'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 and are recorded whenever the Group has a contractual obligation to pay these benefits, or when there is a past practice that has generated a constructive obligation.

2.16. 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.

2.17. Tax on profits

The Bank and its subsidiaries based in Portugal are 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.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available, capable of absorbing deductible temporary differences.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of goodwill not deductible for tax purposes, differences resulting from the initial recognition of assets and liabilities that affect neither accounting nor taxable profit.

2.18. 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.

2.19. 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 these items, respectively.

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

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

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

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

2.20. 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.

2.21. 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.

2.22. Guarantees provided

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

2.23. Subsequent events

The Group analyses events that occur after the balance sheet date, or rather, favourable and/or unfavourable events that occur between the balance sheet date and the date on which the consolidated financial statements were authorised for issue. In this regard, two types of events can be identified:

i) those that provide evidence of conditions that existed in the balance sheet date (adjusting events after the balance sheet date); and,

ii) those that are indicative of conditions that appeared after the balance sheet date (non-adjusting events after the balance sheet date).

Events occurring after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the consolidated financial statements.

2.24. Recognition of dividends

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

2.25. Reporting by segments

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

2.26. Issue premium

The issue premium is the difference between the subscription price of the share and its nominal value. The accounting record is measured in the equity caption.

2.27. Statement of cash flows

For the purpose of the cash flow statement, cash and cash equivalents include the amounts recorded in the balance sheet with less than three months' maturity from the inception date, and with insignificant risk of variations in fair value, including cash and deposits in other banks. Cash and cash equivalents exclude deposits in Central Banks.

The concepts used in the presentation of the cash flow statements are the following:

- Cash flows: Cash and cash equivalents include cash and deposits in other banks;
- Operating activities: the direct method is used for the presentation of the cash flows from operating activities, reflecting the flow from typical activities of credit institutions, as well as other activities that do not qualify as investment or financing;
- Investing activities: the acquisition, sale or other disposals of long-term assets, such as holdings in subsidiaries and associated companies, the acquisition of tangible and intangible assets and other strategic investments not included in operating activities;
- Financing activities: activities that produce alterations in the Group's medium and long term financing operations that are not part of the operating activities, such as capital increases and distribution of dividends.

◢ 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 individual 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 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.

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 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, the generic curves available on the market by rating. In this case, the Group constructed Price Matrices where the thresholds are defined from which a significant increase in credit risk occurs. The construction of these matrices is based on yield curves per rating, provided by Bloomberg.

b) Variation in rating

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

(i) if there are ratings of 3 agencies, the Group selects the best of the 2 worst;
(ii) if there are ratings of 2 agencies, the Group selects the lower;
(iii) if there is just one, the Group uses that rating.

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

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

Triggers and alerts for significant increases in the credit risk

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

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

II – Calculation of the ECL

To estimate the ECL, the parameters PD, LGD and EAD 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, senior/subordinated bonds).

- EAD – *Exposure at Default* is arrived at daily based on the amortised cost of the financial instrument on the reporting date, this amortised cost being periodified until the maturity of the instrument based on future contractual cash flows using the effective interest rate method.

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 when applicable.

Loans not represented by securities

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

I – *Staging*

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

- Overdue or written-off credit in the CRC-Credit Liabilities Centre of the Banco de Portugal;
- Indications of risk registered in the Observations field of Customers' Accounts;
- Liens or account blocking registered in the Customers' Accounts;
- Inclusion in the LUR – Banco de Portugal's User Risk List (cheques);
- Inclusion in the internal watchlist;
- 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;
- Loan classified as non-performing (no interest due);
- Sale of a loan transaction with significant financial loss (higher than 5% of the nominal value in debt on the date of the sale for reasons exclusively connected to the quality of the credit risk of the debtor).

II – Calculation of the ECL

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

- Considering that the credit portfolio of this typology is Retail, for the estimate of the PD-Probability of Default, the Group uses the Default Rates published by the EBA, for the segments Retail – Secured on real estate property (Mortgage) and Retail – Other Retail (Other Non-mortgage loans);

- To estimate the LGD-Loss Given Default, the Group uses internal data for the Motor, Mortgage and Margin account credit portfolio. For the other products, and for the segment Retail – Other Retail (Other Non-mortgage loans), the LGD published in the above-mentioned study of the EBA is used;

EAD – Exposure at Default is determined by the Bank using the instalment plan associated to each credit operation and it represents the expected exposition, in case of default by the client and / or the exposition. The Group gets the EAD values through the current exposition of the counterparty and the foreseen changes to the respective current value, depending on the contractual conditions, including amortizations and advance payments. For guarantees and sureties, the EAD value considers the total value guaranteed by the Group, under the assumption that the amount may be fully used (i.e. it is applied a 100% CCF – Credit Conversion Factor).

Triggers and alerts for significant increases in the credit risk

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

Staging Criteria - Transfer to stage 3	
TRIGGERS (automatic)	i. Delay in the payment of capital and/or interest equal to or longer than 91 days;
OTHER ALERTS (subject to revision and analysis in the Credit Risk Committee)	i. Client in insolvency proceedings, PER - Special Recovery Plan, or any other equivalent situation of protection; ii. Classification of the operation as "unproductive" (without interest); iii. Termination of the contract due to non-compliance and consequent filing of legal case for recovery; iv. Sale, by the Group, of credit operation with significant financial loss (>5% of the outstanding nominal value on the date of the sale) due to reasons exclusively connected to the quality of the credit risk of the debtor; v. Contagion from other operations to the debtor (if the same are significant against the total value in debt). For "Non Retail" exposures, this contagion is mandatory. For "Retail" exposures, the contagion is not mandatory, being employed an indicative threshold of 20%.

Curing Period

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

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

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

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

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

As for the securitised loan portfolio, in its calculations the Group assumes a 7-year economic cycle, which covers 4 past years and 3 future years, these being extrapolated based on macroeconomic estimates that may influence them 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 the reported.

3.3. Tax on profits

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

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

For the Bank and its subsidiaries located in Portugal, the Tax Authority can 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 Bank is confident that there will be no material corrections to the taxation on profits recorded in the consolidated 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 expenses. 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 expenses incurred by the lessor.

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

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

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

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

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

3.5. Redemption premium

As described in the accounting policy 2.7, throughout the life of the redeemable preferred shares, it is estimated the value of the redemption premium to be paid on the redemption date, being recognized and accounted in an incremental way following the calculation formula mentioned in note 37. For the calculation it is namely considered the change in the equity net value adjusted to the dividends value that the Group expects to come to distribute. Additionally, it is recognised the redemption premium component for a period of 38 months in the result for the year, which results from the difference between the initial shareholders' equity of reference (31 December 2018) and the value of shareholders' equity at the allocation date (31 December 2019).

3.6. Impairment of Goodwill

The recoverable value of the goodwill recorded in the Group's assets is analysed on an annual basis in the preparation of accounts with reference to the year end or whenever there are indications of possible loss of value. For the purpose, the balance sheet value of the entity of the Group for which the respective goodwill is recognised in assets, is compared with its recoverable value. A goodwill impairment loss is recognised when the recoverable value of the entity being tested is lower than its balance sheet value. In the absence of an available market value, it is calculated based on discounted value techniques using a discount rate that considers the risk associated with the unit being tested. The determination of the future cash flows to be discounted and the discount rate to be used involves judgement.

3.7. Provisions

Provisions are recognised when:

- The Group has a present obligation (legal or arising from past practices or published policies that imply the recognition of certain liabilities):
- it is likely that its payment will be required;
- a reliable estimate can be made of the value of this obligation.

The measured value relating to provisions takes into account the principles defined in IAS 37 with regard to the best estimate of the expected cost, the most probable outcome of the actions in progress and considering the risks and uncertainties inherent to the process. Provisions cease to be recognised through their use when the facts for which they were constituted occur or reversed in cases where they are no longer observed.

◢ NOTE 4
NET INTEREST INCOME

The amount of this caption is made up as follows:

	2022	2021
Interest income		
Interest on cash and deposits	101,262	40,520
Interest on financial assets at amortised cost		
Interest on applications	3,314,381	1,953,969
Interest on loans and advances to customers	566,886	601,624
Interest on debt securities	9,615,983	5,030,712
Interest on financial assets held for trading		
Derivatives	139,361	38,993
Debt securities	841,690	422,164
Interest on securities at fair value through other comprehensive income	38,251,570	26,991,852
Interest on hedging derivatives	1,678	57,849
Other interest income	823,749	1,656,670
	53,656,560	**36,794,353**
Interest expenses		
Interest on financial liabilities measured at amortised cost		
Interest on funding from central banks	83,681	1,176
Interest on funding from other banks	3,801,255	1,094,844
Interest on funding from customers	4,748,033	2,318,949
Interest on debt securities	3,685,961	3,757,170
Interest on hedging derivatives	12,320,998	9,145,323
Other interest expenses	628,301	533,951
	25,268,229	**16,851,413**
	28,388,331	**19,942,940**

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

◢ NOTE 5
INCOME FROM DIVIDENDS

On 31 December 2022, this caption, amounting to 128,865 Euros comprises dividends from financial assets at fair value through other comprehensive income (31 December 2021: 47,207 Euros).

NOTE 6
RESULTS OF FEES AND COMMISSIONS

The amount of this caption is made up as follows:

	2022	2021
Fee and commission income		
For transactions on behalf of third parties	11,498,252	8,255,870
For services rendered	5,695,802	6,304,670
For commission sharing	3,048,051	2,671,641
For financial advisory services	676,033	771,538
For commitments before third parties	8,941	2,750
For guarantees provided	3,229	3,349
Other fee and commission income	906,962	1,560,181
	21,837,270	**19,569,999**
Fee and commission expenses		
For transactions performed by third parties	1,359,821	1,423,889
For banking services from third parties	2,242,621	1,555,963
Other fee and commission expenses	290,874	428,697
For transactions on financial instruments	435,118	459,212
	4,328,434	3,867,761
	17,508,836	**15,702,238**

The item commissions received and paid is composed of commissions charged and received relating to the different services provided by the Group, namely brokerage and custody among others.

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:

	2022			2021		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed return securities						
From national public issuers	-	5,847	(5,847)	231,505	96,149	135,356
From foreign public issuers	10,619,674	9,908,956	710,718	13,447,446	1,702,516	11,744,930
From other national issuers	181,850	-	181,850	2,088,360	1,151,046	937,314
From other foreign issuers	3,062,554	3,450,080	(387,526)	9,095,069	5,261,972	3,833,097
Shares of foreign issuers	372	13	359	-	83	(83)
	13,864,450	**13,364,896**	**499,554**	**24,862,380**	**8,211,766**	**16,650,614**

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:

	2022			2021		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Bonds and other fixed return securities						
From national public issuers	1,529,308	1,347,880	181,428	790,852	522,015	268,837
From foreign public issuers	2,901,463	3,653,199	(751,736)	2,854,858	3,332,872	(478,014)
From other national issuers	245,452	824,523	(579,071)	198,075	149,563	48,512
From other foreign issuers	167,279	2,880,908	(2,713,629)	256,255	309,329	(53,074)
Shares of foreign issuers	414	-	414	-	11	(11)
Funds of foreign issuers	111,329	108,435	2,894	18,258	-	18,258
Derivative financial instruments						
Contracts on exchange rates	5,351,985	14,038,986	(8,687,001)	1,883,328	9,769,174	(7,885,846)
Contracts on interest rates	23,986,432	17,362,007	6,624,425	10,094,566	6,219,751	3,874,815
Contracts on shares / indices	3,785,585	2,436,180	1,349,405	598,929	547,649	51,280
Other	4,183,467	202,532	3,980,935	4,843,239	393,588	4,449,651
Results of hedge accounting						
Hedge derivatives	254,667,833	14,679,650	239,988,183	64,510,971	34,404,455	30,106,516
Hedged elements	1,206,737	268,467,407	(267,260,670)	6,854,226	43,023,392	(36,169,166)
Other hedging instruments*	70,692,864	42,015,349	28,677,515	4,537,213	-	4,537,213
Non-trading financial assets mandatorily at fair value through profit or loss						
Shares of national issuers	1,358,075	256,425	1,101,650	2,120,075	34,837	2,085,238
Shares of foreign issuers	552,206	916,384	(364,178)	654,637	210,160	444,477
Credits and other receivables	573,034	-	573,034	14,071	71,465	(57,394)
Financial assets accounted at fair value through other comprehensive income						
From foreign public issuers	343,230	250,462	92,768	127,906	107,915	19,991
From other foreign issuers	21,471	14,576	6,895	120,459	147,931	(27,472)
Share from foreign issuers	-	32	(32)	779	778	1
	371,678,164	**369,454,935**	**2,223,229**	**100,478,697**	**99,244,885**	**1,233,812**

* The caption Other hedging instruments relates to the hedging of interest rate risk that is based on German sovereign bonds.

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 2.3.

On 31 December 2022, this caption comprises gains amounting 7,494,846 Euros (31 December 2021: gains of 8,534,913 Euros) of which 2,206,889 Euros relating to gains with term currency revaluation and 5,287,957 Euros relating to gains from currency revaluation at sight.

Foreign exchange exposures, gains and losses by currency for the years ended on 2022 and 2021 can be consulted in Note 45 – Business risk management.

	2022			2021		
	Position	**Exchange**	**Revaluation**	**Position**	**Exchange**	**Revaluation**
Currency						
ARS	-	0.0000	-	-	0.0000	-
AUD	88,354	1.5693	216	(76,362)	1.5615	3,125
BRL	-	5.6386	3,885	-	6.3101	5,247
CAD	(706,543)	1.4440	(2,588)	(202,923)	1.4393	2,522
CHF	(462,301)	0.9847	66,988	(1,547,976)	1.0331	86,408
CNH	(243,082)	7.3582	-	(622,811)	7.1947	-
DKK	(951,747)	7.4365	2,188	(1,035,865)	7.4364	(1,033)
EUR*	998,075	1.0000	(43,246)	428,251	1.0000	3,892
GBP	(1,700,939)	0.8869	213,122	(309,482)	0.8403	146,759
HKD	(58)	8.3163	(253)	(1,510)	8.8333	12
INR	-	0.0000	-	-	84.2292	-
JPY	33,161,954	140.6600	(939)	(14,998,803)	130.3800	(98)
KRW	(223,318,501)	1,344.0900	-	(105,515,175)	1,346.3800	-
MXN	(23,409)	20.8560	(1,641)	(739,860)	23.1438	(1,939)
MZN	77,949,782	68.2656	79,640	78,991,579	72.6086	3,098
NOK	(634,024)	10.5138	16,355	(234,867)	9.9888	5,428
NZD	(52)	1.6798	(1)	-	1.6579	-
PLN	(1,498)	4.6808	6,902	-	4.5969	-
RUB	-	117.2010	80	22,946	85.3004	221
SEK	(1,675,311)	11.1218	(57)	(274,501)	10.2503	5,689
SGD	(561)	1.4300	-	(58,629)	1.5279	-
TRY	(437)	19.9649	(53)	(224)	15.2335	1,488
USD	(57,991,281)	1.0666	4,947,271	(112,704,204)	1.1326	8,935,508
ZAR	6,621	18.0986	87	8,946	18.0625	(115)
	(175,504,958)		**5,287,957**	**(158,871,470)**		**9,196,212**

* the position in euros refers to business in Mozambique

The Bank adopts a strategy of full economic hedging of the foreign exchange exposure of its portfolio in foreign currency, which is solely composed of securities in US Dollars. For this purpose, it uses derivative instruments (currency futures and forwards) and repo operations in foreign currency. The variation in fair value of these instruments is recognized in the item gains or losses with financial assets and liabilities held for trading and hedge accounting (see note 8).

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

The amount of this caption is made up as follows:

	2022	2021
Non-financial operations	1,130	28,826
	1,130	**28,826**

On December 31, 2022, the value of this item includes 1,117 euros referring to the disposal of a vehicle (December 31, 2021: 28,826 euros). On 31 December of 2021 was registered a gain of 28,826 Euros from the disposal of vehicles that were fully depreciated.

◢ NOTE 11
OTHER OPERATING RESULTS

The amount of this caption is made up as follows:

	2022	2021
Other operating income		
Provision of diverse services	128,595	120,604
Other	1,385,737	418,193
	1,514,332	**538,797**
Other operating expenses		
Dues and donations	175,828	176,232
Other	1,143,634	68,306
	1,319,462	244,538
Other operating results	**194,870**	**294,259**

◢ NOTE 12
ADMINISTRATIVE EXPENSES – STAFF COSTS

The amount of this caption is made up as follows:

	2022	2021
Remunerations	17,038,760	15,912,591
Costs with retirements pensions		
of defined Contributions	388,930	438,396
Obligatory social charges	3,492,065	3,244,069
Other staff expenses	313,302	1,475,296
	21,233,057	**21,070,352**

On December 31, 2022, expenses with remuneration and other benefits attributed to the Board of Directors were recorded at 5,797,856 Euros (December 31, 2021: 6,455,381 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:

	2022	2021
Short-term employee benefits	5,194,799	4,719,286
Post-employment benefits	212,331	129,737
Other long-term benefits	14,133	11,702
	5,421,263	**4,860,725**

By professional category, the number of employees on 31 December 2022 and 2021 is broken down as follows:

	2022	2021
Specific functions	256	231
Middle management functions	43	46
Senior management functions	68	68
Administrative functions	10	13
Auxiliary functions	5	5
	382	**363**

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**.** In 2022, the BiG Branch in Spain joined a Joint Promotion Pension Plan, with retroactive effect for employees with at least 2 years of seniority at the date of joining. The Base contribution defined for the Pension Fund in Spain is 1% of gross annual salary (with a minimum value as defined in the Collective Agreement) during the first 3 years from the date of admission of the employee to the fund, or 2% of gross annual salary (with a minimum value as defined in the Collective Agreement) after this period. Additionally, the pension plan regulations of the Spanish branch provide for an additional contribution (incentive) equal to the voluntary contribution of the employees, up to a maximum of 3% of monthly base salary.

On December 31, 2022, the Bank recognised as an expense the total amount of €388,930 relating to the Defined Contribution Plan (2021: €438,396), of which €178,390 relates to the additional contribution (incentive) (December 31, 2021: €183,669).

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 2022 the provision corresponding to the actuarial estimate of the commitment assumed by the Bank as a result of the defined benefit plan, presents a balance of €55,227. In 2021, this balance was €124,472

BiG Stock Option Plan

On 31 December 2022 and 2021, BiG's stock option programs had the following main characteristics:

2022					
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
2013	jan/2027	5,000,000	1.00	3,753,146	1.58

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

2021					
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
2013	jan/2027	5,000,000	1.00	3,753,146	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 Group 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:

	2022	2021
Supplies	889,684	927,497
Leasing excluded from IFRS 16	250,172	160,046
Rents	283,157	439,231
Communications	906,586	904,919
Travel, hotel and representation costs	473,328	357,040
Advertising and publications	836,441	1,107,142
Specialised services		
Fees	554,694	321,645
Information Technology	4,268,083	3,671,631
Security and surveillance	166,553	157,058
Information	793,906	641,252
Databases	104,105	116,769
Manual labour	46,506	4,822
Other specialised services	1,923,507	1,818,583
Other	647,428	292,403
Direct and indirect taxes	1,446,859	1,627,765
	13,591,009	**12,547,803**

The amounts presented in the caption of other specialised services mostly refer to expenses with supervisory bodies and with service providers connected to the cards segment.

The fees contracted with the external auditors are detailed as follows:

	2022	2021
Statutory audit	203,953	176,753
Services other than auditing required by applicable law	60,053	33,583
Non-audit services not required by applicable law	69,367	54,500
	333,373	**264,836**

NOTE 15
CASH CONTRIBUTIONS FOR RESOLUTION FUNDS AND DEPOSIT GUARANTEE SCHEMES

The value of this caption is comprised of:

	2022	2021
Cash contributions for resolution funds	1,153,217	1,226,434
Cash contributions for deposit guarantee schemes	11,565	1,982
	1,164,782	**1,228,416**

◢ NOTE 16
EARNINGS PER SHARE

Earnings per basic share are calculated by dividing the net income by the weighted average number of ordinary shares in circulation during the year.

Earnings per diluted share are calculated by adjusting the effect of all potential dilutive ordinary shares to the average weighted number of ordinary shares in circulation and to the net result attributable to the shareholders of the Group.

	2022	2021
Net profit attributable to the bank's shareholders	10,241,487	21,201,207
Weighted average number of ordinary shares issued	186,947,388	172,317,251
Weighted average number of Treasury shares in portfolio	(2,598)	(2,598)
Average number of ordinary shares in circulation	**186,944,790**	**172,314,653**
Earnings per share attributable to the bank's shareholders	**0.05**	**0.12**

Earnings per diluted share are no different from Earnings per ordinary share as there were no dilutive shares on 31 December 2022 and 2021.

◢ NOTE 17
CASH, CASH BALANCES IN CENTRAL BANKS AND OTHER DEMAND DEPOSITS – OTHER DEMAND DEPOSITS

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Cash	2,404,522	2,428,200
Demand deposits in central banks	124,178,282	45,540,273
	126,582,804	**47,968,473**

The caption Demand Deposits in Central Banks includes the deposits made to satisfy the requirements of the Minimum Reserve System of the European System of Central Banks. Pursuant to Regulation (EC) no. 1745/2003 of the European Central Bank of 12 September 2003, changed by the Regulation (EU) no. 2016/1705 of the European Central Bank of 9 September 2016, the minimum obligatory amount held in demand deposits in the Banco de Portugal is remunerated and corresponds to 1% of the deposits and debt securities with a maturity period of less than 2 years, excluding deposits of institutions subject to the European System of Central Banks' regime of minimum reserves.

Fulfilment of the minimum obligatory amounts, for a given period of observation, is achieved taking into consideration the value of the balances of the deposits in the Banco de Portugal during this period. The balance of the account next to the Bank of Portugal on 31 December of 2022 includes an average reserve requirement of 15,166,000 Euros which corresponds to the maintenance period from 21 December 2022 to 7 February 2023.

This caption also includes the demand deposits of BiG Moçambique in the Bank of Mozambique to meet the requirements of the regime for the constitution of obligatory minimum reserves, as established by Notice 08/GBM/2019 of 17 June 2019. Pursuant to this Notice, obligatory reserves correspond, as a percentage of the balance of clients' deposits, to 10.5% and 11.5% in national currency and foreign currency, respectively, from which the banks subject to the regime of obligatory reserves are excluded. The reserves are kept in Meticais for deposits in national currency and in U.S. Dollars for deposits in foreign currency, these deposits not being remunerated.

The fulfilment of the minimum obligatory amounts, for a given period, takes into consideration the value of the balances of deposits in the Bank of Mozambique during this period. The balance of accounts at the Bank of Mozambique on 31 December 2022 includes 188,191,717 meticais and 17,460 US dollars corresponding to the minimum reserve requirements to be observed during the constitution period from 28 December 2022 to 31 January 2022

On 31 December 2022 and 2021 there is no impairment allocated to Cash, cash balances in central banks and other demand deposits – Cash on hand and cash balances in central banks, seeing that these financial instruments are redeemable at any time, and the Group, in accordance with its credit risk management policies, controls and assesses the credit quality of the respective counterparties (banks) daily).

NOTE 18
CASH, CASH BALANCES IN CENTRAL BANKS AND OTHER DEMAND DEPOSITS – OTHER DEMAND DEPOSITS

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Deposits in other banks in Portugal		
Demand deposits	4,164,140	7,013,988
Deposits in other banks abroad		
Demand deposits	115,669,501	164,074,073
	119,833,641	**171,088,061**

The banks where the Group has deposits have a high rating, and at the end of the year 72% of these are in institutions whose rating is investment grade. The other deposits are in banks without external rating grade (28%).

On 31 December of 2022 and 2021 there is no impairment allocated to Cash, cash balances in central banks and other demand deposits – Other demand deposits, as these financial instruments are redeemable at any time, and the Bank, in accordance with its credit risk management policies, controls and assesses the credit quality of the respective counterparties (banks) on a daily basis).

NOTE 19
FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Financial assets held for trading		
Securities		
Bonds and other fixed return securities		
From national public issuers	3,382,446	1,569,684
From foreign public issuers	7,652,625	47,146,431
From other national issuers	13,127,364	12,670,971
From other foreign issuers	29,007,093	11,462,020
Funds of foreign issuers	-	2,853,523
	53,169,528	**75,702,629**
Derivatives		
Derivative financial instruments with positive fair value	1,552,193	2,787
	54,721,721	**75,705,416**
Financial liabilities held for trading		
Short selling	-	24,621,617
Derivatives		
Derivative financial instruments with negative fair value		
FX forwards	-	660,802
Interest rate swaps	-	537,230
	-	**25,819,649**

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 impact generated by the variation in Financial assets and liabilities held for trading in the income statement may be consulted in Note 8.

The average interest rate of the assets held for trading during the year ended on 31 December 2022 was 1.1% (31 December 2021: 0.8%).

During 2021, as part of its strategy, the Group carried out short sales operations on public debt, which was recorded as a Financial liability held for trading – Short sales. At December 31, 2022 no short sale operation was ongoing.

