ANNUAL REPORT 2011

BANCO BiG

BANCO DE INVESTIMENTO GLOBAL

FINANCIAL INDICATORS

T.1

(Euro)

Consolidated (Audited)	2011	2010	2009	2008
Net Interest Margin	19,783,187	16,525,657	11,918,085	9,690,611
Net Commissions and Fees	9,002,029	8,699,278	6,430,921	13,216,461
Treasury and Capital Markets	4,105,924	27,452,044	17,885,323	1,368,063
Other Income	285,387	-622,954	289,242	72,368
Operating Income	**33,176,527**	**52,054,025**	**36,523,571**	**24,347,503**
Personnel Expenses	-8,837,318	-12,556,069	-11,043,138	-8,357,235
Other Administrative Costs	-5,568,518	-6,019,658	-5,495,786	-4,361,652
Operating Expenses	**-14,405,836**	**-18,575,727**	**-16,538,924**	**-12,718,887**
Operating Cash Flow	**18,770,691**	**33,478,298**	**19,984,647**	**11,628,616**
Amortizations	-1,495,072	-1,607,394	-1,248,474	-1,141,907
Provisions	150,258	-7,670	-12,480	1,795
Impairities	-13,986,727	-5,750,931	-3,115,429	-1,242,555
Operating Results	**3,439,150**	**26,112,303**	**15,608,264**	**9,245,949**
Results of Subsidiaries	87,565	292,136	-792,932	-404,110
Profit Before Income Tax	**3,526,715**	**26,404,439**	**14,815,332**	**8,841,839**
Current Income Tax	-909,833	-5,824,683	-2,723,286	-2,453,172
Deferred Tax	-111,287	-119,866	237,056	37,263
Net Income	**2,505,595**	**20,459,890**	**12,329,102**	**6,425,930**

Individual	2011	2010	2009	2008
Net Income	**2,464,443**	**20,196,409**	**12,314,862**	**7,172,217**

Selected Indicators	2011	2010	2009	2008
Total Net Assets	828,983,481	900,762,575	703,349,940	563,068,380
Shareholder Funds	67,234,341	108,140,896	128,685,719	107,369,380
Own Funds	146,510,409	123,177,367	106,451,029	94,543,031
Client Deposits	440,567,939	332,184,633	304,985,007	296,489,764
Non-Performing Loans / Total Loans	0.19%	0.27%	0.23%	0.39%
Non-Performing Loans / Total Assets	0.04%	0.01%	0.02%	0.02%
Loans / Client Deposits	36.16%	12.80%	18.60%	9.86%
Loans / Total Net Assets	19.22%	4.72%	8.06%	5.19%
Assets Under Supervision *	1,086,084,393	1,330,366,558	1,264,422,249	1,031,417,800

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

Profitability	2011	2010	2009	2008
Return on Average Assets (ROA)	0.29%	2.55%	1.95%	1.18%
Return on Average Equity (ROE)	2.86%	17.28%	10.45%	6.13%
Operating Income / Average Net Assets	3.84%	6.49%	5.77%	4.48%

Solvency	2011	2010	2009	2008
TIER 1	32.50%	36.20%	35.70%	32.70%
Risk-Adjusted Capital Ratio	32.50%	36.30%	32.80%	31.00%

Efficiency	2011	2010	2009	2008
Net Interest Income / Earning Assets	2.62%	1.98%	1.82%	1.94%
Operating Expense / Operating Income	47.93%	38.77%	48.70%	56.93%
Personnel Expense / Operating Income	26.64%	24.12%	30.24%	34.32%

Financial Indicators

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MANAGEMENT DISCUSSION

OVERVIEW 2011

The Bank

Banco de Investimento Global, S.A. (*BiG, Banco BiG* or the *Bank*) is a non-listed, specialized financial institution with headquarters in Lisbon. Founded in 1998, the Bank is privately held by a number of individual and institutional investors (Note 34) and is licensed to operate in all business areas open to the banking sector in Portugal.

The Bank serves both private and wholesale client segments. For individuals, the Bank provides savings, brokerage, custody, wealth management and general banking and payment services. For institutional and corporate clients, services include market risk management, treasury, brokerage, custody, and corporate advisory, including debt and equity finance. A third business line, the Bank's treasury and capital markets area, concentrates on liquidity and balance sheet management and is central to our culture of managing market-related risks. The Bank also offers credit cards, specialized consumer and wholesale credit arrangements. In addition to traditional banking services, we place a number of trading and investment platforms at the disposal of our client base. The objective is to facilitate easy access by savers and investors to a number of major regulated markets and over the counter products.

The Bank generates all of its revenues in Portugal. However, the mix of earning assets and their geographical source may vary overtime. 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 13 offices in key central and regional locations, while sales and product teams based in Lisbon and Porto work with Wholesale clients.

The Bank is a member of Euronext and PEX exchanges and maintains partnership arrangements with global financial services suppliers so as to provide access to our clients to many of the world's major stock, options and futures exchanges. As part of our offering to clients, BiG maintains subscription and distribution agreements with major investment fund managers as well as in-house expertise to develop products and manage the needs and expectations of our clients.

Summary of 2011 Results

(For further detail, see ANALYSIS: RESULTS OF OPERATIONS 2011)

For the full year 2011, Banco de Investimento Global generated Net Revenues € 33.2 million, or 36% lower than in 2010. For the year, Consolidated Net Income was € 2.5 million, which was 88% lower than 2010's record profit of € 20.5 million. Earnings in 2009 were € 12.3 million, which in turn was 92% higher than net results generated in 2008. Earnings per share in 2011 were € 0.026, as compared to € 0.23 in 2010, and € 0.14 in 2009. Return on Average Equity declined to 2.9% for 2011, versus 17.3% in 2010 and 10.4% in 2009.

The Bank's Tier 1 ratio at year-end was 32.5%, or approximately in line with the year-end 2010 figure of 36.2%. The Bank's average Tier 1 ratio over the past five years is 34.4%.

The decline in revenues and earnings was the direct consequence of unprecedented volatility in the European sovereign and banking debt markets. The business environment associated with Portugal' s need for a € 78 billion rescue program from the "troika" of IMF/European Union/ECB, the extremely negative market conditions, and the imparities registered against pre-tax

T.2 (Euro 000)

Summary of Results	2011	2010	Var (%)	2009	2008
Total Net Revenue	33,177	52,054	-36.3%	36,524	24,348
Non Interest Expense	-29,737	-25,942	14.6%	-20,915	-15,102
Taxes	-1,021	-5,945	-82.8%	-2,486	-2,416
Net Income	2,506	20,460	-87.8%	12,329	6,426
Shareholders Funds	67,234	108,141	-37.8%	128,686	107,369
Own Funds	146,510	123,177	18.9%	106,451	94,543
Total Net Assets	828,983	900,763	-8.0%	703,350	563,068
Loans	159,331	42,533	274.6%	56,713	29,233
Deposits	440,568	332,185	32.6%	304,985	296,490
TIER 1, risk-adjusted	32.5%	36.2%	-10.2%	35.7%	32.7%
Risk-Adjusted Capital Ratio	32.5%	36.3%	-10.5%	32.8%	31.0%

earnings were main factors. Excluding impairment charges of a "one-time" nature, pre-tax earnings were € 17.5 million in 2011, as compared with € 32.2 million in 2010.

The composition of net revenues for 2011 reflected uneven performance in the main components of this category. The Bank's net interest margin rose 20% to € 20 million and net commissions improved to € 9 million or about 4% higher than in 2010. Revenues from the Bank's Treasury and Capital Markets business, on the other hand, fell 90% year on year, to € 2.6 million, from the previous year's level of € 26 million. Prior to impairments, the Bank's operating expenses declined 22% to € 15.8 million, led by a 30% reduction in salary expense for the year. The Bank's tax bill dropped on much lower pre-tax earnings, but the tax rate rose to 29%, from 22.7% in 2010 and 17% in 2009. Total Net Assets at 31/12/2011 were down 9% to € 829 million, on lower levels of liquid, fixed income earning assets. The Bank's loan book moved to € 159 million from the previous year´s € 42.5 million, because of a reclassification of € 130 million in residential mortgage backed securities (RMBS) to loans in July 2011. Without the re-classification, loans to clients stood at € 28.6 million, or just 7% of a substantially higher level of Client Deposits at 31/12/2011. By comparison, Loans/Client Deposits were 13% at year-end 2010 and 19% on the same date in 2009. Non-performing loans / Total Net Assets were a relatively low 0.04% at year-end 2011.

Highlights:

- **Decline of 36% in Net Operating Income to Eur 33 million, versus Eur 52 million in 2010;**
- **Gains of 20% in Net Interest Margin and 4% in Net Commissions;**
- **Fall in Net Revenues from Treasury and Capital Markets to Eur 2.6 million versus € 26 million in 2010;**
- **Earnings per share dropped to Eur 0.026, vsEur 0.23 in 2010 and Euro 0.14 in 2009;**
- **Return on Average Equity of 2.9%vs 17.3% for 2010, vs 10.4% for 2009;**
- **Net Assets declined by 8% to Eur 829 million ($ 1.1 billion);**
- **Rise in Client Deposits of 33% to Eur 441 million (USD 571 million);**
- **Assets under Supervision at 31/12/2011 of Eur 1.1 billion (USD 1.4 billion);**
- **Ratio of Loans / Client Deposits of 36.2% at 31/12/2011; excluding re-classification: 6.5% versus 13% at 31/12/2010;**
- **Non-performing Loans / Total Net Assets of 0.04% at 31/12/2011; compared to 0.01% at 31/12/2010;**
- **Tier I Ratio of 32.5% at 31/12/2011.**

Impact of the EUROZONE Sovereign Debt Crisis on our Business in 2011

The Eurozone sovereign debt crisis is entering its third year and has affected our business in a number of ways. In all likelihood, it will continue to do so through at least 2012. The main issues include differing levels of fiscal responsibility by Governments of the Euro-zone, the market's view of the reliability of sovereign creditworthiness, the effects of these views on each country's banking sector and each country's economy, and the slow response by political leaders to the crisis. This, in turn, has increased the market's reservations about the survivability of the Euro itself. In addition to revealing the weak fundamentals of the single currency, market forces have revealed the extent to which globalized capitalism has outstripped the ability of individual governments and the Euro-zone's legal and fiscal framework to manage the situation. The rapid shift in market fundamentals and the political, regulatory and volatile market environment have had an impact, both positive and negative on Banco BiG's balance sheet, revenues and business volumes during the past year.

Critical Accounting Policies

The use of *fair value* to measure financial instruments is fundamental to our process of managing risk and is the Bank's single most critical accounting policy. When events occur which reduce transparency and/or liquidity in markets, as has been the case often during the Eurozone debt crisis, this can have a significant impact on how financial securities are valuedby the markets and, consequently, on the Bank's financial statements.For further information, see the *Notes to the Consolidated Financial Statements*.

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

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

financial assets are held in the first two categories and as a result, are measured at fair value and reflected as such in the financial statements.

Policies and events of particular relevance during the crisis include:

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

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

*Re-classification:*As reported in 2010, in February of that year, the Bank sold a number of securities held to maturity, which according to IAS 39, obliged that they be reclassified as securities *Available for Sale,* and revalued at *fair value.* This resulted in a gain and, according to IAS 39, the Bank may not hold securities held to maturity for a period of two years.

In July 2011, as mentioned above, the Bank reclassified certain residential mortgage-backed securities as loans, as a direct result of the difficulty in obtaining reliable market prices in a highly volatile market environment.

Impact on Capital and Solvency

The Bank increased its Common Stock by € 14.9 million during the year. This variation resulted in (i) an increase in capital by € 8.9 million of which via incorporation of reserves, approved in the general meeting of shareholders on April 15, 2011, and (ii) € 6.0 million in subscription of shares which via issues subscribed by Management and Staff within the scope of approved, personnel-related stock programs. Fluctuations in the Fair Value Reserve reflect the decline in market prices of mainly fixed income securities held Available for Sale. Deep discounts for peripheral sovereign debt and increasingly negative sentiment, as the market responded to each inadequate political measure attempted during a string of summits by European leadership, explain the accounting effect on the Bank's main asset category, which is otherwise absent non-performing assets. The Bank's Regulatory Capital, or "Own Funds," is calculated in accordance with central bank regulations and was nearly € 147 million at 31/12/2011, up from € 123 million at the same date in 2010.

The Bank's Tier 1 ratio has remained consistently above regulatory minimum levels under the most stressful market conditions and places the institution well outside of political and regulatory discussions on minimum capital requirements affecting the largest Portuguese banks. The high level reflects Management's deliberately conservative views on leverage, asset growth and sustainable profitability within the boundaries of reasonable risk-taking. Other factors include the competitive and regulatory environment and the need to ensure that the assumption of risks is compensated appropriately in the midst of paradigm-changing events in Europe.

Among many stress tests performed by the Bank daily are solvency stress tests, introduced during 2011. These are designed to measure the impact on our Tier 1 ratio of improbable, but technically feasible shifts in market sentiment which might have a direct effect on the Bank's solvency ratios. Results of some extreme scenarios used by Management at 31/12/2011 below are discussed in further detail in the RISK MANAGEMENT section of this report and in Note 38. The results of tests shown in table T.4 assume a combination of two extreme events: (i) discounts to sovereign debt, which (ii) are simultaneously required to be recognized as imparities with corresponding movements in the Fair Value Reserve and the Bank's results.

T.3 (Euro)

Impact on Capital and Solvency	2011	2010	2009	2008	2007
Common stock	104,000,000	89,088,810	87,570,000	87,570,000	75,082,920
Issue premiums	1,362,281	9,343,753	8,886,393	8,886,393	5,756,889
Treasury stock	-1,323,065	-1,583,087	-433,261	-2,116,274	-589,028
Fair value reserve	-87,279,347	-38,016,812	-2,917,071	-13,942,332	-2,347,115
Other reserves and retained earnings	47,968,877	28,848,342	23,250,556	20,545,663	13,235,054
Net profit	2,505,595	20,459,890	12,329,102	6,425,930	11,268,265
Shareholder Funds	67,234,341	108,140,896	128,685,719	107,369,380	102,406,985
Own Funds	146,510,409	123,177,367	106,451,029	94,543,031	88,557,268
TIER 1 ratio	32.5%	36.2%	35.7%	32.7%	34.7%

The above stress test scenarios are internal.

Impact on Liquidity and Funding

During 2011, Management gradually reduced Net Assets by 8% and the size of the Available for Sale portfolio by 27%. Within this category, we shifted the components to a higher percentage of *credit-secure* covered bonds and residential mortgage-backed securities (RMBS). In terms of funding, the Bank reduced its reliance on politically--sensitive ECB facilities and increased the retail deposit base substantially. Traditional lending has remained non-strategic.

As in prior years, the majority of the Bank's assets are reasonably liquid securities held for trading or investment purposes. Investments are held either as Trading or as Available for Sale (AFS) assets. As discussed, the Bank does not have a Held to Maturity Portfolio (HTM). All positions are therefore marked to market with results passing through either the Profit and Loss, in the case of trading assets, and Fair Value Reserve, in the case of AFS. While having an impact on earnings and capital funds, Management believes that holding and negotiating securities via its Trading or Available for Sale portfolios provides greater flexibility to manage positions, encourages discipline in position-taking and has resulted in a policy of absolute transparency with respect valuations of all securities. These policies have been a base scenario to managing the unusual events leading up to and experienced so far during the crisis.

The Bank's business model is deliberately less loan-intensive than that of its peers, as reflected in a Loans/Deposits ratio of 36% at year-end 2011. This includes the effect of a re-classification of € 130 million as loans of less liquid residential mortgage-backed securities. Excluding the re-classification, Loans/Deposits, on a comparable basis with respect to prior years, stood at less than 6.5% at year-end 2011 versus 12.8% at year-end 2010. The decline in the loan portfolio, exclusive of reclassified assets, reflects lower demand for credit to support margin accounts, which tend to decline in more volatile or negative market conditions.

Main sources of funding for 2011 were (i) retail client deposits, *which rose 33%* year on year to € 441 million (ii) funding under repurchase agreements with the European Central Bank (ECB), *which declined year on year by 34%* to € 238 million (iii) funding under repurchase agreements via EUREX REPO, which BiG joined as clearing member during 2011, and (iv) capital funds. The Bank does not issue debt securities in the wholesale markets and, as a result, is unaffected by the inability of banks in Europe to access international markets. The Bank participates to a minor degree in the domestic interbank market as a provider only. As a policy, the Bank maintains a buffer of unused liquidity with the ECB, based on eligible securities held at that bank, equal to approximately 1/3 of its retail deposits at any time.

T.4

Stress test - Extreme scenarios	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Ireland	Negative variations	20%	15%		
Portugal	in Fair Value	60%	60%	60%	50%
Greece	recognized	75%	75%	75%	70%
Spain	in Results	10%			

T.5

December - Extreme scenarios - Theoretical Tier 1 ratio	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Core TIER I (A/E)	24.1%	17.4%	18.5%	19.4%	22.2%
TIER I ((A+C1)/E)	24.1%	17.4%	18.5%	19.4%	22.2%
Core TIER II (B/E)	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-adjusted Capital Ratio	24.1%	17.4%	18.6%	19.4%	22.2%

T.6

(Euro 000)

Impact on Liquidity and Funding	2011	2010	2009	2008	2007
Loans / Client Deposits	36.2%	12.8%	18.6%	9.9%	25.9%
Liquid Earning Assets / Total Net Assets	72.0%	87.7%	64.8%	59.8%	73.5%
Funding from ECB	238,323	360,164	230,783	84,012	0
Other sources of Funding	48,896	38,943	9,560	9,789	43,025
Client Deposits / Total Liabilites & Capital	53.1%	36.9%	43.4%	52.7%	53.8%

Impact on Earnings

Net revenues of € 33 million represented a decline of 36% in relation to a record year in 2010. The level was nevertheless higher than the average for the period 2007-2009, in spite of the turmoil in Europe and recession in Portugal. The total featured an increase in net margin, a stable level of net commissions and a significant decline in trading and investment-related revenue in relation to the prior year, associated with the paradigm-changing events in the European sovereign debt and related imparities. The rise in net margin combines two trends: (i) the opportunity to acquire negotiable fixed income securities at deep discounts, and therefore higher yields to maturity, and (2) the impact of higher costs associated with retail deposit-taking, as Portuguese commercial banks sought to replace wholesale funding with retail funding at aggressive rates. On a Business-line basis (see *RESULTS OF OPERATIONS*), the Bank's specialized retail business experienced steady and sustained growth, the wholesale client and Corporate Finance areas saw lower transaction volumes and lower revenues, year on year, excluding the effect of block trades, and Treasury and Capital Markets, including imparities, generated a loss.

On the expense side, with revenues in decline since Q3 of 2010, Management froze most new investments at the beginning of 2011 and began a program of cost-reduction, *which led to an overall decline in operating expenses of 22% for 2011. Compensation costs fell 30%* reflecting voluntary reductions in the fixed portion of Management salaries and the elimination of discretionary variable payments for the year. Other general and administrative costs and amortizations also declined an average of 7-8%.

Impairments associated with a 65% provision on the Bank's exposure to Greek sovereign bonds and certain equity investments had a € 14 million impact on pre-tax earnings. As a result, consolidated pre-tax income declined to € 3.5 million from the prior year level of € 26.4 million. The Bank's tax rate in 2011 rose to 29% from 2010's effective rate of 22.7%, and is the direct result of measures taken to meet the financial emergency which the Portuguese Government is experiencing, and which negatively affects the economy at large. A special tax on Bank liabilities, designed to tax the portion of funding not covered by client deposits and capital, is estimated to be € 270,000 for the year.

Impact on Dividend Policy

The Bank has no firm dividend policy and Management is free to propose, and shareholders are free to approve, either increases or decreases in the dividend payout for a given year, in accordance with results, prevailing market conditions, strategy for applying capital and legal limitations. In view of market conditions, lower earnings and central bank recommendations on the matter, Management is proposing not to pay a dividend with respect to 2011. A recent history of payouts by Bank, which began paying dividends on 2003 earnings, is listed in table T.8.

Impact on Plans for Growth and Expansion

The Bank's structure is transparent and flexible and, as a result, the current economic environment has not dictated changes to the business strategy, other than adjustments in normal daily management of the individual business lines. Management is continuously analyzing improvements to the existing business areas and looking for ways to increase revenues, rationalize costs and improve internal efficiency. We expect this trend to carry into the foreseeable future.

During 2011, the Bank proceeded with planned upgrades to systems, underway since 2010, opened two new branches (Aveiro and Estoril) and added ATMs to bring the current network to 13 agencies and 26 ATMs, which serve the Bank's specialized retail strategy. A major upgrade to the Bank's website, www.big.pt, continued and is expected

T.7 (Euro 000)

Impact on Earnings	2011	2010	2009	2008	2007
Net Operating Revenues	33,177	52,054	36,524	24,348	34,020
Net Operating Expenses (net imparities)	-15,751	-20,191	-17,800	-13,859	-19,987
Imparities	-13,987	-5,751	-3,115	-1,243	-59
Results from Associated Companies	88	292	-793	-404	51
Pre-tax Profit	3,527	26,404	14,815	8,842	14,025
Taxation	-1,021	-5,945	-2,486	-2,416	-2,757
Net Profit	2,506	20,460	12,329	6,426	11,268

T.8 (Euro)

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

to be launched to the public during Q1 2012 after approximately 2 years of internal development. Plans for further expansion of the physical network were put on hold temporarily, and will be reviewed in early 2012 as part of the Bank's planning process for the year. Personnel were added in specific areas and the Bank's average headcount rose, in spite of overall reductions to salary expenses.

The Bank's initiative to expand its retail brokerage arm to Brazil was under study, and was still subject to approval by the Brazilian authorities at year-end. Discussions with community banks in the USA, for which the Bank had mandated a U.S.-based investment bank, were put on hold at year-end 2011 in view of events in our home market.

Summary of Impact: Positives and Negatives

Positive:

- Continued trend toward more stable margin income;
- Commissions remained stable;
- Reduction of 22% in Salary and Administrative expenses;
- Rise in client deposits of 33%;
- Decline in ECB liabilities of 34%;
- Membership in EUREX Repo;
- Policy of maintaining securities in Trading and Available for Sale portfolios: provides greater flexibility with respect to realizing gains in a volatile market, while maximizing transparency of the Balance Sheet;
- Continued relative absence of Non-Performing Assets: 0.04% of Total Assets at 31/12/2011;
- Strong Regulatory Capital:Tier 1 Ratio of 32.5% at 31 December 2011;
- Comfortable liquidity, modest levels of gearing;
- Higher than average client acquisition.

Negative:

- Increase in funding costs: lower ECB funding, higher component of more expensive client deposits, given deposit war underway in Portugal;
- Imparity recognized for Greek sovereign debt and other securities affected by crisis, in accordance with IAS, had a negative impact on earnings;
- Decline in Fair Value Reserve had further negative impact on Capital Funds;
- Ratings downgrades by the Republic and major banks has damaged the country's reputation, raising the specter of sovereign default, long periods of austerity and reduced business opportunities;
- Deleveraging by commercial banks, rising yields of government debt and quest for liquidity will continue to increase both credit spreads and deposit rates;
- Higher tax environment and a Government operating in a crisis mode;
- Recessionary environment conditions opportunity, over the short-term at least, for structural problems underlying the economy to be addressed.

Balance Sheet Strategy

The past five years in particular have tested Management's ability to guide the Bank through a number of exceptional events. These have included banking crises, recession first in the U.S. and currently in Europe, extraordinary aspects of a full-blown sovereign risk crisis in the Eurozone, along with the specific challenges of operating in a "bail-out" country whose ratings and prospects have suffered major blows in record time. Throughout, Management has strived to position the Bank to withstand the various storms while attempting to grow and to prosper. While the balance of 2011 is likely to be more negative than positive, Management believes that the Bank's sound financial health is the result the following basic concepts that guide how we manage our business and which are designed to ensure our independence:

- We operate with low leverage and a highly conservative client loans to deposits ratio: 36% (adjusted for reclassified assets; 6.5% on a comparable basis) at year-end 2011, versus 12.8% for 2010 and 18.6% at year-end 2009, respectively;
- We focus on building a base of stable retail deposits and savings products alongside our client trading platforms and advisory business;
- We manage our business and balance sheet so as to be largely independent of wholesale funding markets;
- We maintain a profile of structural, excess liquidity at all times;

T.9 (Euro 000)

Key Balance Sheet Items	2011	2010	2009	2008	2007
Total Net Assets	828,983	900,763	703,350	563,068	525,000
Earning Assets	745,464	785,983	507,809	363,385	457,040
Assets Held to Maturity	0	0	141,753	134,538	0
Loans to Total Net Assets	19.2%	4.7%	8.1%	5.2%	13.9%
Deposits from Central Banks	238,323	360,164	230,783	84,012	0
Funding from other Credit Institutions	48,896	38,943	9,560	9,789	43,025
Deposits from Clients	440,568	332,185	304,985	296,490	282,238

- We challenge ourselves with stress tests, using highly conservative scenarios, of all risk exposures and on our main capital ratios on a daily basis;
- We work with levels of solvency well above regulatory guidelines;
- We acquire assets and deal in products that we and our clients can understand;
- We practice discipline and transparency in our business, internally and externally.

