ANNUAL REPORT 2014

BiG

BANCO DE INVESTIMENTO GLOBAL

T.1

(Euro)

Consolidated (Audited)	2014	2013	2012	2011
Net Interest Margin	25,138,497	25,747,469	18,734,087	19,783,187
Net Commissions and Fees	11,442,574	6,533,123	6,789,808	9,002,029
Treasury and Capital Markets	132,807,026	93,041,699	54,831,796	4,105,924
Other Income	-13,260	-300,079	-28,178	285,387
Operating Income	**169,374,836**	**125,022,212**	**80,327,513**	**33,176,527**
Personnel Expenses	-24,124,063	-22,356,755	-14,840,651	-8,837,318
Other Administrative Costs	-9,276,997	-7,689,711	-6,130,922	-5,568,518
Operating Expenses	**-33,401,060**	**-30,046,465**	**-20,971,573**	**-14,405,836**
Operating Cash Flow	**135,973,776**	**94,975,747**	**59,355,940**	**18,770,691**
Amortizations	-1,028,013	-1,134,696	-1,314,991	-1,495,072
Provisions	-10,255,955	-1,871,061	-2,892,714	150,258
Imparities	-209,465	-194,948	-6,294,411	-13,986,727
Operating Results	**124,480,343**	**91,775,043**	**48,853,825**	**3,439,150**
Results of Subsidiaries	175,774	163,306	23,371	87,565
Profit Before Income Tax	**124,656,117**	**91,938,350**	**48,877,195**	**3,526,715**
Current Income Tax	-41,849,894	-33,218,522	-16,385,895	-909,833
Deferred Tax	-277,027	-92,067	26,581	-111,287
Net Income	**82,529,196**	**58,627,761**	**32,517,881**	**2,505,595**

Individual	2014	2013	2012	2011
Net Income	**82,340,760**	**58,459,256**	**32,486,385**	**2,464,443**

Selected Indicators	2014	2013	2012	2011
Total Net Assets	1,444,516,643	1,214,430,252	1,024,615,750	828,983,481
Shareholder Funds	261,369,251	207,192,600	170,724,119	67,234,341
Own Funds	261,299,610	202,589,699	161,869,909	146,510,409
Client Deposits	804,736,461	683,717,291	543,830,163	440,567,939
Non-Performing Loans / Total Loans	0.1%	0.1%	0.1%	0.2%
Loans / Client Deposits	16.9%	28.8%	35.4%	36.2%
Loans / Total Net Assets	9.4%	16.2%	18.8%	19.2%
Assets Under Supervision *	2,546,898,558	2,159,665,428	1,499,588,173	1,086,084,393

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

Profitability	2014	2013	2012	2011
Return on Average Assets (ROA)	6.2%	5.2%	3.5%	0.3%
Return on Average Equity (ROE)	35.2%	31.0%	27.3%	2.9%
Operating Income / Average Net Assets	12.7%	11.2%	8.7%	3.8%

Solvency	2014	2013	2012	2011
TIER 1	35.1%	32.7%	31.9%	32.5%
Risk-Adjusted Capital Ratio	35.1%	32.9%	32.0%	32.5%

Efficiency	2014	2013	2012	2011
Net Interest Income / Earning Assets	1.8%	2.2%	1.9%	2.6%
Operating Expense / Operating Income	20.3%	24.9%	27.7%	47.9%
Personnel Expense / Operating Income	14.2%	17.9%	18.5%	26.6%

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OVERVIEW 2014

The Bank

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

The Bank, which was founded by a group of private shareholders and an experienced management team, began operations on March 1, 1999. The capital is relatively dispersed and privately held by a number of mainly domestic individual and institutional investors (see *Shareholder Base* in this section and Note 34). In its core client activity, BiG serves both individual and corporate/institutional client segments. For individuals, the Bank provides savings, brokerage, custody, wealth management and general banking and payment services. For corporate and institutional clients, services include market risk management, treasury, brokerage, custody, and corporate advisory services, including debt and equity finance. The Bank's treasury and capital markets area concentrates on liquidity and balance sheet management. This area is also central to our culture of managing market-related and credit risks.

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

The Bank generates all of its revenues in Portugal. However, the associated country risks, as well as the mix of earning assets and their geographic concentration may vary over time, depending on market conditions and business opportunities. The Bank interacts with clients through a number of integrated channels: Retail clients are served by the online investment platform, www.big.pt, and financial advisors located in 15 offices in key central and regional locations, while sales and product teams based in Lisbon and Porto work with corporate and institutional clients.

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

The Bank's activities are regulated by three entities:

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

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

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

Summary of 2014 Results

The Bank generated consolidated net income of € 82.5 million for 2014*, compared with € 58.6 million for 2013, and € 32.5 million for 2012.*

Earnings per share (EPS) were € 0.79 for 2014*, versus € 0.57 for 2013, and € 0.32 for 2012.*

Return on Average Equity (ROE) for 2014 was 35.2%*, compared to 31.0% for 2013, and 27.3% for 2012.*

The Book Value (BV) of BiG's common stock increased 26% in 2014 to € 2.51 per share*, compared with € 1.99 per share at year-end 2013, and € 1.56 for 2012. During the year, the Bank did not issue new stock. Minor fluctuations in treasury stock year on year were associated with the movements to support approved stock option programs for employees.*

BiG's Core Tier 1 ratio at 31/12/14 was 35.1%, *compared to 32.7% at year-end 2013, and 31.9% at year-end 2012.*

The Bank's Net Operating Revenues for 2014 were € 169.4 million*, or 35.5% higher than in 2013 (€ 125.0 million) and more than double the total generated in 2012 (€ 80.3 million).*

The results reflect significantly higher revenues from investing and treasury activities, a 75% rise in net commissions, and a slight decline in net interest margin (-2%). Non-interest revenues, which form the core of the Bank's specialized investment banking business, represented 85.2% of overall net operating income in 2014, compared to 79.4% in 2013. Net interest income was 14.8% of total revenues for 2014 and 20.6% in 2013.

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

For 2014, substantially all of the Bank's revenues were generated in Portugal. The breakdown of revenues based on the location of a given credit risk reflected the Bank's perspective on interest rates and credit quality in Europe and the U.S., where the majority of the issuers of the Bank's earning assets were domiciled. As most of the asset side of Balance Sheet focuses on high quality, liquid securities in the available for sale portfolio, as opposed to illiquid lending activities, credit risks and concentrations are actively managed in the light of overall market conditions and investor sentiment with respect to interest rates.

A key to our analysis of credit concentrations and earnings opportunities is the progress of the Portuguese, European

T.2 (Euro 000)

Summary of Results	2014	2013	Var %	2012
Total Net Revenue	169,375	125,022	35.5%	80,328
Non Interest Expense	-44,894	-33,247	35.0%	-31,474
Taxes	-42,127	-33,311	26.5%	-16,359
Net Income	82,529	58,628	40.8%	32,518
Shareholders Funds	261,369	207,193	21.4%	170,724
Own Funds	261,300	202,590	25.2%	161,870
Total Net Assets	1,444,517	1,214,430	18.5%	1,024,616
Loans	136,162	196,919	2.2%	192,674
Deposits	804,736	683,717	25.7%	543,830
TIER 1, risk-adjusted	35.1%	32.7%	2.5%	31.9%
Risk-Adjusted Capital Ratio	35.1%	32.9%	2.8%	32.0%

and other major economies in dealing with the effects of a long period of economic recession. On average during 2014, less than 50% of the Bank's exposure involved Portuguese country risk. The majority represented other European and U.S. country risk exposure. As a result, events in Europe and globally also influenced the Bank's key financial indicators.

The accumulation of debt worldwide, which triggered the financial crisis of 2008 and which has destabilized markets for the past six years, will continue to define the creditor-debtor relationship underlying global markets for some time. In managing during this period of instability and uncertainty, Management believes that the Bank's business model and views of the risks we face continue to show resilience and fundamental soundness. The Bank's performance in 2014 was a result of a combination of factors:

Financial Metrics

- A higher average level of quality, liquid earning assets in relation to 2013;
- Rising asset prices as global interest rates gradually declined during the year;
- Lower costs of funding and improved market liquidity;
- Healthy growth in client volumes in savings and investment instruments;
- Sound credit quality and internal controls and the continued, effective absence of credit-related losses.

Strategic factors:

- Management's ability to focus on moving the business forward, as opposed to having to manage legacy, non-performing assets and deficient models;
- Policies of financial discipline, accounting transparency, and low gearing of the balance sheet;
- Management's structural view on maintaining asset quality, high levels of liquidity and capital, controls over risks and overall operational efficiency, regardless of market conditions or economic trends.

Key Income Statement Items

Net Revenues for 2014 featured substantially higher Non-interest-related income, which is the core of the Bank's business. The increase more than offset a slight decline in Net Interest Margin. Revenues from the Bank's Treasury and Capital Markets were strong, as were fees and commissions from client trading and investing. Operating costs rose as well, but at a lower rate than for that of net revenues. Impairities and credit-related losses were close to zero. The Bank's tax bill rose 26% on higher pre-tax income, slightly lower marginal rates, as well as the maintenance of special taxes levied on the banking sector in Portugal.

Net-interest margin. This category contributed € 25.1 million to net revenues for 2014, as compared with € 25.7 million for 2013. The decline of 2% year on year was the result of yields on earnings assets declining faster than the re-pricing of mainly client-related liabilities, and in spite of a higher average level of the available for sale portfolio. The cost associated with the Bank's deposit base, which rose to € 804.7 million by 31 December 2014, declined in absolute terms. Client deposits, which are mainly retail, grew 18%. Overall, funding costs from all sources were stable despite growth of 19% in the balance sheet. Contributing to the stable funding costs were attractive rates from wholesale sources and funding, such as market repos from major players, as well as the ECB and EUREX Repo, along with higher levels of capital funds.

Commissions. Net commissions from brokerage, retail services, asset management and advisory activities advanced 75%, to € 11.4 million, from € 6.5 million for the prior year. Gross commissions, prior to considering commissions paid to third parties, were € 18.1 million for 2014 versus € 8.1 million for 2013. This growth derived from substantially higher revenues in the brokerage and asset management businesses for both retail and wholesale clients, and higher commissions from banking services. A larger client base and a gradual rise in the risk appetite of clients looking to offset declining rates on bank deposits with alternative investments contributed to the rise in activity. Fees and commissions from corporate and institutional clients also increased as the result of equity and advisory-related transactions.

Treasury and Capital Markets. Investing and credit activities associated with client trading, market making, and the revenues generated by managing the Bank's available for sale portfolio of fixed income securities, as well as income from other investments in other credit products, rose 46% net of hedging related costs, and contributed € 132.8 million to total net operating revenues in 2014. This figure compared to € 91.2 million in 2013. Approximately 88% of revenues in this category were realized gains associated with a diversified portfolio of fixed income securities involving a variety of liquid asset classes and a diversified profile of country risks. In managing the credit and securities portfolios in a challenging operating environment, the Bank's priorities were the maintenance of high levels of liquidity in its inventory of earning assets and intense focus on their overall quality. As these are core priorities, Management expects this trend to continue. Results in 2014 reflect a general rise in asset prices in major markets and most categories of risk and the beginning of a gradual shift in investor sentiment in favor of taking higher risks for lower returns, after several years of risk aversion.

Operating Expenses. Management seeks to build as much flexibility as possible into the expense base in order to ensure some correlation with a rises or falls in revenues in a given year. This is managed within reasonable bounds for a growing institution, and considers the need to continue investing, as well as the relative inflexibility of the labor and tax environment. For 2014, a year in which Net Operating Revenues grew by nearly 36%, total expenses, excluding taxation, rose 13% to € 34 million. Compensation expenses rose by 8% to € 24.1 million, General Administration Expenses grew by 21% to € 9.2 million and amortizations declined by 10% to just over € 1.0 million. Compensation expense always represents the highest single expense category of BiG's specialized investment banking model, and reflects both the increase in staff and the component of variable, performance related pay. *On a relative basis - that is, as a percentage of Operating Revenues - compensation expense fell to 14.2% in 2014*, compared with 17.9% of the total in 2013, and 18.9% in 2012. Overall, transformation costs/operating revenues declined to 20.7%, as compared to 24.6% in 2013 and 28.2% in 2012. Also known as the Bank's "efficiency ratio," a declining ratio means that Management is using a lower or controlled cost base to generate higher operating revenues. Meanwhile, Net Provisions rose to € 10.3 million and include amounts set aside for general banking risks.

Pre-tax income and taxation. Pre-tax income for 2014 was € 124.7 million, as compared to € 91.9 million in 2013 and €48.5 million in 2012. Current and deferred taxes for 2014 were € 42.1 million, versus € 33.7 million in 2013 and € 16.4 million in 2012. Over the past several years, on average, the Bank's effective tax rate has risen as a result of deteriorating economic conditions in Portugal and emergency measures by the Government to correct fiscal imbalances through new taxation, including that specific to the banking sector. For 2014, taxation represented 33.8% of pre-tax income, a decline in relation to the 36.7% effective rate applied in 2013. For reference, effective tax rates in prior years were as follow: 33.7% in 2012; 29% in 2011; 22.7% in 2010, and 16.8% in 2009.

Key Balance Sheet Items

Total Net Assets at 31 December 2014 rose 19% to above € 1.4 billion. The Bank's main earning assets were actively managed in order to maximize liquidity and control concentrations of risks. They represented, for the most part, a diversified available for sale portfolio (AFS), comprising mainly liquid, fixed income securities, which stood at about € 1.1 billion, or 25% higher at year-end 2013. Loans to clients declined 31% on lower demand and the amortization or sale of a portion of the Bank's residential mortgage backed securities portfolio (RMBS), classified as credit to clients. As a percentage of Net Assets, Loans represented 9.4%, as compared to 16% at the end of 2013, and 19% at the end of 2012. The percentage of loans/client deposits at 31/21/14: 16.9%, versus 29% at 31/12/13 and 35% at 31/12/12, is an indicator of the Bank's high levels of structural liquidity. Excluding certain asset backed securities classified as loans in accordance with IAS 39, client loans as a percentage of client deposits were 2.5% at year-end 2014, as compared with 3.7% at 31/12/13, and 4.5% at 31/12/12. This reflects the relative lack of emphasis on commercial and consumer-related lending in the Bank's business model, and what we believe to be in an already over-indebted economy. The ratio of non-performing loans/Total Loans was 0.1% at 31/12/14, or unchanged in relation to the same date in 2013 and 2012.

The Bank's main sources of funding are: (i) retail client deposits, (ii) sales/repurchase agreements executed with market counterparties, among which are global financial institutions, (iii) sale/repurchase transactions with the ECB (under LTRO facilities) and EUREX Repo platform for generally shorter tenors, and (iv) shareholders' funds. The Bank does not issue long-term debt. At 31/12/14, client deposits were € 804.7 million, an increase of 18% relative to the same date in 2013. Deposits taken from the ECB, net of deposits placed with the ECB, rose modestly at year end and, given the business model, nature of the balance sheet and available alternatives, should trend gradually downward (see *Planning for Funding and Capital*). Common stock was unchanged for the year at 104 million shares issued, with a nominal value of one euro each. Shareholder funds rose to € 261.4 million, exclusively because of higher current earnings, net of dividends paid.

Business Environment in 2014

Overview

The past year was eventful and characterized by uneven economic performance of the major economic blocs across the globe. The individual capabilities of different economic models to deleverage, service debt, increase efficiency and deal with legacy problems has been at the source of uncertainty and market volatility for some time. The results suggest so far that markets have not fully recovered yet from the effects of the financial crisis of 2008 and the subsequent Great Recession.

In 2014, the struggle by European policy makers to find a solution to low growth and the threat of deflation contrasted with the beginning of a robust recovery in the U.S. market, the rapid decline of key emerging market economies and the effect of certain country-specific issues. Globally, falling oil prices driven by the growth of US-sourced oil and geo-political issues have created huge challenges for highly dependent exporters of that commodity, from Russia to the Middle East to Africa. Economic weakness in Europe, a strong dollar and resurgent U.S. economy have highlighted the differences in economic models and have created what might be called a "gap in optimism" in the two main Western blocs. By year-end, China showed signs of slowing, Japan continued to struggle and emerging countries saw their currencies fall on negative prospects for growth. While the economies of the USA and Europe are at different stages of economic recovery, as are different economies within the Eurozone, monetary policy in both blocs has focused on stimulating growth with effective or planned asset purchases and the maintenance of historically low levels of interest rates. At year-end 2014, the divergence in models was evident in the decision by the FED to end its aggressive, and relatively successful, programs of quantitative easing, while the ECB continued to ponder whether to implement a comparatively modest program for Europe under political pressure from Germany to slow any aggressive moves. Moreover, Europe finds itself concerned about deflation at a time when the FED is expected to raise rates for the first time in years during 2015.

In Portugal, the country's carefully planned exit from the Economic Adjustment Program, in May of 2014, was quickly overshadowed by the collapse of the Grupo Espirito Santo in July, the unprecedented resolution of Banco Espirito Santo and simultaneous creation of Novo Banco in early August.

The market events most directly associated with the Bank's performance and prospects during 2014 had to do with the global interest rate environment on the one hand, and the competitive opportunities, challenges, and risks associated with the fall of the heavily-indebted Espirito Santo "empire", on the other. The first event is fundamental to our business model, the management of the balance sheet and our business with clients, and is a key to creating value for our shareholders. The second occurred when the banking sector, while stabilizing and beginning the process of recapitalization, mainly from public sources, remains weak and vulnerable. In general, the Bank weathered both events reasonably well. On a detailed level, our response to business opportunities, regulatory, tax, labor, social, and competitive issues, are discussed in this section and throughout the Management Report.

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

The level of the Bank's Net Assets was just 5.5 times Shareholder Funds at 31/12/14, or slightly lower than at 31/12/13, and substantially below that of most competitors; the Bank's simple leverage ratio was 18% at year-end 2014;

BiG's Core Tier 1 ratio at 31/12/14 was 35.1% and has exceeded 30% for the past 15 years in a row;

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

The Bank's business model is not credit-intensive; it is geared toward sustainable growth in a controlled environment, based on growth in retained earnings and careful capital management;

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

The Bank has never requested nor required assistance from the State at any time to cover its funding or capital needs in the form of guarantees, convertible bonds or capital.

Macroeconomic Indicators and Economic Trends

Global

According to the IMF, the rate of global economic growth was relatively stable during 2014, rising by 3.3% relative to the prior year. In the Eurozone, there was a moderate pick up of 0.8% versus -0.4% for 2013. The US economy registered a rate of growth of 2.2%, while other economic blocs began to cool relative to prior years: Asia advanced 4.7% and Latin America slowed to 1.3% for the year. These declines were the result of structural imbalances and the end of a supercycle for commodities, which had been the basis for significant growth in the emerging world since the middle of the last decade.

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Macroeconomic Indicators (%)		GDP			GDP	
	2013	2014	2015E	2013	2014	2015E
United States	2.2	2.2	3.1	1.5	2.0	2.1
Euro Zone	-0.4	0.8	1.3	1.3	0.5	0.9
Portugal	-1.4	1.0	1.5	0.4	0.0	1.1
Middle East & North Africa	2.3	2.6	3.8	9.2	7.5	8.0
Asia	5.2	4.7	5.4	4.6	4.6	5.0
Japan	1.5	0.9	0.8	0.4	2.7	2.0
south America	2.7	1.3	2.2	7.1	n.a.	n.a.
World	**3.3**	**3.3**	**3.8**	**3.9**	**3.8**	**3.9**

In Europe the rate of economic growth was insufficient for the continent to offset the risks still present from the sovereign risk crisis of recent years. Public sector indebtedness remained at exceptionally high levels and the emergence of growing deflationary risks – confirmed somewhat by negative CPI growth (-0.2%) for the Eurozone in December 2014 – led to broader action by the ECB to promote confidence in the financial system and to try to reduce the signals of some fragmentation at the heart of the Eurozone. Specific measures by the ECB included: (i) a reduction in the reference rate to 0.05%, (ii) a reduction in the ECB's deposits taken rate to -0.20%, (iii) a new program to support lending to the corporate sector (TLTRO – *Targeted Long Term Repo Operations*), and (iv) formalization of an asset purchase program, focusing on such asset classes as covered bonds and asset backed securities, at a monthly rate of approximately € 10 billion per month. In macro terms, and highlighting the varying speeds of the different economies, 2014 saw a relative slowdown of the core Eurozone economies, while the peripheral economies began to turn around, having benefitted from recent reforms and correction of certain imbalances at the heart of the sovereign crisis. During 2014, banking union became official, bank stress tests were intensified and the ECB is now the primary regulator of the largest banks in each country of the Eurozone.

In North America, growth accelerated at a healthy rate and unemployment has declined consistently, while wage growth remained low. The FED ended its quantitative easing programs, in place since 2012, without major impact.

Overall, the relatively benign economic background globally, combined with an easing of Eurozone risks led to some important movements in major asset classes: (i) yields on sovereign debt declined to historically low levels and spreads to German benchmark Bunds narrowed significantly; (ii) commodities fell, led by a 50% drop in crude oil; (iii) the deflationary effect of the decline in oil prices contributed to a compression in credit spreads for corporates and other segments; (iv) equity markets had mixed performances, with the US indices rising 10% and Japan by 8%, while in Europe the performances were at breakeven and emerging markets slightly negative, and (v) the Euro declined 11% against the US dollar, as a result of the diverging fortunes of the respective blocs.

Portugal

The past year marked the return of positive economic growth (0.9%) and the conclusion of the three year bailout agreed with the IMF/EU/ECB in 2011. The country's progress, nevertheless, will be reviewed periodically until mid-2017 and beyond, until 75% of the official loans have been repaid. Portugal's positive growth rate benefitted from a 2.1% rebound in private consumption and a favorable performance in exports. Imports also increased; however, and the Government is expected to report a budget deficit of 4% - in line with objectives – with tax receipts expected to generate € 650 million more than budgeted. Inflation was negative 0.3% for 2014, while the percentage of unemployment declined slightly to 13.9%, supported by a combination of: reductions in the labor force, emigration, and Social programs designed to re-instate individuals into the workforce.

Any climate of optimism related to the “departure” of the Troika in May 2014 was reversed in mid-summer with the collapse of the Espírito Santo Group (GES), referred to previously, and intervention of its flagship bank, BES. The solution involved the creation of: (i) a “bad bank”, which inherits the toxic assets, and whose shareholders are the previous owners of BES; (ii) the creation of Novo Banco, to which deposits, loans and other activities related to the bank's normal functioning are transferred; and (iii) the recapitalization of the bank with € 4.9 billion via the Resolution Fund. The new bank's management has as its primary mandate, the successful sale of Novo Banco. The news that Portugal Telecom, whose largest shareholder was BES, was a creditor to GES to the tune of nearly € 900 million, via rapidly defaulting commercial paper obligations, motivated a renegotiation of the terms of the merger underway with Brazil's *Oi* and the departure of the company's management team.

Official prospects for 2015 suggest further growth in exports, some benefit from global macroeconomic events, including a low rate environment and cheaper oil, and possible economic growth of between 1.2% – 1.5%.

Critical Accounting Policies

The Bank's critical accounting policies are discussed in detail in the *Notes to the Consolidated Financial Statements.* Of the policies described, by far the most important for the Bank is the use of *fair value* to measure financial instruments. This is because most of the Bank's earning assets - and therefore, most of the balance sheet - are liquid, fixed and variable income securities, as opposed to less-liquid loans. As a result, most of the balance sheet is “marked to market,” which results in improved accounting transparency, but which also increases the need for financial discipline. When events occur which reduce transparency and/or liquidity in markets, as has been the case on occasion over the past several years, but less so in 2014, this can have a significant impact on how financial securities are valued by the markets and, consequently, on the Bank's financial statements.

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

As a rule, assets *held for trading* purposes are measured at fair value, with variations recognized in the profit and loss statement. Assets *held for sale* are likewise measured at fair value, with re-

spective fluctuations recognized in reserves of the capital account, until such time as an imparity may be recognized. At this point losses registered in reserves are transferred to results. A third category involves assets *held to maturity*. **BiG does not operate with a "*Held to Maturity*" portfolio as defined by IAS. All of the Bank's financial assets that are not classified as loans are held in the first two categories and, as a result, are measured at fair value and reflected as such in the financial statements.**

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

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

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

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

Reclassification: Reclassifications can occur, in exceptional circumstances, as most recently reported in 2010. 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 was not able to hold securities to maturity for a period of two years following the event. While it has been possible, in observance of this accounting rule, for the Bank to hold securities to maturity as from 2013, Management has opted not to do so, and has seen no occasion to digress from a practice of marking to market its inventory of securities, via either trading or available for sale portfolios.

