REPORT AND CONSOLIDATED ACCOUNTS **'20**

BANCO INVEST

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GRUPO ALVES RIBEIRO

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Board of Director's Report

1. Governing Bodies

1. Governing Bodies

General Meeting of Shareholders

Charmain

Francisco Xavier Ferreira da Silva

Secretaries

Helena Isabel Nunes Menúria Neves Francisco
Paula Alexandra Silva dos Santos Viegas

Board of Directors

Charmain

Afonso Ribeiro Pereira de Sousa

Deputy Charmain

António Miguel Rendeiro Ramalho Branco Amaral

Members

Francisco Manuel Ribeiro
Luís Miguel da Rocha Barradas Ferreira
Marília Boavida Correia Cabral
Alexandre Wende Dias da Cunha
Carlos António Antolin da Cunha Ramalho
Miguel Alves Ribeiro Fontão de Carvalho

Audit Board

Charmain

AJean-éric Gaign

Members

José Manuel Lopes Neves de Almeida
Luis Alberto Monsanto Póvoas Janeiro

Statutory Auditor

KPMG, SROC, SA, represented by Miguel Afonso

2. Mail Financial indicators

2. Main financial indicators

Indicators (euros)	2016	2017	2018	2019	2020
Net interest income	12.744.235	16.428.142	20.412.001	25.284.910	29.256.393
Net income from financial operations	4.418.752	4.321.877	(689.975)	4.470.718	5.258.393
Net fees and commissions income	2.218.899	5.110.514	6.587.069	8.342.749	10.198.033
Other operating income / (losses)	4.208.002	49.886	6.879.054	917.548	1.542.367
Net operating revenue	**23.589.888**	**25.910.419**	**33.188.149**	**39.015.925**	**46.255.186**
Staff costs	(6.701.106)	(8.335.361)	(10.072.209)	(11.252.670)	(11.374.301)
Other administrative costs	(4.757.548)	(6.210.521)	(7.629.435)	(6.914.134)	(6.210.275)
Overheads	**(11.458.654)**	**(14.545.882)**	**(17.701.644)**	**(18.166.804)**	**(17.584.576)**
Amortisations and depreciations	(712.616)	(930.497)	(945.379)	(1.960.465)	(1.674.258)
Net provisions and impairments	996.437	(2.928.374)	(600.496)	(4.804.848)	(9.507.937)
Income before taxes	12.415.055	7.505.666	13.940.631	14.083.808	17.488.416
Provision for taxes	(1.968.780)	(2.504.969)	(195.096)	(2.392.939)	(4.514.131)
Net income for the year	**10.446.275**	**5.000.697**	**13.745.535**	**11.690.869**	**12.974.285**
Comprehensive Income	**10.364.721**	**3.737.856**	**12.232.272**	**14.233.266**	**14.781.025**
Net credit extended (1)	229.029.588	328.848.647	545.042.001	619.806.814	644.437.591
Loanss and advances to customers	144.158.935	257.045.291	312.163.551	392.573.397	401.376.720
Securitised loanss	84.870.653	71.803.356	232.878.450	227.233.417	243.060.871
Funds attracted	402.288.178	506.710.078	647.826.874	690.871.230	760.033.679
Shareholders' equity	**95.559.166**	**98.302.657**	**109.486.444**	**122.879.709**	**136.820.734**
Net assets	**511.838.017**	**620.094.535**	**773.125.908**	**842.313.377**	**925.203.322**
Transformation Ratio (Loanss and advances to customers/Resources from Customers)	40,2%	55,8%	53,1%	60,3%	66,3%
Liquidity Coverage Ratio (LCR)	182,8%	260,3%	211,9%	157,2%	224,4%
Net interest income (as % of net operating revenue)	54,0%	63,4%	61,5%	64,8%	63,2%
Provisions and Impairments (as % of net operating revenue)	(4,2%)	11,3%	1,8%	12,3%	20,6%
Common Equity Tier 1 ratio (CeT1)	22,8%	18,5%	16,7%	14,4%	16,4%
Total capital ratio	22,8%	20,0%	17,5%	15,0%	16,7%
RWAs (as % of Total Assets)	78,3%	72,0%	75,0%	81,1%	79,8%

(1) Financial assets at amortised cost, as from 2019
(2) Securities portfolio at amortised cost, as from 2019

3. Banco Invest

3. Banco Invest

Who we are

Banco Invest, S.A. (Banco Invest or the Bank) was incorporated in 1997 as Banco Alves Ribeiro, S.A., with head office in Lisbon and share capital of 20 million euros, wholly owned by the Alves Ribeiro Group.

In October 2005, the name was changed to Banco Invest, seeking to unequivocally reflect its Mission: to be recognised by the market as the financial institution that best meets the needs of private, corporate or institutional customers, in all the financial products that distance themselves from a routine bank relationship, and require greater involvement, proposing solutions which traditional banking, with its standardised offer, is unable to provide.

Banco Invest is a specialised and flexible bank, with highly qualified experts, devoted to the offer of sophisticated investment and savings operations. In a globalised and sophisticated world, investment opportunities are increasingly complex, requiring higher levels of specialisation and monitoring, which do not fall within the typical standardised offer of retail banks.

Since its foundation, the Bank has based its performance on principles of Ethics, Innovation, Independence and Security, values that cut across all areas of the Bank's operations. These values have allowed the Bank to achieve, since its incorporation, a sustained growth performance and levels of financial solidity far above the average of the national banking sector. At the end of 2020, the Bank's solvency ratio stood at 16,7% and Resources from Customer reached 654.6 million euros, corresponding to an annual average growth of 16,3% since 2008. Last year, net operating revenue surged 7.2 million euros (18,6%) to 46.3 million euros.

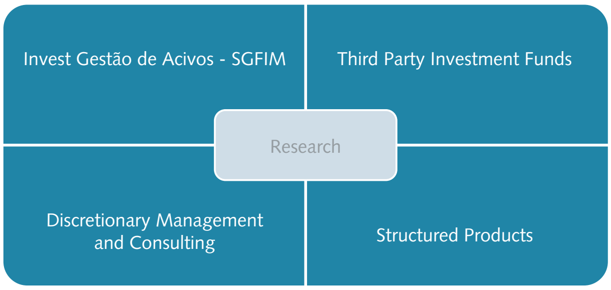
What we do

Banco Invest is specialised in the management of the Savings and Investments of its private, corporate and institutional customers, offering an open and independent structure, with a global and diversified offer of products and services.

The Bank's operations are currently divided into six main business areas: **Asset Management, Brokerage, Specialised Credit, Institutional Custody, Corporate Finance and Treasury and Capital Markets.**

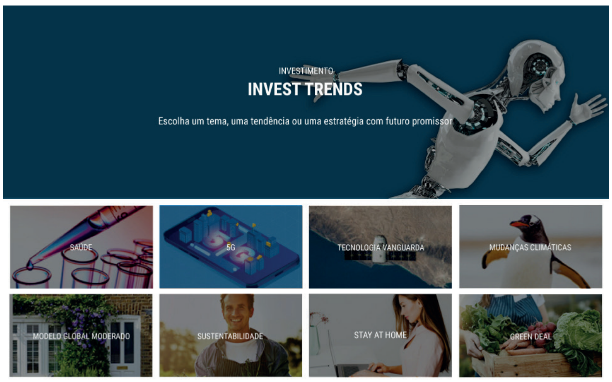
The Asset Management area includes the management of Own Investment Funds (mutual and real estate), the Distribution of Investment Funds managed by third parties, Discretionary Portfolio Management, Investment Consulting and the issue of Structured Products.

Asset Management



The Bank's Asset Management department is responsible for the management of the Securities **Investment Funds managed by Invest Gestão de Activos - Sociedade Gestora de Organismos de Investimento Colectivo, S.A.** (Invest Gestão de Activos), a company wholly owned by the Bank. Under the existing Cooperation Protocol with Invest Gestão de Activos, signed on 17 October 2001 and fully revised on 26 February 2021, the following are managed: the Alves Ribeiro - Plano Poupança Reforma, composed mainly of bonds, the Invest Ibéria, which invests in the Portuguese and Spanish stock markets, and the Smart Invest PPR, launched on 6 January 2021 and comprising three Sub-Funds with different risk profiles.

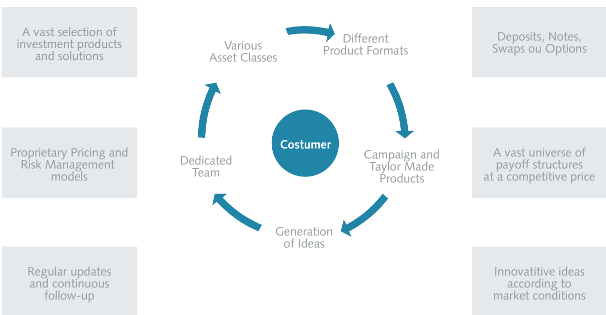
For the remaining geographies and asset classes, Banco Invest selects and distributes investment funds managed by other management companies (third party funds), offering its Customers around 1,000 investment funds managed by the most prestigious national and international management companies. The offer includes the various asset classes and geographical regions, providing a wide range of diversification alternatives for different risk profiles. Most of these investment funds are available on the Bank's website. Customers can search and compare products independently or subscribe to thematic portfolios. Banco Invest, through Invest Trends, offers 38 thematic portfolios that reflect market trends and investment strategies that offer long term growth potential. The portfolios are exclusively composed of investment funds and constructed by Banco Invest's Asset Management team.



The Discretionary Management of Customers' investment portfolios is conducted in accordance with each customer's risk profile and the intended level of return.

The Asset Management department structures and manages the Structured Products issued by the Bank, namely structured deposits. It is also responsible for the production of research and material supporting the sale of products on offer to Bank customers.

Structured Products



The Brokerage area includes the brokering and intermediation of shares, bonds, exchange traded funds, warrants and futures contracts. Banco Invest is present in the Prime Brokerage and Online Brokerage segments.

In the Prime Brokerage segment, the Bank offers a premium service, whereby Customers benefit from a direct relationship with traders. Traders' activity includes technical analyses, namely analyses of trends and of theoretically ideal levels of subscription and sale of securities, as well as the management of Customers' orders.

In the Online Brokerage segment, Bank customers can give orders through the website, from a desktop or mobile phone, or through the Invest Trader, Invest BTrader Plus and Invest BTrader Next trading platforms. Invest Bond Trader is the new trading platform, with an offering of over 1,000 public and private debt bonds and issuers from Europe, United States and Emerging Markets. With advanced tools and complete information of each issue, Invest Bond Trader permits the automatic integration of trades in customers' accounts.

Invest BTrader

The Institutional Custody area is directed at independent management companies of mutual and real estate funds. In addition to custody, the services offered include financial intermediation, risk hedging and management products and asset management for institutional customers.

The **Specialised Credit** area is divided into four types of offer: Margin Account, Mortgages, Popular Economic Credit (CEP) and BI Credit.

Margin Accounts
- Leveraging of own funds under the pledge of their security portfolios;
- Only securities with liquidity and listed on official markets are eligible.

Mortgages
- Medium-term loans to private customers subject to the provision of a real guarantee.

Popular Economic Credit
- Loans with precious metals as collateral;
- Directed at Customers with a significant part of their savings invested in precious metals, and which intended to resort to this reserve value to obtain funding.

BI Credit
- Auto loans;
- Vehicle leasing;
- Stock credit (line of credit for traders and to finance car fleets);
- Financing for new and used cars.

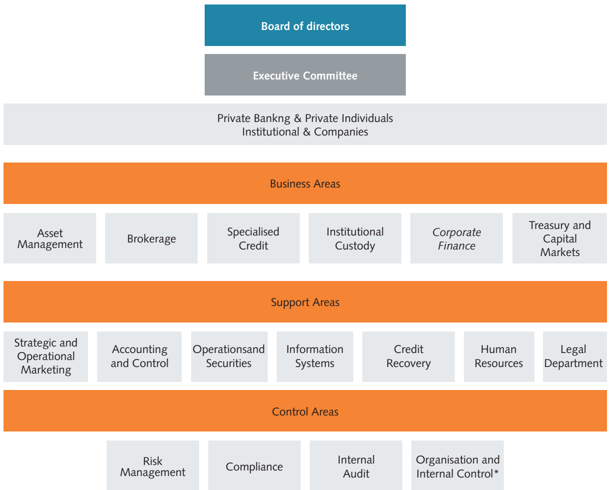
The Corporate Finance area, operating under the **Invest Corporate Finance** brand, is composed of a team with more than 25 years of experience in domestic and cross-border transactions. The services offered include Corporate Finance Advisory Services (e.g. Mergers and Acquisition Consultancy, Valuation of Companies, and Strategic and Financial Consulting, among others) and Capital Market Transaction Advisory Services (e.g. Bond Issuance, Syndicated Loanss, Project Finance, and Commercial Paper, among others). Banco Invest is an exclusive member for Portugal of IMAP, an international network of merger and acquisition advisory services with a presence in 43 countries. In 2020, operations carried out by the IMAP network came to approximately 12.5 billion US dollars.

The **Treasury and Capital Markets** area focuses its activity on liquidity and balance sheet management, optimisation of the use of funding and management of Banco Invest's equity and bond portfolio.

The management of liquidity seeks to optimise the structure of the balance sheet in order to maintain the temporal structure of maturities between assets and liabilities under control, taking into account the foreseeable growth of the Bank. Management is also constrained by the need to maintain a level of sufficient liquidity reserves to maintain prudent levels of liquidity coverage. Liquidity risk is managed in such a way as to keep pace with the growth of the Bank's assets and to ensure that cash requirements are met without incurring abnormal losses, while maintaining in the portfolio marketable assets that constitute a sufficient liquidity reserve. The definition of overall and partial risk limits is based on Value at Risk (VaR) methodologies, credit risk analysis - rating, stress tests and concentration limits per asset, per sector and per country.

The Financial Department is responsible for the management of the Bank's Cash Flow and Own Portfolio, according to the policies defined by the Bank's Investment Committee (CIB). The CIB, comprising the heads of the various areas involved, determines overall guidelines governing the Bank's position. It is then up to the Financial Department to manage the Bank's exposure to each market risk within the defined risk limits.

Organisation of the Bank



* The Department of Organisation and Internal Control was created in January 2021.

Over the course of the year, the Bank reinforced its commercial capacity with the creation and development of an external network of **Private Financial Advisers**, with extensive professional experience in banking and financial services, distributed throughout the various regions of the country. At the end of 2020, the physical distribution network of **Private Banking** was composed of the Private Banking unit, located at the Bank's head office, and 4 **Investment Centres**, located in Lisbon, Oporto, Leiria and Braga.

Awards

Banco Invest's good performance continued to be publicly acknowledged in several areas of financial activity by independent national and international entities.

The Alves Ribeiro - Plano Poupança Reforma (PPR) Fund was considered the best retirement savings plan with a risk level of 3 (on a scale of 1 to 7), by the Portuguese Association of Investment Funds, Pension Funds and Asset Management (APFIPP).

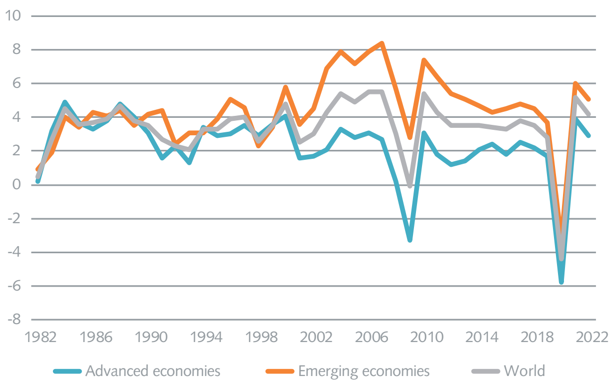
Also noteworthy was winning the Best Performance Portugal award 2021, attributed by Structured Retail Products (SRP), a company of the prestigious Euromoney Institutional Investor PLC group, which assesses about 29 million structured products issued in 54 countries (values with reference to December 2020). The award ceremony was held in early March 2021.

4. Macroeconomic background

Global economy

According to the latest estimates from the International Monetary Fund (IMF), the world economy is expected to contract by 3,5% in 2020. This is the worst record since World War II, but still less severe than anticipated in early forecasts made before the summer. The upward revision reflects a better-than-expected performance in the second and third quarters, following the widespread deconfinement in May and June last year. For 2021, global growth is expected to stand at 5,5%, allowing for a return to 2019 levels. However, recovery will be particularly uneven between western developed economies, whose recovery will be slower, and Asian economies (emerging and developed), where average growth is expected to reach 8%, according to the IMF.

World economic growth (annual % change)



Source: IMF, January-21

In the fourth quarter of 2020, US GDP grew 1.0% quarter-on-quarter (4,1% annualised) and posted an annual decline of -2,4%. The inflation rate ended the year at 1,4% and consumer confidence rebounded to 80.7 points (71.8 points in April 2020).

According to the IMF, GDP is expected to register a real growth of 5,1% in 2021, recovering from the 2020 loss (-3,4%). In the coming months, the trajectory of the US economy will be conditioned by three main factors - evolution of new cases of Covid-19, the effectiveness of the vaccine and the approval of massive fiscal stimulus, for investments in infrastructure and energy transition, among others. Once the presidential election is over, the new Administration should finally be able to release the longedfor fiscal stimulus, albeit less than the three trillion initially expected before the election. In effect, the new president's room for manoeuvre is expected to be limited, even considering the Democratic majority in Congress, leaving, once again, the Federal Reserve (FED) with a primary role in supporting the economy.

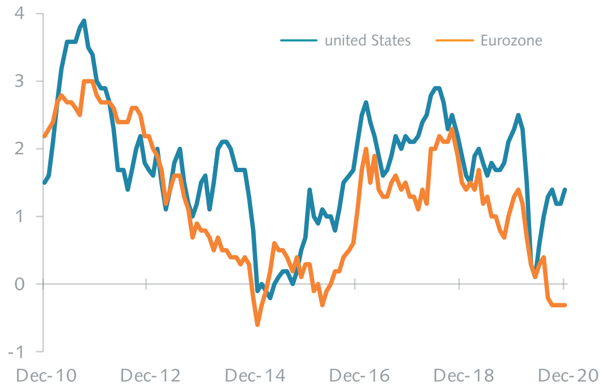
In this sense, in the context of the recent average inflation targeting policy, the FED is expected to keep interest rates unchanged throughout 2021, even if the fiscal stimuli result in higher inflation than is currently expected. Meanwhile, the maintenance of quantitative easing and a moderate rise in the inflation rate should limit the rise in interest rates and long-term yields, thus supporting the recovery of the economy next year.

In the eurozone the recovery will be slower. While the US economy is expected to reach 2019 levels by the end of next year, in the eurozone this is not expected to happen until the end of 2022. In fact, in addition to the uncertainty surrounding the evolution of the pandemic, there is also uncertainty about future trade relations with the United Kingdom post-Brexit, which are expected to be less favourable than until now. On the other hand, the containment of unemployment, which has remained relatively low until now due to strong public support, could also mean less labour market flexibility in the recovery phase, considering that many sectors, such as tourism and retail, may need less labour in the future. Finally, the dramatic increase in debt levels, resulting from massive fiscal support by various governments, directly and through the new Next Generation EU programme, also represents a brake on future potential growth, particularly in southern European countries.

In this context, the eurozone economy is expected to contract 7,2% in 2020 and recover 4,2% in 2021. As in the United States, the European Central Bank (ECB) is expected to keep interest rates unchanged, as well as adjust the target for the inflation rate and recalibrate the quantitative easing programme.

The inflation rate ended the year at -0,3% and the unemployment rate recovered to 8.3% in December 2020 from 8,7% in the middle of this year.

Inflation rate in the USA and eurozone (annual change, %)



Source: Bloomberg

In turn, emerging economies are expected to grow by an average of 6,3% in 2021, following a 2,4% contraction in 2020.

On the positive side, the Asian economies, in particular China, with expected growth of 2,3% and 8,1% in 2020 and 2021, respectively, stand out. On the contrary, countries like India and Brazil, hard hit by the pandemic, will take longer to recover from the severe recessions of 2020. In any case, emerging economies, on average, will continue to be the main contributors to world economic growth, benefiting from lower levels of public debt and the recovery of domestic consumption.

Portuguese Economy

According to the National Institute of Statistics (INE), in the 4th quarter of 2020, GDP registered a year-on-year decrease of 6,1% in volume, after the 5,7% contraction observed in the previous quarter. For the year as a whole, GDP fell by 7,6% in volume and 5,3% in value, to 202.7 billion euros. The contribution of domestic demand to the year-on-year change in GDP was less negative, from -3.5 percentage points (p.p.) in the third quarter to -2.7 p.p., mainly as a result of the less intense decrease in Investment, while private consumption registered a more pronounced reduction. Net external demand showed a more negative contribution in the 4th quarter, from -2.1 p.p. in the previous quarter to -3.5 p.p., with a stronger contraction of Exports of Goods and Services (-14,1%) than that observed in Imports of Goods and Services (-6,5%).

In turn, the average annual change in the Consumer Price Index (CPI) was zero in 2020 and the year-on-year rate of change stood at -0,2% at the end of the year. Excluding energy and unprocessed food (core inflation rate) from the CPI, the average rate of change was also zero (0,5% in 2019). The unemployment rate in December 2020 stood at 6,5%, down 0.6 p.p. from the previous month and down 0.2 p.p. from the same month in 2019.

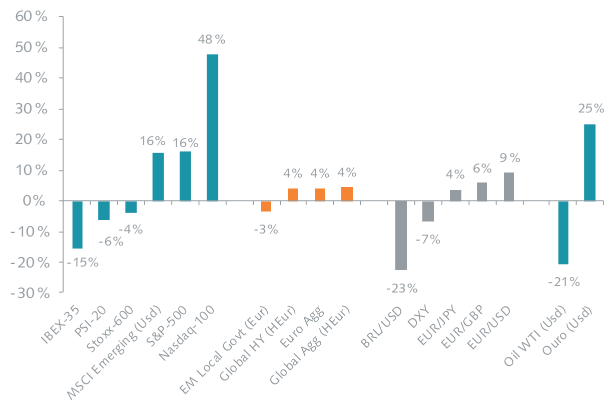
The deterioration of public accounts was significant as a result of the economic crisis and response to the Covid-19 pandemic. According to the Directorate General for the Budget (DGO), the Public Administrations recorded a deficit of 10.3 billion euros at the end of December 2020, which represents a worsening of 9.7 billion euros compared to the same period of the previous year, resulting from the combined effects of a decrease in revenue (5,6%) and an increase in expenditure (5,3%). The primary balance stood at -2.7 billion euros, down 10.2 billion euros from December 2019. Thus, according to the Treasury and Public Debt Management Agency (IGCP), the Direct State Debt in December 2020 was 268.3 billion euros, 6,9% more than in the same period last year, and around 132% of the national GDP.

Finally, according to the European Commission forecasts (February 2020) the national economy is expected to grow by 4,1% and 4,2% in 2021 and 2022, respectively.

Financial markets

After the volatility and sharp falls seen between mid-February and March of this year, the equity markets recorded remarkable recoveries, driven mainly by the large US technology companies, considered to be the big winners in a context of global pandemic and growing digitalisation of the economy, from consumption to work and leisure. Towards the end of the year, with the approval of the vaccines and the reduction of political uncertainty in the United States, following the presidential elections and the victory of Joe Biden, the more cyclical sectors, such as finance, industry and materials, also recorded significant increases, discounting the economic recovery in 2021.

Financial Markets in 2020



Source: Bloomberg

Thus, the MSCI World Index ended 2020 with a gain of 14,1% in USD (4,8% in EUR). In the United States, the S&P-500 benchmark rose 16.3% in USD (6,8% in EUR) and the Nasdaq-100 technology index rose an impressive 47,6% in USD (35,6% in EUR). In Europe, despite the recovery in the last quarter, the German (DAX-30) and British (FTSE-100) indices ended the year with variations of 3,6% and -14,3% (-19%, in EUR), respectively. The EuroStoxx-50 benchmark lost -5.1%, penalised by its more cyclical nature and greater exposure, among others, to the banking sector (-23,7%). In turn, the MSCI Emerging Index rose 15,8% in USD (6.4% in EUR). Among these, the Chinese market, with an appreciation of 11,6%, in EUR (measured by the Shangai Composite index), and the Latin American markets which, on average, lost -16,0%, in USD (-22,8%, in EUR, measured by the MSCI EM Latin America index), stand out.

At the end of the current health crisis, the world will certainly be more indebted. One of the few certainties that can be had at this point is that countries will emerge from this crisis with an even larger stock of debt after the massive fiscal stimulus undertaken to save their respective economies and national health services. The situation, however, is not as serious as in 2011, to the extent that central banks have kept yields on public debt artificially low, even for countries with more fragile public accounts, as in the case of southern European countries. .

Yields on Public Debt (in %)

	2 Years	3 Years	5 Years	7 Years	10 Years	30 Years
Switzeland	-0.84	-0.82	-0.77	-0.70	-0.58	-0.36
Germany	-0.72	-0.77	-0.74	-0.69	-0.57	-0.16
Netherland	-0.73	-0.74	-0.71	-0.64	-0.49	-0.09
Finland	-0.75	-0.74	-0.73	-0.62	-0.43	-0.03
Austria	-0.71	-0.70	-0.70	-0.63	-0.43	0.09
France	-0.72	-0.73	-0.68	-0.57	-0.34	0.36
Japan	-0.13	-0.13	-0.11	-0.09	0.02	0.64
Portugal	-0.73	-0.60	-0.44	-0.25	0.03	0.73
Spain	-0.63	-0.58	-0.40	-0.26	0.04	0.86
United Kingdom	-0.17	-0.12	-0.09	0.02	0.19	0.75
Italy	-0.42	-0.29	-0.01	0.19	0.54	1.42
United States	0.12	0.17	0.36	0.65	0.92	1.65

Source: Bloomberg

In effect, in the United States, the yield on 10-year Treasuries ended the year at 0,92%, down 100 basis points (bp) compared to the end of 2019. In the eurozone, the yield on 10-year German Bunds fell 38 bp, to -0,57% by the end of 2020, with gains led by Italian government debt, whose 10-year yield fell from 1,41% to 0,54% over 2020. In Iberia, the risk premiums, vis-à-vis Germany, of Portugal and Spain remained practically unchanged vis-à-vis the end of 2019, with 10-year yields ending at 3 and 4 bp, respectively.

In the credit markets, the year was marked, as in the equity markets, by high volatility. Despite the strong recovery from March values, credit spreads in the High Yield segment ended slightly above end-2019 values in both the US (+13 bp) and Europe (+54 bp), at 293 and 358 bp, respectively. In the Investment Grade segment, the increase in credit spreads was residual, having closed the year at 50 bp and 48 bp, respectively.

In the foreign exchange markets, the USD lost -8,2% against the EUR, penalised by the Federal Reserve's cut in interest rates and consequent reduction of the differential against the eurozone, and by the prospects of worsening public accounts with the new Democratic government. In turn, against the Yen (JPY) and the Pound (GBP), the Euro ended the year with gains of 3,6% and 5,7%, respectively.

Finally, among the commodities, the extreme volatility of the price of oil, whose futures contracts traded as low as -37.63 USD in April and ended the year at 48.52 USD (WTI), recovering with the prospect of the gradual normalisation of economic activity, stands out. In turn, the price of gold rose 25,1%, in USD, supported by the depreciation of the US dollar and the expansion of central banks' balance sheets.

5. Business

Balance Sheet and Net Income

The crisis arising from the pandemic of COVID-19 generated an unprecedented economic shock and high uncertainty. Despite being better prepared and more resilient than in the previous global financial crisis that began in 2008, the domestic banking sector is currently facing increased pressures from the deep economic recession, high uncertainty about the recovery, maintenance of very low interest rates and a potential increase in credit defaults.

According to the Portuguese Banking Association (APB), in the first nine months of 2020, total assets of the national banking system increased 5,4%, compared to the end of the previous year, largely as a result of the increase in cash and balances at central banks, debt securities and loanss to customers, namely companies, due to the strong liquidity needs felt by the business sector during the pandemic crisis. This development was accompanied by an improvement in the quality of assets, with the Non-Performing Loanss (NPL) ratio falling to 5,3%, down 0.9 percentage points (pp) relative to the end of 2019. However, the downward trend in NPLs, which has been recorded since 2014 (16,6%), may be interrupted in view of the likely increase in default levels as a result of the crisis caused by COVID-19.

On the Liabilities side, despite the increase in the amount of customer deposits, with a growth of 3.8%, in the same period, as a result of the increase in savings levels and reduction in consumption, customer deposits lost weight in the financing structure of the sector, considering the 85.8% increase in Central Bank Resources, to 32,136 million euros, about 8.6% of Assets (more 3.7 p.p. compared to the end of 2019). In any case, this strong increase was transversal in European countries, as a result of the monetary policy measures adopted by the European Central Bank in response to the crisis. Considering the decrease of the Transformation Ratio, to 85,2% (1.9 p.p. less than at the end of 2019), the liquidity indicators have registered a very positive evolution, with the liquidity coverage ratio, average for the sector, standing at 235.9% in September 2020 (up 17.4 p.p.).

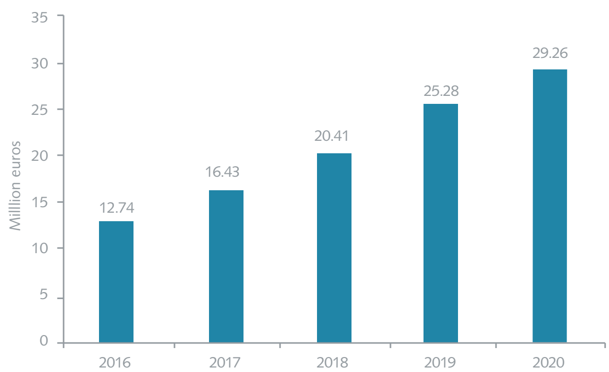
The trend in the solvency ratio of the domestic banking sector remained equally positive. In September 2020, Common Equity Tier 1 (CET1) was 14.9% (up 0.6 p.p. from December 2019) and the total solvency ratio rose from 16,9% to 17,6% in the same period.

However, as a result of the context associated with the COVID-19 pandemic, until September 2020, the return on equity (ROE) of the national banking system suffered a significant reduction to 1,7%, down from 4,9% at the end of 2019, reversing the recovery trend it had been recording since 2018.

Against this backdrop, Banco Invest maintained profitability above the sector average, with ROE reaching 10,0% and ROA 1,5%, while also achieving higher growth, with net operating revenue increasing 18.6% to 46.3 million euros.

Net interest income increased 4.0 million euros (15,7%) to 29.3 million euros. This momentum is explained by the increase in the loans portfolio, which grew 24.6 million euros to 644.4 million euros.

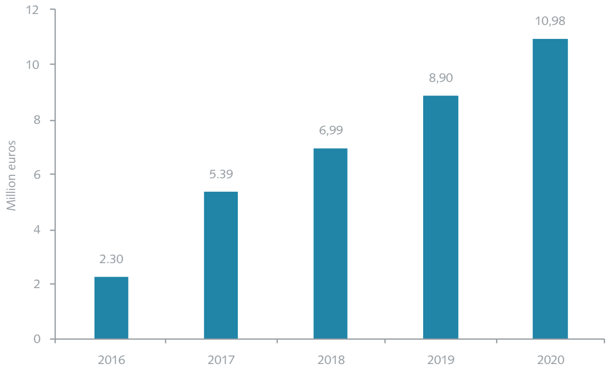
Net Interest Income



Source: Banco Invest

Net commissions increased 1.9 million euros (22.2%) to 10.2 million euros, as a result of the increase in commissions for services rendered that grew 2.2 million euros (47.5%).

Net Commissions



Source: Banco Invest

Net income from financial operations increased 0.8 million euros to 5.3 million euros in 2020. This performance was sustained mainly by gains registered in the valuation of assets recorded in the portfolio at fair value, which amounted to 4.6 million euros, compared to 2.7 million euros in the previous year.

Impairments for the year reached a total of 8.6 million euros, compared to 3.2 million euros in the previous year. This increase was due to the rise in credit impairment resulting, on the one hand, from the growth of the portfolio and, on the other hand, from the implementation of a more cautious policy of constituting impairments taking into account the sharp drop in economic activity in 2020 and the existence of credit moratoria.

As mentioned in the attached notes, on 31/12/2020, the **total loanss in moratorium** at Banco Invest amounted to 36.7 million euros, corresponding to only 8,73% of the portfolio of gross loanss, which compares with 22,7% (46.1 billion) of the total loans portfolio of the sector, granted to Individuals and Non-financial Companies. The Bank is therefore in a comfortable position, especially if we consider that 77,5% of total loanss in moratorium correspond to loanss with real estate collateral, with the remaining 22,5% referring to car loanss.

Loanss in moratorium are subject to high scrutiny in order to assess, at all times, the risk profile of each loans and the appropriate impairments. All exposures subject to moratorium or restructuring, whatever their nature, are marked and classified in the IT systems, and it is possible to consult their characteristics, as well as the full financial plan before and after their implementation. The Bank has adopted specific measures to monitor exposures in moratorium that allow the timely detection of possible signs of unlikeliness to pay, which will result in the adjustment of staging and/or the marking of exposures as NPL.

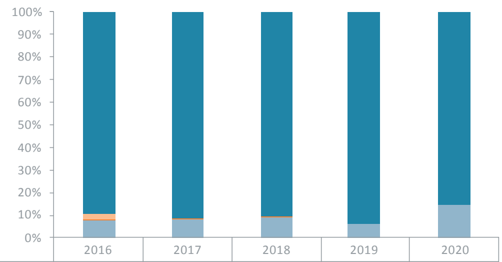
The provisions of 0.9 million euros correspond to commitments made to partners in activities that are intended to be segregated in the future into the Bank's subsidiaries.

Net Assets increased 82.9 million euros (9,9%) to 925.2 million euros. Financial assets at amortised cost registered a net increase of 24.8 million euros (4,0%), of which 8.8 million euros correspond to the increase in loanss and advances to customers.

Liabilities grew 68.9 million euros (9,6%) to 788.4 million euros, with Resources from Central Banks increasing 65.8 million euros (168,0%) to 105.0 million euros, and **Resources from Customers** falling 3.9 million euros to 654.5 million euros. Growth was registered in both Individuals and Institutional Customers, with increases of 4,0% and 35.4%, respectively (excluding interest payable. At the end of 2020, the Private Customers segment represented about 84% of Resources from Customers.

The portfolio of assets eligible for net lending from the Eurosystem increased by 35,1% to EUR 269.5 million (net of haircuts and valuations), of which EUR 98.3 million were not used and therefore likely to be converted into liquidity

Structure of Resources



	2016	2017	2018	2019	2020
Deposits	359.8	462.7	588.1	650.6	654.5
Securitisations	10.9	0,0	0,0	0,0	0,0
Bonds issued	0.1	0,0	0,0	0,0	0,0
From other credit institutions	1.0	3,0	1.8	0,2	0,3
Fom Central Banks	29.0	39.2	56.7	39.2	105.0

Source: Banco Invest

The **transformation ratio** increased 6 p.p. to 66,3%, a figure that has been grew and which reflects the Bank's strategy of expansion of its loans portfolio.

The **total capital ratio**, calculated in accordance with the Bank of Portugal's rules is 16,7%, while the Common Equity Tier I ratio came to 16,3%, compared with 15.0% and 14,4% respectively in the previous year.

In operating terms, the distribution of income and of the main balance sheet items, in 2020 and 2019, was as follows:

Distribution by Operating Segments

Indicators (Thousand euros)

	2020			2019		
	Comercial	Mercados	Total	Comercial	Mercados	Total
Net interest income	23.405	5.851	29.256	20.228	5.057	25.285
Income from equity instruments	-	-	-	-	-	-
Net fees and commissions income	10.198	-	10.198	8.343	-	8.343
Net Gains / (losses) from assets and liabilities assessed at fair value through profit and loss.	-	4.639	4.639	-	2.697	2.697
Income from financial assets at fair value through other comprehensive income	-	1.754	1.754	-	1.305	1.305
Net Gains / (losses) from financial assets available for sale	-	-	-	-	-	-
Other operating revenue and other	1.542	-1.135	407	917	469	1.386
Net operating revenue	35.146	11.109	46.255	29.488	9.528	39.016
Staff costs and general administrative costs	-13.188	-4.397	-17.585	-13.625	-4.542	-18.167
Amortisations and depreciations	-1.256	-418	-1.674	-1.470	-490	-1.960
Provisions and impairment	-9.330	-178	-9.508	-4.202	-602	-4.804
Income before taxes	11.371	6.117	17.488	10.190	3.894	14.084
Taxes	-761	-3.753	-4.514	-1.818	-575	-2.393
Net income for the year	10.610	2.364	12.974	8.372	3.319	11.691
Financial assets held for trading	-	39.972	39.972	-	44.767	44.767
Financial assets not held for trading mandatorily at fair value through profit or loss	-	26.330	26.330	-	22.663	22.663
Financial assets at fair value through other comprehensive income	-	126.065	126.065	-	80.789	80.789
Loans and advances to customers	401.377	-	401.377	392.573	-	392.573
Debt securities	-	243.061	243.061	-	227.233	227.233
Resources from Central Banks	-	105.000	105.000	-	39.180	39.180
Resources from credit institutions	-	251	251	-	207	207
Resources from customers and other loans	654.534	0	654.534	650.596	-	650.596
Non-subordinated debt securities issued	-	1.560	1.560	-	815	815

Source: Banco Invest The 'Markets' segment includes the areas: Treasury and Capital Markets

Asset Management

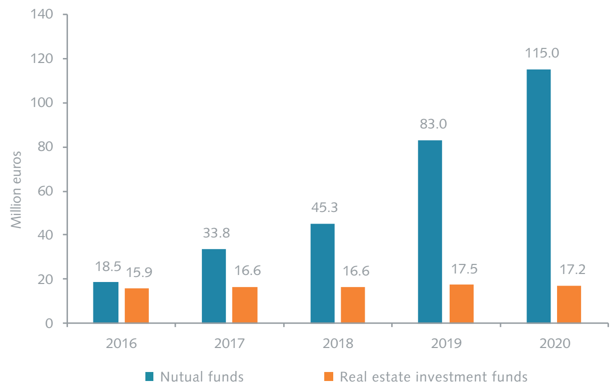
Investment Funds of Invest Gestão de Activos - SGFIM, S.A.

The **Alves Ribeiro - Plano Poupança Reforma** Fund closed 2020 up 0,6%. The year 2020 has once again reminded investors of the importance of medium and long-term investment and, in particular, the importance of "not exiting the market entirely" in periods of turbulence, such as March 2020. Since then, the recovery has been significant in the different asset classes, and supported by central banks, which put further pressure on interest rates and boosted valuations and appraisals of assets with higher risk. In this context, overall, the main positive contributions to the Fund's performance came from the bond market. On the contrary, in the equity component, the Fund was penalized by the greater exposure to European markets and Value investment style, particularly to the financial sector. Since the start of the portfolio's activity, in November 2001, the annualised return stands at 6.8%.

In turn, the **Invest Ibéria** Fund closed the year down 22,5%. In general terms, the performance relative to the PSI-20 and IBEX-35 indexes was penalised by the strong impact of the crisis caused by the COVID-19 pandemic, particularly in the Financial, Telecommunications and Materials sectors, where the Fund has relevant exposures. However, considering the respective valuations, the Fund maintains the referred sector positions, expecting a recovery in 2021, as the Iberian economies resume growth, accompanied by rising public debt yields, historically positive for the more cyclical sectors and Value. Since the start of the new Iberian strategy in December 2016, the Fund has recorded a loss of 16,7%, which compares with -12,4% and 6,5% of the IBEX-35 and PSI-20 indices, respectively, over the same period.

In the last year, the assets under management of the Investment Funds managed by Invest Gestão de Activos increased 31.7 million euros (31,5%) to 132.2 million euros. As in the previous year, the main contributor to this growth was the Alves Ribeiro - PPR Fund, with an 43,9% increase in assets under management, while the Real Estate Investment Funds closed practically unchanged compared with the previous year, with an amount under management of around 17.2 million euros.

Own Investment Funds under management



Source: Banco Invest

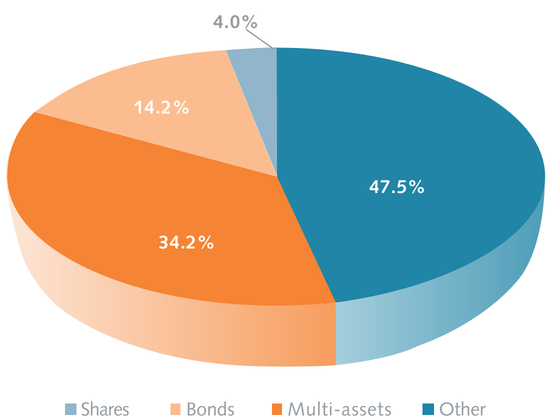
The **Smart Invest PPR/OICVM** - Fundo de Investimento Mobiliário Aberto de Poupança Reforma fund commenced operations at the beginning of 2021, on 6 January. The Fund is made up of three open-ended retirement savings investment Sub-Fund:
. Conservative Smart Invest PPR/ UCITS;
. Moderate Smart Invest PPR/OICVM;
. Dynamic Smart Invest PPR/OICVM.

With the launch of this new fund, Invest Gestão de Activos complemented its offer of securities investment funds with another tax attractive product directed at savers interested in diversifying their financial investments across various asset classes and geographic regions, in an efficient and low cost manner, adjusted for different levels of risk profile.

Third Party Investment Funds

In 2020, the amount distributed of investment funds managed by third parties registered an increased of 27,7% to 139.6 million euros. This growth reflected the Bank's focus on increasing its commercial network and investors' growing demand for investment alternatives, against a background of very low interest rates on traditional term deposits. Of the amount placed, about 48% corresponded to equity funds, 34% to bond funds and 14% to multi-asset funds.

