ANNUAL REPORT 2012

BANCO BiG

BANCO DE INVESTIMENTO GLOBAL

FINANCIAL INDICATORS

T.1

(Euro)

Consolidated (Audited)	2012	2011	2010	2009
Net Interest Margin	18,734,087	19,783,187	16,525,657	11,918,085
Net Commissions and Fees	6,789,808	9,002,029	8,699,278	6,430,921
Treasury and Capital Markets	54,831,796	4,105,924	27,452,044	17,885,323
Other Income	-28,178	285,387	-622,954	289,242
Operating Income	**80,327,513**	**33,176,527**	**52,054,025**	**36,523,571**
Personnel Expenses	-15,192,007	-8,837,318	-12,556,069	-11,043,138
Other Administrative Costs	-6,130,922	-5,568,518	-6,019,658	-5,495,786
Operating Expenses	**-21,322,929**	**-14,405,836**	**-18,575,727**	**-16,538,924**
Operating Cash Flow	**59,004,584**	**18,770,691**	**33,478,298**	**19,984,647**
Amortizations	-1,314,991	-1,495,072	-1,607,394	-1,248,474
Provisions	-2,892,714	150,258	-7,670	-12,480
Imparities	-6,294,411	-13,986,727	-5,750,931	-3,115,429
Operating Results	**48,502,468**	**3,439,150**	**26,112,303**	**15,608,264**
Results of Subsidiaries	23,371	87,565	292,136	-792,932
Profit Before Income Tax	**48,525,839**	**3,526,715**	**26,404,439**	**14,815,332**
Current Income Tax	-16,385,895	-909,833	-5,824,683	-2,723,286
Deferred Tax	26,581	-111,287	-119,866	237,056
Net Income	**32,166,525**	**2,505,595**	**20,459,890**	**12,329,102**

Individual	2012	2011	2010	2009
Net Income	**32,135,029**	**2,464,443**	**20,196,409**	**12,314,862**

Selected Indicators	2012	2011	2010	2009
Total Net Assets	1,026,193,334	828,983,481	900,762,575	703,349,940
Shareholder Funds	172,301,703	67,234,341	108,140,896	128,685,719
Own Funds	161,869,909	146,510,409	123,177,367	106,451,029
Client Deposits	543,830,163	440,567,939	332,184,633	304,985,007
Non-Performing Loans / Total Loans	0.14%	0.20%	0.30%	0.20%
Non-Performing Loans / Total Assets	0.03%	0.01%	0.02%	0.02%
Loans / Client Deposits	35.43%	36.16%	12.80%	18.60%
Loans / Total Net Assets	18.78%	19.22%	4.72%	8.06%
Assets Under Supervision *	1,499,588,173	1,086,084,393	1,330,366,558	1,264,422,249

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

Profitability	2012	2011	2010	2009
Return on Average Assets (ROA)	3.47%	0.29%	2.55%	1.80%
Return on Average Equity (ROE)	26.86%	2.86%	17.28%	9.60%
Operating Income / Average Net Assets	8.66%	3.84%	6.49%	5.20%

Solvency	2012	2011	2010	2009
TIER 1	31.90%	32.50%	36.20%	32.80%
Risk-Adjusted Capital Ratio	32.00%	32.50%	36.30%	32.80%

Efficiency	2012	2011	2010	2009
Net Interest Income / Earning Assets	1.91%	2.62%	1.98%	1.82%
Operating Expense / Operating Income	28.18%	47.93%	38.77%	48.70%
Personnel Expense / Operating Income	18.91%	26.64%	24.12%	30.20%

MANAGEMENT DISCUSSION

OVERVIEW 2012

The Bank

Banco de Investimento Global, S.A. (BiG, Banco BiG or the Bank) is a specialized investment bank with headquarters in Lisbon. The Bank is licensed to operate in all business areas open to the banking sector in Portugal.

The Bank opened for business on March 1, 1999. The Bank's capital is fairly widely dispersed and privately held by a number of mainly domestic individual and institutional investors (Note 34). In its core client activity, BiG serves individual and corporate/institutional client segments. For individuals, the Bank provides savings, brokerage, custody, wealth management and general banking and payment services. For corporate and institutional clients, services include market risk management, treasury, brokerage, custody, and corporate advisory services, including debt and equity finance. A third business line, the Bank's treasury and capital markets area, concentrates on liquidity and balance sheet management and is central to our culture of managing market-related and credit risks.

In addition, to offering traditional banking services, we place a number of trading and investment platforms at the disposal of our client base. The objective is to facilitate access by savers and investors to a wide range of financial solutions, either with advice and assistance, or on an execution only basis, as well as access to a number of major regulated markets and over the counter investment products.

While the Bank generates all of its revenues in Portugal, the mix of earning assets and their geographical source may vary substantially over time depending on market conditions and business opportunities. The Bank interacts with clients through a number of integrated channels: Retail clients are served by the online investment platform, www.big.pt, and financial advisors located in 14 offices in key central and regional locations, while sales and product teams based in Lisbon and Porto work with corporate and institutional clients.

The Bank's brokerage business is supported by its direct membership in NYSE Euronext, which includes domestic and key international exchanges. Where more efficient or cost effective, the Bank also maintains partnership arrangements with global financial services suppliers so as to provide access for our clients to a number of other major stock and futures exchanges. Platforms for other OTC products, bonds or mutual funds, usually combine in-house technology solutions and often agreements with counterparties and providers.

Summary of 2012 Results

(For further detail, see ANALYSIS: RESULTS OF OPERATIONS 2012)

- **For the full year 2012, Banco BiG generated Net Revenues of € 80.3 million, up 142% as compared to € 33.2 million in 2012.**
- **For the year, Consolidated Net Income was € 32.2 million**, versus € 2.5 million registered in 2011 and € 20.5 million for 2010, the Bank's prior record year in terms of profitability.
- The Bank's **Return on Average Equity rose to 26.9% in 2012**, against 2.9% for 2011 and 17.3% in 2010.
- **The Bank's consolidated Tier 1 ratio at year-end 2012 was 31.9%.**

Since the onset, some five years ago, of the current period of global economic uncertainty and historically volatile market conditions, Management believes that the Bank's business model continues to show resilience and fundamental soundness. The Bank's revenues and earnings rose significantly in 2012 as a result of a combination of factors:

- Higher client activity associated with savings instruments;

T.2 (Euro 000)

Summary of Results	2012	2011	Var (%)	2010	2009
Total Net Revenue	80,328	33,177	142.1%	52,054	36,524
Non Interest Expense	-31,825	-29,737	7.0%	-25,942	-20,915
Taxes	-16,359	-1,021	1,502.1%	-5,945	-2,486
Net Income	32,167	2,506	1,183.8%	20,460	12,329
Shareholders Funds	172,302	67,234	156.3%	108,141	128,686
Own Funds	161,870	146,510	10.5%	123,177	106,451
Total Net Assets	1,026,193	828,983	23.8%	900,763	703,350
Loans	192,674	159,331	20.9%	42,533	56,713
Deposits	543,830	440,568	23.4%	332,185	304,985
TIER 1, risk-adjusted	31.9%	32.5%	-1.8%	36.2%	32.8%
Risk-Adjusted Capital Ratio	32.0%	32.5%	-1.5%	36.3%	32.8%

- A turnaround in the perception of Portuguese sovereign risk during the year;
- Management's long-term focus on efficiency, measured as operating costs as a function of revenues generated;
- The flexibility afforded by a business model based on managing structural excess liquidity, traditional low gearing, a highly liquid inventory of assets and rigorous controls over risks: market, credit, operational, regulatory and reputational;
- The virtual absence of credit-related losses.

Key Profit and Loss Indicators

The composition of revenues for 2012 reflected the Bank's perspective on, and management of, overall market conditions and unusual swings in investor sentiment affecting the Portuguese yield curve as the year progressed. The Bank's net interest margin registered a small decline of 5% year on year, from € 19.8 million in 2011 to € 18.7 million in 2012. This was due to higher funding costs associated with a significant increase in stable, but comparatively more expensive, retail client deposits. Gross commissions from brokerage, retail services, asset management and advisory activities also declined slightly, from € 9.8 million in 2012, as compared to € 10.4 million in 2011, due to a general decrease in retail trading volumes – as clients shifted into cash and savings or fixed income products and away from more active turnover in market-sensitive investments – and lower corporate activity. This shift improved the Bank's already comfortable profile of liquidity as the year progressed. Gross returns in 2012 from the Bank's investing activities and fixed income credit portfolio were significantly higher than in 2011, at € 54.8 million, or 66% of net operating revenues, versus € 2.9 million, or just 9% of net operating revenues for the prior year.

The Bank's operating expenses in a given year tend to be correlated with a rise or fall in revenues. For 2012, a year of significantly higher revenues, costs were 7% higher, moving from € 29.7 million in 2011 to € 31.8 million in 2012. The increase in operating costs for 2012 follows a year in which Management had reduced costs aggressively in response to highly negative market conditions and prospects during 2011, so the basis of comparison was unusually low and the percentage rise for 2012 does not constitute a trend. Costs rose in absolute terms during 2012 because of higher compensation expense, associated with a higher personnel complement, as well as investments in the retail platform, systems and other operating costs. In relative terms, transformation costs as a percentage of net operating revenues declined significantly year on year, from 48% in 2011 to 28% in 2012.

Pre-tax income for 2012 was € 48.5 million, as compared to € 3.5 million in 2011. Current and deferred taxes for 2012 were € 16.4 million versus € 1.0 million the prior year. The Bank's effective tax rate has risen significantly in recent years, as a result of deteriorating economic conditions in Portugal – which is the principal source of the Bank's revenues – to 33.7% in 2012, as compared to 28.9% in 2011, 22.7% in 2010 and 16.8% in 2009.

Key Balance Sheet Indicators

Total Net Assets at 31 December 2012 were slightly above € 1.0 billion, or 23.8% higher than on the same date in 2011. The Bank's diversified available for sale portfolio (AFS), comprising mainly liquid, fixed income securities, was 39% higher at year end 2012 and stood at € 700 million. Loans grew 21% to € 193 million from € 159 million at the prior year end period. Loans represented 19% of Total Net Assets at the end of both 2012 and 2011 and as a percentage of client deposits declined to 35% at 31/12/2012 from 36% at 31/12/2011.

Excluding certain asset backed securities classified as loans in accordance with IAS 39, client loans as a percentage of client deposits were just 4.2% at 31/12/2012, against 6.5% at 31/12/2011. This reflects the relative lack of emphasis on commercial and consumer-related lending in the Bank's business model. The ratio of non-performing loans/total loans was 0.1% at 31/12/2012 versus 0.3% for the same date in 2011.

The Bank's main sources of funding are (i) retail client deposits, (ii) sales/repurchase agreements executed with market counterparties, among which the ECB (under LTRO facilities) and EUREX Repo platform for generally shorter tenors, and (iii) shareholders funds. The Bank does not issue long-term debt. At 31/12/2012, client deposits were € 544 million, an increase of 23% relative to the same date in 2011. Deposits taken from the ECB, net of deposits placed with the ECB, declined relative to year-end 2011 and the trend, assuming normal market conditions, is expected to continue gradually downward (see *Forward-looking Policies on Funding and Capital*). Common equity was unchanged for the year at € 104 million. Shareholder funds rose to € 172 million because of higher current earnings and improvement in the Fair Value Reserve of the capital account during 2012. Since most of the Bank's securities are held for trading or for sale and are marked to market, the positive or negative impacts are reflected directly in earnings or capital. Shareholder funds are net of a deduction of € 9.4 million in anticipated dividends paid in November 2012.

Highlights:

- **Rise of 142% in Net Operating Income to € 80.3 million, versus € 33.2 million in 2011;**
- **Stable Net Interest Margin of € 18.7 million in 2012, as compared with € 19.8 million in 2011;**
- **Small Decline in commissions on lower client trading volumes for the year;**

- **Jump in Net Revenues from Treasury and Capital Markets to € 54.8 million versus € 4.1 million in 2011;**
- **Earnings per share for 2012 of € 0.309, as compared to € 0.026 in 2011 and € 0.233 in 2010;**
- **Return on Average Equity of 26.9% versus 2.9% in 2011 and 17.3% for 2010;**
- **Increase in Total Net Assets of 24% to € 1.0 billion;**
- **Rise in Client Deposits of 23% to € 544 million;**
- **Assets under Supervision at 31/12/2012 of € 1.5 billion, or 38% higher year on year;**
- **Loans to Deposits of 35% at 31/12/2012 and 36% at 31/12/2011;**
- **Non-performing Loans / Total Net Assets of 0.03% at 31/12/2012, compared to 0.04% at 31/12/2011;**
- **Core Tier I Ratio of 31.9% at 31/12/2012, as compared with 32.5% at 31/12/2011.**

Operating Environment 2012

Economic Adjustment Program for Portugal

Many factors influenced the Bank's operating environment and performance during 2012, but perhaps none more than the terms and events surrounding the comprehensive Economic Adjustment Program, which Portugal signed with the IMF/EU/ECB *("troika")* to avoid the State's imminent financial collapse in 2011. Nearly two years into the program specific to Portugal's immediate and structural issues, and more than five years since the markets began to re-assess risk globally, the operating environment has evolved dramatically. Both risks and opportunities have increased. The Bank's responses to deteriorating economic environment, as well as regulatory, tax, labor, social, competitive and business issues are discussed in this section and throughout the Management Report. In general, because of the Bank's business model, balance sheet profile, structural excess liquidity and comfortable capital positions upon entering and throughout the crisis, BiG has performed comparatively well in view of the mainly negative events affecting the banking sector.

Of special note:

- *The Bank does not issue long-term debt to support its balance sheet activities; and*
- *The Bank has neither requested nor required assistance from the State at any time to cover its funding or capital needs in the form of guarantees, convertible bonds or capital.*

The pillars of the € 78 billion Economic Adjustment Program – *Financial Stability, Fiscal Consolidation and Structural Reform* – seek to address the main reasons why Portugal and its institutions required outside assistance for the third time since 1977 and represent a blueprint for stabilizing the economy, correcting distortions, and promoting long term growth.

The *Financial Stability* portion of the program is designed to shore up, where applicable, the banking system's liquidity and capital positions, weakened by the European sovereign debt crisis and the economic downturn's effect on asset quality. The program and the role of the ECB have jointly addressed specific problems in the banking sector, among which are: (i) a substantial funding gap among the larger commercial banks at the peak of the crisis, fueled by excess lending and exacerbated by the market's sudden lack of market access required by Banks to support their balance sheet activity; and (ii) a need for banks simultaneously to de-lever and recapitalize in a relatively difficult environment for both. *This led to higher rates on deposits and a relative scarcity of available credit to an already over-indebted economy.*

Fiscal Consolidation addresses the need by the Government and its related entities to reduce budget imbalances and inefficiencies, which for years have been masked by recourse to growing levels of debt. Measures open to the current Government are limited to a mix of increased revenues through successive rises in taxes, both direct and indirect, asset sales through privatizations, and eventual reductions on the side of expenditures. *During 2012, the urgency of these fundamental events has affected the Bank's business across the board: from the way we anticipate prices of assets and liabilities, to the amount of taxes we pay, to strategic decisions on investment and direction, to how we view opportunities for growth, to business volumes in a recessionary environment, and to practices on remuneration and retaining staff, among others.*

Structural Reforms should seek to rationalize and re-define, over the longer term, how the State intervenes in society and, if successfully implemented by the current or future administrations, is likely to have a far-reaching impact on the business of the Bank. *Changes to the way the State functions, the role of the private sector, reforms in labor laws, taxes and the justice system, to name a few, could go a long way to leveling the competitive playing field in Portugal and have the potential, over time, to affect in a positive and significant way, the Bank's operating environment.*

Critical Accounting Policies

The Bank's critical accounting policies are discussed in detail in the *Notes to the Consolidated Financial Statements*. Of the policies described, by far the most important for the Bank is the use of *fair value* to measure financial instruments, which are generally liquid fixed and variable income securities comprising the largest portion of earning assets and, therefore, most of the balance sheet. When events occur which reduce transparency and/or liquidity in markets, as has been the case on occasion over the past several years, this can have a significant impact on how financial securities are valued by the markets and, consequently, on the Bank's financial statements.

As defined by the International Accounting Standards Board (IASB) in IAS 39, *fair value* is the price at which an asset may be exchanged, or a liability liquidated, between counterparties aware of, and in agreement with the terms, and among which no relationship exists. This definition presupposes the existence of interested parties, i.e. *market liquidity*, which may not always be the case with some financial assets during periods of exceptional market dislocation. The concept of *fair value* via *mark to market* valuation functions optimally in efficient and transparent markets, and is less accurate in illiquid or inactive markets.

As a rule, assets held for trading purposes are measured at fair value, with variations recognized in the profit and loss statement. Assets held for sale are likewise measured at fair value, with respective fluctuations recognized in reserves of the capital account, until such time as an imparity may be recognized. At this point, losses registered in reserves are transferred to results. **As Banco BiG does not hold securities to maturity (Held to Maturity as defined by IAS), all of the Bank's financial assets not classified as loans are held in the first two categories and, as a result, are measured at fair value and reflected as such in the financial statements.**

Policies and events, which can be of particular relevance, include:

Pricing: In determining the *fair value* of a given financial asset, the Bank uses the current buy price available in the market (*bid-price*). In the absence of quotes or in the presence of market prices which, in the opinion of the Bank, may not be realistic, fair value may be estimated using (i) valuations based on recent or similar transactions, executed under normal market conditions, discounted cash flow techniques, and valuation models based on options, which may be customized to reflect the particular circumstances of a financial instrument; and (ii) valuation assumptions based on market information.

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

Reclassification: As reported in 2010, in February of that year, the Bank sold a number of securities held to maturity, which according to IAS 39, obliged that they be reclassified as securities *Available for Sale,* and revalued at *fair value*. This resulted in a gain and, according to IAS 39, the Bank may not hold securities held to maturity for a period of two years following such an event. While it is possible for the Bank to hold securities to maturity as from 2013, Management has no immediate plans to deviate from a practice of fully marking to market its entire inventory of securities, via either trading or available for sale portfolios.

In general during 2012, liquidity improved, markets proved calmer and the number of extraordinary events, which at times made assessing fair value a more difficult process during 2011, subsided.

Impact on Capital and Solvency

The Bank's common equity remained unchanged year on year at € 104 million. Positive fluctuations in the Fair Value Reserve reflect the rise in market prices of mainly fixed income securities held Available for Sale. As a result of higher earnings and material improvement in the value of securities available for sale, which is reflected in the Fair Value Reserve of the capital account, shareholder funds rose 156% to € 172 million. This figure includes the impact of a partial, anticipated dividend of € 9.4 million paid to shareholders in November 2012, based on certified results of the Bank for the period ending 30/09/2012. The Bank's Regulatory Capital, or "Own Funds," is calculated in accordance with central bank regulations and was € 162 million at 31/12/12, up from € 147 million at the same date in 2011.

The Bank's Core Tier 1 ratio was 31.9% at year-end 2012, and has remained consistently far above regulatory minimum levels under the most stressful market conditions.

T.3 (Euro)

Capital	2012	2011	2010	2009	2008
Common Stock	104,000,000	104,000,000	89,088,810	87,570,000	87,570,000
Issue Premiums	1,362,281	1,362,281	9,343,753	8,886,393	8,886,393
Treasury Stock	-1,171,567	-1,323,065	-1,583,087	-433,261	-2,116,274
Fair Value Reserve	-1,183,677	-87,279,347	-38,016,812	-2,917,071	-13,942,332
Other Reserves and Retained Earnings	46,487,985	47,968,877	28,848,342	23,250,556	20,545,663
Net Profit	32,166,525	2,505,595	20,459,890	12,329,102	6,425,930
Shareholders Funds	172,301,703	67,234,341	108,140,896	128,685,719	107,369,380
Own Funds	161,869,909	146,510,409	123,177,367	106,451,029	94,543,031
TIER 1 Ratio	31.9%	32.5%	36.2%	32.8%	31.0%

As a result, the Bank is unaffected by the political and regulatory discussions on minimum capital requirements and/or obligatory infusions of new capital affecting certain of the largest Portuguese banks. The high level of solvency reflects Management's structurally conservative views on leverage, asset growth and sustainable profitability within the boundaries of reasonable risk-taking. Other factors include the competitive and regulatory environment and need to ensure that the assumption of risks is compensated appropriately.

Among many stress tests performed by the Bank daily are *solvency* stress tests, introduced by Management during the peak of the sovereign debt crisis in 2011 and maintained, with modifications, since. These are designed to measure the impact on our Tier 1 ratio of improbable, but technically feasible shifts in market sentiment, which might have a direct effect on the Bank's solvency ratios. Results of some extreme scenarios used by Management at 31/12/12 are shown below and are discussed in further detail in the RISK MANAGEMENT section of this report and in Note 38. These results assume a combination of two extreme events: (i) discounts to sovereign debt, which (ii) are simultaneously required to be recognized as imparities with corresponding movements in the Fair Value Reserve and the Bank's results.

Scenarios assume discounts to nominal value for the debt securities of four countries at the center of the sovereign debt crisis, as verified in table T.4.

The results of the theoretical impact on the Bank's solvency ratio at year-end December 2012 under each scenario would be as shown in table T.5.

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

Impact on Liquidity and Funding

Markets calmed considerably during 2012, particularly after announcements made by the ECB and measures taken by the EU designed to defuse the sovereign debt crisis and increase investor confidence. In this environment, Management actively managed and frequently shifted the focus of the Bank's liquid credit portfolio throughout the year.

T.4

Stress tests Extreme scenarios		Scenario 1	Scenario 2	Scenario 3
Portugal	Negative variations in Fair Value recognized in results		30%	50%
Spain			20%	30%
Italy			10%	20%

T.5

December 2012 - Extreme scenarios - Theoretical Tier 1 Ratio	Scenario 1	Scenario 2	Scenario 3
Core TIER I	31.0%	26.5%	17.2%
TIER I	31.0%	26.5%	17.2%
Core TIER II	0.1%	0.1%	0.1%
Risk-adjusted Capital Ratio	31.1%	26.6%	17.3%

The main categories of earning assets rose 36% year on year and Total Net Assets increased 24% to € 1.0 billion year on year. Average earning assets for the year were € 856 million or 9% higher than the average of 2011, when market volatility had encouraged Management to maintain a lower inventory of assets available for sale. Overall, the increase in assets was funded by a 23% rise in mainly retail client deposits, to € 544 million, and higher levels of capital funds. Other sources of funding, including repurchase agreements with ECB and EUREX Repo, which the Bank joined as a member in 2011, declined in aggregate year on year. Traditional lending has remained non-strategic. This key factor in our business model, besides reducing the amounts of illiquid assets held which require funding, but which are not marked to market and which are often less profitable, helped the Bank avoid much of the deterioration in credit quality affecting traditional commercial banks in Portugal.

As in prior years, the majority of the Bank's assets are reasonably liquid securities, which are held either as Trading or as Available for Sale (AFS) assets. All positions are therefore marked to market with results passing through either the Profit and Loss account, in the case of trading assets, and Fair Value Reserve, in the case of AFS. While having an impact on earnings and capital funds, especially in volatile market conditions, Management believes that holding and negotiating securities via its Trading or Available for Sale portfolios provides greater flexibility to manage positions, encourages discipline in position-taking and balance sheet growth, and has resulted in a policy of absolute transparency with respect to valuations of all securities. These policies, along with maintaining a large inventory of unencumbered assets on hand at all times to ensure comfortable levels of liquidity, have been key to managing the unusual events leading up to and experienced so far during the current, volatile market conditions.

The Bank's business model is deliberately less loan-intensive than that of its peers, T.6

(Euro 000)

Impact on Liquidity and Funding	2012	2011	2010	2009	2008
Loans / Client Deposits	35.4%	36.2%	12.8%	18.6%	9.9%
Liquid Earning Assets / Total Net Assets	76.8%	72.0%	87.7%	64.8%	59.8%
Funding from ECB	260,248	238,323	360,164	230,783	84,012
Other sources of Funding	6,481	48,896	38,943	9,560	9,789
Client Deposits / Total Liabilities & Capital	53.0%	53.1%	36.9%	43.4%	52.7%

as reflected in a Loans/Deposits ratio of 35% at year-end 2012. This includes the effect of a classification as € 169 million of less liquid residential mortgage-backed securities as loans. As in 2011, this category reflects lower demand during or credit to support margin accounts, which tend to decline in more volatile or negative market conditions.

Main sources of funding for 2012 were (i) retail client deposits, which rose 23% year on year to € 544 million (ii) funding under repurchase agreements with the European Central Bank (ECB), which declined slightly year on year, net of amounts deposit with the ECB, (iii) funding under repurchase agreements via EUREX REPO, which BiG joined as clearing member during 2012, or other market participants, and (iv) higher shareholder funds. The Bank does not issue debt securities and, as a result, is unaffected by the limited access by banks in countries involved in adjustment programs to international markets. The Bank participates to a minor degree in the domestic interbank market as a provider only. As a policy, the Bank maintains a buffer of unused liquidity with the ECB and EUREX Repo, based on eligible securities held at that bank, equal to approximately 1/3 of its retail deposits at any time. Larger amounts of liquidity can be made available by selling a portion of the securities inventory within a reasonably short time frame (see Note 38).

Impact on Earnings

For the full year 2012, Net Revenues rose 142% to € 80.3 million, Net Income advanced to € 32.2 million, versus € 2.5 million for the prior year, and the Bank's average Return on Equity was 26.9%.

The Bank produced record results during one of the worst years in recent memory for Portuguese banks, as a result of a number of factors, among which were:

(i) Management's positioning of the Bank to benefit from an anticipated shift in market sentiment toward Portuguese risk and other European asset classes, which had been affected negatively by domestic and continent-wide austerity programs underway since 2011;
(ii) The Bank's relative immunity to credit losses, which in the broader market have resulted from the austerity--driven economic downturn colliding with overly exuberant policies of balance sheet expansion by larger banks leading up to the crisis.

Following a highly volatile 2011, which featured write-downs on Greek and other affected exposures and overall weaker earnings, the Bank took a disciplined approach to perceived changes in investor sentiment in 2012. The potentially devastating aspects of the economic turmoil and paradigm-changing events heightened Management's focus on the fundamentals of liquidity management, balance sheet flexibility, accounting transparency, cost and risk control, and the convenience of maintaining levels of excess capital adequacy in trying times. *These aspects, combined with a comparative absence of legacy issues, which have affected much of our competition – notably: funding gaps caused by excessive lending, the resulting growth in credit losses, and inadequate capital cushions, among others – set the stage for the Bank's higher earnings and relatively sound balance sheet indicators for 2012.* Under the circumstances, the Bank's net margin and net commissions held up fairly well year on year, and the Bank's Treasury and Capital markets business experienced record revenues following a disappointing 2011. On a Business-line basis (see *RESULTS OF OPERATIONS*), the Bank's specialized retail business generated € 11.9 million in net revenues, up 5% from 2011. Income from the corporate and institutional business declined 27% year on year on weaker

T.7

(Euro 000)

Impact on Earnings	2012	2011	2010	2009	2008
Net Operating Revenues	80,328	33,177	52,054	36,524	24,348
Net Operating Expenses (net imparities)	-25,531	-15,751	-20,191	-17,800	-13,859
Imparities	-6,294	-13,987	-5,751	-3,115	-1,243
Results from Associated Companies	23	88	292	-793	-404
Pre-tax Profit	48,526	3,527	26,404	14,815	8,842
Taxation	-16,359	-1,021	-5,945	-2,486	-2,416
Net Profit	32,167	2,506	20,460	12,329	6,426

deal flow. Opportunities in fixed income, credit products and higher client activity led to net revenues of € 48.7 million in Treasury and Capital Markets, as compared to a loss in 2011, which included imparities associated with the EU-inspired program on Greek private sector involvement (PSI).

On the expense side, compensation expense and other operating expenses grew following a year of deep cuts in 2011, but at a rate of growth substantially below that of net revenues. As a result, **the Bank's efficiency ratio improved significantly, to 31% from 48% the prior year.**

Impairments of € 6.3 million (€ 14.0 million in 2011) included the remainder of Greek sovereign debt not fully provided for in 2011, which was sold in early 2013, and provisions for other fixed and variable rate securities held for investment purposes and available for sale. The Bank's provision for taxes rose to € 16.4 million and represented a tax rate of 33.7%, as compared to 29% in 2011 and 23% in 2010. This rate is a result of higher taxable earnings, combined with emergency taxation imposed by the Government to meet the aggressive budget targets imposed by the *troika* of external creditors, and which negatively affects the economy at large. A special tax on Bank liabilities, designed to tax the portion of funding not covered by client deposits and capital, is estimated to be € 270,000 for the year.

Impact on Dividend Policy

For 2012, based on substantial improvement in earnings and capital funds, Management proceeded with a partial, anticipated payment of dividends, equal to € 0.09 per share in November 2012, based on certified results for the period 1 January 2012 – 30 September 2012. This event followed a decision by Shareholders in April 2012 to suspend dividends relating to the prior year. Subject to market conditions and shareholder approval, Management is proposing to pay an additional € 0.06 in 2013 with respect to 2012 earnings. For the full year, the total dividend payout of € 0.15 per share represents 49% of net earnings, or in line with the average of previous years. A recent history of payouts by Bank, which began paying dividends on 2003 earnings, is in table T.8.

Impact on Organic Growth

The Bank's structure is transparent, flexible, attentive to market risks and able to react quickly to perceived increases in business opportunities. The Bank's liquidity, asset quality and capital profiles are strong. Other than investments in systems, refinements in the day-to-day management of individual business lines, and more than usual caution in volatile political-economic environment, current events have not dictated material changes to the business strategy. On the contrary, Management is continuously analyzing improvements to the existing business areas and looking for ways to invest capital, increase revenues, rationalize costs and improve internal efficiency. We expect this trend to carry into the foreseeable future.

During 2012, the Bank launched a major upgrade to its internet platform, proceeded with planned upgrades to internal systems, underway since 2010, upgraded two existing branches, planned the opening in January 2013 of its 14th retail branch (Rotunda da Boavista in Porto) and increased the ATM network of automatic teller machines to a total of 30. Personnel were added in specific areas in anticipation of higher client volumes and the Bank' headcount, excluding the members of the Executive Board, rose to 166 at 31/12/2012 from 160 on the same date in 2011. Management has no plans to reduce personnel in 2013.

Impact on the Competitive Environment

The competitive landscape has undergone some significant changes during 2012, which Management expects will continue indefinitely. As part of the *troika*-imposed adjustment program, as well as changing political and regulatory agendas at the European level, much of the Bank's competition in Portugal has been required to de-leverage, re-price risk, re-consider sources of funding and deal with the need to raise capital to newly established levels. The domestic market has been feeling the effects of banks contracting their balance sheets, which has resulted in generally lower availability of credit and, when available, offered at much higher credit spreads. The results of the EBA – European Banking Association stress tests made in 2011 on the largest European banks has obliged a number of Portuguese banks to raise new capital or accept capital infusions from the State, with funds made available by the *troika* for this purpose. As a result of these events, the adjustment process for some of our competitors has included reductions of personnel, closure of agencies, the exiting or planned divestiture of businesses, changes in management and, more significantly, the need to live, at least temporarily, with the State as contingent or direct shareholder.

The market, domestically and internationally, is nevertheless highly competitive

T.8 (Euro)

Dividends	2012	2011	2010	2009	2008	2007	2006	2005
Dividend per Share	0.150 €	- €	0.0325 €	0.065 €	0.050 €	0.050 €	0.040 €	0.030 €
% Individual Net Income Distributed	49%	0%	15%	46%	61%	34%	42%	42%

and we expect it to remain so. Portugal continues to be a somewhat concentrated market, with 5 credit institutions together holding an approximately 70% share of the market. Dozens of either domestic or foreign banks, of medium and small size, share the rest of market. We therefore face competition in all of our business lines from a large number of domestic and, depending on the line of business, international players. In addition, the Bank faces competition from international auditing and consulting firms, whose services overlap ours in areas such as Corporate Advisory.

As the recession deepens and the adjustment process runs its course, we expect to experience increasing competition from the market. The Bank's main business lines are those where competitors who may be experiencing difficulties in their core businesses, or seeking market share, are most likely to consider more attractive. Conversely, BiG generally does not compete in those areas that have been most problematic for the sector, namely commercial and consumer lending activities.

Management has been concerned for some time with the competitive advantages and activities of state-owned competitors, certain long-entrenched business monopolies, and those business practices of larger competitors with close ties to political power, which we believe can affect our ability to compete in a fair and open market. We are attentive to the activities of those competitors, in particular, whose businesses have benefited directly or indirectly from State assistance. We welcome the increased scrutiny by European competition authorities and measures taken by the *troika* to address distortions in the structure of market, which have long been considered normal in Portugal and which underlie the current economic crisis.

Balance Sheet Strategy

Banco BiG's assets and liabilities increased from the prior year end period because of significant inflows in stable retail client deposits and a higher level of total capital, which funded a larger and diversified available-for-sale portfolio of mainly liquid fixed income securities. Loans also increased year on year, but consisted mainly of residential mortgaged-backed securities classified as loans under IAS 39, as opposed to representing growth in illiquid consumer or corporate loans (see *Analysis of the Balance Sheet* in RESULTS OF OPERATIONS). Generally, changes in nature of the balance sheet are gradual, with year-end levels of assets not differing materially from balance sheets on other reporting dates throughout the year.

Management's attention to the size and composition of the Bank's balance sheet is one of our most important exercises in risk management. Assets and liabilities may change due to client activity, market conditions and available business opportunities. However, the size and composition of the Bank's balance sheet at any given time reflect (i) Management's overall tolerance for risk, (ii) the nature and availability of stable sources of funding, and (iii) the level of the Bank's capital or *own funds*. The process involves regular review and planning of available investment opportunities and funding strategies via the ALCO (asset and liability) committee, limits on balance sheet growth by business, asset class or concentration, daily monitoring of key metrics by Risk Management, and the use of scenario analyses and stress tests as an essential disciplinary tool. Most earning assets of the Bank are securities classified as available-for-sale (AFS). They are marked to market daily and are used to manage the Bank's exposure to movements in interest rates and to invest excess liquid funds.

The past six years have provided a series of tests to Management's ability to guide the Bank through a number of exceptional events. These have included banking crises, recessions in the Western economies, an extraordinary sovereign risk crisis in the Eurozone, a flood of new regulation, and the challenges of operating in a "bail-out" country whose ratings and prospects have suffered major blows in a short time frame. Management believes that the Bank's sound financial health is the result the following basic concepts that guide how we manage our business, and which are designed to ensure our independence:

- We manage our business and balance sheet to ensure reduced dependence on wholesale funding markets and seek to maintain a profile of structural, excess liquidity at all times;

T.9 (Euro 000)

Key Balance Sheet Items	2012	2011	2010	2009	2008
Total Net Assets	1,026,193	828,983	900,763	703,350	563,068
Earning Assets	980,855	755,787	832,681	512,631	366,019
Assets Held to Maturity	0	0	0	141,753	134,538
Loans to Total Net Assets	18.8%	19.2%	4.7%	8.1%	5.2%
Deposits from Central Banks	260,248	238,323	360,164	230,783	84,012
Funding from other Credit Institutions	6,481	48,896	38,943	9,560	9,789
Deposits from Clients	543,830	440,568	332,185	304,985	296,490

- We operate with low overall leverage – less than six times gross assets / capital funds at year end 2012 – and consistently higher than required levels of capital adequacy;
- We focus on building a base of stable retail deposits and savings products alongside our client trading platforms and advisory business;
- We challenge ourselves with stress tests – using highly conservative scenarios – of all risk exposures and on our main capital ratios on a daily basis;
- We view transparent accounting and disciplined risk management process as keys to controlling the size of the balance sheet, maximizing internal efficiency and controlling earnings at risk;
- We acquire assets and deal in products that we and our clients can understand.