In general during 2014, liquidity was fluid, thus reducing questions of fair valuations, fixed income markets proved generally more optimistic, and the year saw the gradual return of some normalcy in issuance by sovereigns previously constrained by uncertainty about their credit worthiness. The market's view of Portuguese sovereign and corporate risk, as reflected in the availability of liquidity and gradual improvement in credit perspectives, has improved slowly and steadily. Still, at year end, the Portuguese sovereign credit rating, as well as that of most rated banks and corporate issuers, remained below investment grade, with any improvements not expected to occur prior to mid-2015, at the earliest. The number of extraordinary events and periods of unusual volatility proved to be comparatively lower over the past year, with macro issues driving yields globally to historically low levels.

Summary Analysis – Key Metrics

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

Capital and Solvency

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

T.4 (Euro)

Capital	2014	2013	2012	2011
Common stock	104,000,000	104,000,000	104,000,000	104,000,000
Issue premiums	1,362,281	1,362,281	1,362,281	1,362,281
Treasury stock	-152,977	-1,084,393	-1,171,567	-1,323,065
Fair value reserve	-7,284,436	-2,179,900	-1,183,677	-87,279,347
Other reserves and retained earnings	96,514,926	58,946,645	44,559,045	47,968,877
Net profit	82,529,197	58,627,760	32,517,881	2,505,595
Shareholder Funds	261,369,252	207,192,601	170,724,119	67,234,341
Own Funds	261,299,610	202,589,699	161,869,909	146,510,409
TIER 1 ratio	35.1%	32.7%	31.9%	32.5%

For 2014, higher earnings, a conservative but consistent policy on dividends, and relative stability in the value of securities available for sale, which is reflected in the Fair Value Reserve of the capital account, resulted in a 26% rise in Shareholder Funds to € 261.4 million. This total is composed entirely of shareholders' equity, and includes the impact of a partial, anticipated dividend of € 15.6 million paid to shareholders prior to year-end, based on certified results of the Bank for the period ending 30/09/14. The Bank's Regulatory Capital, or "Own Funds", is calculated in accordance with central bank regulations and was € 261.3 million at 31/12/14, up from € 202.1 million at the same date in 2013.

The Bank's Core Tier 1 ratio was 35.1% at year-end 2014, as compared to 32.7% at the prior year-end. This ratio has remained consistently above regulatory minimum levels under the most stressful market conditions over the past 15 years.

In order to ensure prudent use of capital and the maintenance of comfortable reserves, the Bank performs a range of stress tests and certain sensitivity analyses on a daily basis. These include a variety of tests of major balance sheet items, daily controls over thresh-holds established as part of the Bank's Internal Capital Adequacy Assessment Process (ICAAP), and a series of *solvency* stress tests, introduced by Management during the peak of the sovereign debt crisis in 2011 and maintained, with modifications, since that time. These tests are designed to measure the impact on our Core Tier 1 ratio to improbable, but theoretically feasible shifts in market sentiment, which might have a direct effect on the Bank's solvency ratios. Results of stress tests, even though hypothetical, often serve as triggers for Management and business areas to act, either to reduce risk or to diversify concentrations. Examples of some extreme scenarios used by Management at 31/12/14 are shown below and are discussed in further detail in both the RISK MANAGEMENT section of this report and in Note 38. These results assume a combination of two extreme events: (i) sudden drops in the value of certain types of sovereign debt, which (ii) would be required, simultaneously, to be recognized as imparities with corresponding movements in the Fair Value Reserve and the Bank's results.

Scenarios assume theoretical discounts to nominal value for the debt securities of three countries at the center of the sovereign debt crisis, and to which we had exposure during 2014, as shown in table T.5.

T.5

Stress tests Extreme scenarios (December)	Scenario 1	Scenario 2	Scenario 3
Portugal	Negative variations in Fair Value recognized in results	20%	25%
Spain		10%	15%
Italy		12%	17%

T.6

December 2014 - Extreme scenarios - theoretical Tier 1 Ratio	Scenario 1	Scenario 2	Scenario 3
Total Capital Ratio	35.1%	26.7%	23.2%
T1 Capital Ratio	35.1%	26.7%	23.2%

The results of the theoretical impact on the Bank's solvency ratio at year-end December 2014 under each scenario would be, as shown in table T.6.

The stress test scenarios in table T.5 are among the many that are internal to BiG, while still others are performed in accordance with regulatory requirements. Through the Bank's ICAAP, we further analyze how we would manage the Bank's balance sheet during a severe crisis, generate liquidity and/or redeploy equity capital. This assessment incorporates market risk, credit risk and operational risk and, when combined with daily scenario analyses, as described above and in the RISK MANAGMENT section of this report, forms the basis for Management's ongoing evaluation of the Bank's capital adequacy.

Liquidity and Funding

A number of factors – slower growth in the Eurozone, continued austerity, lower investment and demand for credit, along with central bank intervention – have contributed to an environment of declining interest rates and reasonably liquid markets. While less attractive for savers, the environment has provided room for indebted governments, corporates and banks to improve their balance sheets. This, in turn, has begun to provide more confidence to investors, as increases in the volumes in a number of asset classes have been evident. Barring some major shock to expectations and investor confidence, we expect this trend to continue. During 2014, Management actively managed and frequently shifted the concentrations of the Bank's credit portfolio in accordance with our expectations of movements in interest rates and credit quality. The approximately 16% growth in earning assets was funded by an 18% rise in client deposits and an increase of 26% in capital funds.

T.7 (Euro 000)

Liquidity and Funding	2014	2013	2012	2011
Loans / Client Deposits	16.9%	28.8%	35.4%	36.2%
Liquid Earning Assets / Total Net Assets	84.8%	80.4%	76.9%	72.0%
Funding from ECB	180,173	130,315	260,248	238,323
Other sources of Funding	108,264	143,478	6,481	48,896
Client Deposits / Total Liabilites & Capital	55.7%	56.3%	53.1%	53.1%

T.8

(Euro)

	Average values in € 1st trimester 2014	Average values in € 2nd trimester 2014	Average values in € 3rd trimester 2014	Average values in € 4th trimester 2014
ECB - POOL value - Eligible assets - Average Rating BBB (S&P) (includes haircut)(1)	448,262,754	636,942,275	465,288,031	595,540,700
ECB - POOL value - Borrowed	156,666,667	178,333,333	186,666,667	188,333,333
ECB - POOL value - Available	**291,596,088**	**458,608,942**	**278,621,364**	**407,207,367**
EUREX Repo - POOL(2) value	191,336,660	41,868,080	62,015,042	43,545,124
EUREX Repo Borrowed Net: (Borrowed - deposits)	52,666,667	14,000,000	-1,666,667	14,000,000
Eurex Repo - Available	**98,523,335**	**20,729,820**	**49,592,575**	**23,231,401**
Eligible assets available for collateral outside the POOLs	**131,852,611**	**222,404,377**	**134,816,170**	**94,758,028**
Total deposits	722,408,364	759,337,528	764,023,546	817,666,052
Total eligible assets available for collateral	**521,972,033**	**701,743,139**	**463,030,109**	**525,196,796**
Ratio eligible assets as a % of deposits	72%	92%	61%	64%
Eligible assets not available (given as garantee to other counterparties)	6,515,339	6,805,512	15,307,100	54,585,569
Non eligible assets	238,734,938	170,100,721	431,186,564	384,548,241

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

Wholesale funding, essentially short term, collateralized repos with a number of different parties, declined as a percentage of earning assets, for the second year in a row. The Bank's potential, untapped liquidity, based on the capacity to use eligible securities as collateral for further drawdowns, is substantial, with more than a more than 70% eligible assets/deposits ratio. Available liquidity rises on average to more than 100% of deposits when unencumbered, non-eligible assets available for sale and cash are added to unused available amounts of the ECB/EUREX pools, as indicated in the quarterly summary in table T.8.

As In prior years, traditional lending has remained non-strategic, which is a key factor in our business model and fundamental to our management of liquidity, our views on asset quality and the efficient use of capital. Loans to Total Net Assets stood at 9.4% on 31/12/14, as compared to 16% on 31/12/13. The ratio of Loans/Deposits, a key measure of balance sheet liquidity, declined to 16.9% at year-end 2014, versus 28.9% on the same date in 2013.

For 2014, the majority of the Bank's assets are reasonably liquid securities, which are held either as Trading or as Available for Sale (AFS) assets. Nearly all of the Bank's earning assets are marked to market, which means that results are reflected daily in the Profit and Loss account, in the case of trading assets, and in the Fair Value Reserve, in the case of AFS. In volatile markets, this business policy can have an impact on earnings and capital funds. However, Management believes, and recent history has confirmed, that the policy of holding and negotiating securities via its Trading or Available for Sale portfolios provides greater flexibility to manage positions, encourages discipline in position-taking and balance sheet growth, and coincides with the culture of transparency with respect to valuations of all securities. **The combination of: (i) a low concentration of illiquid loans, (ii) reduced overall balance sheet gearing relative to capital and stable funding sources, and (iii) a policy of maintaining a large inventory of unencumbered assets on hand at all times to ensure comfortable levels of liquidity, have been key to managing the Bank's business profitably during the current economic environment in Portugal.**

T.9

(Euro 000)

Earnings	2014	2013	2012	2011
Net Operating Revenues	169,375	125,022	80,328	33,177
Net Operating Expenses (net imparities)	-44,685	-33,052	-25,179	-15,751
Imparities	-209	-195	-6,294	-13,987
Results from Associated Companies	176	163	23	88
Pre-tax Profit	124,656	91,938	48,877	3,527
Taxation	-42,127	-33,311	-16,359	-1,021
Net Profit	82,529	58,628	32,518	2,506

Main sources of funding for 2014 were: (i) retail client deposits, *which rose 18%* year on year to € 804 million, (ii) funding under repurchase agreements with market counterparties, which increased year on year, (ii) secured short term operations with the European Central Bank (ECB), and EUREX Repo, *which declined year on year* and (iii) higher shareholder funds. The Bank does not issue debt securities and, as a result, is not affected by the limited access to international market funding by banks in countries involved in adjustment programs. In the domestic interbank market, the Bank participates to a minor degree as a provider only.

Earnings

Net Revenues for 2014 rose 35.5% to € 169.4 million. Net Income advanced 40.8% to € 82.5 million, versus € 58.6 million for the prior year, and the Bank's average Return on Equity was 35.2% for the year, as compared with 31.0% for 2013.

BiG's performance in 2014 was by far its best since the Bank was founded some 16 years ago. Since the onset of the European sovereign risk crisis, which evolved into a banking crisis, the Bank has continued to grow in a sustained manner and to produce solid results during what has been a challenging period for our competitors in the Portuguese banking system. We believe that this performance is due to a number of factors, which have been a constant theme in our reporting of results over many years. Among the most important are:

(i) Management's focus on the fundamentals of liquidity and capital management, balance sheet flexibility, accounting transparency, and cost and risk control;

(ii) The Bank's disciplined approach to assuming, measuring and managing risks, which has allowed Management to plan for growth and earnings, as opposed to managing legacy problems.

The Bank's net margin declined slightly as a result of a combination of: (i) a policy of containing the size of the balance sheet, in spite of a higher base of funding, (ii) the rapid decline in nominal interest rates in an environment of very low economic growth, and (iii) active management of the banking book, which meant that the Bank substituted interest margin for significantly higher investment gains. The same interest rate environment influenced clients to trade and invest more, which contributed to a significant increase in fees and commissions for the year.

The Bank's Treasury and Capital markets business experienced a nearly 40% growth in net revenues, following strong performances in 2013 and 2012. Opportunities in fixed income, credit products and higher client activity led to net revenues of more than € 131 million in Treasury and Capital Markets, as compared to € 95 million in 2013. On a Business-line basis (see *RESULTS OF OPERATIONS*), the Bank's specialized retail business generated € 17.4 million in net revenues, up 25% from 2013. Gross income from the corporate and institutional client segment also rose significantly because of higher deal flow and revenues from client transactions.

On the expense side, compensation expense and other operating expenses, excluding provisions for general banking risks and imparities, grew 12.6 % when compared to 2013. The main components included fixed pay, variable pay, much of it deferred, higher marketing-related expenses and relatively stable amortization-related charges. The rate of growth of this expense category was substantially below that of net revenues and has been so over the past few years, which has led to significant improvements in the Bank's efficiency metrics. In 2014, **the Bank's efficiency ratio, defined as Operating Expenses/Operating Income, improved to 20.7%, as compared with 24.9% in 2013 and 27.7% for 2012.** For additional details, see *RESULTS OF OPERATIONS FOR BUSINESS SEGMENTS.*

Net provisions were € 10.3 million at 31/12/14, as compared with € 1.9 million for 31/12/13 and € 2.9 million at the same date in 2012. Impairments at year-end were negligible at to € 209 thousand, as compared with € 195 thousand at the end of 2013 and € 6.3 million in 2012. The Bank's provision for taxes rose to € 42.1 million and represented a tax rate of 33.8%, as compared to 36.7% in 2013, 33.7% in 2012, 29% in 2011 and 22.5% in 2010. The level of taxation is the result of higher taxable earnings, combined with emergency taxation imposed by the Government to meet the aggressive budget targets imposed by the troika of external creditors, and which negatively affects the economy at large. In spite of a small decline in the corporate tax rate for 2014, Management expects the rates of direct and indirect taxation to remain at current levels through 2015, at a minimum.

Dividend Policy

The Bank has proposed, and Shareholders have approved, for more than a decade, a policy of building the capital base through retained earnings. Since beginning a fairly uninterrupted practice of paying dividends in 2004, the Bank has retained, on average over the past 10 years, 65% of net income and has paid out approximately 35% in cash dividends. For the 2014 financial year, the proposed dividend is € 0.21 per share, a 17% increase over the € 0.18 per share paid in relation to 2013. This represents an expected dividend payout ratio of 26.4% for 2014 and includes the partial, anticipated dividend of € 0.15 per share paid to shareholders in November 2014, based on certified results covering the period 1 January – 30 September 2014. A recent history of payouts by Bank provided is below. Including the proposed payout for 2014, the Bank has returned some € 79 million to shareholders in the form of cash dividends since 2004.

T.10 (Euro)

Dividends	2014*	2013	2012	2011	2010	2009	2008
Dividend per share	0.210 €	0.180 €	0.150 €	- €	0.0325 €	0.065 €	0.050 €
% Individual Net Income Distributed	26%	32%	48%	0%	15%	46%	61%

* Subject to approval by Shareholders

Competitive Environment

Gradual changes in the competitive environment, underway since the troika-sponsored adjustment program and the changing political and regulatory agendas at the European level began in earnest in 2011, accelerated swiftly with the collapse of the Espírito Santo Group and the intervention/resolution of its flagship bank, Banco Espírito Santo, in August 2014. The use of a recently-created Resolution Fund, funded primarily by debt provided by the State from unused Troika funding and bank financing, along with the details and terms of the eventual sale of the bank's successor, Novo Banco, should have a profound effect on the nature of competition, market shares, profitability and the way banks in general function in Portugal for the foreseeable future.

Since before this event, the Bank's competition in Portugal had been under pressure by regulators and by market forces to de-leverage, re-price risk, re-consider sources of funding and raise capital to meet new benchmarks and pass regulatory stress tests on capital adequacy. Asset Quality Reviews mandated at the EU level and carried out by the local regulator have required a more aggressive recognition of non-performing loans, which in turn has led to further heavy losses by the largest banks during 2013 and 2014. The domestic market has been feeling the effects of banks contracting their balance sheets, which has resulted in generally lower availability of credit and, when available, offered at higher credit spreads. The results of the follow-up stress tests carried out by EBA - European Banking Association, which were made public in 2014, suggest some progress has been made to the capital structures of major banks. However, this progress has not been enough for commercial banks to contemplate any return to pre-crisis levels of business or expansionist strategies. The process is still evolving and is driven by increasing levels of regulation and legislation designed to ensure what is likely to be a reasonably different banking sector in the future. In response to these measures, the adjustment process for some of our competitors has included reductions of personnel, closure of agencies, the exiting or planned divestiture of businesses, changes in management and, more significantly, the obligation to exist with the State as contingent or direct shareholder.

In spite of the long process required to fix the balance sheets of banks most affected by the recession and the accumulation of deficient management practices, not to mention the level of taxpayer funds mobilized for the purpose, the banking market, domestically and internationally, continues to be highly competitive and we expect it to remain so. Portugal remains a somewhat concentrated market, with 5 credit institutions together holding an approximately 70% share of the market. These may be characterized as universal financial institutions, which generally operate traditional business models. Dozens of either domestic or foreign banks, of medium and small size, for the most part specialized, share the rest of market. We face competition in all of our business lines from a large number of domestic and, depending on the line of business, international players. In addition, the Bank has competition from international auditing and consulting firms, whose services overlap ours in areas such as Corporate Advisory. A major competitor for funding has been the State itself, whose "Instituto de Crédito Público" markets savings instruments that compete directly with banks for funding at aggressive, above-market rates.

As the adjustment process runs its course, and as we await the results of the eventual sale of Novo Banco, expected to take place during 2015 - but which could extend contractually into 2016 - the Bank has been experiencing *more, not less*, competition from a number of financial institutions, including from those which have benefitted from State assistance or regulatory intervention. The Bank's main business lines are those where competitors who may be experiencing difficulties in their core businesses, or seeking market share, are most likely to consider more attractive. Conversely, BiG generally does not compete in those areas that have been most problematic for the sector, namely commercial and consumer lending activities.

Corporate Structure

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

Management believes – and events of the past several years have confirmed this view – 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.

The internal organizational structure reflects key aspects of the business culture, which have increased the Bank's resilience and ensured the integrity of its business model during successive financial crises. In short: we seek to be transparent, flexible, focused on market risks and managed so as to be able to react quickly to perceived increases in business opportunities. The Bank's liquidity, asset quality and capital profiles are strong. Other than investments in systems, refinements in the day-to-day management of individual business lines, and more than usual caution in volatile political-economic environment, **the events of the past several years have not dictated material changes to the business strategy. The Bank has grown, not contracted, during this period.** Net revenues, client-related business and earnings per share have grown, especially since 2011. In the course of our activity, Management is continuously analyzing improvements to the existing business areas and looking for ways to invest capital, increase revenues, rationalize costs and continually improve internal efficiency. We expect to grow in a sustained manner, in spite of increasing competition, and plan to maintain this trend into the foreseeable future.

F.1

Legal Structure and Corporate Bodies

BiG's corporate structure is headed by the Bank. At year-end, the Bank held participations in three subsidiaries: (i) ONETIER Partners, SGPS, S.A., which in turn held 100% of the capital of ONETIER Capital, Sociedade de Capital de Risco, S.A., currently inactive, (ii) BiG Serviços Financeiros, S.A., which manages the Bank's real estate and performs financial advisory, and (iii) BiG Moçambique, S.A., a predecessor company to the Bank's planned operating unit in that country. None of the above participations had a relevant impact on the financial accounts of the Bank.

The Bank's model of retail distribution combines a proprietary internet-based platform, www.big.pt, and integrated sales teams located in 15 offices: Lisbon (3), Porto (2), Braga, Maia, Coimbra, Leiria, Évora, Linda-a-Velha, Viseu, Aveiro, Estoril and Guimarães. A sixteenth office (Loulé, Algarve) is scheduled to open in Q2 2015. Institutional Clients are covered by teams located in Lisbon and Porto, as well as by professionals in the satellite offices.

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

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

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

Business Segments

Specialized Retail

BiG serves a wide range of individual clients with varying needs and expectations with an integrated multi-channel approach, backed by a proprietary banking and trading platform plus a growing network of sales offices in the country's key geographic markets. The combination of internet-based platforms, specialized sales teams and financial advisors help clients execute banking transactions, manage their savings and invest through a variety of the world's most important regulated markets. This business provides banking services and solutions for clients ranging from the self-directed client, to clients seeking assisted investing, to the wealth management client requiring tailor-made solutions and preservation of capital. We do not operate currently with promoters or independent agents to any significant degree.

Institutional and Corporate Clients

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

Treasury and Capital Markets

This business area focuses on the Bank's investment and credit activities, centralizes liquidity and balance sheet management, and is central to the Bank's culture of managing and analyzing market risks. Besides the Bank's credit portfolio, the area provides expertise and information for internal consumption on markets, covers the market risk component of solutions sold to clients, is active in product design for both retail and wholesale customers and manages the treasury and risk positions of the Bank.

Corporate Governance

The logic of the Bank's internal organization is a function of Management's desire to maintain simplicity, transparency and rigorous operating control over the business. This philosophy encourages the efficient use of resources and a clear distribution of responsibility as to how these resources are used and risks are assumed. BiG, although not a listed firm, nevertheless seeks to follow best practices in Corporate Governance and to align oversight and decision-making procedures with the interests of shareholders and other stakeholders. We strive to follow the recommendations of the OECD (OECD Principles of Corporate Governance) and the Portuguese Corporate Governance Code issued by the CMVM (*Código de Governo das Sociedades da CMVM*) to the extent that they are practical and commensurate with the Bank's size, structure and business objectives. In addition, BiG is a member of the Portuguese Institute of Corporate Governance, through which the Bank seeks to contribute to the debate on the main issues, as well as to accompany the principal developments on this subject. Management reviews and, where necessary, makes improvements in practices and

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. 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 five 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 by the General Assembly for four year terms, this body reports directly to the shareholders. Compensation for the Board of Directors, Fiscal Board and relevant management is determined periodically by this Committee. Responsibilities include the periodic review of compensation policies.

instruments of Corporate Governance as a tool in reinforcing the culture of internal control and as a basis for its social and economic development.

Voting Rights

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

External Advisors

The independent auditors of the Bank and subsidiaries, since mid-2014, are *PwC*. In accordance with the Bank's policy to review the status of our external auditors periodically – usually after two mandates - shareholders approved the change from our previous auditors, KPMG, to PwC in the last Annual Shareholders' Assembly. It is the Bank policy to have separate independent external audit and tax functions. Currently, *Deloitte* is the Bank's external advisor for tax matters. The Bank retains the firm of *J. A. Pinto Ribeiro & Assoc*. as its main external legal advisor.

Internal Control

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

The Bank also has a *Compliance Committee,* comprising members of the Board and the Head of Compliance, whose function is to analyze sensitive topics and issues related to internal control and regulatory adherence. Audit and Personnel areas report directly to the Chairman. For more detail, see INTERNAL CONTROL AND RISK MANAGEMENT.

Shareholder Base

During 2014, the respective stakes of the Bank's main shareholders remained relatively stable, and remain, as well, largely in the hands of Portuguese individuals or Portuguese tax residents. At year-end 2014, the Bank, which is not listed, had 138 registered shareholders. Approximately 61% of the Bank's common stock was in the hands of private individuals, while a variety of institutions, foundations or corporations owned the remaining 39%. The largest single shareholder, a private individual, held 12.4% of the stock. The largest 6 shareholders, who are all independent of one another, held an aggregate of 53% of the capital, while the largest 10 shareholders represented nearly 64% of the stock and voting rights. The Bank's Management team represented an aggregate position of just over 16% of the capital and, at year-end, included 2 of the largest 5 shareholders. The above groupings are indicative, as there are no agreements tying shareholders together.

People

The Bank's unique business culture derives from the resilience of its business model, Management's ability to execute its strategies and to control risks, and the quality, training and character of our people. Building a culture based on key values, which we aim to transmit to our stakeholders, is a primary concern of the top leadership of the Bank. As a result, Management assumes a direct role in the recruitment, training and career development of staff at all levels. We see their development as a key investment and we look for and reward talent at early stages. As a rule, we invite diversity, but not in our core values. These include academic excellence, a sense of commitment, teamwork, energy, innovation, respect for others and above all, integrity.

Over the past year, the profile of the Bank's staff and policies concerning their recruitment, training and development has remained consistent with prior years. During 2014, the average age of BiG's staff was 35 years and 83% of the Bank's staff held at least one university degree. We also increased the number of university internships and have cooperated with certain Universities in the area of "directed internships" for Masters candidates.

The average number of directly affiliated staff, excluding Management, rose about 8% to 186. Since 2010, staff has increased by 30%, primarily in the sales and product areas. For 2015, we expect a gradual increase in such areas as sales, compliance and internal control.

Our Business Standards

For the past 16 years, or since the Bank's founding, BiG has been managed by a core group of experienced professionals, who have a relevant, but minority, stake in the organization's capital alongside other shareholders, many of which are also co-founders of the Bank. We aim to manage with a simple organizational structure and clearly defined lines of responsibility for corporate bodies, Management and staff. We have never believed in the need for binding agreements between shareholder groups, and our business model is deliberately transparent, as are our relations with clients, regulators and the public. The organizational chart is flat and contains neither opaque corporate structures nor offshore entities. Since the Bank's creation, both Management and Shareholders have sought to align their interests in a sensible manner, while striving to ensure an appropriate separation between those that own and guide, on one hand, and those who manage professionally and take day to day responsibility on the other. We believe that ownership and long term incentives through stock-related and options programs are important to maintaining this balance and have worked with shareholders to put this into practice since the Bank's inception.