Distribution of Third Party Investment Funds



Source: Banco Invest. Average values 4th Quarter 2020

During the year, the Bank increased its third-party fund offering with the addition of three new management companies - Merian Global Investors, Franklin Templeton International and Fidelidade SGOIC - to a total of 21 companies, covering all asset classes, geographies and investment strategies.

The thematic funds continued to be among the most popular investment strategies In this sense, the Bank has continued to develop new thematic portfolios - Invest Trends - , which represented approximately 22% of total funds at the end of the year, reflecting the very positive acceptance by Customers of thematic investment as a form of diversification of investment portfolios.

Discretionary Management

The year 2020 was the year of the pandemic, lockdowns and global economic recession, and the US presidential election. Along the way, central banks and governments announced massive monetary and fiscal aid, boosting financial markets, particularly the riskier asset classes such as Equities and Credit. It was also the year of the analysts, with various prognoses and scenarios about the post-Covid world. Among the various uncertainties that remain, it seems relatively safe to expect that 2021 will be the year of vaccines and economic recovery.

In this context of high uncertainty, the portfolios under discretionary management closed 2020 with returns of between 3,2% (Conservative Profile) and 3,9% (Dynamic Profile), net of management fees, which represents an outperformance of 230 and 330 basis-points in relation to the respective benchmarks. This good relative performance was mainly due to the defensive positioning in early 2020, with a high percentage of liquidity in the portfolio, and the rapid repositioning after the strong declines caused by the outbreak of the pandemic, in themes such as technology and alternative energies, among others.

Return and Risk

Source: Banco Invest Median net yields and volatilities by risk profile since the beginning of activity (except for the Dynamic Profile, last 10 years). Values on 31-Dec-20

Structured Products

During 2020, the Bank continued its activity of issuance of structured products for Private Customers and financial derivatives for Institutional Customers.

In the Private Customers segment, in a context of high uncertainty and volatility, caused by the Covid-19 pandemic, the amounts issued registered a decrease of 22,9% in 2020. In fact, the fall in interest rates and the high volatility of equity markets made it difficult to place products with guaranteed capital, as is the case with the vast majority of the products marketed in this segment. Over the course of the year, 15 structured deposits, with an annual average return of 0,73% (guaranteed capital), and 10 structured products, with an annual average return of 0,04% (risk up to 2,5% of the invested capital), were repaid. Among the issues conducted, the following are noteworthy:

Brokerage

During 2020, brokerage commissions increased 75% over the previous year to around 2.8 million euros. Customers' preference for online activity persisted, with a relative weight in total turnover of around 88%.

The value of orders received in shares by intermediaries in Portugal increased 70,9% in 2020, according to the CMVM. The basis for this growth in the volume of transactions is likely to have been the high volatility recorded throughout the year, with an abrupt devaluation in the first quarter, followed by a recovery of more than 40% by the end of the year. In this context, the Bank recorded an increase in its market share of 0.5 percentage points in 2020, to 3,3%, due to growth in the value of orders received which was significantly higher than that recorded by the competition (103,6% and 70,9%, respectively).

2020

Invest Saúde Fev-20

Index: Sanofi, Glaxo, Bayer, Roche, Abbvie

Maturity: 24 months

Capital Protection: 100%

Currency: EUR

Per Anuan Máx: 1,756%

Per Anuan Min: 0,024%

BANCO INVEST

2020

Invest 5G Jul-20

Index: Vodafone, ASML, Qualcomm, Crown Castle, Corning

Maturity: 24 months

Capital Protection: 100%

Currency: EUR

Per Anuan Máx: 1,171%

Per Anuan Min: 0,0%

BANCO INVEST

2020

Invest Green Deal Out-20

Index: RWE, Enel, Engie, Nextera Energy, Schneider Electric

Maturity: 24 months

Capital Protection: 100%

Currency: EUR

Per Anuan Máx: 1,341%

Per Anuan Min: 0,0%

BANCO INVEST

2020

Invest PFC Security Abr-20

Index: Allianz, IBM, Thales, 3M, Juniper, Networks

Maturity: 12 months

Capital Protection: 97,5%

Currency: EUR

Per Anuan Máx: 4,306%

Per Anuan Min: -2,50%

BANCO INVEST

2020

Invest PFC Energy Jun-20

Index: Exxon Mobil, BP, Repsol, Royal Dutch Shell, ENI

Maturity: 12 months

Capital Protection: 97,5%

Currency: EUR

Per Anuan Máx: 3,871%

Per Anuan Min: -2,50%

BANCO INVEST

2020

Invest Infraestruturas Nov-20

Index: AT&T, Siemens, Engie, Vinci, Ferrovial

Maturity: 24 months

Capital Protection: 100%

Currency: EUR

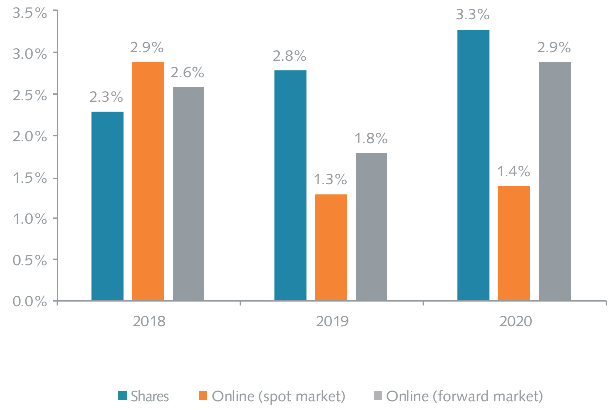
Per Anuan Máx: 0,977%

Per Anuan Min: 0,049%

BANCO INVEST

With regards to Institutional Customers, the Bank continued to serve domestic banks with risk coverages for their own issues. At the end of 2020, the portfolio under management came to 74.4 million euros, up 56,6% on the previous year, mostly composed of equity option swaps.

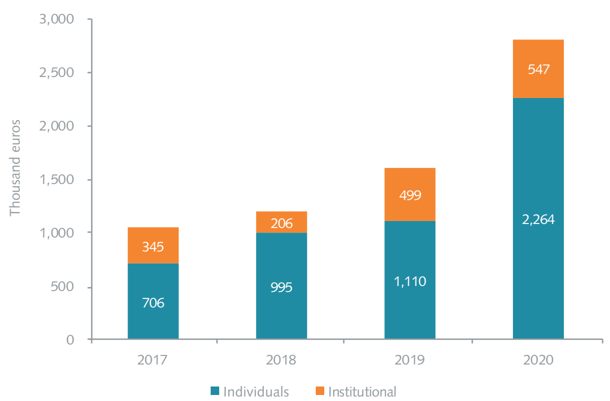
Market Shares of Banco Invest Reception of orders



Source: CMVM. Values accumulated in the year

By type of customer, the Private Customers segment registered a 104% increase in 2020, representing about 81% of total Customer brokerage commissions. In the Institutional Customers segment, growth reached 10% relative to 2019, consolidated the development of Corporate Finance activity, particularly with the intermediation of bonds and commercial paper.

Brokerage commissions



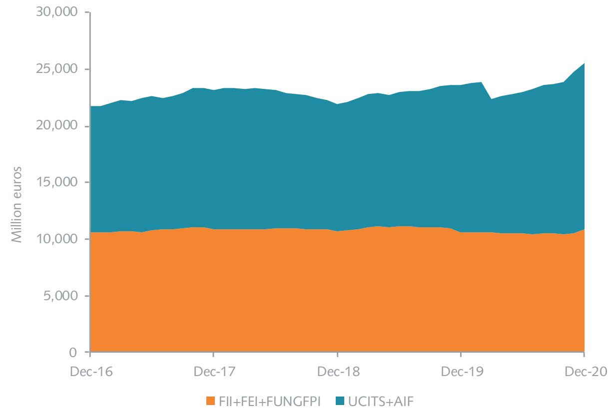
Source: Banco Invest

Financial Services and Institutional Custody

According to figures revealed by the CMVM, the amount managed by Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds in Transferable Securities (AIFs) totalled 14.669 million euros at the end of 2020, up 12,9% on the same period in 2019.

In turn, the value under management of real estate investment funds (REIFs), special real estate investment funds (SREIFs) and real estate management funds (REMFs) reached 10.835 million euros (10.511 million euros at the end of 2019), 324 million euros (+3,1%) more than the previous year.

Mutual and Real Estate Funds, value under management in Portugal



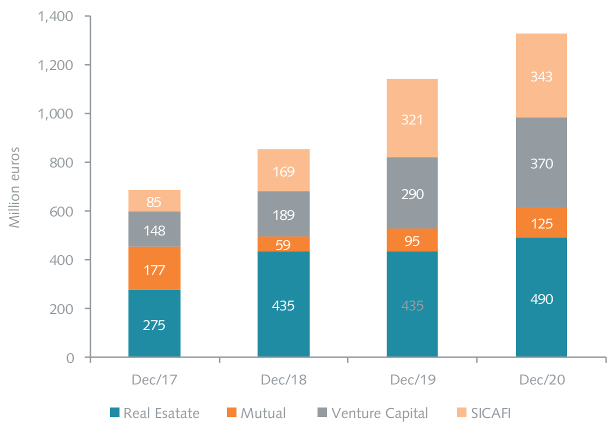
Source: CMVM

In this context, the Bank significantly strengthened its position as a reference custodian bank for the independent investment fund management companies operating in the domestic market.

At the end of 2020, the Bank provided custodian banking services to 45 (+4) Collective Investment Undertakings (CIUs), managed by 8 Management Entities, with a predominance of Real Estate Investment Funds and FCICs (60%). Venture Capital Funds represent approximately 27% of funds under custody and mutual funds represent 13%.

At the end of 2020, the total assets of the CIUs to which the Bank provides custody exceeded 1.300 million euros, a very significant growth compared to the figure at the end of 2019 and which reflects not only the market's recognition of the quality of the services provided, but also the growth and success of the Bank's Customers.

Assets under Custody



Source: Banco Invest

Corporate Finance

During the year, Invest Corporate Finance acted as Arranger and Lead Manager in about 60 Commercial Paper issues, for a total amount of 170 million euros. In the bond segment, operations in which Banco Invest participated exceeded 200 million euros.

Several Advisory and Euro Commercial Paper issues were also carried out, for both private companies and public entities.

In this context, the Bank, under the **BI Credit** brand, granted credit for the acquisition of used vehicles in the amount of 86.5 million euros (new production), 2,6% less than the previous year, and about 4,9% of total national production in 2020. At the end of the year, BI Credit's performing loans portfolio came to 273.5 million euros, about 70% of the total performing loans to customers portfolio.

Invest Corporate Finance

sata Advisory to SATA airline group on obtaining a €132Mn emergency liquidity support facility **Financial Advisor** **2020**	cuf Advisory on the consent solicitation process of CUF's 2020 covenant waiver request **Financial Advisor** **2020**	Finançor Advisory to Finançor on the acquisition of Solmar and Cash and Carry supermarkets from Grupo Marques Distribuição **Financial Advisor** **2020**	Finançor Advisory to Finançor on the acquisition of Solmar supermarkets from Grupo Marques Distribuição **Financial Advisor** **2020**	ctt Advisory to CTT on Real Estate Portfolio Optimizing Strategies **Financial Advisor** **2020**
MOTA-ENGIL Solid 50% of HL - Sociedade Gestora do Edifício, SA Solid 40% of HAÇOR - Concessionária do Edifício do Hospital da Ilha Terceira, SA **Financial Advisor** **2020**	RUSSIAN EXPORT CENTER Advisory on Judicial Reorganization Plan of Fertilizantes Heringer (BRAZIL) **Financial Advisor** **2020**	AUTO-ESTRADAS DOURO EB Facility Agent, Facility agent and Intercreditor Agent on AEDL's Project Finance Facility **Financial Advisor** **2020**	Electricidade da Madeira EUR 10.000.000 **Commercial Paper** Arranger and Lead Manager **2020**	EDA Electricidade dos Açores EUR 10.000.000 **Commercial Paper** Arranger and Lead Manager **2020**
ARA EUR 100.000.000 **ECP** Global coordinator **2020**	cuf EUR 10.000.000 **ECP** Dealer **2020**	JOSÉ DE MELLO · SAÚDE EUR 33.000.000 **Term Loan** Debt Advisor **2020**	EUR 180.000.000 **Bonds 2020-2027** Joint Arranger and Lead Manager **2020**	BENFICASAD EUR 50.000.000 **Bonds 2020-2023** Placement Syndicate **2020**

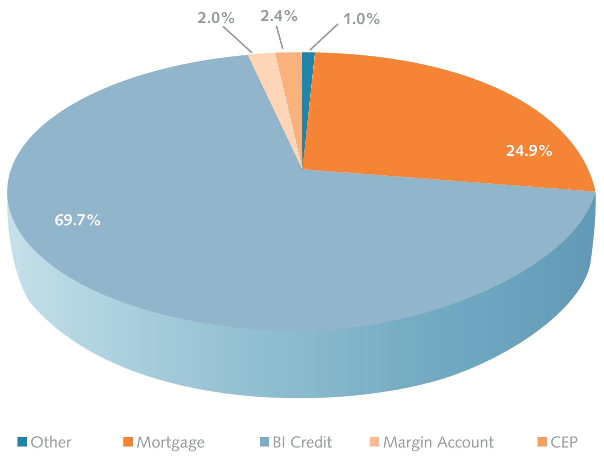
Financial assets at amortised cost
Loanss and advances to customers

According to the Bank of Portugal, the amount of consumer credit came to 5.9 billion euros in 2020, representing a decrease of 22,4% relative to the previous year. Of this total, loanss for the acquisition of used vehicles represented 1.8 billion euros (30,5%), with an annual decrease of 15,3%.

In turn, **Mortgage** credit came to 97.6 million euros at the end of 2020. This portfolio is mostly composed of loans secured by real estate assets to small and medium-sized companies. In addition, the Bank holds, in most operations, personal guarantees from debtors or guarantors. Real estate guarantees are subject to periodic reassessments by certified and independent Technical Appraisers, in accordance with standards that reflect the evolution of the corresponding regional real estate markets, nature of properties, use and liquidity potential.

To a lesser extent, the amounts of performing loanss from **CEP**, loanss secured by precious metals, and of the **Margin Accounts**, ended the year at 9.5 and 7.8 million euros, respectively.

Performing loanss to customers



Source: Banco Invest

Financial assets at amortised cost
Debt securities

At the end of 2020, total gross performing loanss came to 635.7 million euros, of which 38,3% was securitised. In fact, the Bank has given priority to the concession of loanss to medium-sized and large companies through securitised loanss, considering their greater liquidity and lower raising and funding costs. Of this amount, about 32,7% was invested in government bonds and the remainder in corporate bonds. The largest sectoral exposures were to the Energy (13,8%), Non-Cyclical Consumption (12,9%) and Utilities (9,2%) sectors.

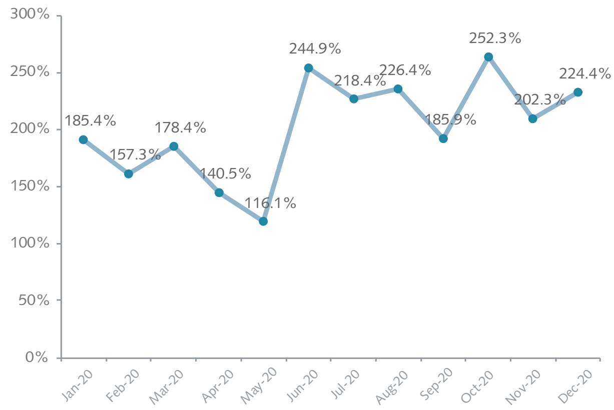
Treasury and Capital Markets

Over the course of 2020, customer deposits increased 5.3 million euros (excluding interest payable), a growth of 0.8% that allowed to continue to comfortably finance the expansion of the loans portfolio. In the capital markets, in spite of the volatility, the year was marked by the strong appreciation of the US equity markets and moderate increase in credit spreads, in both Investment Grade and High Yield segments.

Liquidity and Funding

Since the entry into force of the Basel III rules in 2015, Banco Invest has presented a Liquidity Coverage Ratio clearly above the minimum required. Banco Invest's Liquidity Coverage Ratio increased from 157,2% in December 2019 to 224,4% in December 2020, a value which remains far above the minimum legal level (100%).

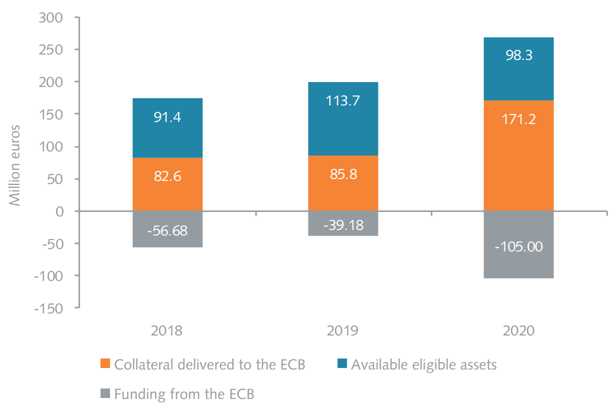
Liquidity Coverage Ratio (LCR)



Source: Banco Invest

In December 2020, Banco Invest held 269.5 million euros of liquid assets eligible for refinancing operations with the European Central Bank, thus ensuring the Bank's capacity to obtain liquidity from that institution. On that date, 105.0 million euros were drawn, with 164.5 million euros of financing from the Eurosystem still available. For the Bank's liquidity, there are also 17.3 million euros of liquid securities that can be sold on the secondary market at any time. These available liquid resources, which correspond to 19,7% of the Bank's total assets, and the high capital ratio shown (16,7%), position Banco Invest as one of the most solid financial institutions operating in Portugal.

Eligible assets and funding from the ECB

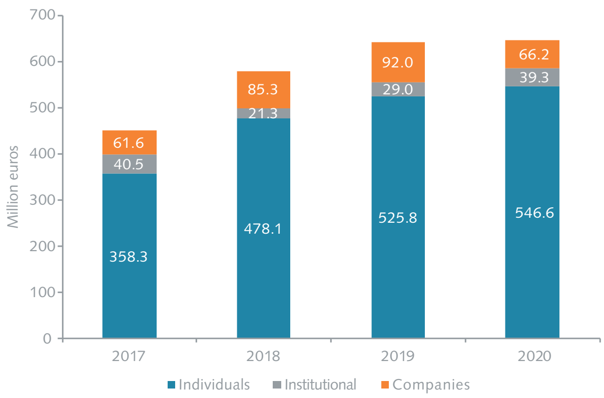


Source: Banco Invest

In 2020, the funding obtained from the ECB (105.0 million euros) corresponded to funds obtained under the Target Longer-Term Refinancing Operations (TLTROs, 100.0 million euros) and Pandemic Emergency Longer-Term Refinancing Operations (PELTROs, 5.0 million euros), launched by the ECB with the aim of promoting financing and the recovery of the economy.

Excluding interest payable, Resources from Customers increased 0.8% to 652.1 million euros. Growth was registered in both Corporate and Institutional Customers, with increases of 4,0% and 35,4%, respectively. At the end of 2020, the Private Customers segment represented about 83.8% of Resources from Customers.

Resources from Customers (excluding interest payable)



Source: Banco Invest

Capital Markets

The Bank proactively manages its exposure to the various market risks: equities, bonds, interest rates, exchange rates and respective derivatives.

• Equity Risk

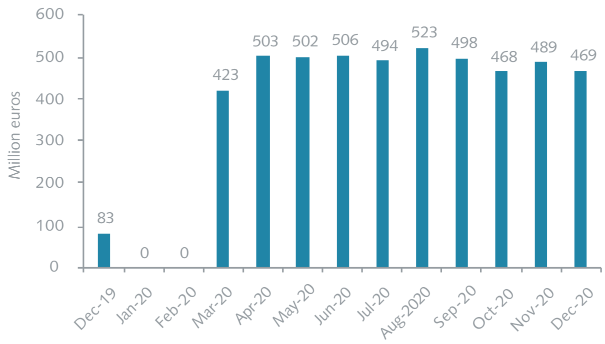
The Bank intervenes in the equity markets through the Portfolio at Fair Value through Profit or Loss (JVR), according to two main approaches or strategies.

In the first approach, from a medium-term perspective, the operations undertaken are defined and approved by the Bank's Investment Committee and are based on the combination of a fundamental analysis of sectors and companies. In addition to a battery of macroeconomic and sectoral indicators, share evaluation models are used, together with a comparison of expected returns on equities and bonds.
In turn, the second approach is based on a short-term perspective, with a view to achieving a pre-established objective.

The strategies, risk limits and the trading portfolio budget are approved before the year commences by the Bank's Investment Committee, and the manager may intervene in the market, throughout the year, within the parameters previously defined.

In 2020, the annual VaR (99,9%) of the Bank's equity portfolio oscillated between 83 and 523 thousand euros, closing the year at 469 thousand euros. The increase in the average VaR (406 million years) relative to the previous year, reflects to a large extent the progressive increase in the portfolio over the year, with capital gains being realised as the markets appreciated:

Annual VaR of the Portfolio of Shares

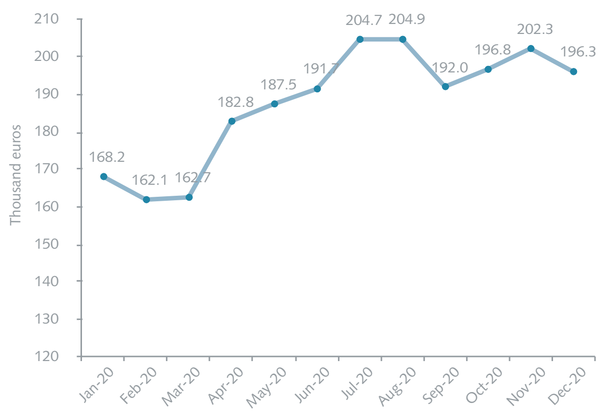


Source: Banco Invest.

• Interest Rate Risk of the Securities Portfolio

In a context of very low interest rates and bond yields, or even negative in the case of European public debt, over the course of 2019 the average duration of the Bank's securities portfolio fell slightly from 5.5 to 5.2 years. In turn, the interest rate risk of the securities portfolio, measured by the basis point value (BPV), increased from 162 thousand euros at the end of 2019 to 196 thousand euros at the end of 2020. This rise is largely explained by the increase in the size of the portfolio over the year.

PVBP Interest Rate



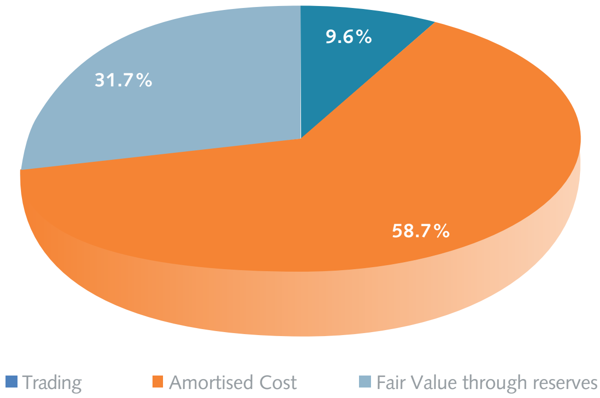
Source: Banco Invest

• Bond Risk

At the end of 2020, the Bank's bond portfolio came to 379.7 million euros, characterised by high geographical and sectoral diversification. The weight of sovereign debt was around 22,8% of the total portfolio, of which 12,5%

was allocated to Spanish debt and 4,1% to Italian debt. The weight of Portuguese public debt, which in 2020 registered a positive performance once again, fell to 1,6% of the total portfolio. In turn, exposure to US Treasuries was reduced to 0% and public debt of emerging countries represented 3,0% of the total portfolio.

Breakdown of the Bond Portfolio

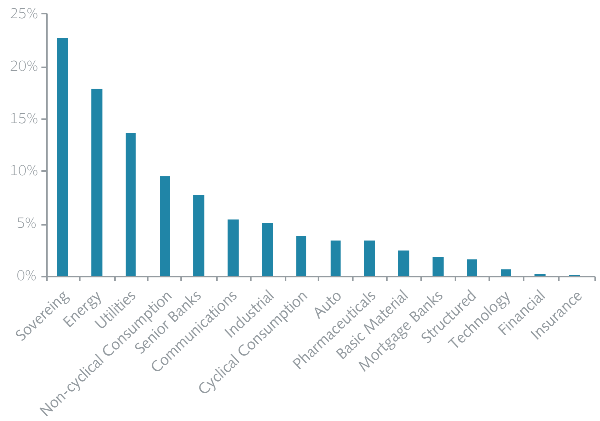


Source: Banco Invest

In geographical terms, European issuers accounted for 85,3% of the bond portfolio. In turn, the weight of emerging countries increased to 9,4% of the total, and US and Asian issuers (Australia) accounted for 4,4% and 0,7%, respectively.

On a sectoral basis, excluding public debt, the largest exposures were to the Energy (17,9%), Utilities (13,7%), and Non-cyclical Consumption (9,5%, senior debt) sectors.

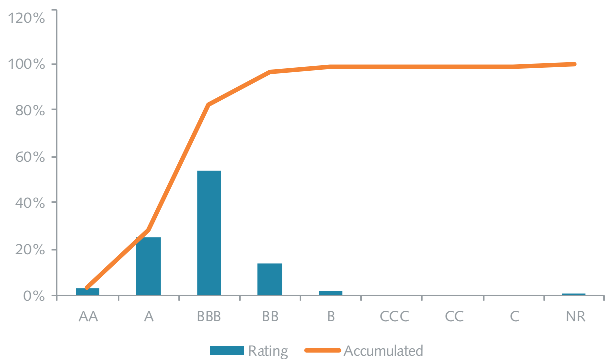
Sectoral allocation of the Bond Portfolio



Source: Banco Invest

Regarding the risk assessment of the debt securities portfolio, the Bank makes mainly use of external ratings. At the end of the year, 82,7% of the total portfolio had a rating equal to or higher than BBB, with the distribution of credit ratings being relatively similar among the various sub-portfolios.

Distribution of the Bond Portfolio by credit rating



Source: Banco Invest

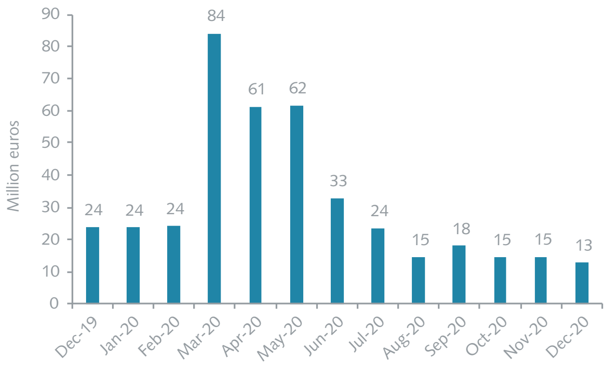
Distribution of the Bond Portfolio by credit rating and by type of portfolio

Rating Bonds	Portfolio Trading	Amortised Cost	Fair Value	Total	Accumulated
AAA	-	-	-	-	-
AA	-	3.1%	4.3%	3.2%	3.2%
A	12,9%	30,2%	20,3%	25,4%	28,6%
BBB	48,4%	46,9%	69,2%	54,1%	82,7%
BB	22,8%	18,2%	3,3%	13,9%	96,6%
B	4,1%	1,6%	2,9%	2,2%	98,8%
CCC	-	-	-	-	98,8%
CC	-	-	-	-	98,8%
C	-	-	-	-	98,8%
NR	11,8%	-	-	1,2%	100,00%
Total	100,00%	100,00%	100,00%	100,00%	

Source: Banco Invest

The Bank's bond portfolio ended the year with an annual VaR, with a confidence interval of 99,9%, of 13 million euros. During the year, VaR oscillated from a minimum of 13 million euros to a maximum of 84 million euros.

Annual VaR of the Bond Portfolio



Source: Banco Invest

• Foreign Exchange Risk

Foreign exchange management is essentially centered on hedging the positions in dollars, sterling and Swiss francs. In terms of balance sheet exposure, the Bank's foreign exchange activity remained low-level.

• Volatility Risk

The "Volatility Portfolio" is part of Banco Invest's own portfolio investment policy aimed at managing the market risks arising from the issue of structured products and other financial derivatives for third parties. These products can take three main forms: Structured Deposits (term deposits issued by the Bank, with guaranteed capital and remuneration indexed to one of more financial assets), Structured Products, with or without guaranteed capital, and with remuneration indexed to one or more financial assets) and Financial Derivatives (swaps and options).

As a rule, the products issued by the Bank are managed internally, within the scope of the own portfolio. This means that the Bank assumes the risk of the remuneration payable for the products, such that the correct hedging of this risk is extremely important in order to preserve the estimated margin for the products. In other words, the objective of portfolio management is the hedging of risk, ensuring that the expected margin of the products is not undermined.

Exposure limits are defined in terms of the amount used to hedge structured products and derivatives issued by the Bank, in the dynamic risk management process known as Delta Hedging. These limits are defined by the Bank's Investment Committee and reviewed annually.

At the end of 2020, the maximum expected loss of the Portfolio, with a confidence interval of 99,9% and a time horizon of 10 days, calculated by Monte-Carlo simulations, amounted to 236 thousand euros, for a Notional of 135.6 million euros. The delta was approximately 2.1 million euros.

Volatility Portfolio

	Dec-20	Dec-19
Stress-test 10 days I 99,99%	236.414	106.976
Delta	(2.072.648)	(6.034.472)
Vega	3.428	9.308
Notional	135.600.295	120.187.106

Source: Banco Invest. Values in euros.

6. Transactions with members of the Board of Directors and Audit Board

The Legal Framework of Credit Institutions and Financial Companies forbids the Bank from granting credit to members of its governing bodies, or to its related parties, either directly or indirectly, under any form, including the provision of guarantees.

However, the above does not apply to transactions of a social nature or purpose or arising from the personnel policy, as well as to loanss granted as a result of the use of credit cards associated with the deposit account, under similar conditions to those practised with other customers of a similar profile and risk.

As at 31 December 2020, the balances under the Assets item with reference to related parties are related to two loanss granted to two members of the Board of Directors, under the terms of the personnel policy, of a total amount 314.217 euros.

The members of the Board of Directors or of the Audit Board, executive officers and other employees of the Bank may not intervene in the assessment and decision of operations in which the interested parties are, directly or indirectly, themselves, their spouses, or persons with whom they live in a de facto union, relatives, siblings or first-degree relations, or legal persons, even if not legally incorporated, associations without legal personality, special committees, civil companies or condominiums over which they may exercise a dominant influence or in which they hold a stake equal to or greater than 2%.

Principles relating to transactions with related parties

The Bank applies the following rules in transactions with related parties:

(a) Transactions are always subject to prior analysis by the Compliance Department and the Risk Management Department, which issue the respective written opinions;

(b) The transactions are subsequently reviewed by the Audit Board, which also issues a prior written opinion;

(c) the Board of Directors, after having obtained the prior opinions of the compliance function and the risk management function and of the Audit Board, shall ensure that transactions are carried out at arm's length and are approved by at least two-thirds of its members.

7. Risk Control

The risk strategy is reviewed annually and defines the principles and limits for the management of the different risks arising from the Bank's activity, which are formalised in its overall risk appetite.

Risk control is assumed at the highest levels at Banco Invest, with all risk limits – market, credit, liquidity and operational – defined and approved by the Bank's Board of Directors. Furthermore, there are five functional bodies - the Investment Committee, ALCO Committee, Credit Committee, IT Committee, Investment and Asset Management Committee and Rating Committee - that work together to control approval processes, procedures and information circuits established in advance, ensuring compliance with the limits set by the Board of Directors.

Autonomously, according to the requirements set out in Notice 3/2020 of the Bank of Portugal, there is still the risk control function, regarding which the person responsible reports directly to the Board of Directors, focusing its activity, among others, on the elaboration of audits regarding the compliance of the risk models used by the Bank in different business areas and the verification of the adequacy of the same models in the valuation and mitigation of risks, according to the risk policies issued by the Board of Directors.

The risk control system developed at Banco Invest allows monitoring and continually assessing the risk of each functional area through risk matrices that ensure the timely prevention of unwanted situations for the Bank and the immediate adoption of corrective measures, if any unwanted situations are detected at a later stage.

The aim of the implemented system is to cover all Bank products, activities, processes and systems in order to permit the identification and prioritisation of all the material risks and the documentation of the associated assessment, follow-up and control processes.

The Risk Management process also involves the systematic monitoring of the size and composition of the Bank's assets and liabilities, which can change according to the activities of the customers and market conditions.

In March 2021, a Risk Committee was set up consisting of the non-executive members of the Board of Directors and a member of the Audit Board, whose main mission is to advise the Board of Directors on risk tolerance and risk management strategy.

Market Risk

Market risk control is designed to assess and monitor the potential devaluation of the Bank's assets, and the consequent reduction of profits, caused by an adverse movement of the market values of financial instruments, interest rates and/or exchange rates.

The Bank's securities portfolios are segmented according to investment objectives and their accounting treatment. The Bank calculates and monitors the market risk of all the portfolios it holds, defining risk limits per portfolio, considering the potential impacts of each one, both on results and on shareholders' equity.

Management rules subject each portfolio to restrictions in terms of size, composition, assets and risk levels. Risk limits are defined for credit exposure - concentration by country, activity segment and rating - as well as in terms of market and liquidity

Additionally, thresholds are defined for internal capital requirements calculated under the models used in the Internal Capital Adequacy Assessment Process (ICAAP).

For assessment and quantification of market risk the bank uses the following indicators:

– Value-at-Risk, estimating for each portfolio, with a confidence interval of 99.9%, the daily maximum potential loss stemming from adverse variations to the underlying assets. Value-at-Risk takes into account not only the volatility of financial assets but also the correlation between them and the distribution of return rates of each one. The risk assumed by each trader, by type of financial asset is calculated daily;

- Present Value of Basis Point (PVBP) calculation, which determines potential losses in the Bank's results caused by a one-basis point change in interest rates.

- Economic value of the banking book, which is determined as the net fair value of the assets and liabilities in the balance sheet, sensitive to the interest rate and the fair value of the items. In addition, the Bank resorts to the periodic undertaking of stress tests, which involve the simulation of adverse historical and/or hypothetical scenarios for each portfolio and a sensitivity analysis based on changes in various factors, to measure the impact on assets, results and solvency. The stress tests are also an integral part of the annual assessment of the ICAAP, with a view to assessing the suitability of the same to the development of economic activity. An example of this is assessing the sensitivity of the economic value of assets, liabilities and off-balance sheet items sensitive to interest rate changes resulting from hypothetical parallel and non-parallel shocks to interest rate curves.

Overall trading risks are kept in check using diversification strategies by asset class, bearing in mind the correlation between several markets and assets.

The Risk Management Department reports the evolution of the Value-at-Risk of the trading portfolio to the Investment Committee on a daily basis.

Monthly concentration limits by market, by asset, by sector and by rating notation, proposed by the Investment Committee and approved by the Board of Directors, are monitored and reported by the Accounting and Control Department (Middle Office Area).

All these indicators are additionally present in the risk matrices of the Risk Management Department and are permanently analysed by this Department, with quarterly meetings being held with the Board of Directors and the Audit Board in order to assess their evolution and take measures to mitigate the risks, if necessary.

Credit Risk

Credit risk control involves assessing the degree of uncertainty and monitoring the possibility of a loss caused by the customer/counterparty's breach of its contractual obligations towards the Bank. Credit risk assumes a special purpose in banking activity, not only due to its materiality, but because of its connection with other risks as well.

In the loans concession activity, aimed at guaranteeing the correct determination of the risk profile of operations, the analysis and decision process passes through the autonomous opinions of the risk analysis area, the Credit Department and at least two executive members of the Bank´s Board of Directors, being supported by a battery of external and internal information elements considered relevant to the substantiated decision of any loans proposal. The consistency of the collateral is determined by systematic assessments conducted by duly certified external technicians, subject to regular periodic reassessments. The integrity of the said collateral is safeguarded by insurance policies, covering common risks, whose sufficiency in terms of capital and validity is permanently monitored by the Bank.

The impairments of the loans portfolio are calculated monthly, based on a collective analysis of the loans portfolio, and on the individual analysis of the larger loanss and those that are in default. The impairment in the loanss subject to collective analysis is calculated based on a proprietary model, duly validated by the external auditors, which estimates the probabilities of default and the amount of expected losses, based on information relative to the portfolio's past behaviour.

Effort tests, in accordance with the Bank of Portugal's rules, are also conducted periodically on the loans portfolio, with the aim of analysing the impact on the Bank's accounts of the adverse movement of some variables considered as sensitive, namely the default rate, interest rate and real estate market prices.

The credit risk of the securities portfolio is calculated and monitored based on the Credit Value-at-Risk methodology. Through this model, the maximum expected loss is calculated, with a specific level of confidence, resulting from the occurrence of defaults in the portfolio. The maximum loss is calculated based on the historical probabilities of default and recovery rate (loss given default) obtained from the main rating agencies in securities with a similar credit risk rating to those held in portfolio.

Within the scope of the concentration of credit risk, overall analyses of the portfolio (securitised credit and non-securitised credit) are undertaken, measuring exposure by sector of activity and the greatest individual exposures.

Liquidity Risk

Liquidity risk control is designed to evaluate and monitor the possibility of a loss stemming from the Bank's inability, at a given time, to finance its assets in order to meet its financial commitments on the scheduled dates.

Liquidity risk is evaluated on the basis of the assets and liability tables that allow the Bank's cash flow to be monitored and its cash requirements over a forecasting period of five years to be determined. Mismatch analyses and stress tests are undertaken to determine safe liquidity levels to cope with unexpected events.

To finance its short-term business and to ensure liquidity management with adequate safety margins, the Bank has interbank money market lines and securities contango lines negotiated with several banks, in addition to its growing customer fund attraction capacity.

Operating Risk

Operating risk arises from the probability of there being losses resulting from the inadequacy or failure of internal procedures, systems, people or from external events.

The aim of controlling operating risk is to prevent possible failures in the Bank's internal control system that may give rise to fraud or unauthorised transactions, as well as avoid the possibility of the results of the Bank being negatively affected by the occurrence of an event that is not inherent to its activity.

Banco Invest's business is subject to several prevention and control mechanisms to mitigate the risk of the occurrence of losses of an operational nature, among which the following are worthy of mention:

- Code of Conduct and Internal Regulations of the Bank;
- Internal Regulations;
- Physical and logical access control;
- Reports of exceptions;
- Contingency planning.

The Bank has internal procedures that define the scope of responsibility of each area involved in the daily operation of the institution, the circuits of information and deadlines to be met, mitigating the possibility of the occurrence of operating losses.

Additionally, in the 1st quarter of 2021 a procedure manual for the management of operational risk events was prepared, where the process of recording and monitoring operational risk events was defined, having been created a database for the recording of reported and detected events that will be monitored by the Risk Management Department.

Internal audits are carried out periodically to evaluate the control systems implemented, so as to guarantee compliance with the Internal Regulations and reduce the likelihood of mistakes in recording and accounting the various transactions.

On a daily basis, the Accounting and Control Department assesses the liabilities of each functional area towards its counterparties, compliance with established limits and the levels of authorisation employed in approving transactions.

8. Future Prospects

Throughout 2021, the Bank will remain committed to improving the levels of efficiency and quality of services provided, while remaining close to customers and complying with all regulatory standards.

In addition, the Bank will continue the prudent management of the loans portfolio, in the current context of moratoria, and will continue to invest in digitalisation, with special emphasis on cybersecurity issues. At the same time, the Bank remains focused on the development of its Corporate Finance and Credit activities, as well as the Savings and Investment related areas, namely Asset Management, Brokerage and Institutional Custody.

9. Subsequent Events

To date, no relevant material events, with an impact on the Bank's activity, has occurred.

10. Net Income and its Appropriation

The year's accounts reflect the business carried on by Banco Invest within the established guidelines and its effects on the balance sheet and on results. The financial statements have been externally audited by a prestigious firm of auditors which has issued an opinion thereon and is presented hereunder.

Individual net income came to 12.974.284.52 euros. It is proposed that this amount be appropriated as follows:

Legal Reserve ....1.297.428.45 euros
Free Reserves....................................11.676.856.07 euros

11. Acknowledgements

The Board of Directors of Banco Invest would like to take this opportunity to extend its appreciation and gratitude:

- to all our Customers for their preference and trust, which constitute the Bank's greatest encouragement in confronting the challenges it faces;
- To the Bank of Portugal and the Securities Market Commission for their attention given to the Bank;
- To the Board of the General Meeting, and its Chairman in particular, for the availability shown in the performance of such important duties;
- To the Audit Board and the Firm of Statutory Auditors, for their cooperation and support in the management of the Bank's business;
- To those employees who, with a sense of responsibility and a spirit of dedication, have worked hard to achieve the established goals with full regard for the ethical, human and corporate values assumed and shared within the company.