The caption Derivative financial instruments on 31 December 2022 and 2021 is broken down as follows:

	2022			2021		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Contracts on interest rates						
Interest rate swaps	-	-	-	47,000,000	-	537,230
Term transactions *	47,127,930	1,552,193	-	34,627,770	2,787	660,802
	47,127,930	**1,552,193**	**-**	**81,627,770**	**2,787**	**1,198,032**

* The nominal of forward transactions represents the counterpart of the losses receivable from forwards in the portfolio

The term transactions item relates to foreign exchange forwards.

The value recorded in the Balance Sheet, in the caption Derivative financial instruments is determined based on the policy defined in Note 2.4., representing the respective fair value, while the notional amount is recorded off-Balance Sheet.

On 31 December 2022 and 2021, the distribution of the Financial assets held for trading – Securities by residual maturity, is as follows:

	2022	2021
Securities		
Up to 3 months	7,427,004	1,153,741
From 3 months to 1 year	9,091,982	2,686,797
From 1 to 5 years	30,818,835	15,503,294
Over 5 years	5,831,707	53,505,275
Unspecified duration	-	2,853,522
	53,169,528	**75,702,629**

On 31 December 2022 and 2021, the distribution of the Financial assets and liabilities held for trading (Derivative financial instruments), by residual maturity is presented as follows:

	2022		2021	
	Notional	Fair value	Notional	Fair value
Derivative financial instruments				
Up to 3 months	19,001,172	1,301,745	34,627,770	(658,015)
From 1 to 5 years	28,126,758	250,448	35,000,000	(184,253)
Over 5 years	-	-	12,000,000	(352,977)
	47,127,930	**1,552,193**	**81,627,770**	**(1,195,245)**

The movements in the caption of Financial assets and liabilities held for trading, in the years 2022 and 2021, are presented below:

	2022	2021
Opening balance	72,849,106	45,812,087
Debt instruments		
Additions	1,474,937,368	2,278,763,823
Disposals	(1,489,853,517)	(2,251,679,911)
Variations in fair value	(4,763,429)	(46,893)
Closing balance	**53,169,528**	**72,849,106**

NOTE 20
FINANCIAL ASSETS THAT ARE MOT MANDATORILY TRADED AT FAIR VALUE THROUGH PROFIT OR LOSS

As of December 31, 2022 and 2021, this item has the following composition:

	2022	2021
Non-trading financial assets mandatorily at fair value through profit or loss		
Securities		
Shares of national issuers	3,774,486	2,578,156
Shares of foreign issuers	2,705,278	2,629,820
Funds of foreign issuers	45,000	-
	6,524,764	**5,207,976**
Credits and other receivables	1,262,536	253,809
Other equity instruments	-	163,053
	7,787,300	**5,624,838**

As of December 31, 2022 and 2021, the Financial Assets that are not mandatorily traded at fair value through profit or loss – Capital Instruments have an indefinite duration and relate to temporary investments in companies with a high potential for growth and appreciation, as well as the management of venture capital funds.

These companies can be national or international, and should operate preferably in the fintech, insurtech and cybersecurity segments, not excluding investments in other areas, if the opportunity so justifies.

In the captions Shares of national and foreign issuers, as well as Credit and other receivables and other equity instruments, are included equity investments in early-stage start-ups located namely in Portugal, the United Kingdom and Germany in the global amount of €6,618,145 (December 31, 2021: €5,374,831). The amounts recorded under the heading Credit and other receivables refer to other debt instruments on the above mentioned start-ups.

NOTE 21
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As of December 31, 2022 and 2021, this item has the following composition:

	2022	2021
Financial assets held for trading		
Securities		
Bonds and other fixed return securities		
From foreign public issuers	2,323,235	1,129,813
From other foreign issuers	51,856	426,282
	2,375,091	**1,556,095**

The average interest rate on financial assets at fair value through profit or loss during the year ended December 31, 2022 amounted to 15.9% (December 31, 2021: 15.7%).

As of December 31, 2022 and 2021, the distribution of Financial Assets at fair value through profit or loss – Capital instruments by residual maturity dates, is as follows:

	2022	2021
Securities		
From 3 months to 1 year	18,601	440,757
From 1 to 5 years	2,356,490	1,115,338
	2,375,091	**1,556,095**

The movements under the heading of Financial assets at fair value through profit or loss in 2022 and 2021 are shown below:

	2022	2021
Opening balance	**1,556,095**	**824,348**
Debt instruments		
Additions	112,078,512	1,013,654
Disposals	(111,503,948)	(489,413)
Variations in fair value	-	(7,790)
Gains and losses in the exercise	119,929	-
Interest	25,505	-
Currency Exchange	98,998	215,296
Closing balance	**2,375,091**	**1,556,095**

NOTE 22
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 31 December 2022 and 2021, 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	11,084,195	-	(286,011)	72,232	-	10,870,416
From foreign public issuers	733,134,406	303,126	(33,811,368)	3,745,828	118,918	703,371,992
From other national issuers	204,555,216	963,363	(1,310,430)	(180,589)	260,617	204,027,560
From other foreign issuers	826,072,919	6,308,168	(8,759,109)	(1,776,238)	1,644,944	821,845,740
Capital instruments						
Shares of national issuers	764,334	13,144	-	-	-	777,478
Shares of foreign issuers	1,591,622	60,273	(17,511)	-	-	1,634,384
Other	3,432,113	190,637	-	-	-	3,622,750
Balance on 31 December 2021	**1,780,634,805**	**7,838,711**	**(44,184,429)**	**1,861,233**	**2,024,479**	**1,746,150,320**
Financial assets at fair value through other comprehensive income						
Bonds and other fixed return securities						
From national public issuers	9,051,583	1,558	(3,666,593)	2,137,856	1,558	7,524,404
From foreign public issuers	609,317,895	1,300,791	(230,443,868)	148,284,399	1,168,055	528,459,217
From other national issuers	151,098,632	1,345,157	(9,036,356)	741,892	1,225,380	144,149,325
From other foreign issuers	371,831,991	1,097,558	(61,223,443)	19,216,733	1,083,097	330,922,839
Capital instruments						
Shares of national issuers	13,978	-	-	-	-	13,978
Shares of foreign issuers	845,989	4,803	-	-	-	850,792
Other	1,877,451	-	(279,963)	-	-	1,597,488
Balance on 31 December 2022	**1,144,037,519**	**3,749,867**	**(304,650,223)**	**170,380,880**	**3,478,090**	**1,013,518,043**

(1) amortised cost for debt securities and acquisition cost with regard to shares and other equity instruments.

At 31 December 2022, the caption Bonds and other fixed income securities – From other national and foreign issuers includes EUR 105,195,760 (31 December 2021: EUR 461,784,148) relating to ABS (asset backed securities).

On 31 December 2022, around 73% 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 and interest rate swaps.

The average interest rate, before interest rate hedging, during the year ended on 31 December of 2022, was 1.49% (31 December 2020: 1.4%).

In 2022 and 2021 and in accordance with the accounting policy described in Note 2.5. 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 42. Off-balance sheet accounts.

On 31 December 2022 and 2021, the distribution of this caption by residual maturity periods is as follows:

	2022	2021
Up to 3 months	1,214,171	3,954,805
From 3 months to 1 year	4,864,730	975,284
From 1 to 5 years	264,612,215	195,793,616
Over 5 years	740,364,669	1,539,392,003
Unspecified duration	2,462,258	6,034,612
	1,013,518,043	**1,746,150,320**

The staging of the securities which make up the caption of Financial assets at fair value through other comprehensive income, for 31 December of 2022 and 2021, may be consulted in Note 45 – Business risk management.

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

	2022	2021
Opening balance	**2,024,479**	**1,530,230**
Additions	6,406,669	3,260,725
Reversals	(4,230,081)	(2,785,356)
Currency Exchange	(3,964)	13,914
Used	5,119	4,966
Changes in the business model (see note 1)	(724,132)	-
Closing balance	**3,478,090**	**2,024,479**

The movements in the caption of Financial assets at fair value through other comprehensive income – Capital instruments, in the years 2022 and 2021, are presented below:

	2022	2021
Opening balance	**1,740,115,708**	**1,451,837,355**
Debt instruments		
Additions	653,662,622	1,653,876,742
Disposals / Maturities	(521,267,335)	(1,270,197,671)
Amortisation of premium	8,153,703	(1,792,791)
Advance payment	(68,227,277)	(78,392,484)
Gain	(10,124,492)	18,216,378
FX Revaluation	21,838,435	16,639,691
Interest	(614,818)	1,436,281
Revaluation reserve	(324,329,278)	(51,507,793)
Reclassification (see note 1)	(488,151,483)	-
Closing balance	**1,011,055,785**	**1,740,115,708**

The amount shown as Reclassification, corresponds to the change in business model referred to in note 1. Considering that there were identified a set of securities from the Financial Assets portfolio at fair value through other comprehensive income that:

(i) they have a profile corresponding to the one defined in the new business model;
(ii) the holding period is long, with no sales having taken place in the last 12 months; and
(iii) given the Bank’s solid liquidity position, the need to sell these financial instruments is not expected

NOTE 23
FINANCIAL ASSETS AT AMORTISED COST – DEBT SECURITIES

On December 31, 2022 and 2021 , this item has the following composition

	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	309,520,279	28,520,489	10,555	338,030,213
Balance on 31 December 2021	**309,520,279**	**28,520,489**	**10,555**	**338,030,213**
Financial assets at amortised cost				
Bonds and other fixed return securities				
From foreign public issuers	338,018,804	(49,288,653)	469,315	288,260,836
From other national public issuers	58,099,994	-	132,774	57,967,220
From other foreign public issuers	513,304,795	(11,746,024)	663,934	500,894,837
Balance on 31 December 2022	**909,423,593**	**(61,034,677)**	**1,266,023**	**847,122,893**

* Financial assets at amortized cost that have their interest rate risk hedged, where a negative value in this item corresponds to a positive value in the hedging instruments (see note 8)

At December 31, 2022 and 2021, the distribution of this item by residual maturities is as follows:

	2022	2021
From 1 to 5 years	108,113,785	-
Over 5 years	739,009,108	338,030,213
	847,122,893	**338,030,213**

The movements under the heading of Financial assets at amortized cost – Debt securities, in fiscal years 2022 and 2021, are shown below:

	2022	2021
Opening balance	**338,030,213**	**359,812,199**
Debt instruments		
Additions	74,630,157	-
Repayments	(11,589,843)	-
Amortisation of premium	1,891,160	(254,867)
Impairment	(1,263,966)	(10,555)
Interest	2,936,381	-
Fair value hedge	(89,555,163)	(21,516,564)
Reclassification (see note 1)	532,043,954	-
Opening balance	**847,122,893**	**338,030,213**

As referred in note 1, during 2022, the Bank established a new business model focused on the generation of medium term net interest income, in line with its strategic plan. A number of securities were identified, previously recorded under the caption Financial assets at fair value through other comprehensive income, but which have a profile corresponding to the new business model, and it was decided to transfer them to this new business model, and the consequent reclassification to the caption Financial assets at amortised cost.

The Group regularly assesses the significant increase in credit risk of these debt financial instruments, according to note 2.4 Other financial assets. At 31 December 2022 the credit impairment, recognized for performing loans, (stage 1) amounted to 1,266,024 Euros (31 December 2021: 10,555).

The average interest rate, before interest rate hedging during the year ended on 31 December of 2022 and 2021 , was 1.5%.

The adjustment relating to hedging relationships on December 31, 2022, was €61,034,677 (28,520,489 euros on December 31, 2021). This adjustment results from the hedging of fixed rate debt instruments that with the respective expected credit loss had a balance sheet value of 847,122,893 euros (338,030,213 euros at December 31, 2021).

◢ NOTE 24
FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES – CLIENTS

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Domestic loans		
To companies		
Loans	-	83,442
Loans at sight	3,373,310	3,532,550
Overdrafts	1,363	72,233
Leasing	19,437	127,183
To private individuals		
Loans at sight	13,644,911	17,530,897
Mortgages	4,109,730	5,643,748
Leasing	281,747	528,718
Overdrafts	32,302	65,558
Other specialised loans	177,907	322,208
Other credit	11,760,439	11,934,709
	33,401,146	**39,841,246**
Foreign loans		
To companies		
Overdrafts	28	31
To private individuals		
Loans at sight	1,332,730	1,315,823
Mortgages	138,372	315,258
Overdrafts	322	6,769
	1,471,452	**1,637,881**
Past due loans and interest		
Over 90 days	96,637	110,878
	96,637	**110,878**
	34,969,235	**41,590,005**
Impairment of credit to clients	(100,090)	(122,745)
Loans to clients	**34,869,145**	**41,467,260**

On 31 December 2022 and 2021 the caption Loans at sight reflects loans granted under the margin account, which are collateralised with deposits and/or securities held in the Group.

At 31 December 2022, the Group's loan portfolio includes loans granted to members of the Board of Directors in the nominal amount of 4,600,620 Euros arising from the personnel policy, under the terms of no. 4 of art. 85 of the General Regime of Credit Institutions and Financial Companies (31 December 2021: 5,178,456 Euros). At 31 December 2022 the credit to the key personnel of the institution with management functions, amounted to 6,288,072 Euros (31 December 2021: 6,925,658 Euros).

The average interest rate during the year ended on 31 December of 2022 was 1.4% (31 December 2021: 1.5%).

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

	2022	2021
Up to 3 months	18,458,680	22,533,975
From 3 months to 1 year	11,774,151	139,287
From 1 to 5 years	491,167	12,876,649
Over 5 years	4,148,600	5,929,216
Unspecified duration	96,637	110,878
	34,969,235	**41,590,005**

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

	2022	2021
Opening balance	**122,745**	**107,499**
Additions	149	29,448
Reversals	(22,435)	(8,437)
Used	(369)	(5,765)
Closing balance	**100,090**	**122,745**

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

	2022	2021
Variable rate	34,745,500	41,327,886
Fixed rate	223,735	262,119
	34,969,235	**41,590,005**

The residual periods of leased capital were structured as follows:

	2022	2021
Instalments and residual values due		
Up to 3 months	28,908	3,481
From 3 months to 1 year	45,278	123,455
From 1 to 5 years	239,544	552,625
	313,730	**679,561**
Interest due		
Up to 3 months	187	14
From 3 months to 1 year	539	1,581
From 1 to 5 years	11,820	22,065
	12,546	**23,660**
Capital due		
Up to 3 months	28,721	3,467
From 3 months to 1 year	44,739	121,874
From 1 to 5 years	227,724	530,560
	301,184	**655,901**

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

31-12-2022	Current Account Credit			Mortgages			Other		
Year of production	Number of transactions	Gross exposure	Impairment set up	Number of transactions	Gross exposure	Impairment up	Number of transactions	Gross exposure	Impairment set up
2010 and previous	60	3,814,792	-	27	1,020,217	260	-	-	-
2011	10	1,168,946	-	8	367,354	26	-	-	-
2012	5	51,009	-	1	47,454	4	1	47	47
2013	5	553,639	-	-	-	-	4	174	174
2014	10	235,975	-	2	58,391	4	125	3,696	1,108
2015	6	2,124,971	-	3	328,460	26	38	17,513	9,168
2016	5	542,731	-	5	240,148	19	35	21,541	1,970
2017	14	784,740	-	6	896,853	71	75	415,099	801
2018	13	846,000	66	5	400,407	32	67	173,178	6,264
2019	7	505,070	-	3	276,670	22	50	22,529	3,311
2020	27	2,186,495	-	2	429,071	34	179	11,410,749	1,546
2021	35	2,347,679	61,613	2	238,129	19	54	99,040	5,807
2022	31	3,251,459	1,200	-	-	-	409	89,009	6,498
	228	**18,413,506**	**62,879**	**64**	**4,303,154**	**517**	**1,037**	**12,252,575**	**36,694**

31-12-2021	Current Account Credit			Mortgages			Other		
Year of production	Number of transactions	Gross exposure	Impairment set up	Number of transactions	Gross exposure	Impairment up	Number of transactions	Gross exposure	Impairment set up
2009 and previous	71	4,481,416	-	28	955,391	294	1	53	53
2010	8	135,100	-	3	212,262	40	1	111	111
2011	12	1,056,211	-	12	501,087	93	39	308	259
2012	6	125,537	-	1	49,655	9	7	411	411
2013	7	327,717	-	-	-	-	14	1,639	1,639
2014	17	641,300	66	3	115,731	20	432	17,556	14,263
2015	10	2,092,061	-	4	455,790	85	68	12,501	1,367
2016	7	565,231	-	7	662,651	124	72	81,082	4,987
2017	21	1,550,241	-	10	1,199,595	513	116	570,191	5,315
2018	22	1,036,162	-	7	595,306	112	116	353,205	3,840
2019	15	1,443,157	-	4	405,337	76	200	120,056	15,754
2020	38	3,246,424	61,782	3	551,985	105	254	11,610,120	4,428
2021	48	5,948,735	238	3	418,414	80	295	258,386	6,681
	282	**22,649,292**	**62,086**	**85**	**6,123,204**	**1,551**	**1,615**	**13,025,619**	**59,108**

On 31 December 2022 and 2021, impairment was broken down as follows:

2022

	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	2,697,247	(16)	2,697,231	697,388	(2)	697,386	794	(794)	-	3,395,429	(812)	3,394,617
Private individuals	29,301,105	(915)	29,300,190	2,174,142	(368)	2,173,774	98,559	(97,995)	564	31,573,806	(99,278)	31,474,528
Guarantees and sureties provided												
Companies	9,350	-	9,350	-	-	-	-	-	-	9,350	-	9,350
Private individuals	129,760	-	129,760	13,000	-	13,000	-	-	-	142,760	-	142,760
Total	**32,137,462**	**(931)**	**32,136,531**	**2,884,530**	**(370)**	**2,884,160**	**99,353**	**(98,789)**	**564**	**35,121,345**	**(100,090)**	**35,021,255**

2021

	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	3,088,530	(17)	3,088,513	724,075	(4,666)	719,409	17,687	(15,392)	2,295	3,830,292	20,075	3,810,217
Private individuals	37,046,487	(3,727)	37,042,760	615,697	(1,636)	614,061	97,307	(97,307)	-	37,759,713	102,670	37,657,043
Guarantees and sureties provided												
Companies	9,350	-	9,350	-	-	-	-	-	-	9,350	-	9,350
Private individuals	188,760	-	188,760	10,000	-	10,000	-	-	-	198,760	-	198,760
Total	**40,333,127**	**(3,744)**	**40,329,383**	**1,349,772**	**(6,302)**	**1,343,470**	**114,994**	**(112,699)**	**2,295**	**41,798,115**	**122,745**	**41,675,370**

The guarantees and sureties provided are fully collateralized by deposits and other liquid financial products and controlled on a daily basis, therefore no impairments are calculated for them on December 31, 2022 and 2021.

Additional information on exposure by type of staging and restructured credit may be consulted in Note 45 – Business risk management.

◢ NOTE 25
FINANCIAL ASSETS TO THE AMORTISED COST – LOANS AND ADVANCES – CENTRAL BANKS

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Loans and advances - Central Banks		
Very short-term applications	8,815,094	15,037,521
	8,815,094	**15,037,521**

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

	2022	2021
Up to 3 months	8,815,094	15,037,521
	8,815,094	**15,037,521**

This caption refers to deposits held by Banco BiG Moçambique with the Central Bank of Mozambique, which are remunerated at local interest rates. The average interest rate during the year ended on 31 December of 2022 was 13.4% (31 December 2021: 10.4%).

NOTE 26
FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES – BANKS

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Loans and advances - banks in Portugal		
Deposits	1,750,000	1,750,000
Loans	21,048,956	185,715,888
Loans and advances - banks abroad		
Deposits	3,002,014	5,549,431
	25,800,970	**193,015,319**
Impairment	-	-
	25,800,970	**193,015,319**

The variation of the caption of Loans results from the contracting of a set of reverse repo operations, in which the Group grants funding by receiving debt securities as collateral.

The average interest rate during the year ended on 31 December 2022 was 2.6% (31 December 2021: 1.8%).

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

	2022	2021
Up to 3 months	24,751,717	186,414,239
From 3 months to 1 year	1,049,253	3,820,097
From 1 to 5 years	-	2,780,983
	25,800,970	**193,015,319**

The changes occurred in the impairment to Loans and advances – Banks, are presented as follows:

	2022	2021
Opening balance	**-**	**33**
Reversals	-	(33)
Closing balance	**-**	**-**

NOTE 27
DERIVATIVES – HEDGE ACCOUNTING

On 31 December 2022 and 2021 this caption was broken down as follows:

2022

		Hedge instrument				Hedge instrument (*)			
Derivative product	**Associated financial asset / liability**	**Notional**	**Fair value (1)**	**Variation in Balance Sheet value of the year**	**Variation in P&L of the year**	**Hedge component (interest rate risk in the Balance Sheet)**	**Variation in Balance Sheet value of the year**	**Variation in P&L of the year**	**Balance Sheet value of hedged instruments**
Interest Rate Swap	Debt instruments	346,500,000	55,571,232	86,339,910	86,406,176	(58,036,526)	(85,295,070)	(86,919,940)	325,409,016
Futures (*)	Debt instruments	442,440,939	-	64,505,663	147,659,743	(67,552,573)	(68,944,764)	(150,154,818)	447,072,592
		788,940,939	**55,571,232**	**150,845,573**	**234,065,919**	**(125,589,099)**	**(154,239,834)**	**(237,074,758)**	**772,481,608**

2021

		Hedge instrument				Hedge instrument (*)			
Derivative product	**Associated financial asset / liability**	**Notional**	**Fair value (1)**	**Variation in Balance Sheet value of the year**	**Variation in P&L of the year**	**Hedge component (interest rate risk in the Balance Sheet)**	**Variation in Balance Sheet value of the year**	**Variation in P&L of the year**	**Balance Sheet value of hedged instruments**
Interest Rate Swap	Debt instruments	343,000,000	(30,768,679)	22,146,355	24,107,574	27,258,544	(22,989,471)	(24,539,970)	385,520,055
Futures (*)	Debt instruments	644,649,325	-	(1,322,698)	5,998,942	1,392,191	(8,041,153)	(7,063,612)	608,013,638
		987,649,325	**(30,768,679)**	**20,823,657**	**30,106,516**	**28,650,735**	**(31,030,624)**	**(31,603,582)**	**993,533,693**

(1) Includes accrued interest
(*) The maturity considered was the cheapest-to-delivery (CtD)

The Bank also carries out a risk-free hedging strategy (short position in German sovereign bonds), within the interest rate hedge accounting of the banking book. The value associated with the hedged item is carried in the balance sheet in a separate item (see note 34).

The variations in fair value associated to the assets described above and the respective hedge derivatives are entered in the income statement of the year in the caption of Profit/loss on financial assets and liabilities held for trading and hedge accounting (Note 8). With regard to the fair value of futures, this is reflected in the caption of Deposits in other banks (Note 18).