Forward-Looking Policies on Managing Funding and Capital

The Bank expects to maintain current policies on low gearing, high capital adequacy and ample liquidity for the foreseeable future. Meanwhile, we expect to make frequent adjustments to business lines, product offerings, distribution channels in the normal course of business, in order to improve revenues. In this context, we present below some management projections, which are estimates and do not constitute a commitment by the Board of Directors.

For some time, the Bank's base of earning assets has focused on investment grade corporate debt issues and treasuries issued by Eurozone member states. It is likely that this profile will be maintained, given the overall risk profile when compared to alternatives and adjusting for the legal, regulatory and market impact of the Euro-zone debt crisis. Management expects that the Bank's loans/deposits ratio will remain well below market averages, even after adjusting for the reclassification of RMBS issues as loans during 2011. This view has been a function of the perception of risk/reward over the last decade in the market for traditional lending and we believe that current conditions may make it unattractive to alter the current mix of earning assets in favor of traditional lending.

The following chart shows growth in deposits since 2008 and projections until 2013, assuming current market conditions and no significant changes to the Bank's business model or unexpected shocks to the market. Since 2010, competition for non-wholesale deposits has intensified in the Portuguese banking sector due to a number of factors at the heart of the current crisis. We expect this trend to continue and anticipate that funding costs overall will remain higher than the average prior to the crisis for some time.

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

For a number of strategic reasons, the Bank has used its capital conservatively over the years and Management expects this trend to continue.

Barring an acquisition of interest to shareholders, or a dramatic alteration to the way regulatory capital is calculated as a result of the changes underway in the Euro-zone, Management does not expect to seek or require new capital from shareholders into the immediate future. Future policy on dividends is expected to resume the past trend when conditions permit.

T.10 (Euro)

	2008	2009	2010	2011	2012E	2013E
Financial Assets (1)	**209,670,675**	**450,441,703**	**703,185,081**	**517,019,566**	**648,187,153**	**745,415,226**
% growth	n.a.	114.8%	56.1%	-26.3%	25.0%	15.0%
Loans to clients (2)	**29,232,808**	**75,208,545**	**42,514,139**	**159,330,790**	**145,745,844**	**134,137,537**
% growth	n.a.	157.3%	-43.5%	273.9%	-8.3%	-8.0%

Source: Banco BiG
(1) Includes financial assets available for sale, financial assets held for trading and (until 2009) investments held to maturity.
(2) As of 2011, includes mortgaged-backed securities, previously considered in financial assets available for sale.

T.11 (Euro)

	2008	2009	2010	2011	2012E	2013E
Demand deposits	127,782,004	175,707,948	146,988,651	174,853,334	159,498,493	166,698,493
Term deposits	135,769,083	109,993,780	173,924,834	251,279,933	309,988,866	344,901,514
Other	32,938,677	19,283,279	11,271,148	14,434,672	20,037,787	24,045,345
Funding from clients	**296,489,764**	**304,985,007**	**332,184,633**	**440,567,939**	**489,525,146**	**535,645,352**
% growth	n.a.	2.9%	8.9%	32.6%	11.1%	9.4%

Source: Banco BiG

Composition of the Shareholder Base

At year-end 2011, the Bank had 133 registered shareholders. The distribution of common stock remained in line with the prior year and the shareholder base was fairly stable. At 31 December 2011, 60% of the stock was held by private individuals, including the individual positions of the Bank's Management, while 40% was owned by a number of institutions and foundations. The Bank's largest single stockholder was a private individual holding a position of 11.43%. Of the shareholders of record at 31 December 2011, the largest 6 in aggregate owned slightly more than 50% of the stock, while the largest 8 shareholders, all with positions greater than 2% each, together held a total of 58%. The Bank's Management team represented a combined position of 15% of the capital. The above groupings are indicative as there are no agreements tying shareholders together (Note 34).

Managing Risk

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

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

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

During 2011, the level of client trading volumes in regulated and OTC markets declined in a clear shift by clients away from risk assets or complex products and toward cash and more traditional bank deposits. The Bank's rate of new client acquisition, meanwhile, rose in a period of heightened uncertainty by depositors regarding the health and safety of the banking industry. Given that banking is about confidence and perception, Management focuses on ensuring that the Bank's processes can survive volatile market conditions, tests these processes regularly, and is attentive that controls and overall internal discipline be appropriate and adequate in the face of unusual events.

Bank-wide, we use a number of techniques to review and analyze the risks to which we are exposed, which include market risks, credit risks, operational risk, reputational risk and political risk. These include a range of stress tests, performed daily, which involve testing scenarios for all major asset classes and portfolios. They include stress testing concepts such as concentration risks, liquidity and funding scenarios, among others, as well as potential changes to

T.12 (Euro)

	2011	2012E	2013E
Funding from central banks	238,322,892	278,837,784	278,837,784
% growth	n.a.	17.0%	0.0%
Repurchase agreements	48,895,643	53,785,208	72,610,030
% growth	n.a.	10.0%	35.0%

Source: Banco BiG

T.13 (Euro)

	2008	2009	2010	2011	2012E
Core Tier 1 Ratio	32.7%	35.7%	36.2%	32.5%	29.7%

Source: Banco BiG

the Bank's solvency ratios under unexpected and unlikely conditions. Scenarios are developed by Management and the Bank's Market Risk group, and generally coincide with or exceed those recommended by our regulators. Simultaneously, we monitor *value at risk* (*VaR*) and *earnings at risk* in real time throughout the day and use a number of non-statistical limits for market risk. These are inter-linked with basic credit-related measures and operational procedures to ensure over-lapping controls over all significant exposures.

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

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

Factors that Affect our Business

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

Banco de Investimento Global is neither currently rated nor dependent on wholesale, external financial markets. Nevertheless, successive downgrades by international ratings agencies of the Republic and major banks have damaged investor confidence in the country and these events affect our business directly. The view by global financial markets of Portugal's country rating, its economic prospects and the banking sector as a whole, 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.

Portuguese banks, dependent on external markets to fund parts of their asset bases, have had to deal with limited access to wholesale financing since early 2010. This factor, combined with domestic weakness and private-sector indebtedness, has redefined, abruptly, the market's view of credit risk, credit spreads and the cost of funding by banks.

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

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

Business Outlook for 2012

In 2011, we learned much about the weakness of the foundations on which the single currency was constructed, the depth of the fiscal irresponsibility of many Eurozone governments, the extent to which this is a crisis of confidence in sovereign debt versus a banking crisis, and the capacity or willingness of Europe's political class to address the implications of a seismic shift in the market's perception of risk. The impact of these events on the real economy and business prospects have been profound, and should continue to be so.

Major risks with potential to have an impact of unknown magnitude on the marketplace in which we operate include: the restructuring of Greek government debt, Italy's fiscal situation, deleveraging of the European financial system, the magnitude and duration of recession in the Eurozone, slower growth in China, and the evolution of the peripheral Eurozone countries under austerity programs while dealing with a severe credit crunch.

In nearly all aspects, Management expects the business climate in Portugal to be highly challenging for 2012. The recession in Portugal should be severe and a combination of political, regulatory and accounting issues will weigh heavily on the commercial banking sector, which in general has less room to maneuver, as a result of past policies on growth, balance sheet/ capital management leading up to the crisis and close scrutiny by the Troika. The plodding nature of the political response in Europe to the crisis, the risk of contagion from Greece, and the speed of the reaction by an impatient market may combine to overshadow the otherwise responsible – but so far short-term – actions taken by the current Portuguese government, which operates with little margin for error under Troika supervision.

In the domestic market, the immediate reality features: strict supervision by the Troika for the foreseeable future, more austerity, negative growth, growing unemployment, possibly even higher taxes than those imposed in 2011, and the maintenance of high interest rates as banks continue to deleverage, seek funding and meet new regulatory capital requirements, with or without State intervention. Volatility and political uncertainty in the markets should continue as short-term needs and market demands clash with longer term agendas on structural reform and the commitment and willingness of the political, public and private sectors to meet the expectations of the country's creditors.

For 2012, Management expects to focus on the quality and liquidity of the Bank's asset mix, on growth in the specialized retail segment, on expense control and on the management of regulatory and statutory capital. The objectives will be (i) to maximize the Bank's flexibility in a still explosive environment and (ii) to continue the focus on excess levels of liquidity, high levels of solvency, sound asset quality and selective growth. Investments in the retail business will continue to be a priority. Profitability should improve following the "one-time" provisions made in 2011. This depends on a gradually improving market outlook and the extent to which Portugal's various economic agents – public and private sector – continue to respond positively to the need for profound structural changes in the economy.

OUR BUSINESS AND ORGANIZATION

Objectives

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

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

Banco de Investimento Global

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

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

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

Legal Structure and Corporate Bodies

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

The Bank's model of retail distribution focuses on a proprietary internet-based platform, www.big.pt, and at year-end 2011 featured fully-integrated sales teams located in 13 offices: Lisbon (3), Porto, Braga, Maia, Coimbra, Leiria, Évora, Carnaxide, Viseu, Aveiro and Estoril. We believe that the specialized nature of our retail business will justify the expansion to approximately 20 branch offices over time, as market conditions improve. Wholesale clients are served by teams located in Lisbon and Porto.

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

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

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

Internal Organization around Business Segments

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

Specialized Retail

Banco BiG serves a wide range of individual clients with varying needs and expectations with an integrated multi-channel approach, backed by a

Banco BiG - Business Segments	
Specialized Retail	Brokerage, savings, asset management, credit & banking services.
Wholesale Clients	Corporate advisory, Brokerage, Risk and asset management.
Treasury and Capital Markets	Liquidity, risk and balance sheet management.

T.14 (Euro 000)

Operating Revenues by Business Segment	2011	2010	Δ (%)	2009
Specialized Retail	11,365	11,321	0.4%	6,884
Wholesale Clients	4,475	4,220	6.0%	2,751
Treasury and Capital Markets	-10,029	21,794	-146.0%	15,305

proprietary banking and trading platform plus a growing network of sales offices in the country's key geographic markets. The combination of internet-based platforms, specialized sales teams and financial advisors help clients execute banking transactions, manage their savings and invest through a variety of the world's most important regulated markets. This business provides banking services and solutions for clients ranging from the self-directed client, to clients seeking assisted investing, to the wealth management client requiring tailor-made solutions and preservation of capital.

Wholesale Clients

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

Treasury and Capital Markets

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

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

Corporate Governance

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

Voting Rights

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

External Advisors and Auditors

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

Internal Oversight

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

Compensation for the executive Board of Directors is determined periodically by a separate *Compensation Committee*, consisting of independent shareholders, appointed by the General Assembly.

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

People

The profile of the Bank's staff and policies concerning their recruitment, training and development is consistent with prior years. At year-end 2011, the average age of BiG's staff was 33 years and 83% of the Bank's staff held university degrees.

For 2011, the average number of directly affiliated staff, excluding Management was 156, compared to 143 at year-end 2010. During 2012, we do not expect a significant net increase or decrease in headcount.

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

Our Business Standards

BiG is run by experienced professionals who have a relevant stake in the organization's capital alongside other shareholders, many of whom are also co-founders of the Bank. Management believes that internal governance begins with a simple organizational structure and clearly-defined lines of responsibility for corporate bodies, Management and staff. There are no binding agreements between shareholder groups, our business model is deliberately transparent, as are our relations with clients, regulators and the public. We do not favor complex organizational charts, and the Bank does not operate offshore branches or special purpose 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 the one hand, and those who manage professionally and take day to day responsibility on the other. We believe that ownership and long term incentives through stock and options programs are important to maintaining this balance and have worked with shareholders to put this into practice long before regulators began to recommend along these lines.

We believe that an effective system of governance for any organization relies on its underlying culture and the integrity of its people. The nature and extent of our disclosure of information also reflect a fundamental aspect of our internal culture and value proposition. In our relations with shareholders, clients, regulators and counterparties, we make it a point to communicate in a deliberately

detailed manner not only what our business model is, but how it functions. Internally, the culture of the Bank stresses the exercise of corporate governance as a daily one in responsibility and accountability for each individual, team and business line. It is a concept that begins with the Executive Board and internal supervisory committees and operates and extends throughout the organization.

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

Competition

The Portuguese market features a large number of financial institutions offering services ranging from universal banking to specific areas such as brokerage, asset management and consumer finance. The market, domestically and internationally, is highly competitive and we expect it to remain so. Portugal, in particular, is a somewhat concentrated market, with 5 credit institutions - one of which is state-owned - together holding an approximately 70% share of the market. Dozens of either domestic or foreign banks, of medium and small size, share the rest of market. We therefore face competition in all of our business lines from a large number of domestic and, depending on the line of business, international players. In addition, the Bank faces competition from international auditing and consulting firms, whose services overlap ours in areas such as Corporate Advisory.

The Eurozone debt crisis, which has led to extensive downgrades to the credit ratings of the Republic, the main rated banks and a number of state-owned and non-state-owned quasi monopolies, has the potential to affect the competitive environment. This has begun to be felt as a result of (i) the need for banks to re-position, re-trench, de-leverage and /or raise capital, (ii) pressures from the Troika to impose greater transparency in bank accounting, (iii) less investment by the State in the economy, and (iv) a deep recessionary environment. Given the structure of the Portuguese economy and its dependence on and intervention by the State, distortions in competition in the past have not been uncommon. As the largest single client of financial services, either directly or indirectly, the State also has the capacity to influence the competitive environment. While the influence is likely to decline over time as a consequence of Troika-related measures, we do not expect significant changes in the short-term.

With the general absence of domestic investors to support the capital needs of banks, changes to the competitive landscape may occur as foreign equity investors begin to identify and act upon opportunities in the market.

Compliance

As a banking and securities business competing with both domestic and global providers of financial services, respect for regulations and for the welfare of our clients is central to our business model. Compliance is both a key function within the bank and an integral part of the internal culture. In this regard, Management views *compliance* as more than adherence to the law, evolving regulation or prevailing "market practices," inasmuch as time may alter views on acceptable behavior. We select staff as much for their values as for their capacities and experience and seek to make transparency, respect for regulations and responsible behavior competitive selling points for the Bank in dealing with clients.

Business Continuity and Information Security

We require that our business be able to operate under the most extenuating circumstances and that our information and systems be secure and reliable. This is an evolving process, requiring regular attention, review and upgrades as the Bank grows and as market conditions and the regulatory environment changes.

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 a few years with the on-line replication of critical data between the main data center in Carnaxide and the Business Continuity site in Porto.

Management's priority for 2011 was to ensure the continuity of operations of its head office in the most transparent and cost effective manner possible. To this end the Bank designed a recovery scenario based on its two largest branch sites designed to accommodate critically essential personnel.

Tests are made involving the Bank's different departments, to test the feasibility of remote and seamless operation from these sites. Those during 2011 involved all of the banks departments and all of the systems used during day-to-day operation, with regular updates planned for 2012.

Regulation

Banco de Investimento Global, SA is an institution registered with and supervised by the Bank of Portugal and the Comissão do Mercado de Valores Mobiliários (CMVM), the two main bodies responsible for supervising financial activities in Portugal. Over the past several years, events in financial markets have led Regulators internationally and domestically to propose and implement significant changes to the functioning of the financial services industry. The Euro-zone debt crisis has had a significant impact on rules and regulation pertaining to the banking sector and we expect this trend to continue in a manner which will add to operating costs and which may affect the ability to generate revenues.

Banco de Portugal

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

www.bportugal.pt

CMVM

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

www.cmvm.pt

Instituto de Seguros de Portugal

Insurance Intermediator Ligado 2, with registration number 207226568

Entry Date Life Insurance: 22 October 2007
Entry Date Non-Life Insurance: 26 November 2009

www.isp.pt

ANALYSIS: RESULTS OF OPERATIONS FOR 2011

T.15

Macroeconomic indicators (%)	GDP 2010	GDP 2011	GDP 2012E	CPI 2010	CPI 2011	CPI 2012E
US	3.0	1.8	1.8	1.6	3.0	1.2
Euro Zone	1.9	1.6	-0.5	1.6	2.5	1.5
Portugal	1.4	-1.6	-3.1	1.4	3.4	2.1
Middle East & Northern Africa	4.3	3.1	3.2	6.8	9.9	7.6
Emerging Asia	9.5	7.9	7.3	5.7	7.0	5.1
South America	6.1	4.6	3.6	6.7	7.9	7.0
World	**5.2**	**3.8**	**3.3**	**3.9**	**5.1**	**3.7**

Source: IMF; Bank of Portugal

Global Economy

The past year will be associated with a number of extraordinary events, with impact on the global economy: the "Arab Spring" uprisings, the Tsunami/nuclear accident in Japan, the U.S budget crisis and downgrade by S&P of the U.S. Government's AAA rating, and the escalating sovereign debt crisis in Europe. This latter, still-unfolding event seems to have been the principal driver in cooling global economic growth during 2011.

According to the IMF, global growth for the year is expected to be 3.8% (versus 5.2% in 2010), with deceleration due in part to sub-par growth in the USA (+1.8%) and slower rates of growth in South America and Asia, where growth should remain fairly robust in 2012, if below prior years.

Among western nations, growth in the U.S. was slightly higher than in Europe (1.8% vs. 1.6%), although this difference was substantially higher in favor of the U.S. for Q4 2011. Recovery in the U.S. has been slow following the Great Recession, as the economy copes with excessive household indebtedness, and a fragile labor and real estate market. Benign levels of inflation have encouraged the FED to loosen monetary policy in conventional and unconventional ways (i.e. Operation Twist). European growth has been tempered by the worsening sovereign debt crisis, which led to a rescue package for Portugal and growing fears of a Greek default. A string of summits by European leaders concluded a number of measures, including the introduction of Private Sector Involvement (PSI), originally set at 21% of the nominal value of Greek bonds, raised to 50% in October 2011 and still not finalized at year-end. Doubts surrounding the program and the general handling of the crisis led to instability and to fears of contagion to Portugal, then to stronger economies of Spain, Italy, Austria and France, whose spreads to German Bunds rose significantly. This contributed to a general freezing of liquidity in money markets, and the eventual need for action by the ECB, which reduced its discount rate to 1% upon the arrival of Mario Draghi. Among a number of measures introduced at year-end to alleviate the rise in yields, which reached 7% in the cases of Spain and Italy, was an injection by the ECB of unlimited amounts of 3 year repo funding (LTROs), which attracted bids for EUR 490 billion among Europe's banks. Additional proposals have been under discussion since year-end to re-build the agreements among the countries of the Euro-zone, with the aim of tightening up rules and possibly preparing the ground for eventual budgetary union.

The crisis in Europe affected all asset classes: (i) Eurozone equity indices registered significant losses, while those in the U.S. were more resilient; (ii) sovereign bond spreads widened considerably in the periphery and fell in Germany, while corporate spreads tended to be lower in relative terms, (iii) prices of raw materials generally moved sideways, except for gold, which rose 10% for the year as a result of a flight to safety. The EUR/USD cross was fairly volatile, although ending the year little-changed from the prior year-end. The year 2012 should be marked by continued uncertainty in the Euro-zone and the U.S. Presidential elections. Monetary easing is expected to be the order of the day globally.

Portugal

The year 2011 in Portugal was one of extreme economic and political instability. The rejection of the PEC IV (the prior government's 4th economic plan), led to elections and a change of government, but not before the outgoing Socialist administration was forced to request assistance from the European community to the tune of € 78 billion, in accordance with terms agreed of a memorandum of understanding with the Troika of EU/ECB/IMF. The agreement calls for structural changes to the economy to be implemented over an agreed timetable. An amount of € 12 billion was set aside to re-capitalize the banking sector, which, among other measures, was subjected to new rules on maximum leverage (120% by 2014), minimum capital levels (Core Tier 1 of 10% by 2012), and revised methods of calculating and recognizing non--performing loans. In general, the stabilization program is designed to reduce the weight of the State in the economy and introduce a number or

reforms to labor, justice and rental laws, as well as a reduction of the public sector and changes in tax legislation. Under the Passos Coelho government, significant progress has been made in rental laws, labor market legislation and on preparing or completing the privatizations of EDP and REN.

Austerity measures underway and budget containment have aggravated the recession in Portugal and the ongoing, larger Eurozone debt crisis has contributed further to the negative environment. The Bank of Portugal, in its Winter Economic Bulletin, reported that the country's GDP fell 1.6% in 2011 and that private and public consumption will have fallen 3.6% and 3.2%, respectively for 2011. Unemployment is expected to have reached 13.6% for 2011, and should worsen in 2012. For the coming year, official estimates call for a further economic contraction of 3.1%, depending on the evolution of the export sector.

During 2011, the public deficit fell narrowed from 9.8% of GDP to approximately 4% (versus 5.7% demanded by the Troika). However, the figures benefit from such exceptional items as the transfer of large bank pension funds to the State. Significant efforts to contain State spending have yielded results as have efforts to increase revenues via taxation. With little or no room for extraordinary items in 2012, austerity measures should take their toll on the economy.

Business Environment for Banco BiG

The economic environment summarized above affects to a significant degree how our businesses perform. Banco BiG is a Portuguese bank, with a largely national client base and most revenues are generated from Portuguese-domiciled operations. As a specialized investment bank, with a unique retail business model, we are selective in our assets, target markets and client segments. Aspects of our flexible business model, the mix of assets we manage on the balance sheet, the products and platforms we make available to our clients, and the trading partners with whom we interact, imply a balanced approach with respect to domestic and external markets. The nature of the Eurozone sovereign debt crisis and Portugal's particular role in events still unfolding has led to a paradigm shift in expectations for growth, in how we analyze risk, manage liquidity and allocate capital. The economy's structural problems, at the heart of the country's chronic levels of low productivity and lack of competitiveness, require drastic solutions and adjustments, which will lead to uncertainty and negative growth in the short-term, and, possibly, opportunities in the medium term. Management believes that the business environment into the foreseeable future will be challenging and will involve increasing regulation and risk.

Detailed Results and Financial Condition for 2011

Consolidated Net operating revenues for the full year 2011 were € 33.2 million, a 36% decline in relation to 2010. While the Bank's net interest margin rose and net commissions both show healthy growth in spite of the highly negative market environment, the Bank's trading and capital markets activities suffered a substantial drop in revenues, affected by macro-economic factors.

Net Interest Income rose for the fourth consecutive year, to € 19.8 million, or 20% higher than in 2010 in spite of a small decline in average earning assets. This occurred as the Bank sought to deleverage and reposition its asset mix in the light of unprecedented volatility in both fixed and variable income securities, in particular those associated with sovereign and financial issuers. Most interest margin derives from investments held in the Available for Sale portfolio. The much smaller loan book, represented in large part by margin accounts to support client trading, was generally lower yielding that assets held for sale. For 2011, Net Interest Income represented 60% of total net revenues, as compared to 35% in 2010 and in 2009.

Net Commissions were € 9 million or about 4% higher in 2011 than in 2010 and were helped by some profitable block trades done in the first half of the year. Growth slowed markedly in the second half of 2011as declining confidence and a gradual migration by clients to high rates paid by Portuguese banks on basic deposits reduced risk taking and trading volumes by clients. Of total commissions, 64% were derived from trading activities by clients in cash and other products, such as futures, warrants, foreign exchange and contracts for difference, largely transacted via the bank's secure, online trading platforms. Fees from asset management products were 14% of the total, while banking services generated 13% of the total. Fees from Corporate Finance/Private Equity activities represented 9% of total commissions. Net commissions in 2011 from both retail and wholesale client segments rose as a percentage of total net revenues, to 27%, from 19% for both 2010 and 2009, when trading and investment gains were substantially higher, as a percentage of the total.

T.16 (Euro)

Revenues	2011	2010	Var %	2009
Interest income	34,406,853	24,075,341	42.9%	17,210,684
Interest expense	-14,623,666	-7,549,684	93.7%	-5,292,599
Net interest margin	**19,783,187**	**16,525,657**	**19.7%**	**11,918,085**
Income from capital instruments	1,473,849	1,360,493	8.3%	1,322,547
Income from services and commissions	10,382,730	11,485,475	-9.6%	8,005,808
Expense associated with services and commissions	-1,380,701	-2,786,197	-50.4%	-1,574,887
Income from market trading	-235,576	3,632,089	-106.5%	2,124,785
Income from financial assets held for sale	1,442,375	16,824,264	-91.4%	12,612,148
Income from exchange revaluation	1,560,506	1,241,544	25.7%	1,853,417
Income from the sale of other assets	-135,230	4,393,654	-103.1%	-27,574
Other income	285,387	-622,954	-145.8%	289,242
Net operating income	**33,176,527**	**52,054,025**	**-36.3%**	**36,523,571**

Net Revenues from *Treasury and Capital Markets* activities dropped 90% to € 2.6 million, as a result of (i) chaotic market conditions during 2011, which saw the need for Portugal to follow Greece and Ireland in requiring a financial assistance package from the Troika of IMF/EU/ECB, (ii) a change in government and implementation of austerity in the midst of successive downgrades of the Republic, corporate and banking sectors, (iii) the absence of external credit lines to the banking sector, which has been dependent on ECB lending to make up the difference, (iv) uncertainty about a Greek default, and (v) the unprecedented political and macro-economic implications, among other issues in a year of many "firsts," none of which was conducive to growth in earnings. In the midst of some historic events – **which include the transformation by political decree of assets previously** – **considered "risk free" into the category of "toxic" -** the Bank's focus has been on liquidity, damage control and maintaining high levels of solvency. As a result, this area's contribution to income was substantially less than in recent years. In 2011, market activities represented just 8% of the total net revenues, versus 46% in 2010 and 45% in 2009.

