ANNUAL REPORT 2013

BANCO BiG

BANCO DE INVESTIMENTO GLOBAL

FINANCIAL INDICATORS

T.1 (Euro)

Consolidated (Audited)	2013	2012	2011	2010
Net Interest Margin	25,747,469	18,734,087	19,783,187	16,525,657
Net Commissions and Fees	6,533,123	6,789,808	9,002,029	8,699,278
Treasury and Capital Markets	93,041,699	54,831,796	4,105,924	27,452,044
Other Income	-300,079	-28,178	285,387	-622,954
Operating Income	**125,022,212**	**80,327,513**	**33,176,527**	**52,054,025**
Personnel Expenses	-22,356,754	-14,840,651	-8,837,318	-12,556,069
Other Administrative Costs	-7,689,711	-6,130,922	-5,568,518	-6,019,658
Operating Expenses	**-30,046,465**	**-20,971,573**	**-14,405,836**	**-18,575,727**
Operating Cash Flow	**94,975,747**	**59,355,940**	**18,770,691**	**33,478,298**
Amortizations	-1,134,697	-1,314,991	-1,495,072	-1,607,394
Provisions	-1,871,061	-2,892,714	150,258	-7,670
Imparities	-194,946	-6,294,411	-13,986,727	-5,750,931
Operating Results	**91,775,042**	**48,853,825**	**3,439,150**	**26,112,303**
Results of Subsidiaries	163,306	23,371	87,565	292,136
Profit Before Income Tax	**91,938,349**	**48,877,195**	**3,526,715**	**26,404,439**
Current Income Tax	-33,218,522	-16,385,895	-909,833	-5,824,683
Deferred Tax	-92,067	26,581	-111,287	-119,866
Net Income	**58,627,760**	**35,517,881**	**2,505,595**	**20,459,890**

Individual	2013	2012	2011	2010
Net Income	**58,459,256**	**32,486,385**	**2,464,443**	**20,196,409**

Selected Indicators	2013	2012	2011	2010
Total Net Assets	1,214,430,252	1,024,615,750	828,983,481	900,762,575
Shareholder Funds	207,192,600	170,724,119	67,234,341	108,140,896
Own Funds	202,589,699	161,869,909	146,510,409	123,177,367
Client Deposits	683,717,291	543,830,163	440,567,939	332,184,633
Non-Performing Loans / Total Loans	0.1%	0.1%	0.2%	0.3%
Loans / Client Deposits	28.8%	35.4%	36.2%	12.8%
Loans / Total Net Assets	16.2%	18.8%	19.2%	4.7%
Assets Under Supervision *	2,159,665,428	1,499,588,173	1,086,084,393	1,330,366,558

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

Profitability	2013	2012	2011	2010
Return on Average Assets (ROA)	5.2%	3.5%	0.3%	2.6%
Return on Average Equity (ROE)	31.0%	27.3%	2.9%	17.3%
Operating Income / Average Net Assets	11.2%	8.7%	3.8%	6.5%

Solvency	2013	2012	2011	2010
TIER 1	32.7%	31.9%	32.5%	36.2%
Risk-Adjusted Capital Ratio	32.9%	32.0%	32.5%	36.3%

Efficiency	2013	2012	2011	2010
Net Interest Income / Earning Assets	2.2%	1.9%	2.6%	2.0%
Operating Expense / Operating Income	24.9%	27.7%	47.9%	38.8%
Personnel Expense / Operating Income	17.9%	18.5%	26.6%	24.1%

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OVERVIEW 2013

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 began operations on March 1, 1999. The capital is dispersed and privately held by a number of mainly domestic individual and institutional investors (Note 35). 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. 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, core activities include the Bank's platforms for promoting savings, trading and investment by a number of client segments. The objectives are 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.

The Bank generates all of its revenues in Portugal, but the mix of earning assets and their geographical source may vary 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 in15 offices in key central and regional locations, while sales and product teams based in Lisbon and Oporto 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. 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, options 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.

The Bank's activities are regulated by three entities:

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

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

Instituto de Seguros de Portugal (ISP – Portuguese Insurance Institute): registered as an adjunct insurance mediator. *www.isp.pt*

Summary of 2013 Results

(For further detail, see ANALYSIS: RESULTS OF OPERATIONS 2013)

- **For the full year 2013, Banco de Investimento Global generated Net Operating Revenues of € 125.0 million, up 56% as compared to € 80.3 million in 2012, and € 33 million in 2011.**
- **For 2013, Consolidated Net Income was € 58.6 million**, versus € 32.2 million registered in 2012 and € 2.5 million for 2011.
- **The Bank earned € 0.56 per share in 2013,** which compared to € 0.309 in 2012 and € 0.024 in 2011.
- **Return on Average Equity (ROE) rose to 30.9% in 2013**, against 26.9% for 2012 and 2.9% in 2011.
- **The Bank's consolidated Tier I ratio at year-end 2013 was 32.7%,** versus 31.9% for the prior year and 32.5% for 2011.

T.2 (Euro 000)

Summary of Results	2013	2012	Var %	2011	2010
Total net revenue	125,022	80,328	55.6%	33,177	52,054
Non interest expense	-33,247	-31,474	5.6%	-29,737	-25,942
Taxes	-33,311	-16,359	103.6%	-1,021	-5,945
Net income	58,628	32,518	80.3%	2,506	20,460
Shareholders funds	207,193	170,724	21.4%	67,234	108,141
Own funds	202,590	161,870	25.2%	146,510	123,177
Total net assets	1,214,430	1,024,616	18.5%	828,983	900,763
Loans	196,919	192,674	2.2%	159,331	42,533
Deposits	683,717	543,830	25.7%	440,568	332,185
TIER I, risk-adjusted	32.7%	31.9%	2.5%	32.5%	36.2%
Risk-adjusted capital ratio	32.9%	32.0%	2.8%	32.5%	36.3%

The composition of revenues for 2013 reflected the Bank's perspective on, and management of, overall market conditions and investor sentiment with respect to, interest rates, and the progress of the Portuguese, European and global economies in dealing with the effects of a long period of economic recession. Underlying these conditions, the on-going political and economic events associated with the country's Adjustment Program with the "Troika" of creditors – EU, ECB and IMF – are among the most important. In addition, since on average only about 50% of the Bank's exposure involves Portuguese country risk, developments in Europe and globally influenced the Bank's key financial indicators.

The Bank's Net Operating Revenues for 2013 rose 56% to € 125.0 million, as compared to € 80.3 million for the full year 2012, and € 33.2 million in 2011. Net Income was € 58.6 million, or 82% higher than the € 32.2 million recorded in 2012, and as compared to € 2.5 million earned in 2011. Earning per share were € 0.56 in 2013, € 0.309 in 2012 and € 0.024 in 2011, respectively. Return on Average Shareholders' Equity (ROE) rose to 30.9% in 2013, as compared to 26.9% in 2012 and 2.9% in 2011.

Following six years of global economic uncertainty and amid early signs of stability, if not full recovery domestically, Management believes that the Bank's business model continues to show resilience and fundamental soundness. The Bank's revenues and earnings rose significantly in 2013 as a result of a combination of factors:

- A higher average level of quality, liquid earning assets in relation to 2012;
- A gradually stabilizing interest rate environment, which provided opportunities for securities gains and higher net interest margins on lower overall funding costs;
- Greater levels of savings and investment activity by the Bank's growing client base;
- The continued, near absence of credit-related losses;
- Policies of financial discipline, accounting transparency and low gearing of the balance sheet;
- Management's long-term focus on asset quality, excess liquidity, high capital ratios, risk management and overall operational efficiency, regardless of market conditions or economic trends.

Key Income Statement Items

Net Revenues for 2013 featured a significant improvement in Net Interest Income, a small decline in overall Fees and Commissions from clients, and substantially higher revenues from the Bank's Treasury and Capital Markets business. Operating costs rose as well, but at lower rate than for that of net revenues. Imparities declined and credit-related losses were close to zero. The Bank's tax bill doubled on higher pre-tax income and higher marginal rates, as well as special taxes levied on the banking sector.

Net interest margin. This category of revenues increased 37% year on year to € 25.7 million, from € 18.7 million in 2012. The rise was due to a higher average level of earning assets, combined with lower funding costs. These were associated with sustained growth in the level of stable, retail client deposits; attractive rates from wholesale sources and funding, such as Eurex Repo and the ECB; and higher levels of capital funds. While yields on most fixed income earning assets declined as the year progressed on lower volatility in the Eurozone, gross interest income rose by 12% because of the Bank's larger average balance sheet. Costs associated with the Bank's deposit base, which expanded 26% to € 684 million by 31 December 2013, declined overall despite persistent competition for deposits in a banking sector obliged to deleverage in current market conditions. The maintenance of historically low rates by the ECB also contributed to the favorable trend.

Fees and Commissions. Net commission from brokerage, retail services, asset management and advisory activities declined slightly to € 6.5 million from € 6.8 million in 2012. Gross commissions, prior to considering commissions paid to third parties were € 8.1 million for 2013 versus € 9.8 million for 2012. Most derived from the brokerage and banking services generated by the specialized retail client segment, as in the prior year. This was due to a larger account base, which grows on a daily basis and to a gradual rise in the risk appetite of clients looking to offset declining rates on bank deposits. Wholesale fees and commissions, mainly from structuring investment products, selling risk management solutions and corporate advisory business, declined as a percentage of the total. This trend reflects both the differences in the Bank's two client segments – retail versus wholesale – as well as the speed of their respective adjustments to what is likely to be a long-term reality of slow growth, low expectations and a need for fundamental restructuring.

Treasury and Capital Markets. Investing and credit activities associated with client trading, market making, and the revenues generated by managing the Bank's available for sale portfolio of fixed income securities rose 74% to more than € 95 million in 2013. Approximately 90% of revenues in this category were realized gains associated with a diversified portfolio of fixed income securities involving a variety of liquid asset classes and different country risks. In managing the credit and securities portfolios in what continued to be a challenging operating environment, the Bank's priorities were the maintenance of high levels of liquidity in its inventory of earning assets and intense focus on their overall quality. As these are structural priorities, Management expects this trend and priority to be permanent.

Results in 2013 reflect a general decline in asset prices in major markets and most categories of risk and the beginning of a gradual shift in investor sentiment in favor of taking higher risks for lower returns, after several years of risk aversion.

Operating Expenses. The Bank's expenses in a given year tend to be correlated with a rise or fall in revenues as part of a policy by Management to build as much flexibility into the cost basis as possible. This is managed within reasonable bounds for a growing institution, and the relative inflexibility of the labor and tax environment. For 2013, a year in which net operating revenues grew by 56%, total expenses, excluding taxation, rose 4% to € 33.7 million. Compensation, administration expenses grew at higher than the recent average rate, amortizations declined and costs associated with provisions and imparities fell substantially. Compensation expense, which always represents the highest single expense category of BiG's specialized investment banking model, rose in absolute terms 47% on a higher complement of staff and higher provisions for mainly variable, performance related pay. *On a relative basis* – that is, as a percentage of Operating revenues – compensation expense fell to 17.9% of the total in 2013, as compared to 18.9% in 2012. Meanwhile, Overall transformation costs/Operating revenues declined from 28.2% in 2012 to 24.6% in 2013. Costs associated with net provisions and imparities fell 79%, from € 9.2 million in 2012 to € 1.9 million in 2013 on improving markets, following higher levels of volatility in 2012 and 2011.

Pre-tax income and taxation. Pre-tax income for 2013 was € 91.9 million, as compared to € 48.5 million in 2012. Current and deferred taxes for 2013 were € 33.7 million versus € 16.4 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 and emergency measures by the Government to correct fiscal imbalances through new and higher taxes. Taxation represented 36.7% of pre-tax income in 2013. Effective tax rates in prior years were as follow: 33.7% in 2012; 29% in 2011; 22.7% in 2010 and 16.8% in 2009.

Key Balance Sheet Items

Total net assets at 31 December 2013 were slightly above € 1.2 billion, or 18% higher than on the same date in 2012. The Bank's diversified available for sale portfolio (AFS), comprising mainly liquid, fixed income securities, was 25% higher at year end 2013 and stood at € 875 million on that date. Loans grew 2% to € 197 million from € 193 million at the prior year end period. Loans represented 16% of Total net assets at the end of 2013, as compared with a ratio of 19% at the end of 2012. As a percentage of client deposits, loans declined to 29% at 31/12/13 from 35% at 31/12/12. Excluding certain asset backed securities classified as loans during 2010 in accordance with IAS 39, client loans as a percentage of client deposits were just 3.7% at 31/12/13, against 4.5% at 31/12/12. 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 31/12/13, or unchanged in relation to the same date in 2012.

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 31/12/13, client deposits were € 684 million, an increase of 26% relative to the same date in 2012. Deposits taken from the ECB, net of deposits placed with the ECB, declined by 50% relative to year-end 2012 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 € 207.2 million because of higher current earnings and stability in the Fair Value Reserve of the capital account. 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 at 31/12/13 are net of a deduction of € 12.5 million in anticipated dividends paid in December 2013.

Highlights:

- **Rise of 56% in Net operating income to € 125.0 million, versus € 80.3 million in 2012;**
- **Increase in Net interest margin to € 25.7 million, from € 18.7 million in 2012;**
- **Small decrease in net commissions for the year;**
- **Jump in Net revenues from Treasury and Capital Markets to € 93.0 million, as compared to € 54.8 million in 2012;**
- **Earnings per share for 2013 of € 0.56 versus € 0.309 in 2012;**
- **Return on average equity of 30.9% versus 26.9% versus in 2012;**
- **Increase in Total net assets of 18% to € 1.2 billion;**
- **Rise in Client deposits of 27% to € 684 million;**
- **Assets under supervision at 31/12/2013 of € 2.2 billion, or 44% higher year on year;**
- **Loans to deposits of 29% at 31/12/13 and 35% at 31/12/12;**
- **Non-performing loans / Total net assets of 0.01% at 31/12/2013, unchanged from the prior year date;**
- **Core Tier I Ratio of 32.7% at 31/12/2013, as compared with 31.9% at 31/12/12.**

Business Environment in 2013

Economic Adjustment Program for Portugal

The main factors influencing the Bank's operating environment and performance during 2013 have to do with the terms and events surrounding the comprehensive, three year Economic Adjustment Program, which Portugal signed with the IMF/EU/ECB *(troika)* to avoid a possible default by the State in 2011. The key points of the program, specific to Portugal's immediate and structural issues, seek to address the country's economic vulnerabilities and its ability to cope in a world that has changed since the onset of global economic crisis, which has been affecting expectations and opportunities, in one way or another, for more than six years. Since markets, governments and regulators began to re-assess risk globally in 2007, following a long period of expansion in asset prices, the Bank's operating environment has evolved dramatically. The Bank's responses to the deteriorating economic conditions, as well as business opportunities, regulatory, tax, labor, social and competitive issues, are discussed in this section and throughout the Management Report. In general, Management feels that because of the Bank's business model – balance sheet profile, views on risk, structural excess liquidity and need for comfortable capital positions which we have maintained throughout the crisis – BiG has performed comparatively well in view of the mainly negative events affecting the banking sector.

Key elements specific to BiG and of relevance in the current Operating Environment:

- ***The level of the Bank's Net assets was just 5.9 times Capital funds at 31/12/13; the Bank's simple leverage ratio was 20.5% at year-end 2013;***
- ***BiG's Core Tier I ratio has exceeded 30% for the past 15 years in a row;***
- ***The Bank does not issue long-term debt to support its balance sheet activities; key sources of funding are client deposits and shareholder funds;***
- ***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.***

Pillars of the Program

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, which at the peak of the crisis included: (i) a substantial funding gap among the larger commercial banks, 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 persistently higher rates on deposits in Euros, relative to other Eurozone countries, and to 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. *For the period 2012-2013, 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 Reform seeks 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. While these changes have been slow for a variety of reasons, Management believes that, if successfully implemented, *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, should result gradually, in a more competitive market 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. These 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 secu-

rities 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. A third category involves assets *held to maturity*. **As Banco BiG does not operate with a "*Held to Maturity*" portfolio 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 or reviewed 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 has been possible for the Bank to hold securities to maturity as from 2013, Management has no 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 2013, liquidity was more fluid, markets proved calmer, and, with the exception of one political event in July, which threatened the continuity of the current coalition Government and affected markets negatively, the market's view of Portuguese risk, as reflected in the process of securities and the availability of liquidity, has improved slowly. The number of extraordinary events, which at times made assessing fair value a more difficult process during the most volatile periods of the current crisis, proved to be comparatively lower over the past year.

Summary Analysis: Capital and Solvency

The number of common shares outstanding remained unchanged year on year at € 104 million. Higher earnings and relative stability in the value of securities available for sale, which is reflected in the Fair Value Reserve of the capital account, Shareholder Funds rose 25% to € 207.2 million. This figure includes the impact of a partial, anticipated dividend of € 12.5 million paid to shareholders prior to year-end, based on certified results of the Bank for the period ending 31/10/12. The Bank's Regulatory Capital, or "Own Funds", is calculated in accordance with central bank regulations and was € 202.6 million at 31/12/13, up from € 162 million at the same date in 2012.

T.3 (Euro)

Capital	2013	2012	2011	2010
Common stock	104,000,000	104,000,000	104,000,000	89,088,810
Issue premiums	1,362,281	1,362,281	1,362,281	9,343,753
Treasury stock	-1,084,393	-1,171,567	-1,323,065	-1,583,087
Fair value reserve	-2,179,900	-1,183,677	-87,279,347	-38,016,812
Other reserves and retained earnings	58,946,644	44,559,045	47,968,877	28,848,342
Net profit	58,627,760	32,517,881	2,505,595	20,459,890
Shareholder funds	207,192,600	170,724,119	67,234,341	108,140,896
Own funds	202,589,699	161,869,909	146,510,409	123,177,367
Core TIER I ratio	32.7%	31.9%	32.5%	36.2%

The Bank's Core Tier I ratio rose to 32.7% at year-end 2013, from 31.9% at the prior year-end. This ratio has remained consistently far above regulatory minimum levels under the most stressful market conditions. 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.

The Bank performs many stress tests on a daily basis, among which are a series of *solvency* stress tests, introduced by Management during the peak of the sovereign debt crisis in 2011 and maintained, with modifications, since that time. These are designed to measure the impact on our Core Tier I ratio to improbable, but theoretically 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 31/12/13 are shown below and are discussed in further detail in the RISK MANAGEMENT section of this report and in Note 39. These results assume a combination of two extreme events: (i) sudden drops in the value of certain types of sovereign debt, which (ii) would be required, simultaneously, to be recognized as imparities with corresponding movements in the Fair value reserve and the Bank's results.

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

The results of the theoretical impact on the Bank's solvency ratio at year-end December 2013 under each scenario can be seen in table T.5.

These stress test scenarios 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.

T.4

Stress tests Extreme scenarios		Scenario 1	Scenario 2	Scenario 3
Portugal	Negative variations in		30%	40%
Spain	Fair Value recognized		20%	20%
Italy	in results		10%	20%

T.5

December 2013 - Extreme scenarios - Theoretical Tier I Ratio	Scenario 1	Scenario 2	Scenario 3
Core TIER I	32.7%	23.5%	18.2%
TIER I	32.7%	23.5%	18.2%
Core TIER II	0.1%	0.1%	0.1%
Risk-adjusted capital ratio	32.9%	23.7%	18.3%

Summary Analysis: Liquidity and Funding

Markets in 2013 benefitted from a period of relative calm in the Eurozone debt crisis, which provided some room for peripheral governments and weakened banks to take measures to shore up their balance sheets. These actions, by extension, helped to increase investor confidence. In this environment, Management actively managed and frequently shifted the focus of the Bank's liquid credit portfolio throughout the year. The Bank also concentrated on expanding its client base, added or shifted branch locations and increased the component of stable client deposits in relation to the overall balance sheet. The main categories of earning assets rose 20% year on year to € 1.174 billion and Total net assets increased 18% to € 1.2 billion year on year. The increase in assets was funded by a 26% rise in mainly retail client deposits, to € 684 million, and a significantly higher level of retained earnings through the year. Other sources of funding, including repurchase agreements with ECB and EUREX Repo, which the Bank joined as a member in 2011, declined overall year on year by 7%. The Bank's potential, untapped liquidity, based on the capacity to use eligible securities as collateral for further drawdowns, is substantial. Traditional lending has remained non-strategic, which is a key factor in our business model and fundamental to our management of liquidity, asset quality and the efficient use of capital.

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. Nearly all of the Bank's earning assets are marked to market, which means that results are reflected daily in the Profit and Loss account, in the case of trading assets, and in the 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 coincides with the culture of transparency with respect to valuations of all securities. **The combination of: (i) a low concentration of illiquid loans, (ii) reduced overall balance sheet gearing relative to capital and stable funding sources, and (iii) a policy of maintaining a large inven-**

T.6 (Euro 000)

Liquidity and Funding	2013	2012	2011	2010
Loans/Client deposits	28.8%	35.4%	36.2%	12.8%
Liquid earning assets/Total net assets	80.4%	76.9%	72.0%	87.7%
Funding from ECB	130,315	260,248	238,323	360,164
Other sources of funding	143,478	6,481	48,896	38,943
Client deposits/Total liabilites & capital	56.3%	53.1%	53.1%	36.9%

tory of unencumbered assets on hand at all times to ensure high levels of liquidity, have been key to managing the Bank's business comfortably and profitably during the current economic recession in Portugal.

The Bank's business model is deliberately less loan-intensive than that of its peers, as reflected in a Loans/Deposits ratio of 29% at year-end 2013, which compares to 35% at the end of 2012. This includes the effect of a classifying, in 2012, € 169 million of less liquid residential mortgage-backed securities as loans. Excluding the classification, Loans/Deposits, on a comparable basis with respect to prior years, stood at less than 4% at year-end 2013, versus 5% at year-end 2012. As in 2012, this category reflects lower demand for credit to support margin accounts, which tend to decline in more volatile or negative market conditions.

Of the Bank's main sources of funding for 2013 (i) retail client deposits *climbed 27%* year on year to € 684 million (ii) funding under repurchase agreements with the European Central Bank (ECB) *declined year on year, including a more than 50% decline in funding taken from the ECB,* (iii) funding under repurchase agreements via EUREX REPO, which BiG joined as clearing member during 2012, or other market participants, *increased, and (iv)* shareholder funds *rose 20%*. The Bank does not issue debt securities and, as a result, continues to be unaffected by the limited access to international market funding by banks in countries involved in adjustment programs. The Bank participates to a minor degree in the domestic interbank market as a provider only. As part of its contingency funding policy, the Bank maintains and reviews daily a buffer of unused liquidity with the ECB and EUREX Repo, based on unencumbered, eligible securities held at those entities, which on average during 2013 represented more than 70% of retail deposits. Larger amounts of liquidity can be made available by selling a portion, or all, of the securities inventory within a reasonably short time frame (see Note 39).

Summary Analysis: Earnings

The Bank's Net revenues for 2013 rose 56% to € 125.0 million, Net income advanced 82% to € 58.6 million, versus € 32.2 million for the prior year, and the Bank's average Return on equity rose to 30.9% against 26.9% for 2012.

The Bank in 2013 has continued to grow and to produce record results during one of the worst periods in recent memory for Portuguese banks. This performance is due to a number of factors, among which the most important are:

(i) Management's focus on the fundamentals of liquidity management, balance sheet flexibility, accounting transparency, cost and risk control, and the maintenance of "excess" regulatory capital in an economic downturn;
(ii) The Bank's relative avoidance of credit losses, which in the broader market have resulted from policies of balance sheet expansion by larger banks leading up to the crisis meeting the effects of an austerity-driven economic downturn.

The Bank's net margin improved significantly and net commissions held up fairly well year on year. The Bank's Treasury and Capital markets business experienced a 70% growth in net revenues, following a strong performance in 2012. On a Business-line basis (see *RESULTS OF OPERATIONS*), the Bank's specialized retail business generated € 13.9 million in net revenues, up 17% from 2012. Income from the corporate and institutional client segment, the business most affected by the depressed economic conditions in Portugal, declined 47%

T.7 (Euro 000)

On Earnings	2013	2012	2011	2010
Net operating revenues	125,022	80,328	33,177	52,054
Net operating expenses (net imparities)	-33,052	-25,179	-15,751	-20,191
Imparities	-195	-6,294	-13,987	-5,751
Results from associated companies	163	23	88	292
Pre-tax profit	91,938	48,877	3,527	26,404
Taxation	-33,311	-16,359	-1,021	-5,945
Net profit	58,628	32,518	2,506	20,460

year on year on weaker deal flow. Meanwhile, opportunities in fixed income, credit products and higher client activity led to net revenues of more than € 95 million in Treasury and Capital Markets, as compared to € 48.6 million in 2012.