Forward-Looking Policies on Managing Funding and Capital

As in prior years, the Bank expects to maintain the current policies of the business model on low gearing, high capital adequacy and ample liquidity for the foreseeable future. As market conditions dictate, we believe it may be necessary to make adjustments to business lines, product offerings and distribution channels in the normal course of business, in order to increase stable funding, to ensure the preservation of capital, and to improve revenues.

For some time, the Bank's base of earning assets has focused on investment grade corporate debt issues and treasuries issued by Eurozone member states. It is likely that this profile will be maintained, given the overall risk profile when compared to alternatives and adjusting for the legal, regulatory and market impact of the Euro-zone debt crisis. On the other hand, as many former investment grade issuers no longer find themselves in that category, the Bank's scrutiny of credit quality should remain a priority. Management expects that the Bank's loans/deposits ratio will remain well below market averages in the foreseeable future. This view has been a function of the perception of risk/reward for more than a decade in the market for traditional lending and we believe that current conditions, characterized by a high level of indebtedness in the Portuguese corporate sector, may continue to make it unattractive to alter the current mix of earning assets in favor of traditional lending.

Table T.11 shows growth in deposits since 2008 and projections until 2015, assuming current market conditions and no significant changes to the Bank's business model or unexpected shocks to the market. Since 2010, competition for non-wholesale deposits has intensified in the Portuguese banking sector due to a number of factors at the heart of the current crisis. We expect this trend to continue and anticipate that funding costs overall will remain higher than the average prior to the crisis for some time.

Other sources of financing, besides capital and deposits, include funding from central banks and from other market counterparties. Assuming modest growth of the balance sheet, plans for funding include a reduction of central bank funding and its replacement with a growing level of deposits and use of alternative sources of repo funding, via EUREX Repo, which the Bank joined as clearing member during 2011, or with other market counterparties. For planning purposes, Management assumes that it will not use or need the wholesale funding markets, nor will access to relevant interbank funding resume into the foreseeable future.

For a number of strategic reasons, the Bank has used its capital conservatively over the years and Management expects this trend to continue. **The Bank has neither requested nor required new capital from its outside shareholders since 2001.** Over the years, while paying out some € 38 million in dividends since 2004 (including anticipated and proposed dividends for 2012) the Bank's capital has risen as a result of retained earnings and infusions by Management and Staff within the scope of approved share purchase or options programs.

After suspending payment of a dividend in 2012, due to lower earnings in 2011 and Central Bank recommendations on the matter, the Bank resumed dividend payouts later in the year and proceeded with a partial, anticipated dividend payment in November 2012. Management expects to return to a normal pattern of dividend payouts in 2013.

T.10 (Euro)

	2008	2009	2010	2011	2012	2013E	2014E	2015E
Financial Assets Portfolio (1)	**209,670,675**	**450,441,703**	**703,185,081**	**517,019,566**	**717,502,967**	**753,378,118**	**791,047,024**	**830,599,375**
% growth	n.a.	114.8%	56.1%	-26.5%	38.8%	5.0%	5.0%	5.0%
Net Credit (2)	**29,232,808**	**56,713,275**	**42,532,675**	**159,330,790**	**192,674,248**	**174,493,715**	**159,184,434**	**145,903,750**
% growth	n.a.	94.0%	-25.0%	274.6%	20.9%	-9.4%	-8.8%	-8.3%

Source: Banco BiG

(1) Includes financial assets available for sale, financial assets held for trading and investments held to maturity (not existing from 2010).

(2) Includes, as of 2011, financial assets with mortgage collateral (mortgage-backed securities), previously considered in the portfolio of financial assets available for sale

T.11

(Euro)

	2008	2009	2010	2011	2012	2013E	2014E	2015E
Demand Deposits	127,782,004	175,707,948	146,988,651	174,853,334	138,589,537	145,789,537	152,989,537	160,189,537
Time Deposits	135,769,083	109,993,780	173,924,834	251,279,933	384,936,557	419,849,206	454,761,854	489,674,503
Others	32,938,677	19,283,279	11,271,148	14,434,672	20,304,069	30,456,104	33,501,714	36,851,885
Total Deposits from Clients	**296,489,764**	**304,985,007**	**332,184,633**	**440,567,939**	**543,830,163**	**596,094,846**	**641,253,105**	**686,715,925**
% growth	n.a.	2.9%	8.9%	32.6%	23.4%	9.6%	7.6%	7.1%

Source: Banco BiG

T.12

(Euro)

	2011	2012	2013E	2014E	2015E
Deposits with Central Banks	**238,322,892**	**260,247,778**	**190,247,778**	**129,368,489**	**97,026,367**
% growth	n.a.	9.2%	-26.9%	-32.0%	-25.0%
Repurchase Agreements	**48,895,643**	**6,480,594**	**56,480,594**	**67,776,712**	**71,165,548**
% growth	n.a.	-86.7%	771.5%	20.0%	5.0%

Source: Banco BiG

T.13

	2008	2009	2010	2011	2012	2013E	2014E	2015E
Core Tier 1 Ratio	32.7%	35.7%	36.2%	32.5%	31.9%	30.8%	30.0%	30.3%

Source: Banco BiG

Composition of the Shareholder Base

During 2012, the composition of the shareholder base remained largely unchanged. At year-end 2012, the Bank had 136 registered shareholders. The distribution of common stock remained in line with the prior year and the shareholder base was fairly stable. At 31 December 2011, 60% of the common stock was held by private individuals, including the personal positions of the Bank's Management. The remaining 40% was owned by a number of institutions and foundations. The Bank's largest single stockholder was a private individual holding a position of 11.43%. Of the shareholders of record at 31 December 2012, the largest 6 in aggregate owned slightly more than 50% of the stock, while the largest 8 shareholders, all with positions greater than 2% each, together held a total of 58%. The Bank's Management team represented a combined position of 15% of the capital. The above groupings are indicative, as there are no agreements tying shareholders together (Note 34).

Managing Risk

The Bank is in the business of assuming and managing risk. Policies and practices designed to control these fundamental aspects of our business are discussed in detail in the *RISK MANAGEMENT and INTERNAL CONTROL* section of this Annual Report.

In managing risk across the organization, Management reviews processes on a regular basis so as to ensure that they are well designed, disciplined, independent, objective and quantitative. Our processes of managing risks associated with global markets, lending, processing, technology and general business risks require a comprehensive and integrated system of policies and controls to ensure the integrity of the Bank's business model and to enhance stability and profitability. Underlying these processes and systems, Management stresses a culture of personal responsibility and mutual surveillance in the common interest.

The objective of the Bank is to generate revenues from a number of diversified sources – all of which imply a certain level of risk-taking – while at the same time operating within prudent and reasonable guidelines. These guidelines combine basic, prudential aspects of the banking business, reflect the specific experience of Management, and are updated via regulatory or legislative measures. Regular and frequent internal communication of policies on risk is key. Such communications include, but are not limited to: the Bank's adherence to prudential regulations and capacity to monitor transactions appropriately, our knowledge of clients and understanding of markets, the regulatory environment in which we operate, and our appetite from time to time for certain risks given market conditions. A key factor relates to confidence in our people and reliability of our systems to process operations on a continuous and relatively error-free basis. The process begins with identifying risk, then measuring, controlling and eventually reporting risk internally and externally at appropriate intervals.

During 2012, the level of client trading volumes in regulated and OTC markets stabilized somewhat, even as clients signaled a clear shift away from risk assets or complex products and toward cash and more traditional bank deposits. The

Bank's rate of new client acquisition, meanwhile, rose in a period of heightened uncertainty by depositors regarding the health and safety of the banking industry. Given that banking is about confidence and perception, Management focuses on ensuring that the Bank's processes can survive volatile market conditions, tests these processes regularly, and is attentive that controls and overall internal discipline be appropriate and adequate in the face of unusual events.

Bank-wide, we use a number of techniques to review and analyze the risks to which we are exposed, which include market risks, credit risks, operational risk, reputational risk and political risk. These include a range of stress tests, performed daily, which involve testing scenarios for all major asset classes and portfolios. They include stress testing concepts such as concentration risks, liquidity and funding scenarios, among others, as well as potential changes to the Bank's solvency ratios under unexpected and unlikely conditions. Scenarios are developed by Management and the Bank's Market Risk group, and generally coincide with, or exceed, those recommended by our regulators. Simultaneously, we monitor *value at risk* (*VaR*) and *earnings at risk* in real time throughout the day and use a number of non-statistical limits for market risk. These are inter-linked with basic credit-related measures and operational procedures to ensure over-lapping controls over all significant exposures.

Credit exposures – associated with a larger portfolio of negotiable earning assets – relative to a moderate level of margin lending to clients and transactions with counterparties – have remained stable, while asset quality, as measured by the current and historical level of non-performing assets and credit-at-risk, remains satisfactory. Based on assessments of external credit rating agencies, ratings of Portuguese names and the issues of many European sovereign and banking sector entities have suffered declines during the year. Internal and external ratings are employed to measure levels of expected credit losses and to evaluate positions and their expected evolution. **Credit-related losses, as well as costs associated with operating risks, were again negligible for the year 2012.**

Product design and the technology necessary to support processing, accounting, control and delivery to the end client are essential components of our operating and risk management processes. Both involve senior management at the highest levels to ensure cost-effectiveness, appropriate levels of investment, proper internal controls and adherence to regulatory compliance.

Other Factors that Affect our Business

The Bank manages a number of risks inherent to the banking business. In addition to those risks summarized above, changing economic and political conditions affect the business, which means that political risks such as those that surfaced in 2011 can have an impact on business prospects. Beginning in 2010, the sovereign debt crisis affecting the Eurozone began to expose serious flaws underlying the creation of the single currency, a large divergence in fiscal responsibility and productivity among European countries and the different perceptions of credit worthiness between well-managed and poorly managed economies. In 2011, Portugal featured among the least credit-worthy of the Euro-zone nations, the result of a number of factors, including short-sighted policies of the previous Socialist government, combined with the many structural issues long-ignored by a succession of governments and the economy as a whole. Corrective measures, underlying the financial assistance package provided by the *troika* of the IMF/European Union/ECB have led, necessarily, to an environment of negative growth, higher taxes, lower business opportunities and a dramatic shift in the market's perception of the credit risk of the country and its economic components. During 2012, the perception of the Portuguese State's risk improved, but underlying structural changes to the economy are still far from being executed.

Banco de Investimento Global is neither currently rated nor dependent on wholesale, external financial markets. Nevertheless, successive downgrades by international ratings agencies of the Republic and the wrenching effects of the Economic Adjustment Program are taking their toll on growth, employment and investor confidence. These events affect our business directly. The view by global financial markets of Portugal's country rating, its economic prospects and the banking sector as a whole, affect the openness of counterparties to do business of any kind in a non-investment grade country, irrespective of the economic fundamentals of individual banks located in that country. Large Portuguese banks, dependent on external markets to fund parts of their asset bases, have had to deal with limited access to wholesale financing since early 2010. This factor, combined with domestic weakness and private-sector indebtedness, has redefined, abruptly, the market's view of credit risk, credit spreads and the cost of funding by banks.

Additionally, the migration of quality personnel to more attractive, competitive markets, combined with tighter regulation and higher taxation applied specifically to the banking sector, may affect our business if it becomes more difficult to retain staff and reward performance and merit, relative to other sectors of the economy, or relative to other markets.

In this environment, we expect the composition of assets and revenues to vary over time as the Bank mobilizes capital, invests in new businesses and in new markets. Typically, expected returns from higher, initial investments in our retail platform take longer to be realized, but also tend to be more predictable returns over a longer period than those associated with wholesale operations or market trading, which can be more significant, but non-recurring. BiG focuses on specific product lines for retail and wholesale client segments, and some of the businesses are highly correlated to the performance of the financial markets and our ability to anticipate or react to movements and opportunities. A key factor in how we invest in our business or in the markets is our focus on earnings at risk and our expected timing for results to materialize.

Business Outlook for 2013

In 2012, the Eurozone sovereign debt crisis evolved from critical to chronic in nature. Doubts about the capacity or willingness of Europe's political leadership to cope with the problems have receded somewhat, as have the market-implied probabilities of a break-up of the single currency. A return to relative stability in markets began with ECB President Mario Draghi's commitment to the euro during the summer of 2012, followed by Barack Obama's reelection in the United States. By year-end, markets seemed to be making at least temporary re-assessments of risks, to the upside, globally.

As we enter 2013, we believe that markets will focus on such issues as: the need to manage through tepid and uncertain or uneven growth, recession in Europe, concerns about the debt ceiling and budget deficits in the U.S., the effects of global austerity, and after-effects of unprecedented monetary easing by central banks in the world's major economies.

In peripheral economies generally and in Portugal, specifically, we expect sovereign debt to remain under pressure. While progress is being made on re-establishing some credibility at the European level, Portugal should remain below investment grade into the foreseeable future. The banking sector has been weakened, notwithstanding obligatory capital raising and exceptional access to special funding conditions in some cases. The country's corporate sector is generally over-indebted, economic growth is negative and unemployment is growing. The structure of the economy, with its excessive state-orientation, will be slow to change. In addition, high financing costs, suffocating taxes and a divisive political environment should be less than conducive to investment, gains in employment, or wealth-creation in the near term.

The key risks for the coming year include (i) internal pressure on the Government to slow the pace of reform, (ii) the still-deteriorating loan books of major banks, associated with the effects of austerity, a declining housing market and many years of poor management practices, (iii) the effects of higher unemployment and labor inequalities and (iv) the impact of disappointing global growth. For growth to accelerate in any kind of sustained manner, the State needs to reduce its direct and indirect management of the economy in an equally sustained manner, reforms need to continue, and budgets have to be placed eventually under control.

In nearly all aspects, Management expects the business climate in Portugal to be highly challenging for 2013. The recession in Portugal should be severe and a combination of political, regulatory and accounting issues will weigh heavily on the commercial banking sector, which in general has less room to maneuver, as a result of past policies on growth, balance sheet/capital management leading up to the crisis and close scrutiny by the *troika*.

In the domestic market, the immediate reality features: strict supervision by the *troika* for the foreseeable future, continued austerity, negative growth, growing unemployment, high taxes and the maintenance of high interest rates as banks – a large percentage of which now have the State as a partner – continue to deleverage, seek funding and maintain capital requirements at satisfactory levels. Political uncertainty in the markets should continue as short term needs and market demands clash with longer term agendas on structural reform and the commitment and willingness of the political, public and private sectors to meet the expectations of the country's creditors.

For 2013, as in prior years, Management expects to focus on quality and liquidity of the Bank's asset mix, on growth in the specialized retail segment, on expense control and on the management of regulatory and statutory capital. The objectives will be (i) to maximize the Bank's flexibility in a still uncertain environment and (ii) to continue the focus on excess levels of liquidity, high levels of solvency, sound asset quality and selective growth. Investments in the retail business will continue to be a priority. Profitability should be moderate in relation to the Bank's record year in 2012. This depends on a gradually improving market outlook and the extent to which Portugal's various economic agents – public and private sector – continue to respond positively to the need for profound structural changes in the economy.

OUR BUSINESS AND ORGANIZATION

Objectives

The Bank's objectives are to provide efficient and competitive financial services to our clients and to create long-term value for our shareholders. We seek sustained growth and a balance between investment for the medium term and expected returns in the short term.

Management believes that these goals are best achieved with an efficient and clearly understandable corporate and internal operating structure, built around talented people, well-designed processes and reliable technology. Together, the components serve to maximize operating efficiency and help to maintain a competitive cost structure designed to benefit the end client and our shareholders. They are also essential to maintaining tight controls over market, credit and operating risks to which any financial institution is exposed. At the same time, the organizational structure is sufficiently flexible to permit changes, which result of periodic analysis of the quantitative performances of our businesses.

Banco de Investimento Global

↓ 34,76%
OneTier Partners, SGPS, S.A.
Business: Equity Stakes
Common stock: € 16,000,000

↓ 100%
OneTier Partners, SCR, S.A.
Business: Private Equity
Common stock: € 750,000

↓ 100%
BiG Serviços Financeiros, S.A.
Business: Bank real estate management and Financial Advisory
Common stock: € 150,000

Legal Structure and Corporate Bodies

BiG's corporate structure is headed by the Bank. At year-end, the Bank held participations in two subsidiaries: (i) a 34.76% stake in ONETIER Partners, SGPS, S.A., which in turn held 100% of the capital of ONETIER Partners, Sociedade de Capital de Risco, S.A., which manages equity investments, and (ii) 100% ownership of BiG Serviços Financeiros, S.A., which manages the Bank's real estate and performs financial advisory.

The Bank's model of retail distribution focuses on a proprietary internet-based platform, www.big.pt, and featured fully--integrated sales teams located in 14 offices (of which 13 were open at year-end 2012): Lisbon (3), Porto (2), Braga, Maia, Coimbra, Leiria, Évora, Carnaxide, Viseu, Aveiro and Estoril. We believe that the specialized nature of our retail business will justify the expansion to approximately 20 branch offices over time, as market conditions improve. Wholesale clients are served by teams located in Lisbon and Porto.

The Bank does not operate offshore banking entities or Special Purpose Vehicles (SPVs) of any kind as part of its business model.

Properties occupied by the Bank are either leased or directly owned by the Bank. In October 2009, the Bank moved into its new head office building at Av. 24 de Julho in Lisbon, which had been under construction since September 2007. The property is owned directly by the Bank. The bank's IT infrastructure is housed at a secure location in suburban Lisbon and a redundant back-up site is located in Porto.

The Bank's retail brand, *bigonline,* refers to an internet investment service managed exclusively by BiG and has no separate legal identity. The complementary brand *Banco BiG* is also used with our mass--market approach to retail banking via our physical branches, supported by the online platform.

Internal Organization around Business Segments

The bank organizes its product, sales, investment, processing and control areas around three key businesses: (i) *Specialized Retail*, (ii) *Wholesale clients,* combining Corporate and Institutional clients, and (iii) *Treasury and Capital Markets.* Revenues from each area may vary as a percentage to total revenues, as market conditions change and opportunities arise. These are discussed in further detail in *RESULTS OF OPERATIONS.*

Specialized Retail

Banco BiG serves a wide range of individual clients with varying needs and expectations with an integrated multi-channel approach, backed by a proprietary banking and trading platform plus a growing network of sales offices in the country's key geographic markets. The combination of internet-based platforms, specialized sales teams and financial advisors help clients execute banking transactions, manage their savings and invest through a variety of the world's most important regulated markets. This business provides

T.14 (Euro 000)

Operating Revenues by Business Segment	2012	2011	*Var (%)*	2010
Specialized Retail	11,913	11,365	4.8%	11,321
Wholesale Clients	3,261	4,475	-27.1%	4,220
Treasury and Capital Markets	48,684	-10,029	589.5%	21,794

banking services and solutions for clients ranging from the self-directed client, to clients seeking assisted investing, to the wealth management client requiring tailor-made solutions and preservation of capital.

Wholesale Clients

For institutional investors and middle market to large corporations, the Bank's professionals from a number of product areas design specific financial solutions, execute trading and investment strategies and help clients to manage their risks. The broad range of services we offer includes trading in regulated markets, structuring over the counter products, managing assets, covering market risks and Corporate Finance advisory services.

Treasury and Capital Markets

In spite of a difficult year in 2011, this business is central to the Bank's culture of managing and understanding market risks and focuses on liquidity and balance sheet management. The area focuses on the Bank's investment portfolio, provides expertise and information for internal consumption on markets, covers the market risk component of solutions sold to clients, is active in product design for both retail and wholesale customers and manages the treasury and risk positions of the Bank.

Common to all of our businesses, which offer a broad range of financial services and access to global markets, is a culture that emphasizes a transparent and professional approach to advising, executing and building long-term business relationships with our clients.

Corporate Governance

The logic of the Bank's internal organization is a function of Management's desire to maintain simplicity, transparency and reasonable operating control over the business. This philosophy encourages the efficient use of resources and a clear distribution of responsibility as to how these resources are used. Banco BiG, although not a listed firm, nevertheless seeks to follow, and in general complies with, recommendations of the OECD (OECD Principles of Corporate Governance – 2004) and the Portuguese Corporate Governance Code issued by the CMVM (*Código de Governo das Sociedades da CMVM – 7/2007*) to the extent that they are practical and commensurate with the Bank's size.

Voting Rights

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

External Advisors

The independent auditors of the Bank and subsidiaries are *KPMG*. The Bank has a policy of rotating auditors periodically, and conducts reviews for this purpose every 8 years. It is the Bank policy to have independent external audit and tax functions. *Deloitte* is the Bank's tax advisor. The Bank retains the firm of *J. A. Pinto Ribeiro & Associados* as its main external legal advisor.

Internal Oversight

Functional management responsibilities lie with the six members of the Bank's Board, all of whom are executive, and to whom various heads of trading, front and back office report. Oversight functions for *Accounting, Internal Audit, Internal Control and Compliance* and the management of risks associated with *Markets, Credit, Technology and Operations* report directly to designated members of the Board. In addition to oversight functions by area, the Bank has an *All Risks Committee*, supervised by a Senior Risk Officer, which meets regularly with the Chief Operating Officer to enhance bank-wide understanding of control-related priorities, current regulations, and systems and procedures. The Bank also has a *Compliance Committee,* comprising members of the Board and the Head of Compliance, whose function is to analyze sensitive topics and issues related to internal control and regulatory adherence.

People

The profile of the Bank's staff and policies concerning their recruitment, training and development is consistent with prior years. During 2012, the average age of BiG's staff was 34 years and 80% of the Bank's staff held university degrees.

For 2012, the average number of directly affiliated staff, excluding Management was 166, compared to 160 during 2011 and 148 for 2010. During 2013, we expect a gradual net increase in headcount in primarily the sales and product areas.

As in prior years, Management believes that building an internal culture is a primary concern of the top leadership of the Bank, and assumes a direct role in the recruitment, training and career development of our people. We see their development as a key investment and we look for and reward talent at early stages. As a rule, we invite diversity but not in our core values. These include academic excellence, a sense of commitment, team work, energy, innovation, respect for others and above all, integrity.

Our Business Standards

BiG is run by experienced professionals who have a relevant stake in the organization's capital alongside other shareholders, many of which are also co-founders of the Bank. Management believes that internal governance begins with a simple organizational structure and clearly defined lines of responsibility for corporate

BiG's Statutory Supervisory Bodies	
General Assembly	Chaired by a President and Secretary, elected by shareholders for four year terms. Responsibilities include presiding over annual and extraordinary meetings of the Bank's shareholders.
Advisory Board	Composed currently of 15 individuals, in the main shareholders of BiG, whose members and whose President are invited by the Chairman of the Board of Directors, who also has a seat on the Advisory Board as does the Vice Chairman / COO. The Advisory Board meets on average three times per year and to discuss strategy and recommendations. The decisions of the Advisory Board are not formally binding on the internal Board of Directors.
Board of Directors	Consisted at year end of six executive members, who manage the Bank directly on a day-to-day basis. Elected to four year terms, all members are experienced bank executives. While chosen based on their relevant experience, each is also a minority shareholder on an individual basis, independent of any specific shareholder interest. As all board members are executive ("sistema monista"), there is not a separate Executive Committee and the roles of Chairman and CEO rest with the same individual. The Board includes a Vice Chairman/COO.
Fiscal Board + CPA	Consisting of three independent individuals elected for four year terms, this body reports directly to the shareholders. Responsibilities include periodic review of independent audits of the accounts in accordance with international accounting policies and standards. An independent CPA firm also provides an opinion of the accounts.
Compensation Committee	Consisting of three independent individuals elected for four year terms, this body reports directly to the shareholders. Compensation for the Board of Directors and Fiscal Board is determined periodically by this Committee. Responsibilities include the periodic review of compensation policies.

bodies, Management and staff. There are no binding agreements between shareholder groups, and our business model is deliberately transparent, as are our relations with clients, regulators and the public. We do not favor complex organizational charts or opaque corporate structures. Since the Bank's creation, both Management and Shareholders have sought to align their interests in a sensible manner, while striving to ensure an appropriate separation between those that own and guide, on the one hand, and those who manage professionally and take day-to-day responsibility on the other. We believe that ownership and long term incentives through stock and options programs are important to maintaining this balance and have worked with shareholders to put this into practice long before regulators began to recommend along these lines.

Management believes that an effective system of governance for any organization relies on its underlying culture and the integrity of its people. The nature and extent of our disclosure of information also reflect a fundamental aspect of our internal culture and value proposition. In our relations with shareholders, clients, regulators and counterparties, we make it a point to communicate in a deliberately detailed manner not only what our business model is, but how it functions. This extends to reporting in a detailed manner the fundamental aspects of our main business, which is assuming and managing risk for profit. Internally, the culture of the Bank stresses the exercise of corporate governance as a daily one in responsibility and accountability for each individual, team and business line. It is a concept that begins with the Executive Board and internal supervisory committees and operates and extends throughout the organization.

Because we operate in an increasingly complex, regulated environment, Management and individual responsibilities encompass an understanding of the organization's code of ethics, internal training on procedures, management information, policies and practices. These are designed to identify and manage risks and independent oversight functions to ensure adherence to internal and external regulations. At all times, we focus on ensuring sound operating controls, encourage regulations that lead to greater responsibility and transparency in competitive practices and accept scrutiny of our business model. In the process, Management focuses at least as much time managing risks and building a culture of responsibility as we spend generating new business opportunities.

Compliance

As a banking and securities business competing with both domestic and global providers of financial services, respect for regulations and for the welfare of our clients is central to our business model. Compliance is both a key function within the bank and an integral part of the internal culture.

In this regard, Management views compliance as more than adherence to the law, evolving regulation or prevailing "market practices," inasmuch as time may alter views on acceptable behavior. We select staff as much for their values as for their capacities and experience and seek to make transparency, respect for regulations and responsible behavior competitive selling points for the Bank in dealing with clients.

The Bank's Compliance area is responsible for (i) ensuring respect for applicable legal and regulatory requirements, including approved terms and standards of internal codes of conduct, (ii) promoting an environment of control and transparency in the organizational structure that is commensurate with the complexity of services offered and the size of the institution, (iii) monitoring the adequacy and efficiency of controls associated with banking risks, and, (iv) protecting the reputation of the Bank.

With respect to anti-money laundering and risks associated with financing of terrorism, the Bank's compliance function is responsible for controlling and detecting suspicious transactions and for monitoring the execution of duties in accordance with current legislation regarding the opening of bank accounts and "know your client" rules. This area centralizes reporting of, and interaction with law enforcement and supervisory entities, with respect to investigation and analysis of suspicious processes and transactions.

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

The Bank's systems of internal control is based on a strong culture of compliance with legislation and rules that govern banking activity, combined with clear internal procedures and policies concerning contractual obligations, personal conduct and relations with clients. Together these systems and procedures seek to reduce the risk of financial loss associated with potential legal sanctions, limitations on business and expansion, non-enforcement of contracts and impairment of reputation deriving from non-compliance.

In terms of Governance, the Board of Directors is responsible for the supervision and management of compliance risk.

The Bank uses a risk-based approach to prevent money laundering and to combat the financing of terrorism, with a focus on operations with higher degrees of risk, with specific attention to:

- Geographic Risk;
- Sectorial Risk (Industry);
- Corporate Risk (for legal entities); and
- PEP's Risk (Political Exposed Persons).

In this context, compliance risk management aims to ensure:

- Identification (and possible anticipation) of events with business impact;
- Regular assessment of the impact on the organization of legal or regulatory changes;
- Monitoring compliance with internal and external rules;
- Alignment with the Bank's strategy.

Regulation

Banco de Investimento Global, S.A. is an institution registered with and supervised by the Bank of Portugal and the *Comissão do Mercado de Valores Mobiliários* (CMVM), the two main bodies responsible for supervising financial activities in Portugal.

Over the past several years, the impact of the steady growth in regulation has been an important theme in the market and we believe that the effects will be felt over time on all of the Bank's business lines.

We work constructively with regulators and support those measures that protect the interests of clients and seek to reduce abusive practices in the marketplace, which will have the effect of leveling the playing field and increasing transparency among the competition, and which have always been part of the Bank's business model. Increasing regulation affects how we deal with our clients, often in a generally productive way. At the same time, it has an impact on the Bank's technology infrastructure, legal documentation, compliance areas and the costs of introducing and monitoring new regulation. These are rising and are expected to continue to rise, as is the uncertainty as to where EU financial regulation may be heading. Specific uncertainties likely to impact our business include such themes as minimum capital requirements, calculations of liquidity ratios, the nature of an European financial union, proposals to separate certain investment banking and commercial banking activities, and the somewhat related issue of an European-wide financial transaction tax.

Banco de Portugal

Date of Special Registry with the Bank of Portugal: February 5, 1999 / under Code Number 61.

www.bportugal.pt

CMVM

Date of CMVM Authorization: March 8, 1999 / under Registry Number 263.

www.cmvm.pt

As a consequence of Decree Law nº 144/2006 of 31 July, which transposed Directive nº 2002/92/CE of the European Parliament and of the Council, as of 9 December, with respect to insurance intermediation, BiG registered with the *Instituto de Seguros de Portugal* as an adjunct insurance intermediator.

Business Continuity and Information Security

We work to ensure that our business is able to operate under the most extenuating circumstances and that our procedures, risk management and internal controls, information and systems are secure and reliable. These complex issues require regular attention, review and upgrades as the Bank grows and as market conditions and the regulatory environment changes. Our ICAAP (Internal Capital Adequacy Assessment Process) and daily controls on risks address our ability to ensure the sustainability of the Bank on a financial basis.

With respect to operational risk, the Bank takes a twofold approach to the implementation of an effective Business Continuity Plan: the continuity of operations of its head office and the continuity of operations of its main datacenter. The latter has been in place for several years with the on-line replication of critical data between the main data center near Lisbon and the Business Continuity site in Porto. In order to ensure continuity of head office operations in the most transparent and cost effective manner possible, the Bank's recovery scenario is based on its two largest branch sites, which have been equipped to accommodate critically essential personnel in the event of an emergency. Tests are then made involving the Bank's different departments, to test the feasibility of remote and seamless operation from these sites.

Events Since Year End 2012

- In Q1 2012, the Bank opened its 14th retail office, located on Rotunda da Boavista in Porto;
- In January 2013, the Bank sold the remaining part of the Greek sovereign debt it held in portfolio, thus reducing exposure to Greece to zero;
- Based on buoyant markets for fixed income products and the nature of the Bank's investment portfolio, BiG's operating revenues for the Q1 2013 are ahead of plan and are expected to exceed revenues for the similar period in 2012.

ANALYSIS: RESULTS OF OPERATIONS FOR 2012

T.15

Macroeconomic Indicators (%)	2011	GDP 2012	2013E	2011	GDP 2012	2013E
U.S.	1.8	2.3	2.0	3.1	2.0	1.8
Euro Zone	1.4	-0.4	-0.2	2.7	2.3	1.6
Portugal	-1.5	-3.2	-1.9	3.6	2.8	0.9
Middle East & Northern Africa	3.5	5.2	3.4	9.7	10.4	9.1
Emerging Asia	8.0	6.6	7.1	6.5	5.0	4.9
South America	4.5	3.0	3.6	6.6	6.0	5.9
World	**3.9**	**3.2**	**3.5**	**4.9**	**4.0**	**3.7**

Source: IMF, Bank of Portugal

Global Economy

The past year featured some decisive developments associated with the sovereign debt crisis in Europe, rising concerns about the budget deficit and potential effects of a "fiscal cliff" in the United States, and relevant moves toward further quantitative easing (QE) by major central banks. As in recente years, international politics dominated attentions, with emphasis on French and U.S. Presidential elections.

According to the IMF, world economic growth will have reached 3.2% in 2012, which reflects the impact of recession in Europe and more moderate growth in the emerging markets, particular in Asia (+6.6%) and Latin America (+3%).

In western economies, accelerated growth in the United States contrasted with the recessionary environment in Europe. The U.S. economy seems to have been assisted by both conventional and non-conventional monetary stimuli, including the announced extension of Operation Twist (until the end of 2012) and a new round of QE (Quantitative Easing) to the tune of $85 billion per month. Improvements in the U.S. real estate market and a gradual decline in the rate of unemployment seems to have mitigated any uncertainty caused by negotiations around automatic budget cuts in early 2013. Meanwhile, European growth was moderately negative, reflecting contagion to stronger economies of the effects of the deep recessions in peripheral Europe, even as improvements in the management of the debt crisis have been substantial. The completion of the first phase of Greek PSI (private sector involvement), finalized in March of 2012, and a later bailout of the Spanish Banking sector, combined with assistance to a number of Spanish Regions by the central government, exacerbated fears about a further deterioration of the dynamics in Europe. Action by the ECB (European Central Bank) at the beginning of the year, with implementation of a second phase of liquidity injections in the banking system via LTRO (Long Term Refinancing Operations) provided up to € 530 billion in liquidity arrangements for European banks at favorable rates. This program, combined with the announced OMT (Outright Monetary Transactions) resulted in a significantly improved level of confidence in the financial sector and in sovereign debt. In addition, the ESM (European Stability Mechanism) and plans for a Banking Union by 2014 improved confidence in the Euro. At the level of individual country budgets, a collective effort to correct chronic deficits continued, although at the expense of growth, particularly in those economies under adjustment programs, and Europe seems committed to meeting structural deficit targets over the medium term. Deadlines to reach such levels were eased for Portugal, Spain and Italy, while Greece reached agreement on reducing the tenor and pricing of its bilateral loan agreements.

A reduction of perceived risks in the Eurozone affected (i) spreads over Bunds of sovereign debt, which declined substantially in peripheral countries, (ii) compression in yields of corporate debt across Europe, (iii) a diversity of returns in equity markets, depending on the Exchange: DAX (+30%), S&P (+14%), (iv) lower volatility in commodities due to slower economic growth globally, and (v) an unchanged EUR/USD cross year on year, inspite of volatility during the year.

Portugal

At the national level, 2012 was somewhat more stable politically than the prior year. The coalition government proceeded with complying with the Memorandum of Understanding (MOU) agreed with international parties in 2011, implying moves to contain expenses and to raise taxes, which aggravated economic conditions domestically.

The financial sector continued to de-leverage as defined by the MOU, with the aim of reaching a level of loans/deposits of less than 120% by 2014. In addition, several banks were required to raise capital, either in the market or via agreeement with regulator authorities, in order to comply with a required minimum Core Tier 1 ratio of 10% by the end of 2012.

Perspective on growth and levels of employment continue under pressure as a result of austerity measures in force. According to INE (*Instituto Nacional de Estatísticas*) Portugal's gross domestic product declined 3.2% in 2012, with the Bank of Portugal anticipating a further drop of 1.6% for 2013. Private and public consumption are expected to have declined 3.6% and 2.4%, respectively. Investment is expected to have declined by 15% in 2012, while unemployment reached an historic level of 16.% in December 2012 with no turnaround expected over the short term. On exports were positive and may contribute to a lower than expected negative rate of growth in 2013.

By year end, the public deficit stood at 6.6%, which reflected Eurostat's reversal of gains from concession of *ANA Aeroportos* and the reclassification of other operations with negative impact on the budget, among which the recapitalization of the state-held *Caixa Geral de Depósitos* (€ 700 million) and recognition of imparities in vehicles inherited from the failed *BPN* (€ 750 million). The revised deficit received the agreement of the *troika* and compared with 7.1% at year end 2011.

As agreed with the country's creditors, some flexibility on targets should lead to a budget deficit of 5.5% in 2013, with the goal of reaching 3% put off until 2015. Public Debt/GDP is expected to stabilize at around 123% of GDP during 2013.