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

2022

		Notional			Fair Value	
Derivative product	**Associated financial asset / liability**	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**Assets**	**Liabilities**
Interest Rate Swap	Debt instruments	-	-	346,500,000	55,571,232	- -
Futures (*)	Debt instruments	-	45,693,564	396,747,375	-	- -
		-	**45,693,564**	**743,247,375**	**55,571,232**	**-**

2021

		Notional			Fair Value	
Derivative product	**Associated financial asset / liability**	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**Assets**	**Liabilities**
Interest Rate Swap	Debt instruments	-	-	343,000,000	1,197,229	(31,965,908)
Futures (*)	Debt instruments	-	94,116,470	550,532,855	-	-
		-	**94,116,470**	**893,532,855**	**1,197,229**	**(31,965,908)**

(*) The maturity considered was the cheapest-to-delivery (CtD)

The movements in 2022 and 2021 can be consulted in the table below:

	2022	2021
Opening balance	**(30,768,679)**	**(52,915,036)**
Variations in fair value	89,522,790	25,698,154
Coupon payment	(5,002,307)	(5,115,652)
Payoff	1,819,428	1,563,855
Closing balance	**55,571,232**	**(30,768,679)**

◢ NOTE 28
TANGIBLE ASSETS

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Buildings		
Improvements to buildings	4,236,595	4,349,534
For own use	19,396,809	19,172,892
	23,633,404	**23,522,426**
Equipment		
Computer equipment	6,457,376	7,038,130
Furniture and material	1,724,703	1,625,936
Installations and interiors	2,602,111	2,575,545
Security equipment	258,705	252,531
Machines and tools	384,322	391,476
Other equipment	235,646	232,807
Transportation material	189,441	174,557
	11,852,304	**12,290,982**
Right of use		
Buildings	2,623,229	2,611,898
Vehicles	1,164,960	920,492
	3,788,189	**3,532,390**
Tangible assets in progress	223,227	-
Impairment	(177,549)	(177,549)
Accumulated depreciation	(19,759,003)	(19,302,429)
	19,560,572	**19,865,820**

The movement in this caption was the following:

			Tangible fixed assets	Right of use		
	Buildings	Equipment	in progress	Buildings	Vehicles	Total
Acquisition cost						
Balance on 31 December 2020	22,288,822	11,011,853	94,734	2,272,356	710,925	36,378,690
Acquisition of DIF Broker	136,822	211,343	-	146,126	154,253	648,544
Additions	371,962	843,800	-	193,416	76,814	1,485,992
Transfers	-	119,478	(119,478)	-	-	-
Write-downs	-	(98,189)	-	-	-	(98,189)
Reversals	-	-	-	-	(21,500)	(21,500)
Currency exchange differences	724,820	202,697	24,744	-	-	952,261
Balance on 31 December 2021	23,522,426	12,290,982	-	2,611,898	920,492	39,345,798
Additions	11,782	538,984	223,227	157,457	244,468	1,175,918
Write-downs	(29,047)	(948,120)	-	(146,126)	-	(1,123,293)
Disposals	-	(184,314)	-	-	-	(184,314)
Other	(94,429)	80,614	-	-	-	(13,815)
Currency exchange differences	222,672	74,158	-	-	-	296,830
Balance on 31 December 2022	23,633,404	11,852,304	223,227	2,623,229	1,164,960	39,497,124
Depreciation						
Balance on 31 December 2020	6,134,611	9,614,099	-	967,293	364,586	17,258,138
Write-downs of the year	-	(98,189)	-	-	-	(98,189)
Acquisition of DIF Broker	214,730	183,701	-	-	117,987	516,418
Amortisation of the year	481,904	480,473	-	471,486	212,635	1,646,498
Regularizations	-	2,066	-	31,742	1,976	35,784
Currency exchange differences	27,319	94,010	-	-	-	121,329
Balance on 31 December 2021	6,858,564	10,276,160	-	1,470,521	697,184	19,302,429
Amortisation of the year	431,948	597,926	-	452,117	217,883	1,699,874
Write-downs	(13,411)	(946,457)	-	(141,063)	-	(1,100,931)
Disposals	-	(184,314)	-	-	-	(184,314)
Currency exchange differences	10,407	31,538	-	-	-	41,945
Balance on 31 December 2022	7,287,508	9,774,853	-	1,781,575	915,067	19,759,003
Impairments						
Balance on 31 December 2020	177,549	-	-	-	-	177,549
Balance on 31 December 2021	177,549	-	-	-	-	177,549
Balance on 31 December 2022	177,549	-	-	-	-	177,549
Net balance on 31 December 2021	**16,486,313**	**2,014,822**	**-**	**1,141,377**	**223,308**	**19,865,820**
Net balance on 31 December 2022	**16,168,347**	**2,077,451**	**223,227**	**841,654**	**249,893**	**19,560,572**

NOTE 29
INTANGIBLE ASSETS

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Acquired from third parties		
Automatic data treatment system	16,774,571	16,949,285
Other	2,935,588	2,989,341
	19,710,159	19,938,626
Intangible assets in progress		
Automatic data treatment system	2,057,796	1,215,463
	2,057,796	1,215,463
Goodwill	5,505,674	5,505,674
	5,505,674	5,505,674
	27,273,629	26,659,763
Accumulated amortization	(15,900,546)	(14,869,785)
	11,373,083	**11,789,978**

The movement in this caption was the following:

	Automatic data treatment system	Other	Tangible fixed assets in progress	Goodwill	Total
Acquisition cost					
Balance on 31 December 2020	13,036,990	586,747	2,991,307	-	16,615,044
Acquisition of DIF Broker	808,300	2,402,594	-	5,505,674	8,716,568
Additions	1,007,265	-	369,146	-	1,376,411
Transfers	2,166,012	-	(2,166,904)	-	(892)
Reversals	(87,376)	-	-	-	(87,376)
Currency exchange differences	18,094	-	21,914	-	40,008
Balance on 31 December 2021	16,949,285	2,989,341	1,215,463	5,505,674	26,659,763
Additions	327,504	-	1,017,612	-	1,345,116
Transfers	181,621	-	(181,621)	-	-
Reversals	(698,691)	(53,753)	-	-	(752,444)
Other	11,508	-	-	-	11,508
Currency exchange differences	3,344	-	6,342	-	9,686
Balance on 31 December 2022	16,774,571	2,935,588	2,057,796	5,505,674	27,273,629
Amortizations					
Balance on 31 December 2020	11,975,086	586,747	-	-	12,561,833
Amortization of the year	1,481,919	58,721	-	-	1,540,640
Acquisition of DIF Broker	792,375	43,753	-	-	836,128
Reversal	(87,376)	-	-	-	(87,376)
Currency exchange differences	18,560	-	-	-	18,560
Balance on 31 December 2021	14,180,564	689,221	-	-	14,869,785
Amortization of the year	1,538,384	234,884	-	-	1,773,268
Reversal	(698,691)	(43,753)	-	-	(742,444)
Currency exchange differences	(63)	-	-	-	(63)
Balance on 31 December 2022	15,020,194	880,352	-	-	15,900,546
Net balance on 31 December 2021	**2,768,721**	**2,300,120**	**1,215,463**	**5,505,674**	**11,789,978**
Net balance on 31 December 2022	**1,754,377**	**2,055,236**	**2,057,796**	**5,505,674**	**11,373,083**

On 7 September 2021 the Bank acquired 100% of the capital of DIF Broker – Empresa de Investimento, S.A., an investment company incorporated in 1999 with the purpose of carrying out the activities permitted by law for financial brokerage companies, including all ancillary, connected or similar operations compatible with this activity and permitted at law, with no legal restriction.

Under this transaction, the Bank attributes a separable value to intangible assets, amounting to 2,348,840 Euros, for which a useful life of 10 years is estimated. Taking into consideration the activity of DIF Broker, the value of the client portfolio was estimated based on estimated average commissions and the average number of customers, considering a rate of loss of customers over time.

According to the accounting policy described in Note 2.1, the recoverable value of goodwill will be assessed annually. The evaluations will be based on duly supported assumptions that represent the best estimate of the Board of Directors on the economic conditions that will affect each subsidiary, the budgets and most recent projections approved for those subsidiaries and their extrapolation for future periods. The assumptions made for these evaluations may change with the modification of economic and market conditions.

For the purposes of the annual assessment of the recoverable value of goodwill with reference to December 31, 2022, an update of the economic-financial valuation of the business subject of the Transaction (“Business”) was performed.

This evaluation was based on the Discounted Cash Flows (“DCF”) methodology, which is the most frequently used approach in the evaluation of businesses and companies. In particular, a Free Cash Flow to Equity (“FCFE”) approach is adopted, according to which the value of shareholder funds is estimated based on expected future shareholder cash flows. Thus, the methodology considered seeks to determine the going concern value of the Business (“Business Value”), based on the sum of its future free cash flows, updated at the respective cost of capital.

For the preparation of the economic and financial projections, a scenario was assumed that generally assumes the maintenance of the Business’ activity profile and the progressive integration with BiG. The financial performance indicators for the year 2022 were updated and the outlook for future evolution was reviewed, taking into account the recent history and the current market and business environment.

These economic and financial projections comprise a time horizon of 3 years (explicit period), over which an average annual growth of the level of activity of 5% is estimated. At the end of the explicit period, a value in perpetuity of the Business is determined, based on assumptions about the rate of growth in the long term and the cost of capital.

The analysis made assumes, specifically, the following assumptions:

- Cost of equity capital reported as of December 31, 2022 between 9.5% and 11.5%
- Growth rate in perpetuity between 0.75% and 1.25%.

Based on the approach and assumptions described above, and the results of this analysis, it is concluded that there is no place for any record of impairments.

The Group’s consolidated income statement prepared if the date of the acquisition had been the start of the reporting period, i.e. 1 January 2021, would show a net result of 23,251,944 Euros. This information is only for reference, given that the Group’s consolidated income statement includes the result of DIF Broker from the date of its incorporation (7 September 2021).

NOTE 30
CURRENT TAX ASSETS AND LIABILITIES

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Estimated tax for the year	(4,045,826)	(3,747,844)
Payments on account	3,891,500	7,717,749
Withholding tax	846,054	907,346
Other	4,725,059	3,397,054
Current tax assets / (liabilities)	**5,416,787**	**8,274,305**

On 31 December 2022 the caption of Estimate of tax of the year includes 1,350,000 Euros relating to the contribution of the banking sector (31 December 2021: 1,343,616 Euros).

The amount relating to the caption “Others” corresponds mostly to the amount of the tax lawsuit that was filed by the Bank with the Tax Authority, by reference to the tax corrections made by the Tax Authority in the tax inspection of the years 2010 and 2011. This favorable expectation stems from the results that the Bank has been recording in the different judicial instances.

NOTE 31
OTHER ASSETS

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Debtors and other applications		
Futures and options debtors	37,517,349	21,632,188
Margin applications	6,136,272	49,897,952
Public sector	115,648	287,747
Other debtors	653,968	1,331,235
Other applications	14,469,333	-
Credit and Interest Due - Debtors and other applications	249,697	322,117
Other assets	133,899	133,899
	59,276,166	**73,605,138**
Impairment losses on other assets	(220,578)	(218,146)
	59,055,588	**73,386,992**
Expenses with deferred costs	748,253	580,121
Income receivable	1,498,201	3,169,127
Other accruals and deferrals		
Other operations to be regularized	2,638,992	8,404,543
	2,638,992	**8,404,543**
	63,941,034	**85,540,783**

The item Futures and options debtors and options relates essentially to initial margins on market futures.

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 2022 and 31 December 2021.

The item "Expenses with deferred costs" includes amounts relating to general administrative expenses which, according to their nature, are to be deferred.

The caption of Income receivable relates to amounts receivable from fund management entities.

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

	2022	2021
Opening balance	**218,146**	**99,026**
Additions	26,085	168,604
Reversals	(24,606)	(50,328)
Used	953	844
Closing balance	**220,578**	**218,146**

NOTE 32
FINANCIAL LIABILITIES ENTERED IN THE ACCOUNTS AT FAIR VALUE THROUGH PROFIT OR LOSS

On 31 December of 2022 and 2021, this caption is composed as follows:

	2022	2021
Financial liabilities designated at fair value through profit or loss	20,831,235	156,232,960
	20,831,235	**156,232,960**

On 31 December of 2022 the balance of this caption results from short sales of German sovereign debt, made in order to hedge the interest rate risk of the Group's portfolio.

The evolution of the caption of Financial liabilities entered in the accounts at fair value through profit or loss may be consulted in the table below:

	2022			2021		
	Book Price	*Fair Value*	*MtM*	*Book Price*	*Fair Value*	*MtM*
Financial liabilities designated at fair value through profit or loss	(26,718,586)	(20,831,235)	5,887,351	(160,624,870)	(156,232,960)	4,391,910
	(26,718,586)	**(20,831,235)**	**5,887,351**	**(160,624,870)**	**(156,232,960)**	**4,391,910**

The significant year-on-year variation reflects the closing of a substantial number of short sales transactions during 2022, as part of the Group's strategy to hedge interest rate risk.

NOTE 33
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – FUNDING FROM OTHER BANKS

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Domestic		
Deposits	15,640,038	55,932,144
	15,640,038	**55,932,144**
Abroad		
Deposits	27,651,600	2,363,696
Loans	733,158	21,076,176
REPO´s	279,919,427	417,386,511
	308,304,185	**440,826,383**
	323,944,223	**496,758,527**

The captions of Deposits essentially comprise deposits made by banks in the Group. The amounts relating to Repurchase agreements relate to loans obtained, with collateral of securities, contracted with international institutions.

The average interest rate during the year ended on 31 December of 2022 was 0.6% (31 December 2021: 0.2%).

The residual maturity of Deposits from other banks can be analysed as follows:

	2022	2021
Up to 3 months	323,694,223	472,331,942
From 3 months to 1 year	250,000	23,326,585
From 1 to 5 years	-	1,100,000
	323,944,223	**496,758,527**

◢ NOTE 34
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – RESOURCES FROM CENTRAL BANKS

On 31 December of 2022 and 2021, this caption is composed as follows:

	2022	2021
Funding from central banks		
Term deposits	25,017,361	50,000,000
	25,017,361	**50,000,000**

The residual period of Resources from central banks may be analysed as follows:

	2022	2021
Up to 3 months	25,017,361	-
From 3 months to 1 year	-	50,000,000
	25,017,361	**50,000,000**

The full amount of this caption is comprised of funds held in longer-term refinancing operations under the LTRO (Long Term Refinancing Operation) programme granted by the European Central Bank. These instruments are funded at an interest rate applicable to the main refinancing operations (MRO).

The average interest rate of the term deposits during the year ended on 31 December 2022 was -0.2% (31 December 2021: -0.43%).

◢ NOTE 35
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – FUNDING FROM CLIENTS

On 31 December 2022 and 2021, this caption was broken down as follows**:**

	2022	2021
Demand deposits	990,629,705	981,634,230
Term deposits	497,099,286	453,182,455
Other	123,715,902	119,072,083
	1,611,444,893	**1,553,888,768**

The caption Other essentially relates to the clients balances available and used in margin accounts, as part of the trading of securities and derivative instruments.

The average interest rate of term deposits during the year ended on 31 December 2022 was 0.3% (31 December 2021: 0.2%).

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

	2022	2021
Up to 3 months	1,371,538,974	1,320,915,406
From 3 months to 1 year	208,189,861	186,972,214
From 1 to 5 years	31,716,058	46,001,148
Over 5 years	-	-
	1,611,444,893	**1,553,888,768**

NOTE 36
PROVISIONS OR REVERSAL OF PROVISIONS

On 31 December 2022 and 2021, this caption was broken down as follows:

	Outras provisões
Balance on 31 December 2020	**1,523,413**
Reversals	(1,505,500)
Addition	450,000
Used	(1,256)
Acquisition of DIF Broker	342,069
Balance on 31 December 2021	**808,726**
Reversals	(365,069)
Addition	23,000
Used	-
Balance on 31 December 2022	**466,657**

The caption Other provisions includes provisions set up to cover other specific risks, legal proceedings and other losses arising from the Bank's activity.

NOTE 37
SHARE CAPITAL REIMBURSABLE AT SIGHT

The General Meetings of the BiG held on 08 May 2014 and on 21 April 2016, authorised the Board of Directors to make a capital increase through the issue of redeemable preferred shares intended for workers and members of the Corporate Offices of the Bank. Following these deliberations, in July 2016, the Board of Directors of the Bank made a capital increase by the issue of 12,000,000 (twelve million) non-voting redeemable preferred shares, which was the first underwriting program of this type of shares.

The underlying shares to this first underwriting program were redeemed on September 2019, having been implemented a new underwriting program of this type of shares on May 2020.

The non-voting redeemable preferred shares have characteristics that grant this instrument a hybrid nature as they share clear characteristics of debt instruments. It is for this reason that, under the International Accounting Standards, they are classified as a financial liability, in the caption Instruments representing capital with the nature of liabilities, and the respective income paid is entered as interest.

The redeemable preferred shares issued by BiG are, in accordance with the deliberation for their issue and the current wording of BiG's by-laws, subject to redemption in the period of 38 months from the date of their issue, or rather, the shares are issued for a fixed period and both the issuer and their holders have an unconditional right to redemption, with reimbursement of the capital holding and to the redemption premium, in accordance with the following formula:

Redemption premium per share: Max [0; 1.5 x (VCPAn – VCPAi) / VCPAi] x VN
VN – Nominal value
VCPAi – Book value per share at the time i (last balance sheet annual prior to the issue date)
VCPAn – Book value per share at the time n (last balance sheet annual prior to the redemption date)
1.5 – Multiple of book value«
For the purposes of the calculation of the book value per share the total number of ordinary shares is considered.
Redemption Period / Date: 38 months

In the event of the occurrence of an exceptional corporate situation that affects the book value of the shares, the redemption premium may be adjusted so that the holder is not affected positively or negatively by this event, in the terms set out in the Regulations of the second underwriting program of redeemable preferred shares in force in the Bank.

In December 2021, a capital increase was carried out, decided by the Board of Directors of the Bank on 12 November 2021, with the issue of 15,000,000 new ordinary shares which, in itself, led to a direct reduction of the book value per share. Before these capital increases the book value per share was 2.2319 Euros and became 2.1331 Euros, and so an adjustment should be made to the formula for calculating the redemption premium of redeemable preference 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 pre-emption rights in the capital increase with the issue of redeemable preference 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 has an impact on the book value of the shares, the redemption premium may be adjusted so that the holder is not affected positively or negatively by the said event, under the terms in the Regulation on the Allocation of Redeemable Preference Shares in force in the Bank.

In this regard, the technical sheet of the capital increase approved by the Bank's Board of Directors on 15 May 2016 also provides for the application of this adjustment mechanism to guarantee the full redemption premium contemplated in the event of exceptional corporate events, practised by BiG, that could artificially impair the expected redemption premium.

In the same way, the Regulations of the second subscription program of redeemable preference shares for employees and executive directors of Banco de Investimento Global, S.A., of December 2019, approved by BiG and accepted by the subscribers of the redeemable preference shares establishes that, if Banco de Investimento Global, S.A. performs any act that can affect the rights of the holders of the redeemable preference shares, namely with regard to the calculation of the redemption premium, the Bank will make the necessary adjustments so that these rights of the holders of the redeemable preference shares are identical to those that would exist if the act were not performed.

Consequently, to offset the impact of the capital increase carried out in December 2021, the book value per share calculated based on the last annual balance sheet before the Redemption Date should be multiplied by the correction factor 1.0463393 (corresponding to the result of [2.2319 Euros/2.1331 Euros]), as per the formula below:

> Redemption premium per share: Max [0; 1.5 x (VCPAn x F – VCPAi) / VCPAi] x VN
> VN – Nominal value
> VCPAi – Book value per share at the time i (last annual balance sheet before the date of issue)
> VCPAn – Book value per share at the time n (last annual balance sheet before the redemption date)
> 1.5 – Multiple of book value
> F – Correction factor of corporate events, corresponding to 1.0463393
> For the purpose of calculating the book value per share, the total number of ordinary shares will be considered.
> Period / Redemption Date: 38 months

The accounting policy inherent to the accounting of this type of instrument is described in Note 2.7. Capital Instruments.

On 31 December of 2022, according to the formula for calculating the redemption premium, there was no record in the financial statements relating to the accrual of this premium (2021: 386,298 Euros). The value recorded at the end of the year also includes the recognition of the cost with the estimated dividend for 2022 amounting to 582,475 Euros (2021: 592,125 Euros). The estimated dividend recorded in the year 2021 was paid in 2022.

	2022	2021
Instruments representing capital	12,231,975	12,795,923

◢ NOTE 38 CONTINGENT LIABILITIES – RESOLUTION FUND

The Resolution Fund is a legal entity under public law with administrative and financial autonomy, created by Decree Law no. 31-A/2012, of 10 February, which is governed by the General Regime of Credit Institutions and Financial Companies ("RGICSF") and by its regulations and whose mission is to provide financial support to the resolution measures applied by the Banco de Portugal, in the capacity of the national resolution authority, and to perform all the other functions granted by the law related with the execution of these measures.

Like most of the financial institutions operating in Portugal, the Bank 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 2022, the Bank's periodical contribution amounted to 549,159 Euros (31 December 2021: 615,530 Euros), based on a contribution rate of 0.057% calculated pursuant to Instruction 22/2021 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 Banco de Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), pursuant to article 145º-G(5) of the *Regime Geral das Instituições de Crédito e Sociedades Financeiras* (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.

Additionally on 31 March 2017, the Banco de Portugal advised that it had selected the Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017. 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.. The possible capital injections to be made pursuant to this contingent mechanism are subject to an absolute maximum limit of 3,890 million Euros during a period of 8 years. On 18 October 2017, Banco de Portugal and the Resolution Fund announced the decision to conclude the sale of Novo Banco to Lone Star.

Given the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by the bank syndicate, in which the Bank 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, the Group has closely accompanied all the events that implied alterations regarding the operation of the Resolution Fund, having recognised, immediately in 2014, in the caption of provisions for general banking risks, a provision to address contingencies arising from this event, based on the Bank's prudent interpretation of paragraph 14 of IAS 37.

In this context of uncertainty, and in spite of the background presented, in order to address the guidelines given by the Banco de Portugal in this matter, in 2017 BiG reversed the remaining amount of 3,500,000 Euros of the provision relating to the Resolution Fund set out in the caption of Provisions for general banking risks; this provision was constituted in 2014, presenting a balance of 8,000,000 Euros at the close of that year; the balance of this provision was reinforced in 2015 to 9,000,000 Euros, and partially reversed in 2016 to 3,500,000 Euros.

◢ NOTE 39
TAXATION

The Bank and its subsidiaries based in Portugal determined the amount of its current tax on income for the years 2022 and 2021 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 2022 and 2021 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 Bank and its subsidiaries based in Portugal calculated the amount of its deferred taxes for the years 2022 and 2021, based on a nominal rate of 21%, plus a municipal surcharge rate of 1.5% and a state surcharge rate that can vary between 3% and 9% when taxable income is greater than 1.5 million Euros.

The Portuguese Tax Authorities are empowered to review the Bank's calculation of its annual taxable earnings and that of its subsidiaries based in Portugal 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 2022 and 2021 may be analysed as follows:

	2022	2021
Financial assets at fair value through other comprehensive income	41,122,068	10,851,905
Financial assets at fair value through profit and loss	(1,706,149)	(1,385,133)
Intangible assets	(508,671)	(566,805)
Tax Losses	-	-
Other	115,217	122,744
Net deferred tax asset / (liability)	**39,022,465**	**9,022,711**
Movement of tax in the year	**29,999,754**	**10,385,275**

As detailed in note 1, as part of the creation of a new business model focused on generating medium-term net interest income, assets were transferred from Financial assets at fair value through other comprehensive income to Financial assets at amortized cost. This transfer was reflected in the deferred tax item, resulting in an annulment of the deferred tax associated with the fair value of the assets in the Financial assets at fair value through other comprehensive income item. This annulment resulted in a reduction of deferred tax assets recorded in the balance sheet in the amount of 13,826,128 euros.

The movement of the income tax reported in results and reserves in the year is explained as follows:

	2022	2021
Recognised in reserves		
Current tax		
Of the year	1,165,158	-
	1,165,158	-
Deferred tax		
Of the year	30,270,164	11,941,840
	31,435,322	**11,941,840**
Recognised in results		
Current tax		
Of the year	(3,946,494)	(2,340,138)
From previous years	340,602	243,228
	(3,605,892)	**(2,096,910)**
Deferred tax	(274,776)	(986,964)
	(3,880,668)	**(3,083,874)**
	27,554,654	**8,857,966**

The reconciliation of the tax rate for 2022 and 2021 may be analysed as follows:

	2022		2021	
	Tax rate	Amount	Tax rate	Amount
Pre-tax profit		14,601,114		24,831,423
Estimated tax charge	42.06%	6,141,689	28.79%	7,147,858
Non-deductible costs for tax purposes	1.64%	239,524	1.39%	345,300
Tax benefits	-1.21%	(176,253)	-13.56%	(3,367,457)
Contribution on the banking sector	2.86%	418,073	0.75%	186,794
Other	-18.78%	(2,742,365)	-4.95%	(1,228,621)
	26.58%	**3,880,668**	**12.42%**	**3,083,874**

The item Others refers essentially to a tax adjustment related to the elimination of double economic taxation.

In compliance with Article 41 of the Investment Tax Code, it should be mentioned that Banco de Investimento Global , BiG Serviços Financeiros, S.A. and Onetier Partners, Sociedade de Capital de Risco, S.A. receive the tax benefit provided for in Article 38 of the Investment Tax Code, and are benefiting from the following tax savings:

- In the exercise of 2021, the Banco de Investimento Global tax saving amounted to € 3,125,000. as reflected in the caption "Tax benefits" in the table above;
- BiG Serviços Financeiros, S.A. tax saving amounted to € 51,382, as reflected in the caption "Tax benefits" in the table above;
- Onetier Partners, Sociedade de Capital de Risco, S.A. tax saving amounted to € 115,316 in 2022, as reflected in the caption "Tax benefits" in the table above.

NOTE 40
OTHER LIABILITIES

On 31 December 2022 and 2021, this caption was broken down as follows**:**

	2022	2021
Creditors and other dues		
Diverse funding	48,467,102	1,210,412
Public sector	1,863,897	2,291,638
Lease liabilities	975,950	1,273,988
Other creditors	3,764,704	5,119,054
	55,071,653	**9,895,092**
Costs payable		
Staff charges	2,680,797	3,946,918
Other charges payable	1,109,262	2,433,807
	3,790,059	**6,380,725**
Revenue with deferred income	77,721	79,314
Other accruals and deferrals		
Other operations to be settled	12,101,196	6,115,285
Non controlling interests	21,291,782	7,912,552
	33,392,978	**14,027,837**
	92,332,411	**30,382,968**

The item Diverse Funding refers to collateral margins transferred by counterparties under repurchase agreements (repo).

The item Diverse Creditors was due essentially to the recording of the variable component of the acquisition price of DIF Broker – Empresa de Investimento, S.A., indexed to the future growth of net revenues from the business of this company, payable between 2022 and 2024.

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

The caption Other operations to be settled relates essentially to operations which were outstanding at 31 December 2022 and 2021.

The caption Non-controlling interests includes the non-controlling interests associated with the consolidation of the BiG Diversified Macro Fund and ONETIER – Risk Capital Fund.