Lisbon, 4 May 2021

The Board of Directors

4. Financial Statements

Individual balance sheet as at 31 December 2020

(Amounts in euros)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and deposits at Central Banks	3	42.722.541	24.689.525
Demand deposits at credit institutions	4	20.351.813	17.633.710
Financial assets at amortised cost			
Loans and advances to credit institutions	5	968.068	751.920
Loans and advances to customers	6	401.376.720	392.573.397
Debt securities	7	243.060.871	227.233.417
Financial assets at fair value through profit and loss			
Financial assets held for trading		39.971.859	44.767.031
Financial assets not held for trading mandatorily at fair value through profit or loss	8	26.330.175	22.662.720
Financial assets at fair value through other comprehensive income	9	126.064.925	80.789.349
Investments in subsidiaries. associated companies and joint ventures	10	264.000	264.000
Non-current assets held for sale	11	8.048.186	10.577.041
Other tangible assets	12	6.491.480	7.890.879
Intangible assets	13	403.426	449.037
Current tax assets	14	-	2.081
Deferred tax assets		4.431.740	5.145.616
Other assets	15	4.717.518	6.883.654
Total Assets		**925.203.322**	**842.313.377**
LIABILITIES			
Financial liabilities at amortised cost			
Resources from Central Banks	16	105.000.000	39.180.000
Resources from credit institutions	17	251.093	206.895
Resources from customers and other loans	18	654.533.983	650.596.057
Non-subordinated debt securities issued		-	-
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	19	239.905	888.277
Hedging derivatives	20	8.698	-
Provisions	21	2.525.657	1.605.670
Current tax liabilities	14	2.179.400	-
Deferred tax liabilities		1.560.205	815.264
Other liabilities	22	22.083.647	26.141.505
Total Liabilities		**788.382.588**	**719.433.668**
SHAREHOLDERS' EQUITY			
Share capital	23	59.500.000	59.500.000
Revaluation reserves	24	4.167.720	2.360.980
Other reserves and retained earnings		60.178.729	49.327.860
Net income for the year		12.974.285	11.690.869
Total Shareholders' Equity		**136.820.734**	**122.879.709**
Total Liabilities and Shareholders' Equity		**925.203.322**	**842.313.377**

Individual income statement for the financial year ended on 31 December 2020

(Amounts in euros)

	Notes	2020	2019
Interest and similar income	26	37.979.146	34.152.291
Interest and similar charges	27	(8.722.753)	(8.867.381)
NET INTEREST INCOME		**29.256.393**	**25.284.910**
Net fees and commissions income	28	10.198.033	8.342.749
Gains / (losses) in financial operations at fair value through profit or loss	29	4.639.425	2.697.032
Net gains / (losses) from foreign exchange	30	(1.134.597)	468.418
Net income from hedge accounting	20	(211)	-
Income from financial assets at fair value through other comprehensive income	31	1.753.776	1.305.268
Income from sales of other assets	32	1.710.263	997.089
Other operating income / (losses)	33	(167.896)	(79.541)
TOTAL OPERATING REVENUE		**16.998.793**	**13.731.015**
Staff costs	34	(11.374.301)	(11.252.670)
Other administrative costs	35	(6.210.275)	(6.914.134)
Depreciations and amortisations	12 e 13	(1.674.258)	(1.960.465)
TOTAL OPERATING COSTS		**(19.258.834)**	**(20.127.269)**
OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		**26.996.352**	**18.888.656**
Impairment of financial assets at amortised cost		(8.036.744)	(2.621.454)
Impairment of financial assets at fair value through other comprehensive income	21	(103.983)	104.568
Impairment of other assets		(447.222)	(707.015)
Other provisions		(919.987)	(1.580.947)
INCOME BEFORE TAXES		**17.488.416**	**14.083.808**
Taxes			
Current	14	(3.753.503)	(574.326)
Deferred		(760.628)	(1.818.613)
NET INCOME FOR THE YEAR		**12.974.285**	**11.690.869**

Individual income and other comprehensive income statement for the financial year ended on 31 December 2020

(Amounts in euros)

	2020	2019
Individual net income	**12.974.285**	**11.690.869**
Items that may be reclassified for the income statement		
Revaluation reserves of financial assets at fair value through other comprehensive income:		
Revaluation of financial assets at fair value through other comprehensive income	4.154.721	4.672.677
Impact on taxes	(1.127.134)	(1.144.803)
Transfer to profit or loss due to impairment	103.983	-
Impact on taxes	(27.036)	-
Transfer to profit or loss due to disposal	(1.753.776)	(1.305.268)
Impact on taxes	455.982	319.791
Result not recognised in income statement	**1.806.740**	**2 542.397**
Individual comprehensive income	**14.781.025**	**14.233.266**

The Notes form an integral part of the statement of comprehensive income for the year ended 31 December 2020

Individual statement of changes in equity for the financial year ended on 31 December 2020

(Amounts in euros)

		Revaluation reserves			Outras reservas e resultados transitados						
	Capital	Fair value reserves	Deferred taxes	Total	Legal reserves	Free reserves	Other Reservas	Retained earnings	Total	Net income for the year	Total
Balances as at 31 December 2018	**59.500.000**	**(240.283)**	**58.866**	**(181.417)**	**5.797.462**	**19.765.882**	**9.202.937**	**1.656.045**	**36.422.326**	**13.745.534**	**109.486.443**
Distribution of profit for 2018											
Transfer to retained earnings	-	-	-	-	1.374.553	12.370.981	-	-	13.745.534	(13.745.534	-
Comprehensive income for 2019	-	3.367.409	(825.012)	2.542.397	-	-	-	-	-	11.690.869	14.233.266
Distribution of reserves to the shareholders (Note 24)	-	-	-	-	-	(840.000)	-	-	(840.000)	-	(840.000)
Balances as at 31 December 2019	**59.500.000**	**3.127.126**	**(766.146)**	**2.360.980**	**7.172.015**	**31.296.863**	**9.202.937**	**1.656.045**	**49.327.860**	**11.690.869**	**122.879.709**
Distribution of profit for 2019											
Transfer to retained earnings	-	-	-	-	1.169.087	10.521.782	-	-	11.690.869	(11.690.869)	-
Comprehensive income for 2020	-	2.504.928	(698.188)	1.806.740	-	-	-	-	-	12.974.285	14.781.025
Distribution of reserves to shareholders (Note 24)	-	-	-	-	-	(840.000)	-	-	(840.000)	-	(840.000)
Balances as at 31 December 2020	**59.500.000**	**5.632.054**	**(1.464.334)**	**4.167.720**	**8.341.102**	**40.978.645**	**9.202.937**	**1.656.045**	**60.178.729**	**12.974.285**	**136.820.734**

The Notes form an integral part of these financial statements.

Individual cash flow statement for the financial year ended on 31 December 2020

(Amount in euros)

		2020	2019
CASH FLOW FROM OPERATING ACTIVITIES:			
Income from interest and commissions		49.089.179	45.125.753
Payment of interest and commissions		(11.891.602)	(15.023.018)
Payments to staff and suppliers		(17.559.074)	(17.755.328)
Payments of short-term and low-value leasing		(9.785)	(14.667)
Income tax (payable) / receivable		(1.572.022)	101.247
Other payments related to the operating activity		(857.660)	1.648.486
Operating income before changes in operating assets		**17.199.036**	**14.082.473**
(Increases) / reductions in operating assets:			
Financial assets at fair value through profit and loss		6.236.764	12.959.156
Financial assets at fair value through other comprehensive income		(41.515.407)	22.006.539
Loans and advances to credit institutions		(300.000)	2 000 000
Financial assets at amortised cost		(31.638.155)	(73.013.393)
Investments held to maturity		-	-
Non-current assets held for sale		2.417.262	2.921.720
Other assets		2.779.102	194.634
		(62.020.434)	**(32.931.344)**
Increases / (reductions) in operating liabilities:			
Resources at central banks		65.820.000	(17.500.000)
Resources from other credit institutions		44.197	(1.568.794)
Resources from customers		5.324.099	62.074.702
Liabilities represented by securities		-	(213.524)
Other liabilities		(3.164.511)	5.134.564
		68.023.785	**47.926.948**
Cash net of operating activities		**23 202 387**	**29 078 077**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase and sale of tangible and intangible assets		(448.186)	(753.322)
Dividends from financial holdings		-	-
Cash net of investment activities		**(448.186)**	**(753.322)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Distribution of reserves to shareholders (Note 24)		(840.000)	(840.000)
Payments with reference to leasing liabilities		(1.156.304)	(1.106.764)
Cash net of financing activities		**(1.996.304)**	**(1.946.764)**
Net increase / (decrease) in cash and equivalents		20.757.897	26.377.991
Cash and equivalents at the start of the year	Note 3 e 4	42.325.230	15.947.239
Cash and equivalents at the end of the year		63.083.127	42.325.230
		20.757.897	**26.377.991**

The Notes form an integral part of the cash flow statement for the year ended on 31 December 2020

5. Notes to the Financial Statem

1. INTRODUCTORY NOTE

Banco Invest, S.A. (Bank or Banco Invest) is a limited liability company with its registered office in Lisbon. The Bank was incorporated on 14 February 1997 under the name Banco Alves Ribeiro, S.A., and started trading on 11 March 1997. The incorporation of the Bank was authorised by the Bank of Portugal on 4 December 1996. The Bank changed its name to its current designation on 16 September 2005.

The deed of merger by incorporation of Probolsa – Sociedade Corretora , S.A. into the Bank was executed on 22 December 2004. (Probolsa). In the wake of this process, the merged company was wound up and all its rights and obligations were transferred to the Bank. For accounting purposes the merger took effect on 1 January 2004, with the Probolsa assets and liabilities having been transferred to the Bank on the basis of their net book value as at that date.

The corporate object of the Bank is to undertake financial transactions and to provide related services with such latitude as the law allows. It is primarily engaged in the asset management, capital markets, and loans and development capital business.

The Bank has six branches, located in Lisbon, Oporto Leiria and Braga.

As indicated in Note 10, the Bank holds all the share capital of Invest Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. (Invest Gestão de Activos). This company was incorporated on 11 February 1998 and its corporate object is the management of mutual funds on behalf of the participants.

The financial statements as at 31 December 2020 were approved by the Board of Directors on 4 May 2021 and are presented in euros.

The Bank's financial statements as at 31 December 2020 are pending approval by the General Meeting. The Board of Directors believes, however, that the financial statements will be approved without any significant changes.

2. ACCOUNTING POLICIES

2.1. Basis of presentation

The Bank's financial statements have been prepared on a going concern basis.

As of 1 January 2016, following the publication of Notice 5/2015, of 30 December, of the Bank of Portugal, the Bank's individual financial statements have been prepared in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union, which had already been used in the preparation and presentation of its consolidated financial statements since 2005.

On that basis, and in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 and Bank of Portugal Notice 1/2005, the Bank's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) from the financial year 2016. IFRS comprise standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies.

On 1 January 2019, the Bank adopted IFRS 16 - Leases. IFRS 16 repeals IAS 17 - Leases and establishes new rules for the accounting of leases with significant changes mainly in terms of classification and recognition.

2.2. Comparability of information

The Bank adopted IFRS and interpretations of mandatory application for the financial years beginning on or after 1 January 2020. The accounting policies have been applied in the Bank and are consistent with those used in the preparation of the prior year's financial statements.

In 2019, The Bank applied IFRS 16, namely through the Modified Retrospective approach, and therefore the comparative information was not reclassified and continues to be reported in accordance with IAS 7 and IFRIC 4. The comparative years were not restated, the impacts of the transition were recognized on 1 January 2019.

The impacts arising from the application of IFRS 16 with reference to 1 January, as well as the reconciliation between the balance sheet balances as at 31 December 2018 and the balance sheet balances as at 1 January 2019, in accordance with IFRS 16, are detailed in note 41.
The balances included in the financial statements for 31 December 2019 are presented exclusively for comparative purposes.

The financial statements were prepared under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments, financial assets and financial liabilities recognised at fair value through profit or loss and assets at fair value through other comprehensive income. Financial assets and financial liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged, when applicable.

The preparation of financial statements in accordance with IFRS requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, and form the basis for judgements regarding the carrying values of assets and liabilities whose valuation is not evident from other sources. Actual results may differ from estimates. The issues involving a higher degree of judgement or complexity, or where assumptions and estimates are considered to be significant, are presented in the accounting policy described in Note 2.20.

2.3. Conversion of foreign currency balances and transactions

The Bank's accounts are prepared in accordance with the currency used in the economic sphere of operation (termed "operating currency"), that is, the Euro.

Transactions in foreign currency are recorded based on exchange rates on the date of the transaction. Assets and liabilities expressed in foreign currency are converted into euros at the exchange rate displayed in each balance sheet date.

Exchange rate differences arising from currency conversion are shown in the profit or loss for the year, except where they arise from non-monetary financial instruments, such as equities, classified at fair value through other comprehensive income, which are recorded under shareholders' equity until they are sold.

2.4. Financial instruments

a) Financial Assets

1. Classification, initial recognition and subsequent measurement

At initial recognition, financial assets are classified into one of the following categories:

i) Financial assets at amortised cost;
ii) Financial assets at fair value through other comprehensive income; and
iii) Financial assets at fair value through profit or loss.

Classification is carried out taking into account the following aspects:
- the business model defined for the management of the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Bank carried out an evaluation of the business model in which financial instruments are held at the portfolio level, since this approach reflects the best way in which assets are managed and how that information is made available to the management bodies.

Financial assets held for trading and financial assets designated at fair value through profit or loss are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows nor for the collection of contractual cash flows and sale of those financial assets.

Assessment of whether the contractual cash flows correspond only to the receipt of principal and interest (SPPI - Solely Payment of Principal and Interest)

For the purposes of this evaluation:
- "principal" is defined as the fair value of the financial asset at initial recognition;
- "interest" is defined as the counterpart for the time value of money, for the credit risk associated with the amount outstanding over a given period of time and for other risks and costs associated with the activity (e.g. liquidity risk and administrative costs), as well as a profit margin ("spread").

In evaluating the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Bank considered the original contractual terms of the instrument. This evaluation includes the analysis of the existence of situations in which the contractual terms may modify the periodicity and amount of cash flows so that they do not comply with the SPPI - Solely Payments of Principal and Interest. In the evaluation process, the Bank took into consideration:
- contingent events that may change the periodicity and amount of cash flows;
- characteristics that result in leverage;
- prepayment and maturity extension terms;
- terms that may limit the Bank's right to claim cash flows in relation to specific assets (e.g. contracts with terms that prevent access to assets in case of default - "non-recourse asset"); and
- characteristics that may change the compensation for the time value of money.

In addition, a prepayment is consistent with the SPPI criterion, if:
- the financial asset is acquired or originated with a premium or discount to its contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued but unpaid contractual interest (may include reasonable compensation for prepayment); and
- the fair value of the prepayment is insignificant at initial recognition.

i) Financial assets at amortised cost;

A financial asset must be measured at amortised cost if it meets both of the following conditions:
- The financial asset is held within the framework of a business model whose primary objective is to hold assets to collect their contractual cash flows; and
- The contractual cash flows arise on specific dates and correspond only to principal repayments and interest payments on the outstanding principal (SPPI).

This category includes:
- Loanss and advances to credit institutions;
- Loanss and advances to customers;
- Debt securities - managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, corporate bonds and commercial paper).

Financial assets at amortised cost are initially recorded at fair value plus costs directly attributable to the transaction and subsequently measured at amortised cost. In addition, they are subject, from their initial recognition, to the measurement of impairment losses.

Interest on financial assets at amortised cost is recognised under "Interest and similar income" based on the effective interest rate method.

Gains or losses generated at the time of derecognition are recorded under "Gains/(losses) on derecognition of financial assets and liabilities at amortised cost".

ii) Financial assets at fair value through other comprehensive income; or

A financial asset must be measured at fair value through other comprehensive income if it meets both of the following conditions:

- The financial asset is held within the framework of a business model whose objective is the collection of contractual cash flows and the sale of that financial asset; and
- The contractual cash flows arise on specific dates and correspond only to principal repayments and interest payments on the outstanding principal (SPPI).

In addition, at initial recognition of an equity instrument, which is neither held for trading nor a contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, the Bank may irrevocably elect to classify it under "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case, investment-by-investment basis and is only available for financial instruments that comply with the definition of equity instruments provided for in IAS 32 and may not be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Financial assets at fair value through other comprehensive income are initially recorded at fair value plus transaction costs and subsequently measured at fair value. Changes in the fair value of these assets are recorded 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 profit or loss item. In addition, they are subject, from their initial recognition, to the measurement of impairment losses.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income. Dividends are recognised in profit or loss when the right to receive them is attributed.

No impairment is recognised for equity instruments at fair value through other comprehensive income, with the respective accumulated gains or losses recorded in changes in fair value being transferred to retained earnings at the time of derecognition.

iii) Activos financeiros ao justo valor através de resultados.

An asset is classified in the category of "Financial assets at fair value through profit or loss" (FVPL) if the business model defined by the Bank for its management or the characteristics of its contractual cash flows do not meet the conditions described above to be measured at amortised cost, nor at fair value through other comprehensive income (FVOCI).

The Bank classified financial assets at fair value through profit or loss under the following headings:

- Financial assets held for trading

The financial assets classified under this heading are acquired with the purpose of short-term selling; at initial recognition they are part of a portfolio of identified financial instruments for which there is evidence of a recent pattern of short-term profit taking; or fall within the definition of a derivative (except for hedging derivatives).

- Financial assets not held for trading mandatorily at fair value through profit or loss

This item classifies debt instruments whose contractual cash flows do not correspond only to principal repayments and interest payments on the outstanding principal (SPPI).

Considering that the transactions carried out by the Bank in the normal course of its business are in market conditions, the financial assets at fair value through profit or loss are initially recognised at fair value, with the costs or income associated with the transactions recognised in profit or loss at inception. Subsequent changes in the fair value of these financial assets are recognised in profit or loss.

The accrual of interest and the premium/discount (when applicable) is recognised under "Interest and similar income", based on the effective interest rate for each transaction, as well as the accrual of interest from derivatives associated to financial instruments classified in this category. Dividends are recognised in profit or loss when the right to receive them is attributed.

Trading derivatives with a positive fair value are included in the item "Financial assets held for trading", while trading derivatives with a negative fair value are included in the item "Financial liabilities held for trading".

2. Reclassification between categories of financial assets

Financial assets are reclassified to other categories only if the business model used in their management is changed. In this case, all affected financial assets are reclassified. Reclassification is applied prospectively from the reclassification date and therefore previously recognised gains, losses (including impairment gains or losses) or interest are not restated.

Reclassification of investments in equity instruments measured at fair value through other comprehensive income or financial instruments designated at fair value through profit or loss is not allowed.

3. Modification and derecognition of financial assets

i) The Bank derecognises a financial asset when, and only when:
   - the contractual rights to the cash flows of the financial asset expire; or,
   - it transfers the financial asset as set out in (ii) and (iii) below and the transfer meets the conditions for derecognition in accordance with (iv).

ii) The Bank transfers a financial asset if, and only if, one of the following situations occurs:
   - it transfers the contractual rights to receive the cash flows of the financial asset; or
   - it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in (iii).

iii) When the Bank transfers a financial asset (see ii) above), it must assess to what extent it retains the risks and benefits arising from ownership of that asset. In this case:
   - the Bank has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts arising from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;
   - the Bank is prohibited by the terms of the transfer agreement from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and,
   - the Bank has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, it is not entitled to reinvest those cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 - Cash Flow Statements) during the short settlement period between the collection date and the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

iv) When the Bank transfers a financial asset (see ii) above), it must assess to what extent it retains the risks and benefits arising from ownership of that asset. In this case:
   - if the Bank transfers substantially all the risks and benefits of ownership of the financial asset, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained with the transfer;
   - if the Bank retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the financial asset;

- if the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset. In this case:
  (a) if the Bank has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained with the transfer;
  (b) if the Bank has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

v) The transfer of risks and benefits referred to in the preceding paragraph is evaluated by comparing the Bank's exposure, before and after the transfer, to the variability in the amounts and timing of the net cash flows resulting from the transferred asset.

vi) Whether or not the Bank has retained control (see (iv) above) of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity has not retained control. In all other cases, the entity is deemed to have retained control.

Purchased or originated credit impairment assets

Purchase or originated credit impaired assets (POCI) are assets that present objective evidence of credit impairment on initial recognition. An asset is credit-impaired if one or more events have occurred with a negative impact on the estimated future cash flows of the asset .

The following event leads to the origination of a POCI exposure: financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original contract, which presented objective evidence of impairment that resulted in its derecognition and recognition of a new contract that reflects the credit losses incurred.

On initial recognition, POCIs are not impaired. Instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of POCIs is equal to the net book value before being recognised as POCIs (difference between the initial balance and total discounted cash flows).

Write offs

When considering risk of non-fulfilment, the Bank fully respects, in recognising impairment, the guidelines of Circular Letter 02/2014/DSP, replaced by Circular Letter no. CC/2018/00000062 of 14-11 of the Bank of Portugal.

The Credit Recovery Department monitors overdue exposures that meet the requirements for classification as irrecoverable and drafts a classification proposal and prepares the corresponding files.

An exposure to credit risk is classified as irrecoverable under the following conditions:

i. In enforcement proceedings, when the case is dismissed, due to a lack of seizable assets of the defendants (Debtor or Guarantors);

ii. In Insolvency proceedings, when of a limited nature (lack of seizable assets of the insolvent debtor), following a decision on the verification and ranking of claims;

iii. In Insolvency Plans or Credit Recovery Procedures when, based on the approved repayment plan, there is a full or partial writing off of the acknowledged debts;

iv. Overdue loanss for more than two years in a scenario of total impairment, i.e. when the Bank, after undertaking all recovery efforts considered adequate and gathered available evidence, justifiably concludes that there are no reasonable expectations of recovery of the amounts at risk.

The following are objective indicators of the uncollectability of a debt:

i. The circumstance of a Debtor or Guarantors whose whereabouts are unknown;

ii. The fact that the out-of-court initiatives undertaken by the Bank, duly confirmed and deemed appropriate, proved ineffective in establishing a plan to restructure or recover the amounts at risk;

iii. The confirmation that the Debtor or Guarantors do not have a steady income to substantiate its seizure;

iv. Evidence, supported by the land register or vehicle registration, that the Debtor and Guarantors' assets, if any, has prior covenants or encumbrances that lead to conclude (in accordance with its probable realisation value) that their seizure, if carried out, would not enable the Bank to recover its credit;

v. The assessment that the enforcement of the debt, if possible, is not economically viable (unfavourable cost-benefit ratio) due to the cost and waiting time of court proceedings.

Significant increase in credit risk (SICR)

The significant increase in credit risk (SICR) is determined according to a set of mostly quantitative, but also qualitative criteria. These criteria are mainly based on customers' risk degrees and their evolution, with a view to detecting significant increases in PD, complemented with other types of information in which the customers' behaviour towards entities of the financial system is highlighted.

4. Impairment losses

Under IFRS 9, the impairment model based on incurred losses is replaced by a model based on expected losses.

The Bank recognises impairment for expected credit losses ("ECLs") for the following financial instruments:

- Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the item "Impairment of financial assets at amortised cost" - in the income statement.

- Debt instruments at fair value through other comprehensive income

Impairment losses on debt instruments at fair value through other comprehensive income are recognised in the income statement under "Impairment of financial assets at fair value through other comprehensive income", against other comprehensive income (they do not reduce the balance sheet amount of these financial assets).

- Financial guarantees

Impairment losses associated with financial guarantees are recognised in liabilities under "Provisions for guarantees and other commitments", against "Other provisions" (in the income statement).

5. Classification of financial instruments by stages

	Stage 1	**Stage 2**	**Stage 3**
Classification criteria	Initial recognition	Significant increase of credit risk since initial recognition	Impaiment situation
Impairment losses	Expected credit losses for 12 months	"Lifetime" expected credit losses	

Significant Increase in credit risk?

Objective evidence of loss?

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

- Stage 1: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified in this stage correspond to expected credit losses resulting from a potential loss event that may occur within 12 months after the calculation date.

- Stage 2: operations where there is a significant increase in credit risk since its initial recognition but are not impaired are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from all potential loss events up to maturity, applied to the projection of contractual cash-flows - lifetime expected credit losses.

  The significant increase in credit risk is assessed through qualitative and quantitative evidence. The assessment of the significant increase in credit risk also involves comparing the current level of risk of an exposure with the level of risk at origination.

- Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from the difference between the amount outstanding and the present value of the cash flows that are estimated to be recovered from the exposure (lifetime expected credit losses).

In operational terms, two complementary models for calculating impairments coexist within the Bank:
i) for General Credit and for the Lending Activity, and
ii) For Auto Loanss.

i) For General Credit and for Lending Activity:

The calculation process is autonomised for exposures subject to Collective Analysis and for exposures subject to Individual Analysis.

The calculation process is autonomised for exposures subject to Collective Analysis and for exposures subject to Individual Analysis.

Values at risk (EAD) consider not only past due amounts (capital, interest and other charges) but also principal falling due and, in the case of active contracts, the respective accrued interest since the last payment, up to the date of calculation of the impairments.

The calculation of the Probability of Default (PD) for one year or until maturity (lifetime) is based on a logistic binomial linear regression model, using independent variables extracted from the portfolio management utility, covering the entire historical period on the system.

The Loss Given Default (LGD) is based on the historical record of the operations which generated a loss, and on the prediction of loss in operations considered unproductive (without regular payment of interest or amortisation of principal), taking into account the associated collateral, and its probable realisation time and value.

Three prospective analysis scenarios are considered: (i) base, (ii) favourable and (iii) unfavourable, with the final result being weighted by the estimated probability of occurrence for each of these scenarios.

The exposures classified in stages1 or 2 are subject to the calculation of impairment by Collective Analysis - in which PD and LGD are determinant - unless they had previously been subject to calculation by Individual Analysis, which justifies the continued use of this method.

On the other hand, exposures classified in Stage 3 are subject to impairment calculation by Individual Analysis - in which the following are determinant: a) the Value at Risk (EAD), b) the present value of the probable net realisable value of the collateral, c) the probable time for its realisation and d) the effective interest rate of the contract - and, also, regardless of the stage in which they are framed: i) have an exposure of more than 300.000 euros; ii) that after 31 December 2017 have been subject to impairment calculation through the individual analysis method and iii) the exposures subject to a legal moratorium process, while the effects thereof remain active.

The probable realisation value of the collateral, in the case of General Credit, is determined by periodic and regular evaluations, carried out by external and CMVM accredited evaluators, whose final result will be subject to a haircut according to its seniority date, as set out in Annex II of circular letter CC/2018/00000062 of the Bank of Portugal. In the case of the Lending Activity, its evaluation is performed by Official Evaluators, accredited by INCM, according to the weight and precious metal content of the pledged objects and their official value, calculated both at the time the loans is granted and in all monthly impairment calculation periods.

If the process of calculation of impairment by the Individual Analysis method does not determine the quantification of any impairment, a minimum impairment will still be calculated by applying the value at risk of a one-year PD and its LGD.

ii) For Auto Loanss

The calculation process is autonomised for exposures subject to Collective Analysis and for exposures subject to Individual Analysis.

Although historical data is still insufficient for the development of robust statistical models for estimating risk parameters, this limitation is mitigated by conducting several follow-up analyses and verifying the suitability of the parameters used, namely:

- Vintage analysis of the portfolios generated, by default maturities;
- Prospective analysis on portfolio default, with monitoring of the first instalments of the contracts;

- Benchmark analysis of expected loss by segment/Stage, maintaining a conservative policy in terms of coverage ratios by stage compared to other comparable operators.
- Impact of the evolution of macroeconomic variables on PD;
- Testing the transitions between Stage 1 and Stage 2;
- Testing the probability of default at 12 months for Stage 1.0 contracts - through monthly transition matrices at 12 months for default classes.
- Testing the appropriateness of specific rules applied to credit moratoria.
- Sensitivity analysis (the responsibility of the General Risk Function of Banco Invest).

The definition of the parameters and the Stage transition rules to be applied are based on the knowledge and constant monitoring of the business and of the credit risk levels underlying the type of financing that make up Bicredit's portfolio, based on principles of prudence and best effort. The parameters and rules applied shall be regularly validated and, if the findings so require, adjusted as a result of the conclusions of the various monitoring analyses carried out.

In the first half of 2020 PDs and LGDs were increased following the pandemic and economic crisis situation, which in turn triggered:

- Revisions of macroeconomic forecasts by the Supervisor, which led to an adjustment of the parameters;
- The adherence of customers to the Credit Moratorium regime, which led to specific monitoring and treatment of these customers.

In the second half of 2020, the monitoring of the adequacy of the parameters applied in the various segments continued, with particular attention to customers in moratorium, adapting, consequently, the classification rules by risk class/Stage and/or the percentage of Expected Loss to be applied.

The methodologies used for early detection of risk translate into levels of coverage for future impairment losses, which reveal a high level of conservatism when compared with market peers.

b) Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation at settlement to deliver cash or another financial assets, regardless of its legal form. Financial liabilities are derecognised when the underlying obligation is settled, expires or is cancelled.

At initial recognition, financial liabilities are classified into one of the following categories:

i) Financial liabilities at amortised cost; and
ii) Financial liabilities at fair value through profit or loss.

i) Financial liabilities at amortised cost

The financial liabilities that were not classified at fair value through profit or loss, nor correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial liabilities at amortised cost" includes central bank resources, resources from credit institutions, resources from customers and other loanss and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. Interest on financial liabilities at amortised cost is recognised under "Interest and similar charges". Based on the effective interest rate method.

ii) Financial liabilities at fair value through profit or loss

Financial liabilities classified as "Financial liabilities at fair value through profit or loss" refer to:

- Financial liabilities held for trading

The following liabilities are classified under this caption: liabilities issued with the objective of short-term repurchase; liabilities that are part of a portfolio of identified financial instruments and for which there is evidence of a recent pattern of short-term profit taking; or that meet the definition of a derivative (except for hedging derivatives).

Considering that the transactions carried out by the Bank in the normal course of its business are in market conditions, the financial liabilities at fair value through profit or loss are initially recognised at fair value, with the costs or income associated with the transactions recognised in profit or loss at inception.

Subsequent changes in the fair value of these financial liabilities are recognized as follows:
- the change in fair value attributable to changes in the credit risk of the liability is recognised in other comprehensive income;
- the remaining value of the change in fair value is recognised in profit or loss.

The accrual of interest and the premium/discount (when applicable) is recognised under "Interest and similar charges" on the basis of the effective interest rate for each transaction.

Financial guarantees

Contracts that require the issuer to make payments to compensate the holder for incurred losses arising from breaches of the contractual terms of debt instruments, namely the payment of principal and/or interest, are considered financial guarantees.

Issued financial guarantees are initially recognised at fair value. Subsequently, these guarantees are measured at the higher of (i) the fair value initially recognised and (ii) the amount of any obligation arising under the guarantee contract, measured at the balance sheet date. Any change in the value of the obligation associated with issued financial guarantees issued is recognised in profit or loss.
If they are not designated at fair value through profit or loss at initial recognition, the financial guarantee contracts are subsequently measured at the higher of the following amounts:
- the provision for losses determined in accordance with the criteria described in the section on impairment losses of financial assets;
- the amount initially recognised less, when appropriate, the accumulated amount of income recognised in accordance with IFRS 15 - Revenue from customer contracts.

The ECL of financial guarantee contracts that are not designated at fair value through profit or loss are shown under "Provisions".

Reclassification between categories of financial liabilities

Reclassifications between categories of financial liabilities are not allowed.

c) Equity instruments

An issued financial instrument is classified as an equity instrument only if (i) the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer; and, (ii) the instrument will or may be settled in the issuer's own equity instruments and is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled by the issuer only by exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, regardless of its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Costs directly attributable to the issue of equity instruments are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

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

Preference shares are considered as equity instruments if they do not contain a repayment obligation and dividends, not cumulative, are only paid if and when declared by the Group.

d) Derivatives

The Bank carries out derivative transactions as part of its business with a view to satisfying the needs of its customers and to reduce its exposure to prices, foreign exchange and interest rate fluctuations.

Derivatives are recorded at fair value on the date of acquisition. Furthermore, they are shown in off-balance sheet items for their notional value.

Subsequently, they are measured at their fair value. Fair value is calculated:

- Based on prices in asset markets (e.g. relating to the futures traded on organised markets);

- Based on models that incorporate valuation techniques accepted on the market, including discounted cash flows and option valuation models.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument, which also includes a non-derivative host contract. If the host instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described for Financial assets at fair value through profit or loss.

Derivatives embedded in contracts that are not considered financial assets are treated separately whenever the economic risks and benefits of the derivative are not related to those of the host contract, provided that the hybrid instrument (whole) is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent changes in fair value recognised in profit or loss for the period and presented in the trading derivatives portfolio.

Trading derivatives

Derivatives for trading are those derivatives that are not associated with effective hedge relations, including:

- Derivatives acquired to manage risk in assets or liabilities recorded at fair value through profit or loss, rendering the use of hedge accounting unnecessary;
- Derivatives acquired to hedge risk that are not effective hedges;
- Derivatives acquired for trading purposes.

Trading derivatives are stated at fair value, with gains and losses being recognised daily in income and costs for the year. Trading derivatives with a positive fair value are included in the item "Financial assets held for trading", while trading derivatives with a negative fair value are included in the item "Financial liabilities held for trading".

2.5. Recognition of interest

Interest income and expense for financial instruments measured at amortised cost are recognised under "Interest and similar income" or "Interest and similar costs" (net interest income), using the effective interest rate method. Interest at the effective interest rate on financial assets at fair value through other comprehensive income is also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the instrument (or, when appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider any impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all premiums or discounts directly related with the transaction, with the exception of financial assets and liabilities at fair value through profit or loss.

Interest income recognised in profit or loss associated with contracts classified in stage 1 or 2 is calculated based on the effective interest rate of each contract on its gross balance sheet value. The gross balance sheet value of a contract is its amortised cost before deduction of impairment. For financial assets included in stage 3, interest is recognised in the income statement based on their net book value (less impairment). The recognition of interest is always performed prospectively, i.e., for financial assets entering stage 3, interest is recognised on the amortised cost (net of impairment) in subsequent periods.

For purchase or originated credit impairment assets (POCIs) the effective interest rate reflects the expected credit losses in determining the expected future cash flows to be received from the financial asset.

2.6. Hedge accounting

As permitted by IFRS 9, the Bank has elected to apply the requirements for the application of hedge accounting under IAS 39.

The Bank designates derivatives and other financial instruments to hedge the interest rate risk arising from financing and investment activities. Derivatives that do not qualify for hedge accounting are recorded as trading derivatives. Hedging derivatives are recorded at fair value and the gains or losses resulting from revaluation are recognised in accordance with the hedge accounting model adopted by the Bank.
A hedging relationship exists when:
- at the start date of the relationship, there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed on an ongoing basis and is determined to be highly effective throughout the reporting period;
- in relation to hedging a forecast transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

- Fair value hedge
  Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement, together with changes in the fair value of the asset, liability or group of assets and liabilities that are being hedged in respect of the hedged risk. If the hedging relationship ceases to comply with the requirements

for hedge accounting, the cumulative gains or losses on the variations of the hedged risk associated with the hedged item up to the date of discontinuation of the hedge are amortised through profit or loss, for the remaining period of the hedged item.

- Effectiveness of hedging
  For a hedging relationship to be classified as such in accordance with IAS 39, its effectiveness must be demonstrated. Therefore, the Bank performs prospective tests at the inception date of the hedging relationship, if applicable, and retrospective tests in order to confirm, at each balance sheet date, the effectiveness of the hedging relationships, demonstrating that the variations in the fair value of the hedging instrument are covered by variations in the fair value of the hedged item in the portion attributed to the risk covered. Any ineffectiveness is recognised in profit or loss at the time it occurs.

2.7. Non-current assets held for sale

Non-current assets, or groups of assets and liabilities to be sold, are classified as held for sale whenever it is likely that their balance sheet value may be recovered by selling rather than by their continued use. The following requirements must be met so that an asset (or group of assets and liabilities) can be classified under this item:
- High probability of sale;
- The asset is available for immediate sale in its current state at a reasonable price relative to its current fair value;
- The sale is expected to take place within one year of classifying the asset in this item.

In those cases in which the asset is not sold within a year, the Bank assesses if the requisites continue to be fulfilled, namely the sale did not occur for reasons unconnected with the Bank, which undertook all the actions necessary for the sale to take place and that the asset continues to be actively publicised and at reasonable sales prices according to market circumstances.
Assets recorded under this item are valued at acquisition cost or fair value, whichever is lower, and adjusted by the costs incurred in the sale. The fair value of these assets is calculated based on assessment by independent experts, and the assets are not amortised.

2.8. Other tangible assets

Other tangible assets are stated at acquisition cost, less accumulated depreciation and impairment losses. Repair and maintenance costs and other expenses associated with their use are recognised as costs for the year, under the item "General administrative costs".
Amortisation is calculated according to the straight-line method and recorded in costs in the year on a systematic basis over the estimated useful life of the asset, which corresponds to the period during which the asset is expected to be available for use, which is:

	Years of useful life
Premises	50
Leasehold expenses	4 - 10
Furniture and materials	8
Machines and tools	5 - 8
IT equipment	3 - 8
Fixtures and fittings	5 - 8
Vehicles	4
Safety equipment	8 - 10

Land and artistic heritage are not depreciated/amortised.

Whenever the net book value of tangible assets is greater than its recoverable value, under the terms of IAS 36 – "Impairment of assets", it is recognised as an impairment loss with an impact on profit or loss for the year. Impairment losses can be reversed, also with effect on the profit and loss for the year, if there is an increase in the recoverable amount of the asset in subsequent periods.

2.9. Leases

The Bank adopted IFRS 16 - Leases on 1 January 2019, replacing IAS 17 - Leases, which was in force until 31 December 2018. The Bank did not adopt any of the requirements of IFRS 16 in prior periods.

This standard sets out the new requirements for the scope, classification and measurement of leases:
- from the lessor's perspective, leases continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those whose lease term ends within 12 months or for those where the underlying asset is of low-value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with these contracts as an expense.

The Bank chose not to apply this standard to short-term lease contracts of less than or equal to one year and to lease contracts in which the underlying asset has a value of less than 5,000 euros. In addition, this standard was not applied to leases of intangible assets.

Lease definition

The new lease definition focuses on control of the identified asset, i.e. a contract constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e. the right to obtain substantially all the economic benefits of its use and the right to choose how to use the identified asset for a certain period in exchange for a payment.

Impacts from the lessee's perspective

At the start of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract or part of a contract that conveys the right to use an asset (the underlying asset) for a certain period of time in return for a payment.

To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:
- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. Even if an asset is specified, the Bank does not have the right to use an identified asset if the supplier has the substantive right to replace this asset during its period of use;
- the Bank has the right to obtain substantially all the economic benefits from the use of the identified asset, throughout its entire period of use; and
- the Bank has the right to direct the use of the identified asset. The Bank has this right when it has the most relevant decision-making rights to change the way and purpose for which the asset is used during its entire period of use. In cases where the decision on how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if:
  - the Bank has the right to make use of the asset (or order others to make use of the asset in the manner that it determines) throughout its entire period of use, where the supplier does not have the right to change these instructions on the asset's use; or
  - the Bank designed the asset (or specific aspects of the asset) in a manner that previously determines how and for what purpose the asset shall be used throughout its entire period of use.

The Bank applied this approach to all the contracts concluded or amended on or after 1 January 2019.

The Bank recognizes for all leases, except for those with a term of less than 12 months or for leases of low-value assets:
- A right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently it will be measured according to the cost model (subject to depreciations/amortisations according to the lease term of each contract and impairment tests);
- A lease liability initially recorded at the present value of future lease cash flows (NPV), which includes:
  - Fixed payments deducted from any lease incentives receivable;
  - Variable lease payments that depend on an index or rate, initially measured using the existing index or rate on the starting date;

- Amounts expected to be paid by the lessee under residual values guarantees;
- The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and,
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease. Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Bank's spread of risk, applied over the weighted average term of each lease contract. For fixed-term contracts, that date is taken to be the end date of the lease, while for other open-ended contracts, the date in which the contract is enforceable is assessed. When evaluating enforceability, the particular clauses of the contracts as well as the current legislation on urban lease are taken into account.

Subsequently, lease payments are measured as follow:
- By increasing their carrying amount to reflect the interest;
- By reducing their carrying amount to reflect lease payments; and,
- The carrying amount is remeasured to reflect any leases' revaluations or changes to the lease, as well as to reflect the review of in-substance fixed lease payments and the review of the lease term.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of an option to purchase the underlying asset, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and,
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The Bank did not make any adjustments for the periods presented.

Right-of-use assets are depreciated/amortised from the effective date to the end of the useful life of the underlying asset, or to the end of the lease term if this is earlier. If the lease transfers the ownership of the underlying asset, or if the cost of the right-of-use asset reflects the fact that the Group will exercise a purchase option in the future, the right-of-use asset shall be depreciated/amortised from the effective date until the end of the useful life of the underlying asset. Depreciation/amortisation starts on the effective date of the lease.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, when there is a change in the Bank's estimate of the amount expected to be paid with a residual value guarantee, or whenever the Bank changes its assessment of whether or not it expects to exercise a call, renewal or termination option.

Whenever the lease liability is remeasured, the Bank recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero or there is another reduction in the measurement of the lease liability, the Bank recognizes that reduction in the income statement.

The entries in the Bank's financial statements are presented as follows:
- In the Income Statement:
  (i) recording under Net interest income the interest expenses related to lease liabilities;
  (ii) recording under General administrative costs the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
  (iii) recording under Depreciation the depreciation cost related to right-of-use assets.

- On the balance sheet:
  (i) recording under Other tangible assets the recognition of right-to-use assets; and,
  (ii) recording under Other liabilities the amount of recognised lease liabilities.

- In the cash flow statement, Cash flows arising from operating activities - Payments (cash) to employees and suppliers includes amounts related to short-term lease contracts and to lease contracts of low-value assets and the Decrease in other liabilities includes amounts related to payments of lease liabilities' capital portions, as detailed in the Cash flow statements.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17.

2.10. Financial leases

From the lessee's perspective, finance lease contracts were recorded at inception date as assets and liabilities at the fair value of the leased property, which was equal to the present value of outstanding lease instalments. Lease payments were made up of the financial charge and the amortisation of the outstanding principal. Finance charges were charged to the periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.11. Intangible assets

This item essentially includes costs incurred with the acquisition, development or preparation for use of software used in the Bank's business operations. Intangible assets are recorded at acquisition cost, less accumulated amortisation and impairment losses.

Amortisation is recorded as costs in the year on a systematic basis over the estimated useful life of the asset, which corresponds to a period of 3 years.

Software maintenance costs are accounted as a cost in the year in which they are incurred.

2.12. Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries and associates are carried in the Bank's individual financial statements at historical cost less impairment losses.
Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it has the power to designate the relevant activities of the entity, and when it is exposed, or has rights, to variability in returns from its involvement with that entity and can take possession of them through the power it holds over the relevant activities of that entity.