The end of 2011 marked a period of more than four years since the start of the current cycle of major global economic events, which began with the bursting of the sub-prime bubble in August 2007. With the U.S. showing signs of recovery, and Asia still growing, albeit at a slower pace than in prior years, the focus has continued to be on Europe and challenges being faced by one of the world's richest blocks as it copes with the many issues undermining confidence in the future of the Euro and of the Eurozone. Greece, Ireland, Portugal, Spain and Italy in various degrees and at various stages have been center stage as bond markets have punished the generalized level of fiscal imprudence by Governments on the "periphery" with higher borrowing costs, while challenging the accepted foundations upon which the single currency was constructed. The previous paradigm came abruptly to a halt in 2010 with the first Greek "bail-out;" and any new paradigm has been a work-in-progress with small steps taken toward some final solution at each of many summits by European policy-makers, as well as action by regulators, during the past year.

Events have created opportunities for both gain and loss and have tested investor confidence severely. In general, we anticipate continued volatility surrounding the pricing of earning assets and funding through at least 2012. In 2011, the performances of equity markets globally were uneven, deal-making in Portugal continued depressed and retail investors generally decreased their appetite for risk along the year. Savers benefited from high yielding bank deposits by banks seeking to compensate for the continued absence of financing from international wholesale markets.

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

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

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

For 2011, operating expenses, net of imparities – i.e. *compensation expense, general administrative expenses and depreciation/amortization* - declined 20% overall. *Compensation, the Bank's largest operating expense category– representing 55% of total operating expenses in 2011 versus 65% in 2010 - fell 30% year on year*. The decline included a voluntary cut

in the base salaries of Senior Managers and the elimination of discretionary bonus payments for the year. Besides compensation-related expenses, dominant operating expense categories include (i) administrative costs, which are closely linked to headcount, and which dropped 7.5%, and (ii) management of investments in the Bank's physical offices and technology systems, which was reduced by 7%. Imparities of financial assets, which on a management basis, are netted with revenues from the respective business areas, rose substantially because of a 65% write-down of Greek government bonds and imparities associated with Portuguese variable rate securities, whose performance was affected by the Euro-zone debt crisis and related, negative sentiment.

In a normal year, a portion of compensation-related expenses may be variable and may include either commissions paid to sales staff or accrued bonuses paid on an annual, discretionary basis. The structure of fixed/variable remuneration is deliberately flexible and features a strong link to the Bank's performance in a given year. *As a percentage of total Expenses, and in line with the drop in revenues, compensation-related expenses declined for the fifth consecutive year.* This expense represented 40% of 2011 total expenses, as compared to 48% in 2010, 53% in 2009, 55% in 2008 and 66% in 2007. The ratio of compensation expense to Total Net Revenues rose slightly in 2011 to 27%, after declining for the four prior years in a row: 24% in 2010, 30% 2009, 35% in 2008 and 39% in 2007. **In absolute terms, compensation expenses in 2011 were 33% lower than in 2007, while average headcount over the same four year period has grown 36% from 115 to 156.**

Administrative expenses include communications, information services, publicity, license fees, arrangements with stock exchanges and related suppliers, occupancy and other expenses related to the normal functioning of the Bank. They tend to be correlated closely with growth in personnel and declined 7.5% in 2011. Management expects to contain this to near zero growth for 2012, given the highly negative outlook.

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. Year on year, amortization expense declined after growing 29% in 2010 and 9% in 2009. This expense category represented 5% of total Expenses in 2011, versus6% in 2010 and 2009.

Imparities in Financial Assets rose to nearly €14 million and are an expense associated with the Bank's market-related activities. They include negative variations in the market value of certain longer term investment securities, among which € 12.3 million associated with Greek government bonds and € 1.8 million associated with variable rate securities issued by REN. In this latter case, gains from high dividend yields are registered in income and Management expects the imparity may be reversed in the future as market values improve. Imparities associated with lending are near zero as non-performing assets were again negligible for 2011.

Pre-Tax income for 2011 was € 3.5 million or 87% below that of 2010. Results from the Bank's investment in OneTier Partners, SGPS, a private equity vehicle were modesty positive. Lower profitability is the result of lower net revenues, partially offset by lower expenses, and higher, largely one-time imparity expenses. Meanwhile, overall efficiency measures continued to be solid and the Bank's solvency ratios exceptionally high, compared to minimum levels and industry standards.

Current taxes declined in absolute terms, while the Bank's tax rate rose from 22.7% in 2010 to nearly 29% in 2011, the result of emergency measures and special taxes on the banking sector over recent years. By comparison, the Bank's effective tax rate was 16.8% in 2009 and 27% in 2008.

T.17 (Euro)

Expenses	2011	2010	Var %	2009
Compensation expense	-8,837,318	-12,556,069	-29.6%	-11,043,138
General administrative Expense	-5,568,518	-6,019,658	-7.5%	-5,495,786
Depreciation and Amortization	-1,495,072	-1,607,394	-7.0%	-1,248,474
Net provisions	150,258	-7,670	-2059.0%	-12,480
Imparity of credits net of reversals and recoveries	-170,162	4,941	-3543.9%	-23,142
Imparity of other financial assets net of reversals and recoveries	-14,134,976	-5,737,395	146.4%	-2,580,134
Imparity of other assets net of reversals and recoveries	318,411	-18,477	-1823.3%	-512,153
Total costs	**-29,737,377**	**-25,941,722**	**14.6%**	**-20,915,307**

T.18 (Euro)

Results and Taxation	2011	2010	Var %	2009
Operating results	**3,439,150**	**26,112,303**	**-86.8%**	**15,608,264**
Results of subsidiaries	87,565	292,136	-70.0%	-792,932
Income before tax and minority interests	**3,526,715**	**26,404,439**	**-86.6%**	**14,815,332**
Current Taxes	-909,833	-5,824,683	-84.4%	-2,723,286
Deferred Taxes	-111,287	-119,866	-7.2%	237,056
Net income before minority interests	**2,505,595**	**20,459,890**	**-87.8%**	**12,329,102**
Minority Interests	0	0	0.0%	0
Net Income	**2,505,595**	**20,459,890**	**-87.8%**	**12,329,102**

Balance Sheet

Total Net Assets at year-end 2011 were € 829 million, or 8% lower than for the prior year period. The decline in the asset base, combined with some changes in the composition of main asset categories, reflected a number of factors present during the year deriving from turmoil in the sovereign debt and other credit markets, combined with the relatively stable nature of the Bank's funding profile. Unchanged, given the underlying weakness of the real economy, was Management's view on maintaining excess levels of structural liquidity, low leverage and high capital adequacy as a policy for the year. In general, Management favored cash, short term exposures and high quality market able securities.

Earning Assets at 31 December 2011 were € 745 million, a 10% decline from the € 829 million at year-end 2010. Deposits with banks declined as opportunities to acquire higher yielding assets offering better credit risks improved. Loans grew as a result of a re-classification during the year of illiquid and difficult to price residential mortgage-backed securities (RMBS). The Bank's relatively small loan book represents mainly margin accounts to retail clients, which are short term in nature and structured to be self-liquidating in stressful conditions and were fully collateralized by liquid securities. At year-end 2011, nearly 100% of 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 was the case in 2011. The Available for Sale portfolio (AFS) declined as a result of modest de-leveraging and normal activity of re-positioning, in addition to the effect of the above-mentioned re-classification of RMBS to loans. AFS represented 67% of total earning assets at 31/12/2011, down from 84% on the same date the prior year, and included sovereign, covered and senior debt instruments. Factors that may affect the size of the portfolio include the opportunities for creating either margin or investment revenue during the year. The Bank does not hold securities to maturity since liquidating a portfolio at a gain in early 2010.

Main sources of funding were client deposits, relatively stable funding via sale/repurchase agreements with the ECB at favorable rates, and other market participants, and shareholders capital. Client deposits are mainly retail in nature and rose 33% to € 441 million. Management deliberately reduced more politically-sensitive deposits taken from the ECB, in spite of the more attractive rates over the short term. Deposits taken from other banks are mainly repurchase agreements with EUREX REPO, which the bank joined as clearing member during 2011, as an alternative to ECB funding and international banking counterparties, now absent from the market because of the country's below-investment-grade ratings.

Shareholder Funds at 31 December 2011 were € 67 million versus € 108 million, on the same date in 2010. The Bank's Fair Value Reserve, which reflects the price of securities held for sale at market prices, and which may fluctuate positively or negatively, affected the capital account year on year. The Bank's regulatory capital or "Own Funds", rose to € 147 million, up from € 123million at year-end 2010.

Profitability measures declined on lower earnings, when compared to the Bank's strong performance in 2010. **Return on Average Equity (ROE) was 2.9% versus**

T.19 (Euro)

Earning Assets	2011	2010	Var %	2009	Var %
Deposits with Banks	69,114	82,798	-16.5%	142,407	-41.9%
Loans	159,331	42,533	274.6%	56,713	-25.0%
Trading Securities	13,336	8,890	50.0%	10,871	-18.2%
Available for Sale Securities	503,683	694,295	-27.5%	297,818	133.1%
Held to Maturity	0	0	0.0%	141,753	-100.0%
Total	**745,464**	**828,516**	**-10.0%**	**649,562**	**27.5%**

T.20

(Euro 000)

Main Liabilities and Capital	2011	2010	Var (%)	2009	Var (%)
Deposits from central banks	238,323	360,164	-33.8%	230,783	56.1%
Financial liabilities held for trading	18,592	27,308	-31.9%	1,885	1348.4%
Deposits from other banks	48,896	38,943	25.6%	9,560	307.3%
Clients Deposits	440,568	332,185	32.6%	304,985	8.9%
Shareholder funds	67,234	108,141	-37.8%	128,686	-16.0%

T.21

Performance Measures	2011	2010	2009
Profitability			
Return on Assets (ROA)	0.3%	2.6%	1.9%
Return on Equity (ROE)	2.9%	17.3%	10.4%
Operating Revenues / Average Net Assets	3.8%	6.5%	5.8%
Efficiency			
Net Margin / Earning Assets	2.6%	2.0%	1.8%
Operating Expenses / Operating Income	47.9%	38.8%	48.7%
Personnel Expenses / Operating Income	26.6%	24.1%	30.2%
Solvency			
TIER 1	32.5%	36.2%	35.7%
Risk-Adjusted Capital Ratio	32.5%	36.3%	32.8%

17.3% in 2010, and 10.4% in 2009. With declining revenues for 2011, but also appreciably lower expenses for the year, **the Bank's efficiency ratio worsened in relation to 2010, but was in line with previous years.** The past year was the first year in the past seven that the Bank's exceptionally low efficiency ratio did not improve, year on year. BiG's capital base and solvency ratios, remained strong and in line with prior years despite the turmoil in the markets.

Operating Results by Business Segment

Internally, the Bank is managed on the basis of a matrix of business segments, which include client areas, our Treasury and Capital Markets business and a number of product areas. In table T.22 are detailed operating results based on an internal management presentation of our revenues and expenses associated with the three main internal profit and loss divisions. In this format, revenues are allocated by client segment or business area; costs are allocated based on actual expenditures by area and a general division of operating expenses based on headcount per business.

Revenues from the Specialized Retail client segment tend to be heavily dependent on trading volumes and margin-related income. Other sources of revenue include banking commissions and the commercial margin associated with savings and investment products, such as investment funds and other asset management solutions. Net Revenues for our retail business were € 11.4 million, or slightly higher than for 2010, in spite of the challenging market conditions and competition for clients and the supervision of their assets. The increase reflected a generally higher allocated net interest margin and lower trading volumes by clients in a volatile interest rate environment. Margin income was 34% higher than in 2010 and accounted for 52% of revenues. Reflecting a shift in retail client business toward stable margin activities, as compared to more risk-taking, Net Commissions from brokerage and investment were € 4.2 million, or 21% down from the prior year. This category represented 37% of total revenues in 2011, as compared to 47% of the total in 2010 and 63% of the total in 2009.

During the year, the Bank opened two new retail offices, which total 13, added to its current network of automatic teller machines (26) and increased the area's sales teams. The Bank invested in a new version of *www.big.pt*, which will be launched in Q1 2012.

Banco BiG's retail business is a unique combination of a specialized trading and investment platform and an integrated full service banking offering for the private individual. Products and services include checking accounts, debit and credit cards, payment services and credit arrangements. The platform provides a range of savings and investment products from general banking and credit arrangements for the client requiring assistance, to more sophisticated online trading and investment platforms for self-directed clients. These include trading in equities, warrants, futures, foreign exchange, contracts for difference and third party mutual funds. We reach clients via a number of integrated channels, including 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, appetites for risk and transaction needs profiles in an efficient manner. The product areas of the Bank's Wholesale client segment are similar

T.22 (Euro 000)

Specialized Retail	2011	(%)	2010	(%)	2009	(%)
Net Commissions for Services to Third Parties	4,227	37.2%	5,354	47.3%	4,333	62.9%
Margin	5,923	52.1%	4,423	39.1%	1,095	15.9%
Banking Commissions	815	7.2%	792	7.0%	651	9.5%
Trading / Sales	401	3.5%	752	6.6%	804	11.7%
Net Revenues	**11,365**	**100.0%**	**11,321**	**100.0%**	**6,884**	**100.0%**
Operating Expenses	-8,433		-9,318		-8,293	
Pre-tax Income	2,933		2,003		-1,409	
% Operating Revenues / Total Segments Revenues	72%		30%		27%	
% Operating Expenses / Total Segments Expenses	60%		59%		61%	

T.23

Brokerage Market Share Jan-Dec 2011	Market Share	Ranking	Market Volume	Market Var YoY
Online Brokerage				
Stocks and Warrants	15.9%	2	11,158,489	-27.3%
Futures	13.3%	3	17,356,086	-5.2%
Number of Orders	14.0%	2	1,376,672	-17.7%
Total Brokerage				
Stocks	3.0%	10	52,378,924	-34.4%
Warrants	26.5%	1	621,593	27.4%
Futures	1.2%	8	200,342,861	-12.7%
Other	12.3%	2	4,454,277	68.3%

Source: CMVM. Statistics report on orders executed on behalf of others.

T.24

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

Block trading excluded

T.25 (Euro 000)

Wholesale	2011	(%)	2010	(%)	2009	(%)
Net commissions for services to third parties	3,054	68.3%	2,320	55.0%	215	7.8%
Margin	2	0.0%	20	0.5%	46	1.7%
Banking Commissions	379	8.5%	396	9.4%	631	23.0%
Trading / Sales	166	3.7%	743	17.6%	907	33.0%
Corporate Finance	874	19.5%	741	17.6%	952	34.6%
Net Revenues	**4,475**	**100.0%**	**4,220**	**100.0%**	**2,751**	**100.0%**
Operating Expenses	-3,341		-3,948		-3,476	
Pre-tax Income	1,135		272		-725	
% Operating Revenues / Total Segments Revenues	28%		11%		11%	
% Operating Expenses / Total Segments Expenses	24%		25%		26%	

T.26 (Euro 000)

Treasury & Capital Markets	2011	(%)	2010	(%)	2009	(%)
Income from capital instruments	1,474	-14.7%	1,360	6.2%	1,323	8.6%
Profit / loss of assets and liabilities at fair value through Profit & Loss	-236	2.3%	3,632	16.7%	2,125	13.9%
Profit / loss of financial assets available for sale	1,442	-14.4%	16,824	77.2%	12,612	82.4%
Profit / loss from exchange revaluation	1,561	-15.6%	1,242	5.7%	1,853	12.1%
Results from sale of other assets	-135	1.3%	4,473	20.5%	-28	-0.2%
Impairment of other financial assets net of reversals and recoveries	-14,135	140.9%	-5,737	-26.3%	-2,580	-16.9%
Net Revenues	**-10,029**	**100.0%**	**21,794**	**100.0%**	**15,305**	**100.0%**
Operating Expenses	-2,286		-2,527		-1,903	
Pre-tax Income	-12,315		19,267		13,402	
% Operating Revenues / Total Segments Revenues	0%		58%		61%	
% Operating Expenses / Total Segments Expenses	16%		16%		14%	

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 Wholesale business relies on specialized sales teams and tailored solutions for corporate and institutional clients. Product areas include institutional brokerage, risk management, sales of investment products, and independent advisory services for corporate, banking and institutional clients. For 2011, this client segment generated net revenues of € 4.5 million, or 6% higher than for 2010. The performance is distorted by specific block trades, which contributed to revenues in another-wise very weak year for structuring products and providing corporate advisory

Results in this segment tend to reflect the uncertainty felt by corporate and institutional clients to the highly negative effects of the sovereign debt crisis, ratings downgrades of the Republic and major banks, rising funding costs for banks and the private sector, and higher taxation in Portugal, all of which contributed to a general lack of business opportunities.

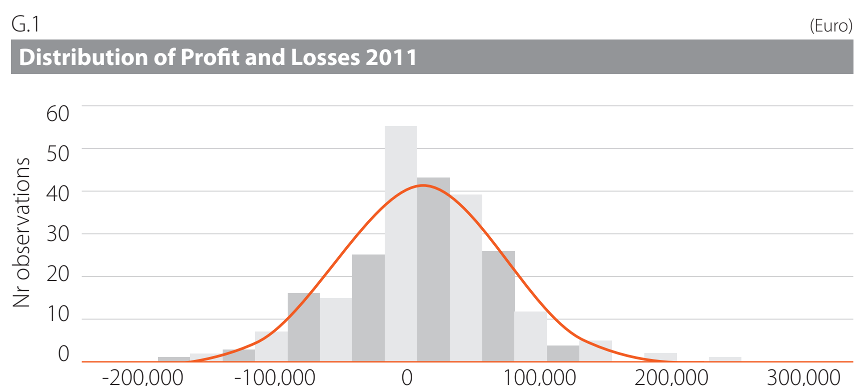
For 2011 and prior years, the breakdown of revenues by book, and by Trading and Investment Portfolio on an internal management basis, reflect the impact of imparities, which generally are part of the business.

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

For 2011, the area generated revenues of negative € 10 million, after considering the negative effect of € 14.1 million in largely "one-time" impairities. This result compares to € 21.8 million in net revenues for the prior year, and € 15.3 million in 2009. The generation of revenues, excluding the effect of the impairment charge, suggests a fairly normal distribution during the past and the prior years, as suggested in the following histogram.

G.1 (Euro)

Distribution of Profit and Losses 2011



RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Governance Structure

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

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

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

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

General Policies for Risk Management

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

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

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

Measuring Risk

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

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

Measuring risk is an evolving process, requiring regular self-assessment exercises, updates in techniques and changes of assumptions, not to mention adherence to changing regulatory and accounting issues. The process is, as a result, a daily focus of Management, line functions and support areas. We assume as part of the process that no single methodology to measure risks is sufficient by itself to provide a complete picture of our exposures and therefore often review risks, particularly market--related risks, with a combination of approaches. As a policy, we seek to quantify the potential for losses associated with every aspect of our business, so as to have a reasonable prior estimate of potential damages in the event of unexpected events. These can range from those that are possible, based on recent historical data, to those that we deem to be highly unlikely, but which nevertheless can be estimated based on the assumption of certain extreme scenarios.

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

Limits and Controls

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

Approved limits specifying authorized exposures by counterparty and concentrations by asset class are reviewed regularly 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, various risk management functions compile and report positions to Management based on established statistical and non-statistical measures. Exceeded limits are reported to Senior Management immediately and action is taken to guarantee compliance with the limit. Such formal controls are enhanced by informal systems of monitoring position-taking and limits, including at least daily meetings by Senior Management with trading areas to review positions and evaluate trends

Market Risk

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

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

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

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

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

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

Methodologies Used

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

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

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

Value at Risk (VaR)

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

Results of back testing of the trading book during 2011, not including fixed income, indicate that there were three trading days in which losses exceeded *VaR* levels. Trading limits, as indicated below, were little used on average, with most value at risk concentrated in the Bank's Available for Sale portfolio (AFS). Events during 2011 led to periods of extreme volatility and, consequently, higher levels of VaR. The current economic climate has had a negative impact on much of the market and, in particular, on all classes of Portuguese securities. The steep declines in the sovereign debt issues of peripheral European countries (Greece, Ireland, Portugal, Spain, and Italy), successive downgrades, and the highly political process associated with finding a solution to problems shaking the foundations of the Euro created a difficult market environment.

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

T.27 (Euro)

Trading VaR 2011 (vs 2010)	2011 December	2011 Average	2011 Max	2011 Min	2010 December	2010 Average	2010 Max	2010 Min
Exchange risk	2,503	17,687	96,571	871	1,237	17,901	96,078	1,237
Interest rate risk	-	-	-	-	-	-	-	-
Shares	10,150	28,526	111,278	5,157	6,265	34,143	109,308	3,849
Commodities	-	-	-	-	-	-	-	-
Options	31,912	80,079	305,007	20,838	69,803	110,259	388,107	34,658
Effect of diversification	15%	7%			7%	17%		
	37,903	118,064	331,753	33,788	71,724	135,445	511,871	44,081

T.28 (Euro)

Investment VaR 2011 (vs 2010)	2011 December	2011 Average	2011 Max	2011 Min	2010 December	2010 Average	2010 Max	2010 Min
Interest Rate	3,867,818	4,029,413	6,831,369	2,190,482	4,478,775	3,132,504	5,808,769	514,783
Shares	754,557	438,037	754,557	253,138	584,131	731,412	992,382	447,481
Effect of diversification	15%	7%			7%	18%		
	3,931,437	4,165,688	7,941,532	2,275,775	4,697,376	3,159,699	6,731,805	690,546

Summary of key terms used in this section:

***VaR*:** Worst-case loss expected within the confidence level indicated; larger losses may be possible, but have a correspondingly lower probability of happening.

***Back-testing*:** Process of validating a model by comparing its predictions to actual results.

***Confidence level*:** Probability that actual losses will not exceed the estimated value at risk. The greater the confidence level, the higher the value at risk.

Diversification Effect: Represents the gain, in risk terms, of having a diversified portfolio.

Limits Utilization –VaR

T.29 (Euro)

Trading		
VaR	**Limit**	**Usage**
37,903	650,000	6%

T.30 (Euro)

Investment		
VaR	**Limit**	**Usage**
3,931,437	6,800,000	58%

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

T.31 (Euro)

Sector	Average VaR
Basic Materials	19,970
Communications	82,769
Consumer, Cyclical	5,114
Consumer, Non-cyclical	27,662
Financial	1,181,724
Government	2,623,606
Industrial	184,486
Mortgage Securities	2,215,261
Utilities	457,809
Energy	11,541
Technology	3,769

Liquidity VaR

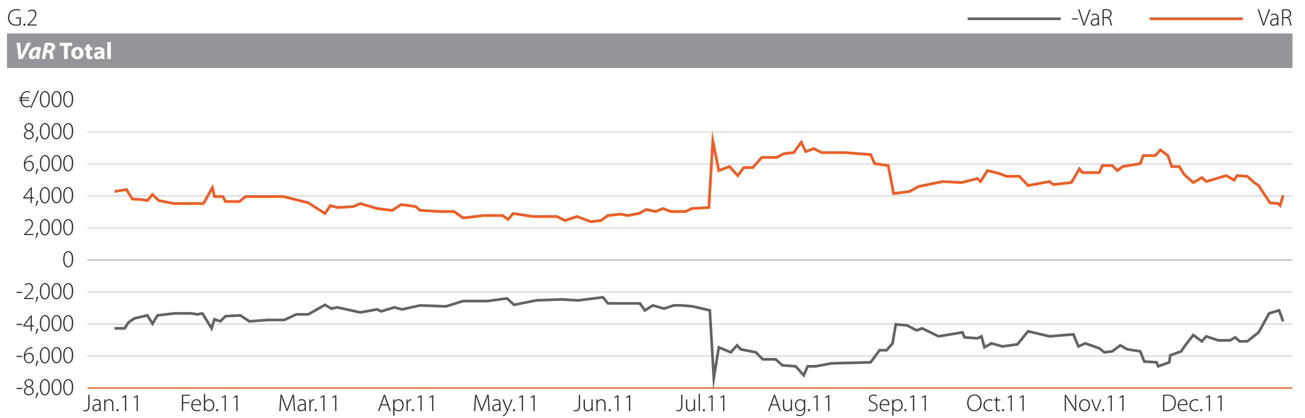
Liquidity VaR measures the expected loss associated with the above sector analysis, adjusted for the liquidity of the respective asset class. The addition of the liquidity component is a more conservative view of the normal VaR in that it introduces the spread between the bid and ask prices of assets. In moments of stress, the bid/ask spread widens as a function of reduced liquidity. The following graphs show the comparative evolution during 2011 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.