On the expense side, compensation expense and other operating expenses, net of imparities, grew 29% when compared to 2012, comprising variable pay, much of it deferred, and higher marketing-related expenses. The rate of growth of this expense category, however, was substantially below that of net revenues. As a result, **the Bank's efficiency ratio improved significantly, to 25% from 28% the prior year.** For additional details, see *RESULTS OF OPERATIONS.*

Net provisions were € 1.9 million in 2013, down from € 2.9 million the prior year. Impairments declined to € 0.228 million from € 6.1 million in 2012, which had included the remainder of Greek sovereign debt not fully provided for in 2011, and which was sold at a gain in early 2013. The Bank's provision for taxes rose to € 33.7 million and represented a tax rate of 36.7%, as compared to 33.7% in 2012, 29% in 2011 and 22.5% 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. Management expects the rates of direct and indirect taxation to remain at current levels, at a minimum, through 2014.

Summary Analysis: Dividend Policy

The Bank has retained, on average over the past 9 years, 65% of net income and has paid out approximately 35% in cash dividends. For the 2013 financial year, the dividend payout ratio is expected to be 32% or € 0.18 per share, € 0.12 of which was paid as a partial, anticipated dividend to shareholders in December 2013, based on certified results covering the period 1 January – 31 October 2013. The expected dividend for 2013 on a per share basis represents a 20% increase from the € 0.15 per share cash payout relative to 2012. A recent history of payouts by Bank, which began paying dividends on 2003 earnings, is in table T.8. Including the proposed payout for 2013, the Bank has returned some € 57 million to shareholders in the form of cash dividends since 2004.

Summary Analysis: Competitive Environment

As part of the troika-sponsored adjustment program and the changing political and regulatory agendas at the European level, much of the Bank's competition in Portugal has been required, either by regulators or by market forces, to de-leverage, re-price risk, re-consider sources of funding and raise capital to meet new benchmarks and pass regulatory stress tests on capital adequacy. Asset Quality Reviews mandated a the EU level and carried out by the local regulator have led to a more aggressive recognition of non-performing loans, which in turn has led to further heavy losses by the largest banks during 2013. 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 significantly higher credit spreads. The results of the EBA – European Banking Association stress tests made in 2011 on the largest European banks initially 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. This process is still evolving. In response to these measures, 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 obligation to exist with the State as contingent or direct shareholder. These events are common to periphery banks, who during 2013, began to benefit from a shift in investor sentiment toward the Eurozone, which has allowed the beginning of limited return to the capital markets, particularly at the beginning of 2014.

In spite of the long process required to fix the balance sheets of banks most affected by the recession, and the level of taxpayer funds mobilized for the purpose, the banking market, domestically and internationally, continues to be highly competitive 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 adjustment process runs its course, the Bank has been experiencing *more, not less*, competition from a number of

T.8 (Euro)

Dividends	2013	2012	2011	2010	2009	2008	2007	2006	2005
Dividend per share	0.180 €	0.1500 €	- €	0.0325 €	0.065 €	0.050 €	0.050 €	0.040 €	0.030 €
% Individual net income distributed	32%	48%	0%	15%	46%	61%	34%	42%	42%

financial institutions, among which are those which have benefitted from State assistance. The Bank's main business lines are those which 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.

CORPORATE STRUCTURE

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 a 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.

The internal organizational structure reflects key aspects of the business culture: **we seek to be transparent, flexible, attentive to market risks and managed so as to be 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, **the events of the past several years have not dictated material changes to the business strategy. The Bank has grown, not contracted, during this period.** In the process, Management is continuously analyzing improvements to the existing business areas and looking for ways to invest capital, increase revenues, rationalize costs and continually improve internal efficiency. We expect to grow in a sustained manner and to maintain this trend into the foreseeable future.

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, SA, which in turn held 100% of the capital of ONETIER Capital, 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 15 offices (one of which will open Q1 2014): Lisbon (3), Oporto (2), Braga, Maia, Coimbra, Leiria, Évora, Linda-a-Velha, Viseu, Aveiro, Estoril and Guimarães. We believe that the specialized nature of our retail business will justify the expansion to approximately 20 – 25 branch offices over time, as market conditions improve. Wholesale clients are served by teams located in Lisbon and Oporto.

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 Oporto.

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

Business Segments

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 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. We do not operate currently with promoters or independent agents to any significant degree.

Institutional and Corporate 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

This business area focuses on the Bank's investment and credit activities, centralizes liquidity and balance sheet management, and is central to the Bank's culture of managing and analyzing market risks. Besides the Bank's investment portfolio, the area 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.

Corporate Governance Issues

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 – 2013*) 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 1000 shares.

External Advisors

The independent auditors of the Bank and subsidiaries are *KPMG*. The Bank has a policy of reviewing the status of our external auditors periodically, usually every 8 years. It is the Bank policy to have separate independent external audit and tax functions. Currently, *Deloitte* is the Bank's tax advisor. The Bank retains the firm of *J. A. Pinto Ribeiro & Assoc*. as its main external legal advisor.

Internal Oversight

Functional management responsibilities lie with the 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, 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. For more detail, see RISK MANAGEMENT and INTERNAL CONTROL.

Shareholder Base

During 2013, the composition of the Shareholder Base remained relatively stable. At year-end 2013, the Bank had 140 registered shareholders (Note 35). Approximately 62% of the Bank's common stock was in the hands of private individuals, while a variety of institutions, foundations or corporations owned the remaining 38%. The largest single shareholder, a private individual, held 11.4% of the stock. The largest 5 shareholders, who are all independent of one another, held an aggregate of 52% of the capital, while the largest 10 shareholders, all with positions of at least 2% each, represented nearly 64% of the stock and voting rights. The Bank's Management team represented a combined position of just over 16% of the capital and, at year-end, included 2 of the largest 5 shareholders. The above groupings are indicative, as there are no agreements tying shareholders together.

People

The profile of the Bank's staff and policies concerning their recruitment, training and development is consistent with prior years. During 2013, the average age of BiG's staff was 34 years and 82% of the Bank's staff held at least one university degree.

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 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.

For 2013, the average number of directly affiliated staff, excluding Management rose 6% to 173. Since 2010, staff has increased by 21%, primarily in the sales and product areas. For 2014, we expect a gradual increase in these same front office functions.

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, teamwork, 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 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. The organizational chart is flat and contains no 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 maintain this balance and have worked with shareholders to put this into practice since the Bank's inception.

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, Man-

agement 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.

Managing Risk

The Bank's business, in the broadest sense and in line with any privately run business, is to assume and manage risk in order to create value for our shareholders. 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 preserve stability and enhance 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 our business managers and are updated via regulatory or legislative measures. Regular and frequent internal communication of policies of the Bank's policies and appetite regarding risk are key steps in the process. 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. Our business relies heavily on confidence we have in our people and on 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.

We are a growing organization, operating in an obstacle course of macroeconomic and financial uncertainty, increasing regulation and scrutiny, in a global market. 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 to the integrity of our controls and the maintenance of overall internal discipline 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 involve a range of stress tests, performed daily, which are adjusted from time to time and which examine results of scenarios for all major asset classes and portfolios. 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 interlinked with basic credit-related measures and operational procedures to ensure over-lapping controls over all significant exposures.

For the year, credit exposures have remained stable and controlled, while asset quality, as measured by the current and historical level of non-performing assets and credit-at-risk, remained 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 remained unchanged during most of 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 2013.**

Projections on Funding and Capital

For the foreseeable future, the Bank expects to maintain the current policies of the business model on low gearing, high capital adequacy and ample liquidity. As market conditions dictate, we expect to make necessary 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. The Bank's scrutiny of credit quality and tight control of over potential credit-related losses will 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 market 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.10 shows growth in deposits since 2008 and projections until 2017, 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, long-term 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 € 57 million in dividends since 2004 (including anticipated and proposed dividends for 2013) the Bank's capital has risen exclusively as a result of retained earnings and infusions by Management and Staff within the scope of approved share purchase or options programs.

Barring an acquisition of interest to shareholders, or a dramatic alteration to the way regulatory capital is calculated as a result of the changes underway in the Euro-zone, Management does not expect to seek or require new capital from shareholders in the immediate future. Management expects the current approximate historic ratio of 65% earnings-retention to 35% dividend payout to be maintained into the near future, assuming current trends are maintained.

Regulatory Developments

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

T.9 (Euro)

	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E
Financial assets portfolio (1)	**209,670,675**	**450,441,703**	**703,185,081**	**517,019,566**	**717,502,967**	**896,781,078**	**1,008,878,713**	**1,074,455,829**	**1,144,295,458**	**1,218,674,663**
% growth	n.a.	114.8%	56.1%	-26.5%	38.8%	25.0%	12.5%	6.5%	6.5%	6.5%
Net credit (2)	**29,232,808**	**56,713,275**	**42,532,675**	**159,330,790**	**192,674,249**	**190,980,332**	**172,784,962**	**156,064,275**	**141,709,570**	**129,334,147**
% growth	n.a.	94.0%	-25.0%	274.6%	20.9%	2.2%	-12.3%	-9.7%	-9.2%	-8.7%

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.10 (Euro)

	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E
Demand deposits	127,782,004	175,707,948	146,988,651	174,853,334	138,589,067	190,980,331	221,537,185	248,121,647	272,933,811	297,497,854
Time deposits	135,769,083	109,993,780	173,924,834	251,279,933	384,937,027	442,259,603	508,598,544	567,087,376	629,466,988	692,413,686
Others	32,938,677	19,283,279	11,271,148	14,434,672	20,304,069	50,477,356	55,525,092	61,077,601	65,963,809	69,921,638
Total deposits from clients	**296,489,764**	**304,985,007**	**332,184,633**	**440,567,939**	**543,830,163**	**683,717,291**	**785,660,820**	**876,286,624**	**968,364,608**	**1,059,833,179**
% growth	n.a.	2.9%	8.9%	32.6%	23.4%	25.7%	14.9%	11.5%	10.5%	9.4%

Source: Banco BiG

T.11

(Euro)

	2011	2012	2013	2014E	2015E	2016E	2017E
Deposits with Central Banks	**238,322,892**	**260,247,778**	**130,314,722**	**130,314,722**	**65,157,361**	**0**	**0**
% growth	n.a.	9.2%	-49.9%	0.0%	-50.0%	-100.0%	n.a.
Repurchase agreements	**48,895,643**	**6,480,594**	**143,477,797**	**129,167,005**	**129,812,840**	**130,461,904**	**131,114,213**
% growth	n.a.	-86.7%	2114.0%	-10.0%	0.5%	0.5%	0.5%

Source: Banco BiG

T.12

	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E
Core Tier I ratio	32.7%	35.7%	36.2%	32.5%	31.9%	32.7%	30.6%	31.7%	32.9%	33.0%

Source: Banco BiG

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.

Key regulatory developments during 2013 – for which the Bank is, or expects to be, in full compliance – include the following:

Money Laundering and Anti-terrorism

Bank of Portugal Aviso nº 5/2013: Published on 18 December, 2013, this rule regulates compliance issues – conditions, mechanisms, procedures, and preventive measures – associated with money laundering and the financing of terrorist activities, foreseen in Law nº 25/2008 of 5 June, 2008. Rules which entered into force on 18 February, 2014 introduce alterations to requirements necessary to open bank accounts. They also require financial institutions to adopt supplemental measures regarding vigilance of clients and responsibilities to report suspicious activities or risks associated with money laundering or financing of terrorism.

Tax Compliance by U.S. Persons

FATCA – The Foreign Account Tax Compliance Act (FATCA): This tax regime, created by the United States Internal Revenue Service aims to prevent tax evasion by U.S. persons by obtaining more information on revenues paid in foreign countries to qualifying non-exempt individuals and to effective beneficiaries of such funds. Under this regime, whose details were still under negotiation as of Q1 2014, the Bank and other financial institutions in Portugal would be required to submit certain types of information on accounts held, and income earned, by such beneficiaries in Portugal. The first deadline to report such information is June 2015 with respect to the prior year. Governments of the USA and Portugal are expected to conclude negotiations leading to an Intergovernmental Agreement (IGA), which will define the terms of the exchange and reporting of such information.

Reporting of Derivatives Transactions

EMIR – European Market Infrastructure Regulation: This is European Union directive nº 648/2012 of the European Parliament and Council, of 4 July, 2012, which covers over the counter derivatives transactions (OTC) and their reporting to central repositories. It establishes a set of rules on reporting such transactions and is designed to address the risks perceived to have been at the source of those aspects of the financial crisis that had to do with derivative markets. The rules aim to improve the stability of the OTC derivatives market by introducing more certainty and transparency. EMIR defines (i) requirements on settlement and bilateral risk management for OTC derivatives contracts, (ii) communication of transactions to central repositories and, (iii) the activities of central counterparties and repositories of transactions. The process of reporting derivatives transactions began on 12 February, 2014.

Recovery and Resolution Planning

Article 116º of RGICS: Procedures and regulations have existed since 2012 requiring systemically important Banks to prepare Recovery and Resolution Plans for review, discussion and commentary by the Regulators. This requirement, which is designed, broadly, to ensure that bank business models consider and plan for survivability in the face of potential shocks, without the need to depend on public assistance, extended formally to banks of all sizes in 2013. As a result, Banco BiG prepared and submitted, accordingly, its plan to the Bank of Portugal at the end of November 2013. The Plan, prepared and approved by Management, is an instrument describing measures and procedures to be followed in the event of a crisis, or potential crisis – of a market, political, reputational, operational nature – which might have an impact on the Bank's ability to react or recover normal functioning of its business. On basing the Bank's plan on key aspects and assumptions about our business model, which has proved resilient over the

past 15 years to a number of unexpected and highly unusual events, Management views the exercise as a productive and realistic one in disaster prevention.

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, which are discussed in greater detail in this *Management Discussion* and the *Notes to the Consolidated Statements*, changing economic and political conditions affect the business. This may mean that macroeconomic and political risks such as those that surfaced in the past several years 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 creditworthiness between well-managed and poorly managed economies. Since 2011, Portugal has featured among the more vulnerable of the Euro-zone nations, the result of a number of factors, including short-sighted policies of the previous governments, combined with the many structural issues long-ignored by society as a whole. Corrective measures, underlying the financial assistance package provided by the "troika" of the IMF/European Union/ECB, have led to an environment of weak growth, higher taxes, lower business opportunities and shifts in the market's perception of the credit risk of the country and its economic components. During 2012 and 2013, the perception of the Portuguese State's risk began to improve, but underlying structural changes to the economy are still far from being executed. How Portugal's Eurozone partners and the funding markets view the country's progress, in absolute and relative terms, directly affects our business.

Banco de Investimento Global is neither currently rated by major rating agencies, nor do we anticipate requesting or needing a rating in the near future. The Bank is not dependent on wholesale, external financial markets for issuance of long term debt. Nevertheless, the views by such international agencies and other market participants of the Republic, corporates and banks as a whole affect our business directly. Likewise, the effects of the Economic Adjustment Program and the challenging tax environment, among other factors, have been taking their toll on growth, employment and investor confidence. 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. Markets have begun to open gradually to Portuguese borrowers on terms that might not be sustainable in an economy experiencing historically low rates of growth. These factors, combined with domestic weakness and the structural indebtedness of both the public and private sectors have defined the market's view of credit risk, credit spreads and the cost of funding by the Government, large corporates and 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 especially 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 2014

Themes as we enter 2014 include: (i) growing optimism in the markets that Europe may have begun to put the worst of its sovereign debt crisis behind it, amid concerns about slow growth and the threat of deflation; (ii) the generally bullish trends in global equity markets; (iii) volatility in certain emerging markets, driven by uncertainty regarding the impact of "tapering" by the U.S. Federal Reserve ("FED") on the flow of investments into those economies; (iv) the challenges to growth in the U.S. economy, as the Ben Bernanke era ends at the FED and the Janet Yellen mandate begins; and (v) lingering doubts the sustainability of China's economic model and the health of that economy's banking system.

As for the Eurozone in general, we expect to operate in an environment of continued government intervention – ironically, as part of a process by which governments debate the need to reduce the State in the economy and exercise budgetary discipline. We see the continued risk of macro-economic uncertainty, the possibility of more financial shocks as markets assess and revise expectations in the

face of economic realities, and for banks, greater demands of a regulatory nature. The largest banks in Europe, in a first stage, will be subject to further reviews of asset quality, which may lead to larger write-downs and eventual reinforcements to their capital bases. Also on the agenda for banks in 2014 are another round of stress tests, a regular stream of significant regulation and the first phase of the proposed Banking Union, which will impact, initially, the largest banks in Europe.

In peripheral economies generally and in Portugal, specifically, the impact of continued fiscal austerity, the wary view by the markets of the economic perspectives of each specific government, and the realization that obstacles to structural reform and sustained growth remain fundamentally in place, may lead to continued volatility. Progress is being made on re-establishing credibility at the European level, but Portugal should find its ability to regain market access limited and, in all likelihood, will remain below investment grade into the foreseeable future. The banking sector has been weakened, and the return to profitability and general competiveness will be a challenge in the current environment. The country's corporate sector has been adjusting, but still remains generally over-indebted and under-capitalized following years of easy credit. Economic growth appears to be reversing a negative trend, but unemployment remains high. The structure of the economy, with its state-orientation, will be slow to change. In addition, as in 2013, high financing costs, excessive 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) political instability and opportunism, (ii) continued internal pressure on the Government to slow the pace of reform, (iii) concerns about the quality of loan books of major banks, associated with the effects of austerity, a weak corporate sector and many years of poor management practices, (iv) the effects of high long-term unemployment and labor inequalities and, (v) the political and ratings impact of a higher rate of growth of debt, relative to comparatively slower gains in productivity. For growth to accelerate in any kind of sustained manner, the State continues challenged 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.

While the economy of Portugal appears to be in less imminent danger than at the start of 2012 or 2013, Management believes that the country remains vulnerable to external shocks. We believe that the rise in asset prices at the beginning of 2014 – which has been a general trend in global markets – may have outpaced the corresponding improvement in the underlying fundamentals of the Portuguese economy. We see major challenges ahead and increasingly less time and space available to meet them, as the political opposition and installed interests gamble with the credibility and future of the country.

In the domestic market, the immediate reality features: a storm of financial regulation, continued austerity, uncertain or slow growth, high unemployment, excessive taxes and the maintenance of high interest rates, relative to European peers. Banks – a large percentage of which now have the State as a partner – will be challenged 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 2014, as in prior years, Management expects to maintain 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 the current 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 2013.

Events Since Year End 2013

Market conditions have been generally euphoric, which has, among other things, helped reduce yields on Portuguese Government debt. By extension, the move has fueled debate as to whether Portugal might be able to exit is Adjustment Program without the need for a cautionary line, as has been the case with Ireland.

The number of the Bank's executive Board of Directors moved from six to five, with the departure of one of its members to another institution. The Bank has no immediate plans to propose a replacement.

The Bank opened its 15th branch, in Guimarães.

The Bank received approval for a bank license in Moçambique.

ANALYSIS: RESULTS OF OPERATIONS FOR 2013

Financial Overview – Consolidated

T.13

Net Revenues	2013	2012	2011
Net interest income	25,747,469	18,734,087	19,783,187
Non-interest income	99,274,743	61,593,425	13,393,340
Net income	58,627,760	32,517,881	2,505,595
Net individual applicable to shareholders	58,459,256	32,486,385	2,464,443
Earnings per share	0.56	0.31	0.02
Return on Average Equity (ROAE)	30.9%	26.9%	2.9%

T.14

Macroeconomic Indicators (%)	GDP			CPI		
	2012	2013	2014E	2012	2013	2014E
United States	2.8	1.9	2.8	2.1	1.4	1.5
Euro Zone	-0.7	-0.4	1	2.5	1.5	1.5
Portugal	-3.2	-1.5	0.8	2.8	0.5	0.8
Middle East & North Africa	4.6	2.1	3.8	10.8	12.3	10.3
Asia	5.1	5.2	5.3	3.6	3.8	4.1
South America	2.6	3.2	3.1	6.8	8	8
World	**3.1**	**3**	**3.7**	**n.a.**	**n.a.**	**n.a.**

Source: IMF, Bank of Portugal

Global Economy

The past year 2013 featured developments in the European Sovereign Debt crisis, uncertainty caused by budget politics in the USA and progress on "Tapering" and its effects on the flows of capital globally and the impact on different classes of assets.

According to the IMF, global economic growth will have reached 3% in 2013, or slightly below 2012`s 3.1%, which reflected some moderation of economic activity in both developed countries (1.3% in 2013 versus 1.4% for the prior year) and the block of emerging countries (4.7% versus 4.9%).

In developed countries, growth in the USA of 1.9% outstripped that of the Eurozone, which stayed in recession at negative 0.4%, with economic blocks both being affected by a retraction of domestic consumption in emerging economies. Europe dealt with another bailout, this time for Cyprus, which involved for the first time, as part of a rescue of the banking sector, haircuts for the bond holders, significant to total losses for equity investors and the conversion of deposits over Eur 100,000 into capital. The ECB played a major role in promoting confidence in the financial system, took charge by reducing its discount rate to an historic low of 0.25% and made a commitment, with Forward Guidance on the maintenance of low rates over the long term. Macro-economic indicators showed some improvement during the year, but still remained relatively depressed when compared to pre-crisis levels. The initial results of some correction of structural imbalances in peripheral countries began to materialize with the positive evolution of budget deficits, external balances and the level of competitiveness of the economies under the most pressure. On the political side, some tepid progress was made on the construction of a Banking Union.

In North America, a sustained recovery in economic indicators and consistent improvement in the rate of unemployment led to moderate growth. Policies of unconventional stimuli supported this recovery, even as a generally positive sentiment continued to be tempered by the effects of political stalemate on long term budget issues, and the effects of the introduction by the FED of its process of "tapering", which has translated to a gradual monthly reduction of unconventional stimuli, to the tune of USD 10 billion per month in asset purchases.

The combination of: (i) easing of the perception of Euro Zone risks and (ii) the expected reversal of unconventional monetary policy by the FED was felt across asset classes in the following manner: (i) yields of peripheral Sovereign debt have dropped significantly, while Bunds and Treasuries rose markedly; (ii) spreads on corporate debt continued to be squeezed; (iii) stock indices vacillated between small losses in emerging economies to significant gains in the developed block - Europe (+19%), USA (+30%), Japan (+56%); (iv) commodities diverged with major drops in agricultural commodities and Gold (-28%), in contrast to the relative stability of crude, which rose 7% due to geopolitical factors. The EUR/USD cross

gained 4% in spite of some volatility during the Summer months surrounding expectations of "tapering" by the FED.

Portugal

Portugal has benefited from the easing of the Euro Zone debt crisis, although the recessionary environment and episodes of Governmental instability, which led to the departure of Minister of Finance Gaspar continued to roil the internal economic and political scene. After restoring the balance of the coalition in mid-summer, the Government proceeded with execution of the Memorandum of Understanding agreed to with the "Troika," with the bulk of fiscal adjustment coming from the revenue side via increases in taxes, which represented 2.6% of GDP, while reductions in Government expenditures were only 0.6% of GDP.

The relative success of the exercise in budget consolidation for 2013 led to a public deficit of 5%, or below the 5.5% imposed by the "Troika", a first since the beginning of the Adjustment Program. This relative success was the result of heavy increases in individual income taxes (IRS), recovery in VAT-related receipts near the end of the year and some extraordinary items.

The real economy stayed in recession during 2013, although the decline in GDP of 1.5% was less than the previous year's drop of 3.2%. The retraction of private consumption (-2%), public investment (-1.5%) and fixed capital (-8.4%) explained most of the decline, which was softened by an improved performance in exports. Meanwhile, inflation was moderate at 0.5% versus 2.8% for the prior year.

During 2013, the "Troika" showed some flexibility with respect to budget objectives and the terms of credit arrangements with international partners. The improved view of the country's credit risk allowed a partial return to the markets in the form of limited issues of medium-long term debt and voluntary exchanges of existing maturities for longer ones, which provided some relief in the management of short to medium term maturities of government debt.