For the years ended on 31 December 2022 and 2021, below is the detail of the Lease liabilities caption:

	2022	2021
Opening balance	**1,273,988**	**1,687,370**
Additions	401,925	297,139
Interest	9,848	13,983
Payments	(695,050)	(724,504)
Write-downs	(14,761)	-
Closing balance	**975,950**	**1,273,988**

On 31 December of 2022 and 2021, the future payments relating to Lease liabilities are detailed as follows:

	2022			2021		
	Buildings	**Vehicles**	**Total**	**Buildings**	**Vehicles**	**Total**
Up to 3 months	88,481	79,733	168,214	133,719	49,592	183,311
From 3 months to 1 year	250,311	210,605	460,916	360,374	122,109	482,483
From 1 to 5 years	310,145	204,067	514,212	629,474	104,792	734,266
Over 5 years	51,800	-	51,800	71,263	-	71,263
	700,737	**494,405**	**1,195,142**	**1,194,830**	**276,493**	**1,471,323**

◢ NOTE 41
CAPITAL, ISSUE PREMIUMS, TREASURY STOCK AND RESERVES

Capital

On 17 December 2021 a capital increase was made amounting to 15,000,000 Euros, with the issue of 15,000,000 of ordinary shares with the nominal value and subscription price of 1 Euro per share, the Group's capital then being represented by 186,947,388 ordinary shares, with the nominal value of 1 Euro each, fully subscribed and paid up.

On 31 December 2022 and 2021, the Bank's shareholder structure was the following:

	2022	2021
	Ordinary Shares	**Ordinary Shares**
Adger – SGPS, S.A.	12.67%	11.06%
Carlos Adolfo Coelho Figueiredo Rodrigues	8.38%	8.38%
António da Silva Rodrigues	6.33%	11.54%
Maria Aldina Fernandes Valente	6.33%	0.00%
Nicholas Leo Racich	6.27%	6.27%
WWC World Wide Capital - SPGS, S.A.	4.79%	8.80%
Bâloise Vie Luxembourg S.A.	4.49%	4.45%
JRI – SGPS, S.A.	4.55%	4.55%
Oceangest - Gestão e Empreendimentos Imobiliários, S.A.	4.10%	4.10%
Peter Alexander Batista Rodrigues	2.58%	2.58%
Phillip John Batista Rodrigues	2.48%	2.48%
LNKM Hospitality Capital - Fundo Capital de Risco	2.03%	2.03%
Other	35.00%	33.76%
	100.00%	**100.00%**

In 2022 the Group held 12,000,000 non-voting redeemable preferred shares issued, which had the nature of liabilities (note 37). Thus, even though strictly for statutory purposes the Group´s share capital was considered to be 198,947,388 Euros, given the accounting treatment and characteristics of the redeemable non-voting preferred shares, the caption Share capital was represented by 186,947,388 ordinary shares with the nominal value of 1 Euro each.

The first issuance of redeemable preferred shares was done on July 2016. As foreseen under the terms on the deliberation of the issuance of these stocks, their redemption occurred on 16 September 2019.

Having in sight a second underwriting program of redeemable preferred shares targeted to BiG's Employees and Executive Board Members, on 27 May 2020 was concluded a new issuance of this type of shares in the amount of 12,000,000, in replacement of the shares redeemed on September 2019.

Issue premiums

On 31 December 2022 and 2021, the issue premiums amounting to 1,362,306 Euros refer to the premiums paid by the shareholders in the capital increases made.

Treasury stock

During 2022 and 2021, there were no movements in the Treasury stock caption, totalling a value of 2,326 Euros on 31 December 2022.

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 plus 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 2022 and 2021 is analysed as follows:

	2022	2021
Cost of financial assets at fair value through other comprehensive income [1]	1,144,037,519	1,780,634,805
Market value of financial assets at fair value through other comprehensive income	1,013,518,043	1,746,150,320
Fair value reserve of financial assets at fair value through other comprehensive income	(304,378,446)	(38,370,197)
Fair value reserve associated to macro-hedging for interest rate risk	170,380,880	1,861,233
Impairment of financial assets at fair value through other comprehensive income	3,478,090	2,024,479
Deferred tax	41,119,766	10,859,678
Current tax	(188,657)	93,455
Currency revaluation	3,190,650	1,743,380
	(86,397,717)	**(21,787,972)**

[1] amortized cost for debt securities and acquisition cost with regard to shares and other.

Other reserves

The equity item "other reserves" on 31 December of 2022 includes the amounts constituted by the Banco de Investimento Global as legal reserves, free reserves and other retained earnings. These components are detailed below:

i. 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 Bank 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. With reference to 31 December 2022 the Group's legal reserves totalled 54,261,492 Euros (31 December 2021: 51,197,366 Euros).

ii. Free reserve
With reference to 31 December 2022, the Group's free reserves amount to 174,796,098 Euros (31 December 2021: 166,083,290 Euros) representing the total accumulated results of the Group not distributed and/or not constituted as a legal reserve.

iii. Other retained earnings
The caption of other retained earnings includes retained earnings, as well as gains and losses associated to capital instruments (real values) that the Group has irrevocably designated at fair value through other comprehensive income.

According to the requirements of IFRS 9, these gains and losses are recorded in equity and not recycled to the income statement. With reference to 31 December 2022 the caption of other retained earnings totals 3,298,974 Euros (31 December 2021: 2,830,450 Euros).

There are no statutory restrictions on the use of reserves, being applicable only those resulting from legal provisions, namely, those provided for in Article 295 of the Commercial Companies Code in relation to legal reserves.

The movement of the fair value reserve, net of taxation, for the years 2022 and 2021 is analysed in the following manner:

	2021	Variations in fair value	Fair value hedge adjustament	Disposals	Tax	2022
Financial assets at fair value through other comprehensive income						
Debt instruments	(23,585,481)	(317,500,378)	167,437,312	10,668,758	30,066,343	43,918,493	(88,994,953)
Capital instruments	(156,247)	(539,212)	-	-	-	102,045	(593,414)
Currency Revaluation	1,953,756	1,236,894	-	-	-	-	3,190,650
	(21,787,972)	**(316,802,696)**	**167,437,312**	**10,668,758**	**30,066,343**	**44,020,538**	**(86,397,717)**

	2020	Variations in fair value	Fair value hedge adjustament	Disposals	Tax	2021
Financial assets at fair value through other comprehensive income						
Debt instruments	2,667,508	(52,597,988)	16,263,135	(1,866,738)	11,948,602	(23,585,481)
Capital instruments	(410,858)	249,584	-	-	5,027	(156,247)
Currency Revaluation	-	1,953,756	-	-	-	1,953,756
	2,256,650	**(50,394,648)**	**16,263,135**	**(1,866,738)**	**11,953,629**	**(21,787,972)**

As defined in note 1, and as part of the creation of a new business model focused on generating medium-term net interest margin, in 2022 a transfer of assets was made from the heading Financial assets at fair value through other comprehensive income to Financial assets at amortized cost. This transfer was reflected in the fair value reserve, recorded in equity, in the amount of 30,066,343 euros (gross value: 43,892,471 euros; deferred tax asset: 13,826,128 euros).

Non-controlling interests

This item records the interests that the Group does not control associated with the consolidation of Banco BiG Moçambique. This caption is presented as follows:

	2022	2021
Banco BiG Moçambique, S.A.	5,545,416	4,849,205

The movement of this caption in the period is presented as follows:

	2022	2021
Opening balance	**4,849,205**	**3,950,339**
Other comprehensive income	(16,298)	(31,143)
Exchange differences	391,548	752,856
Net result	478,959	546,342
Transfers to reserves	-	(369,189)
Dividends	(332,643)	-
Reserves	(59,787)	-
Non controlling interest in Liabilities	234,432	-
Closing balance	**5,545,416**	**4,849,205**

NOTE 42
OFF-BALANCE SHEET ACCOUNTS

On 31 December 2022 and 2021, this caption was broken down as follows:

	2022	2021
Guarantees provided and other liabilities		
Assets given as guarantee	1,165,816,277	1,300,440,107
Guarantees and sureties	152,110	208,110
	1,165,968,387	**1,300,648,217**
Guarantees received		
Personal guarantees		
Guarantees and sureties	1,899,147	2,605,549
Real guarantees		
Securities	125,015,594	320,381,214
Loans	6,250,372	7,334,494
Real Estate	5,732,758	7,591,077
	138,897,871	**337,912,334**
Commitments before third parties		
Irrevocable commitments		
Potential liability to the Investor Compensation System		
Term deposit contracts	-	35,000,000
Revocable commitments		
Bank overdraft facilities	36,641,342	55,574,423
	37,315,956	**91,249,037**
Foreign exchange operations and derivative instruments		
Foreign exchange spot transactions	234,185	613,862
Trading instruments	128,603,368	278,408,408
Hedging instruments	719,874,217	976,241,975
	848,711,770	**1,255,264,245**
Liabilities for services provided		
Asset custody and deposit	3,232,744,143	3,458,227,286
For asset administration	671,923,000	617,121,070
For collection of amounts	1,461,919	1,526,348
	3,906,129,062	**4,076,874,704**
Services rendered by third parties		
Asset custody and deposit	2,943,658,143	3,251,603,486
	2,943,658,143	**3,251,603,486**
Other off-balance-sheet accounts		
Consignments	17,048	17,235
Credit written off from assets	78,712	84,694
	95,760	**101,929**

On 31 December 2022 and 2021, the balance of the caption Assets Given as Guarantee includes:

- securities provided as a guarantee to the Investor Compensation System amounting to 856,344 Euros (31 December 2021: 857,346 Euros);

- securities in the pool of the European System of Central Banks in the amount of 605,538,594 Euros (31 December 2021: 647,852,624 Euros). Of the assets recorded in the pool, 25,000,000 Euros were pledged as collateral (on 31 December 2021: 50,000,000 Euros);

- other securities provided as a guarantee 559,424,297 Euros (31 December 2021: 651,734,803 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 43
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 Qualified participants of the institution and other people or entities covered by the regime foreseen on article 109 of the General Regime of Credit Institutions and Financial Companies;
- ii the members of the corporate and supervisory bodies of BiG;
- iii the spouse, domestic partner, close members of the family of the people mentioned in line (ii) above;
- iv an entity in which a corporate or supervisory bodies member, or its spouse, domestic partner, or close members of the family hold a qualified stake equal or higher than 10 % of the share capital or of the voting rights, or on which those people exercise significant influence or exercise senior management functions or belong to the corporate and supervisory bodies;
- v Senior staff members, who correspond to people with a category or functions, with authority and responsibility for the planning, management and control of activities of the Group;
- vi any fund or benefit plan, such as pensions, other retirement benefits, life insurance and medical care insurance, for the benefit of the employees of BiG;
- vii Members of the corporate bodies of entities belonging to the Group;
- viii the people or entities, including namely, depositors, creditors, debtors, participated entities by BiG, Bank's employees or of other Group's entities, which through the relation with BiG may, potentially, influence its management, in such way to obtain a commercial relationship not in line with the normal market conditions.
- ix the entities of any Related Party with BiG that are: (i) partner; (ii) director, namely as a member of the corporate or supervisory bodies or if it has regular access to privileged information and participates in decisions related to management and control of the entity or (iii) holder, individually or jointly, directly or indirectly of, at least, half of the respective share capital or voting rights, as well as entities which have been incorporated for the benefit of any BiG's Related Party; and
- x Entities with which there is an interdependent economic relationship, namely due to their insertion in a crossed relationship of participations in diverse entities or that, for being connected to the institution is such a way, in the contingency of one of them having financial problems, the institution may also struggle financially.

On 31 December 2022 and 2021, the balances reflected in the captions of Assets relating to related parties are represented as follows:

	2022			
	Other demand deposits	**Financial assets at fair value through other comprehensive income**	**Loans and advances - Clients**	**Other Assets**
Shareholders with holdings over 10%	-	-	-	985
Governing Body	-	-	4,600,620	10,000
Closely related people	-	-	-	-
Related companies	-	13,978	-	12,208
Senior management of Group companies	-	-	2,426,238	-
	-	**13,978**	**7,026,858**	**23,193**

	2021			
	Other demand deposits	**Financial assets at fair value through other comprehensive income**	**Loans and advances - Clients**	**Other Assets**
Shareholders with holdings over 10%	576,506	-	703,631	1,345
Governing Body	-	-	5,178,456	-
Closely related people	-	-	-	-
Related companies	-	777,478	-	290
Senior management of Group companies	-	-	1,761,446	-
	576,506	**777,478**	**7,643,533**	**1,635**

On 31 December 2022 and 2021, the balances reflected in the captions of Liabilities relating to related parties are represented as follows:

	2022		
	Funding from Clients	Funding from other banks	Other Liabilities
Shareholders with holdings over 10%	4,170,963	-	-
Governing Body	4,064,014	-	22,250
Closely related people	3,077,326	-	-
Related companies	10,385,997	-	17,705
Senior management of Group companies	2,396,677	-	11,450
	24,094,977	**-**	**51,405**

	2021		
	Funding from Clients	Funding from other banks	Other Liabilities
Shareholders with holdings over 10%	10,690,801	4,662	-
Governing Body	4,217,269	-	25,873
Closely related people	6,501,646	-	-
Related companies	4,931,931	56	-
Senior management of Group companies	1,338,752	-	7,350
	27,680,399	**4,718**	**33,223**

On 31 December 2022 and 2021, the balances reflected in the captions of the Income Statement relating to related parties are represented as follows:

	2022				
	Interest income	Interest expenses	Fees and comissions income	Fees and comissions expenses	Staff costs
Shareholders with holdings over 10%	5,238	(2,415)	14,314	(301)	-
Governing Body	694	(1,103)	4,595	-	(5,797,856)
Closely related people	-	(589)	756	-	-
Related companies	-	(2,929)	12,157	-	-
Senior management of Group companies	-	(2,035)	924	-	(1,182,037)
	5,932	**(9,071)**	**32,746**	**(301)**	**(6,979,893)**

	2021				
	Interest income	Interest expenses	Fees and comissions income	Fees and comissions expenses	Staff costs
Shareholders with holdings over 10%	2,284	-	8,384	842	-
Governing Body	483	(5,785)	5,264	-	(5,854,853)
Closely related people	-	(90)	793	-	-
Related companies	-	(1,458)	1,242	-	-
Senior management of Group companies	855	(1,174)	1,124	-	(1,094,230)
	3,622	**(8,507)**	**16,807**	**842**	**(6,949,083)**

NOTE 44
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

On 31 December 2022 and 2021, the fair value of the financial assets and liabilities is presented as follows:

	Amortised cost	Total Balance Sheet value	Listed market values (level 1)	Evaluation models with parameters / prices observable in the market (level 2)	Evaluation models with no observable parameters in the market (level 3)	Fair value
31 december 2022						
Cash, cash balances at central banks and other demand deposits						
Cash and cash reserves at Central Banks	126,582,804	126,582,804	126,582,804	-	-	126,582,804
Other demand deposits	119,833,641	119,833,641	119,833,641	-	-	119,833,641
Financial assets at fair value through profit and loss						
Financial assets held for trading						
Securities						
Bonds and other fixed return securities						
From public issuers	-	11,035,070	9,748,820	-	1,286,250	11,035,070
From other issuers	-	42,134,458	36,733,372	5,401,086	-	42,134,458
Derivatives						
Term transactions	-	1,552,193	-	1,552,193	-	1,552,193
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities						
Shares	-	6,479,764	-	-	6,479,764	6,479,764
Funds	-	45,000	-	-	45,000	45,000
Credits and other receivables	-	1,262,536	-	-	1,262,536	1,262,536
Financial assets accounted at fair value through profit and loss						
Securities						
Bonds and other fixed return securities						
From public issuers	-	2,323,235	-	2,323,235	-	2,323,235
From other issuers	-	51,856	-	51,856	-	51,856
Financial assets at fair value through other comprehensive income						
Bonds and other fixed return securities						
From public issuers	-	536,417,504	499,756,323	36,661,181	-	536,417,504
From other issuers	-	474,638,282	323,688,479	143,595,853	7,353,950	474,638,282
Shares	-	864,769	834,291	-	30,478	864,769
Other	-	1,597,488	1,597,488	-	-	1,597,488
Financial assets at amortised cost						
Debt securities	847,122,893	847,122,893	463,742,475	315,476,836	-	779,219,311
Loans and advances - Clients	34,869,145	34,869,145	-	-	34,869,145	34,869,145
Loans and advances - Central Banks	8,815,094	8,815,094	-	-	8,815,094	8,815,094
Loans and advances - Banks	25,800,970	25,800,970	-	-	25,800,970	25,800,970
Derivatives - Hedge accounting	-	55,571,232	-	55,571,232	-	55,571,232
Financial assets	**1,163,024,547**	**2,296,997,934**	**1,582,517,693**	**560,633,472**	**85,943,187**	**2,229,094,352**
Financial liabilities designated at fair value through profit or loss	-	20,831,235	20,831,235	-	-	20,831,235
Financial liabilities measured at amortised cost						
Funding from clients	1,611,444,893	1,611,444,893	-	-	1,611,444,893	1,611,444,893
Funding from central banks	25,017,361	25,017,361	-	-	25,017,361	25,017,361
Funding from other banks	323,944,223	323,944,223	-	-	323,944,223	323,944,223
Share capital repayable on demand	12,231,975	12,231,975	-	-	12,231,975	12,231,975
Financial liabilities	**1,972,638,452**	**1,993,469,687**	**20,831,235**	**-**	**1,972,638,452**	**1,993,469,687**
31 december 2021						
Cash, cash balances at central banks and other demand deposits						
Cash and cash reserves at Central Banks	47,968,473	47,968,473	47,968,473	-	-	47,968,473
Other demand deposits	171,088,061	171,088,061	171,088,061	-	-	171,088,061
Financial assets at fair value through profit and loss						
Financial assets held for trading						
Securities						
Bonds and other fixed return securities						
From public issuers	-	48,716,115	48,716,115	-	-	48,716,115
From other issuers	-	24,132,993	22,562,029	866,895	704,069	24,132,993
Participation units of foreign issuers		2,853,523	2,853,523	-	-	2,853,523
Derivatives						
Term transactions	-	2,787	-	2,787	-	2,787
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities						
Shares	-	5,207,975	-	-	5,207,975	5,207,975
Credits and other receivables	-	253,809	-	-	253,809	253,809
Outros instrumentos de capital próprio	-	163,053	-	-	163,053	163,053
Financial assets accounted at fair value through profit and loss						
Securities						
Bonds and other fixed return securities						
From public issuers	-	1,129,812		1,129,812		1,129,812
From other issuers	-	426,282		426,282		426,282
Financial assets at fair value through other comprehensive income						
Bonds and other fixed return securities	-					
From public issuers	-	714,242,407	690,562,685	23,679,722	-	714,242,407
From other issuers	-	1,025,873,301	510,066,781	478,922,365	36,884,155	1,025,873,301
Shares	-	2,411,862	2,381,384	-	30,478	2,411,862
Other	-	3,622,750	3,622,750			3,622,750
Financial assets at amortised cost				-	-	
Debt securities	338,030,213	338,030,213	321,217,094	-	-	321,217,094
Loans and advances - Clients	41,467,260	41,467,260	-	-	41,467,260	41,467,260
Loans and advances - Central Banks	15,037,521	15,037,521	-	-	15,037,521	15,037,521
Loans and advances - Banks	193,015,319	193,015,319	-	-	193,015,319	193,015,319
Derivatives - Hedge accounting	-	1,197,229	-	1,197,229	-	1,197,229
Financial assets	**806,606,847**	**2,636,840,745**	**1,821,038,895**	**506,225,092**	**292,763,639**	**2,620,027,626**
Financial liabilities held for trading						
Short selling		24,621,617	24,621,617			24,621,617
Derivatives						
FX forwards		660,802		660,802		660,802
Interest rate swaps	-	537,230	-	537,230	-	537,230
Financial liabilities designated at fair value through profit or loss	-	156,232,960	156,232,960			156,232,960
Financial liabilities measured at amortised cost						
Funding from clients	1,553,888,768	1,553,888,768			1,553,888,768	1,553,888,768
Funding from central banks	50,000,000	50,000,000	-	-	50,000,000	50,000,000
Funding from other banks	496,758,527	496,758,527	-	-	496,758,527	496,758,527
Derivatives - Hedge accounting	-	31,965,908	-	31,965,908	-	31,965,908
Share capital repayable on demand	12,795,923	12,795,923	-	-	12,795,923	12,795,923
Financial liabilities	**2,113,443,218**	**2,327,461,735**	**180,854,577**	**33,163,940**	**2,113,443,218**	**2,327,461,735**

The Group's Financial assets and liabilities at fair value are valued, pursuant to the IFRS 13, according to the following hierarchy:

Level 1– Financial instruments recorded 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 recorded 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.

In the case of investments held in Fintech companies, fair value is calculated based on appropriate methodologies for this type of investment, in which the fair value generally corresponds to the transaction value, considering as such the purchase price or market price of a recent transaction. If there are materially relevant changes in the company's business that may suggest a change in fair value, and there being no observable data related to comparable companies or transactions, other internationally recognised methods are used, particularly assessment through analysis of compliance with Milestones based on financial, technical or product, human resources, commercial and financing indicators. According to this methodology, if a relevant deviation from the established Milestone is identified, a positive or negative adjustment should be applied. In extreme situations, the adjustment may reach 100%, as is the case of Write-offs, for example when the company presents signs of lacking liquidity in the short term with no indications of success in obtaining financing.

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 and central banks
Considering the short terms associated to these financial instruments, the Balance Sheet value is a reasonable estimate of the respective fair value.

Loans and advances to clients
Considering that the Bank's portfolio is composed essentially of short term and recent loans, the Balance Sheet value is considered as a reasonable estimate of the fair value of the loans and advances to clients.

Funding from other banks
Considering the short terms associated to these financial instruments, the Balance Sheet value is a reasonable estimate of the respective fair value.

Funding from clients
Considering that the interest rates applicable are variable in nature and the period of maturity of the deposits is substantially less than one year, there are no materially relevant differences in their fair value.

Funding from central banks
Considering the short term nature associated to these instruments, it is assumed that the fair value equals the book value.

Financial assets at amortised cost – Debt securities
For the calculation of the fair value of financial instruments-debt securities recorded at amortised cost, the valuation methods used consisted of valuation techniques, specifically through the update of future cash flow.

Share capital reimbursable at sight
It is assumed that the book value is a reasonable estimation of the respective fair value.

The interest rate curves of the main currencies for the years 2022 and 2021 are as follow:

(amounts expressed as a percentage)

	2022		2021	
	EUR	USD	EUR	USD
Overnight	1.885	4.320	-0.575	0.070
1 month	1.884	4.392	-0.583	0.101
3 months	2.132	4.767	-0.572	0.209
6 months	2.693	5.139	-0.546	0.339
1 year	3.291	5.482	-0.501	0.583
3 years	3.286	4.342	-0.136	1.168
5 years	3.239	4.021	0.018	1.371
7 years	3.202	3.858	0.129	1.475
10 years	3.197	3.838	0.301	1.581
15 years	3.138	3.813	0.489	1.701
20 years	2.928	3.744	0.545	1.756
25 years	2.711	3.568	0.522	1.748
30 years	2.535	3.445	0.476	1.731

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 2022 and 2021 are as follows:

(amounts expressed as a percentage)

	2022		2021	
	EUR	USD	EUR	USD
3 years	3.456	4.389	1.128	1.745
5 years	6.328	6.149	3.232	2.923
7 years	8.382	9.587	3.520	4.587
10 years	11.228	8.799	5.331	4.756

The evolution of the exchange rates of the main currencies for the years 2022 and 2021, and respective historic volatilities used in the evaluation of currency exchange derivatives are as follows:

			Volatilities 2022 (in %)		
	2022	2021	3 months	6 months	1 year
EUR/USD	1.067	1.133	11.572	10.790	10.062
EUR/GBP	0.887	0.840	9.321	8.320	7.744
EUR/JPY	140.660	130.380	12.817	12.642	11.980
EUR/CHF	0.985	1.033	7.055	7.228	7.529
EUR/MZN	67.450	71.580	11.215	11.095	10.420

The evolution of the main stock indices for the years 2022 and 2021, and respective volatilities used in the evaluation of derivatives on shares and share indices are as follows:

	List price			Historic volatility		Historic volatility	
	2022	2021	Variation %	1 month	3 months	Call	Put
Eurostoxx	3,793.62	4,298.41	(11.74)	16,168	19,272	19.12	19.12
Dow Jones Ind.	33,147.25	36,338.30	(8.78)	16,272	21,5	18.88	18.88
DAX	13,923.59	15,884.86	(12.35)	15,076	19,530	19.29	19.29
S&P	3,839.50	4,766.18	(19.44)	19,568	25,43	19.94	19.94
Nasdaq 100	10,939.76	16,320.08	(32.97)	25,885	32,045	26.02	26.02

NOTE 45
BUSINESS RISK MANAGEMENT

Background

The Bank seeks to manage the risks inherent to the banking business on a daily basis, specifically market, liquidity, credit, operational, technological, compliance and reputational risks. Additional information on this topic is available in the Board of Directors Report.

As these risks are normally interrelated, the Group structured a system of internal control which, through the establishment of policies, procedures and other instruments of control, seeks to manage all of the risks in a comprehensive and integrated manner. These procedures and policies are generically conceived to ensure effective processing, to ensure robust systems, an appropriate assumption of risk, independent reporting and responsible behaviour, as well as respect for adhering to regulatory, legal and prudential guidelines.

In the management of its exposure to risk, the Group is guided by the following basic principles:

- Regular review of policies and procedures by the Administration
- Formal establishment of responsibilities for Risk Management in the Group
- Independent process of surveillance of business units
- Policies and procedures intended to ensure an appropriate diversification of risk categories
- Maintenance of a suitable system of internal reporting
- Evaluation and systematic disciplined measurement of risks, including statistical and qualitative measures
- Regular training to enhance the identification of risks in the diverse business units.