Detailed Results and Financial Condition for 2012

Banco de Investimento Global, S.A. earned Net Income of € 32.2 million, or € 0.309 per share, for the full-year 2012 on record Net Operating Revenue of € 80.3 million. Return on Average Equity for the year was 26.9%. These results compare with Net Income for 2011 of € 2.5 million, or € 0.026 per share, on € 33.2 million in Net Operating Revenue and Return on Average Equity of 2.9% for the year.

The higher results for 2012 were driven by a combination of: (i) a small decline in net interest margin and commissions, (ii) significantly higher results from investing and credit activities, (iii) higher salary and administrative expenses, (iv) much lower imparities in the securities portfolio and (v) substantially higher taxes.

Net Interest Margin was € 18.7 million in 2012. The Bank's gross interest revenues rose on a larger average inventory of earning assets, but funding costs also rose, resulting in a 5% decline in net interest margin for the full year 2012, versus € 19.8 million for the prior year. The decline in net interest margin was the first such decline in five years and was due to the extraordinary events and opportunities in the liquid credit markets for peripheral sovereign debt and other related asset classes. The Bank managed actively its liquid portfolio of securities as a function of the rapidly changing perspectives on risk during the year. To a large the extent, any gains not recognized in the interest margin category of revenues were more than offset by realized gains on the sale, and substituted with other assets, of portions of the Bank's credit portfolio. Funding costs rose because of the Bank's focus on higher levels of retail deposits, which are more stable, but also more expensive than alternatives. Overall, Management chose to limit the growth of the balance sheet to rises in the client deposit base and capital funds and to contain the use of more inexpensive funding from the ECB or EUREX repo. Net interest margin represented 23% of total net revenues in 2012, as compared to 60% in 2011 and 32% in 2010.

Net commissions were € 6.8 million in 2012 as compared to € 9.0 million for 2011. The decrease reflected a 5% decline in gross commissions combined with higher commissions paid. Overall brokerage commissions held up fairly well considering the significant decline in market volumes during most of the year, as clients generally reduced their exposures to riskier classes of assets in favor of cash, time deposits and the historic opportunities available in fixed income instruments by issuers in Europe´s periphery, particularly during the first part of the year. Of total commissions, 65% were derived from trading activities by clients in equities and other products, such as futures, warrants, foreign exchange and contracts for difference, largely transacted via the bank's secure, online trading platforms. This proportion was in line with prior years. Fees from asset management products were 13% of the total, while banking services also generated 13% of the total. Fees from Corporate Finance/Private Equity activities represented 9% of total commissions, unchanged from 2011. The contribution of net commissions from the combined retail and wholesale client segments in 2012 declined on lower overall activity and because of the substantial overall increase in net operating revenues.

Net Revenues from *Treasury and Capital Markets* rose to € 48.7 million in 2012, as compared with a negative result of € 10 million in 2011. This was the result of active management of investing and credit activities through the Bank's available-for-sale portfolio, and to a lesser extent, because of trading of fixed income and other financial instruments in a more favorable environment. Following the chaotic market conditions of 2011, which saw: (i) the need for Portugal to follow Greece and Ireland in requiring a financial assistance package from the *troika* of IMF/EU/ECB, (ii) a change in government and implementation of austerity in the midst of successive downgrades of the Republic, corporate and banking sectors, (iii) the absence of external credit lines to the banking sector, which has been dependent on ECB lending to make up the difference, (iv) historic, forced write-downs of Greek sovereign debt, and (v) the related, unprecedented political and macro-economic implications, the year 2012 brought an entirely different set of challenges and opportunities. In fact, much of the banking sector in Europe benefitted from the same trend. For the year, this area's contribution to income represented 66% of the total in 2012 versus just 8% in 2011. This compares to 46% in 2010 and 45% in 2009.

The extraordinary events of the past few years – beginning with the U.S. sub-prime crisis, which triggered a massive shift in perspectives on credit risk globally – have

T.16 (Euro)

Revenues	2012	2011	Var %	2010
Interest Income	39,199,855	34,406,853	13.9%	24,075,341
Interest Expense	-20,465,768	-14,623,666	39.9%	-7,549,684
Net Interest Margin	**18,734,087**	**19,783,187**	**-5.3%**	**16,525,657**
Income from Capital Instruments	1,576,839	1,473,849	7.0%	1,360,493
Income from Services and Commissions	9,844,788	10,382,730	-5.2%	11,485,475
Expense Associated with Services and Commissions	-3,054,980	-1,380,701	121.3%	-2,786,197
Income from Market Trading	11,440,959	-235,576	-4,956.6%	3,632,089
Income from Financial Assets Held for Sale	36,685,156	1,442,375	2,443.4%	16,824,264
Income from Exchange Revaluation	876,704	1,560,506	-43.8%	1,241,544
Income from the Sale of Other Assets	4,252,138	-135,230	-3,244.4%	4,393,654
Other Income	-28,178	285,387	-109.9%	-622,954
Net Operating Income	**80,327,514**	**33,176,527**	**142.1%**	**52,054,025**

created opportunities for both gain and loss and have tested investor confidence severely. In general, while investor confidence has improved during 2012 and into early 2013, underlying economic fundamentals require a longer period of adjustment, and growth is unlikely to return before over-indebted economies de-leverage and re-structure. As a result, Management anticipates continued volatility surrounding the pricing of earning assets and funding through at least 2013. In 2012, economic growth globally was uneven. While equity markets globally tended to anticipate an improved outlook, Portugal specifically continues in deep recession and retail investors are likely to focus on more stable earning assets while dealing with the effects of austerity measures in full swing.

On the revenue side, the Bank continues to emphasize executing retail and wholesale trades, commission-based advisory services, assets under supervision, savings products, and balance sheet management with a focus on sound asset quality and excess liquidity.

Total tax-deductible costs include operating costs, provisions and imparities.

For 2012, total expenses, including imparities and provisions, were € 31.8 million, or 7% higher than in 2011. Net operating expenses, or transformation costs net of imparities and provisions – i.e. *compensation expenses, general administrative expenses and depreciation/amortization* – rose on higher compensation and general administrative expenses in a year when the Bank tended to invest more to support a higher level of revenues generated. When measured against revenues generated, the Bank's efficiency improved substantially year on year, from 48% in 2011 to 31% in 2012.

In general, excluding imparities, Management maintains operating expenses fairly correlated with the growth and decline in revenues for a given year. The Bank exercises versatility with respect to the asset side of the balance sheet, has a holistic approach to managing risks and operates with a unique retail strategy, which is supported by a light operating structure and geared toward scalable processing. The mind-set with respect to use of capital and the management of risk is a key to managing the expense base.

Compensation, traditionally the Bank's largest single operating expense category, represented 66% of net operating expenses in 2012, as compared to 55% in 2011 – when the Bank reduced salary expenses by 30% overall – and against 62% in 2010. The rise reflected an increase in headcount, incentive payments to commission-based sales areas, the payment of an extraordinary additional month of salary to all staff (excluding Management) to offset deteriorating

T.17 (Euro)

Expenses	2012	2011	Var %	2010
Compensation Expenses	-15,192,007	-8,837,318	71.9%	-12,556,069
General Administrative Expenses	-6,130,922	-5,568,518	10.1%	-6,019,658
Depreciation and Amortization	-1,314,991	-1,495,072	-12.0%	-1,607,394
Net Provisions	-2,892,714	150,258	-2,025.2%	-7,670
Imparity of Credits Net of Reversals and Recoveries	-16,378	-170,162	-90.4%	4,941
Imparity of Other Financial Assets Net of Reversals and Recoveries	-5,736,787	-14,134,976	-59.4%	-5,737,395
Imparity of Other Assets Net of Reversals and Recoveries	-541,246	318,411	-270.0%	-18,477
Total Costs	**-31,825,045**	**-29,737,377**	**7.0%**	**-25,941,722**

economic conditions, the attribution at year end of unit linked insurance instruments to certain staff in order to foment long term savings, adjustments to the salaries of Management who had taken voluntary cuts of up to 57% in the prior year, and the re-introduction of limited variable payments, which were zero in 2011, within the laws and regulations applicable to the banking sector.

Management strives to maintain a sensible and deliberately flexible structure of fixed/variable remuneration that is linked strongly to the Bank's performance in a given year. *Overall, compensation represented 19% of Total Net Revenues in 2012, the lowest percentage in the Bank's history, and as compared to 27% in 2011 and 24% in 2010.* As a percentage of total expenses, compensation was 48% in 2012, 30% in 2011, 48% in 2010, 53% in 2009, 55% in 2008 and 66% in 2007. In absolute terms, compensation expense in 2012 was 15% higher than in 2007, while average headcount for the same five-year period, excluding Management, has risen from 115 to 166, or 44%.

Besides compensation-related expenses, dominant operating expense categories include (i) administrative costs, which are closely linked to headcount, and rose 13%, and (ii) management of investments in the Bank's physical offices and technology systems, which was declined by 12%. Imparities of financial assets, which on a management basis, are netted with revenues from the respective business areas, dropped substantially when compared to 2011, when an one time, 65% write down made against Greek government bonds and other imparities associated with Portuguese variable rate securities in 2011 affected results.

Administrative expenses include communications, information services, publicity, license fees, arrangements with stock exchanges and related suppliers, occupancy and other expenses related to the normal functioning of the Bank. They tend to be correlated closely with growth in personnel or associated with specific investments and rose 10% to € 6.1 million. Management expects to contain this category to near zero growth for 2013.

Amortization expenses at BiG are related principally to real estate occupied by the Bank, investments in hardware and other equipment and initial license fees associated with software agreements. The portion associated with premises includes the head office building and investments in and improvements to the Bank's growing branch and ATM network. The Bank regularly invests in its IT infrastructure to ensure quality execution, state of the art security and appropriate redundancy. We invest in outside IT solutions and equipment to support our infrastructure and also have dedicated resources to managing the infrastructure with in-house solutions. In 2012, amortization expenses declined for the second year in a row, by 12% to € 1.3 million. This expense category represented 4% of total Expenses in 2012, versus 5% in 2011 and 6% in 2010.

Imparities in Financial Assets declined substantially, from € 14.1 million in 2011 to € 5.7 million in 2012, and are largely an expense associated with the Bank's market-related activities. This amount included the remainder of the Bank's exposure to Greece, which was sold at a gain in early 2013, and certain variable rate securities held for investment due to their high dividend yield.

Pre-tax income was € 48.5 million in 2012 versus € 3.5 million in 2011 and € 26.4 million in 2010. Improved profitability offset higher expenses and also resulted in substantially higher taxes for the year. Current taxes rose in absolute terms. The Bank's tax rate increased from 22.7% in 2010 to 29% in 2011 and again to 33.7% in 2012, the result of emergency tax rises and special taxes on the banking sector. By comparison, the Bank's effective tax rate was 16.8% in 2009 and 27% in 2008.

Balance Sheet Analysis

Total Net Assets at year-end 2012 were just over € 1.0 billion, or 24% higher than at the prior year-end. Earning Assets at 31 December 2012 were € 981 million, or approximately 30% higher than the € 755 million at year-end 2011.

Deposits with banks declined as opportunities to acquire higher yielding assets offering better credit risks improved. Loans grew mainly because of residential mortgage-backed securities (RMBS) classified as loans. Excluding RMBS classified as loans, this category declined to about 4% of earning assets. This portion of the Bank's relatively small loan book represents mainly margin accounts to retail clients, which are short term in nature

T.18 (Euro)

Results and Taxation	2012	2011	Var %	2010
Operating Results	**48,502,469**	**3,439,150**	**1,310.3%**	**26,112,303**
Results of Subsidiaries	23,371	87,565	-73.3%	292,136
Income Before Tax and Minority Interests	**48,525,840**	**3,526,715**	**1,276.0%**	**26,404,439**
Current Taxes	-16,385,895	-909,833	1,701.0%	-5,824,683
Deferred Taxes	26,581	-111,287	-123.9%	-119,866
Net Income	**32,166,525**	**2,505,595**	**1,183.8%**	**20,459,890**

and structured to be self-liquidating in stressful conditions and were fully collateralized by liquid securities. At year-end 2012, essentially all of loan assets in this class were fully collateralized and are, therefore, low risk. Loans of this nature to clients tend to grow with a rising market and to decline in periods of stress, as has been the case since 2011. The Available for sale portfolio (AFS) grew because of opportunities in a number of classes of fixed income securities. AFS represented 72% of total earning assets at 31/12/2012, up from 67% on the same date the prior year, and included sovereign, covered and senior debt instruments. Factors that may affect the size of the portfolio include the opportunities for creating either margin or investment revenue during the year. The Bank does not hold securities to maturity since liquidating a portfolio at a gain in early 2010.

Main sources of funding were client deposits, funding via sale/repurchase agreements with the ECB at favorable rates, and other market participants, and shareholders capital. Client deposits are mainly retail in nature and rose 23% to € 544 million, after increasing 33% in 2011. Management has reduced, gradually and on a net basis, deposits taken from the ECB, in spite of the more attractive rates over the short term. Deposits taken from other banks are mainly repurchase agreements with EUREX REPO, which the bank joined as clearing member during 2011.

Shareholder Funds at 31 December 2012 were € 172 million versus € 67 million, on the same date in 2011. The Bank's Fair Value Reserve, which reflects the price of securities held for sale at market prices, and which may fluctuate positively or negatively, recovered steadily during 2012 and contributed to the growth of the capital account year on year. The Bank's regulatory capital or "Own Funds," rose to € 162 million, up from € 147 million at year-end 2011, and includes the impact

T.19 (Euro)

Earning Assets	2012	2011	Var %	2010
Deposits with Banks	70,678	79,437	-11.0%	86,963
Loans	192,674	159,331	20.9%	42,533
Trading Securities	17,408	13,336	30.5%	8,890
Available for Sale Securities	700,095	503,683	39.0%	694,295
Total	**980,855**	**755,787**	**29.8%**	**832,681**

T.20 (Euro 000)

Main Liabilities and Capital	2012	2011	Var (%)	2010
Deposits from Central Banks	260,248	238,323	9.2%	360,164
Financial Liabilities Held for Trading	1,016	18,592	-94.5%	27,308
Deposits from Other Banks	6,481	48,896	-86.7%	38,943
Clients Deposits	543,830	440,568	23.4%	332,185
Shareholder Funds	172,302	67,234	156.3%	108,141

T.21

Performance Measures	2012	2011	2010
Profitability			
Return on Assets (ROA)	3.5%	0.3%	2.6%
Return on Equity (ROE)	26.9%	2.9%	17.3%
Operating Revenues / Average Net Assets	8.7%	3.8%	6.5%
Efficiency			
Net Margin / Earning Assets	1.9%	2.6%	2.0%
Operating Expenses / Operating Income	28.2%	47.9%	38.8%
Personnel Expenses / Operating Income	18.9%	26.6%	24.1%
Solvency			
TIER 1	31.9%	32.5%	36.2%
Risk-Adjusted Capital Ratio	32.0%	32.5%	36.3%

of an anticipated dividend payment of € 9.4 million in November 2012.

Profitability measures all improved for 2012, when compared to the Bank's weaker performance in 2011. **Return on Average Equity (ROE) was 26.9% versus 2.9% in 2011, and as compared with 17.3% in 2010.** With substantially higher revenues for 2011, the Bank's efficiency ratio has improved over seven of the past eight years, with 2011 being the exception to the trend. BiG's capital base and solvency ratios, remained strong and in line with prior years, despite the continued uncertainty in the markets.

Operating Results by Business Segment

Internally, the Bank is managed on the basis of a matrix of business segments, which include client areas, the Treasury and Capital Markets business and a number of product areas. Below are detailed operating results based on an internal management presentation of our revenues and expenses associated with the three main internal profit and loss divisions. In this format, revenues are allocated by client segment or business area; costs are allocated based on actual expenditures by area and a general division of operating expenses based on headcount per business.

Revenues from the Specialized Retail client segment tend to be heavily dependent on trading volumes and margin-related income. Other sources of revenue include banking commissions and the commercial margin associated with savings and investment products, such as investment funds and other asset management solutions. Net Revenues for our retail business were € 11.9 million, or 5% higher than in 2011. Margin income was 12% higher than in 2011 and accounted for 56% of revenues, as

T.22

(Euro 000)

Specialized Retail	2012	(%)	2011	(%)	2010	(%)
Net Commissions for Services to Third Parties	3,893	32.7%	4,227	37.2%	5,354	47.3%
Margin	6,672	56.0%	5,923	52.1%	4,423	39.1%
Banking Commissions	1,038	8.7%	815	7.2%	792	7.0%
Trading / Sales	310	2.6%	401	3.5%	752	6.6%
Net Revenues	**11,913**	**100.0%**	**11,365**	**100.0%**	**11,321**	**100.0%**
Operating Expenses	-12,759		-8,433		-9,318	
Pre-tax Income	-846		2,933		2,003	
% Operating Revenues / Total Segments Revenues	17%		72%		30%	
% Operating Expenses / Total Segments Expenses	61%		60%		59%	

T.23

Brokerage Market Share Jan - Dec 2012	Market Share	Ranking	Market Volume '000 (except no. of orders)	Market Var YoY
Online Brokerage				
Stocks and Warrants	14.80%	2	7,527,594	-32.50%
No. Orders Executed Online	13.40%	2	1,056,454	-23.30%
Futures Online	9.40%	3	13,592,722	-21.70%
Total Brokerage				
Stocks	3.30%	6	43,872,500	-16.20%
Warrants	38.90%	1	339,336	-45.40%
Futures	1.70%	6	75,609,544	-62.30%
Other	1.70%	3	21,431,525	381.10%

Source: CMVM. Statistics report on orders executed on behalf of others (Jan. to Dec. 2012)

T.24

Online Brokerage: Percentage of Total Brokerage									
2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
71%	80%	83%	79%	80%	65%	66%	57%	58%	56%

Block Trading excluded

T.25 (Euro 000)

Wholesale	2012	(%)	2011	(%)	2010	(%)
Net Commissions for Services to Third Parties	2,153	66.0%	3,054	68.3%	2,320	55.0%
Margin	118	3.6%	2	0.0%	20	0.5%
Banking Commissions	253	7.8%	379	8.5%	396	9.4%
Trading / Sales	129	4.0%	166	3.7%	743	17.6%
Corporate Finance	608	18.6%	874	19.5%	741	17.6%
Net Revenues	**3,261**	**100.0%**	**4,475**	**100.0%**	**4,220**	**100.0%**
Operating Expenses	-5,497		-3,341		-3,948	
Pre-tax Income	-2,362		1,135		272	
% Operating Revenues / Total Segments Revenues	5%		28%		11%	
% Operating Expenses / Total Segments Expenses	27%		24%		25%	

compared to 52% in 2011. Reflecting a shift in retail client business toward stable margin activities, as compared to more risk-taking, Net Commissions from brokerage and investment were € 3.9 million, or 8% down from the prior year. This category represented 33% of total revenues in 2012, as compared to 37% of the total in 2011 and 47% of the total in 2010.

During the year, the Bank moved or renovated two new retail offices and added another, which opened in Q1 2013. The physical network includes 14 offices and the number of automatic teller machines rose to 30. The Bank increased its retail sales team and completed a new version of www.big.pt, which was launched during Q2 2012.

Banco BiG's retail business is a combination of a specialized trading and investment platform and an integrated full service banking offering for the private individual. Products and services include checking accounts, debit and credit cards, payment services and specific credit arrangements. The platform provides a range of savings and investment products from general banking and credit arrangements for the client requiring assistance, to more sophisticated online trading and investment platforms for self-directed clients. These include trading in equities, warrants, futures, foreign exchange, CFDs (contracts for difference), and third party mutual funds. We reach clients via a number of integrated channels, including via internet, telephone and physical branches, manned by trained financial advisors. The range of products and distribution methods are designed to reach a large number of target clients with different investment profiles, appetite for risk and transaction needs profiles in an efficient manner.

The product areas of the Bank's Corporate and Institutional (C&I) client segment are similar to those offered on the retail side, with the exception of Corporate Advisory. Where the retail business involves integrated sales channels based on the www.big.pt electronic platform, the C&I business relies on specialized sales teams and tailored solutions for wholesale clients with specific needs. Product offerings include institutional brokerage, risk management, sales of

T.26 (Euro 000)

Treasury & Capital Markets	2012	(%)	2011	(%)	2010	(%)
Income from Capital Instruments	1,577	3.2%	1,474	-14.7%	1,360	6.2%
Profit / Loss of Assets and Liabilities at Fair Value Through Profit & Loss	11,441	23.3%	-236	2.3%	3,632	16.7%
Profit / Loss of Financial Assets Available for Sale	36,685	75.4%	1,442	-14.4%	16,824	77.2%
Profit / Loss from Exchange Revaluation	877	1.8%	1,561	-15.6%	1,242	5.7%
Results from Sale of Other Assets	4,252	8.7%	-135	1.3%	4,473	20.5%
Impairment of Other Financial Assets Net of Reversals and Recoveries	-6,148	-12.6%	-14,135	140.9%	-5,737	-26.3%
Net Revenues	**48,684**	**100%**	**-10,029**	**100%**	**21,794**	**100%**
Operating Expenses	-2,466		-2,286		-2,527	
Pre-tax Income	46,218		-12,315		19,267	
% Operating Revenues / Total Segments Revenues	76%		0%		58%	
% Operating Expenses / Total Segments Expenses	12%		16%		16%	

investment products, and independent advisory services for corporate, banking and institutional clients. For 2012, this client segment generated net revenues of € 3.2 million, or 27% lower than for 2011.

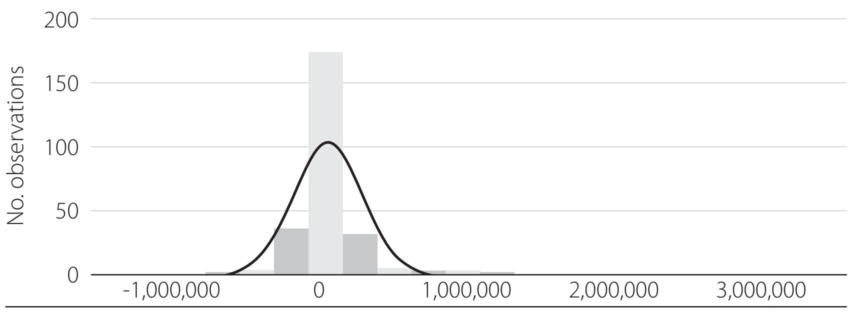
Results in this segment, excluding brokerage block trades that are not recurrent, were € 1.4 million in 2012. They reflect a combination of factors, especially the Bank's focus on Portugal as a source of business, where the highly negative effects of the sovereign debt crisis, ratings downgrades of the Republic and major banks, rising funding costs for banks and the private sector, and higher taxation in Portugal, have contributed to a lack of business opportunities.

The Treasury and Capital Markets business segment seeks to generate revenues, while managing the exposure of the Bank and the products sold to clients of the Bank in such areas as interest rates, foreign exchange, fixed income, equities and derivative instruments. In managing positions, generally the Bank invests in investment grade corporate and treasury bonds, issued mainly by the U.S. and Euro-zone issuers. The Bank may also trade in major foreign currency instruments, interest rate and equity futures, futures on major indices and a variety of options and similar instruments, mainly in connection with client business. In managing the various trading books, the activity of the Treasury and Capital Markets team touches on many areas internally and is a source of expertise, market risk management and consistent profitability for the organization.

For 2012, the area generated revenues net of imparities of € 48.7 million, as compared to a loss of € 10 million in 2011, after considering the negative effect of last year's largely "one-time" Greece and related imparities. This result compares to € 21.8 million in net revenues for 2010. The generation of revenues, excluding the effect of the impairment charge, suggests a fairly normal distribution during the past and the prior years, as suggested in the following histogram.

G.1 (Euro)

Distribution of Profit and Losses 2012



RISK MANAGEMENT AND INTERNAL CONTROL

The main risks faced by the Bank, and which are inherent to the banking business, include market, liquidity, interest rate, credit, operational, technology, compliance and reputational risks. While analyzed separately in this report, they are generally inter-related. To identify and manage these risks, the Bank's systems of internal control feature comprehensive and integrated policies and procedures, which are both quantitative and qualitative in nature. These are reviewed and approved by the Board, which oversees the respective risk management functions, either as a group or by delegation. Our systems and policies are designed, broadly, to ensure effective processing, reliable systems, appropriate risk taking, daily measurement of risks, independent reporting and responsible behavior. Policies and procedures on enforcement also seek to ensure respect for and adherence to internal, regulatory, legal and prudential guidelines designed to protect the interests of clients and shareholders, while preserving and protecting the reputation of the Bank.

Since 2011, Management has incorporated into some of its stress testing scenarios the additional component of *political and systemic risks.* While always an implicit part of the process of analyzing risks, events underlying the Eurozone debt crisis have led Management to plan explicitly for unexpected events associated with actions or the introduction of policies by political leadership domestically or internationally. Such events can have an impact on long-standing market practices, regulations or assumptions, or by themselves can have an impact on market prices and expectations. These risks figure prominently in our view and measurement of market, liquidity and credit risks. Additional information, including stress tests for reputational and correlation risk, may be found in Note 38.

Governance Structure

Primary responsibility for monitoring risks throughout the Bank rests with *Board of Directors* and the Bank's *All Risks Committee.* This Committee combines the various individual control functions and functional groups overseeing Risk Management, discussed in detail below, and the *Compliance* and *Internal Audit* areas of the Bank.

Presiding over the Governance Structure is the executive Board of Directors. The Bank recognizes the role of the Board in overseeing risks and has always functioned with the belief that proper controls – both to avoid unnecessary losses and as a means to generate value for shareholders in a controlled environment – are fundamental to the institution's financial strength.

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

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

General Policies for Risk Management

BiG is in the business of managing risk to create value for shareholders. In broad terms, the Bank is exposed to risk as a direct result of taking positions with respect to a particular market or combination of markets, products or clients, or as a result of unexpected interruption to the Bank's systems, normal operations or errors in procedures.

In managing exposures to risk, the Bank is guided by the following basic principles:

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

Measuring Risk

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

- Extensive use of scenario stress testing;
- Market Risk Limits based on VaR (Value at Risk);
- Sensitivity analyses, particularly with interest rate risk;
- Basis Point Values;
- Limits by counterparty, family, asset class and portfolio;
- Concentration Limits;
- Qualitative analysis and procedures.

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

Measuring *market risk* usually involves at least a daily review of all of the above--mentioned measures. Managing *liquidity risk* and *interest rate risk* tends to rely on a number of methodologies, among which basis point values and scenario analyses. *Credit risk* generally focuses on nominal and fractional exposures, concentrations by borrower or group, sector or geography and stress testing. *Derivatives* exposures are measured with sensitivity analyses of exposures measured in basis points. An assessment of the more subjective risks to which the Bank may be exposed, such as certain *operational risk*, *reputation risk* and *correlation risk,* depends on scenario analyses in order arrive at quantitative estimates.

Limits and Controls

Limits on all risk activities are essential to the process controlling risks and involve approved restrictions by class of product, by tenor and by individual trader. They may be measured via a combination of non-statistical measures, including basis point values (bpvs), and statistical measures, such as value at risk (VaR), discussed below. It is the responsibility of Management and the Market Risk function to ensure continuous update, daily reporting, dialogue and review of assumptions and models. A number of criteria are used for determining appropriate limits on trading and investment risk-taking, including our current and historical analyses of markets, statistics on volatility and liquidity, fundamental and technical analysis, the level of experience and performance of traders and managers, and importantly, the Bank's appetite for risk in accordance with market conditions.

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

Reporting

On a daily basis, risk management and back office functions compile and report positions to Management based on established statistical and non-statistical measures. Exceeded limits are reported to Senior Management immediately and action is taken to guarantee compliance with the limit. Such formal controls are enhanced by informal systems of monitoring position taking and limits, including at least daily meetings by Senior Management with trading areas to review positions and evaluate trends.

Market Risk

Market Risk represents the possible decline in the value of financial instruments as a result of changes in market conditions. Key risks that we manage in our trading businesses include:

- *Fixed Income Risks*, resulting from movements in prices in assets held for trading or available for sale;
- *Equity Price Risk*, resulting from exposures to changes in underlying prices and volatility;
- *Currency Rate Risk*, resulting from exposure to changes in spot prices, forward prices and volatility;
- *Derivatives Risk*, resulting from the management of our exposure to changes in the prices of underlying assets used to hedge client product and positions.

In managing the above risks, the Board delegates day-to-day oversight and control to its *Market Risk Committee.* This group is chaired by the CEO and includes other members of the Board, in addition to other business managers involved in trading and controls.

Jointly, they are responsible for reviewing methodologies for measuring risk and limits for all trading activities. They also control broad investment management decisions, review models and analytics associated with calculating *value at risk* limits within both Bank and client portfolios, and are responsible for conducting daily portfolio stress tests, as well as overseeing the independent control and enforcement of limits on risk taking by front office personnel. In addition, the group seeks to ensure an efficient balance between risks and return, as well as an appropriate level of volatility in operating results.

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

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

Methodologies Used

For market risk, the Bank utilizes a number of different methodologies to measure and control market-related exposures, which are analyzed in conjunction with information covering country and counterparty risks. Often risks are managed through a process of diversifying exposures, controlling position sizes, and establishing hedges in related securities or derivatives. Key quantitative tools used to measure and control exposures efficiently are statistical measures, mainly *Value at Risk (VaR)*, and a number of non-statistical measures, among which:

- *Economic Value stress testing;*
- *Earnings at Risk stress testing;*
- *Basis point values;*
- *Derivative Product sensitivity ("greeks");*
- *Inventory position limits (for selected underliers).*

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

Value at Risk (VaR)

VaR, which measures risk assuming normal market conditions, is combined with non-statistical measures, including *stress testing*, *back testing* and *earnings at risk advisories*, to ensure proper controls over expected returns by risk type under all market conditions. The Bank calculates *VaR* using a one-month time horizon (the previous 22 trading days) and a 99% confidence level. This means that the Bank would expect to incur losses greater than the predicted *VaR* estimates only once in every 100 trading days, or approximately 2.5 times per year. Since *VaR* is a theoretical approach based on historical returns, the model has limitations and may not always produce accurate predictions of future market risk. Changes in *VaR* between reporting periods, for example, are due generally to changes in levels of exposure, volatility and correlation among securities.

Results of back testing of the trading book during 2012 indicate that there was one trading day in which losses exceeded *VaR* levels. Trading limits, as indicated below, were little used on average, with most value at risk concentrated in the Bank's Available for Sale portfolio (AFS). Events during 2011 led to periods of extreme volatility and, consequently, higher levels of VaR. The current economic climate has had a negative impact on much of the market and, in particular, on all classes of Portuguese securities. The steep declines in the sovereign debt issues of peripheral European countries (Greece, Ireland, Portugal, Spain, and Italy), successive downgrades, and the highly political process associated with finding a solution to problems shaking the foundations of the Euro created a difficult market environment.

In Q1 2010, the Bank liquidated its Held to Maturity portfolio and, since that date, has concentrated investing and credit activity in its Assets Held for Sale (AFS) portfolios. Components and concentrations of the portfolio are typically dynamic as the Bank seeks to maximize stable flows of revenue, while maximizing flexibility to recognize gains and maintaining high levels of available liquidity. Investment limits averaged approximately 58% during the year, a substantial decline in relation to the prior year. Highest levels of VaR were associated with the fixed income portfolio, reflecting instability described above. Further detail on exposures may be found in the *Managing Concentration Risk* section of this report.

T.27 (Euro)

Trading VaR 2012 (vs 2011)	2012 December	2012 Average	2012 Max	2012 Min	2011 December	2011 Average	2011 Max	2011 Min
Exchange Risk	2,155	5,199	64,777	670	2,503	17,687	96,571	871
Interest Rate Risk	25,525	423,948	1,433,894	21,557	-	-	-	-
Shares	68,235	23,056	128,548	1,981	10,150	28,526	111,278	5,157
Commodities	-	-	-	-	-	-	-	-
Options	43,550	53,177	113,981	18,791	31,912	80,079	305,007	20,838
Effect of Diversification	27%	31%			15%	7%		
	101,997	350,734	1,433,218	37,465	37,903	118,064	331,753	33,788

T.28 (Euro)

Investment VaR 2012 (vs 2011)	2012 December	2012 Average	2012 Max	2012 Min	2011 December	2011 Average	2011 Max	2011 Min
Interest Rate	6,253,717	7,662,930	10,227,702	3,580,669	3,867,818	4,029,413	6,831,369	2,190,482
Shares	263,213	571,886	843,797	216,114	754,557	438,037	754,557	253,138
Effect of Diversification	6%	6%			15%	7%		
	6,156,687	7,742,197	10,515,533	3,046,218	3,931,437	4,165,688	7,941,532	2,275,775

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

Limits Utilization –VaR

T.29 (Euro)

Trading		
VaR	**Limit**	**Usage**
101,997	2,750,000	4%

	Limits	31-12-2012	28-12-2012	Δ	Excess
Equity	250,000	68,235	62,200	-6,036	-
Options	300,000	43,550	47,754	4,204	-
Interest Rate	2,100,000	25,525	21,557	-3,968	-
Fx	100,000	2,155	2,310	155	-

T.30 (Euro)

Investment		
VaR	**Limit**	**Usage**
6,156,687	12,000,000	51%

	Limits	31-12-2012	28-12-2012	Δ	Excess
Interest Rate	6,000,000	6,253,717	7,457,197	1,203,480	-
Equity	800,000	263,213	258,229	-4,985	-

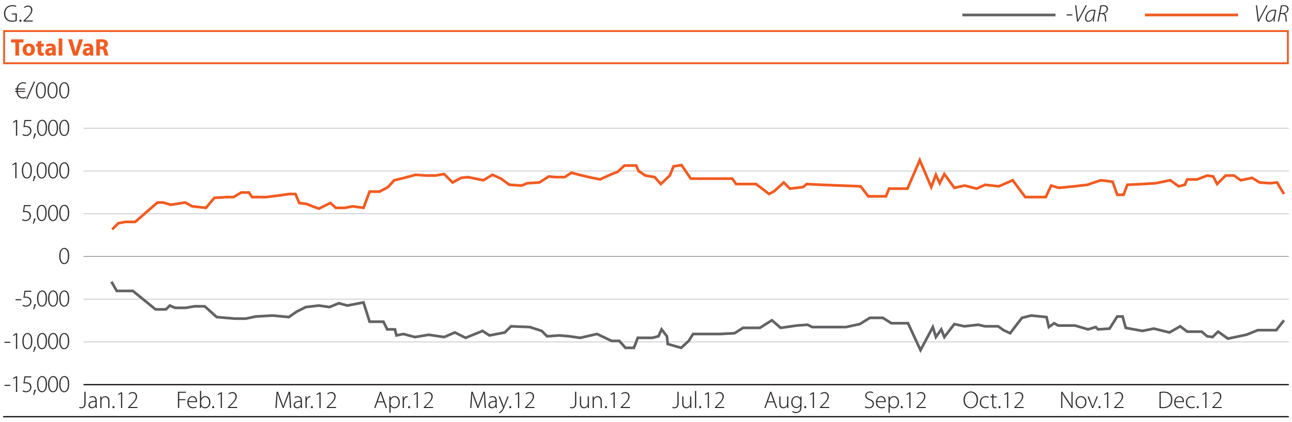
VaR analysis of fixed and variable income asset classes by sector indicates the largest exposures, on average through 2011, were in Financial, Government, and Utilities. Peaks in the Government and Financial sectors in the first quarter coincided with moments of particular stress in the sovereign debt markets and spillover effect to the financial and related sectors in mainly "peripheral" Euro-zone markets.