Credit VaR

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

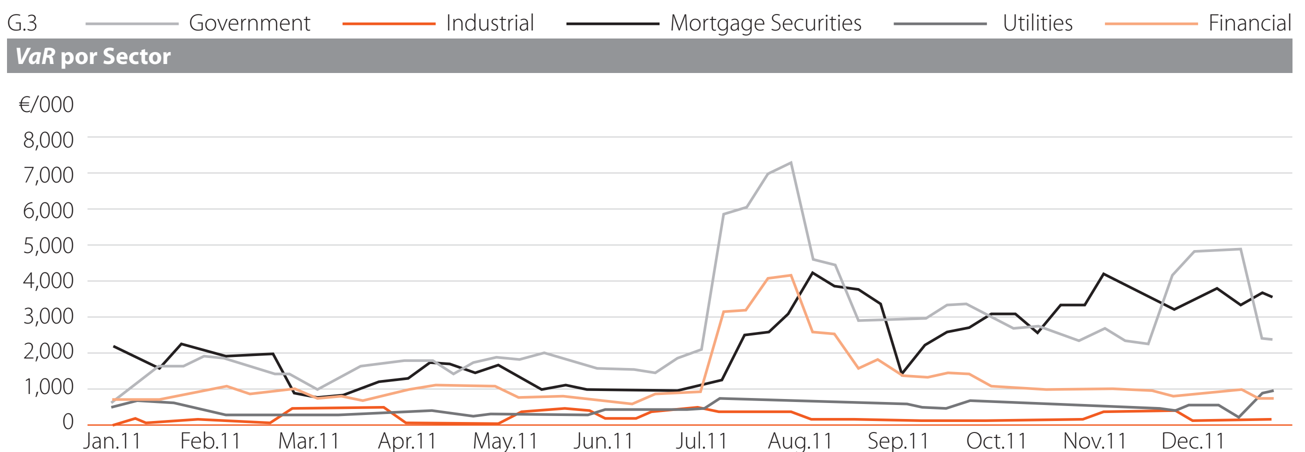
Trading VaR and Investment VaR seen as a whole:

G.2

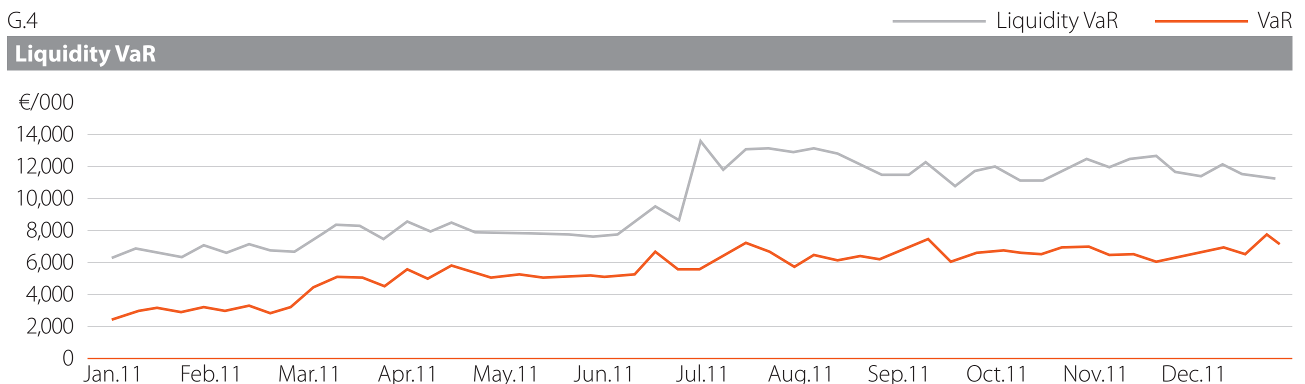


VaR by Sector

G.3



G.4



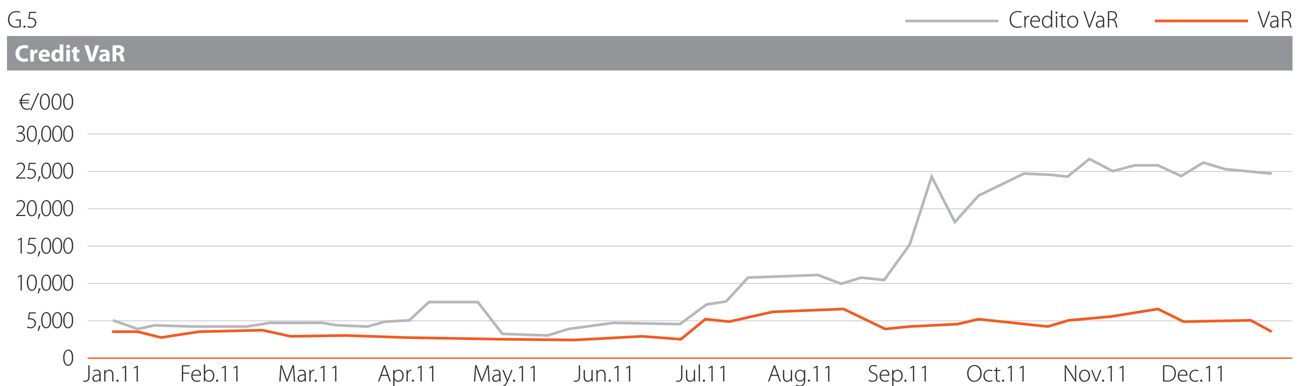
T.32 (Euro)

Average Liquidity VaR by Sector during 2011

Sector	L1	VaR	Liquidity VaR
Financial	4,018,166	675,115	4,693,280
Government	2,673,872	2,331,384	5,005,256
Industrial	306,318	82,241	388,559
Utilities	155,587	895,313	1,050,901
Mortgage Securities	0	3,479,887	3,479,887

G.5

Credit VaR



rating, probability of default, recovery rate and sector, among others, are considered.

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

Stress Testing

The Bank does extensive stress testing of its market positions and considers this approach, in combination with VaR measurements, as an essential tool for managing market risks. With economic value stress testing, the Bank seeks to estimate the potential losses associated with an instrument, book or portfolio under different scenarios. Earnings at risk stress testing give Management an estimate of the potential change in value of a given position, either current or contemplated, with the results of different scenarios used to take decisions on whether to assume, increase or close positions. On a daily basis, we use 16 scenarios to test over 85 different positions across the Bank's trading and investment portfolios assuming certain worst case historical market events to simulate our exposure and, in certain cases, the exposures of our clients to potential losses. On a weekly basis, we apply a further 13 scenarios to tests 65 positions. These scenarios are revised frequently as market conditions change. When historical data is not available, underlying assets from identical classes and with a higher level of correlation may be used. Liquidity and correlation stress tests are performed on a weekly or monthly basis.

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

Historical scenarios observed during 2010-2011 and used as a basis for running daily tests are identified below as "C1, C2….C5." The historical market reaction to a number of "worse case" historical events is applied to current exposures to estimate potential gains or losses in major trading or investment books, assuming the same market conditions. Results are then compiled and reported by Management by the Bank's Market Risk area.

Armageddon Stress Tests

Armageddon stress tests on trading and investment positions measure the theoretical impact on the Bank's various exposures in the highly unlikely event that indices of the various global economies – DAX in Europe and S&P in the U.S. – were to suffer dramatic falls of 50% and 33% respectively *in a single trading day* assuming asset correlations for one month. Similar daily tests are run against current fixed income positions only (*Armageddon Stress Test Debt*) and are reported to Management on a daily basis, as well. These scenarios assume events several times worse than any low point registered during the credit crisis of 2008 and are applied against current positions, which tended to be under stress at certain points during the year, as a result of the sovereign debt crisis affecting the Eurozone area. Designed to be deliberately remote in the possibility of an occurrence, the objective is to test the survivability of the Bank's business model under extreme circumstances and, as a result, to maintain discipline on limits and risk taking accordingly. The average daily exposure to theoretical losses under this highly unlikely scenario was € 27.5 million, with a peak of € 39.5 million on a single day during Q3 2011.

T.33 (Euro 000)

Investment book

	Equity worst scenarios			Bonds worst scenarios				FX	Commodity
	C1	C2	C3	C1	C2	C3	C4	C1	C1
Interest Rate	4,459	386	(3,585)	(19,782)	(5,676)	(4,527)	(5,807)	(3,834)	(1,714)
Equity	(637)	(1,074)	37	(318)	210	(316)	(196)	(601)	453
Total	3,822	(688)	(3,547)	(20,101)	(5,466)	(4,843)	(6,003)	(4,435)	(1,260)

T.34 (Euro 000)

Trading

	Equity worst scenarios			Bonds worst scenarios				FX	Commodity
	C1	C2	C3	C1	C2	C3	C4	C1	C1
Shares	(10)	(14)	(3)	(8)	3	(5)	3	(2)	(4)
Options	4	28	10	(39)	(12)	0	(15)	4	(13)
FX	(109)	(40)	81	(65)	(1)	(29)	(140)	(322)	51
Total	(115)	(26)	88	(112)	(10)	(34)	(152)	(320)	34

Selected scenarios 2010-2011:

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

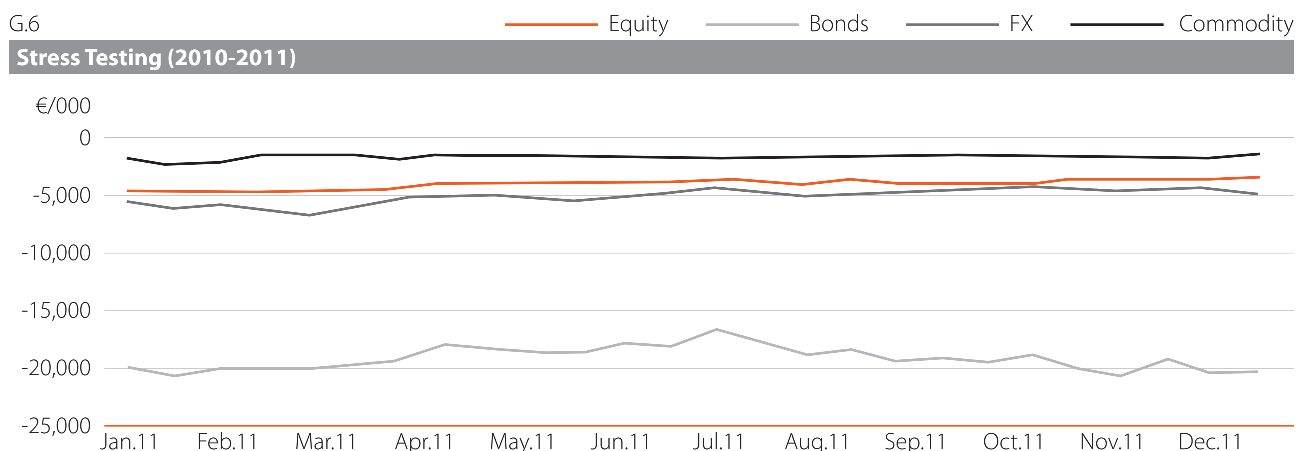
Bonds worst scenarios		
C1	1st Auction after Moody's downgraded Portugal to speculative grade	06/07/11
C2	Italian debt crisis (yield of 7.8% for bonds with 2 years)	25/11/11
C3	News that Greece debt higher than expected	22/04/10
C4	Political crisis and riots in Greece	05/05/10

FX worst scenarios		
C1	Greece intervention	06/05/10

Commodities worst scenarios		
C1	Economic slowdown and aggravation of European debt crisis	23/09/11

G.6

Stress Testing (2010-2011)



T.35 (Euro 000)

	Equity	Bonds	FX	Commodities
Maximum	-3,457	-16,567	-4,279	-1,226
Minimum	-4,682	-20,522	-6,458	-2,105
Average	-3,935	-19,052	-4,990	-1,561
Std Deviation	395	1,000	632	185

Equity: Fall in major global stock markets				
Europe: 03-06 October 2008	**DAX**	**IBEX**	**SX5E**	**PSI20**
	-7.07%	-6.07%	-7.86%	-9.86%
USA: 06 - 07 October 2008	**SPX**	**NDX**		
	-5.74%	-5.76%		

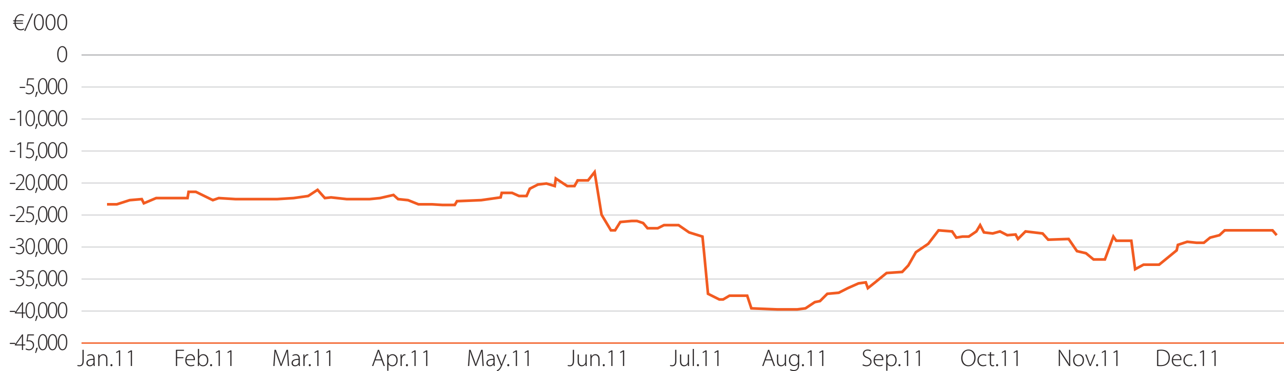
Bonds: Lehman Brothers bankrupcy and AIG in high stress situation	
12-15 September 2008	
ITRXESE Index	Increase of 30.39%
ITRXEUE Index	Increase of 31.76%
ITRXEBE Index	Increase of 23.73%
ECB Rate	Increase of 4.25%

FX: Devaluation of -2.37% of USD towards the Euro
29-30 September 2009

Commodities: Devaluation of crude oil in -12.5%
06-07 January 2009

G.7

Armageddon Stress Test



T.36 (Euro 000)

Maximum and Minimum Losses			
Maximum	Minimum	Average	Std Deviation
-38,859	-18,088	-27,542	5,719

Liquidity Risk

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

BiG's policy on liquidity and funding is based on the following principles: (i) pre-funding of assets prior to their acquisition; (ii) the requirement that the majority of the balance sheet be convertible to liquidity within a very

T.37 (Euro)

Liquidity Indicators	Spot and until 1 week	Between 1 week and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 12 months	Net Assets with maturity longer than 12 months
Mismatches						
Mismatches by tenor	44,840,888	-30,855,022	-95,505,623	-19,025,852	3,331,224	-
Cumulative mismatches	44,840,888	13,985,866	-81,519,757	-100,545,609	-97,214,385	236,087,045
Net Assets	302,769,175	294,260,775	344,113,500	344,113,500	344,125,218	-
Volatile Liabilities	32,486,145	46,267,987	102,729,652	102,746,403	103,829,170	-
Net Assets - Volatile Liabilities	270,283,030	247,992,787	241,383,848	241,367,097	240,296,049	-
Liquidity Gap (1)	51	46	50	50	50	-

(1) Liquidity Gap = [(Net Assets - Volatile Liabilities)/(Total Assets - Net Assets)]x100

short timeframe; and (iii) a policy of building a stable, retail deposit base, and (iv) the assumption of reasonable independence from wholesale funding markets. Adherence to these principles, in effect, defines the Bank's business model, which is commission and service-based, and implies an asset base composed largely of highly-liquid securities as opposed to illiquid loans.

Sources of Funding

The Bank seeks stability and diversity in its funding sources, with a focus on building a base of retail deposits to fund its activities. At year- end 2011, client deposits were € 441 million, or 33% higher than at year end 2010 and represented, along with capital funds, approximately 74% of earning assets, nearly all of which are securities which can be converted to liquidity within a short timeframe. Other sources of funding may include, from time to time, securities loaned or sold under repurchase agreements. Depending on market conditions, counterparties may be other banks, the European Central Bank (ECB) and EUREX Repo. The Bank joined this latter exchange as clearing member during the second half of 2011 and at year end, was the only Portuguese bank member of the exchange. The Bank does not issue either short term or long term debt as part of its business model and, therefore, is not dependent on debt markets for funding.

Interest Rate Risk

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

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

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

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

Earnings at risk associated with movements in interest rates are measured by assuming a number of scenarios on a regular basis, a rise or decline of 20 bps in a day or a similar rise or decline of 50 bps in a week. Table T.39 measures the impact on pre-tax revenues from an unlikely parallel shift of 200 basis points (bps) during December 2011.

Sensitivity Analyses

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

Rho measures, in basis point values, the minimum and maximum amounts in exposure during 2011 to our variations in the interest rate curve;

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

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

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

T.38 (Euro)

Interest rate risk										
Maturity	Assets	*Offbalance (+)*	Avg Rate	Liabilities	*Offbalance (-)*	Avg Rate	Net	mdur	df	bpv's
Jan/12	115,546,853	30,257,703	0.596%	267,635,320	0	1.008%	(121,830,763)	0.00006	0.99972	67
Feb/12	41,181,747	0	1.733%	52,535,592	0	4.227%	(11,353,845)	0.00085	0.99531	97
Mar/12	68,380,132	0	1.930%	107,765,113	0	2.619%	(39,384,981)	0.00168	0.99121	661
Apr/12	62,932,435	0	1.543%	27,931,107	0	4.870%	35,001,328	0.00244	0.98685	(853)
May/12	408,402	0	3.738%	21,564,470	0	4.648%	(21,156,067)	0.00324	0.98264	685
Jun/12	765,363	83,382,382	2.504%	16,850,067	0	4.513%	67,297,678	0.00404	0.97831	(2,719)
Jul/12	32,176,491	0	1.711%	10,316,471	0	4.761%	21,860,020	0.00490	0.97414	(1,070)
Aug/12	4,368	0	7.902%	5,710,522	0	4.530%	(5,706,154)	0.00558	0.96985	318
Sep/12	15,432	0	6.217%	4,193,917	0	4.579%	(4,178,485)	0.00643	0.96558	268
Oct/12	11,287	0	3.570%	4,907,972	0	4.342%	(4,896,685)	0.00731	0.96147	358
Nov/12	0	0	0.000%	4,257,558	0	4.821%	(4,257,558)	0.00819	0.95723	349
Dec/12	29,374	0	0.978%	5,138,776	5,991,776	2.830%	(11,101,178)	0.00907	0.95315	1,007
Jan/13	26,771,638	0	3.612%	12,376,368	0	5.125%	14,395,270	0.00954	0.94896	(1,374)
Jul/13	19,936,442	0	4.449%	4,468,536	14,448,658	2.369%	1,019,247	0.01426	0.92481	(145)
Jan/14	60,014,388	0	4.354%	903,810	12,785,505	2.167%	46,130,074	0.01884	0.90090	(8,691)
Jan/15	102,040,886	0	3.556%	189,029,587	15,469,988	1.103%	(102,458,690)	0.02820	0.85528	28,896
Jan/16	32,404,649	0	3.972%	510,859	14,293,690	2.515%	17,600,100	0.03637	0.81197	(6,401)
Jan/17	20,240,142	0	4.102%	0	49,492,111	2.536%	(29,451,969)	0.04452	0.77074	13,113
Jan/18	8,775,438	0	4.776%	0	0	0.000%	8,775,438	0.05295	0.73172	(4,646)
Jan/19	13,580,639	0	4.367%	0	14,315,852	2.869%	(735,213)	0.05954	0.69466	438
Jan/20	110,058,680	0	4.709%	0	0	0.000%	110,058,680	0.06862	0.65949	(75,523)
Jan/21	19,860,922	0	3.850%	0	0	0.000%	19,860,922	0.07800	0.62600	(15,492)
Jan/22	6,843,696	0	5.300%	0	27,390,880	0.000%	(21,322,184)	0.08218	0.59430	17,522
Jan/27	0	0	0.000%	0	0	0.000%	0	0.15006	0.45825	0
Jan/32	0	0	0.000%	0	0	0.000%	0	0.20006	0.35335	0
Jan/37	0	0	0.000%	0	0	0.000%	0	0.25006	0.27242	0
	741,979,403	**113,640,085**		**736,096,042**	**154,188,461**		**(35,835,016)**			**(53,135)**

T.39 (Euro)

December 2011					
Parallel increase of 200 bp	**Parallel decrease of of 200 bp**	**Parallel increase of of 100 bp**	**Parallel decrease of of 100 bp**	**Increase of 50 bp after 1 year**	**Decrease of 50 bp after 1 year**
-10,627,088	10,627,088	-5,313,544	5,313,544	-2,546,486	2,546,486

T.40

Interest Rate Risk - Quarterly Evolution		
Date	Parallel increase of 200 bp	% Impact on equity funds
Dec/10	-23,439,798	-19.0%
Mar/11	-23,874,239	-19.6%
Jun/11	-23,804,991	-16.3%
Sep/11	-21,678,557	-15.4%
Dec/11	-10,627,088	-7.4%

During 2011:

T.41

Greeks	*Rho*	*Vega*	*Delta*	*Theta*
Min	-230,712	-30,791	7,829	-19,883
Max	-149,198	54,282	363,871	11,666
Average	-177,002	-3,630	228,755	-753
Std Dev	25,933	17,031	52,178	3,552

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

Credit Risk

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

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

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

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

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

Nature of Credit Exposures

The nature of credit risks varies from cycle to cycle. During 2010-2011, the unpredictable and highly political nature of the Eurozone debt crisis, the timing and speed of sovereign downgrades by international rating agencies, the effect on the banking sector and respective economies of the countries most affected has led to a major shift in the creditworthiness of previously strong, or even "risk-free" asset classes. Managing the fundamental credit risk of the Bank's portfolio, particularly quoted debt and equity securities, has meant focusing on a rapidly moving target. In this environment, volatility with respect to sovereign risk assets, and assets deriving from a given sovereign's perceived risk - notably the view of bank risks in a particular country - rose during 2011.

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

- *Secured facilities*, which arise from our relationships with mainly retail clients. These are secured mainly by cash, marketable securities or, to a lesser extent, residential real estate. This category also includes issues by banks of residential mortgage-backed securities and covered bonds, which, when acquired at a deep discount as has been the case, has represented an increasingly attractive earning asset in terms of fundamental credit quality and yield. At 31/12/2011, nearly 100% of *loans* were secured facilities.

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

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

Credit Procedures

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

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

Controls on margins – Secured Facilities

Margin lending represented 10% of loans at 31/12/2011 and 2% of earning assets as of the same date. Most direct lending to clients is short term, collateralized by liquid securities and subject to rigorous controls over margins, or the difference between the value of a loan and the real-time value of the collateral supporting that loan. The Bank manages the inter-related market, operational and credit risks arising from margin accounts via an automatic system of controls over limits as well as mechanisms for automatic execution when pre-established levels of risk have been reached. This mechanism of control is based on a risk weighting allocated to different types of equities based on market volatility, as a basis for determining levels of leverage permitted in the loan account as a percentage of collateral. These levels are monitored on a real-time basis. The objective is to identify differences in lower and higher risk securities and to adjust automatically, levels of potential exposure and eventual call and execution margins to the varying levels of risk. The Bank's experience has been that this type of lending can be a profitable use of capital and represents a relatively low risk of loss, based on empirical data. More importantly, this type of disciplined, secured lending has experienced negligible levels of credit--related losses, even under extreme market conditions experienced during the past year (Note 20).

Mortgage, equity and auto loans are also available to our clients, but represent an insignificant portion of credit exposure. Considering the nature of the credit cycle and extreme competition offered by specialized lenders, these loan products are seen currently as enhancements to our core offering and did not represent a significant portion of the loan portfolio in 2011.