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

Because we operate in 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.

Managing Risk

The Bank's business, in the broadest sense, is to assume and manage risk in order to create value for our shareholders. Policies and practices designed to control these fundamental aspects of our business are discussed in detail in the *RISK MANAGEMENT and INTERNAL CONTROL* section of this Annual Report.

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

The objective of the Bank is to generate revenues from a number of diversified sources - all of which imply a certain level of risk-taking - while at the same time operating within prudent and reasonable guidelines. These guidelines combine basic, prudential aspects of the banking business. They also reflect the specific experience of Management and our business managers, and are updated via regulatory or legislative measures. Regular and frequent internal communication of policies of the Bank's policies and appetite regarding risk are key steps in the process. Such communications include, but are not limited to: the Bank's adher-

ence to prudential regulations and capacity to monitor transactions appropriately, our knowledge of clients and understanding of markets, the regulatory environment in which we operate, and our appetite from time to time for certain risks given market conditions. Our business relies heavily on the confidence we have in our people and on the reliability of our systems to process operations on a continuous and relatively error-free basis. The process begins with identifying risk, then measuring, controlling and eventually reporting risk internally and externally at appropriate intervals.

We are a growing organization, operating in an environment of macroeconomic and financial uncertainty, increasing regulation and scrutiny, in a global market. Given that banking is about confidence and perception, Management focuses on ensuring that the Bank's processes can survive volatile market conditions, tests these processes and our assumptions regularly, and is attentive to the integrity of our controls and the maintenance of overall internal discipline in the face of unusual events.

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

For the year, credit exposures have grown in a controlled manner, while asset quality, as measured by the current and historical level of non-performing assets and credit-at-risk remained satisfactory. Based on assessments of external credit rating agencies, ratings of Portuguese names have remained generally stable during 2014, while certain European sovereign and banking sector entities have seen ratings changes, generally to the upside. 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 2014, in line with prior years.**

Planning: Funding and Capital

Management prepares forward-looking plans for funding needs and expected allocations of capital, and then adjusts them from time to time, in the normal course of its business. This planning process incorporates expectations with respect to the management of our earnings assets, assumes stable business conditions, and projects growth in the availability of different sources of financing at competitive, market rates. A major underlying assumption used by Management is the continued focus on a business model based on structurally low gearing, high capital adequacy and comfortable levels of liquidity. We do not target a specific rate of growth in assets, as a rule. Rather, balance sheet growth derives from available funding, market conditions, a capital base that suggests resilience in the most stressed scenarios, and our appetite for risk. As market conditions dictate, we expect to make necessary adjustments to business lines, product offerings and distribution channels, in order to increase stable fund-

T.11 (Euro)

	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Financial Assets Portfolio (1)	**209,670,675**	**450,441,703**	**703,185,081**	**517,019,566**	**717,502,967**	**896,781,078**	**1,118,818,119**	**1,074,455,829**	**1,144,295,458**	**1,218,674,663**
% growth	n.a.	114.8%	56.1%	-26.5%	38.8%	25.0%	24.8%	19.8%	6.5%	6.5%
Net Credit (2)	**29,232,808**	**56,713,275**	**42,532,675**	**159,330,790**	**192,674,249**	**196,980,332**	**136,162,160**	**120,725,562**	**112,680,358**	**105,559,804**
% growth	n.a.	94.0%	-25.0%	274.6%	20.9%	2.2%	-30.9%	-11.3%	-6.7%	-6.3%

Source: BiG
(1) Includes financial assets held for sale, financial assets held for trading and investments held to maturity (non existing since 2010).
(2) Includes, as of 2011, financial assets with mortgage collateral (mortgage-backed securities), previously considered in the portfolio of financial assets available for sale.

T.12 (Euro)

	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Demand Deposits	127,782,004	175,707,948	146,988,651	174,853,334	138,589,067	190,980,331	248,782,342	263,640,383	291,977,032	317,085,305
Time Deposits	135,769,083	109,993,780	173,924,834	251,279,933	384,937,027	442,259,603	515,351,022	556,007,024	615,767,882	668,720,225
Others	32,938,677	19,283,279	11,271,148	14,434,672	20,304,069	50,477,356	58,884,352	65,266,469	72,281,453	78,497,224
Total deposits from clients	**296,489,764**	**304,985,007**	**332,184,633**	**440,567,939**	**543,830,163**	**683,717,291**	**823,017,716**	**884,913,876**	**980,026,366**	**1,064,302,753**
% growth	n.a.	2.9%	8.9%	32.6%	23.4%	25.7%	20.4%	7.5%	10.7%	8.6%

Source: BiG

ing, to ensure the preservation of capital, and to improve revenues.

For some time, the Bank's base of earning assets has focused on high quality corporate debt issues and treasuries issued by Eurozone member states and, to a certain extent, the United States. It is likely that this profile will be maintained, given the overall risk profile when compared to alternatives. The Bank's scrutiny of credit quality and tight control of over potential credit-related losses will remain a priority. Management expects that the Bank's loans/deposits ratio will remain well below market averages in the foreseeable future. This view has been a function of the perception of risk/reward over the past fifteen years in the market for traditional lending. Under current market conditions, characterized by a high level of indebtedness in the Portuguese corporate sector, and growing pressure on the banking sector to return to profitability, Management expects that it may continue to make be unattractive to alter the current mix of earning assets in favor of traditional lending.

Table T.12 shows growth in deposits since 2008 and estimated levels of growth through 2017, assuming current market conditions and no significant changes to the Bank's business model or unexpected shocks to the market. Since 2010, competition for non-wholesale deposits and aggressive campaigns by the Portuguese Treasury to attract retail funding at above-market rates has had the effect of maintaining bank funding costs higher than they might be otherwise, as a result of global decline in interest rates. We expect this trend to continue and anticipate that funding costs, while declining in absolute terms, will remain above those practiced by other Eurozone banks for the foreseeable future.

Other sources of financing, besides capital and deposits, include funding from market counterparties, such as other banks, the European Central Bank under normal liquidity facilities and from clearing houses, such as EUREX Repo. 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, in a modest way. For planning purposes, Management assumes that it will not use or need the wholesale, long-term funding markets, nor will access to relevant interbank funding be assumed for the foreseeable future.

For a number of strategic reasons, the Bank has used its capital conservatively over the years and Management expects this trend to continue. **The Bank has neither requested nor required new capital from its outside shareholders since 2001, when share capital stood at € 75 million.** Over the years, while paying out some € 79 million in dividends since 2004 (including anticipated and proposed dividends for 2014), the Bank's capital funds have risen to the current € 261.4 million, exclusively as a result of retained earnings and infusions by Management and Staff within the scope of approved share purchase or options programs.

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

Regulatory Developments

The global financial system is undergoing profound changes at the regulatory and supervisory level. The significant increase in regulation, and its operational impact on banks, has been significant and is justified by the need to: (i) stabilize financial markets, (ii) reinforce the solidity of financial institutions and (iii) increase transparency. The results are much stricter supervision via a more intrusive presence, greater reporting requirements and a focus on prudential, behavioral and internal controls.

Key regulatory developments introduced in 2014 include:

Bank Resolution

Decree Law nº 114-A/2014 of 1 August: proceeded partially from Directive nº 2014/59/UE, of the European Parliament and Council, of 15 May 2014, and altered the application of resolution-related measures, foreseen in the General Regime for Credit Institutions and Financial Companies (RGICSF). It establishes a new format for recovering and resolving credit institutions.

T.13 (Euro)

	2011	2012	2013	2014	2015E	2016E	2017E
Deposits with Central Banks	**238,322,892**	**260,247,778**	**130,314,722**	**180,172,993**	**234,420,000**	**234,420,000**	**175,815,000**
% growth	n.a.	9.2%	-49.9%	38.3%	30.1%	0.0%	-25.0%
Repurchase Agreements	**48,895,643**	**6,480,594**	**143,477,797**	**108,264,379**	**64,990,495**	**77,988,594**	**136,480,040**
% growth	n.a.	-86.7%	2114.0%	-24.5%	-40.0%	20.0%	75.0%

Source: BiG

T.14

	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Core Tier 1 Ratio	32.7%	35.7%	36.2%	32.5%	31.9%	32.7%	35.1%	31.7%	32.9%	33.0%

Source: BiG

Corporate Governance

Decree Law nº 157/2014 of 24 October altered various rules, among which the above-mentioned RGICSF. The main alterations derived from the transposition into Portuguese law of Directive nº 2013/36/EU, of the European Parliament and Council, of 26 June 2013 (CRC IV – Capital Requirements Directive), and the implementation of EU Ruling nº 575/2013 of the European Parliament and Council, of 26 June (Basil III – Prudential Regulatory Framework). Changes include items of Corporate Governance, the introduction of a process of appraisal of the appropriateness and suitability of members of the corporate bodies and policies and practices on remuneration by financial institutions, as well as, in prudential terms, the implementation of additional reserves of own funds, with the aim of mitigating systemic risks.

Key regulatory developments announced in 2013 and implemented during 2014 include the following:

Money Laundering and Anti-terrorism

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

Tax Compliance by U.S. Persons

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

Reporting of Derivatives Transactions

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

Factors that Affect our Business

The Bank manages a number of risks inherent to the banking business. In addition to those risks summarized above, which are discussed in greater detail in this *Management Discussion* and the *Notes to the Consolidated Statements*, changing economic and political conditions affect the business. This means that macroeconomic and political risks such as those that surfaced in the past several years can have an impact on business prospects. Beginning in 2010, the sovereign debt crisis affecting the Eurozone has exposed basic flaws underlying the creation of the single currency, a large divergence in fiscal responsibility and productivity among European countries and the different perceptions of creditworthiness between well-managed and poorly managed economies. Since 2011, and in spite of recent improvement and significant sacrifice, Portugal remains among the more vulnerable of the Euro-zone nations, the result of a number of factors, including short-sighted policies of the previous governments, the many structural issues long-ignored by society as a whole, and a persistently fractious political environment. Corrective measures specific to Portugal, combined with economic stagnation across the Eurozone, have led to an environment of weak prospects for growth, higher taxes, lower business opportunities and shifts in the market's perception of the credit risk of the country and its economic components. Since 2012, the perception of the Portuguese State's risk has begun to improve, but underlying structural changes to the economy are still far from being executed. How Portugal's Eurozone partners and the funding markets view the country's progress, in absolute and relative terms, directly affects our business.

Banco de Investimento Global is neither currently rated by major rating agencies, nor do we anticipate requesting a rating process in the near future. The Bank is not dependent on wholesale, external financial markets for issuance of long-term debt. Nevertheless, the views by such international agencies and other market participants of the Republic, corporates and banks as a whole affect our business directly. Likewise, the effects of the Government's policies following the country's exit from Economic Adjustment Program in 2014, and the challenging tax environment that remains, among other factors, have been taking their toll on growth, employment and investor confidence. The view by global financial markets of Portugal's country rating, its economic prospects and the banking sector as a whole, affect the openness of counterparties to do business of any kind in a non-in-

vestment grade country, irrespective of the economic fundamentals of individual banks located in that country.

Larger, diversified 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. Lately, Portuguese issuers have benefitted from lower interest rates and an improved outlook, but capital for traditional banking models has been scarce and the nature of the BES intervention in 2014, and the uncertainty associated with its resolution, have not been positive for the image of the industry. Weakened banks, many of which have been assisted or intervened in one form or another, continue to exist and compete with healthy banks for indefinite periods, in our view, in an unfair manner. These factors, combined with continued domestic weakness and the structural indebtedness of both the public and private sectors have defined the market's view of credit risk, credit spreads and the cost of funding by the Government, large corporates and banks.

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

Going forward, Management expects that, while the composition of assets and revenues to vary over time as the Bank mobilizes capital, invests in new businesses and in new markets, we will maintain the current business model relatively intact. This means that expected returns from higher, initial investments in our retail platform may take longer to be realized, but also will 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. We do not expect this key element of our business to change in the coming year.

Business Outlook for 2015

Themes in global markets as we enter 2015 include: (i) the impact of economic stagnation in Europe on employment, deflation fears, elections, investment and the Euro; (ii) higher levels of volatility, as diverging economies, expectations regarding commodities and geopolitics dominate market sentiment; (iii) the outcome of Greece's most recent challenge to the Eurozone; (iv) the success of the ECB's version of "Quantitative Easing" ("QE"); and (v) the strength of the economic rebound in the U.S.

As for the Eurozone in general, we expect the debate on stimulus versus austerity to continue at the European and individual country level, which should ensure a slower recovery and contribute to lingering doubts about the integrity of the single currency. A compromise is likely between ECB-inspired "QE", and continued government intervention. This latter process should involve debate about the need for reducing the State in the economy and exercising on-going budgetary discipline, which so far has been a slow process. Following more credible Asset Quality Reviews and Stress Testing of major European banks and the launch of Banking Union in November 2014, combined with unprecedented levels of regulation, we see the continuation of asset sales and the need for more capital raising by major institutions. Volatility in commodities and foreign exchange markets should affect profitability, growth and the very business models of particularly exposed, mono-line financial institutions. Across various industries, trends toward deleveraging and re-capitalizing should prevail.

In peripheral economies generally and in Portugal, specifically - and regardless of how the term "austerity" may be interpreted - responsible governments have little room to venture from current policies aimed at better fiscal equilibrium. In spite of elections, first in Greece, then in other countries, including Portugal, the battle will continue on removing obstacles to structural reform as a route to encouraging investment and growth. These will be long-term issues, which may result in political uncertainty and continued volatility in the short term. Progress has been made on re-establishing credibility at the European level, and Portugal has found its ability to regain market access significantly improved over the past year. This may lead to pre-payments of IMF loans, by way of regained access to bond markets, but without any major improvement in the levels of debt that have been a drag on the country´s credit rating, which is still below investment grade.

The Portuguese banking sector, in the middle of a process of slow recovery, was dealt a blow by the collapse and resolution of BES in August 2014. The already low reputation of banks has suffered, and there is still an uncertainty surrounding the sector's responsibility to the Resolution Fund. The country's corporate sector continues to adjust, but still remains one of the most indebted and under-capitalized in Europe. Economic growth is positive and improving, but unemployment remains high. The decline in oil prices, which is positive in many ways for Portugal, may impact certain sectors negatively because of their dependence on the Angolan economy, which is contracting and whose banking sector may be affected.

The key risks for the coming year include: (i) political instability and opportunism, (ii) the effect of ECB actions on the private sector, (iii) the nature of the resolution of the BES/Novo Banco, (iv) on-going concerns about the quality of loan books of major banks, associated with the effects of austerity, a weak corporate sector and many years of poor management practices, (iv) the effects of high long-term unemployment and labor inequalities, and (v) the impact of Greece in the short term, and Portuguese Parliamentary elections in the Fall of 2015, on the pace of reform. Regardless of the outcome of elections, for growth to accelerate in any kind of sustained manner, the State continues challenged to reduce its direct and indirect management of the economy in an equally sustained manner.

Entering 2015, Portugal's economy appears to be in less imminent danger than in prior years, but significant risks remain. Given the country's traditional dependence on others, Management believes that Portugal remains vulnerable to external shocks, which we expect will continue to appear. We see major challenges ahead and increasingly less time and space available to meet them, as the political opposition and installed interests, now less strong than in the past, attempt to set alternative agendas.

In the domestic market, the immediate reality features: withering financial regulation for banks, continued austerity, a tepid return of growth, continued high unemployment, excessive taxes and the maintenance of a low interest rate environment. Banks will be concerned with the outcome of the sale on Novo Banco and its effect on responsibilities to the Resolution Fund and competition.

During 2014, as in prior years, Management focused on the quality and liquidity of the Bank's asset mix, on investing for growth in the specialized retail segment, on expense control and on the management of regulatory and statutory capital. For 2015, the objectives will be: (i) to maintain the Bank's flexibility in the current environment and (ii) to continue the focus on abundant levels of liquidity, high levels of solvency, sound asset quality and selective growth. Investments in the retail business will continue to be a priority.

Events Since Year End 2014

Resolution Fund / Novo Banco

The process by which Banco Espírito Santo was resolved and Novo Banco was created – that is, via the existing, under-capitalized Resolution Fund - has been the source of debate and speculation since the date of the event, in August 2014. As of the date of this report, the Bank has no information regarding the banking sector's potential liability to the Resolution Fund, should Novo Banco be sold at a discount to its original equity value.

Banco BiG Moçambique, SA

During 2014, BiG received authorization from the Bank of Mozambique to establish a banking unit in that country. As a first step, during the Q4 2014, BiG created a fully-owned and minimally capitalized company, in anticipation of its conversion to full banking status during the second part of 2015. The initial tranche of capital, equal to USD 2.3 million, is expected to be transferred to Mozambique in Q1 2015 and key personnel have been working in Maputo in provisional office space since January of 2015.

Market Conditions / Quantitative Easing by the European Central Bank

In January, 2014, as widely-anticipated, the BCE announced a comprehensive plan to purchase certain assets of European issuers in the open market (Quantitative Easing), and as a means to help reverse the low-growth environment in Europe and to provide further time for policy makers to do their part to stimulate growth. The result was a fairly sustained rally across a number of asset classes and a devaluation of the Euro against the Dollar.

Elections in Greece

Syriza's victory in January 2014 Parliamentary elections paved the way for renewed attempts by the Greeks to renegotiate the terms of its bailout with the Troika of creditors, a process we expect to continue for some time. Markets have been affected, but have remained relatively calm so far.

New branch in Loulé

During Q2, BiG will open its 16th branch, located in Loulé, in the Algarve region of Portugal.

RESULTS OF OPERATIONS FOR 2014

T.15 (Euro)

Revenues	2014	2013	Var %	2012	2011
Interest income	43,413,632	43,994,244	-1.3%	39,199,855	34,406,853
Interest expense	-18,275,136	-18,246,775	0.2%	-20,465,768	-14,623,666
Net interest margin	**25,138,497**	**25,747,469**	**-2.4%**	**18,734,087**	**19,783,187**
Income from capital instruments	660,850	1,811,909	-63.5%	1,576,839	1,473,849
Income from services and commissions	18,328,776	8,119,293	125.7%	9,844,788	10,382,730
Expense associated with services and commissions	-6,886,202	-1,586,170	334.1%	-3,054,980	-1,380,701
Income from market trading	-77,640,615	7,018,003	-1206.3%	11,440,959	-235,576
Income from financial assets held for sale	183,743,886	79,260,704	131.8%	36,685,156	1,442,375
Income from exchange revaluation	11,256,872	-89,618	-12661.0%	876,704	1,560,506
Income from the sale of other assets	14,786,033	5,040,701	193.3%	4,252,138	-135,230
Other income	-13,259	-300,079	-95.6%	-28,178	285,387
Net operating income	**169,374,837**	**125,022,212**	**35.5%**	**80,327,513**	**33,176,527**

The Bank's higher net operating income for 2014 resulted from of a combination of the following factors: (i) relative stability in the net interest margin, which decreased 2% year on year in a rapidly declining interest rate environment, (ii) a 75% rise in net commissions, (iii) significantly higher net results from investing and credit activities, (iii) higher salary and administrative expenses, (iv) somewhat higher provisions for possible banking risks, and (v) substantially higher taxes because of growth in revenues.

Net Interest Margin was € 25.1 million in 2014 versus € 25.7 million in 2013. The Bank's gross interest revenues was basically unchanged year on year in spite of a larger average inventory of earning assets and lower average funding costs. The decision to rotate assets during year as interest rates declined, and as part of a decision to re-align concentrations within the Bank's inventory of assets, meant that some of the gains associated with a larger balance sheet shifted from the Net Interest Margin category to realized gains (Income from financial assets held for sale). The combination of: (i) lower demand for debt issuance by financial and corporate sectors, and (ii) austerity, the recessionary environment and fears of deflation, which in turn has led to aggressive monetary policies and negative interest rates, has resulted in declining yields and a compression of credit spreads, almost regardless of quality. Overall, Management chose to limit the growth of earning assets to rises in core client deposit base and capital funds. Relatively less inexpensive, but politically sensitive, funding from the ECB or EUREX repo, was basically unchanged in net terms. Net interest margin represented 15% of total net revenues in 2014, as compared to 21% in 2013, 23% in 2012 and 60% in 2011.

Non-interest income for the year was € 144.2 million in 2014, or 45% higher than the € 99.3 million registered in 2013. The components of this category include: (i) income from capital instruments, mainly dividend-yielding equity investments, (ii) commissions from client trading activity and banking services, managing and distributing assets, and advisory assignments for corporate and institutional customers, (iii) revenues from mainly client business, such as market-making, structuring products and the gains or costs of managing the underlying hedges, (iv) realized gains associated with managing credit risk and interest rate risk via the assets held for sale portfolio, and (v) other income. Revenues from capital investments declined year on year from € 1.8 million to € 660 thousand. These revenues derive from investments in represent stable equity positions, usually capital of European utilities companies which pay a relatively high dividend, and which have produced consistent revenue over the past several years.

Net commissions derive largely from brokerage activities from retail and wholesale clients. These may trade and invest via a number of cash markets, and via secure, online platforms placed at clients' disposition to trade warrants, futures, foreign exchange certificate for difference. Revenues also include asset management fees and commissions from the sale of investment management funds. This category also includes bank service fees, such as revenues from ATMs, and retainers and commissions associated with corporate advisory mandates. Activity picked up significantly during the year as higher levels of confidence and a declining interest rate environment encouraged clients to seek alternatives to low-yielding deposits.

Net Revenues from credit and investing combine all categories of Non-Interest income, less net revenues from fees and commissions. In aggregate, income from the Treasury and Markets business was € 132.8 million, or 43% higher than the € 92.7 million earned in 2013. Within this group of accounting categories, trading revenues (Profit/Loss of assets and liabilities at fair value through Profit & Loss) were negative for the year, because of the high costs of hedging a larger fixed income portfolio. This category should be seen in conjunction with the next category of investment gains (Profit/Loss of financial assets available for sale) as the two are completely related. They tend to be dependent on market conditions and, as most revenues derive from the market views of clients and the management of positions taken to support client activity, tend to be subject to more active management than other types of investments. These revenues include realized gains from investing and credit activities in a diversified portfolio of liquid, fixed income securities. They are associated with active management of credit concentrations, diversified tenors and country risks. This portfolio is a key to

the Bank's management of liquidity and interest rate positions.

The market events of the past few years – beginning with the U.S. sub-prime crisis, which triggered a massive shift in perspectives on credit risk globally – to the gradual need for quantitative easing in Europe because of concerns about growth, have created opportunities for both gain and loss in 2014. In general, while investor confidence has showed signs of improving, specific events have created volatility and doubts about the nature and speed of economic recovery. Management believes that underlying economic fundamentals require a longer period of adjustment, and that sustained economic growth is unlikely to return before over-indebted economies de-leverage and re-structure. Although markets have rallied again early in 2015, due largely to actions expected to be taken by the ECB, Management anticipates a return to at least a moderate level of volatility surrounding the pricing of earning assets and funding, as the recovery takes a tentative hold and political agendas continue to influence markets.

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

Total costs include operating costs, provisions and imparities. These are influenced primarily by compensation, the growth in headcount and management's confidence regarding levels of business activity.

For 2014, total expenses, including imparities and provisions, were € 44.9 million or 35% higher than in 2013. By far the largest jump had to do with Net Provisions, which grew to € 10.3 million. The category includes provisions for specific risks, litigation processes, as well as prudential provisions for other banking risks. Net operating expenses, or transformation costs net of imparities and provisions – i.e. *compensation expense, benefits, general administrative expenses and depreciation/amortization*–rose on higher compensation and general administrative expenses. The discretionary portion of compensation is impacted by, among other things, the level of net revenues, the Bank's overall performance, business line and individual contributions, current labor legislation, and the market environment. When measured against revenues generated, the Bank's *efficiency* ratio improved substantially year on year, to20.4% in 2014, as compared with 24.9% in 2013, 28.2% in 2012, and 48% in 2011.

In general, the Bank exercises versatility with respect to the asset side of the balance sheet, has a holistic approach to managing risks and operates with a unique retail strategy, which is supported by a light operating structure and geared toward scalable processing. The mind-set with respect to use of capital and the management of risk is a key to managing the expense base.

Compensation, traditionally the Bank's largest single operating expense category, rose 7.2% and represented 72.7% of net operating expenses in 2014 (excluding provisions and imparities), as compared to 74% in 2013, 71% in 2012 and 61% in 2011. The percentage rise in 2014 reflected an increase in headcount, a higher volume of incentive payments to commission-based sales areas, attribution of unit linked insurance instruments to certain staff in order to foment long term savings, and limited variable payments, within the laws and regulations applicable to the banking sector and competitive market factors.