Financial investments in associates

Associated companies are entities over which the Bank has significant influence, but not control over their financial and operating policies. It is presumed that the Bank exercises significant influence when it holds the power to exercise more than 20% of the voting rights of the associate. If the Bank holds, directly or indirectly, less than 20% of the voting rights, it shall be presumed that the Bank does not have significant influence, except where such influence can be clearly demonstrated.

The existence of significant influence by the Bank is usually evidenced in one or more of the following ways:
- representation on the Board of Directors or equivalent governing body;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- interchange of the management team;
- provision of essential technical information.

These assets are recorded at acquisition cost and are subject to periodic impairment tests.

Impairment

The recoverable amount of investments in subsidiaries and associates is assessed annually, regardless of the existence of impairment indicators. Impairment losses are calculated based on the difference between the recoverable amount of investments in subsidiaries and associates and their book value. Impairment losses identified are recognised in the income statement and are subsequently reversed through the income statement if, in a subsequent year, the estimated losses decrease. The recoverable amount is determined based on the higher between the assets value in use and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Dividends are recorded as income in the year in which their distribution to subsidiaries is decided.

2.13. Income taxes

Alves Ribeiro – Investimentos Financeiros, SGPS, S.A., holds 99.68 % of the Bank's share capital, and the latter is subject to corporate income tax (IRC) under the Special Taxation of Groups of Companies Scheme, as provided for in Articles 69 et seq. of the respective tax code. The perimeter of the group covered by said tax scheme includes the following companies:

- Alves Ribeiro – Investimentos Financeiros, SGPS, S.A.;
- Banco Invest, S.A.;
- Invest Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.; (Invest Gestão de Activos);
- US - Gestar – Gestão de Imóveis, S.A. (US Gestar).

The taxable income of the Group of which Alves Ribeiro – Investimentos Financeiros, SGPS, S.A. is the controlling company is calculated on the basis of the algebraic sum of the taxable profits and of the tax losses determined individually, taxed at a 21% rate. According to Article 14 of the Local Finances Law, the municipalities may deliberate an annual Municipal Surcharge, up to a maximum rate of 1.5% of taxable income subject and not exempt from corporate income tax (IRC).

In addition, taxable profits are still subject to a state surcharge as follows:

- 3% for taxable profits between 1,500,000 and 7,500,000 euros;
- 5% for taxable profits between 7,500,000 and 35,000,000 euros; and
- 9% for taxable profits of more than 35,000,000 euros.

Under article 51-C of the Corporate Income Tax Code (in the version in force until the financial year of 2020), distributed profits and reserves, as well as the capital gains and losses realised by the Bank through the sale of participations held in the share capital of companies, are not included in taxable profit, provided that the following cumulative requirements are met: (i) the Bank has holdings of not less than 10% of the share capital or of the voting rights in the entity that distributes profits, or in the entity whose participations held in the share capital of companies was sold, and provided the participation was held for a period of no less than 12 months (or, in the case of dividends, if held for a shorter period, that it be held for the time necessary to complete that period); (ii) the taxable person does not fall under the fiscal transparency scheme; (iii) the entity that distributes the profits or reserves, or whose capital is sold, is subject to and not exempt from corporate income tax (IRC), from a tax referred to in article 2 of Directive no. 2011/96/EU, of the Council, of 30 November, or from a tax of an identical or similar nature to corporate income tax and the applicable legal rate is not less than 60% of the corporate income tax rate; (iv) the entity that distributes profits or reserves, or the entity whose participations held in the share capital of companies were sold, do not reside in a tax haven.

Total taxes on the profits recorded include current and deferred taxes.

Current tax corresponds to the value payable calculated based on the taxable profits for the year. Taxable profits differ from the accounting result, since it excludes various costs and income that will only be deductible or taxable in subsequent financial years, or that were not deductible or taxable in previous financial years, as well as costs and income that will never be deductible or taxable according to the tax laws in force.

Deferred tax is related to the temporary differences between the amounts of the assets and liabilities for accounting reporting purposes and the respective amounts for taxation purposes, as well as results from tax benefits obtained and from differences between the taxable and the accounting result.

Deferred tax liabilities are recognised for all temporary taxable differences in the future.

As set out in the accounting standards, deferred tax assets are recognised for deductible temporary differences, conditioned by the existence of reasonable expectations of sufficient future taxable profits for those deferred tax assets to be used. At each reporting date, those deferred tax assets are reviewed and adjusted in accordance with the expectations relative to their future use.

The main situations for the Bank that give rise to temporary differences are impairments and provisions not accepted for tax purposes and increases in value of financial assets at fair value through through other comprehensive income.

Deferred tax assets and liabilities are measured by using the tax rates that are expected to be in force at the date of the reversion of the corresponding temporary differences, based on the tax rates (and tax laws) that have been enacted or substantively enacted on the reporting date. As at 31 December 2020, the Bank used a rate of 26% (2019: 24.5%) to calculate deferred taxes.

Corporate income tax (current or deferred) is shown in the profit and loss for the year, except where the transactions giving rise to it have been carried in other shareholders' equity items (in the case of revaluation of financial assets at fair value through other comprehensive income). In these cases, the corresponding tax is also carried against shareholders' equity, and does not affect net income for the year.

2.14. Provisions, contingent assets and contingent liabilities

Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain liabilities); (ii) it is probable that settlement will be required; and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into account the principles defined in IAS 37 regarding 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.

In cases where the effect of discounting is material, provisions correspond to the present value of expected future payments, discounted at a rate that considers the risk associated to the obligation.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the best estimate, and are reversed through profit or loss in proportion to the payments that are not probable.

Provisions are derecognised through their use in the obligations for which they were originally created, or in the case that these obligations cease to exist.

Contingent assets

Contingent assets are not recognised in the financial statements, being disclosed when it is probable that there will be a future economic inflow of resources.

Contingent liabilities

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

The Bank records a contingent liability when:

i) It is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or,

(ii) is a present obligation that arises from past events but is not recognised because:
   - a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or,
   - (b) the amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources that incorporate economic benefits is remote.

2.15. Employees' benefits

Liabilities with employees' benefits are recognised in accordance with the principles established by IAS 19 - Employee Benefits.

The Bank has not subscribed to the Collective Bargaining Agreement in effect for the banking industry since its staff is covered by the General Social Security Scheme. For this reason, the Bank had no liabilities for pensions or retirement pension supplements or other long-term benefits in respect of its employees as at 31 December 2020 and 2019.

Short-term benefits, including productivity bonuses paid to staff for their performance, are recorded in “Personnel costs” in the financial year to which they relate, in accordance with the accruals principle.

2.16. Commissions

Commissions received for credit operations and other financial instruments, especially commissions on the origination of transactions, are recognised as earnings over the transaction period.

Commissions for services provided are usually recognised as earnings over the period the service is provided or on a one-off basis, if they arise from single acts.

2.17. Amounts deposited

Amounts deposited, namely customers' securities, are recorded at fair value in off-balance sheet items.

2.18. Cash and equivalents

For the preparation of the cash flow statements, the Bank considers all the items of “Cash and balances at central banks” and “Claims on other credit institutions”, with less than three months maturity and which can be immediately mobilised with insignificant risk of change in value, as “Cash and equivalents”.

Cash and cash equivalents exclude deposits of a mandatory nature made with Central Banks.

2.19. Offsetting

Financial assets and liabilities are offset and recognised at their net book value in the balance sheet when the Bank has a legal right to offset the amounts recognised and the transactions can be settled at their net value.

2.20. Insurance contracts

Banco Invest is an entity authorised by the Insurance and Pension Funds Supervisory Authority (ASF) for insurance mediation practice, in the category of Tied Insurance Intermediary, in accordance with article 8, paragraph a), item i) of Decree-Law 144/2006, of 31 July, developing the life and non-life insurance intermediation business.
In the course of its business, the Bank sells insurance contracts but does not assume the associated risk.. As remuneration for insurance mediation services, they receive commissions for insurance contract mediation.

With regard to life insurance, the Bank receives commissions as remuneration for insurance mediation services that are recognised as income. This income is recorded as receivable under other assets as it is generated against commissions received, regardless of when they are received.

For non-life insurance, the remuneration (commission) is recorded as deferred income and the income is recognised monthly in the income statement according to the monthly premiums received from customers.

2.21. Share-based payment

IFRS 2 establishes the accounting treatment for transactions where payment is made through shares. The entity may record an increase in equity if transactions in goods and/or services are received through equity-settled share-based payment; or a liability if transactions in goods and/or services are received through cash-settled share-based payment.

2.22. Critical accounting estimates and issues of judgement most relevant to the application of the accounting policies

The Bank's Board of Directors has had to provide some estimates in the application of the accounting criteria described above. The estimates with the biggest impact on the Bank's individual financial statements are listed below.

CLASSIFICATION AND MEASUREMENT - IFRS 9

The classification and measurement of the financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows, to conclude if the same correspond solely to payments of principal and interest on the outstanding principal) and of the business model test.

The Bank determines the business model based on the way groups of financial assets are managed collectively to achieve a specific business objective. This assessment requires judgement, since the following aspects, among others, have to be considered:
- the way in which the performance of the assets is assessed;
- the risks that affect the performance of assets and the way in which those risks are managed; and
- the way in which the asset managers are remunerated.

The Bank monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to their maturity, to understand the reasons underlying their disposal and determine if they are consistent with the objective of the business model defined for those assets. This monitoring is included in the Bank's continuous assessment process of the business model of the financial assets remaining in portfolio, to determine if the latter is adequate and, if not, whether there was a change in the business model and, as a result, a prospective change of the classification of those financial assets.

CALCULATION OF IMPAIRMENT LOSSES IN FINANCIAL ASSETS - IFRS 9

Impairment losses in loanss granted are calculated in accordance with the method defined in Note 2.4. and 39. As such, the calculation of impairment in individually analysed assets results from a specific assessment carried out by Banco Invest, using its knowledge of customers' circumstances and the guarantees associated with the operations in question.

The new procedures and criteria considered by the Bank in preparing accounting estimates in the context of the coronavirus pandemic ("Covid-19"), as well as the analysis of impacts of Covid-19 on the definition of stage, classification of significant increase in credit risk or default, and definition of impairment, are detailed in note 2.4.

The use of alternative methodologies and other assumptions and estimates, namely regarding the effects of the coronavirus pandemic ("Covid-19"), could result in different levels of recognised impairment losses, with a consequent impact on the Bank's results.

This assessment is made on a case-by-case basis by the Bank based on its specific knowledge of its customers' circumstances and on the guarantees associated with the operations in question.
The determination of impairment losses for financial instruments involves judgements relative to the following aspects, among others:

Significant increase in credit risk:
Impairment losses correspond to the expected losses on a 12-month horizon for the assets in stage 1, and to the expected losses considering the probability of a default event occurring at some point up to the maturity date of the financial instrument for the assets in stage 2 and 3. An asset is classified in stage 2 whenever there is a significant increase in credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Bank takes into consideration qualitative and quantitative, reasonable and sustainable information.

Business model evaluation:
The classification and measurement of the financial assets depends on the characteristics of the contractual cash flows of the financial asset and the definition of the business model. The Bank determines the business model according to the way in which it wants to manage the financial assets and the business objectives. The Bank monitors whether the classification of the business model is appropriate based on the analysis of the early derecognition of the assets at amortised cost or at fair value through equity, evaluating whether a prospective change of the classification is necessary.

Definition of groups of assets with common credit risk characteristics:
When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Bank monitors the adequacy of the credit risk characteristics in order to ensure that the reclassification of assets is carried out appropriately, in the event of a change in the credit risk characteristics.

Models and assumptions used:
The Bank uses various models and assumptions to measure the estimated expected credit losses. Judgement is applied in the identification of the most appropriate model for each type of assets, as well as to determine the assumptions used in these models, including the assumptions related to the main credit risk drivers.

Probability of default:
The probability of default represents a determining factor in the measurement of the expected credit losses The probability of default corresponds to an estimate of the probability of default within a certain time period, whose calculation is based on historical data, assumptions and expectations regarding future conditions.

CALCULATION OF IMPAIRMENT LOSSES IN NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are measured at acquisition cost or fair value, whichever is lower, less the costs incurred by the sale, as mentioned in Note 2.7.

The fair value of these assets is calculated based on evaluations carried out by independent entities specialised in this type of service. The evaluation reports are analysed internally, namely by comparing the sales values with the revalued real estate values in order to maintain updated the parameters and processes of assessment of market developments.

The use of alternative methodologies and of different assumptions may result in a different level of fair value with an impact on the recognised balance sheet value.

CALCULATION OF INCOME TAX

Current and deferred taxes are determined by the Bank using the rules established by the tax regulations in force. In certain situations the tax law may not be sufficiently clear and objective, and more than one interpretation may arise. In such situations, the amounts recorded are the outcome of the best judgement of the Bank's administrative bodies regarding the correct context for its operations, which may be questioned by the tax authorities.

2.23 Subsequent events

The Bank analyses events occurring after the balance sheet date, i.e., favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorised/approved. Two types of events can be identified in this context:

a) those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
b) those that are indicative of conditions that arose 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 to be adjusting events, if significant, are disclosed in the notes to the financial statements.

3. CASH AND BALANCES AT CENTRAL BANKS

This item was made up as follows:

	31 December 2020	31 December 2019
Cash in hand	1.293.291	872.607
Demand Deposits at the Bank of Portugal	41.429.250	23.816.918
	42.722.541	**24.689.525**

Demand deposits at the Bank of Portugal aim to comply with the minimum cash reserve requirements of the European System of Central Banks (ESCB). These deposits bear interest and exceed the minimum 2% of Customers' deposits and debt securities maturing in up to 2 years, excluding deposits and debt securities of entities subject to the ECBS minimum cash reserves regime.

4. AMOUNTS AND DEPOSITS AT OTHER CREDIT INSTITUTIONS

This item was made up as follows:

	31 December 2020	31 December 2019
Cheques payable		
- In Portugal	562.725	45.213
Demand deposits		
- In Portugal	2.685.363	2.292.320
- Abroad	17.112.498	15.298.172
Impairment losses	(8.773)	(1.955)
	20.351.813	**17.633.710**

The item Cheques payable represents essentially cheques drawn by third parties on other credit institutions that are due for collection. The balances of this item are settled in the first days of the following month.

5. FINANCIAL ASSETS AT AMORTISED COST - LoansS AND ADVANCES TO CREDIT INSTITUTIONS

As at 31 December 2020 and 2019, this item was made up as follows:

	31 December 2020	31 December 2019
Loanss and advances to credit institutions		
Credit Institutions in Portugal	700.000	400.000
Interest receivable	270.592	367.331
Impairment losses	(2.524)	(15.411)
	968.068	**751.920**

As at 31 December 2020 and 2019, the times to maturity of deposits at credit institutions were as follows:

	31 December 2020	31 December 2019
Up to 3 months	-	-
3 months to 1 year	968.068	751.920
	968.068	**751.920**

6. FINANCIAL ASSETS AT AMORTISED COST - LoansS AND ADVANCES TO CUSTOMERS

This item was made up as follows:

	31 December 2020	31 December 2019
Domestic loanss		
Property leasing transactions	36.365.966	37.873.206
Medium and long-term loanss	36.165.233	53.970.730
Current account loanss	22.353.610	20.578.276
Consumer and auto loanss	276.669.980	245.782.149
Equipment finance leasing transactions	175.665	212.463
Current account overdrafts	8.096.363	9.154.415
Other loanss	9.461.685	8.591.779
	389.288.502	**376.163.018**
Foreign loanss		
Current account overdrafts	2.838.397	2.941.105
	392.126.899	**379.104.123**
Interest receivable	**2.244.119**	**1.775.074**
Commissions associated to amortised cost		
Deferred charges	18.245.673	17.723.067
Deferred income	(7.048.083)	(6.858.984)
	11.197.590	**10.864.083**
Past due principal and interest	**28. 144.248**	**27.911.692**
	433.712.856	**419.654.972**
Impairment (Note 22)		
Impairment for non-securitised loanss	(32.336.136)	(27.081.575)
	(32.336.136)	**(27.081.575)**
	401.376.720	**392.573.397**

As at 31 December 2020, the holders of a qualified shareholding in the Bank's capital and entities controlled by the Bank, identified in the Board of Directors report and in Note 36, and to whom the Bank granted a loans, represented in aggregate terms 34% of the share capital (2019: 31%).

As at 31 December 2020, the loans granted by the Bank to holders with qualified shareholdings and to companies controlled by them comes to 20.504.956 euros (2019): 18.649.452 euros), according to Note 37. Business between the company and qualifying shareholders or natural persons or legal entities related to the latter under the terms of article 20 of the Portuguese Securities Code, regardless of the amount, is always subject to assessment and deliberation by the Board of Directors. The impairment amount set up for these contracts comes to 209.896 euros as at 31 December 2020 (31 December 2019: 186.683 euros).

Commissions associated with amortised cost refer to the net value of commissions paid and commissions received for credit operations, deferred in accordance with the effective rate method, as referred to in Note 2.4.

Overdue loanss and interest refers to the capital, interest and other expenses of overdue and uncollected instalments.

The movement under impairment in 2020 and 2019 is given in Note 21.

In September 2016, the Bank initiated its auto loans concession activity. At the end of 2020 the amount of credit concession comes to 276.669.980 euros (2019: 245.782.149 euros).

Within the scope of liquidity risk management, the Bank has a number of assets eligible for discount with the European Central Bank, in which some loanss and advances to customers are included (see note 16).

As at 31 December 2020 and 2019, the breakdown of times to maturity of loanss and advances to customers, excluding past due loanss, is as follows:

	2020	2019
Up to 3 months	25.061.034	16.784.478
3 months to 1 year	10.237.563	21.600.998
1 to 5 years	83.241.052	89.943.560
More than 5 years	273.587.250	250.775.087
	392.126.899	**379.104.123**

As at 31 December 2020 and 2019, the total loans portfolio broken down by stage, as defined in IFRS 9, is as follows:

	31 December 2020						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment	
Loanss and advances to customers							
Property leasing transactions	32.075.051	(2.434.316)	2.111.135	(421.253)	2.759.319	(740.717)	33.349.219
Medium and long-term loanss	32.325.994	(3.768.793)	1.056.455	(377.766)	17.808.046	(9.671.145)	37.412.791
Current account loanss	22.353.610	(245.578)	-	-	276.420	(181.756)	22.202.696
Consumption and auto loanss	266.802.633	(2.808.553)	5.950.145	(1.453.161)	12.679.657	(9.314.346)	271.856.375
Equipment finance lease transactions	175.665	(2.033)	-	-	266.604	(106.642)	333.594
Current account overdrafts	10.934.760	(43.923)	-	-	-	-	10.890.837
Other loanss	3.636.325	(64.671)	1.601.842	(83.954)	7.457.486	(657.529)	11.889.499
	368.304.038	**(9.367.867)**	**10.719.577**	**(2.296.134)**	**41.247.532**	**(20.672.135)**	**387.935.011**

	31 December 2019						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment	
Loanss and advances to customers							
Property leasing transactions	32.487.057	(752.145)	2.304.377	(332.167)	4.393.414	(1.609.317)	36.491.219
Medium and long-term loanss	48.370.033	(2.238.902)	1.079.647	(417.771)	22.755.315	(12.794.268)	56.754.054
Current account loanss	20.578.276	(214.990)	-	-	413.650	(318.791)	20.458.145
Consumption and auto loanss	239.703.370	(1.860.539)	2.843.212	(558.414)	7.590.320	(5.031.218)	242.686.731
Equipment finance lease transactions	212.463	(1.404)	-	-	266.604	(106.642)	371.021
Current account overdrafts	12.095.520	(106.287)	-	-	-	-	11.989.233
Other loanss	3.459.658	(63.329)	1.896.452	(62.597)	6.566.447	(612.794)	11.183.837
	356.906.377	**(5.237.596)**	**8.123.688**	**(1.370.949)**	**41.985.750**	**(20.473.030)**	**379.934.240**

As at 31 December 2020 and 2019, the breakdown of past due loanss by age is as follows:

	2020	2019
Up to 3 months	983.999	1.106.840
3 months to 1 year	3.039.276	2.394.709
More than 1 year	24.120.973	24.410.143
	28.144.248	**27.911.692**

As at 31 December 2020. performing loanss associated with past due loanss (more than 3 months) amounted to 6.607.911 euros (2019: 6.727.539 euros).

As at 31 December 2020 and 2019, the breakdown of past due loanss by type of guarantee was as follows:

	2020	2019
Mortgage guarantee or financial leasing (property)	14.653.775	16.599.391
Commercial pledge of pharmacies	564.250	2.807.537
Other real guarantees	3.500.572	3.597.382
Personal guarantee	850.499	613.095
No guarantee	8.575.152	4.294.287
	28.144.248	**27.911.692**

As at 31 December 2020 and 2019, the breakdown of performing loanss and past due loanss and the fair value of the underlying guarantees by type of loans was as follows:

	2020			
	Performing	Past due	Total	Fair value of associated guarantees
Loanss and advances to customers				
Property leasing transactions	36.365.966	579.539	36.945.505	82.706.756
Medium and long-term loanss	36.165.233	15.025.262	51.190.495	92.092.752
Current account loanss	22.353.610	276.420	22.630.030	6.242.836
Consumption and auto loanss	276.669.980	8.762.455	285.432.435	-
Equipment finance lease transactions	175.665	266.604	442.269	253.132
Current account overdrafts	10.934.760	-	10.934.760	-
Other loanss	9.461.685	3.233.968	12.695.653	20.371.931
	392.126.899	**28.144.248**	**420.271.147**	**201.667.407**

	2019			
	Performing	Past due	Total	Fair value of associated guarantees
Loanss and advances to customers				
Property leasing transactions	37.873.206	1.311.642	39.184.848	89.581.765
Medium and long-term loanss	53.970.730	18.234.265	72.204.995	107.435.149
Current account loanss	20.578.276	413.650	20.991.926	2.434.500
Consumption and auto loanss	245.782.149	4.354.753	250.136.902	-
Equipment finance lease transactions	212.463	266.604	479.067	253.132
Current account overdrafts	12.095.520	-	12.095.520	6.445.728
Other loanss	8.591.779	3.330.778	11.922.557	14.702.019
	379.104.123	**27.911.692**	**407.015.815**	**220.852.293**

The Bank uses physical and financial collateral as instruments to mitigate credit risk. Physical collaterals correspond mainly to mortgages on residential properties within the scope of loans operations and medium and long-term loanss, or to the legal property in the case of real estate leasing operations. In order to reflect their market value, these collaterals are reviewed regularly based on evaluations conducted by certified, independent appraisers. The financial collaterals are re-evaluated based on market values of their assets, when available, and certain depreciation coefficients are applied to reflect their volatility.

The breakdown of the loans portfolio, as at 31 December 2020 and 2019, by sector of activity, was as follows:

	2020		
	Performing loanss	Past due loanss	Total
Individuals	279.021.311	14.896.554	293.917.865
Wholesale and retail trade; repair of motor vehicles and motorbikes	34.464.530	4.738.414	39.202.944
Financial and insurance activities	23.614.073	249.009	23.863.082
Real estate activities	13.735.292	2.080.680	15.815.972
Public administration and defence; mandatory social security	-	-	-
Extractive industries	-	-	-
Manufacturing industries	7.806.756	624.750	8.431.506
Construction	7.084.201	1.131.977	8.216.178
Agriculture, livestock, hunting, forestry and fishing	2.236.336	3.270.264	5.506.600
Administrative and support services activities	2.656.389	47.074	2.703.463
Consultancy, scientific, technical and similar activities	3.210.338	55.057	3.265.395
Human health and social support activities	2.001.734	2.195	2.003.929
Hotels, restaurants and similar	5.484.136	476.522	5.960.658
Water supply, sewerage, waste management and remediation activities	396.712	12	396.724
Other activities and services	4.838.910	18.728	4.857.638
Transportation and storage	2.784.185	236.564	3.020.749
Arts, entertainment, sports and recreational activities	1.210.337	23.715	1.234.052
Education	605.705	239.881	845.586
Electricity, gas, steam, hot and cold water and cold air	-	-	-
Information and communication activities	975.954	52.852	1.028.806
Activities of households as employers of domestic staff and producing activities	-	-	-
Total Loanss	**392.126.899**	**28.144.248**	**420.271.147**

	2019		
	Performing loanss	Past due loanss	Total
Individuals	243.937.499	11.997.059	255.934.558
Wholesale and retail trade; repair of motor vehicles and motorbikes	34.896.597	5.261.539	40.158.136
Financial and insurance activities	24.766.050	250.202	25.016.252
Real estate activities	9.824.224	3.586.083	13.410.307
Public administration and defence; mandatory social security	-	-	-
Extractive industries	26.273	-	26.273
Manufacturing industries	7.918.194	654.682	8.572.876
Construction	6.125.523	1.703.461	7.828.984
Agriculture, livestock, hunting, forestry and fishing	2.928.166	3.207.835	6.136.001
Administrative and support services activities	23.738.246	219.772	23.958.018
Consultancy, scientific, technical and similar activities	2.144.818	3.635	2.148.453
Human health and social support activities	1.451.497	2.245	1.453.742
Hotels, restaurants and similar	3.941.438	490.547	4.431.985
Water supply, sewerage, waste management and remediation activities	409.713	-	409.713
Other activities and services	11.611.621	20.174	11.631.795
Transportation and storage	2.500.870	193.984	2.694.854
Arts, entertainment, sports and recreational activities	1.213.954	1.200	1.215.154
Education	587.067	267.705	854.772
Electricity. gas. steam. hot and cold water and cold air	-	-	-
Information and communication activities	1.071.753	51.569	1.123.322
Activities of households as employers of domestic staff and producing activities	10.620	-	10.620
Total Loanss	**379.104.123**	**27.911.692**	**407.015.815**

To comply with the requirements for disclosure of IFRS 16 – Leasings, the Bank prepared for the financial leasing portfolio, with reference to 31 December 2020 and 2019, the reconciliation between the minimum leasing payments and their present value, for each one of the periods defined in the standard, presented in the following table:

	2020	2019
Minimum lease payments		
Up to 1 year	4.840.197	5.500.425
1 to 5 years	16.214.765	17.204.323
More than 5 years	23.682.489	23.864.607
	44.737.451	**46.569.355**
Unearned financial income	(8.195.820)	(8.483.686)
	36.541.631	**38.085.669**
Present value of minimum lease payments		
Up to 1 year	3.528.928	4.154.876
1 to 5 years	12.743.315	13.553.540
More than 5 years	20.269.388	20.377.253
	36.541.631	**38.085.669**
Impairments for finance lease loanss	(3.704.961)	(2.801.675)
	32.836.670	**35.283.994**

As at 31 December 2020 and 2019 the Bank's financial leasing portfolio contains no contracts whose residual value is guaranteed by external entities, nor are there any contingent rents.

The loans portfolio includes contracts that resulted from a formal restructuring with customers, in order to replace previous loanss with new financing. In 2020 there were 164 restructurings due to financial difficulties of the client, totalling 2,160,270 euros.

The restructuring may result from an increase in collateral and/or the settlement of part of the loanss and imply an extension of maturities or a change in the interest rate. The analysis of restructured loanss, by sector of activity, is as follows:

	2020			
	Performing loans	Past due loanss	Total	Impairment
Administrative and support services activities	41.726	-	41.726	8.808
Arts, entertainment, sports and recreational activities	5.517	-	5.517	1.150
Human health and social support activities	-	2.078	2.078	2.078
Financial and insurance activities	-	249.009	249.009	127.192
Real estate activities	717.203	-	717.203	20.959
Agriculture, livestock, hunting, forestry and fishing	1.738.446	3.270.264	5.008.710	1.933.918
Hotels. restaurants and similar	377.530	146.586	524.116	147.404
Wholesale and retail trade; repair of motor vehicles and motorbikes	1.930.065	2.496.730	4.426.795	1.542.022
Construction	47.989	1.294	49.283	3.411
Education	164.204	-	164.204	27.681
Manufacturing industries	738.794	421.970	1.160.764	325.204
Other activities and services	63.980	-	63.980	24.496
Individuals	4.915.577	836.070	5.751.647	980.403
Transportation and storage	40.962	237	41.199	11.184
Total loanss	**10.781.993**	**7.424.238**	**18.206.231**	**5.155.910**

2019				
	Performing loans	Past due loans	Total	Impairment
Administrative and support services activities	19.627	-	19.627	3.285
Arts. entertainment. sports and recreational activities	149.114	-	149.114	18.052
Human health and social support activities	-	2.078	2.078	2.078
Financial and insurance activities	-	248.601	248.601	122.207
Real estate activities	698.489	37.239	735.728	80.358
Agriculture, livestock, hunting, forestry and fishing	1.768.579	3.207.052	4.975.631	1.770.612
Hotels, restaurants and similar	217.967	139.761	357.728	165.632
Wholesale and retail trade; repair of motor vehicles and motorbikes	3.233.339	2.287.241	5.520.580	1.831.928
Construction	53.851	121	53.972	1.974
Education	229.291	24.660	253.951	134.708
Manufacturing industries	966.631	513.676	1.480.307	334.752
Other activities and services	7.424	-	7.424	6.992
Individuals	3.156.339	556.158	3.712.497	509.974
Transportation and storage	-	-	-	-
Total loanss	**10.500.651**	**7.016.587**	**17.517.238**	**4.982.551**

The restructured loanss are subject to an impairment analysis resulting from the reassessment of expectations to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

The Bank has implemented a process for marking operations restructured due to customers' financial difficulties. This marking is part of the credit analysis process. The information on operations restructured due to financial difficulties is available in the Bank's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment:

- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations, implementation of grace periods longer than 24 months);
- in exposures marked as restructured due to customers' financial difficulties, the process of calculation of impairment is based on the model of individual analysis, allowing an objective and direct calculation of the potential risk of loss.

The operations marked as restructured due to customers' financial difficulties, maintain the referred marking, during a period of quarantine of not less than 12 months, during which the regularity of the fulfilment of the obligations is monitored monthly. After this period, although they are no longer classified as restructured due to non-compliance, they are carried over to a monthly probationary period of not less than 24 months.

The Value at Risk comprises, by exposure, the amounts overdue and not paid (principal, interest and other charges), the amounts due (principal not yet due) and the accrued and not yet due interest (from the last due date to the closing date of the accounts).

The classification of Non Performing Loanss includes, i) besides the exposures marked as restructured due to customers' financial difficulties, active contracts: ii) with credit overdue for more than 90 days, iii) exposures without credit overdue or credit overdue for less than 90 days, but in a cure period; iv) exposures where credit overdue, regardless of seniority, represents more than 20% of the exposure value at risk, v) exposures identified as having risk signs, even without credit overdue (PER or PI requirement, execution by Third Parties of collaterals that mitigate the risk of exposure to our Bank). And, of course, vi) exposures associated with credit agreements that have been terminated due to default and are still under judicial execution.

As of 31 December 2020, the amount of NPL was 41.292.300 Euros (31 December 2019: 42.311.785 euros).

The portfolio includes loanss, which in view of the customers' financial difficulties, were subject to a change in the initial conditions of the contract in the amount of 18.216.855 euros (31 December 2019: 12.546.015 Euros). which present an impairment of 5.155.910 euros (31 December 2019: 4.982.551 euros).

The two main loans portfolios on the Balance Sheet, associated with car loanss and mortgage loanss (and property leasing) assimilated, during 2020, the framework and practices associated with moratoria: i) legal (Decree-Law 10-J/2020) and ii) sectoral (ASFAC).

The sectoral moratorium (applicable exclusively to consumer car loanss) came to an end, with its effects expiring on 31 December 2020, with only the legal moratorium, which it covered, remaining in force - as shown in Note 37. Relevant facts - around 36.7 million euros of performing loanss, corresponding to around 8,73% of the portfolio of gross loanss to date.

Sensitivity analysis of the amount of impairment to changes in the main assumptions

Considering the types of Bank portfolios, as explained above in the report, the process of calculation of impairment is broken down by loanss under individual analysis and those under collective analysis, where for the former the associated impairment is essentially dependent on the value of the associated collateral, while for the group of loanss analysed collectively the impairment levels tend to be particularly sensitive to the probability of default associated with each segment.

In this context the sensitivity tests performed are broken down by the factors mentioned, according to the type of analysis made and the associated type of credit, and the impacts obtained in relation to the impairment recorded on 31 December 2020 are presented in the following table:

Type of Credit	Impairment before the shock			Shock		Impairment after the shock			Change %
	Individual	Collective	Total	Collateral	PD	Individual	Collective	Total	
General credit of a real estate origin	17.711.518	312.030	18.023.548	-11.90%	+30%	19.668.475	405.639	20.074.114	11.4%
Loanss with precious metals as collateral	661.202	144.953	806.154	-13.50%	+30%	791.149	169.727	960.876	19.2%
Auto loanss	-	13.576.060	13.576.060		+30%	-	14.831.574	14.831.574	9.2%
Total	**18.372.719**	**14.033.043**	**32.405.762**			**20.459.624**	**15.406.940**	**35.866.564**	**10.7%**

With regard to the assumptions used in the sensitivity analysis, for loanss subject to individual analysis, in the general credit segment a devaluation of 11.9% of the associated collateral was considered, which corresponds to the largest annual devaluation historically observed in this segment, while for the credit segment with precious metals collateral a devaluation of 13.5% was used, which corresponds to the largest intra-annual devaluation of the gold price over the last five years.

For loanss subject to collective analysis, an analogous shock was considered for all segments corresponding to a 30% increase in the probability of default.

7. FINANCIAL ASSETS AT AMORTISED COST - DEBT SECURITIES

This item was made up as follows:

	31 December 2020	31 December 2019
Debt securities		
Portuguese government debt or public companies	10.808.520	9.892.976
Other residents		
Companies	58.731.560	48.538.198
Commercial paper	16.147.017	36.836.894
Interest receivable	824.455	754.221
Non-residents		
Government debt	76.488.183	78.405.073
Credit institutions	10.499.180	7.002.655
Companies	67.401.306	43.735.078
Interest receivable	2.640.604	2.486.402
Adjustments arising from the application of fair value hedge accounting	8.487	-
	243.549.312	**227.651.497**
Impairment (Note 21)		
Other loanss and receivables - debt securities	(488.441)	(418.080)
	(488.441)	**(418.080)**
	243.060.871	**227.233.417**

The carrying amounts of the hedged items arising from the application of fair value hedge accounting are as follows:

	31 December 2020	31 December 2019
Debt securities	28.244.838	-

The composition of the (non-resident) debt securities. excluding public issuers and credit institutions. as at 31 December 2020 and 2019. by sector of activity was as follows:

	31 December 2020	31 December 2019
Extractive industries	5.082.694	5.097.650
Manufacturing industries	30.770.009	18.078.134
Electricity, gas, steam, hot and cold water and cold air	19.398.226	12.639.416
Other activities and services	2.283.125	2.042.917
Transportion and storage	3.519.261	-
Information and communication activities	3.383.700	2.515.853
Financial and insurance activities	949.484	1.342.757
Real estate activities	1.015.559	1.019.201
Administrative and support services activities	999.248	999.150
	67.401.306	**43.735.078**

As at 31 December 2020, the debt securities portfolio, excluding interest receivable, broken down by stage, as defined in IFRS 9, is as follows:

	31 December 2020						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment	
Debt securities	240.084.253	(488.441)	-	-	-	-	239.595.812
	240.084.253	**(488.441)**	**-**	**-**	**-**	**-**	**239.595.812**

	31 December 2019						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment	
Debt securities	224.410.874	(418.080)	-	-	-	-	223.992.794
	224.410.874	**(418.080)**	**-**	**-**	**-**	**-**	**223.992.794**

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Financial assets at fair value item through profit or loss is analysed as follows:

	31 December 2020	31 December 2019
Activos financeiros detidos para negociação		
Debt instruments	33.315.872	35.218.149
Interest receivable	350.354	256.841
Equity instruments	2.895.668	6.507.858
Derivatives	3.409.965	2.784.183
	39.971.859	**44.767.031**
Financial assets not held for trading mandatorily at fair value through profit or loss		
Equity instruments	26.330.175	22.662.720
	26.330.175	**22.662.720**

The Financial assets not held for trading mandatorily at fair value through profit or loss - equity instruments item resulted from the reclassification on 1 January 2018 of the investment units of the funds, since their characteristics did not permit their classification in comprehensive income under the accounting policy described in note 2.5.

Included under this heading are the investment units of the Fundo Inspirar, in the amount of 4.422.510 euros, according to Note 39.

These items were made up as follows::

	31 December 2020		31 December 2019	
	Financial assets held for trading	Financial assets held for trading mandatorily at fair value through profit or loss	Financial assests held for trading	Financial assets held for trading mandatorily at fair value through profit or loss
Debt instruments				
Other residents				
Other national public issuers	-	-	-	-
Credit institutions	-	-	-	-
Companies	-	-	-	-
Non-residents				
Foreign public issuers	2.470.208	-	1.565.394	-
Credit institutions	7.624.205	-	16.105.876	-
Companies	23.221.459	-	17.546.879	-
	33.315.872	**-**	**35.218.149**	**-**
Interest receivable	350.354	-	256.841	-
	33.666.226	**-**	**35.474.990**	**-**
Equity instruments				
Residents				
Shares	-	-	-	-
Investment units	-	26.256.996	-	22.589.541
Non-residents				
Shares	2.168.261	-	6.280.198	-
Investment units	727.407	73.179	227.660	73.179
	2.895.668	**26.330.175**	**6.507.858**	**22.662.720**
Derivatives				
Swaps				
Interest rate	275.078	-	144.706	-
Other	3.085.322	-	2.618.015	-
Options embedded				
in structured deposits	49.565	-	21.462	-
	3.409.965	**-**	**2.784.183**	**-**
	39.971.859	**26.330.175**	**44.767.031**	**22.662.720**

As at 31 December 2020 and 2019, the portfolios are recorded at fair value through profit or loss, in accordance with the accounting policy described in Note 2.4.

As of December 31, 2020, the Bank holds units of the following entities:
- Crest I - FCR;
- Crest II - FCR;
- Iberis Bluetech Fund, FCR;
- Invest Iberia – Fundo de Investimento Imobiliário Aberto de Ações;

- Fundo Especial de Investimento Imobiliário Fechado Tejo;
- Inspirar – Fundo Especial de Investimento Imobiliário Fechado; e
- Espírito Santo Iberia I - Fundo de Capital de Risco.

