BIG

ANNUAL REPORT

2016

T.1 (Euro)

Consolidated (Audited)	2016	2015	2014	2013
Net Interest Margin	25,213,609	23,733,313	25,138,497	25,747,469
Net Commissions and Fees	7,661,022	12,702,261	11,442,574	6,533,123
Treasury and Capital Markets	44,308,971	112,762,645	132,807,026	93,041,699
Other Income	-1,491,357	-491,846	-13,260	-300,079
Operating Income	**75,692,245**	**148,706,373**	**169,374,837**	**125,022,212**
Personnel Expenses	-18,580,524	-23,363,479	-24,124,063	-22,356,754
Other Administrative Costs	-7,658,552	-12,261,590	-9,276,997	-7,689,711
Operating Expenses	**-26,239,076**	**-35,625,069**	**-33,401,060**	**-30,046,465**
Operating Cash Flow	**49,453,169**	**113,081,304**	**135,973,777**	**94,975,747**
Amortizations	-1,575,628	-1,291,237	-1,028,013	-1,134,697
Provisions	10,883,496	-2,764,774	-10,255,955	-1,871,061
Imparities	-318,071	-1,423,987	-209,465	-194,946
Operating Results	**58,442,966**	**107,601,306**	**124,480,344**	**91,775,043**
Results of Subsidiaries	0	0	175,774	163,306
Profit Before Income Tax	**58,442,966**	**107,601,306**	**124,656,118**	**91,938,349**
Current Income Tax	-14,804,968	-32,507,084	-41,849,894	-33,218,522
Deferred Tax	74,339	-585,043	-277,027	-92,067
Net Income	**43,712,337**	**74,509,179**	**82,529,197**	**58,627,760**

Individual	2016	2015	2014	2013
Net Income	**43,429,149**	**74,854,898**	**82,340,760**	**58,459,256**

Selected Indicators	2016	2015	2014	2013
Total Net Assets	1,759,030,349	1,542,063,419	1,444,516,643	1,214,430,252
Shareholder Funds	265,611,138	276,364,401	261,369,251	207,192,600
Own Funds	290,951,338	312,743,080	261,299,611	202,589,699
Client Deposits	1,049,049,853	885,485,867	804,736,461	683,717,291
Non-Performing Loans / Total Loans	0.0%	0.1%	0.1%	0.1%
Loans / Client Deposits	41.7%	42.6%	16.9%	28.8%
Loans / Total Net Assets	24.9%	24.4%	9.4%	16.2%
Assets Under Supervision *	2,841,439,509	2,810,927,292	2,546,898,558	2,159,665,428

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

Profitability	2016	2015	2014	2013
Return on Average Assets (ROA)	2.6%	5.0%	6.2%	5.2%
Return on Average Equity (ROE)	16.1%	27.7%	35.2%	31.0%
Operating Income / Average Net Assets	4.6%	10.0%	12.7%	11.2%

Solvency	2016	2015	2014	2013
TIER 1 Capital Ratio	31.6%	33.2%	35.1%	32.7%
Total Capital Ratio	31.6%	33.2%	35.1%	32.9%

Efficiency	2016	2015	2014	2013
Net Interest Income / Earning Assets	1.5%	1.6%	1.8%	2.2%
Operating Expense / Operating Income	36.7%	24.8%	20.3%	24.9%
Personnel Expense / Operating Income	24.5%	15.7%	14.2%	17.9%

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MANAGEMENT DISCUSSION

INTRODUCTION

The Bank

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

The Bank was founded by a group of private shareholders and an experienced management team, and began operations on March 1, 1999. The capital is dispersed, fairly stable, and privately held by a number of mainly Portuguese individual and institutional investors (see *Shareholder Base* in this section and Note 34). The Bank's core activity is transparent and focused, with the emphasis on savings, investment and advisory activities directed toward both individual and corporate/institutional client segments. We concentrate *commercially* on client acquisition, deposit growth, and asset management. *Operationally* we focus on asset quality, liquidity and interest rate risk management, internal operating controls, reliable execution, capital preservation and the control of business risks in order to provide acceptable returns to our shareholders. Above all, we seek to ensure a pattern of secure, sustainable growth into the future, and to remain a safe harbor for the assets and savings of our clients.

To this end, the Bank's solvency and other operating ratios are exceptionally strong, and have remained so on a consistent basis. Since the Bank's founding in 1998 and, since its last capital call on Shareholders in 2001, BiG has relied on internally-generated and largely-retained earnings to finance its growth – after paying regular dividends – and to expand and improve on its business model, often during turbulent periods of unusual market stress. Contrary to the majority of the banking sector in Portugal, we have never requested, nor required assistance, capital or guarantees from any outside or official source since the Bank's inception.

BiG's business model is supported by technology-driven, scalable processes and an operating culture that seeks to limit operational errors or credit losses to absolute minimums. We favor quality over size or market share across our business lines, and have never sought to follow or to replicate traditional or universal banking models.

We are independent of any banking, specific shareholder or special interest groups. This financial independence brings with it the freedom to think and innovate, but also the responsibility to exercise a high degree of financial discipline. It also requires demanding risk management and a strong reliance on many years of experience in financial markets, and a healthy respect for the risk/reward nature of our business.

What we do

Broadly speaking, we combine the experience of our people, our capital and our ideas to help clients, shareholders and the stakeholders we serve, to preserve and to grow their financial assets. Specifically, we:

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

Execute transactions in regulated markets or OTC (Over the Counter), depending on financial needs or risk-appetites of our clients;

Invest in mainly liquid, high-quality assets, which helps to finance companies and economies, and advise our clients on how to invest according to their profile and understanding of the markets;

Manage our Balance Sheet, our exposure to risk and, under specific arrangements, the assets of our clients;

Preserve our reputation and the integrity of our business;

Grow our capital, along with the savings and assets of our clients, in a secure and reliably-controlled operating environment;

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

For 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 finance. The Bank's treasury and capital markets area concentrates on liquidity and balance sheet management. This area is also central to our culture of managing market-related and credit risks.

In addition to offering traditional banking services, key activities include the Bank's platforms for facilitating savings, trading and investment, which are offered to a number of targeted client segments. The objectives are to facilitate access by savers and investors to banking services and wide range of financial solutions, with advice, assistance, and appropriate levels of information, or on an execution-only basis, along with access to a number of major regulated markets and over the counter investment products.

The Bank generates essentially all of its revenues in Portugal. The asset side of the Balance Sheet, as a rule, reflects geographic and sectorial diversity, which may vary over time, depending on market conditions and business opportunities. It also reflects our policy on maintaining exceptional levels of liquidity. The liability side of the Balance Sheet focuses on stable, retail deposits and capital growth. The Bank interacts with clients through a number of integrated channels. Retail clients are served by the online investment platform, www.big.pt, and financial advisors located in 18 offices in key central and regional locations. Corporate and Institutional clients are the focus of sales and product teams based mainly in Lisbon and Porto.

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

Where we Operate

BiG is based in Lisbon and operates 18 retail advisory offices throughout Portugal. We also have a small wholesale banking unit in Mozambique, which began activity in 2016.

Our main Business Lines

Specialized Retail

BiG serves individual client with varying needs and expectations with an integrated multi-channel approach, backed by a proprietary banking and trading platform plus a network of sales offices in the country's key geographic markets. The combination of internet-based platforms, specialized wealth management teams and retail financial advisors help clients execute banking transactions, manage their savings and invest through a number 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.

Institutional and Corporate Clients

For institutional investors and middle market to large corporations, the Bank's professionals from key product areas design specific financial solutions, execute trading and investment strategies and help clients to manage their assets and business risks. Divided into Institutional Weath Manange teams in Lisbon and Porto, and a separate Corporate Finance team in Lisbon, the broad range of services we offer includes trading in regulated markets, structuring over the counter products, asset management, market risk management and corporate finance advisory services.

Treasury and Capital Markets

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

How we are Regulated

The Bank's activities in Portugal are regulated by three entities:

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

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

Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF –Insurance and Pension Funds Supervisory Authority): registered as a tied insurance intermediary. www.asf.com.pt.

The Bank's activity in Mozambique is regulated by the Bank of Mozambique:

Banco de Mozambique registry of 16 January 2016.

Bolsa de Valores de Moçambique (BVM – Securities Market Regulator): date of authorization 14 December 2015.

Because of its size, at the European level, BiG is considered a "Less Systemically Important" institution and is supervised directly by the Bank of Portugal. The European Central Bank, of which the Portuguese Central Bank is a part, directly supervises "Systemically Important" institutions. In Portugal there are four such institutions. At the same time, the Bank is subject to the same supervisory "single rulebook" as all other banks under European Banking Authority (EBA) guidelines. The aim of the Supervisory Review and Evaluation Process (SREP) under the Pillar 2 process is to enhance the link between a bank's risk profile, its risk management systems, and capital planning. These involve an assessment of the Bank's underlying business model and regular review of processes discussed throughout this Management Report and Notes to the Consolidated Financial Statements. This is an intensive and evolving process. It includes guidelines on certain types of stress testing, internal evaluations on capital adequacy (ICAAP) and liquidity (ILAAP), as well policies on concentration and diversification and policies on the recognition, and categorization of credit risks, to ensure a gradual convergence of the processes by which credit institutions are evaluated throughout Europe. By year end, the Bank of Portugal had completed its SREP on BiG, concluding that the Bank is a moderate to low risk institution. Further details may be found in the following section on *Significant Regulatory Processes*.

Summary of 2016 Results

The Bank generated consolidated net income of €43.7 million for 2016*, compared with €74.5 million for 2015, and €82.5 million for 2014.*

Earnings per share (EPS) were €0.28 for 2016, *as compared with €0.56 per share for 2015, and €0.79 per share in 2014 (prior to a stock split, which increased common stock to 156 million shares, from 104 million shares via incorporation of reserves).*

Return on Average Equity (ROE) for 2016 was 16.1%, *as compared with 27.7.2% in 2015 and 35.2% in 2014. (Three-year average: 26.3%).*

The Book Value (BV) of BiG's common stock stood at €1.70 at 31/12/16, *versus € 1.77 for 2015, and € 2.51 per share in 2014 (pre-stock split);*

BiG's Core Tier 1 ratio at 31/12/16 was 31.6% ("phasing-in"), *33.2% at year-end 2015 and 35.1% at year-end 2014, (Three-year average: 33.3%).*

The Bank's Net Operating Revenues for 2016 were €75.7 million, *€148.7 million for 2015 and €169.4 record in 2014;*

The results reflect a number of factors, which include Management's decision to contain the size of the Balance Sheet, particularly during the second half of 2016. The objective - in an unusual environment of slow economic growth, abundant liquidity, economic and political uncertainty, and dwindling opportunities to acquire assets at appropriate levels of return – was to preserve capital and maintain discipline with respect to market and credit risks.

An overview of key income statement and balance sheet items is provided below. More detailed analysis of financial indicators and results of business segments may be found in *RESULTS OF OPERATIONS,* and in the *NOTES TO THE CONSOLIDATED ACCOUNTS.*

For 2016, as in prior years, substantially all of the Bank's revenues were generated in Portugal. Activity on the asset side of Balance Sheet focused on high quality, liquid securities in the available for sale portfolio. As the Bank's strategy is not lending-intensive, the the balance sheet contains a relatively low level of loans, which are generally illiquid. Credit risks and concentrations are managed actively in the light of overall market conditions and investor sentiment with respect to interest rates.

Our analyses of credit concentrations and earnings opportunities consider, above all, Management's expectations with respect to trends in credit quality, interest rates, and market liquidity and how these issues may be influenced by political, economic and regulatory movements. Because of the non-investment grade nature of most of the available, possible credit concentrations in Portugal, on average during 2016 – and for several years now - approximately 50% of the Bank's exposure involved country risk exposures other than Portugal, including other European and U.S. country risk exposure. For much of the year, political events in Portugal, along with macro events in Europe and globally, influenced the Bank's key financial indicators. Events such as Brexit, the U.S. general elections, and to a lesser extent, referendums and elections completed or anticipated in other European countries, weighed on markets.

To a large extent, a volatile combination of factors - persistently high levels of debt worldwide, ECB policies of monetary easing in major blocs, rising rates in the U.S. and a strengthening dollar, slow growth in Europe, the rising price of oil, and geo-political risks - contributed to stagnation or uncertainty across many asset classes. This resulted in continued levels of market uncertainty in 2016. In this environment, Management believes that the Bank's business model performed reasonably well, albeit with lower levels of profitability when compared to 2015 and 2014, and that the mix of businesses we manage continues to show resilience and fundamental soundness. The Bank's performance in 2016 was a result of our ability to manage the effects of a combination of factors, which affect our business in one way or another:

Financial Metrics

- Slower growth in the average level of quality, liquid earning assets, amid higher risks, lower yields and fewer quality investment opportunities;
- Falling asset prices, and historically low interest rates globally;
- Lower costs of funding and generally acceptable market liquidity;
- Growth in volumes of savings and investment instruments, but declining interest in market risk appetite by clients;
- Overall, sound credit quality and internal controls and the continued, effective absence of credit-related losses.

Strategic factors:

- The negative operating environment, which included structural weakness in the Portuguese banking sector and significant increase in regulation;

T.2 (Euro 000)

Resumo dos Resultados	2016	2015	2014	2013
Total Net Revenue	75,692	148,706	169,375	125,022
Non Interest Expense	-17,249	-41,105	-44,894	-33,247
Taxes	-14,731	-33,092	-42,127	-33,311
Net Income	43,712	74,509	82,529	58,628
Shareholders Funds	265,611	276,364	261,369	207,193
Own Funds	290,951	312,743	261,300	202,590
Total Net Assets	1,759,030	1,542,063	1,444,517	1,214,430
Loans	437,485	376,820	136,162	196,919
Deposits	1,049,050	885,486	804,736	683,717
TIER 1 Capital Ratio	31.6%	33.2%	35.1%	32.7%
Total Capital Ratio	31.6%	33.2%	35.1%	32.9%

- The growing responsibility of the banking sector toward the Portuguese Resolution Fund, the vehicle used to "resolve" the former Banco Espirito Santo (now Novo Banco);

- Focus by Management on financial discipline, accounting transparency, and low gearing of the balance sheet;

- Unchanged structural view by Management on maintaining asset quality, high levels of liquidity and capital, controls over risks and overall operational efficiency, regardless of market conditions or economic trends;

Key Income Statement Items

Net Operating Revenues for 2016 declined by 49% to €75.7 million, as the combination of low savings rates, rising bond yields in southern Europe and effect of surprising political results in Europe and the U.S. led to lower client trading and investment activity, and a deliberate reduction in levels of risk assumed by the Bank, particularly during the second half of the year. Global and domestic political and macro issues – among which Brexit, the U.S elections and the effect that Portugal's left-supported minority government has had on business confidence – encouraged Management generally to moderate investment and exposure to interest rates and credit risk as the year progressed. Net interest was the only component of Operating Income which increased, year on year, because of stable funding costs and a longer holding period for assets available for sale. Non-interest-related income, which is the core of the Bank's business, saw a decline in both in gains from Treasury and Investing activities. Overall costs declined by 12.4%, excluding provisions, and by 50%, including the effect of a partial reversal of provisions made in 2015 associated with expected liabilities toward the Resolution Fund. Year on year, primary operating expenses – salary, administrative and amortization costs – dropped 24.6%, because of significant cuts in the first two categories and a small rise in the latter. Taxes declined 55% on lower pre-tax income. This category included the maintenance of special taxes levied on the banking sector in Portugal.

Net interest margin. This category rose 6% to €25.2 million, as compared with €23.7 million for 2015 because of a higher level of earning assets, combined with relatively stable funding costs. While the Bank's deposit base rose 18.5% year on year to over €1 billion, overall funding costs were moderated by the fact that the Bank's cost of short term funding with international counterparties, exclusively associated with repurchase agreements involving liquid fixed income securities, was often contracted at negative rates of interest. Given the overall profile of funding and liquidity, the Bank had not used ECB funding facilities, in spite of large amounts of securities eligible for repo, for most of the second half of the year, and has maintained effectively no exposure to the central bank for several months.

Commissions. Net commissions from brokerage, retail services, asset management and advisory activities declined 39% to €.7.7 million, from € 12.7 million for the prior year. Excluding the effect of non-recurring transactions in 2015, which were not repeated in 2016, commissions from retail and institutional brokerage, as well as corporate advisory declined, while revenues from asset management, and banking services rose, on gradual growth in retail client business. In general during 2016, there was a pronounced trend toward risk aversion among savers and a significant lack of interest in investment across the board, in an economy that has generally moves sideways for the past year and a half. Management is not optimistic that the trend will reverse in 2017.

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, as well as income from other investments in other credit products, declined 62%, net of hedging related costs, and contributed € 44.0 million to total net operating revenues in 2016. This figured compared to € 111.4 million in 2015, and 132.8 million in 2014. The majority of revenues in this category were realized gains associated with a diversified portfolio of fixed income securities involving liquid asset classes and a diversified profile of country risks. In managing the credit and securities portfolios in what has been 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 core priorities, Management expects this trend to continue. Results in 2016 reflect overall a rise in yields in the economies where the Bank invests, and as a result, declines, or mixed results in fixed income in a low-growth economic environment.

Operating Expenses. For 2016, total expenses, including provisions but excluding taxation, declined by 57%, or approximately in line with a drop in *Net Operating Revenues*. Management seeks, at all times, to build as much flexibility as possible into the expense base in order to ensure a certain level of correlation with anticipated rises or falls in revenues in a given year. This is managed within reasonable bounds for a growing institution, and considers the need to continue investing, as well as the relative inflexibility, or unpredictability of legislation and regulation.

Compensation expenses were 20.5% lower in 2016, in year when the complement of staff grew by 8%. General Administrative Costs dropped 37.5% to €7.7 million, as part of a deliberate plan to contain costs, and when compared to 2015, as the Bank invested on re-branding its image to avoid confusion with a competitor. Year-on-year, amortizations rose by 22% to €1.6 million, in line with growth in staff, and ongoing investments in hardware and software. Of the various expense categories, Compensation always represents the highest single category of expenses in BiG's specialized investment banking model, and includes variable, performance related pay, which was sharply reduced in 2016. As *a percentage of Operating Revenues, compensation expense was 24.5% in 2016. This component rose when compared to the prior two years, in which revenues were higher: 15.7% in 2015*, and 14.2% of the total in 2014. Overall, operating expenses/operating income rose to 36.7% in 2016, from 24.8% in 2015 and a record low of 20.3% in 2014. Also known as the Bank's "efficiency ratio," the relationship measures how the Bank uses its cost base to produce operating revenues. Meanwhile, Net Provisions declined from a cost of € 2.8 million to a positive € 10.9 million, on reversal of general provisions for risks.

Pre-tax income and taxation. Pre-tax income for 2016 was €58.4 million, as compared to €107.6 million in 2015, and €124.7 million in 2014. Current and deferred taxes for 2016 were €14.7 million, as compared with € 33.1 million in 2015 and €42.1 million 2014 and €33.3 million in 2013. While the tax bill declined on lower taxable revenue for the year, the total of more than € 140 million in direct corporate taxation for the period 2011-20165, made BiG one of the highest corporate taxpayers for its size among financial institutions in Portugal. For 2016, taxation represented 25.2% of pre-tax income, which compared to 30.8% in 2015 and 33.8% effective rate applied in 2014.

Key Balance Sheet Items

Total Net Assets at 31 December 2016 were €1.76 billion, a 14% rise when compared to €1.5 billion at the prior-year end. The Bank's main earning assets, which are managed in order to maximize liquidity and control concentrations of risks, represented, for the most part, a diversified available for sale portfolio (AFS), comprising mainly liquid, fixed income securities. This portfolio stood at about € 1.083 million, or slightly above the prior year figure of € 1.001 million. Loans to clients rose to €437.5 million, when compared to € 376.8 million at year-end 2015, because of higher volumes of residential mortgage backed securities (RMBS), classified as credit to clients. As a percentage of Net Assets, Loans represented 24.9% of the total as compared to 24.4% at year-end 2015 and 9.4% at the end of 2014. The percentage of loans/client deposits at 31/21/16: 41.7%, or unchanged from the 42.6% on the prior year end, continues to be an indicator of the Bank's high levels of structural liquidity. Excluding asset backed securities classified as loans in accordance with IAS 39, client loans as a percentage of client deposits were less than 3%, unchanged from 31/12/15, 2.5% at 31/12/14, 3.7% at 31/12/13, and 4.5% at 31/12/12. This reflects the strategic lack of emphasis on commercial and consumer-related lending in the Bank's business model, and what we believe to be in an already over-indebted economy. The ratio of non-performing loans/Total Loans was 0.03% at 31/12/16, or lower than the negligible levels recorded in prior years.

The Bank's main sources of funding are, in this order: (i) retail client deposits, (ii) shareholders' funds, (iii) sales/repurchase agreements executed with market counterparties, among which are global financial institutions, and (iv) occasional sale/repurchase transactions with the ECB (under LTRO facilities) and, to a greater extent, EUREX Repo platform for generally shorter tenors. The Bank does not issue long-term debt, and considering the Bank's business model and structurally low leverage, there has been no need to do so. Deposits taken from the ECB were zero at year end, generally substituted with a higher level of deposits and greater use of repo facilities with global counterparties. Common equity remained at €156 million, (156 million shares issued, with a nominal value of one euro each). The Bank issued € 12 million in redeemable preferred stock, which corresponds to the stock-related portion of variable income to key staff, as part of the Bank's personnel policy and in accordance with regulations governing compensation packages for Management and other staff. The preferred stock will be redeemed 3 years from issuance at par. Shareholder funds declined slightly to € 265.6 million, from €276.3 million at 31/12/15, mainly because of effect of the fluctuation in revaluation reserves offset the increase in retained earnings for 2016, net of dividends paid. Consolidated Regulatory Capital ("own funds") on a consolidated basis at year-end 201 was € 291 million.

Business Environment in 2016

Overview

A number of events influenced the business environment during 2016. The general uncertainty created by unexpected results weighed negatively on markets at different points, but particularly during the second half of the year. This translated into slow or stagnating economic growth, depending on the country, and generally lower confidence.

Key events internationally, which influenced business expectations, included: "Brexit," the long and brutal general elections in the USA, which led to the election of Donald Trump as President, a referendum in Italy, the Middle Eastern/Northern African refugees crisis, the effect of rising interest rates in the U.S. versus continued bearishness of the European Central Bank in Europe, cyclical uncertainty about the Euro, and the rise of populist politics in a number of countries, to name a few.

At home, the country seems unusually comfortable with a minority Government supported by the left. During 2016, this featured a focus on meeting EU objectives for the current account deficit, which declined despite an increase in spending, because higher government expenditures were offset by an increase in indirect taxation, a drop in public investment and a number of special, non-recurring measures. With a focus on short term objectives, and in the absence of any serious reforms or long-term planning, Debt/GDP stood relatively unchanged at 130%, yields on Portuguese government debt have reached alarming levels, the country remains below investment grade rating, the banking sector continues weak, and the major issues associated with the resolution and required sale of Novo Banco, plus other serious impacts on the Resolution Fund and its connection to the banking sector, underline that Portugal's structural weaknesses and vulnerabilities have remained unchanged, despite the appearance of stability and calm. Positives have been a significant increase in tourism, and the interest in promoting Portugal as a center for start-ups, neither of which are guaranteed to be permanent features of a new Portugal.

As in prior years, market events most directly associated with the Bank's performance and prospects during 2016 had to do with the movements in global interest rates and prospects for growth in major economies, on the one hand, and domestic politics and risks and the risks and opportunities associated with the management of the State machinery, and the resolution of key competitors, on the other. The first event is fundamental to our business model, the management of the balance sheet and our business with clients, and is a key to creating value for our shareholders. The second is critical as well, as the credibility of the sovereign and the banking sector is watched closely by external creditors and international investors.

On a detailed level, our response to business opportunities, regulatory, tax, labor, social, and competitive issues, are discussed in this section and throughout the Management Report.

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

The level of the Bank's Net Assets was 6.6 times Shareholder Funds at 31/12/16, versus 5.6 times at 31/12/15, and substantially below that of most competitors;

The Bank's consolidated Liquidity Ratio was 228% at 31/12/16, as compared with 206% at 31/12/15 and the simple Leverage Ratio stood at 14.7% on the same date;

BiG's Core Tier 1 ratio at 31/12/16 was 31.6% (phasing in), as compared to 33.2% (without phasing in) at 31/12/15, and has exceeded 30% for the past 18 years in a row;

The Bank does not issue long-term debt to support its balance sheet activities; key sources of funding remain client deposits and shareholder funds;

The Bank's business model is not loan-intensive; it is geared toward asset accumulation, wealth management and advisory activities, with a focus on growth in retained earnings and careful management of liquidity and capital;

Non-performing loans, as a result, are near zero;

Shareholders, excluding insiders and staff, have not been called to a capital increase since 2001;

and
The Bank has never 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.

Macroeconomic Indicators and Economic Trends

Global

According to the IMF, world economic growth decelerated slightly in 2016, from 3.2% to 3.1%. This was due to moderate growth among developed economies (USA, Eurozone and Japan) and a series of unique political events. Populist/nationalist movements culminated in the vote for Brexit in June and Donald Trump's victory in the US presidential race in November. Emerging markets grew at a stable rate of 4.1%, which included uneven performances: a slow cooling of the growth in China and India, which contrasted with smoothing of the recessionary trends affecting Russia and Brazil, countries that have been making structural adjustments, and which benefitted from the gradual recuperation of commodities during the year.

Monetary policy globally remained expansionist, both in developed and emerging markets, which contributed to an easing of deflationary risks and to lowering the risk of a hard landing in China, and which weighed on equity markets during Q1 2016. During the year, doubts about the efficacy of policies of quantitative easing may lead to further moves in that direction, with the bet on further government stimulus gaining momentum after Trump's presidential election victory.

T.3

Macroeconomic Indicators (%)	GDP 2015	GDP 2016	GDP 2017E	CPI 2015	CPI 2016	CPI 2017E
United States	2.6	1.6	2.3	0.1	1.3	2.4
Euro Zone	2.0	1.7	1.6	0.0	0.2	1.4
Portugal	0.9	1.2	1.5	0.5	0.6	1.2
Japan	1.2	0.9	0.8	0.8	-0.1	0.6
China	6.9	6.7	6.5	1.4	2.0	2.2
Russia	-3.7	-0.6	1.1	15.6	7.1	4.9
Middle East	2.5	3.8	3.1	3.3	3.8	5.0
Asia-Pacific	5.0	4.5	4.7	1.8	1.9	2.2
Latin America	0.1	-0.7	1.2	15.5	7.0	14.5
Developed economies	2.1	1.6	1.9	0.4	0.9	2.0
Developing economies	4.1	4.1	4.5	5.2	3.9	8.7
World	**3.2**	**3.1**	**3.4**	**2.8**	**2.9**	**3.4**

Source: Bloomberg and IMF on February 8th 2017

Europe

In Europe, the results of the Brexit referendum were unexpected and represented na historic decision, whose impact is difficult to predict. Brexit led to the resignation of Prime Minister David Cameron, who was substituted by Theresa May. The new PM has reiterated that “Brexit means Brexit,” necessitating the execution of Article 50 of the Treaty of Lisbon, in order begin the two year period the United Kingdom has to make its departure final. The pound did not escape unscathed and devalued more than 16% in 2016 against the US dollar, which translated into a material impact on UK inflation. The cross EUR/USD retreated 3% in a year when the ECB altered tis reference rates and announced, on two occasions, modifications to its program of quantitative easing. In the beginning of the year, the ECB cut its reference rate by 5pbs to 0%, reduced its rate of remuneration on deposits made with the bank to -,40% (a decline of 10bps), and increased its monthly purchased of assets by EUR 20 billion, to EUR 80 billion until March 2017. In its last meeting of the year, the ECB extended the maturity of the program by 9 months to December 2017, reiterated the prohibition on buying bonds with negative yields and reviewed downward its program of asset purchases to EUR 60 billion, from the EUR 80 billion announced earlier. The practical results of these measures was a compression in yields in most European countries, with the exception of Portugal and Italy, the result of specific events associated with the political environment and the banking systems. In Italy’s case, a third attempt to make constitutional reforms led to a “no” vote in a referendum and to Prime Minister Matteo Renzi’s resignation.

In macro-economic terms, the Eurozone GDP grew by 1.7% in spite of diverging performances among countries comprising the bloc, with special mention for Spain’s performance and economic growth of 3.2%. Inflation picked up because of rising energy costs and stood at a rate of 1.1% year on year. Given the level of financial fragmentation and with inflation targets relatively far form objectives, we do not anticipate normalization of monetary policy, or “tapering,” in the short term.

USA

The U.S. economy grew at a rate of 1.6% in 2016, or below the average of the current period of expansion since 2010 (2.1%), which is in turn the third longest of the post WWII period. Although private consumption remained stable, the stronger USD had a negative impact on the Current Account deficit (2.6% of GDP), which coincided with lower levels of public investment (-0.9%) and a contraction of private investment (1,5%).

Market sentiment during 2016 remained generally positive, even considering the uneven performance of different asset classes: (i) risk-free assets, namely Treasuries rose following Trump’s election, with the market discounting a less “dovish” position by the FED with a view toward inflation risks, (ii) equities rose, in particular in the USA, as investors anticipated the positive effects of fiscal expansion promised by the President-elect, (iii) commodities made a significant reversal, as well, bolstered by reflationary expectations of Trump, (iv) in exchange markets, the USD appreciated against most currencies, reflecting the pick-up yields along the American debt curve, with the rise of the dollar significant in relation to a basket of emerging currencies.

Portugal

In 2016, Portugal’s economy continued its recovery of recente years and grew at a rate of 1.2%. This level of GDP growth was helped by a 3% rise in private consumption and by a significant improvement in the balance of payments. Investment was a disappointing, falling by 8%. Of note was the strong recovery of the tourism sector, with the number of hotel rooms increasing by 10% or the year, or by more than Eur 50 million, which was one of the surprises at the economic level.

The solution used to govern found by António Costa has proven more stable than generally anticipated, with the Government reversing some the emblematic policies of the previous administration, which in turn has led to an increase in public debt. However, budget execution was reasonably successful, with the deficit officially at 2-2.3%, although the manner in which it was achieve has generated some doubts. The Government contained the deficit with the help of a number of non-recurring items and by delaying expenses, two factors that may have an inverse impact on the fiscal deficit of 2017.

The base scenario for the State Budget of 2017 foresees economic growth of 1.5%, based mainly on the stabilization of Private Consumption, and an increase in public investment of 1.9%-2.2% of GDP. The Government also projects a favorable evolution in the Current Account. The Budget assumes that exports will rise 4.2%, or ahead of imports (3.6%), and concludes that the external position of the country will generally improve. The vulnerability of the economy to external shocks may be a challenge to some of the assumptions, in spite of the relative success of a series of structural reforms that were implemented during the 2011.2014 period, and which favor potential economic growth.

Critical Accounting Policies

The Bank’s financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The application of these accounting standards requires the use of judgment, based on estimates and assumptions that may involve significant uncertainty at the time they are made. Such judgments, which combine historical experience, expectations of the future and other factors, are evaluated regularly to determine their relevance based on current conditions. Changes in assumptions may have a significant impact on the financial statements in the periods when changes occur. Management believes the assumptions made are reasonable under the circumstances, and that the financial statements fairly present the financial position of BiG as of 31 December 2016 and the results of operations and cash flows for the year 2016 in accordance with IFRS.

The Bank’s critical accounting policies are discussed in detail in the Notes to the

Consolidated Financial Statements. Of the policies described, one of the most important for the Bank is the use of *fair value* to measure financial instruments. This is because most of the Bank's earning assets are liquid, fixed and variable income securities, as opposed to less-liquid loans. As a result, substantially all of the balance sheet is "marked to market," which results in improved accounting transparency, but which also increases the need for financial discipline, because of the effects that volatile markets can have on key balance sheet categories. When events occur which reduce transparency and/or liquidity in markets, as has been the case on occasion over the past several years, including during 2016, this can generate market volatility and have a significant impact on how financial securities are valued by the markets and, consequently, on the Bank's financial statements.

Under IFRS, the relative degree of uncertainty associated with the measurement of fair value is reflected by use of a three-level valuation hierarchy. The best evidence of *fair value* is a quoted price in an actively traded market (*Level 1*). In the event that the market for a financial instrument is not active, or where quoted prices are not otherwise available, a valuation technique may be used to estimate fair value based principally on observable market data in respect of equivalent financial instruments, as well as financial models (*Level 2*). *Level 3* applies to instruments that are measured by a valuation technique which incorporates one or more significant unobservable inputs. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of judgment to calculate a fair value than those based entirely on observable inputs. Substantially all of the Bank's financial assets are based on *observable prices and inputs and hence are classified in Levels 1 and 2 of the hierarchy*. Where valuation techniques, including models, are used to determine fair values, they are periodically reviewed and validated. Models are calibrated to ensure that outputs reflect actual data and comparable market prices. Also, models prioritize the use of observable inputs, when available, over unobservable inputs. Judgment is required in selecting appropriate models as well as inputs for which observable data is less readily or not available.

The Bank classifies its financial assets into the following categories: Assets *held for trading*, Assets *available for sale* ("AFS") and loans. BiG does not operate with a "*Held to Maturity*" portfolio as defined by IAS. Appropriate classification of financial assets is determined at the time of initial recognition or when reclassified in the Balance Sheet.

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. Financial assets classified at fair value through profit or loss and financial assets classified as AFS are recognized or derecognized on trade date, which is the date on which the Group commits to purchase or sell the asset. A third category involves loans, including loans represented by securities, measured via amortized cost based on effective interest rates. **All of the Bank's financial assets that are 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.**

Financial liabilities, including deposits and repos, are measured at amortized cost.

Other significant accounting issues, include:

Deferred taxes: Deferred tax assets – which are not relevant to BiG - arise from a variety of sources, with the most significant being: (i) future tax savings associated with mark to market losses on financial assets for sale, (ii) expenses recognized in the income statement that are not deductible until the associated cash flows occur, and (iii) tax losses that can be carried forward and utilized against profits in future years and. The level of deferred tax asset recognition is influenced by Management's assessment of the Bank's future profitability. If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of our deferred tax assets may become impaired in the future, giving rise to losses in the income statement. Recognition of any impairment of deferred tax assets would not impact cash flows.

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.

Review of net revenues and expenses: The accounting for revenues and expenses is the responsibility of independent and control functions and validated on a daily basis by Management. The aim is to identify and resolve potential issues associated with fair value or booking of revenues on an objective and timely basis.

Reclassification: Reclassifications can occur, in exceptional circumstances, as most recently reported in 2010 when 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.* Since that date, Management has opted not to hold securities *to maturity*, and has no plans to digress from a practice of generally marking to market its inventory of securities, via either trading or available for sale portfolios.

Significant Regulatory Processes

The global financial system has been undergoing profound changes since 2008, at the regulatory and supervisory level, which have been justified by the need to (i) stabilize financial markets, (ii) reinforce the solidity of financial institutions and (iii) increase transparency.

In this context, the sector has registered a significant increase in regulation, stricter supervision via a more ubiquitous presence of the regulators, greater reporting requirements, and a growing focus on prudential, behavioural and internal controls.

This intensification of the regulatory processes has had a significant operational impact on banks. BiG complies with regulatory processed by allocating different members of its reporting, accounting, internal audit, risk and management teams, depending on the process, under the coordination of the Board.

Some of the Banks's most relevant periodic reporting processes are described bellow.

Internal Capital Adequacy Assessment Process (ICAAP)

In the context of the Internal Capital Adequacy Assessment Process ("ICAAP"), the Bank performs an internal analysis of the techniques and models it employs in the qualitative and quantitative valuation of its internal capital and of the risks to which it may be exposed. The Bank also performs a critical analysis of: (i) the adequacy of the process it employs to manage and monitor capital and risks, (ii) the evolution estimates of internal capital and of the most relevant risks, (iii) its risk profile, and (iv) internal capital adequacy and capital requirements.

From a qualitative perspective, this report encompasses a descriptive analysis of: (i) the Bank's capital and risk management and monitoring processes, (ii) the adequacy of the organization, structure and processes given the internal capital needs and incurred risks.

The report's quantitative valuation includes: (i) identifying and quantifying the most material risks, (ii) a description of the process for aggregating risk assessments, and (iii) a global valuation of capital needs, which also reflects the uncertainty of the models employed, the shortcomings of the procedures, systems and risk controls, as well as the differences between own funds and internal capital.

The ICAAP report also includes: (i) a description of the Bank's contingency plan to ensure the ongoing management of the operation and internal capital adequacy in a recession or crisis scenario, (ii) an indication of the most relevant macroeconomic factors in the recession or crisis scenario, and (iii) the indication of the main shortcoming identified by the ICAAP and the measures envisaged to overcome such shortcomings, including a calendar for their execution.

The legal framework of the ICAAP report is the Bank of Portugal Instruction nº 15/2007, with an annual reporting frequency.

In its annual ICAAP report, the Bank presents a detailed analysis of the main risk controls and mitigation techniques regarding market, credit, operational, interest rate, concentration, information systems, liquidity, exchange rate, compliance and reputation risk. Among all the risks the Bank is subject to, BiG considers the most relevant to be the Pilar I risks (market, credit, operational and Credit Valuation Adjustment (CVA)), the interest rate risk of the Bank's portfolio, concentration risk, sovereign risk and credit spread risk. Own funds requirements are calculated for each of these risks. For assessing each of these types of risk, the Bank adopts methodologies based on the Standardised Approach with respect to credit risk and CVA, and on the Basic Indicator Approach for operational risk. Concerning Pillar II risks (interest rate risk of the Bank's portfolio, concentration, sovereign and credit spread risks), BiG employs either internal models or models based on methods developed by central banks. For own funds requirements related to market risk, the Bank also uses models which are alternative to the Standardised Approach.