Management seeks to maintain a sensible and deliberately flexible structure of fixed/variable remuneration that is linked strongly to the Bank's performance in a given year. *Overall, compensation represented 14.2% of Total Net Revenues in 2014, the lowest percentage in the Bank's history,* and as compared to 18% in 2013, 19% in 2012, 27% in 2011 and 24% in 2010. As a percentage of total expenses, excluding taxation, compensation was 54% in 2014, as compared with 67.5% in 2013. The same ratio was 48% in 2012, 30% in 2011, 48% in 2010, 53% in 2009, 55% in 2008 and 66% in 2007.

Besides compensation-related expenses, dominant operating expense categories include: (i) administrative costs, which are closely linked to headcount and (ii) management of investments in the Bank's physical offices and technology systems, which declined 9%. Imparities of financial

T.16 (Euro)

Expenses	2014	2013	Var %	2012	2011
Compensation expense	-24,124,063	-22,356,755	7.9%	-14,840,651	-8,837,318
General administrative Expense	-9,276,997	-7,689,711	20.6%	-6,130,922	-5,568,518
Depreciation and Amortization	-1,028,013	-1,134,696	-9.4%	-1,314,991	-1,495,072
Net provisions	-10,255,955	-1,871,061	448.1%	-2,892,714	150,258
Imparity of credits net of reversals and recoveries	-35,423	33,745	-205.0%	-16,378	-170,162
Imparity of other financial assets net of reversals and recoveries	0	-125,288	-100.0%	-5,736,787	-14,134,976
Imparity of other assets net of reversals and recoveries	-174,042	-103,404	68.3%	-541,246	318,411
Total costs	**-44,894,493**	**-33,247,170**	**35.0%**	**-31,473,689**	**-29,737,377**

assets, which on a management basis, are netted with revenues from the respective business areas, were near zero for the year.

Administrative expenses include communications, information services, publicity, license fees, arrangements with stock exchanges and related suppliers, occupancy and other expenses related to the normal functioning of the Bank. They tend to be correlated closely with growth in personnel and the level of business activity, or associated with specific investments and rose 20% to € 9.3 million. Management expects to contain this category to grow at a slower pace than the growth in revenues during 2015.

Amortization expenses at BiG are related principally to real estate occupied by the Bank, investments in hardware and other equipment and initial license fees associated with software agreements. The portion associated with premises includes the head office building and investments in and improvements to the Bank's growing branch and ATM network. The Bank regularly invests in its IT infrastructure to ensure quality execution, state of the art security and appropriate redundancy. We invest in outside IT solutions and equipment to support our infrastructure and also have dedicated resources to managing the infrastructure with in-house solutions. This expense category represented 2.3% of total expenses in 2014, and has declined in proportion to total expenses over the past 5 years.

Costs associated with Imparities had almost no impact on the Bank's accounts over the past two years: € 210 thousand in 2014 as compared with € 229 thousand for 2013, or approximately 0.1% - 0.2% of net revenues, respectively. As they tend to be an expense associated with the Bank's credit and market-related activities, the trend reflects both improved market conditions and the Bank's limited exposure to direct lending to segments of the economy in difficulty.

Pre-Tax income was € 124.7 million in 2014, compared with € 91.9 million in 2013. In 2014, higher profitability again offset higher expenses and also resulted in substantially increased taxes for the year. The Bank's tax rate was 33.7% for 2014, a slight decline from the 36.7% rate paid in 2013, but above the most recent five-year average of 31%.

Operating Results by Business Segments

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

The Specialized Retail client business contributed € 17.3 million in net revenues for 2014, an increase of 25% over the prior year total of € 13.9 million. The main contributions came from net commissions, which included brokerage and asset management activities, and margin income, associated with the liability margin allocated from mainly savings and investment products, as opposed to lending products. All rose in a healthy manner in spite of the nature and number of events during the year which affected the confidence of investors and passive savers in 2014. Growth in this segment tends to be sustained, not explosive, although account openings and asset accumulation did spike during the period of stress surrounding the intervention of BES. The contribution of Retail to total net revenues declined on a relative basis, in spite of the increase in absolute terms. This was due to the much higher contributions of other business segments, relative to prior years. Commissions from brokerage, asset management and banking operations represented 40% of the total, while the allocations made to the margin category were 57% of the total. Both are in line with prior years and reflect the emphasis on asset accumulation involving activities in savings, investment, trading, custody and normal banking transactions. For a number of reasons – higher competition for deposits from banks with different businesses to fund, and a decline in market rates to near zero in Europe's slow-growth environment – we expect to see a shift in the future in the mix of revenues, in favor of commissions over funding-related margin activity.

During 2014, the physical network of branch offices rose to 15, with a 16th office expected to open in the Algarve (Loulé) during Q1 2015. The Bank's network of automatic teller machines was 34.

T.17 (Euro)

Results and Taxation	2014	2013	Var %	2012	2011
Operating results	**124,480,344**	**91,775,042**	**35.6%**	**48,853,824**	**3,439,150**
Results of subsidiaries	175,774	163,306	7.6%	23,371	87,565
Income before tax and minority interests	**124,656,118**	**91,938,348**	**35.6%**	**48,877,195**	**3,526,715**
Current Taxes	-41,849,894	-33,218,522	26.0%	-16,385,895	-909,833
Deferred Taxes	-277,027	-92,067	200.9%	26,581	-111,287
Net income before minority interests	**82,529,197**	**58,627,760**	**40.8%**	**32,517,881**	**2,505,595**
Minority Interests	0	0	0.0%	0	0
Net Income	**82,529,197**	**58,627,760**	**40.8%**	**32,517,881**	**2,505,595**

T.18

(Euro 000)

Specialized Retail	2014	(%)	2013	(%)	2012	(%)	2011	(%)
Net Commissions for Services to Third Parties	5,865	34%	3,920	28%	3,893	33%	4,227	37%
Margin	9,901	57%	8,454	61%	6,672	56%	5,923	52%
Banking Commissions	1,033	6%	816	6%	1,038	9%	815	7%
Trading / Sales	533	3%	680	5%	310	3%	401	4%
Net Revenues	**17,332**	**100%**	**13,869**	**100%**	**11,913**	**100%**	**11,365**	**100%**
Operating Expenses	-16,911		-11,843		-12,759		-8,433	
Pre-tax Income	422		2,026		-846		2,933	
% Operating Revenues/ Total Segments Revenues	11%		13%		19%		72%	
% Operating Expenses/ Total Segments Expenses	55%		59%		62%		60%	

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

The product areas of the Bank's Corporate & Institutional (C & I) client segment are similar to those offered on the retail side, with the exception of Corporate Advisory. Where the retail business involves integrated sales channels based on the www.big.pt electronic platform, the C& I business relies on specialized sales teams and tailored solutions for wholesale clients with specific needs. Product offerings include institutional brokerage, risk management, sales of investment products, and independent advisory services for corporate, banking and institutional clients. For 2014, this client segment generated net revenues of € 6.3 million versus € 1.7 million, because of higher brokerage and advisory commissions.

The Treasury and Capital Markets business segment seeks to generate revenues, while managing the exposure of the Bank and the products sold to clients of the Bank in such areas as interest rates, foreign exchange, fixed income, equities and derivative instruments. The business focuses on managing the Bank's liquidity and exposure to interest rate risk, in conjunction with controls over credit and concentration risks. Credit exposures are managed actively between the liquid debt instruments of quality corporate, financial and sovereign issuers for a variety of maturities. The Bank may also trade in major foreign currency instruments, interest rate and equity futures, futures on major indices and a variety of options and similar instruments, mainly in connection

T.19

(Euro 000)

Wholesale	2014	(%)	2013	(%)	2012	(%)	2011	(%)
Net commissions for services to third parties	4,088	65%	350	20.3%	2,153	66%	3,054	68%
Margin	111	2%	160	9.3%	118	4%	2	0%
Banking Commissions	1,049	17%	649	37.7%	253	8%	379	8%
Trading / Sales	264	4%	206	12.0%	129	4,0%	166	3.7%
Corporate Finance	810	13%	355	20.6%	608	18.6%	874	19.5%
Net Revenues	**6,323**	**100%**	**1,719**	**100.0%**	**3,261**	**100.0%**	**4,475**	**100.0%**
Operating Expenses	-9,141		-4,525		-5,497		-3,341	
Pre-tax Income	-2,818		-2,805		-2,236		1,135	
% Operating Revenues / Total Segments Revenues	4%		2%		5%		28%	
% Operating Expenses/ Total Segments Expenses	30%		23%		27%		24%	

with client business as part of its hedging activities. In managing the various trading books, the activity of the Treasury and Capital Markets team touches on many areas internally and is a source of expertise, market risk management and consistent profitability for the organization.

For 2014, the area generated revenues net of imparities of € 132.8 million, as compared to € 92.9 million for 2013 and € 49 million for 2012. The generation of revenues suggests a fairly normal distribution during the past and the prior years, as indicated in graph G.1.

Balance Sheet and Sources of Funding

Balance Sheet Management

During 2014, growth in the balance sheet was contained, substantially, by the level of increase in retail deposits and reinvested current earnings. BiG's assets and liabilities grew moderately from the prior year-end period because of steady inflows in stable retail client deposits and a higher level of total capital, which funded a larger and diversified available-for-sale portfolio of mainly liquid fixed income securities and loan assets. Generally, and as in prior years, changes in nature of the balance sheet are gradual, with year-end levels of assets not differing materially from balance sheets on other reporting dates throughout the year.

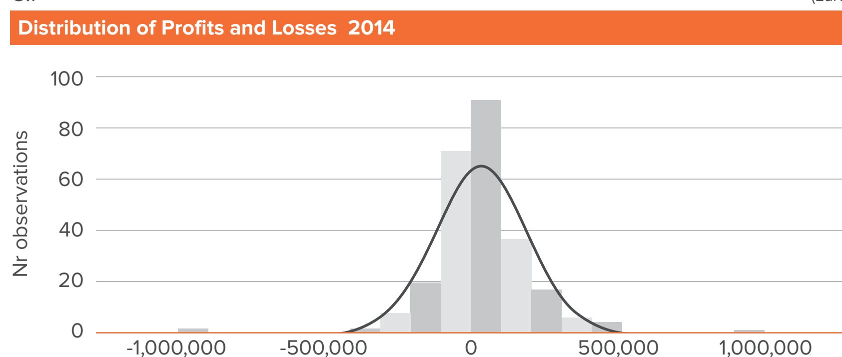
Close attention to the size and composition of the Bank's balance sheet is one of Management's most important exercises in risk management. Assets and liabilities frequently change due to client activity, market conditions and available business opportunities, but the size and composition of the Bank's balance sheet at any given time may reflect a number of factors. These include: (i) the nature and availability of stable sources of funding, (ii) the level of the Bank's capital or *own funds,* and (iii) Management's overall view of opportunities and associated risks. The process involves regular review and planning of available investment opportunities and funding strategies via the ALCO (Asset and Liability Committee), limits on balance sheet growth by business, asset class or concentration, daily monitoring of key metrics by Risk Management, and

T.20 (Euro 000)

Treasury & Capital Markets	2014	(%)	2013	(%)	2012	(%)	2011	(%)
Income from capital instruments	661	0%	1,812	2%	1,577	3%	1,474	-15%
Profit / loss of assets and liabilities at fair value through Profit & Loss	-77,641	-58%	7,018	7.6%	11,441	23%	-236	2%
Profit / loss of financial assets available for sale	183,744	138%	79,261	85.3%	36,685	75%	1,442	-14%
Profit / loss from exchange revaluation	11,257	8%	-90	0%	877	2%	1,561	-16%
Results from sale of other assets	14,786	11%	5,041	5.4%	4,252	8.7%	-135	1.3%
Impairment of other financial assets net of reversals and recoveries	-	0%	-125	-0.1%	-5,737	-11.7%	-14,135	140.9%
Net Revenues	**132,807**	**100%**	**92,917**	**100%**	**49,095**	**100%**	**-10,029**	**100%**
Operating Expenses	-4,894		-3,700		-2,466		-2,286	
Pre-tax Income	127,913		89,217		46,629		-12,315	
% Operating Revenues/ Total Segments Revenues	85%		86%		80%		0%	
% Operating Expenses/ Total Segments Expenses	16%		18%		18%		16%	

G.1 (Euro)

Distribution of Profits and Losses 2014



T.21 (Euro 000)

Key Balance Sheet Items	2014	2013	2012	2011
Total Net Assets	1,444,517	1,214,430	1,024,616	828,983
Earning Assets	1,360,783	1,173,812	980,855	755,787
Assets Held to Maturity	0	0	0	0
Loans to Total Net Assets	9.4%	16.2%	18.8%	19.2%
Deposits from Central Banks	180,173	130,315	260,248	238,323
Funding from other Credit Institutions	108,264	143,478	6,481	48,896
Deposits from Clients	804,736	683,717	543,830	440,568

T.22 (Euro)

Earning Assets	2014	2013	Var (%)	2012	2011
Deposits with Banks	105,803	80,113	32%	70,678	79,437
Loans	136,162	196,919	-31%	192,674	159,331
Trading Securities	27,840	21,900	27%	17,408	13,336
Available for Sale Securities	1,090,978	874,881	25%	700,095	503,683
Total	**1,360,783**	**1,173,812**	**16%**	**980,855**	**755,787**

importantly, the use of scenario analyses and stress tests as an essential disciplinary tool. Most earning assets of the Bank are securities classified as available-for-sale (AFS). They are marked to market daily and are used to manage the Bank's exposure to movements in interest rates and to invest excess liquid funds.

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

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

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

Total Net Assets at year-end 2014 were just over € 1.4 billion, or 19% higher than at the prior year-end. Earning Assets at 31 December 2014 of € 1.361 billion were 94% of Total Net Assets and were 16% higher in absolute terms in relation to the prior year-end date.

Deposits with Banks are used to manage short-term liquidity and reserve requirements with the central bank and main counterparties. The loan book declined because of the amortization of Residential Mortgage Backed Securities (RMBS) held as loans. Including RMBS classified as loans, this category represented about 10% of earning assets. A small portion of the Bank's loan book at year-end included mainly margin accounts to retail clients. These facilities are short term in nature and structured to be self-liquidating in stressful conditions. At year-end 2014, essentially all of loan assets in this class were fully collateralized and are, therefore, low risk. Loans of this nature to clients tend to grow with a rising market and to decline in periods of stress, as has been the case, particularly since 2011 (see Credit Risk Management). The Available for Sale portfolio (AFS) grew because of opportunities in a number of classes of fixed income securities. AFS represented 80% of total earning assets at 31/12/14, up from 75% on the same date the prior year, and included sovereign, covered and senior corporate debt instruments. Factors that may affect the size of the portfolio include the opportunities for creating either margin or investment revenue during the year. The decision to either hold securities for margin income or divest is decided at the level of the Bank's Asset and Liability Committee (ALCO), and takes into consideration market conditions, credit concentrations and the Bank's overall liquidity profile. The Bank does not hold securities to maturity since liquidating a portfolio at a gain in early 2010.

Main sources of funding were, as in prior years, client deposits, funding via sale/repurchase agreements with the ECB, and other market participants, such as Eurex Repo and other banks, at favorable rates, and shareholders capital. Client deposits are mainly retail in nature and rose 18% to € 804.7 million, after increasing 26% in 2013, and 23% in 2012. Management has reduced, gradually and on a net basis, and relative to total assets, 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 international counterparties, among which EUREX REPO, which the bank joined as clearing member during 2011.

Through the ALCO process, which provides a view of the nature of the concentrations and liquidity of our assets, combined with conservative management of the funding mix described before, we seek to ensure that substantial excess cash positions are maintained at all times to meet normal, and via analysis of our stress testing sce-

T.23 (Euro 000)

Main Liabilities and Capital	2014	2013	Var (%)	2012	2011
Deposits from central banks	180,173	130,315	38%	260,248	238,323
Financial liabilities held for trading	5,614	1,357	314%	1,016	18,592
Deposits from other banks	108,264	143,478	-25%	6,481	48,896
Clients Deposits	804,736	683,717	18%	543,830	440,568
Shareholder funds	261,369	207,193	26%	170,724	67,234

T.24 (Euro)

Shareholders Capital	2014	2013	2012	2011
Common Stock	104,000	104,000	104,000	104,000
Issue Premiums	1,362	1,362	1,362	1,362
Other Capital Instrument	0	0	0	0
Treasury Stock	-153	-1,084	-1,172	-1,323
Revaluation Reserves	-7,284	-2,180	-1,184	-87,279
Other Reserves / Retained Earnings	96,515	58,947	44,560	47,969
Other Deductions	0	0	0	0
Net Income	82,529	58,628	32,518	2,506
Antecipated Dividends	-15,600	-12,480	-9,360	0
Total Shareholders Capital	261,369	207,193	170,724	67,234
Book value per share	2.51	1.99	1.64	0.65
Net assets / Equity	5.53	5.86	6.00	12.33

narios, hypothetical outflows of funds. For further details on secured funding and client deposits, please refer to *Summary Analysis – Liquidity*, *Liquidity Risk Management* and Note 30.

Shareholder Funds. Shareholder Funds at 31 December 2014 were € 261.4 million versus € 205.6 million on the same date in 2013. The number of common shares issued – each with a nominal value of one euro each, fully subscribed and paid up – has remained unchanged since mid-2011. The main components affecting the substantial increase in shareholder value since that date have been other reserves/retained earnings, current earnings/net income and the payment of anticipated dividends.

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

T.25 (Euro)

Consolidated Regulatory Capital	2014	2013	2012	2011
Shareholders equity	**261.369**	**207.193**	**170.724**	**67.234**
Dividends payable	-6.240	-6.240	-6.240	
Net income				-2.506
Intangible assets	-639	-133	-194	-535
Renumeration deposits above thresold	-234	-1.203	-3.900	-141
Revaluation reserves	7.043	2.973	1.360	84.209
Contribution to pension funds still not entered as cost			-1.578	-1.929
Provisions for general credit risks			120	178
Own funds	**261.300**	**202.590**	**160.292**	**146.510**
Risk-weighted assets	744.365	616.225	506.341	450.149
Core Tier 1	35,1%	32,7%	31,9%	32,5%
Tier 1	35,1%	32,7%	31,9%	32,5%
Risk-adjusted capital ratio	35,1%	32,9%	32,0%	32,5%

ICAAP – Internal Capital Adequacy Assessment Process. In accordance with Bank of Portugal Instruction nº 15/2007, the Bank performs an annual, self-assessment exercise to determine the adequacy of the capital we hold to support our business. The process, part of Basel II, reviews many of the risk management processes undertaken by the Bank on a daily basis, and seeks to quantify the amount of capital the Bank should hold for business purposes, which is distinguished from the Bank's regulatory capital and its actual capital. The assessment incorporates the Pilar I risks – market risk and credit risk – for which we use the Standard Approach, and operational risk for which we use the Basic Indicator Approach. Additionally, we also consider the Pilar II risks, including concentration risk and interest rate risks for the banking book, for which we use an internal model.

Profitability measures all improved for 2014, when compared to the Bank's strong performance in 2013. **Return on Average Equity (ROE) was 35.2% versus 30.9% for the prior year.** With substantially higher revenues for 2015, the Bank's efficiency ratio has improved over seven of the past nine years, with 2011 being the exception to the trend. BiG's capital base and solvency ratios, remained strong and in line with prior years, in contrast with results of the competition and despite continued uncertainty in the markets.

T.26

Performance Measures	2014	2013	2012	2011
Profitability				
Return on Assets (ROA)	6.2%	5.2%	3.5%	0.3%
Return on Equity (ROE)	35.2%	31.0%	27.3%	2.9%
Operating Revenues / Average Net Assets	12.7%	11.2%	8.7%	3.8%
Efficiency				
Net Margin / Earning Assets	1.8%	2.2%	1.9%	2.6%
Operating Expenses / Operating Income	20.3%	24.9%	27.7%	47.9%
Personnel Expenses / Operating Income	14.2%	17.9%	18.5%	26.6%
Solvency				
TIER 1	35.1%	32.7%	31.9%	32.5%
Risk-Adjusted Capital Ratio	35.1%	32.9%	32.0%	32.5%

RISK MANAGEMENT AND INTERNAL CONTROL

Overview

Management believes that effective management of risk, which is at the core of our business of creating value for shareholders, has been a key to the Bank's progress and is essential to our future success.

The main risks faced by the Bank - which are inherent to the banking business - include market, liquidity, interest rate, credit, operational, technology, compliance and reputational risks. To identify and manage these risks, which are interrelated, the Bank has created comprehensive and integrated system of internal controls, policies and procedures, which are both quantitative and qualitative in nature. The Executive Board reviews, approves, and oversees the respective risk management functions and ensures compliance with policies and procedures, either as a group or by delegation. Generally, our systems and policies are designed to ensure effective processing, reliable systems, appropriate risk taking, daily or intra-day measurement of 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.

As part of its processes to measure the main risks inherent to banking, mentioned above, Management has incorporated into some of its stress testing scenarios the additional components of *political and systemic risks*. These are subject to continuous review, and are associated with some of the paradigm-changing events associated with the Eurozone debt crisis, which have arisen in recent years, and which can have an impact on long-standing market practices, regulations or assumptions, or which 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. For additional information, including stress tests for reputational and correlation risks please refer to Note 38.

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

Governance Structure

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

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

The chart F.2 presents an overview of the Bank's structure of governance for managing risks.

General Policies and Processes

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.

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;

F.2

- Appropriate diversification of risks and formal review of concentrations;
- Systems of independent measurement and reporting;
- Overlapping systems to measure and control risk;
- Training to assist in identifying risk across business areas.

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

Measuring Risk

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

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

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

From Management's point of view, the management of:

- *Market risk* usually involves at least a daily review of all of the above-mentioned measures;
- *Liquidity risk* and *Interest rate risk* focus on a number of methodologies, among which basis point values and scenario analyses;
- *Credit risk* generally focuses on nominal and fractional exposures, concentrations by borrower or group, sector or geography and stress testing;
- *Derivatives* exposures are measured with sensitivity analyses of exposures measured in basis points;
- *Operational risk*, *Reputation risk* and *Correlation risk,* which involve some of the more subjective risks to which the Bank may be exposed, usually depend on scenario analyses in order arrive at quantitative estimates.

Limits and Controls

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

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

Reporting

On a daily basis, risk management and back office functions compile and report positions to Management based on established statistical and non-statistical measures. Exceeded limits are reported to Senior Management immediately and action is taken to guarantee compliance with the limit. Such formal controls are enhanced by informal systems of monitoring position taking and limits, including at least daily meetings by Senior Management with markets areas to review positions and evaluate trends. Reports on daily stress tests serve as a basis for discussion on the appropriateness of exposures and the need to take action to reduce risk concentrations via the sale or repositioning of our positions, or hedging of risks.

Risk control units

Each of the internal risk committees – the *Market Risk Committee*, *the Asset and Liability Committee, the Credit Risk Com-*

mittee, 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.

Market Risk

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

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

In managing the above risks, the Board delegates day-to-day oversight and control to its *Asset and Liability Committee ("ALCO")* and *Market Risk Committee*. These groups are chaired by the CEO and include other members of the Board, in addition to other business managers involved of both revenue-producing units and risk control teams.

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

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

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

Methodologies

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

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

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

Value at Risk (VaR)

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

ture 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 2014 indicate that there were trading two days in which losses exceeded *VaR* levels. Trading limits, as indicated below and in line with prior years, were lower and less used, on average, than investment limits, with most value at risk concentrated in the Bank's Available for Sale portfolio (AFS).

Components and concentrations of the portfolio are typically dynamic as the Bank seeks to maximize stable flows of revenue, while maximizing flexibility to recognize gains and maintaining high levels of available liquidity. Investment limits averaged approximately 61% during the year, peaking at 90% near year end, or higher than the average for recent years. The highest levels of VaR were associated with the fixed income portfolio, reflecting concentrations in that class of instrument. Further detail on exposures may be found in the *Managing Concentration Risk* section of this report.

VaR by Sector

VaR analysis of fixed and variable income asset classes by sector indicate the largest exposures, on average through 2014, were associated with Government issues, followed by Utilities, Telecommunications, Basic Materials and Financials. The concentration in Government had to do with the larger availability and liquidity of issues from that segment as compared to the others, where new and secondary issues were less available and less liquid.

Liquidity VaR

Liquidity VaR measures the expected loss associated with the above sector analysis, adjusted for the liquidity of the respective asset class. The addition of the liquidity component is a more conservative view of the normal VaR in that it introduces the spread between the bid/ask prices of assets. In moments of stress, the bid/ask spread widens as a function of reduced liquidity. The table T.32 show the comparative evolution during 2014 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 table T.32, reflect the rise in stress and fall in liquidity among mainly fixed income instruments linked to peripheral countries and their financial institutions.