T.31 (Euro)

Sector	Average VaR
Basic Materials	6,964
Communications	76,311
Consumer, Cyclical	3,260
Consumer, Non-cyclical	9,782
Financial	1,103,818
Government	7,308,564
Industrial	328,084
Utilities	553,638
Energy	8,080

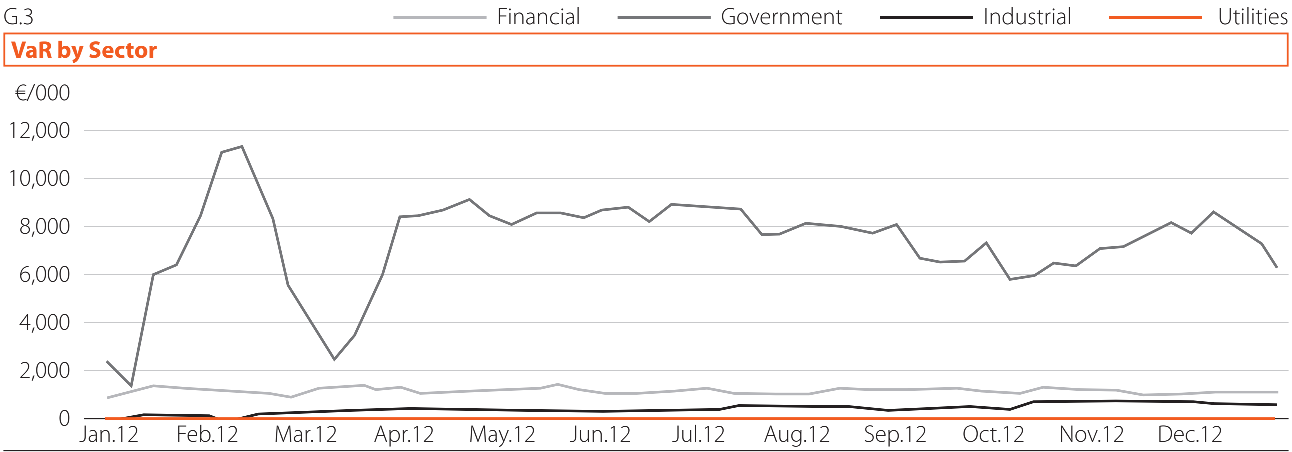
Total VaR

G.2



VaR by Sector

G.3



Liquidity VaR

Liquidity VaR measures the expected loss associated with the above sector analysis, adjusted for the liquidity of the respective asset class. The addition of the liquidity component is a more conservative view of the normal VaR in that it introduces the spread between the bid and ask prices of assets. In moments of stress, the bid/ask spread widens as a function of reduced liquidity. The table T.32 shows the comparative evolution during 2012 of average liquidity VaR for different asset classes held by the Bank, where *L1* is a measure of spread between bid/ask prices. Points of significant deviation between normal VaR measures and Liquidity Var, as indicated in the graph G.4, reflect the rise in stress and fall in liquidity among mainly fixed income instruments linked to peripheral countries and their financial institutions.

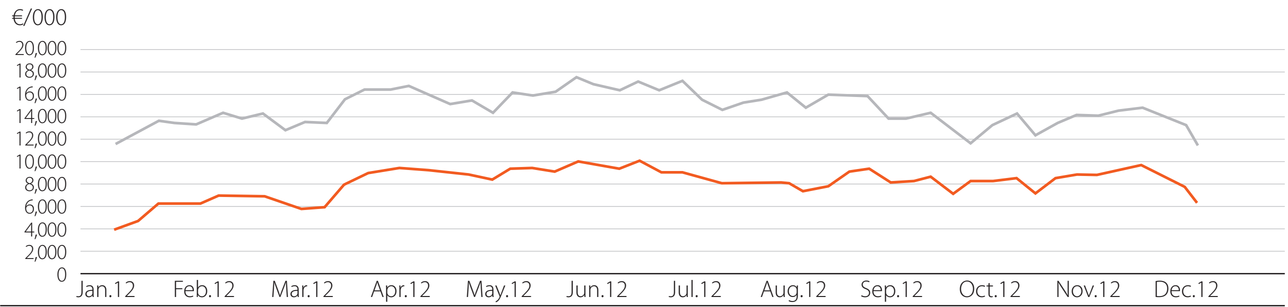
Credit VaR

Credit Var measures the estimated maximum loss, which the Bank might suffer in credit exposures associated with its liquid fixed income Assets Held for Sale portfolio; i.e. excluding the more modest loan book to clients. In measuring the risks associated with the Bank's investment portfolio of credit exposures, specific characteristics such as rating, probability of default, recovery rate and sector, among others, are considered.

As indicated in the graph G.5, which compares Credit VaR with normal VaR, the former represented, on average 2% of the overall credit portfolio during the year, with the exception of the first quarter 2012, during which certain Euro-zone sovereign debt issues reached historic levels of volatility.

G.4

Liquidity VaR



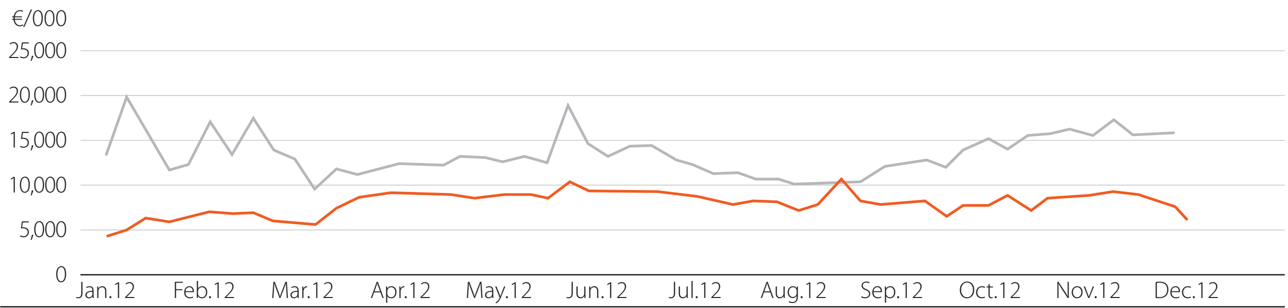
T.32 (Euro)

Average Liquidity VaR by Sector during 2012

Sector	L1	VaR	Liquidity VaR
Financial	2,634,413	1,103,818	3,738,230
Government	3,373,483	7,308,564	10,682,047
Industrial	346,831	328,084	674,915
Utilities	132,088	553,638	685,727

G.5

Credit VaR



Stress Testing

The Bank does extensive stress testing of its market positions and considers this approach, in combination with VaR measurements, as an essential tool for managing market risks. With economic value stress testing, the Bank seeks to estimate the potential losses associated with an instrument, book or portfolio under different scenarios. Earnings at risk stress testing give Management an estimate of the potential change in value of a given position, either current or contemplated, with the results of different scenarios used to take decisions on whether to assume, increase or close positions. On a daily basis, we use 16 scenarios to test 96 different positions across the Bank's trading and investment portfolios assuming certain worst-case historical market events to simulate our exposure and, in certain cases, the exposures of our clients to potential losses. On a weekly basis, we apply a further 13 scenarios to tests 78 positions. These scenarios are revised frequently as market conditions change. When historical data is not available, underlying assets from identical classes and with a higher level of correlation may be used. Liquidity and correlation stress tests are performed on a weekly or monthly basis.

Most tests are based on historical events and known reactions by markets to those events. In addition to these, the Bank performs daily Armageddon stress tests of market exposures. These scenarios simulate the impact of events or falls in markets, which are not based on historical observation, but rather on extreme, potential scenarios. The objective of such "extreme scenarios", discussed below, is to measure the theoretical impact on the Bank's business model and its resilience to events which are usually several times worse than any historical market occurrence.

Historical scenarios observed during 2011--2012 and used as a basis for running daily tests are identified below as "C1, C2….C5." The historical market reaction to a number of "worse-case" historical events is applied to current exposures to estimate potential

T.33 (Euro 000)

Trading 2012

	Equity worst scenarios			Bonds worst scenarios				FX	Commodity
	C1	C2	C3	C1	C2	C3	C4	C1	C1
Shares	(90)	(124)	(14)	(1)	25	(18)	(2)	(24)	(28)
Options	(8)	1	(2)	(12)	13	(3)	14	(5)	(5)
Interest Rate	38	7	(88)	(215)	(59)	(71)	(82)	(44)	(22)
FX	(13)	(15)	(11)	11	9	10	7	(66)	(13)
Total	(73)	(131)	(115)	(217)	(12)	(82)	(63)	(139)	(68)

T.34 (Euro 000)

Investment 2012

	Equity worst scenarios			Bonds worst scenarios				FX	Commodity
	C1	C2	C3	C1	C2	C3	C4	C1	C1
Interest Rate	11,031	(3,296)	(7,196)	(27,527)	(3,766)	(5,538)	(8,621)	(6,626)	(2,041)
Shares	(303)	(274)	(42)	(350)	14	(26)	(60)	(233)	(137)
Total	10,728	(3,570)	(7,238)	(27,877)	(3,752)	(5,564)	(8,681)	(6,859)	(2,178)

Selected scenarios 2010-2011:

Equity Worst Scenarios		
C1	Downgrade of U.S. debt (AAA to AA+)	08/08/11
C2	Renewed worries that Europe's debt crisis could spread	18/08/11
C3	Downgrade of Portugal debt (from A+ to A-)	28/04/10

Bonds Worst Scnearios		
C1	1st Auction after Moody's downgraded Portugal to "junk"	06/07/11
C2	Italian debt crisis (yield of 7.8% for bonds with 2Y)	25/11/11
C3	News that Greece debt is higher than expected	22/04/10
C4	Political crisis and riots in greece	05/05/10

FX Worst Scenarios		
C1	Greece intervention	06/05/10

Commodity Worst Scenarios		
C1	Economic slowdown and aggravation of European debt crisis	23/09/11

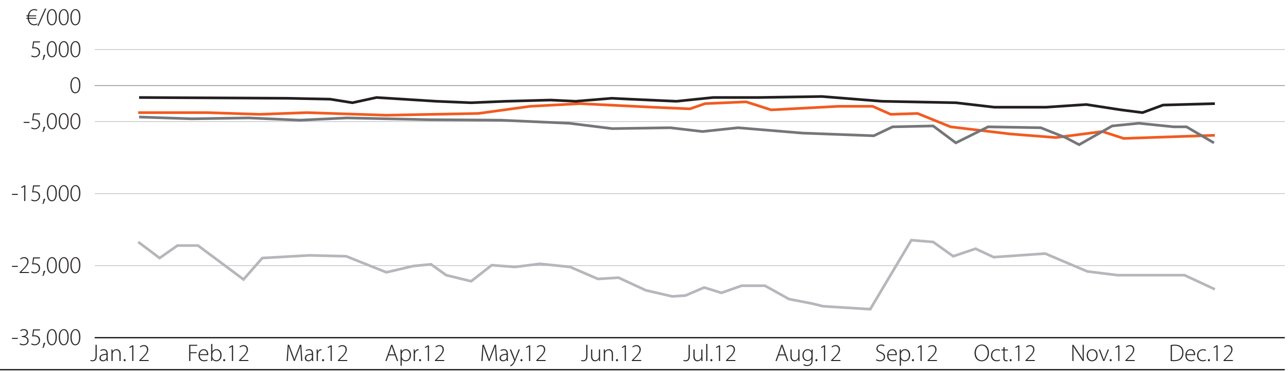
gains or losses in major trading or investment books, assuming the same market conditions. Results are then compiled and reported by Management by the Bank's Market Risk area.

Armageddon Stress Tests

Armageddon stress tests on trading and investment positions measure the theoretical impact on the Bank's various exposures in the highly unlikely event that indices of the various global economies – DAX in Europe and S&P in the U.S. – were to suffer dramatic falls of 50% and 33%, respectively, *in a single trading day* assuming asset correlations for one month. Similar daily tests are run against current fixed income positions only (*Armageddon Stress Test Debt*) and are reported to Management on a daily basis, as well. These scenarios assume events several times worse than any low point registered during the credit crisis of 2008 and are applied against current positions, which tended to be under stress at certain points during the year, as a result of the sovereign debt crisis affecting the Eurozone area. Designed to be deliberately remote in the possibility of an occurrence, the objective is to test the survivability of the Bank's business model under extreme circumstances and, as a result, to maintain discipline on limits and risk taking accordingly. The average daily exposure to theoretical losses under this highly unlikely scenario was € 41.4 million, with a peak of € 58.8 million on a single day during Q3 2012.

G.6

Stress Test Scenarios (2010-2011)



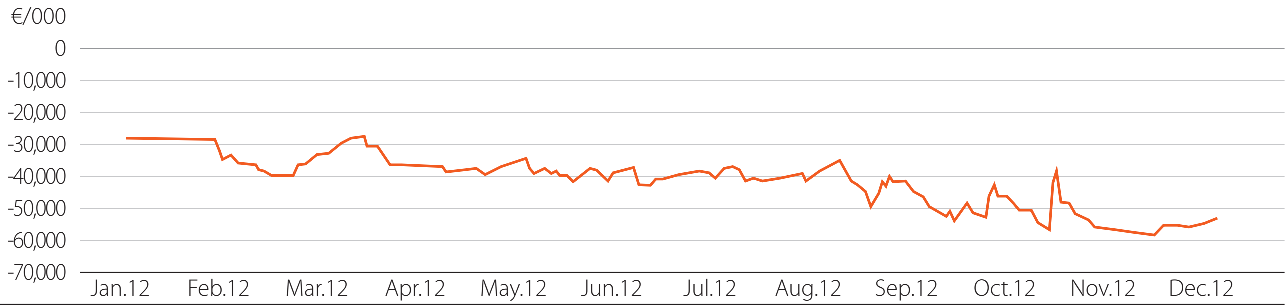
T.35

(Euro 000)

	Equity	Bonds	FX	Commodities
Maximum	-2.645	-21.622	-4.371	-1.634
Minimum	-7.445	-31.232	-8.398	-3.737
Average	-4.408	-25.842	-5.744	-2.323
Std Deviation	1.529	2.505	936	477

G.7

Armageddon Stress Test



T.36

(Euro 000)

Maximum and Minimum Losses

Maximum	Minimum	Average	Std Deviation
-58.780	-27.844	-41.366	8.358

Liquidity Risk

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

BiG's policy on liquidity and funding is based on the following principles: (i) pre-funding of assets prior to their acquisition; (ii) that the majority of the balance sheet be convertible to liquidity within a very short timeframe; and (iii) a policy of building a stable, retail deposit base, and (iv) the assumption of reasonable independence from wholesale funding markets. These principles, in effect, define the Bank's business model, which is commission and service-based, and implies an asset base composed largely of highly-liquid securities as opposed to illiquid loans.

The table T.37 provides a snapshot of funding mismatches at 31 December 2012 by stated maturity. For more information, please see Note 38.

T.37 (Euro)

Liquidity Indicators	Spot and until 1 week	Between 1 week and 1 month	Between 1 month and 3 months	Between 3 month and 6 months	Between 6 month and 12 months	Net Assets with maturity longer than 12 months
Mismatches						
Mismatches by Tenor	68,486,992	-15,237,924	-42,957,050	-51,109,117	-20,915,175	-
Cumulative Mismatches	68,486,992	53,249,067	10,292,018	-40,817,099	-61,732,275	410,455,981
Net Assets	492,673,286	487,250,598	487,551,894	487,551,894	487,560,325	-
Volatile Liabilities	7,354,279	9,331,095	9,472,600	9,870,849	11,587,560	-
Net Assets - Volatile Liabilities	485,319,007	477,919,504	478,079,294	477,681,045	475,972,765	-
Liquidity Gap (1)	91	88	89	89	88	-

(1) Liquidity Gap = [(Net Assets - Volatile Liabilities)/(Total Assets - Net Assets)] x 100

Sources of Funding

The Bank seeks stability and diversity in its funding sources, with a focus on building a base of retail deposits to fund its activities. At year-end 2012, client deposits were € 544 million, or 23% higher than at year end 2011 and, together with shareholder funds, were sufficient to fund more than 100% of the AFS portfolio, nearly four times the loan book and 74% of total earning assets. Note that securities in the AFS portfolio can themselves be converted to liquidity within a short timeframe. Other sources of funding may include, from time to time, securities loaned or sold under repurchase agreements. Depending on market conditions, counterparties may be other banks, the European Central Bank (ECB) and EUREX Repo. The Bank joined this latter exchange as clearing member during the second half of 2011. The Bank does not issue either short term or long-term debt as part of its business model and, therefore, is not dependent on debt markets for funding.

Interest Rate Risk

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

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

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

The table T.38 shows assets and liabilities by maturity along with the respective average rates. For each maturity are shown the modified duration and basis point values (bvps).

A long or positive position in bpvs implies a long position in bonds funded with short term liquidity; a short or negative position means that the Bank has sold bonds in the expectation of covering or re-purchasing the position at a later date at a gain.

Earnings at risk associated with movements in interest rates are measured by assuming a number of scenarios on a regular basis, a rise or decline of 20 bps in a day or a similar rise or decline of 50 bps in a week. The table T.39 measures the impact on pre-tax revenues from an unlikely parallel shift of 200 basis points (bps) during December 2012.

Exposure to interest rate risk, as a percentage of regulatory capital, measured quarterly during 2012, and assuming the test scenario described above, is shown in table T.40.

Sensitivity Analyses

The Bank also runs daily sensitivity analyses to measure the effect of variations of interest rates (excluding the effect of hedging techniques) and also to quantify exposures to derivative trading positions. These depend upon a number of market related variables, including the price of the underlying asset, volatility, interest rates and time to maturity. The Bank measures its exposures to these variables by running sensitivity analyses known as "greeks," which are mathematical terms, where:

Rho measures, in basis point values, the minimum and maximum amounts in exposure during 2012 to our variations in the interest rate curve;

Vega reflects the Bank's exposure to variations of 1% in the amount of volatility in the options trading book;

T.38 (Euro)

Interest Rate Risk									
Maturity	Assets	*Off balance (+)*	Liabilities	*Off balance (-)*	Avg rate coupon	Avg rate yield	Net	bpv's
Jan-13	187,640,079	30,109,113	201,003,127	0	2.544%	3.632%	16,746,065	(4)
Feb-13	43,013,421	0	45,266,411	0	3.094%	5.675%	(2,252,990)	19
Mar-13	80,450,066	0	44,136,240	0	2.018%	4.295%	36,313,826	(572)
Apr-13	2,859,295	43,056,125	54,120,657	0	2.256%	2.256%	(8,205,237)	200
May-13	359,375	250,012,510	35,862,944	0	0.828%	0.828%	214,508,941	(7,053)
Jun-13	357,136	67,433,282	33,118,713	0	1.628%	1.628%	34,671,705	(1,421)
Jul-13	79,951	0	30,492,920	0	4.293%	4.293%	(30,412,969)	1,454
Aug-13	15,314	0	24,882,491	0	4.065%	4.065%	(24,867,177)	1,394
Sep-13	2,499	0	16,573,478	0	3.941%	3.941%	(16,570,979)	1,066
Oct-13	4,946,360	0	13,929,588	0	2.640%	3.039%	(8,983,227)	654
Nov-13	2,395	0	13,747,971	0	3.818%	3.818%	(13,745,576)	1,106
Dec-13	26,115	0	12,748,031	14,491,299	2.476%	2.476%	(27,213,214)	2,437
Jan-14	4,849,928	0	11,330,338	0	2.964%	3.743%	(6,480,410)	608
Jul-14	23,388	0	6,769,957	12,930,925	2.600%	2.600%	(19,677,493)	2,826
Jan-15	51,442,278	0	258,975,501	66,029,285	1.212%	1.275%	(273,562,508)	53,625
Jan-16	44,812,175	0	1,130,396	14,808,773	3.510%	3.947%	28,873,006	(7,999)
Jan-17	55,417,012	0	1,293,762	181,885,148	2.114%	1.991%	(127,761,898)	48,319
Jan-18	20,133,962	0	0	63,910,000	6.039%	1.602%	(43,776,038)	18,892
Jan-19	28,947,178	0	0	76,219,792	2.430%	3.018%	(47,272,613)	25,821
Jan-20	86,517,566	0	0	0	4.500%	6.200%	86,517,566	(49,349)
Jan-21	71,520,266	0	0	0	3.850%	6.529%	71,520,266	(46,321)
Jan-22	166,573,612	0	0	35,856,326	4.808%	4.131%	130,717,286	(93,396)
Jan-23	43,729,837	0	0	66,408,000	5.494%	5.070%	(22,678,163)	16,953
Jan-28	1,493,914	0	0	0	0.000%	0.000%	1,493,914	(2,241)
Jan-33	73,439,588	0	0	0	4.103%	7.000%	73,439,588	(85,504)
Jan-38	0	0	0	0	0.000%	0.000%	0	0
	968,652,713	**390,611,030**	**805,382,524**	**532,539,548**			**21,341,672**	**(118,486)**

T.39 (Euro)

December 2012					
Parallel increase of 200 bp	**Parallel decrease of 200 bp**	**Parallel increase of 100 bp**	**Parallel increase of 100 bp**	**Increase of 50 bp after 1 year**	**Decrease of 50 bp after 1 year**
-23,697,132	23,697,132	-11,848,566	11,848,566	-5,888,328	5,888,328

T.40

Interest Rate Risk - Quarterly Evolution		
Date	Parallel increase of 200 bp	% Impact on equity funds
Dec-11	-10,627,088	-7.3%
Mar-12	-13,059,449	-8.7%
Jun-12	-21,768,720	-14.7%
Sep-12	-26,845,281	-18.1%
Dec-12	-23,697,132	-14.7%

Delta quantifies, in Euros and with respect to the options trading book, variations of 1% in the value of underlying equity assets; and

Theta, which also refers to the options trading book, measures, in Euros, gains or losses reported for each remaining day in the life of a given option.

During 2012:

T.41

Greeks	*Rho*	*Vega*	*Delta*	*Theta*
Min	-305.901	-27.045	30.929	-12.626
Max	-85.076	12.082	300.489	7.859
Average	-172.196	-5.616	209.539	44
Std Dev	60.094	6.819	31.088	1.909

(*Rho* expressed in basis point values; others expressed in Euro)

Credit Risk

Credit Risk represents the loss the Bank would incur if a borrower, counter-party or issuer of securities or other instruments we hold failed to perform under its contractual obligations to us.

The Bank is exposed to credit risks associated with a number of its activities. These include direct exposure to clients who have contracted loans, direct exposure to credit risks associated with securities issued by third parties and held as investment or trading assets of the bank, and market or settlement risk associated with trading activities by clients. Those credit risks arising from dealings with professional counterparties as well as issuers of listed securities are assessed in combination with procedures for managing market risks discussed above in *Market Risk*.

Credit exposures at BiG may include loans to customers, corporate and sovereign bonds acquired in the market, full value and replacement value inter-bank risks, securities-related settlement risk, receivables under derivative and foreign exchange contracts and lending-related commitments under guarantees and similar facilities (Note 38). In its process of analysis and approval, the Bank assesses these exposures at a number of levels: at the level of individual transaction, at the level of maximum exposure to the client and related "family," and, separately, at the level of respective portfolios to measure concentration of risks in a given class of assets, sector, industry or geographic location. As a matter of policy, all exposures are assessed and processed for approval, whether on or off-balance sheet in nature. Controls over market risk, as a result, often overlap with assessments of credit risk. In the course of the Bank's day-to-day activity, integrated systems to monitor exposures are an essential element in the process of credit risk management.

As an activity inherent to banking, Management views credit risk as an accepted part of our business model and fundamental to generating revenue and value for our shareholders. Given the importance of developing profitable business while taking risk and using capital prudently, the credit risk process aims to preserve the independence of the approval process, while allowing an effective integration with the management of business objectives. This process begins with the Board of Directors, which approves general policies and guidelines for credit risks. The Board then delegates in the Chief Credit Officer and to other members of the Credit Risk Committee and support personnel the day-to-day implementation of these policies and responsibilities, which include:

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

Nature of Credit Exposures

The nature of credit risks varies from cycle to cycle. During 2012, the Eurozone debt crisis evolved from the unpredictable and highly political series of events of 2011 to methodical and determined approach by policy makers to address the differing, individual issues of the economies on the periphery. Managing the fundamental credit risk of the Bank's portfolio, particularly quoted debt and equity securities, has meant focusing on a moving target. In this environment, volatility with respect to sovereign risk assets, and assets deriving from a given sovereign's perceived risk – notably the view of bank risks in a particular country – declined during 2012 in relation to 2011.

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

- *Secured facilities*, which arise from our relationships with mainly retail clients. These are secured mainly by cash, marketable securities or, to a lesser extent, residential real estate. This category also includes issues by banks of residential mortgage-backed securities and covered bonds, which, when acquired at a deep discount as has been the case, has represented an increasingly attractive earning asset in terms of fundamental credit quality and yield. At 31/12/2012, nearly 100% of *loans* were secured facilities;
- *Unsecured facilities*, which arise out of our market trading activities with professional counterparties, port-

folio investments in corporate or government issuers of debt or, on occasion, which include extensions of credit to corporate borrowers based on an objective analysis of quantitative and qualitative criteria regarding the standalone credit worthiness of the client. Exposures classified by the Bank as *unsecured* may involve sovereign debt issues, or debt issues of any number of entities guaranteed by sovereign guarantors. Given the size of the Bank's investment portfolio of corporate and sovereign senior bonds, this type of facility represents the largest portion of credit exposure for the Bank.

Other types of credit extension, such as consumer or commercial lending are not relevant part to the Bank's business. Lending to support advisory activities, or credit exposure linked to investment banking or capital markets mandates is not common and, in any case, is subject to a separate decision process discussed in further detail below.

Credit Procedures

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

As part of the process of extending any type of credit exposure, the Bank follows a pre-established approval matrix, which combines the results of credit scoring, tenors, maximum levels of overall exposure including any transaction under consideration, and the pre-approved levels of lending authorities granted to members of the Credit Risk Committee. Other criteria for determining levels of signature include the existence and type of collateral underlying the full-value exposure.

Controls on margins – Secured Facilities

Margin lending represented less than 10% of loans at 31/12/2012. Most direct lending to clients is short term, collateralized by liquid securities and subject to rigorous controls over margins, or the difference between the value of a loan and the real-time value of the collateral supporting that loan. The Bank manages the inter-related market, operational and credit risks arising from margin accounts via an automatic system of controls over limits as well as mechanisms for automatic execution when pre-established levels of risk have been reached. This mechanism of control is based on a risk weighting allocated to different types of equities based on market volatility, as a basis for determining levels of leverage permitted in the loan account as a percentage of collateral. These levels are monitored on a real-time basis. The objective is to identify differences in lower and higher risk securities and to adjust automatically, levels of potential exposure and eventual call and execution margins to the varying levels of risk. The Bank's experience has been that this type of lending can be a profitable use of capital and represents a relatively low risk of loss, based on empirical data. More importantly, this type of disciplined, secured lending has experienced negligible levels of credit-related losses, even under extreme market conditions experienced during the past year (Note 20).

Unsecured exposures

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

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

Managing Concentration of Risks

The Bank views its exposure to concentrations of risk by category: credit risk, market risk, liquidity risk and operational risk, and where appropriate, by group of categories which may overlap, such as credit and market risk and market and liquidity risk. The management of non-credit risks is discussed in the relevant sections of this report.

In the case of managing credit concentrations, Management and the Bank's risk area focuses on daily reports which summarize the largest concentrations of risk, including direct, indirect and contingent exposures. These are divided by financial and non-financial exposures. The reports among others serve as a management tool to monitor large exposures regularly and serve as a basis for periodic reporting of regulatory limits, including exposures equal to 10% of own funds and legal lending limits, representing 25% of consolidated capital funds. Main exposures at 31 December 2012 follow:

T.42 (Euro)

December 2012 Exposure by Investment Strategy		Positions
Bonds	Covered	146,135,169
	Senior Debt	82,512,420
	Government Garanteed	454,973,508
	RMBS	169,658,903
	Commercial Paper	10,004,919
Total Bonds		**863,284,919**
Cash & Near Cash		70,677,574
Equity (1)		14,334,803
Equity derivatives (2)		4,256,225
Margin Account		12,524,615
Retail Credit Portfolio		10,349,488
Total		**975,427,625**

(1) Investment portfolio only
(2) Trading portfolio (delta)

T.43 (Euro)

Exposure by Rating – Credit/Bond Portfolio	Aaa	Aa	A	Baa	Ba	B	Caa-C	NA	Total
Covered Bonds	0		25,946,854	113,354,684	6,833,630				146,135,169
Senior debt	0		32,150	19,872,727	47,573,029	1,173,693	53,498	13,807,323	82,512,420
Guaranted government	0	39,769		224,547,177	158,641,363	4,355,233		67,389,966	454,973,508
RMBS	0		5,337,645	88,549,049	75,772,209				169,658,903
Commercial Paper	0				10,004,919				10,004,919
Total	**0**	**39,769**	**31,316,649**	**446,323,638**	**298,825,151**	**5,528,926**	**53,498**	**81,197,289**	**863,284,919**

Stress testing the credit portfolio

As with other portfolios, whose risks are measured in a variety of manners on a daily basis, the Bank's investment portfolio, consisting of mainly fixed income securities of varying tenors, is subject to a number of daily stress tests in order to provide Management with an assessment of potential losses, assuming a number of different, hypothetical scenarios. The most extreme scenario, or Armageddon stress test applied to this portfolio, represents a daily measure of potential losses by class, by largest individual potential loss and by industrial sector. The simulations below begin with the Moody's transition ratings matrix for a period equal to the modified duration of the Bank's bond portfolio. Simulations then assume, as a base, the probability of default of an issuer, or issuers simultaneously, and the impact on the market's perception of credit risk, based on a theoretical and significant widening of spreads and the assumption of extremely low recovery rates. As with the case of testing the combined trading and investment portfolios, the objective of testing scenarios on the largest single portion of the Bank's balance sheet, which is the credit portfolio, is to determine the extent to which earnings may be affected and shareholder funds may be depleted in theoretical circumstances. The results of these daily tests are used to maintain discipline and control position taking or excessive concentrations.

Examples of the results of such tests on 31 December 2012 follow and show that, under extreme circumstances, theoretical losses would be significant **but would not affect the overall solvency of the Bank.**

G.8

Armageddon Stress Test

T.44 (Euro 000)

Maximum and Minimum Losses

Maximum (*)	Minimum (*)	Average	Standard Deviation
-56,439	-37,977	-47,574	4,607

(*) Maximum and minimum losses

Credit Exposure to Derivatives

Derivatives contracts are instruments, such as futures, forwards, swaps and options, which derive their value from underlying assets, indices, or other financial concepts. BiG utilizes derivative financial instruments and foreign exchange instruments to manage the Bank's exposures to the markets, to meet the financial needs of its customers and to generate revenues through its trading activities. In assessing risks, the Bank follows the same credit procedures for derivatives and foreign exchange-related exposures, as it does for traditional lending products described above. Credit limits for these products are calculated and controlled on the basis of potential exposure, which takes into consideration current market values and estimates of future movements in market rates based on statistical criteria. As part of the process, BiG calculates the cost of replacing a derivative or foreign exchange contract as the primary measure of exposure to credit risk. This is defined as the cost of replacing a contract at extreme market conditions should a counterparty default prior to the date of settlement. The Bank uses mark to market procedures and Value at Risk measures to assess the cost of replacing a derivative or foreign exchange contract in the open market.

In managing its potential exposure, the Bank seeks to reduce overall risk by dealing to a large degree with investment grade financial institutions, with which the Bank generally exchanges Credit Support Agreements (CSA's). In the case of other clients with whom the Bank may close contracts from time to time in connection with its portfolio management activities, risk is further mitigated by the inclusion of collateral arrangements covering normally 100% of potential exposure.

A summary of notional derivatives exposure and related receivables under contracts with counterparties at 31 December 2012 may be found in Note 18.

Provision for Credit Risks

The Bank's provision for credit risks is based on prudential criteria and Bank of Portugal regulations and is available to absorb potential losses deriving from the loan portfolio. Based on central bank regulation 3/95 of June 30, with subsequent alterations introduced by the Bank of Portugal, the provision represents 1% of the total loans and guarantees outstanding (1.5% in the case of consumer loans and 0.5% for mortgage loans and real estate leasing, in both cases where the real estate is occupied by the mortgagee or lessee). Specific provisioning, as necessary, is subject to the same *Aviso* and subsequent alterations. Calculations for economic provisions are made periodically on specific risks deemed by Management to require special attention and are subject to an internally-produced model.

Operating Risk

Operating risk may arise as a result of inadequate procedures or systems, human risk or external events.

The Bank, given the nature of its business, is exposed to potential losses and/or risk to our reputation, as a result of human or systems-related operational errors, unexpected interruptions in business processing or insufficient execution on the part of third party suppliers of significant components of our complete business model. In the process of managing operating risks pro--actively to keep exposures to minimal levels, the Bank reviews its system of internal governance on a regular basis to ensure the smooth running of the business under both normal and unusual circumstances. These systems and procedures are designed to reduce the risks of fraud from internal or external sources, or of errors or breakdowns, which can be the result of unexpected events associated with the technology and systems infrastructure, procedures and telecommunications (see Note 38).

Limiting operating risk by adhering to internal procedures is essential to providing a competent service to our clients and to reducing the risk of regulatory sanctions. This latter point, in the context of the series of financial crises that have gripped major economies since 2007, have taken on increasing importance and will tend to occupy a greater portion of Management time and Bank resources in the future.

Responsibility for managing operating risks lies with the heads of individual business units. To monitor risks and the execution and enforcement of procedures throughout the Bank is a separate governance structure, consisting of the following internal oversight groups, which meet separately with their functional supervisors on the Board of Directors, and also jointly as part of the Bank's All Risk Committee:

- *Operational Risk*, which reviews the appropriateness of internal procedures, adequacy of human and systems support to conduct normal business functions and day to day risks to which the Bank is exposed, based on both self-assessment processes, controls over operational errors by area and planned internal and external audits;
- *Technology Risk*, which oversees the adequacy and security of the complex technical infrastructure supporting every aspect of the Bank's internal processing, reporting and links with third party suppliers of information and execution services;
- *Internal Control and Compliance*, combining members of the Board and the head of the Compliance department, whose responsibilities include monitoring the Bank's adherence to regulatory and legal issues, enforcement of internal operating procedures, code of ethics and related matters; meet at least weekly to review evolving regulatory issues or more frequently as necessary.

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

Because of the nature of our business, operating errors do occur on occasion. It is the aim of the above governance structure and internal departments to ensure adherence to prudential and regulatory guidelines, such that the costs of such errors are kept to levels commensurate with our capital and business strategy. To assist in this control, the Bank has internal procedures for reporting data associated with operational errors to Senior Management on a regular basis. Such analyses and reporting allow for problems to be identified at their source and amended accordingly.

Management believes that creating a culture of risk identification and mitigation, which encourages both communication of potential problems to senior managers and their pro-active resolution, is key to controlling operational risks.

Processing and Systems

The combined Operations and Technology areas, responsible for the smooth running of the organization and support for clients and processing of transactions for business segments of the Bank, represented, in aggregate, 37% of the total headcount at 31/12/2012.

In particular, the information technology area (IT) covers such areas as maintaining systems of internal information and basic communication services to the technology and programming supporting the Bank's complex, transactional online platform, www.big.pt. The team is sustained on a daily basis by three core drivers of *Security, Availability and Efficiency*, which underlie the Bank's perspective on delivering high quality service to clients in an efficient manner and in controlled operational environment. In order to achieve these goals, the Bank has implemented a layered architecture for service and product development and operates with *SysAid*, an internal system that monitors all user/client support, which allows for a structured approach to meeting day-to-day demands.