Official projections for 2014 suggest GDP growth of 0.8% relative to 2013, a government budget deficit of 4.5% and a level of public debt to GDP of 125%. The current account balance should be positive to the tune of almost 1% of GDP in 2014, reflecting the correction of many accumulated external imbalances of Portuguese Economy, and predicting likewise the beginning of descending trajectory of Portuguese debt stock (%GDP). This reflects the combined effect of budget's primary surplus and economic activity recovery.

Detailed Results and Financial Condition for 2013

The Bank's higher results for 2013 were driven by a combination of: (i) a 37% rise in net interest margin, (ii) stable level of net commissions, (iii) significantly higher results from investing and credit activities, (iii) higher salary and administrative expenses, (iv) much lower provisions and imparities, and (v) substantially higher taxes.

Net Interest Margin was € 25.7 million in 2013. The Bank's gross interest revenues rose on a larger average inventory of earning assets and lower average funding costs, resulting in a 37% increase in net interest margin for the full year 2013, versus € 18.7 million for the prior year. The combination of factors led to an increase in demand for fixed income assets in many markets. These included: (i) confidence that the worst of the Eurozone debt crisis had subsided, (ii) a process of broad deleveraging by the financial and corporate sectors, and (iii) the austerity-driven, recessionary environment and fears of deflation. This process has lowered yields on credit regardless of quality, and result in part from long-term policies implemented by U.S. and European central banks to maintain benchmark discount rates at close to zero. By extension, some funding costs in the banking sector appear to have declined to pre-crisis levels. The Bank's funding costs declined year on year in spite of a significant rise in the deposit base, while interest income rose on a higher level of somewhat lower-yielding earning assets. 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, but politically sensitive, funding from the ECB or EUREX repo, which declined year on year in absolute and relative terms. Net interest margin represented 21% of total net revenues in 2013, as compared to 23% in 2012 and 60% in 2011.

Non-interest income for the year was € 99.6 million, or 62% higher than the € 61.6 million registered in 2012. The components of this category include: (i) income from capital instruments, or dividend-yielding equity investments, (ii) commissions from retail client trading activity, managing and distributing assets, and advisory assignments for corporate and institutional customers, (iii) trading revenues from mainly client business, such as market-making, structuring products and managing the underlying hedges, (iv) realized gains associated with managing credit risk and interest rate risk via the assets held for sale portfolio, and (v) other income. Revenues from capital investments rose 15% year on year to € 1.8 million. These represent stable equity investment usually capital of European utilities companies which pay a relatively high dividend, and which have produced consistent revenue over the past several years. Net commissions derive largely from brokerage activities from retail clients, including a number of cash markets, and secure, online platforms placed at clients' disposition to trade warrants, futures, foreign exchange, contracts for difference and investment management funds. This category also includes a growing amount of bank service fees, such as revenues from ATMs, asset management fees and retainers and commissions associated with corpo-

T.15 (Euro)

Revenues	2013	2012	Var %	2011	2010
Interest income	43,994,244	39,199,855	12.2%	34,406,853	24,075,341
Interest expense	-18,246,775	-20,465,768	-10.8%	-14,623,666	-7,549,684
Net interest margin	**25,747,469**	**18,734,087**	**37.4%**	**19,783,187**	**16,525,657**
Income from capital instruments	1,811,909	1,576,839	14.9%	1,473,849	1,360,493
Income from services and commissions	8,119,293	9,844,788	-17.5%	10,382,730	11,485,475
Expense associated with services and commissions	-1,586,170	-3,054,980	-48.1%	-1,380,701	-2,786,197
Income from market trading	7,018,003	11,440,959	-38.7%	-235,576	3,632,089
Income from financial assets held for sale	79,260,704	36,685,156	116.1%	1,442,375	16,824,264
Income from exchange revaluation	-89,618	876,704	-110.2%	1,560,506	1,241,544
Income from the sale of other assets	5,040,701	4,252,138	18.5%	-135,230	4,393,654
Other income	-300,079	-28,178	964.9%	285,387	-622,954
Net operating income	**125,022,212**	**80,327,513**	**55.6%**	**33,176,527**	**52,054,025**

rate advisory mandates. While activity began to grow somewhat during the latter half of the year and fees from asset management rose year on year, fees from the corporate segment were below the prior year, as the worst part of the current economic cycle affecting the corporate sector may have been 2013. Trading revenues declined year on year and represent on average a small portion of non-interest income. These revenues tend to be dependent on market conditions and, as most revenues derive from the market views of clients and the management of positions taken to support client activity, can be volatile. Income from assets held for sale rose to € 79.2 million and represented 93% of the year's non-interest-related revenue, as compared to a five year average of 71% of the total. These revenues include realized gains from investing and credit activities in a diversified portfolio of liquid, fixed income securities. They are associated with active management of credit concentrations, diversified tenors and country risks. This portfolio is key to the Bank's management of liquidity and interest rate positions. Other revenue for 2013 included the sale of less liquid fixed income investments.

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 – created opportunities for both gain and loss in 2013. In general, while investor confidence has showed signs of improving, starting in 2012 and into 2013, Management believes that underlying economic fundamentals require a longer period of adjustment, and that sustained economic growth is unlikely to return before over-indebted economies de-leverage and re-structure. Although markets have rallied early in 2014, Management anticipates a return to at least a moderate level of volatility surrounding the pricing of earning assets and funding, as the recovery takes a tentative hold and political agendas continue to influence markets.

Management expects that revenues going forward will consist largely of the categories described above, as we do not anticipate a significant departure from current business model or increase in complexity for the foreseeable future. The respective proportions may vary as client deposits and assets under supervision rise, the balance sheet gradually expands, and as the Bank's reputation in the domestic market continues to grow. Areas of emphasis include advisory services, assets under supervision, savings products, and balance sheet management with a permanent focus on sound asset quality and comfortable levels of excess liquidity.

Total costs include operating costs, provisions and imparities. These are influenced primarily by compensation,

T.16 (Euro)

Expenses	2013	2012	Var %	2011	2010
Compensation expense	-22,356,754	-14,840,651	50.6%	-8,837,318	-12,556,069
General administrative expense	-7,689,711	-6,130,922	25.4%	-5,568,518	-6,019,658
Depreciation and amortization	-1,134,697	-1,314,991	-13.7%	-1,495,072	-1,607,394
Net provisions	-1,871,061	-2,892,714	-35.3%	150,258	-7,670
Imparity of credits net of reversals and recoveries	33,745	-16,378	-306.0%	-170,162	4,941
Imparity of other financial assets net of reversals and recoveries	-125,288	-5,736,787	-97.8%	-14,134,976	-5,737,395
Imparity of other assets net of reversals and recoveries	-103,403	-541,246	-80.9%	318,411	-18,477
Total costs	**-33,247,169**	**-31,473,688**	**5.6%**	**-29,737,377**	**-25,941,722**

the growth in headcount and management's confidence regarding levels of business activity.

For 2013, total expenses, including imparities and provisions, were € 33.2 million, or 4% higher than in 2012. Net operating expenses, or transformation costs net of imparities and provisions – i.e. *compensation expense, benefits, general administrative expenses and depreciation/amortization* – rose on higher compensation and general administrative expenses. The discretionary portion of compensation is impacted by, among other things, the level of net revenues, the Bank's overall performance, business line and individual contributions, current labor legislation, and the market environment. When measured against revenues generated, the Bank's *efficiency* improved substantially year on year, to 24.9% in 2013, as compared with 28.2% in 2012 and 48% in 2011.

In general, 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 74% of net operating expenses in 2013 (excluding provisions and imparities), as compared to 71% in 2012 and 61% in 2011– a year in which the Bank shrank salary expenses by 30% because of highly uncertain markets. The slight percentage rise in 2013 reflected an increase in headcount, a higher volume of incentive payments to commission-based sales areas, the payment of an extraordinary additional month of salary to all staff (excluding Management) to assist with the effects of less favorable economic conditions and government austerity measures, the attribution at year end of unit linked insurance instruments to certain staff in order to foment long term savings and limited variable payments, within the laws and regulations applicable to the banking sector and competitive market factors.

Management seeks 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 18% of Total Net Revenues in 2013, the lowest percentage in the Bank's history,* and as compared to 19% in 2012, 27% in 2011 and 24% in 2010. As a percentage of total expenses, compensation was 67% in 2013, which reflected in part, the need to partially offset extraordinary rates of IRS. The same ratio was 48% in 2012, 30% in 2011, 48% in 2010, 53% in 2009, 55% in 2008 and 66% in 2007.

Besides compensation-related expenses, dominant operating expense categories include: (i) administrative costs, which are closely linked to headcount and (ii) management of investments in the Bank's physical offices and technology systems, which declined by 14%. Imparities of financial assets, which on a management basis, are netted with revenues from the respective business areas, dropped substantially when compared to 2012.

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 and the level of business activity, or associated with specific investments and rose 25% to € 7.7 million. Management expects to contain this category to grow at a slower pace in 2014.

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 2013, amortization expense declined by 14%, to € 1.1 million. This expense category represented 3.4% of total Expenses in 2012, versus 4% in 2012, 5% in 2011 and 6% in 2010.

T.17 (Euro)

Results and Taxation	2013	2012	Var %	2011	2010
Operating results	**91,775,043**	**48,853,824**	**87.9%**	**3,439,150**	**26,112,303**
Results of subsidiaries	163,306	23,371	598.8%	87,565	292,136
Income before tax and minority interests	**91,938,349**	**48,877,195**	**88.1%**	**3,526,715**	**26,404,439**
Current taxes	-33,218,522	-16,385,895	102.7%	-909,833	-5,824,683
Deferred taxes	-92,067	26,581	-446.4%	-111,287	-119,866
Net income before minority interests	**0**	**32,517,881**	**-100.0%**	**2,505,595**	**20,459,890**
Minority interests	0	0	0.0%	0	0
Net income	**58,627,760**	**32,517,881**	**80.3%**	**2,505,595**	**20,459,890**

Net Imparities declined substantially, from € 6.1 million in 2012 to € 0.225 million in 2013, and as they tend to be an expense associated with the Bank's market-related activities, reflect improved market conditions.

Pre-Tax income was € 91.9 million in 2013 versus € 48.5 million in 2012 and € 3.4 million in 2011, when the Eurozone debt crisis was at its most severe point. In 2013, higher profitability offset higher expenses and also resulted in substantially increased taxes for the year. The Bank's tax rate increased from 22.5% in 2010 to 29% in 2011, to 33.5% in 2012 and again to 36.7% in 2013, the result of emergency tax rises and special taxes on the banking sector. By comparison, the Bank's effective tax rate was 17% in 2009 and 27% in 2008.

Operating Results by Business Segments

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. In tables T.18, T.19 and T.20 are detailed operating results based on an internal management presentation of our revenues and expenses associated with the three main internal profit and loss sub-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 rose 16% to € 13.9 million on higher net interest margin for the year, which accounted for 61% of the total in 2013, as compared to 56% in 2012. Net revenues from brokerage also rose in 2013, but at a slower pace, after declining in each of the prior 3 years. 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. As part of a shift by clients over the past several years of volatile markets, margin activity has risen over 90% since 2010, while client-trading income has declined by 26% during the same period. This category declined to 13% of total segment revenues, as compared with 33% for the prior year, in spite of an increase in absolute terms.

During the year, the physical network of branch offices rose to 15 (including Guimarães, scheduled to open in Q1) and the number of automatic teller machines rose to 34.

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&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 investment products, and independent advisory services for corporate, banking and institutional clients. For 2013, this client segment generated net revenues of € 1.7 million, or 47% lower than for 2012.

T.18 (Euro 000)

Specialized Retail	2013	(%)	2012	(%)	2011	(%)	2010	(%)
Net commissions for services to third parties	3,920	28.3%	3,893	32.7%	4,227	37.2%	5,354	47.3%
Margin	8,454	61.0%	6,672	56.0%	5,923	52.1%	4,423	39.1%
Banking commissions	816	5.9%	1,038	8.7%	815	7.2%	792	7.0%
Trading/sales	680	4.9%	310	2.6%	401	3.5%	752	6.6%
Net revenues	**13,869**	**100.0%**	**11,913**	**100.0%**	**11,365**	**100.0%**	**11,321**	**100.0%**
Operating expenses	-11,843		-12,759		-8,433		-9,318	
Pre-tax income	2,026		-846		2,933		2,003	
% Operating revenues/Total segments revenues	13%		19%		72%		30%	
% Operating expenses/Total segments expenses	59%		62%		60%		59%	

T.19 (Euro 000)

Wholesale	2013	(%)	2012	(%)	2011	(%)	2010	(%)
Net commissions for services to third parties	350	20.3%	2,153	66.0%	3,054	68.3%	2,320	55.0%
Margin	160	9.3%	118	3.6%	2	0.0%	20	0.5%
Banking commissions	649	37.7%	253	7.8%	379	8.5%	396	9.4%
Trading/sales	206	12.0%	129	4.0%	166	3.7%	743	17.6%
Corporate finance	355	20.6%	608	18.6%	874	19.5%	741	17.6%
Net revenues	**1,719**	**100.0%**	**3,261**	**100.0%**	**4,475**	**100.0%**	**4,220**	**100.0%**
Operating expenses	-4,525		-5,497		-3,341		-3,948	
Pre-tax income	-2,805		-2,236		1,135		272	
% Operating revenues/Total segments revenues	2%		5%		28%		11%	
% Operating expenses/Total segments expenses	23%		27%		24%		25%	

T.20 (Euro 000)

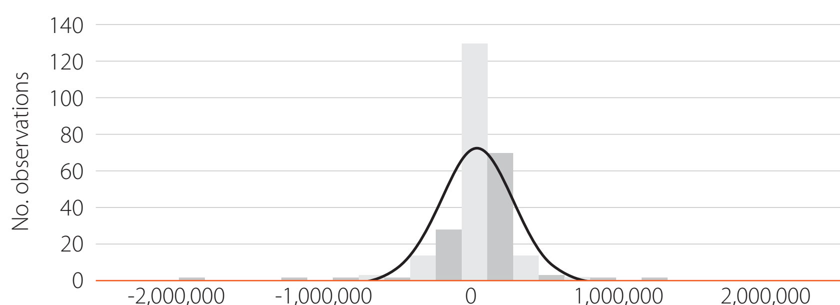
Treasury & Capital Markets	2013	(%)	2012	(%)	2011	(%)	2010	(%)
Income from capital instruments	1,812	2.0%	1,577	3.2%	1,474	-14.7%	1,360	6.2%
Profit/loss of assets and liabilities at fair value through Profit&Loss	7,018	7.6%	11,441	23.3%	-236	2.3%	3,632	16.7%
Profit/loss of financial assets available for sale	79,261	85.3%	36,685	74.7%	1,442	-14.4%	16,824	77.2%
Profit/loss from exchange revaluation	-90	-0.1%	877	1.8%	1,561	-15.6%	1,242	5.7%
Results from sale of other assets	5,041	5.4%	4,252	8.7%	-135	1.3%	4,473	20.5%
Impairment of other financial assets net of reversals and recoveries	-125	-0.1%	-5,737	-11.7%	-14,135	140.9%	-5,737	-26.3%
Net revenues	**92,917**	**100.0%**	**49,095**	**100.0%**	**-10,029**	**100.0%**	**21,794**	**100.0%**
Operating expenses	-3,700		-2,466		-2,286		-2,527	
Pre-tax income	89,217		46,629		-12,315		19,267	
% Operating revenues/Total segments revenues	86%		80%		0%		58%	
% Operating expenses/Total segments expenses	18%		18%		16%		16%	

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 its liquidity and exposure to interest rate risk, the Bank invests in credit issues of quality corporate, financial and sovereign 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 as part of its hedging activities. In managing the various trading books, the activity of the Treasury and Capital Markets team touches on many areas internally and is a source of expertise, market risk management and consistent profitability for the organization.

For 2013, the area generated revenues net of imparities of € 93 million, as compared to € 48.7 million for the prior year, and to a loss of € 10 million in 2011. The generation of revenues suggests a fairly normal distribution during the past and the prior years, as indicated in the following histogram.

G.1 (Euro)

Distribution of Profit and Losses 2013



Balance Sheet and Sources of Funding

T.21 (Euro 000)

Key Balance Sheet Items	2013	2012	2011	2010
Total net assets	1,214,430	1,024,616	828,983	900,763
Earning assets	1,173,812	980,855	755,787	832,681
Assets held to maturity	0	0	0	0
Loans to total net assets	16.2%	18.8%	19.2%	4.7%
Deposits from Central Banks	130,315	260,248	238,323	360,164
Funding from other credit institutions	143,478	6,481	48,896	38,943
Deposits from clients	683,717	543,830	440,568	332,185

Balance Sheet Management

Banco BiG's assets and liabilities increased from the prior year end period because of steady 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. Generally, and as in prior years, changes in nature of the balance sheet are gradual, with year-end levels of assets not differing materially from balance sheets on other reporting dates throughout the year.

Close attention to the size and composition of the Bank's balance sheet is one of Management's most important exercises in risk management. Assets and liabilities frequently change due to client activity, market conditions and available business opportunities, but the size and composition of the Bank's balance sheet at any given time may reflect a number of factors. These include: (i) the nature and availability of stable sources of funding, (ii) the level of the Bank's capital or *own funds,* and (iii) Management's overall tolerance for risk. 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 importantly, 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.

Our risk framework is designed and managed around a core strategy of maintaining an exceptionally liquid balance sheet. The Bank's processes and procedures encourage a dynamic management of our assets and liabilities and include:

- At least weekly planning of key asset and liability items;
- Daily monitoring of key risk measures and utilization of capital;
- Extensive use of scenario analyses, compiled and analyzed on a daily basis;
- Semi-annual projections of funding and capital requirements for the next five year period;
- Semi-annual review of limits.

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

Total net assets at year-end 2013 were just over € 1.2 billion, or 15% higher than at the prior year-end. Earning Assets at 31 December 2013 of € 1.018 billion were 97% of Total net assets and were 20% higher in absolute terms in relation to the prior year end date.

Deposits with Banks are used to manage short-term liquidity and reserve requirements with the central bank and main counterparties. The loan book was relatively unchanged and consisted largely of mortgage-backed securities (RMBS)

T.22 (Euro)

Earning Assets	2013	2012	Var (%)	2011	2010
Deposits with banks	80,113	70,678	13.3%	79,437	86,963
Loans	196,919	192,674	2.2%	159,331	42,533
Trading securities	21,900	17,408	25.8%	13,336	8,890
Available for sale securities	874,881	700,095	25.0%	503,683	694,295
Total	**1,173,812**	**980,855**	**19.7%**	**755,787**	**832,681**

classified as loans. Including RMBS classified as loans, this category represented about 17% of earning assets. A small portion of the Bank's loan book at year-end included mainly margin accounts to retail clients, which are short term in nature and structured to be self-liquidating in stressful conditions and were fully collateralized by liquid securities. At year-end 2013, 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 (see Credit Risk Management). The Available For Sale portfolio (AFS) grew because of opportunities in a number of classes of fixed income securities. AFS represented 75% of total earning assets at 31/12/13, up from 72% on the same date the prior year, and included sovereign, covered and senior corporate debt instruments. Factors that may affect the size of the portfolio include the opportunities for creating either margin or investment revenue during the year. The 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 26% to € 684 million, after increasing 24% 2012 and 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.

Secured funding and available liquidity. Average, quarterly levels of short term secured funding via sale/repurchase agreements with market counterparties are shown in table T.24, including available unused funding available based on eligible, unencumbered securities, in absolute terms and as a percentage of client deposits.

T.23 (Euro 000)

Main Liabilities and Capital	2013	2012	Var (%)	2011	2010
Deposits from central banks	130,315	260,248	-49.9%	238,323	360,164
Financial liabilities held for trading	1,357	1,016	33.6%	18,592	27,308
Deposits from other banks	143,478	6,481	2114.0%	48,896	38,943
Clients deposits	683,717	543,830	25.7%	440,568	332,185
Shareholder funds	207,193	170,724	21.4%	67,234	108,141

T.24 (Euro)

	Average values in € 1st trimester 2013	Average values in € 2nd trimester 2013	Average values in € 3rd trimester 2013	Average values in € 4th trimester 2013
ECB - POOL value - Eligible assets - Average Rating BBB (S&P) (includes haircut)(1)	344,183,068	335,615,478	378,005,579	421,657,098
ECB - POOL value - Borrowed	168,666,667	122,833,333	98,000,000	104,333,333
ECB - POOL value - Available	**175,516,402**	**212,782,145**	**280,005,579**	**317,323,765**
EUREX Repo - POOL(2) value	254,222,960	366,878,667	429,359,136	346,973,642
EUREX Repo Borrowed Net: (Borrowed - deposits)	150,000,000	171,666,667	251,666,667	163,333,333
Eurex Repo - Available	**97,065,878**	**188,314,687**	**169,932,555**	**177,071,038**
Eligible assets available for collateral outside the POOLs	**170,951,592**	**72,701,744**	**39,635,798**	**68,839,446**
Total deposits	558,951,847	597,078,903	622,030,421	668,555,318
Total eligible assets available for collateral	**443,533,872**	**473,798,575**	**489,573,932**	**563,234,249**
Ratio eligible assets as a % of deposits	79%	79%	79%	84%
Eligible assets not available (given as garantee to other counterparties)	6,310,101	6,152,349	5,863,489	5,592,551
Non eligible assets	89,008,324	98,152,666	93,427,013	128,097,840

(1) POOL assets are valued with the ecb prices, for that reason it may not be equal to market prices.
(2) POOL of assets valued with Eurex prices, does not include haircuts.

T.25 (Euro)

Shareholders Capital	2013	2012	2011
Common stock	104,000	104,000	104,000
Issue premiums	1,362	1,362	1,362
Other capital instrument	0	0	0
Treasury stock	-1,084	-1,172	-1,323
Revaluation reserves	-2,180	-1,184	-87,279
Other reserves/Retained earnings	58,947	44,560	47,969
Other deductions	0	0	0
Net income	58,628	32,518	2,506
Antecipated dividends	-12,480	-9,360	0
Total shareholders capital	207,193	170,724	67,234
Book value per share	1.99	1.64	0.65
Net assets/Equity	5.86	6.00	12.33

Client Deposits. A detailed breakdown is available in Note 20.

Shareholder Funds. Shareholder Funds at 31 December 2013 were € 205.6 million versus € 172.3 million on the same date in 2012 (table T.25). The Bank's Fair Value Reserve, which reflects the price of securities held for sale at market prices, was slightly negative, or fairly unchanged year on year, as a result of the improvement in the interest rate environment during the year. The Bank's regulatory capital or "Own Funds," rose to € 202.5 million, up from € 162 million at year-end 2012.

Consolidated Regulatory Capital and ICAAP – Internal Capital Adequacy Assessment Process (table T.26). In accordance with Bank of Portugal Instruction no. 32/2010, the Bank performs an annual, self-assessment exercise to determine the adequacy of the capital we hold to support our business. The process, part of Basel II, reviews many of the risk management processes undertaken by the Bank on a daily basis, and seeks to quantify the amount of capital the Bank should hold for business purposes, which is distinguished from the Bank's regulatory capital and its actual capital. The assessment incorporates market risk, credit risk and operational risk, for which we use the Basic Indicator Approach.

Profitability measures all improved for 2012, when compared to the Bank's weaker performance in 2011. **Return on Average Equity (ROE) was 30.9% versus 26.9%.** 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.

T.26 (Euro)

Consolidated Regulatory Capital	2013	2012	2011
Shareholders equity	**207,193**	**170,724**	**67,234**
Dividends payable	-6,240	-6,240	
Net income			-2,506
Intangible assets	-133	-194	-535
Renumeration deposits above thresold	-1,203	-3,900	-141
Revaluation reserves	2,973	1,360	84,209
Contribution to pension funds still not entered as cost		-1,578	-1,929
Provisions for general credit risks		120	178
Own funds	**202,590**	**160,292**	**146,510**
Risk-weighted assets	616,225	506,341	450,149
Core Tier I	32.7%	31.9%	32.5%
Tier I	32.7%	31.9%	32.5%
Risk-adjusted capital ratio	32.9%	32.0%	32.5%

T.27

Performance Measures	2013	2012	2011	2010
Profitability				
Return on Assets (ROA)	5.2%	3.5%	0.3%	2.6%
Return on Equity (ROE)	31.0%	27.3%	2.9%	17.3%
Operating revenues/Average net assets	11.2%	8.7%	3.8%	6.5%
Efficiency				
Net margin/Earning assets	2.2%	1.9%	2.6%	2.0%
Operating expenses/Operating income	24.9%	27.7%	47.9%	38.8%
Personnel expenses/Operating income	17.9%	18.5%	26.6%	24.1%
Solvency				
TIER I	32.7%	31.9%	32.5%	36.2%
Risk-adjusted capital ratio	32.9%	32.0%	32.5%	36.3%

RISK MANAGEMENT AND INTERNAL CONTROL

Management believes that effective management of risk is essential to the Bank's success. 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. These concepts are analyzed separately in this report, but generally they are 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. The Executive Board reviews, approves and 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 or intra-day 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.