T.27 (Euro)

Trading VaR 2014 (vs 2013)	2014				2013			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Foreign exchange risk	47,547	113,981	535,687	8,236	31,882	32,794	98,922	1,279
Interest Rate Risk	40,207	106,969	733,704	9,982	7,486	278,967	2,102,434	7,486
Equity	101,809	123,519	285,301	12,621	103,908	142,773	400,830	34,380
Commodities								
Options	103,922	135,915	405,209	28,790	250,475	138,598	426,766	17,546
Diversification	14%	46%			16%	28%		
	252,557	**260,993**	**692,458**	**40,043**	**331,313**	**424,939**	**2,291,861**	**67,981**

T.28 (Euro)

Investment VaR 2014 (vs 2013)	2014				2013			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Interest Rate Risk	11,422,591	7,892,567	11,614,976	4,862,146	6,865,502	8,327,418	11,272,606	4,826,487
Equity	503,170	279,627	549,293	159,716	264,021	503,483	732,975	264,021
Diversification	2%	2%			2%	3%		
	11,669,897	**7,987,787**	**11,821,091**	**4,253,695**	**6,954,590**	**8,540,234**	**11,594,365**	**4,977,430**

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**
252,557	3,200,000	8%

	Limits	31/12/2014	30/12/2014	Δ	Excess
Equity	400,000	101,809	103,946	-2,137	-
Options	400,000	103,922	108,069	-4,147	-
Interest Rate	2,100,000	40,207	42,451	-2,244	-
Foreign exchange	300,000	47,547	49,888	-2,341	-

T.30 (Euro)

Investment		
VaR	**Limit**	**Usage**
11,669,897	13,000,000	90%

	Limits	31/12/2014	30/12/2014	Δ	Excess
Equity	1,000,000	503,170	503,292	-122	-
Interest Rate	12,000,000	11,422,590	11,510,602	-88,012	-

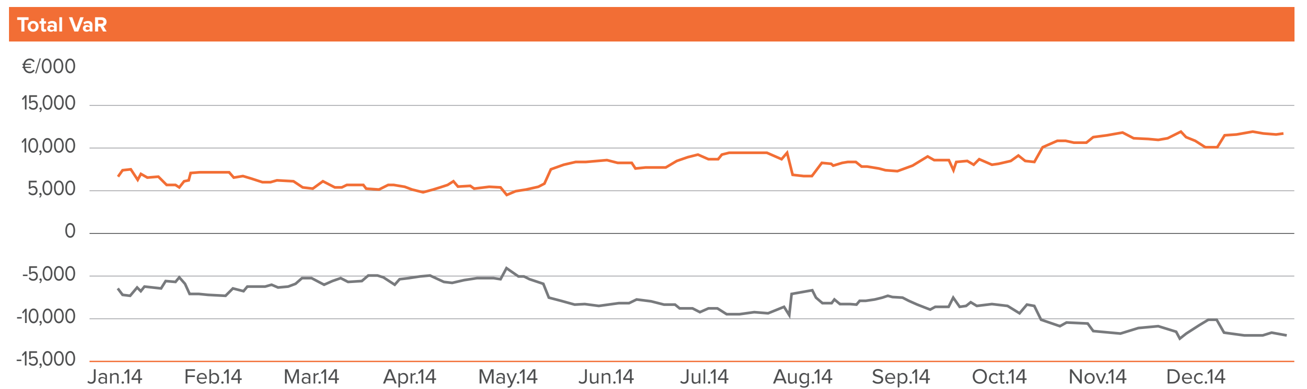
T.31 (Euro)

Sector	Average VaR
Basic Materials	220,108
Telecommunications	343,828
Consumer, Cyclical	61,116
Consumer, Non-cyclical	182,078
Financial	212,590
Government	7,202,470
Industrial	65,228
Utilities	371,555
Energy	247,240

Trading VaR and Investment VaR seen as a whole:

G.2

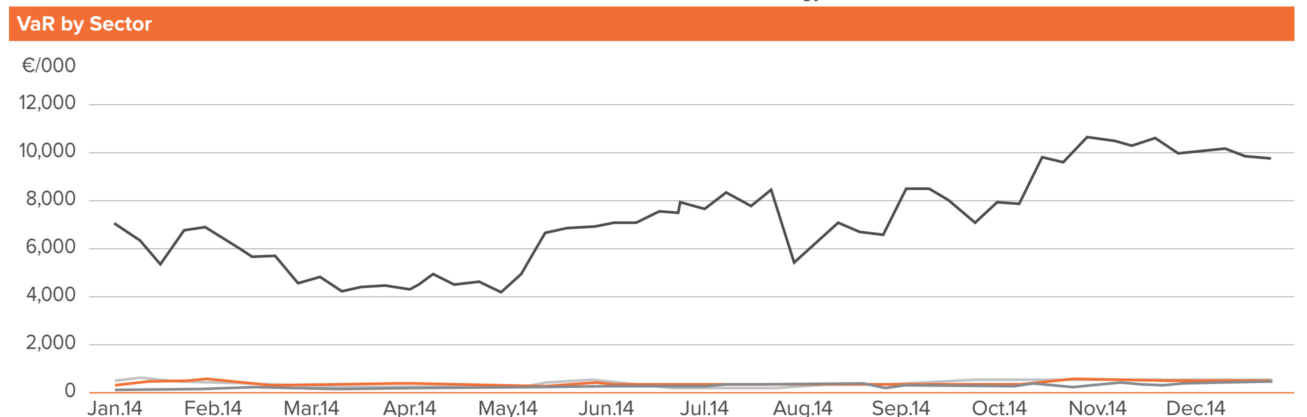
Total VaR



VaR by Sector

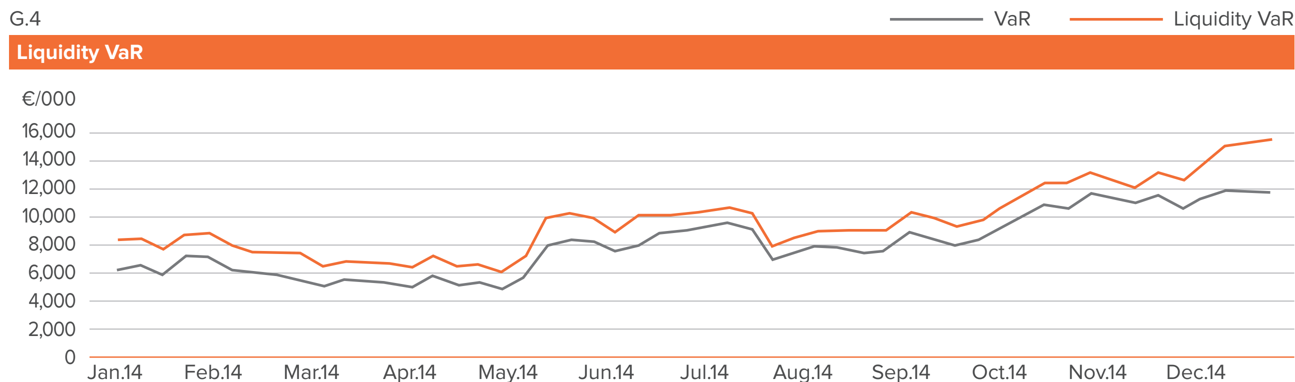
G.3

VaR by Sector



G.4

Liquidity VaR



T.32

(Euro)

Average VaR by Sector during 2014

Sector	L1	VaR	Liquidity VaR
Telecommunications	61,686	343,828	405,514
Financial	149,923	212,590	362,513
Government	590,675	7,202,470	7,793,146
Utilities	111,562	371,555	483,116

Stress Testing

The Bank does extensive stress testing of its market positions and considers this approach, in combination with VaR measurements, to be an essential tool for managing market risks. With economic value stress testing, the Bank seeks to estimate the potential losses associated with an instrument, book or portfolio under different scenarios. Earnings at risk stress testing give Management an estimate of the potential change in value of a given position, either current or contemplated, with the results of different scenarios used to take decisions on whether to assume, increase or close positions. On a daily basis, we use 16 scenarios to test 96 different positions across the Bank's trading and investment portfolios assuming certain worst-case historical market events to simulate our exposure and, in certain cases, the exposures of our clients to potential losses. On a weekly basis, we apply a further 8 scenarios to tests 48 positions. These scenarios are revised frequently as market conditions change. When historical data is not available, underlying assets from identical classes and with a higher level of correlation may be used. Liquidity and correlation stress tests are performed on a weekly or monthly basis.

Most tests are based on historical events and known reactions by markets to those events. In addition to these, the Bank performs daily *Armageddon* stress tests of market exposures. These scenarios simulate the impact of events or falls in markets, which are not based on historical observation, but rather on extreme, potential scenarios. The objective of such "extreme scenarios", discussed ahead, 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 2010-2012 are used given the periods of extreme market stress and used as a basis for running daily tests identified below as "C1, C2...". The historical market reaction to a number of "worse-case" historical events is applied to current exposures to estimate potential gains or losses in major trading or investment books, assuming the same market conditions. Results are then compiled and reported on a daily basis to Management by the Bank's Market Risk area.

Positions at 31/12/14:

T.33

(Euro 000)

Trading 2014

	Equity		Bonds				FX	Commodity
	C1	C2	C1	C2	C3	C4	C1	C1
Equity	(83)	(31)	(70)	21	(26)	(21)	(43)	(31)
Options	(97)	(148)	(94)	(1)	(31)	(28)	(54)	(66)
Interest Rate	(73)	(130)	(209)	(116)	(124)	(47)	(87)	(43)
FX	(149)	(267)	1	(259)	35	(2)	(257)	(179)
Total	(402)	(576)	(372)	(356)	(146)	(98)	(440)	(319)

T.34 (Euro 000)

Investment 2014

	Equity		Bonds				FX	Commodity
	C1	C2	C1	C2	C3	C4	C1	C1
Interest Rate	(17.157)	(5.492)	(44.256)	2.690	(10.627)	(14.428)	(14.562)	(6.391)
Equity	(432)	(232)	(406)	46	(133)	(206)	(250)	(225)
Total	(17.590)	(5.724)	(44.662)	2.736	(10.760)	(14.634)	(14.812)	(6.617)

Equity worst scenarios		
C1	Renewed worries that Europe's debt crisis could spread	18-Aug-11
C2	Downgrade of Portugal debt (from A+ to A-)	28-Apr-10

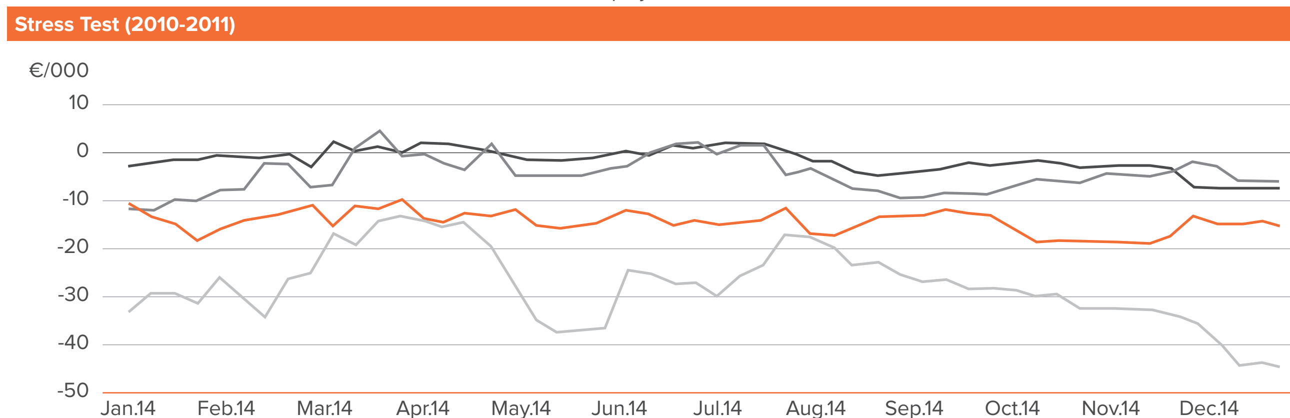
Bonds Worst Scenarios		
C1	1st Auction after Moody's downgraded Portugal to "junk"	06-Jul-11
C2	Italian debt crisis (yield of 7.8% for bonds with 2Y)	25-Nov-11
C3	News that Greece debt is higher than expected	22-Apr-10
C4	Political crisis and riots in Greece	05-May-10

FX worst scenarios		
C1	Greece intervention	06-May-10

Commodities worst scenarios		
C1	Economic slowdown and aggravation of European debt crisis	23-Sep-11

G.5

Stress Test (2010-2011)



T.35 (Euro 000)

	Equity	Bonds	FX	Commodities
Maximum	4,374	-13,016	-9,815	2,325
Minimum	-12,122	-45,034	-19,186	-7,544
Average	-4,569	-27,879	-14,600	-1,659
Std Deviation	3,827	7,890	2,379	2,589

Armageddon Stress Tests

Armageddon stress tests are applied on a daily basis to a number of portfolios. The scenarios used above are based on actual historical events that have created exceptional market volatility. However, in the case of Armageddon stress testing, we create unusually extreme, *non-historicals* scenarios to measure the theoretical impact of certain highly unlikely events on our daily positions. For example, we measure the theoretical impact on the Bank's various exposures in the highly improbable 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 tests, which assume events several times worse than any low point registered during the credit crisis of 2008, are run against current fixed income positions only (*Armageddon Stress Test Debt*) and are reported to Management. 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, which, as a result, provides an important tool to maintain discipline on limits, the size of the balance sheet, and risk taking in general. The average daily exposure to theoretical losses under this highly unlikely scenario was € 57.4 million – or about the same average as in 2013 – with a peak of € 101.8 million on a single day during the beginning of Q4 2014, when the prospect of elections in Greece began to cause some concerns in the market. These peaks consider the entire portfolio, including positions in futures used for hedging interest rate risks, which contribute to the exaggerated levels.

T.36 (Euro 000)

Maximum and Minimum Losses

Maximum(*)	Minimum(*)	Average	Std Deviation
-101,895	-15,749	-57,498	23,108

(*) Maximum and minimum losses

Liquidity Risk

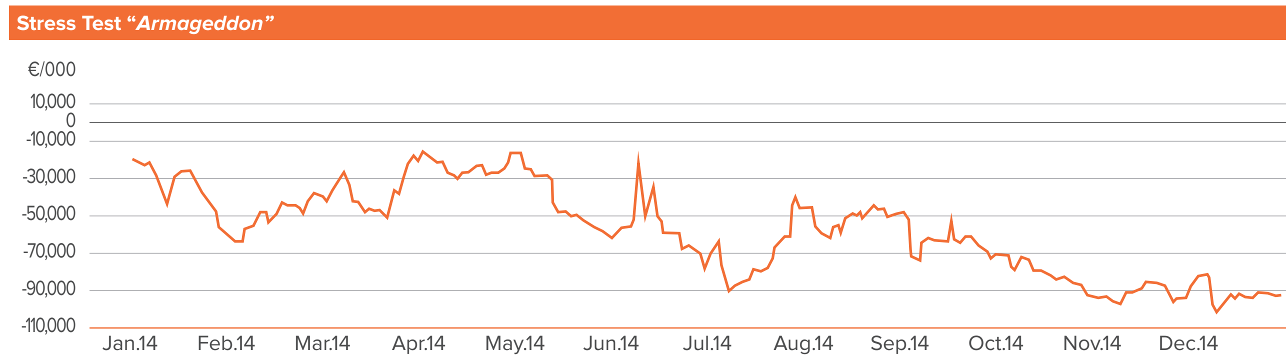
Liquidity Risk arises from the management of the Bank's assets and liabilities.

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

In practice, the Bank's liquidity management process is both a daily and strategic

G.6

Stress Test "*Armageddon*"



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	308,061,762	-77,117,545	-220,590,985	-93,007,458	-102,290,470	0
Cumulative Mismatches	308,061,762	230,944,217	10,353,231	-82,654,227	-184,944,697	490,440,991
Net Assets	660,949,380	698,055,207	813,573,543	813,573,543	813,573,543	0
Volatile Liabilities	73,654,044	126,261,963	249,233,823	264,433,982	280,554,941	0
Net Assets - Volatile Liabilities	587,295,336	571,793,244	564,339,721	549,139,561	533,018,602	0
Liquidity gap (1)	73	75	87	85	82	0

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

issue for Management. It encompasses detailed controls over inflows and outflows, pricing and reputational issues, controls over collateral, the ALCO process and the aspects of our business recovery plan that touch on the fundamental nature of our business model: liquid, flexible, quality assets funded conservatively by mainly stable deposits and capital.

The table T.37 provides a snapshot of funding mismatches at 31 December 2014 by stated maturity. For more information, please see Note 38.

Interest Rate Risk

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

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

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

The table T.38 shows assets and liabilities by maturity as of 31 December 2014, based on the respective average rates calculated for each timeframe indicated. For each maturity are shown the modified duration and basis point values (bvps).

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

Earnings at risk associated with movements in interest rates are measured by assuming a number of scenarios on a regular basis, a rise or decline of 20 basis points (bps) in a day or a similar rise or decline of 50 basis points in a week. The table T.39 measures the impact on pre-tax revenues from an unlikely parallel shift of 200 basis points during December 2014.

T.38 (Euro)

Interest rate risk

Maturity	Assets	Liabilities	*Off balance (+)*	*Off balance (-)*	Net	bpv's
Jan/15	231,882,193	509,812,052	0	0	(277,929,859)	76
Feb/15	32,947,865	180,377,437	0	0	(147,429,572)	1,273
Mar/15	155,101,238	141,691,112	25,019,121	0	38,429,247	(622)
Apr/15	7,055,878	47,130,588	0	0	(40,074,710)	978
May/15	16,136,772	52,531,644	127,042,568	0	90,647,696	(2,976)
Jun/15	9,786,167	34,179,352	186,035,293	0	161,642,108	(6,691)
Jul/15	207,564	37,188,342	0	0	(36,980,778)	1,800
Aug/15	5,159	17,345,668	0	0	(17,340,509)	993
Sep/15	7,016	9,300,176	0	0	(9,293,159)	610
Oct/15	8,097	22,571,760	0	0	(22,563,663)	1,677
Nov/15	9,000	5,207,568	0	0	(5,198,568)	426
Dec/15	78,076	7,765,423	0	0	(7,687,347)	696
Jan/16	5,014	23,084,335	0	0	(23,079,321)	2,193
Jul/16	753,463	8,977,706	0	0	(8,224,243)	1,190
Jan/17	20,009	3,859,627	0	0	(3,839,618)	681
Jan/18	2,696,859	2,102,912	0	0	593,947	(146)
Jan/19	20,850	4,542,828	0	0	(4,521,978)	1,658
Jan/20	100,920,230	0	0	0	100,920,230	(42,809)
Jan/21	112,043,786	0	0	0	112,043,786	(56,487)
Jan/22	11,856,997	0	0	0	11,856,997	(7,081)
Jan/23	31,091,442	0	0	0	31,091,442	(20,442)
Jan/24	34,458,493	0	0	206,955,345	(172,496,852)	139,205
Jan/25	13,507,844	0	0	207,838,000	(194,330,156)	152,238
Jan/30	140,020,200	0	0	0	140,020,200	(151,767)
Jan/35	323,072,461	0	0	0	323,072,461	(434,642)
Jan/40	144,580,795	0	0	293,621,512	(149,040,717)	241,250
	1,368,273,470	**1,107,668,530**	**338,096,981**	**708,414,857**	**(109,712,935)**	**(176,718)**

T.39 (Euro)

December 2014					
Parallel increase of 200 bp	Parallel decrease of 200 bp	Parallel increase of 100 bp	Parallel decrease of 100 bp	Increase of 50 bp after 1 year	Decrease of 50 bp after 1 year
-35,343,607	35,343,607	-17,671,803	17,671,803	-8,747,913	8,747,913

T.40

Interest Rate Risk - Semi-annual Evolution		
Date	Parallel increase of 200 bp in the interest rate curve	% Impact on equity funds
Dec/13	-38,722,052	-19.2%
Jun/14	-6,442,572	-3.2%
Dec/14	-35,343,607	-13.6%

Exposure to Interest rate risk, as a percentage of regulatory capital, measured quarterly during 2014, and assuming the test scenario described above, is presented in T.40.

Sensitivity Analyses

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

- *Rho* measures, in basis point values, the minimum and maximum amounts in exposure during 2013 to our variations in the interest rate curve;

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

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

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

During 2014:

T.41

Greeks	*Rho*	*Vega*	*Delta*	*Theta*
Min	-568.987	-3.997	-759.056	-162.498
Max	-29.108	130.455	207.973	3.211
Average	-290.932	40.697	-100.937	-6.841
Std dev	123.258	39.493	188.257	11.903

Rho expressed in basis point values; others expressed in Euro. For further information see Note 38.

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

Credit Risk

Overview

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

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

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

Process

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

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

Nature of Credit Exposures

The nature of credit risks we manage varies from cycle to cycle. During 2014, following the more critical moments of the previous 2-3 years, policy-makers continued their methodical and determined approach to address - through regulation, legislation, monetary policy, asset quality reviews and stress testing – many of the causes of the Eurozone debt crisis and their results, which have differed from country to country, but which have in common, the proper identification and assessment of credit quality in the financial system. Managing the fundamental credit risk of the BiG's portfolio, particularly quoted debt and equity securities, has meant responding to the improving perceptions of credit quality and liquidity, while not losing sight of the fundamental, long term issues associated with the different markets. In this environment, the market's view of the quality of most assets, especially sovereign risk assets, and assets deriving from a given sovereign's perceived risk–improved significantly during 2014.

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. At 31/12/2014, substantially all of the Bank's portfolio of *loans* were secured facilities.

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

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

Credit Procedures

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

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

Controls on margins – Secured Facilities

Margin and consumer-related lending represented less than 15% of loans at 31/12/14, or unchanged from the prior year period. 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 several years (Note 21).

Unsecured exposures

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

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

Concentration of Risks

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

In the case of managing credit concentrations, Management and the Bank's risk area focus on daily reports which summarize the largest concentrations of risk, including direct, indirect and contingent exposures. These are divided by financial and non-financial exposures. The reports among others serve as a management tool to monitor large exposures regularly and serve as a basis for periodic reporting of regulatory limits, including exposures equal to 10% of own funds and legal lending limits, representing 25% of consolidated capital funds. Main exposures at 31 December 2012 are in table T.42 and T.43.

T.42 (Euro)

December 2014 Exposure by Investment Strategy		Amount
Bonds	Senior debt	352,419,928
	Banks senior debt	30,689
	RMBS	113,603,804
	Government guaranteed	732,250,282
Total Bonds		**1,198,304,702**
Cash & Near Cash		105,802,985
Equity (1)		18,347,921
Equity derivatives (2)		3,698,148
Margin Account		13,163,145
Retail Credit Portfolio		9,343,746
Forex (3)		244,221
Total		**1,198,304,702**

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

T.43 (Euro)

Exposure by Rating – Credit/Bond Portfolio	Aaa	Aa	A	Baa	Ba	B	NA	Total
Senior debt		8,654,403	37,143,065	71,723,390	96,917,642	297,123	137,684,304	352,419,928
Banks senior debt					26,802		3,887	30,689
Government guaranteed	14,266,669		3,410,505	401,054,717	312,538,272		980,118	732,250,282
RMBS			72,812,134	30,227,111	10,564,559			113,603,804
Total	**14,266,669**	**8,654,403**	**113,365,705**	**503,005,218**	**420,047,275**	**297,123**	**138,668,308**	**1,198,304,702**

Stress testing the credit portfolio

As with other portfolios, whose risks are measured in a variety of manners on a daily basis, the Bank's investment portfolio, consisting of mainly fixed income securities of varying tenors, is subject to a number of daily stress tests in order to provide Management with an assessment of potential losses, assuming a number of different, hypothetical scenarios. The most extreme scenario, or *Armageddon* stress test applied this portfolio, represents a daily measure of potential losses by class, by largest individual potential loss, and by industrial sector. The simulations in graph G.7 are based on the impact on the movement of credit spreads and yields in evaluating debt securities, along with their maturity and duration. Another variable is the size of the hedge covering the fixed income portfolio. As with the case of testing the combined trading and investment portfolios, the objective of testing scenarios on the largest single portion of the Bank's balance sheet, which is the credit portfolio, is to determine the extent to which earnings may be affected and shareholder funds may be depleted in theoretical circumstances. The results of these daily tests are used to maintain discipline and control position taking or excessive concentrations.

Examples of the results of such tests on 31 December 2014 show that, under the most extreme circumstances, theoretical losses would be significant **but would not affect the overall solvency of the Bank,** which would remain comfortably above regulatory minimums (table T.44).