Risk measurement

The Group uses a series of different methodologies to measure and control the different types of risk exposure, specifically, the following:

- 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 exercises.

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 risk exposure. The Group systematically seeks 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 more improbable, but which nevertheless can be considered based on the assumption of certain extreme scenarios.

An assessment of market risk involves a daily review of all the measures mentioned above. The credit risk generally concentrates its focus on nominal and fractional exposures, concentrations by lender or group, sector or geography and stress testing. The risk management of liquidity, interest and exchange rate combine various methodologies, which include basis point values and scenario analyses. The exposure to derivatives is measured with sensitivity analyses of exposures measured in basis points. An evaluation of the more subjective risks to which the bank may be exposed, such as the reputational risk and the correlation risk, depend on scenario analyses in order to arrive at quantitative estimates. Finally, the Group's exposition to the operating risk is very oriented towards the study of the Group's processes and to ongoing occurring events.

Market Risk

Market Risk represents the possible loss in value of financial instruments as a result of changes in market conditions.

In terms of financial markets, the key risks to be managed are related with:

- Liquidity risk: resulting from treasury management and the different maturities of assets and liabilities.
- Interest rate risk: resulting from changes in the level, slope and curvature of interest rate curves, interest rate volatility and the duration of the credit margins.
- Price risk of securities and raw materials: resulting from exposure to changes in the price of the underlying assets and volatility.
- Exchange rate risk: resulting from exposure to changes in the spot price, at a future point in time, and volatility.
- Risk hedging: resulting from the management of exposure to changes in the price of the underlying assets used to hedge Clients' positions and products.

Value at Risk (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 2022 and 2021 is presented as follows:

	2022				2021			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange risk	21,164	23,132	84,164	3,478	14,524	10,663	51,980	1,365
Interest rate risk	151,260	267,060	1,387,364	65,087	177,948	315,784	835,502	69,280
Shares	85,530	64,675	163,962	-	123,070	15,631	128,596	-
Options	-	-	-	-	-	782	65,954	-
Effect of diversification	42%	40%			38%	13%		
Total VaR	**149,339**	**212,414**	**1,345,250**	**69,492**	**195,301**	**298,245**	**807,148**	**60,998**

The average VaR of the exposures allocated to each of the trading portfolios reduced in 2022 remained in line with the amounts recorded in 2021, there being no relevant changes to be noted.

Sensitivity analysis

With regard to the sensitivity analysis to stock market indices in the portfolio, or of stock market indices for which the Group has 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 2022 and 2021:

	List price			Historic volatility 2022	
	2022	2021	Variation %	1 month	3 months
Eurostoxx	3,793.62	4,298.41	(11.74)	16,168	19,272
Nasdaq 100	10,939.76	16,320.08	(32.97)	25,885	32,045
AEX 25	689.01	797.93	(13.65)	16,393	18,973
S&P 500	3,839.50	4,766.18	(19.44)	19,568	25,431
DAX	13,923.59	15,884.86	(12.35)	15,076	19,530
KOSPI 200	291.30	394.19	(26.10)	18,077	20,683
Nikkei 225	26,094.50	28,791.71	(9.37)	13,914	19,125
S&P/TSX 60	1 168.91	1,286.98	(9.17)	12,212	17,590
SMI	10,729.40	12,875.66	(16.67)	13,86	15,145
S&P / ASX 200	7,038.69	7,444.64	(5.45)	10,688	17,342
FTSE 100	7,451.74	7,384.54	0.91	9,769	13,283
NSE Nifty 50	18,105.30	17,354.05	4.33	11,247	13,747
FTSE China A50	13,004.11	15,698.01	(17.16)	18,565	21,521

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.

This sensitivity analysis, and in particular the amplitude of the shock in question, is intended to capture the impacts arising from adverse shocks, which although representing high levels of severity, nevertheless have some adherence in terms of the historical occurrence observed in the equity markets.

The sensitivity analysis resulting from a +/- 10% decline in the stock market indices for the years ended on 31 December 2022 and 2021 is presented as follows:

Impact resulting from a sudden movement in stock indices	2022		2021	
	+10%	-10%	+10%	-10%
PSI 20	-	-	43,153	(43,153)
Eurostoxx	57,742	(57,742)	(479,056)	479,056
Eurostoxx Utilities	-	-	(54,294)	54,294
IBEX 35	-	-	112,902	(112,902)
AEX 25	115,770	(115,770)	159,261	(159,261)
MSCI Emerging Markets	-	-	66,689	(66,689)
S&P 500	(380,091)	380,091	(143,870)	143,870
DAX	(139,880)	139,880	198,200	(198,200)
Kospi 200	32,682	(32,682)	124,449	(124,449)
Nikkei 225	426,447	(426,447)	132,444	(132,444)
Nasdaq 100	(41,336)	41,336	(81,903)	81,903
S&P/TSX 60	113,425	(113,425)	(71,196)	71,196
SMI	(108,216)	108,216	123,880	(123,880)
FTSE Taiwan	-	-	130,251	(130,251)
S&P / ASX 200	100,249	(100,249)	47,051	(47,051)
FTSE 100	606,082	(606,082)	226,620	(226,620)
NSE Nifty 50	505,720	(505,720)	(163,216)	163,216
FTSE China A50	73,602	(73,602)	(101,186)	101,186
Total impact	**1,362,196**	**(1,362,196)**	**270,179**	**(270,179)**

Stress Testing

These tests are complementary to VaR analysis and are an essential tool for managing the market risk. By using economic stress testing, the Group tries to estimate the potential losses associated with a given instrument or portfolio, in different scenarios. Stress tests exercises of positions at risk provide Management with an estimate of the potential variation in the value of a given position, whether current or contemplated, as a result of various scenarios used to take decisions relating to the assumption, increase or reduction of positions. We undertake tests on the portfolios held by the Group daily assuming certain historic market events or other scenarios to simulate our exposure and, in certain cases, the exposure of ours Clients to potential losses. When no historic data is available, underlying assets of classes of identical assets with a high level of correlation may be used.

Currently, the Group uses 16 different scenarios to simulate potential losses on the different trading and investment positions. The potential impact on the Group's portfolios is also estimated daily when we allow for worst case scenarios in the credit market, *Stress Test Debt*. These stress tests are presented and discussed in the Report of the Board of Directors.

Liquidity risk

Group's strategy takes as an assumption a reduced exposure to the liquidity risk. The basic principles of this strategy are (i) to pre-fund the acquisition/constitution of any asset, (ii) to ensure that a major part of the Group's Balance Sheet can be converted into liquidity in the short term and (iii) to be fully independent of the interbank market in terms of financing.

The management of the Group's immediate resources is carried out so as to minimise the risk of an increase in lending activities which might imply a decrease in liquidity, or rather, a rate of growth in loans which is greater than that of resources.

The exposure by maturity of the Group's Balance Sheet assets and liabilities are distributed in the following way for the years ended on 31 December 2022 and 2021:

2022

	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 at central banks and other demand deposits							
Cash and cash reserves at Central Banks	126,582,804	-	-	-	-	-	126,582,804
Other demand deposits	119,833,641	-	-	-	-	-	119,833,641
Financial assets at fair value through profit and loss							
Financial assets held for trading	-	8,728,749	9,342,430	30,818,835	5,831,707	-	54,721,721
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	7,787,300	7,787,300
Financial assets accounted at fair value through profit and loss	-	-	18,601	2,356,490	-	-	2,375,091
Financial assets at fair value through other comprehensive income	-	1,214,171	4,864,730	264,612,215	740,364,669	2,462,258	1,013,518,043
Financial assets at amortised cost							
Debt securities	-	-	-	108,113,785	739,009,108	-	847,122,893
Loans and advances - Clients	18,428,644	30,036	11,774,151	491,167	4,148,600	96,637	34,969,235
Loans and advances - Central Banks	-	8,815,094	-	-	-	-	8,815,094
Loans and advances - Banks	-	24,751,717	1,049,253	-	-	-	25,800,970
Derivatives - Hedge accounting	-	-	-	-	55,571,232	-	55,571,232
	264,845,089	**43,539,767**	**27,049,165**	**406,392,492**	**1,544,925,316**	**10,346,195**	**2,297,098,024**
Liabilities							
Financial liabilities designated at fair value through profit or loss	-	20,831,235	-	-	-	-	20,831,235
Financial liabilities measured at amortised cost							
Funding from clients	1,114,345,043	257,674,118	210,674,020	32,081,319	-	-	1,614,774,500
Funding from central banks	-	25,170,139	-	-	-	-	25,170,139
Funding from other banks	40,784,855	286,269,468	1,584,388	-	-	-	328,638,711
Derivatives - Hedge accounting	-	-	-	-	-	-	-
	1,155,129,898	**589,944,960**	**212,258,408**	**32,081,319**	**-**	**-**	**1,989,414,585**

2021							
	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 at central banks and other demand deposits							
Cash and cash reserves at Central Banks	47,968,473	-	-	-	-	-	47,968,473
Other demand deposits	171,088,061	-	-	-	-	-	171,088,061
Financial assets at fair value through profit and loss							
Financial assets held for trading	-	1,156,528	2,686,797	15,503,294	53,505,275	2,853,522	75,705,416
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	5,624,838	5,624,838
Financial assets accounted at fair value through profit and loss	-	-	440,757	1,115,338	-	-	1,556,095
Financial assets at fair value through other comprehensive income	-	3,954,805	975,284	195,793,616	1,539,392,003	6,034,612	1,746,150,320
Financial assets at amortised cost							
Debt securities	-	-	-	-	338,030,213	-	338,030,213
Loans and advances - Clients	22,530,737	3,238	139,287	12,876,649	5,929,216	110,878	41,590,005
Loans and advances - Central Banks	-	15,037,521	-	-	-	-	15,037,521
Loans and advances - Banks	-	186,414,239	3,820,097	2,780,983	-	-	193,015,319
Derivatives - Hedge accounting	-	-	-	-	1,197,229	-	1,197,229
	241,587,271	**206,566,331**	**8,062,222**	**228,069,880**	**1,938,053,936**	**14,623,850**	**2,636,963,490**
Liabilities							
Financial liabilities held for trading	-	25,343,376	151,457	422,950	298,965	-	26,216,748
Financial liabilities designated at fair value through profit or loss	-	156,232,960	-	-	-	-	156,232,960
Financial liabilities measured at amortised cost							
Funding from clients	1,095,435,527	225,412,619	187,832,482	46,646,855	-	-	1,555,327,483
Funding from central banks	-	-	49,873,611	-	-	-	49,873,611
Funding from other banks	48,009,095	424,074,334	23,331,244	1,117,884	-	-	496,532,557
Derivatives - Hedge accounting	-	611,936	4,728,541	14,047,888	12,520,997	-	31,909,362
	1,143,444,622	**831,675,225**	**265,917,335**	**62,235,577**	**12,819,962**	**-**	**2,316,092,721**

Interest rate risk

Interest rate risk measures the probability of the occurrence of negative impacts on the Group's income or capital caused by movements in the absolute levels of interest rates, in spreads between two rates, or in the configuration of the interest rate curve, among other factors.

The balance sheet exposure of the assets and liabilities to the interest rate risk is presented in the table below, by maturity, for the years ended on 31 December 2022 and 2021:

2022

Time frame	Portfolio Assets[1]	Portfolio Liabilities	Hedging derivatives Assets	Hedging derivatives Liabilities
Spot - 1 month	613,169,937	424,132,725	242,677,904	-
1 - 3 months	207,072,433	408,891,617	29,848,765	-
3 - 6 months	40,875,546	145,906,918	76,607,873	-
6 - 12 months	5,700,229	156,918,461	-	-
1 - 2 years	38,531,984	93,775,104	-	-
2 - 3 years	71,482,562	771,631,989	-	-
3 - 4 years	130,954,172	3,760,172	-	-
4 - 5 years	113,852,326	1,866,630	-	44,772,135
5 - 7 years	126,931,288	-	-	72,646,581
7 - 10 years	487,205,818	-	-	456,192,826
10 - 15 years	145,060,815	-	-	49,122,920
15 - 20 years	110,923,317	-	-	41,797,021
> 20 years	76,673,375	-	-	114,398,468
Total	2,168,433,801	2,006,883,616	349,134,542	778,929,952

(1) Financial assets at fair value through other comprehensive income, financial assets at amortised cost and retail portfolio

2021

Time frame	Portfolio Assets[1]	Portfolio Liabilities	Hedging derivatives Assets	Hedging derivatives Liabilities
Spot - 1 month	707,264,518	625,978,396	242,203,491	-
1 - 3 months	337,190,572	324,207,313	50,485,376	-
3 - 6 months	54,183,439	189,322,233	53,498,023	-
6 - 12 months	23,875,168	135,332,525	-	-
1 - 2 years	8,008,445	88,115,848	-	-
2 - 3 years	22,240,158	729,858,820	-	-
3 - 4 years	27,654,934	6,240,038	-	-
4 - 5 years	96,017,091	4,735,927	-	93,401,240
5 - 7 years	120,078,525	-	-	115,885,187
7 - 10 years	311,261,907	-	-	336,446,620
10 - 15 years	482,849,054	-	-	386,832,137
15 - 20 years	266,964,049	-	-	17,990,078
> 20 years	134,023,050	-	-	215,761,974
Total	**2,591,610,909**	**2,103,791,100**	**346,186,890**	**1,166,317,236**

(1) Financial assets at fair value through other comprehensive income, financial assets at amortised cost and retail portfolio

Sensitivity analysis

Included in the non-statistical, the basis point value indicators measure the sensitivity to the interest rate risk for the years ended on 31 December 2022 and 2021, presented as follows:

	2022				2021			
	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	(2,186,011)	2,186,011	(1,763,601)	1,763,601	(5,513,274)	5,513,274	(3,183,157)	3,183,157

Following the ECB directives on the reform of IBOR rates, with applicability from 3 October 2019 and up to 3 January 2022, which led to the replacement of the EONIA rate with the €STR rate, the Bank replaced it as of January 3, 2022, with effects on the valuation of the following instruments:

1. Derivative instruments cleared with central counterparties;
2. Derivative instruments with bilateral counterparties which are now determined based on the €STR curve after review of the respective collateral contracts (ISDA-CSA);
3. Instruments used for hedge accounting, as they will now be discounted at the €STR curve.

Asset and liability repricing risk

Included in the non-statistical earnings at risk indicators, the re-pricing bands for the years ended on 31 December 2022 and 2021 are presented as follows:

2022						
	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 at central banks and other demand deposits						
Cash and cash reserves at Central Banks	126,582,804	126,582,804	-	-	-	-
Other demand deposits	119,833,641	119,833,641	-	-	-	-
Financial assets at fair value through profit and loss						
Financial assets held for trading	54,721,721	-	8,728,749	9,342,430	30,818,835	5,831,707
Non-trading financial assets mandatorily at fair value through profit or loss	7,787,300	7,787,300	-	-	-	-
Financial assets accounted at fair value through profit and loss	2,375,091	-	-	18,601	2,356,490	-
Financial assets at fair value through other comprehensive income	1,013,518,043	2,462,258	1,214,171	4,864,730	264,612,215	740,364,669
Financial assets at amortised cost						
Debt securities	847,122,893	-	-	-	108,113,785	739,009,108
Loans and advances - Clients	34,969,235	96,637	18,458,680	11,774,151	491,167	4,148,600
Loans and advances - Central Banks	8,815,094	-	8,815,094	-	-	-
Loans and advances - Banks	25,800,970	-	24,751,717	1,049,253	-	-
Derivatives - Hedge accounting	55,571,232	-	-	-	-	55,571,232
Total	**2,297,098,024**	**256,762,640**	**61,968,411**	**27,049,165**	**406,392,492**	**1,544,925,316**
Financial liabilities designated at fair value through profit or loss	20,831,235	-	20,831,235	-	-	-
Financial liabilities measured at amortised cost						
Funding from clients	1,611,444,893	-	1,371,538,974	208,189,861	31,716,058	-
Funding from central banks	25,017,361	-	25,017,361	-	-	-
Funding from other banks	323,944,223	-	323,694,223	250,000	-	-
Total	**1,981,237,712**	**-**	**1,741,081,793**	**208,439,861**	**31,716,058**	**-**
GAP (Assets - Liabilities)	**315,860,312**	**256,762,640**	**(1,679,113,382)**	**(181,390,696)**	**374,676,434**	**1,544,925,316**

2021						
	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 at central banks and other demand deposits						
Cash and cash reserves at Central Banks	47,968,473	47,968,473	-	-	-	-
Other demand deposits	171,088,061	171,088,061	-	-	-	-
Financial assets at fair value through profit and loss						
Financial assets held for trading	75,705,416	2,853,522	1,156,528	2,686,797	15,503,294	53,505,275
Non-trading financial assets mandatorily at fair value through profit or loss	5,624,838	5,624,838	-	-	-	-
Financial assets accounted at fair value through profit and loss	1,556,095	-	-	440,757	1,115,338	-
Financial assets at fair value through other comprehensive income	1,746,150,320	6,034,612	3,954,805	975,284	195,793,616	1,539,392,003
Financial assets at amortised cost						
Debt securities	338,030,213	-	-	-	-	338,030,213
Loans and advances - Clients	41,590,005	110,878	22,533,975	139,287	12,876,649	5,929,216
Loans and advances - Central Banks	15,037,521	-	15,037,521	-	-	-
Loans and advances - Banks	193,015,319	-	186,414,239	3,820,097	2,780,983	-
Derivatives - Hedge accounting	1,197,229	-	-	-	-	1,197,229
Total	**2,636,963,490**	**233,680,384**	**229,097,068**	**8,062,222**	**228,069,880**	**1,938,053,936**
Financial liabilities held for trading	25,819,649	-	660,802	-	184,253	24,974,594
Financial liabilities designated at fair value through profit or loss	156,232,960	-	-	-	-	156,232,960
Financial liabilities measured at amortised cost						
Funding from clients	1,553,888,768	-	1,320,915,406	186,972,214	46,001,148	-
Funding from central banks	50,000,000	-	-	50,000,000	-	-
Funding from other banks	496,758,527	-	472,331,942	23,326,585	1,100,000	-
Derivatives - Hedge accounting	31,965,908	-	-	-	-	31,965,908
Total	**2,314,665,812**	**-**	**1,793,908,150**	**260,298,799**	**47,285,401**	**213,173,462**
GAP (Assets - Liabilities)	**322,297,678**	**233,680,384**	**(1,564,811,082)**	**(252,236,577)**	**180,784,479**	**1,724,880,474**

Currency exchange risk

In the foreign exchange markets there was a general increase in volatility levels for the main currency pairs (Euro Pound, Euro Yen, Euro Swiss Franc and Euro Dollar).

The Euro's reference interest rate stands at 2.5%, a value which underwent several upward revisions during 2022 in a context marked by a generalized rise in interest rates.

With regard to the euro's exchange rates against major currencies, it should be noted that the euro has tended to depreciate against the dollar (with a recovery in the last quarter), with the euro reaching its lowest levels at the end of September 2022. In relation to the Swiss franc-euro there was also a devaluation of the euro throughout the year 2022, reaching the lowest values in September 2022. On the contrary, the euro appreciated against the pound throughout 2022. Similarly, in the euro yen there was an appreciation of the euro against the yen throughout 2022, with, however, no defined trend throughout the year, observing greater volatility as to the evolution of the exchange rate of these currencies. As regards the euro-metical, the euro depreciated against the metical during the first three quarters of the year, with a recovery in the last quarter of 2022.

The distribution of the Balance Sheet by currency for the years ended on 31 December 2022 and 2021 is presented as follows:

2022					
	Euros	North American Dollars	Pound Sterling	Other Foreign Currencies	Total Amount
Assets by currency					
Cash, cash balances at central banks and other demand deposits					
Cash and cash reserves at Central Banks	118,052,237	1,181,635	114,242	7,234,690	126,582,804
Other demand deposits	46,099,052	69,915,578	2,416,830	1,402,181	119,833,641
Financial assets at fair value through profit and loss					
Financial assets held for trading	54,721,721	-	-	-	54,721,721
Non-trading financial assets mandatorily at fair value through profit or loss	7,787,300	-	-	-	7,787,300
Financial assets accounted at fair value through profit and loss	-	-	-	2,375,091	2,375,091
Financial assets at fair value through other comprehensive income	767,053,503	208,041,868	-	38,422,672	1,013,518,043
Financial assets at amortised cost					
Debt securities	847,122,893	-	-	-	847,122,893
Loans and advances - Clients	34,869,145	-	-	-	34,869,145
Loans and advances - Central Banks	9,268	-	-	8,805,826	8,815,094
Loans and advances - Banks	16,066,611	8,039,955	-	1,694,404	25,800,970
Derivatives - Hedge accounting	55,571,232	-	-	-	55,571,232
Tangible assets	15,354,097	-	-	4,206,475	19,560,572
Intangible assets	11,171,110	-	-	201,973	11,373,083
Tax assets					
Current tax assets	5,064,850	593	-	351,344	5,416,787
Deferred tax assets	39,615,827	-	-	77,762	39,693,589
Other assets	53,320,013	8,679,084	642,338	1,299,599	63,941,034
	2,071,878,859	**295,858,713**	**3,173,410**	**66,072,017**	**2,436,982,999**
Liabilities by currency					
Financial liabilities designated at fair value through profit or loss	20,831,235	-	-	-	20,831,235
Financial liabilities measured at amortised cost					
Funding from clients	1,516,859,612	63,596,816	1,127,518	29,860,947	1,611,444,893
Funding from central banks	25,017,361	-	-	-	25,017,361
Funding from other banks	206,179,199	113,708,193	-	4,056,831	323,944,223
Tax liabilities	466,657	-	-	-	466,657
Current tax liabilities					
Deferred tax liabilities	-	-	-	-	
Deferred tax liabilities	671,124	-	-	-	671,124
Share capital repayable on demand	12,231,975	-	-	-	12,231,975
Other liabilities	81,833,195	9,166,246	12,525	1,320,445	92,332,411
	1,864,090,358	**186,471,255**	**1,140,043**	**35,238,223**	**2,086,939,879**
	207,788,501	**109,387,458**	**2,033,367**	**30,833,794**	**350,043,120**

2021					
	Euros	**North American Dollars**	**Pound Sterling**	**Other Foreign Currencies**	**Total Amount**
Assets by currency					
Cash, cash balances at central banks and other demand deposits					
Cash and cash reserves at Central Banks	46,868,742	898,713	114,837	86,181	47,968,473
Other demand deposits	110,962,103	55,469,257	1,976,687	2,680,014	171,088,061
Financial assets at fair value through profit and loss					
Financial assets held for trading	70,292,948	5,412,468	-	-	75,705,416
Non-trading financial assets mandatorily at fair value through profit or loss	5,624,838	-	-	-	5,624,838
Financial assets accounted at fair value through profit and loss		-	-	1,556,095	1,556,095
Financial assets at fair value through other comprehensive income	1,474,058,635	247,726,932	-	24,364,753	1,746,150,320
Financial assets at amortised cost					
Debt securities	338,030,213	-	-	-	338,030,213
Loans and advances - Clients	41,460,921	6,274	-	65	41,467,260
Loans and advances - Central Banks	-	-	-	15,037,521	15,037,521
Loans and advances - Banks	137,488,879	49,974,106	-	5,552,334	193,015,319
Derivatives - Hedge accounting	1,197,229	-	-	-	1,197,229
Tangible assets	15,935,608	-	-	3,930,212	19,865,820
Intangible assets	11,645,976	-	-	144,002	11,789,978
Tax assets					
Current tax assets	8,097,920	330	-	176,055	8,274,305
Deferred tax assets	9,689,310	-	-	25,568	9,714,878
Other assets	80,451,735	4,878,721	68,332	141,995	85,540,783
	2,351,805,057	**364,366,801**	**2,159,856**	**53,694,795**	**2,772,026,509**
Liabilities by currency					
Financial liabilities held for trading	25,819,649	-	-	-	25,819,649
Financial liabilities designated at fair value through profit or loss	156,232,960	-	-	-	156,232,960
Financial liabilities measured at amortised cost					
Funding from clients	1,444,488,973	86,473,975	1,518,643	21,407,177	1,553,888,768
Funding from central banks	50,000,000	-	-	-	50,000,000
Funding from other banks	416,342,506	78,353,187	208,421	1,854,413	496,758,527
Derivatives - Hedge accounting	31,965,908	-	-	-	31,965,908
Provisions	808,726	-	-	-	808,726
Deferred tax liabilities	692,167	-	-	-	692,167
Share capital repayable on demand	12,795,923	-	-	-	12,795,923
Other liabilities	28,777,412	1,099,407	9,103	497,046	30,382,968
	2,167,924,224	**165,926,569**	**1,736,167**	**23,758,636**	**2,359,345,596**
	183,880,833	**198,440,232**	**423,689**	**29,936,159**	**412,680,913**

Sensitivity analysis

The Group does not speculate on currency markets (FX) and the use of VaR limits reflect its strategy to limit the exposure to foreign currency fundamentally to Clients' business and associated fluxes. During 2021, BiG decided to include in its balance sheet some more assets in U.S. dollars. The exposition to Euro-Dollar futures contracts had therefore the goal to hedge the exchange rate risk of these assets (economic hedging).