Following the latest yearly exercise carried out by BiG, the Board considered the current capital and liquidity levels to be adequate considering: (i) the Bank's risk profile, (ii) the current context, (iii) perspectives regarding the near future and (iv) the size and complexity of the Bank.

Supervisory Review of Evaluation Process (SREP)

The Supervisory Review and Evaluation Process (SREP) is an analysis and assessment process carried out by the supervisory authorities, which aims to ensure that each financial institution is employing the adequate strategies, processes, capital and liquidity for the risks it is, or may be exposed to. This process falls under Pillar 2 of the Basel Accords.

The goal of the supervisor is to determine the capital and liquidity requirements, as well as any additional supervisory measures, necessary to tackle the specific shortcomings of each financial institution, in light of the individual profile and risk for the financial system.

Both significant and less significant financial institutions are subject to the SREP process, in accordance with the principle of proportionality. The frequency and intensity of the assessment carried out by the supervisory under SREP varies according to: (i) the potential impact of the financial institution in the financial system and (ii) the individual risk profile.

The analysis performed by the supervisor under SREP determines that all the risks to which financial institutions are exposed must be assessed. This analysis must include: (i) business model, (ii) internal governance and risk management, (iii) capital risks and (iv) liquidity and financial risks.

Following this analysis, the supervisor performs a global, holistic assessment, deciding on the quantitative capital and liquidity measures that must be implemented, as well as on any other supervisory measures.

The following exercises are included in the SREP process:

Risk assessment

Risk assessment allows for a continuous evaluation of the risk levels which the financial institution is exposed to and of its internal controls. This assessment is based on a quantitative and qualitative analysis with recourse to backward-looking and forward-looking indicators.

Risks which may have an impact on the capital and liquidity are assessed by risk level and by the associated risk control and mitigation procedures which have been implemented. Also, Banco de Portugal assesses the risk and profitability of the financial institution's business, as well as its internal governance and risk management. Each analysis performed by the supervisor is subsequently integrated into a global assessment.

Capital and Liquidity Adequacy Assessments

The SREP process encompasses a broad analysis of the internal procedures for the assessment of capital (ICAAP) and liquidity (ILAAP) adequacy. These are key risk management processes, which contribute to determining capital and liquidity requirements.

The supervisor assesses compliance of own funds minimum requirements defined under Pilar I of the Basel Accords. Also, financial institutions must ensure additional specific own funds and liquidity levels to cover risks which do not fall under Pilar I. In order to determine this additional requirements, financial institutions employ their own internal assessment methods, which are reflected in the ICAPP and ILAAP.

Quantifying adequate Capital and Liquidity, and assessing other qualitative requirements

In the SREP process, Banco de Portugal examines a wide range of information about each financial institution, including: (i) periodic reports, (ii) ICAAP and ILAAP, (iii) risk appetite, (iv) *benchmarks* or *proxies* used to assess estimates, (v) risk assessment results, (vi) stress test results, and (vii) the supervisor's general priorities regarding risk.

Based on the information analyzed and assessed during the SREP process, Banco de Portugal performs a global assessment of a financial institution's own funds and liquidity adequacy, and prepares its SREP decision. In the SREP decision, key objectives are set to address the capital and liquidity issues identified. The supervisor may also ask the bank to set qualitative requirements, which could refer to the bank's governance structure or its management. The SREP decision is sent to the financial institution, which is given the opportunity to present any written remarks concerning the facts and any legal arguments that may be relevant for the supervisor's decision.

Recovery Plan

The Recovery Plan is an instrument designed to help financial institutions manage a financial crisis, which details the measures and procedures the bank will take to restore its financial position and normal business operations, should a crisis occur.

The main objective of a Recovery Plan is to establish a preventive, organized process of the measures that should be employed if an idiosyncratic or systemic crisis erupts, thus ensuring that the bank is able to react in an adequate and timely manner.

This instrument falls under the legal framework of Notice 03/2015 of the Bank of Portugal (BdP), Article 116-D of the RGICSF and of Delegated Regulation (EU) 2016/1075 of the Commission. BiG has been preparing and reporting yearly Recovery Plans since 2013.

The Recovery Plan outlines a set of recovery measures aimed at enhancing a bank's liquidity, capital or own funds, describing the mechanisms and the assumptions that underlie its hypothetical execution in a serious macroeconomic and financial stress scenario. These mechanisms may include the potential disposal of the bank's assets, access to funding necessary to maintain the bank's normal ongoing operation, and any capital increases that may be necessary to enhance the sustainability and financial soundness of the bank.

As an integral part of the Bank's management, and in order to prepare its Recovery Plan, BiG has identified relevant recovery indicators, which include: (i) capital, (ii) liquidity, (iii) asset quality, and (iv) asset profitability. These indicators act as preventive alerts for the need to execute recovery measures. The levels of these recovery indicators are monitored daily taking into consideration relevant events that take place, but also stress tests and scenario analysis performed in the context of the Bank's risk management and control functions. This control mechanism allows for prompt action to be taken in order to ensure the sustainability and financial soundness of the Bank.

Current regulation establishes that for each recovery indicator, an alert level and a trigger level must be defined in the Recovery Plan. If any of these levels are breached, the financial institution must notify Banco de Portugal and must assess the need to execute recovery measures. The goal of the indicator levels is to anticipate, mitigate and avoid potential financial distress situations for the financial institution. BiG employs not only alert and trigger levels, but also pre-alert levels for each recovery indicator. These pre-alert levels are used only for internal purposes with the objective of ensuring that appropriate measures are pro-actively executed to avoid reaching any alert or trigger level.

Planning for Funding and Capital

The Funding and Capital Plan (the "Plan") is medium to long term forward-looking plan, prepared by the Bank on an annual basis, which focuses on the expected future evolution of the Bank's main profit & loss, asset, liability and capital items. This plan is a source of information periodically submitted by national financial institutions to Banco de Portugal, under the latter's prudential supervision competences, and according to Instruction No 18/2015.

Since 2011, when these reports were made mandatory for financial institutions in the context of Portugal's economic and financial assistance programme, the Funding and Capital Plan has undergone several changes, namely related to its reporting frequency, its format, contents and detail level. Currently, the Plan is prepared and reported by the Bank on an annual basis and presents detailed projections of profit & loss, balance sheet and capital items, on a 3 year horizon, including quarterly projections for the economic exercise ongoing at the time the report is prepared.

The Bank's planning process

The Plan is largely based on an internal medium to long term financial planning process, which is coordinated by the Board. This planning process incorporates expectations about the management of the Bank's assets and funding sources.

Given the forward-looking nature of the exercise, the Bank generally assumes normalized market conditions. Nevertheless, some risk factors which may have an impact the Bank's business may be considered and incorporated into the projections.

Normally, the Bank does not estimate a specific growth rate for its assets. Balance sheet growth estimates result from the availability of funds, market conditions and the availability of capital levels that ensure resiliency in the most extreme stress scenarios.

Also, depending on market conditions, the Bank may make adjustments in specific business areas, products or distribution channels, with the goal of ensuring funding stability, capital preservation and revenue improvement.

Bank Planning: summary of guidance and forward-looking evolution of some indicators

The main assumptions considered by the Bank include sustainable organic growth and continuous focus on a business model based on low leverage, high capital levels and comfortable liquidity levels.

BiG's asset portfolio is composed mainly of high quality liquid financial assets, cash and short-term investments.

BiG's earning asset base has been largely focused on high quality corporate and sovereign debt issued by Eurozone member states and by the United States. It is likely that this profile will be maintained, given the overall risk profile when compared to alternatives, and based on Management's understanding of those specific markets.

BiG's limited focus on traditional lending has been based on the perception of inadequate risk/reward over the past two decades. Management expects that the Bank's loans/deposits ratio will remain well below market averages in the foreseeable future. Given the general credit weakness in the Portuguese corporate sector, with its negative effect on bank profitability, management expects that it may continue to be unattractive to alter the current mix of earning assets in favour of traditional lending.

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

For the coming years, Management expects to maintain the Bank's current funding profile, based on a cautious funding strategy, with a focus on stable sources and low dependence on money markets.

In particular, assuming a modest growth of the balance sheet, plans for funding include a continuing growth trend in deposits and the use of alternative sources of short term repo funding, namely from clearing houses such as EUREX Repo.

For a number of strategic reasons, the Bank has used its capital conservatively over the years and Management expects this trend to continue. Over the years, while paying out nearly € 100 million in dividends since 2004 (including anticipated and proposed dividends for 2016), the Bank's capital funds have risen to the current € 265.6 million, exclusively as a result of retained earnings and infusions by Management and Staff within the scope of approved share purchases or options programs.

Projected adequate capital levels take into consideration the risks identified in the context of the Internal Capital Adequacy Assessment (ICAAP).

T.4 (Euro)

	2013	2014	2015	2016	2017E	2018E	2019E
Financial Assets Portfolio (1)	**896,781,078**	**1,118,818,119**	**1,019,177,466**	**1,096,511,868**	**1,179,087,305**	**1,267,518,853**	**1,343,569,984**
% growth	25.0%	24.8%	-8.9%	7.6%	7.5%	7.5%	6.0%
Net Credit (2)	**196,918,521**	**136,162,160**	**376,820,146**	**437,484,868**	**500,920,468**	**521,450,852**	**533,065,184**
% growth	2.2%	-30.9%	176.7%	16.1%	14.5%	4.1%	2.2%

Source: BiG
(1) Includes financial assets held for sale, financial assets held for trading and investments held to maturity (non existing since 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.5 (Euro)

	2013	2014	2015	2016	2017E	2018E	2019E
Demand Deposits	190,980,331	245,717,024	315,113,085	428,793,894	389,512,636	405,916,533	423,513,383
Time Deposits	442,259,603	503,532,070	519,022,094	589,609,007	644,858,247	672,015,746	701,148,238
Others	50,477,356	55,487,367	51,350,688	30,646,952	56,797,699	59,189,671	61,755,597
Total Deposits from Clients	**683,717,291**	**804,736,461**	**885,485,868**	**1,049,049,853**	**1,091,168,581**	**1,137,121,951**	**1,186,417,218**
% growth	25.7%	17.7%	10.0%	18.5%	4.0%	4.2%	4.3%

Source: BiG

T.6 (Euro)

	2013	2014	2015	2016	2017E	2018E	2019E
Common Equity Tier 1	n.a.	35.1%	33.2%	31.6%	29.6%	30.7%	32.1%
Core Tier 1 ratio	32.7%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: BiG

Other Regulatory Developments

Key regulatory developments introduced in 2015-2016 include:

Regulation (UE) 2016/679 – Data protection

This regulation on the protection of natural persons with regard to the processing of personal data and on the free movement of such data repeals Directive 95/46/EC (General Data Protection Regulation). The principle and rules governing the protection of natural persons with regard to personal data must ensure any person's fundamental rights and liberties, namely the right to personal data protection, regardless of nationality or place of residence. This Regulation is intended to contribute to the accomplishment of an area of freedom, security and justice and of an economic union, to economic and social progress, to the strengthening and the convergence of the economies within the internal market, and to the well-being of natural persons. Rapid technological developments and globalisation have brought new challenges for the protection of personal data. Technology allows both private companies and public authorities to make use of personal data on an unprecedented scale in order to pursue their activities. Technology has transformed both the economy and social life, and should further facilitate the free flow of personal data within the Union and the transfer to third countries and international organisations, while ensuring a high level of the protection of personal data. Those developments require a strong and more coherent data protection framework in the Union, backed by strong enforcement, given the importance of creating the trust that will allow the digital economy to develop across the internal market.

CRS – Common Reporting Standard

The Organization for Economic Co-operation and Development (OECD) developed a Common Reporting Standard (CRS). This regime was developed in response to the G20 request and calls on jurisdictions to obtain financial information in tax matters from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanges, the financial institutions required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions. Portugal was one of the first countries to sign the Multilateral Agreement prepared by the OECD. Also, the European Union ("EU") issued an EU Directive (Directive 2014/107/EU of the European Council) incorporating the CRS regime on automatic exchange of information for tax purposes among EU Member States.

Operations in Offshore jurisdictions

Banco de Portugal Notice Nº 8/2016 – This notice materializes the record and communication obligations set out in numbers 3 and 8 of Article 118.º-A of the RGICSF and establishes, in broad terms, the requirements needed to ensure adequate information is provided about operations involving offshore jurisdiction, as well as the conditions, mechanisms and procedures required for its enforcement.

EBA/GL/2015/18 Guidelines on product oversight and governance arrangements for retail banking products

In order to address growing concerns about mis-conduct risks, which can cause significant consumer detriment, undermine market confidence, and threaten the integrity of the financial system, the Portuguese financial supervisors' national council ("Conselho Nacional de Supervisores Financeiros" or "CNSF") performed an analysis focusing on mis-selling of savings and investment products. In march 2016, the CNSF published a set of preventive and mitigating measures to be adopted by financial institutions, based on EBA guidelines. The goal of the guidelines is to provide a framework for robust and responsible product design and distribution to avoid future cases of detriment. Developing products with the consumer's interest, objectives and characteristics in mind from the outset is a cornerstone of ensuring good consumer outcomes, and should help to re-establish and maintain confidence in retail banking.

Summary Analysis – Key Metrics

For more detail in addition to the summaries provided below, please refer to 2016 *Results of Operations and the Notes to the Consolidated Statements.*

Capital and Solvency

The use and allocation of shareholder capital for our operations, and the strength, consistency and transparency of our solvency ratios are of paramount importance to Management as we manage our business on a day-to-day basis. The level of our capital adequacy provides confidence to clients and counterparties, and reflects key aspects of how we manage our business. These include, among others, such factors as (i) closely monitoring potential risks as well as anticipated returns, (ii) applying the results of capital planning and stress testing processes to the daily management of our balance sheet, (iii) objectively assessing the business environment, and (iv) identifying and measuring potential material risks, whether specific or strategic. As discussed above, we do projections on funding and capital on a regular basis and provide our regulator with an annual internal assessment on capital adequacy (ICAAP), which incorporates extensive analysis done on a daily basis, as well as at other intervals. These analyses are fundamental to our maintaining discipline in risk taking and, therefore, use of capital.

Summary of the capital management process:

For 2016, levels of capital and solvency ratios were fairly consistent with prior years. This consistency is deliberate and is a function of careful management of the business model, controlled risk-taking, attention to the quality of earnings, and a policy of largely retaining profits, through often very different

T.7

(Euro)

Capital	2016	2015	2014	2013
Common stock	156,000	156,000	104,000	104,000
Issue premiums	1,362	1,362	1,362	1,362
Treasury stock	-2	-2	-153	-1,084
Fair value reserve	-87,095	-48,229	-7,284	-2,180
Other reserves and retained earnings	160,994	105,204	96,515	58,947
Net profit	43,712	74,509	82,529	58,628
Shareholder Funds	265,611	276,364	261,369	207,193
Own Funds	290,951	312,743	261,300	202,590
TIER 1 ratio	31.6%	33.2%	35.1%	32.7%

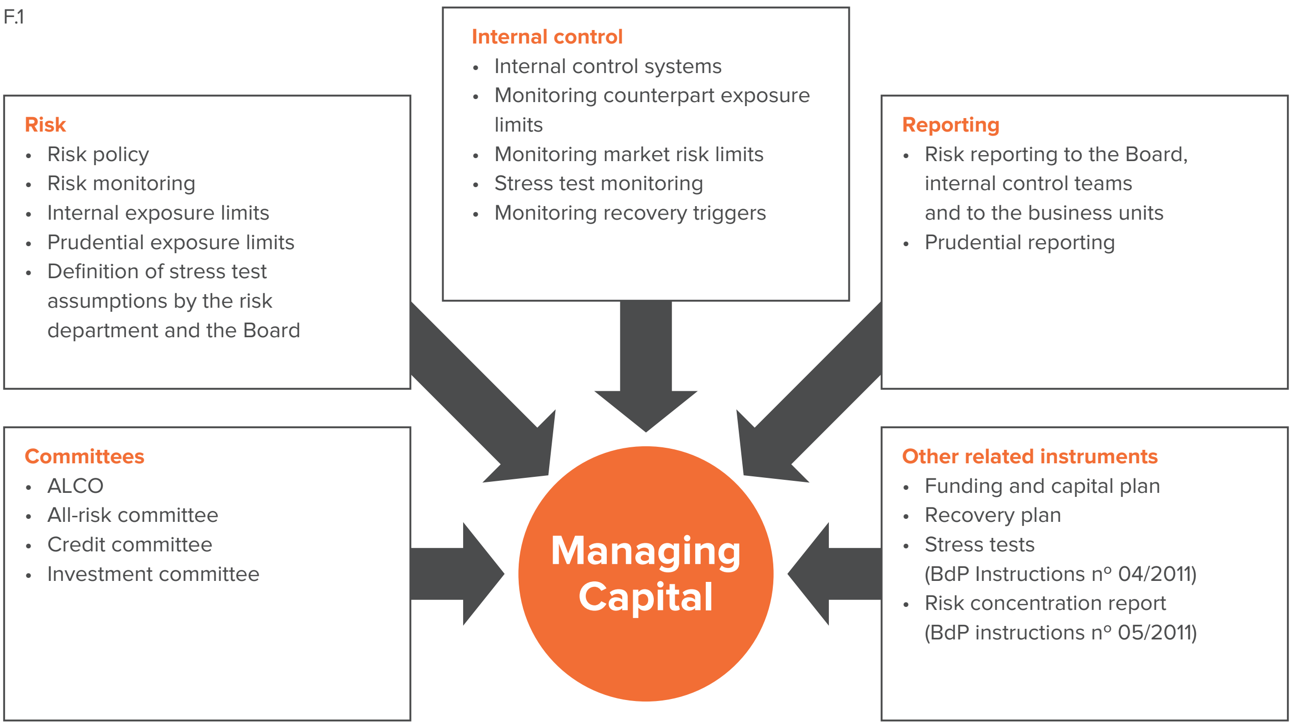
economic cycles and rapidly changing regulations.

The combination of adequate earnings, a conservative and consistent, policy on dividends, and a decline in the value of securities available for sale, which is reflected in the Fair Value Reserve of the capital account, resulted in a small reduction in Shareholder Funds to € 265.6 million. This total is composed entirely of shareholders' equity, and includes the impact of a partial, anticipated dividend of € 9,4 million paid to shareholders prior to year-end, based on certified results of the Bank for the period ending 30/09/16. At 31/12/16, BiG held 2,598 own shares (1,732 at 31/12/14). The issuance of 12 million preference shares did not have an impact on shareholder funds, as they are part of an employee equity incentive plan, imply financing from the Bank and will be redeemed in 3 years. The Bank's Regulatory Capital, or "Own Funds," is calculated in accordance with central bank regulations and was € 291 million at 31/12/16, 7% lower than € 313 million at the same date in 2015.

The Bank's Core Tier 1 ratio was 31.6% at year-end 2016, as compared to 33.1% at year-end 2015 and was calculated on a "phasing-in". This ratio has remained consistently above regulatory minimum levels under the most stressful market conditions over the past 18 years.

In order to ensure prudent use of capital and the maintenance of comfortable reserves, the Bank performs a range of stress tests and certain sensitivity analyses on a daily basis. These include a variety of tests of major balance sheet items, daily internal and prudential controls, and a series of internal *solvency* stress tests, These tests are designed to meas-

F.1



ure the impact on our Core Tier 1 ratio to improbable, but theoretically feasible shifts in market sentiment, which might have a direct effect on the Bank's solvency ratios. Results of stress tests, even though hypothetical, often serve as triggers for Management and business areas to act, either to reduce risk or to diversify concentrations. Examples of some extreme scenarios used by Management at 31/12/16 are shown below and are discussed in further detail in both the RISK MANAGEMENT section of this report and in Note40. 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 assume that negative variations in fair value are recognized in own funds as follows:

Scenario 1: Negative variations in fair value recognized 80% in own funds.

Scenario 2: Negative variations in fair value recognized 100% in own funds.

Scenario 3: Negative variations in fair value recognized 60% in own funds after EBA haircuts and accounting for the impact of interest rate risk hedging.

The results of the impact on the Bank's solvency ratio at year-end December 2016 under each scenario would be as follow:

In addition to the above stress test scenarios, which are developed internal by Management and by the Market Risk team, still others are performed in accordance with regulatory requirements. Through the Bank's ICAAP, we further analyze how we would manage the Bank's balance sheet during a severe crisis, generate liquidity and/or redeploy equity capital. This assessment incorporates market risk, credit risk and operational risk and, when combined with daily scenario analyses, as described above and in the RISK MANAGMENT section of this report, forms the basis for Management's ongoing evaluation of the Bank's capital adequacy.

Liquidity and Funding

Liquidity remained strong for 2016 and the key components of liquidity and funding were in line with prior years.

Loans/Deposits were relatively unchanged from the prior year. The loans category represented a higher volume of residential mortgage backed securities (RMBS), which are classified in the loan book, because of their lower liquidity. Non-deposit-related wholesale funding, essentially short term, collateralized repos with a number of different parties, increased in absolute terms and largely replaced the small component of ECB funding, under more attractive terms. The Bank's potential, untapped liquidity, based on the capacity to use eligible securities as collateral for further draw-downs, continues to be substantial, with more than a 50% to eligible assets/deposits ratio, on average. Available liquidity rises on average to more than 100% of deposits when unencumbered, non-eligible but liquid assets available for sale and cash are added to unused available amounts of the ECB/EUREX pools, as indicated in the quarterly summary for 2016, below:

T.8

December 2016 - Stress test	Scenario 1	Scenario 2	Scenario 3
Total Capital Ratio	28.9%	26.5%	24.1%
T1 Capital Ratio	28.9%	26.5%	24.1%

Net Loans to Total Net Assets stood at 24.9% at 31/12/16, or unchanged from 31/12/14. The ratio of Loans/Deposits, a key measure of balance sheet liquidity, declined slightly to 41.7%, from 42.5% the year before. Traditional lending remains non-strategic, which is a key factor in our business model and fundamental to our management of liquidity, our views on asset quality and the efficient use of capital.

For 2016, 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. Management believes that this strategy of maintaining liquid portfolios in a balance sheet that is substantially marked to market encourages discipline in position-taking and balance sheet growth, and coincides with the culture of transparency with respect to valuations of all securities. **The combination of (i) a low concentration of illiquid loans, (ii) reduced overall balance sheet gearing relative to capital and stable funding sources, and (iii) a policy of maintaining a large inventory of unencumbered assets on hand at all times to ensure comfortable levels of liquidity, are central to Bank's business model and relative profitably during the Bank's history.**

Main sources of funding and trends for 2016 included (i) client deposits, *which rose 18.5%* year on year, (ii) higher shareholder funds, (iii) funding under repurchase agreements with market counterparties, which increased year on year (iv) and secured short term operations with mainly EUREX Repo, *which declined year on year.* The Bank does not issue debt securi-

T.9 (Euro 000)

Liquidity and Funding	2016	2015	2014	2013
Loans / Client Deposits	41.7%	42.6%	16.9%	28.8%
Liquid Earning Assets / Total Net Assets	69.5%	71.4%	84.8%	80.4%
Funding from ECB	0	165,007	180,173	130,315
Other sources of Funding	396,823	171,220	108,264	143,478
Client Deposits / Total Liabilites & Capital	59.6%	57.4%	55.7%	56.3%

T.10 (Euro)

	Average values 1st quarter 2016	Average values 2nd quarter 2016	Average values 3rd quarter 2016	Average values 4th quarter 2016
ECB - POOL value - Eligible assets (includes haircut)(1)	266,779,734	266,278,915	287,335,325	370,040,795
ECB - POOL value - Borrowed	183,333,333	90,000,000	0	0
ECB - POOL value - Available	**83,446,400**	**176,278,915**	**287,335,325**	**370,040,795**
EUREX Repo - POOL(2) value	312,725,186	499,895,173	457,370,029	415,733,908
EUREX Repo Borrowed Net: (Borrowed - Deposits)	138,333,333	203,505,768	158,666,667	201,666,667
Eurex Repo - Available	**139,293,702**	**237,886,580**	**222,938,960**	**163,228,860**
Eligible assets available for collateral outside the POOL's	**56,570,886**	**30,816,335**	**82,600,716**	**37,551,215**
Total eligible assets available for collateral	**279,310,988**	**444,981,831**	**592,875,000**	**570,820,870**
Eligible assets not available (given as garantee to other counterparties)	139,839,622	87,580,585	148,793,717	130,306,843
Non eligible assets available held for collateral in repos	29,723,117	39,368,118	26,343,371	4,809,667
Non eligible assets available for collateral	633,010,034	522,974,764	445,753,008	501,545,588
Non eligible assets - Total	662,733,151	562,342,882	472,096,379	506,355,255

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

ties because this type of funding is not strategic to our current business model and investment plans. As a result, BiG is less affected by the limited access to funding by banks as a result of the country's non-investment grade position, a situation we expect to continue indefinitely.

Earnings

Net Revenues for 2016 declined to €75.7% from €148.7 million the prior year. Net Income was down 41% to €43.7 million, versus € 74.5 million for the prior year, while the Bank's average Return on Equity stood at 16.1%, as compared with 27.7% for the year 2015.

In a difficult economic and political environment, globally and certainly domestically, the priorities of Management were to (i) preserve capital, (ii) reduce risks, (iii) study and invest in new lines of business, (iv) control expenses and discretionary investments, and (v) prepare the business for possible unexpected surprises yet to come. Management has grown accustomed to expanding the business carefully, and while operating in an unpredictable environment, we chose to control and in some cases reduce risk during the year, in order to preserve capital and the integrity of our business. Since we are operating day to day in a potential crisis-mode, we seek to position the Bank to grow in a sustained manner and to produce respectable results during what continues to be a challenging period for our competitors in the Portuguese banking system.

In 2016, the Bank's net margin increased because of (i) a somewhat higher level of earning assets, albeit with a decline in yields on fixed income securities in an environment of uneven economic growth, (ii) lower funding costs on average, and (iii) careful management of the banking book. As we began to see in 2014-2015, the overall risk environment continue to affect the risk appetite of clients, who traded less, but tended to hold cash and occasionally invested more, which affected brokerage commissions nega-

T.11 (Euro 000)

Earnings	2016	2015	2014	2013
Net Operating Revenues	75,692	148,706	169,375	125,022
Net Operating Expenses (net imparities)	-16,931	-39,681	-44,685	-33,050
Imparities	-318	-1,424	-209	-195
Results from Associated Companies	0	0	176	163
Pre-tax Profit	58,443	107,601	124,656	91,938
Taxation	-14,731	-33,092	-42,127	-33,311
Net Profit	43,712	74,509	82,529	58,628

tively, but asset management positively. The Bank's Treasury and Capital markets business produced fair, but lower results, in 2016 relative to 2015. On a Business-line basis (see *RESULTS OF OPERATIONS*), the Bank's specialized retail business generated € 12.4 million in net revenues, down from the € 17.3 million gained in 2014. Gross income from the corporate and institutional client segment rose about 21% because of higher deal flow and revenues from client transactions.

On the expense side, key operating expenses, excluding provisions for general banking risks and imparities, dropped significantly, which balanced somewhat the decline in revenues. This figure combines a relevant decline in compensation expense, a significant curtailment in general administrative expenses, while amortization expenses rose, associated with a higher staff complement occupying more space, and continued upgrades to systems. In 2016, **the Bank's efficiency ratio, defined as Operating Expenses/ Operating Income, moved to 36.7%,** after averaging around 23% for the prior three years.

Net provisions were positive for the year, as provisions made for general banking risks, as a result of uncertainties associated with still unknown responsibilities toward the Portuguese Resolution Fund, were partially reversed on accounting clarifications regarding future liabilities of the banking sector.

Provision for impairments declined from € 1.4 million the prior year. The Bank's provision for taxes dropped to €14.7 million from € 33.1 million in 2015, and € 42.1 million in 2014, and represented a tax rate of 25.2%, as compared with 30.8% in 2015 and 33.8% in 2014. The level of taxation is the result of lower taxable earnings, combined with special taxation imposed by the Government on the banking sector.

Dividend Policy

On the recommendation of Management, Shareholders have approved, since the Bank's inception, a policy of building the capital base through retained earnings. Proposals to pay dividends are made generally by Management, are subject to prior approval of the Bank of Portugal in accordance with current regulations and are approved, on an annual basis, by shareholders at the annual Shareholders' meeting. Interim dividends, or anticipated payments against the current year's results, when applicable, may be approved by the Board of Directors, based on prior certification of results up to a given period, and subject to Bank of Portugal approval. They are then ratified as part of the total yearly dividend proposed at the annual Shareholders' meeting.

Since beginning the practice of paying dividends in 2004, the Bank has retained, on average over the past 12 years, 65% of net income and has paid out approximately 35% in cash dividends. In recent years, For the 2016 financial year, the proposed dividend is € 0.10 per share. The proposal represents an expected dividend payout ratio of 35.7% for 2016 (25.5% for 2015) and includes the partial, anticipated dividend of € 0.06 per share paid to shareholders in November 2016, based on net income, certified by the Bank's external Auditor covering the period 1 January – 30 September 2016. A recent history of payouts by Bank provided is below. Including the proposed payout for 2016, the Bank has returned nearly € 117 million to shareholders in the form of cash dividends since 2004.

Competitive Environment

Major factors affecting the competitive environment during the past year have been: (i) the introduction of bail-in rules as from 1 January 2016, (ii) increasing regulatory pressure and related costs on the banking sector, (iii) the weight of legacy issues on the limited ability of banks to build their capital bases, and (iv) the accumulation of responsibilities by an under-funded Resolution Fund, with uncertain consequences for the future in terms of how an expected shortfall may be covered.

During 2016, the planned sale of Novo Banco dragged on, was unsuccessful, and was again postponed to 2017. Bankinter entered the market after acquiring most of Barclays' retail strategy in Portugal in 2016. Banco Santander, which had acquired BANÎF at the end of 2015 in a sudden resolution imposed by the BCE, quickly consolidated its position and returned to robust levels of profitability, while CaixaBank, also of Spain, patiently maintained its options open regarding BPI, and acquired most of the capital in a public tender offer completed in February 2017. The saga of Caixa Geral de Depósitos, which changed Boards and seem to require significant levels of taxpayer capital (postponed to 2017), dominated the political agenda, and probably benefitted the larger retail banks, but had little effect on BiG's competitive position. Other processes in the financial sector involving smaller units or insurance businesses appeared to be in different stages of study or completion during the year.

Themes in the financial sector for 2016 were largely the same as in 2015: (i) the low ratings and still weak capital levels of the sector, with only modest expectation of upward movement either executed or planned, (ii) a slow recovery of the larger banks' balance sheets, with still large levels of imparities and non-performing loans weighing on growth and profitability, (iii) the continued long-term effects of inefficient business models, combined with excess capacity and

T.12 (Euro)

Dividendos	2016 *	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Dividend per share	0.100 €	0.120 €	0.210 €	0.180 €	0.150 €	- €	0.033 €	0.065 €	0.050 €	0.050 €	0.040 €	0.030 €
% Individual Net Income Distributed	35.7%	25%	26%	32%	48%	0%	15%	46%	61%	34%	42%	42%

* Subject to approval by Shareholders

inflexible labor laws, (iv) an intensification of inter-dependence of State and banks in the economy, and high levels of political intervention, and (v) the effect throughout the industry of historically low interest rates.

The process of recognition and re-positioning has been underway for some time. As in prior years, BiG's competition in Portugal continued under pressure by regulators and 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 at the EU level and carried out by the local regulator have required a more aggressive recognition of non-performing loans, which has figured heavily in the results and strategies of banks through 2016. The domestic market has been required to adjust to effects of banks contracting their balance sheets, which has resulted in generally lower appetite for credit in some sectors in what would normally be the more productive segments of the economy. Although Portuguese banks reportedly have added € 29 billion in capital to their balance sheets since 2011, they continue among the weakest and lowest rated in Europe. The process is still evolving and has been exacerbated by increasing levels of regulation and legislation designed to ensure a reasonably different banking sector in the future. In response to these measures, the adjustment process for some of our competitors has included, for several years now, reductions of personnel, closure of agencies, the exiting or planned divestiture of businesses, changes in management, the need, in some cases, to exist with the State as contingent or direct shareholder, and the gradual loss of competitiveness to efficient banks operating in other, more productive European economies.

In spite of the long process required to fix the balance sheets of banks most affected by the recession, and largely as a result of regulatory or political actions to maintain weak competitors from failing, the banking market, domestically and internationally, actually continues to be highly competitive and we expect it to remain so. Portugal remains a somewhat concentrated market, with 5 credit institutions together holding an approximately 70% share of the market, including weaker institutions who operate, in spite of market conditions, on a "business as usual" basis in most segments. These are generally universal financial institutions, which operate traditional business models. A significant number of either domestic or foreign banks, of medium and small size, for the most part specialized, share the rest of market. We face competition in all of our business lines from a large number of domestic and, depending on the line of business, international players.

Corporate Structure

The Bank's structure reflects Management's desire to provide efficient and competitive financial services to our clients and to create long-term value for our shareholders. As a standard, long-term strategy, 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 can be met with an efficient and clearly understandable corporate and internal operating structure, built around talented people, well-designed processes and reliable technology. Together, the components serve to maximize operating efficiency and help to maintain a competitive cost structure designed to benefit the end client and our shareholders. They are also essential to maintaining tight controls over market, credit and operating risks to which any financial institution is exposed.

The internal organizational structure reflects key aspects of the business culture, which focuses on our goal to ensure the resilience and integrity of the Bank's business model and our ability to withstand any type of financial crisis. To this end, we seek to be transparent, flexible, focused on 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 course of our activity, 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, in spite of increasing competition, and plan to maintain this trend into the foreseeable future.

Legal Structure and Corporate Bodies

BiG's corporate structure is headed by the Bank. At year-end, the Bank held participations in three subsidiaries: (i) ONETIER Partners, SGPS, S.A., which in turn held 100% of the capital of ONETIER Capital, Sociedade de Capital de Risco, S.A., currently in the process of changing its focus to FinTech investments, (ii) BiG Serviços Financeiros, S.A., which manages the

F.2

Banco de Investimento Global

↓ 100%
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

↓ 99,99%
Banco BiG Moçambique, S.A.
Business : Banking
Common stock :
MZN 370,000,000

Bank's real estate and performs financial advisory, and (iii) BiG Mozambique, S.A., a *de novo* wholesale banking subsidiary expected to begin operations in Q1 2016. None of the above participations had a relevant impact on the financial accounts of the Bank during 2016.

The Bank's model of retail distribution combines a proprietary internet-based platform, www.big.pt, and integrated sales teams located in 18 offices: Lisbon area (4), Porto (3), Braga, Maia, Coimbra, Leiria, Évora, Viseu, Aveiro, Estoril, Guimarães, Loulé (Algarve), and São Joâo da Madeira. Institutional Clients are covered by teams located in Lisbon and Porto.

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

Properties occupied by the Bank are either leased or directly owned by the Bank. The Bank's head office building at Av. 24 de Julho in Lisbon is owned directly by the Bank. The Bank's IT infrastructure is housed at a secure location in suburban Lisbon and a redundant back-up site is located in Porto.

The Bank's registered brands *BiG, Banco BiG* and *bigonline,* are used with our mass-market approach to retail banking, wealth management, ad online platform.

Corporate Governance

In its internal organization, the Bank functions with, and seeks to transmit to stakeholders, our day-to day focus on simplicity, transparency and rigorous 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 and risks are assumed. BiG, although not a listed firm, nevertheless seeks to follow best practices in Corporate Governance and to align oversight and decision-making procedures with the interests of shareholders and other stakeholders. We strive to follow the recommendations of the OECD (OECD Principles of Corporate Governance) and the Portuguese Corporate Governance Code issued by the CMVM (*Código de Governo das Sociedades da CMVM*) to the extent that they are practical and commensurate with the Bank's size, structure and business objectives. While not defined as a "systemically important institution," according to regulatory guidelines under European bank union directives, BiG seeks to be an example among its peers of any size in terms of sensible management of a sustainable business, regardless of market conditions, which based on the assumption that the Bank can and should function without outside assistance. BiG is a member of the Portuguese Institute of Corporate Governance, through which the Bank seeks to contribute to the debate on the main issues, as well as to accompany the principal developments on this subject. Man-

BiG's Statutory Supervisory Bodies	
General Assembly	General Assembly meets at least, once a year and is presided over by a President and Secretary, elected by the shareholders for four year terms. Responsibilities include electing the governing bodies, evaluating annual management reports and accounts and approving the application of results.
Advisory Board	Composed typically of 15 individuals, it includes the main shareholders of BiG and other elements whose presence is considered relevant. The Chairman and the members of the Advisory Board are invited by the Chairman of the Board of Directors, who also has a seat in this body. The Advisory Board meets on average three times per year, or when invited by the Chairman, to discuss strategy and main policies of the Bank, formulating recommendations on this matter. The decisions of the Advisory Board are not formally binding towards the Board of Directors.
Board of Directors	Consisted currently of five executive members, who manage the Bank directly on a day to day basis. The Board of Directors is elected for four year terms, and all of its 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 no separate Executive Committee and the roles of Chairman and CEO are attributed to the same individual. The Board includes a Vice Chairman/COO.
Fiscal Board + CPO	The Fiscal Board is the independent supervisory body, consisting of three efective members and an alternate member, elected for four year terms. This body reports directly to the shareholders. Responsibilities include auditing of accounts, periodic reviews and validation of internal control mechanisms, in accordance with internal and external regulations in line with international accounting policies and standards. The Fiscal Board is also responsible for the election of a CPA. The independent CPA performs periodic audits and also provides an opinion of the accounts.
Compensation Committee	Consisting of three independent individuals elected by the General Assembly for four year terms, this body reports directly to the shareholders. Compensation for the Board of Directors, Fiscal Board and relevant management is determined periodically by this Committee. It is also responsible for the periodic review of compensation policies.

agement reviews and, where necessary, makes improvements in practices and instruments of Corporate Governance as a tool in reinforcing the culture of internal control and as a basis for its social and economic development.