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 trading activities. In assessing risks, the Bank follows the same credit procedures for derivatives and foreign exchange-related exposures, as it does for traditional lending products described above. Credit limits for these products are calculated and controlled on the basis of potential exposure, which takes into consideration current market values and estimates of future movements in market rates based on statistical criteria. As part of the process, BiG calculates the cost of replacing a derivative or foreign exchange contract as the primary measure of exposure to credit risk. This refers to the cost of replacing a contract at extreme market conditions should a counterparty default prior to the date of settlement. The Bank uses mark to market procedures and Value at Risk measures to assess the cost of replacing a derivative or foreign exchange contract in the open market.

A summary of notional derivatives exposure and related receivables under contracts with counterparties at 31 December 2014 may be found in Note 18 and 23.

Operational Risk

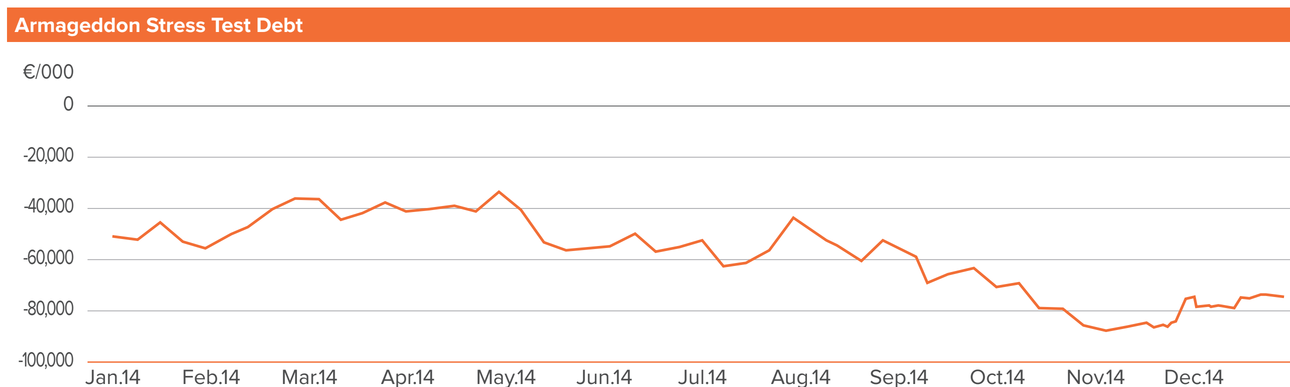
Overview

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

The Bank, given the nature of its business, is exposed to potential losses and/or risk to our reputation, as a result of human or systems-related operational errors, unexpected interruptions in business processing or insufficient execution on the part of third party suppliers of significant components of our complete business model. In the process of managing operating risks pro-actively to keep exposures to minimal levels, the Bank reviews its system of internal governance on a regular basis to ensure the smooth running of the business under both normal and unusual cir-

G.7

Armageddon Stress Test Debt



T.44 (Euro 000)

Maximum and Minimum Losses

Maximum (*)	Minimum (*)	Average	Standard Deviation
-87,036	-33,543	-63,994	16,097

(*) Maximum and minimum losses

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

The impact on the Bank's operating revenues is quite low, and with a positive downward trend.

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

Processing and Systems

The combined Operations and Technology areas, responsible for the smooth running of the organization and support for clients and processing of transactions for business segments of the Bank, represented, in aggregate, 27% of the total headcount at 31/12/14.

In particular, the Information Technology area (IT) covers such areas as maintaining systems of internal information and basic communication services to the technology and programming supporting the Bank's complex, transactional online platform, www.big.pt. The team is sustained on a daily basis by three core drivers of *Security, Availability and Efficiency*, which underlie the Bank's perspective on delivering high quality service to clients in an efficient manner and in controlled operational environment.

Since all digital services are internally developed, the Bank seeks to enhance its development processes using the latest software methodologies, such as *SCRUM*, which has been implemented extensively during 2014. This has allowed the bank to be able to respond more quickly to changes in functionality of existing services and to be able to add new functionality by re-using the existing codebase. A decrease in the number of bugs has been also one of the major benefits that these new methodologies, together with thorough testing, have brought to the launching of new services.

During 2014, the bank has made an even more extensive use of cloud services, using for that matter cloud providers such as Google, Microsoft, VMware and Amazon. The Bank believes achieves better business resilience against disaster, and a lower TCO (Total Cost of Ownership), by using cloud services for most of the supporting services. Nevertheless, the bank follows a strict policy of keeping all client data in its own systems and servers that it manages locally.

Security is an ongoing concern, and in 2014 the Bank started the upgrade of its security infrastructure to reinforce state-of-the-art protection against external threats.

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

Business Continuity and Information Security

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

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

Internal Audit

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

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

Compliance

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

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

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

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

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

Lisbon, 9 March 2015

Board of Directors,

Carlos Adolfo Coelho Figueiredo Rodrigues
Chairman and Chief Executive Officer

Nicholas Leo Racich
Vice Chairman and Chief Operating Officer

Mário João Abreu Galhardo Bolota
Executive Director

Paulo José Caramelo de Figueiredo
Executive Director

Ricardo Dias Carneiro e Gomes de Pinho
Executive Director

(Free translation from the original in Portuguese)

Consolidated Statutory Audit Report

Introduction

1. We have audited the consolidated financial statements of Banco de Investimento Global, S.A., ("Bank") comprising the consolidated balance sheet as at December 31, 2014 (which shows total assets of Euros 1,444,517 thousand and total shareholder's equity of Euros 261,369 thousand, including a net profit of Euros 82,529 thousand), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the corresponding notes to the accounts. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Responsibilities

2. It is the responsibility of the Board of Directors to prepare the consolidated Directors' Report and the consolidated financial statements which present fairly, in all material respects, the financial position of the Bank and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows, as well as to adopt appropriate accounting policies and criteria and to maintain appropriate systems of internal control.

3. Our responsibility is to express an independent and professional opinion on these consolidated financial statements based on our audit.

Scope

4. We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Portuguese Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Bank and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations ; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; and (v) assessing the overall presentation of the consolidated financial statements.

5. Our audit also covered the verification that the consolidated financial information included in the consolidated Directors' Report is consistent with the consolidated financial statements.

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Tel +351 213 599 000, Fax +351 213 599 999, www.pwc.pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 9077

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

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 December 31, 2014, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance in accordance with 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 consolidated Directors' Report is consistent with the consolidated financial statements for the year.

March 27, 2015

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Aurélio Adriano Rangel Amado, R.O.C.

(Free translation from the original in Portuguese)

Report and Opinion of the Supervisory Board (consolidated accounts)

To the Shareholders,

1. In accordance with the law and our mandate, we herewith present the report on our supervisory activity and our opinion on the consolidated Board of Directors' report and the corresponding consolidated financial statements as presented by the Board of Directors of Banco de Investimento Global, S.A. ("Bank"), with respect to the year ended December 31, 2014.

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

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

4. Within the scope of our mandate, we have verified that:

i) the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the corresponding notes to the accounts present adequately the consolidated financial position of the Bank, the consolidated statement of changes in equity, the consolidated results and comprehensive income and the consolidated cash flows;

ii) the accounting policies and valuation methods applied are appropriate;

iii) the consolidated Board of Directors' report is sufficiently clear as to the evolution of the business and the position of the Bank and the subsidiaries included in the consolidation and highlights the more significant aspects.

5. On this basis, and taking into account the information obtained from the Board of Directors and the Bank's employees, together with the conclusions in the Statutory Audit Report, we are of the opinion that:

i) the consolidated Board of Directors' report be approved;

ii) the consolidated financial statements be approved.

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PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

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

March 25, 2015

The President of the Supervisory Board

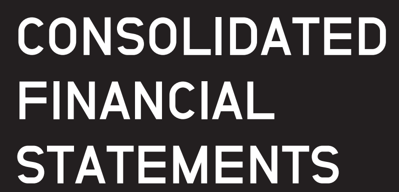
Mr. José Galamba de Oliveira

Member

Mr. Pedro Rogério Barata do Ouro Lameira

Member

Mr. Diogo Pereira Duarte



For the years ended 31 December 2014 and 2013
(Amounts in Euros)

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2014 and 2013

	Notes	2014	2013
Interest and similar income	4	43,413,633	43,994,244
Interest and similar charges	4	(18,275,136)	(18,246,775)
Net interest income		**25,138,497**	**25,747,469**
Income from capital instruments	5	660,850	1,811,909
Income from services and commissions	6	18,328,776	8,119,293
Charges with services and commissions	6	(6,886,202)	(1,586,170)
Profit / loss of assets and liabilities at fair value through the income statement	7	(77,640,615)	7,018,003
Profit / loss of financial assets available for sale	8	183,743,886	79,260,704
Profit / loss of exchange revaluation	9	11,256,872	(89,618)
Profit / loss of sale of other assets	10	14,786,033	5,040,701
Other operating results	11	(13,260)	(300,079)
Operating income		**169,374,837**	**125,022,212**
Staff costs	12	(24,124,063)	(22,356,754)
General administrative costs	14	(9,276,997)	(7,689,711)
Depreciation and amortization	24 and 25	(1,028,013)	(1,134,697)
Provisions net of cancellations	31	(10,255,955)	(1,871,061)
Impairment of credit net of reversals and recoveries	21	(35,423)	33,745
Impairment of other financial assets net of reversals and recoveries	19	-	(125,288)
Impairment of other assets net of reversals and recoveries	22 and 27	(174,042)	(103,403)
Operating costs		**(44,894,493)**	**(33,247,169)**
Operating result		**124,480,344**	**91,775,043**
Results from associated companies		175,774	163,306
Pre-tax profit		**124,656,118**	**91,938,349**
Taxation			
Current	32	(41,849,894)	(33,218,522)
Deferred	32	(277,027)	(92,067)
Net profit of the year		**82,529,197**	**58,627,760**
Earnings per basic share	15	0.79	0.56
Earnings per diluted share	15	0.79	0.56

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2014 and 2013

	Note	2014	2013
Net Profit / Loss of the year		82,529,197	58,627,760
Other comprehensive income of the year			
Items which will not be reclassified for results			
Actuarial gains and losses on the pension fund	13	(2,339,789)	(2,530,541)
Pension fund			
Deferred tax		-	398,903
		(2,339,789)	**(2,131,638)**
Items which could be reclassified for results			
Financial assets available for sale			
Gains and losses of the year		(6,963,534)	(3,594,979)
Deferred tax	32	1,631,290	1,135,401
Current tax	32	227,708	1,064,452
		(5,104,536)	**(1,395,126)**
Total comprehensive income of the year		**75,084,872**	**55,100,996**

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

CONSOLIDATED BALANCE SHEET

On 31 December 2014 and 2013

	Notes	2014	2013
Assets			
Cash and deposits in central banks	16	45,628,589	14,560,069
Deposits in other banks	17	59,616,513	30,024,236
Financial assets held for trading	18	27,839,715	21,899,906
Financial assets available for sale	19	1,090,978,403	874,881,170
Applications in banks	20	557,883	35,528,414
Loans to clients	21	136,162,160	196,918,521
Non-current assets held for sale	22	20,000	204,249
Tangible assets	24	15,355,337	16,409,219
Intangible assets	25	638,556	133,270
Investments in associated companies		-	5,398,628
Current tax assets	26	-	243,508
Deferred tax assets	32	4,302,321	2,067,906
Other assets	27	63,417,166	16,161,156
Total Assets		**1,444,516,643**	**1,214,430,252**
Liabilities			
Funding from central banks	28	180,172,993	130,314,722
Financial liabilities held for trading	18	5,614,424	1,357,470
Funding from other banks	29	108,264,379	143,477,797
Funding from clients	30	804,736,461	683,717,291
Hedge derivatives	23	22,842,895	7,353,336
Provisions	31	14,932,010	4,701,055
Current tax liabilities	26	14,225,919	16,404,477
Other liabilities	33	32,358,311	19,911,504
Total Liabilities		**1,183,147,392**	**1,007,237,652**
Capital			
Capital	34	104,000,000	104,000,000
Issue premiums	34	1,362,281	1,362,281
Treasury stock	34	(152,977)	(1,084,393)
Fair value reserve	34	(7,284,436)	(2,179,900)
Other reserves and retained earnings	34	96,514,926	58,946,644
Net profit of the year		82,529,197	58,627,760
Interim dividends	34	(15,599,740)	(12,479,792)
Total Capital		**261,369,251**	**207,192,600**
Total Liabilities and Capital		**1,444,516,643**	**1,214,430,252**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2014 and 2013

	Capital	Issue Premiums	Treasury Stock	Fair Value Reserve	Legal Reserve	Other Reserves	Net Profit / Loss of the year	Interim dividends	Total Equity
Balances on 31 December 2012 (re-stated)	**104,000,000**	**1,362,281**	**(1,171,567)**	**(1,183,677)**	**7,389,891**	**37,169,153**	**32,517,881**	**(9,359,844)**	**170,724,118**
Comprehensive income									
Other comprehensive income									
Alterations in fair value of financial assets available for sale	-	-	-	(3,594,979)	-	-	-	-	(3,594,979)
Actuarial gains and losses on the pension fund	-	-	-	-	-	(2,530,541)	-	-	(2,530,541)
Deferred tax	-	-	-	1,534,304	-	-	-	-	1,534,304
Current tax	-	-	-	1,064,452	-	-	-	-	1,064,452
Net Profit / Loss of the year	-	-	-	-	-	-	58,627,760	-	58,627,760
Total comprehensive income recognised in the year	-	-	-	(996,223)	-	(2,530,541)	58,627,760	-	55,100,996
Distribution of profit of the year 2012									
Transfer to reserves	-	-	-	-	3,213,503	13,704,638	(16,918,141)	-	-
Distribution of dividends	-	-	-	-	-	-	(15,599,740)	9,359,844	(6,239,896)
Change in loans and advances to employees for the acquisition of Treasury Stock	-	-	87,174	-	-	-	-	-	87,174
Interim dividends	-	-	-	-	-	-	-	(12,479,792)	(12,479,792)
Balances on 31 December 2013	**104,000,000**	**1,362,281**	**(1,084,393)**	**(2,179,900)**	**10,603,394**	**48,343,250**	**58,627,760**	**(12,479,792)**	**207,192,600**
Comprehensive income									
Other comprehensive income									
Alterations in fair value of financial assets available for sale	-	-	-	(6,963,534)	-	-	-	-	(6,963,534)
Actuarial gains and losses on the pension fund	-	-	-	-	-	(2,339,789)	-	-	(2,339,789)
Deferred tax	-	-	-	1,631,290	-	-	-	-	1,631,290
Current tax	-	-	-	227,708	-	-	-	-	227,708
Net Profit / Loss of the year	-	-	-	-	-	-	82,529,197	-	82,529,197
Total comprehensive income recognised in the year	-	-	-	(5,104,536)	-	(2,339,789)	82,529,197	-	75,084,872
Distribution of profit of the year 2013									
Transfer to reserves	-	-	-	-	5,845,926	34,062,145	(39,908,071)	-	-
Distribution of dividends	-	-	-	-	-	-	(18,719,689)	12,479,792	(6,239,897)
Change in loans and advances to employees for the acquisition of Treasury Stock	-	-	931,416	-	-	-	-	-	931,416
Interim dividends	-	-	-	-	-	-	-	(15,599,740)	(15,599,740)
Balances on 31 December 2014	**104,000,000**	**1,362,281**	**(152,977)**	**(7,284,436)**	**16,449,320**	**80,065,606**	**82,529,197**	**(15,599,740)**	**261,369,251**

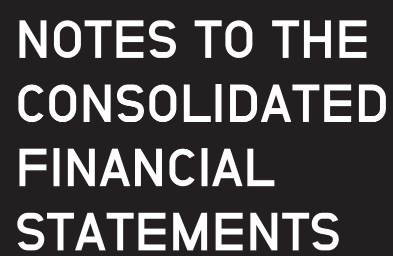
The explanatory Notes attached form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2014 and 2013

	Nota	2014	2013
Cash flow from operating activities			
Interest and income received		47,416,551	43,994,244
Interest and costs paid		(18,133,458)	(18,246,775)
Services and commissions		15,836,406	6,533,123
Contributions to the pension fund		(4,316,254)	(3,795,126)
Cash payments to employees and suppliers		(25,299,905)	(26,030,978)
Other costs and income paid/received		(251,868)	(19,167)
		15,251,472	**2,435,321**
Change in operating assets and liabilities:			
Deposits in Central Banks		(31,178,927)	(286,450)
Financial assets and liabilities held for trading		154,784	8,251,457
Applications in banks		34,972,383	1,396,046
Funding from Central Banks		50,000,000	(129,933,056)
Funding from banks		(34,996,598)	136,997,203
Loans to clients		60,658,554	(4,285,898)
Funding from clients		125,971,115	139,887,128
Derivatives for risk management		(40,142,405)	(3,180,998)
Other operating assets and liabilities		(44,610,645)	9,436,652
Cash flow net of the operating activities, before taxation on profits		**136,079,733**	**160,717,405**
Taxation on profits paid / received		(44,822,874)	(33,724,664)
		91,256,859	**126,992,741**
Cash flow from investment activities			
Dividends received		660,850	1,811,909
Financial assets available for sale		(43,208,708)	(98,245,199)
Purchase of financial investments		(576,575)	(949,093)
		(43,124,433)	**(97,382,383)**
Cash flow from financing activities			
Treasury stock		931,416	87,175
Dividends paid from ordinary shares		(21,839,636)	(18,719,688)
Cash flow net of financing activities		**(20,908,220)**	**(18,632,513)**
Net variation in cash and cash equivalents		**27,224,206**	**10,977,845**
Cash and cash equivalents at the beginning of the period		31,821,106	21,276,365
Effect of the change in the exchange rate on cash and cash equivalents		2,257,664	(433,104)
Cash and cash equivalents at the end of the period		**61,302,976**	**31,821,106**
Net variation in cash and cash equivalents		27,224,206	10,977,845
Cash and cash equivalents includes:			
Cash	16	1,686,463	1,796,870
Deposits in other banks	17	59,616,513	30,024,236
Total		**61,302,976**	**31,821,106**

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2014 and 2013
(Amounts in Euros)

INTRODUCTION

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

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

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, the consolidated financial statements of the Banco de Investimento Global, S.A. (BiG or Group) are prepared in accordance with 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 2014 and were prepared in accordance with the IFRS, as adopted in the European Union up to 31 December 2014. The accounting policies used by the Group in the preparation of the financial statements reported on 31 December 2014 are consistent with those used with reference to 31 December 2013.

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

The preparation of financial statements in accordance with the IFRS requires the Group to make judgments 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 judgments. The areas which involve a greater degree of judgment or complexity, or where significant assumptions and estimates are used in the preparation of the Consolidated Financial Statements are analysed in Note 3.

These consolidated financial statements were approved in a meeting of the Board of Directors on 9 March 2015.

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 all entities (including structured entities) over which the Group exercises control. The Group controls an entity when it is exposed to, or has rights over, the variable returns generated, as a result of its involvement with the entity, and has the capacity to affect these variable returns through the power it exercises over the entity's relevant activities.

Associated companies

Associated companies are classified as all companies over which the Group has the power to exercise more than 20% of the voting rights, although never more than 50%, from the time that the Group acquires a significant influence up to the time that this ends. The dividends attributed by the Associated Companies reduce to the value of the investment made by the Group. Even when the voting rights are less than 20%, the Group may exercise significant influence through participation in the management of the associate company or in the composition of the Boards of Directors with executive powers. Investments in associated companies are recorded in the consolidated financial statements of the Bank by the equity pick-up method from the time that the Group acquires significant influence until the time this ends.

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

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

Balances and transactions eliminated in consolidation

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

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

2.2. Transactions in foreign currency

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

2.3. Derivative financial instruments and hedge accounting

Classification

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

All other derivatives are classified as trading derivatives.

Recognition and measurement

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

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

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

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

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

Hedge accounting

Classification criteria

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

- On the start date of the transaction the hedge relationship is identified and formally documented, including the identification of the hedged item, of the hedge instrument and the evaluation of the effectiveness of the hedge;
- There is the expectation that the hedge relationship is highly effective, on the start date of the transaction and throughout the life of the transaction
- The efficacy of the hedge can be reliably measured on the start date of the transaction and throughout the life of the operation.

Fair value hedge

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

If the hedge ceases to meet the criteria required for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed return instrument, the revaluation adjustment is amortised in results for the remaining period of useful life of the hedged item.

Embedded derivatives

Derivatives which are embedded in other financial instruments are treated separately when their economic characteristics and their risks are not strictly related with the rest of the contract and with the characteristics of the underlying financial instrument. Embedded derivatives are recorded at fair value with the variations recognised in the income statement.

2.4. Loans to clients

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

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

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

Impairment

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

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

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. For a loan with a variable interest rate, the discount rate to be used to determine the respective impairment loss is the effective current interest rate, determined by the rules in each contract.

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

When 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 assessed collectively. Loans that are assessed individually and for which an impairment loss is identified are not included in the collective evaluation. Within this collective analysis, when a loan stands out, namely due to its amount or type of collateral, a more detailed individual analysis is made, not necessarily to gauge if there is impairment of the loan but to assess the quality of the collateral.

When the Bank considers that a given loan cannot be collected, having recognised an impairment loss of 100%, this is written off from assets. Subsequent recoveries of loans previously written off in assets are recognised in profit and loss by the reduction amounting to the impairment losses of the period.

2.5. Other financial assets

Classification

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

- *Financial assets at fair value through the income statement*
  This category includes: (i) financial assets for trading, acquired with the main objective of being traded in the short term, or which are held as part of an asset portfolio, normally securities, in relation to which there is evidence of recent activities which could lead to the making of short term gains, and (ii) financial assets designated at the time of their initial recognition at fair value with variations recognised in the income statement.
  The structured products acquired by the Group, which correspond to financial instruments containing one or more embedded derivatives, always fit into one of the three situations described above, follow the evaluation method of financial assets held for trading.

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

Initial recognition, measurement and non-recognition

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

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

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

Subsequent measurement

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

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

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

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

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

Impairment

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

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

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, including the very credit risk of the entity of the issuing Group.

When a financial liability is replaced by another with the same counterparty, in different or substantially altered terms from those that had initially been established, this replacement or alteration is treated as a derecognition of the initial liability and a new liability is recognised.

The financial liability will be derecognised when the underlying obligation expires or is cancelled.

If there is any difference between these amounts it is recognised in the income statement of the year.

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 there is an exercisable legal right to compensate the amounts recognised at the same time. The exercisable right legal cannot be contingent on future events, and should be exercisable in the normal course of the Group's activity and also in the case of default, bankruptcy or insolvency of the Group or counterparty.

2.9. Assets with repurchase agreement

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

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

2.10. Tangible assets

The tangible assets of the Group are valued at 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

Whenever there is an indication that assets may be impaired, IAS 36 requires that their recoverable value be estimated, and that an impairment loss should always be recognised when the net value of an asset exceeds its recoverable value. Impairment losses are recognised in the income statement of the year, and are reversed in later reporting periods when the reasons that led to their initial recognition cease, for the purpose, and the new amortised amount will not be higher than that that would have been accounted, if impairment losses had not been imputed to the assets, considering the depreciation that this would have suffered.

2.11. Intangible assets

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

2.12. Leasing

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

Operational leases

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

Financial leases

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

From the point of view of the lessee, finance leasing contracts are entered in the balance sheet as loans granted for the value equivalent to the net investment made in the leased property, together with any residual value not guaranteed in favour of the Group. The interest included in the instalment payments debited to clients are entered as income while the amortizations of the capital also included in the instalment payments are deducted from the value of the loan granted to clients. The recognition of the interest reflects a constant periodic rate of return on the net remaining investment of the lessee.

2.13. Employee benefits

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

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

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

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

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

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

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

Defined benefit plan

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

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

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

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

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

Stock option remuneration plan

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

Variable remunerations to Employees and Corporate Offices

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

2.14. Provisions

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

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

2.15. Taxation on profits

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

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

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

Deferred taxation is calculated in accordance with the fiscal rules in force or substantially approved, and using the tax rates on the Balance Sheet date in each mandate and which are expected to be applied when the temporary differences are reversed.

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

2.16. Recognition of income from services and commissions

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

- when obtained in the execution of a significant act, for example such as commissions in the syndication of loans, income is recognised in the income statement when the significant act has been concluded;
- when obtained as the services are provided, income is recognised in the income statement in the period to which it relates;
- when income is part of the effective interest rate of a financial instrument it is stated in the income statement by the effective interest rate method.

2.17. Recognition of interest

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

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

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

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

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

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

2.18. Earnings per share

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

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

2.19. Cash and cash equivalents

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

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

2.20. Recognition of dividends

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

2.21. Standards and interpretations not yet adopted

The Standards and Interpretations not yet adopted by the Group are presented in Note 41.2.