In order to analyse the impact of a decline in exchange rates on the Group's exposures, an alteration of +/- 15% was applied to all exchange rates.

The sensitivity analysis resulting from a +/- 15% decline in exchange rates for the years ended on 31 December 2022 and 2021 is presented as follows:

2022

Currency	Base scenario: Original currency	Base scenario: Equivalent	Impact resulting from a movement of: +15%	Impact resulting from a movement of: -15%
Australian Dollar	(88,354)	(56,301)	7,344	(9,936)
Brazilian Real	15,900,000	2,819,849	(367,806)	497,620
Canadian Dollar	(893,457)	(618,738)	80,705	(109,189)
Swiss Franc	(4,405,050)	(4,473,494)	583,499	(789,440)
Chinese Yuan	(30,801,264)	(4,185,978)	545,997	(738,702)
Danish Krone	951,747	127,983	(16,693)	22,585
Pound Sterling	(1,268,590)	(1,430,316)	186,563	(252,409)
Hong Kong Dollar	58	7	(1)	1
Indian Rupee	74,000,000	839,278	(109,471)	148,108
Yen	(446,486,954)	(3,174,228)	414,030	(560,158)
Won	(2,536,438,767)	(1,887,105)	246,144	(333,019)
Mexican Peso	163,023,409	7,816,619	(1,019,559)	1,379,403
Meticais	(77,972,619)	(1,141,860)	148,938	(201,505)
Norwegian Krone	(1,699,948)	(1,011,994)	131,999	(178,587)
New Zealand Dollar	(13,365,976)	(1,271,279)	165,819	(224,343)
Russian Rouble	1,498	320	(42)	56
Swedish Krone	561	392	(51)	69
Singapore Dollar	(26,324,689)	(2,366,945)	308,732	(417,696)
New Turkish Lire	437	22	(3)	4
US Dollar	11,230,356	10,529,117	(1,373,363)	1,858,079
South African Rand	30,493,379	1,684,847	(219,763)	297,326
Total impact			**(286,982)**	**388,267**

2021

Currency	Base scenario: Original currency	Base scenario: Equivalent	Impact resulting from a movement of: +15%	Impact resulting from a movement of: -15%
Australian Dollar	(823,638)	(527,466)	68,800	(93,082)
Brazilian Real	2,600,000	412,038	(53,744)	72,713
Canadian Dollar	(2,497,077)	(1,734,924)	226,294	(306,163)
Swiss Franc	(3,001,674)	(2,905,502)	378,979	(512,736)
Chinese Yuan	141,093,289	19,510,899	(2,544,900)	3,443,100
Danish Krone	1,035,865	139,297	(18,169)	24,582
Pound Sterling	(1,255,623)	(1,494,291)	194,908	(263,698)
Hong Kong Dollar	1,510	171	(22)	30
Indian Rupee	288,000,000	3,419,242	(445,988)	603,396
Yen	(272,026,198)	(2,086,410)	272,140	(368,190)
Won	(3,270,539,219)	(2,429,135)	316,844	(428,671)
Mexican Peso	18,239,860	788,110	(102,797)	139,078
Meticais	(78,991,579)	(1,087,909)	141,901	(191,984)
New Zealand Dollar	(2,400,000)	(1,447,614)	188,819	(255,461)
Norwegian Krone	6,234,867	624,186	(81,416)	110,150
Russian Rouble	(22,946)	(269)	35	(47)
Singapore Dollar	58,829	38,372	(5,005)	6,772
Swedish Krone	(37,725,499)	(3,680,429)	480,056	(649,487)
New Turkish Lire	224	15	(2)	3
US Dollar	(4,614,712)	(4,074,441)	531,449	(719,019)
South African Rand	(9,008,946)	(498,765)	65,056	(88,017)
Total impact			**(386,762)**	**523,266**

Hedging risk

The quantification of the risk of the 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.

Since January 2021 the Group no longer has any OTC options in the portfolio, and so any existing exposure will only arise from market options, whose price does not depend on any internal model. The materiality of this asset class is, for this reason, residual in the Group's balance sheet, which reflects the reduced appetite for trading this type of instrument.

In fixed return products, the Bank opted for a long strategy in bonds. On average, the exposure to the interest rate risk was lower during 2022, reflecting both the exposure to fixed rate assets and also the higher levels of the hedging of the interest rate risk.

2022				
	Rho	***Vega***	***Delta***	***Theta***
Minimum	(463,025)	(7,116)	(85,248)	(4,034)
Maximum	(164,061)	25,666	-	6,348
Average	(277,789)	3,688	(13,756)	(317)
Standard Deviation	62,343	7,131	21,608	1,194

2021				
	Rho	***Vega***	***Delta***	***Theta***
Minimum	(477,903)	(610)	(57,137)	(11,304)
Maximum	(180,963)	24,162	-	5,631
Average	(338,143)	3,193	(8,321)	(336)
Standard Deviation	88,526	4,721	13,167	997

Rho Sensitivity of the interest rate risk
Vega Sensitivity of the volatility risk
Delta Sensitivity of the underlyings risk
Theta Sensitivity to the time risk

Limits and Reporting

Limits on trading activity are essential to the control process of the risk appetite level, with there being limits approved by class of product, content and by portfolio, which may be calculated by means of a combination of non-statistical measures, including basis point value, and statistical measures, such as value at risk, analysed beforehand. A daily report is prepared for the Senior Administration with all of the relevant indicators and positions, based on the statistical and non-statistical measures established.

Credit risk

Credit Risk is the risk of loss as a result of a default by a borrower or counterparty.

A. Credit Risk Management

The Group is exposed to credit risks in a number of its activities. These necessarily include i) direct exposure to clients who have contracted loans, ii) direct exposure to credit risks associated with securities issued by third parties and held by the Group, and iii) market or settlement risk associated with trading activities by clients (settlement risk).

Credit risk arising from dealings with professional counterparties as well as the risk associated to issuers of quoted securities, is assessed in combination with procedures for managing market risks discussed above in Market Risk.

The Board of Directors delegates the implementation 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;
- Definition of support documentation and control systems;
- Management and control of risk monitoring policies and systems;
- Strict adherence to regulatory standards and principles;
- Application of prices appropriate to the risks assumed.

In its process of analysis and approval, the Group assesses its exposure both in terms of individual transactions, relating to the maximum exposure allowed per client/ group of clients 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. In the case of portfolios of securities, the limits are approved by members of the Board of Directors.

- In terms of portfolios: It means that the exposure will be managed – whether of loans, loans represented by securities, derivatives, currency exchange, etc. – so as to minimise excessive concentrations of risk relating to clients, industries, products or geographic location. Problematic loans, rates of cover by provisions, write-offs and recoveries are also analysed. There are various credit reporting procedures in force and available internally for the information of the Board of Directors.

Systematically, all exposures are assessed and approved, whether they are included in the balance sheet or not.

The correct risk management is fundamental for the Group 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.
Credit risk is managed in order to achieve sustainable performance of the organization within acceptable parameters of risk versus return. This objective is achieved through a combination of policies, systems and controls, which are always underpinned by considered and careful business decisions.

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.

In relation to its risk appetite, the Group strategically seeks to limit exposure to the credit risk, and essentially to:

- Exposure to investment grade companies, sovereigns with rating or banks with good credit quality, approval of which is supported by internal analyses and/or by research by Moody’s (or other provider of independent research);
- Foreign Exchange or exposure to settlement associated to Companies, Institutional Investors and Private Investors. In this last group, limits are frequently approved on a case-by-case basis;
- Exposure to occasional credit risk analysed in detail by internal analysts;
- Collateralised credit, especially connected to the business of Wealth Management.

The exposure to the retail credit risk is traditionally very low, due to a number of reasons, such as:

- Non-strategic nature of the credit business, typical of commercial banking;
- Focus on other investment banking business and Wealth Management;
- Lack of scale/dimension of the Group.

In the taking of decisions and risk management of the Group, the Board applies its strategy and business model in combination with a set of quantitative tools and systems used to monitor and measure exposure. These aspects include:

- Non-statistical measurements, such as scenario analyses, stress and sensitivity tests;
- Limits per counterparty, family, class of assets and portfolio;
- Limits of concentration;
- Qualitative analysis and control procedures.

The quantification of risk is an evolving process that requires regular self-assessment, updates to techniques and changes in assumptions, besides adherence to regulatory and accounting standards. As a result, the Board of Directors considers that any methodology of risk measurement alone is generally insufficient and may not provide a complete perspective of all the exposures.

As a policy, the Group seeks to quantify the potential losses associated with all the aspects of the business, in order to make a reasonable estimate of the potential damage in the event of the occurrence of unexpected events. These events include not only those that are observed, based on historic data and those that we consider to be improbable, but which, even so, may be estimated based on the assumption of certain scenarios.

As explained previously, the Group'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 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.)

With respect to the securities portfolio, at the time of initial recognition of a financial instrument, its classification is a function of:

- Of the type of financial instrument, debt or equity;
- The BiG's business model; and
- The contractual cash flow characteristics of the financial asset.

Depending on the elements listed above, the respective financial instrument will be classified in one of the following categories, namely:

- Financial assets at amortized cost; or
- Financial assets at fair value through other comprehensive income; or
- Financial assets at fair value through profit or loss.

B. Calculation of impairment

During 2022, 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 (ECL – Expected Credit Loss) is applied to all financial assets, except to financial assets measured at fair value through results and equity instruments measured at fair value through equity.

Also covered by the concept of expected losses of the IFRS 9 are financial assets at amortised cost, debt instruments measured at fair value through equity, off-balance sheet exposures, financial leasing, other amounts receivable, financial guarantees and loan commitments not valued at fair value.

Financial assets subject to impairment are classified in different stages according to the evolution of their credit risk from the date of initial recognition and do not depend on the credit risk at the reporting date:

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

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

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

On each reporting date, the Group assesses if there is a significant increase in the credit risk, in order to determine the stage into which each exposure should be classified.

Financial assets go from stage 1 to stage 2 when the credit risk increases significantly when compared with the credit risk on the date of their initial recognition. The significant increase in the credit risk should be determined through the analysis of internal quantitative and/or qualitative indicators used in the normal management of credit risk, thus requiring greater articulation of the accounting requisites with the management policies on credit risk established by the Group. The transition of financial assets from stage 2 to stage 3 occurs when these are in default.

In the identification and assessment of the significant increase in the credit risk, the Group uses the information that is fed into the credit risk models implemented, supporting its decisions based on a broad set of triggers and alerts.

The Group uses a number of tools, where it considers the following factors, among others:

- the evolution of the rating of the issuer and of the prices of the securities in the portfolio (when applicable);
- the aggregate exposure to the client and the existence of overdue loans;
- the existence of other triggers (even though indirect) that could lead the Group to suspect impairment (evidences/indications);
- the economic-financial viability of the client's business or professional activity and its capacity to generate sufficient means to service the debt in the future;
- the existence, nature and estimated value of the collateral associated to each credit;
- if there are privileged creditors;
- the client's level of indebtedness in the financial sector;
- the analysis carried out weekly in relation to PARI – Plan of Action for the Risk of Non-compliance
- the amount and timing of estimated recovery.

The amount of the ECL to be recognised corresponds to the difference between the book value of the exposure and the current value of the estimated future cash flow (considering the recovery period) discounted at the original effective interest rate of the contract.

For a credit with a variable interest rate, the discount rate to be used to determine the respective ECL is the original effective interest rate contracted, determined based on the clauses of each contract.

The measurement of expected losses is the result of the product between (i) the probability of default (PD) of the financial instrument, (ii) the LGD (Loss Given Default) and (iii) the exposure on the date of the non-compliance (EAD – Exposure at Default), discounted at the initial effective interest rate of the contract. This measurement, and also the assessment of the significant increase in the credit risk, should consider not only information on past events, but also the current conditions and reasonable forecasts substantiated on events and future economic conditions (i.e. forward-looking information).

These parameters are obtained through statistical models, market data, historical data or through external benchmarks, if internal sources are not available, their calculation being validated by independent bodies and their values regularly updated.

- The EAD represents the expected exposure, in the case of non-compliance by the client and/or of the exposure. The Group obtains the values of the EAD through the current exposure of the counterparty and foreseeable alterations to the respective current value, depending on the contract conditions, including amortisation and advance payments. For guarantees and sureties provided, the value of the EAD considers the total value guaranteed by the Group, on the assumption that the amount may be used in full (i.e. it is applied a CCF – Credit Conversion Factor of 100%).

- The PD are estimated considering a determined historic period, or through external benchmark indicators, if historic data is not available. The Group regularly gathers indicators of performance and default of its credit risk exposures, with analyses by type of exposure/client. For segments where there is no information available, but it is possible to determine the debtor's external rating, the Group uses external information published by the rating agencies or market data, such as CDS spreads and bond yields to gauge the PD.

- The LGD represents the value of the loss that the Group expects in the event of a non-compliance. The Group estimates the parameters using external benchmark data (e.g. Moody's) or internal data, when available, through the recovery rates.

As mentioned previously, the main difference between impairment losses measured for financial assets classified in stages 1 and 2 is the respective time horizon in the calculation of the PD. The expected losses for financial assets in stage 1 are calculated using a PD of 12 months while the expected losses in stage 2 use a lifetime PD. The calculation of the expected loss for the financial assets always considers point-in-time and forward-looking.

The estimates take macroeconomic factors into consideration that can influence them. The following estimates were used in the models to calculate the ECL:

	2023e	**2024e**
GDP	1.5%	3.0%
Unemployment Rate	5.9%	5.9%

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. Credit moratoria

Motivated by the COVID-19 pandemic situation and the resulting socio-economic consequences, during the years 2022 and 2021, the public and private sectors came together to take a series of measures to support families and companies, of which we highlight the most relevant:

- The launch of lines of economic support by the Portuguese State, with the partial guarantee of a Mutual Guarantee Society; and
- Families and companies have the possibility of adhering to the temporary suspension of loan instalments (commonly known as "moratoria").

While with regard to the first measure, the Group did not make this offer to its Customers because its specialised business model of savings and investment banking does not include this type of credit offer to its Customers; with regard to the second measure, the Group supported its Customers in view of the exceptional global and national economic situation, by applying moratoria under the following provisions:

- of Decree-Law 10-J/2020 of 26 March on "legal moratoria" for companies and individuals; and
- of the Protocol on "general moratoria of private initiative" to be applied within the scope of the COVID-19 pandemic between a number of Financial Institutions and the Portuguese Banking Association (APB).

The various types of moratoria, both legal and private, ended during 2021, with most clients having resumed the repayment of the payment schedule of operations without disruption. For some operations it was necessary to apply additional restructuring measures, in order for clients to resume a new regular payment plan for their loans.

At the end of 2022, no operations were subject to moratorium measures. Furthermore, all operations were in good standing.

As at 31 December 2022 and 2021, the detail of the operations that were still in the balance sheet and that were subject to the application of moratoriums in the Group (despite no longer being in force):

2022

	Corporates		Individuals		Total	
	Number	**Book Value**	**Number**	**Book Value**	**Number**	**Book Value**
Public / Legal						
Mortgage	-	-	2	198,166	2	198,166
Private APB						
Non-mortgage	-	-	3	17,101	3	17,101
Total	**-**	**-**	**5**	**215,267**	**5**	**215,267**

2021

	Corporates		Individuals		Total	
	Number	**Book Value**	**Number**	**Book Value**	**Number**	**Book Value**
Public / Legal						
Mortgage	1	83,166	2	206,291	3	289,457
Non-mortgage	3	22,762	-	-	3	22,762
Private APB						
Non-mortgage	-	-	3	25,018	3	25,018
Total	**4**	**105,928**	**5**	**231,309**	**9**	**337,237**

In accounting terms, the following aspects should be noted:

1) Treatment of planned moratoria
The moratorium regime provides for the extension of credit payment, obliging banks to suspend this payment for a certain period.

The existing moratorium regimes allow for the application of two types of payment suspensions, which are chosen by the customers:
- Suspension only of the repayment of the principal, keeping interest payments;
- Full suspension, of capital and interest, with no payment by the Customers.

2) Treatment of significant increases in credit risk
In general, the Group applied the EBA guidelines, published on 2 April 2020, *Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02)* to determine the significant increase in credit risk of operations in moratorium. Nevertheless, the Group reinforced the monitoring of these operations in order to identify and analyse early any indication that could impact the credit quality of these debtors, and if necessary classify the respective contract to stage 2 or 3.

3) Identification of restructured operations
Operations with approved moratorium requests have not been identified as restructuring due to financial difficulties, whether "legal moratoriums", applied under Decree-Law 10-J/2020 (and subsequent Decree-Laws), or "general private initiative moratoriums" applied as a result of the Interbank Protocol promoted by the Portuguese Banking Association (APB).
However, in the post-moratorium period, some additional support measures were granted by the Bank, which led to the classification of the respective operations as "restructured due to financial difficulties", as can be consulted in the section Details on restructured credit.

4) Updating of macroeconomic scenarios
In the last 3 years, the Group has been updating more frequently the macroeconomic scenarios considered in its model for the purposes of calculating the Expected Credit Loss (ECL) in accordance with IFRS9.

D. Application of Decree-Law 80-A/2022, of November 25

At the end of 2022, the Portuguese government published new legislation aimed at strengthening the adoption by credit institutions of measures to mitigate the effects of the increase in the reference indexing factors of credit contracts for the acquisition or construction of permanent homes

Due to its business model, with a very small portfolio of mortgages, the impact of the application of this measure to BiG S.A.'s eligible clients, until 31 December 2022, was nil, and no client was found at this date to have a significant increase in the effort rate or a significant effort rate as a result of the increase in interest rates.

However, this does not mean that it will continue to do so in the coming months, especially if reference indexes continue to rise. BiG S.A. will therefore maintain its obligation to re-analyse the effort rate situation of its clients eligible for the application of this regulation, namely to verify the existence of signs of a significant increase in the effort rate or verification of a significant effort rate at least 60 days in advance of the date of the next interest rate reset. This obligation will continue until the end of 2023.

E. Policy relating to the degrees of internal risk

The Group gives preference to the use of the ratings of external entities (Moody's, S&P and Fitch). The Group adopts the Basel policies on the selection of ratings when there is more than one rating.
When these notations are not available, the Group performs an internal analysis of the issuers and assigns a classification of 1-10, which then is mapped for the classification of these external entities.
The internal treatment of a client classified as in default should contemplate taking all the operational measures that appear necessary, namely the inhibition of (i) movements in accounts and means of moving accounts, (ii) transfers of amounts outside of the Group, (iii) attempts to reduce or remove collateral and (iv) increases in exposure by the borrower.

As necessary, still in relation to this internal analysis, the legal mechanisms that ensure the execution of guarantees or the filing of enforcement proceedings will be triggered. This action will be coordinated by the Legal department, together with the law firm that assists the Bank 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.

F. Calculation of the current value of the future cash flow in the calculation of impairment losses assessed individually and collectively

On an individual basis for each instrument, the method of calculation adopted by the Group for the determination of credit impairment is the discounted cash flow (DCF) method or rather, the Group determines the PV (Present Value) of the cash-flows becoming due for the time of the analysis, discounted at the original effective interest rate of the contract. This PV is then compared with the exposure value and, if the difference is negative, there will then be an impairment loss.

In the calculation of the ECL, the Group determines the net amount of each exposure (credit amount – collateral amount). This collateral amount is adjusted by haircuts, in accordance with the rules defined in the point valuation of collateral. For the purpose of the analysis of impairment, only in operations with financial guarantees (margin account) or real guarantees (mortgage or car loans) is the respective collateral evaluated, while in other operations a collateral equal to zero is assumed, even in the case of the automobile leases where the item belongs to the Group.

In the case of the DCF method, the interest rate used in the calculation of impairment is determined in accordance with the following rules:

- fixed rate contracts: initial fixed interest rate
- variable rate contracts: current interest rate, resulting from the contract clauses (e.g. indexed to the Euribor)

When the exposures are guaranteed by collateral, the Group takes into consideration the expected value of the collateral as well as the expectations of recovery, and the recovery and sale expenses.

G. 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.

H. Emergent period used for the different segments and justification of its suitability

The Group 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.

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

Staging Criterion – Transfer to stage 2

	Securities portfolio	Credit portfolio
TRIGGERS (automatic)	i. Delay in the payment of capital and/or interest of between 31 and 90 days; ii. Debt of the issuer restructured due to financial difficulties iii. Inability to measure the credit risk at the time of its origination and/or acquisition;	i. Delay in the payment of capital and/or interest of between 31 and 90 days;
OTHER ALERTS (subject to revision and analysis in the Credit Risk Committee)	i. Negative evolution of the rating compared to the acquisition date (as per ratings matrix); ii. Negative evolution of price compared to amortised cost and comparison with the threshold permitted in the price matrix);	i. Indications of risk in the CRC-Credit Liabilities Centre of the Banco de Portugal; ii. Indications of risk in the Clients' accounts; iii. Liens or bank blocks recorded in the Clients' accounts; iv. Inclusion in the List of Cheque Defaulters); i. Inclusion in the internal blacklist; vi. Significant restructuring of a credit operation due to financial difficulties of the debtor;

Staging Criterion – Transfer to stage 3

	Securities portfolio	Securities portfolio
TRIGGERS (automatic)	i. Delay in the payment of capital and/or interest equal to or longer than 91 days; ii. Debt of the issuer restructured due to financial difficulties iii. Inability to measure the credit risk at the time of its origination and/or acquisition;	i. Delay in the payment of capital and/or interest equal to or longer than 91 days;

OTHER ALERTS (subject to revision and analysis in the Credit Risk Committee)	i. Negative evolution of the rating (2 more notches than that recorded for stage 2) compared to the acquisition date. ii. Decline in the fair value of the financial asset on a continuous basis during 12 months or decline of the fair value of the financial asset significantly (over 30%); iii. Securities with rating equal to or less than CCC+ (not POCI); iv. Loss of attribution of rating, with the Group being unable to infer the risk associated to the asset; v. Disappearance of active market for the bond under analysis due to financial difficulties; vi. Bankruptcy/insolvency of the issuer;	i. Client in insolvency proceedings, PER - Special Recovery Plan, or any other equivalent situation of protection; ii. Classification of the operation as “unproductive” (without interest); iii. Termination of the contract due to non-compliance and consequent filing of legal case for recovery; iv. Sale, by the Group, of credit operation with significant financial loss (>20% of the outstanding nominal value on the date of the sale) due to reasons exclusively connected to the quality of the credit risk of the debtor; v. Contagion from other operations to the debtor (if the same are significant against the total value in debt). For “Non Retail” exposures, this contagion is mandatory. For “Retail” exposures, the contagion is not mandatory, being employed an indicative threshold of 20%.