In addition to measuring the main risks inherent to banking, Management has incorporated into some of its stress testing scenarios the additional components 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, prudentially and *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 longstanding 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 risks, may be found in Note 39.

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 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 seek 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.

The chart C.1 presents an overview of the Bank's structure of governance for managing risks.

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.

C.1

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 periodic 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. In managing *liquidity risk* and *interest rate risk,* Management focuses on a number of methodologies, among which basis point values and scenario analyses. The management of *credit risk* generally focuses on nominal and fractional exposures, concentrations by borrower or group, sector or geography and stress testing. *Derivatives* exposures, on the other hand, 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 risks*, *reputation risk* and *correlation risk,* depends on scenario analyses in order to arrive at quantitative estimates.

Limits and Controls

Limits on all risk activities are essential to the process controlling risks and involve series of frequently-reviewed restrictions organized by class of product, by tenor, and by individual trader. They may be measured via a combination of non-statistical measures, including basis point values (bpvs) and statistical measures, such as Value at Risk (VaR), discussed below. 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 risk-taking associated with trading and investment risk-taking, including our current and historical analyses of markets, statistics on volatility and liquidity, fundamental and technical analysis, the level of experience and performance of traders and managers, and importantly, the Bank's appetite for risk in accordance with market conditions.

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

Reporting

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 markets 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 *Asset and Liability Committee ("ALCO")* and *Market Risk Committee*. These groups are chaired by the CEO and include 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 risk and return, as well 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, specifically, 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. Some members of the *ALCO* and *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

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 include statistical measures and a number of non-statistical measures, among which:

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

The Bank 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 2013 indicate that there were three days of trading in which losses exceeded *VaR* levels. Trading limits, as indicated in table T.30 and in line with prior years, were little used on average, with most value at risk concentrated in the Bank's Available For Sale portfolio (AFS).

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

T.28 (Euro)

Trading VaR 2013 (vs 2012)	2013				2012			
	December	Average	Max	Min	December	Average	Max	Min
Foreign exchange risk	31,882	32,794	98,922	1,279	2,155	5,199	64,777	670
Interest rate risk	7,486	278,967	2,102,434	7,486	25,525	423,948	1,433,894	21,557
Equity	103,908	142,773	400,830	34,380	68,235	23,056	128,548	1,981
Options	250,475	138,598	426,766	17,546	43,550	53,177	113,981	18,791
Diversification	16%	28%			27%	31%		
Total VaR	**331,313**	**424,939**	**2,291,861**	**67,981**	**101,997**	**350,734**	**1,433,218**	**37,465**

T.29 (Euro)

Investment VaR 2013 (vs 2012)	2013				2012			
	December	Average	Max	Min	December	Average	Max	Min
Interest rate risk	6,865,502	8,327,418	11,272,606	4,826,487	6,253,717	7,662,930	10,227,702	3,580,669
Equity	264,021	503,483	732,975	264,021	263,213	571,886	843,797	216,114
Diversification	2%	3%			6%	6%		
Total VaR	**6,954,590**	**8,540,234**	**11,594,365**	**4,977,430**	**6,156,687**	**7,742,197**	**10,515,533**	**3,046,218**

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.30 (Euro)

Trading		
VaR	**Limit**	**Usage**
331,313	2,900,000	11%

	Limit	31/12/2013	30/12/2013	Δ	Excess
Equity	400,000	103,908	71,508	32,400	-
Options	300,000	250,475	253,907	-3,432	-
Interest rate	2,100,000	7,486	160,730	-153,244	-
Foreign exchange	100,000	31,882	36,787	-4,904	-

T.31 (Euro)

Investment		
VaR	**Limit**	**Usage**
6,954,590	13,000,000	53%

	Limit	31/12/2013	30/12/2013	Δ	Excess
Equity	1,000,000	264,021	264,119	-99	-
Interest rate	12,000,000	6,865,502	7,523,026	-657,523	-

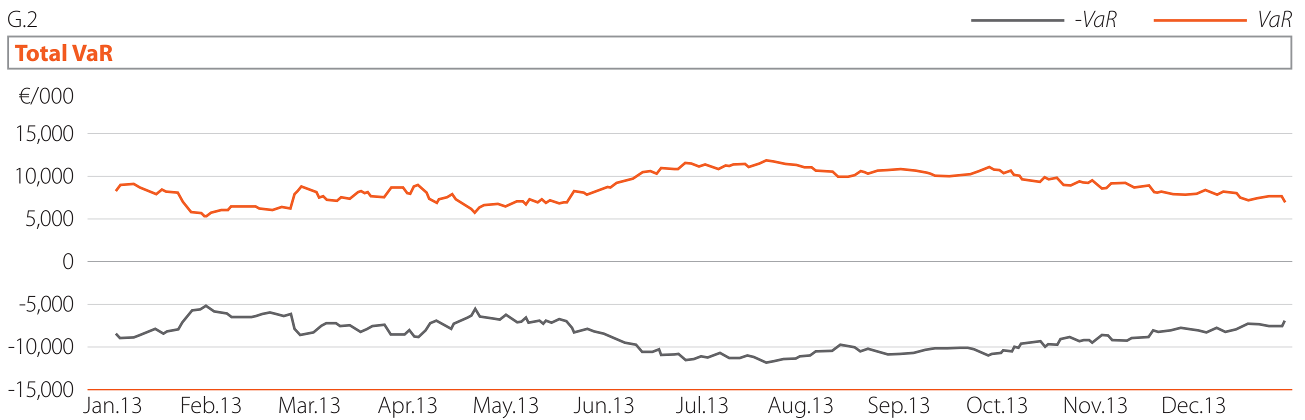
limits averaged approximately 53% during the year, in line with the prior year. Highest levels of VaR were associated with the fixed income portfolio, reflecting concentrations in that class of instrument. Further detail on exposures may be found in the *Managing Concentration Risk* section of this report.

VaR analysis of fixed and variable income asset classes by sector indicate the largest exposures, on average through 2013, were in Telecoms, Financial, Government, and

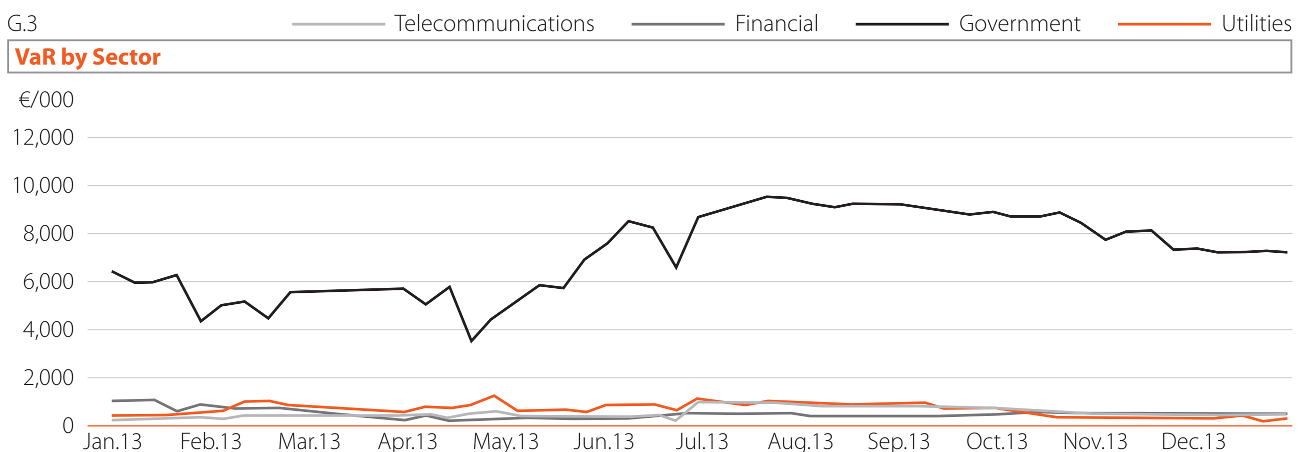
T.32 (Euro)

Sector	Average VaR
Basic Materials	154,465
Telecommunications	530,400
Consumer, Cyclical	4,656
Consumer, Non-cyclical	25,302
Financial	516,414
Government	7,318,090
Industrial	271,569
Utilities	675,164
Energy	41,544

Total VaR



VaR by Sector



Utilities (table T.32). Peaks in the Government and Financial sectors in the third quarter coincided with moments of stress as a result of an instability with the coalition Government in Portugal.

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 graph G.4 and table T.33 show the comparative evolution during 2013 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, 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.

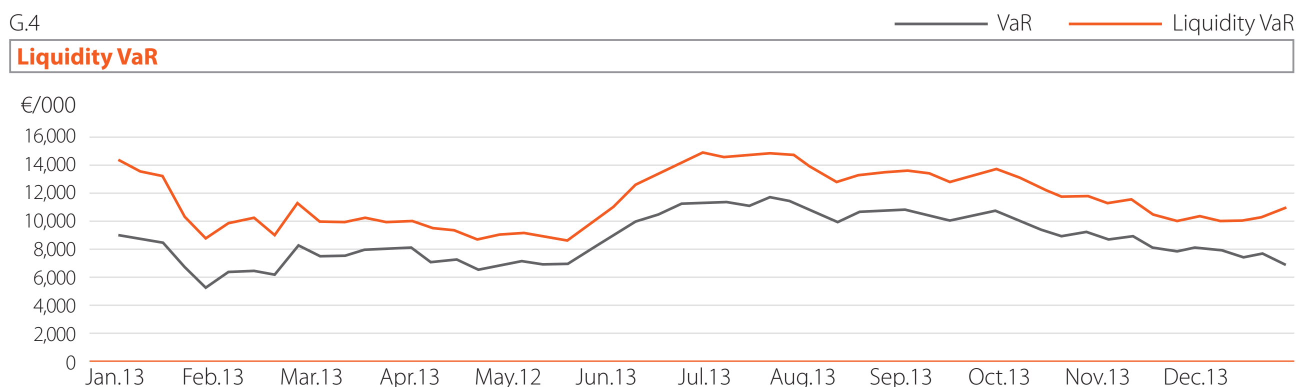
As indicated in the graph G.5, which compares credit VaR with normal VaR, the former represented, on average 2% of the overall credit portfolio during the year, with the exception of the third quarter 2013, during which certain Euro-zone sovereign debt issues reached historic levels of volatility.

Stress Testing

The Bank does extensive stress testing of its market positions and considers this approach, in combination with VaR measurements, an essential tool for managing market risks. With economic

G.4

Liquidity VaR



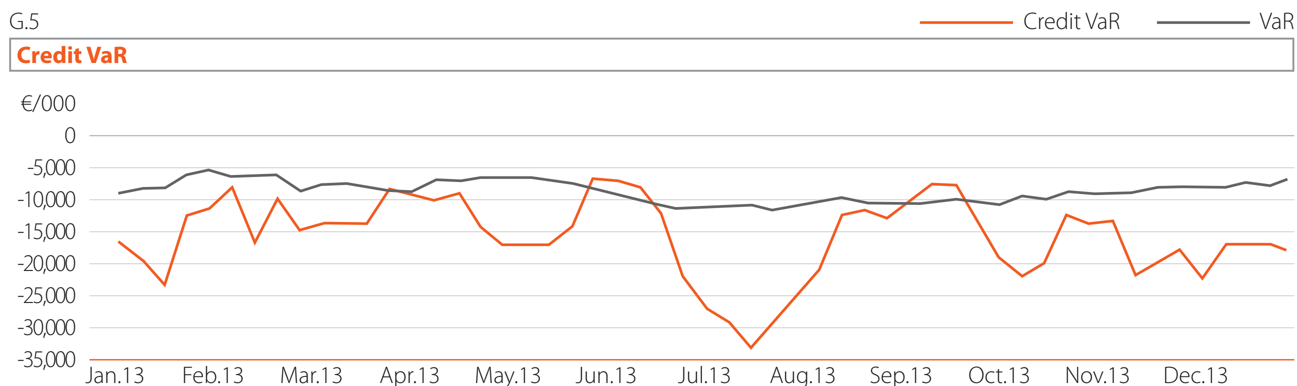
T.33 (Euro)

Average Liquidity VaR by Sector during 2013

Sector	L1	VaR	Liquidity VaR
Telecommunications	185,835	530,400	716,235
Financial	540,543	516,414	1,056,957
Government	1,557,701	7,318,090	8,875,792
Utilities	290,269	675,164	965,434

G.5

Credit VaR



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 8 scenarios to tests 48 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 2010-2011 are used given the periods of extreme market stress and used as a basis for running daily tests identified below as "C1, C2….C4." The historical market reaction to a number of "worse-case" historical events is applied to current exposures to estimate potential gains or losses in major trading or investment books, assuming the same market conditions. Results are then compiled and reported on a daily basis to Management by the Bank's Market Risk area.

Positions at 31/12/2013:

T.34 (Euro 000)

Trading 2013

	Equity		Bonds				FX	Commodity
	C1	C2	C1	C2	C3	C4	C1	C1
Equity	244	(49)	6	53	(17)	46	239	(8)
Options	730	40	22	(12)	62	114	471	(155)
Interest rate	(17)	(61)	(152)	(53)	(51)	(40)	(9)	(25)
FX	27	(12)	58	90	51	88	24	(12)
Total	984	(83)	(66)	78	44	207	724	(200)

T.35 (Euro 000)

Investment 2013

	Equity		Bonds				FX	Commodity
	C1	C2	C1	C2	C3	C4	C1	C1
Interest rate	(5,792)	(10,329)	(34,101)	(260)	(7,047)	(10,823)	(9,877)	(2,156)
Equity	(241)	(55)	(380)	15	(32)	(59)	(219)	(154)
Total	(6,033)	(10,384)	(34,481)	(246)	(7,079)	(10,883)	(10,095)	(2,310)

Selected scenarios 2010-2011:

Equity Worst Scenarios		
C1	Renewed worries that Europe's debt crisis could spread	18/08/11
C2	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

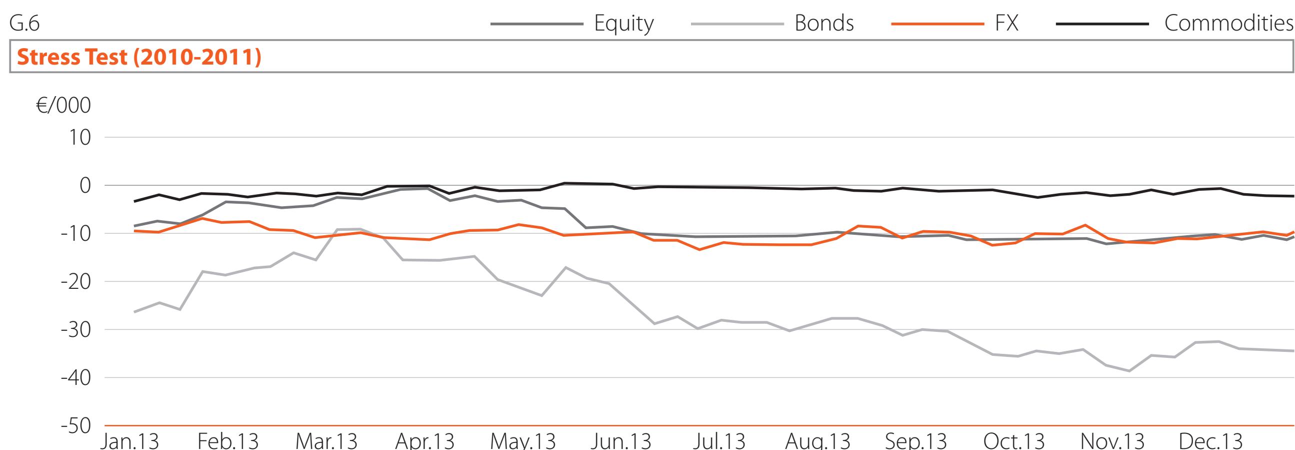
Commodity Worst Scenarios		
C1	Economic slowdown and aggravation of European debt crisis	23/09/11

Armageddon Stress Tests

We apply unusually extreme *Armageddon* stress tests on trading and investment positions to 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 on a daily basis. 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 € 57.6 million, with a peak of € 82.9 million on a single day during the beginning of Q3 2013 (table T.37). These peaks consider the entire portfolio, including positions in futures used for hedging interest rate risks, which contribute to the exaggerated levels.

G.6

Stress Test (2010-2011)



T.36 (Euro 000)

	Equity	Bonds	FX	Commodities
Maximum	-843	-9,297	-7,241	211
Minimum	-11,955	-38,616	-13,422	-3,246
Average	-8,236	-26,056	-10,431	-1,403
Std deviation	3,539	8,108	1,364	848

G.7

Stress Test "*Armageddon*"

T.37 (Euro 000)

Maximum and Minimum Losses

Maximum(*)	Minimum(*)	Average	Std Deviation
-82,960	-20,513	-57,648	8,735

(*) Maximum and minimum losses

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; (iii) a policy of building a stable, retail deposit base and, (iv) the assumption that we will maintain a reasonable level of 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.38 provides a snapshot of funding mismatches at 31 December 2013 by stated maturity. For more information, please see Note 39.

T.38 (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	71,128,373	-46,733,622	-158,470,336	-89,691,604	-119,269,924	-
Cumulative mismatches	71,128,373	24,394,750	-134,075,586	-223,767,189	-343,037,114	792,265,981
Net assets	764,072,259	767,842,890	868,410,304	868,410,304	868,410,304	-
Volatile liabilities	7,280,027	24,423,664	129,539,629	149,760,712	237,339,851	-
Net assets - Volatile liabilities	756,792,232	743,419,225	738,870,675	718,649,592	631,070,453	-
Liquidity gap (1)	168	167	214	208	183	-

(1) Liquidity gap = [(Net assets - Volatile liabilities)/(Total assets - Net assets)] x 100

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.39 shows assets and liabilities by maturity as of 31 December 2013, based on the respective average rates calculated for each timeframe indicated. For each maturity are shown the basis point values (bvps).

A long, or positive net position, in basis point values implies a long position in bonds funded with short term liquidity. A short, or negative net 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 200 basis points (bvps) in a day or a similar rise or decline of 50 basis points for maturities after 1 year. The table T.40 measures the impact on pre-tax revenues from an unlikely parallel shift of 200 basis points on 31 December 2013.

Exposure to Interest rate risk, as a percentage of regulatory capital, measured semi-annually during 2013 and assuming the test scenario described above, is shown in table T.41.

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 2013 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;

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.

T.39 (Euro)

Interest Rate Risk

Maturity	Assets	Liabilities	*Off balance sheet (+)*	*Off balance sheet (-)*	Net	bpv's
Jan/14	183,075,379	284,863,543	30,047,879	0	(71,740,285)	19
Feb/14	65,052,997	101,401,254	120,167,928	0	83,819,671	(722)
Mar/14	67,001,548	98,893,726	40,040,983	0	8,148,805	(131)
Apr/14	5,025,883	47,453,926	38,035,630	0	(4,392,413)	107
May/14	12,749,835	41,599,263	35,505,467	0	6,656,039	(216)
Jun/14	646,110	58,306,707	27,402,546	0	(30,258,050)	1,242
Jul/14	239,196	37,150,236	0	0	(36,911,040)	1,788
Aug/14	8,372	79,465,027	0	0	(79,456,655)	4,577
Sep/14	14,889	20,973,132	0	0	(20,958,243)	1,361
Oct/14	11,503	21,176,758	0	0	(21,165,255)	1,543
Nov/14	5,414	52,565,351	0	9,651,357	(62,211,293)	5,132
Dec/14	11,791	23,218,495	0	3,048,469	(26,255,173)	2,355
Jan/15	5,603	33,572,615	0	50,270,712	(83,837,724)	8,228
Jul/15	76,438	47,847,453	0	15,530,720	(63,301,735)	9,203
Jan/16	3,493	2,503,828	0	451,046,413	(453,546,749)	83,830
Jan/17	32,790,947	1,128,567	0	49,666,394	(18,004,014)	4,884
Jan/18	75,881,830	3,405,392	0	20,242,842	52,233,596	(18,842)
Jan/19	13,591,590	83,591	0	346,449,861	(332,941,862)	145,014
Jan/20	143,186,556	0	0	0	143,186,556	(71,004)
Jan/21	1,017,767	0	0	0	1,017,767	(586)
Jan/22	176,741,831	0	0	0	176,741,831	(110,127)
Jan/23	143,592,648	0	0	0	143,592,648	(100,404)
Jan/24	44,612,321	0	0	125,102,500	(80,490,179)	59,356
Jan/29	0	0	0	0	0	0
Jan/34	186,398,889	0	0	0	186,398,889	(220,219)
Jan/39	0	0	0	0	0	0
	1,151,742,832	**955,608,864**	**291,200,433**	**1,071,009,268**	**(583,674,868)**	**(193,610)**

T.40 (Euro)

December 2013

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
-38,722,052	38,722,052	-19,361,026	19,361,026	-10,533,307	10,533,307

T.41

Interest Rate Risk - Semi-annual Evolution

Date	Parallel increase of 200 bp in the interest rate curve	% Impact on equity funds
Dec/12	-23,697,132	-14.7%
Jun/13	-29,787,225	-18.4%
Dec/13	-38,722,052	-19.2%

During 2013:

T.42

Greeks	*Rho*	*Vega*	*Delta*	*Theta*
Min	-547,940	-13,251	-169,252	-59,192
Max	-69,346	64,921	469,100	1,732
Average	-294,844	22,638	188,093	-5,297
Std dev	110,230	19,755	130,739	6,343

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

Rho Sensibility to interest rate
Vega Sensibility to volatility
Delta Sensibility to the underlying asset
Theta Sensibility to time

Credit Risk

Credit Risk represents the loss the Bank would incur if a borrower, counterparty 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, mainly, direct exposure to credit risks associated with securities issued by third parties and held as investment or trading assets of the bank, but also direct exposure to clients who have contracted loans, 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 in *Market Risk*.

Credit exposures at BiG may include corporate and sovereign bonds acquired in the market, loans to customers, full value and replacement value inter-bank risks, securities-related settlement risk, receivables under derivative and foreign exchange contracts and lending-related commitments under guarantees and similar facilities (Note 39). 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;
- Quantitative and qualitative guidelines and procedures for control of credit quality issues;
- Control of client, family and "house limit" risks;
- Documentation, control and filing systems;
- Management and control of risk monitoring systems and procedures;
- Maintenance of a credit scoring and approval matrix;
- Attention to the integrity and independence of the approval process;
- Adherence to regulatory guidelines;
- Pricing policy.

Nature of Credit Exposures

The nature of credit risks varies from cycle to cycle. During 2013, the Eurozone debt crisis continued to progress from the unpredictable and highly political series of events of 2011 to a 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 liquid debt and equity securities, has meant responding to the improving perceptions of credit quality and liquidity, while not losing sight of the fundamental, long term issues associated with the different markets. 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 – improved during 2013 in relation to 2012.

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 31/12/2013,

nearly 100% of *loans* were secured facilities.

- *Unsecured facilities*, which arise out of our market trading activities with professional counterparties, portfolio 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 creditworthiness 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 encouraged and, in any case, is subject to a separate decision process discussed in further detail in the next topics.

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 and consumer-related lending represented less than 15% of loans at 31/12/13. 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 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. 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 several years (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.

Principle, 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 2013 follow:

T.43 (Euro)

December 2013 Exposure by Investment Strategy		Positions
Bonds	Covered bonds	119,495,148
	Senior debt	172,351,444
	Banks senior debt	481,881
	RMBS	172,366,496
	Government garanteed	573,927,987
Total Bonds		**1,038,622,957**
Cash & Near cash		80,111,957
Equity (1)		14,814,961
Equity derivatives (2)		1,983,352
Margin account		14,554,416
Retail credit portfolio		9,836,764
Forex (3)		5,219,167
Total		**1,165,143,574**

(1) Investment portfolio only
(2) Trading portfolio (delta)
(3) The fx positions include cash, fx forwards and fx futures

T.44 (Euro)

Exposure by Rating – Credit/Bond Portfolio	Aaa	Aa	A	Baa	Ba	B	NA	Total
Covered bonds	0	0	0	86,731,852	32,763,296	0	0	119,495,148
Senior debt	0	0	2,118,746	3,546,220	120,681,410	268,165	45,736,903	172,351,444
Banks senior debt	0	0	0	0	344,070	107,009	30,802	481,881
Government garanteed	3,413,146	12,167	0	412,245,690	157,550,138	89,780	617,067	573,927,987
RMBS	0	0	19,751,875	91,659,271	60,955,349	0	0	172,366,496
Total	**3,413,146**	**12,167**	**21,870,621**	**594,183,034**	**372,294,263**	**464,954**	**46,384,772**	**1,038,622,957**

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 in this portfolio, represents a daily measure of potential losses by class, by largest individual potential loss and by industrial sector. The simulations in graph G.8 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.