The most important project undertaken by the systems area during 2012 was completion of the Bank's new transactional platform, www.big.pt. This process included the complete, internal migration of the site's entire code base to the latest version of *.NET,* thereby ensuring a platform for the Bank's online services over the long term. Other projects completed with the aim of reducing costs and increasing internal efficiency included the successful implementation of cloud solutions for both email and document storage. A similar solution has been implemented by the Human Resources area, which brings the Bank in line with the best practices in the market.

As security is a maximum priority and a target for ongoing investment, the Bank implemented during 2012 a system to deal with DDOS (Distributed Denial of Service), executed a cloud based Web Proxy to provide the highest control possible over its mobile sales force, and has introduced the most recent management technology to provide its MacOS use base with the highest protection available.

In general, the Bank makes continuous updates to the trading platforms and to their security, designed to maintain the physical integrity of the infrastructure and to ensure an environment that is free from external contamination.

Internal Audit

Internal Audit plays a key role in the system of internal controls of the Bank and to the process of ensuring appropriate allocation of capital to operating risk. Regular inspections are based on priorities defined by the Board, in view of risks inherent to the Bank's various activities and businesses.

The Audit function is objective and impartial and, through its periodic analyses, plays an essential role in identifying any weaknesses in control processes and risk management policies, conformity to internal procedures and standards of integrity and quality defined by the Bank. Inspections cover all business and operating areas with results reported directly to the Board.

Lisbon, 11 March 2013

Board of Directors

Carlos Adolfo Coelho Figueiredo Rodrigues
Chairman and CEO

Nicholas Leo Racich
Vice Chairman and COO

Mário João Abreu Galhardo Bolota
Executive Director

Diogo Baptista Russo Pereira da Cunha
Executive Director

Paulo José Caramelo de Figueiredo
Executive Director

Ricardo Dias Carneiro e Gomes de Pinho
Executive Director

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AUDITORS' REPORT

(This report is a free translation to English from the original Portuguese version)

Introduction

1. We have audited the consolidated financial statements of **Banco de Investimento Global, S.A.**, which comprise the consolidated balance sheet as at 31 December 2012 (showing total assets of Euro 1,026,193,334 and total equity of Euro 172,301,703 including a net profit of Euro 32,166,525), the consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended and the corresponding notes.

Responsibilities

2. The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union, that present fairly, the consolidated financial position of the Group of companies included in the consolidation, the consolidated results of its operations, its consolidated comprehensive income, its consolidated changes in equity and its consolidates cash flows, for the adoption of adequate accounting policies and criteria and for maintaining an appropriate system of internal control.

3. Our responsibility is to issue a professional and independent report on those consolidated financial statements based on our audit.

Scope

4. We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly our audit included:
   - verification that the financial statements of the companies included in the consolidation have been properly audited and, in those significant cases in which they were not, verification, on a test basis, of the information underlying the figures and its disclosures contained therein, and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;

- verification of the consolidation procedures and of the application of the equity method;
- evaluating the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
- assessing the applicability of the going concern basis of accounting; and
- assessment of the appropriateness of the overall presentation of the consolidated financial statements.

5. Our audit also included the verification that the consolidated financial information included in the Board of Directors report is consistent with the consolidated financial statements presented.

6. We believe that our audit provides a reasonable basis for our opinion.

Opinion

7. In our opinion, the consolidated financial statements referred to above present fairly in all material respects the consolidated financial position of **Banco de Investimento Global, S.A.** as at 31 December 2012, the consolidated results of its operations, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Report on Other Legal Requirements

8. It is also our opinion that the consolidated financial information included in the Board of Directors report is consistent with the consolidated financial statements.

Lisbon, 21 March 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
Represented by
Inês Maria Bastos Viegas Clare Neves Girão de Almeida
(ROC n.º 967)

REPORT AND OPINION OF THE FISCAL BOARD on the CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Banco de Investimento Global, SA:

In accordance with the law and company by-laws, the Fiscal Board hereby submits for your review the Report of its activity and its Opinion on the Consolidated Management Report and Financial Statements, presented by the Board of Directors of Banco de Investimento Global, SA, relating to the year ending on 31 December 2012, and also the report of the Fiscal Board on the legal certification of consolidated accounts, issued by the statutory auditor of Banco de Investimento Global, SA.

REPORT

1. The Fiscal Board analyzed the Consolidated Report of the Board of Directors and consolidated Financial Statements, comprising the consolidated Balance Sheet as at 31 December 2012, the consolidated Profit and Loss Statement, the consolidated Statement of Cash Flows and the respective Notes to the consolidated financial statements.

2. With respect to the consolidated Report of the Board of Directors, the Fiscal Board verified that its content is consistent with the consolidated Financial Statements, and that it satisfies legal and statutory requirements.

3. In reviewing the consolidated Financial Statements for the year, the Fiscal Board used, as a basis, the Legal certification and the Audit Report of the consolidated Accounts, prepared by the Statutory Auditor, with which we are in agreement.

4. As a consequence of its work, the Fiscal Board considers that the consolidated Financial Statements are appropriate for the understanding of the financial condition of Banco de Investimento Global, SA, and of its consolidated participations as at 31 December 2012, and with respect to the manner in which consolidated results were achieved.

As a result of the above, the Fiscal Board is of the OPINION that the General Assembly may approve the consolidated Report of the Board of Directors and the consolidated Financial Statements for the year ending 31 December 2012.

Lisbon, 25 March 2013

The Fiscal Board

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended
31 December 2012 and 2011
(amounts in Euros)

CONSOLIDATED INCOME STATEMENT

for the years ended 31 December 2012 and 2011

	Notes	2012	2011
Interest and similar income	4	39,199,855	34,406,853
Interest and similar costs	4	(20,465,768)	(14,623,666)
Net interest income		**18,734,087**	**19,783,187**
Income from capital instruments	5	1,576,839	1,473,849
Income from services and commissions	6	9,844,788	10,382,730
Charges with services and commissions	6	(3,054,980)	(1,380,701)
Profit / Loss of assets and liabilities at fair value through the income statement	7	11,440,959	(235,576)
Profit / Loss of financial assets available for sale	8	36,685,156	1,442,375
Profit / Loss from exchange revaluation	9	876,704	1,560,506
Profit / Loss of disposal of other assets	10	4,252,138	(135,230)
Other operating results	11	(28,178)	285,387
Operating income		**80,327,513**	**33,176,527**
Staff costs	12	(15,192,007)	(8,837,318)
General administrative costs	14	(6,130,922)	(5,568,518)
Depreciation and amortization	23 and 24	(1,314,991)	(1,495,072)
Provisions net of cancellations	31	(2,892,714)	150,258
Impairment of credit net of reversals and recoveries	21	(16,378)	(170,162)
Impairment of other financial assets net of reversals and recoveries	19	(5,736,787)	(14,134,976)
Impairment of other assets net of reversals and recoveries	23 and 27	(541,246)	318,411
Operating costs		**(31,825,045)**	**(29,737,377)**
Operating result		**48,502,468**	**3,439,150**
Results from associated companies	25	23,371	87,565
Pre-tax profit		**48,525,839**	**3,526,715**
Taxation			
Current	32	(16,385,895)	(909,833)
Deferred	32	26,581	(111,287)
Net profit of the year		**32,166,525**	**2,505,595**
Earnings per basic share	15	0.31	0.03
Earnings per diluted share	15	0.31	0.03

The attached Notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December 2012 and 2011

	Note	2012	2011
Net Profit / Loss of the year		32,166,525	2,505,595
Other comprehensive income			
Change in fair value of financial assets available for sale		121,011,505	(69,048,096)
Actuarial gains and losses on the pension fund	13	(3,986,488)	1,555,979
Deferred tax	32	(34,274,075)	20,175,647
Current tax	32	(641,760)	(390,086)
		82,109,182	**(47,706,556)**
Comprehensive income recognised in the year		**114,275,707**	**(45,200,961)**

The attached Notes form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2012 and 2011

	Note	2012	2011
Assets			
Cash and deposits in central banks	16	14,054,324	10,323,223
Deposits in other banks	17	19,698,790	42,026,648
Financial assets held for trading	18	17,407,697	13,336,285
Financial assets available for sale	19	700,095,270	503,683,281
Applications in banks	20	36,924,460	27,087,173
Loans to clients	21	192,674,248	159,330,790
Hedge derivatives	22	-	21,544
Tangible assets	23	16,533,668	17,399,614
Intangible assets	24	194,425	534,862
Investments in associated companies	25	5,357,148	4,954,560
Current tax assets	26	-	1,740,137
Deferred tax assets	32	625,668	34,873,163
Other assets	27	22,627,636	13,672,201
Total assets		**1,026,193,334**	**828,983,481**
Liabilities			
Funding from central banks	28	260,247,778	238,322,892
Financial liabilities held for trading	18	1,015,994	18,591,972
Funding from other banks	29	6,480,594	48,895,643
Funding from clients	30	543,830,163	440,567,939
Hedge derivatives	22	11,610,518	5,046,890
Provisions	31	2,905,364	20,150
Current tax liabilities	26	16,695,327	-
Other liabilities	33	11,105,893	10,303,654
Total liabilities		**853,891,631**	**761,749,140**
Equity			
Capital	34	104,000,000	104,000,000
Issue premiums	34	1,362,281	1,362,281
Treasury stock	34	(1,171,567)	(1,323,065)
Fair value reserve	34	(1,183,677)	(87,279,347)
Other reserves and retained earnings	34	46,487,985	47,968,877
Net profit of the year		32,166,525	2,505,595
Antecipated dividends	34	(9,359,844)	-
Total equity		**172,301,703**	**67,234,341**
Total liabilities and equity		**1,026,193,334**	**828,983,481**

The attached Notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2012 and 2011

	Capital	Issue premiums	Treasury stock	Fair value reserve	Legal reserve	Other reserves	Net profit / loss of the year	Interim dividends	Total equity
Balances on 31 December 2010	**89,088,810**	**9,343,753**	**(1,583,087)**	**(38,016,812)**	**5,123,806**	**23,724,536**	**20,459,890**	**-**	**108,140,896**
Comprehensive income									
Other comprehensive income									
Alterations in fair value of financial assets available for sale	-	-	-	(69,048,096)	-	-	-	-	(69,048,096)
Actuarial gains and losses on the pension fund	-	-	-	-	-	1,555,979	-	-	1,555,979
Deferred tax	-	-	-	20,175,647	-	-	-	-	20,175,647
Current tax	-	-	-	(390,086)	-	-	-	-	(390,086)
Net Profit / Loss of the year	-	-	-	-	-	-	2,505,595	-	2,505,595
Total comprehensive income recognised in the year	**-**	**-**	**-**	**(49,262,535)**	**-**	**1,555,979**	**2,505,595**	**-**	**(45,200,961)**
Distribution of profit of the year 2010									
Transfer to reserves	-	-	-	-	2,019,641	15,544,915	(17,564,556)	-	-
Distribution of dividends	-	-	-	-	-	-	(2,895,334)	-	(2,895,334)
Change in loans and advances to employees for the acquisition of Treasury Stock	-	-	260,022	-	-	-	-	-	260,022
Increase in capital	14,911,190	(7,981,472)	-	-	-	-	-	-	6,929,718
Balances on 31 December 2011	**104,000,000**	**1,362,281**	**(1,323,065)**	**(87,279,347)**	**7,143,447**	**40,825,430**	**2,505,595**	**-**	**67,234,341**
Comprehensive income									
Other comprehensive income									
Alterations in fair value of financial assets available for sale	-	-	-	121,011,505	-	-	-	-	121,011,505
Actuarial gains and losses on the pension fund	-	-	-	-	-	(3,986,488)	-	-	(3,986,488)
Deferred tax	-	-	-	(34,274,075)	-	-	-	-	(34,274,075)
Current tax	-	-	-	(641,760)	-	-	-	-	(641,760)
Net Profit / Loss of the year	-	-	-	-	-	-	32,166,525	-	32,166,525
Total comprehensive income recognised in the year	**-**	**-**	**-**	**86,095,670**	**-**	**(3,986,488)**	**32,166,525**	**-**	**114,275,707**
Distribution of profit of the year 2011									
Transfer to reserves	-	-	-	-	246,444	2,259,151	(2,505,595)	-	-
Change in loans and advances to employees for the acquisition of Treasury Stock	-	-	151,498	-	-	-	-	-	151,498
Interim Dividends	-	-	-	-	-	-	-	(9,359,844)	(9,359,844)
Balances on 31 December 2012	**104,000,000**	**1,362,281**	**(1,171,567)**	**(1,183,677)**	**7,389,891**	**39,098,093**	**32,166,525**	**(9,359,844)**	**172,301,702**

The attached Notes form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the years ended 31 December 2012 and 2011

	Note	2012	2011
Cash flow from operating activities			
Interest and income received		39,199,855	34,037,761
Interest and costs paid		(20,465,768)	(11,785,686)
Services and commissions		6,789,808	8,992,770
Contributions to the pension fund		(3,996,488)	(129,481)
Cash payments to employees and suppliers		(23,814,641)	(16,894,681)
Other costs and income paid/received		2,511,779	2,611,138
		224,545	**16,831,821**
Change in operating assets and liabilities:			
Deposits in Central Banks		(3,486,488)	(6,000,254)
Financial assets and liabilities held for trading		(5,077,589)	(12,781,193)
Applications in banks		(9,837,287)	(27,017,425)
Funding from Central Banks		21,924,886	(122,000,000)
Funding from banks		(42,415,050)	9,874,676
Loans to clients		(33,366,501)	7,520,138
Funding from clients		103,262,224	105,792,351
Derivatives for risk management		6,819,318	3,179,943
Other operating assets and liabilities		(9,334,652)	(2,566,716)
Cash flow net of the operating activities, before taxation on profits		**28,713,460**	**(27,166,659)**
Taxation on profits paid / received		2,076,150	(3,692,044)
		30,789,556	**(30,858,703)**
Cash flow from investment activities			
Dividends received		1,576,839	1,473,849
Financial assets available for sale		(45,003,849)	(14,928,355)
Purchase of financial investments		(236,608)	(525,396)
		(43,663,618)	**(13,979,902)**
Cash flow from investment activities			
Dividends received		151,497	260,022
Financial assets available for sale		-	6,929,717
Dividends paid from ordinary shares		(9,359,844)	(2,895,335)
Cash flow net of financing activities		**(9,208,347)**	**4,294,404**
Net variation in cash and cash equivalents		**(22,082,409)**	**(40,544,201)**
Cash and cash equivalents at the beginning of the period		43,358,774	83,903,811
Cash and cash equivalents at the end of the period		21,276,365	43,359,610
		(22,082,409)	**(40,544,201)**
Cash and cash equivalents includes:			
Cash	16	1,577,575	1,332,962
Deposits in other banks	17	19,698,790	42,025,812
Total		**21,276,365**	**43,358,774**

The attached Notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the years ended
31 December 2012 and 2011
(amounts in Euros)

INTRODUCTION

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

On 31 December 2012, the Bank held a shareholding of 34.76% in the share capital of ONETIER PARTNERS, SGPS, S.A. (ONETIER). This company was founded on 29 November 1999, its main object being to manage shareholdings in other entities with the indirect purpose of exercising economic activities.

BiG Serviços Financeiros, S.A. fully owned by the Bank, was founded on the 11^{th} of September 2008, and has the main object of performing diverse financial services and activities.

NOTE 1
BASIS OF PRESENTATION

Pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, in its transposition into Portuguese legislation through Law no. 35/2005, of 17 February and of Notification no. 1/2005, of the Bank of Portugal, the consolidated financial statements of the Banco de Investimento Global, S.A. ("BiG" or "Group") are prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted in the European Union.

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

The consolidated financial statements presented here relate to the year ended 31 December 2012 and were prepared in accordance with the IFRS, as adopted in the European Union up to 31 December 2012. The accounting policies used by the Group in the preparation of the financial statements reported on 31 December 2012 are consistent with those used with reference to 31 December 2011. The main standards and interpretations adopted in 2011 are mentioned in note 39.1. However, as described in note 39, the Group recently adopted are mentioned in note 39. However, as described in note 39, the Group adopted in the preparation of the financial statements referring to 31 December 2012, the accounting standards issued by the IASB and the interpretations of the IFRIC the application of which is mandatory as of 1 January 2012. The accounting policies used by the Group in the preparation of the financial statements, described in this note, were adopted accordingly. The adoption of these new standards and interpretations in 2012 had no material effect on the Group's accounts.

The consolidated financial statements are stated in Euros. These were prepared in accordance with the historical cost principle, with the exception of assets and liabilities recorded at fair value, specifically derivative financial instruments, financial assets held for trading and financial assets available for sale and hedged assets and liabilities, in their component that is being hedged.

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

These consolidated financial statements were approved in a meeting of the Board of Directors on 11 March 2013.

NOTE 2
MAIN ACCOUNTING POLICIES

2.1. Consolidation principles

The consolidated financial statements presented here reflect the assets, liabilities and results of BiG and of its subsidiary companies ("Group") and the results attributable to the Group referring to its shareholding in associated companies. The accounting policies were applied consistently to all of the companies in the Group, in relation to the periods covered by these consolidated financial statements.

Subsidiary companies

Subsidiary companies are classified as companies over which the Group exercises control. Control is normally presumed when the Group has the power to exercise the majority of the voting rights. Control may also exist when the Group has the power, direct or indirectly, to manage the financial and operational policy of a given company in order to obtain benefits from its activities, even if the percentage of equity that it holds is less than 50%. Subsidiary companies are fully consolidated from the moment that the Group assumes control over its activities until the time that this control ceases.

Up to 31 December 2009, when the accumulated losses of a subsidiary attributable to the non-controlling interests exceed the value of the respective interest in the equity capital of this subsidiary company, the excess was attributable to the Group, with the losses being entered in the income statement in the measure in which they were incurred. Subsequent profit obtained by this subsidiary is recognised as revenue of the Group until the losses previously absorbed are recovered. After 1 January 2010, accumulated losses are attributed to the non-controlling interests in the proportions held, which could imply the recognition of non-controlling interests of a negative amount.

After 1 January 2010, in a step acquisition transaction which results in the acquisition of control, any minority holding previously held is revaluated at fair value as a counter-entry in the income statement when the goodwill is calculated. At the time of a partial sale, which results in the loss of control over a subsidiary company, any remaining minority holding held is revaluated at fair value on the date of the sale and the gain or loss resulting from this revaluation is entered as a counter-entry in the income statement.

Associated companies

Associated companies are classified as all companies over which the Group has the power to exercise significant influence over its financial and operational policy, although it may not have control. Normally it is presumed that the Group exercises significant influence when it has the power to exercise more than 20% of the voting rights of the associate company. Even when the voting rights are less than 20%, the Group may exercise significant influence through shareholding in the management of the associate company or in the composition of the Boards of Directors with executive powers. Investments in associated companies are recorded in the consolidated financial statements of the Bank by the equity pick-up method from the time that the Group acquires significant influence until the time this ends.

After 1 January 2010, in a step acquisition transaction which results in the acquisition of significant influence, any participation previously held is revaluated at fair value as a counter-entry in the income statement upon the first application of the equity pick-up method.

When the value of the accumulated losses incurred by an associate company which are attributable to the Group is equal to or more than the book value of the participation and of any other medium and long term interests in this associate company, the equity pick-up method is interrupted, except if the Group has the legal or constructive obligation to recognise these losses or has made payments in the name of the associate company.

Gains or losses in the sale of parts of the capital in associate companies are stated as a counter-entry in the income statement even if no loss of significant influence occurs with this sale.

Balances and transactions eliminated in the consolidation

Balances and transactions between Group companies, including any unrealised gains or losses resulting from intra-group operations, are eliminated in the process of consolidation, except in the cases in which unrealised losses indicate that there is impairment which should be recognised in the consolidated accounts.

Unrealised gains resulting from transactions with associated entities are eliminated in the proportion of the Group's participation in them. Unrealised losses are also eliminated, but only in situations where they do not indicate that there is impairment.

2.2. Transactions in foreign currency

Transactions in foreign currency are converted at the rate of exchange in force on the date of the transaction. Monetary assets and liabilities expressed in foreign currency are converted into Euros at the rate of exchange in force on the date of the balance sheet. The exchange differences resulting from this conversion are recognised in profit and loss.

Non-monetary assets and liabilities recorded at historical cost expressed in foreign currency are converted at the rate of exchange on the date of the transaction. Non-monetary assets and liabilities expressed in foreign currency recorded at fair value are converted at the rate of exchange in force on the date on which the fair value was determined. The resulting exchange differences are recognised in profit and loss, except in respect of differences classified as financial assets available for sale, which are recorded as a counter-entry of equity.

2.3. Derivative financial instruments and hedge accounting

Classification

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

All other derivatives are classified as trading derivatives.

Recognition and measurement

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

Hedging may be one of two types with their measurement varying according to their nature:

Fair value hedging consists of the hedging of exposure to alterations in the fair value of a recognised asset and liability, where any gain or loss in the hedge instrument and opposite sign in the instrument hedged will be included in the income statement of the year.

Cash flow hedging is hedging of exposure to the variability in cash flow that may be attributable i) to a particular risk of a recognised asset or liability ii) or to a highly probable foreseen transaction that might affect profits and losses. The variation in gains and losses in the hedge instrument will be measured in equity capital.

The fair value of financial derivative instruments corresponds to their market value, when available, or is determined based on valuation techniques including discounted cash flow models and option evaluation models, as appropriate.

Hedge accounting

Classification criteria

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

- On the start date of the transaction the hedge relationship is identified and formally documented, including the identification of the hedged item, of the hedge instrument and the evaluation of the effectiveness of the hedge;

- There is the expectation that the hedge relationship is highly effective, on the start date of the transaction and throughout the life of the transaction.

The efficacy of the hedge can be reliably measured on the start date of the transaction and throughout the life of the operation.

Fair value hedge

In a fair value hedge transaction of an asset or liability, the balance sheet value of this asset or liability, based on the respective accounting policy, is adjusted so as to reflect the variation in its fair value attributable to the hedged risk. The variations in the fair value of hedging derivatives are recognised in the income statement, together with the variations in fair value of the hedged assets or liabilities attributable to the hedged risk.

If the hedge ceases to meet the criteria required for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed return instrument, the revaluation adjustment is amortised up to its maturity by the effective rate method.

2.4. Loans to clients

Loans to clients include the loans originated by the Group, the intention of which is not their short term sale, and which are recorded on the date on which the amount of the loan is made available to the clients.

Loans to clients are not recognised in the balance sheet when (i) the contractual rights of the Group relating to the respective cash flow have expired, (ii) the Group substantially transferred all the risks and benefits associated with holding them, or (iii) notwithstanding the fact that the Group may have retained part, but not substantially all, of the risks and benefits associated with holding them, control over the assets was transferred.

Loans to clients are initially recognised at fair value plus transaction costs and are subsequently valued at amortised cost, based on the effective rate method, less impairment losses.

Impairment

The Group regularly assesses if there are objective signs of impairment in its credit portfolio. Impairment losses identified are charged against income and subsequently the charge is reversed if the amount of the estimated impairment loss is reduced in a later period.

A loan or loan portfolio, defined as a group of loans with similar risk characteristics, granted to clients may be classified as impaired when there is objective evidence that indicates that one or more events, which occurred after their initial recognition, have an impact on the recoverable value of the future cash flow of this loan or loan portfolio.

Initially, the Group evaluates if there exists objective evidence of impairment individually for each loan. For this evaluation and in the identification of loans with impairment on an individual basis, the Group uses the information input in the credit risk models implemented and considers the following factors, amongst others:

- the aggregate exposure to the client and if there are any overdue loans;
- the economic-financial viability of the client's business or professional activity and its capacity to generate sufficient cash flow to service its debt obligations in the future;
- the existence, nature and the estimated value of the collateral associated to each loan;
- if there are privileged creditors;
- the client's level of indebtedness in the financial sector;
- the amount and timing of estimated recovery.

If for a given loan there is no objective evidence of impairment on an individual basis, this loan is included in a group of loans with similar credit risk characteristics (credit portfolio), which is evaluated collectively – analysis of the impairment on a collective basis. Loans which are evaluated individually and for which an impairment loss is identified are not included in the collective evaluation.

If an impairment loss is identified on an individual basis, the amount of the loss to be recognised corresponds to the difference between the accounting value of the loan and the actual value of the estimated future cash flow (considering the recovery period) discounted at the effective original interest rate of the contract. The loan is presented in the balance sheet net of the impairment. For a loan with a variable interest rate, the discount rate to be used to determine the respective impairment loss is the effective current interest rate, determined by the rules in each contract.

Alterations amounting to recognised impairment losses, attributable to the effect of the discount, are entered as interest and similar income.

The calculation of the present value of the estimated future cash flow of a guaranteed loan reflects the cash flow which might result from the recovery and sale of the collateral, less the costs inherent with its recovery and sale.

With regard to the analysis of the impairment on a collective basis, the loans are grouped together based on similar credit risk characteristics, according to the evaluation of risk defined by the Group. The future cash flow for a credit portfolio, the impairment of which is evaluated collectively, is estimated based on the contractual cash flow and on the historical loss experience. The methodology and the assumptions used to estimate the future cash flow are regularly revised by the Group in order to monitor the differences between loss estimates and the real losses. When the Group considers that a given loan cannot be collected, having recognised an impairment loss of 100%, this is written off from assets. Subsequent recoveries of loans previously written off in assets are recognised in profit and loss by the reduction amounting to the impairment losses of the period.

2.5. Other financial assets

Classification

The Group classifies its other financial assets at the time of their acquisition considering the underlying intention, in accordance with the following categories:

- *Financial assets at fair value through the income statement*
  This category includes: (i) financial assets for trading, acquired with the main objective of being traded in the short term, or which are held as part of an asset portfolio, normally securities, in relation to which there is evidence of recent activities which could lead to the making of short term gains, and (ii) financial assets designated at the time of their initial recognition at fair value with variations recognised in the income statement.

The Group designates certain financial assets held for trading upon their initial recognition when:

- these financial assets are managed, evaluated and analysed internally based on their fair value;
- derivative transactions are performed with the objective of hedging these assets, thereby ensuring consistency in the valuation of the assets and of the derivatives (accounting mismatch);
- these financial assets contain embedded derivatives.

The structured products acquired by the Group, which correspond to financial instruments containing one or more embedded derivatives, always fit into one of the three situations described above, follow the evaluation method of financial assets held for trading.

- *Investments held to maturity*
  Investments held to maturity are financial assets with defined maturities and fixed or determinable payments, which the Group has the intention and capacity of holding to maturity.

- *Financial assets available for sale*
  Financial assets available for sale are non-derivative financial assets which (i) the Group has the intention of keeping for an indefinite period, (ii) which are designated as available for sale at the time of their initial recognition or (iii) which are not classified in the above categories.

Initial recognition, measurement and non-recognition

The acquisition and disposal of: (i) financial assets at fair value through the income statement, (ii) investments held to maturity and (iii) financial assets available for sale, are recognised on the trading date, or rather, on the date on which the Group undertakes to acquire or dispose of the assets.

Financial assets are initially recognised at their fair value plus transaction costs, except with regard to financial assets held for trading, in which case the transaction costs are recognised directly in the income statement.

These assets are not recognised when (i) the contractual rights of the Group to receive their cash flow expire, (ii) the Group substantially transfers all the risks and benefits associated to their detention or (iii) notwithstanding the fact that it may keep part, but not substantially all the risks and benefits associated to their detention, the Group has transferred control over the assets.

Subsequent measurement

After their initial recognition, financial assets at fair value through profit & loss are evaluated at fair value, with any variations being recognised in the income statement.

Financial assets held for sale are also recorded at fair value although respective variations are recognised in reserves until the financial assets are no longer recognised or an impairment loss is identified, at which time the accumulated value of the potential gains and losses recorded in reserves is transferred to the income statement. Exchange variations associated to these financial assets are also recognised in reserves in the case of shares and in the income statement in the case of debt instruments. Interest and dividends are also recognised in the income statement.

Investments held to maturity are valued at amortised cost, based on the effective rate method and are net of impairment losses.

The fair value of listed financial assets is their bid price. If there is no listing, the Group estimates the fair value using (i) evaluation methodologies, such as the use of recent, similar transaction prices made in such market conditions, with discounted cash flow techniques and option evaluation models adapted so as to reflect the particular features and circumstances of the instrument, and (ii) evaluation assumptions based on market information.

Financial instruments for which it is not possible to reliably measure their fair value are recorded at acquisition cost net of impairment losses.

Impairment

The Group regularly assesses if there is objective evidence that financial assets, or a group of financial assets, show signs of impairment. For financial assets which show signs of impairment, the respective recoverable value is determined, with impairment losses being charged against income.

Financial assets, or a group of financial assets, are impaired whenever there is objective evidence of impairment resulting from one or more events which occur after their initial recognition, such as (i) for listed securities, a continued devaluation or significant drop in listed value, and (ii) for unlisted securities, when this event has an impact on the estimated value of the future cash flow of the financial assets, or group of financial assets, which may be reasonably estimated.

Impairment losses on investments held to maturity correspond to the difference between the book value of the assets and the current value of the estimated future cash flow (considering the recovery period), discounted at the original effective interest rate of the financial assets. These assets are presented in the balance sheet net of impairment. In the case of variable interest rate assets, the discount rate to be used to determine the impairment loss is the effective current interest rate, based on the rules of each contract. If the amount of the impairment loss reduces in a subsequent period, and this reduction is related with an event which occurred after recognition of the impairment, this is reversed against the results of the year.

When there is evidence of impairment in the financial assets available for sale, the accumulated potential loss in reserves, corresponding to the difference between acquisition cost and the current fair value, less any impairment loss in the assets previously recognised in the income statement, is transferred to the income statement. If the amount of the impairment loss reduces in a subsequent period, the impairment loss previously recognised is reversed in the income statement of the year up to the reinstatement of the acquisition cost, except with regard to shares or other capital instruments, in which case the reversal of the impairment is recognised in reserves.

2.6. Financial liabilities

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

Non-derivative financial liabilities include funding from credit institutions and clients, loans and short selling securities.

These financial liabilities are stated (i) initially for their fair value less the transaction costs incurred and (ii) subsequently at amortised cost, based on the effective rate method, with the exception of the short sales and of financial liabilities held for trading, which are recorded at fair value.

The fair value of liabilities quoted on a market is their quotation value. If this does not exist, the Group estimates the fair value using methods of assessment considering assumptions based on market information.

2.7. Capital instruments

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

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

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

Treasury stock

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

2.8. Compensation of Financial Instruments

Financial assets and liabilities are entered in the balance sheet for their net value when the Group has a legal right to compensate the amounts recognised and there is the intention to settle them at their net value, or to realise the asset and settle the liability at the same time.

2.9. Assets with repurchase agreement

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

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

2.10. Tangible assets

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

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

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

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

When there is an indication that assets may be impaired, IAS 36 requires that their recoverable value be estimated, and that an impairment loss should always be recognised when the net value of an asset exceeds its recoverable value. Impairment losses are recognised in the income statement of the year.

The recoverable value is determined as the higher of its net sale price and its usage value, which is calculated based on the current value of the estimated future cash flow which is expected to be obtained from the continued use of the assets and of their disposal at the end of their useful life.

2.11. Intangible assets

Intangible assets are recorded at cost and are depreciated linearly over the expected useful life of these assets, in this case 3 years.

2.12. Leasing

The Group classifies leasing operations as financial leasing or operational leasing, according to their substance and not their legal form, fulfilling the criteria defined in IAS 17 – Leasing. Operations in which the risks and benefits inherent to the ownership of assets are transferred to the lessee are classified as financial leasing. All other leasing operations are classified as operational leasing.

Operational leasing

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

Financial leasing

From the point of view of the lessor financial leasing contracts are entered on their start date, in assets and in liabilities, at the acquisition cost of the property leased, which is equivalent to the current value of the lease instalments due. Instalment payments comprise (i) the financial charge which is debited in profit and loss and (ii) the financial amortization of the capital which is deducted from liabilities. Financial charges are recognised as costs through the period of the lease in order to produce a constant periodic rate of interest on the remaining balance of the liability in each period.

From the point of view of the lessee financial leasing contracts are entered in the balance sheet as loans granted for the value equivalent to the net investment made in the leased property. The interest included in the instalment payments debited to clients are entered as income while the amortizations of the capital also included in the instalment payments are deducted from the value of the loan granted to clients. The recognition of the interest reflects a constant periodic rate of return on the net remaining investment of the lessee.

2.13. Employee benefits

Employees under contract with Banco de Investimento Global are all registered with the Social Security. The responsibilities of the Bank with pensions thereby consist in the payment of a contribution which will complement the eventual retirement payment from the Social Security system.

Up to 2005, the employees of the Bank and the members of the Board of Directors were covered by a Defined Contribution Plan.

On 8 April 2005, in the General Meeting of Shareholders, a proposal of the Remunerations Commission on the Retirement of the Directors was approved relating to the creation of a Defined Benefit Pensions Plan, which generically consists of the awarding of a retirement benefit for old age or disability, which is based on a percentage which increases according to the length of service in the Bank, of the last basic salary less the pension from the Social Security. The General Meeting delegated the formal establishment of this plan to the Board of Directors, as well as the specific definition of its terms.

On 29 December 2005, the Board of Directors of the Bank established the generically approved Plan, limiting the benefits and extending the Plan to the other employees of BiG, giving them the possibility of choosing, solely and unilaterally, between remaining in the Defined Contribution Plan or changing to the Defined Benefit Plan. This possibility for the others to choose was given in June 2006.

On this basis, the Bank has a Defined Contribution Plan and a Defined Benefit Plan in force.

Defined Contribution Plan

The contributions made are updated annually, based on eligible remunerations. Contributions made are recorded as a cost of the year in the caption Payroll Costs – Commitments with Pensions.

Defined Benefit Plan

Costs with past services, arising from the introduction of the Defined Benefit Plans in line with the decision of the Board of Directors of 29 December 2005, determined by independent actuaries based on the Projected Unit Credit Method and mutually compatible actuarial and financial assumptions, were recognised in accordance with *IAS 19* – Employee Benefits as an asset and will be allocated to results over the remaining life of the services of the employees covered by the plan, which on average is 11.5 years, on the date that the plan was introduced.

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

Actuarial gains and losses determined annually, resulting (i) from the differences between the actuarial and financial assumptions used and the values effectively verified and (ii) from the alterations in actuarial assumptions, are recognised in reserves.

Annually, the Bank recognises a total net value which includes the cost of the current service, the cost of the interest, the expected income from the assets of the fund, and an amount relating to the amortisation of the costs with past services deferred as a cost in its income statements.

The Bank makes payments to the funds in order to ensure their solvency, with the minimum levels being fixed as follows: full financing at the end of each year of the actuarial responsibilities for pensioners and a minimum financing of 95% of the actuarial value of the responsibilities for past services of employees in service.

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

Stock option remuneration plan

The remuneration plan with stock options allows employees to acquire shares of the BiG at the option exercise price. Considering the terms and conditions of this plan, specifically the physical settlement of the options, this is accounted in accordance with IFRS 2, as an equity settled share based payment. On this basis, the fair value of the options attributed, determined on the date of attribution, is recognised in profit and loss as an entry against equity capital, during the vesting period.

Variable remunerations to Employees and Corporate Offices

In accordance with IAS 19 – Employees' Benefits, variable remunerations attributed to employees and to the corporate offices are accounted in the profit and loss of the year they relate to.

2.14. Provisions

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

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

2.15. Taxation on profits

The Group is subject to the regime established in the Corporation Tax Code (IRC). Furthermore, deferred tax is recorded resulting from the temporary differences between the book results and the results accepted for tax purposes, whenever there is a reasonable probability that this taxation will be paid or recovered in the future.

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

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

Deferred taxation is calculated in accordance with the liability method based on the balance sheet, considering temporary differences between the accounting amounts of the assets and liabilities and the base amount used for tax purposes, using the tax rates in force and which are expected to be applied when the temporary differences are reversed.