Unsecured exposures

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

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

Managing Concentration of Risks

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

In the case of managing credit concentrations, Management and the Bank's

T.42 (Euro)

Exposure by Investment Strategy		
Type		Positions
Bonds	Covered	183,146,096
	Senior Debt	95,407,859
	Government	211,008,655
	RMBS	130,282,486
	Subordinated	383,316
Total Bonds		**620,228,411**
Cash & Near Cash		79,436,208
Equity		21,054,274
Equity derivatives		1,017,619
Margin Account		15,753,876
Total		**737,490,389**

T.43 (Euro)

Exposure by Rating – Credit/Bond Portfolio	Aaa	Aa	A	Baa	Ba	B	Caa-C	NA	Total
Covered Bonds	23,966,749	7,440,887	25,436,257	126,302,203	0	0	0	0	183,146,096
Senior	0	27,321	0	9,403,125	62,427,463	12,126,196	0	11,423,754	95,407,859
Guaranted government	2,502	0	3,701,783	8,769,350	140,932,854	0	9,033,535	48,568,631	211,008,655
RMBS	1,838,728	4,941,037	18,937,806	104,564,916	0	0	0	0	130,282,486
Subordinated	0	0	0	0	0	383,316	0	0	383,316
Total	25,807,978	12,409,245	48,075,847	249,039,593	203,360,317	12,509,512	9,033,535	59,992,385	620,228,411

risk area focuses on daily reports which summarize the largest concentrations of risk, including direct, indirect and contingent exposures. These are divided by financial and non-financial exposures. The reports among others serve as a management tool to monitor large exposures regularly and serve as a basis for periodic reporting of regulatory limits, including exposures equal to 10% of own funds and legal lending limits, representing 25% of consolidated capital funds.

Stress testing the credit portfolio

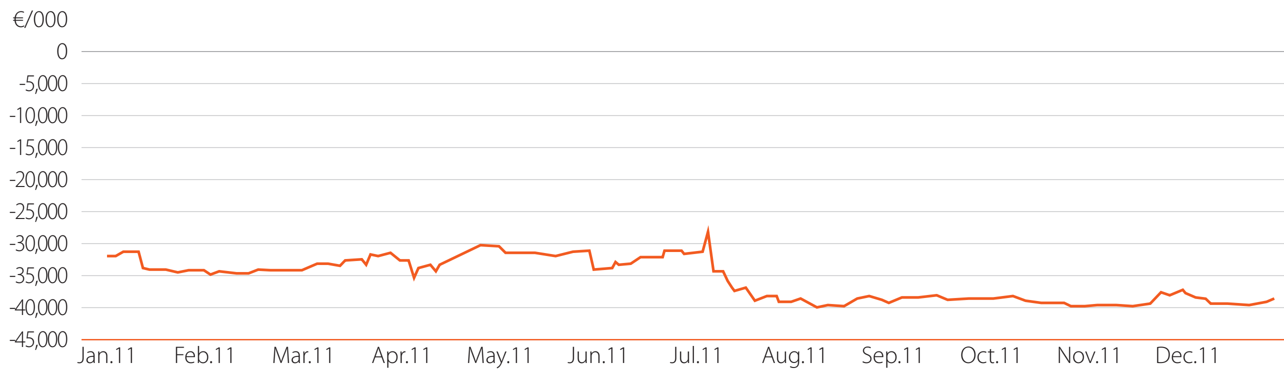
As with other portfolios, whose risks are measured in a variety of manners on a daily basis, the Bank's investment portfolio, consisting of mainly fixed income securities of varying tenors, is subject to a number of daily stress tests in order to provide Management with an assessment of potential losses,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

Credit Exposure to Derivatives

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

G.8

Armaggedon Stress Test Debt



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

The Bank has no exposure to credit default swaps.

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

A summary of notional derivatives exposure and related receivables under contracts with counterparties at 31 December 2011 may be found in Note 18.

Provision for Credit Risks

The Bank's provision for credit risks is based on prudential criteria and Bank of Portugal regulations and is available to absorb potential losses deriving from the loan portfolio. Based on central bank regulation 3/95 of June 30, with

T.44

(Euro 000)

Maximum and Minimum Losses

Maximum(*)	Minimum(*)	Average	Standard Deviation
-39,987	-28,382	-35,531	3,193

(*) Maximum and minimum losses

subsequent alterations introduced by the Bank of Portugal, the provision represents 1% of the totals loans and guarantees outstanding (1.5% in the case of consumer loans and 0.5% for mortgage loans and real estate leasing, in both cases where the real estate is occupied by the mortgagee or lessee). Specific provisioning, as necessary, is subject to the same *Aviso* and subsequent alterations. Calculations for economic provisions are made periodically on specific risks deemed by Management to require special attention and are subject to an internally-produced model.

Operating Risk

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

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

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

Responsibility for managing operating risks lies with the heads of individual business units. To monitor risks and the execution and enforcement of procedures throughout the Bank is a separate

governance structure, consisting of the following internal oversight groups, which meet separately with their respective functional supervisors on the Board of Directors, and also jointly as part of the Bank's All Risk Committee:

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

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

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

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

Processing and Systems

The Bank's IT team designs, installs and maintains BiG's technology and communications infra-structure, which is essential to the smooth running of the organization on a continuous basis. This area supports every business segment of the Bank, from internal information and basic communication services to the technology and programming supporting the Bank's complex, transactional online platform, www.big.pt.

An emphasis on maximizing the use of internal resources, and a push for innovation were the key drivers of IT work during 2011. As a result the bank put a considerable effort in the development of a native iPhone/iPad App, making the bank's products and services available through this strategic mobile channel.

On par with this development, the Bank's technology area undertook development of a new version of bigonline.pt together with the migration of all of its legacy code to a *.NET* platform, thus enabling the Bank to support and use the latest technology to support its business.

In addition, the Bank reorganized its IT function with the aim of providing a better service in terms of predictability of delivery, efficiency of development and quality of products and services created. This was done through horizontal segmentation of responsibilities across product lines into the following areas: Project Management, Development, Quality & Testing, Delivery Support.

The strategy was to adapt the Kaisen methodology to software development, and we expect to see changes in productivity and efficiency during 2012. Meanwhile, the Bank makes continuous updates to the trading platforms and to their security, designed to maintain the physical integrity of the infrastructure and to ensure an environment that is free from external contamination.

Internal Audit

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

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

Compliance Function

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

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

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

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

Lisbon, 01 March 2011

Board of Directors

Carlos Adolfo Coelho Figueiredo Rodrigues
Chairman and CEO

Nicholas Leo Racich
Vice Chairman and COO

Mário João Abreu Galhardo Bolota
Executive Director

Diogo Baptista Russo Pereira da Cunha
Executive Director

Paulo José Caramelo de Figueiredo
Executive Director

Ricardo Dias Carneiro e Gomes de Pinho
Executive Director

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AUDITORS' REPORT

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

Introduction

1. We have audited the consolidated financial statements of **Banco de Investimento Global, S.A.**, which comprise the consolidated balance sheet as at 31 December 2011 (showing total consolidated assets of Euro 828,983,481 and total equity of Euro 67,234,341, including a net profit of Euro 2,505,595), the consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended and the corresponding Notes to the accounts.

Responsibilities

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

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

Scope

4. We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly our audit included:

- verification that the financial statements of the companies included in the consolidation have been properly audited and, in those significant cases in which they were not, verification, on a test basis, of the information underlying the figures and its disclosures contained therein, and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;
- verification of the consolidation procedures and of the application of the equity method;

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

KPMG & Associados - S.R.O.C., S.A. Capital Social: 2.840.000 Euros - Pessoa Colectiva N° PT 502 161 078 - Inscrito na O.R.O.C. N° 189 - Inscrito na C.M.V.M. N° 9093

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

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

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

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

Opinion

7. In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of **Banco de Investimento Global, S.A.** as at 31 December 2011, the consolidated results of its operations, its consolidated comprehensive income, its consolidated changes in equity and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Report on Other Legal Requirements

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

Lisbon, 21 March 2012

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

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

To the Shareholders of Banco de Investimento Global, SA:

In accordance with the law and company by-laws, the Fiscal Board hereby submits for your review the Report of its activity and its Opinion on the Consolidated Management Report and Financial Statements, presented by the Board of Directors of Banco de Investimento Global, SA, relating to the year ending on 31 December 2011, and also the report of the Fiscal Board on the legal certification of consolidated accounts, issued by the statutory auditor of Banco de Investimento Global, SA.

REPORT

1. The Fiscal Board analyzed the Consolidated Report of the Board of Directors and consolidated Financial Statements, comprising the consolidated Balance Sheet as at 31 December 2011, the consolidated Profit and Loss Statement, the consolidated Statement of Cash Flows and the respective Notes to the consolidated financial statements.

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

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

4. As a consequence of its work, the Fiscal Board considers that the consolidated Financial Statements are appropriate for the understanding of the financial condition of Banco de Investimento Global, SA, and of its consolidated participations as at 31 December 2011, and with respect to the manner in which consolidated results were achieved.

As a result of the above, the Fiscal Board is of the OPINION that the General Assembly may approve the consolidated Report of the Board of Directors and the consolidated Financial Statements for the year ending 31 December 2011.

Lisbon, 27 March 2012

The Fiscal Board

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended 31 December 2011 and 2010
(amounts in Euros)

CONSOLIDATED INCOME STATEMENT

for the years ended 31 December 2011 and 2010

	Note	2011	2010
Interest and similar income	4	34,406,853	24,075,341
Interest and similar costs	4	(14,623,666)	(7,549,684)
Net interest income		**19,783,187**	**16,525,657**
Income from capital instruments	5	1,473,849	1,360,493
Income from services and commissions	6	10,382,730	11,485,475
Charges with services and commissions	6	(1,380,701)	(2,786,197)
Profit / Loss of assets and liabilities at fair value through the income statement	7	(235,576)	3,632,089
Profit / Loss of financial assets available for sale	8	1,442,375	16,824,264
Profit / Loss from exchange revaluation	9	1,560,506	1,241,544
Profit / Loss of disposal of other assets	10	(135,230)	4,393,654
Other operating results	11	285,387	(622,954)
Operating income		**33,176,527**	**52,054,025**
Staff costs	12	(8,837,318)	(12,556,069)
General administrative costs	14	(5,568,518)	(6,019,658)
Depreciation and amortization	23 and 24	(1,495,072)	(1,607,394)
Provisions net of cancellations	31	150,258	(7,670)
Impairment of credit net of reversals and recoveries	21	(170,162)	4,941
Impairment of other financial assets net of reversals and recoveries	19	(14,134,976)	(5,737,395)
Impairment of other assets net of reversals and recoveries	27	318,411	(18,477)
Operating costs		**(29,737,377)**	**(25,941,722)**
Operating result		**3,439,150**	**26,112,303**
Results from associated companies	25	87,565	292,136
Pre-tax profit		**3,526,715**	**26,404,439**
Taxation			
Current	32	(909,833)	(5,824,683)
Deferred	32	(111,287)	(119,866)
Net profit of the year		**2,505,595**	**20,459,890**
Earnings per basic shares	15	0.03	0.23
Earnings per diluted share	15	0.03	0.23

The attached Notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December 2011 and 2010

	Note	2011	2010
Net Profit / Loss of the year		2,505,595	20,459,890
Other comprehensive income			
Change in fair value of financial assets available for sale		(69,048,096)	(49,083,437)
Actuarial gains and losses on the pension fund	13	1,555,979	(1,040,805)
Deferred tax	32	20,175,647	14,511,214
Current tax	32	(390,086)	(527,518)
		(47,706,556)	**(36,140,546)**
Comprehensive income recognised in the year		**(45,200,961)**	**(15,680,656)**

The attached Notes form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2011 and 2010

	Note	2011	2010
Assets			
Cash and deposits in central banks	16	10,323,223	4,165,238
Deposits in other banks	17	42,026,648	82,728,580
Financial assets held for trading	18	13,336,285	8,890,152
Financial assets available for sale	19	503,683,281	694,294,929
Applications in banks	20	27,087,173	69,328
Loans to clients	21	159,330,790	42,532,675
Hedge derivatives	22	21,544	775,611
Tangible assets	23	17,399,614	18,016,730
Intangible assets	24	534,862	887,422
Investments in associated companies	25	4,954,560	5,198,150
Current tax assets	26	1,740,137	-
Deferred tax assets	32	34,873,163	14,808,803
Other assets	27	13,672,201	28,394,957
Total Assets		**828,983,481**	**900,762,575**
Liabilities			
Funding from central banks	28	238,322,892	360,164,444
Financial liabilities held for trading	18	18,591,972	27,307,744
Funding from other banks	29	48,895,643	38,942,742
Funding from clients	30	440,567,939	332,184,633
Hedge derivatives	22	5,046,890	2,004,725
Provisions	31	20,150	170,408
Current tax liabilities	26	-	1,493,719
Other liabilities	33	10,303,654	30,353,264
Total Liabilities		**761,749,140**	**792,621,679**
Capital			
Capital	34	104,000,000	89,088,810
Issue premiums	34	1,362,281	9,343,753
Treasury stock	34	(1,323,065)	(1,583,087)
Fair value reserve	34	(87,279,347)	(38,016,812)
Other reserves and retained earnings	34	47,968,877	28,848,342
Net profit of the year		2,505,595	20,459,890
Total Capital		**67,234,341**	**108,140,896**
Total Liabilities and Capital		**828,983,481**	**900,762,575**

The attached Notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2011 and 2010

	Capital	Issue Premiums	Treasury Stock	Fair Value Reserve	Legal Reserve	Other Reserves	Net Profit / Loss of the year	Total Equity
Balances on 31 December 2009	**87,570,000**	**8,886,393**	**(433,261)**	**(2,917,071)**	**3,892,320**	**19,358,236**	**12,329,102**	**128,685,719**
Comprehensive income								
Other comprehensive income								
Alterations in fair value of financial assets available for sale	-	-	-	(49,083,437)	-	-	-	(49,083,437)
Actuarial gains and losses on the pension fund	-	-	-	-	-	(1,040,805)	-	(1,040,805)
Deferred tax	-	-	-	14,511,214	-	-	-	14,511,214
Current tax	-	-	-	(527,518)	-	-	-	(527,518)
Net Profit / Loss of the year	-	-	-	-	-	-	20,459,890	20,459,890
Total comprehensive income recognised in the year	**-**	**-**	**-**	**(35,099,741)**	**-**	**(1,040,805)**	**20,459,890**	**(15,680,656)**
Distribution of profit of the year 2009								
Transfer to reserves	-	-	-	-	1,231,486	5,405,667	(6,637,153)	-
Distribution of dividends	-	-	-	-	-	-	(5,691,949)	(5,691,949)
Change in loans and advances to employees for the acquisition of Treasury Stock	-	-	(1,149,826)	-	-	-	-	(1,149,826)
Employee stock options program	-	-	-	-	-	1,438	-	1,438
Increase in capital	1,518,810	457,360	-	-	-	-	-	1,976,170
Balances on 31 December 2010	**89,088,810**	**9,343,753**	**(1,583,087)**	**(38,016,812)**	**5,123,806**	**23,724,536**	**20,459,890**	**108,140,896**
Comprehensive income								
Other comprehensive income								
Alterations in fair value of financial assets available for sale	-	-	-	(69,048,096)	-	-	-	(69,048,096)
Actuarial gains and losses on the pension fund	-	-	-	-	-	1,555,979	-	1,555,979
Deferred tax	-	-	-	20,175,647	-	-	-	20,175,647
Current tax	-	-	-	(390,086)	-	-	-	(390,086)
Net Profit / Loss of the year	-	-	-	-	-	-	2,505,595	2,505,595
Total comprehensive income recognised in the year	**-**	**-**	**-**	**(49,262,535)**	**-**	**1,555,979**	**2,505,595**	**(45,200,961)**
Distribution of profit of the year 2010								
Transfer to reserves	-	-	-	-	2,019,641	15,544,915	(17,564,556)	-
Distribution of dividends	-	-	-	-	-	-	(2,895,334)	(2,895,334)
Change in loans and advances to employees for the acquisition of Treasury Stock	-	-	260,022	-	-	-	-	260,022
Increase in capital	14,911,190	(7,981,472)	-	-	-	-	-	6,929,718
Balances on 31 December 2011	**104,000,000**	**1,362,281**	**(1,323,065)**	**(87,279,347)**	**7,143,447**	**40,825,430**	**2,505,595**	**67,234,341**

The attached Notes form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the years ended 31 December 2011 and 2010

	Note	2011	2010
Cash flow from operating activities			
Interest and income received		34,037,761	24,219,244
Interest and costs paid		(11,785,686)	(7,559,887)
Services and commissions		8,992,770	8,693,791
Contributions to the pension fund		(129,481)	(1,059,653)
Cash payments to employees and suppliers		(16,894,681)	(15,498,729)
Other costs and income paid/received		2,611,138	762,212
		16,831,821	**9,556,978**
Change in operating assets and liabilities:			
Deposits in Central Banks		(6,000,254)	422,025
Financial assets and liabilities held for trading		(12,781,193)	30,932,620
Applications in banks		(27,017,425)	69,136,649
Funding from Central Banks		(122,000,000)	130,000,000
Funding from banks		9,874,676	29,370,412
Loans to clients		7,520,138	14,105,832
Funding from clients		105,792,351	26,627,438
Derivatives for risk management		3,179,943	1,331,459
Other operating assets and liabilities		(2,566,716)	(687,640)
Cash flow net of the operating activities, before taxation on profits		**(27,166,659)**	**310,795,773**
Taxation on profits paid / received		(3,692,044)	(7,072,148)
		(30,858,703)	**303,723,625**
Cash flow from investment activities			
Dividends received		1,473,849	1,360,493
Financial assets available for sale		(14,928,355)	(436,792,300)
Investments held to maturity		-	146,244,852
Purchase of financial investments		(525,396)	(1,431,196)
		(13,979,902)	**(290,618,151)**
Cash flow from financing activities			
Treasury stock		260,022	-
Increase in capital		6,929,717	1,976,170
Dividends from ordinary shares paid		(2,895,335)	(5,691,948)
Cash flow net of financing activities		**4,294,404**	**(3,715,778)**
Net variation in cash and cash equivalents		**(40,544,201)**	**9,389,696**
Cash and cash equivalents at the beginning of the period		83,903,811	74,514,115
Cash and cash equivalents at the end of the period		43,359,610	83,903,811
		(40,544,201)	**9,389,696**
Cash and cash equivalents includes:			
Cash	16	1,332,962	1,175,231
Deposits in other banks	17	42,025,812	82,728,580
Total		**43,358,774**	**83,903,811**

The attached Notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the years ended 31 December 2011 and 2010
(amounts in Euros)

INTRODUCTION

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

On 31 December 2011, the Bank held a shareholding of 34.76% in the share capital of ONETIER PARTNERS, S.G.P.S., S.A. (ONETIER). This company was founded on 29 November 1999, its main object being to manage shareholdings in other entities with the indirect purpose of exercising economic activities.

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

NOTE 1
BASIS OF PRESENTATION

Pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, in its transposition into Portuguese legislation through Law no. 35/2005, of 17 February and of Notification no. 1/2005, of the Bank of Portugal, the consolidated financial statements of Bank 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 2011 and were prepared in accordance with the IFRS, as adopted in the European Union up to 31 December 2011. The accounting policies used by the Group in the preparation of the financial statements reported on 31 December 2011 are consistent with those used with reference to 31 December 2010. The main standards and interpretations adopted in 2011 are mentioned in note 39.1. However, as described in note 39, the Group adopted in the preparation of the financial statements referring to 31 December 2011, the accounting standards issued by the IASB and the interpretations of the IFRIC the application of which is mandatory as of 1 January 2011. The accounting policies used by the Group in the preparation of the financial statements, described in this note, were adopted accordingly. The adoption of these new standards and interpretations in 2011 had no material effect on the Group's accounts.

The accounting standards and interpretations recently issued but which have still not come into force and which the Group has still not applied in the preparation of its financial statements can also be analysed in note 39.

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

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

These consolidated financial statements were approved in a meeting of the Board of Directors on 1 March 2012.

NOTE 2
MAIN ACCOUNTING POLICIES

2.1. Consolidation principles

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

Subsidiary companies

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

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

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

Associated companies

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

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

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

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

Balances and transactions eliminated in the consolidation

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

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

2.2. Transactions in foreign currency

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

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

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

The financial derivative instruments are recognised on their trade date for 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 up to its maturity by the effective rate method.

2.4. Loans to clients

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

2.5. Other financial assets

Classification

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

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

  The Group designates certain financial assets held for trading upon their initial recognition when:
  - these financial assets are managed, evaluated and analysed internally based on their fair value;
  - derivative transactions are performed with the objective of hedging these assets, thereby ensuring consistency in the valuation of the assets and of the derivatives (accounting mismatch);
  - these financial assets contain embedded derivatives.

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

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

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

- *Loans to clients*
  Loans to clients includes loans originated by the Group, which are not intended to be sold in the short term and which are stated on the date on which the amount of the loan is made available to the clients.

Initial recognition, measurement and non-recognition

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

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

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

Subsequent measurement

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

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

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

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

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

Impairment

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

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

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

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

2.6. Financial liabilities

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

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

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

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

2.7. Capital instruments

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

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

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

Treasury stock

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

2.8. Compensation of financial instruments

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

2.9. Non-current assets held for sale

Investments from credit recoveries include property resulting from the resolution of clients' loan contracts. These assets are classified in the caption Non-current assets held for sale, and are stated at their initial recognition, for the lesser value between their fair value less the expected sale costs and the Balance Sheet value of the loan granted which was the object of recovery.

Fair value is based on market value, which is determined based on the expected sale price obtained through regular evaluations made by the Bank.

Subsequently, these assets are stated at the lower value between the value of their initial recognition and the corresponding current fair value less expected sale costs, and are not amortised. If there are unrealised losses, these are stated as impairment losses against the results of the year. The Bank obtains regular evaluations, made by specialists, of the investments from credit recoveries.

2.10. Assets with repurchase agreement

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

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

2.11. Tangible assets

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

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

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

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

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

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

2.12. Intangible assets

Costs incurred with the acquisition, production and development of software are capitalised.

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

2.13. Leasing

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

Operational leasing

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

Financial leasing

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

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

2.14. Employee benefits

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

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

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

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

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

Defined Contribution Plan

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

Defined Benefit Plan

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

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

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

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

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

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

Stock option remuneration plan

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

Variable remunerations to Employees and Corporate Offices

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

2.15. 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.

2.16. Taxation on profits

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

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

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

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

2.17. Recognition of income from services and commissions

Income from services and commissions is recognised as follows:

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

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

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

2.18. Recognition of interest

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

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

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

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

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

2.19. 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.

2.20. 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.

2.21. Recognition of dividends

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

2.22. Standards and interpretations not yet adopted

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

2.23. Report by segments

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

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

The IFRS establish a series of accounting procedures and require management to make necessary judgements and estimates in order to decide the most appropriate accounting procedure. The main accounting estimates and judgments 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 judgment. In the judgment made, amongst other factors, the Group evaluates the normal volatility of the price of the shares. For the purpose and as a result of the high volatility and reduced liquidity of the markets during 2011, the following triggers for the existence of impairment were considered:

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

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

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

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

3.2. Fair value of financial derivative instruments

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

Consequently, the use of different methodologies or of different assumptions or judgments in the application of a certain model may lead to financial results different from 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 judgments. This process includes factors such as the frequency of non-fulfilment, risk notations, rates of recovery of losses and estimates both of future cash flow and of the time of their receipt.

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

3.4. Taxation on profits

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

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

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

3.5. Pensions and other employee benefits

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

Alterations in these assumptions could materially affect the values determined.

NOTE 4
NET INTEREST MARGIN

The amount of this caption is made up as follows:

	2011			2010		
	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	81,973	-	81,973	46,294	-	46,294
Interest from securities available for sale	24,282,711	-	24,282,711	19,789,233	-	19,789,233
Interest from deposits	311,237	-	311,237	225,266	-	225,266
Interest from investments held to maturity	-	-	-	1,288,215	-	1,288,215
Interest from loans to clients	4,302,246	-	4,302,246	2,052,809	-	2,052,809
Interest from financial assets held for trading	-	264,975	264,975	-	633,198	633,198
Other interest and similar income	5,163,711	-	5,163,711	40,326	-	40,326
	34,141,878	**264,975**	**34,406,853**	**23,442,143**	**633,198**	**24,075,341**
Interest and similar costs						
Interest from funding from clients	(8,745,456)	-	(8,745,456)	(3,815,596)	-	(3,815,596)
Interest from funding from banks	(325,671)	-	(325,671)	(40,157)	-	(40,157)
Interest from funding from Central Banks	(3,738,375)	-	(3,738,375)	(3,688,139)	-	(3,688,139)
Other interest and similar charges	(1,814,164)	-	(1,814,164)	(5,792)	-	(5,792)
	(14,623,666)	**-**	**(14,623,666)**	**(7,549,684)**	**-**	**(7,549,684)**
	19,518,212	**264,975**	**19,783,187**	**15,892,459**	**633,198**	**16,525,657**

NOTE 5
INCOME FROM CAPITAL INSTRUMENTS

On 31 December 2011, this caption, amounting to 1,473,849 Euros (31 December 2010: 1,360,493 Euros) comprises dividends from financial assets available for sale.