The composition of (non-resident) debt instruments, excluding public issuers and credit institutions, as at 31 December 2020 and 2019, by sector of activity, was as follows:

	Financial assets held for trading	
	31 December 2020	**31 December 2019**
Extractive industries	-	-
Manufacturing industries	8.501.741	7.717.187
Electricity, gas, steam, hot and cold water and cold air	5.881.603	3.591.851
Water supply, sewerage, waste management and remediation activities	1.541.160	497.995
Construction	-	491.480
Other activities and services	1.091.935	620.782
Wholesale and retail trade; repair of motor vehicles and motorbikes	-	-
Transportation and storage	2.024.276	1.393.686
Information and communication activities	2.330.981	1.400.674
Financial and insurance activities	1.325.614	1.226.990
Real estate activities	-	104.269
Administrative and support services activities	524.149	501.965
	23.221.459	**17.546.879**

As at 31 December 2020 and 2019, the nominal value of the debt instruments is as follows:

	31 December 2020	**31 December 2019**
Other residents		
Other public issuers	-	-
Credit institutions	-	-
Companies	-	-
Non-residents		
Foreign public issuers	2.500.000	1.500.000
Credit institutions	11.400.000	19.950.000
Companies	22.500.000	17.000.000
	36.400.000	**38.450.000**

As at 31 December 2020 and 2019, the transactions with derivatives were valued in accordance with the criteria in Note 2.4. On these dates, the breakdown of the notional amount and book value was as follows:

	2020			
	Notional amount	Book value		
	Trading derivaties	Financial assets held for trading	Financial liabilities held for trading	Total
			(Note 19)	
Derivatives				
Over the counter (OTC)				
- Swaps				
Interest rate	73.699.945	275.078	(63.719)	211.359
Other	5.878.246	3.085.322	-	3.085.322
- Options embedded				
in structured deposits	61.154.069	49.565	(136.092)	(86.527)
- Options				
Equities	4.623.000	-	(40.094)	(40.094)
	145.355.260	**3.409.965**	**(239.905)**	**3.170.060**
Traded on the stock exchange				
- Futures				
Interest rate	87.345.050	-	-	-
Equities	242.121	-	-	-
Foreign exchange	6.113.174	-	-	-
	93.700.345	**-**	**-**	**-**
	239.055.605	**3.409.965**	**(239.905)**	**3.170.060**

	2019			
	Notional amount	Book value		
	Trading derivaties	Financial assets held for trading	Financial liabilities held for trading	Total
			(Note 19)	
Derivatives				
Over the counter (OTC)				
- Swaps				
Interest rate	46.015.165	144.706	(200.389)	(55.683)
Other	5.878.246	2.618.015	-	2 618.015
- Options embedded				
in structured deposits	71.413.113	21.462	(638.695)	(617.233)
- Options				
Equities	1.663.000	-	(49.193)	(49.193)
	124.969.524	**2.784.183**	**(888.277)**	**1.895.906**
Traded on the stock exchange				
- Futures				
Interest rate	53.398.093	-	-	-
Equities	571.698	-	-	-
Foreign exchange	6.643.892	-	-	-
	60.613.683	**-**	**-**	**-**
	185.583.207	**2.784.183**	**(888.277)**	**1.895.906**

The distribution of derivative transactions as at 31 December 2020 and 2019, by times to maturity, was as follows (by notional amount):

	2020					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1year <= 5 years	> 5 years	Total
Derivatives						
Over the counter (OTC)						
- Swaps						
Interest rate	-	1.998.016	28.109.353	43.592.576	-	73.699.945
Other	-	-	-	-	5.878.246	5.878.246
	-	**1.998.016**	**28.109.353**	**43.592.576**	**5.878.246**	**79.578.191**
- Options embedded						
in structured deposits	3.711.646	866.586	19.638.571	36.937.266	-	61.154.069
- Options						
Equities and exchange rates	3.960.000	663.000	-	-	-	4.623.000
- Futures						
Interest rate	25.758.050	18.350.375	28.154.600	15.082.025	-	87.345.050
Equities	242.121	-	-	-	-	242.121
Foreign exchange	6.113.174	-	-	-	-	6.113.174
	32.113.345	**18.350.375**	**28.154.600**	**15.082.025**	**-**	**93.700.345**
	39.784.991	**21.877.977**	**75.902.524**	**95.611.867**	**5.878.246**	**239.055.605**

	2019					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1year <= 5 years	> 5 years	Total
Derivatives						
Over the counter (OTC)						
- Swaps						
Interest rate	-	8.288.512	12.184.011	25.542.642	-	46.015.165
Other	-	-	-	-	5.878.246	5.878.246
	-	**8.288.512**	**12.184.011**	**25.542.642**	**5.878.246**	**51.893.411**
- Options embedded in structured deposits	13.309.700	9.401.782	26.099.728	22.601.903	-	71.413.113
- Options						
Equities and exchange rates	1.000.000	-	-	663.000	-	1.663.000
- Futures						
Interest rate	11.247.493	9.536.575	16.059.350	16.554.675	-	53.398.093
Equities	571.698	-	-	-	-	571.698
Foreign exchange	6.643.892	-	-	-	-	6.643.892
	18.463.083	**9.536.575**	**16.059.350**	**16.554.675**	**-**	**60.613.683**
	32.772.783	**27.226.869**	**54.343.089**	**65.362.220**	**5.878.246**	**185.583.207**

The distribution of derivative transactions as at 31 December 2020 and 2019, by type of counterparty, was as follows:

	2020	2019
Over the counter (OTC)		
Swaps		
Interest rate		
- Financial institutions	73.699.945	46.015.165
Other		
- Customers	5.878.246	5.878.246
Options embedded in structured deposits		
- Customers	60.302.957	71.413.113
Equity options		
- Financial institutions	-	-
- Customers	4.623.000	1.663.000
	144.504.148	**124.969.524**
Traded on the stock exchange		
Futures		
- Interest rate	87.345.050	53.398.093
- Equities	242.121	571.698
- Foreign exchange	6.113.174	6.643.892
	93.700.345	**60.613.683**
	238.204.493	**185.583.207**

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item was made up as follows:

	31 December 2020	31 December 2019
Debt instruments		
Other residents		
Other national public issuers	104.346	105.684
Other	7.702.896	8.595.740
Non-residents		
Foreign public issuers	6.531.716	11.574.563
Credit institutions	15.539.080	6.342.349
Other	95.304.727	53.592.489
	125.182.765	**80.210.825**
Interest receivable	882.160	578.524
	126.064.925	**80.789.349**
Impairment of other securities	-	-
	126.064.925	**80.789.349**

The composition of (non-resident) debt instruments, excluding public issuers and credit institutions, as at 31 December 2020 and 2019, by sector of activity, was as follows:

	31 December 2020	31 December 2019
Extractive industries	1.084.830	1.093.910
Manufacturing industries	45.098.168	21.788.570
Electricity, gas, steam, hot and cold water and cold air	28.188.680	16.321.837
Water supply, sewerage, waste management and remediation activities	540.845	-
Other activities and services	5.230.985	3.644.045
Wholesale and retail trade; repair of motor vehicles and motorbikes	-	-
Information and communication activities	11.463.674	7.041.762
Financial and insurance activities	-	-
Administrative and support services activities	1.040.860	1.026.090
Human health and social support activities	2.656.685	2.676.275
	95.304.727	**53.592.489**

As at 31 December 2020 and 2019, the nominal value of the debt instruments is as follows:

	31 December 2020	31 December 2019
Other residents		
Other national public issuers	100.000	100.000
Other	7.600.000	8.500.000
Non-residents		
Foreign public issuers	7.000.100	12.100.100
Credit institutions	15.200.000	6.200.000
Other	90.400.000	51.350.000
	120.300.100	**78.250.100**

As described in the accounting policy referred to in Note 2.4, the financial assets available for sale portfolio is presented at its market value, with the respective fair value recorded against fair value reserves (Note 24). As at 31 December 2020 and 2019, the unrealised gains and losses in financial assets available for sale were as follows:

	31 December 2020	31 December 2019
Debt instruments		
Other residents		
Portuguese public debt	(4.455)	(6.696)
Other bonds	(114.202)	(119.322)
Non-residents		
Foreign public issuers	(176.337)	(798.825)
Other bonds	(5.353.106)	(2.323.515)
	(5.648.100)	**(3.248.358)**
Equity instruments	186.746	190.508
Net potential gains (Note 24)	**(5.461.354)**	**(3.057.850)**

As at 31 December 2020 and 2019, the portfolio of financial assets at fair value through other comprehensive income, excluding interest receivable, broken down by stage, as defined in IFRS 9, is as follows:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	Gross value	Gross value	Gross value	
Financial assets at fair value through other comprehensive income	125.182.765	-	-	125.182.765

	31 Dezembro 2019			
	Stage 1	Stage 2	Stage 3	Total
	Gross value	Gross value	Gross value	
Financial assets at fair value through other comprehensive income	80.210.825	-	-	80.210.825

10. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

As at 31 December 2020 and 2019, the balance of this item corresponds to the investments held by the Bank in Invest Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliário, S.A., in Saldanha Holdings Limited, in which it holds the entire share capital and in Crest Capital Partners S.A., as detailed below:

	31 December 2020	31 December 2019
Invest Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.	250.000	250.000
Crest Capital Partners, S.A.	12.500	12.500
Saldanha Holdings Limited	1.500	1.500
	264.000	**264.000**

In November 2013 the Bank acquired 100% of the share capital of Saldanha Holdings Limited, with registered office in Malta, for the amount of 1,500 euros.

On these dates, the more significant financial highlights of the financial statements of these entities may be summed up as follows:

2020		
	Invest Gestão de Activos	Saldanha Holdings Limited
Net assets	3.510.061	1.499
Net equity	3.340.747	1.499
Net income	474.276	(12.022)
Total income	**802.993**	-

2019		
	Invest Gestão de Activos	Saldanha Holdings Limited
Net assets	2.985.688	13.521
Net equity	2.866.471	13.521
Net income	308.874	(88.645)
Total income	**578.530**	-

In 2020 and 2019 no dividends were distributed by any subsidiary.

Saldanha Holdings Limited and Saldanha Finance Limited (entity owned by Saldanha Holdings) began the liquidation process during 2019.

11. NON-CURRENT ASSETS HELD FOR SALE

This item was made up as follows:

	31 December 2020	31 December 2019
Real estate	11.780.135	15.375.825
Impairment (Note 21)	(3.731.949)	(4.798.784)
	8.048.186	**10.577.041**

Changes in this item in 2020 and 2019 are shown below:

	2020								
	31 December 2019						31 December 2020		
	Gross value	Impairment	Acquisitions	Disposals	Impairment Reinstatements/ (Appropriations)	Use of Impairment	Gross value	Impairment	Net value
		(Note 21)			(Note 21)	(Note 21)		(Note 21)	
Real estate	**15.375.825**	**(4.798.784)**	**672.723**	**(4.268.413)**	**(462.407)**	**1.529.242**	**11.780.135**	**(3.731.949)**	**8.048.186**

	2019								
	31 December 2018						31 December 2019		
	Gross value	Impairment	Acquisitions	Disposals	Impairment Reinstatements/ (Appropriations)	Use of Impairment	Gross value	Impairment	Net value
		(Note 21)			(Note 21)	(Note 21)		(Note 21)	
Real estate	**19.770.250**	**(6.051.387)**	**1.054.003**	**(5.448.428)**	**(699.304)**	**1.921.907**	**15.375.825**	**(4.798.784)**	**10.577.041**

As at 31 December 2020 and 2019, the breakdown of non-current assets held for sale is as follows, according to the Bank acquisition date:

	2020			2019		
Year of acquisition	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Prior to 2011	2.111.696	(979.524)	1.132.172	3.132.509	(1.337.456)	1.795.053
2011	956.861	(391.062)	565.799	1.658.080	(645.654)	1.012.426
2012	503.657	(204.652)	299.005	1.122.276	(621.387)	500.889
2013	1.261.467	(388.113)	873.354	2.081.120	(515.065)	1.566.055
2014	694.458	(57.864)	636.594	784.598	(36.190)	748.408
2015	782.422	(273.748)	508.674	1.097.531	(230.892)	866.639
2016	1.186.553	(194.481)	992.072	1.363.617	(255.795)	1.107.822
2017	1.454.121	(780.424)	673.697	1.519.901	(698.788)	821.113
2018	1.173.667	(181.536)	992.131	1.568.742	(206.959)	1.361.783
2019	969.579	(204.318)	765.261	1.047.451	(250.598)	796.853
2020	685.654	(76.227)	609.427	-	-	-
	11.780.135	**(3.731.949)**	**8.048.186**	**15.375.825**	**(4.798.784)**	**10.577.041**

The real estate held in portfolio for more than 1 year corresponds to real estate that in spite of the commercial efforts undertaken by the Bank to proceed with its immediate sale, has still not been sold, due mainly to the current climate of the real estate market. The Bank continues to focus its efforts on selling the real estate in the short-term.

During 2020, the Bank recorded net gains from the sale of real estate received in lieu of payment, totalling 353,333 euros (2019: net gains of 449,201 euros) (Note 32), which were determined in certain situations relative to the gross value of the real estate.

12. OTHER TANGIBLE ASSETS

Changes in the "Other tangible assets" items during 2020 and 2019 were as follows:

2020								
	31 December 2019					Disposals and write-offs		
Description	Gross value	Accumulated depreciation	Acquisitions	Depreciation for the year	Transfers	Gross value	Depreciations	Net value 31-12-2020
Real estate:								
- Premises	708.264	(246.603)	-	(10.837)	-	-	-	450.824
- Leasehold expenses	3.107 .921	(2.369.848)	23.817	(161.703)	24.172	-	-	624.359
	3.816.185	**(2.616.451)**	**23.817**	**(172.540)**	**24.172**	**-**	**-**	**1.075.183**
Equipment:								
- Furniture and materials	496.551	(395.762)	17.690	(20.437)	-	-	-	98.042
- Machines and tools	72.702	(50.327)	12.838	(7.389)	-	-	-	27.824
- IT equipment	814.288	(687.218)	100.470	(92.462)	-	-	-	135.078
- Fixtures and fittings	557.800	(545.109)	3.340	(4.537)	-	-	-	11.494
- Vehicles	2.365.103	(1.853.764)	24.299	(286.559)	-	(39.916)	39.916	249.079
- Safety equipment	9.578	(8.807)	-	(178)	-	-	-	593
	4.316.022	**(3.540.987)**	**158.637**	**(411.562)**	**-**	**(39.916)**	**39.916**	**522.110**
Other tangible assets:								
- Artistic assets	41.364	-	-	-	-	-	-	41.364
- Under construction	6.840	-	35.545	-	(24.172)	-	-	18.213
	48.204	**-**	**35.545**	**-**	**(24.172)**	**-**	**-**	**59.577**
Right-of-use - IFRS 16								
- Real estate	6.812.837	(955.510)	-	(922.201)	-	(117.172)	16.656	4.834.610
- Other	21.157	(10.578)	-	(10.579)	-	-	-	-
	15.014.405	**(7.123.526)**	**217.999**	**(1 516.882)**	**-**	**(157.088)**	**56.572**	**6.491.480**

2019								
	31 December 2019					Disposals and write-offs		
Description	Gross value	Accumulated depreciation	Acquisitions	Depreciation for the year	Transfers	Gross value	Depreciations	Net value 31-12-2019
Real estate:								
- Premises	705.226	(238.345)	5.349	(10.569)	-	(2.311)	2.311	461.661
- Leasehold expenses	2.852.248	(2.238.849)	19.105	(179.655)	285.224	(48.656)	48.656	738.073
	3.557.474	**(2.477.194)**	**24.454**	**(190.224)**	**285.224**	**(50.967)**	**50.967**	**1.199.734**
Equipment:								
- Furniture and materials	472.244	(410.678)	9.531	(24.189)	53.881	(39.105)	39.105	100.789
- Machines and tools	69.705	(47.903)	9.877	(9.304)	-	(6.880)	6.880	22.375
- IT equipment	848.247	(689.374)	89.599	(115.920)	(5.482)	(118.076)	118.076	127.070
- Fixtures and fittings	558.754	(548.991)	3.155	(7.139)	6.912	(11.021)	11.021	12.691
- Vehicles	2.217.623	(1.400.744)	174.362	(479.902)	-	(26.882)	26.882	511.339
- Safety equipment	9.578	(8.025)	-	(782)	-	-	-	771
	4.176.151	**(3.105.715)**	**286.524**	**(637.236)**	**55.311**	**(201.964)**	**201.964**	**775.035**
Other tangible assets:								
- Artistic assets	41.364	-	-	-	-	-	-	41.364
- Under construction	85.173	-	267.684	-	(346.017)	-	-	6.840
	126.537	**-**	**267.684**	**-**	**(346.017)**	**-**	**-**	**48.204**
Right-of-use - IFRS 16								
- Real estate	6.244.272	-	568.565	(955.510)	-	-	-	5.857.327
- Other	21.157	-	-	(10.578)	-	-	-	10.579
	14.125.591	**(5.582.909)**	**1.147.227**	**(1.793.548)**	**(5.482)**	**(252.931)**	**252.931**	**7.890.879**

The Right-of-use item corresponds essentially to leased properties (branches and central buildings) and a residual number of printers, amortised according to the lease term of each contract, as described in accounting policy 2.8 and note 42.

13. INTANGIBLE ASSETS

Changes in the "Intangible assets" items during 2020 and 2019 were as follows:

2020								
	31 December 2019				Disposals and write-offs			
Description	Gross value	Accumulated amortisations	Acquisitions	Transfers	Gross value	Amortisations	Amortisations for the year	Net value 31-12-2020
Intangible assets								
Software	2.583.214	(2.320.819)	71.454	40.678	-	-	(157.376)	217.151
Intangible assets in progress	186.642	-	40.311	(40.678)	-	-	-	186.275
	2.769.856	**(2.320.819)**	**111.765**	**-**	**-**	**-**	**(157.376)**	**403.426**

2019								
	31 December 2019				Disposals and write-offs			
Description	Gross value	Accumulated amortisations	Acquisitions	Transfers	Gross value	Amortisations	Amortisations for the year	Net value 31-12-2019
Intangible assets								
Software	2.404.569	(2.177.363)	4.527	198.494	(24.376)	23.461	(166.917)	262.395
Intangible assets in progress	77.890	-	301.764	(193.012)	-	-	-	186.642
	2.482.459	**(2.177.363)**	**306.291**	**5.482**	**(24.376)**	**23.461**	**(166.917)**	**449.037**

14. INCOME TAX

The asset and liability balances by income tax as at 31 December 2020 and 2019 were as follows:

	2020	2019
Deferred tax assets		
- By temporary differences	4.431.740	5.145.616
Deferred tax liabilities		
- By temporary differences	(1.560.205)	(815.264)
	2.871.535	**4.330.352**
Current tax assets / (liabilities)		
- Tax assessed	(2.775.764)	(1.686.287)
- Tax benefit	-	1.694.000
- Surcharge	(198.269)	(120.449)
- State surcharge	(465.896)	(206.497)
- Autonomous taxation	(131.576)	(206.709)
	(3.571.505)	**(525.942)**
- Payments on account	1.210.364	448.062
- Additional payments on account	154.120	37.059
- Tax withheld at source	27.621	42.902
	(2.179.400)	**2.081**

Current tax is calculated based on taxable income for the year, which differs from the accounting result due to adjustments to taxable income arising from costs or earnings not relevant for tax purposes, or which will only be considered in other accounting periods. The main situations that generate such adjustments are related with the Banking Sector Contribution and the difference between credit impairments and the relevant values for tax purposes.

In 2019, Law 98/2019 of 4 September was published, which establishes a new regime for impairment of credit institutions and other financial institutions for tax periods beginning on or after 1 January 2019.

Articles 28-A and 28-C of the Corporate Income Tax Code now provide for the deductibility, for the purposes of determining taxable profit, of impairment losses for credit risk, in securities and other investments (with certain exceptions), provided they are accounted for in accordance with the applicable accounting and regulatory rules (the reference to the rules/limits defined in a regulatory decree - which, in turn, referred to the minimum limits established in Bank of Portugal Notice 3/95 - which determined whether or not to accept the said impairment for tax purposes, having been eliminated).

The provisions of the revoked Bank of Portugal Notice 3/95 ("Notice 3/95"), as amended before its revocation by Bank of Portugal Notice 5/2015, shall continue to apply to impairment losses for specific credit risk recorded in tax periods prior to the application of the regime that have not yet been accepted for tax purposes.

With regard to impairment losses for specific credit risk recorded after the entry into force of Law 98/2019 of 4 September, an optional "adjustment period" of 5 years (up to and including 2023) was created, during which credit institutions and other financial institutions may continue to apply the previous tax regime, namely the limits set out in Bank of Portugal Notice 3/95 and other applicable tax rules.
In this sense, the possibility of early adoption of the new tax regime (the "definitive regime") is also foreseen, an option subject to communication by the institutions to the Director General of the Tax and Customs Authority until the end of the tenth month of the current taxation period.
The Bank opted to adhere to the new regime for impairment of credit institutions and other financial institutions by reference to the tax period of 2019, and therefore considered the application of the definitive regime in its current tax estimate as at 31 December 2019 and 31 December 2020.

In general terms, according to that diploma:

(i) impairment losses for credit risk recorded in tax periods beginning on or after 1 January 2019 shall be recorded in the taxable income, except for rare executions;
(ii) impairment losses for credit risk recorded in previous tax periods continue to be subject to the previous tax framework, i.e. the mandatory minimum limits established in Bank of Portugal Notice 3/95.
(iii) reversals of impairment losses should be allocated to those impairment losses that were not fiscally relevant and, of these, to the oldest.

The exceptions referred to in point (i) refer to impairment losses on loanss and other rights granted to natural or legal persons who hold more than 10% of the taxpayer's capital, as well as impairment losses on loanss and other rights granted to entities in which the taxpayer holds more than 10% (this occurs when the loanss were granted at a time subsequent to the acquisition of the holding).

In addition, an adjustment period of 5 tax periods was established, in which taxpayers may opt to apply the regime in force prior to the entry into force of Law 98/2019, unless notice is given to the Director General of the Tax and Customs Authority to opt for the application of the new regime (to be presented by the end of the tenth month of the current tax period), an option which was taken by Banco Invest with effect from 1 January 2019.

In 2018, the Bank acquired 2.955 units from the IBERIS BLUETECH FUND, for 2.999.325 euros, having obtained an immediate benefit in the amount of 929.039 euros and having generated a deferred tax of 1.542.804 euros. The benefit was fully consumed during 2018 and 2019.

The breakdown of changes in deferred taxes in 2020 and 2019 was as follows:

	2020			
	Balance as at	Change in		Balance as at
	31-12-2019	Income	reserves	31-12-2020
Deferred tax assets				
- Impairment of credit not recognised for tax purposes	4.498.738	(1.238.387)	-	3.260.351
- Impairment of securities	119.402	51.975	-	171.377
- Financial assets available for sale	49.119	-	46.752	95.871
- Impairment of properties recovered	55.412	192.057	-	247.469
- Impairment taxes SIFIDE	-	-	-	-
- Provisions	422.945	233.727	-	656.672
	5.145.616	**(760.628)**	**46.752**	**4.431.740**
Deferred tax liabilities				
- Financial assets at fair value through other comprehensive income	(815.264)	-	(744.941)	(1.560.205)
	(815.264)	**-**	**(744.941)**	**(1.560.205)**
	4.330.352	**(760.628)**	**(698.189)**	**2.871.535**

	2019			
	Balance as at	Change in		Balance as at
	31-12-2018	Income	reserves	31-12-2019
Deferred tax assets				
- Impairment of credit not recognised for tax purposes	4.887.811	(389.073)	-	4.498.738
- Impairment of securities	155.488	(36.086)	-	119.402
- Financial assets available for sale	299.994	-	(250.875)	49.119
- Impairment of properties recovered	329.007	(273.595)	-	55.412
- Impairment taxes SIFIDE	1.542.804	(1.542.804)	-	-
- Provisions	-	422.945	-	422.945
	7.215.104	**(1.818.613)**	**(250.875)**	**5.145.616**
Deferred tax liabilities				
- Financial assets at fair value through other comprehensive income	(241.127)	-	(574.137)	(815.264)
	(241.127)	**-**	**(574.137)**	**(815.264)**
	6.973.977	**(1.818.613)**	**(825.012)**	**4.330.352**

In 2014, the Bank adopted the special scheme applicable to deferred tax assets (REAID). The scheme, approved by Law 61/2014, of 26 August, covers the deferred tax assets arising from the non-deduction of expenses and negative variations in net worth resulting from credit impairment losses and post-employment or long-term employment benefits, being applicable to realities of this nature accounted for in fiscal years beginning on or after 1 January 2015, as well as to deferred tax assets that are recorded in the annual accounts as at 31 December 2014. According to Law 23/2016, of 19 August, this special scheme is not applicable to expenses and negative variations in net worth accounted for in fiscal years beginning on or after 1 January 2016, as well as to deferred tax assets associated to the latter.

The deferred tax assets arising from the non-deduction of expenses and negative variations in net worth resulting from credit impairment losses and post-employment or long-term employment benefits are converted into tax credits when the taxpayer records a negative net income in its annual accounts, after being approved by the governing bodies, in compliance with applicable legislation, or in the event of liquidation by voluntary dissolution, insolvency ordered by court decision or, when applicable, its authorisation for the exercise of the activity is revoked by the competent supervisory authorities. In a scenario of conversion arising from a negative net income, the amount of tax credit to be attributed will result from the proportion between the negative net income for the period and the total equity of the taxpayer (determined prior to the deduction of that result), applied to the eligible balance of the deferred tax assets. When the conversion arises from liquidation or insolvency or the taxpayer presents a negative equity, the conversion of the deferred tax assets into tax credit is conducted at full value.

The conversion into tax credit (not due to liquidation or insolvency) requires the creation of a special reserve in the amount of the respective credit increased by 10%, jointly with the issue of securities in the form of conversion rights to be assigned to the State. The exercise of the conversion rights results in the increase of the share capital of the taxpayer due to incorporation of the special reserve and the issue of new ordinary shares to be delivered to the State free of charge.

Regarding the deferred tax assets covered by REAID, their future deductibility is limited, in each financial year, to the value of the taxable profit calculated prior to the deduction of those expenses and negative variations in net worth, i.e. the deduction undertaken given that the conditions for the tax deductibility of those expenses and negative variations in net worth are met does not apply if it results in a tax loss or it only applies in proportion to the value required to obtain a nil tax result.

Given that a positive net income for the year was recorded in 2020 and 2019, there was no conversion of eligible assets into tax credit in the current financial year.

Tax costs recorded in profit and loss and the tax burden, measured by the relation between allocation for tax and the profit for the year before tax, is as follows:

	2020	2019
Current taxes		
For the year	3.571.505	525.942
Corrections from previous years	181.998	48.384
	3.753.503	**574.326**
Deferred taxes		
Entry and reversal of temporary differences	760.628	1.818.613
Total tax recognised in profit or loss	**4.514.131**	**2.392.939**
Income before taxes	**17.488.416**	**14.083.808**
Tax burden	25.81%	16.99%

Pursuant to current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years, except for financial years in which tax losses are carried forward, in which case the expiration period is the end of the period for which that right exists. In this way, therefore, the tax returns of the Bank for the years 2017 to 2020 are still subject to review and the taxable amount may be corrected.

However, The Bank's Board of Directors does not think that there will be any correction with a significant impact on the financial statements as at 31 December 2020.

The reconciliation between the nominal and effective rate of tax in 2020 and 2019 is given below:

	2020		2019	
	Rate	Tax	Rate	Tax
Income before taxes		17.488.416		14.083.808
Tax at nominal rate	22.50%	3.934.894	22.50%	3.168.857
State surcharge	2.66%	465.896	1.47%	206.497
		4.400.790		**3.375.354**
Impairment not accepted for tax purposes	0.03%	5.019	(10.23%)	(1.440.937)
Costs not accepted for tax purposes:				
- Write-ups	0.04%	7.545	0.14%	20.052
Tax benefits	(0.06%)	(9.929)	(0.05%)	(6.383)
Gains and losses	(0.01%)	(910)	0.01%	945
Autonomopus taxation	0.75%	131.576	1.47%	206.709
Banking sector contribution	0.48%	83.466	0.39%	55.286
Tax benefit SIFID	0.00%	-	0.00%	-
Other	(0.59%)	(103.426)	1.29%	181.913
	25.81%	**4.514.131**	**16.99%**	**2.392.939**

15. OTHER ASSETS

As at 31 December 2020 and 2019, this item was made up as follows:

	31 December 2020	31 December 2019
Debtors and other financial investments		
Debtors by transactions on futures	501.593	324.957
Other sundry debtors	381.642	342.629
Impairment sundry debtors	(105.450)	-
	777.785	**667.586**
Other		
Gold and other precious metals	288.524	118.771
Income receivable		
Commissions	576.896	775.690
Deferred charges		
Rents	79.651	79.651
Insurance	-	-
Other	379.144	379.480
	458.795	**459.131**
Other accruals and deferrals		
Stock market transactions pending settlement	217.821	826.403
Lending operations pending settlement	2.397.697	4.036.073
	2.615.518	**4.862.476**
	4.717.518	**6.883.654**

The margin accounts of futures contracts of customers and of the Bank are included in the "Debtors by transactions on futures" item.

As at 31 December 2020 and 2019, "Stock market transactions pending settlement" reflect transactions carried out on behalf of third parties, financial settlement of which took place after the balance sheet date.

The change in "Assets transactions pending settlement" is essentially due to the decrease in the Telemarketing insurance activity associated with auto loanss.

16. RESOURCES FROM CENTRAL BANKS

As at 31 December 2020 and 2019 this item was made up as follows:

	31 December 2020	31 December 2019
Resources from the Bank of Portugal	105.000.000	39.180.000
	105.000.000	**39.180.000**

As at 31 December 2020 and 2019, "Resources from the Bank of Portugal" corresponds to resources obtained by discounting securities at the European Central Bank.

As at 31 December 2020 and 2019, the times to maturity of resources obtained from the Bank of Portugal are as follows:

	31 December 2020	31 December 2019
Up to three months	-	-
Three months to one year	5.000.000	15.000.000
More than one year	100.000.000	24.180.000
	105.000.000	**39.180.000**

Resources obtained from the Bank of Portugal as at 31 December 2020 and 2019 are secured by a chattel mortgage on the Bank's own securities portfolio (Note 25).

As at 31 December 2020, central bank resources include 105 million in respect of funding obtained under the European Central Bank's (ECB) Third Targeted Longer-Term Refinancing Operations Programme (TLTRO III) on 20 May 2020 and 18 June 2020.

Based on the terms of this programme, compared to the market price of other loanss with similar collateral, the Bank concludes that TLTRO III does not contain significant benefits with respect to market price and financial liability accounts, and therefore the TLTRO III Programme is fully considered as an indexed rate instrument under IFRS 9.

The Effective Interest Rate for these instruments includes the bonus in the special interest period and reflects the bank's determination on initial recognition as to the final amount of interest receivable at maturity.

This calculation at initial recognition also considers the bank's expectation of meeting its lending targets over the life of the operations.

If there was a subsequent change in the bank's estimate of its lending targets, the bank would apply the revised IFRS 9 estimation guidance.

17. RESOURCES FROM OTHER CREDIT INSTITUTIONS

As at 31 December 2020 and 2019, this item was made up demand deposits and other resources from other credit institutions as follows:

	31 December 2020	31 December 2019
Term deposits and other resources		
Credit institutions in Portugal	251.093	206.895
	251.093	**206.895**

18. RESOURCES FROM CUSTOMERS AND OTHER LoansS

As at 31 December 2020 and 2019, this item was made up as follows:

	31 December 2020	31 December 2019
At sight:		
- Demand deposits	202.133.683	164.313.007
With agreed maturity dates:		
- Term deposits	389.685.748	411.072.170
- Structured deposits	60.302.957	71.413.113
	449.988.705	**482.485.283**
	652.122.388	**646.798.290**
Interest payable:		
- Interest on customer resources	2.411.595	3.797.767
	654.533.983	**650.596.057**

Under the terms of the law, the Deposit Guarantee was established to guarantee the reimbursement of funds deposited in Financial Institutions. The criteria that apply to the calculation of the annual contributions to said Fund are defined in Bank of Portugal Notice 11/94.

As at 31 December 2020 and 2019, the times to maturity of customers' resources are as follows:

	31 December 2020	31 December 2019
Up to three months	98.011.280	109.086.647
Three months to one year	261.281.801	266.008.067
One to five years	90.604.141	107.385.143
More than five years	91.483	5.426
	449.988.705	**482.485.283**

19. FINANCIAL LIABILITIES HELD FOR TRADING

As at 31 December 2020 and 2019, this item relates to derivatives recorded at fair value offset against profit or loss (Note 8) and is broken down as follows:

	31 December 2020	31 December 2019
Interest rate swaps	63.719	200.389
Options	176.186	687.888
	239.905	**888.277**

20. HEDGING DERIVATIVES

The analysis of this item, by hedging instrument, is as follows::

	31 December 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Swaps	-	8.698	-	-
	-	**8.698**	**-**	**-**

Banco Invest has a significant portfolio of fixed-rate securities recorded in the portfolio at amortised cost, with a residual maturity of more than five years. During 2020, in order to mitigate the interest rate risk associated with a possible change in interest rates over a time horizon of up to five years, a swap was contracted, exchanging the fixed rate associated with these securities for a variable rate.

Hedging derivatives are valued in accordance with internal valuation methodologies based on observable market data and, when such data is not available, on information prepared by the Bank through the extrapolation of market data. Therefore, taking into consideration the hierarchy of the sources of valuation, as established in IFRS 13, these instruments are classified in level 2. The Bank contracts financial instruments to hedge its exposure to interest rate risks in its securities portfolio. The accounting treatment depends on the nature of the risk being hedged, namely whether the Bank is exposed to changes in fair value or cash flows or whether it is hedging future transactions.

As permitted by IFRS 9, the Bank opted to continue to apply the requirements for hedge accounting under IAS 39, using mainly interest rate derivatives. The fair value hedge model is adopted for loanss granted at fixed rate, portfolio securities and joint hedging of financial assets at floating rate and financial liabilities at fixed rate. The cash flow hedge model is adopted for future transactions in foreign currency, for dynamic hedging of changes in cash flows of loanss granted and variable rate deposits in foreign currency and for mortgage loanss in foreign currency.

The hedging commencement date was 16 October 2020 and ends on 16 October 2025.

In 2020, the relationships that follow the fair value hedge model recorded ineffectiveness in the amount of 211 euros in Results of hedge accounting, which corresponds to the difference between the variations in the fair value of the hedged securities and the variation in the fair value of the hedging swap.

The analysis of the hedging derivatives portfolio by maturity as at 31 December 2020 is as follows::

	2020						
	<= 3 momths	> 3 momths <= 6 momths	> 6 momths <= 1 year	> 1 year <= 5 years	> 5 years	Total	Fair Value
Derivatives							
Over the counter (OTC)							
Swaps							
Interest rate	-	-	-	25.000.000	-	25.000.000	8.698
	-	-	-	25.000.000	-	25.000.000	8.698
	-	**-**	**-**	**25.000.000**	**-**	**25.000.000**	**8.698**

21. PROVISIONS AND IMPAIRMENT

Changes in Banco Invest's provisions and impairment during 2020 and 2019 were as follows:

	2020				
	Balance as at 31-12-2019	Net charges	Uses	Transfers	Balance as at 31-12-2020
Impairment of financial assets at amortised cost:					
- Non-securitised loanss and advances to customers (Note 6)	27.081.575	7.969.340	(2.714.779)	-	32.336.136
- Impairment of securitised loanss (Note 7)	418.080	73.514	(3.153)	-	488.441
Impairment of Deposits at credit institutions	15.411	(12.887)	-	-	2.524
Impairment of Amounts and deposits at other credit institutions (Note 4):	1.995	6.778	-	-	8.773
	27.517.061	**8.036.745**	**(2.717.932)**	**-**	**32.835.874**
Impairment of other assets:					
- Non-current assets held for sale (Note 11)	4.798.784	462.407	(1.529.242)	-	3.731.949
- Other assets (Note 15)	-	(15.185)	120.635	-	105.450
	4.798.784	**447.222**	**(1.408.607)**	**-**	**3.837.399**
Impairment of financial assets at fair value through other comprehensive income (Note 24):	69.276	103.983	(2.558)	-	170.701
Other provisions:					
- Provisions for guarantees and other commitments	57.444	17.612	-	-	75.056
- Other provisions	1.548.226	902.375	-	-	2.450.601
	1.605.670	**919.987**	**-**	**-**	**2.525.657**
	33.990.791	**9.507.937**	**(4.129.097)**	**-**	**39.369.631**

	2019				
	Balance as at 31-12-2018	Net charges	Uses	Transfers	Balance as at 31-12-2019
Impairment of financial assets at amortised cost:					
- Non-securitised loanss and advances to customers (Note 6)	26.316.481	2.646.307	(1.881.213)	-	27.081.575
- Impairment of securitised loanss (Note 7)	460.732	(42.259)	(393)	-	418.080
Impairment of Deposits at credit institutions	-	15.411	-	-	15.411
Impairment of Amounts and deposits at other credit institutions (Note 4)	-	1.995	-	-	1.995
	26.777.213	**2.621.454**	**(1.881.606)**	**-**	**27.517.061**
Impairment of other assets:					
- Non-current assets held for sale (Note 11)	6.051.387	669.304	(1.921.907)	-	4.798.784
- Other assets (Note 15)	83.423	37.711	(121.134)	-	-
	6.134.810	**707.015**	**(2.043.041)**	**-**	**4.798.784**
Impairment of financial assets at fair value through other comprehensive income (Note 24)	173.901	(104.568)	(57)	-	69.276
Other provisions:					
- Provisions for guarantees and other commitments	24.723	32.721	-	-	57.444
- Other provisions	-	1.548.226	-	-	1.548.226
	24.723	**1.580.947**	**-**	**-**	**1.605.670**
	33.110.647	**4.804.848**	**(3.924.704)**	**-**	**33.990.791**

The caption Other provisions refers to the accumulated results until 31 December 2020 of minority shareholders in the amount of 1.990.601 (2019: 1.203.226 euros), as well as the non-deferred portion of the difference between the amount paid by the Bank for the holding and its book value, in the amount of 460.000 euros (2019: 345.000 euros). This provision corresponds to the effect in the Bank's accounts of the separation of part of the business to occur during 2021, as mentioned in note 37, with the Bank remaining the majority shareholder.

22. OTHER LIABILITIES

As at 31 December 2020 and 2019, this item was made up as follows:

	31 December 2020	31 December 2019
Creditors and other resources		
- Creditors by transactions on futures	370.405	134.696
Public Administration Sector:		
- Tax withheld at source	796.407	765.857
- VAT payable	66.429	127.156
- Social Security contributions	217.687	201.423
- Advances on account. third parties	23.662	3.243
Sundry creditors:		
- Other creditors	7.178.113	7.620.044
	8.652.703	**8.852.419**
Deferred income		
- Rents	-	-
- Commissions	728.955	951.384
	728.955	**951.384**
Charges payable		
- Staff costs:		
- General administrative costs	186.549	171.582
- Rent charges	5.012.925	6.011.815
- Other	88.509	218.536
	7.126.214	**8.234.234**
Other accruals and deferrals		
- Stock market transactions pending settlement	198.964	762.709
- Other transactions pending settlement	5.376.811	7.340.759
	5.575.775	**8.103.468**
	22.083.647	**26.141.505**

The margin accounts of customers' futures contracts, according to Note 15, are carried against the "Creditors in transactions on futures" item.

The "Other creditors" item includes the insurance premium values relative to auto loanss payable to the insurance companies in the amount of 382.512 euros (31 December 2019: 1.876.220 euros).

The "Securities transactions pending settlement" item reflect transactions carried out on behalf of third parties, financial settlement of which took place after the balance sheet date.

As at 31 December 2020, the item Rental charges amounting to 5.012.925 euros (2019: 6.011.815 euros) corresponds to the amount of lease liabilities recognised under IFRS 16 and as described in accounting policy 2.8.

The minimum future payments for non-revocable operating lease contracts by maturity are as follows:

	31 December 2020	31 December 2019
Capital Income		
- Up to 1 year	1.138.182	1.160.653
- 1 to 5 years	3.261.038	3.927.977
- 5 to 10 years	1.425.428	1.884.972
	5.824.648	**6.973.602**
Costs to defer in net interest income	(811.723)	(961.787)
	5.012.925	**6.011.815**

23. SHARE CAPITAL

As at 31 December 2020 and 2019, the Bank's shareholder structure is as follows:

	31 December 2020			31 December 2019		
Entity	Number of shares	Amount	%	Number of shares	Amount	%
Alves Ribeiro - IF, SGPS, S.A. (Ordinary Shares)	9.461.500	47.307.500	79,51%	9.461.500	47.307.500	79,51%
Alves Ribeiro - IF, SGPS, S,A, (Preferential Shares)	2.400.000	12.000.000	20,17%	2.400.000	12.000.000	20,17%
Other	38.500	192.500	0,32%	38.500	192.500	0,32%
	11.900.000	**59.500.000**	**100%**	**11.900.000**	**59.500.000**	**100%**

As at 2 December 2008 the Bank carried out a share capital increase, through the issue of 2.400.000 redeemable preferential shares at the nominal value of 5 euros each, having been subscribed and fully paid up by the shareholder Alves Ribeiro – Investimentos Financeiros, SGPS, S.A..

The redeemable preferential shares without a set date may pay priority dividends to be deliberated at the General Meeting, which correspond to 7% of their nominal value. This dividend may only be paid if there are distributable funds according to the applicable regulations and if their payment does not imply the Bank's non-fulfilment of capital requirements. The priority dividend shall be paid annually in arrears on 30 June of each year.

In 2016, the minority shareholder of the Bank sold 1.000 shares of a nominal value of 5.000 euros to Alves Ribeiro – IF, SGPS, S.A., which now has a shareholding of 99,27%.

In 2018, the minority shareholder of the Bank sold 48.492 shares of a nominal value of 242.460 euros to Alves Ribeiro – IF, SGPS, S.A., which now has a shareholding of 99,68%.

24. RESERVES, RETAINED EARNINGS AND NET INCOME FOR THE YEAR

As at 31 December 2020 and 2019, the breakdown of the reserves and retained earnings items is as follows:

	31 December 2020	31 December 2019
Revaluation reserves		
- Reserves arising from fair value valuation		
Of financial assets at fair value through other comprehensive income (Note 9)	5.632.055	3.127.126
- Reserves for deferred taxes		
Of financial assets available for sale	(1.464.335)	(766.146)
	4.167.720	**2.360.980**
Legal reserve	8.341.102	7.172.015
Free reserve	40.978.645	31.296.863
Marger reserve	574.220	574.220
Credit reserve	8.628.717	8.628.717
Retained earmings	1.656.045	1.656.045
	60.178.729	**49.327.860**
Net income for the year	12.974.285	11.690.869

Revaluation reserves

Fair value reserves

The fair value reserve reflects the potential gains and losses in financial assets at fair value through other comprehensive income (note 9), net of the corresponding tax (Note 15). The changes, during 2020 and 2019, in the fair value reserve are analysed as follows.

	Balance 31 December 2019	Change in Fair Value: Acquisition	Change in Fair Value: Change in Fair Value	Change in Fair Value: Disposal	Balance 31 December 2020
Miscellaneous bonds	2.442.837	2.708.536	449.470	(133.534)	5.467.309
Public debt securities	805.521	59.970	115.931	(800.631)	180.791
Shares	(190.508)	-	3.762	-	(186.746)
Investment units	-	-	-	-	-
Net potential gains (Note 9)	3.057.850	2.768.506	569.163	(934.165)	5.461.354
			2.403.504		
Miscellaneous bonds	65.644	39.958	43.234	(3.114)	145.722
Public debt securities	3.632	18.288	6.691	(3.632)	24.979
Provisions and impairment (Note 21)	69.276	58.246	49.925	(6.746)	170.701
	3.127.126	**2.826.752**	**619.088**	**(940.911)**	**5.632.055**
			2.504.929		

	Balance 31 December 2018	Change in Fair Value: Acquisition	Change in Fair Value: Change in Fair Value	Change in Fair Value: Disposal	Balance 31 December 2019
Miscellaneous bonds	(585.608)	1.292.475	2.722.181	(986.211)	2.442.837
Public debt securities	371.092	310	748.377	(314.258)	805.521
Shares	(189.668)	-	(840)	-	(190.508)
Investment units	-	-	-	-	-
Net potential gains (Note 9)	(404.184)	1.292.785	3.469.718	(1.300.469)	3.057.850
			3.462.034		
Miscellaneous bonds	82.144	28.288	(44.788)	-	65.644
Public debt securities	91.757	-	(88.125)	-	3.632
Provisions and impairment (Note 21)	173.901	28.288	(132.913)	-	69.276
	(230.283)	**1.321.073**	**3.336.805**	**(1.300.469)**	**3.127.126**
			3.357.409		

Legal reserve

Under current legislation, the Bank must allocate a sum of not less than 10% of net profits for each year to the constitution of a legal reserve, up to a limit equal to the value of the share capital or to the sum of the free reserves and the retained earnings, if greater. The legal reserve cannot be distributed, except in the event that the Bank is wound up, and may only be used to increase share capital or offset losses, once other reserves have been used up.

Free reserve

By deliberation of the General Meeting held on 10 August 2020, the Bank distributed free reserves in the amount of 840,000 euros to the shareholder Alves Ribeiro - IF, SGPS, S.A., as holder of the redeemable preferential shares, which corresponds to 7% of the nominal value of the respective shares.