Deferred tax assets are only recognised in as much as taxable profits can be expected to exist in the future that would be capable of absorbing the deductible temporary differences.

2.16. Recognition of income from services and commissions

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

- when obtained in the execution of a significant act, for example, such as commissions in the syndication of loans, income is recognised in the income statement when the significant act has been concluded;

- when obtained as the services are provided, income is recognised in the income statement in the period to which it relates;

- when income is part of the effective interest rate of a financial instrument it is stated in the income statement by the effective interest rate method.

2.17. Recognition of interest

Results referring to interest from non-derivative financial instruments measured at amortised cost and financial assets available for sale, using the effective rate method, are recognised in Interest and similar income or interest and similar costs. Interest on financial assets and liabilities held for trading is also included in the caption of interest and similar income or interest and similar costs, respectively.

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

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

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

In respect of financial derivative instruments, with the exception of those that are classified as derivatives for risk management (note 2.3), the interest component inherent to the variation in fair value is not separated and is classified in the caption of results from assets and liabilities at fair value through the income statement. The interest component inherent to the variation in fair value of financial derivative instruments for risk management is recognised in the captions of interest and similar income or interest and similar costs.

2.18. Earnings per share

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

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

2.19. Cash and cash equivalents

For the purpose of the cash flow statement, cash and its equivalents include the amounts recorded in the balance sheet with a maturity of less than three months as from the date of acquisition/contracting, where cash and deposits in other credit institutions are included.

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

2.20. Recognition of dividends

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

2.21. Standards and interpretations not yet adopted

The Standards and Interpretations not yet adopted by the Group are presented in Note 39.2.

2.22. Report by segments

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

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

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

3.1. Impairment of financial assets available for sale

The Group decides that there is impairment in its financial assets available for sale when there is a continued devaluation or significant drop in value in their fair value or when it expects there to be an impact on the future cash flow of the assets. The determination of a continued devaluation or significant drop in value requires judgement. In the judgement made, amongst other factors, the Group evaluates the normal volatility of the price of the shares. For the purpose and as a result of the high volatility and reduced liquidity of the markets during 2011, the following triggers for the existence of impairment were considered:

- Capital securities: devaluations in the acquisition value or market value of more than 30% lower than acquisition value for a period of over twelve months;

- Debt securities: whenever there is objective evidence of events which impact on the recoverable value of the future cash flow of these assets.

Furthermore, evaluations are obtained through market prices (mark to market) or evaluation models (mark to model) which require the use of given assumptions or judgements in the establishment of estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates may result in a different level of impairment losses recognised, with the consequent impact on the results of the Group.

3.2. Fair value of financial derivative instruments

Fair value is based on market quotations, when available, and, in the absence of a quotation, it is based on recent, similar transaction prices made in market conditions, or based on evaluation methodologies, based on discounted future cash flow techniques considering market conditions, the temporal value, the profitability curve and volatility factors. These methodologies can require the use of assumptions or judgements in the estimate of fair value.

Consequently, the use of different methodologies or of different assumptions or judgements in the application of a certain model may lead to financial results different from those reported.

3.3. Impairment losses on loans and advances to clients

The process of evaluation of the credit portfolio in order to determine if an impairment loss should be recognised is subject to diverse estimates and judgements. This process includes factors such as the frequency of non-fulfilment, risk notations, rates of recovery of losses and estimates both of future cash flow and of the time of their receipt.

Alternative methodologies and the use of other assumptions and estimates may result in different levels of impairment losses recognised, with the consequent impact on the results of the Group.

3.4. Taxation on profits

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

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

The Tax Authorities are empowered to review the Group's calculation of its annual taxable earnings for a period of four or six years in the case of there being tax losses brought forward. In this way it is possible that there may be corrections to the annual taxable earnings resulting mainly from differences in the interpretation of tax law. However, the Board of Directors of the Group is confident that there will be no material corrections to the taxation on profits recorded in the financial statements.

3.5. Pensions and other employee benefits

Determining the responsibilities for defined benefit retirement pensions requires the use of assumptions and estimates, including the use of actuarial projections, the estimated profitability of investments and other factors which may have an impact on costs and on the responsibilities of the pensions plan.

Alterations in these assumptions could materially affect the values determined.

NOTE 4
NET INTEREST MARGIN

The amount of this caption is made up as follows:

	2012			2011		
	From assets/ liabilities at amortised cost and assets available for sale	From assets/ liabilities at fair value through the income statement	Total	From assets/ liabilities at amortised cost and assets available for sale	From assets/ liabilities at fair value through the income statement	Total
Interest and similar income						
Interest from applications	73,239	-	73,239	81,973	-	81,973
Interest from securities available for sale	28,281,307	-	28,281,307	24,282,711	-	24,282,711
Interest from deposits	109,677	-	109,677	311,237	-	311,237
Interest from loans to clients	6,251,752	-	6,251,752	4,302,246	-	4,302,246
Interest from financial assets held for trading	-	1,728,482	1,728,482	-	264,975	264,975
Other interest and similar income	2,755,398	-	2,755,398	5,163,711	-	5,163,711
	37,471,373	**1,728,482**	**39,199,855**	**34,141,878**	**264,975**	**34,406,853**
Interest and similar costs						
Interest from funding from clients	(13,512,563)	-	(13,512,563)	(8,745,456)	-	(8,745,456)
Interest from funding from banks	(425,303)	-	(425,303)	(325,671)	-	(325,671)
Interest from funding from Central Banks	(2,424,139)	-	(2,424,139)	(3,738,375)	-	(3,738,375)
Other interest and similar charges	(4,103,763)	-	(4,103,763)	(1,814,164)	-	(1,814,164)
	(20,465,768)	**-**	**(20,465,768)**	**(14,623,666)**	**-**	**(14,623,666)**
Net interest income	**17,005,605**	**1,728,482**	**18,734,087**	**19,518,212**	**264,975**	**19,783,187**

NOTE 5
INCOME FROM CAPITAL INSTRUMENTS

On 31 December 2012, this caption, amounting to 1,576,839 Euros (31 December 2011: 1,473,849 Euros) comprises dividends from financial assets available for sale.

NOTE 6
RESULTS FROM SERVICES AND COMMISSIONS

The amount of this caption is made up as follows:

	2012	2011
Income from services and commissions		
For transactions on behalf of third parties	6,818,641	6,588,740
For services rendered	1,805,070	1,965,411
For commission sharing	579,790	734,765
For financial consultancy services	465,750	601,483
For guarantees provided	2,409	8,655
For commitments before third parties	3,675	3,825
Other income from services and commissions	169,453	479,851
	9,844,788	**10,382,730**
Charges with services and commissions		
For transactions performed by third parties	(666,046)	(980,548)
For banking services from third parties	(330,508)	(263,857)
For transactions on financial instruments	(24,988)	(106,860)
Other charges with services and commissions	(2,031,860)	(28,945)
For guarantees received	(1,578)	(491)
	(3,054,980)	**(1,380,701)**
Net Profit / Loss from services and commissions	**6,789,808**	**9,002,029**

The variation in the caption Other charges with services and commissions essentially relates to back commissions.

NOTE 7
PROFIT/LOSS ON ASSETS AND LIABILITIES AT FAIR VALUE THROUGH THE INCOME STATEMENT

The amount of this caption is made up as follows:

	2012			2011		
	Income	**Costs**	**Total**	**Income**	**Costs**	**Total**
Assets and liabilities held for trading						
Bonds and other fixed return securities						
From public issuers	9,462,762	(202,788)	9,259,974	893,746	(313,037)	580,709
From other issuers	4,380,941	(47,253)	4,333,688	834,559	(377,268)	457,291
Shares	2,206,141	(4,856,631)	(2,650,490)	14,211,065	(15,341,242)	(1,130,177)
Other variable return securities	274,800	(198,973)	75,827	-	-	-
Derivative financial instruments						
Contracts on exchange rates	376,190	(332,637)	43,553	281,677	(278,966)	2,711
Contracts on interest rates	911,110	(346,087)	565,023	-	(1,745)	(1,745)
Contracts on shares / indices	2,937,118	(2,194,249)	742,869	4,695,137	(3,267,481)	1,427,656
Other	6,276,782	(5,553,632)	723,150	15,316,949	(16,272,681)	(955,732)
Hedge derivatives	6,149,611	(7,802,246)	(1,652,635)	5,025,893	(5,642,182)	(616,289)
	32,975,455	**(21,534,496)**	**11,440,959**	**41,259,026**	**(41,494,602)**	**(235,576)**

NOTE 8
PROFIT/LOSS ON FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this caption is made up as follows:

	2012			2011		
	Income	**Costs**	**Total**	**Income**	**Costs**	**Total**
Bonds and other fixed return securities						
From public issuers	29,453,309	(1,448,443)	28,004,866	361,872	(481,871)	(119,999)
From other issuers	11,105,228	(2,250,956)	8,854,272	3,391,245	(3,358,929)	32,316
Shares	545,837	(719,819)	(173,982)	1,740,495	(210,437)	1,530,058
	41,104,374	**(4,419,218)**	**36,685,156**	**5,493,612**	**(4,051,237)**	**1,442,375**

NOTE 9
PROFIT/LOSS ON EXCHANGE REVALUATION

On 31 December 2012, this caption comprises income amounting to 876,704 Euros (31 December 2011: 1,560,506 Euros).

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

NOTE 10
RESULTS FROM THE SALE OF OTHER ASSETS

The amount of this caption is made up as follows:

	2012	2011
Financial transactions		
Other losses	(483,755)	(141,620)
Other gains	4,735,893	6,390
	4,252,138	**(135,230)**

The variation in the caption Other gains, refers essentially to the amortization of capital and tender offers by the issuers of Residential mortgage-backed securities (RMBS).

NOTE 11
OTHER OPERATING RESULTS

The amount of this caption is made up as follows:

	2012	2011
Other operating income		
Provision of diverse services	75,269	31,243
Repayment of expenses	10,032	7,671
Other	565,462	1,234,065
	650,763	**1,272,979**
Other operating costs		
Direct and indirect taxation	(517,804)	(844,780)
Contributions to deposit guarantee fund	(87,075)	(71,637)
Dues and donations	(34,101)	(37,702)
Other	(39,961)	(33,473)
	(678,941)	(987,592)
Other operating results	**(28,178)**	**285,387**

NOTE 12
STAFF COSTS

The amount of this caption is made up as follows:

	2012	2011
Remunerations	(12,656,059)	(6,284,280)
Costs with retirements pensions		
of defined Benefits (see note 13)	(919,368)	(1,109,193)
of defined Contributions (see note 13)	(220,460)	(129,481)
Obligatory social charges	(1,117,954)	(1,046,892)
Other payroll costs	(278,166)	(267,472)
	(15,192,007)	**(8,837,318)**

Costs with remunerations and other benefits attributed to the Corporate Offices on 31 December 2012 amounted to 5,553,632 Euros (31 December 2011: 2,264,989 Euros).

Costs with remunerations and other benefits attributed to key management staff with senior management functions on 31 December 2012 amounted to 1,501,768 Euros (31 December 2011: 1,475,653 Euros).

By professional category, the number of employees on 31 December 2012 and 2011 is broken down as follows:

	2012	2011
Senior management functions	23	22
Middle management functions	33	31
Specific functions	101	94
Administrative functions	7	11
Auxiliary functions	2	2
	166	**160**

NOTE 13
EMPLOYEE BENEFITS

Retirement pensions

The main actuarial and financial assumptions used in the calculation of responsibilities for pensions are:

	Assumptions		Actual	
	2012	2011	2012	2011
Demographic assumptions				
Mortality table	TV 88/90	TV 88/90		
Invalidity table	Suisse Re 2001	Suisse Re 2001		
Financial assumptions				
Rate of profitability of the fund	4.0%	5.5%	17.4%	-3.8%
Rate of salary growth	3.0%	3.0%	3.0%	0.0%
Discount rate	4.0%	5.5%	-	-

In accordance with the accounting policy described in note 2.13., the discount rate used to estimate liabilities with retirement pensions corresponds to the market rates in force on the date of the balance sheet, associated to obligations of companies with a high rating.

The participants in the Fund are 6 employees in service. In accordance with the terms of the Plan, the benefits defined are acquired by right after 60 years of age with a minimum of 10 years service.

With regards to the Defined Benefits Plan, the application of IAS 19 produces the following liabilities and levels of cover relating to 31 December 2012 and 2011:

	2012	2011
Responsibilities on 31 December	(13,993,454)	(7,924,329)
Balance of funds on 31 December	13,993,454	8,702,800
Excess/(Deficit) cover (note 27 and 33)	**-**	**778,471**
Deferred costs with past services (note 27)	1,577,583	1,928,940
Net assets in Balance Sheet on 31 December	**1,577,583**	**2,707,411**
Accumulated actuarial differences deducted from reserves	**(2,920,809)**	**1,065,679**

As mentioned in note 2.13., on 29 December 2005 the Bank introduced a defined benefit Pensions Plan for the employees who opted for this benefit.

On 31 December 2005, the Bank made its best estimate of its responsibility with defined benefit pensions, taking into consideration the number of employees it expected to opt for this benefit. The value of the responsibilities corresponding to past services, net of the value of the fund will be deferred over a period of 11.5 years, corresponding to the estimated period of service of these employees.

The evolution of responsibilities may be analysed as follows:

	2012	2011
Responsibilities on 1 January	**(7,924,329)**	**(9,063,015)**
Cost of current service	(610,827)	(756,755)
Cost of interest	(435,838)	(498,466)
Actuarial (gains) and losses with responsibilities	(5,022,460)	2,393,907
Responsibilities on 31 December	**(13,993,454)**	**(7,924,329)**

The evolution of the value of the pension funds in 2012 and 2011 can be analysed as follows:

	2012	2011
Balance of the fund on 1 January	**8,702,800**	**9,043,343**
Real income from the fund	1,514,626	(340,543)
Contributions from the Bank	3,776,028	-
Balance of the fund on 31 December	**13,993,454**	**8,702,800**

The assets of the pension fund can be analysed as follows:

	2012	2011
Public debt securities	5,592,235	4,392,962
Shares	1,589,671	1,771,945
Other	6,811,548	2,537,893
Net assets in Balance Sheet	**13,993,454**	**8,702,800**

The evolution of the deferred cost of past services in the years 2012 and 2011 can be analysed as follows:

	2012	2011
Balance on 1 January	**1,928,940**	**2,280,296**
Amortisation	(351,357)	(351,356)
Balance on 31 December	**1,577,583**	**1,928,940**

Actuarial differences recognised in reserves can be analysed as follows:

	2012	2011
Accumulated actuarial differences in reserves on 1 January	**1,065,679**	**(490,301)**
Actuarial (gains) and losses in the year:		
Of the Fund	1,035,972	(837,927)
Responsibilities	(5,022,460)	2,393,907
	(3,986,488)	**1,555,980**
Accumulated actuarial differences in reserves on 31 December	**(2,920,809)**	**1,065,679**

The costs of the year may be analysed as follows:

	2012	2011
Cost of current service	(610,827)	(756,755)
Cost of interest	(435,838)	(498,466)
Expected income from the fund	478,654	497,384
Amortisation of the year	(351,357)	(351,356)
Cost of the year (note 12)	**(919,368)**	**(1,109,193)**

On 31 December 2012, the Bank recognised the amount of 220,460 Euros (31 December 2011: 129,481 Euros) as a cost relating to the Defined Contribution Plan (note 12).

The evolution of net assets in the balance sheet can be analysed as follows:

	2012	2011
Net assets in the Balance Sheet on 1 January	**2,707,411**	**2,260,624**
Cost of the year	(919,368)	(1,109,193)
Actuarial gains / (losses) in reserves	(3,986,488)	1,555,980
Contributions in the year	3,776,028	-
Net assets in the Balance Sheet on 31 December	**1,577,583**	**2,707,411**

The evolution of the liabilities and balance of the fund in the last 5 years as well as (gains) / loss experience obtained is as follows:

	2012	2011	2010	2009	2008	2007
Responsibilities	(13,993,454)	(7,924,329)	(9,063,015)	(7,243,402)	(6,479,179)	(6,433,081)
Balance of the funds	13,993,454	8,702,800	9,043,343	7,833,101	7,041,985	7,168,598
(Under) / over financed liabilities	-	778,471	(19,672)	589,699	562,806	735,517
(Gains) / Loss experience arising from liabilities	(5,022,460)	(837,927)	(760,574)	(9,276)	(423,796)	3,316
(Gains) / Loss experience arising from assets of the fund	1,035,972	2,393,907	(280,231)	422,828	1,165,293	308,124

Stock option plan

The main characteristics of each plan are presented as follows:

Plan	Expected date of the end of the plan	Number of options on the start date of the plan	Exercise price	Number of options on 31/12/12	Number of options 31/12/11
2005	Nov/2018	9,000,000	1.15	2,266,621	2,266,621
2007	Mar/2020	1,824,000	1.26	77,400	77,400
2007	Mar/2020	66,800	1.34	10,020	10,020
2007	Mar/2020	15,600	1.35	1,632	1,632
2010	Out/2023	65,000	1.28	43,550	43,550
2012	Jan/2025	7,150,000	1.00	7,150,000	-

NOTE 14
GENERAL ADMINISTRATIVE COSTS

The amount of this caption is made up as follows:

	2012	2011
Rents	(578,387)	(601,962)
Supplies	(1,386,543)	(1,227,869)
Communications	(480,816)	(558,190)
Travel, hotel and representation costs	(392,276)	(311,000)
Advertising and publications	(702,290)	(204,352)
Specialised services		
Information Technology	(1,205,434)	(1,174,892)
Information	(323,303)	(429,845)
Other specialised services	(579,754)	(652,749)
Fees	(183,019)	(70,009)
Databases	(20,067)	(20,850)
Security and surveillance	(136,673)	(142,062)
Manual labour	(11,065)	(28,437)
Other	(131,295)	(146,301)
	(6,130,922)	**(5,568,518)**

The fees of the years 2012 and 2011 relating to the external auditors, as provided for in Article 66-A of the Commercial Companies Code, are detailed as follows:

	2012	2011
Accounts Auditing and Supervision Services	51,000	56,750
Other reliability guarantee services related with the Statutory Auditor	37,650	37,650
	88,650	**94,400**

NOTE 15
EARNINGS PER SHARE

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

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

	2012	2011
Net profit	32,166,525	2,505,595
Weighted average number of ordinary shares issued	104,000,000	97,810,152
Weighted average number of Treasury Stock in portfolio	(1,732)	(1,675)
Average number of ordinary shares in circulation	**103,998,268**	**97,808,477**
Earnings per share (in Euros)	**0.31**	**0.03**

Earnings per diluted share are no different from Earnings per ordinary share as there were no dilutive shares on 31 December 2012 and 2011.

NOTE 16
CASH AND DEPOSITS IN CENTRAL BANKS

On 31 December 2012 and 2011, this caption was broken down as follows:

	2012	2011
Cash	1,577,575	1,332,962
Demand deposits in Central Banks		
Bank of Portugal	12,476,749	8,990,261
	14,054,324	**10,323,223**

The caption Demand deposits in Central Banks includes the deposits made to satisfy the requirements of the Minimum Reserve System of the European System of Central Banks. Pursuant to regulation (EC) no. 2818/98 of the European Central Bank, of 1 December 1998, the minimum obligatory amount held in demand deposits in the Bank of Portugal is remunerated and correspond to 2% of the deposits and debt securities with a maturity period of less than 2 years, excluding deposits and debt securities of institutions subject to the European System of Central Banks' regime of minimum reserves.

Fulfilment of the minimum obligatory amounts, for a given period of observation, is achieved taking into consideration the value of the balances of the deposits in the Bank of Portugal during this period. The balance of the account in the Bank of Portugal on 31 December 2012 includes an average mandatory reserve of 5,426,800 Euros which corresponds to the maintenance period from 12 December 2012 to 15 January 2013.

NOTE 17
DEPOSITS IN OTHER BANKS

On 31 December 2012 and 2011 this caption was broken down as follows:

	2012	2011
Deposits in other banks in Portugal		
Demand deposits	5,526,625	24,665,490
Deposits in other banks abroad		
Demand deposits	14,172,165	17,361,158
	19,698,790	**42,026,648**

The average interest rate during the year ending on 31 December 2012 was 0.13% (31 December 2011: 0.58%).

NOTE 18
ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING

On 31 December 2012 and 2011 this caption was broken down as follows:

	2012	2011
Financial assets held for trading		
Securities		
Bonds and other fixed income securities		
Public issuers	1,480,307	763,175
Other issuers	6,416,049	6,554,073
Shares	9,067,462	4,849,404
	16,963,818	**12,166,652**
Derivatives		
Derivative financial instruments with positive fair value	443,879	1,169,633
	17,407,697	**13,336,285**
Financial liabilities held for trading		
Short sales	-	16,037,926
Derivatives		
Derivative financial instruments with negative fair value	1,015,994	2,554,046
	1,015,994	**18,591,972**

In line with the accounting policy described in note 2.5., securities held for trading are those acquired with the objective of being transacted in the short term, irrespective of their maturity.

On 31 December 2012 and 2011, the caption Financial assets held for trading – Securities, is made up from listed securities.

The caption Derivative financial instruments on 31 December 2012 and 2011 is analysed below:

	2012			2011		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Contracts on exchange rates						
Currency Options	-	-	-	5,168,353	-	-
Contracts on interest rates						
Interest Rate Swaps	200,000	-	4,459	10,000,000	-	60,839
Contracts on shares/indices						
Equity / Index Swaps	1,543,368	22,358	-	5,441,906	161,028	79,647
Equity / Index Options	26,556,411	197,691	1,011,535	29,555,442	1,008,605	2,005,674
Term transactions	11,367,828	223,830	-	12,075,731	-	394,545
Other	-	-	-	750,000	-	13,341
	39,667,607	**443,879**	**1,015,994**	**62,991,432**	**1,169,633**	**2,554,046**

On 31 December 2012 and 2011, the breakdown of financial assets held for trading – Securities by maturity is as follows:

	2012	2011
Securities		
Up to 3 months	459,641	2,080,987
3 months to 1 year	2,150,401	412,917
From 1 to 5 years	3,447,322	2,658,389
Over 5 years	1,838,992	2,164,955
Unspecified duration	9,067,462	4,849,404
	16,963,818	**12,166,652**

On 31 December 2012 and 2011, the breakdown of Financial Assets and Liabilities held for trading – Financial derivative instruments by maturity, is presented follows:

	2012		2011	
	Notional	**Fair value**	**Notional**	**Fair value**
Derivative financial instruments				
Up to 3 months	21,838,703	293,802	50,866,601	(1,115,255)
3 months to 1 year	5,941,512	(517,647)	4,473,413	1,664
From 1 to 5 years	11,887,392	(348,270)	5,003,513	(266,553)
Unspecified duration	-	-	2,647,905	(4,269)
	39,667,607	**(572,115)**	**62,991,432**	**(1,384,413)**

NOTE 19
FINANCIAL ASSETS AVAILABLE FOR SALE

On 31 December 2012 and 2011, this caption was broken down as follows:

	Cost (1)	Fair value reserve		Impairment Losses	Balance Sheet Value
		Positive	**Negative**		
Bonds and other fixed income securities					
Public issuers	260,404,365	-	(55,192,828)	(12,344,869)	192,866,668
Other issuers	344,424,367	95,191	(54,757,550)	-	289,762,008
Shares	29,811,245	-	(3,385,590)	(5,371,050)	21,054,605
Balance on 31 December 2011	**634,639,977**	**95,191**	**(113,335,968)**	**(17,715,919)**	**503,683,281**
Bonds and other fixed income securities					
Public issuers	434,477,841	15,765,433	(10,265,378)	-	439,977,896
Other issuers	252,572,616	2,734,416	(9,555,268)	-	245,751,764
Shares	20,614,291	330,294	-	(6,578,975)	14,365,610
Balance on 31 December 2012	**707,664,748**	**18,830,143**	**(19,820,646)**	**(6,578,975)**	**700,095,270**

(1) amortised cost for debt securities and acquisition cost in respect of the shares.

The average interest rate during the year ended on 31 December 2012 was 4.76% (31 December 2011: 3.90%).

In accordance with the accounting policy described in note 2.5., the Group regularly assesses whether there is objective evidence of impairment in its portfolio of assets available for sale following the criteria of judgement described in note 3.1.

Due to the voluntary restructuring process of the sovereign debt of the Republic of Greece (PSI-Private Sector Involvement), the Group recognised an impairment loss amounting to 35% of the nominal value of all bonds of this Republic, amounting to 12,344,869 Euros.

In view of the evolution of the economic and financial situation of the Greek State and under the agreement that was established with the private sector for the restructuring of its sovereign debt, the holders of bonds issued by Greece exchanged the securities they held for new securities with a face value equal to 31.5% of the face value of the previous public debt securities. In this regard, the Group reinforced impairment amounting to 3,591,257 Euros, based on the terms and conditions defined in the PSI.

In October of 2012, the bank sold the whole strip of Greek sovereign debt securities resulting from the voluntary restructuring for a price of 21.9%, using impairment recorded for these securities and registering the respective capital loss on this date. In parallel with this, the bank bought exactly the same nominal total amount in only one bond of the same strip for 2031 at the price of 22.1%. Subsequently, on 18 of December, the bank sold 50% of this exposure at 33.1% recording a gain of 401,719 Euros. The remaining exposure of 50% was sold on 9 January 2013 at the price of 40.27%, recording a gain of 660,025 Euros.

On 31 December 2012, the capital losses of the main exposures in financial assets available for sale were stated in the fair value reserves, as they did not meet the criteria of judgement for the recognition of impairment, namely they had not devalued by more than 30% from their acquisition value, nor were their market values lower than their acquisition value for a period of more than twelve months.

The securities in the Group's portfolio which are given by it as a guarantee are analysed in note 35.

On 31 December 2012 and 2011, the caption Financial assets available for sale is made up as follows with regard to listed and unlisted securities:

	2012			2011		
	Listed	**Unlisted**	**Total**	**Listed**	**Unlisted**	**Total**
Bonds and other fixed income securities						
Public issuers	439,977,896	-	439,977,896	192,866,668	-	192,866,668
Other issuers	245,751,764	-	245,751,764	289,117,918	644,090	289,762,008
Shares	14,365,280	330	14,365,610	21,054,275	330	21,054,605
	700,094,940	**330**	**700,095,270**	**503,038,861**	**644,420**	**503,683,281**

On 31 December 2012 and 2011, the breakdown of Financial assets available for sale by maturity is as follows:

	2012	**2011**
Up to 3 months	10,004,919	5,716,080
3 months to 1 year	4,930,950	39,031,181
From 1 to 5 years	161,927,915	259,613,863
Over 5 years	508,865,876	178,267,552
Unspecified duration	14,365,610	21,054,605
	700,095,270	**503,683,281**

The movements in impairment losses in financial assets available for sale are presented as follows:

	2012	2011
Opening balance	**17,715,919**	**6,124,243**
Additions	5,736,787	14,134,976
Used	(16,873,731)	(2,543,300)
Closing balance	**6,578,975**	**17,715,919**

During 2011, the Group reclassified securities from the category of Financial assets available for sale into the category of Loans to clients, as presented in note 21.

NOTE 20
APPLICATIONS IN BANKS

On 31 December 2012 and 2011, this caption was broken down as follows:

	2012	2011
Applications in banks in Portugal		
Deposits	25,542,881	-
Loans	12,554	36,718
	25,555,435	**36,718**
Applications in banks abroad		
Short-term applications	11,369,025	-
Deposits	-	27,050,455
	11,369,025	**27,050,455**
	36,924,460	**27,087,173**

The average interest rate during the year ended on 31 December 2012 was 0.30% (31 December 2011: 0.25%).

The residual periods of applications in banks was structured as follows:

	2012	2011
Up to 3 months	36,615,539	27,050,455
3 months to 1 year	308,921	-
From 1 to 5 years	-	36,718
	36,924,460	**27,087,173**

NOTE 21
LOANS TO CLIENTS

On 31 December 2012 and 2011, this caption was broken down as follows:

	2012	2011
Domestic loans		
To companies		
Loans	2,200,986	2,199,396
Loans at sight	1,139,355	3,174,504
Leasing	327,849	473,364
Overdrafts	1,969	19,193
Other specialised loans	75,567	26,083
To private individuals		
Loans at sight	11,971,287	15,055,409
Mortgages	5,302,666	5,365,824
Leasing	891,644	1,083,995
Overdrafts	67,204	41,155
Other specialised loans	867,948	1,184,607
	22,846,475	**28,623,530**
International loans		
To companies		
Overdrafts	45	76
Loans at sight	400	4,800
To private individuals		
Loans at sight	119,767	110,061
Overdrafts	413	651
	120,625	**115,588**
Loans represented by securities		
Unsubordinated debt securities		
Issued by residents	10,877,501	38,544,911
Issued by non-residents	158,922,007	92,097,731
	169,799,508	**130,642,642**
Past due loans and interest		
Over 90 days	271,478	298,343
	271,478	**298,343**
	193,038,086	**159,680,103**
Provisions for loan impairment	(363,838)	(349,313)
Loans and advances to clients	**192,674,248**	**159,330,790**

On 31 December 2012 and 2011, the Loans at sight caption reflects loans granted under the margin account, which are collateralised with deposits or securities held in the Group.

On 31 December 2012, the Group's credit portfolio included loans granted to a member of the Board of Directors for 320,704 Euros arising from the staff policy, pursuant to no. 4 of art. 85 of the General Regime of Credit Institutions and Financial Companies (31 December 2011: 333,722 Euros). The loans granted to key management staff with senior management functions amounted to 1,189,258 Euros (31 December 2011: 1,450,062 Euros).

The residual periods of the loans to clients, including past due loans and interest, was structured as follows:

	2012	2011
Up to 3 months	14,840,613	18,807,892
3 months to 1 year	7,359,629	96,307
From 1 to 5 years	18,384,698	22,758,164
Over 5 years	152,181,668	117,719,397
Unspecified duration	271,478	298,343
	193,038,086	**159,680,103**

The movements in the provisions for loan impairment are as follows:

	2012	2011
Opening balance	**349,313**	**181,249**
Additions	16,378	170,162
Used	(1,853)	(2,098)
Closing balance	**363,838**	**349,313**

The distribution of Loans to clients by type of rate is as follows:

	2012	2011
Variable rate	192,594,720	158,937,985
Fixed rate	443,366	742,118
	193,038,086	**159,680,103**

The residual periods of leased capital were structured as follows:

	2012	2011
Instalments and residual values due		
Up to 3 months	12,535	7,251
From 3 months to 1 year	177,334	89,936
From 1 to 5 years	995,048	1,449,581
Over 5 years	128,542	154,483
	1,313,459	**1,701,251**
Interest due		
Up to 3 months	86	45
From 3 months to 1 year	3,210	1,759
From 1 to 5 years	68,928	117,972
Over 5 years	21,742	24,116
	93,966	**143,892**
Capital due		
Up to 3 months	12,449	7,206
From 3 months to 1 year	174,124	88,177
From 1 to 5 years	926,120	1,331,609
Over 5 years	106,800	130,367
	1,219,493	**1,557,359**

On 31 December 2012 and 2011, impairment was broken down as follows:

2012

	Impairment calculated on an individual basis		Calculation of impairment based on portfolio		Total		
	Credit amount	Impairment	Credit amount	Impairment	Credit amount	Impairment	Credit net of impairment
Loans to:							
Companies	190,126	189,471	173,545,679	7,472	173,735,805	196,943	173,538,862
Private individuals	186,461	99,967	19,115,820	66,928	19,302,281	166,895	19,135,386
Total	**376,587**	**289,438**	**192,661,499**	**74,400**	**193,038,086**	**363,838**	**192,674,248**

2011

	Impairment calculated on an individual basis		Calculation of impairment based on portfolio		Total		
	Credit amount	Impairment	Credit amount	Impairment	Credit amount	Impairment	Credit net of impairment
Loans to:							
Companies	130,642,642	-	6,084,068	194,315	136,726,710	194,315	136,532,395
Private individuals	8,226	8,226	22,945,167	146,772	22,953,393	154,998	22,798,395
Total	**130,650,868**	**8,226**	**29,029,235**	**341,087**	**159,680,103**	**349,313**	**159,330,790**

Following the closure of the Residential mortgage-backed securities (RMBS) peripheral primary market in 2008/2009, this class of assets ceased to be transacted in normal conditions on the secondary market during 2011. This phenomenon became explicitly clear after the second quarter of the year, when prices were no longer readily and regularly available. In this regard, and in line with paragraph AG71 of standard IAS 39, issues from the RMBS ceased to objectively qualify as being listed on an active market. Furthermore, in line with paragraphs 50 E) and F) of standard IAS 39, the Group, which had the capacity and intention of holding these assets in the foreseeable future or until maturity, reclassified them, transferring them from the category of Assets available for sale to the category of Loans to clients as of 1 July 2011, as shown in the following table:

	Acquisition value	On the transfer date				December 2011		December 2012	
		Balance Sheet value	Fair Value Reserve	Value of future cash flows [a]	Effective rate [b]	Market value [c]	Variation in fair value reserve between 01/07 and 31/12 [d]	Market value [c] [e]	Variation in fair value reserve [d] [e]
Financial assets available for sale	141,499,455	132,512,478	(9,316,514)	201,040,279	5.28%	119,426,044	(10,856,443)	79,064,312	11,430,043

[a] Total amounts of capital and interest, not discounted; future interest calculated based on the forward rates arising from the profitability curve on the transfer date.

[b] The effective rate was calculated based on the forward rates arising from the profitability curve on the transfer date; the maturity considered is the minimum between the call date, when applicable, and the maturity date of the asset.

[c] This amount represents the market value if the securities are kept available for sale in the financial assets portfolio. The prices mentioned may not reflect normal market conditions as mentioned in the above note, as the amounts are not supported by effective transactions on the market, due to the fact that this is inactive.

[d] This reserve represents the variation in the fair value reserve if the securities are kept available for sale in the financial assets portfolio.

[e] This refers to securities transferred of assets available for sale for loans and advances to clients, in the portfolio on this date.

NOTE 22
HEDGING DERIVATIVES

On 31 December 2012 and 2011, this caption was broken down as follows:

2012

		Derivative			Associated asset / liability		
Derivative product	**Associated financial asset / liability**	**Notional**	**Fair value (1)**	**Variation in fair value in the year**	**Fair value component of the element covered**	**Variation in fair value in the year**	**Balance Sheet value**
Interest Rate Swap	Debt instruments	390,200,000	(11,610,518)	(5,805,634)	10,285,905	5,958,169	379,170,832
Futures	Debt instruments	110,000,000	-	3,684	22,605	22,605	94,273,912
		500,200,000	**(11,610,518)**	**(5,801,950)**	**10,308,510**	**5,980,774**	**473,444,744**

1) includes accrued interest

2011

		Derivative			Associated asset / liability		
Derivative product	**Associated financial asset / liability**	**Notional**	**Fair value (1)**	**Variation in fair value in the year**	**Fair value component of the element covered**	**Variation in fair value in the year**	**Balance Sheet value**
Interest Rate Swap	Debt instruments	113,200,000	(5,025,346)	(4,266,438)	4,136,294	4,144,031	142,524,183
Futures	Debt instruments	26,200,000	-	(3,072,790)	2,863,893	2,863,893	49,746,943
		139,400,000	**(5,025,346)**	**(7,339,228)**	**7,000,187**	**7,007,924**	**192,271,126**

1) includes accrued interest

The variations in fair value associated to the liabilities described above and the respective hedging derivatives are entered in the income statement of the year in the caption of Profit/loss of assets and liabilities at fair value through the income statement.