The results presented in graph G.8 and table T.45 show that under the most extreme circumstances, theoretical losses would be significant **but would not affect the overall solvency of the Bank.**

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

G.8

Armageddon Stress Test Debt

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.

A summary of notional derivatives exposure and related receivables under contracts with counterparties at 31 December 2013 may be found in Note 18.

T.45

(Euro 000)

Maximum and Minimum Losses

Maximum (*)	Minimum (*)	Average	Standard Deviation
-76,168	-45,925	-61,701	8,405

(*) Maximum and minimum losses

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 39).

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; meets 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, 27% of the total headcount at 31/12/13.

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 a controlled operational environment.

Service level indicators now drive the Information Technology area, and a production line approach to software development has been implemented, so as to ensure better user experience and higher quality in all products and services it delivers.

To this end, a specific area of Testing was created, allowing for very strict criteria of code quality with the goal of decreasing the operational risk associated with internally developed solutions.

The Bank has also successfully migrated its payment systems to the SEPA standard, providing its clients with a full breadth of support for EU area payments. The support of regulatory requirements, which has steadily increased in recent years, led to a specialized solution that ensures the timely production of regulatory reports.

Security continues to be a major priority for the Bank, and in 2013, the Bank focus was on internal security, which is at the same level of sophistication as the security that is in place for the online channels. In 2013, the Bank implemented an *Advanced Threat Protection* system for the real time detection and prevention of vulnerabilities. This is currently the most advanced protection technology available, and the Bank is among the first banks in Europe to adopt it, thereby reaffirming its long-term commitment to the highest security standards.

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.

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 issues require regular attention, review and upgrades as the Bank grows and as market conditions and the regulatory environment change. 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 two-fold 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 in suburban Lisbon and the Business Continuity site in Oporto. 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.

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.

Compliance

As a banking and securities business, 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 a*s more than adherence to the law, evolving regulation or prevailing "market practices," since history has shown that 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.

Lisbon, 12 March 2014

Board of Directors

Carlos Adolfo Coelho Figueiredo Rodrigues
Chairman and Chief Executive Officer

Nicholas Leo Racich
Vice Chairman and Chief Operating Officer

Mário João Abreu Galhardo Bolota
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 2013 (showing total consolidated assets of Euro 1,214,430,252 and total equity of Euro 207,192,600, including a net profit of Euro 58,627,760), 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 to the accounts.

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, in all material respects, the consolidated financial position of the Bank, the consolidated results of its operations, its comprehensive income, its changes in equity and its 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 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;

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG & Associados - S.R.O.C., S.A.
Capital Social: 3.120.000 Euros - Pessoa Colectiva Nº PT 502 161 078 - Inscrito na O.R.O.C. Nº 189 - Inscrito na C.M.V.M. Nº 9093

Matriculada na Conservatória do registo Comercial de Lisboa sob o PT 502 161 078

- 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 financial statements.

5. Our audit also included the verification that the consolidated financial information contained in the Report of the Board of Directors is consistent with the 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 2013, the consolidated results of its operations, its consolidated comprehensive income, its consolidated changes in equity and its 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 April 2014

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
Represented by
Vítor Manuel da Cunha Ribeirinho (ROC n.º 1081)

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 2013, 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 2013, 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 2013, 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 2013.

Lisbon, 22 March 2014

The Fiscal Board

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2013 and 2012
(Amounts in Euros)

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2013 and 2012

	Note	2013	2012 Re-stated (*)
Interest and similar income	4	43,994,244	39,199,855
Interest and similar charges	4	(18,246,775)	(20,465,768)
Net interest income		**25,747,469**	**18,734,087**
Income from capital instruments	5	1,811,909	1,576,839
Income from services and commissions	6	8,119,293	9,844,788
Charges with services and commissions	6	(1,586,170)	(3,054,980)
Profit/loss of assets and liabilities at fair value through the income statement	7	7,018,003	11,440,959
Profit/loss of financial assets available for sale	8	79,260,704	36,685,156
Profit/loss of exchange revaluation	9	(89,618)	876,704
Profit/loss of sale of other assets	10	5,040,701	4,252,138
Other operating results	11	(300,079)	(28,178)
Operating income		**125,022,212**	**80,327,513**
Staff costs	12	(22,356,754)	(14,840,651)
General administrative costs	14	(7,689,711)	(6,130,922)
Depreciation and amortization	24 and 25	(1,134,697)	(1,314,991)
Provisions net of cancellations	32	(1,871,061)	(2,892,714)
Impairment of credit net of reversals and recoveries	21	33,745	(16,378)
Impairment of other financial assets net of reversals and recoveries	19	(125,288)	(5,736,787)
Impairment of other assets net of reversals and recoveries	22 and 28	(103,403)	(541,246)
Operating costs		**(33,247,169)**	**(31,473,689)**
Operating result		**91,775,043**	**48,853,824**
Results from associated companies	26	163,306	23,371
Pre-tax profit		**91,938,349**	**48,877,195**
Taxation			
Current	33	(33,218,522)	(16,385,895)
Deferred	33	(92,067)	26,581
Net profit of the year		**58,627,760**	**32,517,881**
Earnings per basic share	15	0.56	0.31
Earnings per diluted share	15	0.56	0.31

(*) See Note 40

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2013 and 2012

	Note	2013	2012
Net Profit/Loss of the year		58,627,760	32,517,881
Other comprehensive income of the year			
Items which will not be reclassified for results			
Actuarial gains and losses on the pension fund	13	(2,530,541)	(3,986,488)
Pension fund			
Deferred tax		398,903	-
		(2,131,638)	**(3,986,488)**
Items which could be reclassified for results			
Financial assets available for sale			
Gains and losses of the year		(3,594,979)	121,011,505
Deferred tax	33	1,135,401	(34,274,075)
Current tax	33	1,064,452	(641,760)
		(1,395,126)	86,095,670
Total comprehensive income of the year		**55,100,996**	**114,627,063**

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2013 and 2012

	Note	2013	2012 Re-stated (*)	01.01.2012 Re-stated
Assets				
Cash and deposits in central banks	16	14,560,069	14,054,324	10,323,223
Deposits in other banks	17	30,024,236	19,698,790	42,026,648
Financial assets held for trading	18	21,899,906	17,407,697	13,336,285
Financial assets available for sale	19	874,881,170	700,095,270	503,683,281
Applications in banks	20	35,528,414	36,924,460	27,087,173
Loans to clients	21	196,918,521	192,674,248	159,330,790
Hedge derivatives		-	-	21,544
Non-current assets held for sale	22	204,249	-	-
Tangible assets	24	16,409,219	16,533,668	17,399,614
Intangible assets	25	133,270	194,425	534,862
Investments in associated companies	26	5,398,628	5,357,148	4,954,560
Current tax assets	27	243,508	-	1,740,137
Deferred tax assets	33	2,067,906	625,668	34,873,163
Other assets	28	16,161,156	21,050,052	11,743,261
Total Assets		**1,214,430,252**	**1,024,615,750**	**827,054,541**
Liabilities				
Funding from central banks	29	130,314,722	260,247,778	238,322,892
Financial liabilities held for trading	18	1,357,470	1,015,994	18,591,972
Funding from other banks	30	143,477,797	6,480,594	48,895,643
Funding from clients	31	683,717,291	543,830,163	440,567,939
Hedge derivatives	23	7,353,336	11,610,518	5,046,890
Provisions	32	4,701,055	2,905,364	20,150
Current tax liabilities	27	16,404,477	16,695,327	-
Other liabilities	34	19,911,504	11,105,893	10,303,654
Total Liabilities		**1,007,237,652**	**853,891,631**	**761,749,140**
Capital				
Capital	35	104,000,000	104,000,000	104,000,000
Issue premiums	35	1,362,281	1,362,281	1,362,281
Treasury stock	35	(1,084,393)	(1,171,567)	(1,323,065)
Fair value reserve	35	(2,179,900)	(1,183,677)	(87,279,347)
Other reserves and retained earnings	35	58,946,644	44,559,045	48,545,532
Net profit of the year		58,627,760	32,517,881	-
Interim dividends	35	(12,479,792)	(9,359,844)	-
Total Capital		**207,192,600**	**170,724,119**	**65,305,401**
Total Liabilities and Capital		**1,214,430,252**	**1,024,615,750**	**827,054,541**

(*) See Note 40

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2013 and 2012

	Capital	Issue Premiums	Treasury Stock	Fair Value Reserve	Legal Reserve	Other Reserves	Interim dividends	Net Profit / Loss of the year	Total Equity
Balances on 31 December 2011 (re-stated) (*)	**104,000,000**	**1,362,281**	**(1,323,065)**	**(87,279,347)**	**7,143,447**	**41,402,085**	**-**	**-**	**65,305,401**
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	-	-	-	-	-	-	-	32,517,881	32,517,881
Total comprehensive income recognised in the year	**-**	**-**	**-**	**86,095,670**	**-**	**(3,986,488)**	**-**	**32,517,881**	**114,627,063**
Distribution of profit of the year 2011									
Transfer to reserves	-	-	-	-	246,444	(246,444)	-	-	-
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 (re-stated)	**104,000,000**	**1,362,281**	**(1,171,567)**	**(1,183,677)**	**7,389,891**	**37,169,153**	**(9,359,844)**	**32,517,881**	**170,724,118**
Comprehensive income									
Other comprehensive income									
Alterations in fair value of financial assets available for sale	-	-	-	(3,594,979)	-	-	-	-	(3,594,979)
Actuarial gains and losses on the pension fund	-	-	-	-	-	(2,530,541)	-	-	(2,530,541)
Deferred tax	-	-	-	1,534,304	-	-	-	-	1,534,304
Current tax	-	-	-	1,064,452	-	-	-	-	1,064,452
Net Profit/Loss of the year	-	-	-	-	-	-	-	58,627,760	58,627,760
Total comprehensive income recognised in the year	**-**	**-**	**-**	**(996,223)**	**-**	**(2,530,541)**	**-**	**58,627,760**	**55,100,996**
Distribution of profit of the year 2012									
Transfer to reserves	-	-	-	-	3,213,503	13,704,638	-	(16,918,141)	-
Distribution of dividends	-	-	-	-	-	-	9,359,844	(15,599,740)	(6,239,896)
Change in loans and advances to employees for the acquisition of Treasury Stock	-	-	87,174	-	-	-	-	-	87,174
Interim dividends	-	-	-	-	-	-	(12,479,792)	-	(12,479,792)
Balances on 31 December 2013	**104,000,000**	**1,362,281**	**(1,084,393)**	**(2,179,900)**	**10,603,394**	**48,343,250**	**(12,479,792)**	**58,627,760**	**207,192,600**

(*) See Note 40

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

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2013 and 2012

	Note	2013	2012
Cash flow from operating activities			
Interest and income received		43 994 244	39 199 855
Interest and costs paid		(18 246 775)	(20 465 768)
Services and commissions		6 533 123	6 789 808
Contributions to the pension fund		(3 795 126)	(3 996 488)
Cash payments to employees and suppliers		(26 030 978)	(23 814 641)
Other costs and income paid/received		(19 167)	2 511 779
		2 435 321	**224 545**
Change in operating assets and liabilities:			
Deposits in Central Banks		(286 450)	(3 486 488)
Financial assets and liabilities held for trading		7 818 353	(5 077 589)
Applications in banks		1 396 046	(9 837 287)
Funding from Central Banks		(129 933 056)	21 924 886
Funding from banks		136 997 203	(42 415 050)
Loans to clients		(4 285 898)	(33 366 501)
Funding from clients		139 887 128	103 262 224
Derivatives for risk management		(3 180 998)	6 819 318
Other operating assets and liabilities		9 436 652	(9 334 652)
Cash flow net of the operating activities, before taxation on profits		**160 284 301**	**28 713 406**
Taxation on profits paid/received		(33 724 664)	2 076 150
		126 559 637	**30 789 556**
Cash flow from investment activities			
Dividends received		1 811 909	1 576 839
Financial assets available for sale		(98 245 199)	(45 003 849)
Purchase of financial investments		(949 093)	(236 608)
		(97 382 383)	**(43 663 618)**
Cash flow from financing activities			
Treasury stock		87,175	151,497
Dividends paid from ordinary shares		(18,719,688)	(9,359,844)
Cash flow net of financing activities		**(18,632,513)**	**(9,208,347)**
Net variation in cash and cash equivalents		**10,544,741**	**(22,082,409)**
Cash and cash equivalents at the beginning of the period		21,276,365	43,358,774
Cash and cash equivalents at the end of the period		31,821,106	21,276,365
		10,544,741	**(22,082,409)**
Cash and cash equivalents includes:			
Cash	16	1,796,870	1,577,575
Deposits in other banks	17	30,024,236	19,698,790
Total		**31,821,106**	**21,276,365**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2013 and 2012
(Amounts in Euros)

INTRODUCTION

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

On 31 December 2013, the Bank held a shareholding of 34.76% in the share capital of ONETIER PARTNERS, S.G.P.S., S.A. (ONETIER). 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 11th 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 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 2013 and were prepared in accordance with the IFRS, as adopted in the European Union up to 31 December 2013. The accounting policies used by the Group in the preparation of the financial statements reported on 31 December 2013 are consistent with those used with reference to 31 December 2012. However, as described in note 40, the Group adopted in the preparation of the financial statements referring to 31 December 2013, the accounting standards issued by the IASB and the interpretations of the IFRIC the application of which is mandatory as of 1 January 2013. 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 2013 had the effect presented in the restatement of the Financial Statements (note 13). The main standards and interpretations recently issued and not yet adopted by the Group are also referred to Note 40.

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

These consolidated financial statements were approved in a meeting of the Board of Directors on 12 March 2014.

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" or "BiG 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 or all 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 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.

Embedded derivatives

Derivatives which are embedded in other financial instruments are treated separately when their economic characteristics and their risks are not related with the main instrument and the main instrument is not accounted at their fair value through the income statement. These embedded derivatives are recorded at fair value with the variations recognised in the income statement.

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.

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 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 three 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 Staff Costs – Commitments with Pensions.

Defined Benefit Plan

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

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 as a cost, in its income statement, a total net amount which includes the cost of the current service and the net interest.

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) when a reliable estimate of the value of this obligation can be made. In the cases where the effect of the discount is material, the provision corresponds to the current value of the expected future payments, discounted at a rate that considers the risk associated to this obligation.

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

2.15. 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, when the interest rate is fixed.

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 40.2.

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 Group 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 financial assets. 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 derivative financial 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:

	2013			2012		
	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	62,278	-	62,278	73,239	-	73,239
Interest from securities available for sale	35,819,964	-	35,819,964	28,281,307	-	28,281,307
Interest from deposits	35,649	-	35,649	109,677	-	109,677
Interest from loans to clients	5,631,442	-	5,631,442	6,251,752	-	6,251,752
Interest from financial assets held for trading	-	1,255,862	1,255,862	-	1,728,482	1,728,482
Other interest and similar income	1,189,049	-	1,189,049	2,755,398	-	2,755,398
	42,738,382	**1,255,862**	**43,994,244**	**37,471,373**	**1,728,482**	**39,199,855**
Interest and similar charges						
Interest from funding from clients	12,982,024	-	12,982,024	13,512,563	-	13,512,563
Interest from funding from banks	754,285	-	754,285	425,303	-	425,303
Interest from funding from Central Banks	799,639	-	799,639	2,424,139	-	2,424,139
Other interest and similar charges	3,710,827	-	3,710,827	4,103,763	-	4,103,763
	18,246,775	**-**	**18,246,775**	**20,465,768**	**-**	**20,465,768**
Net interest income	**24,491,607**	**1,255,862**	**25,747,469**	**17,005,605**	**1,728,482**	**18,734,087**

NOTE 5
INCOME FROM CAPITAL INSTRUMENTS

On 31 December 2013, this caption, amounting to 1,811,909 Euros (31 December 2012: 1,576,839 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:

	2013	2012
Income from services and commissions		
For transactions on behalf of third parties	3,492,538	6,818,641
For services rendered	2,180,913	1,805,070
Other income from services and commissions	1,500,505	169,453
For commission sharing	802,320	579,790
For financial consultancy services	139,942	465,750
For commitments before third parties	3,075	3,675
For guarantees provided	-	2,409
	8,119,293	**9,844,788**
Charges with services and commissions		
For transactions performed by third parties	808,244	666,046
Other charges with services and commissions	435,392	2,031,860
For banking services from third parties	340,829	330,508
For guarantees received	1,705	1,578
For transactions on financial instruments	-	24,988
	1,586,170	**3,054,980**
Net Profit/Loss from services and commissions	**6,533,123**	**6,789,808**

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:

	2013			2012		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Assets and liabilities held for trading						
Bonds and other fixed return securities						
From public issuers	2,979,723	2,905,685	74,038	9,462,762	202,788	9,259,974
From other issuers	1,074,650	1,840,789	(766,139)	4,380,941	47,253	4,333,688
Shares	4,672,398	3,271,667	1,400,731	2,206,141	4,856,631	(2,650,490)
Other variable return securities	142,077	625,704	(483,627)	274,800	198,973	75,827
Derivative financial instruments						
Contracts on exchange rates	2,368,369	1,943,105	425,264	376,190	332,637	43,553
Contracts on interest rates	28,276,163	19,450,160	8,826,003	911,110	346,087	565,023
Contracts on shares/indices	10,777,067	12,120,217	(1,343,150)	2,937,118	2,194,249	742,869
Other	4,640,346	2,915,266	1,725,080	6,276,782	5,553,632	723,150
Hedge derivatives	5,766,932	8,607,129	(2,840,197)	6,149,611	7,802,246	(1,652,635)
	60,697,725	**53,679,722**	**7,018,003**	**32,975,455**	**21,534,496**	**11,440,959**

NOTE 8
PROFIT/LOSS ON FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this caption is made up as follows:

	2013			2012		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed return securities						
From public issuers	55,362,225	1,861,915	53,500,310	29,453,309	1,448,443	28,004,866
From other issuers	25,422,031	321,339	25,100,692	11,105,228	2,250,956	8,854,272
Shares	1,320,830	661,128	659,702	545,837	719,819	(173,982)
	82,105,086	**2,844,382**	**79,260,704**	**41,104,374**	**4,419,218**	**36,685,156**

NOTE 9
PROFIT/LOSS ON EXCHANGE REVALUATION

On 31 December 2013, this caption comprises losses, amounting to 89,618 Euros (on 31 December 2012 it comprised income amounting to 876,704 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:

	2013	2012
Financial transactions		
Other losses	(77,607)	(483,755)
Other gains	5,118,308	4,735,893
	5,040,701	**4,252,138**

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:

	2013	2012
Other operating income		
Provision of diverse services	80,529	75,269
Repayment of expenses	4,603	10,032
Other	832,672	565,462
	917,804	**650,763**
Other operating costs		
Direct and indirect taxation	880,501	517,804
Contributions to deposit guarantee fund	118,937	87,075
Dues and donations	80,986	34,101
Other	137,459	39,961
	1,217,883	**678,941**
Other operating results	**(300,079)**	**(28,178)**

NOTE 12
STAFF COSTS

The amount of this caption is made up as follows:

	2013	2012
Remunerations	19,452,302	12,656,059
Costs with retirements pensions		
of defined benefits (See Note 13)	1,001,465	568,011
of defined contributions	252,874	220,460
Obligatory social charges	1,362,226	1,117,954
Other staff costs	287,887	278,167
	22,356,754	**14,840,651**

On 31 December 2013, costs with remuneration and other benefits attributed to the Corporate Offices, most of which relates to the recognition of multiannual and deferred remuneration, the payment of which in 2017 is conditioned to the Group's positive performance in the years 2014, 2015 and 2016, amounted to 12,164,632 Euros (31 December 2012: 5,553,632 Euros).

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

	2013	2012
Short-term employee benefits	2,049,542	1,457,030
Post-employment benefits	51,696	34,143
Other long-term benefits	10,783	10,595
	2,112,021	**1,501,768**

By professional category, the number of employees on 31 December 2013 and 2012 may be broken down as follows:

	2013	2012
Senior management functions	25	23
Middle management functions	34	33
Specific functions	110	101
Administrative functions	5	7
Auxiliary functions	2	2
	176	**166**

NOTE 13
EMPLOYEE BENEFITS

Retirement pensions

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

	Assumptions		Actual	
	2013	2012	2013	2012
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%	4.0%	6.4%	17.4%
Rate of salary growth	3.0%	3.0%	2.5%	3.0%
Discount rate	4.0%	4.0%	-	-

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 2013 and 2012:

	2013	2012
Responsibilities on 31 December	(18,415,028)	(13,993,454)
Balance of funds on 31 December	18,425,274	13,993,454
Excess/(Deficit) cover (Note 28)	**10,246**	**-**
Net assets in Balance Sheet on 31 December	**10,246**	**-**
Accumulated actuarial differences deducted from reserves	**(5,451,350)**	**(2,920,809)**

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, up to 2012, was being deferred over a period of 11.5 years, when the plan was introduced, corresponding to the estimated period of service of these employees.

In 2013, owing to an alteration to IAS 19, the Bank recognised past services not yet amortised in the retained earnings retrospective, as described in Note 40 – Alterations to accounting policies.

The evolution of the liabilities may be analysed as follows:

	2013	2012
Responsibilities on 1 January	**(13,993,454)**	**(7,924,329)**
Cost of current service	(1,001,395)	(610,827)
Cost of interest	(559,738)	(435,838)
Actuarial (gains) and losses with responsibilities	(2,860,441)	(5,022,460)
Responsibilities on 31 December	**(18,415,028)**	**(13,993,454)**

The sensitivity of the value of the liabilities to variations in the actuarial and financial assumptions may be analysed as follows:

	Increase	Reduction
Discount rate (0.25 pp)	(557,780)	582,637
Rate of salary growth (0.25 pp)	208,084	(208,800)
Rate of pension growth (0.25 pp)	454,375	n/a
Mortality (+/- 1 year)	(516,357)	466,081

n/a - Not applicable, as the growth rate of pensions is zero.

The evolution of the value of the pension funds in the years 2013 and 2012 may be analysed as follows:

	2013	2012
Balance of the fund on 1 January	**13,993,454**	**8,702,800**
Real income from the fund	889,568	1,514,626
Contributions from the Bank	3,542,252	3,776,028
Balance of the fund on 31 December	**18,425,274**	**13,993,454**

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

	2013	2012
Public debt securities	7,881,780	5,592,235
Diverse bonds	2,207,797	1,609,848
Shares	3,313,195	1,589,671
Liquidity/Other	5,022,502	5,201,700
Net assets in Balance Sheet	**18,425,274**	**13,993,454**

Actuarial differences recognised in reserves may be analysed as follows:

	2013	2012
Accumulated actuarial differences in reserves on 1 January	**(2,920,809)**	**1,065,679**
Actuarial (gains) and losses in the year:		
Of the fund	329,900	1,035,972
Responsibilities	(2,860,441)	(5,022,460)
	(2,530,541)	**(3,986,488)**
Accumulated actuarial differences in reserves on 31 December	**(5,451,350)**	**(2,920,809)**

The costs of the year may be broken down as follows:

	2013	2012
Cost of current service	(1,001,395)	(610,827)
Cost of interest	(559,738)	(435,838)
Expected income from the fund	559,668	478,654
Cost of the year (Note 12)	**(1,001,465)**	**(568,011)**

On 31 December 2013, the Bank recognised the amount of 252,874 Euros (31 December 2012: 220,460 Euros) as a cost relating to the Defined Contribution Plan (note 12).