2.22. Reporting by segments

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

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

The IFRS establish a series of accounting procedures and require management to make necessary judgments 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 financial assets. The following triggers for the existence of impairment were considered:

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

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

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

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

3.2. Fair value of derivative financial instruments

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

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

3.3. Impairment losses on loans and advances to clients

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

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

3.4. Taxation on profits

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

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

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

3.5. Defined contribution pension plan

The participants of the defined benefit pension plan were included in the defined contribution pension plan, with the Bank assuming the commitment to maintain a reserve account for any difference that might appear compared with the defined benefits established for the participants of the previous defined benefit plan. The determination of this difference to the defined benefit plan requires assumptions and estimates to be made, including the use of actuarial projections and other factors that could have an impact on the costs and liabilities of the Bank.

NOTE 4
NET INTEREST MARGIN

The amount of this caption is made up as follows:

	2014			2013		
	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	46,508	-	46,508	62,278	-	62,278
Interest from securities available for sale	38,390,405	-	38,390,405	35,819,964	-	35,819,964
Interest from deposits	12,577	-	12,577	35,649	-	35,649
Interest from loans to clients	3,898,829	-	3,898,829	5,631,442	-	5,631,442
Interest from financial assets held for trading	-	409,181	409,181	-	1,255,862	1,255,862
Other interest and similar income	656,133	-	656,133	1,189,049	-	1,189,049
	43,004,452	**409,181**	**43,413,633**	**42,738,382**	**1,255,862**	**43,994,244**
Interest and similar charges						
Interest from funding from clients	12,968,002	-	12,968,002	12,982,024	-	12,982,024
Interest from funding from banks	598,066	-	598,066	754,285	-	754,285
Interest from funding from Central Banks	277,139	-	277,139	799,639	-	799,639
Other interest and similar charges	4,431,929	-	4,431,929	3,710,827	-	3,710,827
	18,275,136	**-**	**18,275,136**	**18,246,775**	**-**	**18,246,775**
Net interest income	**24,729,316**	**409,181**	**25,138,497**	**24,491,607**	**1,255,862**	**25,747,469**

NOTE 5
INCOME FROM CAPITAL INSTRUMENTS

On 31 December 2014, this caption, amounting to 660,850 Euros (31 December 2013: 1,811,909 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:

	2014	2013
Income from services and commissions		
For transactions on behalf of third parties	12,499,392	3,492,538
For services rendered	3,815,619	2,180,913
Other income from services and commissions	313,255	1,500,505
For commission sharing	1,137,195	802,320
For financial consultancy services	555,117	139,942
For commitments before third parties	4,475	3,075
For guarantees provided	3,723	-
	18,328,776	8,119,293
Charges with services and commissions		
For transactions performed by third parties	1,056,108	808,244
Other charges with services and commissions	4,830,662	435,392
For banking services from third parties	401,327	340,829
For guarantees received	1,285	1,705
For transactions on financial instruments	596,820	-
	6,886,202	1,586,170
Net Profit / Loss from services and commissions	**11,442,574**	**6,533,123**

The variation in the caption Charges with services and commissions – For operations on financial instruments relates to commissions paid for futures and options operations through our brokers.

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:

	2014			2013		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Bonds and other fixed return securities						
From public issuers	1,951,132	191,182	1,759,950	2,979,723	2,905,685	74,038
From other issuers	1,363,032	300,346	1,062,686	1,074,650	1,840,789	(766,139)
Shares	5,655,403	7,827,893	(2,172,490)	4,672,398	3,271,667	1,400,731
Other variable return securities	9,041	26,927	(17,886)	142,077	625,704	(483,627)
Derivative financial instruments						
Contracts on exchange rates	3,858,281	14,166,329	(10,308,048)	2,368,369	1,943,105	425,264
Contracts on interest rates	14,836,472	80,760,772	(65,924,300)	28,276,163	19,450,160	8,826,003
Contracts on shares / indices	17,975,193	17,580,313	394,880	10,777,067	12,120,217	(1,343,150)
Other	62,411,763	9,215,205	53,196,558	4,640,346	2,915,266	1,725,080
Hedge derivatives	19,145,721	74,777,686	(55,631,965)	5,766,932	8,607,129	(2,840,197)
	127,206,038	**204,846,653**	**(77,640,615)**	**60,697,725**	**53,679,722**	**7,018,003**

The variation in this caption is related with the hedging of trading obligations, this hedging being for interest rate and currency exchange risk.

NOTE 8
PROFIT/LOSS ON FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this caption is made up as follows:

	2014			2013		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Bonds and other fixed return securities						
From public issuers	158,273,014	1,412,298	156,860,716	55,362,225	1,861,915	53,500,310
From other issuers	23,728,089	571,685	23,156,404	25,422,031	321,339	25,100,692
Shares	3,756,976	30,210	3,726,766	1,320,830	661,128	659,702
	185,758,079	**2,014,193**	**183,743,886**	**82,105,086**	**2,844,382**	**79,260,704**

The gains of this caption result from the sale, throughout the year, of bonds from various emissions.

NOTE 9
PROFIT/LOSS ON EXCHANGE REVALUATION

On 31 December 2014, this caption comprises gains, amounting to 11,256,872 Euros of which 19,030,163 relate to gains with spot exchange revaluation and 7,859,686 Euros relate to losses from term exchange revaluation (on 31 December 2013 this comprised losses amounting to 89,618 Euros).

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

NOTE 10
RESULTS FROM THE SALE OF OTHER ASSETS

The amount of this caption is made up as follows:

	2014	2013
Financial transactions		
Other losses	(10,891)	(77,607)
Other gains	14,796,924	5,118,308
	14,786,033	**5,040,701**

The gains recorded in this caption refer, essentially, to the sale of ABS (residential mortgage backed securities) from Portuguese and Spanish issuers, which were classified as Loans to clients under IAS 39.

NOTE 11
OTHER OPERATING RESULTS

The amount of this caption is made up as follows:

	2014	2013
Other operating income		
Provision of diverse services	83,372	80,529
Repayment of expenses	1,312	4,603
Other	1,182,926	832,672
	1,267,610	**917,804**
Other operating costs		
Direct and indirect taxation	786,710	880,501
Contributions to deposit guarantee fund	137,343	118,937
Dues and donations	266,427	80,986
Other	90,390	137,459
	1,280,870	**1,217,883**
Other operating results	**(13,260)**	**(300,079)**

NOTE 12
STAFF COSTS

The amount of this caption is made up as follows:

	2014	2013
Remunerations	13 396 327	19 452 302
Costs with retirements pensions		
of defined Benefits (See Note 13)	1,229,002	1,001,465
of defined Contributions	757,710	252,874
Obligatory social charges	2,381,583	1,362,226
Other staff costs	6,359,441	287,887
	24,124,063	**22,356,754**

On 31 December 2014, costs with remunerations and other benefits attributed to the Corporate Offices were stated at 14 465 601 Euros (31 December 2013: 12 164 632 Euros).

The caption Other staff costs comprises health insurance, life assurance, among others, and the variation observed essentially relates to the unit-linked capitalization life assurance, attributed to the employees, with the aim of encouraging long-term saving.

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

	2014	2013
Short-term employee benefits	3,130,282	2,049,542
Post-employment benefits	208,767	51,696
Other long-term benefits	15,732	10,783
	3,354,781	**2,112,021**

By professional category, the number of employees on 31 December 2014 and 2013 is broken down as follows:

	2014	2013
Specific functions	112	110
Middle management functions	38	34
Senior management functions	29	25
Administrative functions	7	5
Auxiliary functions	3	2
	189	**176**

NOTE 13
EMPLOYEE BENEFITS

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

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

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

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

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

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

Retirement pensions

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

	Assumptions	Actual	
	2013	2014	2013
Demographic assumptions			
Mortality table	TV 88/90		
Invalidity table	Suisse Re 2001		
Financial assumptions			
Rate of profitability of the fund	4.0%	12.2%	6.4%
Rate of salary growth	3.0%	3.0%	2.5%
Discount rate	4.0%	-	-

In accordance with the accounting policy described in Note 2.13., the discount rate used to estimate liabilities with retirement pensions corresponds to the market rates in force on the date of the balance sheet, associated to obligations of companies with a high rating, stated in the currency in which the benefits will be paid.

Only 6 employees in service are participants in the Defined Benefits Plan. 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.

On 31 December 2005, the Bank made its best estimate of its responsibility with pensions inherent to the defined benefit plan, taking into consideration the number of employees it expected to opt for this benefit. The value of the responsibilities corresponding to past services, up to 2012, was being deferred over a period of 11.5 years, when the plan was introduced, corresponding to the estimated period of service of these employees.

In 2013, owing to an alteration to IAS 19, the Bank recognised past services not yet amortised in the retained earnings retrospectively.

The evolution of the liabilities may be analysed as follows:

	2014	2013
Liabilities on 1 January	(18,415,028)	(13,993,454)
Cost of current service	(1,229,412)	(1,001,395)
Cost of interest	(736,601)	(559,738)
Actuarial (gains) and losses with Liabilities	(737,011)	(2,860,441)
Liquidation of the defined benefit plan	21,118,052	-
Liabilities on 31 December	**-**	**(18,415,028)**

The evolution of the value of the pension funds in the years 2014 and 2013 may be analysed as follows:

	2014	2013
Balance of the Fund on 1 January	**18,425,274**	**13,993,454**
Real income from the fund	2,251,023	889,568
Contributions from the Bank	3,558,544	3,542,252
Liquidation of the defined benefit plan	(24,234,841)	-
Balance of the Fund on 31 December	**-**	**18,425,274**

Actuarial differences recognised in reserves may be analysed as follows:

	2014	2013
Accumulated actuarial differences in reserves on 1 January	**(5,451,350)**	**(2,920,809)**
Actuarial (gains) and losses in the year:		
Of the Fund	1,514,012	329,900
Responsibilities	(3,413,891)	(2,860,441)
Difference between the valuation of the Fund and its total liabilities	(439,910)	-
	(2,339,789)	**(2,530,541)**
Accumulated actuarial differences in reserves on 31 December	**(7,791,139)**	**(5,451,350)**

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

	2014	2013
Cost of current service	(1,229,412)	(1,001,395)
Cost of interest	(736,601)	(559,738)
Expected income from the fund	737,011	559,668
Cost of the year (Note 12)	**(1,229,002)**	**(1,001,465)**

On 31 December 2014, the Group recognised the amount of 757 710 Euros (31 December 2013: 252 874 Euros) as a cost relating to the Defined Contribution Plan (note 12).

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

	2014	2013
Net assets in the Balance Sheet on 1 January	**10,246**	-
Cost of the year	(1,229,001)	(1,001,465)
Actuarial gains / (losses) in reserves	(2,339,789)	(2,530,541)
Contributions in the year	3,558,544	3,542,252
Net assets in the Balance Sheet on 31 December	-	**10,246**

Stock option plan

The main characteristics of each plan are presented as follows:

Plan	Expected date of the end of the plan (1)	Number of options on the start date of the plan	Exercise price	Number of options on 31/12/14	Number of options on 31/12/13
2005	Nov/2018	9,000,000	1.15	2,266,621	2,266,621
2007	Mar/2020	1,824,000	1.26	77,400	77,400
2007	Mar/2020	66,800	1.34	10,020	10,020
2007	Mar/2020	15,600	1.35	1,632	1,632
2010	Mar/2023	65,000	1.28	43,550	43,550
2012	Jan/2025	7,150,000	1.00	6,350,000	7,150,000
2013	Jul/2026	1,473,250	1.40	1,473,250	1,473,250
2013	Jan/2027	5,000,000	1.40	4,500,000	5,000,000
2013	Abr/2027	200,000	1.40	200,000	200,000

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

The options fall due, individually, after tem years have elapsed after the respective maturity dates.

The regulations relating to the stock option plan have remained substantially the same since 2005, except with regard to the maturity dates and to the financing. Normally the maturities are distributed over 3 years, except in the case of the Corporate Offices which only fall due 3 years after they are attributed. Expiration has been maintained from the start, this being 10 years after the first maturity date. Taking into account that the Bank is not listed, the options are exercised when there is sufficient treasury stock, otherwise an increase in capital has to be pondered.

The valuation techniques used for the options on the date of their attribution are presented below:

Valuation using market multiples:
This valuation using market multiples is based on the application to the Bank's financial indicators of multiples (of results, cash flow and equity) to which a group of financial institutions are transacted in the market;

Valuation using the adjusted book value method
The adjusted book value method of valuation is based on the Gordon Model and consists of the calculation of the value of a company using the equity at book value and correcting it by a factor corresponding to the "equity spread". This method is normally used by market analysts in the analysis and valuation of financial institutions.

NOTE 14
GENERAL ADMINISTRATIVE COSTS

The amount of this caption is made up as follows:

	2014	2013
Supplies	1,338,722	1,363,805
Rents	621,379	638,949
Communications	534,186	500,709
Travel, hotel and representation costs	397,060	405,644
Advertising and publications	1,923,228	1,251,161
Specialised services		
Fees	138,691	123,148
Information Technology	2,563,533	1,689,330
Security and surveillance	157,681	150,142
Information	389,430	311,921
Databases	18,781	20,386
Manual labour	28,884	15,948
Other specialised services	929,187	956,522
Other	236,235	262,046
	9,276,997	**7,689,711**

The fees of the years 2014 and 2013 relating to the external auditors, as provided for in Article 66-A of the Commercial Companies Code, are detailed as follows:

	2014	2013
Accounts Auditing and Supervision Services	67,000	66,000
Other reliability guarantee services related with the Statutory Auditor	32,000	51,000
	99,000	**117,000**

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.

	2014	2013
Net profit attributable to the bank's shareholders	82,529,197	58,627,760
Weighted average number of ordinary shares issued	104,000,000	104,000,000
Weighted average number of Treasury Stock in portfolio	(1,732)	(1,732)
Average number of ordinary shares in circulation	**103,998,268**	**103,998,268**
Earnings per share attributable to the bank's shareholders (in Euros)	**0.79**	**0.56**

Earnings per diluted share are no different from Earnings per ordinary share as there were no dilutive shares on 31 December 2014 and 2013.

The Administration made a partial interim payment of dividends as mentioned in Note 34.

NOTE 16
CASH AND DEPOSITS IN CENTRAL BANKS

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Cash	1,686,463	1,796,870
Demand deposits in Central Banks		
Bank of Portugal	43,942,126	12,763,199
	45,628,589	**14,560,069**

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 2014 includes an average mandatory reserve of 7 489 000 Euros which corresponds to the maintenance period from 10 December 2014 to 13 January 2015.

NOTE 17
DEPOSITS IN OTHER BANKS

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Deposits in other banks in Portugal		
Demand deposits	2,568,935	4,281,914
Deposits in other banks abroad		
Demand deposits	57,047,578	25,742,322
	59,616,513	**30,024,236**

The banks where the Group has deposits have a high rating, and at the end of the year 92.5% of these are in institutions whose rating is investment grade. The other deposits are in banks that are not classified (3.7%) or in banks whose rating is lower than investment grade (3.8%).

NOTE 18
FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Financial assets held for trading		
Securities		
Bonds and other fixed income securities		
Public issuers	1,677,565	968,315
Other issuers	10,423,657	5,252,744
Shares	12,081,936	15,466,476
Other	174,529	-
	24,357,687	**21,687,535**
Derivatives		
Derivative financial instruments with positive fair value	3,482,028	212,371
	27,839,715	**21,899,906**
Financial liabilities held for trading		
Derivatives		
Derivative financial instruments with negative fair value	5,614,424	1,357,470
	5,614,424	**1,357,470**

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 2014 and 2013, the caption Financial assets held for trading - Securities, was totally made up from listed securities.

The caption Derivative financial instruments on 31 December 2014 and 2013 is analysed as follows:

	2014			2013		
	Notional	Fair value		Nocional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Contracts on exchange rates						
Currency Options	13,709,115	82,745	82,192	13,957,791	24,974	24,824
Currency Futures (a)	-	-	-	(3,681,617)	-	-
Contracts on shares/indices						
Equity/Index Options	47,004,488	3,388,378	540,697	44,575,554	169,925	1,318,231
Equity/Index Futures (a)	-	-	-	(16,454,310)	-	-
Term transactions	65,892,431	-	4,980,976	-	-	-
Contracts on Other						
Commodity Options	5,248,611	10,905	10,559	9,125,343	17,472	14,415
	131,854,645	**3,482,028**	**5,614,424**	**47,522,761**	**212,371**	**1,357,470**

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

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

On 31 December 2014 and 2013, the distribution of the Financial assets held for trading - Securities by residual maturity, is as follows:

	2014	2013
Securities		
Up to 3 months	51,845	64,660
3 months to 1 year	333,746	891,773
From 1 to 5 years	5,804,470	2,018,520
Over 5 years	5,911,161	3,246,106
Unspecified duration	12,256,465	15,466,476
	24,357,687	**21,687,535**

On 31 December 2014 and 2013, the distribution of financial assets and liabilities held for trading - Derivative financial instruments, by residual maturity, is presented as follows:

	2014		2013	
	Notional	Fair value	Notional	Fair value
Derivative financial instruments				
Up to 3 months	78,589,183	(4,880,292)	(16,253,055)	4,338
3 months to 1 year	36,045,692	453,815	38,435,005	(698,027)
From 1 to 5 years	17,219,770	2,294,081	25,340,811	(451,410)
	131,854,645	**(2,132,396)**	**47,522,761**	**(1,145,099)**

NOTE 19
FINANCIAL ASSETS AVAILABLE FOR SALE

On 31 December 2014 and 2013, 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	576,108,120	2,449,626	(6,614,163)	-	571,943,583
Other issuers	290,072,468	3,216,325	(5,196,974)	-	288,091,819
Shares	19,868,502	1,681,529	-	(6,704,263)	14,845,768
Balance on 31 December 2013	**886,049,090**	**7,347,480**	**(11,811,137)**	**(6,704,263)**	**874,881,170**
Bonds and other fixed income securities					
Public issuers	736,754,383	518,188	(7,869,559)	-	729,403,012
Other issuers	348,367,075	1,196,154	(6,366,565)	-	343,196,664
Shares	20,212,932	1,586,299	(410,190)	(3,010,314)	18,378,727
Balance on 31 December 2014	**1,105,334,390**	**3,300,641**	**(14,646,314)**	**(3,010,314)**	**1,090,978,403**

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

The fair value reserve presented includes an amount of (2 418 912) Euros, relating to the securities transferred in 2011 to the loan portfolio (note 21).

On 31 December 2014, around 78.6% of the portfolio of Financial assets available for sale comprising bonds and other fixed yield securities was hedged by derivative financial instruments, namely interest rate swaps and interest rate futures.

The average interest rate during the year ending on 31 December 2014, was 3.81% (31 December 2013: 4.41%).

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

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

On 31 December 2014 and 2013, the caption financial assets available for sale was broken down as follows with regard to listed and unlisted securities:

	2014			2013		
	Listed	Unlisted	Total	Listed	Unlisted	Total
Bonds and other fixed income securities						
Public issuers	729,403,012	-	729,403,012	571,943,583	-	571,943,583
Other issuers	343,196,664	-	343,196,664	288,091,819	-	288,091,819
Shares	18,347,919	30,808	18,378,727	14,845,438	330	14,845,768
	1,090,947,595	**30,808**	**1,090,978,403**	**874,880,840**	**330**	**874,881,170**

On 31 December 2014 and 2013, the distribution of Financial assets available for sale by residual maturity is as follows:

	2014	2013
Up to 3 months	1,325,490	-
From 1 to 5 years	73,046,952	142,572,751
Over 5 years	998,227,234	717,462,651
Unspecified duration	18,378,727	14,845,768
	1,090,978,403	**874,881,170**

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

	2014	2013
Opening balance	**6,704,263**	**6,578,975**
Additions	-	125,288
Used	(3,693,949)	-
Closing balance	**3,010,314**	**6,704,263**

NOTE 20
APPLICATIONS IN BANKS

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Applications in banks in Portugal		
Deposits	500,000	35,500,000
Loans	57,883	28,414
	557,883	**35,528,414**

The average interest rate during the year ending on 31 December 2014 was 0.71% (31 December 2013: 0.28%).

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

	2014	2013
Up to 3 months	500,000	35,500,661
From 1 to 5 years	57,883	27,753
	557,883	**35,528,414**

On 31 December 2014 and 2013 there was no impairment allocated to applications in banks.

NOTE 21
LOANS TO CLIENTS

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Domestic loans		
To companies		
Loans	1,571,907	2,281,917
Loans at sight	1,187,471	1,147,751
Overdrafts	567	649
Leasing	210,304	227,337
Other specialised loans	34,802	53,576
To private individuals		
Loans at sight	11,284,087	13,528,211
Mortgages	5,157,810	5,290,139
Leasing	882,850	709,079
Overdrafts	30,613	26,342
Other specialised loans	998,200	911,804
	21,358,611	**24,176,805**
Foreign loans		
To companies		
Loans at sight	7,450	4,501
Overdrafts	33	52
To private individuals		
Loans at sight	978,491	259,053
Mortgages	207,396	-
Overdrafts	828	553
	1,194,198	**264,159**
Loans represented by securities		
Unsubordinated debt securities		
Issued by residents	7,924,896	10,159,757
Issued by non-residents	105,678,909	162,343,597
	113,603,805	**172,503,354**
Past due loans and interest		
Over 90 days	197,479	162,005
	197,479	**162,005**
	136,354,093	**197,106,323**
Impairment of loans to clients	(191,933)	(187,802)
Loans to clients	**136,162,160**	**196,918,521**

On 31 December 2014 and 2013 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 2014, the Group's credit portfolio included loans granted to a member of the Board of Directors for 307 292 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 2013: 373 003 Euros). The loans granted to key management staff with senior management functions amounted to 1 483 877 Euros (31 December 2013: 1 333 920 Euros).

The average interest rate during the year ending on 31 December 2014 was 2.68% (31 December 2013: 2.97%).

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

	2014	2013
Up to 3 months	15,007,146	16,837,545
From 3 months to 1 year	47,524	14,035,491
From 1 to 5 years	1,331,259	1,023,562
Over 5 years	119,770,685	165,047,720
Unspecified duration	197,479	162,005
	136,354,093	**197,106,323**

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

	2014	2013
Opening balance	**187,802**	**363,838**
Additions	35,423	32,365
Reversals	-	(66,110)
Used	(31,292)	(142,291)
Closing balance	**191,933**	**187,802**

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

	2014	2013
Variable rate	136,107,799	196,732,647
Fixed rate	246,294	373,676
	136,354,093	**197,106,323**

The residual periods of leased capital were structured as follows:

	2014	2013
Instalments and residual values due		
Up to 3 months	6,716	21,627
From 3 months to 1 year	33,361	133,428
From 1 to 5 years	986,307	727,076
Over 5 years	174,743	132,709
	1,201,127	**1,014,840**
Interest due		
Up to 3 months	24	94
From 3 months to 1 year	522	2,688
From 1 to 5 years	84,539	56,587
Over 5 years	22,888	19,055
	107,973	**78,424**
Capital due		
Up to 3 months	6,692	21,533
From 3 months to 1 year	32,839	130,740
From 1 to 5 years	901,768	670,489
Over 5 years	151,855	113,654
	1,093,154	**936,416**

On 31 December 2014 and 2013, impairment was broken down as follows:

2014

	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	265,179	127,299	116,477,060	4,943	116,742,239	132,242	116,609,997
Private individuals	143,158	30,025	19,468,696	29,666	19,611,854	59,691	19,552,163
Total	**408,337**	**157,324**	**135,945,756**	**34,609**	**136,354,093**	**191,933**	**136,162,160**

2013

	Impairment calculated on an individual basis		Calculation of impairment based on portfolio		Total		
	Credit amount	Impairment	Credit amount	Impairment	Credit amount	Impairment	Credit net of impairment
Loans to:							
Companies	818,184	127,027	175,527,323	4,066	176,345,507	131,093	176,214,414
Private individuals	279,907	30,289	20,480,909	26,420	20,760,816	56,709	20,704,107
Total	**1,098,091**	**157,316**	**196,008,232**	**30,486**	**197,106,323**	**187,802**	**196,918,521**

Following the closure of the primary market for Residential mortgage-backed securities (RMBS) in the periphery 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 2013		December 2014	
		Balance Sheet value	Fair Value Reserve	Value of future cash flows [a]	Effective rate [b]	Market value [c] [e]	Fair Value Reserve [d] [e]	Market value [c] [e]	Fair Value Reserve [d] [e]
Financial assets available for sale	141,499,455	132,512,478	(9,316,514)	201,040,279	5,28%	66,622,243	3,731,459	41,310,813	570,506

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

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

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

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

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

NOTE 22
NON-CURRENT ASSETS HELD FOR SALE

On 31 December 2014 the balance of the caption Non-current assets held for sale was 45 500 Euros (31 December 2013: 328.563 Euros) referring to a building available for immediate sale, resulting from a judicial process. For this asset the Group recorded impairment losses amounting to 25 500 Euros.