NOTE 23
TANGIBLE ASSETS

On 31 December 2012 and 2011, this caption was broken down as follows:

	2012	**2011**
Buildings		
Improvements to buildings	2,602,418	2,468,400
For own use	15,364,293	15,533,763
	17,966,711	**18,002,163**
Equipment		
Computer equipment	4,548,669	4,330,325
Furniture and material	885,861	878,467
Installations and interiors	1,008,362	1,004,925
Security equipment	1,212,898	1,207,903
Machines and tools	110,090	110,090
Other equipment	210,547	210,547
Transportation material	3,514	3,514
	7,979,941	**7,745,771**
	25,946,652	**25,747,934**
Impairment	(128,000)	-
Accumulated depreciation	(9,284,984)	(8,348,320)
	16,533,668	**17,399,614**

The movement in this caption was the following:

	Buildings	Equipment	Fixed asset in progress	Total
Acquisition cost				
Balance on 31 December 2010	17,510,312	7,672,138	107,404	25,289,854
Additions	491,851	73,633	-	565,484
Transfers	-	-	(107,404)	(107,404)
Balance on 31 December 2011	18,002,163	7,745,771	-	25,747,934
Additions	145,514	234,170	-	379,684
Transfers	(180,966)	-	-	(180,966)
Balance on 31 December 2012	17,966,711	7,979,941	-	25,946,652
Depreciation				
Balance on 31 December 2010	2,030,203	5,242,921	-	7,273,124
Amortization of the year	526,422	548,774	-	1,075,196
Balance on 31 December 2011	2,556,625	5,791,695	-	8,348,320
Amortization of the year	489,658	447,006	-	936,664
Impairment	128,000	-	-	128,000
Balance on 31 December 2012	3,174,283	6,238,701	-	9,412,984
Net Balance on 31 December 2012	**14,792,428**	**1,741,240**	**-**	**16,533,668**
Net Balance on 31 December 2011	**15,445,538**	**1,954,076**	**-**	**17,399,614**

NOTE 24
INTANGIBLE ASSETS

On 31 December 2012 and 2011 this caption was broken down as follows:

	2012	2011
Acquired from third parties		
Automatic data processing system	6,878,606	6,840,716
Other fixed assets	586,747	586,747
	7,465,353	7,427,463
Accumulated amortization	(7,270,928)	(6,892,601)
	194,425	**534,862**

The movement in this caption was the following:

	Automatic data processing system	Other intangible assets	Total
Acquisition cost			
Balance on 31 December 2010	6,773,400	586,747	7,360,147
Acquired from third parties	67,316	-	67,316
Balance on 31 December 2011	6,840,716	586,747	7,427,463
Acquired from third parties	37,890	-	37,890
Balance on 31 December 2012	6,878,606	586,747	7,465,353
Amortization			
Balance on 31 December 2010	5,885,978	586,747	6,129,588
Amortization of the year	419,876	-	343,137
Balance on 31 December 2011	6,305,854	586,747	6,892,601
Amortization of the year	378,327	-	378,327
Balance on 31 December 2012	6,684,181	586,747	7,270,928
Net Balance on 31 December 2012	**194,425**	**-**	**194,425**
Net Balance on 31 December 2011	**534,862**	**-**	**534,862**

NOTE 25
INVESTMENTS IN ASSOCIATED COMPANIES

On 31 December 2012 and 2011, this caption was broken down as follows:

2012					
	No. of shares	Direct Shareholding	Nominal value (euros)	Cost of participation	Balance Sheet Value
ONETIER PARTNERS, SGPS, S.A.	5,562,138	34.76%	5,562,138	5,562,138	5,357,148

2011					
	No. of shares	Direct Shareholding	Nominal value (euros)	Cost of participation	Balance Sheet Value
ONETIER PARTNERS, SGPS, S.A.	5,562,138	34.76%	5,562,138	5,562,138	4,954,560

On 31 December 2012 and 2011, the details of ONETIER PARTNERS, SGPS, S.A. are as follows:

	2012			2011		
	Total assets	Total Equity	Net result for the year	Total assets	Total Equity	Net result for the year
ONETIER PARTNERS, SGPS, S.A.	15,405,581	15,240,382	224,008	15,535,336	14,135,287	111,794

NOTE 26
CURRENT TAX ASSETS AND LIABILITIES

On 31 December 2012 and 2011, this caption was broken down as follows:

	2012	2011
Current tax assets		
Estimated tax for the year	(17,382,842)	(1,967,695)
Payments on account	108,657	1,952,907
Withholding tax	351,549	1,527,616
Corporation Tax (IRC) recoverable	227,309	227,309
Current tax assets / liabilities	**(16,695,327)**	**1,740,137**

NOTE 27
OTHER ASSETS

On 31 December 2012 and 2011, this caption was broken down as follows:

	2012	2011
Debtors and other applications		
Debtors on futures trading	570,490	1,276,713
Margin applications	18,610,174	6,328,663
Public sector	26,320	26,320
Other debtors	169,559	1,660,414
Debtors and other applications	87,297	211,344
Other assets	120,752	120,745
	19,584,592	**9,624,199**
Provision for impairment losses on other assets	(48,571)	(458,976)
	19,536,021	**9,165,223**
Expenses with deferred costs	451,814	373,936
Income receivable	446,694	369,566
Other accruals and deferrals		
Other operations pending	615,524	1,056,065
	615,524	**1,056,065**
Retirement pensions - costs with past services deferred (note 13)	1,577,583	2,707,411
	22,627,636	**13,672,201**

The caption Margin Applications refers to collateral maintained with counterparties for trading in derivative instruments.

Where securities sale and purchase operations were settled after the date of the balance sheet, these are recorded in the item Pending Stock Market transactions.

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

	2012	2011
Opening balance	458,976	762,502
Additions	488,665	54,092
Reversals	(75,419)	(372,503)
Used	(823,651)	-
Exchange	-	14,885
Closing balance	**48,571**	**458,976**

NOTE 28
FUNDING FROM CENTRAL BANKS

On 31 December 2012, this caption, amounting to 260,247,778 Euros (31 December 2011: 238,322,892 Euros), relates to funding from the European System of Central Banks, fully collateralised by securities in the portfolios of financial assets available for sale in 2012 and 2011.

The maturity period of this financing on 31 December 2012 and 2011 is broken down as follows:

	2012	2011
Up to 3 months	-	49,770,531
From 1 to 5 years	260,247,778	188,552,361
	260,247,778	**238,322,892**

The average interest rate during the year ended on 31 December 2012 was 0.91% (31 December 2011: 1.24%).

NOTE 29
FUNDING FROM OTHER BANKS

On 31 December 2012 and 2011, this caption was broken down as follows:

	2012	2011
Domestic		
Deposits	183,174	5,128,914
	183,174	**5,128,914**
Abroad		
Deposits	6,297,420	5,454,689
Loans	-	38,312,040
	6,297,420	**43,766,729**
	6,480,594	**48,895,643**

The average interest rate during the year ended 31 December 2012 was 1.11% (31 December 2011: 1.59%).

The residual period of Funding from other banks was up to 3 months for 2012 and 2011.

NOTE 30
FUNDING FROM CLIENTS

On 31 December 2012 and 2011, this caption was broken down as follows:

	2012	2011
Demand deposits	138,589,067	174,853,334
Term deposits	384,937,027	251,279,933
Other	20,304,069	14,434,672
	543,830,163	**440,567,939**

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

	2012	2011
Up to 3 months	287,145,365	321,258,736
3 months to 1 year	235,184,845	100,911,570
From 1 to 5 years	21,499,953	18,397,633
	543,830,163	**440,567,939**

NOTE 31
PROVISIONS

On 31 December 2012 and 2011, this caption was broken down as follows:

	Other provisions
Balance on 31 December 2010	**170,408**
Reversals	(150,258)
Balance on 31 December 2011	**20,150**
Additions	2,892,714
Used	(7,500)
Balance on 31 December 2012	**2,905,364**

NOTE 32
TAXATION

The Bank and its subsidiary companies are subject to taxation pursuant to the regime of Corporation Tax (IRC) and corresponding local taxes. The calculation of the current and deferred tax of 2012 was based on a nominal tax rate of 25% plus a municipal surtax rate of 1.5%. An additional rate of 5% for State Tax is also applied to taxable income over 10 million Euros, which is applicable for 2012 and 2013.

The Group determined the amount of its deferred tax for the years 2012 and 2011 and the amount of its current taxation for 2011 based on a nominal rate of 25%, plus a municipal surtax rate of 1.5% and a State Tax rate of 2.5%, applied to taxable income over 2 million Euros. This tax rate was in force or substantially approved by the authorities on the balance sheet date.

The Portuguese Tax Authorities are empowered to review the Bank's calculation of its annual taxable earnings for a period of four or six years in the case of there being tax losses brought forward. In this way, it is possible that there may be corrections to the annual taxable earnings resulting mainly from differences in the interpretation of tax law. However, the Board of Directors is confident that there will be no material corrections to the financial statements.

The deferred tax assets and liabilities recognised in the balance sheet in 2012 and 2011 can be analysed as follows:

	2012	2011
Provisions	212,462	283,334
Financial assets held for trading	229,451	34,503,526
Other	183,755	86,303
Net deferred tax assets / (liabilities)	**625,668**	**34,873,163**
Tax movement in the year	**(34,247,495)**	**20,064,360**

The movement of deferred tax in 2012 and 2011 is explained below:

	2012			2011		
	Recognised in results	Recognised in reserves	Total	Recognised in results	Recognised in reserves	Total
Provisions	(70,872)	-	(70,872)	(131,625)	-	(131,625)
Financial assets available for sale	-	(34,274,075)	(34,274,075)	-	20,175,647	20,175,647
Financial assets held for trading	-	-	-	-	-	-
Other	97,452	-	97,452	20,338	-	20,338
	26,580	**(34,274,075)**	**(34,247,495)**	**(111,287)**	**20,175,647**	**20,064,360**

The tax on income reported in the income statement and reserves is explained as follows:

	2012	2011
Recognised in reserves		
Current tax	(641,760)	(390,086)
Deferred tax	(34,274,075)	20,175,647
	(34,915,835)	**19,785,561**
Recognised in results		
Current tax		
Of the year	(16,471,081)	(1,275,045)
From previous years	85,186	365,212
	(16,385,895)	**(909,833)**
Deferred tax	26,581	(111,287)
	(16,359,314)	**(1,021,120)**
	(51,275,149)	**18,764,441**

The reconciliation of the tax rate for the years 2012 and 2011 can be analysed as follows:

	2012		2011	
	Tax Rate	Amount	Tax Rate	Amount
Pre-tax profit		48,525,839		3,526,715
Estimated tax charge	31.50%	15,285,639	29.00%	1,022,747
Pension fund	0.47%	226,700	-1.24%	(43,669)
Corrections due to tax credits	0.12%	60,044	1.64%	57,852
Non-deductible costs for tax purposes	2.78%	1,348,840	7.99%	281,620
Tax benefits	-0.16%	(77,878)	-2.28%	(80,575)
Accounting and tax gains	0.04%	20,404	5.41%	190,730
Autonomous taxation and double taxation	-0.06%	(30,657)	-1.46%	(51,524)
Contributions on the banking sector	0.18%	85,050	4.73%	166,895
Other	-1.12%	(544,156)	-14.84%	(522,956)
Effect of rate change	-0.03%	(14,672)	-	-
	33.72%	**16,359,314**	**28.95%**	**1,021,120**

NOTE 33
OTHER LIABILITIES

On 31 December 2012 and 2011, this caption was broken down as follows:

	2012	2011
Creditors and other dues		
On futures and options transactions	835,960	1,308,037
Other dues	25,000	520,525
Public sector	2,029,455	491,618
Suppliers of goods	-	25,400
Securities transactions	2,081	6,024
Other creditors	361,265	769,334
	3,253,761	**3,120,938**
Costs payable		
Staff charges	1,731,089	1,333,387
Other charges payable	3,864,680	1,408,425
	5,595,769	**2,741,812**
Revenue from deferred income	21,590	40,435
Accruals and deferrals		
Pending securities transactions	505,575	1,648,241
Other pending transactions	1,729,198	2,752,228
	2,234,773	**4,400,469**
	11,105,893	**10,303,654**

Transactions involving the sale and purchase of securities, which were settled after the balance sheet date, are recorded in the Pending Securities Transactions item.

NOTE 34
CAPITAL, ISSUE PREMIUMS, TREASURY STOCK AND RESERVES

Capital

On 31 December 2012 and 2011, the Bank's capital was represented by 104,000,000 shares, with the nominal value of 1 euro each, fully subscribed and paid up.

On 31 December 2012 and 2011, the shareholder structure of the Bank was the following:

	2012	2011
António da Silva Rodrigues	11.43%	11.43%
Adger – SGPS, S.A.	10.34%	10.22%
WWC World Wide Capital - SPGS, S.A.	10.19%	10.19%
Carlos Adolfo Coelho Figueiredo Rodrigues	9.06%	9.06%
Nicholas Leo Racich	4.95%	4.95%
JRI – SGPS, S.A.	4.79%	4.79%
Edimo, Sociedade Internacional de Gestão SGPS, Unipessoal Lda.	4.62%	4.62%
José António de Melo Pinto Ribeiro	3.01%	3.11%
Other	41.61%	41.63%
	100.00%	**100.00%**

During 2011, the Group increased its capital from 89,088,810 Euros for 104,000,000 Euros through the issue of 14,911,190 ordinary registered shares with a nominal value of 1 Euro each, broken down as follows:

- in May of 2011 the Bank increased its capital from 89,088,810 Euros to 97,997,691 Euros by the incorporation of reserves, through the issue of 8,908,881 new shares, with a nominal value of 1 Euro each;
- in June of 2011 the Bank increased its capital from 97,997,691 Euros to 104,000,000 Euros, through new cash contributions, to take account of the exercise of options on share subscriptions, through the issue of 6,002,309 new shares, with a nominal value of 1 Euro each.

Issue premiums

On 31 December 2012 and 2011, the issue premiums amounting to 1,362,281 Euros refer to the premiums paid by the shareholders in the capital increases made.

Treasury stock

The movement in treasury stock is as follows:

	2012		2011	
	No. of shares	Value	No. of shares	Value
Treasury stock				
Balance at start of year	1,732	2,326	1,575	2,326
Movement	-	-	157	-
Balance at the year end	1,732	2,326	1,732	2,326
Loans for acquisition of treasury stock				
Balance at start of year	1,091,989	1,320,739	1,266,726	1,580,761
Movement	(144,006)	(151,498)	(174,737)	(260,022)
Balance at year end	947,983	1,169,241	1,091,989	1,320,739
Closing balance	**949,715**	**1,171,567**	**1,093,721**	**1,323,065**

On 31 December 2012, the Loans for the acquisition of treasury stock include loans granted to members of the Board of Directors amounting to 662,391 Euros arising from the staff policy, pursuant to no. 4 of article 85 of the General Regime of Credit Institutions and Financial Companies (31 December 2011: 696,056 Euros) and loans granted to key management staff with senior management functions, amounting to 316,080 Euros (31 December 2011: 394,486 Euros).

Fair value reserve

Fair value reserves represent potential capital gains and losses relating to the portfolio of financial assets available for sale less impairment recognised in the income statement. The value of this item is presented net of deferred taxation and current taxation.

The fair value reserve for the years ended on 31 December 2012 and 2011 is analysed as follows:

	2012	2011
Cost of financial assets available for sale (note 19) (1)	707,664,748	634,639,977
Impairment Losses (note 19)	(6,578,975)	(17,715,919)
Market value of financial assets available for sale (note 19)	700,095,270	503,683,281
Potential losses recognised in fair value of financial assets available for sale	(990,503)	(113,240,777)
Potential losses recognised in fair value reserve of loans represented by securities	-	(8,382,016)
Fair value reserve of associated companies	203,345	(175,873)
Deferred tax	229,448	34,503,526
Current tax	(625,967)	15,793
	(1,183,677)	**(87,279,347)**

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

The movement of the fair value reserve, net of taxation, for the years 2012 and 2011 is analysed as follows:

	2012	2011
Balance on 1 January	**(87,279,347)**	**(38,016,812)**
Change in fair value	120,632,287	(68,716,940)
Fair Value Reserve of associated companies	379,218	(331,156)
Current tax recognised in the year in reserves	(641,760)	(390,086)
Deferred tax recognised in the year in reserves	(34,274,075)	20,175,647
	86,095,670	**(49,262,535)**
Balance on 31 December	**(1,183,677)**	**(87,279,347)**

Legal reserve

Pursuant to article 97 of the General Regime of Credit Institutions and Financial Companies approved by Law no. 298/91, of 31 December and altered by Law no. 201/2002, of 25 September, the Group should set aside a portion of net profits of not less than 10% for the creation of a legal reserve, up to a limit equal to the value of the share capital or to the sum of the free reserves set up and of the retained earnings, if greater.

Interim dividends

The Board of Directors made the payment of partial, interim dividends amounting to € 0.09 per share in November 2012, based on the certified results of the period from 1 January 2012 - 30 September 2012. This event followed a decision by the Shareholders in April 2012 to suspend dividends relating to the previous year.

NOTE 35
OFF-BALANCE SHEET ACCOUNTS

On 31 December 2012 and 2011, this caption was broken down as follows:

	2012	2011
Guarantees provided and other liabilities		
Assets given as guarantee	746,193,861	445,189,990
Guarantees and sureties	148,938	857,644
	746,342,799	**446,047,634**
Guarantees received		
Personal guarantees		
Guarantees and sureties	6,347,407	5,330,461
Other	633,649	766,390
Real guarantees		
Securities	22,722,586	28,679,279
Loans	5,211,398	6,042,836
Real Estate	10,033,390	12,023,554
	44,948,430	**52,842,520**
Commitments before third parties		
Irrevocable commitments		
Term transactions	-	20,000,000
Potential liability to the Investor Compensation System	674,614	674,614
Revocable commitments		
Bank overdraft facilities	26,253,790	44,825,206
	26,928,404	**65,499,820**
Liabilities for services provided		
Asset custody and deposit	806,723,129	553,466,508
For asset administration	39,742,097	32,055,671
For collection of amounts	1,844	-
	846,467,070	**585,522,179**

On 31 December 2012 and 2011, the balance of the caption Assets Given as Guarantee includes:

- securities provided as a guarantee to the Investor Compensation System for the amount of 663,200 Euros (31 December 2011: 437,000 Euros);
- securities provided as a guarantee to the European System of Central Banks for the amount of 527,006,331 Euros (31 December 2011: 429,771,942 Euros);
- other securities provided as a guarantee amounting to 218,524,330 Euros (31 December 2011: 14,981,048 Euros).

NOTE 36
RELATED PARTY TRANSACTIONS

In the years ended on 2012 and 2011 the total amounts of assets, liabilities, income and costs relating to transactions made with related entities were the following:

	2012		2011	
	Liabilities	**Costs**	**Liabilities**	**Costs**
Associated companies				
ONETIER PARTNERS, SCR, S.A.	815,61	33,121	825,705	31,562
LEADCAPITAL - Fundo Capital de Risco BiG Capital	-	-	30,898	-

NOTE 37
FAIR VALUE OF ASSETS AND FINANCIAL LIABILITIES

On 31 December 2012 and 2011, the fair value of the assets and financial liabilities is presented as follows:

	Fair Value					
	Listed market values	Evaluation models with parameters observable in the market	Evaluation models with no observable parameters in the market	Others at amortised cost	Total Balance Sheet value	Fair value
31 December 2012						
Cash and deposits in Central Banks	-	-	-	14,054,324	14,054,324	14,054,324
Deposits in other banks	-	-	-	19,698,790	19,698,790	19,698,790
Financial assets held for trading	16,963,818	443,879	-	-	17,407,697	17,407,697
Financial assets available for sale	700,094,940	-	330	-	700,095,270	700,095,270
Applications in banks	-	-	-	36,924,460	36,924,460	36,924,460
Loans to clients [a)]	-	-	-	192,674,248	192,674,248	189,515,568
Financial assets	**717,058,758**	**443,879**	**330**	**263,351,822**	**980,854,789**	**977,696,109**
Funding from Central Banks	-	-	-	260,247,778	260,247,778	260,247,778
Financial liabilities held for trading	-	1,015,994	-	-	1,015,994	1,015,994
Funding from other banks	-	-	-	6,480,594	6,480,594	6,480,594
Funding from clients	-	-	-	543,830,163	543,830,163	543,830,163
	-	**1,015,994**	**-**	**810,558,535**	**811,574,529**	**811,574,529**
31 December 2011						
Cash and deposits in Central Banks	-	-	-	10,323,223	10,323,223	10,323,223
Deposits in other banks	-	-	-	42,026,648	42,026,648	42,026,648
Financial assets held for trading	12,166,652	1,169,633	-	-	13,336,285	13,336,285
Financial assets available for sale	503,038,861	644,090	330	-	503,683,281	503,683,281
Applications in banks	-	-	-	27,087,173	27,087,173	27,087,173
Loans to clients	-	-	-	159,330,790	159,330,790	159,330,790
Financial assets	**515,205,513**	**1,813,723**	**330**	**238,767,834**	**755,787,400**	**755,787,400**
Funding from Central Banks	-	-	-	238,322,892	238,322,892	238,322,892
Financial liabilities held for trading	16,037,926	2,554,046	-	-	18,591,972	18,591,972
Funding from other banks	-	-	-	48,895,643	48,895,643	48,895,643
Funding from clients	-	-	-	440,567,939	440,567,939	440,567,939
	16,037,926	**2,554,046**	**-**	**727,786,474**	**746,378,446**	**746,378,446**

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

The BiG Group's fair value assets and liabilities are valued in accordance with the following hierarchy:

Listed market values – this category includes the listed prices available in official markets and those publicised by entities which usually provide prices of transactions for these assets/liabilities traded on liquid markets.

Evaluation models with observable parameters/ prices in the market – consists of the use of internal evaluation models, specifically discounted cash flow models and option evaluation models, which imply the use of estimates and require judgements which vary according to the complexity of the products being assessed. However, the Group uses variables provided by the market as inputs in its models, such as interest rate curves, credit spreads, volatility and indices on quotations. It also includes instruments the valuation of which is obtained through quotations divulged by independent entities but in markets which have much less liquidity.

Evaluation models with non-observable parameters in the market – this total includes the valuations determined by the use of internal evaluation models or quotations provided by third parties but where the parameters used are not observable in the market

During 2012, no transfers were made between the different evaluation levels of the assets and liabilities.

Presented below are the main methods and assumptions used in the estimate of the fair value of the assets and financial liabilities:

Cash and deposits in central banks, Deposits in other banks and Applications in banks
Considering the short terms associated to these financial instruments, the balance sheet value is a reasonable estimate of the respective fair value.

Assets and financial liabilities held for trading and Financial assets available for sale
These financial instruments are stated at fair value. Fair value is based on the listed prices available in official markets and those divulged by the main financial operators.

Derivatives held for trading
In the case of those which are listed on organised markets the respective market price is used. With regard to over the counter derivatives, evaluation models of options are applied considering market variables, namely the interest rates applicable to the instruments in question, as well as the respective volatilities.

Market interest rates are based on information provided by Bloomberg, namely resulting from the quotations of interest rate swaps. The values for short term interest rates are obtained in the Euro Money Market.

The main parameters used in the evaluation models are described below.

The interest rate curves of the main currencies for the years 2012 and 2011 can be analysed as follows:

(amounts expressed as percentages)

	2012		2011	
	EUR	**USD**	**EUR**	**USD**
Overnight	0.050	0.030	0.400	0.040
1 month	0.109	0.209	1.024	0.295
3 months	0.187	0.306	1.356	0.581
6 months	0.320	0.508	1.617	0.809
9 months	0.432	0.686	1.791	0.966
1 year	0.542	0.844	1.947	1.128
3 years	0.469	0.501	1.356	0.820
5 years	0.766	0.865	1.724	1.225
7 years	1.124	1.309	2.065	1.643
10 years	1.565	1.840	2.381	2.027
15 years	2.002	2.382	2.662	2.402
20 years	2.163	2.594	2.686	2.521
25 years	2.212	2.724	2.623	2.578
30 years	2.233	2.804	2.555	2.616

The 90 day volatility of interest rate instruments, calculated on the price of public debt instruments for the most liquid terms (bond futures), in the years 2012 and 2011, can be analysed as follows:

(amounts expressed as percentages)

	2012		2011	
	EUR	**USD**	**EUR**	**USD**
3 years	1.11	0.67	2.83	1.06
5 years	3.76	1.78	5.23	2.92
7 years	4.06	3.33	8.20	4.94
10 years	6.14	4.04	9.88	6.51

The evolution of the exchange rates of the main currencies for the years 2012 and 2011, and respective historic volatilities used in the evaluation of exchange derivatives may be analysed as follows:

			Volatilities		
	2012	2011	3 months	6 months	1 year
EUR/USD	1.32	1.29	6.68	7.97	9.60
EUR/GBP	0.87	0.84	4.99	5.74	6.76
EUR/JPY	113.61	100.20	9.67	10.73	11.33
EUR/CHF	1.21	1.22	2.19	1.56	10.20

The evolution of the main share indices for the years 2012 and 2011, and the respective volatilities used in the evaluation of derivatives on shares and share indices may be analysed as follows:

	List price			Historic volatility		Implicit volatility	
	2012	2011	Variation	1 month	3 months	Call	Put
PSI20	5,655.15	5,494.27	2.9	12.60	15.40	18.16	18.16
Eurostoxx	2,635.93	2,316.55	13.8	11.11	17.02	18.06	18.15
DAX	7,612.39	5,898.35	29.1	11.10	14.26	16.09	16.24
S&P	1,426.19	1,257.60	13.4	12.28	12.28	16.08	16.08
Nasdaq 100	2,660.93	2,277.83	16.8	15.54	15.09	18.71	18.71
Dow Jones Ind.	13,104.14	12,217.6	7.3	11.20	11.74	15.11	15.11

Loans to clients
The fair value of loans to clients is an estimate based on the updated cash flow expected from capital and interest, considering that the provisions are paid on the contractually defined dates. The discount rates used are the current rates practised for loans with similar characteristics. Considering that the Group's credit portfolio is made up essentially from short term loans and loans commenced taken out recently, the balance sheet value is considered as a reasonable estimate of the fair value of loans to clients.

Funding from other banks
Considering the short terms associated to these financial instruments, the balance sheet value is a reasonable estimate of the respective fair value.

Funding from clients
The fair value of these financial instruments is estimated based on the updated cash flow expected from capital and interest, considering that the provisions occur on contractually defined dates. The discount rate used is that which reflects the current rates practised for instruments with similar characteristics. Considering that the interest rates applicable are variable in nature and the period of maturity of the deposits is substantially less than one year, there are no materially relevant differences in fair value.

NOTE 38
RISK MANAGEMENT

Background

The Bank seeks to manage the risks inherent to the banking business on a daily basis, specifically market, liquidity, credit, operational, technological, compliance and reputational risks. Additional information on this topic is available in the Board of Directors Report 2012.

Due to the fact that these risks are normally related, the Bank structured a system of internal control which, through procedures, policies and other instruments of control, seeks to manage all of the risks in a comprehensive and integrated manner. These procedures and policies are generically conceived to ensure effective processing, the existence of robust systems, the appropriate assumption of risk, independent reporting and responsible behaviour, as well as respect for adhering to regulatory, legal and prudential guidelines.

In the management of its exposure to risk, the Group is guided by the following basic principles:

- Regular review of policies and procedures by the Administration;
- Formal establishment of responsibilities for Risk Management in the Group;
- Independent process of surveillance of business units;
- Policies and procedures intended to ensure an appropriate diversification of risk categories;
- Maintenance of an appropriate system of internal reporting;
- Evaluation and disciplined measurement of risks, including statistical and qualitative measures;
- Training in the identification of risks in the diverse business units.

Risk measurement

The Group uses a series of different methodologies to measure and control the different types of exposure to risk, which are analysed together with information on the specific counterparty or country risk, specifically:

- Value at Risk (VaR);
- Limits per counterparty, family, class of assets or portfolio;
- Limits of concentration;
- Basis Point Values;
- Non-statistical indicators, such as stress tests (Economic Value and Earnings at Risk) and sensitivity analyses of the risk parameters of derivative products (greeks);
- Back testing.

Risk management is an evolving process and is one of the daily centres of attention of the Administration, especially because any isolated methodology is usually insufficient to provide a complete vision of our exposure. As a policy, we seek to quantify the potential losses associated with all the aspects of our business in order for us to have a reasonable prior estimate of the potential damage upon the occurrence of unexpected events. These can range from those which are possible based on recent historic data, to those which we consider highly improbable, but which nevertheless can be estimated based on the assumption of certain extreme scenarios.

An assessment of market risk involves a daily review of all the measures mentioned above. The credit risk generally concentrates its focus on nominal and fractionated exposures, concentrations by lender or group, sector or geography and stress testing. The risk management of liquidity, interest and exchange rate combine a number of methodologies, which include basis point values and scenario analyses. The exposure to derivatives is measured with sensitivity analyses of exposures measured in basis points. An evaluation of the more subjective risks to which the bank may be exposed, such as the reputational risk and the correlation risk, depends on scenario analyses in order to arrive at quantitative estimates.

Market risk

Market Risk represents the possible loss in value of Financial Instruments as a result of changes in market conditions.

In terms of financial markets, the key risks to be managed are related with:

- Liquidity risk: resulting from treasury management and the different maturities of assets and liabilities;
- Interest rate risk: resulting from changes in the level, slope and curvature of interest rate curves, interest rate volatility and the duration of the credit margins;
- Price risk of securities and raw materials: resulting from exposure to changes in the price of the underlying assets and volatility;
- Exchange rate risk: resulting from exposure to changes in the spot price, at a future point in time, and volatility;
- Derivative risk: resulting from the management of our exposure to changes in the price of the underlying assets used to hedge clients' positions and products.

VaR

In terms of the product lines and portfolios of private clients, the statistical measures, such as VaR, are combined with non-statistical measures, including stress tests, back testing and measures of earnings-at-risk advisories, to ensure that there are adequate controls over the expected results by risk type in any market conditions. The Bank calculates VaR using a time horizon of one month (22 working days) and a confidence interval of 99%. This means that the Bank can expect to incur losses greater than the estimated VaR only once every 100 working days, or approximately 2.5 times per year. As the VaR is a theoretical approach based on historic data, the model has limitations and cannot always produce exact forecasts on the future market risk. Changes in VaR between reporting periods, for example, are generically due to changes in levels of exposure, volatility and the correlation between securities.

The VaR for the years ended on 31 December 2012 and 2011 is presented as follows:

	2012				2011			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange risk	2,155	5,199	64,777	670	2,503	17,687	96,571	871
Interest rate risk	25,525	423,948	1,433,894	21,557	-	-	-	-
Shares	68,235	23,056	128,548	1,981	10,150	28,526	111,278	5,157
Options	43,550	53,177	113,981	18,791	31,912	80,079	305,007	20,838
Effect of diversification	27%	31%			15%	7%		
Total VaR	**101,997**	**350,734**	**1,433,218**	**37,465**	**37,903**	**118,064**	**331,753**	**33,788**

The management of VaR for different trading portfolios remained within the limits established for 2010. The reduced exposure allocated to stock portfolios, structured products and Foreign Exchange for trading was based on the few opportunities for investment compared with other classes of assets (bonds), and also due to the low business level related with Clients requiring hedging.

Stress Testing

These tests are complementary to VaR limits and are an essential tool for managing the market risk. By using economic stress testing, the Bank tries to estimate the potential losses associated with a given instrument, book or portfolio, in different scenarios. Stress tests of income at risk provide Management with an estimate of the potential variation in the value of a given position, whether current or contemplated, as a result of various scenarios used to take decisions relating to the assumption, increase or reduction of positions. We undertake tests on the portfolios held by the Bank on a daily basis assuming certain historic market events or other scenarios to simulate our exposure and, in certain cases, the exposure of ours Clients to potential losses. When no historic data is available, underlying assets of classes of identical assets with a high level of correlation may be used.

Currently, the Bank uses 16 different scenarios to carry out more than 80 daily stress tests on the various trading and investment positions. However, on a weekly basis the Group runs 13 new stress tests scenarios, which correspond to 65 weekly stress tests on the positions of the trading and investment books. These new scenarios are also historic, although relating to different, more recent dates and where the impact of which is more significant. The potential impact on the Group's portfolios is also estimated daily when we allow for worst case scenarios in the credit market and in the stock market, Armageddon Stress Test and Armageddon Stress Test Debt. These stress tests are presented and discussed in the Board of Directors Report.

Liquidity risk

One of the assumptions in the Bank's strategy is that of a reduced exposure to the liquidity risk. The basic principles of this strategy are (i) to obtain availability of liquidity prior to the acquisition/constitution of any asset, (ii) to ensure that a major part of the Bank's balance sheet can be converted into liquidity in the short term and (iii) to be fully independent of the interbanking market in terms of financing.

The management of the Bank's immediate resources is carried out so as to minimise the risk of an increase in lending activities which might imply a decrease in liquidity, or rather, a rate of growth in loans which is greater than that of resources.

The exposure by maturity of the Bank's balance sheet assets and liabilities are distributed in the following way for the years ended on 31 December 2012 and 2011:

2012

	Spot	Up to 3 months	From 3 months to 1 year	Between 1 to 5 years	Over 5 years	Undefined	Total
Assets							
Cash and deposits in Central Banks	14,054,324	-	-	-	-	-	14,054,324
Deposits in other banks	19,698,790	-	-	-	-	-	19,698,790
Financial assets held for trading	-	865,572	2,178,274	3,457,397	1,838,992	9,067,462	17,407,697
Financial assets available for sale	-	10,004,919	4,930,950	161,927,915	508,865,876	14,365,610	700,095,270
Applications in banks	-	36,615,539	308,921	-	-	-	36,924,460
Loans to clients	-	14,576,174	7,359,629	18,384,698	152,181,668	172,079	192,674,248
Hedge derivatives	-	-	-	-	-	-	-
	33,753,114	**62,062,204**	**14,777,774**	**183,770,010**	**662,886,536**	**23,605,151**	**980,854,789**
Liabilities							
Funding from Central Banks	-	-	-	260,247,778	-	-	260,247,778
Financial liabilities held for trading	-	112,130	545,520	358,344	-	-	1,015,994
Funding from other banks	-	6,480,594	-	-	-	-	6,480,594
Funding from clients	138,589,067	148,556,298	235,184,845	21,499,953	-	-	543,830,163
Hedge derivatives	-	-	182,555	8,046,387	3,381,576	-	11,610,518
	138,589,067	**155,149,022**	**235,912,920**	**290,152,462**	**3,381,576**	**-**	**823,185,047**

2011

	Spot	Up to 3 months	From 3 months to 1 year	Between 1 to 5 years	Over 5 years	Undefined	Total
Assets							
Cash and deposits in Central Banks	10,323,223	-	-	-	-	-	10,323,223
Deposits in other banks	42,026,648	-	-	-	-	-	42,026,648
Financial assets held for trading	-	2,912,955	510,435	2,854,194	2,164,955	4,893,746	13,336,285
Financial assets available for sale	-	5,716,080	39,031,181	259,613,863	178,267,552	21,054,605	503,683,281
Applications in banks	-	27,050,455	-	36,718	-	-	27,087,173
Loans to clients	-	18,754,130	96,307	22,758,164	117,719,397	2,792	159,330,790
Hedge derivatives	-	-	21,544	-	-	-	21,544
	52,349,871	**54,433,620**	**39,659,467**	**285,262,939**	**298,151,904**	**25,951,143**	**755,808,944**
Liabilities							
Funding from Central Banks	-	49,770,531	-	188,552,361	-	-	238,322,892
Financial liabilities held for trading	-	1,947,223	95,854	462,358	-	16,086,537	18,591,972
Funding from other banks	-	48,895,643	-	-	-	-	48,895,643
Funding from clients	174,853,871	146,404,865	100,911,570	18,397,633	-	-	440,567,939
Hedge derivatives	-	-	-	1,273,754	3,773,136	-	5,046,890
	174,853,871	**247,018,262**	**101,007,424**	**208,686,106**	**3,773,136**	**16,086,537**	**751,425,336**

Exposure to the public debt of Euro Zone countries

On 31 December 2012 and 2011, the Group's exposure to the public debt of Euro Zone countries was as follows:

	2012		2011	
	Financial assets held for trading	Financial assets available for sale	Financial assets held for trading	Financial assets available for sale
Portugal	1,257,209	167,683,749	660,458	117,575,062
Spain	-	144,757,870	-	43,794,376
Greece	233,831	1,493,914	-	9,033,535
Ireland	12,759	-	100,215	28,696,385
Italy	-	139,352,972	-	-
Cyprus	65,235	-	-	-
	1,569,034	**453,288,505**	**760,673**	**199,099,358**

All exposures presented are entered in the Group's balance sheet at fair value based on listed market values.