The evolution of net assets in the Balance Sheet may be analysed as follows:

	2013	2012
Net assets in the Balance Sheet on 1 January	**-**	**2,707,411**
Cost of the year	(1,001,465)	(2,496,951)
Actuarial gains/(losses) in reserves	(2,530,541)	(3,986,488)
Contributions in the year	3,542,252	3,776,028
Net assets in the Balance Sheet on 31 December	**10,246**	**-**

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:

	2013	2012	2011	2010	2009
Responsibilities	(18,415,028)	(13,993,454)	(7,924,329)	(9,063,015)	(7,243,402)
Balance of the funds	18,425,274	13,993,454	8,702,800	9,043,343	7,833,101
(Under)/Over financed liabilities	10,246	-	778,471	(19,672)	589,699
(Gains)/Loss experience arising from liabilities	(2,860,441)	(5,022,460)	2,393,907	(760,574)	(9,276)
(Gains)/Loss experience arising from assets of the fund	329,900	1,035,972	(837,927)	(280,231)	422,828

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 31/12/2013	Number of options on 31/12/2012
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	Oct/2023	65,000	1.28	43,550	43,550
2012	Jan/2025	7,150,000	1.00	7,150,000	7,150,000
2013	Jul/2016	1,473,250	1.40	1,473,250	-
2013	Jan/2017	5,000,000	1.40	5,000,000	-

NOTE 14
GENERAL ADMINISTRATIVE COSTS

The amount of this caption is made up as follows:

	2013	2012
Supplies	1,363,805	1,386,543
Rents	638,949	578,387
Communications	500,709	480,816
Travel, hotel and representation costs	405,644	392,276
Advertising and publications	1,251,161	702,290
Specialised services		
Fees	123,148	183,019
Information Technology	1,689,330	1,205,434
Security and surveillance	150,142	136,673
Information	311,921	323,303
Databases	20,386	20,067
Manual labour	15,948	11,065
Other specialised services	956,522	579,754
Other	262,046	131,295
	7,689,711	**6,130,922**

The fees of the years 2013 and 2012 relating to the external auditors, as provided for in Article 66-A of the Commercial Companies Code, are detailed as follows:

	2013	2012
Accounts auditing and Supervision services	66,000	61,100
Other reliability guarantee services related with the Statutory Auditor	51,000	41,150
	117,000	**102,250**

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.

	2013	2012
Net profit attributable to the bank's shareholders	58,627,760	32,517,881
Weighted average number of ordinary shares issued	104,000,000	104,000,000
Weighted average number of Treasury Stock in portfolio	-	(1,732)
Average number of ordinary shares in circulation	**104,000,000**	**103,998,268**
Earnings per share attributable to the bank's shareholders (in Euros)	**0.56**	**0.31**

Earnings per diluted share are no different from Earnings per ordinary share as there were no dilutive shares on 31 December 2013 and 2012.

NOTE 16
CASH AND DEPOSITS IN CENTRAL BANKS

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	2012
Cash	1,796,870	1,577,575
Demand deposits in Central Banks		
Bank of Portugal	12,763,199	12,476,749
	14,560,069	**14,054,324**

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 2013, includes an average mandatory reserve of 6,231,800 Euros which corresponds to the maintenance period from 11 December 2013 to 14 January 2014.

NOTE 17
DEPOSITS IN OTHER BANKS

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	2012
Deposits in other banks in Portugal		
Demand deposits	4,281,914	5,526,625
Deposits in other banks abroad		
Demand deposits	25,742,322	14,172,165
	30,024,236	**19,698,790**

The average interest rate during the year ending on 31 December 2013, amounted to 0.01% (31 December 2012: 0.13%).

NOTE 18
ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	2012
Financial assets held for trading		
Securities		
Bonds and other fixed income securities		
Public issuers	968,315	1,480,307
Other issuers	5,252,744	6,416,049
Shares	15,466,476	9,067,462
	21,687,535	**16,963,818**
Derivatives		
Derivative financial instruments with positive fair value	212,371	443,879
	21,899,906	**17,407,697**
Financial liabilities held for trading		
Derivatives		
Derivative financial instruments with negative fair value	1,357,470	1,015,994
	1,357,470	**1,015,994**

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 2013 and 2012, the caption Financial assets held for trading – Securities, was totally made up from listed securities.

The caption Derivative financial instruments on 31 December 2013 and 2012 is analysed as follows:

	2013			2012		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Contracts on exchange rates						
Currency options	13,957,791	24,974	24,824	-	-	-
Currency futures (a)	(3,681,617)	-	-	-	-	-
Contracts on interest rates						
Interest rate swaps	-	-	-	200,000	-	4,459
Contracts on shares/indices						
Equity/Index swaps	-	-	-	1,543,368	22,358	-
Equity/Index options	44,575,554	169,925	1,318,231	26,556,411	197,691	1,011,535
Equity/Index futures (a)	(16,454,310)			-	-	-
Term transactions	-	-	-	11,367,828	223,830	-
Contracts on other				-	-	-
Commodity options	9,125,343	17,472	14,415			
	47,522,761	**212,371**	**1,357,470**	**39,667,607**	**443,879**	**1,015,994**

(a) Derivatives traded on organised markets the market value of which is settled daily in the margin account with the financial intermediary

On 31 December 2013 and 2012, the breakdown of financial assets held for trading – Securities by maturity is as follows:

	2013	2012
Securities		
Up to 3 months	64,660	459,641
3 months to 1 year	891,773	2,150,401
From 1 to 5 years	2,018,520	3,447,322
Over 5 years	3,246,106	1,838,992
Unspecified duration	15,466,476	9,067,462
	21,687,535	**16,963,818**

On 31 December 2013 and 2012, the breakdown of the Assets and financial liabilities held for trading – Derivative financial instruments, by maturity, is presented as follows:

	2013		2012	
	Notional	Fair value	Notional	Fair value
Derivative financial instruments				
Up to 3 months	(16,253,055)	4,338	21,838,703	293,802
3 months to 1 year	38,435,005	(698,027)	5,941,512	(517,647)
From 1 to 5 years	25,340,811	(451,410)	11,887,392	(348,270)
	47,522,761	**(1,145,099)**	**39,667,607**	**(572,115)**

NOTE 19 FINANCIAL ASSETS AVAILABLE FOR SALE

On 31 December 2013 and 2012, 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	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**
Bonds and other fixed income securities					
Public issuers	576,108,120	2,449,626	(6,614,163)	-	571,943,583
Other issuers	290,072,468	3,216,325	(5,196,974)	-	288,091,819
Shares	19,868,502	1,681,529	-	(6,704,263)	14,845,768
Balance on 31 December 2013	**886,049,090**	**7,347,480**	**(11,811,137)**	**(6,704,263)**	**874,881,170**

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

The negative fair value reserve presented includes an amount of 3,792,833 Euros, relating to the securities transferred in 2011 to the clients' credit portfolio (note 21).

The average interest rate during the year ending on 31 December 2013, was 4.41% (31 December 2012: 4.76%).

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.

The securities in the Group's portfolio which are given by it as a guarantee are analysed in Note 36.

On 31 December 2013 and 2012, the caption Financial assets available for sale was broken down as follows with regard to listed and unlisted securities:

	2013			2012		
	Listed	**Unlisted**	**Total**	**Listed**	**Unlisted**	**Total**
Bonds and other fixed income securities						
Public issuers	571,943,583	-	571,943,583	439,977,896	-	439,977,896
Other issuers	288,091,819	-	288,091,819	245,751,764	-	245,751,764
Shares	14,845,438	330	14,845,768	14,365,280	330	14,365,610
	874,880,840	**330**	**874,881,170**	**700,094,940**	**330**	**700,095,270**

On 31 December 2013 and 2012, the breakdown of Financial assets available for sale by maturity is as follows:

	2013	2012
Up to 3 months	-	10,004,919
From 3 months to 1 year	-	4,930,950
From 1 to 5 years	142,572,751	161,927,915
Over 5 years	717,462,651	508,865,876
Unspecified duration	14,845,768	14,365,610
	874,881,170	**700,095,270**

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

	2013	2012
Opening balance	**6,578,975**	**17,715,919**
Additions	125,288	5,736,787
Used	-	(16,873,731)
Closing balance	**6,704,263**	**6,578,975**

NOTE 20
APPLICATIONS IN BANKS

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	2012
Applications in banks in Portugal		
Deposits	35,500,000	25,542,881
Loans	28,414	12,554
	35,528,414	**25,555,435**
Applications in banks abroad		
Very short term applications	-	11,369,025
	-	11,369,025
	35,528,414	**36,924,460**

The average interest rate during the year ending on 31 December 2013 was 0.28% (31 December 2012: 0.30%).

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

	2013	2012
Up to 3 months	35,500,661	36,615,539
From 3 months to 1 year	-	308,921
From 1 to 5 years	27,753	-
	35,528,414	**36,924,460**

NOTE 21
LOANS TO CLIENTS

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	2012
Domestic loans		
To companies		
Loans	2 281 917	2 200 986
Loans at sight	1 147 751	1 139 355
Overdrafts	649	1 969
Leasing	227 337	327 849
Other specialised loans	53 576	75 567
To private individuals		
Loans at sight	13 528 211	11 971 287
Mortgages	5 290 139	5 302 666
Leasing	709 079	891 644
Overdrafts	26 342	67 204
Other specialised loans	911 804	867 948
	24 176 805	**22 846 475**
Foreign loans		
To companies		
Loans at sight	4,501	400
Overdrafts	52	45
To private individuals		
Loans at sight	259,053	119,767
Overdrafts	553	413
	264,159	**120,625**
Loans represented by securities		
Unsubordinated debt securities		
Issued by residents	10,159,757	10,877,501
Issued by non-residents	162,343,597	158,922,007
	172,503,354	**169,799,508**
Past due loans and interest		
Over 90 days	162,005	271,478
	162,005	**271,478**
	197,106,323	**193,038,086**
Impairment of loans to clients	(187,802)	(363,838)
Loans to clients	**196,918,521**	**192,674,248**

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 2013, the Group's credit portfolio included loans granted to a member of the Board of Directors for 373,003 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 2012: 390,992 Euros). The loans granted to key management staff with senior management functions amounted to 1,333,920 Euros (31 December 2012: 1,189,258 Euros).

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

	2013	**2012**
Up to 3 months	16,837,545	14,840,613
From 3 months to 1 year	14,035,491	7,359,629
From 1 to 5 years	1,023,562	18,384,698
Over 5 years	165,047,720	152,181,668
Unspecified duration	162,005	271,478
	197,106,323	**193,038,086**

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

	2013	**2012**
Opening balance	**363,838**	**349,313**
Additions	32,365	16,378
Reversals	(66,110)	-
Used	(142,291)	(1,853)
Closing balance	**187,802**	**363,838**

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

	2013	**2012**
Variable rate	196,732,647	192,594,720
Fixed rate	373,676	443,366
	197,106,323	**193,038,086**

The residual periods of leased capital were structured as follows:

	2013	2012
Instalments and residual values due		
Up to 3 months	21,627	12,535
From 3 months to 1 year	133,428	177,334
From 1 to 5 years	727,076	995,048
Over 5 years	132,709	128,542
	1,014,840	**1,313,459**
Interest due		
Up to 3 months	94	86
From 3 months to 1 year	2,688	3,210
From 1 to 5 years	56,587	68,928
Over 5 years	19,055	21,742
	78,424	**93,966**
Capital due		
Up to 3 months	21,533	12,449
From 3 months to 1 year	130,740	174,124
From 1 to 5 years	670,489	926,120
Over 5 years	113,654	106,800
	936,416	**1,219,493**

On 31 December 2013 and 2012, impairment was broken down as follows:

2013

	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	818,184	127,027	175,527,323	4,066	176,345,507	131,093	176,214,414
Private individuals	279,907	30,289	20,480,909	26,420	20,760,816	56,709	20,704,107
Total	**1,098,091**	**157,316**	**196,008,232**	**30,486**	**197,106,323**	**187,802**	**196,918,521**

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**

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:

		On the transfer date				December 2012		December 2013	
	Acquisition value	Balance sheet value	Fair value reserve	Value of future cash flows[a)]	Effective rate[b)]	Market value[c) e)]	Fair Value Reserve[d) e)]	Market value[c) e)]	Fair value reserve[d) e)]
Financial assets available for sale	141,499,455	132,512,478	(9,316,514)	201,040,279	5.28%	79,064,312	11,430,043	66,622,243	3,731,459

[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
NON-CURRENT ASSETS HELD FOR SALE

On 31 December 2013, the balance of the caption Non-current assets held for sale was 328,563 Euros referring to buildings available for immediate sale, resulting from transfer in lieu of payment and lawsuits. For these assets, the Group recorded impairment losses amounting to 124,314 Euros.

NOTE 23
HEDGING DERIVATIVES

On 31 December 2013 and 2012, this caption was broken down as follows:

2013

		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	290,900,000	(7,353,336)	(2,357,041)	5,552,955	2,406,906	170,306,614
Futures	Debt instruments	665,000,000	-	3,025,713	842,617	3,014,393	308,231,255
		955,900,000	**(7,353,336)**	**668,671**	**6,395,572**	**5,421,299**	**478,537,870**

1) Includes accrued interest

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

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 24
TANGIBLE ASSETS

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	2012
Buildings		
Improvements to buildings	2,835,445	2,602,418
For own use	15,369,075	15,364,293
	18,204,520	**17,966,711**
Equipment		
Computer equipment	5,064,548	4,548,669
Furniture and material	941,538	885,861
Installations and interiors	1,018,240	1,008,362
Security equipment	1,212,898	1,212,898
Machines and tools	112,700	110,090
Other equipment	210,897	210,547
Transportation material	3,514	3,514
	8,564,335	**7,979,941**
	26,768,855	**25,946,652**
Impairment	(128,000)	(128,000)
Accumulated depreciation	(10,231,636)	(9,284,984)
	16,409,219	**16,533,668**

The movement in this caption was as follows:

	Buildings	Equipment	Total
Acquisition cost			
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
Additions	237,809	584,394	822,203
Balance on 31 December 2013	18,204,520	8,564,335	26,768,855
Depreciation			
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
Amortization of the year	409,758	536,894	946,652
Balance on 31 December 2013	3,584,041	6,775,595	10,359,636
Net balance on 31 December 2013	**14,620,479**	**1,788,740**	**16,409,219**
Net balance on 31 December 2012	**14,792,428**	**1,741,240**	**16,533,668**

NOTE 25
INTANGIBLE ASSETS

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	2012
Acquired from third parties		
Automatic data treatment system	7,005,496	6,878,606
Other financial investments	586,747	586,747
	7,592,243	7,465,353
Accumulated amortization	(7,458,973)	(7,270,928)
	133,270	**194,425**

The movement in this caption was as follows:

	Automatic data treatment system	Other financial investments	Total
Acquisition cost			
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
Acquired from third parties	126,890	-	126,890
Balance on 31 December 2013	7,005,496	586,747	7,592,243
Amortization			
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
Amortization of the year	188,045	-	188,045
Balance on 31 December 2013	6,872,226	586,747	7,458,973
Net balance on 31 December 2013	**133,270**	**-**	**133,270**
Net balance on 31 December 2012	**194,425**	**-**	**194,425**

NOTE 26
INVESTMENTS IN ASSOCIATED COMPANIES

On 31 December 2013 and 2012, this caption was broken down as follows:

2013

	No. of acções	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	5,398,628

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

On 31 December 2013 and 2012, the details of ONETIER PARTNERS, SGPS, S.A., are presented as follows:

	2013			2012		
	Total assets	**Total Equity**	**Net result for the year**	**Total assets**	**Total Equity**	**Net result for the year**
ONETIER PARTNERS, SGPS, S.A.	15,635,157	15,536,937	450,814	15,405,581	15,240,382	224,008

NOTE 27
CURRENT TAX ASSETS AND LIABILITIES

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	**2012**
Current tax assets		
Estimated tax for the year	(30,417,627)	(17,382,842)
Payments on account	13,676,216	108,657
Withholding tax	353,133	351,549
Corporation Tax (IRC) recoverable	227,309	227,309
Current tax assets/liabilities	**(16,160,969)**	**(16,695,327)**

NOTE 28
OTHER ASSETS

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	**2012**
Debtors and other applications		
Debtors on futures trading	1,040,368	570,490
Margin applications	12,922,732	18,610,174
Public sector	26,320	26,320
Other debtors	645,107	169,559
Debtors and other applications	58,600	87,297
Other assets	133,899	120,752
	14,827,026	**19,584,592**
Impairment losses on other assets	(27,660)	(48,571)
	14,799,366	**19,536,021**
Expenses with deferred costs	280,949	451,814
Income receivable	354,897	446,694
Other accruals and deferrals		
Net assets relating to the pensions plan (Note 13)	10,246	-
Pending operations on securities	521,938	-
Other operations pending	193,760	615,523
	725,944	**615,523**
	16,161,156	**21,050,052**

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 impairment losses for other assets are presented as follows:

	2013	2012
Opening balance	48,571	458,976
Additions	43,706	488,665
Reversals	(64,617)	(75,419)
Used	-	(823,651)
Closing balance	**27,660**	**48,571**

NOTE 29
FUNDING FROM CENTRAL BANKS

On 31 December 2013 and 2012 this caption relates to funding from the European System of Central Banks, fully collateralised by securities in the portfolios of Financial assets available for sale.

The maturity period of this financing on 31 December 2013 and 2012 is broken down as follows:

	2013	2012
Up to 3 months	110,017,778	-
From 1 to 5 years	20,296,944	260,247,778
	130,314,722	**260,247,778**

The average interest rate during the year ended on 31 December 2013, amounted to 0.65% (31 December 2012: 0.91%).

NOTE 30
FUNDING FROM OTHER BANKS

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	2012
Domestic		
Deposits	5,358,983	183,174
	5,358,983	**183,174**
Abroad		
Deposits	5,483,484	6,297,420
Loans	132,635,330	-
	138,118,814	**6,297,420**
	143,477,797	**6,480,594**

The average interest rate during the year ending on 31 December 2013, amounted to 0.36% (31 December 2012: 1.11%), with this variation resulting from a reduction in the market interest rates following the cuts in the key European Central Bank rates.

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

	2013	2012
Up to 3 months	13,418,471	6,480,594
From 3 months to 1 year	105,035,826	-
From 1 to 5 years	25,023,500	-
	143,477,797	**6,480,594**

NOTE 31
FUNDING FROM CLIENTS

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	2012
Demand deposits	190,980,332	138,589,067
Term deposits	442,259,603	384,937,027
Other	50,477,356	20,304,069
	683,717,291	**543,830,163**

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

	2013	2012
Up to 3 months	362,955,629	287,145,365
From 3 months to 1 year	276,166,832	235,184,845
From 1 to 5 years	44,594,830	21,499,953
	683,717,291	**543,830,163**

NOTE 32
PROVISIONS

On 31 December 2013 and 2012, this caption was broken down as follows:

	Other provisions
Balance on 31 December 2011	**20,150**
Additions	2,892,714
Used	(7,500)
Balance on 31 December 2012	**2,905,364**
Additions	4,688,405
Reversals	(2,817,344)
Used	(75,370)
Balance on 31 December 2013	**4,701,055**

NOTE 33
TAXATION

The Bank and its subsidiaries determined the amount of its current tax on income for the years of 2013 and 2012 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 for 2013 to taxable income over 7.5 million Euros (in 2012 this rate was applicable to the taxable income over 10 million Euros).

The Group calculated the amount of its deferred tax for the years of 2013 and 2012 based on a nominal rate of 23% (25% for 2012), plus a municipal surtax rate of 1.5% and a State tax rate of 3%, applied to the taxable income over 1.5 million Euros and 5% applied to the taxable income over 7.5 million Euros (in 2012 this rate was applicable to taxable income over 10 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 Group's calculation of its annual taxable earnings for a period of four or five years, in the case of there being reportable tax losses. In this way, it is possible that there may be additional tax payments essentially due to different interpretations of fiscal legislation. However, the Board of Directors considers that there are no material differences in respect of the Financial Statements.

The deferred tax assets and liabilities recognised in the Balance Sheet in 2013 and 2012 may be analysed as follows:

	2013	2012
Financial assets available for sale	1,364,852	229,451
Pension fund	532,168	177,686
Other	170,886	218,531
Net deferred tax assets/(liabilities)	**2,067,906**	**625,668**
Tax movement in the year	**1,442,238**	**(34,247,495)**

The movement in deferred tax in 2013 and 2012 is explained below:

	2013			2012		
	Recognised in results	Recognised in reserves	Total	Recognised in results	Recognised in reserves	Total
Financial assets available for sale	-	1,135,401	1,135,401	-	(34,274,075)	(34,274,075)
Pension fund	(44,421)	398,903	354,482	46,680	-	46,680
Other	(47,646)	-	(47,646)	(20,100)	-	(20,100)
	(92,067)	**1,534,304**	**1,442,237**	**26,580**	**(34,274,075)**	**(34,247,495)**

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

	2013	2012
Recognised in reserves		
Current tax	1,064,454	(641,760)
Deferred tax	1,534,304	(34,274,075)
	2,598,758	**(34,915,835)**
Recognised in results		
Current tax		
Of the year	(30,633,739)	(16,471,081)
From previous years	(2,584,783)	85,186
	(33,218,522)	**(16,385,895)**
Deferred tax	(92,067)	26,581
	(33,310,589)	**(16,359,314)**
	(30,711,831)	**(51,275,149)**

The reconciliation of the tax rate for the years 2013 and 2012 may be analysed as follows:

	2013		2012	
	Tax rate	Amount	Tax rate	Amount
Pre-tax profit		91,938,349		48,877,195
Estimated tax charge	31.50%	28,960,580	31.50%	15,396,316
Pension fund	0.40%	363,311	0.46%	226,700
Corrections due to tax credits	0.10%	90,025	0.12%	60,044
Non-deductible costs for tax purposes	1.75%	1,610,269	2.76%	1,348,840
Tax benefits	-0.07%	(59,553)	-0.16%	(77,878)
Accounting and tax gains	-0.06%	(51,034)	0.04%	20,404
Autonomous taxation and double taxation	-0.04%	(38,304)	-0.06%	(30,657)
Contributions on the banking sector	0.09%	81,900	0.17%	85,050
Other	2.56%	2,353,395	-1.34%	(654,833)
Effect of rate change	0.00%	-	-0.03%	(14,672)
	36.23%	**33,310,589**	**33.46%**	**16,359,314**

NOTE 34
OTHER LIABILITIES

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	2012
Creditors and other dues		
On futures and options transactions	1,442,265	835,960
Other dues	12,500	25,000
Public sector	4,953,683	2,029,455
Securities transactions	2,081	2,081
Other creditors	472,064	361,265
	6,882,593	**3,253,761**
Costs payable		
Staff charges	7,330,467	1,731,089
Other charges payable	2,925,750	3,864,680
	10,256,217	**5,595,769**
Revenue from deferred income	18,526	21,590
Accruals and deferrals		
Pending securities transactions	-	505,575
Other pending transactions	2,754,168	1,729,198
	2,754,168	**2,234,773**
	19,911,504	**11,105,893**

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 35
CAPITAL, ISSUE PREMIUMS, TREASURY STOCK AND RESERVES

Capital

On 31 December 2013 and 2012, 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 2013 and 2012, the shareholder structure of the Bank was the following:

	2013	2012
António da Silva Rodrigues	11.43%	11.43%
Adger – SGPS, S.A.	10.57%	10.34%
WWC World Wide Capital - SPGS, S.A.	10.19%	10.19%
Carlos Adolfo Coelho Figueiredo Rodrigues	9.70%	9.06%
Nicholas Leo Racich	5.31%	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%	3.01%
Leonid Pavlovitch Ranchinskiy	2.09%	1.82%
Helena Adelina S. L. Marques Carmo	2.01%	1.96%
Other	36.28%	37.83%
	100.00%	**100.00%**

Issue premiums

On 31 December 2013 and 2012, 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 the treasury stock is analysed as follows:

	2013		2012	
	No. of shares	**Value**	**No. of shares**	**Value**
Treasury stock				
Balance at start of the year	1,732	2,326	1,732	2,326
Movement	-	-	-	-
Balance at end of the year	1,732	2,326	1,732	2,326
Loans for acquisition of treasury stock				
Balance at start of the year	947,983	1,169,241	1,091,989	1,320,739
Movement	(79,327)	(87,174)	(144,006)	(151,498)
Balance at end of the year	868,656	1,082,067	947,983	1,169,241
Closing balance	**870,388**	**1,084,393**	**949,715**	**1,171,567**

On 31 December 2013, the Loans for the acquisition of treasury stock include loans granted to members of the Board of Directors amounting to 600,561 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 2012: 662,391 Euros) and loans granted to key management staff with senior management functions, amounting to 290,775 Euros (31 December 2012: 316,080 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 2013 and 2012 is analysed as follows:

	2013	2012
Cost of financial assets available for sale (Note 19) (1)	886,049,090	707,664,748
Impairment losses (Note 19)	(6,704,263)	(6,578,975)
Market value of financial assets available for sale (Note 19)	874,881,170	700,095,270
Potential losses recognised in fair value of financial assets available for sale	(4,463,657)	(990,503)
Potential losses recognised in Fair Value Reserve of loans represented by securities	-	-
Fair value reserve of associated companies	81,518	203,345
Deferred tax	1,763,756	229,448
Current tax	438,483	(625,967)
	(2,179,900)	**(1,183,677)**

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

The movement in the fair value reserve, net of taxation, for the years 2013 and 2012 is analysed as follows:

	2013	2012
Balance on 1 January	**(1,183,677)**	**(87,279,347)**
Change in fair value	(3,473,152)	120,632,287
Fair value reserve of associated companies	(121,827)	379,218
Current tax recognised in the year in reserves	1,064,452	(641,760)
Deferred tax recognised in the year in reserves	1,534,304	(34,274,075)
	(996,223)	**86,095,670**
Balance on 31 December	**(2,179,900)**	**(1,183,677)**

Legal reserve

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

Interim dividends

The Board of Directors made the payment of partial, interim dividends amounting to € 0.12 per share, in December of 2013, based on the certified results of the period from 1 January 2013 to 31 October 2013.