Voting Rights

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

External Advisors

The independent auditors of the Bank and subsidiaries are *Price Waterhouse Coopers (PwC)*. In accordance with the Bank's policy to review the status of our external auditors after two mandates, shareholders approved the change from our previous auditors, KPMG, to PwC in 2014. It is the Bank policy to have separate independent external audit and tax functions. Currently, *Deloitte* is the Bank's external advisor for tax matters. In addition to in-house counsel, 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 Executive 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 two Board Members, including 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. Audit and Personnel areas report directly to the Chairman. For more detail, see INTERNAL CONTROL AND RISK MANAGEMENT.

Shareholder Base

During 2016 and as of year-end, more than 140 shareholders held common stock with voting rights. The composition of shareholders of the Bank, which is not listed, remained relatively unchanged, and continues to be largely in the hands of Portuguese individuals or Portuguese tax residents. At year-end 2016, 53.7% of the common stock was held by individuals and 46.3% by institutions, foundations, corporations or holding companies. The largest single shareholder, a private individual, held 12.4% of the stock directly. A total of 11 shareholders held at least 2% of the stock. All are independent of one another and, in aggregate, owned 69.48% of the capital. The Bank's Management team represented an aggregate position of 15.25% 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 Bank's business culture derives from the resilience of its business model, Management's ability to execute its strategies and to control risks, and the quality, training and character of our people. Building a culture based on key values, which we aim to transmit to our stakeholders, is a primary concern of the top leadership of the Bank. As a result, Management assumes a direct role in the recruitment, training and career development of staff at all levels. 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.

Over the past year, the profile of the Bank's staff and policies concerning their recruitment, training and development has remained consistent with prior years. During 2015, the average age of BiG's staff was 36 years and 83% of the Bank's staff held at least one university degree.

For the year, the number of directly affiliated staff, excluding Management, rose 9% to 242. This figure includes 218 Portuguese-based employees along with 24 staff in Mozambique as of 31/12/16. Since 2010, total staff has increased by 63%, primarily in the areas of sales, products and internal control.

Our Business Standards

Since the Bank was founded 18 years ago, BiG has been managed by a core group of experienced professionals, who have a relevant, but minority, stake in the organization's capital alongside other shareholders, many of which are also co-founders of the Bank. The Bank has a organizational structure and clearly defined lines of responsibility for corporate bodies, Management and staff. We have never believed in the need for 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 neither opaque corporate structures nor offshore entities. 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 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-related and options programs are important to maintaining 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. In a demanding financial services business, we work each and every day to improve our system. 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 clear manner not only what our business model is, but how it functions. This extends to reporting in detail 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 a complex, regulated environment, Management and individual responsibilities encompass an understanding of the organization's code of ethics, internal training on procedures, management information, policies and practices. These are designed to identify and manage risks and independent oversight functions to ensure adherence to internal and external regulations. At all times, we focus on ensuring sound operating controls, encourage regulations that lead to greater responsibility and transparency in competitive practices and accept scrutiny of our business model. In the process, Management focuses at least as much time managing risks and building a culture of responsibility as we spend generating new business opportunities.

Managing Risk

In broad terms, the Bank's business is the business of assuming and managing risk in a prudential manner in order to create value for our shareholders. Policies and practices designed to control these fundamental aspects of our business, which ensure a sound operating environment, and which allow us to meet the expectations of our stakeholders, are discussed in detail in the *RISK MANAGEMENT and INTERNAL CONTROL* section of this Annual Report.

In managing the organization's exposure to risk, the Board reviews processes on a regular basis to ensure that they are well designed, disciplined, independent, objective and quantitative. This process also seeks to be compliant with regulatory standards and sensible business practices. Processes to 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 Bank seeks to generate revenues from a number of diversified sources - all of which imply a certain level of exposure to a variety of risks - while at the same time operating within prudent and reasonable guidelines. These guidelines combine basic, prudential aspects of the banking business. They also 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. The appetite for assuming risks are reviewed at regular intervals, from daily to annually, and are reflected in limits, and controls over exposures against those limits. Our business relies heavily on confidence we have in our people and on the reliability of our systems to process operations on a continuous and relatively error-free basis. Generally, the process begins with identifying risk, then measuring, controlling and eventually reporting risk internally and externally at appropriate intervals.

BiG, as a growing organization, operates in an environment of macroeconomic and financial uncertainty, and increasing regulation and scrutiny. 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 and our assumptions 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 are discussed in detail in Risk Management and the Notes to the Consolidated Statements. These include market risks, credit risks, operational risk, reputational risk and political risk. Control techniques 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*) on a daily basis, run sensitivity analyses of our exposure to interest rates, and use a number of limits for market risk. These are linked with basic credit-related measures and operational procedures to ensure over-lapping controls over all significant exposures.

For the year, credit exposures have grown in a controlled manner, while asset quality, as measured by the current and historical level of non-performing assets and credit-at-risk remained satisfactory. Assessments made by major external credit rating agencies on the long term debt ratings of prime Portuguese issuers, which include the Government and the major banks, remained stable, but below investment grade during 2016. Internal and external ratings are employed to measure levels of expected credit losses and to evaluate positions and their expected evolution. For BiG, credit-related losses, as well as costs associated with operating risks, were negligible for the year 2016, in line with prior years.

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 means that macroeconomic and political risks such as those that surfaced in the past several years, and which continue to weigh on financial markets, can have an impact on business prospects. Since Portugal's sovereign credit, banks and general economy are rated below investment grade by most credible rating agencies, how investors, Portugal's Eurozone partners, and other creditors view the country's progress, in absolute and relative terms, directly affects our business.

Banco de Investimento Global is not rated by any major rating agencies, nor do we require or anticipate requesting a rating process in the near future. The Bank's business model is designed to avoid dependence on wholesale, external financial markets for issuance of long-term debt, and to a large extent, short term funding in money markets. Nevertheless, the views by international agencies and other market participants of the Republic, corporates and banks as a whole affect our business directly. The effects of the policies of successive Governments, the weakness of the commercial banking sector, the politics of managing budget deficits with no apparent plans for reforming the economy, and the resulting suffocating tax environment required to finance growth in spending, all remain with us, and, among other factors, continue to take 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, has been mixed, and affects 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 the country.

The impact of decisions by Regulators and the State regarding the use of the Resolution Fund, which is managed by the Regulator, but whose growing liabilities are, formally at least, the responsibility of the general banking sector, is a source of concern, given the potential consequences on the sector which does not have a say or oversight in how the entity is managed. The delay in resolving Novo Banco and other liabilities acquired by the Fund have weighed heavily on the industry's reputation. Moreover, attracting capital to traditional banking models continues to be challenging, given the doubts about credit quality and future profitability of the sector in a low rate environment. These factors, combined with continued 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.

The attraction of growing or more attractive and competitive markets, combined with tighter regulation and higher taxation applied specifically to the banking sector, can 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.

Business Outlook for 2017

The key risks for the coming year include (i) the volatility caused by a Trump presidency, (ii) the prospect of more unexpected political events in Europe, associated with elections in The Netherlands, France, Germany and, possibly Italy, as well as negotiations on Greek sovereign debt, (iii) the sustainability and vulnerability of Portugal's minority Government as it manages its own debt situation, challenges to the economy and the fragilities of the banking sector, (iv) the cocktail of uncertainties associated with the sale of Novo Banco, (vi) the pace of reform versus populist movements, and (vii) any unusual or unexpected macro events and their impact on a dependent economy, such as Portugal's.

Based on a cautious start to 2017, Managements expects revenues and net income may decline relative to 2016, as obstacles seem to out-number opportunities in the current environment.

Events Following the Year End 2016

Market conditions – Q1 2017

The year started with U.S stock markets rising, following the election of Donald Trump as President. In Europe, however, sentiment was generally uncertain, reflecting the prospects of increased political risk and economic stagnation in Europe and in other parts of the world. In Portugal the absence of reforms and the current government's focus on stability as opposed to economic growth have dominated market conditions, notwithstanding the positive results achieved in terms of the current account deficit. The worrying levels reached by the spreads on Portuguese public debt compared with German public debt and other sovereign debts with non-investment grade ratings reflect this negative impact.

Defined contribution pension plan – BiG

In the first quarter of 2017, the Bank received final regulatory approval and completed a process that has been under way for more than two years for the domiciliation in Dublin of the defined contribution pension plan of BiG's employees. The operational aspects related with the termination of the pension plan based in Portugal and the transfer of the respective assets to an Institutional Occupational Retirement Plan (IORP) through a trustee agreement, based in Ireland and managed by Willis Towers Watson, should be concluded during the second quarter of 2017.

BiG Start Ventures

One Tier Capital Partners, SCR, SA, after changing its commercial objectives to focus on start-ups in the Fintech area, under the brand BiG Start Ventures, invested in four start-ups in 2016 (one German and three Portuguese), since the start of 2017, and after meeting with approximately fifty potential investment targets, BiG Start Ventures is in negotiations with two additional candidates, one of which is based in the USA.

BiG vs. BIC legal dispute

On 7 December 2016 the High Court of Appeals of Lisbon upheld the ruling of a lower court to annul the brand and denomination "Banco BiC", given the confusion with the previously registered brand "Banco BiG". The ruling, favorable to BiG, became *final* in early 2017, meaning that it may not be appealed, bringing the litigation to a definitive close with the following decision:

- Annulment of the national brand no. 500559 and of logo no. 26887 "Banco BIC" and ordering of BIC to refrain from using the name "Banco BIC", as had been decided by the court of 1st instance;

- To grant a period of 180 days, from that decision, for Banco BIC to comply;

- To apply a compulsory penalty of EUR 5,000 for each day of non-compliance of refraining from using the name "Banco BIC".

The High Court of Appeals did not confirm the decision of the court of 1st instance in relation to the payment by Banco BIC to BiG of an indemnity to compensate the costs of the investment made by BiG in advertising in order to distance itself from the Brand "Banco BiC".

RESULTS OF OPERATIONS FOR 2016

T.13 (Euro 000)

Revenues	2016	2015	2014	2013
Interest income	46,143	43,865	43,414	43,994
Interest expense	-20,930	-20,131	-18,275	-18,247
Net interest margin	**25,214**	**23,733**	**25,138**	**25,747**
Income from capital instruments	929	1,518	661	1,812
Income from services and commissions	9,680	15,411	18,329	8,119
Expense associated with services and commissions	-2,019	-2,709	-6,886	-1,586
Income from market trading	-9,265	-48,340	-77,641	7,018
Income from financial assets held for sale	51,541	155,096	183,744	79,261
Income from exchange revaluation	-2,863	1,502	11,257	-90
Income from the sale of other assets	3,966	2,986	14,786	5,041
Other income	-1,491	-492	-13	-300
Net operating income	**75,692**	**148,706**	**169,375**	**125,022**

The composition of the Bank's net operating income may vary from year to year because of changing financial conditions, regulations and economic conditions globally and domestically. For 2016, the Bank's lower income resulted from of a combination subdued risk-taking and conservative management of the balance sheet during a year featuring a significant number of negative events and trends. The components of the Bank's revenues and their relative weight were generally consistent with prior years and included (i) an increase in net interest margin, (ii) a drop of rise of 40% in net commissions, (iii) lower net results from investing and credit activities, (iii) a decline of 20% in salary expense, combined with a 37.% reduction in General Administrative Expenses, to compensate in part for lower opportunities to generate income, (iv) a drop in provisions for possible banking risks, and (v) a lower taxes due to the decline in pre-tax profit.

Net Interest Margin was € 25.2 million in 2016 versus € 23.7 million in 2015. The Bank's gross interest revenues were rose because of a higher average inventory of earning assets, and conservative liability management. Funding costs declined relative to the size of the asset base, because interest paid on deposits approached zero and available wholesale funding was available often at negative rates. The combination of (i) lower demand for debt issuance by financial and corporate sectors, and (ii) the continuation of an aggressive policy of monetary easing, resulted in a compression of credit spreads, almost regardless of the quality of the issuer. Overall, Management continued to limit the growth of earning assets to rises in core client deposit base and capital funds. Relatively less inexpensive funding from the ECB or EUREX repo declined in net terms, and was replaced by a combination of higher client deposits and greater volume of activity with international banking counterparties. Net interest margin represented 33% of total net revenues in 2016, as compared with 16% in 2015, 15% in 2014, and 21% in 2013.

Non-interest income for the year was €50.5 million, versus €124.9 million, €144.2 million in 2014, and € 99.3 million in 2013. The components of this category include (i) income from capital instruments, mainly dividend-yielding equity investments, (ii) commissions from client trading activity and banking services, managing and distributing assets, and advisory assignments for corporate and institutional customers, (iii) revenues from mainly client business, such as market-making, structuring products and the gains or costs of 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.

Net commissions derive largely from asset management and brokerage activities from retail and wholesale clients. These businesses include a variety of managed investments or largely self-directed, client trading platforms placed at their disposition to trade cash equities, warrants, futures, foreign exchange, and certificates for difference. This category also includes bank service fees, such as revenues from ATMs, and retainers and commissions associated with corporate advisory mandates. Revenues from asset management improved in 2016, while retail brokerage declined, as higher levels of volatility, and the effects of a declining interest rate environment encouraged clients to seek alternatives to low-yielding deposits.

Net Revenues from credit and investing combine all categories of Non-Interest income, less net revenues from fees and commissions. In aggregate, income from the Treasury and Markets business for 2016 was € 41.9 million, down from the prior two years, when opportunities in fixed income were more abundant. Within this group of accounting categories, trading revenues were negative for the year, because of the costs of hedging the larger fixed income portfolio. This category should be seen in conjunction with the next category of investment gains ("Resultados de activos disponíveis para venda") as the two can be related. They 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, tend to be subject to more active management than other types of investments. 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 a key to the Bank's management of liquidity and interest rate positions.

The Bank has been focusing heavily on building its Wealth Management business in a difficult environment for many businesses focused on financial services. We expect 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 an increase in complexity for the foreseeable future. The respective proportions may vary as client deposits and assets under supervision rise, the balance sheet gradually expands, and as the Bank's coverage of the domestic 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, the growth in headcount and management's confidence regarding levels of business activity.

For 2016, the aggregate of total expenses, including imparities and provisions, were € 17.2 million, or 58% lower than in 2015. The total reflected a drop in employee expenses, and tight management and controls over growth in general administrative and provisions. Even excluding a reversal in some general provisions in 2014, the decline in overall costs for 2016 was substantial. Net provisions of a prudential nature made in 2015 included amounts set aside for commitments in technology, marketing and other costs contracted in 2015, but with disbursement only in 2016, as well as prudential provisions created in 2014 for other banking risks. Imparities were not relevant in 2016.

Net operating expenses, or transformation costs net of imparities and provisions – i.e. *compensation expense, benefits, general administrative expenses and depreciation/amortization* – were 24.7% lower in 2016 for the reasons described above. 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* ratio rose year on year, but remained well under control, relative to industry averages, at 36.7%, as compared with 24.8% in 2015 and the record low achieved in 2014 of 20.3%.

In general, the Bank actively manages the asset side of the balance sheet, and operates with a unique retail strategy, 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, declined 20.5% and represented 66.87% of net operating expenses in 2016, as compared with 63.3% in 2015, 70.4% in 2014, 71.7% in 2013. Management contained employee expenses during 2016, a year in which the Bank continued to grow and recorded a net increase in headcount.

Besides compensation-related expenses, dominant operating expense categories include administrative costs, which are closely linked to the rise or containment of headcount and include marketing and management of investments in the Bank's physical offices and technology systems.

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, the level of business activity, and/or associated with specific investments. In 2016, and the correlation was closes with business activity as Management contained this expense category by reducing it 37.5% year on year. For 2015, this figure included a significant investment in the repositioning of the Bank's brand.

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. This expense category represented 9.1% of total expenses in 2016.

Costs associated with Imparities were substantially lower than the already modest amount in 2016, and less than 0.4%

T.14 (Euro 000)

Expenses	2016	2015	2014	2013
Compensation expense	-18,581	-23,363	-24,124	-22,357
General administrative Expense	-7,659	-12,262	-9,277	-7,690
Depreciation and Amortization	-1,576	-1,291	-1,028	-1,135
Net provisions	10,883	-2,765	-10,256	-1,871
Imparity of credits net of reversals and recoveries	-3	-67	-35	34
Imparity of other financial assets net of reversals and recoveries	-283	-1,351	0	-125
Imparity of other assets net of reversals and recoveries	-31	-6	-174	-103
Total costs	**-17,249**	**-41,105**	**-44,894**	**-33,245**

of net operating revenues. Loan-related imparities registered in 2015 were negligible, and were consistent with prior years' levels of close to zero.

Pre-Tax income was €58.4 million in 2016, compared with € 107.6 Million in 2015, and 124.7 million in 2014. For 2016, net provisions for taxes were €14.7 million, versus € 33.1 million in 2015 and € 42.1 million in 2014. The tax rate declined to 25.2%, against 30.8% in 2015.

Operating Results by Business Segments

Internally, Management reviews the performance of the Bank at the level of major business lines, sales teams and product areas, using objective criteria and the Bank's actual accounts as a reference. In broad terms, Management reviews results on the basis of a matrix of three main business segments, which include the two major client areas – Retail and Corporate/Institutional, the Treasury and Capital Markets business and a number of product areas. Below are detailed operating results of the Bank's three main business segments, based on an internal management presentation of our revenues and expenses associated with their activity for the year. 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.

The Specialized Retail client business contributed € 12.4 million in net revenues for 2014, as compared with € 17.3 million for 2014. The main contributions came from net commissions, which included brokerage and asset management activities, and margin income, associated with the liability margin allocated from mainly savings and investment products, as opposed to lending products. Net commissions rose modestly, and growth in this segment tends to be sustained, not explosive. While the area generated a higher level of funding for the Bank, the allocation of margin declined because of the significant and rapid drop in market rates, a trend we expect to continue indefinitely. The contribution of Retail to total net revenues also declined on a relative basis, in spite of the increase in absolute terms. Commissions from brokerage, asset management and banking operations represented 48% of the total, while the allocations made to the margin category dropped to 41%. The trend reflects the emphasis on asset accumulation involving activities in savings, investment, trading, custody and normal banking transactions. For a number of reasons – higher competition for deposits from banks with different businesses to fund, and a decline in market rates to near zero in Europe's slow-growth environment – we expect to see a shift in the mix of revenues, in favor of commissions over funding-related margin activity, to continue.

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. The approach combines "high touch," or personalized service, with "low touch," associated with electronic means of transacting business. Products and services

T.15 (Euro 000)

Results and Taxation	2016	2015	2014	2013
Operating results	**58,443**	**107,601**	**124,480**	**91,777**
Results of subsidiaries	0	0	176	163
Income before tax and minority interests	**58,443**	**107,601**	**124,656**	**91,940**
Current Taxes	-14,805	-32,507	-41,850	-33,219
Deferred Taxes	74	-585	-277	-92
Net income before minority interests	**58,443**	**107,601**	**124,656**	**91,940**
Net Income	**43,712**	**74,509**	**82,529**	**58,628**

T.16 (Euro 000)

Specialized Retail	2016	(%)	2015	(%)	2014	(%)	2013	(%)
Net Commissions for Services to Third Parties	5,432	47%	5,987	48%	5,865	34%	3,920	28%
Margin	4,323	38%	5,063	41%	9,901	57%	8,454	61%
Banking Commissions	1,416	12%	990	8%	1,033	6%	816	6%
Trading / Sales	310	3%	376	3%	533	3%	680	5%
Net Revenues	**11,481**	**100%**	**12,416**	**100%**	**17,332**	**100%**	**13,869**	**100%**
Operating Expenses	-13,067		-15,025		-16,911		-11,843	
Pre-tax Income	-1,586		-2,609		422		2,026	
% Operating Revenues / Total Segments Revenues	20%		9%		11%		13%	
% Operating Expenses / Total Segments Expenses	60%		60%		55%		59%	

include checking accounts, debit and credit cards, payment services and, to a lesser extent, certain consumer credit arrangements, such as auto loans and mortgages. 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 2015, this client segment generated net revenues of € 7.8 million versus € 6.3 million, because of higher brokerage and advisory commissions.

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. The business focuses on managing the Bank's liquidity and exposure to interest rate risk, in conjunction with controls over credit and concentration risks. Credit exposures are managed between the liquid debt instruments of quality corporate, financial and sovereign issuers for a variety of maturities. The Bank may also trade in major foreign currency instruments, interest rate and equity futures, futures on major indices and 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 2016, on an internal management basis, the area generated pre-tax revenues, net of operating costs and imparities, of € 44.0 million, as compared to € 111,4 million in 2015 and € 132.8 million for 2013. The generation of revenues suggests a fairly normal distribution during the past year, as indicated in the following histogram.

Balance Sheet and Sources of Funding

Balance Sheet Management

For the past several years, growth in the balance sheet has been modest and contained, substantially, by the level of increase in retail deposits and reinvested current earnings. BiG's assets and liabilities advanced moderately from the prior year-end period because of steady inflows in stable retail client deposits, a moderate level of wholesale funding at negative rates, and a stable level of total capital, which together funded a slightly larger and diversified available-for-sale portfolio of mainly liquid fixed income securities and loan assets. Generally, and as in prior years, changes in nature of the balance sheet are gradual, with year-end levels of assets not differing materially from balance sheets on other reporting dates throughout the year.

Close attention to the size and composition of the Bank's balance sheet is one of Management's most important exercises in risk management. Assets and liabilities frequently change due to client activity, market conditions and available business opportunities, but the size and composition of the Bank's balance sheet at any given time may reflect a 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,* based on actual and stressed, or hypothetical levels, (iii) Management's overall view of opportunities

T.17 (Euro 000)

Wholesale	2016	(%)	2015	(%)	2014	(%)	2013	(%)
Net commissions for services to third parties	804	31%	4,939	63%	4,088	65%	350	20%
Margin	236	9%	379	5%	111	2%	160	9%
Banking Commissions	738	28%	1,134	15%	1,049	17%	649	38%
Trading / Sales	398	15%	406	5.2%	264	4.2%	206	12.0%
Corporate Finance	455	17%	922	11.8%	810	12.8%	355	20.6%
Net Revenues	**2,630**	**100%**	**7,780**	**100%**	**6,323**	**100%**	**1,719**	**100%**
Operating Expenses	-4,177		-4,630		-9,141		-4,525	
Pre-tax Income	-1,547		3,150		-2,818		-2,805	
% Operating Revenues / Total Segments Revenues	5%		6%		4%		2%	
% Operating Expenses / Total Segments Expenses	19%		19%		30%		23%	

T.18 (Euro 000)

Treasury & Capital Markets	2016	(%)	2015	(%)	2014	(%)	2013	(%)
Income from capital instruments	929	2%	1,518	1%	661	0%	1,812	2%
Profit / loss of assets and liabilities at fair value through Profit & Loss	-9,265	-21%	-48,340	-43%	-77,641	-58%	7,018	8%
Profit / loss of financial assets available for sale	51,541	117%	155,096	139%	183,744	138%	79,261	85%
Profit / loss from exchange revaluation	-2,863	-7%	1,502	1%	11,257	8%	-90	0%
Results from sale of other assets	3,966	9%	2,986	2.7%	14,786	11.1%	5,041	5.4%
Impairment of other financial assets net of reversals and recoveries	-283	-1%	-1,351	-1.2%	0	0.0%	-125	-0.1%
Net Revenues	**44,026**	**100%**	**111,412**	**100%**	**132,807**	**100%**	**92,917**	**100%**
Operating Expenses	-4,619		-5,230		-4,894		-3,700	
Pre-tax Income	39,407		106,181		127,913		89,217	
% Operating Revenues / Total Segments Revenues	76%		85%		85%		86%	
% Operating Expenses / Total Segments Expenses	21%		21%		16%		18%	

and associated risks. 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.

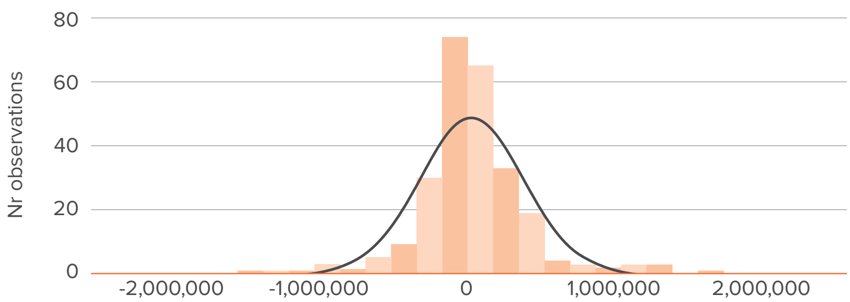
Our risk framework is based on a core strategy of maintaining an exceptionally liquid balance sheet. The Bank's processes and procedures encourage a dynamic management of our assets and liabilities and include:

- Daily review and at least weekly planning of key asset and liability items
- Daily monitoring of key risk measures and utilization of capital
- 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.

G.1 (Euro)

Distribution of profit and losses 2016



T.19 (Euro 000)

Key Balance Sheet Items	2016	2015	2014	2013
Total Net Assets	1,759,030	1,542,063	1,444,517	1,214,430
Earning Assets	1,660,135	1,478,311	1,360,783	1,173,812
Assets Held to Maturity	0	0	0	0
Loans to Total Net Assets	24.9%	24.4%	9.4%	16.2%
Deposits from Central Banks	0	165,007	180,173	130,315
Funding from other Credit Institutions	396,823	171,220	108,264	143,478
Deposits from Clients	1,049,050	885,486	804,736	683,717

Total Net Assets at year-end 2015 were just under €1.8 billion, as compared with € 1.5 billion at 31/12/15. Earning Assets at 31/12/16 were €1.66 billion, or 94% of Total Net Assets, and were 12% 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 grew because of a higher volume of residential mortgage backed securities (RMBS) held as loans. Including RMBS classified as loans, this category represented about 26% of earning assets. A small portion of the Bank's loan book at year-end included mainly margin accounts to retail clients. These facilities are short term in nature and structured to be self-liquidating in stressful conditions. At year-end 2016, 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, particularly since 2011 (see Credit Risk Management). The Available for Sale portfolio (AFS) grew because of higher levels of liquidity. AFS represented about 65% of total earning assets at 31/12/16, or approximately the same level as 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 decision to either hold securities for margin income or divest is decided at the level of the Bank's Asset and Liability Committee (ALCO), and takes into consideration market conditions, credit concentrations and the Bank's overall liquidity profile.

Main sources of funding were, as in prior years, client deposits, capital, and funding via sale/repurchase agreements with market participants, such as Eurex Repo and other banks, and to a lesser extent the ECB. Client deposits are mainly retail in nature and rose 18.5% to € 1.049 billion, after increasing 10% in 2015, 18% in 2014, and 26% in 2013. Deposits taken from the ECB were zero at year end, and for the prior quarter. Deposits taken from other banks are mainly repurchase agreements with international counterparties, and include EUREX REPO, which the bank joined as clearing member during 2011.

Through the ALCO process, which provides a view of the nature of the concentrations and liquidity of our assets, combined with conservative management of the funding mix described above, we seek to ensure that substantial excess cash positions are maintained at all times to meet normal, and via analysis of our stress testing scenarios, hypothetical outflows of funds. For further details on secured funding and client deposits, please refer to *Summary Analysis – Liquidity*, *Liquidity Risk Management* and Notes 28-30:

Shareholder Funds. Shareholder Funds at 31/12/16 were €265.6 million, as compared with € 276.4 million on the same date in 2015. The number of common shares issued – each with a nominal value of one euro each, fully subscribed and paid up – rose to 156 million, as a result of the incorporation of € 52 million in reserves, approved by Shareholders in 2015. The main components affecting the increase in shareholder value since that date have been other reserves/retained earnings, current earnings/net income and the payment of anticipated dividends.

Regulatory Capital: BiG's primary regulator is the Bank of Portugal and in accordance with banking regulations, we are subject to consolidated risk-based regulatory capital requirements. In broad terms, regulatory capital is used as a basis for measuring key aspects of our banking business, and involves a number of regular adjustments to the Bank's capital account, which are then reported regularly. Capital requirements are expressed as capital ratios that compare adjusted capital to risk-weighted assets. The Bank's regular and required reporting of Core Tier 1 and other solvency ratios are a key part of the regulatory capital process.

Profitability measures were favorable when compared to much of our competition 2016, but below the results in 2015 and record returns achieved by the Bank in 2014. **Return on Average Equity (ROE) was 16.1%, as compared to 27.7% for 2015.** The Bank's efficiency ratio moved to 36.7%, versus 24.8% for 2015, because of the drop in denominator, but continues to compare favorably with our peers.

T.20 (Euro 000)

Earning Assets	2016	2015	2014	2013
Deposits with Banks	126,138	82,313	105,803	80,113
Loans	437,485	376,820	136,162	196,919
Trading Securities	13,482	18,093	27,840	21,900
Available for Sale Securities	1,083,030	1,001,084	1,090,978	874,881
Total	**1,660,135**	**1,478,311**	**1,360,783**	**1,173,812**

T.21 (Euro 000)

Main Liabilities and Capital	2016	2015	2014	2013
Deposits from central banks	0	165,007	180,173	130,315
Financial liabilities held for trading	1,148	1,699	5,614	1,357
Deposits from other banks	396,823	171,220	108,264	143,478
Clients Deposits	1,049,050	885,486	804,736	683,717
Shareholder funds	265,611	276,364	261,369	207,193

T.22 (Euro 000)

Shareholders Capital	2016	2015	2014	2013
Common Stock	156,000	156,000	104,000	104,000
Issue Premiums	1,362	1,362	1,362	1,362
Other Capital Instrument	0	0	0	0
Treasury Stock	-2	-2	-153	-1,084
Revaluation Reserves	-87,095	-48,229	-7,284	-2,180
Other Reserves / Retained Earnings	160,994	105,204	96,515	58,947
Other Deductions	0	0	0	0
Net Income	43,712	74,509	82,529	58,628
Antecipated Dividends	-9,360	-12,480	-15,600	-12,480
Total Shareholders Capital	265,611	276,364	261,369	207,193
Book value per share	1.70	1.77	2.51	1.99
Net assets / Equity	6.62	5.58	5.53	5.86

T.23 (Euro 000)

Consolidated Regulatory Capital	2016	2015	2014	2013
Shareholders Equity	**265,611**	**276,364**	**261,369**	**207,193**
Dividends payable	-6,240	-6,240	-6,240	-6,240
Intangible Assets	-2,567	-2,628	-639	-133
Renumeration Deposits above Thresold	-46	-61	-234	-1,203
Revaluation Reserves	34,193	45,308	7,043	2,973
Own Funds	**290,951**	**312,743**	**261,300**	**202,590**
Risk-weighted assets	921,344	943,215	744,365	616,225
Common Equity Tier 1 Capital ratio	31.6%	33.2%	35.1%	32.7%
Tier 1 Capital ratio	31.6%	33.2%	35.1%	32.7%
Total capital ratio	31.6%	33.2%	35.1%	32.9%

T.24

Performance Measures	2016	2015	2014	2013
Profitability				
Return on Assets (ROA)	2.6%	5.0%	6.2%	5.2%
Return on Equity (ROE)	16.1%	27.7%	35.2%	31.0%
Operating Revenues / Average Net Assets	4.6%	10.0%	12.7%	11.2%
Efficiency				
Net Margin / Earning Assets	1.5%	1.6%	1.8%	2.2%
Operating Expenses / Operating Income	36.7%	24.8%	20.3%	24.9%
Personnel Expenses / Operating Income	24.5%	15.7%	14.2%	17.9%
Solvency				
TIER 1 Capital Ratio	31.6%	33.2%	35.1%	32.7%
Total Capital Ratio	31.6%	33.2%	35.1%	32.9%

RISK MANAGEMENT AND INTERNAL CONTROL

Overview

Management views the assumption and control of Risks as inherent to our business. They include, generally, market, liquidity, interest rate, credit, operational, technology, compliance and reputational risks. Management believes, moreover, that effective management of risk, which is at the core of our business of creating value for shareholders, has been a key to the Bank's progress and is essential to our future success.

To identify and manage these risks, which are inter-related, the Bank has a comprehensive and integrated system of internal controls, policies and procedures. These are both quantitative and qualitative in nature. The Executive Board reviews, approves, and oversees the respective risk management functions and ensures compliance with policies and procedures, either as a group or by delegation. Generally, our systems and policies are designed to ensure effective processing, reliable systems, appropriate risk taking, daily or intra-day measurement of positions, independent reporting and responsible behavior. Policies and procedures on enforcement also seek to ensure respect for and adherence to internal, regulatory, legal and prudential guidelines designed to protect the interests of clients and shareholders, while preserving and protecting the reputation of the Bank.

As part of its processes to measure the main risks inherent to banking, mentioned above, Management relies on a variety of stress testing scenarios in addition to other methodologies. These are subject to continuous review, and are associated with some of the paradigm-changing events associated with domestic and global political and economic events, which have defined the past couple of years. Such events have had a siginificant impact on long-standing market practices, regulations or assumptions, as well as market prices and expectations. These risks figure prominently in our view and measurement of market, liquidity and credit risks. For additional information, including stress tests for reputational and correlation risks please refer to Note 38.

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

Governance Structure

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

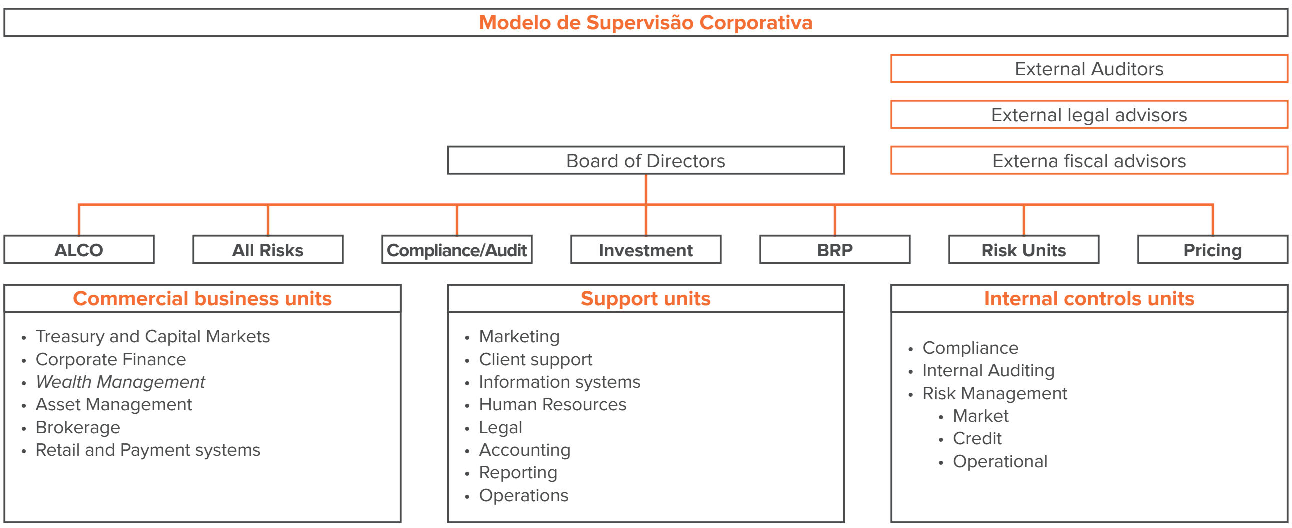
Presiding over the Governance Structure is the executive Board of Directors. The Bank recognizes the role of the Board in overseeing risks and has always functioned with the belief that proper controls – both to avoid unnecessary losses and as a means to generate value for shareholders in a controlled environment – are fundamental to the institution's financial strength. It is the responsibility of the Board to provide guidance on strategy and risk appetite, approve policies, and maintain an integrated view of risk exposures.

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

General Policies and Processes

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

F.3



F.4

Identifying	Measuring and Monitoring	Reporting	Action Plan
• Risk units • Internal Auditing • Internal Control • Board of Directors • Commercial units	• Risk units • Business units • Accounting • Auditing • Internal Control • *BackOffice* and *MiddleOffice*	• Risk Units • Reporting • *BackOffice* and *MiddleOffice* • Internal Control • Accounting • Internal Auditing	• Board of Directors • Internal Committees

banking practices and regulatory standards.

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

- Regular review of policies, procedures and regulations by Senior Management

- Formal definition of responsibilities for risk management in the Bank

- Policies and procedures to ensure independent oversight

- Appropriate diversification of risks and formal review of concentrations

- Systems of independent measurement and reporting

- Overlapping systems to measure and control risk

- Training to assist in identifying risk across business areas

Critical policies and processes include: (i) the relatively active management of our positions, (ii) marking to market the majority of our earning assets on a daily basis, (iii) daily or intra-day review of our financial exposures and net revenues, (iv) daily, independent review of credit exposures, controls over limits and accounting processes, (v) independent reporting and regular dialogue among revenue-producing teams and independent risk control and support functions, (vi) extensive and often extreme stress testing procedures, and (vii) the direct involvement of Management in the process of controlling risks and encouraging the rapid communication of escalating risks.