The exposure to securities in the portfolio of Financial assets available for sale and Financial assets held for trading is broken down as follows:

2012	Nominal value	List value	Accumulated interest	Balance Sheet value	Impairment	Fair value reserve
Financial assets held for trading						
Portugal						
Maturity of under 1 year	249,757	255,675	3,729	259,403	-	-
Maturity of over 1 year	1,106,441	977,686	20,155	997,806	-	-
Greece						
Maturity of over 1 year	814,085	224,129	9,702	233,831	-	-
Ireland						
Maturity of over 1 year	11,990	12,298	461	12,759	-	-
Cyprus						
Maturity of under 1 year	47,000	40,185	1,024	41,209	-	-
Maturity of over 1 year	35,000	23,807	219	24,026	-	-
Financial assets available for sale						
Portugal						
Maturity of under 1 year	5,000,000	4,930,950	-	4,930,950	-	102,025
Maturity of over 1 year	208,200,000	157,241,400	5,511,399	162,752,799	-	8,535,006
Spain						
Maturity of over 1 year	151,203,000	138,956,224	5,801,646	144,757,870	-	(8,820,194)
Greece						
Maturity of over 1 year	3,685,500	1,431,080	62,835	1,493,914	-	607,827
Italy						
Maturity of over 1 year	129,000,000	137,720,583	1,632,388	139,352,972	-	2,722,658
	499,352,773	**441,814,017**	**13,043,558**	**454,857,539**	**-**	**3,147,322**

Interest rate risk

Included in the non-statistical Basis Point Value indicators, the sensitivity to interest rate risk for the years ended 31 December 2012 and 2011 is presented as follows:

	2012				2011			
	Yields shifted upwards by 100 bps	Yields shifted downwards by 100 bps	Increase after 1 year of 50 bps	Reduction after 1 year of 50 bps	Yields shifted upwards by 100 bps	Yields shifted downwards by 100 bps	Increase after 1 year of 50 bps	Reduction after 1 year of 50 bps
On 31 December	(11,848,566)	11,848,566	(5,888,328)	5,888,328	(5,313,544)	5,313,544	(2,546,486)	2,546,486
On 30 June	(10,884,360)	10,884,360	(5,635,784)	5,635,784	(11,902,496)	11,902,496	(6,142,082)	6,142,082

Asset Re-pricing risk

Included in the non-statistical earnings at risk indicators, the re-pricing bands for the years ended on 31 December 2012 and 2011 are presented as follows:

2012

	Balance Sheet value	Not sensitive	Up to 3 months	3 months to 1 year	From 1 a 5 years	Over 5 years
Cash and deposits in Central Banks	14,054,324	14,054,324	-	-	-	-
Deposits in other banks	19,698,790	19,698,790	-	-	-	-
Financial assets held for trading	17,407,697	9,067,462	865,572	2,178,274	3,457,397	1,838,992
Financial assets available for sale	700,095,270	14,365,610	10,004,919	4,930,950	161,927,915	508,865,876
Applications in banks	36,924,460	-	36,615,539	308,921	-	-
Loans to clients	192,674,248	172,079	14,576,174	7,359,629	18,384,698	152,181,668
Total	**980,854,789**	**57,358,265**	**62,062,204**	**14,777,774**	**183,770,010**	**662,886,536**
Funding from Central Banks	260,247,778	-	-	-	260,247,778	-
Financial liabilities held for trading	1,015,994	-	112,129	545,520	358,345	-
Funding from other banks	6,480,594	-	6,480,594	-	-	-
Funding from clients	543,830,163	138,589,067	148,556,298	235,184,845	21,499,953	-
Hedge derivatives	11,610,518	-	-	182,555	8,046,387	3,381,576
Total	**823,185,047**	**138,589,067**	**155,149,021**	**235,912,920**	**290,152,463**	**3,381,576**
GAP (Assets - Liabilities)	**157,669,742**	**(81,230,802)**	**(93,086,817)**	**(221,135,146)**	**(106,382,453)**	**659,504,960**

2011

	Balance Sheet value	Not sensitive	Up to 3 months	3 months to 1 year	From 1 a 5 years	Over 5 years
Cash and deposits in Central Banks	10,323,223	10,323,223	-	-	-	-
Deposits in other banks	42,026,648	42,026,648	-	-	-	-
Financial assets held for trading	13,336,285	4,893,746	2,912,955	510,435	2,854,194	2,164,955
Financial assets available for sale	503,683,281	21,054,605	5,716,080	39,031,181	259,613,863	178,267,552
Applications in banks	27,087,173	-	27,050,455	-	36,718	-
Loans to clients	159,330,790	2,792	18,754,130	96,307	22,758,164	117,719,397
Hedge derivatives	21,544	-	21,544	-	-	-
Total	**755,808,944**	**78,301,014**	**54,455,164**	**39,637,923**	**285,262,939**	**298,151,904**
Funding from Central Banks	238,322,892	-	49,770,531	-	188,552,361	-
Financial liabilities held for trading	18,591,972	16,086,537	1,947,223	95,854	462,358	-
Funding from other banks	48,895,643	-	48,895,643	-	-	-
Funding from clients	440,567,939	-	321,258,736	100,911,570	18,397,633	-
Hedge derivatives	5,046,890	-	-	-	1,273,754	3,773,136
Total	**751,425,336**	**16,086,537**	**421,872,133**	**101,007,424**	**208,686,106**	**3,773,136**
GAP (Assets - Liabilities)	**4,383,608**	**62,214,477**	**(367,416,969)**	**(61,369,501)**	**76,576,833**	**294,378,768**

Exchange risk

The currency exchange markets were less volatile during 2012 compared with the values registered in 2011 and 2010. This drop reflects a cooling off in the various economic blocks. During 2012, the reference interest rate of the Euro was expected to move downwards, and reached historically low levels, directly impact on the exchange rates. In relation to the exchange rates of the Euro against the main currencies, it is worth nothing the devaluation of the Euro against the Dollar during the third quarter of 2012, when the lowest values in the last two years were reached. This devaluation of the Euro was also felt in relation to other currencies, namely the Pound Sterling and the Yen.

The Group does not speculate on currency markets (FX) and the relatively low use of VaR limits reflects the Bank's strategy of limiting exposure to foreign currency fundamentally to its Clients' business and associated fluxes.

The distribution of the balance sheet by currency for the years ended on 31 December 2012 and 2011 is presented as follows:

2012						
	Euros	**North American Dollars**	**Pound Sterling**	**Japanese Yen**	**Other Foreign Currencies**	**Total**
Assets by currency						
Cash and deposits in Central Banks	14,040,612	8,459	5,253	-	-	14,054,324
Deposits in other banks	13,085,442	5,658,663	591,141	7,652	355,892	19,698,790
Financial assets held for trading	13,134,549	4,193,714	66,862	-	12,572	17,407,697
Financial assets available for sale	692,367,818	7,727,452	-	-	-	700,095,270
Applications in banks	25,555,435	11,369,025	-	-	-	36,924,460
Loans to clients	192,674,228	20	-	-	-	192,674,248
Tangible assets	16,533,668	-	-	-	-	16,533,668
Intangible assets	194,425	-	-	-	-	194,425
Investments in subsidiary and associated companies	5,357,148	-	-	-	-	5,357,148
Deferred tax assets	625,668	-	-	-	-	625,668
Other assets	22,348,569	101,566	177,501	-	-	22,627,636
Total Assets	**995,917,562**	**29,058,899**	**840,757**	**7,652**	**368,464**	**1,026,193,334**
Liabilities by currency						
Funding from Central Banks	260,247,778	-	-	-	-	260,247,778
Financial liabilities held for trading	1,015,994	-	-	-	-	1,015,994
Funding from other banks	2,673,685	3,806,909	-	-	-	6,480,594
Funding from clients	515,316,119	27,804,702	338,377	-	370,965	543,830,163
Hedge derivatives	11,610,518	-	-	-	-	11,610,518
Provisions	2,905,364	-	-	-	-	2,905,364
Current tax liabilities	16,695,327	-	-	-	-	16,695,327
Other liabilities	9,895,301	678,721	502,380	7,652	21,839	11,105,893
Total Liabilities	**820,360,086**	**32,290,332**	**840,757**	**7,652**	**392,804**	**853,891,631**
Net assets - liabilities by currency	**175,557,476**	**(3,231,433)**	**-**	**-**	**(24,340)**	**172,301,703**

2011						
	Euros	North American Dollars	Pound Sterling	Japanese Yen	Other Foreign Currencies	Total
Assets by currency						
Cash and deposits in Central Banks	10,311,514	6,160	5,549	-	-	10,323,223
Deposits in other banks	33,397,449	7,918,627	447,584	35,461	227,527	42,026,648
Financial assets held for trading	11,113,187	2,213,632	9,466	-	-	13,336,285
Financial assets available for sale	478,531,276	25,152,005	-	-	-	503,683,281
Applications in banks	36,718	27,050,455	-	-	-	27,087,173
Loans to clients	159,330,469	316	5	-	-	159,330,790
Hedge derivatives	21,544	-	-	-	-	21,544
Tangible assets	17,399,614	-	-	-	-	17,399,614
Intangible assets	534,862	-	-	-	-	534,862
Investments in subsidiary and associated companies	4,954,560	-	-	-	-	4,954,560
Current tax assets	1,740,137	-	-	-	-	1,740,137
Deferred tax assets	34,873,163	-	-	-	-	34,873,163
Other assets	1,427,517	12,192,223	19,134	30,656	2,671	13,672,201
Total Assets	**753,672,010**	**74,533,418**	**481,738**	**66,117**	**230,198**	**828,983,481**
Liabilities by currency						
Funding from Central Banks	238,322,892	-	-	-	-	238,322,892
Financial liabilities held for trading	18,522,353	58,249	11,370	-	-	18,591,972
Funding from other banks	45,400,148	3,495,495	-	-	-	48,895,643
Funding from clients	398,255,884	42,264,080	47,813	-	162	440,567,939
Hedge derivatives	5,046,890	-	-	-	-	5,046,890
Provisions	20,150	-	-	-	-	20,150
Other liabilities	7,893,572	2,239,626	124,425	283	45,748	10,303,654
Total Liabilities	**713,461,889**	**48,057,450**	**183,608**	**283**	**45,910**	**761,749,140**
Net assets - liabilities by currency	**40,210,121**	**26,475,968**	**298,130**	**65,834**	**184,288**	**67,234,341**

Derivative risk

The quantification of the risk of the Bank's book of derivative products depends on a number of variables related with the market, including the price of underlying assets, volatility, interest rates and time to maturity. The Bank quantifies its exposure to these variables carrying out sensitivity analyses known as "greeks" which are mathematical term defined below.

In general, the levels of sensitivity to volatility (Vega) always remained within low levels compared with the values recorded in previous years. However the higher levels of sensitivity occurred in the third quarter of the year.

Analysing the different sensitivities of the Group's trading portfolio for 2012, we see that the almost consistent long profile in the stock markets.

The Delta values were, in general, similar to those recorded in the previous year, with a slight reduction in the exposure to shares in the second semester of the year. In fixed rate products, the Bank opted for a long strategy in bonds. The highest values for exposure to the interest rate risk came in the second semester of 2012 due to a greater exposure to fixed return securities (fixed rate bonds). Nevertheless this increase in risk was accompanied by a strategy of interest rate risk hedging via interest rate swaps and interest rate futures.

2012				
	Rho	***Vega***	***Delta***	***Theta***
Minimum	(305,901)	(27,045)	30,929	(12,626)
Maximum	(85,076)	12,082	300,489	7,859
Average	(172,196)	(5,616)	209,539	44
Standard Deviation	60,094	6,819	31,088	1,909

2011				
	Rho	***Vega***	***Delta***	***Theta***
Minimum	(230,712)	(30,791)	7,829	(19,883)
Maximum	(149,198)	54,282	363,871	11,666
Average	(177,002)	(3,630)	228,755	(753)
Standard Deviation	25,933	17,031	52,178	3,552

Rho Interest rate sensitivity
Vega Sensitivity of volatility
Delta Sensitivity of the underlying stock
Theta Sensitivity to time

Limits and Reporting
Limits on trading activity are essential to the process, with there being limits approved by class of product, content and by market operator and which may be calculated by means of a combination of non-statistical measures, including BPV's (Basis Point Value), and statistical measures, such as VaR (Value at Risk), analysed beforehand. A report is prepared for the Senior Administration with all of the relevant indicators and positions, based on the statistical and non-statistical measures established.

Credit risk

Credit risk is the risk of loss as a result of a default by a borrower or counterparty.

The Group is exposed to credit risks in a number of its activities. These necessarily include direct exposure to clients who have contracted loans, direct exposure to credit risks associated with securities issued by third parties and held as investment or trading assets of the Group, and market or settlement risk associated with trading activities by clients.

Credit risk arising from dealings with professional counterparties as well as issuers of quoted securities, is assessed in combination with procedures for managing market risks discussed above in Market risk.

In its process of analysis and approval, the Bank assesses its exposure in terms of individual transactions, in terms of the maximum exposure per client and, separately, in terms of the respective portfolios, to ensure there is adequate control over risk concentrations in each sector or industry. As a matter of policy, all exposures are assessed and processed for approval, whether on or off-balance sheet in nature. Controls over Market risk, as a result, often overlap with assessments of credit risk. In the course of the Bank's day to day activity, integrated systems to monitor exposures are an essential element in the process of credit risk management.

The Credit Risk Management process begins with the Board of Directors, which approves general policies and guidelines for credit risks. The Board then delegates in the Chief Credit Officer and to other members of the Credit Risk Committee and support personnel the day to day implementation of these policies and responsibilities, which include:

- Analysis and control of counterparty risks;
- Definition of quantitative and qualitative guidelines for credit reviews;
- Control and monitoring of client, family and "house limit" risks;
- Documentation, control and form completion systems;
- Management and control of risk monitoring policies and systems;
- Maintenance of a credit scoring and approval matrix;
- Integrity of the credit approval process;
- Strict adherence to regulatory standards and principles;
- Application of prices appropriate to the risks assumed.

BiG's exposure to the credit risk can include the concession of loans to clients, investments in corporate bonds, interbank total value and replacement value risks, the risk of liquidation of certain securities, amounts receivable under derivatives and foreign currency contracts, and commitments assumed under guarantees or commercial paper programmes.

The distribution by sector of activity for the years ended on 31 December 2012 and 2011 is presented as follows:

2012

	Loans to clients		Financial Assets at fair value through the income statement	Financial assets available for sale		Guarantees and sureties provided
	Gross value	Provision	Gross value	Gross value	Provision	
Agriculture, silviculture and fisheries	6,806	102	-	-	-	-
Mining industries	-		581,100	-	-	-
Manufacturing industries	1,773	1,773	1,435,179	1,846,926	-	-
Electricity, gas, steam, hot and cold water and cold air	-	-	3,629,854	48,672,733	5,972,809	-
Construction	195,614	185,080	203,686	-	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	260,110	2,093	-	-	-	148,938
Transports and storage	-	-	1,027,159	26,204,566	-	-
Financial activity and insurance	169,800,945	14	6,066,623	145,365,672	-	-
Real estate	2,223,998	872	-	-	-	-
Scientific, technical consultancy and similar	1,025,794	5,571	22,642	16,500	-	-
Public administration and defence; Obligatory social security	-	-	1,950,908	447,310,763	-	-
Human health and social support	77,484	1,160	-	-	-	-
Mortgages	5,302,666	1,684	-	-	-	-
Loans to private individuals	13,999,615	165,210	-	-	-	-
Other	143,281	279	2,490,546	37,257,085	606,166	-
	193,038,086	**363,838**	**17,407,697**	**706,674,245**	**6,578,975**	**148,938**

2011

	Loans to clients		Financial Assets at fair value through the income statement	Financial assets available for sale		Guarantees and sureties provided
	Gross value	Provision	Gross value	Gross value	Provision	
Agriculture, silviculture and fisheries	23,279	297	-	-	-	-
Mining industries	-	-	325,107	-	-	-
Manufacturing industries	32,472	1,713	426,313	4,018,283	-	-
Electricity, gas, steam, hot and cold water and cold air	-	-	2,410,764	28,011,514	5,371,050	-
Construction	219,555	185,229	778,484	2,863,454	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	192,154	2,545	-	3,547,380	-	148,938
Transports and storage	3,323	50	-	6,232,689	-	-
Information and communication	-	-	66,333	4,269,869	-	-
Financial activity and insurance	130,665,145	-	6,853,885	242,395,269	-	659,769
Real estate	3,913,735	469	-	-	-	-
Scientific, technical consultancy and similar	8,975	305	479,263	6,207,700	-	10,000
Public administration and defence; Obligatory social security	-	-	838,729	222,775,076	12,344,869	-
Human health and social support	115,821	1,737	-	-	-	-
Mortgages	5,365,824	-	-	-	-	-
Loans to private individuals	17,587,569	154,995	583,171	-	-	38,937
Other	1,552,251	1,973	574,236	1,077,966	-	-
	159,680,103	**349,313**	**13,336,285**	**521,399,200**	**17,715,919**	**857,644**

Operational risk

Operating risk is part of our day to day business and may arise as a result of inadequate procedures or systems, human risk or external events.

Given the nature of its business, the Bank is exposed to potential losses or reputational risk as a result of human error, system breakdown, processing failures, unexpected interruptions in activity or stoppages or shortages in terms of third party supplies or provision of services.

To monitor the risks and the effective fulfilment of the procedures throughout the Bank, there is a control structure which supervises the appropriateness of the procedures, systems and human resources in order to ensure the normal development of the activity in any circumstances.

The objective of this structure is to ensure that the Bank adheres to the established procedures and limits, so that the cost inherent to operational errors can be kept within controlled levels, *vis-à-vis* the Bank's capital and its strategy. Alongside this structure, a culture of risk detection and mitigation is nurtured in the Bank, which encourages the proactive resolution of problems based on their early identification.

The Bank has a project in hand to reformulate the Operational Risk Measurement and Management System, in line with the indications of the Basle Accord, and with the objective of creating the conditions necessary for the eventual implementation of advanced measurement methods given that currently the Bank calculates its capital requirements for hedging the operational risk based on the Basic Indicator Approach.

Capital and solvency ratio management

Equity Funds for the years ended on 31 December 2012 and 2011 are presented as follows:

		2012	2011
A - Equity Funds			
Ordinary paid-up capital, issue premiums and treasury stock		100,290,638	103,897,961
Results and reserves formed from retained earnings		63,023,169	47,968,877
Contributions to pension funds still not entered as costs		(1,577,583)	(1,928,940)
Revaluation differences of other assets available for sale		(58,413)	(3,070,552)
Intangible assets		(194,425)	(534,862)
Equity Funds to determine the Ratio Core Tier I	(A1)	161,483,386	146,332,484
Core Tier I Capital	(A2)	161,483,386	146,332,484
Supplementary Equity Capital (Tier II)	(A3)	386,523	177,925
Eligible Equity Funds	(A4)	161,869,909	146,510,409
B- Equivalent-Risk Assets			
Calculated in accordance with Notification 5/2007 (Banking portfolio risks)		384,322,038	363,302,438
Calculated in accordance with Notification 8/2007 (Trading portfolio risks)		16,670,825	9,237,275
Calculated in accordance with Notification 9/2007 (Operating risk)		105,348,425	77,609,038
Total Equivalent-Risk Assets	(B)	506,341,288	450,148,750
C- Prudential Ratios			
Ratio Core Tier 1	(A1/B)	31.9%	32.5%
Ratio Tier 1	(A2/B)	31.9%	32.5%
Solvency ratio	(A4/B)	32.0%	32.5%

The movement in Equity Funds for the years ended on 31 December 2012 and 2011 is presented as follows:

	2012	2011
Opening balance	**146,510,409**	**123,177,367**
Ordinary paid-up capital, issue premiums and treasury stock	(3,607,323)	7,048,485
Results and reserves formed from retained earnings	15,054,292	19,120,535
Contributions to pension funds still not entered as costs	351,357	351,356
Revaluation differences of other assets available for sale	3,012,139	(3,330,645)
Intangible assets	340,437	352,560
Supplementary equity funds	208,598	(209,249)
Closing balance	**161,869,909**	**146,510,409**

Other risks and their measurement

Reputational risk

In terms of reputation risk, understood as the probability of the occurrence of a negative impact on results or on capital, arising from a negative perception of the public image of the institution, founded or not, by the different stakeholders, the press or by public opinion in general, BiG conceived stress tests which allow for the existence of quite negative news relating to the Bank, with consequences in terms of the partial or total withdrawal of deposits by clients on the same day or within the period of one week, taking into account the interest which might arise from these withdrawals.

Correlation risk

The different types of risk, liquidity, credit reputation, counterparty, market concentration, interest rate, market, etc., are correlated between each other. This correlation is evidently clearer in some pairs of risks while having no particular relevance in other risk pairs.

- Liquidity risk versus reputation risk:
  The decline in the reputation of a financial institution can lead to a lack of trust of clients and of investors in general. Such a situation can lead to the liquidity risk for the institution with regard to its immediate liabilities.

- Liquidity risk versus reputation risk versus market risk:
  In the above case, the reputation risk versus liquidity risk is analysed. We can nevertheless assume that there is an unusual variation in the different financial instruments in the market.

- Liquidity risk versus reputation risk versus credit risk:
  In this case, as in the previous point, we allow for scenarios where there is reputation risk and liquidity risk. In addition we can also consider a scenario of the probability of default of the assets, as well as the impact of the change in spreads in their evaluation.

Liquidity risk versus reputation risk versus market risk:
(50% drop in the Dax and 33% in the SPX indices)
The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2011, the impact of which is now described.

Scenario 1 – 33% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 70,677,574 Euros.
Liabilities: 46,200,881 Euros.
In this scenario, it would not be necessary to sell assets, although, on the assumption that market conditions would also be simultaneously negative and based on the assumptions of the Armageddon Stress Test on 31 December 2012 (a fall of 50% in the Dax Index and of 33% in the SPX Index, *see management report*) the Group estimates a potential loss of 53,287,040 Euros.

Scenario 2 – 50% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 70,677,574 Euros.
Liabilities: 69,301,321 Euros.
In this scenario, it would not be necessary to sell assets, although, on the assumption that market conditions would also be simultaneously negative and based on the assumptions of the Armageddon Stress Test on 31 December 2012 (a fall of 50% in the Dax Index and of 33% in the SPX Index, *see management report*) the Group estimates a potential loss of 53,287,040 Euros.

Scenario 3 – 50% of Demand Deposits are withdrawn by clients in the period of one month
Liquidity available in the period of one month: 80,682,493 Euros.
Liabilities: 260,314,942 Euros.
In this scenario, it would be necessary to sell assets or request additional financing, for a total amount of 179,632,449 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on the assumptions of the Armageddon Stress Test on 31 December 2012 (a fall of 50% in the Dax Index and of 33% in the SPX Index, *see management report*), the Group would have a maximum loss of 53,287,040 Euros.

Liquidity risk versus reputation risk versus credit risk:
(Armageddon Stress Test Debt)
The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2012, the impact of which is now described:

Scenario 1 – 33% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 70,677,574 Euros.
Liabilities: 46,200,881 Euros.
In this scenario, it would not be necessary to sell assets, although, on the assumption that market conditions would also be simultaneously negative and based on the assumptions of the Armageddon Stress Test Debt on 31 December 2012 (see management report) the Group estimates a potential loss of 51,935,470 Euros.

Scenario 2 – 50% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 70,677,574 Euros.
Liabilities: 69,301,321 Euros.
In this scenario, it would not be necessary to sell assets, although, on the assumption that market conditions would also be simultaneously negative and based on the assumptions of the Armageddon Stress Test Debt on 31 December 2012 (see management report) the Group estimates a potential loss of 51,935,470 Euros.

Scenario 3 – 50% of Demand Deposits are withdrawn by clients in the period of one month
Liquidity available in the period of one month: 80,682,493 Euros.
Liabilities: 260,314,942 Euros.
In this scenario, it would be necessary to sell assets or request additional financing, for a total amount of 179,632,449 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on the assumptions of the Armageddon Stress Test Debt on 31 December 2012 (see management report), the Group would have a maximum loss of 51,935,470 Euros.

NOTE 39
RECENTLY ISSUED ACCOUNTING STANDARDS

39.1. Accounting standards and interpretations recently issued adopted by the Group

In the preparation of the consolidated financial statements referring to 31 December 2012, the Group adopted the following accounting standards and interpretations the application of which is mandatory as of 1 January 2012:

IFRS 7 (Revised) – Financial Instruments: Disclosures – Transfers of Financial Assets

The International Accounting Standards Board (IASB) issued on 7 of October of 2010, alterations to "*IFRS* 7 – Financial Instruments: Disclosures – Transfers of Financial Assets", with an effective date of application for periods that begin on, or after, 1 July 2011. These alterations were adopted by European Commission Regulation no. 1205/2011, of 22 November.

The alterations require an improvement in the disclosure of information on transfers of financial assets that allows users of the financial statements:

- To understand the relationship between a transferred financial asset that has not been fully derecognised in the accounts, and the associated liability; and
- To assess the nature of the continued involvement and the risks associated to the derecognised financial asset.

The alterations also require further disclosures if a disproportionate number of operations involving the transfer of financial assets occurs close to the end of the period.

The adoption of these alterations had no impact on the financial statements of the Group.

IAS 12 (Revised) – Deferred tax – recovery of underlying assets

On 20 December 2010, the IASB issued an alteration to "IAS 12 – Deferred tax – recovery of underlying assets" (revoking "SIC 21 – Taxation on Income – Recovery of Non-Depreciable Revalued Assets"), with an effective date of application for periods that begin on, or after, 1 January 2012. These alterations were adopted by European Commission Regulation no. 1255/2012, of 11 December.

Following the alteration to IAS 12, deferred tax relating to investment properties should be measured assuming that the book value of the investment properties stated based on the fair value model in accordance with "IAS 40 – Investment properties", presuming that their value will be fully recovered through the sale. Previously, it was allowed to assume that the Balance Sheet value of the investment properties would be fully recovered through the sale or use, depending on the intention of the management body.

The adoption of this alteration had no impact on the financial statements of the Group.

39.2. Accounting standards and interpretations recently issued and which have still not come into force, not adopted by the Group

The accounting standards and interpretations recently issued, but which have still not come into force and which the Group has not yet applied in the elaboration of its consolidated financial statements, may be analysed below. The Group will adopt these standards when their application becomes mandatory.

Presentation of items in other comprehensive income – alteration to IAS 1 – Presentation of Financial statements

On 16 June 2011, the IASB issued alterations to "IAS 1 – Presentation of Financial Statements", with an effective date of application (retrospective) for periods that begin on, or after, 1 July 2012. This alteration was adopted by European Commission Regulation (EU) no. 475/2012, of 5 June.

This alteration allows an entity to continue to present two separate statements, one of results and another of comprehensive income (with the latter commencing with the results and contemplating other comprehensive income), although it requires:

- The separate presentation of the captions of other comprehensive income that might be reclassified for results from those that could never be the subject of such a reclassification in the results;
- An entity that presents the captions of other comprehensive income before the effect of tax should also allocate the tax effect to the two subcategories referred to in the previous point; and
- An alteration of the designation "statement of comprehensive income" to "statement of results and of other comprehensive income", although another title may also be used.

The alterations only affect the presentation and have no impact on the financial position or performance of the Group.

IAS 19 (Revised) – Employee Benefits

On 16 June 2011, the IASB issued alterations to "IAS 19 – Employee Benefits", with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2013. These alterations were adopted by European Commission Regulation (EU) no. 475/2012, of 5 June 2012.

The IASB made a number of changes to IAS 19. This set of alterations includes fundamental changes such as the removal of the option for the corridor mechanism and the concept of expected returns of the assets of the plan with simple clarifications and a readjustment of the text. In 2011, the Group voluntarily changed its accounting policy to recognise actuarial gains and losses in other comprehensive income (OCI).

However, the alterations will have an impact on the net cost of the benefit as the expected return of the assets of the plan is now calculated using the same interest rate applicable to the discount of the defined benefit obligation.

The Group is assessing the impact of the adoption of this changed standard.

IFRS 7 (Revised) – Financial Instruments: Disclosures – Offsetting of assets and financial liabilities

On 16 December 2011, the IASB issued, alterations to "IFRS 7 – Financial Instruments: Disclosures – Offsetting of assets and financial liabilities", with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2013. These alterations were adopted by European Commission Regulation no. 1256/2012, of 11 of December.

The alterations require an entity to disclose information on the amounts offset in the statement of the financial position and the nature and extent of the compensation rights and similar agreements (e.g. collateral).

The new disclosures are applicable to all the Financial Instruments recognised that are offset in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also are applicable to recognised Financial Instruments that are subject to a master netting contract or similar agreement, irrespective of whether they have been or offset or not in accordance with IAS 32.

The Group is assessing the impact of the adoption of this changed standard.

IAS 32 (Revised) – Financial Instruments: Presentation – Offsetting of assets and financial liabilities

On 16 December 2011, the IASB issued alterations to "IAS 32 – Financial Instruments: Presentation – Offsetting of assets and financial liabilities", with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2014. These alterations were adopted by European Commission Regulation no. 1256/2012, of 11 December.

The alterations now introduced add guidelines for implementation in order to resolve inconsistencies of practical application. The new guidelines clarify that the phrase "currently has a legally enforceable right to set-off" means that the right of compensation cannot be contingent, in view of future events, and should be legally enforceable in the normal course of the business, in the event of non-fulfilment and in an event of insolvency or bankruptcy of the entity and of all the counterparties.

These applicational guidelines also specify the characteristics of gross settlement systems, in order for it to be able to be equivalent to the net settlement basis.

The adoption of this standard is not expected to have any significant impact on the Group.

IFRS 13 – Fair value measurement

On 12 May 2011, the IASB issued "IFRS 13 – Fair value measurement", with an effective date of application (prospective) for periods that begin on, or after, 1 January 2013. This standard was adopted by European Commission Regulation no. 1255/2012, of 11 December.

IFRS 13 only provides a guideline of how to arrive at fair value measurement and replaces all the guidelines that are currently disperse throughout the IAS/IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurement, or its disclosure, is required, or permitted, by another IAS/IFRS.

The Group is currently analysing its methodologies involving fair value measurement.

Although a large part of the disclosures required by IFRS 13 relating to assets and financial liabilities were already in force, the adoption of IFRS 13 will require the Group to provide further disclosures. These include the disclosure of the hierarchy of the fair value for non-financial assets/liabilities and disclosures on fair value that are categorised as level 3.

Improvements to the IFRS (2009-2011)

The annual improvements of the 2009-2011 cycle, issued by the IASB on 17 May 2012 introduced alterations, with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2013 to the standards IFRS 1, IAS1, IAS16, IAS32, IAS34 and IFRIC2.

IAS 1 Presentation of Financial Statements

The improvements clarify the difference between additional voluntary comparative information and the minimum comparative information required. Generally, the minimum comparative information required is that of the previous period.

IAS 16 Tangible Fixed Assets

IAS 16 was changed in order to clarify the concept of service equipment that might meet the definition of tangible fixed assets that are not thus accounted for in inventories.

IAS 32 Financial Instruments and IFRIC 2

These standards were adjusted in order to clarify that taxation related with the distribution of dividends to holders of capital follow the treatment set out in "IAS 12 – Taxation on Income", thereby avoiding any interpretation that might signify another application.

IAS 34 Interim Financial Reporting

The alterations to IAS 34 help to bring the requirements of disclosure for all assets of the segments into line with total liabilities, in the interim periods. These improvements also mean that interim information is consistent with the annual information with regard to the modification carried out regarding the designation of the income statement and other comprehensive income.

The Group is assessing the impact of the adoption of these alterations.

IFRS 9 – Financial Instruments (issued in 2009 and changed in 2010)

IFRS 9 (2009) introduced new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduced further requirements related with financial liabilities. The IASB currently has a project in hand to make limited alterations to the classification and measurement in IFRS 9 and new requirements to deal with the impairment of financial assets and hedge accounting.

The requirements of IFRS 9 (2009) represent a significant change from the current requirements set out in IAS 39, with regard to financial assets. The standard contains two primary categories for the measurement of financial assets: amortised cost and fair value. A financial asset will be measured at amortised cost if it is held under the business model the objective of which is to hold the asset in order to receive the contractual cash flow and the terms of its cash flow give rise to the receipt, on specified dates, related only with the nominal amount and interest in force. All other financial assets will be measured at fair value. The standard eliminates the categories that currently exist in IAS 39 of "held until maturity", "available for sale" and "accounts receivable and payable".

For an investment in equity instruments that is not held for trading, the standard permits an irrevocable choice, in the initial recognition, on an individual basis for each share, to present the alterations of fair value in other comprehensive income (OCI). No amount recognised in OCI will be reclassified for the income statement on any future date. However, dividends generated by these investments are recognised in results instead of OCI, unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments, for which the entity does not designate the presentation of the alterations of fair value in OCI, will be measured at fair value with the alterations recognised in the income statement.

The standard requires that embedded derivatives in contracts where the base contract is a financial asset, covered by the scope of application of the standard, should not be separated; otherwise, the hybrid financial instrument is gauged in full in order to determine if it is measured at amortised cost or at fair value.

IFRS 9 (2010) introduces a new requirement applicable to financial liabilities designated at fair value, per option, and imposes the separation of the component of the alteration of fair value that is attributable to the credit risk of the entity and its presentation in OCI, rather than in the income statement. With the exception of this alteration, IFRS 9 (2010) in general transposes the classification and measurement guidelines, set out in IAS 39 for financial liabilities, without substantial alterations.

IFRS 9 is effective for annual periods that start on, or after, 1 January 2015 but which may be adopted before this. The IASB decided to make changes to IFRS 9 in order to accommodate practical issues and other aspects.

The Group started a process to assess the potential effects of this standard but is awaiting the outcome of the announced alterations before completing the respective assessment. Given the nature of the Group's activities, it is expected that this standard will have a relevant impact on the Group's financial statements.

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Secretary
João Manuel de Jesus Rufino

Board of Directors

Chairman and Chief Executive Officer
Carlos Adolfo Coelho Figueiredo Rodrigues

Vice Chairman and Chief Operative Officer
Nicholas Leo Racich

Executive Directors
Mário João Abreu Galhardo Bolota
Diogo Baptista Russo Pereira da Cunha
Paulo José Caramelo de Figueiredo
Ricardo Dias Carneiro e Gomes de Pinho

Fiscal Board

José Fernando Catarino Galamba de Oliveira
Alcino Cardoso
Pedro Rogério Barata de Ouro Lameira
Diogo Pereira Duarte

Effective Portuguese Statutory Auditor

KPMG & Associados, SROC, S.A., represented by
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Ana Cristina Soares Valente Dourado
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