NOTE 6
RESULTS FROM SERVICES AND COMMISSIONS

The amount of this caption is made up as follows:

	2011	2010
Income from services and commissions		
For transactions on behalf of third parties	6,588,740	8,101,789
For services rendered	1,965,411	1,693,813
For commission sharing	734,765	765,533
For financial consultancy services	601,483	334,566
For guarantees provided	8,655	5,126
For commitments before third parties	3,825	5,925
Other income from services and commissions	479,851	578,723
	10,382,730	**11,485,475**
Charges with services and commissions		
For transactions performed by third parties	(980,548)	(2,340,877)
For banking services from third parties	(263,857)	(224,591)
For transactions on financial instruments	(106,860)	(187,153)
Other charges with services and commissions	(28,945)	(32,839)
For guarantees received	(491)	(737)
	(1,380,701)	**(2,786,197)**
	9,002,029	**8,699,278**

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:

	2011			2010		
	Income	Costs	Total	Income	Costs	Total
Assets and liabilities held for trading						
Bonds and other fixed return securities						
From public issuers	893,746	(313,037)	580,709	3,543,428	(61,193)	3,482,235
From other issuers	834,559	(377,268)	457,291	252,702	(125,365)	127,337
Shares	14,211,065	(15,341,242)	(1,130,177)	23,320,193	(16,653,715)	6,666,478
Derivative financial instruments						
Contracts on exchange rates	281,677	(278,966)	2,711	3,572,316	(3,562,779)	9,537
Contracts on interest rates	-	(1,745)	(1,745)	-	(729,187)	(729,187)
Contracts on shares / indices	4,695,137	(3,267,481)	1,427,656	10,500,242	(6,057,269)	4,442,973
Contracts on futures	8,462,423	(10,042,560)	(1,580,137)	16,906,847	(26,485,648)	(9,578,801)
Other	6,854,526	(6,230,121)	624,405	5,067,236	(5,958,063)	(890,827)
Hedge derivatives	5,025,893	(5,642,182)	(616,289)	2,135,017	(2,032,673)	102,344
	41,259,026	**(41,494,602)**	**(235,576)**	**65,297,981**	**(61,665,892)**	**3,632,089**

NOTE 8
PROFIT/LOSS ON FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this caption is made up as follows:

	2011			2010		
	Income	Costs	Total	Income	Costs	Total
Bonds and other fixed return securities						
From public issuers	361,872	(481,871)	(119,999)	4,354,812	(178,476)	4,176,336
From other issuers	3,391,245	(3,358,929)	32,316	12,543,297	(285,422)	12,257,875
Shares	1,740,495	(210,437)	1,530,058	1,299,106	(909,053)	390,053
	5,493,612	**(4,051,237)**	**1,442,375**	**18,197,215**	**(1,372,951)**	**16,824,264**

NOTE 9
PROFIT/LOSS ON EXCHANGE REVALUATION

On 31 December 2011, this caption comprises income amounting to 1,560,506 Euros (31 December 2010: 1,241,544 Euros).

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

NOTE 10
RESULTS FROM THE SALE OF OTHER ASSETS

The amount of this caption is made up as follows:

	2011	2010
Financial transactions		
Other losses	(141,620)	(104,233)
Other gains	6,390	4,497,887
	(135,230)	**4,393,654**

During 2010 the Group sold a number of financial assets which were entered in the portfolio of Investments held to maturity, the sale of which generated a gain of 4,491,403 Euros.

NOTE 11
OTHER OPERATING RESULTS

The amount of this caption is made up as follows:

	2011	2010
Other operating income		
Provision of diverse services	31,243	47,235
Repayment of expenses	7,671	5,103
Other	1,234,065	529,049
	1,272,979	**581,387**
Other operating costs		
Direct and indirect taxation	(844,780)	(298,603)
Contributions to deposit guarantee fund	(71,637)	(66,544)
Dues and donations	(37,702)	(67,657)
Other	(33,473)	(771,537)
	(987,592)	**(1,204,341)**
	285,387	**(622,954)**

NOTE 12
STAFF COSTS

The amount of this caption is made up as follows:

	2011	2010
Remunerations	(6,284,280)	(10,220,279)
Costs with retirements pensions		
of defined Benefits (See Note 13)	(1,109,193)	(979,575)
of defined Contributions (See Note 13)	(129,481)	(183,645)
Obligatory social charges	(1,046,892)	(977,552)
Other payroll costs	(267,472)	(195,018)
	(8,837,318)	**(12,556,069)**

Costs with remunerations and other benefits attributed to the Corporate Officers on 31 December 2011 amounted to 2,264,989 Euros (31 December 2010: 5,071,438 Euros).

Costs with remunerations and other benefits attributed to key management staff with senior management functions on 31 December 2011 amounted to 1,475,653 Euros (31 December 2010: 1,830,355 Euros).

By professional category, the average number of employees on 31 December 2011 and 2010 was broken down as follows:

	2011	2010
Senior management functions	22	21
Middle management functions	31	30
Specific functions	94	82
Administrative functions	11	13
Auxiliary functions	2	2
	160	**148**

NOTE 13
EMPLOYEE BENEFITS

Retirement pensions

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

	Assumptions		Actual	
	2011	2010	2011	2010
Demographic assumptions				
Mortality table	TV 88/90	TV 88/90		
Invalidity table	Suisse Re 2001	Suisse Re 2001		
Financial assumptions				
Rate of profitability of the fund	5.5%	5.5%	-3.8%	1.9%
Rate of salary growth	3.0%	3.0%	0.0%	1.9%
Discount rate	5.5%	5.5%	-	-

In accordance with the accounting policy described in Note 2.14, the discount rate used to estimate liabilities with retirement pensions corresponds to the market rates in force on the date of the balance sheet, associated to obligations of companies with a high rating.

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

With regards to the Defined Benefits Plan, the application of IAS 19 produces the following liabilities and levels of cover relating to 31 December 2011 and 2010:

	2011	2010
Responsibilities on 31 December	(7,924,329)	(9,063,015)
Balance of funds on 31 December	8,702,800	9,043,343
Excess/(Deficit) cover (Note 27 and 33)	**778,471**	**(19,672)**
Deferred costs with past services (Note 27)	1,928,940	2,280,296
Net assets in Balance Sheet on 31 December	**2,707,411**	**2,260,624**
Accumulated actuarial differences deducted from reserves	**1,065,679**	**(490,301)**

As mentioned in Note 2.14., on 29 December 2005 the Bank introduced a defined benefit Pensions Plan for the employees who opted for this benefit.

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

The evolution of responsibilities may be analysed as follows:

	2011	2010
Responsibilities on 1 January	**(9,063,015)**	**(7,243,402)**
Cost of current service	(756,755)	(660,653)
Cost of interest	(498,466)	(398,387)
Actuarial (gains) and losses with responsibilities	2,393,907	(760,573)
Responsibilities on 31 December	**(7,924,329)**	**(9,063,015)**

The evolution of the value of the pension funds in 2011 and 2010 can be analysed as follows:

	2011	2010
Balance of the fund on 1 January	**9,043,343**	**7,833,101**
Real income from the fund	(340,543)	150,589
Contributions from the Bank	-	1,059,653
Balance of the fund on 31 December	**8,702,800**	**9,043,343**

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

	2011	2010
Public debt securities	4,392,962	4,011,136
Shares	1,771,945	1,347,631
Other	2,537,893	3,684,576
Net assets in Balance Sheet	**8,702,800**	**9,043,343**

The evolution of the deferred cost of past services in the years 2011 and 2010 can be analysed as follows:

	2011	2010
Balance on 1 January	**2,280,296**	**2,631,652**
Amortisation	(351,356)	(351,356)
Balance on 31 December	**1,928,940**	**2,280,296**

Actuarial differences recognised in reserves may be analysed as follows:

	2011	2010
Accumulated actuarial differences in reserves on 1 January	**(490,301)**	**550,504**
Actuarial (gains) and losses in the year:		
Of the Fund	(837,927)	(280,231)
Responsibilities	2,393,907	(760,574)
	1,555,980	**(1,040,805)**
Accumulated actuarial differences in reserves on 31 December	**1,065,679**	**(490,301)**

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

	2011	2010
Cost of current service	(756,755)	(660,653)
Cost of interest	(498,466)	(398,387)
Expected income from the fund	497,384	430,821
Amortisation of the year	(351,356)	(351,356)
Cost of the year (Note 12)	**(1,109,193)**	**(979,575)**

On 31 December 2011, the Bank recognised the amount of 129,481 Euros (31 December 2010: 183,645 Euros) as a cost relating to the Defined Contribution Plan (note 12).

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

	2011	2010
Net assets in the Balance Sheet on 1 January	**2,260,624**	**3,221,351**
Cost of the year	(1,109,193)	(979,575)
Actuarial gains / (losses) in reserves	1,555,980	(1,040,805)
Contributions in the year	-	1,059,653
Net assets in the Balance Sheet on 31 December	**2,707,411**	**2,260,624**

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

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

Stock option plan

The main characteristics of each plan are presented as follows:

Plan	Expected date of the end of the plan	Number of options on the start date of the plan	Exercise price	Number of options on 31/12/11	Number of options 31/12/10
2005	Nov/2018	9,000,000	1.15	2,266,621	7,934,000
2007	Mar/2020	1,824,000	1.26	77,400	281,760
2007	Mar/2020	66,800	1.34	10,020	16,080
2007	Mar/2020	15,600	1.35	1,632	1,632
2008	Mar/2021	9,000	1.36	-	3,060
2008	Mar/2019	100,000	1.15	-	100,000
2010	Oct/2023	65,000	1.28	43,550	65,000

NOTE 14
GENERAL ADMINISTRATIVE COSTS

The amount of this caption is made up as follows:

	2011	2010
Rents	(601,962)	(782,439)
Supplies	(1,227,869)	(1,245,967)
Communications	(558,190)	(614,987)
Travel, hotel and representation costs	(311,000)	(260,753)
Advertising and publications	(204,352)	(285,846)
Specialised services		
Information Technology	(1,174,892)	(1,278,504)
Information	(429,845)	(376,896)
Other specialised services	(652,749)	(723,791)
Fees	(70,009)	(83,640)
Databases	(20,850)	(43,963)
Security and surveillance	(142,062)	(144,104)
Manual labour	(28,437)	(27,388)
Other	(146,301)	(151,380)
	(5,568,518)	**(6,019,658)**

The fees of the years 2011 and 2010 relating to the external auditors, as provided for in Article 66-A of the Commercial Companies Code, are detailed as follows:

	2011	2010
Accounts Auditing and Supervision Services	56,750	60,750
Other reliability guarantee services related with the Statutory Auditor	37,650	38,800
	94,400	**99,550**

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.

	2011	2010
Net profit	2,505,595	20,459,890
Weighted average number of ordinary shares issued	97,810,152	87,861,279
Weighted average number of Treasury Stock in portfolio	(1,675)	(1,575)
Average number of ordinary shares in circulation	**97,808,477**	**87,859,704**
Earnings per share (in Euros)	**0.03**	**0.23**

Earnings per diluted share are no different from Earnings per ordinary share as there were no dilutive shares issued on 31 December 2011 and 2010.

NOTE 16
CASH AND DEPOSITS IN CENTRAL BANKS

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Cash	1,332,962	1,175,231
Demand deposits in Central Banks		
Bank of Portugal	8,990,261	2,990,007
	10,323,223	**4,165,238**

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

Fulfilment of the minimum obligatory amounts, for a given period of observation, is achieved taking into consideration the value of the balances of the deposits in the Bank of Portugal during this period. The balance of the account in the Bank of Portugal on 31 December 2011 was included in the maintenance period from 8 December 2011 to 18 January 2012, which corresponded to an average mandatory reserve of 8,508,400 Euros.

NOTE 17
DEPOSITS IN OTHER BANKS

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Deposits in other banks in Portugal		
Demand deposits	24,665,490	67,057,144
Deposits in other banks abroad		
Demand deposits	17,361,158	15,671,436
	42,026,648	**82,728,580**

The average interest rate during the year ending on 31 December 2011, was 0.58% (31 December 2010: 0.24%).

NOTE 18
ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Financial assets held for trading		
Securities		
Bonds and other fixed income securities		
Public issuers	763,175	442,108
Other issuers	6,554,073	2,923,125
Shares	4,849,404	4,706,167
	12.166.652	**8.071.400**
Derivatives		
Derivative financial instruments with positive fair value	1,169,633	818,752
	13,336,285	**8,890,152**
Financial liabilities held for trading		
Short sales	16,037,926	23,544,493
Derivatives		
Derivative financial instruments with negative fair value	2,554,046	3,763,251
	18,591,972	**27,307,744**

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

On 31 December 2011 and 2010, the caption Financial assets held for trading – Securities, is made up from listed securities.

The caption Derivative financial instruments on 31 December 2011 and 2010 is analysed below:

	2011			2010		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Contracts on exchange rates						
Currency Options	5,168,353	-	-	-	-	-
Contracts on interest rates						
Interest Rate Swaps	10,000,000	-	60,839	50,000,000	-	916,902
Contracts on shares/indices						
Equity / Index Swaps	5,441,906	161,028	79,647	12,063,131	122,317	1,146,118
Equity / Index Options	29,555,442	1,008,605	2,005,674	40,469,268	535,155	1,700,231
Term transactions	12,075,731	-	394,545	119,079,082	130,840	-
Other	750,000	-	13,341	1,000,000	30,440	-
	62,991,432	**1,169,633**	**2,554,046**	**222,611,481**	**818,752**	**3,763,251**

On 31 December 2011 and 2010, the breakdown of financial assets held for trading - Securities by maturity is as follows:

	2011	2010
Securities		
Up to 3 months	2,080,987	-
3 months to 1 year	412,917	-
From 1 to 5 years	2,658,389	2,904,986
Over 5 years	2,164,955	460,247
Unspecified duration	4,849,404	4,706,167
	12,166,652	**8,071,400**

On 31 December 2011 and 2010, the breakdown of Financial Assets and Liabilities held for trading - Financial derivative instruments by maturity, is as follows:

	2011		2010	
	Notional	Fair value	Notional	Fair value
Derivative financial instruments				
Up to 3 months	50,866,601	(1,115,255)	122,043,205	49,513
3 months to 1 year	4,473,413	1,664	42,417,902	(1,989,499)
From 1 to 5 years	5,003,513	(266,553)	39,817,253	(634,333)
Over 5 years		-	15,000,000	(366,041)
Unspecified duration	2,647,905	(4,269)	3,333,121	(4,139)
	62,991,432	**(1,384,413)**	**222,611,481**	**(2,944,499)**

NOTE 19
FINANCIAL ASSETS AVAILABLE FOR SALE

On 31 December 2011 and 2010, 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	211,967,677	1,197	(28,958,511)	-	183,010,363
Other issuers	509,160,595	3,106,969	(27,499,493)	(1,058,488)	483,709,583
Shares	32,196,753	660,169	(216,184)	(5,065,755)	27,574,983
Balance on 31 December 2010	**753,325,025**	**3,768,335**	**(56,674,188)**	**(6,124,243)**	**694,294,929**
Bonds and other fixed income securities					
Public issuers	260,404,365	-	(55,192,828)	(12,344,869)	192,866,668
Other issuers	344,424,367	95,191	(54,757,550)	-	289,762,008
Shares	29,811,245	-	(3,385,590)	(5,371,050)	21,054,605
Balance on 31 December 2011	**634,639,977**	**95,191**	**(113,335,968)**	**(17,715,919)**	**503,683,281**

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

The average interest rate during the year ended on 31 December 2011 was 3.90% (31 December 2010: 3.29%).

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 judgment described in Note 3.1.

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

On 31 December 2010, the capital losses of the main exposures in financial assets available for sale were stated in the fair value reserves, as they did not meet the criteria of judgment for the recognition of impairment, namely they had not devalued by more than 30% from their acquisition value, nor were their market values lower than their acquisition value for a period of more than twelve months.

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

On 31 December 2011 and 2010, the caption Financial assets available for sale is made up as follows with regard to listed and unlisted securities:

	2011			2010		
	Listed	Unlisted	Total	Listed	Unlisted	Total
Bonds and other fixed income securities						
Public issuers	192,866,668	-	192,866,668	183,010,363	-	183,010,363
Other issuers	289,117,918	644,090	289,762,008	482,742,359	967,224	483,709,583
Shares	21,054,275	330	21,054,605	27,574,653	330	27,574,983
	503,038,861	**644,420**	**503,683,281**	**693,327,375**	**967,554**	**694,294,929**

On 31 December 2011 and 2010, the breakdown of Financial assets available for sale by maturity is as follows:

	2011	2010
Up to 3 months	5,716,080	8,963,134
3 months to 1 year	39,031,181	15,373,850
From 1 to 5 years	259,613,863	326,880,895
Over 5 years	178,267,552	315,502,067
Unspecified duration	21,054,605	27,574,983
	503,683,281	**694,294,929**

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

	2011	2010
Opening balance	**6,124,243**	**2,580,304**
Additions	14,134,976	5,737,395
Used	(2,543,300)	(2,193,456)
Closing balance	**17,715,919**	**6,124,243**

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

NOTE 20
APPLICATIONS IN BANKS

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Applications in banks in Portugal		
Loans	36,718	69,328
Applications in banks abroad		
Deposits	27,050,455	-
	27,087,173	**69,328**

The average interest rate during the year ended on 31 December 2011 was 0.25% (31 December 2010: 0.25%).

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

	2011	2010
Up to 3 months	27,050,455	-
3 months to 1 year	-	9,169
From 1 to 5 years	36,718	60,159
	27,087,173	**69,328**

NOTE 21
LOANS TO CLIENTS

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Domestic loans		
To companies		
Loans	2,199,396	2,221,281
Loans at sight	3,174,504	6,450,365
Leasing	473,364	589,839
Overdrafts	19,193	6,454
Other specialised loans	26,083	30,435
To private individuals		
Loans at sight	15,055,409	24,478,177
Mortgages	5,365,824	4,572,178
Leasing	1,083,995	1,431,287
Overdrafts	41,155	99,220
Other specialised loans	1,184,607	1,256,918
	28,623,530	**41,136,154**
International loans		
To companies		
Overdrafts	76	2,210
Loans at sight	4,800	20,483
To private individuals		
Loans at sight	110,061	1,435,409
Overdrafts	651	3,151
	115,588	**1,461,253**
Loans represented by securities		
Unsubordinated debt securities		
Issued by residents	38,544,911	-
Issued by non-residents	92,097,731	-
	130,642,642	**-**
Past due loans and interest		
Over 90 days	298,343	116,517
	298,343	**116,517**
	159,680,103	**42,713,924**
Provisions for loan impairment	(349,313)	(181,249)
	159,330,790	**42,532,675**

On 31 December 2011 and 2010 the Loans At Sight caption reflects loans granted under the margin account, which are collateralised with deposits or securities held in the Group.

On 31 December 2011, the Group's credit portfolio included loans granted to a member of the Board of Directors for 333,722 Euros arising from the staff policy, pursuant to no. 4 of art. 85 of the General Regime of Credit Institutions and Financial Companies (31 December 2010: 212,420 Euros). The loans granted to key management staff with senior management functions amounted to 1,450,062 Euros (31 December 2010: 1,110,510 Euros).

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

	2011	2010
Up to 3 months	18,807,892	32,523,243
3 months to 1 year	96,307	40,900
From 1 to 5 years	22,758,164	2,263,868
Over 5 years	117,719,397	7,769,396
Unspecified duration	298,343	116,517
	159,680,103	**42,713,924**

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

	2011	2010
Opening balance	**181,249**	**177,657**
Additions	170,162	-
Reintegration	-	(4,941)
Used	(2,098)	(18,377)
Transfers	-	26,910
Closing balance	**349,313**	**181,249**

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

	2011	2010
Variable rate	158,937,985	42,015,066
Fixed rate	742,118	698,858
	159,680,103	**42,713,924**

The residual periods of leased capital were structured as follows:

	2011	2010
Instalments and residual values due		
Up to 3 months	7,251	2,552
From 3 months to 1 year	89,936	83,289
From 1 to 5 years	1,449,581	1,681,987
Over 5 years	154,483	426,660
	1,701,251	**2,194,488**
Interest due		
Up to 3 months	45	21
From 3 months to 1 year	1,759	1,606
From 1 to 5 years	117,972	123,653
Over 5 years	24,116	48,082
	143,892	**173,362**
Capital due		
Up to 3 months	7,206	2,531
From 3 months to 1 year	88,177	81,682
From 1 to 5 years	1,331,609	1,558,335
Over 5 years	130,367	378,578
	1,557,359	**2,021,126**

On 31 December 2011 and 2010, impairment was broken down as follows:

2011

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

2010

	Impairment calculated on an individual basis		Calculation of impairment based on portfolio		Total		
	Credit amount	Impairment	Credit amount	Impairment	Credit amount	Impairment	Credit net of impairment
Loans to:							
Companies	-	-	9,335,305	23,596	9,335,305	23,596	9,311,709
Private individuals	9,637	9,637	33,368,982	148,016	33,378,619	157,653	33,220,966
Total	**9,637**	**9,637**	**42,704,287**	**171,612**	**42,713,924**	**181,249**	**42,532,675**

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

	Acquisition value	On the transfer date				December 2011	
		Balance Sheet value	Fair Value Reserve	Value of future cash flows [a)]	Effective rate [b)]	Market value [c)]	Variation in fair value reserve between 01/07 and 31/12 [d)]
Financial assets available for sale	141,499,455	132,512,478	(9,316,514)	201,040,279	5.28%	119,426,044	(10.856,443)

[a)] Total amounts in capital and interest, not discounted; future interest calculated based on forward rates resulting from the yield curve at the transfer date.

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

[c)] This amount represents the market value if the securities were kept in the Financial Assets Available for Sale portfolio. The referred prices may not reflect normal market conditions as mentioned in the note above; they are valuations which are unsupported by effective market transactions, as the market for these securities are inactive.

[d)] This reserve represents a variation in fair value reserve if the securities were kept in the Financial Assets Available for Sale portfolio.

NOTE 22
HEDGING DERIVATIVES

On 31 December 2011 and 2010 this caption was broken down as follows:

2011

		Derivative			Associated asset / liability		
Derivative product	**Associated financial asset / liability**	**Notional**	**Fair value (1)**	**Variation in fair value in the year**	**Fair value component of the element covered**	**Variation in fair value in the year**	**Balance Sheet value**
Interest Rate Swap	Debt instruments	113,200,000	(5,025,346)	(4,266,438)	4,136,294	4,128,558	142,524,183
Futures	Debt instruments	26,200,000	-	(3,072,790)	3,054,494	3,054,494	49,746,943
		139,400,000	**(5,025,346)**	**(7,339,228)**	**7,190,788**	**7,183,052**	**192,271,126**

2010

		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	131,200,000	(1,229,110)	13,349	(7,736)	(7,736)	296,864,463

(1) includes accrued interest

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

NOTE 23
TANGIBLE ASSETS

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Buildings		
Improvements to buildings	2,468,400	2,232,638
For own use	15,533,763	15,277,674
	18,002,163	**17,510,312**
Equipment		
Computer equipment	4,330,325	4,281,361
Furniture and material	878,467	873,479
Installations and interiors	1,004,925	993,931
Security equipment	1,207,903	1,199,216
Machines and tools	110,090	110,090
Other equipment	210,547	210,547
Transportation material	3,514	3,514
	7,745,771	**7,672,138**
Fixed assets in progress		
Buildings for own use	-	107,404
	-	**107,404**
	25,747,934	**25,289,854**
Accumulated depreciation	(8,348,320)	(7,273,124)
	17,399,614	**18,016,730**

The movement in this caption was the following:

	Buildings	Equipment	Fixed assets in progress	Total
Acquisition cost				
Balance on 31 December 2009	16,513,052	8,033,525	829	24,547,406
Additions	500,505	196,904	107,404	804,813
Transfers	496,755	(558,291)	(829)	(62,365)
Balance on 31 December 2010	17,510,312	7,672,138	107,404	25,289,854
Additions	491,851	73,633	-	565,484
Transfers	-	-	(107,404)	(107,404)
Balance on 31 December 2011	18,002,163	7,745,771	-	25,747,934
Depreciation				
Balance on 31 December 2009	1,471,749	4,537,118	-	6,008,867
Amortization of the year	558,454	705,803	-	1,264,257
Balance on 31 December 2010	2,030,203	5,242,921	-	7,273,124
Amortization of the year	526,422	548,774	-	1,075,196
Balance on 31 December 2011	2,556,625	5,791,695	-	8,348,320
Net balance on 31 December 2011	**15,445,538**	**1,954,076**	**-**	**17,399,614**
Net balance on 31 December 2010	**15,480,109**	**2,429,217**	**107,404**	**18,016,730**

NOTE 24
INTANGIBLE ASSETS

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Acquired from third parties		
Automatic data processing system	6,840,716	6,773,400
Other fixed assets	586,747	586,747
	7,427,463	7,360,147
Accumulated depreciation	(6,892,601)	(6,472,725)
	534,862	**887,422**

The movement in this caption was the following:

	Automatic data processing system	Other intangible assets	Total
Acquisition cost			
Balance on 31 December 2009	6,147,017	586,747	6,733,764
Acquired from third parties	626,383	-	626,383
Balance on 31 December 2010	6,773,400	586,747	7,360,147
Adquiridas a terceiros	67,316	-	67,316
Balance on 31 December 2011	6,840,716	586,747	7,427,463
Amortization			
Balance on 31 December 2009	5,542,841	586,747	6,129,588
Amortization of the year	343,137	-	343,137
Balance on 31 December 2010	5,885,978	586,747	6,472,725
Amortization of the year	419,876	-	419,876
Balance on 31 December 2011	6,305,854	586,747	6,892,601
Net Balance on 31 December 2011	**534,862**	**-**	**534,862**
Net Balance on 31 December 2010	**887,422**	**-**	**887,422**

NOTE 25
INVESTMENTS IN ASSOCIATED COMPANIES

On 31 December 2011 and 2010, this caption was broken down as follows:

2011

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

2010

	No. of shares	Direct Shareholding	Nominal value (euros)	Cost of participation	Balance Sheet Value
ONETIER PARTNERS, S.G.P.S., S.A.	5,562,138	34.76%	5,562,138	5,562,138	5,198,150

On 31 December 2011 and 2010, the details of ONETIER PARTNERS, SGPS, S.A., are presented as follows:

	2011			2010		
	Total assets	Total Equity	Net result for the year	Total assets	Total Equity	Net result for the year
ONETIER PARTNERS, SGPS, S.A.	15,425,895	14,052,488	(73,038)	14,962,306	14,834,301	840,355

NOTE 26
CURRENT TAX ASSETS AND LIABILITIES

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Current tax assets		
Estimated tax for the year	(1,967,695)	(6,612,779)
Payments on account	1,952,907	2,349,758
Withholding tax	1,527,616	2,769,302
Corporation Tax (IRC) recoverable	227,309	-
Current tax assets / liabilities	**1,740,137**	**(1,493,719)**

NOTE 27
OTHER ASSETS

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Debtors and other applications		
Debtors on futures trading	1,276,713	1,998,120
Margin applications	6,328,663	4,819,072
Public sector	26,320	120,589
Other debtors	1,660,414	1,671,657
Debtors and other applications	211,344	163,041
Other assets	120,745	120,751
	9,624,199	**8,893,230**
Provision for impairment losses on other assets	(458,976)	(762,502)
	9,165,223	**8,130,728**
Expenses with deferred costs	373,936	1,026,987
Income receivable	369,566	423,149
Other accruals and deferrals		
Pending Stock Market transactions	-	15,372,043
Other operations pending	1,056,065	1,161,754
	1,056,065	**16,533,797**
Retirement pensions - costs with past services deferred (Note 13)	2,707,411	2,280,296
	13,672,201	**28,394,957**

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

The caption Retirement pensions – Deferred costs with past services includes the amount of 778,471 Euros which relates to Net assets relating to the pensions plan.