NOTE 36
OFF-BALANCE SHEET ACCOUNTS

On 31 December 2013 and 2012, this caption was broken down as follows:

	2013	2012
Guarantees provided and other liabilities		
Assets given as guarantee	842,651,921	746,193,861
Guarantees and sureties	233,566	148,938
	842,885,487	**746,342,799**
Guarantees received		
Personal guarantees		
Guarantees and sureties	5,948,686	6,347,407
Other	432,096	633,649
Real guarantees		
Securities	34,784,409	22,722,586
Loans	8,093,232	5,211,398
Real Estate	10,014,543	10,033,390
	59,272,966	**44,948,430**
Commitments before third parties		
Irrevocable commitments		
Potential liability to the Investor Compensation System	674,614	674,614
Revocable commitments		
Bank overdraft facilities	35,275,933	26,253,790
	35,950,547	**26,928,404**
Liabilities for services provided		
Asset custody and deposit	1,265,984,540	806,723,129
For asset administration	44,265,385	39,742,097
For collection of amounts	56,410	1,844
	1,310,306,335	**846,467,070**

On 31 December 2013 and 2012, the balance of the caption Assets given as guarantee includes:

- Securities provided as a guarantee to the Investor Compensation System amounting to 731,921 Euros (31 December 2012: 663,200 Euros);
- Securities provided as a guarantee to the European System of Central Banks amounting to 452,049,755 Euros (31 December 2012: 527,006,331 Euros);
- Other securities provided as a guarantee amounting to 389,870,245 Euros (31 December 2012: 218,524,330 Euros).

NOTE 37
RELATED PARTY TRANSACTIONS

In the years ended on 2013 and 2012, the total amount of assets, liabilities, income and costs relating to transactions made with related entities were the following:

	2013		2012	
	Liabilities	Costs	Liabilities	Costs
Related parties				
ONETIER PARTNERS, SCR, S.A.	802,339	(26,180)	815,761	33,121

NOTE 38
FAIR VALUE OF ASSETS AND FINANCIAL LIABILITIES

On 31 December 2013 and 2012, the fair value of assets and financial liabilities is presented as follows:

	Amortised cost	Listed market values (level 1)	Evaluation models with parameters/ prices observable in the market (level 2)	Evaluation models with no observable parameters in the market (level 3)	Total Balance Sheet value	Fair value
31 December 2013						
Cash and deposits in Central Banks	14,560,069	-	-	-	14,560,069	14,560,069
Deposits in other banks	30,024,236	-	-	-	30,024,236	30,024,236
Financial assets held for trading						
Securities						
Bonds and other fixed yield securities						
From public issuers	-	968,315	-	-	968,315	968,315
From other issuers	-	5,252,744	-	-	5,252,744	5,252,744
Shares	-	15,466,476	-	-	15,466,476	15,466,476
Derivatives						
Contracts on exchange rates	-	-	24,974	-	24,974	24,974
Contracts on shares/indices	-	-	169,925	-	169,925	169,925
Other	-	-	17,472	-	17,472	17,472
Financial assets available for sale						
Bonds and other fixed yield securities						
From public issuers	-	571,943,583	-	-	571,943,583	571,943,583
From other issuers	-	288,091,819	-	-	288,091,819	288,091,819
Shares	-	14,845,438	-	330	14,845,768	14,845,768
Applications in banks	35,528,414	-	-	-	35,528,414	35,528,414
Loans to clients a)	196,918,521	-	-	-	196,918,521	202,990,468
Financial assets	**277,031,240**	**896,568,375**	**212,371**	**330**	**1,173,812,316**	**1,179,884,263**
Funding from Central Banks	130,314,722	-	-	-	130,314,722	130,314,722
Financial liabilities held for trading						
Derivatives						
Contracts on shares/indices	-	-	1,343,055	-	1,343,055	1,343,055
Other	-	-	14,415	-	14,415	14,415
Funding from other banks	143,477,797	-	-	-	143,477,797	143,477,797
Funding from clients	683,717,291	-	-	-	683,717,291	683,717,291
	957,509,810	**-**	**1,357,470**	**-**	**958,867,280**	**958,867,280**
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						
Securities						
Bonds and other fixed yield securities						
From public issuers	-	1,480,307	-	-	1,480,307	1,480,307
From other issuers	-	6,416,049	-	-	6,416,049	6,416,049
Shares	-	9,067,462	-	-	9,067,462	9,067,462
Derivatives						
Contracts on shares/indices	-	-	220,049	-	220,049	220,049
Term operations	-	-	223,830	-	223,830	223,830
Financial assets available for sale						
Bonds and other fixed yield securities						
From public issuers	-	439,977,896	-	-	439,977,896	439,977,896
From other issuers	-	245,751,764	-	-	245,751,764	245,751,764
Shares	-	14,365,280	-	330	14,365,610	14,365,610
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	**263,351,822**	**717,058,758**	**443,879**	**330**	**980,854,789**	**977,696,109**
Funding from Central Banks	260,247,778	-	-	-	260,247,778	260,247,778
Financial liabilities held for trading						
Derivatives						
Contracts on interest rates	-	-	4,459	-	4,459	4,459
Contracts on shares/indices	-	-	1,011,535	-	1,011,535	1,011,535
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
	810,558,535	**-**	**1,015,994**	**-**	**811,574,529**	**811,574,529**

[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 2013, 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 accounted 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 2013 and 2012 may be analysed as follows:

(amounts expressed as a percentage)

	2013		2012	
	EUR	**USD**	**EUR**	**USD**
Overnight	0.275	0.040	0.050	0.030
1 month	0.216	0.168	0.109	0.209
3 months	0.287	0.246	0.187	0.306
6 months	0.389	0.348	0.320	0.508
9 months	0.480	--	0.432	0.686
1 year	0.556	0.583	0.542	0.844
3 years	0.751	0.876	0.469	0.501
5 years	1.261	1.786	0.766	0.865
7 years	1.683	2.482	1.124	1.309
10 years	2.154	3.086	1.565	1.840
15 years	2.586	3.599	2.002	2.382
20 years	2.718	3.802	2.163	2.594
25 years	2.743	3.895	2.212	2.724
30 years	2.735	3.929	2.233	2.804

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 2013 and 2012, may be analysed as follows:

(amounts expressed as a percentage)

	2013		2012	
	EUR	USD	EUR	USD
3 years	1.19	1.61	1.11	0.67
5 years	3.35	2.98	3.76	1.78
7 years	4.02	4.39	4.06	3.33
10 years	0.54	5.14	6.14	4.04

The evolution of the exchange rates of the main currencies for the years 2013 and 2012, and respective historic volatilities used in the evaluation of exchange derivatives, may be analysed as follows:

			Volatilities		
	2013	2012	3 months	6 months	1 year
EUR/USD	1.379	1.32	6.015	6.749	7.185
EUR/GBP	0.834	0.87	6.215	6.023	6.533
EUR/JPY	144.720	113.61	8.570	9.682	12.154
EUR/CHF	1.228	1.21	2.718	4.066	3.903

The evolution of the main share indices for the years 2013 and 2012, and respective volatilities used in the evaluation of derivatives on shares and share indices, may be analysed as follows:

	List price			Historic volatility		Implicit volatility	
	2013	2012	Variation	1 month	3 months	Call	Put
PSI20	6,558.85	5,655.15	16.0	12.91	13.65	15.79	15.79
Eurostoxx	3,109.00	2,635.93	17.9	14.90	13.72	14.68	15.66
DAX	9,552.16	7,612.39	25.5	13.23	12.04	12.69	13.42
S&P	1,848.36	1,426.19	29.6	8.74	10.31	11.65	11.65
Nasdaq 100	3,592.00	2,660.93	35.0	8.85	11.69	13.39	13.39
Dow Jones Ind.	16,576.66	13,104.14	26.5	9.19	10.12	11.06	11.06

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 39
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 2013.

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

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

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

Risk measurement

The Group uses a series of different methodologies to measure and control the different types of 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 habitually 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, depend on scenario analyses in order to arrive at quantitative estimates.

Market Risk

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

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

- Liquidity risk: resulting from treasury management and the different maturities of assets and liabilities;
- Interest rate risk: resulting from changes in the level, slope and curvature of interest rate curves, interest rate volatility and the duration of the credit margins;

- Price risk of securities and raw materials: resulting from exposure to changes in the price of the underlying assets and volatility;
- Exchange rate risk: resulting from exposure to changes in the spot price, at a future point in time, and volatility;
- 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 Group calculates VaR using a time horizon of one month (22 working days) and a confidence interval of 99%. This means that the Group can expect to incur losses greater than the estimated VaR only once every 100 working days, or approximately 2.5 times per year. As the VaR is a theoretical approach based on historic data, the model has limitations and cannot always produce exact forecasts on the future market risk. Changes in VaR between reporting periods, for example, are generically due to changes in levels of exposure, volatility and the correlation between securities.

The *VaR* for the years ended on 31 December 2013 and 2012, is presented as follows:

	2013				2012			
	December	**Annual average**	**Maximum**	**Minimum**	**December**	**Annual average**	**Maximum**	**Minimum**
Exchange risk	31,882	32,794	98,922	1,279	2,155	5,199	64,777	670
Interest rate risk	7,486	278,967	2,102,434	7,486	25,525	423,948	1,433,894	21,557
Shares	103,908	142,773	400,830	34,380	68,235	23,056	128,548	1,981
Options	250,475	138,598	426,766	17,546	43,550	53,177	113,981	18,791
Effect of diversification	16%	28%			27%	31%		
Total VaR	**331,313**	**424,939**	**2,291,861**	**67,981**	**101,997**	**350,734**	**1,433,218**	**37,465**

The management of VaR for different trading portfolios remained within the limits established for 2013. The exposure allocated to stock portfolios, structured products and Foreign Exchange for trading remained low as had also been the case in 2012.

Stress Testing

These tests are complementary to VaR limits and are an essential tool for managing the market risk. By using economic stress testing, the Group tries to estimate the potential losses associated with a given instrument, 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 Group 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 Group uses 16 different scenarios to carry out more than 96 daily stress tests on the various trading and investment positions. However, on a weekly basis the Group runs 8 new stress tests scenarios, which correspond to 48 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 Group'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 Group'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 Group's immediate resources is carried out so as to minimise the risk of an increase in lending activities which might imply a decrease in liquidity, or rather, a rate of growth in loans which is greater than that of resources.

The exposure by maturity of the Group's Balance Sheet assets and liabilities are distributed in the following way, for the years ended on 31 December 2013 and 2012:

2013

	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	14,560,069	-	-	-	-	-	14,560,069
Deposits in other banks	30,024,236	-	-	-	-	-	30,024,236
Financial assets held for trading	-	78,794	942,387	2,166,143	3,246,106	15,466,476	21,899,906
Financial assets available for sale	-	-	-	142,572,751	717,462,651	14,845,768	874,881,170
Applications in banks	-	35,500,661	-	27,753	-	-	35,528,414
Loans to clients	-	16,804,256	14,035,491	1,023,562	165,047,720	7,492	196,918,521
	44,584,305	**52,383,711**	**14,977,878**	**145,790,209**	**885,756,477**	**30,319,736**	**1,173,812,316**
Liabilities							
Funding from Central Banks	-	110,017,778	-	20,296,944	-	-	130,314,722
Financial liabilities held for trading	-	9,797	748,641	599,032	-	-	1,357,470
Funding from other banks	5,825,592	7,592,879	105,035,826	25,023,500	-	-	143,477,797
Funding from clients	190,553,926	172,401,703	276,166,832	44,594,830	-	-	683,717,291
Hedge derivatives	-	-	197,921	5,681,320	1,474,095	-	7,353,336
	196,379,518	**290,022,157**	**382,149,220**	**96,195,626**	**1,474,095**	**-**	**966,220,616**

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**

Exposure to the public debt of Euro Zone countries

On 31 December 2013 and 2012, the Group's exposure to the public debt of Euro Zone countries was as follows:

	2013		2012	
	Financial assets held for trading	Financial assets available for sale	Financial assets held for trading	Financial assets available for sale
Portugal	1,672,313	146,157,851	1,257,209	167,683,749
Spain	-	116,792,966	-	144,757,870
Greece	36,118	-	233,831	1,493,914
Ireland	5,677	-	12,759	-
Italy	-	302,882,722	-	139,352,972
Cyprus	-	-	65,235	-
Germany	142,361	-	-	-
Supra National	76,755	-	-	-
	1,933,224	**565,833,539**	**1,569,034**	**453,288,505**

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:

2013

	Nominal value	List value	Accumulated interest	Balance Sheet value	Fair Value Reserve
Financial assets held for trading					
Portugal					
Maturity of under 1 year	47,643	48,200	388	48,588	-
Maturity of over 1 year	1,766,751	1,591,875	31,850	1,623,725	-
Greece					
Maturity of over 1 year	176,189	35,072	1,046	36,118	-
Ireland					
Maturity of over 1 year	5,000	5,626	51	5,677	-
Germany					
Maturity of over 1 year	145,542	141,631	730	142,361	-
Supra National					
Maturity of under 1 year	12,050	12,070	97	12,167	-
Maturity of over 1 year	68,653	63,775	813	64,588	-
Financial assets available for sale					
Portugal					
Maturity of over 1 year	192,000,000	140,528,832	5,629,019	146,157,851	(1,151,733)
Spain					
Maturity of over 1 year	113,500,000	113,624,600	3,168,366	116,792,966	(576,656)
Italy					
Maturity of over 1 year	272,500,000	299,144,668	3,738,054	302,882,722	(1,214,699)
	580,221,828	**555,196,349**	**12,570,414**	**567,766,763**	**(2,943,088)**

2012					
	Nominal value	**List value**	**Accumulated interest**	**Balance Sheet value**	**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 on 31 December 2013 and 2012 is presented as follows:

	2013				**2012**			
	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	(19,361,026)	19,361,026	(10,533,307)	10,533,307	(11,848,566)	11,848,566	(5,888,328)	5,888,328
On 30 June	(14,893,613)	14,893,613	(8,347,089)	8,347,089	(10,884,360)	10,884,360	(5,635,784)	5,635,784

Asset Re-pricing Risk

Included in the non-statistical earnings at risk indicators, the re-pricing bands for the years ended on 31 December 2013 and 2012, are presented as follows:

2013

	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	14,560,069	14,560,069	-	-	-	-
Deposits in other banks	30,024,236	30,024,236	-	-	-	-
Financial assets held for trading	21,899,906	15,466,476	78,794	942,387	2,166,143	3,246,106
Financial assets available for sale	874,881,170	14,845,768	-	-	142,572,751	717,462,651
Applications in banks	35,528,414	-	35,500,661	-	27,753	-
Loans to clients	196,918,521	7,492	16,804,256	14,035,491	1,023,562	165,047,720
Total	**1,173,812,316**	**74,904,041**	**52,383,711**	**14,977,878**	**145,790,209**	**885,756,477**
Funding from Central Banks	130,314,722	-	110,017,778	-	20,296,944	-
Financial liabilities held for trading	1,357,470	-	9,797	748,641	599,032	-
Funding from other banks	143,477,797	5,825,592	7,592,879	105,035,826	25,023,500	-
Funding from clients	683,717,291	190,553,926	172,401,703	276,166,832	44,594,830	-
Hedge derivatives	7,353,336	-	-	197,921	5,681,320	1,474,095
Total	**966,220,616**	**196,379,518**	**290,022,157**	**382,149,220**	**96,195,626**	**1,474,095**
GAP (Assets - Liabilities)	**207,591,700**	**(121,475,477)**	**(237,638,446)**	**(367,171,342)**	**49,594,583**	**884,282,382**

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**

Exchange risk

In the currency exchange markets the Euro vs. Dollar and Euro vs. Yen were less volatile during 2013, compared with 2012 and 2011. This drop reflects the greater stability of the Euro zone against American and Asian markets. During 2013, the reference interest rate of the Euro was expected to move downwards, and reached historically low level of 0.25%, directly impacting on the exchange rates. In relation to the exchange rates of the Euro against the main currencies, it is worth noting the devaluation of the Euro against the Dollar during the second quarter of 2013, although in the last semester of 2013 this currency rose in value again. With regard to the Euro against the Yen the former increased in value against the latter throughout the year.

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 2013 and 2012 is presented as follows:

2013					
	Euros	**North American Dollars**	**Pound Sterling**	**Other Foreign Currencies**	**Total**
Assets by currency					
Cash and deposits in Central Banks	14,544,072	5,974	10,023	-	14,560,069
Deposits in other banks	19,777,822	8,850,686	382,128	1,013,600	30,024,236
Financial assets held for trading	19,348,847	2,336,053	150,419	64,587	21,899,906
Financial assets available for sale	860,034,196	14,846,974	-	-	874,881,170
Applications in banks	35,528,414	-	-	-	35,528,414
Loans to clients	196,918,510	11	-	-	196,918,521
Non-current assets held for sale	204,249	-	-	-	204,249
Tangible assets	16,409,219	-	-	-	16,409,219
Intangible assets	133,270	-	-	-	133,270
Investments in subsidiary and associated companies	5,398,628	-	-	-	5,398,628
Current tax assets	243,508	-	-	-	243,508
Deferred tax assets	2,067,906	-	-	-	2,067,906
Other assets	15,970,030	172,454	18,672	-	16,161,156
Total Assets	**1,186,578,671**	**26,212,152**	**561,242**	**1,078,187**	**1,214,430,252**
Liabilities by currency					
Funding from Central Banks	130,314,722	-	-	-	130,314,722
Financial liabilities held for trading	1,357,470	-	-	-	1,357,470
Funding from other banks	138,122,896	5,353,927	974	-	143,477,797
Funding from clients	665,479,935	18,125,533	20,664	91,159	683,717,291
Hedge derivatives	7,353,336	-	-	-	7,353,336
Provisions	4,701,055	-	-	-	4,701,055
Current tax liabilities	16,404,477	-	-	-	16,404,477
Other liabilities	16,108,435	2,733,268	539,604	530,197	19,911,504
Total Liabilities	**979,842,326**	**26,212,728**	**561,242**	**621,356**	**1,007,237,652**
Net assets - liabilities by currency	**206,736,345**	**(576)**	**-**	**456,831**	**207,192,600**

2012					
	Euros	**North American Dollars**	**Pound Sterling**	**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	363,544	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	20,770,985	101,566	177,501	-	21,050,052
Total assets	**994,339,978**	**29,058,899**	**840,757**	**376,116**	**1,024,615,750**
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	29,491	11,105,893
Total liabilities	**820,360,086**	**32,290,332**	**840,757**	**400,456**	**853,891,631**
Net assets - liabilities by currency	**173,979,892**	**(3,231,433)**	**-**	**(24,340)**	**170,724,119**

Derivatives Risk

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

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

Analysing the different sensitivities of the Group's trading portfolio for 2013, 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 last quarter of the year. In Fixed rate products, we opted for a long strategy in bonds. The highest values for exposure to the interest rate risk came in the third quarter of 2013 due to a greater exposure to fixed return securities (fixed rate bonds). Nevertheless, this increase in risk was generally accompanied by a strategy of interest rate risk hedging via interest rate swaps and interest rate futures.

2013				
	Rho	***Vega***	***Delta***	***Theta***
Minimum	(547,940)	(13,251)	(169,252)	(59,192)
Maximum	(69,346)	64,921	469,100	1,732
Average	(294,844)	22,638	188,093	(5,297)
Standard deviation	110,230	19,755	130,739	6,343

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

Rho *Sensitivity of the interest rate*
Vega *Sensitivity of the 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 daily report is prepared for the Senior Administration with all of the relevant indicators and positions, based on the statistical and non-statistical measures established.

Credit Risk

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

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 Group assesses its exposure both 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. Consequently the market risk functions often overlap with assessments of credit risk. In the course of the Group'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 2013 and 2012, is presented as follows:

2013

	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	3,528	53	-	-	-	-
Mining industries	-	-	3,135,758	30,633,935	-	-
Manufacturing industries	30,006	118	2,637,896	40,577,188	-	-
Electricity, gas, steam, hot and cold water and cold air	-	-	6,913,926	72,211,174	5,972,809	-
Construction	127,065	125,917	184,275	-	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	54,982	823	3,159,550	-	-	148,938
Transports and storage	401	100	1,506,847	-	-	-
Financial activity and insurance	172,504,073	-	843,411	119,442,728	-	-
Real estate	2,006,591	671	-	-	-	-
Scientific, technical consultancy and similar	1,267,446	2,475	55,291	30,478	-	-
Public administration and defence; Obligatory social security	-	-	1,006,915	568,737,386	-	-
Human health and social support	60,482	743	-	-	-	-
Mortgages	5,290,139	-	-	-	-	-
Loans to private individuals	15,470,677	56,712	28,124	-	-	-
Other	290,933	190	2,427,913	49,952,544	731,454	84,628
	197,106,323	**187,802**	**21,899,906**	**881,585,433**	**6,704,263**	**233,566**

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**

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 Group 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 Group, there is a control structure which supervises the appropriateness of the procedures, systems and human resources in order to ensure the normal development of the activity in any circumstances.

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

The Group has a project in hand to reformulate the Operational Risk Measurement and Management System, in line with the indications of the Basel Accord, and with the objective of creating the conditions necessary for the eventual implementation of advanced measurement methods given that currently the Group 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 2013 and 2012 are presented as follows:

		2013	2012
A - Equity funds			
Ordinary paid-up capital, issue premiums and treasury stock		103,074,986	100,290,638
Results and reserves formed from retained earnings		98,854,612	63,023,169
Contributions to pension funds still not entered as costs		-	(1,577,583)
Revaluation differences of other assets available for sale		-	(58,413)
Intangible assets		(133,270)	(194,425)
Equity funds to determine the Ratio Core Tier I	(A1)	201,796,328	161,483,386
Core Tier I capital	(A2)	201,796,328	161,483,386
Supplementary equity capital (Tier II)	(A3)	793,371	386,523
Eligible equity funds	(A4)	202,589,699	161,869,909
B- Equivalent-risk assets			
Calculated in accordance with Notification 5/2007 (Banking portfolio risks)		433,870,225	384,322,038
Calculated in accordance with Notification 8/2007 (Trading portfolio risks)		31,407,400	16,670,825
Calculated in accordance with Notification 9/2007 (Operating risk)		150,947,383	105,348,425
Total equivalent-risk assets	(B)	616,225,008	506,341,288
C- Prudential ratios			
Ratio Core Tier 1	(A1 / B)	32.7%	31.9%
Ratio Tier 1	(A2 / B)	32.7%	31.9%
Solvency ratio	(A4 / B)	32.9%	32.0%

The movement in Equity funds for the years ended on 31 December 2013 and 2012, is presented as follows:

	2013	2012
Opening balance	**161,869,909**	**146,510,409**
Ordinary paid-up capital, issue premiums, treasury stock and other	2,784,348	(3,607,323)
Results and reserves formed from retained earnings	35,831,443	15,054,292
Contributions to pension funds still not entered as costs	1,577,583	351,357
Revaluation differences of other assets available for sale	58,413	3,012,139
Intangible assets	61,155	340,437
Supplementary equity funds	406,848	208,598
Closing balance	**202,589,699**	**161,869,909**

Other Risks and their measurement

Reputational Risk

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

Correlation Risk

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

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

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

- Liquidity risk versus Reputation risk versus Credit risk:
  In this case, as in the previous point, the Group allows for scenarios where there is Reputation risk and Liquidity risk. In addition, we can also consider a scenario of the probability of default of the assets, as well as the impact of downgrades in their evaluation.