Measuring Risk

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

- Extensive use of scenario stress testing

- Market Risk Limits based on VaR (Value at Risk)

- Sensitivity analyses, particularly with interest rate risk

- Basis Point Values

- Limits by counterparty, family, asset class and portfolio

- Concentration Limits

- Qualitative analysis and procedures

The process requires regular self-assessment exercises, updates in techniques and periodic changes of assumptions, as well as adherence to changing regulatory and accounting issues. As a result, this is a daily focus of Management, line functions and support areas. We assume as part of the process that no single methodology to measure risks is 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.

From Management's point of view:

- *Market risk* usually involves at least a daily review of all of the above measures.

- *Liquidity risk* and *Interest rate risk* focus on a number of methodologies, among which basis point values and scenario analyses.

- *Credit risk* generally focuses on nominal and fractional exposures, concentrations by borrower or group, sector or geography and stress testing.

- *Derivatives* exposures are measured with sensitivity analyses of exposures measured in basis points.

- *Operational risk*, *Reputation risk* and *Correlation risk,* which involve some of the more subjective risks to which the Bank may be exposed, usually depend on scenario analyses in order arrive at quantitative estimates.

Limits and Controls

Limits on all risk activities are essential to the process 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. 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. Reports on daily stress tests serve as a basis for discussion on the appropriateness of exposures and the need to take action to reduce risk concentrations via the sale or repositioning of our positions, or hedging of risks.

Risk control units

Each of the internal risk committees - the *Market Risk Committee*, *the Asset and Liability Committee, the Credit Risk Committee, the Investment Committee and groups responsible for such areas as Internal Audit, Compliance, Operating risks and Technology risks* - includes individuals responsible for the day to day controls. Each also 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.

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 markets activities, as they may have a direct impact on the Bank's daily profit and loss account, and/or on the Fair Value Reserve of the capital account, include:

- *Fixed Income Risks*, resulting from movements in prices in assets held for trading or 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 Unit.* These groups are chaired by the CEO and include other members of the Board, in addition to other business managers involved of both revenue-producing units and risk control teams.

Underlying the committees are the primary risk control units – Market and Credit Risk - which are responsible for reviewing methodologies for measuring risk and limits for all investment and trading activities. They also control broad investment management decisions discussed at the level of ALCO, review models and analytics associated with calculating *value at risk* limits within both Bank and client portfolios, and are responsible for conducting daily portfolio stress tests, as well as overseeing the independent control and enforcement of limits on risk taking by front office personnel. In addition, the group seeks to ensure an efficient balance between risks and return, as well 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* are also part of the Bank *Investment Committee*, which oversees trends, allocations and policies with respect to the management of third party or client 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)*
- *Stress testing*
- *Controls over Basis point values*
- *Greeks sensitivity*

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 *stop loss 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.

T.25 (Euro)

Trading VaR 2016 (vs 2015)	2016 December	2016 Average	2016 Maximum	2016 Mínimo	2015 December	2015 Average	2015 Maximum	2015 Minimum
Foreign exchange risk	9,776	131,982	359,775	6,189	222,329	146,657	333,914	1,592
Interest Rate Risk	39,756	354,548	2,170,589	17,467	26,617	324,903	1,894,602	19,545
Equity	26,986	308,454	1,216,188	26,986	38,231	140,456	356,978	21,671
Options	110,665	116,878	399,005	20,992	30,524	92,988	273,919	13,629
Diversification	17%	30%			13%	29%		
Total VaR	**155,751**	**635,924**	**2,483,922**	**134,179**	**274,812**	**497,033**	**1,763,575**	**68,375**

T.26 (Euro)

Investment VaR 2016 (vs 2015)	2016 December	2016 Average	2016 Maximum	2016 Mínimo	2015 December	2015 Average	2015 Maximum	2015 Minimum
Interest Rate Risk	13,300,264	15,058,418	19,547,716	9,944,538	9,908,208	15,137,398	20,447,613	6,863,134
Equity	0	804,110	1,710,551	0	959,967	608,283	1,105,989	165,817
Diversification	0%	2%			3%	2%		
Total VaR	**13,300,264**	**15,571,493**	**20,192,592**	**10,611,421**	**10,501,977**	**15,468,448**	**20,900,062**	**7,307,725**

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 lower probability of happening.*
Back-testing: *Process of validating a model by comparing its predictions to actual results.*
Nível de confiança: *Probability that actual losses will not exceed the estimated value at risk, the greater the confidence level, the higher the value at risk.*
Efeito de diversificação: *Represents the gain, in risk terms, of having a diversified portfolio.*

Limits Utilization – VaR

T.27 (Euro)

Trading		
VaR	**Limit**	**Usage**
155,751	4,400,000	4%

	Limits	30-12-2016	29-12-2016	Δ	Excess
Equity	1,400,000	26,986	28,684	-1,698	-
Options	400,000	110,665	124,987	-14,322	-
Interest Rate Risk	2,200,000	39,756	42,578	-2,822	-
Foreign exchange risk	400,000	9,776	16,402	-6,626	-

T.28 (Euro)

Investment		
VaR	**Limit**	**Usage**
13,300,264	25,000,000	53%

	Limits	30-12-2016	29-12-2016	Δ	Excess
Equity	2,000,000	0	0	0	-
Interest Rate	23,000,000	13,300,264	13,408,574	-108,309	-

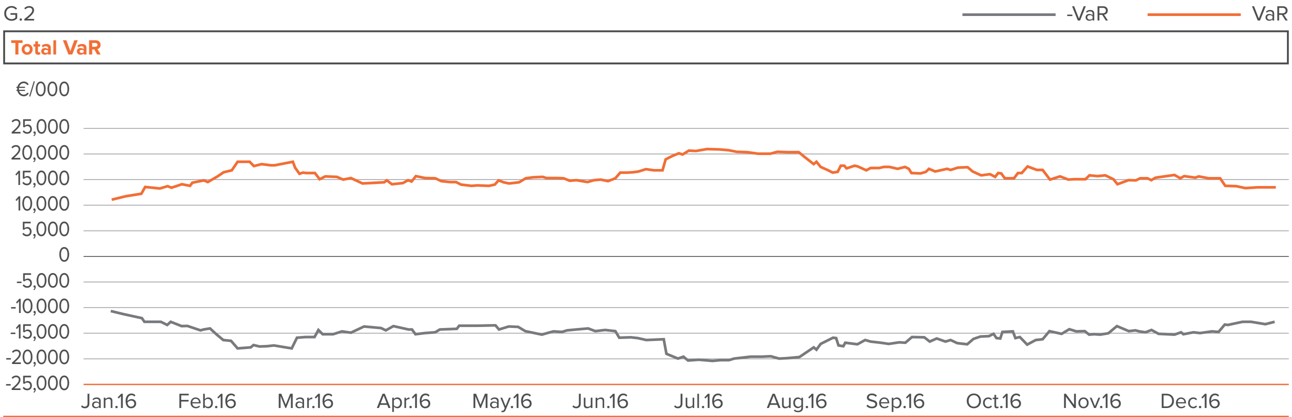
T.29 (Euro)

Sector	Average VaR
Basic Materials	75,668
Communications	91,198
Consumer, Cyclical	18,218
Consumer, Non-cyclical	73,969
Financial	87,000
Government	13,523,503
Industrial	664,289
Utilities	371,584
Energy	145,684
Technology	13,968
Funds	826,978

Trading VaR and Investment VaR seen as a whole:

G.2

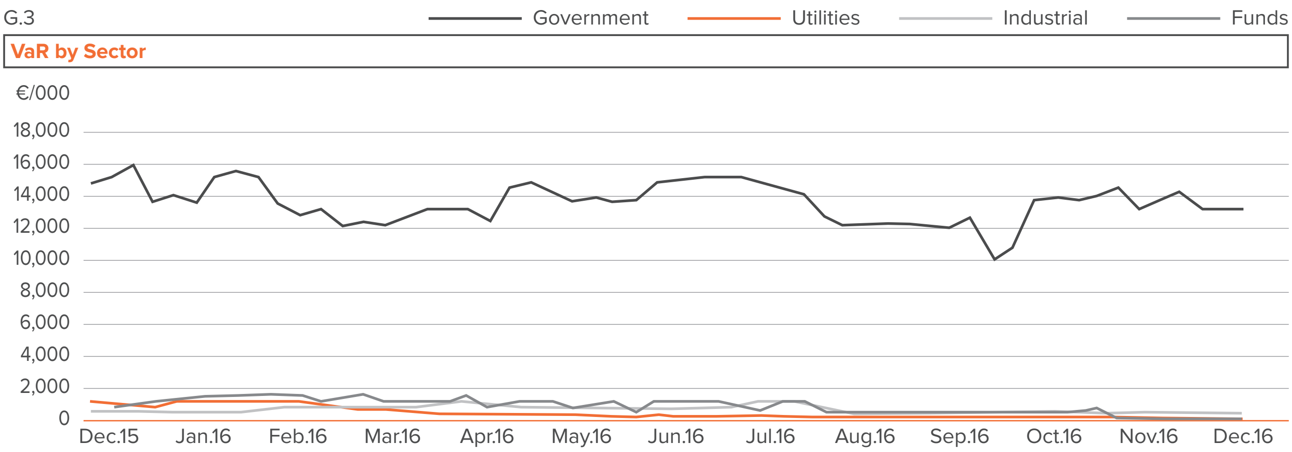
Total VaR



VaR by Sector

G.3

VaR by Sector



Results of back testing of the trading book during 2016 indicate that there was one trading day in which losses exceeded *VaR* levels. Trading limits, as indicated below and in line with prior years, were lower and less used, on average, than investment limits, 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 limits stood at approximately 53% during 2016, versus 42% in 2015 and reflect a modest increase in risk-taking. The highest levels of VaR were associated with the fixed income portfolio, reflecting concentrations in that class of instrument. Further detail on exposures may be found in the *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 2016, were associated with Government issues, followed to a lesser extent by Funds (ETF - used for trading or hedging), Industrial, Utilities, Energy, and Financials.

The concentration in Government had to do with the larger availability and liquidity of issues from that segment as compared with others, which have to tended to yield lower returns as a function of credit risk in a market inundated with liquidity.

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/ask prices of assets. In moments of stress, the bid/ask spread widens as a function of reduced liquidity. Table 30 below show the comparative evolution during 2016 of average liquidity VaR for different asset classes held by the Bank, where *L1* is a measure of spread between bid/ask prices. Points of significant deviation between normal VaR measures and Liquidity Var, as indicated in the graph below, reflect the rise in stress and fall in liquidity among mainly fixed income instruments linked to peripheral countries and their financial institutions.

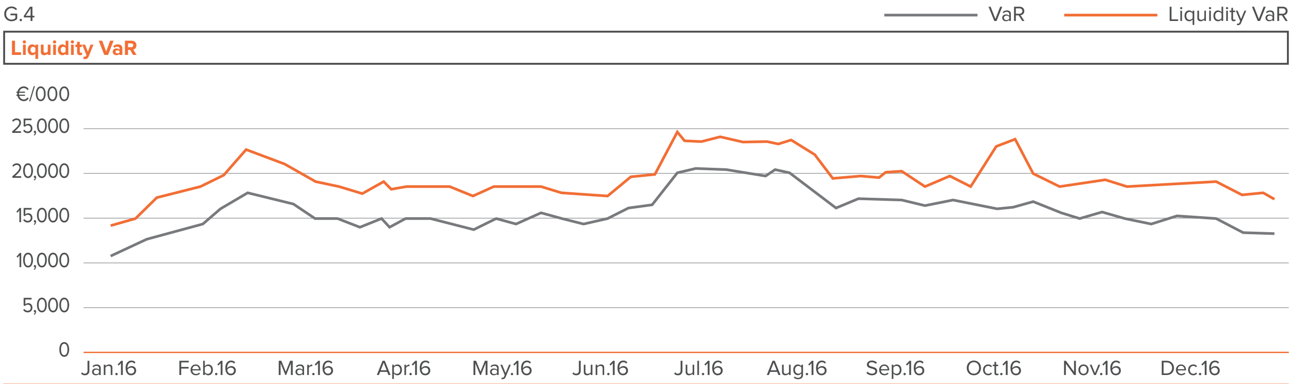
Stress Testing

The Bank does extensive stress testing of its market positions and considers this approach, in combination with VaR measurements, to be an essential tool for managing market risks. With stress testing, the Bank seeks to estimate the potential losses associated with an instrument, 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. 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

G.4

Liquidity VaR



T.30

Average Liquidity VaR by Sector during 2016 (Euro)

Sector	L1	VaR	Liquidity VaR
Government	2,232,630	13,523,503	15,756,132
Utilities	181,373	371,584	552,958
Industrial	549,004	664,289	1,213,294
Funds	65,373	826,978	892,351
Other	269,360	505,705	839,414

events. These scenarios simulate the impact of events or falls in markets, which are based on historical observation.

Historical scenarios observed are used given the periods of extreme market stress and used as a basis for running daily tests identified below as “C1, C2....C5.”. The historical market reaction to a number of “worse-case” historical events is applied to current exposures to estimate potential 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.

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: (1) pre-funding of assets prior to their acquisition; (2) the assumption that the majority of the balance sheet should be convertible to liquidity within a very short timeframe; (3) a program of building a stable client deposit base, and (4) the assumption that we will maintain a reasonable level of independence from wholesale funding markets. These principles define the Bank’s business model, which is non-credit-intensive, commission and service-based, and implies an asset base composed largely of highly liquid securities as opposed to illiquid loans.

In practice, the Bank’s liquidity management process is both a daily and strategic issue for Management. It encompasses detailed on controls over inflows and outflows, pricing and reputational issues, controls over collateral, the ALCO process and the aspects of our business recovery plan that touch on the fundamental nature of our business model: liquid, flexible, quality assets funded conservatively by mainly stable deposits and capital.

T.31 (Euro 000)

Trading Book

	Worst Scenarios - Equity					Worst Scenarios - Bonds					Worst Scenarios - FX					Commodity
	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1
Equity	12	(14)	(15)	(11)	18	(71)	(4)	(18)	(53)	(46)	30	3	(62)	9	(13)	(69)
Options	369	94	179	169	216	204	58	84	279	84	271	392	261	85	18	198
FX	(8)	(14)	(9)	(4)	(56)	(21)	(22)	1	(11)	5	(23)	(12)	(39)	7	(11)	(9)
Interest Rate Risk	106	(20)	23	(12)	(25)	(34)	(407)	(278)	(144)	(42)	3	(35)	(20)	(49)	9	(57)
Total	480	46	178	141	153	79	(376)	(210)	71	1	280	347	140	52	3	62

Investment Book

	Worst Scenarios - Equity					Worst Scenarios - Bonds					Worst Scenarios - FX					Commodity
	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1
Interest Rate Risk	(14.119)	(5.617)	(4.607)	(10.442)	(22.301)	(19.962)	(47.623)	(25.181)	(27.769)	(17.269)	(1.942)	(18.835)	(14.031)	(14.285)	(4.941)	(9.734)
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	(14.119)	(5.617)	(4.607)	(10.442)	(22.301)	(19.962)	(47.623)	(25.181)	(27.769)	(17.269)	(1.942)	(18.835)	(14.031)	(14.285)	(4.941)	(9.734)

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

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

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

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

The graph below provides a snapshot of funding mismatches at 31 December 2016 by stated maturity. For more information, please see Note 40.

Interest Rate Risk

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

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

The Bank measures interest rate risk in 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 following graph shows assets and liabilities by maturity as of 31 December 2016. For each period, modified duration and basis point values (bvps) are presented ahead.

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 20 basis points (bps) in a day or a similar rise or decline of 50 basis points in a week. The graph below measures the either positive or negative impact on pre-tax revenues from an unlikely parallel shift of 200 basis points during December 2016.

Exposure to Interest rate risk, as a percentage of regulatory capital, measured quarterly during 2015, and assuming the test scenario described above, was as described in T.34 and T.35.

Sensitivity Analyses

The Bank runs daily sensitivity analyses, which are used to quantify the movement of a single risk factor across all positions. Specifically, the Bank employs this type of analysis 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 exposure 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, variations of 1% in the value of underlying equities asset in the option trading portfolios; 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.32 (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	-19,488,263	-196,235,066	-191,902,311	-92,914,680	-94,689,070	
Cumulative Mismatches	-19,488,263	-215,723,329	-407,625,641	-500,540,320	-595,229,391	542,846,300
Net Assets	663,678,757	652,820,157	653,324,264	653,324,264	653,324,264	
Volatile Liabilities	167,664,742	316,205,437	414,424,684	416,970,614	424,094,848	
Net Assets - Volatile Liabilities	496,014,014	336,614,720	238,899,580	236,353,650	229,229,416	
Liquidity gap (1)	45	30	22	21	21	

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

T.33 (Euro)

Interest rate risk

Maturity	Assets	Liabilities	*Off balance (+)*	*Off balance (-)*	Net	bpv's
1/jan/17	279,569,909	897,860,907	0	0	(618,290,998)	(91)
1/feb/17	171,419,932	206,146,983	0	0	(34,727,051)	779
1/mar/17	58,982,006	108,342,728	0	0	(49,360,723)	965
1/apr/17	100,793,732	85,461,770	0	0	15,331,962	(522)
1/may/17	596,156	51,247,202	28,997,175	0	(21,653,872)	571
1/jun/17	16,494,453	17,697,003	239,992,163	0	238,789,613	(10,866)
1/jul/17	11,522,369	14,205,635	0	0	(2,683,266)	182
1/aug/17	425,266	5,153,142	0	0	(4,727,876)	286
1/sep/17	61,526	8,816,934	0	0	(8,755,408)	588
1/oct/17	124,819	14,743,257	0	0	(14,618,438)	1,154
1/nov/17	99,483	2,278,607	0	0	(2,179,123)	193
1/dec/17	530,759	5,229,913	0	0	(4,699,154)	306
1/jan/18	0	11,902,161	0	0	(11,902,161)	1,464
1/jul/18	20,984	5,535,235	0	0	(5,514,251)	942
1/jan/19	58,548	6,842,621	0	0	(6,784,073)	1,588
1/jan/20	15,884,437	947,110	0	0	14,937,327	(4,821)
1/jan/21	9,913,391	697,513	0	0	9,215,878	(4,066)
1/jan/22	785,209	0	0	0	785,209	(418)
1/jan/23	11,637,985	0	0	0	11,637,985	(7,255)
1/jan/24	229,995,051	0	0	0	229,995,051	(143,917)
1/jan/25	5,303,984	0	0	0	5,303,984	(3,937)
1/jan/26	6,852,150	0	0	0	6,852,150	(5,447)
1/jan/27	73,427,407	0	0	364,312,947	(290,885,541)	363,674
1/jan/32	236,570,188	0	0	0	236,570,188	(314,249)
1/jan/37	108,153,892	0	0	0	108,153,892	(151,810)
1/jan/42	325,159,131	0	0	378,388,153	(53,229,022)	176,296
	1,664,382,768	**1,443,108,722**	**268,989,338**	**742,701,100**	**(252,437,716)**	**(98,414)**

T.34 (Euro)

December 2016

Parralel increase of 200 pb	**Parralel decrease of 200 pb**	**Parralel increase of 100 pb**	**Parralel decrease of 100 pb**	**Increase of 50 pb after 1 year**	**Decrease of 50 pb after 1 year**
-19,682,842	19,682,842	-9,841,421	9,841,421	-4,597,914	4,597,914

T.35

Interest Rate Risk - Semi-annual Evolution

Date	Parallel increase of 200 bp in the interest rate curve	% impact on equity funds
Dec/15	-47,532,796	-15.2%
Jun/16	-12,835,265	-4.1%
Dec/16	-19,682,842	-6.7%

During 2016:

T.36

Greeks	*Rho*	*Vega*	*Delta*	*Theta*
Min	-453,396	-8,485	-61,095	-216,624
Max	159,129	81,585	1,348,583	912
Average	-115,826	18,465	351,555	-12,806
Std dev	118,931	17,076	159,992	23,141

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

Credit Risk

Overview

Credit Risk is defined as 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.

While not a lending-intensive institution, the Bank is nevertheless exposed to credit risks associated with most of its activities. These include, mainly, direct exposure to credit risks associated with securities issued by third parties and held as investment or trading assets of the bank. To a lesser extent, they also include direct exposure to clients who have contracted loans, usually on a margin basis, and market or settlement risk associated with trading activities by clients. Credit risks arising from dealings with professional counterparties as well as issuers of listed securities represent the majority of our exposures and, given their nature, are assessed in combination with procedures for managing market risks discussed above in *Market Risk*.

Credit exposures at BiG may include corporate and sovereign bonds acquired in the market, direct loans to customers, full value and replacement value inter-bank risks, securities-related settlement risk, receivables under derivative and foreign exchange contracts, and lending-related commitments under guarantees and similar facilities. In its process of analysis and approval, the Bank assesses these exposures at 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.

Process

As an activity inherent to banking, Management views credit risk as a normal part of our business model and fundamental to generating revenue and value for our shareholders. Given the importance of developing profitable business while taking risk and using capital prudently, the credit risk process aims to preserve the independence of the approval process, while allowing an effective integration with the management of business objectives. This process begins with the Board of Directors, which approves general policies and guidelines for credit risks. The Board then delegates 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 we manage has not varied substantially over the past several years and reflects the Bank's business objectives and underlying model. During 2016, policy-makers have continued their methodical and 'determined approach to address - through regulation, legislation, monetary policy, asset quality reviews and stress testing – many of the long-term effects of the post-2008 economic crisis, with European regulators being particularly active during this period. In this environment, managing the fundamental credit risk of the BiG's portfolio, particularly quoted debt and equity securities, has meant responding to the changing perceptions of credit quality and liquidity, while not losing sight of the fundamental, long term issues associated with the different markets. In this environment, the market's view of the quality of most assets, especially sovereign risk assets, has been driven by the view that Germany is a safe haven and that peripheral, southern European risks demand a significantly higher credit spread from investors.

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 by cash, eligible 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. At 31/12/2016, substantially all of the Bank's portfolio of *loans* were secured facilities.

- *Unsecured facilities*, which arise out of the management of our main credit risks: namely, portfolio investments in corporate or government issuers of debt, and market trading activities with professional counterparties. Exposures classified by the Bank as *unsecured* may involve sovereign debt issues, or debt issues of any number of entities guaranteed by sovereign guarantors. Given the size of the Bank's investment portfolio of corporate and sovereign senior bonds, this type of facility represents the largest portion of credit exposure for the Bank.

Credit Procedures

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

In the process, the Bank follows a pre-established approval matrix, which combines the results of credit scoring, tenors, maximum levels of overall exposure including any transaction under consideration, and the pre-approved levels of lending authorities granted to 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 approximately 3.1% of loans at 31/12/16, or somewhat below the low exposures of prior year periods. Substantially all such direct lending to clients is short term, collateralized by liquid securities and subject to regular controls over margins, or the difference between the value of a loan and the real-time value of the collateral supporting that loan. The Bank manages the inter-related market, operational and credit risks arising from margin accounts via an automatic system of controls over limits as well as mechanisms for automatic execution when pre-established levels of risk have been reached. This mechanism of control is based on a risk weighting allocated to different types of equities based on market volatility, as a basis for determining levels of leverage permitted in the loan account as a percentage of collateral. The Bank's experience has been that this type of lending can be a profitable use of capital and that this type of disciplined, secured lending has experienced negligible levels of credit-related losses, even under extreme market conditions. (Note 21).

Unsecured exposures

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

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

Concentration of Risks

The Bank views its exposure to concentrations of risk by category: credit risk, market risk, liquidity risk and operational risk, and where appropriate, by group of categories which may overlap, such as credit and market risk, or 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 focus on daily reports which summarize the largest concentrations of risk, including direct, indirect and contingent exposures. These are divided by financial and non-financial exposures. The reports among others serve as a management tool to monitor large exposures regularly and serve as a basis for periodic reporting of regulatory limits, including exposures equal to 10% of own funds and legal lending limits, representing 25% of consolidated capital funds. Main exposures at 31 December 2016 follow:

T.37 (Euro)

December 2016 Exposure by Investment Strategy		Amount
Bonds	Government guaranteed	1,018,756,584
	ABS	406,092,243
	Senior debt	71,411,795
Total Bonds		**1,496,260,622**
Cash & Near Cash		126,138,437
Equity (1)		414,003
Equity derivatives (2)		1,197,807
Forex (3)		842,596
Total		**1,624,853,465**

(1) Investment portfolio only
(2) Trading portfolio (delta)
(3) The fx positions include Cash, fx Forwards and fx, Futures

Exposure by Rating:

T.38 (Euro)

	Aaa	Aa	A	Baa	Ba	Caa	NA	Total
Government guaranteed	23,657	0	31,350,239	457,599,936	424,288,376	1,242,784	104,251,592	1,018,756,584
Senior debt	0	0	0	7,203,101	10,188,532	0	54,020,162	71,411,795
ABS	0	9,986,513	216,237,120	99,952,197	0	0	79,916,414	406,092,243
Total	**23,657**	**9,986,513**	**247,587,359**	**564,755,234**	**434,476,908**	**1,242,784**	**238,188,168**	**1,496,260,622**

Stress testing the credit portfolio

The Bank measures all relevant exposures in a number of manners, but none is deemed by Management as important as the series of stress tests we run on a variety of intervals: daily, weekly, or monthly. As with other portfolios, whose risks are measured in a variety of manners on a daily basis, the Bank's available for sale portfolio, consisting of mainly fixed income securities of varying tenors, is subject daily to a number of these stress tests in order to provide Management with an assessment of potential losses, assuming a number of different, hypothetical scenarios. In addition to historical scenarios, we focus daily on *extreme*, or highly unlikely scenarios, which are applied to positions to test the resiliency of the Bank's balance sheet and capital adequacy. When applied to this portfolio, these scenarios seek to measure potential losses by class, by largest individual potential loss, and by industrial sector. The simulations below are based on the impact on the movement of credit spreads and yields in evaluating debt securities, along with their maturity and duration. Another variable is the size of the hedge covering the fixed income portfolio. As with the case of testing the combined trading and investment portfolios, the objective of testing scenarios on the largest single portion of the Bank's balance sheet, which is the credit portfolio, is to determine the extent to which earnings may be affected and shareholder funds may be depleted in theoretical circumstances. The results of these daily tests are used to maintain discipline and control position taking or excessive concentrations.

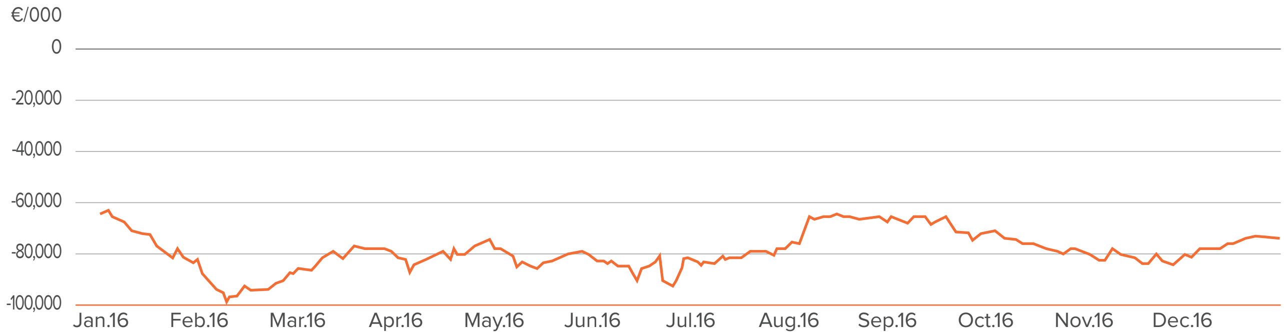
Examples of the results of such tests on 31 December 2016 follow and show that, under the most extreme circumstances, theoretical losses would be significant **but would not affect the overall solvency of the Bank,** which would remain comfortably above regulatory minimums.

Credit Exposure to Derivatives

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

G.5

Extreme Stress Test Debt



T.39 (Euro 000)

Maximum and Minimum Losses

Maximum (*)	Minimum (*)	Average	Std Deviation
-98,920	-63,932	-79,010	7,405

(*) Maximum and minimum losses

conditions should a counterparty default prior to the date of settlement. The Bank uses mark to market procedures to assess the cost of replacing a derivative or foreign exchange contract in the open market.

A summary of notional derivatives exposure and related receivables under contracts with counterparties at 31 December 2016 may be found in Notes 18 and 23.

Operational Risk

Overview

Operational 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 loss or regulatory sanctions.

Responsibility for managing operating risks lies with the heads of individual business units. To monitor risks and the execution and enforcement of procedures throughout the Bank is a separate governance structure, consisting of the following internal oversight groups, which meet separately with their functional supervisors on the 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;

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. The data compiled is extensive and permits a detailed analysis of actual operational losses incurred by type of event, by business line, by impact, and by specific or average amounts.

One of the keys to controlling operational risks and maintaining avoidable operational losses at acceptable levels is the Bank's culture of risk identification and mitigation. We encourage the rapid escalation of actual or potential operational issues to senior managers and their pro-active resolution.

In order to improve the management of this type of risk, management in 2016:

- Increased the competencies of the risk department, and strengthened the management team;

- Recast procedures and specific methodologies, such as:
  - Assessment of processes, risks and controls;
  - Registration and Communication of Operational Risk Events;
  - RCSA – Risk Control Self-Assessment; Formalization of Action Plans for Operational Risk Mitigation;

- Reformulated the framework and methodology of BCM – Business Continuity Management.

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 changes.

As reviewed above, 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 Porto. In order to ensure continuity of head office operations in the most transparent and cost effective manner possible, the Bank's recovery scenario is based on its two largest branch sites, which have been equipped to accommodate critically essential personnel in the event of an emergency. Tests are then made involving the Bank's different departments, to test the feasibility of remote and seamless operation from these sites.

Compliance

The Bank's internal control system is based on a strong culture of compliance with the law and the different norms applicable to the banking activity, as well as compliance with the policies and procedures related with contractual obligations, personal conduct and relationship with Clients. As a whole, these systems and procedures aim to mitigate the risk that the Bank may incur in losses associated with potential sanctions from a legal standpoint, limitations to its activity and the expansion and loss of reputation as a result of contractual breach or a negative perception of the Bank's public image. The Bank always strives to act in strict conformity with the norms and legislation in place at every moment.

Compliance is both a key function within the bank and na integral part of the internal part of the internal culture. In this regard, Management views *compliance* as more than adherence to the law, regulation or prevailing "market practices". In this context, we select staff as much for their values as for their capacities and experience and seek to make transparency, respect for regulations and responsible behavior competitive selling points for the Bank in dealing with clients.

The Compliance area is independent and its main responsibility is to assist the Board in the efficient management of the Bank's compliance risks. The compliance area has the necessary autonomy to act independently from all other areas of the Bank, in order to ensure an adequate monitoring and maintenance of the Bank's internal control systems.

The Bank's Compliance 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 and (v) ensure and maintain relationships and interactions with supervisory bodies.

With respect to anti-money laundering and risks associated with financing of terrorism, the Bank's compliance function is responsible for controlling and detecting suspicious transactions and for monitoring the execution of duties in accordance with current legislation regarding the opening of bank accounts and "know your client" rules. It is also responsible for market abuse prevention and combat mechanisms, namely through transaction and event monitoring, assuring the existence of robust controls in terms of market safety. In both subjects, it is the area's responsibility to centralize the 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.

Internal Audit

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

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

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, aiming to ensure conformity with internal procedures and general standards of integrity and quality defined by the Bank through regular inspections based on the priorities set by the Board, bearing in mind the inherent risks to all areas of activity and business of the Bank. Inspections cover all businesses and operating areas, and the results are reported directly to the Board.

This function is granted the necessary objectivity, Independence and impartiality in order to develop an unbiased activity with no interferences, as per international principles and best practices in this subject.

Application of Results for Banco de Investimento Global, SA

For the year 2016, Banco de Investimento Global, SA recorded consolidated net income of € 43,712,336.98 (forty-three million, seven hundred and twelve thousand, three hundred and thirty-six euros and ninety-eight cents), and individual net income of € 43,429,149.30 (forty-three million, four hundred and twenty-nine thousand, one hundred and forty-nine euros and thirty cents). The Board of Directors proposes that, with respect to 2016, a dividend of € 0.10 (ten cents of a euro) be paid to each of the 156,000,000 ordinary shares and to each of the 12,000,000 preferred redeemable shares, representative of the common stock at 31 December 2016 with dividend rights, of which € 0.06 per share were distributed and paid in advance, in November 2016. The proposed dividend per share implies a dividend pay-out of 39.68% of the individual profit of the year. In its individual accounts, Banco de Investimento Global, SA is required to apply, in accordance with nº 1, article 97 of the General Regime for Credit Institutions and Financial Companies, 10% of net profits to the formation of a legal reserve. As a result, in accordance with nº 1, article 30 of the By-Laws, the Board of Directors proposes the following distribution application of the individual results of the year:

Individual Net Profit	€ 43,429,149.30
Legal Reserve	€ 4,342,914.93
Dividends	€ 16,799,740.20
Free Reserves	€ 22,286,494.17

Lisbon, 14 March 2017

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

Statutory Audit Report

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banco de Investimento Global, S.A. ("The Group"), which comprise the consolidated balance sheet as at 31 December 2016 (which shows total assets of Euro 1,759,030 thousand and total shareholders' equity of Euro 256,611 thousand including a net profit of Euro 43,712 thousand), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Banco de Investimento Global, S.A. as at 31 December 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Key Audit Matter	*Summary of the Audit Approach*
Measurement of financial instruments at fair value	
Disclosures about fair value of financial instruments are presented in notes 2.3, 2.5, 2.6, 3.2, 18, 19 and 23 of the Group's consolidated financial statements. The measurement of financial instruments at fair value is considered a key audit matter given its relevance in the context of the consolidated financial statements and the associated high level of subjectivity. These instruments encompass securities recognized as financial assets held for trading and financial assets available for sale; derivatives held for trading and for hedging purposes, namely the interest rate hedging of the securities portfolio. On 31 December 2016, the balance sheet amounts of securities recognized as financial assets held for trading and financial assets available for sale amounted to 1.093.352 thousand euros (2015: 1.016.726 thousand euros), derivative financial instruments (i) held for trading of 3.161 thousand euros in assets (2015: 2.451 thousand euros) and 1.148 thousand euros in liabilities (2015: 1.699 thousand euros) and (ii) for hedging purposes of 7.733 thousand euros (2015: 1.962 thousand euros in assets and 923 thousand euros in liabilities). For actively traded financial instruments, and for which quoted market prices and other market inputs are available, fair value is determined based on a valuation model which consists of the selection of end-of-day market prices or quotations available at the reporting date (level 1 of the fair value hierarchy). The entire securities portfolio recognized as financial assets held for trading and financial assets available for sale as well as the derivatives traded on organized markets are considered level 1 financial instruments in the fair value hierarchy.	The audit procedures developed included the identification and assessment of controls implemented by the Group which allow for the identification, measurement and monitoring of market risk, as well as the evaluation of the methodologies, data and assumptions adopted to determine fair value. In this scope, the procedures and controls tested included (i) the actual calculations of the valuation models used to determine fair value defined by the Group, including a critical analysis of the inputs and assumptions defined by the Board of Directors, (ii) the governance practices considered in the fair value determination and approval process and (iii) the external confirmation of a sample of operations with the counterparties and custodians. We tested the fair value measurement of financial instruments classified as level 1, comparing the fair value determined by the Group with information available in the market. Additionally, we assessed the adequacy of the valuation model used to value debt instruments by reviewing the back-testing exercise of the model run by the Group. Concerning the valuation models developed by the Group to measure the fair value of derivatives classified as level 2 and 3 of the fair value hierarchy, we evaluated its adequacy by comparing, whenever available, observable data with market information obtained from external and independent sources. For a sample of instruments we assessed the valuation models and assumptions used and independently re-performed measurement relying on alternative methodologies we considered appropriate in the circumstances. In addition, in order to mitigate possible credit risk adjustments, we performed the reconciliation and external confirmation of the margin accounts of the counterparties and an

Key Audit Matter	***Summary of the Audit Approach***
When quoted market prices are not observable (level 2 and 3 of the fair value hierarchy), namely for derivatives not traded on organized markets, fair value is estimated by applying valuation models defined by the Board of Directors. These models involve a degree of professional judgment and rely on a number of assumptions and techniques, such as "Discounted Cash Flow", "Black-Scholes" and Monte Carlo models. In order to mitigate the counterparties' credit risk, with which the Group negotiates derivative financial instruments, "ISDA Master Agreements" are celebrated which foresee the constitution of financial deposits ("margin accounts") as collateral for those instruments. On 31 December 2016, the margin accounts related to derivative financial instruments amounted to 21.770 thousand euros (2015: 9.140 thousand euros). In this context, changes in the assumptions used in the valuation techniques used may result in material impacts in the determination of the fair value of the instruments recognised in the Group's consolidated financial statements.	evaluation of the potential credit risk inherent to clients' structured products.
Information Systems	
Disclosures related with information systems in the Management's Report Given its business model and the significant number of transactions processed daily, the Group is strongly dependent on its information system structure to guarantee the reliability of processing of its operations and, as such, of the financial reporting, which substantiates why this matter is considered a key audit matter for the purposes of our audit. In order to (i) promote the efficiency and effectiveness of its information systems' structure and (ii) remedy improvement opportunities identified in its internal control	The audit procedures developed were carried out by specialists in information systems and included the assessment: of the internal governance model concerning the information system risk monitoring, of the controls procedures related to developments and application changes, of access privileges to systems and data, and of the integrity of information generated by the Group's operational systems. The execution of these procedures allowed us to identify occurrences related to the accesses to the Group's operational systems which present a risk for the financial reporting system, and consequently, for the financial statements.