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

	2011	2010
Opening balance	762,502	690,168
Additions	54,092	55,577
Reversals	(372,503)	(37,100)
Exchange	14,885	53,857
Closing balance	**458,976**	**762,502**

NOTE 28
FUNDING FROM CENTRAL BANKS

On 31 December 2011, this caption, amounting to 238,322,892 Euros (31 December 2010: 360,164,444 Euros), relates to funding from the European System of Central Banks, fully collateralised by securities in the portfolios of Financial assets available for sale in 2011 and 2010.

The maturity period of this financing on 31 December 2011 and 2010 is broken down as follows:

	2011	2010
Up to 3 months	49,770,531	360,164,444
From 1 to 5 years	188,552,361	-
	238,322,892	**360,164,444**

The average interest rate during the year ended on 31 December 2011 was 1.24% (31 December 2010: 1%).

On 31 December 2011 the value of the securities provided as guarantee amounts to 422,892,855 Euros (31 December 2010: 519,950,291 Euros) (Note 35).

NOTE 29
FUNDING FROM OTHER BANKS

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Domestic		
Deposits	5,128,914	129,048
	5,128,914	**129,048**
Abroad		
Deposits	5,454,689	5,547,686
Resources at very short term	-	661,253
Loans	38,312,040	32,604,755
	43,766,729	**38,813,694**
	48,895,643	**38,942,742**

The average interest rate during the year ended 31 December 2011 was 1.59% (31 December 2010: 0.31%).

The residual period of Funding from other banks was up to 3 months for 2011 and 2010.

NOTE 30
FUNDING FROM CLIENTS

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Demand deposits	174,853,334	146,988,651
Term deposits	251,279,933	173,924,834
Other	14,434,672	11,271,148
	440,567,939	**332,184,633**

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

	2011	2010
Up to 3 months	321,258,736	265,113,915
3 months to 1 year	100,911,570	45,337,976
From 1 to 5 years	18,397,633	21,732,742
	440,567,939	**332,184,633**

NOTE 31
PROVISIONS

On 31 December 2011 and 2010, this caption was broken down as follows:

	Outras provisões
Balance on 31 December 2009	**189,648**
Addition	7,670
Transfers	(26,910)
Balance on 31 December 2010	**170,408**
Reversals	(150,258)
Balance on 31 December 2011	**20,150**

NOTE 32
TAXATION

The Bank and its subsidiary companies are subject to taxation pursuant to the regime of Corporation Tax (IRC) and corresponding local taxes. The calculation of the current and deferred tax of 2011 was based on a nominal tax and municipal surtax rate of 26.5%, plus an additional rate of 2.5% for State Tax allowed for under the additional measures of the Stability and Growth Programme (PEC) approved by Law no. 12-A/2010, of 30 June.

The self-assessment declarations of the Bank and its subsidiary companies are subject to inspection and possible adjustment by the Tax Authorities for a period of four years. Thus, there is a possibility of there being additional tax payments due essentially to different interpretations of tax legislation. However, the Board of Directors of the Group is confident that there will be no material additional tax payments to be recorded in the financial statements.

The deferred tax assets and liabilities recognised in the Balance Sheet in 2011 and 2010 can be analysed as follows:

	2011	2010
Provisions	283,334	414,959
Financial assets held for trading	34,503,526	14,327,879
Other	86,303	65,965
Net deferred tax assets / (liabilities)	**34,873,163**	**14,808,803**
Tax movement in the year	**20,064,360**	**14,391,348**

The movement of deferred tax in 2011 and 2010 is explained below:

	2011			2010		
	Recognised in results	**Recognised in reserves**	**Total**	**Recognised in results**	**Recognised in reserves**	**Total**
Provisions	(131,625)	-	(131,625)	(9,318)	-	(9,318)
Financial assets available for sale	-	20,175,647	20,175,647	9,568	14,511,214	14,520,782
Financial assets held for trading	-	-	-	17,284	-	17,284
Other	20,338	-	20,338	(137,400)	-	(137,400)
	(111,287)	**20,175,647**	**20,064,360**	**(119,866)**	**14,511,214**	**14,391,348**

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

	2011	2010
Recognised in reserves		
Current tax	(390,086)	(527,518)
Deferred tax	20,175,647	14,511,214
	19,785,561	**13,983,696**
Recognised in results		
Current tax		
Of the year	(1,275,045)	(6,148,079)
From previous years	365,212	323,396
	(909,833)	**(5,824,683)**
Deferred tax	(111,287)	(119,866)
	(1,021,120)	**(5,944,549)**
	18,764,441	**8,039,147**

The reconciliation of the tax rate for the years 2011 and 2010 can be analysed as follows:

	2011		2010	
	Tax Rate	Amount	Tax Rate	Amount
Pre-tax profit		3,526,715		26,404,439
Estimated tax charge	29.00%	1,022,747	29.00%	7,590,394
Pension fund	-1.24%	(43,669)	1.02%	265,685
Tax exempt dividends	-	-	-7.51%	(1,965,232)
Corrections due to tax credits	1.64%	57,852	0.08%	20,671
Non-deductible costs for tax purposes	7.99%	281,620	0.56%	145,835
Tax benefits	-2.28%	(80,575)	-0.37%	(97,096)
Accounting and tax gains	5.41%	190,730	1.64%	428,872
Autonomous taxation and double taxation	-1.46%	(51,524)	0.10%	27,459
Contributions on the banking sector	4.73%	166,895	0.00%	-
Other	-14.84%	(522,956)	-1.61%	(420,476)
Effect of rate change	-	-	-0.20%	(51,563)
	28.95%	**1,021,120**	**22.71%**	**5,944,549**

NOTE 33
OTHER LIABILITIES

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Creditors and other dues		
On futures and options transactions	1,308,037	2,064,719
Other dues	520,525	1,623,733
Public sector	491,618	2,793,187
Suppliers of goods	25,400	121,684
Securities transactions	6,024	4,789
Other creditors	769,334	745,235
	3,120,938	**7,353,347**
Costs payable		
Staff charges	1,333,387	1,773,318
On third party transactions	-	1,191,832
Other costs payable	1,408,425	2,469,340
	2,741,812	**5,434,490**
Revenue from deferred income	40,435	116,555
Accruals and deferrals		
Pending securities transactions	1,648,241	16,688,554
Net pension plan liabilities (note 13)	-	19,672
Other pending transactions	2,752,228	740,646
	4,400,469	**17,448,872**
	10,303,654	**30,353,264**

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

NOTE 34
CAPITAL, ISSUE PREMIUMS, TREASURY STOCK AND RESERVES

Capital

On 31 December 2011 the capital of the Group was represented by
104,000,000 shares, (31 December 2010: 89,088,810 shares), with the nominal value of 1 Euro each, fully subscribed and paid up.

On 31 December 2011 and 2010, the shareholder structure of the Group was the following:

	2011	2010
António da Silva Rodrigues	11.43%	12.13%
Adger – SGPS, S.A.	10.22%	10.79%
WWC World Wide Capital - SPGS, S.A.	10.19%	8.37%
Carlos Adolfo Coelho Figueiredo Rodrigues	9.06%	8.62%
Nicholas Leo Racich	4.95%	4.59%
JRI – SGPS, S.A.	4.79%	5.09%
Edimo, Sociedade Internacional de Gestão SGPS, Unipessoal Lda.	4.62%	4.90%
José António de Melo Pinto Ribeiro	3.11%	3.30%
Alfredo Carmo e Herdeiros	1.96%	2.08%
Maria Carlos Ramalhão Fortunato Leça Ramada	1.95%	2.07%
MSF – SGPS, S.A.	1.26%	2.46%
Carlos Pompeu Ramalhão Fortunato	-	5.67%
Other	36.46%	29.93%
	100.00%	**100.00%**

During 2010 the Group increased its capital from 87,570,000 Euros to 89,088,810 Euros through the issue of 1,518,810 ordinary registered shares with a nominal value of 1 Euro each, to take account of the exercise of options on share subscriptions.

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

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

Issue premiums

On 31 December 2011, the issue premiums amounting to 1,362,281 Euros refer to the premiums paid by the shareholders in the capital increases made (31 December 2010: 9,343,753 Euros). The variation is due:

- to the increase in capital by the incorporation of reserves resulting from issue premiums, made in May 2011, amounting to 8,908,881 Euros;
- to the issue premiums paid by the shareholders in the capital increase made in June 2011, amounting to 927,408 Euros.

Treasury stock

The movement in treasury stock is as follows:

	2011		2010	
	No. of shares	Value	No. of shares	Value
Treasury stock				
Balance at start of year	1,575	2,326	1,575	2,326
Movement	157	-	-	-
Balance at the year end	1,732	2,326	1,575	2,326
Loans for acquisition of treasury stock				
Balance at start of year	1,266,726	1,580,761	365,175	430,935
Movement	(174,737)	(260,022)	901,551	1,149,826
Balance at year end	1,091,989	1,320,739	1,266,726	1,580,761
Closing balance	**1,093,721**	**1,323,065**	**1,268,301**	**1,583,087**

On 31 December 2011, the Loans for the acquisition of treasury stock include loans granted to members of the Board of Directors amounting to 546,056 Euros arising from personnel policy, pursuant to no. 4 of article 85 of the General Regime of Credit Institutions and Financial Companies (31 December 2010: 530,290 Euros) and loans granted to key management staff with senior management functions, amounting to 394,486 Euros (31 December 2010: 608,644 Euros).

Legal reserve

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

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 31 December 2011 and 2010 is analysed as follows:

	2011	2010
Cost of financial assets available for sale (Note 19) [1]	634,639,977	753,325,025
Impairment Losses (Note 19)	(17,715,919)	(6,124,243)
Market value of financial assets available for sale (Note 19)	503,683,281	694,294,929
Potential losses recognised in fair value of financial assets available for sale	(113,240,777)	(52,905,853)
Potential losses recognised in Fair Value Reserve of loans represented by securities	(8,382,016)	-
Fair value reserve of associated companies	(175,873)	155,283
Deferred tax	34,503,526	14,327,879
Current tax	15,793	405,879
	(87,279,347)	**(38,016,812)**

(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 2011 and 2010 is analysed as follows:

	2011	2010
Balance on 1 January	**(38,016,812)**	**(2,917,071)**
Change in fair value	(68,716,940)	(49,195,027)
Fair Value Reserve of associated companies	(331,156)	111,590
Current tax recognised in the year in reserves	(390,086)	(527,518)
Deferred tax recognised in the year in reserves	20,175,647	14,511,214
	(49,262,535)	**(35,099,741)**
Balance on 31 December	**(87,279,347)**	**(38,016,812)**

NOTE 35
OFF-BALANCE SHEET ACCOUNTS

On 31 December 2011 and 2010, this caption was broken down as follows:

	2011	2010
Guarantees provided and other liabilities		
Assets given as guarantee	445,189,990	529,134,091
Guarantees and sureties	857,644	725,325
	446,047,634	**529,859,416**
Guarantees received		
Personal guarantees		
Guarantees and sureties	5,330,461	7,145,142
Other	766,390	943,589
Real guarantees		
Securities	28,679,279	57,060,465
Loans	6,042,836	7,835,089
Real Estate	12,023,554	11,560,511
	52,842,520	**84,544,796**
Commitments before third parties		
Irrevocable commitments		
Term transactions	20,000,000	32,604,755
Potential liability to the Investor Compensation System	674,614	1,145,403
Revocable commitments		
Bank overdraft facilities	44,825,206	87,559,181
	65,499,820	**121,309,339**
Liabilities for services provided		
Asset custody and deposit	553,466,508	872,114,681
For asset administration	32,055,671	50,162,585
For collection of amounts	-	5,229
	585,522,179	**922,282,495**

On 31 December 2011 and 2010, the balance of the caption Assets Given as Guarantee includes:

- securities provided as a guarantee to the Bank of Portugal under the Large Transactions Payment System amounting to 6,879,087 Euros (31 December 2010: 6,279,700 Euros);
- securities provided as a guarantee to the Investor Compensation System for the amount of 437,000 Euros (31 December 2010: 1,020,000 Euros);
- securities provided as a guarantee to the European System of Central Banks for the amount of 422,892,855 Euros (31 December 2010: 519,950,291 Euros);
- other securities provided as a guarantee amounting to 14,981,048 Euros (31 December 2010: 1,884,100 Euros).

NOTE 36
RELATED PARTY TRANSACTIONS

In the years ending in 2011 and 2010, the total amounts of assets, liabilities, income and costs relating to transactions made with related entities were the following:

	2011		2010	
	Liabilities	Costs	Liabilities	Costs
Partes relacionadas				
ONETIER PARTNERS, SCR, S.A.	825,705	31,562	801,239	10,799
LEADCAPITAL - Fundo Capital de Risco BiG Capital	30,898	-	16,636	266

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

On 31 December 2011 and 2010, the fair value of financial assets and liabilities is presented as follows:

	Fair Value					
	Listed market values	Evaluation models with parameters observable in the market	Evaluation models with no observable parameters in the market	Others at amortised cost	Total Balance Sheet value	Fair Value
31 December 2011						
Cash and deposits in Central Banks	-	-	-	10,323,223	10,323,223	10,323,223
Deposits in other banks	-	-	-	42,026,648	42,026,648	42,026,648
Financial assets held for trading	12,166,652	1,169,633	-	-	13,336,285	13,336,285
Financial assets available for sale	503,038,861	644,090	330	-	503,683,281	503,683,281
Applications in banks	-	-	-	27,087,173	27,087,173	27,087,173
Loans to clients	-	-	-	159,330,790	159,330,790	159,330,790
Financial assets	**515,205,513**	**1,813,723**	**330**	**238,767,834**	**755,787,400**	**755,787,400**
Funding from Central Banks	-	-	-	238,322,892	238,322,892	238,322,892
Financial liabilities held for trading	16,037,926	2,554,046	-	-	18,591,972	18,591,972
Funding from other banks	-	-	-	48,895,643	48,895,643	48,895,643
Funding from clients	-	-	-	440,567,939	440,567,939	440,567,939
	16,037,926	**2,554,046**	**-**	**727,786,474**	**746,378,446**	**746,378,446**
31 December 2010						
Cash and deposits in Central Banks	-	-	-	4,165,238	4,165,238	4,165,238
Deposits in other banks	-	-	-	82,728,580	82,728,580	82,728,580
Financial assets held for trading	8,071,400	818,752	-	-	8,890,152	8,890,152
Financial assets available for sale	693,327,375	967,224	330	-	694,294,929	694,294,929
Applications in banks	-	-	-	69,328	69,328	69,328
Loans to clients	-	-	-	42,532,675	42,532,675	42,532,675
Financial assets	**701,398,775**	**1,785,976**	**330**	**129,495,821**	**832,680,902**	**832,680,902**
Funding from Central Banks	-	-	-	360,164,444	360,164,444	360,164,444
Financial liabilities held for trading	23,544,493	3,763,251	-	-	27,307,744	27,307,744
Funding from other banks	-	-	-	38,942,742	38,942,742	38,942,742
Funding from clients	-	-	-	332,184,633	332,184,633	332,184,633
	23,544,493	**3,763,251**	**-**	**731,291,819**	**758,599,563**	**758,599,563**

[a] Caso os títulos reclassificados de Activos disponíveis para venda para a categoria de Crédito a clientes fossem avaliados a preços de mercado, existiria um impacto de (10.856.443) euros entre o valor de balanço e o seu justo valor, este impacto porém é calculado com base em preços que podem não reflectir condições normais de mercado conforme indicado na nota 21.

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

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

Valuation models with observable parameters/ prices in the market – consists of the use of internal valuation models, specifically discounted cash flow models and option valuation models, which imply the use of estimates and require judgments 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 market indices. It also includes instruments the valuation of which is obtained through quotations divulged by independent entities but in markets which have much less liquidity.

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

During 2011 no transfers were made between the different valuation levels of assets and liabilities.

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

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

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

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

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

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

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

The interest rate curves of the main currencies for the years 2011 and 2010 may be analysed as follows:

(amounts expressed as percentages)

	2011		2010	
	EUR	USD	EUR	USD
Overnight	0.400	0.040	0.225	0.100
1 month	1.024	0.295	0.782	0.261
3 months	1.356	0.581	1.006	0.303
6 months	1.617	0.809	1.227	0.456
9 months	1.791	0.966	1.372	0.613
1 year	1.947	1.128	1.507	0.781
3 years	1.356	0.820	1.891	1.279
5 years	1.724	1.225	2.491	2.174
7 years	2.065	1.643	2.928	2.820
10 years	2.381	2.027	3.324	3.377
15 years	2.662	2.402	3.640	3.844
20 years	2.686	2.521	3.699	4.000
25 years	2.623	2.578	3.617	4.070
30 years	2.555	2.616	3.497	4.105

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 2011 and 2010 may be analysed as follows:

(amounts expressed as percentages)

	2011		2010	
	EUR	USD	EUR	USD
3 years	2.83	1.06	2.37	2.70
5 years	5.23	2.92	4.81	4.46
7 years	8.20	4.94	5.14	8.10
10 years	9.88	6.51	7.20	7.49

The evolution of the exchange rates of the main currencies for the years 2011 and 2010 and respective historic volatilities used in the evaluation of exchange derivatives may be analysed as follows:

			Volatilities		
	2011	2010	3 months	6 months	1 year
EUR/USD	1.29	1.34	12.53	12.54	12.04
EUR/GBP	0.84	0.86	8.70	8.69	8.88
EUR/JPY	100.20	108.65	12.14	12.56	13.07
EUR/CHF	1.22	1.25	16.76	18.29	14.88

The evolution of the main share indices for the years 2011 and 2010 and the respective volatilities used in the evaluation of derivatives on shares and share indices may be analysed as follows:

	List price			Historic volatility		Implicit volatility	
	2011	2010	Variation	1 month	3 months	Call	Put
PSI20	5,494.27	7,588.31	(27.60)	23.53	27.79	22.88	22.88
Eurostoxx	2,316.55	2,792.82	(17.05)	32.14	38.50	29.53	29.53
DAX	5,898.35	6,914.19	(14.69)	31.54	38.80	28.37	28.59
S&P	1,257.60	1,257.64	0	24.04	27.70	21.59	21.59
Nasdaq 100	2,277.83	2,217.86	2.70	24.20	26.75	21.73	21.73
Dow Jones Ind.	12,217.60	11,577.51	5.53	22.56	25.28	19.84	19.84

Loans to clients

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

Funding from other banks

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

Funding from clients

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

NOTE 38
RISK MANAGEMENT

Background

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

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

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

- Regular review of policies and procedures by Management;
- 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.

Measurement of risk

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.

Managing risk is an evolving process and is one of the daily centres of attention of Management, 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 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 rates 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 reputational risk and 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 managed are related with:

- Liquidity risk: resulting from management of treasury 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 and future prices, and volatility,
- Derivative risk: resulting from the management of our exposure to changes in the price of the underlying assets used to hedge clients' positions and products.

VaR

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

VaR for the years ended 31 December 2011 and 2010 is presented as follows:

	2011				2010			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange risk	2,503	17,687	96,571	871	1,237	17,901	96,078	1,237
Interest rate risk	-	-	-	-	-	-	-	-
Shares	10,150	28,526	111,278	5,157	6,265	34,143	109,308	3,849
Options	31,912	80,079	305,007	20,838	69,803	110,259	388,107	34,658
Effect of diversification	15%	7%			7%	17%		
	37,903	**118,064**	**331,753**	**33,788**	**71,724**	**135,445**	**511,871**	**44,081**

The management of VaR for different trading portfolios remained within the limits established for 2011. The reduced exposure allocated to stock portfolios, structured products and Foreign Exchange for trading was based on the few opportunities for investment compared with other classes of assets (bonds), and also due to the low business level related with Clients requiring hedging.

Stress Testing

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

Currently, the Bank uses 16 different scenarios to carry out more than 80 daily stress tests on the various trading and investment positions. On a weekly basis the Group runs 13 additional stress tests scenarios, which correspond to 65 weekly stress tests on the positions of the trading and investment books. These new scenarios are also historic, although relating to different, more recent dates and where the impact may be more significant. Also on a daily basis, we estimate the potential impact on the Group's portfolios applying extreme scenarios to the Bank's credit and equity portfolios, called Armageddon Stress Tests. These stress tests are presented and discussed in the Management Discussion of this report.

Liquidity Risk

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

The management of the Bank's immediate funding requirements 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 available resources.