Credit reserve

Due to the revocation of Bank of Portugal Notice 3/95, in which provisions ceased and impairment losses were now set up, this situation generated a credit reserve of 8,628,717 euros. The value reflects the changeover of the credit provisions to credit impairments.

Merger reserve

The deed of merger by incorporation of Probolsa – Sociedade Corretora S.A. (Probolsa) into the Bank was executed on 22 December 2004. (Probolsa). In the wake of this process, the merged company was wound up and all its rights and obligations were transferred to the Bank. For accounting purposes the merger took effect on 1 January 2004, with the Probolsa assets and liabilities having been transferred to the Bank on the basis of their net book value as at that date. The difference between the accounting value of assets and liabilities transferred and the book value of the Bank's shareholding in Probolsa was recorded in the "Merger reserve" item. This reserve cannot be distributed, except in the event that the Bank is wound up, and may only be used to increase share capital or offset losses, once other reserves have been used up.

25. GUARANTEES AND OTHER COMMITMENTS

	2020	2019
Guarantees and stand-by-letters of credit provided	173.224.243	93.296.422
Commitments to third parties	14.687.958	13.390.068
Amounts deposited	562.927.763	417.918.862
Assets under management and custody		
- Wealth management	10.385.171	6.794.682

The Bank provides custody, wealth management, investment management and advisory services which involve making buying and selling decisions regarding various types of financial instruments. For specific services rendered, objectives and yield levels are established for assets under management. These assets under management are not included in the financial statements.

As at 31 December 2020 and 2019, contingent liabilities and commitments are recorded in off-balance sheet items and are broken down as follows:

	2020	2019
Guarantees and stand-by-letters of credit provided		
Guarantees and stand-by-letters of credit provided	3.124.198	2.625.714
Assets pledged as collateral	170.100.045	90.670.708
	173.224.243	**93.296.422**
Assets under management and custody		
Portfolio management	10.385.171	6.794.682
Funds Management	132.242.201	100.430.103
	142.627.372	**107.224.815**

The "Assets pledged as collateral" item relates to securities delivered by the Bank as a guarantee of repurchase of funds pledged to Central Banks or other Credit Institutions. As at 31 December 2020 and 2019, the total sum of this item corresponds to securities given as guarantee to the Bank of Portugal.

Resolution Fund

As part of a series of legislative changes that included the publication of Decree-Law 24/2013, the Resolution Fund ('FR') was created. The mission of this entity is to provide financial support to the resolution measures applied by the Bank of Portugal, as the national resolution authority, and to carry out all the other tasks entrusted by law within the scope of execution of such measures.

The following are participating institutions of the RF:

- The credit institutions with registered office in Portugal (with the exception of the associated mutual agricultural credit banks of the Caixa Central do Crédito Agrícola Mútuo);

- The investment companies that undertake trading activities on own account of one or more financial instruments or the underwriting and placement of financial instruments on a firm commitment basis;

- The branches in Portugal of credit institutions authorised in countries that are not members of the European Union or that do not belong to the European Economic Area;

- The branches of Portugal of financial institutions authorised in countries that are not members of the European Union and that undertake trading activities on own account of one or more financial instruments or the underwriting and placement of financial instruments on a firm commitment basis;

- The relevant companies for payment systems subject to the supervision of the Bank of Portugal.

Banco Invest is one of the participating entities of the RF. As provided for in Decree-Law 31-A/2012 which created the RF, the resources of the Resolution Fund come from the payment of the contributions due by the institutions participating in the Fund and from the contribution on the banking sector. In addition, it is also foreseen that when such resources prove to be insufficient to meet its obligations, other means of funding may be used, namely: (i) special contributions from credit institutions; and (ii) borrowed funds.

BES / Novo Banco

The Board of Directors of the Bank of Portugal decided, on 3 August 2014, to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), resulting in the transfer of the majority of the business and assets of BES to Novo Banco S.A. In line with the Community regulatory framework, the capitalisation of Novo Banco was ensured by the Resolution Fund.

Following the resolution measure applied to Banco Espírito Santo, S.A. (BES), in August 2014, the Bank of Portugal determined capital requirements of Novo Banco, S.A. to the value of 4.900 million euros, which were to be met by the Resolution Fund under existing legislation. Considering that the Resolution Fund only had own resources of approximately 377 million euros, the subscription of capital was made via two loanss:

- 3.900 million euros from the Portuguese State; and
- 700 million euros from eight participating institutions in the Fund (not including the Bank).

Based on the exceptional nature of the resolution measure, and the need for the RF to have the necessary funds to implement said measure, the Management Commission of the RF, at a meeting held on 3 August 2014, decided to submit to the Ministry of Finance a proposal for the financing of that measure which foresaw (i) the obtainment of a loanss granted by the State of 4,400 million euros, (ii) the collection of a special contribution from the participating institutions of the Fund, in the amount of 135 million euros, and (iii) the use of the RF's own resources, in the amount of 365 million euros.

However, a number of participating institutions of the RF expressed their willingness to, within a short period, grant a loanss to the Fund, which permitted reducing the amount of the State loanss by 500 million euros, replace the special contribution initially foreseen and provide the Fund with the means to cover the first interest payments due of the State loanss. Subsequently, the Management Commission of the RF decided that the previous financing request submitted to the Ministry of Finance should be revised and that, alternatively, a State loanss in the amount of 3.900 million euros should be requested.

In summary, the financial support granted by the RF for the paying-up of the share capital of Novo Banco, S.A., in the amount of 4,900 million euros resulted from:

- A loanss granted by the State in the amount of 3.900 million euros;
- A loanss granted by a group of participating credit institutions of the RF (Caixa Geral de Depósitos, S. A., Banco Comercial Português, S. A., Banco BPI, S. A., Banco Santander Totta, S. A., Caixa Económica Montepio Geral, Banco Popular, S. A., Banco BIC Português, S. A. and Caixa Central do Crédito Agrícola Mútuo, CRL), in the amount of 700 million euros; and

- Mobilisation of 365 million euros corresponding to available resources of the Fund, namely relative to revenue from contributions that have so far been paid by the financial sector, including the proceeds of the banking sector contribution.

In the interim, with the conclusion of the sales process of the shares held by the RF in Novo Banco, S.A. in October 2017, Lone Star, through the injection of 1 billion euros, acquired a 75% stake, with the RF maintaining the remaining 25% of the share capital.

The conditions agreed in the sales process of Novo Banco, S.A. also included a contingent capital mechanism, under which the Resolution Fund undertakes to make payments to Novo Banco, S.A. if certain cumulative conditions materialise, related to: i) the performance of a specific portfolio of assets and ii) the capital levels of the bank going forward.

The Resolution Fund announced that the amount to be paid to Novo Banco in 2019 and 2018 by the Resolution Fund, relative to the accounts of 2018 and 2017, came to 1,149 million euros and 792 million euros, respectively.

Banif – Banco Internacional do Funchal, S.A.

The Board of Directors of the Bank of Portugal deliberated, on 19 December 2015, the application of a resolution measure to Banif – Banco Internacional do Funchal, S.A ("Banif"), within the scope of which most of the activity of Banif and the majority of its assets and liabilities - with the exception of problematic assets that were transferred to an asset management vehicle - were transferred to Banco Santander Totta, S.A.. (Oitante), created specifically for that purpose, and whose sole shareholder is the Resolution Fund Fund. To that end, Oitante issued bonds representative of the debt of this vehicle, amounting to 746 million euros, which were acquired in full by Banco Santander Totta, with a guarantee of the Resolution Fund and a counter-guarantee of the Portuguese State having been provided.

The operation involved an estimated amount of 2.255 million euros of public funds 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. The mentioned state support is deducted of the amount owed by Banco Santander Totta for the acquisition of the pool of assets, liabilities and activity of the former Banif. The 489 million euros secured by the Resolution Fund were financed through a State loanss.

General aspects

To repay the loanss received and other liabilities it may be required to assume relative to the abovementioned resolution measures, the Resolution Fund is financed by from the periodic and special contributions of the participating institutions (including the Bank) and from the contribution on the banking sector. Under article 153-I of Decree-Law 345/98, of 9 November, if the resources of the Resolution Fund are insufficient to meet its obligations, participating institutions may be called upon, via a separate statute, to make special contributions. The amounts, instalments, deadlines and other terms of those contributions shall also be defined by said statute.

Within the context of the entry into force of the Single Resolution Fund (Decree-Law 23-A/2015, of 26 March), the periodic and special contributions made are intended to safeguard obligations undertaken, or to be undertaken, by the Resolution Fund following the resolution measures adopted until 31 December 2014.

In a press release of 28 September 2016, the Resolution Fund announced that it reached an agreement with the Ministry of Finance to review the loanss of 3.900 million euros originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loanss aimed to ensure its capacity to meet its obligations through its regular income, regardless of the contingencies that the Resolution Fund is exposed to. That same day, the Minister of Finance's Office also announced that increases in liabilities arising from the materialisation of future contingencies will determine the adjustment of the maturity of the loanss of the State and of the Banks of the Resolution Fund, in order to maintain the contributory effort required from the banking sector at current levels.

According to the press release of the Resolution Fund of 21 March 2017:

- *"The conditions of the loanss obtained by the Fund for the financing of the resolution measures applied to Banco Espírito Santo, SA and Banif - Banco Internacional do Funchal, SA have been changed." These loanss amount to 4,953 million euros, of which 4,253 million euros were granted by the Portuguese State and 700.000 thousand euros were granted by a syndicate of banks.*

- *"Those loanss are now due in December 2046, without prejudice to the possibility of early repayment based on the use of revenues from the Resolution Fund. The maturity will be adjusted so as to guarantee the ability of the Resolution Fund to fully meet its obligations based on regular income and without the need for special contributions or any other extraordinary contributions."*

- *"The review of the loans conditions aimed to ensure the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable cost for the banking sector".*

- *"The new conditions allow for full payment of the Resolution Fund's liabilities and their remuneration, without the need for special contributions or any other extraordinary contributions from the banking sector".*

On the date of approval of these financial statements, the Bank does not have information that allows it to reliably estimate the effects on the Resolution Fund arising from the sale of the shareholding in Novo Banco, S.A. or of the various contingent liabilities undertaken by the Fund.

Notwithstanding the possibility provided for in applicable legislation for the collection of special contributions, given the recent developments regarding the renegotiation of the conditions of the loanss granted to the Resolution Fund by the Portuguese State and by a syndicate of banks, CEMG included, and the public announcements made by the Resolution Fund and by the Minister of Finance which state that this possibility will not be used, the financial statements, as at 31 December 2020, reflect the expectation of the Bank's Board of Directors that the institutions participating in the Resolution Fund will not be required to make special contributions or any other extraordinary contributions to finance the resolution measures applied to BES and Banif.

26. INTEREST AND SIMILAR INCOME

In 2020 and 2019 this item was made up as follows:

	2020	2019
Interest from deposits at Central Banks and at credit institutions	438.030	236.964
Interest from investments in credit institutions	-	36
Interest from loanss and advances to customers		
- Domestic loanss	25.658.427	21.736.313
- Foreign loanss	78.738	39.954
- Other loanss and receivables - debt securities	5.857.974	6.244.350
Interest from past due loanss	814.284	966.942
Interest from financial assets held for trading		
- Securities	717.722	785.931
- Derivatives	303.513	244.418
Interest from financial assets at fair value through other comprehensive income		
- Securities	1.481.895	1.337.041
Interest from debtors and other financial investments	42.548	67.669
Other interest and similar income	91.543	34.410
Comissions received associated to amortised cost		
- Credit operations	2 851.413	2.458.263
Margin adjustment - IFRS9	(356.941)	-
	37.979.146	**34.152.291**

The change in the "Commissions associated to amortised cost" item corresponds to the commissions and other earnings recorded according to the effective interest rate method as referred to in the accounting policies (Note 2), including the effect of the business related to auto loanss which recorded a significant increase over the course of 2020 and 2019.

The Interest on loanss and advances to customers item includes the amount of 1.721.531 euros (31 December 2019: 1.379.426 euros) related to income from customers classified in stage 3.

The interest from loanss and advances to customers item includes an amount of 356,941 euros related to the adjustment in interest from customers classified in stage 3 of IFRS 9.

27. INTEREST AND SIMILAR CHARGES

In 2020 and 2019 this item was made up as follows:

	2020	2019
Interest on resources from central banks	-	730
Interest on resources from other credit institutions		
- Abroad	29.479	31.788
Interest on resources from customers and other loanss	3.155.163	4.535.771
Interest charges related to lease liabilities	257.928	284.586
Other commissions paid		
- Commissions paid associated to amortised cost	5.280.183	4.014.506
	8.722 753	**8.867.381**

The change in the "Commissions paid associated to amortised cost" item corresponds to the commissions and other costs recorded according to the effective interest rate method as referred to in the accounting policies (Note 2), including the effect of the business related to auto loanss which recorded a significant increase over the course of 2020 and 2019.

The "Interest costs related to lease liabilities" item corresponds to the amount of interest on lease liabilities recognised under IFRS 16, as described in accounting policy 2.8.

28. INCOME FROM SERVICES AND COMMISSIONS

In 2020 and 2019 this item was made up as follows:

	2020	2019
Services and commissions received		
Guarantees provided	35.704	33.496
Services provided		
- Deposit and custody of securities	2.050.602	1.459.550
- Management of securities	872.341	557.122
- Collection of securities	80.623	91.201
- Transfer of securities	19.686	23.325
- Other services provided	5.330.368	3.412.846
Transactions carried out on behalf of third parties		
Brokerage commissions	1.003.687	451.200
Other	-	3.060
Other commissions received	2.323.020	3.221.142
	11.716.031	**9.252.942**
Services and commissions paid		
Banking services provided by third parties		
Bank commissions	(676.768)	(404.886)
Charges on futures on behalf of third parties	-	(1.425)
Bank of Portugal	(5.329)	(12.626)
Transactions carried out on behalf of third parties	(223.419)	(115.941)
Business procurement commissions	(607.454)	(369.101)
Other commissions	(5.028)	(6.214)
	(1.517.998)	(910.193)
	10.198.033	**8.342.749**

The "Other services provided" item includes commissions associated to auto loanss in the amount of 1,868,006 euros (2019: 1,300,785 euros). The change in this item, as previously mentioned, is due to the increase observed in the concession of auto loanss. Also included are commissions for setting up operations, in the amount of 1,754,197 euros (2019: 1,342,870 euros), which includes commissions associated with corporate finance projects; and commissions from other services provided, amounting to 1,405,747 euros (2019: 609.328 euros), which include the commissions associated with the BTRADER application.

The "Bank commissions" item includes the commissions paid to Euroclear which came to 162,605 euros in 2020 (2019: 184,000 euros).

29. GAINS / (LOSSES) IN FINANCIAL OPERATIONS AT FAIR VALUE THROUGH PROFIT OR LOSS

In 2020 and 2019 this item was made up as follows:

	2020	2019
Income from assets and liabilities assessed at fair value through profit or loss		
Securities		
Issued by residents		
- Bonds	60.287	90.783
- Shares	-	950
- Investment units	2.283.120	446.013
Issued by non-residents		
- Bonds	2.487.858	2.906.115
- Shares	822.333	2.459.241
- Investment units	219.361	216.745
Derivatives		
Swaps		
- Foreign currency swaps	1.361.051	417.924
- Interest rate swaps	530.157	319.992
Futures		
- On interest rates	1.091.970	412.699
- On equities	4.000	1.032.761
- On foreign currencies	2.015.779	1.648.749
Options		
- On equities	743.754	424.727
	11.619.670	**10.376.699**
Losses from assets and liabilities assessed at fair value through profit or loss		
Securities		
Issued by residents		
- Bonds	(853)	(1.905)
- Shares	-	-
- Investment units	(614.660)	(289.009)
Issued by non-residents		
- Bonds	(410.002)	(110.839)
- Shares	(1.559.785)	(846.200)
- Investment units	(11.826)	(24.476)
Derivatives		
Swaps		
- Foreign currency swaps	(989.607)	(723.496)
- Interest rate swaps	(415.114)	(488.889)
Futures		
- On interest rates	(978.037)	(449.153)
- On equities	(60)	(1.034.557)
- On foreign currencies	(1.712.565)	(1.853.502)
Options		
- On equities	(287.736)	(1.857.641)
	(6.980.245)	**(7.679.667)**
	4.639.425	**2.697.032**

30. EXCHANGE RATE GAINS / (LOSSES)

The balance for this item in 2020 and 2019 fully corresponds to the income calculated in the revaluation of the forward positions in foreign currency carried out by the Bank and is presented as follows:

	2020	2019
Revaluation of the spot currency position	(1.134.845)	466.518
Revaluation of the forward currency position	248	1.900
	(1.134.597)	**468.418**

31. INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In 2020 and 2019 this item was made up as follows:

	2020	2019
Debt instruments		
Residents		
- Other bonds	15.739	192.263
Non-residents		
- Foreign public issuers	1.488.292	160.636
- Other bonds	249.745	952.369
Equity instruments		
Residents		
- Investment units	-	-
Non-residents		
- Investment units	-	-
	1.753.776	**1.305.268**

The "Results on financial assets at fair value through other comprehensive income - Non-resident issuers" item includes the amount of 1.488.292 euros (2019: 160.636 euros) related to capital gains resulting from the sale of Bonds of foreign public issuers.

32. INCOME FROM SALE OF OTHER ASSETS

In 2020 and 2019 this item was made up as follows:

	2020	2019
Non-current assets held for sale (Note 11)	353.333	449.201
Other tangible assets (Note 12)	3.500	8.400
Gold and precious metals	126.157	4.293
Other	1.227.273	535.195
	1.710.263	**997.089**

The "Non-current assets held for sale" item reflects the gains and losses from the sale of properties recovered by the Bank. During 2020, 40 properties were sold for 3.094.500 Euros (2019: 5.520.424 euros), having generated gains totalling 353.333 euros (2019: 449.201 euros).

The "Other" item refers to gains on the disposal of securities from the portfolio of investments at amortised cost.

33. OTHER OPERATING INCOME / (LOSSES)

In 2020 and 2019 this item was made up as follows:

	2020	2019
Other operating income:		
- Reimbursement of expenses	108.782	124.699
- Recovery of loanss	18.680	31.975
- Income from provision of sundry services	8.613	6.240
- Rents	140.015	173.121
- Other	242.431	269.681
	518.521	**605.716**
Other operating expenses:		
Other taxes		
- Special contribution on the banking sector	(321.023)	(245.714)
Other indirect taxes	(85.997)	(177.877)
Other operating expenses and losses		
- Contributions to the Resolution Fund	(168.155)	(128.992)
- Levies and donations	(88.569)	(71.414)
- Contributions to the Deposit Guarantee Fund	(1.094)	(897)
- Other operating expenses and losses	(21.579)	(60.363)
	(686.417	**(685.257)**
Other operating results	**(167.896)**	**(79.541)**

The "Rents" item reflects the rents received from properties recovered by the Bank that are rented out.

With the publication of Law 55 - A/2010, of 31 December, the Bank is subject to the banking sector contribution scheme. The banking sector contribution is levied on:

a) Liabilities deducted from tier 1 and tier 2 capital and from the deposits covered by the Deposits Guarantee Fund. The following are deducted from liabilities:
   - Elements that according to the applicable accounting standards are recognised as shareholders' equity;
   - Liabilities associated to defined benefit plans;
   - Provisions;
   - Liabilities resulting from the revaluation of derivatives;
   - Deferred income, without considering that which results from borrowing operations; and
   - Liabilities resulting from assets not derecognised in securitisation operations.

b) The notional amount of off-balance sheet derivative financial instruments determined by taxpayers.

The rates applicable to the bases defined by the previous sub-paragraphs a) and b) vary between 0.01% and 0,05% and 0,00010% and 0,00020%, respectively, according to the determined amount.

During 2013, the Bank initiated its contribution to the Resolution Fund, which was created by Decree-Law No. 31-A/2012, of 10 February, and which introduced a resolution regime in the General Regime for Credit Institutions and Financial Companies, approved by Decree-Law No. 289/92, of 31 December.

The measures provided for in the new scheme seek to, on a case-by-case basis, recover or prepare ordered liquidation of credit institutions and certain investment companies undergoing financial difficulty and they provide for three phases of intervention by the Bank of Portugal, namely corrective intervention, interim administration and resolution phases.

Accordingly, the main mission of the Resolution Fund consists of providing financial support in the application of resolution measures adopted by the Bank of Portugal.

In 2020 and 2019 the Bank recorded a periodic contribution of 267.748 euros and 102.992 euros, respectively.

Under the terms of Law 27-A/2020 of 27 July, an additional solidarity levy on the banking sector was created. In the year 2020 the Bank's contribution corresponded to 53.275 euros.

Under the terms of article 153-H of the General Regime for Credit Institutions and Financial Companies that transposed articles 100, no. 4, sub-paragraph a), and 103, no. 1, of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20, of the Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation"), in 2015 the ex-ante contribution to the Single Resolution Fund (FUR) in the amount of 101.582 euros was made. It is incumbent on the Bank of Portugal, as the resolution authority, to determine these contributions in proportion to the risk profile of the participating institutions, based on the information provided by those same institutions and on the methodology defined in the Delegated Regulation. In 2020 and 2019 the contribution came to 167.303 euros and 26,000 euros, respectively.

34. STAFF COSTS

In 2020 and 2019 this item was made up as follows:

	2020	2019
Salaries and earnings		
- Governing Bodies	988.764	911.511
- Employees	8.110.802	8.119.947
	9.099.566	**9.031.458**
Social Security charges		
Charges related to remunerations:		
- Social Security	1.940.821	1.919.671
Other compulsory social charges:		
- Other	91.570	85.575
	2.032.391	**2.005.246**
Other staff costs		
- Other	242.344	215.966
	11.374.301	**11.252.670**

As at 31 December 2020 and 2019, the average number of employees in the service of the Bank, broken down by professional category, was as follows:

	2020	2019
Directors	8	8
Executives and managers	44	43
Technical staff	220	216
Administrative staff	6	6
	278	**273**

35. GENERAL ADMINISTRATIVE COSTS

In 2020 and 2019 this item was made up as follows:

	2020	2019
Water, electricity and fuel	313.928	371.010
Consumables	62.280	29.681
Publications	2.756	5.845
Hygiene and cleaning material	20.838	925
Other third party supplies	14.961	19.825
Leases and rentals	9.785	14.667
Communications	796.489	792.588
Travel and accommodation	235.485	394.063
Advertising and publications	507.046	976.973
Maintenance and repair	350.469	508.979
Transport	-	-
Staff training	11.636	35.497
Insurance	95.834	125.182
Specialised services	3.458.182	3.380.127
Other third party services	330.586	258.772
	6.210.275	**6.914.134**

The Specialised services item includes the fees of the Statutory Auditor for the legal certification of the accounts of the Bank and other services for the year ended 31 December 2020, as follows:

	2020	2019
Statutory audit of accounts	56.250	41.250
Work arising from the duties of Statutory Auditor required by regulation and / or specifically requested by the supervisory bodies	69.150	95.450
Other non-audit services	10.000	10.000
	135.400	**146.700**

The Specialised services item also includes the litigation and notary costs which in 2020 came to 895.104 Euros (2019: 880.665) and IT costs which in 2020 came to 816.969 Euros (2019: 740.512 euros).

In 2019 and in accordance with IFRS16, the Bank opted not to recognize lease liabilities for short-term leases and/or for low value items, as referred to in note 2.8. As such, the costs related to leases and rentals came to 9.785 euros in 2020 (2019: 14.667 euros), relating to contracts of low value assets.

36. RELATED PARTIES

As defined in IAS 24, the companies detailed below, the members of the Board of Directors and key management personnel are considered related parties of the Bank. The first line directors are considered key management personnel. In addition to the members of the Board of Directors and the key management personnel, people close to them (family relationships) and entities they control or in whose management they exercise significant influence are also considered related parties.

In accordance with Portuguese legislation, namely within the scope of Article 109 of the General Regime for Credit Institutions and Financial Companies (RGICSF), the holders of a qualified shareholding in Banco Invest, S.A., as well as the companies that these shareholders directly or indirectly control or that are in a group relationship with them are also considered related parties.

Subsidiaries or associates:
- Fundo Especial de Investimento Imobiliário Fechado Tejo ("Fundo Tejo");
- Saldanha Finance Limited;
- Saldanha Holdings Limited; and
- Invest Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.;

Shareholders and entities controlled by the latter:
- AR France Invest SGPS (ARFI);
- Silk Road Paris 1;
- Silk Road Paris Gestion and Service;
- ALRISA Sociedade Imobiliária, S.A.;
- Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.;
- Alves Ribeiro Consultoria de Gestão, S.A.;
- Alves Ribeiro, S.A.;
- Amoreiras Center Soc. Imobiliária, S.A.
- Inspirar – Fundo Especial de Investimento Imobiliário Fechado (Fundo Inspirar);
- LERIMO, SGPS, S.A.;
- Monvest, SGPS, S.A.;
- Monvest - Urbanização Gestão Imóveis, Lda;
- Motor Park - Comércio de Veículos Automóveis, S.A.;
- MS - Participações, SGPS, S.A.;
- Mundicenter II - Gestão de Espaços Comerciais, S.A.;
- Mundicenter, S.A.;
- SOTIF Soc. Invest. Consultoria Técnica, S.A.;
- SOTIF, SGPS, S.A.;
- US Gestar – Gestão de Imóveis, S.A. (US Gestar); and
- VALRI, SGPS, S.A..

Governing bodies – members of the Board of Directors:
- Afonso Ribeiro Pereira de Sousa (Chairman);
- António Miguel R. R. Branco Amaral (Deputy Chairman);
- Francisco Manuel Ribeiro (Member);
- Luís Miguel Barradas Ferreira (Member);
- Marília Boavida Correia Cabral (Member);
- Carlos António A. da Cunha Ramalho (Non-executive Member);
- Alexandre Wende Dias da Cunha (Non-executive Member); and
- Miguel Alves Ribeiro F. de Carvalho (Non-executive Member).

Governing bodies – members of the Audit Board:
- Jean-éric Gaign (Chairman);
- José Manuel L. Neves de Almeida (Member); and
- Luís Alberto M. Póvoas Janeiro (Member).

Governing Bodies - alternate members of the Audit Board:
- Donato João Lourenço Viçoso (Alternate Member).

Governing bodies – members of the General Meeting:
- Francisco Ferreira da Silva (Chairman); and
- Paula Viegas (Secretary).

Other related entities:
- Crest Capital Partners - Sociedade de Capital de Risco, S.A.;
- CREST I - FCR (Crest Fund); and
- CREST II - FCR (Crest Fund II).

Balances with related entities, excluding governing bodies

As at 31 December 2020 and 2019, the main balances with related entities were as follows:

	31 December 2020	31 December 2019
Financial assets held for trading		
Alves Ribeiro Consultoria de Gestão, S.A.	3.085.322	2.618.015
Financial assets at fair value through profit or loss		
Fundo Tejo	6.492.799	6.492.799
Fundo Inspirar	4.051.067	4.422.510
Fundo Crest	9.609.008	7.325.888
Fundo Crest II	2 500 000	-
Loanss and advances to customers		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	16.736.855	17.838.262
US Gestar	3.292.000	362.403
Monvest, SGPS, S.A.	476.101	467.671
Resources from customers		
Alves Ribeiro, S.A.	28.082	21.599.035
VALRI, SGPS, S.A.	9.851.979	9.818.071
Saldanha Finance Limited	-	10.921
SOTIF, SGPS, S.A.	8.901.413	9.841.695
Invest Gestão de Activos	3.422.256	2.918.338
MS - Participações, SGPS, S.A.	5.435.939	5.055.520
Fundo Tejo	3.031.710	2.730.025
US Gestar	5.640	3.796
Fundo Inspirar	1.437.661	2.045.519
LERIMO, SGPS, S.A.	354.207	373.230
Saldanha Holdings Limited	-	12.022
Alves Ribeiro Consultoria de Gestão, S.A.	55.263	45.983
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	5.589	3.087
Mundicenter, S.A.	485	485
Amoreiras Center Soc, Imobiliária	689	689
Alrisa Sociedade Imobiliária, S.A.	2.301.904	2.292.787
Var - Soc, Consultoria Técnica e Inv, S.A.	218.227	217.081
SCO - Sociedade investimento e consultoria	485.122	481.880
SOTIF - Soc, Invest Consultoria Técnica S.A.	242.816	240.684
Monvest - Urbanização Gestão Imóveis, Lda.	50.000	18
Other liabilities		
Crest Background	2.160.091	3.600.610
Fundo Crest II	2.465.000	-

Transactions with related entities, excluding governing bodies

In 2020 and 2019, the main balances in the income statement with related entities were as follows:

	2020	2019
Interest and similar income		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	192.721	165.695
Monvest - SGPS, S.A.	9.522	11.592
US Gestar	2.628	3.040
Interest and similar charges		
VALRI, SGPS, S.A.	32.804	33.171
SOTIF, SGPS, S.A.	60.531	83.687
MS - Participações, SGPS, S.A.	33.825	29.100
LERIMO, SGPS, S.A.	2.269	2.680
Invest Gestão de Activos	1.532	2.626
SCO - Sociedade investimento e consultoria	1.409	2.940
SOTIF - Soc, Invest Consultoria Técnica, S.A.	1.830	1.959
Var - Soc, Consultoria Técnica e Inv, S.A.	1.651	1.574
Alves Ribeiro, S.A.	140.433	52.117
Income from services and commissions		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	-	835
Fundo Inspirar	50.187	49.965
Fundo Crest	15.191	10.386
Fundo Tejo	5.345	5.074
General administrative costs		
Alrisa	703.331	631.160
Invest Gestão de Activos	9.000	9.000

In 2008, Banco Invest subscribed investment units of the Fundo Inspirar – Fundo de Investimento Imobiliário, whose shareholding was subsequently increased via the subscription to an increase in the Fund's capital in 2013.

In 2012, and taking into consideration the real estate market situation in Portugal and the expected evolution and risks to which the Bank could be exposed, a fixed-term sales contract was concluded between Banco Invest and Alves Ribeiro CG for the acquisition, by this entity, until 26 March 2017, of the units of investment held at that date by Banco Invest in the Fundo Inspirar. This acquisition would be carried out at acquisition cost on the referred date, plus a remuneration value.

In 2013, a capital increase of 1.933.000 euros, corresponding to 9.665 investments units subscribed by Banco Invest, was deliberated at a general meeting of the fund's participants. On this basis, and considering the additional exposure and rationale underlying the first operation, a new fixed-term sales contract was concluded under the same terms as the previous contract and which defines the possibility of acquiring the investment units until 26 March 2017.

These contracts were subject to a series of addendums over the last few years due to interest rate adjustments. On 22 March 2017 and taking into consideration the initial deadline for the fixed-term sale operations that ended on 26 March 2017 and in view of the maintenance of interest in the operation, 2 specific addendums were singed related to the prorogation of the deadline for the exercise of the acquisition option until 22 March 2022.

Under the IFRS accounting framework, the investment units are recorded as Financial assets not held for trading mandatorily at fair value through profit or loss, as described in accounting policy note 2.4 a) iii). The fixed-term sale contracts are recorded as Financial assets at fair value offset against profit or loss - Trading derivatives, as described in accounting policy note 2.4 d).

As at 31 December 2020, the investment units are valued at 4.051.067 euros, which corresponds to the fair value of the investment unit as at 31 December 2020 (31 December 2019: 4.422.510 euros). The fixed-term sale contracts are valued at 3.085.322 euros (31 December 2019: 2.618.015 euros), which corresponds to 1.827.181 euros of fair value and 1.258.141 euros of interest (31 December 2019: 1.455.737 euros and 1.162.278 euros, respectively).

Balances with the Governing Bodies

As at 31 December 2020, the amount of Resources from Customers of Governing Bodies came to 1.905.755 euros (31 December 2019: 1.677.687 euros).

Employees that belong to the Governing Bodies

As at 31 December 2020, the amount of loanss granted to members of the Board of Directors and the General Meeting came to 335.347 Euros (31 December 2019: 374.979 euros), with the same conditions having been applied to the other employees.

Remuneration Policy

The Remuneration Commission, made up of three shareholder representatives and elected in General Assembly, determines the remuneration policy of the members of the governing bodies of Banco Invest, as well as the social security schemes and of other supplementary contributions.

The remuneration policy was submitted to the General Meeting for approval, following a proposal from the Remuneration Commission, in accordance with the following guidelines:
a) Obtainment of the desired alignment of the interests between the members of the governing bodies and the company;
b) Promotion and coherence with a sound and prudent risk management, which does not encourage excessive and reckless risk-taking that is incompatible with the long-term interests of the Bank; and
c) Compatibility with the risk profile, risk appetite, corporate strategy, objectives, values and long-term interests of Banco Invest.

The remuneration policy is summarised as follows:
a) The fixed remuneration of the identified employees should reflect their professional experience and organisational responsibility, and shall represent between 75% and 100% of the overall remuneration;
b) The fixed component of the remuneration should remunerate the executive members of the Board of Directors for the responsibilities inherent to their functions and for their specific competencies, and shall represent between 65% and 100% of the overall remuneration;
c) The variable remuneration should adjust appropriately to the variations in performance of the specific staff member in the preceding year, of the business unit and of the overall results of the Bank;
d) The non-executive members of the Board of Directors and members of the Audit Board earn a fixed remuneration, not related, in any way, to the performance or results of the Bank;
e) The Remuneration Commission is solely responsible for assessing the performance of the members of the governing bodies, while the Board of Directors is responsible for assessing the performance of the identified employees and proposing to the Remuneration Commission their remuneration for each year.

The remuneration policy was approved by the General Meeting on 29 December 2020, which may be consulted at any time on the website of Banco Invest.

The annual remuneration earned by the members of the governing bodies was 318,500 euros for Afonso Ribeiro Pereira de Sousa, Chairman of the Board of Directors, 241.833 euros for António Miguel R. R. Branco Amaral, Vice-Chairman, and 36.663 euros. 147.607 euros and 162.161 euros for the Members, Francisco Manuel Ribeiro, Luís Miguel Barradas Ferreira and Marília Cabral, respectively.

The remuneration earned by the executive members of the Board of Directors in 2020 and 2019 includes the variable remuneration (if any, as mentioned below) and the fixed remuneration received and paid in 14 instalments.

The annual remuneration earned by non-executive members in the financial year of 2020 was 18.000 euros for Carlos Ramalho and 18.000 euros for Alexandre D. Cunha.

In the 2020 financial year, the remuneration of the members of the Audit Board was 22.400 euros for Jean-éric Gaign, 11.800 euros for Luís Póvoas Janeiro and 11.800 euros for José Neves Almeida.

37. RELEVANT FACTS

COVID-19

During 2020, Covid-19 affected a very wide range of countries and thousands of people around the world and it is predictable that the number of infected will continue to rise. The first cases of infection occurred in China as early as late 2019, with the World Health Organisation declaring a pandemic on 11 March 2020.

The immediate impacts of this pandemic reached an unprecedented dimension, caused the exhaustion of health systems and led to severe containment measures. Bearing this in mind, The Bank has adopted a number of contingency measures planned and designed to ensure the protection of persons and the continuity of business, including recommendations from health authorities, and remote working, among others, seeking to maximise the Bank's resilience.

The financial statements have been prepared on a going concern basis as it is considered that the Bank has the necessary resources to continue its operations for the foreseeable future.

As was the case in all sectors of the economy, the covid-19 pandemic did not fail to have some impact on the Bank's activity. However, the measures implemented have made it possible to overcome, with remarkable success, the difficulties that arose in the macroeconomic environment. For much of the year, most employees worked as teleworkers, without any disturbance from the operational point of view, thanks to the consistency of the technological solutions adopted.

As expected, the granting of car loanss recorded a deceleration, on the one hand as a consequence of the reduction of transactions in the car market and, on the other hand, as a result of the implementation of a more restrictive credit granting policy, due to the reduction of potential customers' disposable income.

The customer deposits of Banco Invest showed once again great stability, as was the case in the crisis of 2012, with resources from customers having increased by approximately 4 million euros relative to the previous year.

The market instability that occurred at the beginning of the pandemic was taken advantage of to purchase debt securities with more attractive spreads and to reduce the risk of exposure to countries more exposed to the current crisis. Regarding the financial markets, despite the significant changes in volatility and the widening of spreads as a result of the crisis, especially in March and April 2020, the Bank recorded positive results at the end of the year, having since the beginning of the pandemic crisis in Portugal (March 2020) registered gains in its own portfolio of around 8.8 million euros, of which 4.6 million euros in results and an increase of 4.2 million euros in its revaluation reserves.

Timely measures were taken to address the current crisis, and as early as April 2020 the assumptions underlying the credit impairment models were revised, which led to an increase in the impairment recorded of about 1.8 million euros, and subsequently these assumptions were revised throughout the year, following the evolution of the pandemic scenario, there being at the end of the year an increase in impairments of about 5.3 million euros compared to the previous year, although there was no significant increase in customer defaults. In this context, it is worth noting that since 1 March 2020, there was an overall reduction in Non-Performing Loanss.

Additionally, the following improvements were made to the impairment calculation model:

- The materiality limits set out in BdP Instruction 2/2019 were adopted as from October;
- The databases associated with LGD calculation processes and the marking and de-marking of exposures as NPLs were reformulated from an auditable IT perspective and were completed in the first quarter of 2021;
- Automated computer systems were developed, aimed at marking and unmarking exposures as NPLs, counting curing, quarantine and probationary periods, which, after consistency tests, were effectively implemented in February;
- The complementary procedures for monthly validation of the marking and unmarking of exposures were maintained.

Additionally, the Bank instituted and maintains special monitoring processes for customers with credit exposures subject to moratoria, sectoral (of ASFAC) and legal of Decree-Law 10-J/2020, the first already ended in its practical effects, last December and with the resumption of the periodic maturity of the corresponding credit obligations and, the second, still in force in the most significant part of the cases, in relation to the obligations of payment of principal.

As at 31 December 2020, total loanss in moratorium at Banco Invest amounted to 36,7 million euros, corresponding to only 8,73% of the gross loans portfolio. The Bank is therefore in a comfortable position, especially if we consider that 77,5% of total loanss in moratorium correspond to loanss with real estate collateral, with the remaining 22,5% referring to car loanss.

Although it should be noted that the Car Loans portfolio suffered some impact due to the pandemic, both in terms of the slower rate of growth of the portfolio and in terms of risk indicators, to date and after the end of the effects of the sectoral moratorium, the portfolio's risk profile has not changed significantly. As regards the Real Estate portfolio, given the stabilisation of its risk profile for several years, no impacts arising from the pandemic were detected and, as regards the legal moratorium, having ended in March and in general its effects in relation to the interest rate grace period, no changes in performance were identified.

In any case, and as referred in separate chapters, the Bank took the measures deemed appropriate with regard to strengthening the criteria for recognition of impairments and the identification of sustainable solutions for Borrowers which, being feasible, may reveal adverse effects on the term of the moratoria.

The Governing Bodies, as well as the Risk Management area, will continue to monitor regularly the relevant indicators, in order to deliberate and implement, in a timely manner, the relevant measures to mitigate the possible impacts of the end of the moratoria and/or the worsening of the effects of the pandemic.

The following general principles were adopted for the calculation of impairment for customers with credit exposures subject to moratoria:

- With regard to the Real Estate segment, all exposures in moratorium, regardless of the stage in which they were classified, were submitted to the calculation of impairments by the method of individual analysis, defining a minimum threshold of 3%[1] on the value at risk, for those that, in view of the probable sufficiency of the liquidation value of the associated collateral, did not result in specific impairment;

- With regard to the Car Loanss portfolio, two different risk groups have been identified: Group A - exposures with moratorium of the capital shortage type and that, therefore, maintained during all the time the obligation to make regular (monthly) payments, thus allowing a permanent monitoring, even if partial, of their payment capacity; Group B - exposures with moratorium of the total grace type, i.e., without the possibility of monitoring their payment capacity during the moratorium period, introducing, for each one of the referred groups, new rules of aggravation of Stage / Expected Loss.

[1] Taking into consideration that, as at 31 December 2020, the average impairment rate of the exposures subject to impairment calculation through collective analysis was approximately 1,5% (aggregating stage 1 and stage 2), it was understood, for reasons of prudence, that the minimum impairment rate for the exposures which, carried forward to individual analysis, did not result in individual impairment (in view of the sufficient expected realisation value of their collateral), should be twice the said average rate.

Moratoria Details as at 31-12-2020 of the Home Loan Segment

	Gross balance sheet value (31-12-2020)				Stage transitions as of 30-06-2020 (GBV as at 31-12-2020)				Change in impairment as of 30-06-2020				Value of suspended instalments (on the date on which the moratorium was granted)		
	Stage 1	Stage 2	Stage 3	TOTAL	S1 → S2	S1 → S3	S2 → S3	S2 → S1 + S3 → S1	S1 → S2	S1 → S3	S2 → S3	S2 → S1 + S3 → S1	Principal	Interest	TOTAL
Legal moratorium	23.930.960	2.027.886	2.123.917	28.082.763	0	0	112.799	486.826	0	0	-6.531	27.676	4.623.426	745.866	5.369.292
Loans to companies	23.053.249	1.889.490	1.857.077	26.799.815	0	0	112.799	486.826	0	0	-6.531	27.676	4.425.800	701.785	5.127.585
Loans to private individuals	877.711	138.396	266.840	1.282.948	0	0	0	0	0	0	0	0	197.626	44.081	241.708

Moratoria Details as at 31-12-2020 of the Car Loan Segment:

	Gross balance sheet value				Stage transitions as of 31-03-2020 (GBV as at 31-12-2020)				Change in impairment as of 31-03-2020				Value of suspended instalments		
	Stage 1	Stage 2	Stage 3	TOTAL	S1 → S2	S1 → S3	S2 → S3	S2 → S1 + S3 → S1	S1 → S2	S1 → S3	S2 → S3	S2 → S1 + S3 → S1	Capital	Juros	TOTAL
Legal moratorium	7.737.159	437.772	88.299	8.263.230	402.196	57.608	-	9.589	82.629	39.078	-	(4.270)	1.599.399	585.951	2.185.350
Loans to companies	6.383.686	287.236	72.846	6.743.768	251.660	42.156			52.255	30.821			1.318.777	471.268	1.790.045
Loans to private individuals	1.353.473	150.536	15.453	1.519.462	150.536	15.453		9.589	30.374	8.257		(4.270)	280.622	114.683	395.305

Other

The Bank estimates that during 2021 there will be a segregation of the auto loanss sector of activity. In order to reflect in the financial statements the non-controlling interests regarding the segregation of this sector of activity, a provision was set up for this purpose, according to note 21.