Liquidity risk versus Reputation risk versus Market risk:
(30% drop in the stock market and a 100 b.p. blow to the interest rate curve)
The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2013, 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: 80,112,719 Euros.
Liabilities: 63,660,111 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 stress assumptions (a drop of 30% in the stock market and a 100 b.p. blow to the interest rate curve) the Group estimates a potential loss of 27,413,488 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: 80,112,719 Euros.
Liabilities: 95,490,166 Euros.
In this scenario, it would be necessary to sell assets or request additional financing, for a total amount of 15,377,447 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (a drop of 30% in the stock market and a 100 b.p. blow to the interest rate curve), the Group would have a maximum loss of 27,413,488 Euros.

Scenario 3 – 50% of Demand Deposits and of Term Deposits are withdrawn by clients in the period of one month
Liquidity available in the period of one month: 80,112,719 Euros.
Liabilities: 341,858,646 Euros.
In this scenario, it would be necessary to sell assets or request additional financing, for a total amount of 261,745,927 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (a drop of 30% of the stock market and a 100 b.p. blow to the interest rate curve), the Group would have a maximum loss of 27,413,488 Euros.

Liquidity risk versus Reputation risk versus Credit risk:
Scenario of downgrades of debt securities:
Aaa – Aa2: the rating is maintained
Aa3 – A3: a drop of 2 nodes in the rating
Baa1 and lower ratings: a drop of 4 nodes in the rating
The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2013, the impact of which is described below:

Scenario 1 – 33% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 80,112,719 Euros.
Liabilities: 63,660,111 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 assumption of a downgrade of debt securities, the Group estimates a potential loss of 42,133,114 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: 80,112,719 Euros.
Liabilities: 95,490,166 Euros.
In this scenario, it would be necessary to sell assets or request additional financing for a total amount of 15,377,447 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on the assumption of a downgrade of the debt securities, the Group estimates a potential loss of 42,133,114 Euros.

Scenario 3 – 50% of Demand Deposits and of Term Deposits are withdrawn by clients in the period of one month
Liquidity available in the period of one month: 80,112,719 Euros.
Liabilities: 341,858,646 Euros.
In this scenario, it would be necessary to sell assets or request additional financing for a total amount of 261,745,927 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on the assumption of a downgrade of debt securities, the Group estimates a potential loss of 42,133,114 Euros.

NOTE 40
ALTERATIONS TO ACCOUNTING POLICIES

The costs with past services, arising from the introduction of the Defined Benefits Plan, 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 by mutually compatible actuarial and financial assumptions, were recognised, in accordance with the IAS 19 – Employee Benefits, as an asset and are to be imputed to results over the period of the remaining service of the employees covered by the plan, which on average is 11.5 years, on the date the plan was introduced.

As a result of the alteration to the IAS 19, the Group retrospectively recognised the whole of this asset in retained earnings, which implied the adjustments presented below.

In accordance with paragraph 29 of the IAS 8, the alteration to an accounting policy made it necessary for the Group to re-state its Financial Statements.

		31 December 2012			1 January 2012		
	Notes	Reported	Adjustments	Re-stated	Reported	Adjustments	Re-stated
Assets							
Cash and deposits in Central Banks	16	14,054,324	-	14,054,324	10,323,223	-	10,323,223
Deposits in other banks	17	19,698,790	-	19,698,790	42,026,648	-	42,026,648
Financial assets held for trading	18	17,407,697	-	17,407,697	13,336,285	-	13,336,285
Financial assets available for sale	19	700,095,270	-	700,095,270	503,683,281	-	503,683,281
Applications in banks	20	36,924,460	-	36,924,460	27,087,173	-	27,087,173
Loans to clients	21	192,674,248	-	192,674,248	159,330,790	-	159,330,790
Hedge derivatives		-	-	-	21,544	-	21,544
Non-current assets held for sale	22	-	-	-	-	-	-
Tangible assets	24	16,533,668	-	16,533,668	17,399,614	-	17,399,614
Intangible assets	25	194,425	-	194,425	534,862	-	534,862
Investments in subsidiary and associated companies	26	5,357,148	-	5,357,148	4,954,560	-	4,954,560
Current tax assets	27	-	-	-	1,740,137	-	1,740,137
Deferred tax assets	33	625,668	-	625,668	34,873,163	-	34,873,163
Other assets	28	22,627,636	(1,577,584)	21,050,052	13,672,201	(1,928,940)	11,743,261
Total assets		**1,026,193,334**	**(1,577,584)**	**1,024,615,750**	**828,983,481**	**(1,928,940)**	**827,054,541**
Liabilities							
Funding from Central Banks	29	260,247,778	-	260,247,778	238,322,892	-	238,322,892
Financial liabilities held for trading	18	1,015,994	-	1,015,994	18,591,972	-	18,591,972
Funding from other banks	30	6,480,594	-	6,480,594	48,895,643	-	48,895,643
Funding from clients	31	543,830,163	-	543,830,163	440,567,939	-	440,567,939
Hedge derivatives	23	11,610,518	-	11,610,518	5,046,890	-	5,046,890
Provisions	32	2,905,364	-	2,905,364	20,150	-	20,150
Current tax liabilities	27	16,695,327	-	16,695,327	-	-	-
Other liabilities	34	11,105,893	-	11,105,893	10,303,654	-	10,303,654
Total liabilities		**853,891,631**	**-**	**853,891,631**	**761,749,140**	**-**	**761,749,140**
Capital							
Capital	35	104,000,000	-	104,000,000	104,000,000	-	104,000,000
Issue premiums	35	1,362,281	-	1,362,281	1,362,281	-	1,362,281
Treasury stock	35	(1,171,567)	-	(1,171,567)	(1,323,065)	-	(1,323,065)
Fair value reserve	35	(1,183,677)	-	(1,183,677)	(87,279,347)	-	(87,279,347)
Other reserves and retained earnings	35	46,487,985	(1,928,940)	44,559,045	50,474,472	(1,928,940)	48,545,532
Net profit of the year		32,166,525	351,356	32,517,881		-	-
Interim dividends	35	(9,359,844)	-	(9,359,844)	-	-	-
Total capital		**172,301,703**	**(1,577,584)**	**170,724,119**	**67,234,341**	**(1,928,940)**	**65,305,401**
Total liabilities and capital		**1,026,193,334**	**(1,577,584)**	**1,024,615,750**	**828,983,481**	**(1,928,940)**	**827,054,541**

	Notes	31 December 2012		
		Reported	Adjustments	Re-stated
Interest and similar income	4	39,199,855	-	39,199,855
Interest and similar charges	4	(20,465,768)	-	(20,465,768)
Net interest income		**18,734,087**	**-**	**18,734,087**
Income from capital instruments	5	1,576,839	-	1,576,839
Income from services and commissions	6	9,844,788	-	9,844,788
Charges with services and commissions	6	(3,054,980)	-	(3,054,980)
Profit / loss of assets and liabilities at fair value through the income statement	7	11,440,959	-	11,440,959
Profit / loss of financial assets available for sale	8	36,685,156	-	36,685,156
Profit / loss of exchange revaluation	9	876,704	-	876,704
Profit / loss of sale of other assets	10	4,252,138	-	4,252,138
Other operating results	11	(28,178)	-	(28,178)
Operating income		**80,327,513**	**-**	**80,327,513**
Staff costs	12	(15,192,007)	351,356	(14,840,651)
General administrative costs	14	(6,130,922)	-	(6,130,922)
Depreciation and amortization	24 and 25	(1,314,991)	-	(1,314,991)
Provisions net of cancellations	32	(2,892,714)	-	(2,892,714)
Impairment of credit net of reversals and recoveries	21	(16,378)	-	(16,378)
Impairment of other financial assets net of reversals and recoveries	19	(5,736,787)	-	(5,736,787)
Impairment of other assets net of reversals and recoveries	22 and 28	(541,246)	-	(541,246)
Operating costs		**(31,825,045)**	**351,356**	**(31,473,689)**
Operating result		**48,502,468**	**351,356**	**48,853,824**
Results from associated companies	26	23,371	-	23,371
Pre-tax profit		**48,525,839**	**351,356**	**48,877,195**
Taxation				
Current	33	(16,385,895)	-	(16,385,895)
Deferred	33	26,581	-	26,581
Net profit of the year		**32,166,525**	**351,356**	**32,517,881**
Earnings per basic share	15	0.31		0.31
Earnings per diluted share	15	0.31		0.31

NOTE 41
RECENTLY ISSUED STANDARDS

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

In the preparation of the Financial Statements referring to 31 December 2013, the Group adopted the following accounting standards and interpretations the application of which is mandatory as of 1 January 2013:

***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 by European Commission Regulation no. 475/2012 of 5 June 2012.

As a result of IAS 19 (2011), the Group changed its accounting policy with regard to the basis of the determination of income and costs related with the defined benefit plans. Under IAS 19 (2011), the Group determines the cost (income) of the net interest of the liability (asset) per defined benefit for the period, applying the same discount rate to measure the defined benefit obligation at the start of the annual period, taking into consideration alterations to the liability (asset) as a result of the contributions and benefits paid.

Consequently, the net interest of the liability (asset) of the defined benefit plan now includes: (i) the cost of the interest of the defined benefit obligation, (ii) the income from the plan's funds and, (iii) the interest from the effect of the asset's ceiling.

Also as a result of IAS 19 (2011), the Group had to recognise the asset relating to all of the costs with past services in retained earnings retrospective, as described in Note 40 – Alterations to Accounting Policies.

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

On 16 June 2011, the IASB issued alterations to IAS 1 – Presentation of the 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 no. 475/2012, of 5 June.

As a result of the alteration to IAS 1, the Group modified the presentation of items of Other Comprehensive Income (OCI) in the Comprehensive Income Statement, so as to present the items which will be reclassified in the future to results of the period separately from those which will not be reclassified. Comparative information was represented on the same basis.

IFRS 7 (Revised) – Financial instruments: Disclosures – Offsetting assets and financial liabilities

On 16 December 2011, the IASB issued alterations to IFRS 7 – Financial instruments: Disclosures – Offsetting 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 December.

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

Improvements to the IFRS (2009-2011)

The annual improvements of the period 2009-2011, issued by the IASB on 17 May 2012 and adopted by European Commission Regulation no. 301/2013, of 27 of March, introduced alterations, with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2013 to the standards IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34 and IFRIC 2.

IAS 1 Presentation of Financial Statements

The improvements clarify the difference between additional voluntary comparative information and the minimum required comparative information. In general, the minimum required comparative information that of the previous period.

IAS 16 Tangible Fixed Assets

IAS 16 was revised in order to clarify the concept of service equipment that might meet the definition of tangible fixed assets and which will not, therefore, be accounted in inventories.

IAS 32 Financial instruments and IFRIC 2

These standards were adjusted in order to clarify that taxes related with the distribution of dividends to shareholders follow the treatment set out in IAS 12 – Taxes 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 adoption of these alterations had no 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.

In accordance with the transitory provisions of IFRS 13, the Group adopted the new definition of fair value, prospectively. The alterations had no significant impact on the measurement of the Group's assets and liabilities.

IFRIC 20 – Stripping costs in the production phase of a surface mine

On 19 October 2011, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 20 – Stripping costs in the production phase of a surface mine, with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2013. This Interpretation was adopted by European Commission Regulation no. 1255/2012, of 11 December.

Given the nature of the Group's operations, this interpretation had no impact on the Financial Statements.

41.2. Accounting standards and interpretations recently issued but not yet adopted by the Group

Accounting standards and interpretations which were recently issued but which have not yet come into force and which the Group has not yet applied in the elaboration of its Financial Statements, may be analysed as follows. The Group will adopt these standards when their application becomes mandatory.

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 Group does not expect there to be any significant impact from the adoption of these alterations, taking into account that the accounting policy adopted is in line with the guideline issued.

IAS 27 (Revised) – Separate Financial Statements

On 12 May 2011, the IASB issued alterations to IAS 27 – Separate Financial Statements, with an effective date of application (prospective) for periods that begin on, or after, 1 January 2014. These alterations were adopted by European Commission Regulation no. 1254/2012, of 11 December.

Bearing in mind that IFRS 10 addresses the principles of control and establishes the requisites relating to the preparation of Consolidated Financial Statements, IAS 27 (revised) exclusively regulates separate accounts.

The alterations aim, on the one hand, to clarify the disclosures required by an entity that prepares Separate Financial Statements, now requiring disclosure of the main location (and country of the registered office), where the most significant activities of the subsidiary companies, associated companies and joint ventures are carried out and, if applicable, of the parent company.

The previous version only required disclosure of the country of the registered office or residence of these entities.

On the other hand, the date of coming into force was brought into line and all the standards regarding consolidation were required to be adopted at the same time (IFRS 10, IFRS 11, IFRS 12, IFRS 13 and alterations to IAS 28).

The Group does not expect the application of this alteration to have any significant impact on its Financial Statements.

IFRS 10 – Consolidated Financial Statements

On 12 May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements, with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2013. This standard was adopted by European Commission Regulation no. 1254/2012, of 11 December and allowed this to be imperatively applicable after 1 January 2014.

IFRS 10 revokes part of IAS 27 and SIC 12 and introduces a single model of control that determines whether an investment should be consolidated.

The new concept of control involves an assessment of the exposure to the variability in the return and the connection between them both. An investor controls an investee when he is exposed (or has rights) to the variability in the return from his involvement with the investee and can take possession of these returns through the power held over the investee (*de facto* control).

The investor considers to what degree he controls the main activities of the investee, taking into consideration the new concept of control. The assessment should be made in each reporting period as the relationship between power and exposure to the variability in the returns may alter over time.

Control is usually assessed over a legal entity, but may also be assessed over specific assets and liabilities of an investee (called "silos").

The new standard introduces other alterations such as: (i) the requirements for subsidiary companies within the scope of the Consolidated Financial Statements are transferred from IAS 27 to this standard and, (ii) the required disclosures are increased, including specific disclosures on structured entities, whether consolidated or not.

The Group is assessing the impact of the introduction of this alteration although it does not expect that its impact will be significant.

IFRS 11 – Joint arrangements

On 12 May 2011, the IASB issued IFRS 11 – Joint Arrangements, with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2013. This standard was adopted by European Commission Regulation no. 1254/2012, of 11 December and allowed this to be imperatively applicable after 1 January 2014.

This new standard, which revokes IAS 31 and SIC 13, defines "joint control", introducing the model of control defined in IFRS 10 and requires that an entity which is party to a "joint arrangement" to determine the type of joint arrangement in which it is involved ("joint operation" or "joint venture"), assessing its rights and obligations.

IFRS 11 eliminates the option of proportional consolidation for jointly controlled entities. Jointly controlled entities which satisfy the criterion of "joint venture" should be accounted using the equity pick-up method (IAS 28).

The Group does not expect the application of this alteration to have any significant impact on its Financial Statements.

IAS 28 (Revised) – Investments in Associated Companies and Joint Ventures

On 12 May 2011, the IASB issued alterations to IAS 28 – Investments in Associated Companies and Joint Ventures, with an effective date of application (prospective) for periods that begin on, or after, 1 January 2013. These alterations were adopted by European Commission Regulation no. 1254/2012, of 11 December, and allowed this to be imperatively applicable after 1 January 2014.

As a consequence of the new IFRS 11 and IFRS 12, the IAS 28 was revised and was called IAS 28 – Investments in Associated Companies and Joint Ventures and regulates the application of the equity pick-up method applicable, both for joint ventures and for associated companies.

The Group does not expect the application of this alteration to have any significant impact on its Financial Statements.

IFRS 12 – Disclosure of participations in other entities

On 12 May 2011, the IASB issued IFRS 12 – Disclosures of Participations in Other Entities, with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2013. This standard was adopted by European Commission Regulation no. 1254/2012, of 11 December, and allowed this to be imperatively applicable after 1 January 2014.

The aim of the new standard is to require an entity to disclose information that would help users of the Financial Statements to assess: (i) the nature of and the risks associated to investments in other entities and, (ii) the effects of these investments on the financial position, performance and cash flow.

IFRS 12 includes obligations of disclosure for all forms of investment in other entities, including joint arrangements, associated companies, special vehicles and other vehicles that are not included in the balance sheet.

The Group is still analysing the impact of the full application of IFRS 12 in line with the adoption of IFRS 10 and IFRS 11.

Investment Entities – Alterations to IFRS 10, IFRS 12 and IAS 27 (issued on 31 October 2012)

The alterations may apply to a particular class of business which is qualified as "investment entities". The IASB defines the term of "investment entity" as an entity whose business purpose is to invest funds with the objective of obtaining returns from capital appreciation, investment income or both. An investment entity should also assess its performance in the investment based on fair value. These entities may include private equity organizations, risk capital or development capital organizations, pension funds, health funds and other investment funds.

The alterations eliminate the duty of consolidation allowed for in IFRS 10, requiring that these entities measure the subsidiary companies in question at fair value through the income statement instead of consolidating them. The alterations also define a number of disclosures applicable to these investment entities.

The alterations apply to the years that start on, or after, 1 January 2014, with early voluntary adoption. This option means that investment entities may apply the new alterations when IFRS 10 came into force on 1 January 2013. This standard was adopted by European Commission Regulation no. 1374/2013, of 20 November.

The Group is still analysing the impacts of the application of this alteration.

IAS 36 (Revised) – Impairment of Assets: Disclosure of the Recoverable Amount of Non-Financial Assets

On 29 May 2013, the IASB issued this alteration with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2014. This alteration was adopted by European Commission Regulation no. 1374/2013, of 19 December.

The aim of the alterations was to clarify the scope of the disclosures of information over the recoverable value of the assets, when this amount is based on the fair value net of the sales costs, being limited to assets with impairment.

IAS 39 (Revised) – Financial instruments: Novation of Derivatives and Continuation of Hedge Accounting

The IASB issued this on 27 June 2013, with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2014. This alteration was adopted by European Commission Regulation no. 1375/2013, of 19 December.

The aim of these alterations was to make the accounting requirements of a hedging derivative more flexible, in which there is a need to alter the clearing counterparty following alterations to laws or regulations. This flexibility means that hedge accounting continues regardless of the alteration of the clearing counterparty ("novation") which, without this alteration to the standard, would no longer be permitted.

Standards, alterations and interpretations issued but not yet not adopted by the Group

IAS 19 (Revised) – Defined benefit plans: Contribution of the employees

On 21 November 2013, the IASB issued this, with an effective date of application (retrospective) for periods that begin on, or after, 1 July 2014.

This alteration clarifies the guideline when dealing with contributions made by employees or by third party entities, connected to the services requiring the entity to attribute these contributions in conformity with paragraph 70 of IAS 19 (2011). These contributions are therefore, attributed using the plan's contribution formula or linearly.

The alteration simplifies the matter introducing a simple way to allow an entity to recognise contributions made by employees or by third party entities, connected to the service which are independent of the number of years of service (for example, a percentage of salary), as a reduction in the cost of the services in the period in which the service is provided.

IFRIC 21 – Rates

On 20 May 2013, the IASB issued this interpretation with an effective date of application (retrospective) for periods that begin on, or after, 1 January 2014.

This new interpretation defines rates (levy) as being a payment of an entity imposed by the government in accordance with legislation. It confirms that an entity recognises a liability for the rate when – and only when – the specific event which triggers it, in accordance with legislation, occurs. IFRIC 21 is not expected to have an impact on the Group's Financial Statements.

Improvements to IFRS (2010-2012)

The annual improvements of the period 2009-2011, issued by the IASB on 12 December 2013 introduce alterations, with an effective date of application for periods that begin on, or after, 1 July 2014 to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

IFRS 2 – Definition of vesting conditions
The alteration clarifies the definition of the vesting conditions contained in Annex A of IFRS 2 – Share-based Payments, separating the definition of "performance condition" and "condition of service" of the condition of acquisition, giving a clearer description of each of the conditions.

IFRS 3 – Accounting of a contingent consideration within the scope of a concentration of business activities
The alteration aims to clarify certain aspects of the accounting of the contingent consideration within the scope of a concentration of business activities, namely the classification of the contingent consideration, taking into account if this contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – Aggregation of operating segments and reconciliation between all of the assets of the reportable segments and the assets of the company
The alteration clarifies the criterion of aggregation and requires an entity to disclose the factors used to identify the reportable segments, when the operating segment has been aggregated. In order to achieve internal consistency, a reconciliation of all of the assets of the reportable segments for all of the assets of an entity should be disclosed, if these amounts were regularly provided to the operational decision-maker.

IFRS 13 – Short-term receivables and payables
The IASB altered the bases of conclusion in order to clarify that, by eliminating AG 79 from IAS 39 it did not intend to eliminate the need to determine the actual value of an account receivable or payable in the short term, the invoice of which was issued without interest, even if the effect is immaterial. It should be pointed out that paragraph 8 of IAS 8 now allows an entity not to apply accounting policies defined in the IFRS if their impact is immaterial.

IAS 16 and IAS 40 – Valuation Model – proportional reformulation of accumulated depreciation or amortization
In order to clarify the calculation of accumulated depreciation or amortization, on the reassessment date, the IASB altered paragraph 35 of IAS 16 and paragraph 80 of IAS 38 in order to: (i) determine that accumulated depreciation (or amortization) does not depend on the selection of the valuation technique and, (ii) accumulated depreciation (or amortization) is calculated by the difference between the gross and net book values.

IAS 24 – Related Party Transactions – services of key management personnel
In order to resolve concern over the identification of the costs of the service of key management personnel (KMP), when these services are provided by an entity (management entity as for example in investment funds), the IASB clarified that the disclosures of the amounts incurred by KMP provided by a separate management entity should be disclosed, but it is not necessary to present the breakdown described in paragraph 17.

Improvements to IFRS (2011-2013)

The annual improvements of the period 2009-2011, issued by the IASB on 12 December 2013, introduced alterations, with an effective date of application for periods that begin on, or after, 1 July 2014 to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40.

IFRS 1 – Concept of effective IFRS
The IASB clarified that the new IFRS were still not mandatory but could be applied beforehand and the IFRS 1 allows, but does not require that they be applied in the first Financial Statements reported using the IFRS.

IFRS 3 – Exceptions to the scope of application for joint ventures
The alterations exclude from the scope of the application of IFRS 3, the formation of all types of joint arrangements, as defined in IFRS 11. This exception to the scope of application only applies to the financial statements of joint ventures or to the joint ventures themselves.

IFRS 13 – Scope of paragraph 52 – exception of portfolios
Paragraph 52 of IFRS 13 includes an exception to measure the fair value of groups of assets or liabilities on a net basis. The aim of this alteration is to clarify that the exception of portfolios applies to all the contracts covered by IAS 39 or IFRS 9, regardless of whether they fulfil the definitions of financial asset or financial liability contemplated in IAS 32.

IAS 40 – Inter-relationship with IFRS 3 when properties are classified as investment properties or buildings for own use
The aim of the alteration is to clarify the need of a judgement to decide if an acquisition of investment properties corresponds to the acquisition of an asset, of a group of assets or of a concentration of an operational activity covered by IFRS 3.

IFRS 9 – Financial instruments (issued in 2009 and revised in 2010 and 2013)

IFRS 9 (2009) introduced new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduced additional requirements related with financial liabilities. IFRS 9 (2013) introduced the methodology used for hedging. The IASB currently has a project in hand to make limited alterations to the classification and measurement set out in IFRS 9 and new requirements to deal with the impairment of financial assets.

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 (2013) introduced new requirements for hedge accounting which brings this closer into line with risk management. The requirements also improved the approach of hedge accounting principles, resolving some of the weak points in the hedging model in IAS 39.

The date on which IFRS 9 becomes effective is still not established, but it will be determined when the stages in hand are finalised.

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

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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
Paulo José Caramelo de Figueiredo
Ricardo Dias Carneiro e Gomes de Pinho

Fiscal Board

José Fernando Catarino Galamba de Oliveira
Pedro Rogério Barata de Ouro Lameira
Diogo Pereira Duarte

Effective Portuguese Statutory Auditor

KPMG & Associados, SROC, S.A., represented by
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