Key Audit Matter	*Summary of the Audit Approach*
system related to systems and applications, during 2016, the Group is making significant investments in information systems and processes, such as its new financial reporting system (under development at the reporting date) and the updating of Bank's main system. Additionally, the Group has implemented compensating control procedures, primarily manual, in order to ensure the adequate functioning of the main systems and the integrity and accuracy of the information supplied to feed the accounting system supporting the financial reporting. The monitoring of access privileges is considered a key control to mitigate possible failures in the systems supporting the financial reporting in so far as it ensures that changes in applications and data are authorized and appropriately carried out.	In order to mitigate this risk, as well as the operational risk arising from the manual procedures used to generate specific financial information, we undertook additional substantive audit procedures, among which, tests of manual compensating controls, reconciliations of information generated by the Group's main systems and the evaluation of, where possible, the reasonableness of possible changes carried out by potential general or improper accesses.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

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

b) the preparation of the Directors' Report in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

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

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

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

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

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

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

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

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

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

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

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

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

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

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

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

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of the Entity in the Shareholders' General Meeting of 8 May 2014 for the period from 2014 to 2017.

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

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of 30 March 2017.

(free translation from the original Portuguese)

Report and Opinion of the Supervisory Board (consolidated accounts)

To the Shareholders,

1. In accordance with the law and our mandate, we herewith present the report on our supervisory activity and our opinion on the consolidated management report and the corresponding consolidated financial statements as presented by the Board of Directors of Banco de Investimento Global, S.A. ("Bank"), with respect to the year ended December 31 2016

2. During the year we have accompanied the evolution of the Bank's activity, as and when deemed necessary. We have verified the timelines and adequacy of the accounting records and respective documentation, as well as the effectiveness of the internal control system, only to the extent that the controls are of relevance for the control of the Bank's activity and the presentation of the financial statements, the internal control system and internal audit. We have also ensured that the law and the Bank's articles of association have been complied with.

3. We have also accompanied the work performed by the statutory auditors *PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda* and have reviewed their audit report and concur with their conclusions.

4. Within the scope of our mandate, we have verified that:
    a. The consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the correspondent notes to the accounts present adequately the consolidated financial position of the Bank, the consolidated results and comprehensive income and the consolidated cash flows;
    b. The accounting policies and valuation methods applied are appropriate;
    c. The consolidated management report is sufficiently clear as to the evolution of the business and the position of the Bank and the subsidiaries included in the consolidation and highlights the more significant aspects.

5. On this basis, and taking into account the information obtained from the Board of Directors and the Bank's employees, together with the conclusions in the Statutory Audit Report, we are of the opinion that:
    a. The consolidated management report is approved;
    b. The consolidated financial statements be approved.

6. Finally we would like to express our gratitude to the Board of Directors and all those who we contacted, for their valuable contribution.

31/3/2017

The President of the Supervisory Board,

Mr. José Galamba de Oliveira

Member,

Mr. Pedro Rogério Barata do Ouro Lameira

Member,

Mr. Jorge Alegria Gaspar de Aguiar

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2016 and 2015
(Amounts in Euros)

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2016 and 2015

	Notes	2016	2015
Interest and similar income	4	46,143,213	43,864,633
Interest and similar charges	4	(20,929,604)	(20,131,320)
Net interest income		**25,213,609**	**23,733,313**
Income from capital instruments	5	929,342	1,518,443
Income from services and commissions	6	9,680,054	15,411,154
Charges with services and commissions	6	(2,019,032)	(2,708,893)
Profit/loss from assets and liabilities at fair value through the income statement	7	(9,264,953)	(48,340,414)
Profit/loss from financial assets available for sale	8	51,541,161	155,096,427
Profit/loss from exchange revaluation	9	(2,862,740)	1,502,189
Profit/loss from sale of other assets	10	3,966,161	2,986,000
Other operating results	11	(1,491,357)	(491,846)
Operating income		**75,692,245**	**148,706,373**
Staff costs	12	(18,580,524)	(23,363,479)
General administrative costs	14	(7,658,552)	(12,261,590)
Depreciation and amortization	24 and 25	(1,575,628)	(1,291,237)
Provisions net of cancellations	31	10,883,496	(2,764,774)
Impairment of credit net of reversals and recoveries	21	(3,288)	(66,745)
Impairment of other financial assets net of reversals and recoveries	19	(283,359)	(1,351,042)
Impairment of other assets net of reversals and recoveries	22 and 27	(31,424)	(6,200)
Operating costs		**(17,249,279)**	**(41,105,067)**
Operating result		58,442,966	107,601,306
Results from associated companies		-	-
Pre-tax profit		**58,442,966**	**107,601,306**
Taxation			
Current	34	(14,804,968)	(32,507,084)
Deferred	34	74,339	(585,043)
Net profit of the year		**43,712,337**	**74,509,179**
Earnings per basic share	15	0.28	0.56
Earnings per diluted share	15	0.28	0.56

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2016 and 2015

	Note	2016	2015
Net Profit / Loss of the year		43,712,337	74,509,179
Items which could be reclassified for results			
Financial Assets available for sale			
Gains and losses of the year	36	(51,707,985)	(58,232,160)
Deferred tax	36	15,235,152	17,178,488
Current tax	36	(214,766)	-
Exchange differences	36	(2,178,261)	108,680
		(38,865,860)	(40,944,992)
Total comprehensive income of the year		**4,846,477**	**33,564,187**

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

CONSOLIDATED BALANCE SHEET

On 31 December 2016 and 2015

	Notes	2016	2015
Assets			
Cash and deposits in central banks	16	52,323,209	45,282,891
Deposits in other banks	17	71,385,805	32,479,874
Financial assets held for trading	18	13,481,872	18,092,996
Financial assets available for sale	19	1,083,029,996	1,001,084,470
Applications in banks	20	2,429,423	4,550,498
Loans to clients	21	437,484,868	376,820,146
Hedge derivatives	23	-	1,962,129
Non-current assets held for sale	22	26,480	-
Tangible assets	24	16,091,352	15,377,548
Intangible assets	25	2,567,448	2,628,396
Current tax assets	26	2,394,182	912,603
Deferred tax assets	34	36,205,256	20,895,766
Other assets	27	41,610,458	21,976,102
Total Assets		**1,759,030,349**	**1,542,063,419**
Liabilities			
Funding from central banks	28	-	165,006,597
Financial liabilities held for trading	18	1,148,033	1,699,119
Funding from other banks	29	396,823,178	171,219,515
Funding from clients	30	1,049,049,853	885,485,867
Hedge derivatives	23	7,732,612	923,005
Provisions	31	6,788,288	17,696,784
Instruments representing capital	32	12,000,000	-
Other liabilities	35	19,877,247	23,668,131
Total Liabilities		**1,493,419,211**	**1,265,699,018**
Capital			
Capital	36	156,000,000	156,000,000
Issue premiums	36	1,362,281	1,362,281
Treasury stock	36	(2,326)	(2,326)
Fair value reserve	36	(87,095,288)	(48,229,428)
Other reserves and retained earnings		160,993,978	105,204,487
Net profit of the year		43,712,337	74,509,179
Interim dividends	36	(9,359,844)	(12,479,792)
Total Capital		**265,611,138**	**276,364,401**
Total Liabilities and Capital		**1,759,030,349**	**1,542,063,419**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2016 and 2015

	Capital	Issue premiums	Treasury Stock	Fair value reserve	Legal reserve	Other reserves	Net Profit / Loss of the year	Interim dividends	Total Equity
Balances on 31 December 2014	**104,000,000**	**1,362,281**	**(152,977)**	**(7,284,436)**	**16,449,320**	**80,065,606**	**82,529,197**	**(15,599,740)**	**261,369,251**
Comprehensive income									
Other comprehensive income									
Alterations in fair value of financial assets available for sale	-	-	-	(58,232,160)	-	-	-	-	(58,232,160)
Deferred tax	-	-	-	17,178,488	-	-	-	-	17,178,488
Current tax	-	-	-	108,680	-	-	-	-	108,680
Net profit of the year	-	-	-	-	-	-	74,509,179	-	74,509,179
Total comprehensive income recognised in the year	**-**	**-**	**-**	**(40,944,992)**	**-**	**-**	**74,509,179**	**-**	**33,564,187**
Distribution of profit of the year 2014									
Transfer to reserves	-	-	-	-	8,234,076	52,455,485	(60,689,561)	-	-
Distribution of dividends	-	-	-	-	-	-	(21,839,636)	15,599,740	(6,239,896)
Change in loans and advances to employees for the acquisition of Treasury Stock	-	-	150,651	-	-	-	-	-	150,651
Interim dividends	-	-	-	-	-	-	-	(12,479,792)	(12,479,792)
Increase in capital	52,000,000	-	-	-	-	(52,000,000)	-	-	-
Balances on 31 December 2015	**156,000,000**	**1,362,281**	**(2,326)**	**(48,229,428)**	**24,683,396**	**80,521,091**	**74,509,179**	**(12,479,792)**	**276,364,401**
Comprehensive income									
Other comprehensive income									
Alterations in fair value of financial assets available for sale	-	-	-	(51,707,985)	-	-	-	-	(51,707,985)
Deferred tax	-	-	-	15,235,152	-	-	-	-	15,235,152
Current tax	-	-	-	(214,766)	-	-	-	-	(214,766)
Exchange differences	-	-	-	(2,178,261)	-	-	-	-	(2,178,261)
Net profit of the year	-	-	-	-	-	-	43,712,337	-	43,712,337
Total comprehensive income recognised in the year	**-**	**-**	**-**	**(38,865,860)**	**-**	**-**	**43,712,337**	**-**	**4,846,477**
Distribution of profit of the year 2015									
Transfer para reserves	-	-	-	-	7,485,490	48,304,001	(55,789,491)	-	-
Distribution of dividends	-	-	-	-	-	-	(18,719,688)	12,479,792	(6,239,896)
Change in loans and advances to employees for the acquisition of Treasury Stock	-	-	-	-	-	-	-	-	-
Interim dividends	-	-	-	-	-	-	-	(9,359,844)	(9,359,844)
increase in capital	-	-	-	-	-	-	-	-	-
Balances on 31 December 2016	**156,000,000**	**1,362,281**	**(2,326)**	**(87,095,288)**	**32,168,886**	**128,825,092**	**43,712,337**	**(9,359,844)**	**265,611,138**

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

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2016 and 2015

	Note	2016	2015
Cash flow from operating activities			
Interest and income received		42,669,734	45,489,475
Interest and costs paid		(22,413,773)	(21,056,477)
Services and commissions		7,199,628	8,609,973
Contributions to the pension fund		(800,018)	(1,212,104)
Cash payments to employees and suppliers		(26,515,748)	(35,382,428)
Other costs and income paid/received		(1,491,356)	(491,846)
		(1,351,533)	**(4,043,407)**
Variation in operating assets and liabilities:			
Deposits in central banks		(7,367,610)	359,134
Financial assets and liabilities held for trading		10,605,605	23,494,248
Applications in banks		1,618,674	(3,994,762)
Funding from central banks		(165,000,000)	(15,000,000)
Funding from banks		225,675,897	63,120,211
Loans to clients		(60,744,350)	(240,648,387)
Funding from clients		164,969,272	81,047,308
Derivatives for risk management		(6,349,467)	(88,425,416)
Other operating assets and liabilities		(21,597,861)	37,191,404
Cash flow net of the operating activities, before taxation on profits		**140,458,627**	**(146,899,667)**
Taxation on profits paid / received		(16,286,546)	(47,647,835)
		124,172,081	**(194,547,502)**
Cash flow from investment activities			
Dividends received		929,342	1,518,443
Financial assets available for sale		(79,103,970)	186,795,874
Purchase of financial investments		(4,154,527)	(3,295,315)
		(82,329,155)	**185,019,002**
Cash flow from financing activities			
Treasury stock		(15,599,741)	(18,719,688)
Dividends paid from ordinary shares		12,000,000	-
Cash flow net of financing activities		**(3,599,741)**	**(18,719,688)**
Net variation in cash and cash equivalents		**38,243,185**	**(28,248,188)**
Cash and cash equivalents at the beginning of the period		34,179,773	61,302,976
Effect of the change in the exchange rate on cash and cash equivalents		332,918	1,124,985
Cash and cash equivalents at the end of the period		**72,755,876**	**34,179,773**
Net variation in cash and cash equivalents		38,243,185	(28,248,188)
Cash and cash equivalents includes:			
Cash	16	1,370,071	1,699,899
Deposits in other banks	17	71,385,805	32,479,874
Total		**72,755,876**	**34,179,773**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2016 and 2015
(Amounts in Euros)

INTRODUCTION

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

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

BiG Serviços Financeiros, S.A. fully owned by the Bank, was founded on the 11th of September 2008, and has the main object of providing financial consultancy services, and also owns or manages buildings. This entity is consolidated using the full consolidation method.

On 31 December 2016, the Bank held a shareholding of 99.99% in the capital of Banco BiG Mozambique, S.A. (BiG Mozambique). BiG Mozambique was founded on 8 October 2014, based in Maputo, its main social purpose being the realization of any operations and provision of any services that banks are allowed in Mozambique, with no legal restriction.

BiG Mozambique, initially established with a share capital of MZN 70,000,000, performed its first capital increase in 2015 to MZN 226,125,000 and in 2016 a second capital increase to MZN 370,000,000, both fully subscribed by the Bank. This entity is consolidated using the full consolidation method.

NOTE 1
BASES OF PRESENTATION

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

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

The consolidated financial statements presented here relate to the year ended 31 December 2016 and were prepared in accordance with the IFRS, as adopted in the European Union up to 31 December 2016. The accounting policies used by the Group in the preparation of the financial statements reported on 31 December 2016 are consistent with those used with reference to 31 December 2015.

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

These consolidated financial statements were approved in a meeting of the Board of Directors on 24 February 2017.

NOTE 2
MAIN ACCOUNTING POLICIES

2.1. Principles of consolidation

The consolidated financial statements presented here reflect the assets, liabilities, results, and other comprehensive income of BiG and of its subsidiary companies (Group or BiG Group) and the results and other comprehensive income 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 all entities (including structured entities) over which the Group exercises control. The Group controls an entity when it is exposed to, or has rights over, the variable returns generated, as a result of its involvement with the entity, and has the capacity to affect these variable returns through the power it exercises over the entity's relevant activities.

Associated companies

Associated companies are classified as all companies over which the Group has the power to exercise more than 20% of the voting rights, although never more than 50%, from the time that the Group acquires a significant influence up to the time that this ends. The dividends attributed by the Associated Companies reduce to the value of the investment made by the Group. Even when the voting rights are less than 20%, the Group may exercise significant influence through participation 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.

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

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

Balances and transactions eliminated in the consolidation

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

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

2.2. Transactions in foreign currency

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

2.3. Derivative financial instruments and hedge accounting

Classification

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

All other derivatives are classified as trading derivatives.

Recognition and measurement

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

Hedging maybe 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 in results for the remaining period of useful life of the hedged item.

Embedded derivatives

Derivatives which are embedded in other financial instruments are treated separately when their economic characteristics and their risks are not strictly related with the rest of the contract and with the characteristics of the underlying financial instrument. Embedded derivatives are revaluated at fair value 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 at fair value when the Bank forms part of the contractual provisions of the instrument.

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.

In this caption the Group presents RMBS transactions (residential mortgage backed securities). These assets are initially recognised at fair value and subsequently at amortised cost net of impairment. Interest is recorded in the net interest income caption.

Impairment

The Group regularly assesses if there are objective signs of impairment in its credit portfolio. Impairment losses identified are charged against income and the charge is subsequently 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.

Each month the Group evaluates if an exposure or group of exposures show objective evidence of impairment, as a result of one or more events that occurred since the start of the loan (loss events), and if these had an impact on the estimated future cash flows. For this evaluation and in the identification of loans with impairment on an individual basis, the Group considers the following factors as objective evidence of impairment:

- 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;
- potential changes in amount and estimated recovery periods due to financial difficulties of the client.

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. 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.

When a loan is considered to be definitively uncollectable (e.g. by a court decision) or the Group decides to forgive the debt or cede its rights on the loan to third parties, this is written off.

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 valuation method of these financial assets.

- *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.

  This category includes the following financial instruments:
  - Variable income securities not classified as financial assets at fair value through the income statement, including capital instruments held for an indefinite period.
  - Bonds and other fixed income securities

Initial recognition, measurement and non-recognition

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.

The fair value of a financial instrument corresponds to the amount for which an asset or financial liability may be sold or settled between independent, informed parties that are interested in the realization of an operation in normal market conditions.

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.

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, calculated at the effective interest rate, and the dividends are recognised in the income statement.

The fair value of listed financial assets is calculated based on their bid price quoted on a regulated market. If there is no listing, the Group estimates the fair value using an evaluation model which is based on a set of providers who present quotations that the Group considers to be representative of the fair value.

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 shares and other capital instruments, a continued devaluation or significant drop in market value below acquisition cost, and (ii) for debt 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.

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 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 this criterion is not applied and the increase in fair value 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.

Financial liabilities at fair value through the income statement are measured at fair value. The fair value of listed liabilities is their listed value, and gains or losses resulting from their valuation are recorded in the caption “Results from financial transactions”. If there is no listing, the Group estimates the fair value using assessment methodologies considering assumptions based on market information.

Other financial liabilities include funding from banks and clients, among others liabilities.

These liabilities are valued at amortised cost with interest being recognised in the income statement.

Financial liabilities will be derecognised when the underlying commitment expires or is cancelled.

2.7. Capital instruments

Equity instruments with the nature of liabilities

Equity instruments with the nature of liabilities include redeemable non-voting preference shares whose characteristics lend this instrument a hybrid nature as they share clear characteristics of debt instruments.

Under International Accounting Standard 32, this type of instrument is classified as a financial liability, in the caption Instruments representing capital with the nature of liabilities.

The measurement of this instrument means that it is initially entered in the caption of capital instruments with the nature of liabilities.

Income from this instrument consists in (i) possible dividends received that are recorded in the income statement in the caption of other interest and charges and (ii) a redemption premium, if the difference between the book value per ordinary share in the last annual balance sheet before the redemption date and the last annual balance sheet before is positive (> 0), which will be stated as a cost in the caption of interest and similar charges of Instruments representing capital with the nature of liabilities, against the Balance Sheet caption of Other interest and similar charges. During the life of the shares, the estimated value of the a redemption premium is recognised and accounted for incrementally using calculation formula mentioned in note 32, relating to each accounts closing date.

Other equity instruments

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

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

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

Treasury stock

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

2.8. Compensation of financial instruments

Financial assets and liabilities are entered in the balance sheet for their net value when there is an exercisable legal right to compensate the amounts recognised at the same time. The exercisable right legal cannot be contingent on future events, and should be exercisable in the normal course of the Group's activity and also in the case of default, bankruptcy or insolvency of the Group or counterparty.

2.9. 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 liability is entered as an amount payable to other financial institutions or to clients, as appropriate. The difference between the sale value and the repurchase value is treated as interest and is deferred during the life of the agreement through the effective rate method.

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

2.10. Tangible assets

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

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

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

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

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

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

2.11. 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 finance 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 finance 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.

Finance leasing

From the point of view of the lessee, finance leasing contracts are entered on their start date, in assets and in liabilities, and are capitalised at the lower between the fair value of the leased property and the minimum payments contracted for the acquisition cost of the leased property, 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 interest rate on the remaining balance of the liability in each period. Goods acquired via finance leasing are depreciated at the shorter of the useful life of the goods and the lease period.

From the point of view of the lessor, finance leasing contracts are entered in the balance sheet as loans granted for the value equivalent to the net investment made in the leased property, together with any residual value not guaranteed in favour of the Group. 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 lessor.

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.

The Bank has been providing the retirement benefits of its staff through two pension plans, a defined contribution plan and a defined benefit plan, the latter being implemented following the decisions taken in the general meetings of 8 April 2005 and 5 April 2006.

Since that date each member of the board of directors of the company or worker of the Bank could choose between the two existing plans, opting for the one that they would benefit from for the purpose of retirement.

The Bank's Board of Directors made an analysis of the impact of there being two plans, which in spite of being different in nature (defined benefit *vs* defined contribution) they were established equally for most employees. In this context, it saw that since the Defined Benefit Plan was set up in 2006, and after the staff initially joined it, no-one else signed up for this plan, also noticing that there was a trend in the market to convert defined benefit plans into defined contribution plans, namely due to the greater foreseeability, limitation and lower volatility of the inherent liabilities.

In this context, it was agreed in the General Meeting held on 21 May 2014 to stop the defined benefit plan, with the Bank providing only a defined contribution plan that would cover all the members of the board of directors of the company and the workers of the Bank.

The participants of the defined benefit pension plan were included in the defined contribution pension plan, with the Bank assuming the commitment to maintain a reserve account for any differences that might appear compared with the defined benefits established for the participants of the previous defined benefit plan.

With regard to the defined benefit pension plan, there were no pensions being paid or rights acquired that would prevent it from being closed. These alterations were duly authorised by the Insurance and Pension Fund Authority.

Pension plan

Up to 2014 the Bank provided the retirement benefits of its employees through two pension plans, a defined contribution plan and a defined benefit plan.

In 2015 the defined benefit plan was terminated, leaving the Bank with only a defined contribution plan.

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

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

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 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

Variable remunerations attributed to employees and to the corporate offices are accounted in the income statement 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 the criteria established in IAS 12 – Income tax – are met.

Taxation on profits includes current taxation and deferred taxation. Taxation on profits is recognised in the income statements, except when related with items which are moved in equity capital, a fact which implies their recognition in equity capital. Taxation on profits recognised in equity capital arising from the revaluation of financial assets 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, and using the tax rate in each jurisdiction of the Group.

Deferred taxation is calculated in accordance with the fiscal rules in force or substantially approved, and using the tax rates on the Balance Sheet date in each mandate 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 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. In the case of fixed interest rates, the effective interest rate is established upon the initial recognition of the financial assets and liabilities and is not subsequently revised.

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

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

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

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

2.18. Earnings per share

Earnings per 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 declared.

2.21. Standards and interpretations not yet adopted

The Standards and Interpretations not yet adopted by the Group are presented in Note 43.

2.22. Reporting by segments

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

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

Estimates and judgements that have an impact on the Group's consolidated financial statements are continually assessed, representing the Board of Directors' best estimate on the date of each report, taking into account historic performance, accumulated experience and expectations concerning future events which, in the circumstances in question, are believed to be reasonable.

The intrinsic nature of estimates means that the real reflection of the situations that were subject to an estimate may, for the purposes of financial reporting, differ from the estimated amounts.

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

3.1. Impairment of financial assets 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 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 4 years, except in cases where reportable tax losses are used, in which case the period of expiry is the year of this right. In this way it is possible that there may be corrections to the annual taxable earnings resulting mainly from differences in the interpretation of tax law. However, the Board of Directors of the Group is confident that there will be no material corrections to the taxation on profits recorded in the financial statements.

NOTE 4
NET INTEREST INCOME

The amount of this caption is made up as follows:

	2016			2015		
	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	259,894	-	259,894	54,455	-	54,455
Interest from securities available for sale	37,736,445	-	37,736,445	38,417,567	-	38,417,567
Interest from deposits	196,406	-	196,406	6,448	-	6,448
Interest from loans to clients	1,367,221	-	1,367,221	4,260,572	-	4,260,572
Interest from financial assets held for trading	-	817,861	817,861	-	532,777	532,777
Other interest and similar income	5,765,386	-	5,765,386	592,814	-	592,814
	45,325,352	**817,861**	**46,143,213**	**43,331,856**	**532,777**	**43,864,633**
Interest and similar charges						
Interest from funding from clients	5,861,501	-	5,861,501	8,320,231	-	8,320,231
Interest from funding from banks	776,046	-	776,046	708,546	-	708,546
Interest from funding from central banks	22,090	-	22,090	102,558	-	102,558
Other interest and similar charges	14,269,967	-	14,269,967	10,999,985	-	10,999,985
	20,929,604	**-**	**20,929,604**	**20,131,320**	**-**	**20,131,320**
	24,395,748	**817,861**	**25,213,609**	**23,200,536**	**532,777**	**23,733,313**

NOTE 5
INCOME FROM CAPITAL INSTRUMENTS

On 31 December 2016, this caption, amounting to 929,342 Euros (31 December 2015: 1,518,443 Euros) comprises dividends from financial assets available for sale.

NOTE 6
RESULTS FROM SERVICES AND COMMISSION

The amount of this caption is made up as follows:

	2016	2015
Income from services and commissions		
For transactions on behalf of third parties	3,040,698	3,396,726
For services rendered	3,612,828	3,972,537
Other income from services and commissions	1,029,765	5,458,155
For commission sharing	1,700,659	1,662,694
For financial consultancy services	294,954	916,464
For commitments before third parties	1,150	2,275
For guarantees provided	-	2,303
	9,680,054	**15,411,154**
Charges with services and commissions		
For transactions performed by third parties	882,210	1,020,280
Other charges with services and commissions	274,684	737,507
For banking services from third parties	458,314	427,968
For guarantees received	3,345	897
For transactions on financial instruments	400,479	522,241
	2,019,032	**2,708,893**
	7,661,022	**12,702,261**

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:

	2016			2015		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Bonds and other fixed return securities						
From public issuers	6,676,925	4,228,171	2,448,754	6,376,287	2,736,500	3,639,787
From other issuers	643,026	190,865	452,161	699,573	487,926	211,647
Shares	3,950,410	2,351,518	1,598,892	5,279,392	3,708,946	1,570,446
Other variable return securities	875,831	312,760	563,071	489,076	98,869	390,207
Derivative financial instruments						
Contracts on exchange rates	7,098,985	3,749,402	3,349,583	6,155,879	6,841,521	(685,642)
Contracts on interest rates	60,420,158	93,658,731	(33,238,573)	53,680,266	80,735,943	(27,055,677)
Contracts on shares / indices	16,527,393	14,947,087	1,580,306	16,156,730	16,977,725	(820,995)
Other	49,111,786	20,009,729	29,102,057	53,748,000	14,794,791	38,953,209
Hedge derivatives	12,104,099	27,225,303	(15,121,204)	26,752,780	91,296,176	(64,543,396)
	157,408,613	**166,673,566**	**(9,264,953)**	**169,337,983**	**217,678,397**	**(48,340,414)**

Hedge derivatives are recorded at fair value, and the gains and losses resulting from their discontinuation upon disposal of the hedged object are recognised in the income statement in accordance with the defined hedge accounting model, and also the inefficacy of the model.

NOTE 8
PROFIT/LOSS ON FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this caption is made up as follows:

	2016			2015		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Bonds and other fixed return securities						
From public issuers	41,319,486	4,642,762	36,676,724	150,060,035	14,738,252	135,321,783
From other issuers	14,835,344	451,622	14,383,722	13,121,295	347,473	12,773,822
Shares	109,210	1,177,826	(1,068,616)	5,576,132	640,328	4,935,804
Other	2,010,351	461,020	1,549,331	2,231,845	166,827	2,065,018
	58,274,391	**6,733,230**	**51,541,161**	**170,989,307**	**15,892,880**	**155,096,427**

NOTE 9
PROFIT/LOSS ON CURRENCY REVALUATION

On 31 December 2016, this caption comprises losses, amounting to 2,862,740 Euros of which 4,833,294 Euros relates to gains with term currency revaluation and 7,696,035 Euros relates to losses from currency revaluation at sight (31 December 2015: 1,502,189 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
PROFIT/LOSS ON THE SALE OF OTHER ASSETS

The amount of this caption is made up as follows:

	2016	2015
Financial transactions		
Other losses	(583,559)	(105,822)
Other gains	4,549,720	3,080,897
Non-financial transactions	-	10,925
	3,966,161	**2,986,000**

Gains from financial transactions recorded in this caption refer, essentially, to the amortization of RMBS (residential mortgage backed securities) classified as Loans to clients (Note 21).

NOTE 11
OTHER OPERATING RESULTS

The amount of this caption is made up as follows:

	2016	2015
Other operating income		
Provision of diverse services	89,381	94,790
Repayment of expenses	6,416	362
Other	552,983	675,435
	648,780	**770,587**
Other operating costs		
Direct and indirect taxation	1,321,216	861,148
Contributions to deposit guarantee fund	419	26,706
Dues and donations	91,449	113,438
Other	727,053	261,141
	2,140,137	**1,262,433**
Other operating results	**(1,491,357)**	**(491,846)**

The caption Other operating results - Other essentially comprises services provided to other entities.

NOTE 12
STAFF COSTS

The amount of this caption is made up as follows:

	2016	2015
Remunerations	11,989,590	11,242,261
Costs with retirements pensions		
of defined Contributions (See Note 13)	619,237	930,857
Obligatory social charges	2,443,916	2,426,063
Other staff costs	3,527,781	8,764,298
	18,580,524	**23,363,479**

On 31 December 2016, costs with remunerations and other benefits attributed to the Corporate Offices were stated at 7,587,852 Euros (31 December 2015: 10,824,649 Euros).

In 2016 the provision set up in 2015 was updated, which corresponds to the actuarial estimate of the commitment assumed by the Bank following the defined benefit plan, to 344,794 Euros (31 December 2015: 2,428,754 Euros).

The caption Other staff costs comprises health insurance and life assurance, among others. The variation is due essentially to the reduction in 2016 of the payment of the complementary benefit relating to the capitalization life insurance, given the need to adjust the Group's structure of fixed costs to the more demanding context of the sector. This caption also includes the recognition of the differential of the interest rate of the loans granted to employees and the market interest rate.

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

	2016	2015
Short-term employee benefits	3,586,623	4,408,841
Post-employment benefits	229,569	233,371
Other long-term benefits	14,455	17,462
	3,830,647	**4,659,675**

By professional category, the number of employees on 31 December 2016 and 2015 is broken down as follows:

	2016	2015
Specific functions	154	139
Middle management functions	27	36
Senior management functions	46	36
Administrative functions	9	8
Auxiliary functions	6	3
	242	**222**

NOTE 13
EMPLOYEE BENEFITS

The Bank takes care of the retirement benefits of its employees through a defined contribution pension plan.

Besides the base contribution, during 2016, the Bank made an additional contribution (incentive) of an amount equal to that of the voluntary contribution of the employees, with a cap of 4.5% of the monthly base salary.

On 31 December 2016, the Bank recognised as a cost the total amount of 806,093 Euros (31 December 2015: 930,857 Euros) relating to the Defined Contribution Plan, of which 186,857 Euros a relate to the additional contribution (incentive).

Since 2006 the Bank has been providing the retirement benefits of its staff through two pension plans, a defined contribution plan and a defined benefit plan, the latter being implemented following the decisions taken in the general meetings of 8 April 2005 and 5 April 2006.

Since that date each member of the board of directors of the company or worker of the Bank could choose between the two existing plans, opting for the one that they would benefit from for the purpose of retirement.

The Bank's Board of Directors made an analysis of the impact of there being two plans, which in spite of being different in nature (defined benefit *vs* defined contribution) they were established equally for most employees. In this context, it saw that since the Defined Benefit Plan was set up in 2006, and after the staff initially joined it, no-one else signed up for this plan, also noticing that there was a trend in the market to convert defined benefit plans into defined contribution plans, namely due to the greater foreseeability, limitation and lower volatility of the inherent liabilities.

In this context, it was agreed in the General Meeting held on 8 May 2014 to stop the defined benefit plan, with the Bank providing only a defined contribution plan that would cover all the members of the board of directors of the company and the workers of the Bank.

With regard to the defined benefit pension plan, there were no pensions being paid or rights acquired that would prevent it from being closed. These alterations were duly authorised by the Insurance and Pension Fund Authority.

The participants of the defined benefit pension plan were included in the defined contribution pension plan, with the Bank assuming the commitment to maintain a reserve account for any differences that might appear compared with the defined benefits established for the participants of the previous defined benefit plan.

Only 6 employees in service are participants in the Defined Benefits Plan. Under the terms of the Plan, the benefits defined are acquired by right after 60 years of age with a minimum of 10 years' service.

On 31 December 2015, the Bank made its best estimate of its liability with pensions inherent to the defined benefit plan, taking into consideration the number of employees it expected to opt for this benefit. The value of the responsibilities corresponding to past services, up to 2012, was being deferred over a period of 11.5 years, when the plan was introduced, corresponding to the estimated period of service of these employees. The discount rate used to estimate the liability with retirement pensions corresponds to the market rates in force on the balance sheet date, associated to bonds of highly-rated companies, stated in the currency in which the benefits will be paid.

In 2016 the provision constituted in 2015 was updated, corresponding to the actuarial estimate of the commitment assumed by the Bank as a result of the defined benefit plan, by 344,794 Euros, totalling 2,754,963 Euros (31 December 2015: 2,428,754 Euros).

BiG Stock Option Plan

On 31 December 2016, the main characteristics of the BiG stock option programs were as follows:

Plan	Expected date of the end of the plan (1)	Number of options on the start date of the plan	Exercise price	Number of options	Number of shares per option
2005	Nov/2018	9,000,000	1.00	2,266,621	1.96
2007	Mar/2020	1,824,000	1.00	77,400	1.76
2007	Mar/2020	66,800	1.00	10,020	1.67
2007	Mar/2020	15,600	1.00	1,632	1.66
2010	Mar/2023	65,000	1.00	43,550	1.67
2012	Jan/2025	7,150,000	1.00	6,350,000	1.94
2013	Jul/2026	1,473,250	1.00	1,453,250	1.58
2013	Jan/2027	5,000,000	1.00	4,500,000	1.58
2013	Abr/2027	200,000	1.00	200,000	1.58

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

On 31 December 2015, the main characteristics of the BiG stock option programs were as follows:

Plan	Expected date of the end of the plan (1)	Number of options on the start date of the plan	Exercise price	Number of options	Number of shares per option
2005	Nov/2018	9,000,000	1.00	2,266,621	1.96
2007	Mar/2020	1,824,000	1.00	77,400	1.76
2007	Mar/2020	66,800	1.00	10,020	1.67
2007	Mar/2020	15,600	1.00	1,632	1.66
2010	Mar/2023	65,000	1.00	43,550	1.67
2012	Jan/2025	7,150,000	1.00	6,350,000	1.94
2013	Jul/2026	1,473,250	1.00	1,453,250	1.58
2013	Jan/2027	5,000,000	1.00	4,500,000	1.58
2013	Abr/2027	200,000	1.00	200,000	1.58

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

Technical adjustment

In 2015, following the capital increase by incorporation of the Bank's free reserves, amounting to € 52,000,000, performed on 17 June 2015, a technical adjustment was made to BiG's stock option programs which aimed to ensure that this capital increase did not affect the fair value of the BiG's stock options.

As contemplated in the regulations of the BiG's stock option programs intended for its employees and corporate offices, in the case of corporate events that affect the value of these instruments, the corresponding adjustment should be made to the exercise price and to the number of shares that can be subscribed by each option.

In line with these provisions, the General Meeting of Shareholders of 23 April 2015 decided, at the same time as approving the capital increase by incorporation of reserves, to revise and alter the terms of the current stock option programs so that the fair value of the options did not change as a result of the capital increase.

In this context, the technical adjustment was determined through the option valuation methodology described below and consisted in the combination of the following measures: (i) reduction of the exercise price in all the options programs to € 1.00, corresponding to the nominal value of BiG's shares and (ii) increase in the number of shares that each option can subscribe, in the necessary proportion to ensure that the fair value of the options would be maintained after the capital increase.

The technical adjustment and valuation of the options were reviewed and validated by an independent entity.

The reduction in the number of options in 2015 is due to the departure of employees.

The options mature, individually, after ten years has passed after the respective due dates.

The regulations relating to the stock options plan have remained substantially the same since 2005, except with regard to the due dates and to the financing. Normally the due dates are distributed over 3 years, except in the case of the corporate offices which fall due 3 years after their attribution. The maturity period, 10 years after the first due date, remained unchanged. Taking into consideration that the Bank is not listed, the exercise of the options occurs only when the Bank makes a capital increase, which cannot coincide with the communication of intention to exercise by the holders of the options.

Valuation methodology of the options

The valuation of the BiG's stock options is based on the adoption of internationally accepted market methodologies and takes the specific characteristics of the BiG's stock option programs and market data into consideration.

For the purpose of the application of the option valuation model, the value of BiG's shares is estimated based on a combination of the Discounted Cash Flows to Equity, Market Multiples and Adjusted Book Value methodologies based on the Gordon model.

NOTE 14
GENERAL ADMINISTRATIVE EXPENSES

The amount of this caption is made up as follows:

	2016	2015
Supplies	1,078,842	1,296,843
Rents	948,265	1,081,847
Communications	688,820	560,117
Travel, hotel and representation costs	521,201	422,719
Advertising and publications	193,258	3,352,705
Specialised services		
Fees	165,999	138,881
Information Technology	1,438,881	2,630,122
Security and surveillance	171,743	172,424
Information	596,936	604,723
Databases	24,855	25,502
Manual labour	99,727	62,051
Other specialised services	1,318,230	1,672,771
Other	411,795	240,885
	7,658,552	**12,261,590**

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

	2016
Accounts Auditing and Supervision Services	83,050
Other reliability guarantee services related with the Statutory Auditor	28,000
	111,050

The fees of the statutory audit include the audit fees and of the Auditor's Opinion with regard to the interim distribution of dividends in accordance with the Commercial Companies Code - Article 297(1)(b).

The fees relating to the different services of the audit include the services provided with regard to the issue of the Impairment Report of 31 December 2015 and of 30 June 2016 and of the Opinions on the Bank's Internal Control System on 30 June 2016 and on the Safekeeping of Clients' Goods with reference to 31 December 2015, some of these services having commenced in 2015.

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.