The exposure by maturity of the Bank's Balance Sheet assets and liabilities are distributed in the following way for the years ended 31 December 2011 and 2010:

2011

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

2010

	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	4,165,238	-	-	-	-	-	4,165,238
Deposits in other banks	82,728,580	-	-	-	-	-	82,728,580
Financial assets held for trading	-	479,677	318,023	2,926,038	460,247	4,706,167	8,890,152
Financial assets available for sale	-	8,963,134	15,373,850	326,880,895	315,502,067	27,574,983	694,294,929
Applications in banks	-	-	9,169	60,159	-	-	69,328
Loans to clients	-	32,457,997	40,900	2,263,868	7,769,396	514	42,532,675
Hedge derivatives	-	-	-	215,158	560,453	-	775,611
	86,893,818	**41,900,808**	**15,741,942**	**332,346,118**	**324,292,163**	**32,281,664**	**833,456,513**
Liabilities							
Funding from Central Banks	-	360,164,444	-	-	-	-	360,164,444
Financial liabilities held for trading	-	430,164	2,307,522	655,385	366,041	23,548,632	27,307,744
Funding from other banks	5,663,998	33,278,744	-	-	-	-	38,942,742
Funding from clients	146,988,651	118,125,264	45,337,976	21,732,742	-	-	332,184,633
Hedge derivatives	-	-	-	9,488	1,995,237	-	2,004,725
	152,652,649	**511,998,616**	**47,645,498**	**22,397,615**	**2,361,278**	**23,548,632**	**760,604,288**

Exposure to the public debt of Euro Zone countries

On 31 December 2011 the Group's exposure to the public debt of Euro Zone countries is as follows:

	Financial assets held for trading	Financial assets available for sale
Portugal	660,458	111,342,373
Spain	-	3,701,783
Greece	-	9,033,535
Ireland	100,215	28,696,385
	760,673	**152,774,076**

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

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

2011						
	Nominal value	List value	Accumulated interest	Balance Sheet value	Impairment	Fair value reserve
Financial assets held for trading						
Portugal						
Maturity of under 1 year	211,400	208,208	5,785	213,992	-	-
Maturity of over 1 year	644,254	431,829	14,637	446,466	-	-
Ireland						
Maturity of over 1 year	100,285	96,571	3,644	100,215	-	-
Financial assets available for sale						
Portugal						
Maturity of under 1 year	2,400,000	1,799,675	1,037	1,800,713	-	(25,957)
Maturity of over 1 year	173,200,000	106,486,918	3,054,742	109,541,660	-	(39,862,273)
Spain						
Maturity of over 1 year	4,000,000	3,700,040	1,743	3,701,783	-	(293,586)
Greece						
Maturity of over 1 year	23,400,000	8,190,000	843,535	9,033,535	12,344,869	-
Ireland						
Maturity of over 1 year	35,000,000	28,167,000	529,385	28,696,385	-	(5,560,973)
	238,955,939	**149,080,241**	**4,454,508**	**153,534,749**	**12,344,869**	**(45,742,789)**

Interest rate risk

Included in the non-statistical Basis Point Value indicators, the sensitivity to interest rate risk for the years ended 31 December, 31 December 2011 and 2010 is presented as follows:

	2011				2010			
	Yields shifted upwards by 100 bps	Yields shifted downwards by 100 bps	Increase after 1 year of 50 bps	Reduction after 1 year of 50 bps	Yields shifted upwards by 100 bps	Yields shifted downwards by 100 bps	Increase after 1 year of 50 bps	Reduction after 1 year of 50 bps
On 31 December	(5,313,544)	5,313,544	(2,546,486)	2,546,486	(11,719,899)	11,719,899	(5,950,503)	5,950,503
On 30 June	(11,902,496)	11,902,496	(6,142,082)	6,142,082	(10,708,486)	10,708,486	(5,728,129)	5,728,129

Asset Re-pricing Risk

Included in the non-statistical earnings at risk indicators, the re-pricing bands for the years ended 31 December 2011 and 2010 are presented as follows:

2011

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

2010

	Balance Sheet value	Not sensitive	Up to 3 months	3 months to 1 year	From 1 a 5 years	Over 5 years
Cash and deposits in Central Banks	4,165,238	4,165,238	-	-	-	-
Deposits in other banks	82,728,580	82,728,580	-	-	-	-
Financial assets held for trading	8,890,152	4,706,167	479,677	318,023	2,926,038	460,247
Financial assets available for sale	694,294,929	27,574,983	8,963,134	15,373,850	326,880,895	315,502,067
Applications in banks	69,328	-	-	9,169	60,159	-
Loans to clients	42,532,675	514	32,457,997	40,900	2,263,868	7,769,396
Hedge derivatives	775,611	-	-	-	215,158	560,453
Total	**833,456,513**	**119,175,482**	**41,900,808**	**15,741,942**	**332,346,118**	**324,292,163**
Funding from Central Banks	360,164,444	-	360,164,444	-	-	-
Financial liabilities held for trading	27,307,744	23,548,632	430,164	2,307,522	655,385	366,041
Funding from other banks	38,942,742	-	38,942,742	-	-	-
Funding from clients	332,184,633	-	265,113,915	45,337,976	21,732,742	-
Hedge derivatives	2,004,725	-	-	-	9,488	1,995,237
Total	**760,604,288**	**23,548,632**	**664,651,265**	**47,645,498**	**22,397,615**	**2,361,278**
GAP (Assets - Liabilities)	**72,852,225**	**95,626,850**	**(622,750,457)**	**(31,903,556)**	**309,948,503**	**321,930,885**

Exchange risk

The currency exchange markets were highly volatile during the year as a result of the uncertainty in the various economic blocks. During the year, expectations relating to interest rates changed frequently in the main economies, impacting directly on exchange rates. The instability noted in some European economies was reflected in constant oscillations in the Euro against other currencies, namely the Dollar. BiG does not speculate on currency markets (FX) and the relatively low use of VaR limits reflects the Bank's strategy of limiting exposure to foreign currency fundamentally to its Clients' business and associated flows.

The distribution of the Balance Sheet by currency for the years ended 31 December 2011 and 2010 is presented as follows:

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

2010						
	Euros	**North American Dollars**	**Pound Sterling**	**Japanese Yen**	**Other Foreign Currencies**	**Total**
Assets by currency						
Cash and deposits in Central Banks	4,127,671	31,918	5,646	-	3	4,165,238
Deposits in other banks	74,861,021	7,091,772	549,362	65,489	160,936	82,728,580
Financial assets held for trading	8,459,809	421,157	9,186	-	-	8,890,152
Financial assets available for sale	654,896,389	39,398,540	-	-	-	694,294,929
Applications in banks	69,328	-	-	-	-	69,328
Loans to clients	42,529,467	3,208	-	-	-	42,532,675
Hedge derivatives	775,611	-	-	-	-	775,611
Tangible assets	18,016,730	-	-	-	-	18,016,730
Intangible assets	887,422	-	-	-	-	887,422
Investments in subsidiary and associated companies	5,198,150	-	-	-	-	5,198,150
Deferred tax assets	14,808,803	-	-	-	-	14,808,803
Other assets	23,015,719	5,185,980	149,960	32,906	10,392	28,394,957
Total Assets	**847,646,120**	**52,132,575**	**714,154**	**98,395**	**171,331**	**900,762,575**
Liabilities by currency						
Funding from Central Banks	360,164,444	-	-	-	-	360,164,444
Financial liabilities held for trading	26,975,326	321,385	11,033	-	-	27,307,744
Funding from other banks	35,723,548	3,186,490	-	2	32,702	38,942,742
Funding from clients	310,252,233	21,745,960	186,416	-	24	332,184,633
Hedge derivatives	2,004,725	-	-	-	-	2,004,725
Provisions	170,408	-	-	-	-	170,408
Current tax liabilities	1,493,719	-	-	-	-	1,493,719
Other liabilities	23,792,577	6,504,423	32,963	390	22,911	30,353,264
Total Liabilities	**760,576,980**	**31,758,258**	**230,412**	**392**	**55,637**	**792,621,679**
Net assets - liabilities by currency	**87,069,140**	**20,374,317**	**483,742**	**98,003**	**115,694**	**108,140,896**

Derivative risk

The quantification of the risk of the Bank's derivatives book depends on a number of variables related with the market, including the price of underlying assets, volatility, interest rates and time to maturity. The Bank quantifies its exposure to these variables carrying out sensitivity analyses known as "greeks" which are mathematical 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, higher levels of sensitivity occurred in the first six months of the year.

Analysing the different sensitivities of BiG's trading portfolio for 2011, we see an almost consistently long profile in the equity markets. The delta values were, in general, similar to those recorded in the previous year, with a slight reduction in the exposure to shares in the second semester of the year. In Fixed Rate products, the Bank opted for a long strategy in bonds. The highest values for exposure to the interest rate risk came at the start of 2011 in line with the trend recorded at the end of 2010. As from March and up to the end of the year there was a gradual reduction in interest rate risk.

2011

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

2010

	Rho	*Vega*	*Delta*	*Theta*
Minimum	(253,064)	(51,934)	112,050	(30,762)
Maximum	(105,198)	57,516	500,155	8,958
Average	(204,368)	8,522	343,145	(3,384)
Standard Deviation	39,054	24,514	54,000	4,537

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

Limits and Reporting
Limits on trading activity are essential to the process, with limits approved by class of product, portfolio and by trader 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. Daily reports are prepared for Management 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 include direct exposure to clients who have contracted loans, direct exposure to credit risks associated with securities issued by third parties and held as investment or trading assets of the Group, and market or settlement risk associated with trading activities by clients.

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

In its process of analysis and approval, the Bank measures its exposure in terms of individual transactions, in terms of the maximum exposure per client and, separately, in terms of the respective portfolios, to ensure there is adequate control over risk concentrations in each sector or industry. As a matter of policy, all exposures are assessed and processed for approval, whether on or off-balance sheet in nature. Controls over Market risk, as a result, often overlap with measurements of credit risk. In the course of the Bank's day to day activity, integrated systems to monitor exposures are an essential tool 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 filing systems;
- Management and control of risk monitoring policies and systems;
- Maintenance of a credit scoring and approval matrix;
- Integrity of the credit approval process;
- Strict adherence to regulatory standards and principles;
- Application of prices appropriate to the risks assumed.

BiG's exposure to credit risk can include the granting of loans to clients, investments in corporate bonds, interbank total value and replacement value risks, settlement risk 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 31 December 2011 and 2010 is presented as follows:

2011

	Loans to clients		Financial Assets at fair value through the income statement	Financial assets available for sale		Guarantees and sureties provided
	Gross value	Provision	Gross value	Gross value	Provision	
Agriculture, silviculture and fisheries	23,279	297	-	-	-	-
Mining industries	-	-	325,107	-	-	-
Manufacturing industries	32,472	1,713	426,313	4,018,283	-	-
Electricity, gas, steam, hot and cold water and cold air	-	-	2,410,764	28,011,514	5,371,050	-
Construction	219,555	185,229	778,484	2,863,454	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	192,154	2,545	-	3,547,380	-	148,938
Transports and storage	3,323	50	66,333	10,502,558	-	-
Financial activity and insurance	130,665,145	-	6,853,885	242,395,269	-	659,769
Real estate	3,913,735	469	-	-	-	-
Scientific, technical consultancy and similar	8,975	305	479,263	6,207,700	-	10,000
Public administration and defence; Obligatory social security	-	-	838,729	222,775,076	12,344,869	-
Human health and social support	115,821	1,737	-	-	-	-
Mortgages	5,365,824	-	-	-	-	-
Loans to private individuals	17,587,569	154,995	583,171	-	-	38,937
Other	1,552,251	1,973	574,236	1,077,966	-	-
	159,680,103	**349,313**	**13,336,285**	**521,399,200**	**17,715,919**	**857,644**

2010						
	Loans to clients		Financial Assets at fair value through the income statement	Financial assets available for sale		Guarantees and sureties provided
	Gross value	Provision	Gross value	Gross value	Provision	
Agriculture, silviculture and fisheries	27,441	412	-	-	-	-
Mining industries	-	-	533,338	-	-	-
Manufacturing industries	884,755	1,895	603,335	7,944,547	-	-
Electricity, gas, steam, hot and cold water and cold air	-	-	194,003	29,697,440	5,065,586	-
Construction	256,195	13,443	140,762	-	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	198,430	1,978	9,356	3,528,011	-	-
Transports and storage	12,055	92	1,953,904	11,856,517	-	-
Financial activity and insurance	73,366	-	3,657,894	432,186,008	1,058,487	654,500
Real estate	5,376,085	650	-	-	-	-
Scientific, technical consultancy and similar	2,285,982	1,300	761,141	6,003,600	-	70,825
Public administration and defence; Obligatory social security	-	-	537,325	209,202,879	-	-
Human health and social support	134,750	1,784	-	-	-	-
Mortgages	4,572,178	-	-	-	-	-
Loans to private individuals	28,806,440	158,966	499,094	-	-	-
Other	86,247	729	-	-	-	-
	42,713,924	**181,249**	**8,890,152**	**700,419,002**	**6,124,073**	**725,325**

Operational risk

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

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

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

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

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

Capital and solvency ratio management

Equity Funds for the years ended 31 December 2011 and 2010 are presented as follows:

		2011	2010
A - Equity Funds			
Ordinary paid-up capital, issue premiums and treasury stock		103,897,961	96,849,476
Results and reserves formed from retained earnings		47,968,877	28,848,342
Contributions to pension funds still not entered as costs		(1,928,940)	(2,280,296)
Revaluation differences of other assets available for sale		(3,070,552)	260,093
Intangible assets		(534,862)	(887,422)
Equity Funds to determine the Ratio Core Tier I	(A1)	146,332,484	122,790,193
Core Tier I Capital	(A2)	146,332,484	122,790,193
Supplementary Equity Capital (Tier II)	(A3)	177,925	387,174
Eligible Equity Funds	(A4)	146,510,409	123,177,367
B- Equivalent-Risk Assets			
Calculated in accordance with Notification 5/2007 (Banking Portfolio risks)		363,302,438	254,595,300
Calculated in accordance with Notification 8/2007 (Trading Portfolio risks)		9,237,275	13,325,975
Calculated in accordance with Notification 9/2007 (Operating Risk)		77,609,038	71,613,613
Total Equivalent-Risk Assets	(B)	450,148,750	339,534,888
C- Prudential Ratios			
Ratio Core Tier 1	(A1/B)	32.5%	36.2%
Ratio Tier 1	(A2/B)	32.5%	36.2%
Solvency ratio	(A4/B)	32.5%	36.3%

The movement in Equity Funds for the years ended 31 December 2011 and 2010 is presented as follows:

	2011	2010
Opening Balance	**123,177,367**	**106,451,029**
Ordinary paid-up capital, issue premiums and treasury stock	7,048,485	826,344
Results and reserves formed from retained earnings	19,120,535	5,597,786
Contributions to pension funds still not entered as costs	351,356	351,356
Revaluation differences of other assets available for sale	(3,330,645)	455,780
Intangible assets	352,560	(283,246)
Deductions from core equity	-	9,391,144
Supplementary Equity Funds	(209,249)	387,174
Closing Balance	**146,510,409**	**123,177,367**

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, whether founded or not, by the different stakeholders, the press or by public opinion in general, BiG has conceived stress tests which measured the existence of negative news relating to the Bank, with consequences in terms of the partial or total withdrawal of deposits by clients on the same day or within the period of one week, taking into account the interest which might arise from these withdrawals.

Correlation Risk

The different types of risk, liquidity, credit, reputation, counterparty, market concentration, interest rate, market, etc, are correlated between each other. This correlation may be 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 liquidity risk for the institution with regard to its immediate liabilities.

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

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

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

Scenario 1 - 33% of clients want to withdraw their Demand Deposits in a period of one week
Liquidity available in the period of one week: 79,436,208 Euros.
Liabilities: 56,258,828 Euros.
In this scenario, it would not be necessary to sell assets; given market conditions, in the event of this scenario the Bank would have a potential loss of 28,413,705 Euros.

Scenario 2 - 50% of clients want to withdraw their Demand Deposits in the period of one week
Liquidity available in the period of one week: 79,436,208 Euros.
Liabilities: 84,388,241 Euros.
It would be necessary to sell assets for a total amount of 4,952,033 Euros. In these theoretical market conditions, the Bank would have a maximum loss of 28,413,705 Euros.

Scenario 3 - 50% of clients want to withdraw their Demand Deposits and Term Deposits in the period of one month
Liquidity available in the period of one month: 79,436,208 Euros.
Liabilities: 210,376,512 Euros.
It would be necessary to sell assets, for a total amount of 130,940,304 Euros. In this scenario, taking the market conditions into account, the Bank would have a maximum loss of 28,413,705 Euros.

Liquidity risk versus Reputation Risk versus Credit risk:
(Armaggedon Stress Test Debt)
The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2011, the impact of which is described below.

Scenario 1 - 33% of clients want to withdraw their Demand Deposits in a period of one week
Liquidity available in the period of one week: 79,436,208 Euros.
Liabilities: 56,258,828 Euros.
It would not be necessary to sell assets; however, given market conditions, in this scenario the Bank would have a potential loss of 38,285,775 Euros.

Scenario 2 - 50% of clients want to withdraw their Demand Deposits in a period of one week
Liquidity available in the period of one week: 79,436,208 Euros.
Liabilities: 84,388,241 Euros.
It would be necessary to sell assets, for a total amount of 4,952,033 Euros. Given market conditions, in this scenario the Bank would have a maximum loss of 38,285,775 Euros.

Scenario 3 - 50% of clients want to withdraw their Demand Deposits and Term Deposits in a period of one month
Liquidity available in the period of one month: 79,436,208 Euros.
Liabilities: 210,376,512 Euros.
It would be necessary to sell assets, in a total amount of 130,940,304 Euros. In this scenario the Bank would have a maximum loss of 38,285,775 Euros.

NOTE 39
ACCOUNTING STANDARDS RECENTLY ISSUED

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

In the preparation of the consolidated financial statements referring to 31 December 2011, the Group adopted the following accounting standards and interpretations the application of which is mandatory as of 1 January 2011:

IFRS 7 - Financial Instruments: Disclosures – Transfers of Financial Assets

The IASB issued IFRS 7 - Financial Instruments: Disclosures – Transfers of Financial Assets in October of 2010, the application of which is mandatory for years starting as from 1 July 2011, although it could be adopted before this date. The objective of the changes required to the disclosures on transactions that involve the transfer of financial assets, namely securitizations of financial assets, is that the users of financial statements can assess the risk and impacts associated to these operations with regard to the financial statements.

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

Annual Improvement Project

In May 2010, the IASB published the Annual Improvement Project which made 11 alterations to 7 standards. The date of effect of the changes, the possibility of early adoption and requirements for application in the transition are defined in each standard. Most of the alterations are mandatory as of 1 January 2011.

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

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

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

***IFRS* 9 - Financial instruments**

In November of 2009 the International Accounting Standards Board (IASB) issued IFRS 9 - Financial instruments Part I: Classification and measurement, the application of which is mandatory for years beginning as of 1 January 2013, although it could be adopted before this. This standard suffered some alterations in October 2010. IFRS 9 was not yet adopted by the European Union. This standard is part of the first stage of the IASB's global project to replace the IAS 39 and deals with the topics of the classification and measurement of financial assets. The main aspects considered are the following:

- The financial assets will be classified into two categories: at amortised cost or at fair value. This decision will be made at the time of the initial recognition of the financial assets. Their classification depends on how an entity presents these financial assets in the business management model and the contractual characteristics of the financial fluxes associated to each financial asset;
- Only debt instruments, the contracted financial flows of which represent only capital and interest, may be measured at amortised cost, or rather, that contain only basic characteristics of debt, and the entity, in the business management model, holds these financial assets with the objective of obtaining only the respective financial flows. All other debt instruments are recognised at fair value;
- Capital instruments issued by third party entities are recognised at fair value with subsequent variations being entered in the income statement of the year. However, an entity may irrevocably choose capital instruments for which variations in fair value and capital gains or losses realised are recognised in reserves. Gains and losses thus recognised may not be recycled in the results of the year. This decision is discretionary and does not imply that all capital instruments are to be treated like this. Dividends received are recognised in the income statement of the year;
- All capital instruments will have to be measured at fair value, there no longer being the possibility established by the IAS 39 of keeping these securities at their acquisition cost in situations in which they cannot be reliably measured;

- Alterations to fair value attributable to the credit risk referring to financial liabilities at fair value through the income statement (fair value option) will be recognised directly in Other comprehensive income. Other variations in fair value associated to these financial liabilities will be recognised in the income statement. Amounts entered in equity will not subsequently be transferred to results.

The Group is assessing the impact of the adoption of this standard.

IFRS 10 - Consolidated financial statements

In May 2011, the IASB issued IFRS 10 - Consolidated financial statements, the application of which is mandatory for years beginning as of 1 January 2013, although it could be adopted before this. This standard introduces a fresh focus on the determination of the investments that should be consolidated (purchase method), replacing IAS 27 - Consolidated and individual financial statements and SIC 12 – Consolidation of SPE. As such, it presents a new definition of control and the requirements for its application. An investor has control over a sub-company when he is exposed, or has the right, to variable returns arising from his involvement in that sub-company and has the capacity to influence these returns due to his control over the sub-company.

Two main objectives were included in this standard:

- Introduction of a single model of consolidation for all types of entities, ensuring that an entity consolidates all of the entities that it controls;
- Introduction of broader disclosure requirements, namely on the investments that an entity does not consolidate.

The Group is assessing the impact of the adoption of this standard.

IFRS 11 - Joint Arrangements

In May 2011, the IASB issued IFRS 11 - Joint Arrangements, the application of which is mandatory for years beginning as of 1 January 2013, although it could be adopted before this. This standard replaces the previous standard IAS 31, maintaining the same definition of a joint arrangement. However, two new categories of joint arrangements were introduced: 1) Joint operations: and 2) Joint ventures.

The main alterations introduced by this standard were:

- The structure of the joint arrangements ceased to be the critical factor for determining the accounting model to be used. The classification of a joint arrangement requires the identification and assessment of the structure, legal form, of the contractual agreement and of other facts and circumstances;
- Introduction of the obligation to apply the equity pick-up method to a joint venture, thereby eliminating the option of consolidation by the proportional method.

The Group is assessing the impact of the adoption of this standard.

IFRS 12 - Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 - Disclosure of Interests in Other Entities, the application of which is mandatory for years beginning as of 1 January 2013, although it could be adopted before this. This requires more detailed disclosure of involvement with entities that consolidate (subsidiary companies) and those that do not consolidate, namely:

- The nature and risks associated to the interests in other entities, and
- The effects of these interests with regard to the financial situation, results of operations and cash flows in the reporting entity.

The Group is assessing the impact of the adoption of this standard.

IFRS 13 - Fair value measurement

In May 2011, the International Accounting Standards Board (IASB) issued IFRS 13 – Fair value measurement, the application of which is mandatory for years beginning as of 1 January 2013, although it could be adopted before this. This standard presents a revised concept of fair value as well as new information requirements.

The adoption of this standard is not expected to have any significant impact on the Group.

***IAS* 27 - Individual financial statements**

In May 2011, the IASB issued IAS 27 - Individual financial statements, the application of which is mandatory for years beginning as of 1 January 2013, although it could be adopted before this. This standard IAS 27 (2011) does not introduce alterations concerning the requirements for the application of IAS 27 with regard to individual financial statements, but merely clarifies: 1) that an entity that prepares individual financial statements will have to follow all of the relevant standards of the IFRS, and 2) disclosure requirements.

The adoption of this standard is not expected to have any significant impact on the Group.

IAS 28 - Investments in associate companies and joint ventures

In May 2011, the IASB issued IAS 28 - Investments in associate companies and joint ventures, the application of which is mandatory for years beginning as of 1 January 2013, although it could be adopted before this. This standard replaced IAS 28 (2003) and describes the accounting procedures to be adopted by those making investments in associate companies and in joint ventures, thereby defining the accounting requirements for the application of the equity pick-up method, both for associate companies and joint ventures.

IFRS 11 determines the type of joint arrangement in which an entity is involved, and once it is determined that there is an interest in a joint venture, an entity applies the equity pick-up method in the consolidated accounts pursuant to IAS 28 (revised in 2011), except if the exceptions allowed for in that standard were applied.

IFRS 12 describes the information disclosure requirements.

The adoption of this standard is not expected to have any significant impact on the Group.

***IFRS 7* (Revised) - Disclosure - Offsetting of financial assets and liabilities**

In May 2011, the IASB issued an alteration to IFRS 7 - Disclosure - Offsetting of financial assets and liabilities, the application of which is mandatory for years beginning as of 1 January 2013, although it could be adopted before this.

This standard altered the information disclosure requirements so that users of financial statements can assess the effect or potential effect of the presentation net of financial assets and liabilities in the financial situation of an entity.

The Group is assessing the impact of the adoption of this changed standard.

IAS 32 (Revised) - Offsetting of financial assets and liabilities

In May 2011, the IASB issued the alteration IAS 32 - Offsetting of financial assets and liabilities, the application of which is mandatory for years beginning as of 1 January 2014, although it could be adopted before this. This alteration replaced paragraph AG38 of IAS 32 with the new paragraphs AG38A-AG38F, relating to the conditions required in order to make the presentation net of financial assets and liabilities in the financial situation of an entity:

- the criterion that an entity has the legal right to settle for the net value of the recognised amounts, and
- the criterion that an entity has the intention to settle the amounts at their net value or to realise the assets and settle the liabilities at the same time.

The Group is assessing the impact of the adoption of this standard.

NOTE 40
SUBSEQUENT EVENTS

The Group participated voluntarily in the exchange offer that the Greek government implemented in March 2012. In this regard the position in sovereign bonds of Greece, stated at a net book value of 8,190,000 Euros on that date, was exchanged for a set of bonds with the following nominal values: 4,536,965 Euros in short-term AAA bonds of the EFSF - European Financial Stability Facility, 7,371,000 Euros in new long-term sovereign bonds of Greece and 7,371,000 Euros in Warrants on the growth in GDP in Greece.

In 2011 the Group recorded an impairment in Greek public debt of 12,344,869 Euros, as mentioned in Note 19. In accordance with the policy followed by the Group, the new bonds resulting from the exchange offer were entered at market value in Financial assets available for sale.

SUPERVISORY BOARDS

General Shareholders' Assembly

President
José António de Melo Pinto Ribeiro

Secretary
João Manuel de Jesus Rufino

Board of Directors

Chairman and Chief Executive Officer
Carlos Adolfo Coelho Figueiredo Rodrigues

Vice Chairman and Chief Operative Officer
Nicholas Leo Racich

Executive Directors
Mário João Abreu Galhardo Bolota
Diogo Batista Russo Pereira da Cunha
Paulo José Caramelo de Figueiredo
Ricardo Dias Carneiro e Gomes de Pinho

Fiscal Board

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

Effective Portuguese Statutory Auditor

KPMG & Associados, SROC, S.A., represented by
Inês Maria Bastos Viegas Clare Neves Girão de Almeida

Alternate Portuguese Statutory Auditor

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