38. PROVISION OF INSURANCE AND REINSURANCE MEDIATION SERVICES

Under the terms of Article 4 of the Regulatory Standard of the Portuguese Insurance Institute 15/2009-R, of 12 January 2010, regarding the disclosure requirements applicable to the Company in its capacity as an insurance intermediary, the following information must be provided.

Total remuneration received, broken down by nature and type:

	Commissions	Fees	Other remuneration
Remunerations Insurance 2020			
Nature - Cash	2.226.372	-	-
Nature - Kind	-	-	-
Remunerations Insurance 2019			
Nature - Cash	3.555.849	-	-
Nature - Kind	-	-	-

Subparagraphs (c) and (d) Total commissions, broken down by branches and insurance companies

	Entity	Commissions
Insurance Remuneration 2020		
Life Branch	Real Vida Seguros, S,A,	2.165.168
Non-Life Branch	Mapfre Asistência, S,A,	61.204
Insurance Remuneration 2019		
Life Branch	Real Vida Seguros, S,A,	2.964.343
Non-Life Branch	Mapfre Asistência, S,A,	591.506

Real Vida Seguros presents a remuneration higher than 25% of the total.

Subparagraph (e) Total commissions, broken down by branches and insurance companies

The Bank in the insurance mediation activity does not assume credit risk or default risk, i.e. if the client does not pay the insurance the insurer returns the chargeback for the exact amount that was not received.

Subparagraphs (f) and (g) Indication of aggregate values included in accounts receivable and payable

	2020	2019
Other Assets		
Debtors and other financial investments		
- Other debtors - insurance	2.754	1.121
Income receivable		
- Insurance collection commissions receivable	218.311	453.862
Other accruals and deferrals		
- Insurance premiums to be invoiced	2.251.879	3.782.261
Other Liabilities		
Deferred income	728.956	951.385
Other accounts payable	327.113	1.551.412

As far as payables and receivables are concerned, they come from insurance companies.

Accounts payable are detailed as follows:

Entity	2020	2019
Real Vida Seguros, S.A.	327.113	674.120
Mapfre Assistência, S.A.	-	877.292
	327.113	**1 551.412**

Subparagraph (h) Analysis of receivables past due at the reporting date

Seniority	2020	2019
Up to 6 months	25	-
From 6 to 12 months	366	-
More than 12 months	2.363	1.121
	2.754	**1.121**

There is no risk to the Bank in case of non-payment of insurance by the customer since the insurer returns the chargeback of all unpaid amounts.

Subparagraphs (i), (j), (k) and (l) shall not apply to the Bank.

39. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Management policies for financial risks inherent to Banco Invest's business

Authorised risk limits and exposure levels are established and approved by the Board of Directors, bearing in mind the overall strategy of Banco Invest and its market positioning.

The institution's risk management procedure respects the due separation of functions and complementarity of operation of each of the areas involved. Proper cooperation between the Investment Committee, the Credit Division and the Planning and Control Division ensures compliance with the limits set by the Board of Directors.

The disclosures required by IFRS 7 – Financial Instruments: Disclosures are presented below, regarding the main types of risks inherent to the Bank's business.

Credit risk

Credit risk is the possible loss of value of the Bank's assets through the non-fulfilment of a contract, insolvency or the inability of individuals or corporate persons to honour their commitments with Banco Invest.

The identification, assessment, follow-up and permanent control of credit risk leads to prompt monitoring. This permits the anticipation of a potential default, with the risks arising from all the Institution's activities being covered, at both the individual credit level and in terms of the Bank's entire portfolio.

Maximum exposure to credit risk

As at 31 December 2020 and 2019, the maximum exposure to credit risk by type of financial instrument was summarised as follows:

	2020		
	Gross value	Provisions and impairment	Net value
Assets			
Deposits at Central Banks	41.429.250	-	41.429.250
Amounts and deposits at other credit institutions	20.360.586	(8.773)	20.351.813
Financial assets held for trading:			
- Securities	33.666.226	-	33.666.226
- Derivatives	3.409.965	-	3.409.965
Financial assets at fair value through other comprehensive income	126.064.925	-	126.064.925
Financial assets at amortised cost:			
- Deposits at credit institutions	970.592	(2.524)	968.068
- Loanss and advances to customers	433.712.856	(32.336.136)	401.376.720
- Debt securities	243.549.312	(488.441)	243.060.871
Other assets:			
- Debtors and other financial investments	501.593	-	501.593
	903.665.305	**(32.835.874)**	**870.829.431**
Off-balance sheet			
Guarantees provided	3.124.198	(75.056)	3.049.142
	906.789.503	**(32.910.930)**	**873.878.573**

	2019		
	Gross value	Provisions and impairment	Net value
Assets			
Deposits at Central Banks	23.816.918	-	23.816.918
Amounts and deposits at other credit institutions	17.635.705	(1.995)	17.633.710
Financial assets held for trading:			
- Securities	35.474.990	-	35.474.990
- Derivatives	2.784.183	-	2.784.183
Financial assets at fair value through other comprehensive income	80.789.349	-	80.789.349
Financial assets at amortised cost:			
- Deposits at credit institutions	767.331	(15.411)	751.920
- Loanss and advances to customers	419.654.972	(27.081.575)	392.573.397
- Debt securities	227.651.497	(418.080)	227.233.417
Other assets:			
- Debtors and other financial investments	324.957	-	324.957
	808.899.902	**(27.517.061)**	**781.382 841**
Off-balance sheet			
Guarantees provided	2.625.714	(57.444)	2.568.270
	811.525.616	**(27.574.505)**	**783.951.111**

Credit quality of financial assets without defaults or impairments

The Bank's loans portfolio, based on the information contained in the preceding Notes, includes three major homogeneous groups:

- A more significant group, consisting of real estate financing operations for acquisition or own construction, directed at corporate customers, with long-term maturities and having as collateral legal property (in real estate leasing operations) or a first degree mortgage (in the case of mortgage loanss) on the financed properties;

- The second group of loanss, comprising vehicle loans operations, directed at corporate and private customers, with medium-term maturities, is a business with potential growth over the next few years;

- A third less significant group, formed by financing operations for margin accounts, with the pledge of securities portfolios, listing on an official market and liquidity, and also very short-term operations with pledging of precious metals.

This third group of loanss, due to its short-term and very short-term nature, has an excellent turnover, allowing for a quick portfolio revitalisation. Rigorous risk monitoring policy and very prudent collateral eligibility policy, limited by a regulated market that is fluid, lead to significantly reduced exposure to risk.

The same cannot be said for real estate loanss, which because of their long-term maturity lead to a portfolio marked by operations that originate in different periods of time and therefore have different degrees of exposure to risk.

As such, while it is true that the policy for granting new loanss has adapted to successive economic climate scenarios, in line with more prudent policies, with regard to the existing portfolio, the main challenge that the Bank faced was implementing effective means for managing the portfolio in terms of monitoring, managing and evaluating risk.

Notwithstanding, the Bank will maintain and continue to reinforce the measures required to preserve the quality and integrity of its loans portfolio.

1. Regarding the risk management policy

With an experienced team, consolidated policies and over 21 years of operation, the Bank boasts a series of resources that allows for:
- Real time monitoring of impairment or risk signs;
- Daily control of non-compliance situations (total or partial) regarding contractual obligations, whether of a monetary nature or other nature;
- Automatic adjustment of the internal risk rating;
- Automatic issue of alerts sent to the Customer Managers and Credit Department, Recovery Department and Legal Department;
- Issuing and sending to Holders and their Guarantors, notifications related to non-compliance with explanation of origin, maturity date, charges owed, means of settlement and consequences of non-compliance;
- Historic record of all events, diligences taken and their results.

In terms of managing credit risk, the Bank undertakes to do the following in accordance with the Procedures Manual in effect:
- constantly monitor greatest risks, in terms of value;
- follow-up on sectoral risk, acting to safeguard its legitimate rights and the integrity of the credit guarantees, while respecting applicable legislation and seeking out means that always, as much as possible, favour negotiable solutions that do not involve the courts.

Practical application of specific legislation aimed at protecting bank customers that are in a difficult economic situation, within the scope of the PARI or PERSI scheme, always and when applicable, constitutes regular procedure for the Bank.

2. Loans write-off policy:

When considering risk of non-fulfilment, the Bank fully respects, in recognising impairment, the guidelines of Circular Letter 02/2014/DSP, replaced by Circular Letter no. CC/2018/00000062 of 14-11 of the Bank of Portugal.

The Credit Recovery Department monitors overdue exposures that meet the requirements for classification as irrecoverable and drafts a classification proposal and prepares the corresponding files.

An exposure to credit risk is classified as irrecoverable under the following conditions:
i. In enforcement proceedings, when the case is dismissed, due to a lack of seizable assets of the defendants (Debtor or Guarantors);
ii. In Insolvency proceedings, when of a limited nature (lack of seizable assets of the insolvent debtor), following a decision on the verification and ranking of claims;
iii. In Insolvency Plans or Credit Recovery Procedures when, based on the approved repayment plan, there is a full or partial writing off of the acknowledged debts;
iv. Overdue loanss for more than two years in a scenario of total impairment, i.e. when the Bank, after undertaking all recovery efforts considered adequate and gathered available evidence, justifiably concludes that there are no reasonable expectations of recovery of the amounts at risk.

    The following are objective indicators of the uncollectability of a debt:
    i. The circumstance of a Debtor or Guarantors whose whereabouts are unknown;
    ii. The fact that the out-of-court initiatives undertaken by the Bank, duly confirmed and deemed appropriate, proved ineffective in establishing a plan to restructure or recover the amounts at risk;
    iii. The confirmation that the Debtor or Guarantors do not have a steady income to substantiate its seizure;
    iv. Evidence, supported by the land register or vehicle registration, that the Debtor and Guarantors' assets, if any, has prior covenants or encumbrances that lead to conclude (in accordance with its probable realisation value) that their seizure, if carried out, would not enable the Bank to recover its credit;

The assessment that the enforcement of the debt, if possible, is not economically viable (unfavourable cost-benefit ratio) due to the cost and waiting time of court proceedings.

3. Impairment reversal policy:

Reversal of impairments that have already been recognised in the loans portfolio shall only occur in specific justified situations of reduction of potential risk of loss, namely,
- Upon full or partial payment of values at risk;
- Upon reinforcement of loans collateral;
- Following justified alteration of impairment calculation parameters:
    i) reduction of expected default, reduction of loss probability, in the case of calculation of impairment in a collective manner;

ii) increase of the market value of the collateral, reduction of the effective costs of maintaining and/or realising collateral, reduced market rates applied to the updating of the probable value of realising collateral, in the event of calculating impairment via individual analysis.

4. Description of the restructuring measures applied to past due loanss, control and monitoring mechanisms:

   Credit restructuring measures are defined on a case-by-case basis in accordance with the risk analysis in question. They shall be based on a specific credit dossier to be submitted for approval in accordance with the applicable Manual.

   They may include: i) extension of the repayment deadline; ii) granting of a grace period for the principal; iii) deferral of repayment of part of the financed amount toward the end of maturity or iv) capitalisation of the overdue amount.

   Whenever possible, the Bank seeks to obtain reinforcement of loans guarantees and/or payment of past due interest.

   Restructured credit is marked and monitored pursuant to Bank of Portugal terms and depending on the difficulties of the Debtor, the corresponding credit impairments are then calculated via individual analysis.

As at 31 December 2020 and 2019, the Bank's loans portfolio according to the stages defined in note 2.4 is as follows:

	2020			
	Risk category			
Type of contract	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current accounts	22.108.032	-	94.664	22.202.696
Medium and long-term loanss	28.557.201	718.689	8.136.901	37.412.791
Real estate leasing	29.640.735	1.689.882	2.018.602	33.349.219
Equipment leasing	173.632	-	159.962	333.594
Other loanss	3.571.654	1.517.888	6.799.957	11.889.499
Consumer credit and auto loanss	263.994.080	4.496.984	3.365.311	271.856.375
Current account overdrafts	10.890.837	-	-	10.890.837
	358.936.171	**8.423.443**	**20.575.397**	**387.935.011**

	2019			
	Risk category			
Type of contract	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current accounts	20.363.286	-	94.859	20.458.145
Medium and long-term loanss	46.131.131	661.876	9.961.047	56.754.054
Real estate leasing	31.734.912	1.972.210	2.784.097	36.491.219
Equipment leasing	211.059	-	159.962	371.021
Other loanss	3.396.329	1.833.855	5.953.653	11.183.837
Consumer credit and auto loanss	237.842.831	2.284.798	2.559.102	242.686.731
Current account overdrafts	11.989.233	-	-	11.989.233
	351.668.781	**6.752.739**	**21.512.720**	**379.934.240**

The commissions associated to loanss and accrued interest were not considered in the preparation of these tables.

The main collaterals received by the Bank relative to the financial assets identified above are as follows:

- In the case of real estate leasing transactions, the effective guarantee is comprised by the legal title of the property.

- In the case of medium and long-term loanss, the collateral is generally comprised by a first mortgage of urban real property, a situation that is also common in loanss associated with a current account regime.

- In one-off situations, the Bank also obtains commercial liens on financial assets, composed of liquid assets or securities quoted in official markets, as well as net intangible assets subject to current market valuation such as, for example, goodwill rights over pharmacy establishments.

- In general and considering the maturity date of the operations, independently of the form of ownership, the obtainment of personal guarantees (acceptances or sureties) is common practice.

The assets purchased for financial leasing operations, or received as mortgage guarantee, are covered in the event of an accident or act of God, via multi-risk insurance with the corresponding rights in favour of the Bank.

The Bank's loans portfolio is segmented according to nature, specific characteristics and types of collateral, as stated above.

As such, the following are submitted to a process of evaluation and calculation by homogeneous and autonomous groups: i) loanss of a real estate nature and origin, ii) credit in margin accounts, guaranteed by securities portfolios, and, iii) loanss with precious metals as collateral, and (iv) auto loanss.

When calculating impairments, Banco Invest takes into account the general principles defined in the International Financial Reporting Standards (IFRS 9 as of 1 January 2018 and IAS 39 until 31 December 2017) and follows Bank of Portugal requirements stipulated in Circular Letter CC/2018/00000062 (which revokes Circular Letter CC/2018/00000006 and 02/2014/DSP).

The definition of the exposures to be analysed, collectively and individually, complies with the referred to precepts, and it should be noted that the Bank submits for individual analysis, in the mortgage credit portfolio, in addition to the exposures marked as NPL and in stage 3, the following groups of exposures to credit risk, irrespective of the absence of default, signs of impairment or risk or even the stage in which they are classified: i) exposures considered relevant (values at risk greater than 300.000 euros); ii) exposures which, as at 31 December 2020, were under the effect of a legal moratorium; iii) exposures marked as NPL, after the expiry of the cure period; iv) exposures marked as restructured due to financial difficulties of the Debtor, after overcoming the quarantine and probationary periods and v) possible exposures to Group entities or related entities.

In this portfolio and as at 31 December 2020, the calculation of impairments by individual analysis covered about 82.5% of total exposures to credit risk.

It should be pointed out that when calculating impairments, not only are past due and unpaid amounts considered at risk when they exist, but also maturing principal and accrued interest that has not yet matured.

However, when calculating the execution amount of collateral, i.e. the probable amount of the realisation of the credits, the costs related to their realisation are considered, as regulated by the Bank of Portugal. In the particular case of real estate, said realisation value, less probable expenses related to maintenance and sale, is updated at the interest rate of the associated contract for the amount of time estimated for its recovery and sale.

Because real estate guarantees have a relevant impact on the overall Bank loans portfolio, it is important to note that properties are subject to multi-risk insurance, this practice being in fact implemented and effectively applied with the aim of maintaining the integrity of the collateral, safeguarding rights in case of indemnity; the Bank preventively acquires these insurance policies by its own initiative whenever the financing contracts enter into a situation of continuous non-fulfilment, litigation or the properties are recovered to settle own credit.

Maintenance of the recovered property when settling own credit is also assured by the Bank as a means of preserving its realisation amounts.

There is a well-defined practice of regular revaluation - based on objective and independent criteria - of the collaterals associated to credit operations with default, or recovered property when settling own credit, in order to guarantee that the records of the Bank reflect, at any moment, the realisation potential that is associated to them.

In relation to the credit risk control associated with capital markets, derivative product and exchange rate transactions, the Bank maintains procedures established through the investment approval process, the control of the fulfilment of strategies defined by the Board of Directors and the Investment Committee and the regular follow-up of the composition and evolution of the securities portfolio, which permit the adequate monitoring of the credit risk associated with the securities held in portfolio.

As of September 2016, the Bank began to grant loanss for the acquisition of vehicles. Loanss are granted in this segment for the acquisition of new and used vehicles, with financing maturities of up to 120 months.

The Bank undertakes a mark-to-market revaluation, at any moment, of its exposure to derivative, exchange rate and capital market products, thus evaluating its potential and global exposure and the fulfilment of the exposure limits defined by sector and by country.

As at 31 December 2020 and 2019, the credit risk associated with the Bank's security portfolio, can be demonstrated via the rating, being presented as follows:

	2020								
	Ratings								
	AA	A	BBB	BB	B	CCC	C	N.R.	Total
Assets									
Financial assets held for trading	-	4.384.294	19.222.613	8.188.885	1.547.722	-	-	322.712	33.666.226
Financial assets at fair value through other comprehensive income	5.843.822	29.913.001	83.412.083	3.662.095	3.233.924	-	-	-	126.064.925
Financial assets at amortised cost - Debt securities	5.018.246	78.027.585	104.056.731	43.998.042	7.455.142	2.506.087	1.999.038	-	243.060.871
	10.862.068	**112.324.880**	**206.691.427**	**55.849.022**	**12.236.788**	**2.506.087**	**1.999.038**	**322.712**	**402.792.022**

	2019								
	Ratings								
	AA	A	BBB	BB	B	CCC	C	N.R.	Total
Assets									
Financial assets held for trading	-	6.703.227	22.471.365	5.963.552	-	-	-	336.846	35.474.990
Financial assets at fair value through other comprehensive income	11.705.093	14.370.661	44.545.877	10.167.718	-	-	-	-	80.789.349
Financial assets at amortised cost - Debt securities	4.516.392	68.255.449	78.856.433	69.642.636	5.962.507	-	-	-	227.233.417
	16.221.485	**89.329.337**	**145.873.675**	**85.773.906**	**5.962.507**	**-**	**-**	**336.846**	**343.497.756**

N.R. – Not Rated

In preparation of this disclosure, relative to 2020 and 2019, the internal rating attributed by the Bank and the rating attributed by an external company specialised in risk assessment was considered.

As at 31 December 2020 and 2019, the exposure by country associated to the Bank's security portfolio, is presented as follows:

	2020				2019			
	Banks	Government Debt	Other	Total	Banks	Government Debt	Other	Total
Portugal	-	10.975.588	82.930.622	93.906.210	994.571	10.055.278	93.488.121	104.537.970
Spain	10.011.089	53.014.123	14.390.086	77.415.298	6.656.906	54.664.537	11.899.879	73.221.322
Holland	-	-	59.819.361	59.819.361	2.974.109	-	44.168.657	47.142.766
Italy	8.241.104	15.677.257	5.539.789	29.458.150	10.763.572	25.325.648	8.976.847	45.066.067
Great Britain	1.022.601	-	20.377.818	21.400.419	1.001.291	-	10.404.093	11.405.384
USA	37.880	-	8.694.670	8.732.550	1.587.873	10.145.922	248.163	11.981.958
Germany	11.471.012	-	16.487.926	27.958.938	4.087.623	-	8.698.036	12.785.659
France	3.752.229	1.016.160	20.326.522	25.094.911	-	1.017.280	7.575.566	8.592.846
Other	4.334.530	17.346.416	37.325.239	59.006.185	2.573.364	2.030.735	24.159.685	28.763.784
	38.870.445	**98.029.544**	**265.892.033**	**402.792.022**	**30.639.309**	**103.239.400**	**209.619.047**	**343.497.756**

Equity instruments and derivatives were not considered in the elaboration of these tables.

As at 31 December 2020 and 2019, the financial instruments subject to impairment requirements laid down in IFRS 9, analysed by stage, are detailed in the following table:

	2020			
	Risk category			
Category	Stage 1	Stage 2	Stage 3	Total
Financial assets at amortised cost				
Loans and advances to credit institutions	700.000	-	-	700.000
Loanss and advances to customers	358.936.171	8.423.443	20.575.397	387.935.011
Debt securities	239.595.812	-	-	239.595.812
Financial assets at fair value through profit or loss				
Financial assets held for trading	39.621.505	-	-	39.621.505
Financial assets not held for trading mandatorily at fair value through profit or loss	26.330.175	-	-	26.330.175
Financial assets at fair value through other comprehensive income	125.182.765	-	-	125.182.765
	790.366.428	**8.423.443**	**20.575.397**	**819.365.268**

2019				
Risk category				
Category	Stage 1	Stage 2	Stage 3	Total
Financial assets at amortised cost				
Loanss and advances to credit institutions	400.000	-	-	400.000
Loanss and advances to customers	351.668.781	6.752.739	21.512.720	379.934.240
Debt securities	223.992.794	-	-	223.992.794
Financial assets at fair value through profit or loss				
Financial assets held for trading	44.510.190	-	-	44.510.190
Financial assets not held for trading mandatorily at fair value through profit or loss	22.662.720	-	-	22.662.720
Financial assets at fair value through other comprehensive income	80.210.825	-	-	80.210.825
	723.445.310	**6.752.739**	**21.512.720**	**751.710.769**

The commissions associated to loanss and accrued interest were not considered in the preparation of these tables.

As at 31 December 2020 and 2019, the main parameters used in the credit loss models of a real estate origin are detailed in the following table:

2020				
Credit of a real estate origin				
Probability of passing from ... to ...				
# of years	Stage 1 Stage 3	Stage 1/2 Stage 3	Stage 2 Stage 3	
1	4,19%	4,79%	22,50%	PD over a year
2	5,09%	9,35%	25,56%	
3	4,89%	5,41%	7,70%	
4	6,33%	7,18%	10,04%	
5	7,29%	8,08%	16,57%	
6	7,07%	6,69%	8,35%	*PD lifetime*
7	17,03%	15,72%	8,30%	
8	27,23%	25,55%	4,93%	
9	5,25%	5,48%	13,88%	
10	24,90%	23,20%	23,02%	

2019				
Credity of a real estate origin				
Probability of passing from............to............				
# of years	Stage 1 Stage 3	Stage 1/2 Stage 3	Stage 2 Stage 3	
1	1,89%	5,20%	22,39%	PD over 1 year
2	5,09%	9,35%	25,56%	
3	8,16%	11,08%	24,85%	
4	11,93%	14,29%	28,16%	
5	14,90%	16,75%	29,53%	
6	17,02%	19,24%	30,30%	*PD lifetime*
7	20,13%	22,46%	34,24%	
8	21,83%	24,83%	38,96%	
9	40,18%	40,90%	47,78%	
10	40.72%	43.31%	55.40%	

As at 31 December 2020 and 2019, the main parameters used in the popular economic credit loss models are detailed in the following table:

2020				
Popular Economic Credit				
Probability of passing from............to............				
# of years	Stage 1 Stage 3	Stage 1/2 Stage 3	Stage 2 Stage 3	
12	19,29%	33,15%	62,65%	
13	14,85%	29,29%	37,51%	
14	23,04%	36,47%	69,64%	
15	0,00%	0,00%	0,00%	
16	0,00%	0,00%	0,00%	
17	0,00%	0,00%	0,00%	PD over 1 year
18	0,00%	0,00%	0,00%	
19	0,00%	0,00%	0,00%	
20	0,00%	0,00%	0,00%	
21	0,00%	0,00%	0,00%	
22	0,00%	0,00%	0,00%	

2019				
Popular Economic Credit				
Probability of passing from ... to ...				
# of years	Stage 1 Stage 3	Stage 1/2 Stage 3	Stage 2 Stage 3	
12	25,36%	40,03%	46,26%	
13	14,85%	29,39%	37,51%	
14	30,08%	43,40%	49,46%	
15	18,05%	31,60%	39,81%	
16	18,32%	30,95%	38,85%	
17	18,23%	31,03%	39,05%	PD over 1 year
18	19,35%	31,73%	39,45%	
19	21,66%	33,74%	41,26%	
20	20,68%	36,71%	44,27%	
21	18,78%	32,93%	40,24%	
22	21,15%	34,31%	41,53%	

The Loss Given Default (LGD) for credit of a real estate origin and for popular economic credit, as at 31 December 2020, is 37,34% and 6,39%, respectively (31 December 2019: 35,01% and 6,99%, respectively).

Liquidity risk

Liquidity risk is the possibility that an entity may not be able to meet its commitments through an inability to access the market in a sufficient amount and at a reasonable cost.

The risk control policy is subordinate to the overall strategy of the Bank, and aims to adequately finance its assets, increase them and detect any loss of liquidity.

The policies and procedures that control and limit liquidity risk regularly review the limits of the liquidity positions for different time frames, analysing simulations using different scenarios to permit effective liquidity management.

The Financial Department is responsible for the effective implementation of the risk strategy and all the liquidity policies established and approved by the Board.

Times to maturity

As at 31 December 2020 and 2019, the breakdown of the times to maturity of the financial instruments was as follows:

2020								
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	Other (1)	Total
Assets								
Cash and deposits at Central Banks	42.722.541	-	-	-	-	-	-	42.722.541
Amounts and deposits at other credit institutions	20.351.813	-	-	-	-	-	-	20.351.813
Financial assets held for trading	-	79.825	34.010	14.971.639	21.990.716	2.895.669	-	39.971.859
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	-	-	-	26.330.175	-	26.330.175
Financial assets at fair value through other comprehensive income	-	-	-	88.856.880	37.208.045	-	-	126.064.925
Financial assets at amortised cost								
- Loans and advances to credit institutions	-	-	700.000	-	-	-	268.068	968.068
- Loanss and advances to customers	10.934.761	13.905.238	10.083.128	82.790.174	273.386.439	10.276.980	-	401.376.720
- Debt securities	-	21.318.981	10.277.374	136.616.119	74.848.397	-	-	243.060.871
Other Assets	-	-	-	-	-	501.593	-	501.593
	74.009.115	**35.304.044**	**21.094.512**	**323.234.812**	**407.433.597**	**40.004.417**	**268.068**	**901.348.565**
Liabilities								
Resources from Central Banks	-	-	5.000.000	100.000.000	-	-	-	105.000.000
Resources from other credit institutions	251.093	-	-	-	-	-	-	251.093
Resources from customers and other loanss	202.133.683	98.011.275	261.281.802	90.604.147	91.482	-	2.411.594	654.533.983
Hedging derivatives	-	-	-	8.698	-	-	-	8.698
Financial liabilities held for trading	-	2.027	115.086	122.792	-	-	-	239.905
Non-subordinated debt securities issued	-	-	-	-	-	-	-	-
	202.384.776	**98.013.302**	**266.396.888**	**190.735.637**	**91.482**	**-**	**2.411.594**	**760.033.679**
Liquidity gap	**(128.375.661)**	**(62.709.258)**	**(245.302.376)**	**132.499.175**	**407.342.115**	**40.004.417**	**(2.143.526)**	**141.314.886**

2019								
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	Other (1)	Total
Assets								
Cash and deposits at Central Banks	24.689.525	-	-	-	-	-	-	24.689.525
Amounts and deposits at other credit institutions	17.633.710	-	-	-	-	-	-	17.633.710
Financial assets held for trading	-	1.202.616	24.307	13.387.773	23.644.477	6.507.858	-	44.767.031
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	-	-	-	22.662.720	-	22.662.720
Financial assets at fair value through other comprehensive income	-	-	2.584.222	35.802.862	42.402.265	-	-	80.789.349
Financial assets at amortised cost								
- Loans and advances to credit institutions	-	-	400.000	-	-	-	351.920	751.920
- Loanss and advances to customers	12.095.519	4.561.060	21.360.528	90.559.902	253.336.953	10.659.435	-	392.573.397
- Debt securities	-	31.097.026	11.722.981	122.684.716	61.728.694	-	-	227.233.417
Other Assets	-	-	-	-	-	324.957	-	324.957
	54.418.754	**36.860.702**	**36.092.038**	**262.435.253**	**381.112.389**	**40.154.970**	**351.920**	**811.426.026**
Liabilities								
Resources from Central Banks	-	-	-	39.180.000	-	-	-	39.180.000
Resources from other credit institutions	206.895	-	-	-	-	-	-	206.895
Resources from customers and other loanss	164.313.007	109.086.647	266.008.067	107.385.143	5.426	-	3.797.767	650.596.057
Financial liabilities held for trading	-	229.915	529.570	128.792	-	-	-	888.277
Non-subordinated debt securities issued	-	-	-	-	-	-	-	-
	164.519.902	**109.316.562**	**266.537.637**	**146.693.935**	**5.426**	**-**	**3.797.767**	**690.871.229**
Liquidity gap	**(110.101.148)**	**(72.455.860)**	**(230.445.599)**	**115.741.318**	**381.106.963**	**40.154.970**	**(3.445.847)**	**120.554.797**

(1) - The Column "Other" includes interest receivable and payable. and deferred sums already received or paid.

The main assumptions used to draw up the tables above are the following:

- the projected contractual cash flows of interest associated with financial assets and liabilities were not considered;
- the column "Other" corresponds to values already received or paid that are being deferred;
- for equity instruments their maturity was considered indeterminate, having been included in the "Indeterminate" column;
- in financial assets held for trading and available for sale it was considered that the instruments were only settled on their maturity date; and
- in loanss and advances to customers it was considered that the principal repayment was made in full on the date of the last credit instalment.

The short-term liquidity gap is financed by resorting to the interbank monetary market, where the Bank has access to credit lines that allow it to finance this gap, and through discounts on securities issued by the ECB, which allows it to have access to immediate liquidity.

The short-term liquidity gap is associated to the funding of the Bank's bond portfolio. The total value of the securities portfolio is greater than the short-term gap. The Bank may at any moment reduce it by selling securities in the market. The said gap thus results from a strategic decision of the Bank to finance its securities portfolio in an efficient manner in economic terms and not from a structural deficiency of liquidity. The portfolio has been essentially financed through repurchase operations at the European Central Bank, although Banco Invest has repurchase contracts with different banking institutions.

Market risk

Banco Invest's business through financial instruments entails the assumption or transfer of one or several kinds of risk.

Market risks are those which arise from keeping financial instruments whose value can be affected by market fluctuations. Market risks include:

a) Exchange rate risk: this arises from fluctuations in foreign currency exchange rates;
b) Interest-rate risk: this arises from fluctuations in market interest rates;
c) Price risk: this arises from changes in market prices, either due to factors specific to the instrument or to factors that affect all the instruments traded on the market.

The control of market risk aims to assess and monitor the potential losses associated with changes in the price of the Bank's assets, discretionary portfolio management and the consequent loss of profits from an adverse movement of market prices. This assessment is conducted by defining procedures and limits for global portfolios and product categories. Strategies, positions and limits are assessed daily to generate income through trading and assets and liability management, while simultaneously controlling exposure to market risk.

Exchange risk

Exchange risk is the result of fluctuations in exchange rates, whenever there are "open positions" in these currencies.

The exchange rate activity of Banco Invest is of secondary importance and residual. The daily foreign currency balances and transactions carried out in foreign currency are controlled on a daily basis by the Operations Department and the Market Room.

Only US dollar and pound transactions have any relevance, with transactions in other currencies being almost non-existent.

As at 31 December 2020 and 2019, the breakdown of financial instruments by currency was as follows:

	2020 Currency				
	Euros Gross	US Dollars	Pound	Other	Total
Assets					
Cash and deposits at Central Banks	42.722.541	-	-	-	42.722.541
Amounts and deposits at other credit institutions	17.643.618	2.387.028	203.518	117.649	20.351.813
Financial assets held for trading	37.634.012	1.756.603	219.214	362.030	39.971.859
Financial assets not held for trading mandatorily at fair value through profit or loss	26.330.175	-	-	-	26.330.175
Financial assets at fair value through other comprehensive income	123.048.198	3.016.727	-	-	126.064.925
Financial assets at amortised cost	625.434.522	16.607.068	3.364.069	-	645.405.659
Other Assets	380.133	92.780	23.681	4.999	501.593
	873.193.199	**23.860.206**	**3.810.482**	**484.678**	**901.348.565**
Liabilities					
Resources from Central Banks	105.000.000	-	-	-	105.000.000
Financial liabilities held for trading	236.201	3.704	-	-	239.905
Resources from other credit institutions	227.663	23.430	-	-	251.093
Resources from customers and other loanss	645.643.960	8.549.624	253.696	86.703	654.533.963
Hedging derivatives	8.698	-	-	-	8.698
Non-subordinated debt securities issued	-	-	-	-	-
	751.116.522	**8.576.758**	**253.696**	**86.703**	**760.033.679**
Net exposure (Currency Position)	**122.076.677**	**15.283.448**	**3.556.786**	**397.975**	**141.314.886**

	2019 Currency				
	Euros Gross	US Dollars	Pound	Other	Total
Assets					
Cash and deposits at Central Banks	24.689.525	-	-	-	24.689.525
Amounts and deposits at other credit institutions	14.439.484	2.415.790	342.145	436.291	17.633.710
Financial assets held for trading	41.855.635	1.369.333	1.012.768	529.295	44.767.031
Financial assets not held for trading mandatorily at fair value through profit or loss	22.662.720	-	-	-	22.662.720
Financial assets at fair value through other comprehensive income	70.192.650	10.596.699	-	-	80.789.349
Financial assets at amortised cost	607.105.614	9.782.523	3.670.559	38	620.558.734
Other Assets	212.581	70.500	28.056	13.820	324.957
	781.158.209	**24.234.845**	**5.053.528**	**979.444**	**811.426.026**
Liabilities					
Resources from Central Banks	39.180.000	-	-	-	39.180.000
Financial liabilities held for trading	882.869	5.408	-	-	888.277
Resources from other credit institutions	181.277	25.618	-	-	206.895
Resources from customers and other loanss	641.571.978	8.563.523	415.825	44.731	650.596.057
Non-subordinated debt securities issued	-	-	-	-	-
	681.816.124	**8.594.549**	**415.825**	**44.731**	**690.871.229**
Net exposure (Currency Position)	**99.342.085**	**15.640.296**	**4.637.703**	**934.713**	**120.554.797**

The Bank considers that a 5% increase in the market exchange rates of the main currencies that the Bank is exposed to would not have a significant impact on the financial statements as at 31 December 2020 and 2019.

Interest-rate risk

Interest rate risk relates to the impact that interest rate changes have on income and on the entity's asset value. This risk arises from the varying times to maturity or re-appreciation of assets, liabilities and off-balance sheet positions with respect to the entity, in light of changes in the interest rate curve slope. Interest rate risk therefore corresponds to the risk that the present value of future cash flows of a financial instrument may fluctuate due to changes in market interest rates.

Management of the interest rate risk is subordinate to the overall strategy of the Bank, which aims to minimise the impact of interest rate changes on the Bank's overall profits.

The short-term interest rate risk basically arises from the mismatch of payments between the institution's liabilities and its loans assets.

As at 31 December 2020 and 2019, the type of exposure to interest rate risk was summarised as follows:

	2020			
	Not subject to interest rate risk	Fixed rate	Variable rate	Total
Assets				
Cash and deposits at Central Banks	1.293.291	-	41.429.250	42.722.541
Amounts and deposits at other credit institutions	1.664.209	-	18.687.604	20.351.813
Financial assets held for trading:				
- Securities	2.895.668	32.547.062	1.119.165	36.561.895
- Derivatives	-	-	3.409.964	3.409.964
Financial assets not held for trading mandatorily at fair value through profit or loss	26.330.175	-	-	26.330.175
Financial assets at fair value through other comprehensive income	-	126.064.925	-	126.064.925
Financial assets at amortised cost:				
- Loans and advances to credit institutions	-	-	968.068	968.068
- Loanss and advances to customers	3.159.317	135.664.370	262.553.033	401.376.720
- Debt securities	-	197.598.104	45.462.767	243.060.871
Other Assets	-	-	501.593	501.593
	35.342.660	**491.874.461**	**374.131.444**	**901.348.565**
Liabilities				
Resources from Central Banks	-	100.000.000	5.000.000	105.000.000
Financial liabilities held for trading	-	88.080	151.825	239.905
Resources from other credit institutions	-	-	251.093	251.093
Resources from customers and other loanss	-	90.695.628	563.838.355	654.533.983
Hedging derivatives	-	-	8.698	8.608
Non-subordinated debt securities issued	-	-	-	-
	-	**190.783.708**	**569.249.971**	**760.033.679**
	35.342.660	**301.090.753**	**(195.118.527)**	**141.314.886**
Off-balance sheet				
Derivatives (notional amount)				
- Swaps	-	-	104.578.191	104.578.191
- Options	64.925.957	-	-	64.925.957
- Futures	6.355.295	-	87.345.050	93.700.345
	71.281.252	**-**	**191.923.241**	**263.204.493**

	2019			
	Not subject to interest rate risk	Fixed rate	Variable rate	Total
Assets				
Cash and deposits at Central Banks	872.607	-	23.816.918	24.689.525
Amounts and deposits at other credit institutions	1.834.256	-	15.799.454	17.633.710
Financial assets held for trading:				
- Securities	6.507.858	34.275.735	1.199.256	41.982.849
- Derivatives	-	-	2.784.182	2.784.182
Financial assets not held for trading mandatorily at fair value through profit or loss	22.662.720	-	-	22.662.720
Financial assets at fair value through other comprehensive income	-	80.789.349	-	80.789.349
Financial assets at amortised cost:				
- Loans and advances to credit institutions	-	-	751.920	751.920
- Loanss and advances to customers	3.787.014	153.098.746	235.687.637	392.573.397
- Debt securities	-	161.095.668	66.137.749	227.233.417
Other Assets	-	-	324.957	324.957
	35.664.455	**429.259.498**	**346.502.073**	**811.426.026**
Liabilities				
Resources from Central Banks	-	39.180.000	-	39.180.000
Financial liabilities held for trading	-	122.253	766.024	888.277
Resources from other credit institutions	-	-	206.895	206.895
Resources from customers and other loanss	-	107.390.570	543.205.487	650.596.057
Non-subordinated debt securities issued	-	-	-	-
	-	**146.692.823**	**544.178.406**	**690.871.229**
	35.664.455	**282.566.675**	**(197.676.333)**	**120.554.797**
Off-balance sheet				
Derivatives (notional amount)				
- Swaps	-	-	51.893.411	51.893.411
- Options	73.076.113	-	-	73.076.113
- Futures	7.215.590	-	53.398.093	60.613.683
	80.291.703	**-**	**105.291.504**	**185.583.207**

The variable rate concept includes all transactions with maturity times of less than one year, and all others whose rate can be redefined in terms of market indicators, including the swaps whose remuneration is indexed to the performance of certain underlying assets (shares and market indices, among others).

As at 31 December 2020 and 2019, the exposure to interest rate risk was broken down into the following periods:

	2020						
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Other (1)	Total
Assets							
Cash and deposits at Central Banks	42.722.541	-	-	-	-	-	42.722.541
Amounts and deposits at other credit institutions	20.351.813	-	-	-	-	-	20.351.813
Financial assets held for trading:							
- Securities	-	1.119.165	-	9.458.406	23.088.657	2.895.667	36.561.895
- Derivatives	-	41.945	282.697	3.085.322	-	-	3.409.964
Financial assets not held for trading mandatorily at fair value through profit or loss	26.330.175	-	-	-	-	-	26.330.175
Financial assets at fair value through other comprehensive income	-	-	-	86.147.849	39.917.076	-	126.064.925
Financial assets at amortised cost:							
- Loans and advances to credit institutions	-	-	700.000	-	-	268.068	968.068
- Loanss and advances to customers	14.122.212	4.964.999	76.549.230	181.277.884	-	124.462.395	401.376.720
- Debt securities	-	36.669.324	22.105.953	107.600.658	76.684.936	-	243.060.871
Other Assets	-	-	-	-		501.593	501.593
	103.526.741	**42.795.433**	**99.637.880**	**387.570.119**	**139.690.669**	**128.127.723**	**901.348.565**
Liabilities							
Resources from Central Banks	-	-	5.000.000	100.000.000	-	-	105.000.000
Financial liabilities held for trading	-	2.027	149.798	88.080	-	-	239.905
Resources from other credit institutions	251.093	-	-	-	-	-	251.093
Resources from customers and other loanss	202.133.683	98.011.280	261.281.797	90.604.147	91.482	2.411.594	654.533.983
Hedging derivatives	-	-	-	8.698	-	-	8.698
Non-subordinated debt securities issued	-	-	-	-	-	-	-
	202.384.776	**98.013.307**	**266.431.595**	**190.700.925**	**91.482**	**2.411.594**	**760.033.679**
	(98.858.035)	**(55.217.874)**	**(166.793.715)**	**196.869.194**	**139.599.187**	**125.716.129**	**141.314.886**

	2019						
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Other (1)	Total
Assets							
Cash and deposits at Central Banks	24.689.525	-	-	-	-	-	24.689.525
Amounts and deposits at other credit institutions	17.633.710	-	-	-	-	-	17.633.710
Financial assets held for trading:							
- Securities	-	1.187.655	11.600	8.473.910	25.801.825	6.507.859	41.982.849
- Derivatives	-	14.961	151.207	2.618.014	-	-	2.784.182
Financial assets not held for trading mandatorily at fair value through profit or loss	22.662.720	-	-	-	-	-	22.662.720
Financial assets at fair value through other comprehensive income	-	-	-	33.269.624	47.519.725	-	80.789.349
Financial assets at amortised cost:							
- Deposits at credit institutions	-	-	400.000	-	-	351.920	751.920
- Loanss and advances to customers	15.882.533	8.579.307	-	-	-	368.111.557	392.573.397
- Debt securities	-	48.030.902	18.005.392	101.319.698	59.877.425	-	227.233.417
Other Assets	-	-	-	-	-	324.957	324.957
	80.868.488	**57.812.825**	**18.568.199**	**145.681.246**	**133.198.975**	**375.296.293**	**811.426.026**
Liabilities							
Resources from Central Banks	-	-	-	39.180.000	-	-	39.180.000
Financial liabilities held for trading	-	229.915	536.109	122.253	-	-	888.277
Resources from other credit institutions	206.895	-	-	-	-	-	206.895
Resources from customers and other loanss	164.313.007	109.086.652	266.008.067	107.385.143	5.427	3.797.761	650.596.057
Non-subordinated debt securities issued	-	-	-	-	-	-	-
	164.519.902	**109.316.567**	**266.544.176**	**146.687.396**	**5.427**	**3.797.761**	**690.871.229**
	(83.651.414)	**(51.503.742)**	**(247.975.977)**	**(1.006.150)**	**133.193.548**	**371.498.532**	**120.554.797**

(1) - The Column "Other" includes interest receivable and payable, and deferred sums already received or paid, past due loanss, impairment and fixed-rate loanss.