	2016	2015
Net profit attributable to the bank's shareholders	43,712,337	74,509,179
Weighted average number of ordinary shares issued	156,000,000	132,065,753
Weighted average number of Treasury Stock in portfolio	(2,598)	(2,199)
Average number of ordinary shares in circulation	**155,997,402**	**132,063,554**
Earnings per share attributable to the bank's shareholders (in Euros)	**0,28**	**0,56**

Earnings per diluted share are no different from Earnings per ordinary share as there were no dilutive shares on 31 December 2016 and 2015.

The Board of Directors made a partial interim payment of dividends as mentioned in Note 36.

NOTE 16
CASH AND DEPOSITS IN CENTRAL BANKS

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Cash	1,370,071	1,699,899
Demand deposits in Central Banks		
Bank of Portugal	50,953,138	43,582,992
	52,323,209	**45,282,891**

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 1% of the deposits and debt securities with a maturity period of less than 2 years, excluding deposits and debt securities of institutions subject to the European System of Central Banks' regime of minimum reserves.

Fulfilment of the minimum obligatory amounts, for a given period of observation, is achieved taking into consideration the value of the balances of the deposits in the Bank of Portugal during this period. The balance of the account in the Bank of Portugal on 31 December 2016 includes an average mandatory reserve of 10 858,600 Euros which corresponds to the maintenance period from 14 December 2016 to 24 January 2017.

This caption also includes the demand deposits in the Bank of Mozambique to meet the requirements of the regime for the constitution of obligatory minimum reserves, as established by Notice 6/GBM/2016 of 16 November 2016. Pursuant to this Notice, obligatory reserves correspond to 15.5% of the balances of clients' deposits, from which the banks subject to the regime of obligatory reserves are excluded. The reserves are kept in Meticais for deposits in national currency and in North American Dollars for deposits in foreign currency, these deposits not being remunerated. The balance on 31 December 2016 includes 25,540,775 Meticais and 235,634 North American Dollars corresponding to the obligatory minimum reserves to be observed in the period from 22 December to 6 January 2017.

NOTE 17
DEPOSITS IN OTHER BANKS

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Deposits in other banks in Portugal		
Demand deposits	1,712,627	2,314,682
Deposits in other banks abroad		
Demand deposits	69,673,178	30,165,192
	71,385,805	**32,479,874**

The banks where the BiG has deposits have a high rating, and at the end of the year 73.9% of these are in institutions whose rating is investment grade. The other deposits are in banks that are not classified (24.2%) or in banks whose rating is lower than investment grade (1.8%).

NOTE 18
FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Financial assets held for trading		
Securities		
Bonds and other fixed income securities		
Public issuers	4,011,933	1,209,310
Other issuers	3,540,452	4,479,354
Shares	2,028,087	9,141,056
Other	740,866	811,966
	10,321,338	**15,641,686**
Derivatives		
Derivative financial instruments with positive fair value	3,160,534	2,451,310
	13,481,872	**18,092,996**
Financial liabilities held for trading		
Derivatives		
Derivative financial instruments with negative fair value	1,148,033	1,699,119
	1,148,033	**1,699,119**

As per the accounting policy described in Note 2.5. Financial assets held for trading are those acquired with the objective of being traded in the short term, regardless of their maturity.

On 31 December 2016 and 2015, the caption Financial assets held for trading – Securities, was totally made up from securities listed on recognised stock exchanges.

The caption Derivative financial instruments on 31 December 2016 and 2015 is broken down as follows:

	2016			2015		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Contracts on exchange rates						
Currency Options	-	-	-	19,806,426	44,561	43,698
Contracts on shares/indices						
Equity / Index Options	17,567,924	1,854,194	337,402	35,745,021	1,911,614	368,957
Term transactions	186,035,640	1,306,340	810,631	167,937,389	495,135	1,286,464
	203,603,564	**3,160,534**	**1,148,033**	**223,488,836**	**2,451,310**	**1,699,119**

(a) Derivados negociados em mercados organizados cujo valor de mercado é liquidado diariamente por contrapartida da conta margem junto do intermediário financeiro

Derivatives traded on organised markets whose market value is settled daily in the margin account with the financial intermediary

The value recorded in the Balance Sheet, in the caption Derivative financial instruments, in line with Note 2.3., is the fair value of the derivatives, while the notional amount is recorded off-Balance Sheet.

The notional total of embedded derivatives associated to complex financial products is entered in the classes of Currency Options and Equity/Index Options and amounts to 17,567,924 Euros. The positive fair value of these notional assets is 1,854,194 Euros, representing 58.87% of the total, and the negative fair value is 337,402 Euros, representing 29.39% of the total.

On 31 December 2016 and 2015, the distribution of the Financial assets held for trading - Securities by residual maturity, is as follows:

	2016	2015
Securities		
Up to 3 months	-	86,129
3 months to 1 year	100,634	231,291
From 1 to 5 years	4,357,714	3,069,425
Over 5 years	3,094,037	2,301,820
Unspecified duration	2,768,953	9,953,021
	10,321,338	**15,641,686**

On 31 December 2016 and 2015, the distribution of Financial assets and liabilities held for trading - Derivative financial instruments, by residual maturity, is presented as follows:

	2016		2015	
	Notional	Fair value	Notional	Fair value
Derivative financial instruments				
Up to 3 months	190,093,138	1,795,865	176,363,108	(432,636)
3 months to 1 year	5,569,679	458,405	35,286,615	619,328
From 1 to 5 years	7,940,747	(241,769)	11,839,113	565,499
	203,603,564	**2,012,501**	**223,488,836**	**752,191**

NOTE 19
FINANCIAL ASSETS AVAILABLE FOR SALE

On 31 December 2016 and 2015, 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	719,022,967	56,873	(60,399,345)	-	658,680,495
Other issuers	315,127,219	1,374,051	(7,350,466)	-	309,150,804
Shares	11,687,602	-	(508,951)	(1,351,042)	9,827,609
Other	24,142,535	-	(716,973)	-	23,425,562
Balance on 31 December 2015	**1,069,980,323**	**1,430,924**	**(68,975,735)**	**(1,351,042)**	**1,001,084,470**
Bonds and other fixed income securities					
Public issuers	1,122,451,937	50,934	(118,651,605)	(283,359)	1,003,567,907
Other issuers	80,281,664	117,480	(1,351,058)	-	79,048,086
Shares	414,003	-	-	-	414,003
Balance on 31 December 2016	**1,203,147,604**	**168,414**	**(120,002,663)**	**(283,359)**	**1,083,029,996**

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

On 31 December 2016, around 91.41% of the portfolio of Financial assets available for sale comprising bonds and other fixed income securities was hedged by derivative financial instruments, namely interest rate swaps and interest rate futures.

The average interest rate during the year ended on 31 December 2016 was 3.37% (31 December 2015: 3.45%).

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 37.

On 31 December 2016 and 2015, the caption Financial assets available for sale was broken down as follows with regard to listed and unlisted securities:

	2016			2015		
	Listed market values (level 1)	Evaluation models with no observable parameters in the market (level 3)	Total	Listed market values (level 1)	Evaluation models with no observable parameters in the market (level 3)	Total
Bonds and other fixed income securities						
Public issuers	1,003,400,214	167,693	1,003,567,907	658,680,495	-	658,680,495
Other issuers	78,487,208	560,878	79,048,086	309,150,804	-	309,150,804
Shares	-	414,003	414,003	9,796,801	30,808	9,827,609
Other	-	-	-	23,425,562	-	23,425,562
	1,081,887,422	**1,142,574**	**1,083,029,996**	**1,001,053,662**	**30,808**	**1,001,084,470**

On 31 December 2016 and 2015, the distribution of the Financial assets available for sale by residual maturity is as follows:

	2016	2015
Up to 3 months	128,448	-
3 months to 1 year	3,019,523	1,808,064
From 1 to 5 years	46,338,675	96,833,470
Over 5 years	1,032,568,469	869,189,765
Unspecified duration	974,881	33,253,171
	1,083,029,996	**1,001,084,470**

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

	2016	2015
Opening balance	**1,351,212**	**3,010,314**
Additions	283,288	1,351,042
Exchange	71	-
Used	(1,351,212)	(3,010,144)
Closing balance	**283,359**	**1,351,212**

NOTE 20
APPLICATIONS IN BANKS

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Applications in banks in Portugal		
Deposits	2,338,152	4,510,317
Loans	91,271	40,181
	2,429,423	**4,550,498**

The average interest rate during the year ended on 31 December 2016 was 0.12% (31 December 2015: 0.04%).

The residual periods of the applications in banks were structured as follows:

	2016	2015
Up to 3 months	2,341,749	1,992,529
3 months to 1 year	-	2,517,788
From 1 to 5 years	87,674	40,181
	2,429,423	**4,550,498**

On 31 December 2016 and 2015 there was no impairment allocated to applications in banks.

NOTE 21
LOANS TO CLIENTS

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Domestic loans		
To companies		
Loans	151,985	62,171
Loans at sight	3,327,658	3,222,444
Overdrafts	2,399	11,988
Leasing	260,819	252,492
Other specialised loans	34,588	23,383
To private individuals		
Loans at sight	6,740,512	12,742,485
Mortgages	5,614,248	5,833,830
Leasing	1,437,775	950,692
Overdrafts	37,633	26,480
Other specialised loans	1,686,050	1,105,683
Overdrafts	11,443,044	26,480
	30,736,711	**24,231,648**
Foreign loans		
To companies		
Loans	250,000	-
Loans at sight		-
Overdrafts	348	1,216
To private individuals		
Loans at sight	187,249	541,393
Mortgages	308,023	319,937
Overdrafts	826	7,311
	746,446	**869,857**
Loans represented by securities		
Unsubordinated debt securities		
Issued by residents	122,999,406	34,587,368
Issued by non-residents	283,092,837	317,190,280
	406,092,243	**351,777,648**
Past due loans and interest		
Over 90 days	152,482	199,671
	152,482	**199,671**
	437,727,882	**377,078,824**
Impairment of loans to clients	(243,014)	(258,678)
Loans to clients	**437,484,868**	**376,820,146**

On 31 December 2016 and 2015 the caption Loans at sight reflects loans granted under the margin account, which are collateralised with deposits or securities held in the Group.

On 31 December 2016, the Group's credit portfolio included loans granted to a member of the Board of Directors amounting to 8,439,880 Euros arising from the staff policy, pursuant to art. 85(4) of the General Regime of Credit Institutions and Financial Companies (31 December 2015: 536,517 Euros). The loans granted to key management staff with senior management functions amounted to 5,108,667 Euros (31 December 2015: 1,627,036 Euros).

The average interest rate during the year ended on 31 December 2016 was 0.31% (31 December 2015: 1.43%).

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

	2016	2015
Up to 3 months	10,342,017	16,581,986
3 months to 1 year	26,972	103,535
From 1 to 5 years	13,559,612	1,436,996
Over 5 years	413,956,799	358,756,636
Unspecified duration	152,482	199,671
	437,727,882	**377,078,824**

The movements in impairment of loans to clients are presented as follows:

	2016	2015
Opening balance	**258,678**	**191,933**
Additions	8,544	66,745
Reversals	(5,256)	-
Used	(18,952)	-
Closing balance	**243,014**	**258,678**

The distribution of Loans to clients by type of rate may be presented as follows:

	2016	2015
Variable rate	437,272,968	376,924,092
Fixed rate	454,914	154,732
	437,727,882	**377,078,824**

The residual periods of leased capital were structured as follows:

	2016	2015
Instalments and residual values due		
Up to 3 months	4,502	16,533
3 months to 1 year	25,686	82,827
From 1 to 5 years	1,383,779	1,003,456
Over 5 years	425,171	211,926
	1,839,138	**1,314,742**
Interest due		
Up to 3 months	6	56
3 months to 1 year	503	1,770
From 1 to 5 years	93,590	84,692
Over 5 years	46,445	25,040
	140,554	**111,558**
Capital due		
Up to 3 months	4,496	16,477
3 months to 1 year	25,183	81,057
From 1 to 5 years	1,290,189	918,764
Over 5 years	378,726	186,886
	1,698,594	**1,203,184**

On 31 December 2016 and 2015, impairment was broken down as follows:

2016							
	Impairment calculated on an individual basis		Impairment calculated on an individual basis		Total		
	Credit amount	Impairment	Credit amount	Impairment	Credit amount	Impairment	Credit net of impairment
Loans to:							
Companies	126,479	126,226	410,120,040	5,864	410,246,519	132,090	410,114,429
Private individuals	26,003	23,140	27,455,360	87,784	27,481,363	110,924	27,370,439
Total	**152,482**	**149,366**	**437,575,400**	**93,648**	**437,727,882**	**243,014**	**437,484,868**

2015							
	Impairment calculated on an individual basis		Impairment calculated on an individual basis		Total		
	Credit amount	Impairment	Credit amount	Impairment	Credit amount	Impairment	Credit net of impairment
Loans to:							
Companies	126,003	125,977	355,351,342	5,502	355,477,345	131,479	355,345,866
Private individuals	73,668	47,597	21,527,811	79,602	21,601,479	127,199	21,474,280
Total	**199,671**	**173,574**	**376,879,153**	**85,104**	**377,078,824**	**258,678**	**376,820,146**

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

	Acquisition value	On the transfer date				2015		2016	
		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%	38,015,883	229,538	26,402,616	334,893

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 2016 the balance of the caption Non-current assets held for sale was 26,480 Euros relating to a building available for immediate sale. This building was acquired in July 2016, within the scope of an adjudication due to the insolvency of a client.

On 31 December 2014 the balance of the caption Non-current assets held for sale was 45,500 Euros referring to a building available for immediate sale for which the Group recorded impairment losses of 25,500 Euros. This building was sold in 2015.

NOTE 23
HEDGE DERIVATIVES

On 31 December 2016 and 2015 this caption was broken down as follows:

2016

		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	269,000,000	(7,732,612)	(8,771,736)	(10,093,394)	(17,173,452)	285,890,430
Futures	Debt instruments	276,000,000	-	(6,173,753)	(16,955,148)	(13,698,112)	624,103,272
		545,000,000	**(7,732,612)**	**(14,495,489)**	**(27,048,542)**	**(30,871,564)**	**909,993,702**

(1) includes accrued interest

2015

		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	153,111,601	1,039,124	23,882,019	7,080,058	(14,077,793)	201,277,225
Futures	Debt instruments	322,900,000	-	3,055,648	(3,257,036)	(21,732,430)	504,683,023
		476,011,601	**1,039,124**	**26,937,667**	**3,823,022**	**(35,810,223)**	**705,960,248**

(1) includes accrued interest

The variations in fair value associated to the assets described above and the respective hedge derivatives are entered in the income statement of the year in the caption of Profit/loss on assets and liabilities at fair value through the income statement (note 7).

The amount recorded in reserves results from the reclassification of the variation in fair value of the hedge instruments of results for capital, whereby only the amounts relating to the efficacy of the hedge relationship are reclassified. This amount is presented above as a component of the fair value of the hedged element and totals 27,048,542 Euros (on 31 December 2015: 3,823,022 Euros).

On 31 December 2016, the fixed rate bonds of the portfolio of Financial assets available for sale were hedged with interest rate swaps, in Euros and dollars, and with futures on Euro Zone public debt bonds, with maturities of between ten and thirty years. This is an interest rate risk hedge. The inefficacy of this hedge was 0.33%.

NOTE 24
TANGIBLE ASSETS

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Buildings		
Improvements to buildings	4,022,805	3,462,809
For own use	15,858,215	15,074,418
	19,881,020	**18,537,227**
Equipment		
Computer equipment	5,494,395	5,480,060
Furniture and material	1,280,185	1,110,508
Installations and interiors	2,090,913	2,072,753
Security equipment	238,829	168,938
Machines and tools	163,382	140,372
Other equipment	219,764	221,293
Transportation material	81,191	79,023
	9,568,659	**9,272,947**
Tangible assets in progress		
Computer equipment	119,221	9,498
Transportation material	-	36,970
Security equipment	-	3,816
	119,221	**50,284**
	29,568,900	**27,860,458**
Impairment	(301,115)	(301,115)
Accumulated depreciation	(13,176,433)	(12,181,795)
	16,091,352	**15,377,548**

The movement in this caption was the following:

	Buildings	Equipment	Tangible fixed assets in progress	Total
Acquisition cost				
Balance on 31 December 2014	18,216,139	8,618,665	-	26,834,804
Additions	321,089	654,280	50,285	1,025,654
Balance on 31 December 2015	18,537,228	9,272,945	50,285	27,860,458
Additions	1,343,799	400,037	84,315	1,828,151
Currency exchange differences	-	(104,330)	(15,379)	(119,709)
Balance on 31 December 2016	19,881,027	9,568,652	119,221	29,568,900
Depreciation				
Balance on 31 December 2014	4,113,146	7,366,321	-	11,479,467
Amortization of the year	386,238	617,205	-	1,003,443
Balance on 31 December 2015	4,499,384	7,983,526	-	12,482,910
Amortization of the year	417,589	581,298	-	998,887
Currency exchange differences	-	(4,249)	-	(4,249)
Balance on 31 December 2016	4,916,973	8,560,575	-	13,477,548
Net balance on 31 December 2016	**14,964,054**	**1,008,077**	**119,221**	**16,091,352**
Net balance on 31 December 2015	**14,037,844**	**1,289,419**	**50,285**	**15,377,548**

NOTE 25
INTANGIBLE ASSETS

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Acquired from third parties		
Automatic data treatment system	10,181,443	7,868,993
Other financial investments	586,747	2,581,583
	10,768,190	10,450,576
Intangible assets in progress		
Automatic data treatment system	204,504	6,334
	204,504	6,334
	10,972,694	10,456,910
Accumulated amortization	(8,405,246)	(7,828,514)
	2,567,448	**2,628,396**

The movement in this caption was the following:

	Automatic data treatment system	Other financial investments	Tangible fixed assets in progress	Total
Acquisition cost				
Balance on 31 December 2014	7,169,783	587,197	422,296	8,179,276
Additions	699,210	-	1,578,424	2,277,634
Balance on 31 December 2015	7,868,993	587,197	2,000,720	10,456,910
Additions	2,312,501	-	13,875	2,326,376
Transfers	-	-	(1,808,154)	(1,808,154)
Currency exchange differences	(501)	-	(1,937)	(2,438)
Balance on 31 December 2016	10,180,993	587,197	204,504	10,972,694
Amortization				
Balance on 31 December 2014	6,953,523	587,197	-	7,540,720
Amortization of the year	287,794	-		287,794
Balance on 31 December 2015	7,241,317	587,197	-	7,828,514
Amortization of the year	576,742	-	-	576,742
Currency exchange differences	(10)	-		(10)
Balance on 31 December 2016	7,818,049	587,197	-	8,405,246
Net balance on 31 December 2016	**2,362,944**	**-**	**204,504**	**2,567,448**
Net balance on 31 December 2015	**627,676**	**-**	**2,000,720**	**2,628,396**

NOTE 26
CURRENT TAX ASSETS AND LIABILITIES

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Estimated tax for the year	(14,960,395)	(33,614,660)
Payments on account	19,046,907	34,085,521
Withholding tax	331,152	441,742
Corrections to tax relating to previous years	(2,023,482)	-
Current tax assets / (liabilities)	**2,394,182**	**912,603**

NOTE 27
OTHER ASSETS

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Debtors and other applications		
Debtors on futures trading	270,850	214,213
Margin applications	37,878,708	14,264,226
Public sector	36,726	58,060
Other debtors	238,665	2,925,788
Debtors and other applications	171,522	165,376
Other assets	133,899	133,899
	38,730,370	**17,761,562**
Impairment losses on other assets	(66,210)	(34,787)
	38,664,160	**17,726,775**
Expenses with deferred costs	1,009,488	295,008
Income receivable	1,091,624	751,701
Other accruals and deferrals		
Other pending transactions	845,186	3,202,618
	845,186	3,202,618
	41,610,458	21,976,102

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

The caption Other pending transactions essentially relates to transactions that were still to be settled on 31 December.

On 31 December 2016 the caption Expenses with deferred costs includes an amount of 752,233 Euros relating to the recognition of the difference between the interest rate of the loans granted to employees for mortgages, personal loans and the acquisition of securities and the market interest rate.

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

	2016	2015
Opening balance	**34,787**	**28,587**
Additions	51,957	27,364
Reversals	(20,534)	(21,164)
Closing balance	**66,210**	**34,787**

NOTE 28
FUNDING FROM CENTRAL BANKS

On 31 December 2015 the amount of 165,006,597 Euros of this caption related to funding from the European System of Central Banks, fully collateralised by securities in the portfolios of Financial assets available for sale and Loans to clients (Residential Mortgage Backed Securities).

The maturity period of this financing on 31 December 2015 was up to 3 months.

The average interest rate during the year ended on 31 December 2015 was 0.05%.

NOTE 29
FUNDING FROM OTHER BANKS

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Domestic		
Deposits	118,147,416	82,728,440
	118,147,416	**82,728,440**
Abroad		
Deposits	7,072,557	6,319,695
Loans	271,603,205	82,171,380
	278,675,762	**88,491,075**
	396,823,178	**171,219,515**

The caption Loans essentially consists of deposits made by banks in BiG, and also loans made under sales with repurchase agreements.

The average interest rate during the year ended on 31 December 2016 was 0.16% (31 December 2015: 0.28%).

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

	2016	2015
Up to 3 months	392,319,888	171,219,515
3 months to 1 year	4,503,290	-
	396,823,178	**171,219,515**

NOTE 30
FUNDING FROM CLIENTS

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Demand deposits	428,793,894	315,113,085
Term deposits	589,609,007	519,022,094
Other	30,646,952	51,350,688
	1,049,049,853	**885,485,867**

The caption Other essentially relates to indexed deposits and complex financial products.

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

	2016	2015
Up to 3 months	825,352,587	658,471,320
3 months to 1 year	197,772,625	204,720,685
From 1 to 5 years	25,924,641	22,293,862
	1,049,049,853	**885,485,867**

NOTE 31
PROVISIONS

On 31 December 2016 and 2015, this caption was broken down as follows:

	Other provisions
Balance on 31 December 2014	**14,932,010**
Additions	2,783,173
Reversals	(18,399)
Balance on 31 December 2015	**17,696,784**
Additions	**250,000**
Reversals	**(11,133,496)**
Used	**(25,000)**
Balance on 31 December 2016	**6,788,288**

This caption includes provisions set up to cover other specific risks, legal proceedings and other losses arising from the Group's activity.

NOTE 32
INSTRUMENTS REPRESENTING CAPITAL

The General Meetings of the BiG held on 08 May 2014 and on 21 April 2016, authorised the Board of Directors to make a capital increase through the issue of redeemable preference shares intended for workers and members of the Corporate Offices of the Bank. Following these deliberations, in July 2016, the Board of Directors of the Bank made a capital increase by the issue of 12,000,000 (twelve million) non-voting redeemable preference shares.

The non-voting redeemable preference shares have characteristics that grant this instrument a hybrid nature as they share clear characteristics of debt instruments. It is for this reason that, under the International Accounting Standards, they are classified as a financial liability, in the caption Instruments representing capital with the nature of liabilities, and the respective income paid is entered as interest.

The preference shares issued by BiG are, in accordance with the deliberation for their issue and the current wording of BiG's by-laws, subject to redemption in the period of 38 months from the date of their issue, or rather, the shares are issued for a fixed period and both the issuer and their holders have an unconditional right to redemption, with reimbursement of the capital holding and to the redemption premium, in accordance with the following formula:

Redemption premium per share: Max [0; 1.5 x (VCPAn - VCPAi) / VCPAi] x VN
VN - Nominal value
VCPAi - Book value per share at the time i (last balance sheet annual prior to the issue date)
VCPAn - Book value per share at the time n (last balance sheet annual prior to the redemption date)
1.5 - multiple of book value
For the purposes of the calculation of the book value per share the total number of ordinary shares is considered.
Redemption Period / Date: 38 months

The accounting policy inherent to the entry of this type of instrument is described in Note 2.7..

In 2016, in accordance with the formula for the calculation of the redemption premium, there was no need to make any accounting entry. In this year there was the payment of an interim dividend, amounting to € 0.06 per share, stated as interest.

	2016	2015
Instrumentos representativos de capital	12,000,000	-

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

NOTE 33
CONTINGENT LIABILITIES – RESOLUTION FUND

As part of its responsibility as the authority of supervision and resolution of the Portuguese financial sector, on 3 August 2014 the Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), pursuant to article 145º-G (5) of the RGICSF, which consisted in the transfer of the majority of its activity to a transition bank, called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose. Pursuant to community regulations, the capitalization of Novo Banco was taken care of by the Resolution Fund, created by Decree Law no. 31-A/2012, of 10 February.

To make up the share capital of the Novo Banco, the Resolution Fund provided 4,900 million Euros. Of this amount, 377 million Euros corresponds to the Resolution Fund's own financial resources and 700 million Euros correspond to a loan granted to the Resolution Fund by a bank syndicate. The remaining amount (3,823 million Euros) came from a loan granted by the Portuguese State, which will be reimbursed and remunerated by the Resolution Fund. The funds that are generated with the sale of Novo Banco will be allocated in full to the Resolution Fund.

On 29 December 2015, the Bank of Portugal decided to retransfer to BES responsibility for the non-subordinated bonds issued by it, with a nominal value of approximately 2 thousand million Euros, and which were intended for institutional investors, and made the final adjustment of the perimeter of assets, liabilities, off-balance sheet items and assets under management transferred to Novo Banco.

Also during December 2015, the national authorities decided to sell the majority of assets and liabilities associated to the activity of Banif – Banco Internacional do Funchal, S.A. ("Banif") to Banco Santander Totta, for 150 million Euros, in the context of the application of a resolution measure. This operation involved an estimated amount of 2,255 million Euros in public funds which aimed to cover future contingencies, of which 489 million Euros was financed by the Resolution Fund and 1,766 million Euros directly by the Portuguese State, as a result of the options agreed between the Portuguese authorities, the European instances and Banco Santander Totta, for the delimitation of the perimeter of the assets and liabilities to be sold. In the context of this resolution measure, Banif's assets identified as problematic were transferred to an asset management vehicle, created for the purpose – Oitante, S.A., with the Resolution Fund being the sole holder of its share capital, through the emission of bonds representative of the debt of this vehicle, amounting to 746 million Euros, with the guarantee of the Resolution Fund and counter-guarantee of the Portuguese State. Banif, which will be liquidated, retained a restricted set of assets, as well as the shareholding positions of subordinated creditors and of related parties.

As contemplated in Decree Law no. 31-A/2012, the funding from the Resolution Fund comes from the payment of the contributions due by the participating institutions and from the contribution of the banking sector. Furthermore, it is also contemplated that whenever these funds appear insufficient to meet their obligations other means of financing may be used, namely: (i) special contributions from the banks; and (ii) funding from loans. Arising from the deliberations mentioned above, the risk of litigation involving the Resolution Fund is significant, and also the risk of the possible shortage of funds to cover the liabilities, in particular the short term reimbursement of the financing taken out.

Given the relevance and materiality of the topic, BiG has closely accompanied all the events that implicated alterations within the scope of the activity of the Resolution Fund, having recognised, in the caption of provisions for general banking risks, a provision to meet the contingencies arising from such an event, based on the Bank's prudent interpretation of paragraph 14 of IAS 37.

In the second semester of 2016, discussions between the different parties involved in this process intensified, namely the Portuguese Government, the Bank of Portugal and the European Commission, in order to alter the conditions of the financing granted by the Portuguese State and by the banks participating in the Resolution Fund in order to preserve financial stability, by means of fostering conditions that would grant predictability and stability to the contributive effort towards the Resolution Fund. For the purpose, at the end of the year a supplement to the loan contracts to the Resolution Fund was discussed, which introduces a series of alterations to the reimbursement plans, to the rates of remuneration and other terms and conditions associated to these loans in order to adjust them to the capacity of the Resolution Fund to fully meet its obligations based on its normal revenue, or rather, without the need to charge special contributions or any other type of extraordinary contribution from the banks participating in the Resolution Fund.

In this context, the Bank understood that, in spite of these developments, the legislative / legal alterations that would eliminate the risk of requiring a "special additional contribution " from the banks, as contemplated in Article 14(5) of Law 23-A of 2015, were not concluded. So, although these situations may represent contingent liabilities on the Balance Sheet date, and which therefore are not subject to entry in the Group's financial statements, the Board of Directors decided, prudently, to maintain a provision in the caption of provisions for general banking risks to address possible contingencies of this nature, amounting to approximately 3,500,000 Euros (31 December 2015: 9,000,000 Euros).

NOTE 34
TAXATION

The Bank and its subsidiaries determined the amount of its current tax on income for the years 2016 and 2015 based on a nominal tax rate of 21%, plus a municipal surtax rate of 1.5%. An additional rate of 3% relating to the State Tax is also applied, for the years 2016 and 2015, while a rate of 5% is applied to taxable income between 1.5 million Euros and 7.5 million Euros, with a rate of 7% being applied to taxable income over 35 million Euros.

The Group calculated the amount of its deferred tax for the years 2016 and 2015 based on a nominal rate of 21%, plus a rate of 1.5% relating to the municipal surtax. An additional rate of 3% relating to State Tax is also applied, for the years 2016 and 2015, while a rate of 5% is applied to taxable income between 1.5 million Euros and 7.5 million Euros, with a rate of 7% being applied to taxable income over 35 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 years, except if there are reportable tax losses, where the period of expiry is the year of this right. In this way, possible corrections may be made to the tax base, resulting mainly from differences in interpretation of fiscal legislation. However, the Board of Directors considers that there are no material differences in respect of taxation of profits recorded in the financial statements.

The deferred tax assets and liabilities recognised in the Balance Sheet in 2016 and 2015 may be analysed as follows:

	2016	2015
Financial assets available for sale	35,887,272	20,573,533
Other	317,984	322,233
Net deferred tax assets / (liabilities)	**36,205,256**	**20,895,766**
Tax movement in the year	**15,309,490**	**16,593,445**

The movement in deferred tax in 2016 and 2015 is explained as follows:

	2016			2015		
	Recognised in results	**Recognised in reserves**	**Total**	**Recognised in results**	**Recognised in reserves**	**Total**
Financial assets available for sale	-	15,235,152	15,235,152	-	17,178,487	17,178,487
Other	74,338	-	74,338	(585,042)	-	(585,042)
	74,338	**15,235,152**	**15,309,490**	**(585,042)**	**17,178,487**	**16,593,445**

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

	2016	2015
Recognised in reserves		
Deferred tax	15,235,152	17,178,487
	15,235,152	**17,178,487**
Recognised in results		
Current tax		
Of the year	(13,960,395)	(32,870,743)
From previous years	(844,573)	363,659
	(14,804,968)	**(32,507,084)**
Deferred tax	74,338	(585,043)
	(14,730,630)	**(33,092,127)**
	504,522	**(15,913,640)**

The reconciliation of the tax rate for the years 2016 and 2015 may be analysed as follows:

	2016		2015	
	Tax rate	Amount	Tax rate	Amount
Pre-tax profit		58,442,966		107,601,306
Estimated tax charge	27.50%	16,071,816	27.5%	29,590,359
Non-deductible costs for tax purposes	0.70%	410,275	1.35%	1,451,856
Tax benefits			-0.05%	(48,372)
Autonomous taxation and double taxation	0.14%	84,585	0.15%	159,009
Contributions on the banking sector	0.56%	328,123	0.19%	205,304
Other	-3.70%	(2,164,170)	1.61%	1,733,971
	25.20%	**14,730,629**	**30.29%**	**33,092,127**

NOTE 35
OTHER LIABILITIES

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Creditors and other dues		
On futures and options transactions	-	369,095
Other dues	-	510,000
Public sector	1,959,400	1,107,550
Securities transactions	2,081	2,081
Other creditors	335,898	138,272
	2,297,379	**2,126,998**
Costs payable		
Staff charges	10,923,453	10,162,637
Other charges payable	1,750,403	4,374,688
	12,673,856	**14,537,325**
Revenue from deferred income	31,129	25,714
Other accruals and deferrals		
Other pending transactions	4,874,883	6,978,094
	4,874,883	6,978,094
	19,877,247	**23,668,131**

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

A caption Staff Costs essentially relates to the deferred part of variable remunerations attributed in previous years.

NOTE 36
CAPITAL, ISSUE PREMIUMS, TREASURY STOCK AND RESERVES

Capital

On 31 December 2016 and 2015 the Bank's capital was represented by 156,000,000 actions, with a nominal value of 1 Euro each, fully subscribed and paid up.

In June of 2015 there was a capital increase by incorporation of reserves, amounting to 52,000,000 Euros – thereby going from 104,000,000 Euros to 156,000,000 Euros – with the emission of fifty two million new shares, with the nominal value of 1 Euro each, and which was approved by a decision of the General meeting of the Bank held on 23 April 2015.

On 31 December 2016 and 2015, the shareholder structure of the Bank was the following:

	2016	2015
António da Silva Rodrigues	12.39%	12.39%
Adger – SGPS, S.A.	11.14%	10.96%
Carlos Adolfo Coelho Figueiredo Rodrigues	9.94%	9.94%
WWC World Wide Capital - SPGS, S.A.	9.93%	9.93%
Nicholas Leo Racich	5.31%	5.31%
JRI – SGPS, S.A.	5.00%	5.00%
Bâloise Vie Luxembourg S.A.	4.81%	4.81%
Oceangest - Gestão e Empreendimentos Imobiliários, S.A.	4.62%	4.62%
LNKM Hospitality Capital - Fundo Capital de Risco	2.29%	1.73%
José António de Melo Pinto Ribeiro	2.04%	1.99%
Helena Adelina S. L. Marques Carmo	2.01%	2.01%
Other	30.52%	31.31%
	100.00%	**100.00%**

The Bank also issued 12,000,000 (twelve million) non-voting redeemable preference shares, which have the nature of liabilities (note 32).

Thus, even though strictly for statutory purposes the Bank's share capital is considered to be 168,000,000 Euros, considering the accounting treatment and characteristics of non-voting redeemable preference shares, the caption Share capital does not show any change compared with the previous year, continuing to be represented by 156,000,000 ordinary shares with the nominal value of 1 Euro each.

Issue premiums

On 31 December 2016 and 2015, 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 occurred in treasury stock is broken down as follows:

	2016		2015	
	No. of shares	Value	No. of shares	Value
Treasury stock				
Balance at start of the year	2,598	2,326	2,598	2,326
Balance at end of the year	2,598	2,326	2,598	2,326
Loans for acquisition of treasury stock				
Balance at start of the year	-	-	112,135	150,651
Movement	-	-	(112,135)	(150,651)
Balance at end of the year	-	-	-	-
Closing balance	**2,598**	**2,326**	**2,598**	**2,326**

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 2016 and 2015 is broken down as follows:

	2016	2015
Cost of financial assets available for sale (Note 19) (1)	1,203,147,604	1,069,980,493
Impairment Losses (Note 19)	(283,359)	(1,351,042)
Market value of financial assets available for sale (Note 19)	1,083,029,996	1,001,084,470
Fair value reserve of financial assets for sale	(92,785,706)	(71,367,834)
Fair value reserve associated to macro-hedging for interest rate risk	(27,048,543)	3,823,023
Fair value reserve of financial assets at amortised cost (note 21)	(1,451,567)	(2,033,021)
Exchange differences	(2,069,582)	108,679
Deferred tax	35,808,683	20,573,532
Current tax	451,427	666,193
	(87,095,288)	**(48,229,428)**

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

The movement of the fair value reserve, net of taxation, for the years 2016 and 2015 is broken down as follows:

	2016	2015
Balance on 1 January	**(48,229,428)**	**(7,284,436)**
Change in fair value	(51,707,985)	(58,232,160)
Current tax recognised in the year in reserves	(214,766)	-
Deferred tax recognised in the year in reserves	15,235,152	17,178,488
Exchange differences	(2,178,261)	108,680
	(38,865,860)	**(40,944,992)**
Balance on 31 December	**(87,095,288)**	**(48,229,428)**

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 0.06 Euros per share, in November of 2016, based on the certified results of the period from 1 January to 30 September 2016, amounting to 9,359,844 Euros.

NOTE 37
OFF–BALANCE SHEET ACCOUNTS

On 31 December 2016 and 2015, this caption was broken down as follows:

	2016	2015
Guarantees provided and other liabilities		
Assets given as guarantee	872,269,750	662,489,104
Guarantees and sureties	98,000	98,473
	872,367,750	**662,587,577**
Guarantees received		
Personal guarantees		
Guarantees and sureties	5,207,365	5,590,843
Other	408,610	447,675
Real guarantees		
Securities	64,362,835	60,319,031
Loans	7,578,121	6,942,994
Real Estate	7,582,291	7,199,620
	85,139,222	**80,500,163**
Commitments before third parties		
Irrevocable commitments		
Potential liability to the Investor Compensation System	674,614	674,614
Revocable commitments		
Bank overdraft facilities	49,527,329	53,209,530
	50,201,943	**53,884,144**
Liabilities for services provided		
Asset custody and deposit	1,290,137,414	1,466,235,134
For asset administration	371,977,139	136,760,682
For collection of amounts	139,609	15,654
	1,662,254,162	**1,603,011,470**

On 31 December 2016 and 2015, the balance of the caption Assets Given as Guarantee includes:

- securities provided as a guarantee to the Investor Compensation System amounting to 740,775 Euros (31 December 2015: 772,590 Euros);
- securities provided as a guarantee to the European System of Central Banks amounting to 404,237,529 Euros (31 December 2015: 530,992,227 Euros). Assets provided as a guarantee correspond to a pool of securities, which on 31 December 2016 were not to be used as collateral in liquidity operations (31 December 2015: 165,000,000 Euros);
- other securities provided as a guarantee amounting to 467,291,446 Euros (31 December 2015: 130,724,287 Euros).