The distribution by sector of activity for the years ended on 31 December 2022 and 2021, is presented as follows:

2022

	Financial assets at amortised cost		Financial assets at fair value through profit and loss			Financial assets at fair value through other comprehensive income	Guarantees and sureties provided
	Loans and advances Clients	Debt securities	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets accounted at fair value through profit and loss		
	Balance Sheet value	Balance Sheet value	Balance Sheet value	Balance Sheet value	Balance Sheet value	Balance Sheet value	Balance Sheet value
Agriculture, livestock, hunting, forestry and fishing	-	-	-	-	-	-	-
Mining industries	-	4,270,180	484,231	-	-	14,034,268	-
Manufacturing industries	3,537	51,953,118	4,274,367	-	-	98,325,839	-
Electricity, gas, steam, hot and cold water and cold air	-	29,623,181	2,458,202	-	-	50,657,342	-
Construction	13,029	-	-	-	-	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	4,961	-	-	-	-	1,768,392	-
Transports and storage	38	-	-	-	-	2,160,471	-
Financial activity and insurance	2,081,027	462,795,175	38,114,680	45,000	51,856	282,858,809	-
Real estate	98,526	1,989,280	-	-	-	-	-
Scientific, technical consultancy and similar	943,669	-	-	448,159	-	30,478	-
Public administration and defence; Obligatory social security	-	288,269,709	8,865,596	-	2,323,235	531,561,995	-
Human health and social support	25,013	2,682,953	523,608	-	-	-	-
Mortgages	-	-	-	-	-	-	-
Loans to private individuals	-	-	-	-	-	-	-
Other	31,699,345	5,539,297	1,037	7,294,141	-	32,120,449	152,110
	34,869,145	**847,122,893**	**54,721,721**	**7,787,300**	**2,375,091**	**1,013,518,043**	**152,110**

2021							
	Financial assets at amortised cost		Financial assets at fair value through profit and loss			Financial assets at fair value through other comprehensive income	Guarantees and sureties provided
	Loans and advances Clients	Debt securities	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets accounted at fair value through profit and loss		
	Balance Sheet value	Balance Sheet value	Balance Sheet value	Balance Sheet value	Balance Sheet value	Balance Sheet value	Balance Sheet value
Agriculture, livestock, hunting, forestry and fishing	59	-	-	-	-	-	-
Mining industries	-	-	-	-	-	21,366,998	-
Manufacturing industries	13,531	-	3,926,830	-	-	160,697,157	-
Electricity, gas, steam, hot and cold water and cold air	-	-	4,147,779	-	-	84,360,540	-
Construction	23,302	-	-	-	-	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	18,489	-	-	-	-	2,421,192	-
Transports and storage	-	-	-	-	-	4,910,602	-
Financial activity and insurance	2,204,200	-	17,588,458	-	426,282	697,331,376	-
Real estate	370,886	-	-	-	-	1,939,352	-
Scientific, technical consultancy and similar	699,498	-	704,069	371,215	-	20,146,728	-
Public administration and defence; Obligatory social security	9	338,030,213	38,789,214	-	1,129,813	719,603,777	-
Human health and social support	43,047	-	113,714	-	-	1,022,545	-
Mortgages	5,957,905	-	-	-	-	-	-
Loans to private individuals	31,698,798	-	-	-	-	-	198,760
Other	437,536	-	10,435,352	5,253,623	-	32,350,053	9,350
	41,467,260	**338,030,213**	**75,705,416**	**5,624,838**	**1,556,095**	**1,746,150,320**	**208,110**

Exposure to public debt

On 31 December 2022 and 2021 the Group's exposure to public debt is as follows:

	2022			
	Financial assets held for trading	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
Portugal	3,382,446	-	7,524,404	-
Espanha	-	-	144,217,047	10,670,677
Italy	-	-	202,622,580	263,010,000
Other	7,652,625	2,323,235	189,251,148	14,580,164
	11,035,071	**2,323,235**	**543,615,179**	**288,260,841**

	2021			
	Financial assets held for trading	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
Portugal	1,569,684	-	10,870,416	-
Espanha	34,654,179	-	227,851,264	-
Italy	-	-	271,951,235	338,030,213
Other	2,565,352	1,129,813	200,611,431	-
	38,789,215	**1,129,813**	**711,284,346**	**338,030,213**

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:

2022

	Nominal value	List value	Accumulated interest	Balance Sheet value[1]	Fair value reserve[2]
Financial assets held for trading					
Portugal					
Maturity up to 1 year	504,767	499,098	899	499,997	-
Maturity over 1 year	3,272,467	2,844,577	37,872	2,882,449	-
Other					
Maturity up to 1 year	5,000,480	4,988,306	18	4,988,324	-
Maturity over 1 year	3,016,512	2,656,464	7,838	2,664,302	-
Financial assets at fair value through profit and loss					
Other					
Maturity up to 1 year	17,578	17,668	933	18,601	-
Maturity over 1 year	2,321,046	2,225,826	78,808	2,304,634	-
Financial assets at fair value through other comprehensive income					
Portugal					
Maturity over 1 year	11,142,000	7,491,783	32,621	7,524,404	(1,524,600)
Spain					
Maturity over 1 year	231,650,000	143,602,875	614,172	144,217,047	(21,362,425)
Italy					
Maturity over 1 year	290,418,000	201,267,138	1,355,442	202,622,580	(35,490,583)
Other					
Maturity up to 1 year	3,220,962	3,217,419	69,076	3,286,495	29,483
Maturity over 1 year	227,056,725	183,517,839	2,446,813	185,964,652	(26,854,895)
Financial assets at amortised cost					
Spain					
Maturity over 1 year	13,000,000	10,037,400	16,985	10,670,677	-
Italy					
Maturity over 1 year	305,000,000	240,160,050	1,696,044	263,010,000	-
Other					
Maturity over 1 year	16,000,000	12,980,440	144,555	14,580,164	-
	1,111,620,537	**815,506,883**	**6,502,076**	**845,234,326**	**(85,203,020)**

(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.

2021					
	Nominal value	List value	Accumulated interest	Balance Sheet value[1]	Fair value reserve[2]
Financial assets held for trading					
Portugal					
Maturity up to 1 year	162,000	163,535	348	163,883	-
Maturity over 1 year	1,301,164	1,393,014	12,787	1,405,801	-
Spain					
Maturity over 1 year	35,000,000	34,596,850	57,329	34,654,179	-
Other					
Maturity over 1 year	2,505,397	2,563,839	1,513	2,565,352	-
Financial assets at fair value through profit and loss					
Other					
Maturity up to 1 year	429,588	431,537	9,220	440,757	-
Maturity over 1 year	669,163	663,704	25,352	689,056	-
Financial assets at fair value through other comprehensive income					
Portugal					
Maturity over 1 year	11,104,000	10,837,325	33,091	10,870,416	211,776
Spain					
Maturity over 1 year	231,650,000	227,237,092	614,172	227,851,264	10,479,635
Italy					
Maturity over 1 year	273,418,000	270,625,580	1,325,655	271,951,235	13,039,042
Other					
Maturity up to 1 year	4,521,172	4,294,967	97,836	4,392,803	2,253
Maturity over 1 year	206,651,668	193,620,913	2,597,715	196,218,628	6,189,517
Financial assets at amortised cost					
Italy					
Maturity over 1 year	305,000,000	319,521,051	1,696,044	338,030,213	-
	1,072,412,152	**1,065,949,407**	**6,471,062**	**1,089,233,587**	**29,922,223**

(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 gives preference to the use of the ratings of external entities (Moody's, S&P and Fitch), using the rules set out in the following paragraph. When these notations are not available, the Group performs an internal analysis of the issuers and assigns a classification of 1-10, which then is mapped for the classification of these external entities.

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 2022 and 2021 the Group's debt exposure by rating is as follows:

	EXPOSURE 31-12-2022							
	Rating AAA - AA	Rating A - BBB	Rating BB - B	Rating CCC	Unrated	GROSS EXPOSURE	ECL	NET EXPOSURE
Loans represented by securities								
Hold to Collect								
Stage 1	353,155,682	448,687,588	46,545,646	-	-	848,388,916	1,266,023	847,122,893
Hold to Collect and Sell								
Stage 1	186,696,546	633,476,332	73,112,333	36,795,854	85,080,126	1,015,161,191	3,427,392	1,011,733,799
Stage 2	-	-	-	-	206,975	206,975	50,698	156,277
	539,852,228	**1,082,163,920**	**119,657,979**	**36,795,854**	**85,287,101**	**1,863,757,082**	**4,744,113**	**1,859,012,969**

	EXPOSURE 31-12-2021							
	Rating AAA - AA	Rating A - BBB	Rating BB - B	Rating CCC	Unrated	GROSS EXPOSURE	ECL	NET EXPOSURE
Loans represented by securities								
Hold to Collect								
Stage 1	-	338,040,768	-	-	-	338,040,768	10,555	338,030,213
Hold to Collect and Sell								
Stage 1	498,537,892	958,002,028	111,266,774	23,754,223	110,241,205	1,701,802,122	691,103	1,701,111,019
Stage 2	-	-	40,153,931		184,134	40,338,065	1,333,376	39,004,689
	498,537,892	**1,296,042,796**	**151,420,705**	**23,754,223**	**110,425,339**	**2,080,180,955**	**2,035,034**	**2,078,145,921**

On 31 December of 2021, the Group's exposure to balances and amounts receivable by rating is as follows:

	EXPOSURE 31-12-2022							
	Rating AAA - AA	Rating A - BBB	Rating BB - B	Rating CCC	Unrated	GROSS EXPOSURE	ECL	NET EXPOSURE
Deposits and margins								
Stage 1	14,170,371	257,824,377	-	7,267,026	35,414,764	314,676,538	-	314,676,538
	14,170,371	**257,824,377**	**-**	**7,267,026**	**35,414,764**	**314,676,538**	**-**	**314,676,538**

	EXPOSURE 31-12-2021							
	Rating AAA - AA	Rating A - BBB	Rating BB - B	Rating CCC	Unrated	GROSS EXPOSURE	ECL	NET EXPOSURE
Deposits and margins								
Stage 1	12,269,864	438,728,394	895,212	15,135,816	31,368,305	498,397,591	-	498,397,591
	12,269,864	**438,728,394**	**895,212**	**15,135,816**	**31,368,305**	**498,397,591**	**-**	**498,397,591**

Notas:
- Para a construção desta tabela, foi considerado o rating atribuído pela Moody's ou - em caso não disponível - o rating atribuído pela Fitch,
- Para os saldos junto dos Bancos Centrais de Portugal e Espanha foi atribuído o rating da República portuguesa e espanhola, respetivamente,

Exposure by type and staging

Considering the portfolios indicated in line A. above, the retail credit exposures were grouped as follows:

- Loans at sight;
- Mortgages;
- Other (car loans, credit for employees to buy BiG's shares and other credits, which include overdrafts and personal loans)

On 31 December 2022 and 2021 the Group's exposure by type and staging is as follows:

a.1)

	Gross exposure 31-12-2022			
	Stage 1	**Stage 2**	**Stage 3**	**TOTAL**
Loans not represented by securities				
Current Account Credit	15,716,583	2,634,044	62,879	18,413,506
Mortgages	4,112,245	190,909	-	4,303,154
Other	12,169,524	46,577	36,474	12,252,575
Loans represented by securities				
Hold to Collect	848,388,916	-	-	848,388,916
Hold to Collect and Sell *	1,015,161,191	206,975	-	1,015,368,166
Guarantees and sureties provided	139,110	13,000	-	152,110
TOTAL	**1,895,687,569**	**3,091,505**	**99,353**	**1,898,878,427**

* Gross exposure corresponds to fair value plus impairment

	Impairment 31-12-2022			
	Stage 1	**Stage 2**	**Stage 3**	**TOTAL**
Loans not represented by securities				
Current Account Credit	-	-	62,879	62,879
Mortgages	321	196	-	517
Other	610	174	35,910	36,694
Loans represented by securities				
Hold to Collect	1,266,023	-	-	1,266,023
Hold to Collect and Sell	3,427,392	50,698	-	3,478,090
Guarantees and sureties provided	-	-	-	-
TOTAL	**4,694,346**	**51,068**	**98,789**	**4,844,203**

	Net exposure 31-12-2022			
	Stage 1	**Stage 2**	**Stage 3**	**TOTAL**
Loans not represented by securities				
Current Account Credit	15,716,583	2,634,044	-	18,350,627
Mortgages	4,111,924	190,713	-	4,302,637
Other	12,168,914	46,403	564	12,215,881
Loans represented by securities				
Hold to Collect	847,122,893	-	-	847,122,893
Hold to Collect and Sell	1,011,733,799	156,277	-	1,011,890,076
Guarantees and sureties provided	139,110	13,000	-	152,110
TOTAL	**1,890,993,223**	**3,040,437**	**564**	**1,894,034,224**

	Gross exposure 31-12-2021			
	Stage 1	**Stage 2**	**Stage 3**	**TOTAL**
Loans not represented by securities				
Current Account Credit	21,217,886	1,161,210	62,086	22,441,182
Mortgages	5,983,919	139,285	-	6,123,204
Other	12,933,435	39,277	52,907	13,025,619
Loans represented by securities				
Hold to Collect	338,040,768	-	-	338,040,768
Hold to Collect and Sell *	1,701,802,122	40,338,065	-	1,742,140,187
Guarantees and sureties provided	198,110	10,000	-	208,110
TOTAL	**2,080,176,240**	**41,687,837**	**114,993**	**2,121,979,070**

* Gross exposure corresponds to fair value plus impairment

	Impairment 31-12-2021			
	Stage 1	Stage 2	Stage 3	TOTAL
Loans not represented by securities				
Current Account Credit	-	-	62,086	62,086
Mortgages	1,117	434	-	1,551
Other	2,627	5,868	50,613	59,108
Loans represented by securities				
Hold to Collect	10,555	-	-	10,555
Hold to Collect and Sell	691,103	1,333,376	-	2,024,479
Guarantees and sureties provided	-	-	-	-
TOTAL	**705,402**	**1,339,678**	**112,699**	**2,157,779**

	Net exposure 31-12-2021			
	Stage 1	Stage 2	Stage 3	TOTAL
Loans not represented by securities				
Current Account Credit	21,217,886	1,161,210	-	22,379,096
Mortgages	5,982,802	138,851	-	6,121,653
Other	12,930,808	33,409	2,294	12,966,511
Loans represented by securities				
Hold to Collect	338,030,213	-	-	338,030,213
Hold to Collect and Sell	1,701,111,019	39,004,689	-	1,740,115,708
Guarantees and sureties provided	198,110	10,000	-	208,110
TOTAL	**2,079,470,838**	**40,348,159**	**2,294**	**2,119,821,291**

a.2)

GROSS EXPOSURE 31-12-2022	Stage 1	Stage 2				Stage 3			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	15,716,583	903,792	-	1,730,252	2,634,044	1,200	61,679	62,879	18,413,506
Mortgages	4,112,245	190,909	-	-	190,909	-	-	-	4,303,154
Other	12,169,524	28,306	-	18,271	46,577	1,812	34,662	36,474	12,252,575
Loans represented by securities									
Hold to Collect	848,388,916	-	-	-	-	-	-	-	848,388,916
Hold to Collect and Sell *	1,015,161,191	206,975	-	-	206,975	-	-	-	1,015,368,166
Guarantees and sureties provided	139,110	13,000	-	-	13,000	-	-	-	152,110
	1,895,687,569	**1,342,982**	**-**	**1,748,523**	**3,091,505**	**3,012**	**96,341**	**99,353**	**1,898,878,427**

* Gross exposure corresponds to fair value plus impairment

IMPAIRMENT 31-12-2022	Stage 1	Stage 2				Stage 3			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	-	-	-	-	-	1,200	61,679	62,879	62,879
Mortgages	321	196	-	-	196	-	-	-	517
Other	610	-	-	174	174	1,642	33,888	35,910	36,694
Loans represented by securities									
Hold to Collect	1,266,023	-	-	-	-	-	-	-	1,266,023
Hold to Collect and Sell *	3,427,392	50,698	-	-	50,698	-	-	-	3,478,090
Guarantees and sureties provided	-	-	-	-	-	-	-	-	-
	4,694,346	**50,894**	**-**	**174**	**51,068**	**2,842**	**95,567**	**98,789**	**4,844,203**

NET EXPOSURE 31-12-2022	Stage 1	Stage 2				Stage 3			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	15,716,583	903,792	-	1,730,252	2,634,044	-	-	-	18,350,627
Mortgages	4,111,924	190,713	-	-	190,713	-	-	-	4,302,637
Other	12,168,914	28,306	-	18,097	46,403	170	394	564	12,215,881
Loans represented by securities									
Hold to Collect	847,122,893	-		-	-	-	-	-	847,122,893
Hold to Collect and Sell *	1,011,733,799	156,277		-	156,277	-	-	-	1,011,890,076
Guarantees and sureties provided	139,110	13,000	-	-	13,000	-	-	-	152,110
	1,890,993,223	**1,292,088**	**-**	**1,748,349**	**3,040,437**	**170**	**394**	**564**	**1,894,034,224**

GROSS EXPOSURE 31-12-2021	Stage 1	Stage 2				Stage 3			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	21,217,886	1,161,210	-	-	1,161,210	-	62,086	62,086	22,441,182
Mortgages	5,983,919	139,285	-	-	139,285	-	-	-	6,123,204
Other	12,933,432	35,879	-	3,398	39,277	3	52,907	52,910	13,025,619
Loans represented by securities									
Hold to Collect	338,040,768	-	-	-	-	-	-	-	338,040,768
Hold to Collect and Sell *	1,701,802,122	40,338,065	-	-	40,338,065	-	-	-	1,742,140,187
Guarantees and sureties provided	198,110	10,000	-	-	10,000	-	-	-	208,110
	2,080,176,237	**41,684,439**	**-**	**3,398**	**41,687,837**	**3**	**114,993**	**114,996**	**2,121,979,070**

* Gross exposure corresponds to fair value plus impairment

IMPAIRMENT 31-12-2021	Stage 1	Stage 2				Stage 3			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	-	-	-	-	-	-	62,086	62,086	62,086
Mortgages	1,117	434	-	-	434	-	-	-	1,551
Other	2,627	5,796	-	72	5,868	3	50,610	50,613	59,108
Loans represented by securities									
Hold to Collect	10,555	-	-	-	-	-	-	-	10,555
Hold to Collect and Sell *	691,103	1,333,376	-	-	1,333,376	-	-	-	2,024,479
Guarantees and sureties provided	-	-	-	-	-	-	-	-	-
	705,402	**1,339,606**	**-**	**72**	**1,339,678**	**3**	**112,696**	**112,699**	**2,157,779**

NET EXPOSURE 31-12-2021	Stage 1	Stage 2				Stage 3			TOTAL
Segment		Paid on time	Days late <= 30	Days late > 30	Total	Days late <= 90	Days late > 90 dias	Total	
Loans not represented by securities									
Current Account Credit	21,217,886	1,161,210	-	-	1,161,210	-	-	-	22,379,096
Mortgages	5,982,802	138,851	-	-	138,851	-	-	-	6,121,653
Other	12,930,805	30,083	-	3,326	33,409	-	2,297	2,297	12,966,511
Loans represented by securities									
Hold to Collect	338,030,213	-	-	-	-	-	-	-	338,030,213
Hold to Collect and Sell *	1,701,111,019	39,004,689	-	-	39,004,689	-	-	-	1,740,115,708
Guarantees and sureties provided	198,110	10,000	-	-	10,000	-	-	-	208,110
	2,079,470,835	**40,344,833**	**-**	**3,326**	**40,348,159**	**-**	**2,297**	**2,297**	**2,119,821,291**

Reconciliation of exposures

On 31 December 2022 and 2021 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 01-01-2022	40,333,350	1,349,772	114,993	41,798,115
Increases due to origination or acquisition	4,521,420	214,038	16	4,735,474
Reductions due to derecognition	(7,349,063)	(510,629)	(19,238)	(7,878,930)
Net variations due to alterations in the credit risk	(1,935,958)	1,852,290	3,941	(79,727)
Net variations due to modifications without derecognition	(3,432,287)	(20,941)	(359)	(3,453,587)
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2022	32,137,462	2,884,530	99,353	35,121,345
Exposure Loans represented by securities				
Opening balance on 01-01-2022	2,039,842,890	40,338,065	-	2,080,180,955
Increases due to origination or acquisition	301,825,317	-	-	301,825,317
Reductions due to derecognition	(126,297,064)	-	-	(126,297,064)
Net variations due to alterations in the credit risk	-	-	-	-
Net variations due to modifications without derecognition	(391,974,966)	22,840	-	(391,952,126)
Alterations due to updates to methodologies used	40,153,930	(40,153,930)	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2022	1,863,550,107	206,975	-	1,863,757,082
Total Exposure on 31-12-2022	**1,895,687,569**	**3,091,505**	**99,353**	**1,898,878,427**

	Stage 1	Stage 2	Stage 3	Total
Exposure Loans not represented by securities and Guarantees and sureties provided				
Opening balance on 01-01-2021	32,269,795	301,459	103,292	32,674,546
Increases due to origination or acquisition	21,946,689	1,164,608	(112,699)	22,998,598
Reductions due to derecognition	(13,159,952)	(275,568)	103,294	(13,332,226)
Net variations due to alterations in the credit risk	(158,691)	163,489	21,106	25,904
Net variations due to modifications without derecognition	(564,490)	(4,217)	-	(568,707)
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2021	40,333,351	1,349,771	114,993	41,798,115
Exposure Loans represented by securities				
Opening balance on 01-01-2021	1,811,649,554	-	-	1,811,649,554
Increases due to origination or acquisition	866,025,523	-	-	866,025,523
Reductions due to derecognition	(517,179,447)	-	-	(517,179,447)
Net variations due to alterations in the credit risk	(40,338,066)	40,338,066	-	-
Net variations due to modifications without derecognition	(80,314,671)	-	-	(80,314,671)
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	(3)	(1)		(4)
Closing balance on 31-12-2021	2,039,842,890	40,338,065	-	2,080,180,955
Total Exposure on 31-12-2021	**2,080,176,241**	**41,687,836**	**114,993**	**2,121,979,070**

Reconciliation of expected impairment losses

On 31 December 2022 and 2021 the movements in the Group's expected impairment losses are presented as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL Loans not represented by securities and Guarantees and sureties provided				
Opening balance on 01-01-2022	3,744	6,302	112,699	122,745
Increases due to origination or acquisition	62	139	13	214
Reductions due to derecognition	(1,610)	(6,204)	(17,271)	(25,085)
Net variations due to alterations in the credit risk	(151)	210	3,707	3,766
Net variations due to modifications without derecognition	(1,114)	(77)	(359)	(1,550)
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2022	931	370	98,789	100,090
ECL Loans represented by securities				
Opening balance on 01-01-2022	701,658	1,333,376	-	2,035,034
Increases due to origination or acquisition	731,684	-	-	731,684
Reductions due to derecognition	(116,987)	-	-	(116,987)
Net variations due to alterations in the credit risk	-	-	-	-
Net variations due to modifications without derecognition	2,071,542	22,840	-	2,094,382
Alterations due to updates to methodologies used	1,305,518	(1,305,518)	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Closing balance on 31-12-2022	4,693,415	50,698	-	4,744,113
Total ECL on 31-12-2022	**4,694,346**	**51,068**	**98,789**	**4,844,203**

	Stage 1	Stage 2	Stage 3	Total
ECL Loans not represented by securities and Guarantees and sureties provided				
Opening balance on 01-01-2021	3,330	878	103,291	107,499
Increases due to origination or acquisition	2,014	72	112,699	114,785
Reductions due to derecognition	(1,254)	(879)	(103,294)	(105,427)
Net variations due to alterations in the credit risk	(44)	4,687	-	4,643
Net variations due to modifications without derecognition	(333)	1,500	-	1,167
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	31	44	3	78
Closing balance on 31-12-2021	3,744	6,302	112,699	122,745
ECL Loans represented by securities				
Opening balance on 01-01-2021	1,530,230	-	-	1,530,230
Increases due to origination or acquisition	447,935	-	-	447,935
Reductions due to derecognition	(667,482)	-	-	(667,490)
Net variations due to alterations in the credit risk	(253,295)	1,333,376		1,080,081
Net variations due to modifications without derecognition	-	-	-	-
Alterations due to updates to methodologies used	-	-	-	-
Reductions due to write-offs	-	-	-	-
Other adjustments	(355,730)	-	-	(355,730)
Closing balance on 31-12-2021	701,658	1,333,376	-	2,035,034
Total ECL on 31-12-2021	**705,402**	**1,339,678**	**112,699**	**2,157,779**

Details on collateral

For the purpose of quantitative analysis, the following valuation criteria are used:

i) Financial: performed automatically by the systems depending on the market prices and weightings that are periodically revised by the Board of Directors:
   - Every month the financial assets used as collateral are analysed with regard to their Liquidity, Volatility and stock market capitalisation (if applicable);
   - Every week automatically, taking only the 30 day volatility of securities traded on regulated markets into account, for all the financial assets which were previously approved as acceptable to be held as collateral, it is calculated the respective weighting (calculated by the system) over which the client can leverage the credit (80%, 70%, 60% and 50%).

ii) Buildings: the value of the last formal valuation of the building, performed by an independent entity, is used. Furthermore, a correction factor is applied to this value, according to the scale below:
   - Up to 12 months: 0%
   - From 12 to 24 months: 15%
   - From 24 to 36 months: 25%
   - More than 36 months: 50%

The determination of the recoverable amount is based on the evaluation (with or without the correction factor) plus a time discount factor.

When a credit operation collateralised by buildings shows sufficiently strong indications that so justify it, the collateral is reassessed by an external appraiser. This also occurs when the client become non-compliant.

iii) Other collateral: are analysed on a case by case basis.

Weightings and other corrective factors are periodically revised, at least once a year, taking history, economic prospects and the published indicators of the competitors into account, according to the type of product.

On 31 December 2022 and 2021 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:

31-12-2022	Current Account Credit		Mortgages				Other			
	Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	198	23,901,315	63	6,602,939	-	-	-	-	1,032	6,591,610
>= 0,5 M€ e < 1 M€	15	9,905,118	1	500,000	-	-	-	-	1	600,000
>= 1 M€ e < 5 M€	11	28,098,324	-	-	-	-	-	-	4	4,550,000
>= 5 M€	4	26,180,622	-	-	-	-	-	-	-	-
	228	**88,085,379**	**64**	**7,102,939**	**-**	**-**	**-**	**-**	**1,037**	**11,741,610**

* Exemplos: ações, obrigações e depósitos (a preços de mercado)

31-12-2021	Current Account Credit		Mortgages				Other			
	Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	218	22,451,625	84	8,897,815	-	-	-	-	164	6,799,610
>= 0,5 M€ and < 1 M€	19	12,670,579	1	500,000	-	-	-	-	1	600,000
>= 1 M€ and < 5 M€	14	21,397,786	-	-	-	-	-	-	4	4,550,000
>= 5 M€	5	43,980,963	-	-	-	-	-	-	-	-
	256	**100,500,953**	**85**	**9,397,815**	**-**	**-**	**-**	**-**	**169**	**11,949,610**

* Examples: shares, bonds and deposits (at market price)

a) LTV ratio of the Housing and Other segments:

Segment / Ratio	31/12/2022						
	Number of buildings	Credit Stage 1	Credit Stage 2	Credit Stage 3	Total Credit	Impairment	Net exposure
Mortgages							
No associated collateral	-	-	-	-	-	-	-
< 60%	59	3,825,969	190,909	-	4,016,878	495	4,016,383
>= 60% and < 80%	5	286,276	-	-	286,276	22	286,253
>= 80% and < 100%	-	-	-	-	-	-	-
>= 100%	-	-	-	-	-	-	-
	64	**4,112,245**	**190,909**	**-**	**4,303,154**	**518**	**4,302,636**

(*) Gross Exposure Value

Segment / Ratio	31/12/2021						
	Number of buildings	Credit Stage 1	Credit Stage 2	Credit Stage 3	Total Credit	Impairment	Net exposure
Mortgages							
No associated collateral	-	-	-	-	-	-	-
< 60%	75	5,368,472	139,285	-	5,507,757	1,436	5,506,321
>= 60% and < 80%	7	499,395	-	-	499,395	94	499,301
>= 80% and < 100%	2	51,858	-	-	51,858	10	51,848
>= 100%	1	64,194	-	-	64,194	12	64,182
	85	**5,983,919**	**139,285**	**-**	**6,123,204**	**1,552**	**6,121,652**

(*) Gross Exposure Value

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 is calculated accordingly 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 the Group 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.