According to the methodology described in Bank of Portugal Instruction 34/2018, the impact on own funds arising from a 200 bps shock to the interest rate curve comes to 16.290.867 euros (2019: 20.480.000 euros).

Fair Value

The Bank calculates the fair value of financial instruments based on market prices. Where there is no market price, fair value is calculated using in-house models based on specific assumptions that vary in accordance with the financial instruments to be valued. Under exceptional circumstances, when it is not possible to reliably determine the fair value, assets are valued at historical cost.

The main considerations in the calculation of the fair value of financial assets and liabilities are:

- "Cash and deposits at Central Banks" and "Claims on other credit institutions": Given the short-term nature of these assets, the accounting value is considered a reasonable estimate of their fair value;

- "Amounts owed by and resources from other credit institutions" and "Resources from Central Banks": The calculation of fair value assumes that transactions are settled on the maturity dates and are updated in the "cash flows", using the rates curve created in the closing days of the year. Bearing in mind the maturity dates of the transactions and type of interest rate, Banco Invest estimates that the difference between the fair value and the book value is not significant;

- "Loanss and advances to customers". Almost all loanss and advances to customers bear interest at rates linked to the Euribor rate, the majority being re-fixed in the short-term. Regarding the portfolio spreads in force, the Bank considers that the current loans business takes place at a residual pace (and values) relative to the dimension of the portfolio, and that the transactions undertaken, as well as the respective spreads attributed, are affected by the specific characteristics of each transaction, not being representative of the remaining loans portfolio.

- Based on the fact that the current spreads in force exceed the average spread of the loans portfolio, the Bank calculated the fair value of the portfolio considering an additional spread of 1%. Based on this analysis, application of the fair value in the "Loanss and advances to customers" item would result in a decline in its value of approximately 2.048.940 euros (31 December 2019: 2.107.947 euros).

- It is important to point out that loans operations with pledges on financial assets and loanss attributed to employees and Group companies were not included in this analysis.

- "Resources from customers and other loanss": For term deposits of less than a year, the accounting value is considered a reasonable estimate of fair value. For other deposits, the contracted spreads do not differ much from those practised in the most recent operations;

- "Financial assets and liabilities held for trading" and "Financial assets at amortised cost": These instruments are already recorded at fair value, calculated according to:
    - Prices in an active market;
    - Indicative prices provided by the financial information media, namely Bloomberg, largely through the Bloomberg Generic index;
    - Valuation methods and techniques, where there is no active market, supported by:
        - mathematical calculations based on recognised financial theories; or,
        - prices calculated based on similar assets or liabilities traded in active markets or based on statistical estimates or other quantitative methods;
    - Indicative prices provided by issuers, essentially for those cases in which, given the specific characteristics of the security, it was not possible to use the valuation methods described above;
    - Acquisition cost when it is considered to be similar to the fair value.

A market is considered active and therefore liquid when transactions take place regularly.

As at 31 December 2020 and 2019, the calculation of the fair value of the financial assets and liabilities of the Bank can be summed up as follows:

	2020					
		Financial instruments valued at fair value				
	Assets valued at acquisition cost	Prices in an active market (Level 1)	Valuation techniques based on: Market data (Level 2)	Other (Level 3)	Total	Book value
Assets						
Financial assets held for trading (Note 8)						
- Securities	-	2.895.667	33.666.227	-	36.561.894	36.561.894
- Derivatives	-		3.409.965	-	3.409.965	3.409.965
Financial assets not held for trading mandatorily at fair value through profit or loss (Note 8)	-	-	-	26.330.175	26.330.175	26.330.175
Financial assets at fair value through other comprehensive income (Note 9)	-	-	126.064.925	-	126.064.925	126.064.925
Debt Securities (Note 7)	-	-	249.816.449	16.162.320	265.978.769	243.060.871
	-	**2.895.667**	**412.957.566**	**42.492.495**	**458.345.728**	**435.427.830**
Liabilities						
Financial liabilities held for trading (Note 19)						
- Derivatives	-	-	239.905	-	239.905	239.905
- Hedging derivatives	-	-	8.698	-	8.698	8.698

	2019					
		Financial instruments valued at fair value				
	Assets valued at acquisition cost	Prices in an active market (Level 1)	Valuation techniques based on: Market data (Level 2)	Other (Level 3)	Total	Book value
Assets						
Financial assets held for trading (Nota 8)						
- Securities	-	6.507.857	35.474.991	-	41.982.848	41.982.848
- Derivatives	-	-	2.784.183	-	2.784.183	2.784.183
Financial assets not held for trading mandatorily at fair value through profit or loss (Note 8)	-	-	-	22.662.720	22.662.720	22.662.720
Financial assets at fair value through other comprehensive income (Note 9)	-	-	80.789.349	-	80.789.349	80.789.349
Debt Securities (Note 7)	-	-	205.944.058	41.327.706	247.271.764	227.233.417
	-	**6.507.857**	**324.992.581**	**63.990.426**	**395.490.864**	**375.452.517**
Liabilities						
Financial liabilities held for trading (Note 19)						
- derivatives	-	-	888.277	-	888.277	888.277

The main assumptions used to draw up the tables above are the following:

- The values relative to prices in an active market correspond to equity instruments listed on a Stock Exchange (Level 1);

- The portfolio securities whose valuation corresponds to indicative bids supplied by contributors external to the Bank or prices divulged through the financial information media, namely Bloomberg, were considered in "Valuation Techniques – Market data" (Level 2);

- The securities valued based on the Bank's internal models are presented in "Valuation techniques - Other" (Level 3). In addition, the financial assets and liabilities are classified at Level 3 if a significant proportion of its balance sheet value results from non-observable market inputs, namely:

- Unlisted shares, bonds and derivative financial instruments that are valued based on internal models, with there being no general consensus in the market regarding which parameters to use; and
- Bonds listed though indicative bids disclosed by third parties, based on theoretical models;
- Closed Real Estate Investment Funds valued in accordance with the asset value disclosed by the respective Management Company;
- Derivative financial instruments not valued by the market.

Regarding the securities valued through the internal model, the assumptions used were those that the Bank considered to be adequate to reflect the market value of those financial assets at the balance sheet date, including the market base interest rate, a spread reflecting the risk of each security calculated based on the rating and an expected date of reimbursement.

Short-term investments in commercial paper, recorded in the trading portfolio, are valued at amortised cost, which does not differ significantly from fair value.

40. OWN FUNDS

The Bank maintains a conservative policy with respect to own funds management, maintaining a solvency ratio above the minimum levels required by the regulatory authorities. The Bank maintains a capital base composed exclusively by shareholders' equity, in addition to the capacity to issue several debt instruments.

The Bank's own funds are monitored monthly to assess the institution's degree of solvency, with variations in relation to previous periods and the existing margin between real values and minimum capital requirements being analysed.

The procedures adopted to calculate the Bank's prudential ratios and limits are based on the regulations issued by the Bank of Portugal, the same being applicable to all the matters that fall within the scope of the supervisory functions of the banking system. Those standards represent the legal and regulatory framework of the various matters of prudential nature.

According to the calculation method indicated above and considering the net income for the year, as at 31 December 2020 and 2019, the Bank presented the following ratios:

	2020	2019
Common Equity Tier 1 capital		
Capital	47.500.000	47.500.000
Reserves and retained earnings	76.480.734	63.379.709
Regulatory adjustments to Common Equity Tier 1 capital	(596.033)	(598.144)
Common Equity Tier 1 capital	123.384.701	110.281.565
Complementary capital	2.400.000	3.600.000
Total Own Funds	**125.784.701**	**113.881.565**
RWA		
Credit risk	621.227.739	537.976.767
Market risk	63.694.062	84.406.255
Operational risk	68.602.369	55.607.236
CVA	179.382	82.248
	753.703.552	**678.072.506**
Capital ratios		
Common Equity Tier 1	16,4%	16,1%
Total capital ratio	16,7%	16,7%

41. IFRS 16

As described in note 2.8, the Bank adopted IFRS 16 - Leases on 1 January 2019 in substitution of IAS 17 - Leases, which was in force until 31 December 2018. IFRS 16 was approved by the EU in October 2017, and the Bank has not adopted in advance any of the requirements of IFRS 16 in previous periods.

This standard sets out the new requirements for scope, classification/recognition and measurement of leases:
- from the lessor's perspective, leases continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single accounting model for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all lease contracts except for leases with a term of less than 12 months or for leases that relate to low-value assets in which the lessee may opt for the exemption from recognition provided for in IFRS 16, in which case he shall recognise the lease payments associated with those contracts as expenses.

The Bank opted not to apply this standard to short-term lease contracts of less than or equal to one year and to lease contracts where the underlying asset has a low value, considering for this purpose the amount of 5.000 euros. The option of not applying this standard to leases of intangible assets was also used.

On 1 January 2019, the Bank conducted a survey of existing contracts at this time and used the practical arrangements provided for in the standard, i.e., it only applied the standard to contracts that were previously identified as leases under IAS 17 - Leases and IFRIC 4.

In accordance with IFRS 16, the Bank applied this standard retrospectively with the impacts of the transition recognized on 1 January 2019. The comparative information has therefore not been restated.

In the transition to IFRS 16, the Bank recognised a liability for the present value of future payments, discounting the lease liabilities using the lessee's incremental borrowing rate, which incorporates the risk-free interest rate curve (swap curve) plus the Bank's risk spread, applied over the weighted average term of each lease contract. The rate applied is 4,21%.

The assumptions considered in applying the standard were the following:
- lease term: the term, by category of contract, by which each contract will be enforceable has been evaluated. The assessment of enforceability takes into account the particular clauses of the contracts as well as the legislation in force regarding Urban Lease;
- discount rate: the lessee's incremental rate was used, which incorporates the risk-free interest rate curve (swap curve), plus a risk spread of the Bank, applied over the weighted average term of each lease contract. Regardless of the type of asset, the discount rate was calculated in the same way.
- non-application of the standard to contracts with a term of less than 12 months or for leases relating to assets of reduced unit value.

Based on the work done, it was identified that the main lease contracts covered by this standard are real estate contracts (head office building, agencies, investment centres).

The adoption of the standard implies changes to the Bank's financial statements, namely:
- in the income statement:
  - (i) The recording under the Interest and similar charges - Leases heading, included in the Net interest income aggregate, of the interest expense relating to leasing liabilities, as referred to in note 27;
  - (ii) The recording under the Rents and leases heading, included in the General administrative costs aggregate, of the amounts of the contracts outside the limits considered for the application of IFRS 16, namely short-term lease contracts and lease contracts of low value assets, as referred to in note 36;
  - (iii) The recording under the Right-of-use Assets heading, included in the aggregate Depreciation and amortization for the period aggregate, of the depreciation cost of the right-of-use assets, as referred to in Note 12;
- in the balance sheet:
  - (i) The recognition under the Right-of-use assets heading, included in the Other tangible assets aggregate, of the right-of-use assets, as referred to in Note 12;
  - (ii) The recognition in the Lease liabilities heading, included in the Other liabilities aggregate, of the value of the recognised lease liabilities, as referred to in note 22;

- In the cash flow statement:
  - (i) the Cash flows from operating activities - short-term and low-value lease payments heading refers to amounts related to short-term lease agreements and to lease agreements of low-value assets.

The reconciliation between the balance sheet balances as at 31 December 2018 and the balance sheet balances as at 1 January 2019, in accordance with IFRS 16, is detailed as follows:

Individual balance sheets as at 31 December 2020 and 2019

(Amounts in euros)

	IAS 17 31 December 2018	Impact IFRS 16	IFRS 16 1 January 2019
ASSETS			
Cash and deposits at Central Banks	4.233.345	-	4.233.345
Amounts and deposits at other credit institutions	11.713.894	-	11.713.894
Financial assets at amortised cost			
- Loans and advances to credit institutions	2.535.337	-	2.535.337
- Loanss and advances to customers	312.163.551	-	312.163.551
- Debt securities	232.878.450	-	232.878.450
Financial assets at fair value through profit or loss			
- Financial assets held for trading	58.042.047	-	58.042.047
- Financial assets not held for trading mandatorily at fair value through profit or losss	22.505.715	-	22.505.715
Financial assets at fair value through other comprehensive income	98.761.930	-	98.761.930
Investments in subsidiaries. associated companies and joint ventures	264.000	-	264.000
Non-current assets held for sale	13.718.863	-	13.718.863
Other tangible assets	2.277.253	6.265.428	8.542.681
Intangible assets	305.096	-	305.096
Current tax assets	677.655	-	677.655
Deferred tax assets	7.215.104	-	7.215.104
Other assets	5.833.668	-	5.833.668
Total Assets	**773.125.908**	**6.265.428**	**779.391.336**
LIABILITIES			
Financial liabilities at amortised cost			
- Resources at Central Banks	56.680.000	-	56.680.000
- Resources from credit institutions	1.775.690	-	1.775.690
- Customers' resources and other loanss	588.145.848	-	588.145.848
- Non-subordinated debt securities issued	214.620	-	214.620
Financial liabilities at fair value through profit or loss			
- Financial liabilities held for trading	1.010.716	-	1.010.716
Provisions	24.723	-	24.723
Current tax liabilities	-	-	-
Deferred tax liabilities	241.127	-	241.127
Other liabilities	15.546.740	6.265.428	21.812.168
Total Liabilities	**663.639.464**	**6.265.428**	**669.904.892**
SHAREHOLDERS' EQUITY			
Share Capital	59.500.000	-	59.500.000
Revaluation reserves	(181.417)	-	(181.417)
Other reserves and retained earnings	36.422.326	-	36.422.326
Net income for the year attributable to the Bank's shareholders	13.745.535	-	13.745.535
Total Shareholdes' Equity	**109.486.444**	**-**	**109.486.444**
Total Liabilities and Shareholdes' Equity	**773.125.908**	**6.265.428**	**779.391.336**

42.NEWLY ISSUED NOTES

The recently issued accounting standards and interpretations that the Bank has applied in the preparation of its financial statements are as follows:

Changes to references to the conceptual framework in IFRS

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting, the revised Framework for Financial Reporting (Framework), which aims to update, in existing standards, references and citations to the existing version of the Framework or the version that was replaced in 2010, replacing them with references to the revised Framework.

The revised Framework has an effective adoption date of 1 January 2020 for companies that use the Framework to develop accounting policies when no IFRS standard applies to a specific transaction.

The Bank has not recorded significant changes in the adoption of this interpretation.

Definition of Materiality (amendments to IAS 1 and IAS 8)

On 31 October 2018, the IASB issued amendments to its definition of materiality to facilitate companies in making materiality judgements.

The changes consist of (a) replacing the term 'may influence' with 'may reasonably be expected to influence'; (b) including the concept of 'concealment' together with the concepts of 'omission' and 'misstatement' of information in the definition of materiality; (c) clarifying that the 'users' referred to are the primary users of the general financial statements referred to in the Framework; and (d) aligning the definition of materiality among IFRS disclosures.

The amended definition of materiality therefore states that 'The information is material if it can reasonably be expected that its omission, misstatement or concealment could influence the decisions that primary users of the general financial statements will make on the basis of those financial statements, which provide the financial information about a particular reporting entity.

The Bank has not recorded significant changes in the adoption of this interpretation.

Reform of Interest Rate Benchmarks (amendments to IFRS 9, IAS 39 and IFRS 7)

On 26 September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7. The changes modify some specific hedge accounting requirements to alleviate the potential effects of the uncertainty caused by the IBOR reform. In addition, the changes require companies to provide additional information to investors about their hedging relationships, which are directly affected by these uncertainties.

The changes provide exceptions for entities to apply hedge accounting requirements, assuming that the interest rate benchmark, on which the hedged risk or the hedged item's cash flows or the hedged instrument's cash flows are based, is not changed as a result of the IBOR reform. The proposed exceptions apply only to hedge accounting requirements and the changes do not provide relief from other consequences arising from the reform of the interest rate benchmark.

The amendments are of limited scope. If a hedging relationship no longer meets the hedge accounting requirements for reasons other than those specified in the amendments, discontinuance of hedge accounting remains necessary.

In addition, the changes clarify that if an entity designates cash flows based on interest rate benchmarks as the hedged item in a cash flow hedge, the entity does not assume, for the purpose of measuring the ineffectiveness of the hedge, that the expected replacement of the interest rate benchmark with an alternative benchmark will result in a zero cash flow after replacement. The gain or loss on the hedge should be measured using cash flows based on an interest rate benchmark when applying a present value technique, discounted at a market discount rate that reflects market participants' expectations about the uncertainty resulting from the reform.

Changes are mandatory for all hedging relationships to which the exceptions apply.

The changes have an effective adoption date of annual periods beginning on or after 1 January 2020. Early adoption is allowed. The changes are applied retrospectively to hedging relationships existing at the beginning of the reporting period in which the entity first applies the changes and to the gain or loss recognised in comprehensive income at the beginning of the period in which the entity first applies the changes (i.e. even if the reporting period is not an annual period).

The Bank has not recorded significant changes in the adoption of this interpretation.

Business Definition (amendments to IFRS 3 Business Concentration)

On 22 October 2018, the IASB issued the changes to its business definition.

The changes clarify that, to be considered a business, an acquired set of activities and assets must include at least one input and one substantive process that, together, contribute significantly to the ability to create outputs. The changes also clarify that a set of activities and assets can qualify as a business without including all the inputs and processes needed to create outputs, or including the outputs themselves, by replacing the term "ability to create outputs" with "ability to contribute to the creation of outputs".

It is no longer necessary to assess whether market participants are capable of replacing missing inputs or processes (e.g. integrating acquired activities and assets) and continue producing outputs. The changes focus on whether the acquired inputs and substantive processes together contribute significantly to the ability to create outputs.

The changes shall be applied to transactions for which the acquisition date is on or after the beginning of the first annual reporting period starting on or after 1 January 2020, with early application permitted. If the entities implement the changes in advance, they shall disclose this fact.

The Bank has not recorded significant changes in the adoption of this interpretation.

The Bank has decided not to apply in advance the following standards and/or interpretations adopted by the European Union.

Covid 19 - Rental Concessions Amendment to IFRS 16

In May 2020, the IASB issued "Covid-19 - Rental Concessions", which amended IFRS 16 Leases.

If certain conditions are met, the amendment allows lessees, as a practical expedient, not to assess whether certain Covid-19 related rent concessions are lease modifications. Instead, lessees applying the practical expedient should account for such rent concessions as if they were not lease modifications, so that, for example, rent forgiven on or before 30 June 2021 is recognised in income in the same year in which the concession is granted, rather than being allocated over the life of the lease, as would be the case if the practical expedient were not permitted.

The amendment shall be applied retrospectively for annual periods beginning on or after 1 June 2020.

The Bank is evaluating the impacts that this standard will have on its financial statements.

Reform of the Interest Rate Benchmark - Stage 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

In August 2020, the IASB issued the Reform of the Interest Rate Benchmark - Stage 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

The objective of the amendments is to assist entities in providing useful information to users of financial statements and to support preparers in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition from an IBOR benchmark to alternative benchmarks in the context of the ongoing reform of risk-free rates ('IBOR reform').

The amendments are the result of the second stage of the IASB project addressing the accounting impacts of the IBOR reform, which gave rise to the Reform of the Interest Rate Benchmark (Amendments to IFRS 9, IAS 39 and IFRS 7) issued by the IASB on 26 September 2019. They complement the first stage of the project that addressed the pre-replacement accounting impacts of the IBOR reform and were issued by the IASB in 2019.

The changes shall be applied retrospectively for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The Bank is evaluating the impacts that this standard will have on its financial statements.

Extension of the temporary exemption from application of IFRS 9 (amendments to IFRS 4)

The IASB issued 'Extension of the Temporary Exemption from Application of IFRS 9 (amendments to IFRS 4) on 25 June 2020.

The objective of the amendments is to extend the expiry date of the temporary exemption from applying IFRS 9 by two years (i.e. from 2021 to 2023) in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts.

This standard will have no impact on the Bank's financial statements.

Standards, amendments and interpretations issued, but not yet effective for the Bank.

References to the Framework (amendments to IFRS 3)

In May 2020, the IASB issued 'References to the Framework' amending IFRS 3 Business Combinations.

The amendments updated IFRS 3, replacing the reference to an older version of the Framework with a reference to the most recent version that was issued in March 2018.

The amendments shall apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if, at the same time or earlier, an entity also applies all the amendments made in "Amendments to references to the Framework in IFRSs" issued in March 2018.

The Bank is evaluating the impacts that this standard will have on its financial statements.

Property, Plant and Equipment - Revenue Before Intended Use, amendments to IAS 16 Property, Plant and Equipment

In May 2020, the IASB issued Property, Plant and Equipment - Revenue Before Intended Use, which amended IAS 16 Property, Plant and Equipment.

The amendments prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from the sale of items produced by bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the entity shall recognise those sales revenues in profit or loss.

The changes shall be applied retrospectively for annual periods beginning on or after 1 January 2022, with earlier application permitted.

The Bank is evaluating the impacts that this standard will have on its financial statements.

Onerous Contracts - Cost of fulfilling a contract

In May 2020, the IASB issued 'Onerous Contracts - Cost of fulfilling a contract', which amended IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The objective of the amendments is to clarify the requirements of IAS 37 on onerous contracts regarding the assessment of whether, in a contract, the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

The amendments shall be applied for annual periods beginning on or after 1 January 2022, with earlier application permitted.

The Bank is evaluating the impacts that this standard will have on its financial statements.

2018-2020 Cycle Improvements

On 14 May 2020, the IASB issued improvements to IFRS 2018-2020 containing the following amendments to IFRSs:

(a) to permit an entity, as a subsidiary, associate or joint venture, that adopts IFRSs for the first time after its parent and elects to apply paragraph D16(a) of IFRS 1 First-time Adoption of International Financial Reporting Standards, to measure cumulative translation differences using the amounts reported by the parent on the basis of its date of transition to IFRSs;

(b) to clarify that the reference to fees in the 10 per cent test includes only fees paid or received between the borrower and the lender, including fees paid or received by the borrower or the lender on behalf of the other (IFRS 9);

(c) to remove potential confusion regarding the treatment of lease incentives by applying IFRS 16 Leases, as illustrated in Illustrative Example 13 accompanying IFRS 16; and

(d) remove the requirement in paragraph 22 of IAS 41 Agriculture for entities to exclude cash flows for taxation when measuring fair value by applying IAS 41.

The amendments shall apply for annual periods beginning on or after 1 January 2022, with earlier application permitted.

The Bank is evaluating the impacts that this standard will have on its financial statements.

Clarification of requirements for classifying liabilities as current or non-current (amendments to IAS 1 - Presentation of Financial Statements)

The IASB issued on 23 January 2020 an amendment to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current and non-current.

The amendments clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement that an entity has the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments aim at:

a) specifying that an entity's right to defer settlement must exist at the end of the reporting period;
b) clarifying that the classification is not affected by management's intentions or expectations about whether the entity will exercise its right to defer liquidation;
c) clarifying how loans terms affect the classification; and
d) clarifying the requirements for classifying liabilities that an entity will, or may, settle by issuing its own equity instruments.

This change is effective for periods after 1 January 2023.

The Bank is evaluating the impacts that this standard will have on its financial statements.

IFRS 17 - Insurance Contracts

The IASB issued on 18 May 2017 a standard that replaced IFRS 4 and completely reformed the treatment of insurance contracts. The standard introduces significant changes to the way insurance contract performance is measured and presented, with several impacts also at the level of the financial position. The standard provides for its application for financial years beginning on or after 1 January 2023.

The Bank does not expect this standard to have an impact on its financial statements.

43. REQUIRED DISCLOSURES BY STATUTE

According to the information required by Article 66-A and Article 508-F of the Commercial Companies Code:
a) There are no transactions not included in the balance sheet, so there will be no financial impacts to report;
b) Total fees invoiced in the year ended 31 December 2020 by the Statutory Auditor came to 135,400 euros, related with the statutory audit of the annual accounts (56.250 euros) and additional services (‘ 69.150 Euros), as mentioned in Note 35.

According to the information required by Article 21 of Decree-Law 411/91 and Decree-Law 534/80:
a) The Company has no outstanding Social Security contributions;
b) The Company does not have any outstanding taxes to the State.

44. SUBSEQUENT EVENTS

In addition to the aspects disclosed in the other notes and in accordance with the accounting policy in note 2.20, the events that occurred after the date of the financial statements and up to the date of their approval were as follows:

COVID-19

The spread of Covid-19 worldwide led to the World Health Organisation declaring a pandemic situation, which had severe economic and social impacts worldwide. European governments imposed lock downs, restricting the movement of people and economic activity in some sectors.

Central banks acted with economic support measures, interest rate cuts and stimulus packages. In Portugal, lines of credit with state guarantees, moratoria for companies and individuals and support for families affected by the crisis, through lay-off processes, were launched, with a significant part of the costs being borne by the State.

In the second half of the year, a new strain of the virus (more contagious) was detected, with special focus on the United Kingdom, while a 3rd wave of the pandemic was already expected in early 2021. At the beginning of the year 2021, the number of infected and deaths in Portugal reached maximum figures, which led to a new lock down imposition.

The start of the vaccination plan against COVID-19 at the end of 2020 in several countries has provided greater reassurance, however the road to achieving a level of immunity that allows a gradual return to normality is still long.

Until the present date, no relevant event occurred, considered material, with impact on the Bank’s activity, therefore, based on all the information available at the time, including the liquidity and capital situation as well as the value of the assets, it is considered that the going concern principle that underlies the preparation of the financial statements remains applicable.

6. Legal Certification of Accounts

LEGAL CERTIFICATION OF ACCOUNTS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Banco Invest, S.A. (the Entity), which comprise the balance sheet as at 31 December 2020 (showing a total of 925,203,322 euros and total shareholders' equity of 136,820,734 euros, including net income of 12,974,285 euros), the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the consolidated financial statements that include a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Banco Invest, S.A. as at 31 December 2020 and its financial performance and 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 guidelines issued by the Ordem dos Revisores Oficiais de Contas (Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are described in the "Auditor's responsibilities for auditing the financial statements" section below. We are independent of the Entity in accordance with the law and comply with the other ethical requirements in accordance with the code of ethics of the Ordem dos Revisores Oficiais de Contas.

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 financial statements for the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment for loans and advances to customers (32,336 thousand euros)

Impairment losses on financial assets at amortised cost - loans and advances are shown in Note 6 to the financial statements.

The Risk

For the purpose of determining impairment, financial assets measured at amortised cost - loans and advances to customers are classified into three categories (Stage 1, 2 or 3) considering whether a significant deterioration of credit risk has been identified since its initial recognition or whether these are impaired assets. For The Entity, determining this effect is a relevant process since it will have an impact on the related Expected Credit Loss (ECL) levels.

Impairment is calculated based on the expected loss that is estimated by the Entity on an individual and collective basis, as mentioned in Note 2.4.a) of the notes to the financial statements.

The individual analysis is based on the assessment of impairment losses on a case-by-case basis, considering the total exposure of a particular

Our response to the identified risk

Our audit procedures included, among other aspects, those described below:

- Assessment of the design and implementation of the main controls defined by the Entity associated to the process of identifying and determining impairment losses;
- Analysis of the alignment of the accounting policies with the applicable standards;
- Analysis of the process of classifying financial assets based on their credit risk (Stage 1, 2 and 3);
- Evaluation of the ECL estimation process;
- Assessment of individual loans, for a set of selected loans, regarding which the assumptions underlying the identification and quantification of impairment are evaluated, including (i) the evaluation of

customer and expectations about the growth of the business performance and the market value of associated collaterals and expectations regarding the development of future macroeconomic conditions.

The collective analysis is based on estimates and assumptions for determining the ECL that take into account (i) historical experience losses in credit portfolios with similar risk determined taking into consideration the category to which they are allocated, and (ii) knowledge of the economic and credit environment and its influence on the level of historical and future losses **(forward looking)**, the latter especially relevant considering the uncertain economic environment arising from COVID-19.

With the adhesion to the moratorium, there is the possibility that the credit risk of the adhering customers increases and this is not identified in a timely manner by the Entity, which may lead to an inadequate allocation to the **stage**.

The impairment assessment process is highly complex in its design and implementation and includes several estimates and judgements made by the Entity. This process considers factors such as probability of default, credit ratings, amount of collateral associated with each operation, recovery rates and estimates of both future cash flows and the time of receipt.

The use of alternative methodologies and other assumptions and estimates may result in different

existing collateral and (ii) estimates of recovery in the event of default;

- Analysis of the measures taken by the Entity to respond to the risks resulting from moratoria and procedures established to anticipate the possible impacts of the cliff effect at the portfolio level;

- Analysis of the reflection of COVID-19 risks in the impairment model , namely in the follow-up of customers who resorted to the moratorium and ***forward-looking*** adjustment,

- For loans whose impairment losses are determined on a collective basis, we tested, with the support of our experts in this area, of the underlying models, including the approval process, their validation and the determination of the impairment recorded. In addition, we tested the adequacy and accuracy of the significant assumptions used by the model, including the key attributes for its classification;

- We assessed the adequacy of the respective disclosures, in accordance with the applicable accounting standards.

levels of recognised impairment losses, with a consequent impact on the Entity's results.

The evolution of the economic environment, as well as the control and monitoring of the spread of COVID-19 and its effects, may create greater pressure on the liquidity of economic agents with an impact on the future calculation of impairment losses for the loans and advances to customers portfolio.

On this basis, in view of the uncertainty, complexity and judgement involved in calculating the estimate, impairment for loans and advances to customers was considered a relevant audit matter.

Responsibilities of management and the supervisory body for the financial statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;

- the preparation of the management report in accordance with applicable laws and regulations;

- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

- the adoption of accounting policies and criteria appropriate in the circumstances; and

- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The audit board is responsible for supervising the process of preparation and disclosure of the Entity's financial information.

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditors' 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 reasonable 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 judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the 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;

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

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

- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

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

- communicate with those charged with governance, including the supervisory body, 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;

- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements for the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes their public disclosure; and

- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, what measures have been taken to eliminate the threats or what safeguards have been applied.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to Article 451(3)(e) of the Commercial Companies Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements.

On the additional matters provided in article 10 of Regulation (EU) 537/2014

Pursuant to article 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 mentioned above, we also report the following:

1. We were first appointed as auditors of the Entity in the general shareholders' meeting held on 15 September 2017, for a mandate from 2017 to 2020.

2. Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with the ISAs, we maintained professional scepticism, and designed audit procedures to respond to the possibility of material misstatement of the financial statements due to fraud. As a result of our work, we have not identified any material misstatements in the financial statements due to fraud.

3. We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the Entity's Audit Board on 28 May 2021.

4. We declare that we have not provided any prohibited services as described in Article 77(8) of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Entity in conducting the audit.

5. We inform that in addition to the audit, we provided the Entity with the following services as permitted by the law and regulations in force:

   - Issuance of the opinion defined pursuant to Article 25(5)(b) of the Bank of Portugal Notice 5/2008, regarding the Entity's internal control system;

   - Issuance of reports on the loan portfolio impairment pursuant to Bank of Portugal Instruction 18/2018;

   - Special audit of regulatory reporting (FINREP / COREP) as requested by the Bank of Portugal.

   - Issuance of opinion on the Safeguarding of assets as determined by the CMVM;

- Issuance of a report on the internal control system for the prevention of Money Laundering and Terrorist Financing (Banco de Portugal Notice 2/2018);

- Support to the Audit Board under Notice 03/2020 and respective work to be carried out to support the opinion of this body on the Internal Control System.

31 May 2021

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KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (No. 189)
represented by
Miguel Pinto Douradinha Afonso (ROC No. 1454)

7. Report and Opinion of the Audit Board

REPORT AND OPINION OF THE AUDIT BOARD

FOR THE FINANCIAL YEAR 2020

To the Shareholders of
Banco Invest, S.A.

In accordance with Article 420(1)(g) of the Commercial Companies Code, it is our duty as members of the Audit Board of **Banco Invest, S.A.**, to submit the Report of our supervisory activity and the opinion on the management report, accounts and proposals presented by the Board of Directors of **Banco Invest, S.A.** for the year ended 31 December 2020.

Within the scope of our duties, we developed contacts with the Board of Directors, obtained clarifications and collected information from the competent services, informed ourselves about the Company's activity and the management of the business carried out and verified the financial information produced during the year ending on 31 December 2020, carrying out the analyses deemed convenient in order to develop a reasonable understanding of Banco Invest, S.A.'s activity.

We verified compliance with the Law and the Company's Articles of Association, verified that the accounting records and supporting documentation were in order, verified that the accounting policies adopted by the Company and the disclosures included in the Notes lead to a correct representation of the assets and results and carried out other procedures deemed necessary under the circumstances.

After the closure of the accounts, we examined the documents rendering the accounts, namely the management report, prepared by the Board of Directors, as well as the financial statements presented, which comprise the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the statement of comprehensive income and the corresponding Notes.

We have been informed of the Legal Certification of the Company's accounts, without emphasis and without reservations, issued by KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A., dated 31 May 2021, and with whose content we agree.

From the Board of Directors and competent services we always obtained the documentation and clarifications requested, which we appreciate, concluding that:

a) The financial statements provide a fair understanding of the Company's financial situation and results;

b) The accounting policies adopted and disclosures are appropriate;

c) The management report presents the evolution of the Company's business and situation, in accordance with the legal and statutory provisions.

In light of the work undertaken, we are of the opinion that the Company's Annual General Meeting should approve:

a) The Management Report and Accounts for the year ended 31 December 2020;

b) The proposal for the appropriation of results set forth in the aforementioned Management Report.

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Finally, we would like to highlight and acknowledge the excellent cooperation received in the performance of our duties from the Company's Board of Directors and the services with which we had the opportunity to contact.

Lisbon, 31 May 2021

The Audit Board

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Jean-éric Gaign

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José Manuel Lopes Neves de Almeida

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Luís Alberto Monsanto Póvoas Janeiro

The Self-Assessment Report ('Report') prepared under the provisions of Article 54 of Bank of Portugal Notice 3/2020 ('Notice'), in force since 16 July 2020, and Bank of Portugal Instruction 18/2020 ('Instruction') contains the results of the assessment carried out by Banco Invest, S.A. ('Bank' or 'Banco Invest') in relation to the adequacy and efficiency of the Bank's organisational culture and its governance and internal control systems, including remuneration practices and policies and other matters addressed in the Notice, with reference to 31 January 2021.

Said Report includes a description of the activities specifically developed, in progress, and planned for 2021, aimed at ensuring full compliance with the provisions of the Notice within the Bank.

The process of adoption of the Notice and Instruction was promoted by the Board of Directors and the Audit Board of Banco Invest and coordinated by the Bank's Organisation and Internal Control Department ('DOCI'), in close cooperation with the Internal Control Functions, having also used the support of an external consultant for that purpose. This process had an impact on the Bank's organisational structure and on its Internal Control and Risk Management systems and was closely followed by the governing bodies of Banco Invest.

In this context, the development of the following activities stands out:

- Preparation of a **gap analysis** of the adequacy and alignment of the Bank's internal control and governance systems in relation to the provisions of the Notice and its requirements, as well as the definition of action plans to resolve the **gaps** identified and their respective prioritisation, proposed actions, associated **timings** and **owners** responsible for their implementation;
- Review of the organisational structure and adjustment of the responsibilities of each of the collegiate bodies and of the internal control functions in view of the additional responsibilities imposed by the Notice;
- Review/redefinition of the decision-making and communication circuits between the Board of Directors, the Audit Board and the Internal Control Functions;
- Development of a methodology for classifying deficiencies based on the terms provided in Annex II of the Instruction;
- Review of the risk categories and subcategories to be used by the Bank in the classification of the identified deficiencies, taking into account the provisions of Annex I of the Instruction;
- Review of the structure of the deficiency database to ensure proper alignment with the provisions of the Notice and the Instruction;
- Reclassification of the open deficiencies in the Bank's database, particularly with regard to risk grade and risk categories, in accordance with the classification model defined and approved by the Bank following the adoption of the Notice and which was based on the requirements defined in the Instruction;

- Review of a relevant set of the Bank's internal regulations in light of the requirements of the Notice and the Instruction and which, therefore, underwent significant changes with the entry into force of these regulations;
- Drafting by the Audit Board of the respective Multiannual Activity Plan;
- Definition of a plan with the training actions, related to the matters of the Notice, attended and to be attended by the members of the Board of Directors and the Audit Board, the holders of essential functions and other senior management members;
- Initiation of a detailed survey of the processes of production, obtaining and processing of data and the information circuits that ensure the quality of the information that supports the Bank's decisions and internal information, as provided for in Articles 29 and 30 of the Notice, for subsequent definition and implementation of control mechanisms to mitigate the underlying risks.

As part of the preparation of the gap analysis, action plans were defined for resolution of the identified gaps and respective prioritisation, proposed actions, associated timings and **owners** responsible for their implementation.

The methodology defined for classifying deficiencies is identified in the Report. It is based on a set of qualitative and quantitative criteria that enable the potential or actual impact of each deficiency on the institution to be assessed and, consequently, the degree of associated risk. In this way, and within the scope of the Report, a description, characterisation and classification by risk categories of the deficiencies open on 31 January 2021 is carried out. Total open deficiencies are described in the report as: i) deficiencies identified in the reporting period and ii) deficiencies identified in previous periods. Thus, and at the reference date of the Report, a set of deficiencies classified as F1 "Reduced" or F2 "Moderate" remain open and 4 are rated as F3 "High", with no deficiencies rated as F4 "Severe".

As part of the Report, self-assessment/independence reports were also prepared for those responsible for the Risk Management, Compliance and Internal Audit functions, under the terms of Articles 27, 28 and 32 of the Notice, respectively, and these are included in the Report. In these self-assessment/independence reports, each function presents its organisational structure, competences and responsibilities, and the independence of each internal control function is confirmed by the respective persons in charge (with no record of any incidents). Additionally, each report identifies which deficiencies are open regarding each internal control function, there being only 1 deficiency classified as F3 "High" and no risk deficiencies classified as F4 "Severe".

The Report includes the assessment of the Bank's Governing Bodies, pursuant to Articles 56 and 57 of the Notice, on the adequacy and effectiveness of the organisational culture:

- In preparing the Supervisory Board's assessment of the adequacy and effectiveness of the

Bank's organisational culture and its governance and internal control systems, and with regard to the work performed, the work carried out by the internal control functions, the cumulative evidence gathered, the assessment of the regrading of the risk of deficiencies that remain open, the monitoring of the work performed by the External Auditor, the reports and activities carried out by the supervisor and the discussions and meetings held with the heads of the various organic units covered by the Notice were taken into consideration. Therefore, the Audit Board concludes, recognising the need to develop an additional set of procedures for full adoption of the provisions of the Notice, that the organisational culture in force in the Bank and its governance and internal control systems, in all materially relevant aspects, are appropriate and effective, under the requirements defined in the Notice. Additionally, it is stated that based on the information analysed and the work performed, the assessment of the state of implementation of the measures defined in the reference period to correct the deficiencies detected is reasonable, the quality of the performance of internal control functions and the independence of each function are adequate, the processes for the preparation of prudential and financial reports and the preparation of the information disclosed to the public is reliable, and that the duties of disclosure to the public resulting from the applicable laws and regulations have been adequately fulfilled in the reporting period.

- The Board of Directors prepares its assessment of the adequacy and effectiveness of the Bank's organisational culture and governance and internal control systems, also analysing the set of existing deficiencies, the actions taken by the Organisation and Internal Control Department and by the three functional areas of internal control and the gaps that resulted from the analysis of compliance with the requirements of the Notice. Resulting from this assessment, it concludes that the adequacy of the classification attributed to the deficiencies classified according to the methodology defined by the Bank with the level F3 'high' and F4 'severe' is reasonable, noting that no deficiencies classified as F4 "Severe" were identified and that the outsourced operational tasks comply with the provisions of Article 36 of the Notice, as they are a complement to existing resources, in order to strengthen them at the level of know-how and skills. Additionally, and taking into consideration the main aspects identified with regard to the development and improvement of the Internal Control System, the Board of Directors lists in its assessment a number of ongoing tasks aimed at strengthening the processes in certain matters. Therefore, and without prejudice to the gaps identified regarding the implementation of a set of new aspects defined by the Notice and the deficiencies classified with level F3 "High", the Board of Directors concludes that the organisational culture and its governance and internal control systems, including the Bank's remuneration policies and practices, are adequate and effective.

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