NOTE 38
RELATED PARTY TRANSACTIONS

The Group's policy on transactions with related parties establishes the rules to be observed and procedures to be followed, whenever there are transactions with related parties. Within the terms contemplated in IAS 24, and based on this policy, the following are considered related parties of the BiG, namely:

(i) shareholders whose shareholding exceeds, directly or indirectly, in the terms of articles 13-A and 13-B of the General Regime of Credit Institutions and Financial Companies (RGICSF), 10% of the share capital or of the voting rights of BiG. (The shareholder structure of the Group may be consulted in Note 36);
(ii) the members of the corporate and supervision offices of the Bank;
(iii) the spouse, domestic partner, close members of the family of the people mentioned in line (ii) above;
(iv) members of the key management personnel of companies of the BiG Group, who correspond to people with a category or functions, with authority and responsibility for the planning, management and control of activities of the BiG Group;
(v) any fund or benefit plan, such as pensions, other retirement benefits, life insurance and medical care insurance, for the benefit of the employees of BiG;
(vi) other entities in which any related party of BiG is: (i) partner; (ii) director, namely as a member of the corporate or supervision offices (iii) holder, individually or jointly, directly or indirectly of, at least, half of the respective share capital or voting rights.

On 31 December 2016, the balances reflected in the captions of Assets relating to related parties are represented as follows:

	Crédito	Outros Ativos
Acionistas detentores de participação superior a 10%	-	1,175
Órgão de Administração		
Membros do Conselho de Administração	8,239,239	4,097
Pessoas estreitamente relacionadas	720,912	-
Fundo de Pensões	-	123
Quadros Dirigentes de empresas do Grupo	200,641	4,437
	9,160,792	**9,832**

On 31 December 2016, the balances reflected in the captions of Liabilities relating to related parties are represented as follows:

	Depósitos	Outros Passivos
Acionistas detentores de participação superior a 10%	6,416,235	5,713
Órgão de Administração		
Membros do Conselho de Administração	1,820,317	15
Pessoas estreitamente relacionadas	617,309	271
Membros do Órgão Fiscalização		
Membros do Conselho Fiscal	1,307,565	80
Pessoas estreitamente relacionadas	276,472	48
Fundo de Pensões	2,659,703	145
Quadros Dirigentes de empresas do Grupo	242,383	-
	13,339,984	**6,272**

NOTE 39
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

On 31 December 2016 and 2015, the fair value of the financial assets and liabilities is presented as follows:

	Amortised cost	Listed market values (level 1)	Evaluation models with parameters / prices observable in the market (level 2)	Evaluation models with no observable parameters in the market (level 3)	Total Balance Sheet value	Fair Value
31 December 2015						
Cash and deposits in central banks	52,323,209	-	-	-	52,323,209	52,323,209
Deposits in other banks	71,385,805	-	-	-	71,385,805	71,385,805
Financial assets held for trading						
Securities						
Bonds and other fixed income securities						
Public issuers	-	4,011,933	-	-	4,011,933	4,011,933
Other issuers	-	3,540,452	-	-	3,540,452	3,540,452
Shares	-	605,592	-	-	605,592	605,592
Other	-	2,163,361	-	-	2,163,361	2,163,361
Derivatives						
Contracts on shares/indices	-	-	1,854,194	-	1,854,194	1,854,194
Term transactions	-	-	1,306,340	-	1,306,340	1,306,340
Financial assets available for sale						
Bonds and other fixed income securities						
Public issuers	-	1,003,400,214	-	167,693	1,003,567,907	1,003,567,907
Other issuers	-	78,487,208	-	560,878	79,048,086	79,048,086
Shares	-	-	-	414,003	414,003	414,003
Applications in banks	2,429,423	-	-	-	2,429,423	2,429,423
Loans to clients [a]	437,484,868	-	-	-	437,484,868	425,586,165
Financial assets	**563,623,305**	**1,092,208,760**	**3,160,534**	**1,142,574**	**1,660,135,173**	**1,648,236,470**
Financial liabilities held for trading						
Derivatives						
Contracts on exchange rates	-	-	337,402	-	337,402	337,402
Contracts on shares/indices	-	-	810,631	-	810,631	810,631
Funding from other banks	396,823,178	-	-	-	396,823,178	396,823,178
Funding from clients	1,049,049,853	-	-	-	1,049,049,853	1,049,049,853
Derivados de cobertura	-	-	7,732,612	-	7,732,612	7,732,612
	1,445,873,031	**-**	**8,880,645**	**-**	**1,454,753,676**	**1,454,753,676**
31 December 2015						
Cash and deposits in central banks	45,282,891	-	-	-	45,282,891	45,282,891
Deposits in other banks	32,479,874	-	-	-	32,479,874	32,479,874
Financial assets held for trading						
Securities						
Bonds and other fixed income securities						
Public issuers	-	1,209,310	-	-	1,209,310	1,209,310
Other issuers	-	4,479,354	-	-	4,479,354	4,479,354
Shares	-	9,141,056	-	-	9,141,056	9,141,056
Other	-	811,966	-	-	811,966	811,966
Derivatives						
Contracts on exchange rates	-	-	44,561	-	44,561	44,561
Contracts on shares/indices	-	-	1,911,614	-	1,911,614	1,911,614
Other	-	-	495,135	-	495,135	495,135
Financial assets available for sale						
Bonds and other fixed income securities						
Public issuers	-	658,680,495	-	-	658,680,495	658,680,495
Other issuers	-	309,150,804	-	-	309,150,804	309,150,804
Shares	-	9,796,801	-	30,808	9,827,609	9,827,609
Other	-	23,425,562	-	-	23,425,562	23,425,562
Applications in banks	4,550,498	-	-	-	4,550,498	4,550,498
Loans to clients a)	376,820,146	-	-	-	376,820,146	359,761,871
Derivados de cobertura	-	-	1,962,129	-	1,962,129	1,962,129
Financial assets	**459,133,409**	**1,016,695,348**	**4,413,439**	**30,808**	**1,480,273,004**	**1,463,214,729**
Funding from central banks	165,006,597	-	-	-	165,006,597	165,006,597
Financial liabilities held for trading						
Derivatives						
Contracts on exchange rates	-	-	43,698	-	43,698	43,698
Contracts on shares/indices	-	-	368,957	-	368,957	368,957
Term transactions	-	-	1,286,464	-	1,286,464	1,286,464
Funding from other banks	171,219,515	-	-	-	171,219,515	171,219,515
Funding from clients	885,485,867	-	-	-	885,485,867	885,485,867
Derivados de cobertura	-	-	923,005	-	923,005	923,005
	1,221,711,979	**-**	**2,622,124**	**-**	**1,224,334,103**	**1,224,334,103**

[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 (level 1) – 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 (level 2) – 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 (level 3) – 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 2014 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 financial assets and liabilities recorded in the balance sheet at amortised cost:

Cash and deposits in central banks, Deposits in other banks and Applications in banks

Considering the short terms associated to these financial instruments, the Balance Sheet value is a reasonable estimate of the respective fair value.

Loans and advances to clients
Considering that the Bank's portfolio is composed essentially of short term and recent loans, the Balance Sheet value is considered as a reasonable estimate of the fair value of the loans and advances to clients.

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

Funding from clients
Considering that the interest rates applicable are variable in nature and the period of maturity of the deposits is substantially less than one year, there are no materially relevant differences in their fair value.

The main parameters used on 31 December 2016 and 2015 in the valuation models were:

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 interest rate curves of the main currencies for the years 2016 and 2015, may be analysed as follows:

(amounts expressed as a percentage)

	2016		2015	
	EUR	**USD**	**EUR**	**USD**
Overnight	-0.500	0.500	-0.100	0.250
1 month	-0.368	0.772	-0.205	0.430
3 months	-0.319	0.998	-0.131	0.613
6 months	-0.221	1.318	-0.040	0.846
9 months	-0.139	--	0.004	--
1 year	-0.082	1.686	0.060	1.178
3 years	-0.104	1.690	0.060	1.416
5 years	0.075	1.975	0.331	1.737
7 anos	0.314	2.161	0.620	1.951
10 years	0.663	2.337	1.001	2.202
15 years	1.030	2.496	1.397	2.418
20 years	1.176	2.561	1.565	2.532
25 years	1.218	2.584	1.603	2.589
30 years	1.234	2.593	1.613	2.619

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 2016 and 2015 may be analysed as follows:

(amounts expressed as a percentage)

	2016		2015	
	EUR	USD	EUR	USD
3 years	0.825	1.672	1.12	1.64
5 years	1.824	2.628	4.01	3.00
7 years	3.066	4.98	4.09	4.65
10 years	5.221	4.22	6.38	4.82

The evolution of the exchange rates of the main currencies for the years 2016 and 2015, and respective historic volatilities used in the evaluation of currency exchange derivatives may be analysed as follows:

			Volatilities %		
	2016	2015	3 months	6 months	1 year
EUR/USD	1.054	1.089	7.421	8.154	8.307
EUR/GBP	0.856	0.734	9.255	12.747	11.939
EUR/JPY	123.400	131.070	8.381	13.477	12.472
EUR/CHF	1.074	1.084	4.340	4.676	4.485

The evolution of the main share indices for the years 2016 and 2015, 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 %	
	2016	2015	Variation %	1 month	3 months	Call	Put
PSI20	4,679.20	5,313.17	(11.93)	11.45	13.71	18.32	18.32
Eurostoxx	3,290.52	3,267.52	0.7	10.87	13.25	16.90	16.90
DAX	11,481.06	10,743.01	6.9	11.22	13.32	16.44	16.44
S&P	2,238.83	2,043.94	9.5	7.60	10.23	12.15	12.15
Nasdaq 100	4,863.62	4,593.27	5.9	11.30	12.75	16.03	16.03
Dow Jones Ind.	19,762.60	17,425.03	13.4	6.66	9.77	12.35	12.35

NOTE 40
RISK MANAGEMENT

Background

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

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.
- Risk hedging: resulting from the management of exposure to changes in the price of the underlying assets used to hedge Clients' positions and products.

VaR

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

The *VaR* for the years ended on 31 December 2016 and 2015 is presented as follows:

	2016				2015			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange risk	9,776	131,982	359,775	6,189	222,329	146,657	333,914	1,592
Interest rate risk	39,756	354,548	2,170,589	17,467	26,617	324,903	1,894,602	19,545
Shares	26,986	308,454	1,216,188	26,986	38,231	140,456	356,978	21,671
Options	110,665	116,878	399,005	20,992	30,524	92,988	273,919	13,629
Effect of diversification	17%	30%			13%	29%		
Total VaR	**155,751**	**635,924**	**2,483,922**	**134,179**	**274,812**	**497,033**	**1,763,575**	**68,375**

The management of VaR for different trading portfolios remained within the limits established for 2016 practically during the whole year, and the exceptions that occurred were immediately notified and resolved a *posteriori*. The exposure allocated to stock portfolios, structured products and foreign exchange for trading remained in line with the levels recorded in 2015, however, there was an increase in the exposure of the Fixed Income portfolios due to some strategic alterations in positioning in terms of the debt securities trading portfolio.

Sensitivity analysis

With regard to the sensitivity analysis to stock market indices in the portfolio, or of stock market indices for which we have shares of the respective index in portfolio, the variation in prices of these indices is presented below in relation to the years ended on 31 December 2016 and 2015:

	List price			Historic volatility %	
	2016	2015	Variation %	1 month	3 months
DAX	11,481.06	10,743.01	6.87	11.22	13.32
IBEX 35	9,352.10	9,544.20	(2.01)	13.54	14.99
CAC 40	4,862.31	4,637.06	4.86	9.70	12.87
AEX	483.17	441.82	9.36	9.50	12.38
FTSE MIB	19,234.58	21,418.37	(10.20)	20.74	19.31
PSI20	4,679.20	5.313.17	(11.93)	11.45	13.71
Eurostoxx	3,290.52	3,267.52	0.70	10.87	13.25
S&P	2,238.83	2,043.94	9.54	7.60	10.23
ESTX Banks €	117.67	127.87	(7.98)	28.14	25.63
ESTX Oil&Gas € Pr	324.01	271.36	19.40	13.59	19.88
ESTX Telecomm € Pr	333.73	363.26	(8.13)	13.48	16.05

In order to analyse the impact that a blow to stock market prices has on the shares of the trading portfolio a sensitivity analysis was made on them. Within this analysis a sudden change of +/- 10% was applied in all the indices, and for each share the magnitude of the blow was weighted by the Beta of the share with the respective reference index.

A sensitivity analysis resulting from a +/- 10% blow to the stock market indices for the years ended on 31 December 2016 and 2015 is presented as follows:

Impact resulting from a sudden drop in stock indices	2016		2015	
	+10%	-10%	+10%	-10%
DAX	(1,642)	1,642	10,816	(10,816)
IBEX 35	23,861	(23,861)	2,430	(2,430)
CAC 40	67,298	(67,298)	354	(354)
AEX	-	-	(4,759)	4,759
FTSE MIB	(114,270)	114,270	199	(199)
PSI20	15,547	(15,547)	(25,779)	25,779
Eurostoxx	(549,489)	549,489	(6,276)	6,276
S&P	(3,821)	3,821	28,309	(28,309)
ESTX Banks €	-	-	16,063	(16,063)
Total impact	**(562,516)**	**562,516**	**21,357**	**(21,357)**

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. 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 and in the 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 2016 and 2015:

2016							
	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	52,323,209	-	-	-	-	-	52,323,209
Deposits in other banks	71,385,805	-	-	-	-	-	71,385,805
Financial assets held for trading	-	2,606,495	562,507	4,449,880	3,094,037	2,768,953	13,481,872
Financial assets available for sale	-	128,448	3,019,523	46,338,675	1,032,568,469	974,881	1,083,029,996
Applications in banks	-	2,341,749	-	87,564	-	-	2,429,423
Loans to clients	-	10,342,017	26,972	13,249,612	413,956,799	152,482	437,727,882
	123,709,014	**15,418,709**	**3,609,002**	**64,475,841**	**1,449,269,305**	**3,896,316**	**1,660,378,187**
Liabilities							
Financial liabilities held for trading	-	810,631	3,468	333,934	-	-	1,148,033
Funding from other banks	46,438,724	345,881,164	4,503,290	-	-	-	396,823,178
Funding from clients	444,381,054	380,971,533	197,772,625	25,924,641	-	-	1,049,049,853
Hedge derivatives	-	-	-	-	7,732,612	-	7,732,612
	490,819,778	**727,663,328**	**202,279,383**	**26,258,575**	**7,732,612**	**-**	**1,454,753,676**

2015							
	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	45,282,891	-	-	-	-	-	45,282,891
Deposits in other banks	32,479,874	-	-	-	-	-	32,479,874
Financial assets held for trading	-	952,831	1,114,939	3,770,385	2,301,820	9,953,021	18,092,996
Financial assets available for sale	-	-	1,808,064	96,833,470	869,189,765	33,253,171	1,001,084,470
Applications in banks	-	1,992,529	2,517,788	40,181	-	-	4,550,498
Loans to clients	-	16,581,986	103,535	1,436,996	358,756,636	199,671	377,078,824
Hedge derivatives	-	-	-	-	1,962,129	-	1,962,129
	77,762,765	**19,527,346**	**5,544,326**	**102,081,032**	**1,230,248,221**	**43,405,863**	**1,478,569,553**
Liabilities							
Funding from central banks	-	165,006,597	-	-	-	-	165,006,597
Financial liabilities held for trading	-	1,299,337	264,321	135,461	-	-	1,699,119
Funding from other banks	29,819,537	141,399,978	-	-	-	-	171,219,515
Funding from clients	315,113,085	343,358,235	204,720,685	22,293,862	-	-	885,485,867
Hedge derivatives	-	-	-	-	923,005	-	923,005
	344,932,622	**651,064,147**	**204,985,006**	**22,429,323**	**923,005**	**-**	**1,224,334,103**

Interest rate risk

The interest rate risk measures the probability of the occurrence of negative impacts on the Group's income or capital caused by movements in the absolute levels of interest rates, in spreads between two rates, or in the configuration of the interest rate curve, among other factors.

The exposure of the assets and liabilities to the interest rate risk is presented in the table below, by maturity, for the years ended on 31 December 2016 and 2015:

2016				
	Portfolio (1)		Off Balance Sheet (2)	
Time frame	***Assets***	***Liabilities***	***Assets***	***Liabilities***
spot - 1 month	279,569,909	897,860,907	-	-
1 - 3 months	230,401,938	314,489,711	-	-
3 - 6 months	117,884,341	154,405,976	268,989,338	-
6 - 12 months	12,764,223	50,427,488	-	-
1 - 2 years	20,984	17,437,396	-	-
2 - 3 years	58,548	6,842,621	-	-
3 - 4 years	15,884,437	947,110	-	-
4 - 5 years	9,913,391	697,513	-	-
5 - 7 anos	12,423,194	-	-	-
7 - 10 years	242,151,185	-	-	-
10 - 15 years	73,427,407	-	-	364,312,947
15 - 20 years	236,570,188	-	-	-
> 20 years	433,313,023	-	-	378,388,153
Total	**1,664,382,768**	**1,443,108,722**	**268,989,338**	**742,701,100**

2015				
	Portfolio (1)		Off Balance Sheet (2)	
Time frame	*Assets*	*Liabilities*	*Assets*	*Liabilities*
spot - 1 month	290,762,070	528,862,809	-	-
1 - 3 months	213,086,511	474,333,282	55,117,058	-
3 - 6 months	53,298,525	172,296,512	98,005,461	-
6 - 12 months	329,020	36,686,363	-	-
1 - 2 years	991,567	14,058,339	-	-
2 - 3 years	819,285	4,100,913	-	-
3 - 4 years	1,907,366	3,266,798	-	-
4 - 5 years	22,427,633	867,812	-	-
5 - 7 years	38,262,473	-	-	-
7 - 10 years	271,421,633	-	-	54,516,382
10 - 15 years	30,775,989	-	-	275,840,000
15 - 20 years	14,656,627	-	-	-
> 20 years	501,764,612	-	-	283,637,612
Total	**1,440,503,311**	**1,234,472,828**	**153,122,519**	**613,993,994**

(1) Assets available for sale, retail portfolio and RMBS
(2) Interest rate hedging instruments

Sensitivity analysis

Included in the non-statistical Basis Point Value indicators, the sensitivity to the interest rate risk for the years ended on 31 December 2016 and 2015 is presented as follows:

	2016				2015			
	Parallel increase of 100 pb	Parallel reduction of 100 pb	Increase after 1 year of 50pb	Reduction after 1 year of 50pb	Parallel increase of 100 pb	Parallel reduction of 100 pb	Increase after 1 year of 50pb	Reduction after 1 year of 50pb
On 31 December	9,841,421	9,841,421	(4,597,914)	4,597,914	(23,766,398)	23,766,398	(12,089,539)	12,089,539
On 30 June	(6,417,633)	6,417,633	(3,346,138)	3,346,138	(16,459,235)	16,459,235	(8,264,374)	8,264,374

Asset Re-pricing Risk

Included in the non-statistical earnings at risk indicators, the re-pricing bands for the years ended on 31 December 2016 and 2015 are presented as follows:

2016						
	Balance Sheet value	Not sensitive	Up to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years
Cash and deposits in central banks	52,323,209	52,323,209	-	-	-	-
Deposits in other banks	71,385,805	71,385,805	-	-	-	-
Financial assets held for trading	13,481,872	2,768,953	2,606,496	562,507	4,449,879	3,094,037
Financial assets available for sale	1,083,029,996	974,881	128,448	3,019,523	46,338,675	1,032,568,469
Applications in banks	2,429,423	-	2,341,749	-	87,674	-
Loans to clients	437,727,882	152,482	10,342,017	26,972	13,559,612	413,606,799
Total	**1,660,378,187**	**127,605,330**	**15,418,710**	**3,609,002**	**6,447,584**	**1,449,619,305**
Financial liabilities held for trading	1,148,033	-	810,631	3,468	333,934	-
Funding from other banks	396,823,178	-	392,319,888	4,503,290	-	-
Funding from clients	1,049,049,853	-	825,352,587	197,772,625	25,924,641	-
Hedge derivatives	7,732,612	-	-	-	-	7,732,612
Total	**1,454,753,676**	**-**	**1,218,483,106**	**202,279,383**	**26,258,575**	**7,732,612**
GAP (Assets - Liabilities)	**205,624,511**	**127,605,330**	**(1,203,064,396)**	**(198,670,381)**	**38,217,265**	**1,441,536,693**

2015						
	Balance Sheet value	Not sensitive	Up to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years
Cash and deposits in central banks	45,282,891	45,282,891	-	-	-	-
Deposits in other banks	32,479,874	32,479,874	-	-	-	-
Financial assets held for trading	18,092,996	9,953,021	952,831	1,114,939	3,770,385	2,301,820
Financial assets available for sale	1,001,084,470	33,253,171	-	1,808,064	96,833,470	869,189,765
Applications in banks	4,550,498	-	1,992,529	2,517,788	40,181	-
Loans to clients	377,078,824	199,671	16,581,986	103,535	1,436,996	358,756,636
Hedge derivatives	1,962,129	-	-	-	-	1,962,129
Total	**1,478,569,553**	**121,168,628**	**19,527,346**	**5,544,326**	**102,081,032**	**1,230,248,221**
Funding from central banks	165,006,597	-	165,006,597	-	-	-
Financial liabilities held for trading	1,699,119	-	1,299,337	264,321	135,461	-
Funding from other banks	171,219,515	29,819,537	141,399,978	-	-	-
Funding from clients	885,485,867	315,113,085	343,358,235	204,720,685	22,293,862	-
Hedge derivatives	923,005	-	-	-	-	923,005
Total	**1,224,334,103**	**344,932,622**	**651,064,147**	**204,985,006**	**22,429,323**	**923,005**
GAP (Assets - Liabilities)	**254,235,450**	**(223,763,994)**	**(631,536,801)**	**(199,440,680)**	**79,651,709**	**1,229,325,216**

Currency exchange risk

In the currency exchange markets there was a reduction in the levels of volatility for the Eurodollar and for the Euro Swiss Franc. This trend continued throughout 2016, and at the close of 2016 the historic volatility for the period of one year was always lower than that registered at the end of 2015. For the Euro-Pound and Euro-Yen currency pairs, volatility at the end of the year was, however, higher than that recorded at the end of 2015.
During the first quarter of 2016 there was a decrease in the reference interest rate of the Euro to 0%, and these historic minimum levels remained throughout 2016. In relation to the exchange rates of the Euro against the main currencies, we should point out the devaluation of the Euro against the Dollar throughout 2016, reaching its lowest point since 2003.

The distribution of the Balance Sheet by currency for the years ended on 31 December 2016 and 2015 is presented as follows:

2016					
	Euros	North American Dollars	Pound Sterling	Other Foreign Currencies	Total
Assets by currency					
Cash and deposits in central banks	50,631,150	245,541	6,411	1,440,107	52,323,209
Deposits in other banks	50,894,688	17,497,944	649,129	2,344,044	71,385,805
Financial assets held for trading	11,755,006	1,716,237	-	10,629	13,481,872
Financial assets available for sale	850,716,527	230,138,066	-	2,175,403	1,083,029,996
Applications in banks	591,626	1,041	-	1,836,756	2,429,423
Loans to clients	437,481,213	112	-	3,543	437,484,868
Hedge derivatives	26,480	-	-	-	26,480
Tangible assets	15,634,382	-	-	456,970	16,091,352
Intangible assets	2,543,283	-	-	24,165	2,567,448
Current tax assets	2,291,548	-	-	102,634	2,394,182
Deferred tax assets	36,126,668	-	-	78,588	36,205,256
Other assets	41,272,657	211,215	48	126,538	41,610,458
Total Assets	**1,499,965,228**	**249,810,156**	**655,588**	**8,599,377**	**1,759,030,349**
Liabilities by currency					
Financial liabilities held for trading	1,148,033	-	-	-	1,148,033
Funding from other banks	390,961,403	5,362,284	-	499,491	396,823,178
Funding from clients	993,576,283	50,975,360	1,139,295	3,358,915	1,049,049,853
Hedge derivatives	7,732,612	-	-	-	7,732,612
Provisions	6,788,288	-	-	-	6,788,288
Instruments representing capital	12,000,000	-	-	-	12,000,000
Other liabilities	19,030,971	477,019	34,304	334,953	19,877,247
Total Liabilities	**1,431,237,590**	**56,814,663**	**1,173,599**	**4,193,359**	**1,493,419,211**
Net assets - liabilities by currency	**68,727,638**	**192,995,493**	**(518,011)**	**4,406,018**	**265,611,138**

2015					
	Euros	North American Dollars	Pound Sterling	Other Foreign Currencies	Total
Assets by currency					
Cash and deposits in central banks	45,253,058	19,648	7,649	2,536	45,282,891
Deposits in other banks	20,851,762	7,268,899	3,162,281	1,196,932	32,479,874
Financial assets held for trading	16,676,873	1,200,252	93,703	122,168	18,092,996
Financial assets available for sale	789,661,789	179,016,821	31,426,280	979,580	1,001,084,470
Applications in banks	540,181	-	-	4,010,317	4,550,498
Loans to clients	376,817,537	2,609	-	-	376,820,146
Hedge derivatives	1,361,453	600,676	-	-	1,962,129
Tangible assets	15,000,013	-	-	377,535	15,377,548
Intangible assets	2,620,456	-	-	7,940	2,628,396
Current tax assets	904,880	-	-	7,723	912,603
Deferred tax assets	20,895,766	-	-	-	20,895,766
Other assets	20,800,947	177,505	904,174	93,476	21,976,102
Total Assets	**1,311,384,715**	**188,286,410**	**35,594,087**	**6,798,207**	**1,542,063,419**
Liabilities by currency					
Funding from central banks	165,006,597	-	-	-	165,006,597
Financial liabilities held for trading	1,699,119	-	-	-	1,699,119
Funding from other banks	160,754,571	10,464,944	-	-	171,219,515
Funding from clients	841,622,842	43,425,419	176,962	260,644	885,485,867
Hedge derivatives	923,005	-	-	-	923,005
Provisions	17,696,784	-	-	-	17,696,784
Other liabilities	21,858,697	840,994	939,669	28,771	23,668,131
Total Liabilities	**1,209,561,615**	**54,731,357**	**1,116,631**	**289,415**	**1,265,699,018**
Net assets - liabilities by currency	**101,823,100**	**133,555,053**	**34,477,456**	**6,508,792**	**276,364,401**

Sensitivity analysis

The Group does not speculate on currency markets (FX) and the use of VaR limits reflects its strategy of limiting exposure to foreign currency fundamentally to its Clients' business and associated fluxes. During 2016 the Group also opted to have some assets in the Balance Sheet in Dollars (corporate and sovereign debt of the United States *and some exposure to emerging markets*), by which the exposure to Eurodollar futures contracts was intended to hedge the exchange risk for these assets. Albeit residual, during 2016 it also invested in some debt securities in other currencies, namely Pounds.

In order to analyse the impact of a blow to exchange rates on the exposures held in the FX trading portfolio, an alteration of +/- 15% was applied to all exchange rates.

The sensitivity analysis resulting from a blow of +/- 15% on the exchange rates for the years ended on 31 December 2016 and 2015 is presented as follows:

2016

Currency	Base scenario: Original currency	Base scenario: Equivalent	Impact resulting from a drop of: +15%	Impact resulting from a drop of: -15%
Australian Dollar	318,514	218,220	(28,463)	38,510
Canadian Dollar	145,674	102,674	(13,392)	18,119
Swiss Franc	729	679	(88)	120
Danish Krone	751,567	101,093	(13,186)	17,840
Pound Sterling	(15,421)	(18,012)	2,350	(3,178)
Indian Rupee	(125)	(1)	(1)	(1)
Brazilian Real	22,615	6,592	(860)	1,164
Norwegian Krone	2,647,797	291,405	(38,009)	51,425
Swedish Krone	454,037	47,530	(6,199)	8,387
American Dollar	1,626,795	1,543,302	(201,300)	272,348
Yen	(148,842,859)	(1,206,182)	157,328	(212,856)
Mexican Peso	(17)	-	(1)	(1)
Hong Kong Dollar	49,469	6,051	(789)	1,068
New Turkish Lira	266,444	71,872	(9,375)	12,683
Meticals	(150,754,806)	(2,007,818)	261,889	(354,321)
Total impact			**109,904**	**(148,693)**

2015

Currency	Base scenario: Original currency	Base scenario: Equivalent	Impact resulting from a drop of: +15%	Impact resulting from a drop of: -15%
Australian Dollar	149,097	100,085	(13,055)	17,662
Canadian Dollar	169,437	112,091	(14,621)	19,781
Swiss Franc	(739,970)	(682,944)	89,080	(120,520)
Danish Krone	951,705	127,530	(16,634)	22,505
Pound Sterling	15,000	20,438	(2,666)	3,607
Indian Rupee	70,928,070	984,818	(128,455)	173,791
Brazilian Real	500,946	116,183	(15,154)	20,503
Norwegian Krone	1,475,952	153,697	(20,047)	27,123
Swedish Krone	574,325	62,498	(8,152)	11,029
American Dollar	10,505,533	9,649,612	(1,258,645)	1,702,873
Yen	5,038,593	38,442	(5,014)	6,784
Rand	101,345	5,978	(780)	1,055
Total impact			**(1,394,143)**	**1,886,193**

Hedging risk

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

In general the levels of sensitivity to volatility (Vega) always remained within low levels compared with the values recorded in previous years. However the higher levels of sensitivity occurred in the second and third quarters of the year. During this period the oscillations in vega levels meant not only variations in volatility levels but also oscillations in the free positions of structured derivatives.

Analysing the different sensitivities of the Group's trading portfolio for 2016, we see that the almost consistent long profile in the stock markets.

The Delta values were, in general, lower than those recorded in 2015. In fixed rate products, the Bank opted for a long strategy in bonds. Exposure to the interest rate risk was lower during 2016. This was not through the reduction of fixed rate assets, but because higher levels of hedging of the interest rate risk had been recorded.

2016				
	Rho	*Vega*	*Delta*	*Theta*
Minimum	(453,396)	(8,485)	(61,095)	(216,624)
Maximum	159,129	81,585	1,348,583	912
Average	(115,826)	18,465	351,555	(12,806)
Standard Deviation	118,931	17,076	159,992	23,141

2015				
	Rho	*Vega*	*Delta*	*Theta*
Minimum	(594,320)	(12,601)	(78,542)	(164,961)
Maximum	115,486	64,602	168,435	208,418
Average	(286,143)	17,184	34,535	(5,631)
Standard Deviation	123,232	14,674	42,969	21,268

Rho Sensitivity of the interest rate
Vega Sensitivity of volatility
Delta Sensitivity of the underlying asset
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. 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.

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

The distribution by sector of activity for the years ended on 31 December 2016 and 2015 is presented as follows:

2016

	Loans to clients		Financial assets held for trading	Financial assets available for sale	Guarantees and sureties provided
	Gross value	Provision	Gross value	Gross value	
Agriculture, silviculture and fisheries	5	-	-	-	-
Mining industries	-	-	955,954	9,950,978	-
Manufacturing industries	318	-	722,121	18,980,623	-
Electricity, gas, steam, hot and cold water and cold air	-	-	560,182	-	-
Construction	129,257	125,911	-	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	164,105	202	61,513	-	-
Transports and storage	534	253	346,822	30,693,104	-
Financial activity and insurance	408,508,486	2,770	5,227,355	5,078,908	-
Real estate	563,771	639	7,605		-
Scientific, technical consultancy and similar	283,322	1,539	189,784	9,224,258	-
Public administration and defence; Obligatory social security	-	-	3,998,853	989,217,978	-
Human health and social support	63,850	288	308	4,075,059	-
Mortgages	5,922,248	48,973	-	-	-
Loans to private individuals	21,559,116	61,953	-	-	-
Other	532,870	486	1,411,375	-	98,000
	437,727,882	**243,014**	**13,481,872**	**1,067,220,908**	**98,000**

2015

	Loans to clients		Financial assets at fair value through the income statement	Ativos financeiros disponíveis para venda		Guarantees and sureties provided
	Gross value	Provision	Gross value	Gross value	Provision	
Agriculture, silviculture and fisheries	7	-	-	-	-	20,473
Mining industries	-	-	2,836,479	37,263,577	-	-
Manufacturing industries	25	-	1,730,024	36,238,682	-	-
Electricity, gas, steam, hot and cold water and cold air	-	-	1,734,342	6,608,358	-	-
Construction	131,801	125,920	283,506	-	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	144,591	193	2,616,088	6,613,164	-	-
Transports and storage	543	1	815,617	30,659,808	-	-
Financial activity and insurance	353,777,741	2,116	4,812,835	171,539,762	1,351,042	-
Real estate	688,112	758	974	-	-	-
Scientific, technical consultancy and similar	337,505	1,640	551,697	24,999,475	-	-
Public administration and defence; Obligatory social security	-	-	1,448,176	647,858,697	-	-
Human health and social support	104,839	359	2,608	4,054,792	-	-
Mortgages	6,199,199	77,347	-	-	-	-
Loans to private individuals	15,402,081	49,754	-	-	-	-
Other	292,380	590	1,260,650	36,599,197	-	78,000
	377,078,824	**258,678**	**18,092,996**	**1,002,435,512**	**1,351,042**	**98,473**

Exposure to public debt of Euro Zone countries

On 31 December 2016 and 2015 the Group's exposure to the public debt of Euro Zone countries is as follows:

	2016		2015	
	Financial assets held for trading	**Financial assets available for sale**	**Financial assets held for trading**	**Financial assets available for sale**
Portugal	3,957,335	393,848,499	1,130,085	108,611,220
Spain	-	209,571,107	-	295,862,945
Greece	30,942	-	31,740	-
Italy	-	354,448,133	-	202,797,924
Germany	-	-	11,541	-
	3,988,277	**957,867,739**	**1,173,366**	**607,272,089**

All the exposures presented are recorded in the Group's Balance Sheet at fair value based on listed market values.

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

2016					
	Nominal value	**List value**	**Accumulated interest**	**Balance Sheet value**	**Fair value reserve**
Financial assets held for trading					
Portugal					
Maturity of over 1 year	3,929,121	3,928,211	36,828	3,957,335	-
Greece					
Maturity of over 1 year	67,368	29,828	1,114	30,942	-
Financial assets available for sale					
Portugal					
Maturity of over 1 year	415,250,000	397,659,525	8,495,105	393,848,499	46,356,057
Spain					
Maturity of over 1 year	178,838,000	205,907,463	3,663,645	209,571,107	20,392,200
Italy					
Maturity of over 1 year	333,500,000	351,648,950	2,799,183	354,448,133	49,921,888
	931,584,489	**959,173,977**	**14,995,875**	**961,856,016**	**116,670,145**

2015					
	Nominal value	**List value**	**Accumulated interest**	**Balance Sheet value**	**Fair value reserve**
Financial assets held for trading					
Portugal					
Maturity of under 1 year	4,890	4,939	257	5,197	-
Maturity of over 1 year	995,485	1,092,823	32,319	1,124,888	-
Greece					
Maturity of over 1 year	64,635	30,494	1,246	31,740	-
Germany					
Maturity of over 1 year	10,500	11,441	99	11,541	-
Financial assets available for sale					
Portugal					
Maturity of over 1 year	108,596,000	113,317,282	1,928,193	108,611,220	9,410,142
Spain					
Maturity of over 1 year	221,838,000	293,075,616	2,787,329	295,862,945	31,413,539
Italy					
Maturity of over 1 year	141,000,000	200,377,920	2,420,004	202,797,924	21,448,089
	472,509,510	**607,910,515**	**7,169,447**	**608,445,455**	**62,271,770**

Operational Risk

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

Given the nature of its business, the Group is exposed to potential losses or 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 Basle Accord.

Capital and solvency ratio management

Equity Funds for the years ended on 31 December 2016 and 2015 are presented as follows:

		2016	2015
A - Equity Funds			
Ordinary paid-up capital, issue premiums and treasury stock		157,359,955	157,359,955
Results and reserves formed from retained earnings		102,011,285	92,190,912
Other temporary adjustments		35,174,525	67,397,644
Intangible assets		(3,594,427)	(4,205,431)
Common Equity Tier 1 Capital	(A1)	290,951,338	312,743,080
Tier 1 Capital	(A2)	290,951,338	312,743,080
Total Equity Funds	(A3)	290,951,338	312,743,080
B - Risk weighted assets	(B)	921,343,930	943,214,939
C- Prudential Ratios			
Tier 1 common capital ratio	(A1 / B)	31.6%	33.2%
Tier 1 Capital ratio	(A2 / B)	31.6%	33.2%
Total capital ratio	(A3 / B)	31.6%	33.2%

The movement in Equity Funds for the years ended on 31 December 2016 and 2015 is presented as follows:

	2016	2015
Opening Balance	**312,743,080**	**261,299,611**
Ordinary paid-up capital, issue premiums, treasury stock and other	-	52,150,651
Results and reserves formed from retained earnings	9,820,373	(57,729,036)
Intangible assets	611,004	(3,056,031)
Temporary adjustments	(32,223,119)	60,077,885
Closing Balance	**290,951,338**	**312,743,080**

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 rating.