In the course of 2022, no new restructuring operations had occurred. In the year 2021, restructuring of credit operations had occurred, only related to additional relief measures applied post-moratorium.

The value of restructured exposures for the year ended December 31, 2022 and 2021 is as follows:

2022

Segment	Exposure				Exposure			
	Stage 1	*Stage 2*	*Stage 3*	Total	*Stage 1*	*Stage 2*	*Stage 3*	Total
Private individuals	-	52,537	-	52,537	-	55	-	55
Corporate	-	-	-	-	-	-	-	-
TOTAL	**-**	**52,537**	**-**	**52,537**	**-**	**55**	**-**	**55**

2021

Segment	Exposure				Exposure			
	Stage 1	*Stage 2*	*Stage 3*	Total	*Stage 1*	*Stage 2*	*Stage 3*	Total
Private individuals	-	55,843	-	55,843	-	131	-	131
Corporate	-	102,888	-	102,888	-	4,599	-	4,599
TOTAL	**-**	**158,731**	**-**	**158,731**	**-**	**4,730**	**-**	**4,730**

The annual variation in restructured exposures for the years ended on 31 December 2022 and 2021 is the following:

	2022	2021
Opening balance of the restructured credit portfolio (gross of impairment)	**158,325**	**-**
Restructured loans in the period	-	163,999
Settlement of restructured loans (partial or total)	105,788	5,674
Closing balance of the restructured credit portfolio (gross of impairment)	**52,537**	**158,325**

The restructuring measures applied for the year ended on 31 December of 2022 and 2021 are the following:

2022

	Performing loans		
Restructuring measures implemented	**No. of operations**	**Exposure**	**Impairment**
Time extension and capital grace period	-	-	-
Time extension and reduction of spread	1	52,537	55
TOTAL	**1**	**52,537**	**55**

2021

	Performing loans		
Restructuring measures implemented	**No. of operations**	**Exposure**	**Impairment**
Time extension and capital grace period	2	19,446	4,296
Time extension and reduction of spread	2	139,285	434
TOTAL	**4**	**158,731**	**4,730**

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 the Group'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 2022 and 2021 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:

2022	**Current Account Credit**		**Mortgages**		**Other**		**Total**	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Evaluation								
Individual	-	-	138,372	141	-	-	138,372	141
Collective	18,413,506	62,879	4,164,782	376	12,252,575	36,694	34,830,863	99,949
	18,413,506	**62,879**	**4,303,154**	**517**	**12,252,575**	**36,694**	**34,969,235**	**100,090**

2021	**Current Account Credit**		**Mortgages**		**Other**		**Total**	
	Exposure	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**	**Exposure**	**Impairment**
Evaluation								
Individual	62,086	62,086	-	-	31,786	5,796	93,872	67,882
Collective	22,379,096	-	6,123,204	1,551	13,201,720	53,312	41,704,020	54,863
	22,441,182	**62,086**	**6,123,204**	**1,551**	**13,233,506**	**59,108**	**41,797,892**	**122,745**

Sensitivity analysis on expected credit loss

A sensitivity analysis exercise was carried out on the expected credit loss (ECL), on loans and advances to customers, 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%	+ 31 euros
-1%	- 37 euros

Operational Risk

Operating risk is part of the Group's day to day business and may arise as a result of inadequate procedures or systems, human risk or external events.

Given the nature of its business, the Group is exposed to potential losses or operational risk as a result of human error, system breakdown, operation processing failures, unexpected interruptions in activity or stoppages or shortages in terms of third party supplies or provision of services.

To monitor this type of risk and the effective fulfilment of the operating procedures throughout the Group, there is a control structure which supervises the appropriateness of the procedures, systems and human resources in order to ensure the normal development of the activity in any circumstances.

The objective of this structure is to ensure that the Group adheres to the established procedures and limits, so that the cost inherent to operational errors can be kept within controlled levels, vis-à-vis the Group's capital and its strategy. Alongside this structure, a culture of risk detection and mitigation is nurtured in the Group, which encourages the proactive resolution of problems based on their early identification.

Capital and solvency ratio management

Equity funds for the years ended on 31 December 2022 and 2021 are presented as follows:

		2022	2021
A - Equity Funds			
Ordinary paid-up capital, Share premium, Treasury shares and other		187,963,243	187,963,268
Results and reserves formed from retained earnings		145,948,874	198,323,133
Minority interest recognised in FPP1		5,064,052	4,549,125
Intangible assets		(11,373,083)	(11,789,978)
Adjustments due to prudential filters		(1,154,805)	(2,044,253)
Other deductions from equity		(10,382,987)	(2,189,572)
Common Equity Tier 1 Capital	(A1)	316,065,294	374,811,723
Tier 1 Capital	(A2)	316,065,294	374,811,723
Total Equity Funds	(A3)	316,065,294	374,811,723
B - Risk weighted assets	(B)	1,099,231,344	1,088,419,408
C - Capital Ratios			
Common Equity Tier 1 Capital	(A1 / B)	28.8%	34.4%
Tier 1 Capital	(A2 / B)	28.8%	34.4%
Total capital ratio	(A3 / B)	28.8%	34.4%

The movement in equity funds for the years ended on 31 December 2022 and 2021 is presented as follows:

	2022	2021
Opening Balance	**374,811,723**	**390,682,940**
Ordinary paid-up capital, Share premium, Treasury shares and other	(25)	15,223,864
Results and reserves formed from retained earnings	(52,374,259)	(21,278,224)
Minority interest recognised in FPP1	514,927	598,786
Intangible assets	416,895	(7,736,767)
Adjustments due to prudential filters	889,448	(489,304)
Other deductions from equity	(8,193,415)	(2,189,572)
Closing Balance	**316,065,294**	**374,811,723**

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, the Group conceived stress tests which allow for the existence of negative news relating to the Group, with consequences in terms of the withdrawal of deposits by clients.

Correlation Risk

The different types of risk, liquidity, reputation, credit, counterparty, market concentration, interest rate, market, etc., are correlated between each other. This correlation is evidently clearer in some pairs of risks while having no particular relevance in other risk pairs.

- Liquidity risk *versus* Reputation risk:
  The decline in the reputation of a financial institution can lead to a lack of trust of clients and of investors in general. Such a situation can lead to the liquidity risk for the institution with regard to its immediate liabilities.
- Liquidity risk versus Reputation risk versus Market risk:
  In the above case the reputation risk versus liquidity risk is analysed. We can nevertheless assume that there is an unusual variation in the different financial instruments in the market.
- Liquidity risk versus Reputation risk versus Credit risk:
  In this case, as in the previous point, the Group allows for scenarios where there is Reputation risk and Liquidity risk. In addition, we can also consider a scenario of the probability of default of the assets, as well as the impact of downgrades in their rating.

Liquidity risk *versus* Reputation risk *versus* Market risk:
(30% drop in the stock market, a 100 b.p. decline in the interest rate curve and a massive withdrawal of deposits as consequence of reputational risk)

The results of the scenarios below (scenarios 1, 2 and 3) relate to December 31, 2022, the impact of which is described below.

Scenario 1 – 33% of DO's are withdrawn by clients
Available liquidity: 246,416,445 euros
Liabilities: 330,209,609 euros.
In this scenario, it would be necessary to sell assets or request additional funding, for a total amount of 83,793,164 euros. Based on the assumption of market conditions that are also simultaneously negative and based on the stress assumptions (30% stock market decline and a 100 b.p. shock to the interest rate curve), the Group would have a maximum potential loss of 25,493,743 euros.

Scenario 2 – 50% of DO's are withdrawn by clients
Available liquidity: 246,416,445 euros
Liabilities: €495,314,414.
In this scenario, it would be necessary to sell assets or request additional funding, for a total amount of 248,897,968 euros. Based on the assumption of market conditions that are also simultaneously negative and based on the stress assumptions (30% stock market decline and a 100 b.p. shock to the interest rate curve), the Group would have a maximum potential loss of 25,493,743 euros.

Scenario 3 – 50% of DO's and PD's are withdrawn by clients
Available liquidity: 246,416,445 euros

Liabilities: 805,722,447 euros.
In this scenario, it would be necessary to sell assets or request additional funding, for a total amount of 559,306,001 euros. Under the assumption of also simultaneously negative market conditions and based on the stress assumptions (30% stock market decline and a 100 b.p. shock to the interest rate curve), the Group would have a maximum potential loss of 25,493,743 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 2022, the impact of which is described below:

Scenario 1 – 33% of DO's are withdrawn by clients
Available liquidity: 246,416,445 euros.
Liabilities: 330,209,609 euros.
In this scenario, it would be necessary to sell assets or request additional funding, for a total amount of 83,793,164 euros. Based on the assumption of also simultaneously negative market conditions (downgrade of debt securities), the Group would have a maximum potential loss of 19,988,009 euros.

Scenario 2 – 50% of DO's are withdrawn by clients
Available liquidity: 246,416,445 euros
Liabilities: €495,314,414.
In this scenario, it would be necessary to sell assets or request additional funding, for a total amount of 248,897,968 euros. Based on the assumption of also simultaneously negative market conditions (downgrade of debt securities), the Group would have a maximum potential loss of 19,988,009 euros.

Scenario 3 – 50% of DO's and PD's are withdrawn by clients
Available liquidity: 246,416,445 euros
Liabilities: 805,722,447 euros.
In this scenario, it would be necessary to sell assets or request additional funding, for a total amount of 559,306,001 euros. Based on the assumption of equally negative market conditions (downgrade of debt securities), the Group would have a maximum potential loss of € 19,988,009.

◢ NOTE 46
PLEDGING OF ASSETS

On 31 December 2022 and 2021 pledges on assets may be analysed as follows:

2022	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	359,993,879	338,729,717	1,553,729,418	1,507,089,999
Shares	-	-	864,770	864,770
Other securities	-	-	8,122,252	8,122,252
Other assets	1,750,000	-	512,522,680	-
	361,743,879		**2,075,239,120**	

2021	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	551,953,470	539,114,586	1,600,597,652	1,596,623,417
Shares	-	-	7,619,837	7,619,837
Other securities	-	-	6,893,136	6,893,136
Other assets	1,750,000		603,212,414	
	553,703,470		**2,218,323,039**	

In 2022 and 2021, pledged securities are recorded in the portfolios of Financial Assets at fair value through other comprehensive income and in the portfolio of Financial Assets at amortised cost.

On 31 December 2022 the amount of liabilities associated to pledged assets was 304,919,427 Euros and includes the balances relating to repurchase agreements (note 33) and resources from central banks (note 34) (31 December 2021: 467,386,511 Euros).

◢ NOTE 47
GROUP COMPANIES

The accounts of the Group companies as at 31 December of 2022 and 2021 are presented below**:**

	2022			2021		
	Total assets	Total Equity	Net Result of the year	Total assets	Total Equity	Net Result of the year
BiG Serviços Financeiros, S.A.	687,625	670,115	235,701	1,688,784	1,684,413	387,645
Banco BIG Moçambique, S.A.	65,094,526	31,869,492	4,108,424	52,308,223	28,625,849	2,736,703
Onetier Partners, SCR, S.A.	8,963,103	8,714,018	1,217,021	7,681,752	7,496,997	2,153,596
DIF Broker - Empresa de Investimento S.A.	61,796,941	5,157,447	462,628	94,185,145	6,025,845	2,620,659

Investments in subsidiaries and investment funds are made up as follows:

	Activity	Consolidation method	2022 % economic interest	2022 % of voting rights	2021 % economic interest	2021 % of voting rights
Subsidiaries						
BiG Serviços Financeiros, S.A.	Financial assistant	Full	100.0%	100.0%	100.0%	100.0%
Banco BIG Moçambique, S.A.	Bank	Full	82.6%	82.6%	82.6%	82.6%
Onetier Partners, SCR, S.A.	Venture capital company	Full	100.0%	100.0%	100.0%	100.0%
DIF Broker - Empresa de Investimento S.A.	Financial brokerage firm	Full	100.0%	100.0%	100.0%	100.0%

	Consolidation method	Head Office	Year of acquisition	Year of incorporation	2022 % economic interest	2022 % of voting rights	2021 % economic interest	2021 % of voting rights
Investment Funds								
BiG Diversified Macro Fund	Full	Ireland	2018	2018	69.7%	69.7%	90.4%	90.4%
Onetier Fundo Capital de Risco	Full	Portugal	2021	2021	55.3%	55.3%	52.9%	52.9%

BiG Serviços Financeiros, S.A., fully held by the Bank, was incorporated on 11 September 2008, with its registered office at Lisbon and its main objective is to provide financial advisory services, as well as holding or managing real estate.

BiG Moçambique was incorporated on 8 October 2014, with its registered office in Maputo, and its main objective is to carry out any operations and provide any services permitted for banks in Mozambique, with no legal restriction.

Onetier Partners, Sociedade de Capital de Risco, S.A. was incorporated on 20 April 2004 and its main objective is to make temporary investments in companies with high potential for growth and appreciation. Since 2016 the company's investment policy has favoured the acquisition of equity stakes in, or the granting of convertible debt to, early stage start-up companies that operate preferably in the Fintech, Insurtech and Cybersecurity segments.

On 7 September 2021 the Bank acquired 100% of the capital of DIF Broker – Empresa de Investimento, S.A., an investment company incorporated in 1999 with the purpose of carrying out the activities permitted by law for financial brokerage companies, including all ancillary, connected or similar operations compatible with this activity and permitted at law, with no legal restriction.

The acquisition cost of the capital of DIF Broker consists of: (i) a fixed component, amounting to 10.9 million Euros and (ii) a variable component, payable between 2022 and 2024, indexed to the growth future of the net business income, which can rise to a maximum of 6.5 million Euros, and which is estimated at 3.8 million Euros. On December 31 2022, the cost of the participation represents the sum of both components, adjusted for dividend payments made by DIF Broker to BiG (about 3 million euros),already contemplated on the date of the acquisition and incorporated in the price initially paid.

The BiG Diversified Macro Fund is an open-ended collective investment scheme incorporated on 25 April 2018, based in Dublin, Ireland, and regulated under the Alternative Investment Fund Managers Directive (AIFMD).

The entity Onetier – Fundo Capital de Risco is a venture capital fund managed by Onetier Partners, Sociedade de Capital de Risco, S.A. and was established in December 2021.

There are no significant restrictions on the control of subsidiaries, with the exception of those provided for in Article 101 of the General Regime of Credit Institutions and Financial Companies. On this date, none of the companies that composes the Group is in the situation contemplated in no. 1 of the said article.

◢ NOTE 48
RECENTLY ISSUED STANDARDS

1. **Impact of the adoption of new standards, alterations to the standards that became effective for annual periods that started on 1 January 2022**:

a) **IFRS 16** (amendment), 'Leases – COVID-19 related rent subsidies after June 30, 2021'. The amendment extends the application date of the amendment to IFRS 16 'Leases – COVID-19 related rent subsidies' from 30 June 2021 to 30 June 2022, allowing the recording of rent subsidies under COVID-19 as variable lease payments rather than as a change to the lease. The conditions for applying the practical expedient are maintained, and the extension of the practical expedient can only be applied by lessees who applied the previous practical expedient. This amendment had no effect on the Group's consolidated financial statements.

b) **IAS 16** (amendment) 'Revenue earned before entry into service'. Amendment to the accounting treatment given to the consideration obtained from the sale of products resulting from the test phase production of tangible fixed assets, prohibiting its deduction from the acquisition cost of the assets. This change is of retrospective application, without restatement of comparatives. This amendment will have no material effect on the Group's consolidated financial statements.

c) **IAS 37** (amendment) 'Onerous contracts – costs of fulfilling a contract'. This amendment specifies that in assessing whether a contract is onerous, only expenses directly related to the performance of the contract, such as incremental costs related to direct labor and materials and the allocation of other directly related expenses, such as the allocation of depreciation costs of tangible assets used to perform the contract, may be considered. This amendment should be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without restatement of the comparative. This amendment will have no material effect on the consolidated financial statements of the Group.

d) **IFRS 3** (amendment) 'References to the Framework'. This amendment updates the references to the Conceptual Framework in the text of IFRS 3, and no changes have been made to the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be adopted, regarding liabilities and contingent liabilities under IAS 37 and IFRIC 21, and prohibits the recording of contingent assets of the acquiree in a business combination. This amendment is of prospective application. This amendment will have no material effect on the Group's consolidated financial statements.

e) **Improvements to standards 2018 – 2020**. This improvement cycle amends the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 4.1. This amendment will have no material effect on the Group's financial statements.

2. Standards (new and amendments) published, application of which is mandatory for annual periods that start on or after 1 January 2022, and already endorsed by the European Union:

a) **IAS 1** (amendment), 'Disclosure of accounting policies' (effective for annual periods beginning on or after January 1, 2023). Amendment to the disclosure requirements of accounting policies based on the definition of 'material' rather than 'significant'. Information about an accounting policy is considered material if, in its absence, users of financial statements would not be able to understand other financial information included in those financial statements. Immaterial information about accounting policies need not be disclosed. IFRS Practice Statement 2 was also amended to clarify how the concept of "material" applies to the disclosure of accounting policies. This amendment will have no material effect on the Group's consolidated financial statements.

b) **IAS 8** (amendment), 'Disclosure of Accounting Estimates' (effective for annual periods beginning on or after January 1, 2023). Introduction of the definition of accounting estimate and how it is distinguished from changes in accounting policies. Accounting estimates are now defined as monetary amounts subject to measurement uncertainty that are used to achieve the objective(s) of an accounting policy. This amendment will have no material effect on the Group's consolidated financial statements.

c) **IFRS 17** (new and amendment), 'Insurance contracts' (effective for annual periods beginning on or after January 1, 2023). This new standard replaces IFRS 4 and applies to all entities issuing insurance, reinsurance or investment contracts with discretionary participation features if they are also issuers of insurance contracts. Under IFRS 17 insurance contract issuers need to assess whether the policyholder may benefit from a particular service as part of a claim, or whether this service is independent of the claim/risk event, and separate out the non-insurance component. Under IFRS 17, entities must identify portfolios of insurance contracts at initial recognition and divide them into at least the following groups: i) contracts that are onerous at initial recognition; ii) contracts that do not have a significant possibility of subsequently becoming onerous; and iii) remaining contracts in the portfolio. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty related to insurance contracts. IFRS 17 requires an entity to recognize income as it provides insurance services (rather than when it receives premiums) and to provide information about the insurance contract earnings it expects to recognize in the future. IFRS 17 provides three measurement methods for accounting for different types of insurance contracts: i) the General measurement model ("GMM"); ii) the Premium allocation approach ("PAA"); and iii) the Variable fee approach ("VFA"). IFRS 17 is retrospective with some exemptions at the transition date and will have no effect on the Group's consolidated financial statements.

d) IFRS 17 (amendment), 'Initial application of IFRS 17 and IFRS 9 – Comparative Information' (effective for annual periods beginning on or after January 1, 2023). This amendment applies only to insurance companies in the transition to IFRS 17, and allows the adoption of an "overlay" in the classification of a financial asset for which the entity does not apply retrospectively, under IFRS 9. This amendment aims to avoid temporary accounting mismatches between financial assets and insurance liabilities, in the comparative information presented in the initial application of IFRS 17, providing: (i) the application financial asset to financial asset; (ii) the presentation of the comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified in accordance with IFRS 9. This amendment will have no effect on the Group's consolidated financial statements.

e) IAS 12 (amendment), 'Deferred tax related to assets and liabilities associated with a single transaction' (effective for annual periods beginning on or after January 1, 2023). IAS 12 now requires entities to recognize deferred tax on certain specific transactions when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences. The subject transactions refer to the recording of: i) right-of-use assets and lease liabilities; and ii) provisions for dismantling, restoration or similar liabilities, and the corresponding amounts recognized as part of the cost of the related asset, when at the date of initial recognition they are not relevant for tax purposes. These temporary differences are not within the scope of the exemption of initial recognition of deferred taxes. This amendment is retrospective. This amendment will have no material effect on the Group's consolidated financial statements.

3. Standards (new and amendments) published, whose application is mandatory for annual periods beginning on or after 1 January 2022, not yet endorsed by the European Union:

a) IAS 1 (amendment), 'Non-current liabilities with covenants' (effective for annual periods beginning on or after January 1, 2024). This amendment is still subject to endorsement by the European Union. This amendment clarifies that liabilities are classified as current or non-current balances depending on the right that an entity has to defer their payment beyond 12 months after the reporting date. It also clarifies that covenants, which an entity is obliged to meet on or before the reporting date, affect the classification of a liability as current or non-current even if verification only occurs after the reporting date. When an entity classifies liabilities resulting from financing contracts as non-current and these liabilities are subject to covenants, it is required to disclose information that allows investors to assess the risk of these liabilities becoming repayable within 12 months, such as: a) the book value of the liabilities; b) the nature of the covenants and the compliance dates; and c) the facts and circumstances indicating that the entity may have difficulties in complying with the covenants on the due dates. This amendment has retrospective application. This amendment will have no material effect on the Group's consolidated financial statements.

b) IFRS 16 (amendment), 'Lease liabilities in sale and leaseback transactions' (effective for annual periods beginning on or after January 1, 2024). This amendment is still subject to endorsement by the European Union. Introduction. This amendment introduces guidance regarding the subsequent measurement of lease liabilities for sale and leaseback transactions that qualify as 'sales' under IFRS 15, with the greatest impact when some or all of the lease payments are variable lease payments that do not depend on an index or rate. In subsequently measuring lease liabilities, seller-lessees should determine "lease payments" and "revised lease payments" so that they will not recognize gains/(losses) on the right-of-use they retain. This amendment is retrospective. This amendment will have no material effect on the Group's consolidated financial statements.

NOTE 49
SUBSEQUENT EVENTS

Market conditions and instability in the financial sector

Financial markets have been extremely volatile since the beginning of 2023. After a start of the year marked by significant recoveries in most financial assets, the collapse of Silicon Valley Bank in mid-March generated a wave of instability focused on the financial sector.

Following this collapse, there was a contagion effect to other mid-sized financial institutions in the North American market, such as Signature Bank and First Republic Bank. At the same time, in Europe, the pressure and leakage of deposits from Credit Suisse increased, forcing the Swiss National Bank to make available a liquidity line of 50 billion Swiss francs and to intervene to force the acquisition of that financial institution by UBS.

Despite the mitigation of the more immediate risks of a spreading financial crisis, the sector remains in the midst of some turbulence, notably because of factors such as (i) the potential impact on banks' balance sheets of the contractionary monetary policies of global central banks, (ii) the heightened fears of depositors, other creditors and shareholders, and (iii) the terms of the acquisition of Credit Suisse by UBS and the unfavorable treatment of holders of Additional Tier 1 (AT1) bonds.

The Bank did not experience material impacts from this market environment during March, due to prudent risk management, which includes high capital ratios, focus on investment grade credit assets and high levels of liquidity and interest rate hedging.

As of the date of approval of the accounts, the Bank has no exposure to Silicon Valley Bank, Signature Bank and First Republic Bank. With regard to Credit Suisse at December 31, 2022 the Group had a total net exposure of €14 million (on-balance and off-balance) which was not affected by the acquisition process by UBS and therefore no additional impairment was required. During the first quarter of 2023 the Bank reduced the total net exposure to Credit Suisse, which at the date of approval of the accounts is very residual.

Uncertainty over the course of monetary policy of the major central banks

At the date of this report, there remains great uncertainty about the course of monetary policy of the major central banks over the coming months.

As of 2022, the central banks of the main economic blocks have been successively and expressively raising their reference interest rates in order to control persistently high inflation levels. In light of the most recent instability in the financial sector, and the risk of it worsening if interest rate hikes continue, there is currently greater uncertainty regarding monetary policy decisions over the coming months.

SUPERVISORY BOARDS

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President

João Manuel de Jesus Rufino
Secretary

Board of Directors

Carlos Adolfo Coelho Figueiredo Rodrigues
Chairman

José Fernando Catarino Galamba de Oliveira
Member of the Board of Directors

Maria Teresa Corrêa de Barros Cardoso de Menezes
Member of the Board of Directors

Mário João Abreu Galhardo Bolota
Chief Executive Officer (CEO)
and Member of the Board of Directors

Vítor Manuel Carvalho Luís
Member of the Board of Directors
and of the Executive Committee

Ana Rita da Costa Gil Simões
Member of the Board of Directors
and of the Executive Committee

Peter Alexander Baptista Rodrigues
Member of the Board of Directors
and of the Executive Committee

João Miguel Barrier Henrique
Member of the Board of Directors
and of the Executive Committee

Fiscal Board

Maria Aline Bastos Moreira Veloso de Almeida (President)
Pedro Rogério Barata do Ouro Lameira (Member)
Jorge Manuel Jacob Miguel Tainha (Member)

Effective Portuguese Statutory Auditor

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