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 scenario below (scenario 1, 2 and 3) relate to 31 December 2016, 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: 126,138,437 Euros.
Liabilities: 142,528,371 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 16,389,934 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 12,902,536 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: 126,138,437 Euros.
Liabilities: 213,792,557 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 87,654,120 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 12,902,536 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: 126,138,437 Euros.
Liabilities: 522,129,665 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 395,991,228 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 12,902,536 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 notches in the rating
- Baa1 and lower ratings: a drop of 4 notches in the rating

The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2016, 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: 126,138,437 Euros.
Liabilities: 142,528,371 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 16,389,934 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (*downgrade* of the securities of debt), the Group would have a maximum loss of 21,321,596 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: 126,138,437 Euros.
Liabilities: 213,792,557 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 87,654,120 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (*downgrade* of the securities of debt), the Group estimates a potential loss of 21,321,596 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: 126,138,437 Euros.
Liabilities: 522,129,665 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing for a total amount of 395,991,228 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (*downgrade* of the securities of debt), the Group estimates a potential loss of 21,321,596 Euros.

NOTE 41
MEASUREMENT OF THE IMPAIRMENT OF THE CREDIT PORTFOLIO

Qualitative disclosures

A. Credit risk management policy

The Group is in the risk management business to create value for shareholders. In general terms, the Group is exposed to risk as a direct result of the assumption of positions with respect to particular markets or combinations of markets, products or Clients.

In the management of its exposure to risks, the Group is guided by the following basic principles:
- Frequent review of policies and procedures by the Board of Directors;
- Formal definition of responsibility for risk management in the Group;
- Existence of policies and procedures that permit independent supervision;
- Appropriate policy of risk diversification;
- Independent reporting systems;
- Overlapping of systems to measure and control the risk;
- Training to support the identification of risks in the various areas.

Credit Risk Management in the Group is an integrated process both in terms of transactions and in terms of portfolios.
In terms of transactions: It means that all transactions need the approval of at least two representatives with credit authority, granted by the Board of Directors and by the senior members of the Credit Risk Management Committee.
In terms of portfolios: It means that the exposure will be managed – whether of loans, securities, derivatives, currency exchange, etc. – so as to minimise excessive concentrations of risk relating to clients, industries, products or geographic location. Problematic loans, rates of cover by provisions, write-offs and recoveries are also analysed. There are various credit reporting procedures in force and available internally for the information of the Group's Board of Directors.

The credit risk is managed in order to make the organization's performance sustainable within acceptable parameters of risk versus return. This aim is achieved through a combination of policies, systems and controls, always backed by pondered and cautious commercial decisions, due to a variety of reasons, such as:
- Limitations on capital and funds of the Group;
- Non-strategic nature of many of the non-collateralised loans;
- Limited resources to analyse and control exposures not guaranteed with the desired competence;
- Lack of scale/dimension.

An effort is constantly made to limit exposure to the credit risk, essentially to:
- Investment grade companies and sovereign credit with ratings or banks that are easily analysable, supported by internal analyses and/or by Moody's (or other independent research);
- FX or settlement exposures associated to companies, institutional investors and private investors, and this latter group frequently without the benefit of an adequate evaluation or appropriate control over the exposure to the risk but with limits approved on a case-by-case basis;
- Exposure to occasional credit risk analysed in detail by internal analysts;
- Standard collateralized loans.

In the taking of decisions and risk management in the organization, the Administration applies its strategy of using a business model in combination with a number of quantitative tools and systems used to monitor and measure exposure. These aspects include:
- Non-statistical measurements, such as scenario analyses, stress and sensitivity tests;
- Limits per counterparty, family, class of assets or portfolio;
- Limits of concentration;
- Qualitative analysis and procedures.

B. Credit Write-Off Policy

When a loan is considered to be definitively uncollectable (e.g. by a court decision) or the Group decides to forgive the debt or cede its rights on the loan to third parties, this is written off, as mentioned above. Loans are only proposed for write-off when all the steps of the procedure have been taken and there is no expectation of recovering the whole of the outstanding debt.

Loans written off from assets are recorded in off-balance sheet captions when they are derecognised in the Balance Sheet. The entries in off-balance sheet captions remain until the liabilities of each credit operation are definitively eliminated, either by payment or by formal cessation of the right to receive within the legal and contractual terms applicable (for example: forgiving the debt, court sentence or definitive cession of past due loans), notwithstanding that all off-balance sheet records may be kept relating to clients with credit operations recorded in the Balance Sheet.

Loans written off from assets and recorded in off-balance sheet captions are maintained at the amount to which the institution is entitled, within the legal and contractual terms applicable, regardless of expectations of collecting the payment.

The accounting records in off-balance sheet captions relating to loans written off from assets are adequately supported to permit the systematic reconciliation of their components aggregated with outgoing movements due to the writing off of loans from assets.

C. Impairment reversal policy

On each reporting date the Group assesses if there is an indication that an impairment loss recognised in previous periods relating to an asset may no longer exist or may have reduced. If there is such an indication, the Group estimates the recoverable amount of this asset.

An impairment loss of an asset, recognised in previous periods should be reversed if, and only if, there is an alteration in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognised. A reversal of an impairment loss from a cash generating unit is imputed to the assets of the unit *pro rata* in relation to the book amounts of these assets. The increased book amount of an asset, attributable to a reversal of an impairment loss should not exceed the book amount that would have been determined (net of amortization or depreciation) if no impairment loss had been recognised in the asset in previous years.

A reversal of an impairment loss of an asset is recognised immediately in profits or losses.

D. Policy of converting debt into capital of the debtor

The Group does not normally use this type of solution and has no exposure to any economic group that has undergone this form of credit restructuring.

E. Description of the restructuring measures applied and respective risks associated, as well as the control and monitoring mechanisms of them

When, due to the financial difficulties of a given client, the Group agrees to change the contract conditions of existing credit operations (namely, extension of the repayment period, introduction of grace periods, capitalization of interest, reduction in interest rates, forgiving the interest or capital) or contracts new credit facilities for the settlement (total or partial) of existing debt, these credit operations should be identified and marked as restructured credit due to financial difficulties of the client, and impairment should be calculated on these loans. A client is in situation of financial difficulty when s/he has not complied with some of their financial obligations with the Group or if it is foreseeable, in view of the information available, that this may occur, taking into consideration, among other things, the indices of impairment.

F. Description of the collateral valuation and management process

Valuation of collateral

For the purpose of the quantitative analysis, the following valuation criteria are used.
i) Financial: performed automatically by the systems using market prices and weightings that are revised periodically by the Administration

- Every month the financial assets used as collateral are analysed with regard to their Liquidity, Volatility and stock market capitalisation (if applicable);
- Every week automatically, taking only the 30 day volatility of securities traded on regulated markets into account, a weighting (calculated by the system) is automatically attributed to all the assets held as collateral over which the client can leverage the credit (80%, 70% and 50%)

ii) Buildings: the value of the last formal valuation of the building, performed by an independent entity, is used. Furthermore, a correction factor is applied to this value, according to the scale below:

- Up to 6 months: 0%
- 6 months: 5%
- From 7 to 12 months: 10%
- From 12 to 24 months: 15%
- From 24 to 36 months: 25%
- More than 36 months: 50%

The determination of the recoverable amount is based on the evaluation (with or without the correction factor) plus a time discount factor.

When a loan operation collateralised by a building shows signs that justify it, the collateral is reassessed by an external assessor.

iii) Motor vehicles: Eurotax or, alternatively, the largest Portuguese database of used car sales, the site www.standvirtual.com, is consulted. In the case of the latter, a corrective factor of 20% is applied to the average value calculated for vehicles similar to those of the operation in question, to cater for the devaluation that traders make in their offers, as the site only publishes the sales values to the end consumer. If it is not possible to find the make / model of the vehicle of the operation in question, Specialised Credit proposes the best estimate (realistic and conservative) that it can make.

iv) Other collateral: analysed on a case-by-case basis.

Weightings and other corrective factors are periodically revised, at least once a year, taking history, economic prospects and the published indicators of the competitors into account, according to the type of product.

G. Nature of the main judgements, estimates and hypotheses used in the determination of the impairment

The Group assesses the impairment of its credit portfolio based on specific signs of impairment, which do not depend on complex assumptions. The Group regularly assesses if there are objective signs of impairment in its credit portfolio. Impairment losses identified are charged against income and the charge is subsequently reversed if the amount of the estimated impairment loss is reduced in a later period.

The different business generating areas involved in this process do not perform the calculation, revision and approval of impairment losses, therefore retaining the independence that is absolutely necessary in this type of analysis.

H. Description of the impairment calculation methods, including the way in which portfolios are segmented to reflect the different characteristics of the loans

Definition of impaired credit

A loan or loan portfolio, defined as a group of loans with similar risk characteristics, granted to clients may be classified as impaired: (i) when there is objective evidence of impairment resulting from one or more events that occurred after their initial recognition and (ii) when this event (or events) has an impact on the recoverable amount of the future cash flows of this loan or loan portfolio, which can be reasonably estimated.

Pursuant to the requisites of IAS 39 “Financial instruments: Recognition and Measurement”, each month the Group assesses if an exposure or group of exposures shows objective evidence of impairment, as a result of one or more events that occurred since the start of the loan (loss events), and if these had an impact on the estimated future cash flows. For this evaluation and in the identification of loans with impairment on an individual basis, the passive evidence / signs detailed below in point I. ii) are considered.

Process of identifying impaired credit

On each reporting date along with the monthly credit meeting, the Group assesses if there is any indication that an asset (or group of assets) may be impaired. If such an indication exists, the Group should estimate the recoverable amount of the asset.

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, applying previously defined and approved percentages of impairment. Loans which are evaluated individually and for which an impairment loss is identified are not included in this evaluation.

In the individual analysis, when a loan stands out, namely due to its amount or type of collateral, a more detailed individual analysis is made, to gauge if there is impairment of the loan and to assess the quality of the collateral.

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.

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.

Credit categories / Segmentation of BiG's credit portfolio

For the purpose of the analysis of the impairment of credit operations, the exposure in the Group's retail credit portfolio is segmented into categories so that periodic analyses can be made of the portfolio.

The criteria underlying this grouping are:
- The loans have the same purpose;
- The target clients of the product are the same;
- The collateral of the loan is the same or similar;
- The treatment and accounting of the product is uniform;
- There are more than 25 clients in the portfolio ("active loans").

In accordance with range of credit products in BiG's portfolio, these are segmented, for the analysis of impairment, into the following groups:
- Margin Account;
- BiG Auto;
- Mortgages;
- Other.

I. Indication of the signs of impairment by credit segments

The assessment of whether a given exposure or group of exposures show objective signs of impairment, as a result of one or more events that occurred since the start of the loan (loss events), and if these had an impact on the estimated future cash flows, is made adopting conservative indications of impairment, appropriate to each credit segment, namely:

i) Active evidence / signs
- The client has an unauthorised overdraft or unpaid instalments/loans;
- Other amounts receivable (e.g. billing) that are not paid on the due date;

ii) Passive evidence / signs
- The client has an unauthorised overdraft or has outstanding lines/loans;
- Other amounts receivable (e.g. billing) unpaid on the due date;
- The client is on the LUR (the Bank of Portugal's User Risk List) – Cheques;
- The client has incidents with other banks – Overdue Loans, Retraded or Written-down from Assets – in the CRC (the Bank of Portugal's Credit Liabilities Centre);
- The client has been subjected to any kind of legal lien;
- The client owes money to the ATA (Customs and Excise Authority);
- The client owes money to the Social Security;
- There is a history of credit default in BiG;
- There is a history of unauthorised demand deposit overdrafts in BiG;
- The client becomes unemployed or the Employer declares bankruptcy or layoffs;
- The client's spouse becomes unemployed or their Employer declares bankruptcy or layoffs;
- The client or spouse loses part of their monthly income;
- Loans restructured due to financial difficulties of the client;
- The client or spouse are included in any risk list outside of BiG;
- The client expects to go insolvent or be subject to recovery programs;
- Delivery of assets in lieu of payment;
- Violation of any contract signed with the Group.

J. Indication of the thresholds defined for individual analysis

For the purpose of the identification of individually significant exposures (which will obligatorily be analysed on an individual basis), the Group sets thresholds that should be considered. These are, among other things, exposures collateralised by non-liquid assets which represent a relevant percentage of the retail credit portfolio or of BiG's own funds. Nevertheless, even if a given exposure does not come within these criteria, and bearing in mind the Group's conservative position in relation to the credit risk, this may be subject to individual analysis for impairment.

K. Policy relating to the degrees of internal risk, specifying the treatment given to a borrower classified as in default

The Group does not use internal credit ratings in the treatment of irregular credit.

The internal treatment of a client classified as in default should contemplate taking all the operational measures that appear necessary, namely the inhibition of (i) movements in accounts and means of moving accounts, (ii) transfers of amounts outside of the Group, (iii) attempts to reduce or remove collateral and (iv) increases in exposure by the borrower.

As necessary, still in relation to this internal analysis, the legal mechanisms that ensure the execution of guarantees or the filing of enforcement proceedings will be triggered. This action will be coordinated by the Compliance Department, together with the firm of lawyers that assists the Group in legal matters.

The actions described above should also take into consideration (i) knowledge of the client, (ii) awareness of the product, (iii) the necessary understanding of standards, regulations, procedures, timings of reporting to the supervisory bodies and (iv) the need to adjust the Group's internal accounts and reports.

L. Generic description of the calculation of the current value of future cash flows in the calculation of the impairment losses assessed individually and collectively

On an individual basis, the method of calculation adopted by the Group to determine the impairment of credit is the discounted cash flow (DCF) method or rather, that of calculating the PV (Present Value) of the cash-flows due at the time of the analysis, discounted at a given interest rate. This PV is then compared with the exposure value and, if the difference is negative, there will then be impairment for an amount which should be duly accounted.

For impairment calculated on a collective basis, the Group determines the net value of each exposure (amount of the loan – amount of collateral). This collateral amount is adjusted by "haircuts", in accordance with the rules defined in the point called "Valuation of collateral". For the purpose of collective analysis, only in operations with financial guarantees (Margin Account) or real guarantees (Mortgages) is the respective collateral valued, while in other operations collateral is assumed to be equal to 0 (zero), even in the case of the leasing of motor vehicles where the property belongs to the Group.
A coefficient of 1.5% is applied to the net value of the exposure, except in Margin Account and Overdraft products, where 1% is applied.

In the case of the DCF method, the interest rate used in the calculation of impairment is determined in accordance with the following rules:

- fixed rate contracts: initial fixed rate
- variable rate contracts: current interest rate, resulting from the contract clauses (e.g. indexed to the Euribor)

Note: if the interest rate cannot be determined (e.g. for billing/ amounts receivable), the rate offered in BiG's "SuperDepósito" in force on the date of the analysis is used.

When the exposures are guaranteed by collateral, the Group takes into consideration the expected value of the collateral as well as the expectations of recovery, and the recovery and sale costs.

M. Description of the emergent period used for the different segments and justification of its appropriateness

The Group does not have an emergent period given that it does not have a model of collective impairment that considers this parameter.

N. Detailed description of the cost associated to the credit risk, including disclosure of the PD, EAD, LGD and cure rates

The Group has compiled historical data with which it is developing and calculating PD's and LGD's.

O. Conclusions concerning analyses of the sensitivity to the amount of impairment and alterations to the main assumptions

The Group assesses the impairment of its credit portfolio based on specific signs of impairment, which nevertheless do not depend on complex assumptions and so sensitivity analyses are not performed on the assumptions used.

Quantitative disclosures

a) Breakdown of exposures and impairment:

a.1)

Segmento	Exposure 2016				Impairment 2016		
	Total Exposure	**Performing Loans**	**Of which: restructured**	**Non-Performing Loans**	**Total Impairment**	**Performing Loans**	**Non-Performing Loans**
Current Account Credit	10,252,033	10,251,813	-	220	12,885	12,665	220
Mortgages	6,095,540	6,095,540	-	-	48,972	48,972	-
Other	15,672,897	15,520,634	-	152,263	181,157	32,011	149,146
	32,020,470	**31,867,987**	**-**	**152,483**	**243,014**	**93,648**	**149,366**

Segmento	Exposure 2015				Impairment 2015		
	Total Exposure	**Performing Loans**	**Of which: restructured**	**Non-Performing Loans**	**Total Impairment**	**Performing Loans**	**Non-Performing Loans**
Current Account Credit	16,506,448	16,506,226	-	222	18,734	18,512	222
Mortgages	6,190,366	6,144,935	-	45,432	77,346	54,244	23,102
Other	2,586,291	2,432,274	-	154,016	162,598	12,223	150,250
	25,283,105	**25,083,435**	**-**	**199,670**	**258,678**	**84,979**	**173,574**

a.2)

Segment	Total Exposure 2016						Total Impairment 2016				
		Performing Loans			Non-Performing Loans			Performing Loans		Non-Performing Loans	
		Days late < 30									
	Total Exposure 2016	**Without evidence**	**With evidence**	**Days late between 30-90**	**Days late <= 90***	**Days late > 90**	**Imparidade Total 2016**	**Days late <= 90**	**Days late between 30 e 90**	**Days late <= 90***	**Days late > 90**
Current Account Credit	10.252.033	8.729.673	1.522.140	-	-	220	12.885	12.665	-	-	220
Mortgages	6.095.540	5.995.487	100.053	-	-	-	48.972	48.972	-	-	-
Other	15.672.897	15.192.232	323.265	5.137	1.478	150.784	181.157	31.922	17	479	148.668
	32.020.470	**29.917.392**	**1.945.458**	**5.137**	**1.478**	**151.004**	**243.014**	**93.559**	**17**	**479**	**148.888**

* Loan with payment of capital or interest overdue by more than 90 days, but about which there is evidence that justifies its classification as credit in risk of default

Segment	Total Exposure 2015						Total Impairment 2015				
		Performing Loans			Non-Performing Loans			Performing Loans		Non-Performing Loans	
		Days late < 30									
	Total Exposure 2015	**Without evidence**	**With evidence**	**Days late between 30-90**	**Days late <= 90***	**Days late > 90**	**Imparidade Total 2015**	**Days late <= 90**	**Days late between 30 e 90**	**Days late <= 90***	**Days late > 90**
Current Account Credit	16,506,448	11,982,332	4,523,304	592	-	222	18,734	18,511	1	-	222
Mortgages	6,190,366	6,041,076	103,858	-	-	45,432	77,346	54,244	-	-	23,102
Other	2,586,291	2,346,073	61,322	24,879	226	153,791	162,473	12,065	158	2	150,248
	25,283,105	**20,369,481**	**4,688,484**	**25,471**	**226**	**199,445**	**258,553**	**84,820**	**159**	**2**	**173,572**

* Loan with payment of capital or interest overdue by more than 90 days, but about which there is evidence that justifies its classification as credit in risk of default

b) Breakdown of the credit portfolio by segment and by year of production:

Year of production	Current Account Credit			Mortgages			Other		
	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up
2005 and previous	56	1,657,537	1,877	15	626,392	5,034	9	68,438	77
2006	10	298,970	338	-	-	-	-	-	-
2007	28	369,951	420	6	372,257	2,980	7	24,424	28
2008	20	134,205	152	13	720,845	5,793	8	25,933	31
2009	20	556,668	632	5	469,131	3,770	2	6	-
2010	19	186,466	211	3	276,612	2,223	9	212,556	1,994
2011	22	1,206,949	2,412	13	817,170	6,567	10	22,647	32
2012	11	280,092	317	4	180,875	1,453	9	44,998	147
2013	16	250,319	284	6	506,653	4,071	26	304,208	1,878
2014	32	1,058,352	1,210	7	575,885	4,628	43	509,125	2,697
2015	27	3,113,576	3,522	8	985,194	7,917	50	498,274	2,219
2016	21	1,138,947	1,510	10	564,526	4,536	1,542	13,962,288	171,982
	282	**10,252,032**	**12,885**	**90**	**6,095,540**	**48,972**	**1,715**	**15,672,897**	**181,085**

Year of production	Current Account Credit			Mortgages			Other		
	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up
2005 and previous	70	2,853,589	3,240	15	683,479	6,033	33	82,178	5,072
2006	18	737,466	780	-	-	-	3	142,909	140,059
2007	34	627,223	663	6	390,422	3,446	2	25,505	35
2008	28	355,944	376	15	846,548	7,473	6	38,095	5,268
2009	38	1,827,308	1,933	7	530,067	27,381	-	-	-
2010	26	320,106	339	3	285,980	2,524	15	273,240	2,282
2011	28	2,251,055	3,434	13	763,998	6,744	9	42,975	171
2012	18	374,243	396	6	396,956	3,504	18	119,564	397
2013	21	416,539	441	6	550,462	4,859	22	366,004	2,159
2014	46	2,519,467	2,665	8	685,200	6,049	42	679,341	3,279
2015	54	4,223,508	4,467	8	1,057,254	9,333	1,487	816,480	3,751
	381	**16,506,448**	**18,734**	**87**	**6,190,366**	**77,346**	**1,637**	**2,586,291**	**162,473**

c) Breakdown of gross exposure to credit and impairment assessed individually and collectively, by segment, sector and geography.

c.1) By segment:

2016	Current Account Credit		Mortgages		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Collective	10,252,033	12,885	6,095,540	48,972	15,672,897	181,157	32,020,470	243,014

2015	Current Account Credit		Mortgages		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Collective	16,506,448	18,734	6,190,366	77,346	2,586,291	162,473	25,283,105	258,553

c.2) By sector of activity: The breakdown by sector does not apply to BiG's retail portfolio as this concentrates on private individuals.

c.3) By geography: The breakdown by geography does not apply to BiG's retail portfolio as this is concentrated on Portugal.

d) Breakdown of the portfolio of restructured credit by restructuring measure applied

2016	Performing Loans			Total		
Measure	Number of Transactions	Exposure	Impairment	Number of Transactions	Exposure	Impairment
Length of Period	1	6,526	7	1	6,526	7

2015	Performing Loans			Total		
Measure	Number of Transactions	Exposure	Impairment	Number of Transactions	Exposure	Impairment
Length of Period	3	9,328	14	3	9,328	14

e) Inward and outward movements in the restructured credit portfolio:

	2016	2015
Opening balance of restructured loans portfolio (gross of impairment)	**9,328**	**12,435**
Credit restructured in the period	-	656
Payment of restructured loans (partial or total)	2,802	3,763
Closing balance of restructured loans portfolio (gross of impairment)	**6,526**	**9,328**

f) Breakdown of the fair value of the collateral underlying the credit portfolio by segments:

2016	Current Account Credit				Mortgages				Other			
	Buildings		Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	2	738,550	272	8,459,412	82	11,844,761	1	35,000	16	2,706,864	199	3,341,000
>= 0,5 M€ e < 1 M€	-	-	5	3,160,934	2	1,287,000	-	-	-	-	3	2,631,000
>= 1 M€ e < 5 M€	-	-	1	4,027,356	2	2,696,000	-	-	1	1,652,000	3	6,125,000
	2	**738,550**	**278**	**15,647,702**	**86**	**15,827,761**	**1**	**35,000**	**17**	**4,358,864**	**205**	**12,097,000**

2015	Current Account Credit				Mortgages				Other			
	Buildings		Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	1	293,550	371	15,462,082	82	15,529,117	1	35,000	15	2,273,746	2	35,000
>= 0.5 M€ and < 1 M€	-	-	6	4,945,430	-	-	-	-	-	-	-	-
>= 1 M€ and < 5 M€	-	-	1	3,565,761	-	-	-	-	-	-	-	-
	1	**293,550**	**378**	**23,973,273**	**82**	**15,529,117**	**1**	**35,000**	**15**	**2,273,746**	**2**	**35,000**

* Exemplos: Ações, obrigações e depósitos (a preços de mercado)

g) LTV ratio of the Housing and Other segments:

2016	Number of buildings	Performing Loans	Impairment
Current Account Credit			
< 60%	2	115,000	1,172
Mortgages			
< 60%	44	2,939,364	23,621
>= 60% and < 80%	24	2,244,542	18,026
>= 80% and < 100%	17	805,584	6,474
>= 100%	1	78,373	630
Other			
< 60%	12	1,207,478	11,130
>= 60% and < 80%	3	211,722	244
>= 80% and < 100%	2	17,020	20
	105	**7,619,083**	**61,317**

2015	Number of buildings	Performing Loans	Impairment
Current Account Credit			
< 60%	1	115,000	1,175
Mortgages			
< 60%	45	3,248,452	28,675
>= 60% and < 80%	18	1,783,106	15,740
>= 80% and < 100%	19	1,081,883	9,550
Other			
< 60%	11	830,976	7,143
>= 60% and < 80%	1	15,865	20
>= 80% and < 100%	3	41,929	53
	98	**7,117,211**	**62,357**

h) Breakdown of the fair value and of the net book value of the buildings received as payment in kind, by type of asset and by age:

On 31 December 2016 the caption Non-current assets held for sale had a balance of 26,480 Euros relating to a building available for immediate sale.

On 31 December 2014 the caption Non-current assets held for sale had a balance of 45,500 Euros relating to buildings available for immediate sale, resulting from lawsuits. For these assets the Group recorded impairment losses amounting to 25,500 Euros. This building was sold during 2015. On 31 December 2015 the Group did not have any building received as payment in kind in its portfolio.

i) Distribution of the credit portfolio by degrees of internal risk:

The Group does not use internal credit ratings.

j) Disclosure of the risk parameters associated to the model of impairment by segments:

The Group does not use risk parameters, e.g. PD and LGD, in the impairment model.

NOTE 42
CHARGING OF ASSETS

On 31 December 2016 and 2015 charges on assets may be analysed as follows:

2016	Book value of pledged assets	Fair value of pledged assets	Book value of unencumbered assets	Fair value of unencumbered assets
Equity instruments	-	-	3,182,956	3,182,956
Debt securities	351,387,600	351,387,600	1,144,873,021	1,156,771,724
Other assets	500,000	-	259,086,772	-
	351,887,600		**1,407,142,749**	

2015	Book value of pledged assets	Fair value of pledged assets	Book value of unencumbered assets	Fair value of unencumbered assets
Equity instruments	-	-	43,206,193	43,206,193
Debt securities	320,820,960	320,520,581	1,004,476,651	987,718,755
Other assets	500,000	-	173,059,615	-
	321,320,960		**1,220,742,459**	

On 31 December 2016 the amount of liabilities associated to charged assets was 274,236,949 Euros (31 December 2015: 246,353,570).

NOTE 43
RECENTLY ISSUED STANDARDS

IFRS Disclosures - New standards on 31 December 2016:

Standards

a) IAS 1 (alteration), 'Revision of disclosures'. The change gives indications in relation to materiality and aggregation, the presentation of subtotals, the structure of the financial statements, the disclosure of accounting policies, and the presentation of the items of Other comprehensive income generated by investments measured by the equity method.

b) IAS 16 and IAS 38 (alteration), 'Acceptable methods of calculation of amortization and depreciation. This alteration clarifies that the use of methods of calculation of the depreciation / amortization of assets based on income obtained are not, as a rule, considered appropriate for the measurement of the pattern of consumption of the economic benefits associated to the asset. It is to be applied prospectively.

c) IAS 19 (alteration), 'Defined benefit plans – Employees' contributions'. The alteration to IAS 19 applies to contributions of employees or third party entities to defined benefit plans, and sets out to simplify their accounting, when the contributions are not associated to the number of years of service.

d) IAS 27 (alteration), 'Equity method in separate financial statements'. This alteration allows an entity to apply the equity method in the measurement of investments in subsidiaries, joint ventures and associates, in separate financial statements. This alteration is to be applied retrospectively.

e) Amendments to standards 2010 - 2012. This cycle of improvements affects the following standards:

IFRS 2, 'Share-based Payment. The amendment to IFRS 2 alters the definition of "vesting conditions", to allow only two types of vesting condition: "service conditions" and "performance conditions". The new definition of "performance conditions" means that only conditions related with the entity are considered.

IFRS 13, 'Fair value: measurement and disclosure'. The improvement to IFRS 13 clarifies that the standard does not preclude the possibility of measuring current account receivables and payables on the basis of invoiced amounts, when the discount effect is not material.

IAS 16, 'Tangible fixed assets' and IAS 38 'Intangible assets'. The improvement to IAS 16 and IAS 38 clarifies the treatment of gross carrying amounts and accumulated depreciations/amortisations. Two possible methods are identified, for when an entity adopts the revaluation model in the subsequent measurement of tangible fixed and/or intangible assets. This clarification is significant when the lifetimes or the depreciation/amortisation methods are revised during the revaluation period.

IAS 24, ''Related party disclosures'. This improvement to IAS 24 changes the definition of a related party. This is now taken to include entities that provide management services to the reporting entity or to the parent of the reporting entity.

f) Improvements to standards 2012 - 2014. This cycle of improvements affects the following standards:

IFRS 7, 'Financial instruments: disclosures'. This amendment includes additional information on the significance of continued involvement in the transfer (derecognition) of financial assets, for the purpose of compliance with the obligations of disclosure.

IAS 19, 'Employee benefits'. This improvement clarifies that in the determination of the discount rate of the liabilities with defined benefit plans after employment, this has to correspond to high quality bonds of the same currency in which the liabilities are calculated.

2. Standards published, whose application is obligatory for annual periods that start on or after 1 January 2017, which the European Union has already endorsed:

a) IFRS 9 (new), 'Financial instruments' (to be applied in years that start on or after 1 January 2018). IFRS 9 replaces the requisites of IAS 39, in relation: (i) to the classification and measurement of financial assets and liabilities; (ii) to the recognition of impairment on credit receivable (through the expected credit loss model); and (iii) to the requisites for the recognition and classification of hedge accounting.

b) IFRS 15 (new), 'Revenue from Contracts with Customers' (to be applied in years that start on or after 1 January 2018). This new standard applies only to contracts for the delivery of products or provision of services, and requires an entity to recognise revenue when the contractual obligation to deliver assets or provide services is satisfied and for the amount that reflects the counter-provision to which the entity is entitled, as contemplated in the "5 step methodology".

3. Standards (new and alterations) and interpretations published, whose application is obligatory for annual periods that start on or after 1 January 2017, but which the European Union has not yet endorsed:

3.1 - Standards

a) IAS 7 ((amendment), 'Amendment to the disclosures' (to be applied in years that start on or after 1 January 2017). This alteration is still subject to the process of endorsement by the European Union. This amendment introduces an additional disclosure about the changes in liabilities arising from financing activities, disaggregated between cash changes and non-cash changes and how it reconciles with the reported cash flows from financing activities, in the Cash Flow Statement.

b) IAS 12 ((amendment)**,** 'Income tax – Recognition of deferred tax assets for unrealised losses' (to be applied in years that start on or after 1 January 2017). This alteration is still subject to the process of endorsement by the European Union. This amendment clarifies how to account for deferred tax assets related to assets measured at fair value, how to estimate future taxable profits when temporary deductible differences exist and how to assess recoverability of deferred tax assets when restrictions exist in the tax law.

c) IFRS 2 ((amendment), 'Classification and measurement of share-based payment transactions' (to be applied in years that start on or after 1 January 2018). This alteration is still subject to the process of endorsement by the European Union. This amendment clarifies the measurement basis for cash settled, share-based payments and the accounting for modifications to a share-based payment plan that change the classification an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

d) Improvements to standards 2014 – 2016 (to be applied, in general, in the years that start on or after 1 January 2017). This cycle of improvements is still subject to the process of endorsement by the European Union. This cycle of improvements affects the following standards:

IFRS 1, 'First adoption of the IFRS' (to be applied in years that start on or after 1 January 2018). This cycle of improvements is still subject to the process of endorsement by the European Union. This improvement eliminates the temporary exemptions from IFRS 7, IFRS 10 and IAS 19, as they are no longer applicable.

IFRS 12, 'Disclosure of interests in other entities' (to be applied in years that start on or after 1 January 2017). This cycle of improvements is still subject to the process of endorsement by the European Union. This improvement aims to clarify that its scope includes investments classified within the scope of IFRS 5, and that the only exemption refers to the disclosure of the summary of the financial information of these entities.

IAS 28, 'Investments in associates and joint ventures' (to be applied in years that start on or after 1 January 2018). This cycle of improvements is still subject to the process of endorsement by the European Union. This improvement clarifies that investments in associates or joint ventures held by a venture capital organization are allowed to be measured at fair value in accordance with IFRS 9, *on a standalone basis. This improvement also clarifies that an entity that it is not an investment entity but holds investments in associates and joint ventures that are investment entities, is entitled to retain the fair value measurement of the associate's and joint venture's interest in its own subsidiaries.*

3.2 - Interpretations

IFRIC 22 (new), 'Foreign Currency Transactions and Advance Consideration' (to be applied in years that start on or after 1 January 2018). This interpretation is still subject to the process of endorsement by the European Union. This is an interpretation of IAS 21 'The Effects of Changes in Foreign Exchange Rates' and refers to the determination of the "date of the transaction" when an entity pays or receives advance consideration for contracts denominated in foreign currency. The "date of the transaction" determines the exchange rate to be used for converting the transactions into foreign currency.

Summary table of new standards:

Description	Alteration	Date of effect
1. Alterations to the standards effective on 1 January 2016		
IAS 1 – Presentation of the financial statements	Revision of the disclosures as part of the IASB's Disclosure Initiative project	1 January 2016
IAS 16 and IAS 38 – Methods of calculation of amortization / depreciation	Revenue-based methods of depreciation / amortization are not permitted.	1 January 2016
IAS 19 – Defined benefit plans	Accounting of contributions from employees or other entities	1 February 2015
IAS 27 – Separate financial statements	Option to use the equity method, in the separate financial statements, investments in subsidiaries, joint ventures and associates.	1 January 2016
Improvements to standards 2010 – 2012	Various clarifications: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 24	1 February 2015
Improvements to standards 2012 – 2014	Various clarifications: IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2016
2. Standards and alterations effective on or after 1 January 2017, already endorsed by the EU		
IFRS 9 – Financial instruments	New standard for the accounting treatment of financial instruments	1 January 2018
IFRS 15 – Revenue from contracts with clients	Recognition of revenue related with the delivery of assets and provision of services, by the application the of the 5 step method.	1 January 2018
3. Standards (new and alterations) and interpretations effective on or after 1 January 2017, not yet endorsed by the EU		
3.1 Standards		
IAS 7 – Cash flow statement	Reconciliation of the alterations in financing liabilities with cash flows from financing activities.	1 January 2017
IAS 12 – Income tax	Recognition of deferred tax assets on assets measured at fair value, the impact of deductible temporary differences on the estimate of taxable future profits and the impact of restrictions on the capacity of recovery of deferred tax assets	1 January 2017
IFRS 2 – Share-based Payments	Measurement of share-based payment plans paid financially, accounting of modifications, and classification of share-based payment plans as paid in equity, when the employer has the obligation to withhold tax.	1 January 2018
Improvements to standards 2014 - 2016	Various clarifications: IFRS 1, IFRS 12 and IAS 28	1 January 2017 / 1 January 2018
3.2 - Interpretations		
IFRIC 22 – Foreign currency transactions and advance consideration	Exchange rate to be applied when the consideration is received or paid in advance	1 January 2018

NOTE 44
SUBSEQUENT EVENTS

Market conditions – 1Q 2017

The year started with U.S stock markets rising, following the election of Donald Trump as President. In Europe, however, sentiment was generally uncertain, reflecting the prospects of increased political risk and economic stagnation in Europe and in other parts of the world. In Portugal the absence of reforms and the current government's focus on stability as opposed to economic growth have dominated market conditions, notwithstanding the positive results achieved in terms of the current account deficit. The worrying levels reached by the spreads on Portuguese public debt compared with German public debt and other sovereign debts with non-investment grade ratings reflect this negative impact.

Defined contribution pension plan – BiG

In the first quarter of 2017, the Bank received final regulatory approval and completed a process that has been under way for more than two years for the domiciliation in Dublin of the defined contribution pension plan of BiG's employees. The operational aspects related with the termination of the pension plan based in Portugal and the transfer of the respective assets to an Institutional Occupational Retirement Plan (IORP) through a trustee agreement, based in Ireland and managed by Willis Towers Watson, should be concluded during the second quarter of 2017.

BiG Start Ventures

One Tier Capital Partners, SCR, SA, after changing its commercial objectives to focus on start-ups in the Fintech area, under the brand BiG Start Ventures, invested in four start-ups in 2016 (one German and three Portuguese), since the start of 2017, and after meeting with approximately fifty potential investment targets, BiG Start Ventures is in negotiations with two additional candidates, one of which is based in the USA.

Litigation BiG vs. BIC

On 7 December 2016 the High Court of Appeals of Lisbon upheld the ruling of a lower court to annul the brand and denomination "Banco BiC", given the confusion with the previously registered brand "Banco BiG". The ruling, favorable to BiG, became *final* in early 2017, meaning that it may not be appealed, bringing the litigation to a definitive close with the following decision:

- Annulment of the national brand no. 500559 and of logo no. 26887 "Banco BIC" and ordering of BIC to refrain from using the name "Banco BIC", as had been decided by the court of 1st instance;
- To grant a period of 180 days, from that decision, for Banco BIC to comply;
- To apply a compulsory penalty of EUR 5,000 for each day of non-compliance of refraining from using the name "Banco BIC".

The High Court of Appeals did not confirm the decision of the court of 1st instance in relation to the payment by Banco BIC to BiG of an indemnity to compensate the costs of the investment made by BiG in advertising in order to distance itself from the Brand "Banco BiC".

None of the events described above had any impact on the financial statements with reference to 31 December 2016.

SUPERVISORY BOARDS

General Shareholders' Assembly

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José António de Melo Pinto Ribeiro

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 (President)
Pedro Rogério Barata de Ouro Lameira (Effective Member)
Jorge Alegria Garcia de Aguiar (Effective Member)

Effective Portuguese Statutory Auditor

PricewaterhouseCoopers & Associados,
Sociedade de Revisores de Contas, S.A., represented by
Aurélio Adriano Rangel Amado or
José Manuel Henriques Bernardo

Jorge Manuel Santos Costa
(Chartered Accountant - Alternate)

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