NOTE 23
HEDGING DERIVATIVES

On 31 December 2014 and 2013 this caption was broken down as follows:

2014

		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	338,000,000	(22,842,895)	(21,115,650)	21,157,851	(16,612,397)	412,088,390
Futuros	Debt instruments	230,100,000	-	(6,779,268)	18,475,394	(13,150,555)	446,950,711
		568,100,000	**(22,842,895)**	**(27,894,918)**	**39,633,245**	**(29,762,952)**	**859,039,101**

(1) includes accrued interest

2013

		Derivative			Associated asset/liability		
Derivative product	**Associated financial asset / liability**	**Notional**	**Fair value (1)**	**Variation in fair value in the year**	**Fair value component of the element covered**	**Variation in fair value in the year**	**Balance Sheet value**
Interest Rate Swap	Debt instruments	290,900,000	(7,353,336)	(2,357,041)	5,552,955	2,406,906	170,306,614
Futuros	Debt instruments	665,000,000	-	3,025,713	842,617	3,014,393	308,231,255
		955,900,000	**(7,353,336)**	**668,671**	**6,395,572**	**5,421,299**	**478,537,870**

(1) includes accrued interest

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 7).

NOTE 24
TANGIBLE ASSETS

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	**2013**
Buildings		
Improvements to buildings	2,847,846	2,835,445
For own use	15,368,292	15,369,075
	18,216,138	**18,204,520**
Equipment		
Computer equipment	5,087,995	5,064,548
Furniture and material	971,167	941,538
Installations and interiors	2,072,753	1,018,240
Security equipment	158,385	1,212,898
Machines and tools	113,955	112,700
Other equipment	210,897	210,897
Transportation material	3,514	3,514
	8,618,666	**8,564,335**
	26,834,804	**26,768,855**
Impairment	(301,115)	(128,000)
Accumulated depreciation	(11,178,352)	(10,231,636)
	15,355,337	**16,409,219**

The movement in this caption was the following:

	Buildings	Equipment	Total
Acquisition cost			
Balance on 31 December 2012	17,966,711	7,979,941	26,127,618
Additions	237,809	584,394	822,203
Balance on 31 December 2013	18,204,520	8,564,335	26,768,855
Additions	11,619	54,330	65,949
Balance on 31 December 2014	18,216,139	8,618,665	26,834,804
Depreciation			
Balance on 31 December 2012	3,174,283	6,238,701	9,412,984
Amortization of the year	409,758	536,894	946,652
Balance on 31 December 2013	3,584,041	6,775,595	10,359,636
Impairment of the year	173,115	-	173,115
Amortization of the year	355,990	590,726	946,716
Balance on 31 December 2014	4,113,146	7,366,321	11,479,467
Net balance on 31 December 2014	**14,102,993**	**1,252,344**	**15,355,337**
Net balance on 31 December 2013	**14,620,479**	**1,788,740**	**16,409,219**

NOTE 25
INTANGIBLE ASSETS

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Acquired from third parties		
Automatic data treatment system	7,169,783	7,005,496
Other financial investments	1,009,043	586,747
	8,178,826	7,592,243
Accumulated amortization	(7,540,270)	(7,458,973)
	638,556	**133,270**

The movement in this caption was the following:

	Automatic data treatment system	Other financial investments	Total
Acquisition cost			
Balance on 31 December 2012	6,878,606	586,747	7,465,353
Additions	126,890	-	126,890
Balance on 31 December 2013	7,005,496	586,747	7,592,243
Additions	164,287	422,296	586,583
Balance on 31 December 2014	7,169,783	1,009,043	8,178,826
Amortization			
Balance on 31 December 2012	6,684,181	586,747	7,270,928
Amortization of the year	188,045	-	188,045
Balance on 31 December 2013	6,872,226	586,747	7,458,973
Amortization of the year	81,297	-	81,297
Balance on 31 December 2014	6,953,523	586,747	7,540,270
Net balance on 31 December 2014	**216,260**	**422,296**	**638,556**
Net balance on 31 December 2013	**133,270**	**-**	**133,270**

NOTE 26
CURRENT TAX ASSETS AND LIABILITIES

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Estimated tax for the year	(42,308,625)	(30,417,627)
Payments on account	27,757,120	13,676,216
Withholding tax	325,586	353,133
Corporation Tax (IRC) recoverable	-	227,309
Current tax assets / liabilities	**(14,225,919)**	**(16,160,969)**

NOTE 27
OTHER ASSETS

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Debtors and other applications		
Debtors on futures trading	2,622,947	1,040,368
Margin applications	49,548,195	12,922,732
Public sector	102,901	26,320
Other debtors	1,429,926	645,107
Debtors and other applications	29,389	58,600
Other assets	133,899	133,899
	53,867,257	**14,827,026**
Impairment losses on other assets	(28,587)	(27,660)
	53,838,670	**14,799,366**
Expenses with deferred costs	635,178	280,949
Income receivable	882,793	354,897
Other accruals and deferrals		
Net assets relating to the pensions plan (Note 13)	-	10,246
Pending operations on securities	2,544,015	521,938
Other operations pending	5,516,510	193,760
	8,060,525	**725,944**
	63,417,166	**16,161,156**

The caption Margin Applications refers to collateral maintained with counterparties for trading in derivative instruments. The variation in this caption is due to the increase in margins required, resulting from the increase in the position in hedging derivative financial instruments and the respective subsequent valuation.

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.

In relation to the caption Other pending operations, the variation relates to the opening of a term exchange position during 2014,

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

	2014	2013
Opening balance	**27,660**	**48,571**
Additions	1,610	43,706
Reversals	(683)	(64,617)
Closing balance	**28,587**	**27,660**

NOTE 28
FUNDING FROM CENTRAL BANKS

On 31 December 2014 and 2013, this caption relates to funding from the European System of Central Banks, fully collateralised by securities in the portfolios of Financial assets available for sale, as described in Note 35.

The maturity period of this financing on 31 December 2014 and 2013 is broken down as follows:

	2014	2013
Up to 3 months	180,172,993	110,017,778
From 1 to 5 years	-	20,296,944
	180,172,993	**130,314,722**

The average interest rate during the year ending on 31 December 2014 was 0.16% (31 December 2013: 0.65%).

NOTE 29
FUNDING FROM OTHER BANKS

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Domestic		
Deposits	43,258,516	5,358,983
	43,258,516	**5,358,983**
Abroad		
Deposits	8,081,251	5,483,484
Loans	56,924,612	132,635,330
	65,005,863	**138,118,814**
	108,264,379	**143,477,797**

The average interest rate during the year ending on 31 December 2014 was 0.67% (31 December 2013: 0.36%).

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

	2014	2013
Up to 3 months	94,144,554	13,418,471
From 3 months to 1 year	14,119,825	105,035,826
From 1 to 5 years	-	25,023,500
	108,264,379	**143,477,797**

NOTE 30
FUNDING FROM CLIENTS

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Demand deposits	245,717,024	190,980,332
Term deposits	503,532,070	442,259,603
Other	55,487,367	50,477,356
	804,736,461	**683,717,291**

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

	2014	2013
Up to 3 months	550,590,724	362,955,629
From 3 months to 1 year	210,956,146	276,166,832
From 1 to 5 years	43,189,591	44,594,830
	804,736,461	**683,717,291**

NOTE 31
PROVISIONS

On 31 December 2014 and 2013, this caption was broken down as follows:

	Outras provisões
Balance on 31 December 2012	**2,905,364**
Additions	4,688,405
Reversals	(2,817,344)
Used	(75,370)
Balance on 31 December 2013	**4,701,055**
Additions	10,275,000
Reversals	(19,045)
Used	(25,000)
Balance on 31 December 2014.	**14,932,010**

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

NOTE 32
TAXATION

The Bank and its subsidiaries determined the amount of its current tax on income for the years 2014 and 2013 based on a nominal tax rate of 23% and 25% respectively, plus a municipal surtax rate of 1.5%. An additional rate of 3% for State Tax is also applied for 2014 (3% for 2013). To taxable income over 1.5 million Euros to 7.5 million Euros a rate of 5% is applied, and to taxable income over 35 million Euros a rate of 7% is applied (in 2013 the State Tax applied was 5% of the taxable income over 7.5 million Euros).

The Group calculated the amount of its deferred tax for the years 2014 and 2013 based on a nominal rate of 21% (23% for 2013), plus a municipal surtax rate of 3% relating to the State Tax is also applied to the taxable income over 1.5 million Euros to 7.5 million Euros. Furthermore for the taxable profit between 7.5 million and 25 million Euros a rate of 5% is applied, and to the taxable income over 35 million Euros a rate of 7% is applied (in 2013 the State Tax applied to taxable income over 7.5 million Euros was 5%). This tax rate was in force or substantially approved by the authorities on the Balance Sheet date.

The Portuguese Tax Authorities are empowered to review the Group's calculation of its annual taxable earnings for a period of four years, except if there are reportable tax losses, where the period of expiry is the year of this right. In this way, possible corrections may be made to the tax base, resulting mainly from differences in interpretation of fiscal legislation. However, the Board of Directors considers that there are no material differences in respect of taxation of profits recorded in the financial statements.

The deferred tax assets and liabilities recognised in the Balance Sheet in 2014 and 2013 may be analysed as follows:

	2014	2013
Financial assets available for sale	3,395,046	1,364,852
Pension fund	-	532,168
Other	907,275	170,886
Net deferred tax assets / (liabilities)	**4,302,321**	**2,067,906**
Tax movement in the year	**2,234,415**	**1,442,238**

The movement in deferred tax in 2014 and 2013 is explained as follows:

	2014			2013		
	Recognised in results	Recognised in reserves	Total	Recognised in results	Recognised in reserves	Total
Financial assets available for sale	-	2,030,194	2,030,194	-	1,135,401	1,135,401
Pension fund	(133,264)	(398,904)	(532,168)	(44,421)	398,903	354,482
Other	(81,758)	818,147	736,389	(47,646)	-	(47,646)
	(215,022)	**2,449,437**	**2,234,415**	**(92,067)**	**1,534,304**	**1,442,237**

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

	2014	2013
Recognised in reserves		
Current tax	227,708	1,064,454
Deferred tax	2,449,437	1,534,304
	2,677,145	**2,598,758**
Recognised in results		
Current tax		
Of the year	(41,991,961)	(30,633,739)
From previous years	142,067	(2,584,783)
	(41,849,894)	**(33,218,522)**
Deferred tax	(277,027)	(92,067)
	(42,126,921)	**(33,310,589)**
	(39,449,776)	**(30,711,831)**

The reconciliation of the tax rate for the years 2014 and 2013 may be analysed as follows:

	2014		2013	
	Tax rate	Amount	Tax rate	Amount
Pre-tax profit		124,656,118		91,938,349
Estimated tax charge	29,5%	36,773,555	31,5%	28,960,580
Pension fund	0,11%	133,264	0,40%	363,311
Corrections due to tax credits	0,01%	16,356	0,10%	90,025
Non-deductible costs for tax purposes	2,87%	3,576,846	1,75%	1,610,269
Tax benefits	-0,03%	(42,927)	-0,07%	(59,553)
Accounting and tax gains	-	-	-0,06%	(51,034)
Autonomous taxation and double taxation	0,10%	119,595	-0,04%	(38,304)
Contributions on the banking sector	0,15%	181,253	0,09%	81,900
Other	1,10%	1,368,979	2,56%	2,353,395
	33,79%	**42,126,921**	**36,23%**	**33,310,589**

NOTE 33
OTHER LIABILITIES

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Creditors and other dues		
On futures and options transactions	1,940,179	1,442,265
Other dues	1,630,000	12,500
Public sector	1,058,050	4,953,683
Securities transactions	2,081	2,081
Other creditors	125,947	472,064
	4,756,257	**6,882,593**
Costs payable		
Staff charges	10,343,208	7,330,467
Other charges payable	8,522,654	2,925,750
	18,865,862	**10,256,217**
Revenue from deferred income	21,548	18,526
Other accruals and deferrals		
Other pending transactions	8,714,644	2,754,168
	8,714,644	**2,754,168**
	32,358,311	**19,911,504**

The caption Creditors and other resources – Other resources relate to the amount of collateral from clients relating to operations where the Banco assumes credit risk based on ISDA contracts.

The variation in the caption Public Sector relates to Withholding Tax, payable to the State, following the payment of the dividend, made by BiG to its shareholders at the end of 2013.

The variation in the caption Costs payable – Staff costs essentially relates to the estimate of variable remuneration to be distributed in 2015.

The caption Costs payable – Other charges payable, includes amounts referring to advertising campaigns in hand, an upgrade to the computer system and other supplies and services from third parties.

In relation to the caption Other pending transactions, the variation relates to the opening of a term exchange position during 2014.

NOTE 34
CAPITAL, ISSUE PREMIUMS, TREASURY STOCK AND RESERVES

Capital

On 31 December 2014 and 2013 the Bank's capital was represented by 104 000 000 shares, with the nominal value of 1 Euro each, fully subscribed and paid up.

On 31 December 2014 and 2013 the shareholder structure of the Bank was the following:

	2014	2013
António da Silva Rodrigues	12.39%	11.43%
Adger – SGPS, S.A.	10.58%	10.57%
Carlos Adolfo Coelho Figueiredo Rodrigues	9.94%	9.7%
WWC World Wide Capital - SPGS, S.A.	9.93%	10.19%
Nicholas Leo Racich	5.31%	5.31%
JRI – SGPS, S.A.	5.00%	4.79%
Edimo, Sociedade Internacional de Gestão SGPS, Unipessoal Lda.	4.62%	4.62%
Leonid Pavlovitch Ranchinskiy	2.09%	2.09%
Helena Adelina S. L. Marques Carmo	2.01%	2.01%
José António de Melo Pinto Ribeiro	1.95%	3.01%
Other	36.18%	36.28%
	100,00%	**100,00%**

Issue premiums

On 31 December 2014 and 2013, the issue premiums amounting to 1 362 281 Euros refer to the premiums paid by the shareholders in the capital increases made.

Treasury stock

The movement in treasury stock is analysed as follows:

	2014		2013	
	No. of shares	**Value**	**No. of shares**	**Value**
Treasury stock				
Balance at start of the year	1,732	2,326	1,732	2,326
Balance at end of the year	1,732	2,326	1,732	2,326
Loans for acquisition of treasury stock				
Balance at start of the year	868,656	1,082,067	947,983	1,169,241
Movement	(756,521)	(931,416)	(79,327)	(87,174)
Balance at end of the year	112,135	150,651	868,656	1,082,067
Closing balance	**113,867**	**152,977**	**870,388**	**1,084,393**

On 31 December 2014, the Loans for the acquisition of treasury stock include loans granted to members of the Board of Directors amounting to 78 823 Euros arising from the staff policy, pursuant to no. 4 of article 85 of the General Regime of Credit Institutions and Financial Companies (31 December 2013: 600 561 Euros) and loans granted to key management staff with senior management functions, amounting to 45 543 Euros (31 December 2013: 290 775 Euros).

Fair value reserve

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

The fair value reserve for the years ended on 31 December 2014 and 2013, is analysed as follows:

	2014	2013
Cost of financial assets available for sale (Note 19) (1)	1,105,334,390	886,049,090
Impairment Losses (Note 19)	(3,010,314)	(6,704,263)
Market value of financial assets available for sale (Note 19)	1,090,978,403	874,881,170
Fair value reserve of financial assets for sale	28,287,572	5,406,637
Fair value reserve associated to macro-hedging for interest rate risk	(39,633,245)	(9,870,294)
Fair value reserve of associated companies	-	81,518
Deferred tax	3,395,044	1,763,756
Current tax	666,193	438,483
	(7,284,436)	**(2,179,900)**

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

The movement in the fair value reserve, net of taxation, for the years 2014 and 2013 is analysed as follows:

	2014	2013
Balance on 1 January	**(2,179,900)**	**(1,183,677)**
Change in fair value	(6,882,016)	(3,473,152)
Fair Value Reserve of associated companies	(81,518)	(121,827)
Current tax recognised in the year in reserves	227,708	1,064,452
Deferred tax recognised in the year in reserves	1,631,290	1,534,304
	(5,104,536)	**(996,223)**
Balance on 31 December	**(7,284,436)**	**(2,179,900)**

Legal reserve

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

Interim dividends

The Board of Directors approved the payment of partial, interim dividends amounting to 0.15 Euros per share, in November of 2014, based on the certified results of the period from 1 January 2014 to 30 September 2014.

NOTE 35
OFF–BALANCE SHEET ACCOUNTS

On 31 December 2014 and 2013, this caption was broken down as follows:

	2014	2013
Guarantees provided and other liabilities		
Assets given as guarantee	801,651,193	842,651,921
Guarantees and sureties	84,860	233,566
	801,736,053	**842,885,487**
Guarantees received		
Personal guarantees		
Guarantees and sureties	6,022,424	5,948,686
Other	378,389	432,096
Real guarantees		
Securities	47,863,689	34,784,409
Loans	4,912,101	8,093,232
Real Estate	8,369,631	10,014,543
	67,546,234	**59,272,966**
Commitments before third parties		
Irrevocable commitments		
Potential liability to the Investor Compensation System	674,614	674,614
Term deposit contracts	10,232,544	-
Revocable commitments		
Bank overdraft facilities	68,332,791	35,275,933
	79,239,949	**35,950,547**
Liabilities for services provided		
Asset custody and deposit	1,458,198,763	1,265,984,540
For asset administration	45,447,819	44,265,385
For collection of amounts	2,100	56,410
	1,503,648,682	**1,310,306,335**

On 31 December 2014 and 2013, the balance of the caption Assets Given as Guarantee includes:

- Securities provided as a guarantee to the Investor Compensation System amounting to 747,180 Euros (31 December 2013: 731,921 Euros);
- Securities provided as a guarantee to the European System of Central Banks amounting to 731,974,924 Euros (31 December 2013: 452,049,755 Euros);
- Other securities provided as a guarantee amounting to 68,929,089 Euros (31 December 2013: 389,870,245 Euros).

NOTE 36
RELATED PARTY TRANSACTIONS

In accordance with IAS 24 related parties are considered to be entities that the Group controls directly or indirectly or over which it exercises significant influence and entities that control or exercise significant influence over the management of the Group.
An entity is considered to have significant influence when it holds more than 20% of the voting rights of the Group. At 31 December 2014 and 2013, the Group does not have any shareholders with significant influence. The structure of shareholders may be consulted in Note 34.

For the years ending 2014 and 2013, the total amount of assets, liabilities, revenues and costs relating to transactions executed with related entities were the following:

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Board of Directors	312,408	4,271,670	786,573	3,368,079
Employees Pension Fund	130	6,865,975	59,795	5,088,129

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

On 31 December 2014 and 2013, the fair value of the financial assets and liabilities is presented as follows:

	Amortised cost	Listed market values (level 1)	Evaluation models with parameters / prices observable in the market (level 2)	Evaluation models with no observable parameters in the market (level 3)	Total Balance Sheet value	Fair Value
31 December 2014						
Cash and deposits in Central Banks	45,628,589	-	-	-	45,628,589	45,628,589
Deposits in other banks	59,616,513	-	-	-	59,616,513	59,616,513
Financial assets held for trading						
Securities						
Bonds and other fixed yield securities						
From public issuers	-	1,677,565	-	-	1,677,565	1,677,565
From other issuers	-	10,423,657	-	-	10,423,657	10,423,657
Shares	-	12,081,936	-	-	12,081,936	12,081,936
Other	-	174,529	-	-	174,529	174,529
Derivatives						
Contracts on exchange rates	-	-	82,745	-	82,745	82,745
Contracts on shares/indices	-	-	3,388,378	-	3,388,378	3,388,378
Other	-	-	10,905	-	10,905	10,905
Financial assets available for sale						
Bonds and other fixed yield securities						
From public issuers	-	729,403,012	-	-	729,403,012	729,403,012
From other issuers	-	343,196,664	-	-	343,196,664	343,196,664
Shares	-	18,347,919	-	30,808	18,378,727	18,378,727
Applications in banks	557,883	-	-	-	557,883	557,883
Loans to clients [a]	136,162,160	-	-	-	136,162,160	143,003,130
Financial assets	**241,965,145**	**1,115,305,282**	**3,482,028**	**30,808**	**1,360,783,263**	**1,367,624,233**
Funding from Central Banks	180,172,993	-	-	-	180,172,993	180,172,993
Financial liabilities held for trading						
Derivatives						
Contracts on exchange rates	-	-	82,192	-	82,192	82,192
Contracts on shares/indices	-	-	540,697	-	540,697	540,697
Term transactions	-	-	4,980,976	-	4,980,976	4,980,976
Other	-	-	10,559	-	10,559	10,559
Funding from other banks	108,264,379	-	-	-	108,264,379	108,264,379
Funding from clients	804,736,461	-	-	-	804,736,461	804,736,461
	1,093,173,833	**-**	**5,614,424**	**-**	**1,098,788,257**	**1,098,788,257**
31 December 2013						
Cash and deposits in Central Banks	14,560,069	-	-	-	14,560,069	14,560,069
Deposits in other banks	30,024,236	-	-	-	30,024,236	30,024,236
Financial assets held for trading						
Securities						
Bonds and other fixed yield securities						
From public issuers	-	968,315	-	-	968,315	968,315
From other issuers	-	5,252,744	-	-	5,252,744	5,252,744
Shares	-	15,466,476	-	-	15,466,476	15,466,476
Derivatives						
Contracts on exchange rates	-	-	24,974	-	24,974	24,974
Contracts on shares/indices	-	-	169,925	-	169,925	169,925
Other	-	-	17,472	-	17,472	17,472
Financial assets available for sale						
Bonds and other fixed yield securities						
From public issuers	-	571,943,583	-	-	571,943,583	571,943,583
From other issuers	-	288,091,819	-	-	288,091,819	288,091,819
Shares	-	14,845,438	-	330	14,845,768	14,845,768
Applications in banks	35,528,414	-	-	-	35,528,414	35,528,414
Loans to clients [a]	196,918,521	-	-	-	196,918,521	202,990,468
Financial assets	**277,031,240**	**896,568,375**	**212,371**	**330**	**1,173,812,316**	**1,179,884,263**
Funding from Central Banks	130,314,722	-	-	-	130,314,722	130,314,722
Financial liabilities held for trading						
Derivatives						
Contracts on shares/indices	-	-	1,343,055	-	1,343,055	1,343,055
Other	-	-	14,415	-	14,415	14,415
Funding from other banks	143,477,797	-	-	-	143,477,797	143,477,797
Funding from clients	683,717,291	-	-	-	683,717,291	683,717,291
	957,509,810	**-**	**1,357,470**	**-**	**958,867,280**	**958,867,280**

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

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

Listed market values (level 1) – this category includes the listed prices available in official markets and those publicised by entities which usually provide prices of transactions for these assets/liabilities traded on liquid markets.

Evaluation models with observable parameters/ prices in the market (level 2) – consists of the use of internal evaluation models, specifically discounted cash flow models and option evaluation models, which imply the use of estimates and require judgements which vary according to the complexity of the products being assessed. However, the Group uses variables provided by the market as inputs in its models, such as interest rate curves, credit spreads, volatility and indices on quotations. It also includes instruments the valuation of which is obtained through quotations divulged by independent entities but in markets which have much less liquidity.

Evaluation models with non-observable parameters in the market (level 3) – this total includes the valuations determined by the use of internal evaluation models or quotations provided by third parties but where the parameters used are not observable in the market.

During 2014 no transfers were made between the different evaluation levels of the assets and liabilities.

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

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.

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

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

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

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

The interest rate curves of the main currencies for the years 2014 and 2013 may be analysed as follows:

(amounts expressed as a percentage)

	2014		2013	
	EUR	USD	EUR	USD
Overnight	0.080	0.030	0.275	0.040
1 month	0.018	0.171	0.216	0.168
3 months	0.078	0.256	0.287	0.246
6 months	0.171	0.363	0.389	0.348
9 months	0.245	--	0.480	--
1 year	0.325	0.629	0.556	0.583
3 years	0.220	1.299	0.751	0.876
5 years	0.360	1.772	1.261	1.786
7 years	0.528	2.041	1.683	2.482
10 years	0.812	2.283	2.154	3.086
15 years	1.148	2.507	2.586	3.599
20 years	1.321	2.620	2.718	3.802
25 years	1.412	2.671	2.743	3.895
30 years	1.461	2.700	2.735	3.929

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 2014 and 2013 may be analysed as follows:

(amounts expressed as a percentage)

	2014		2013	
	EUR	USD	EUR	USD
3 years	0.59	1.92	1.19	1.61
5 years	3.47	2.88	3.35	2.98
7 years	2.33	4.63	4.02	4.39
10 years	4.91	4.37	0.54	5.14

The evolution of the exchange rates of the main currencies for the years 2014 and 2013 and respective volatilities used in the evaluation of derivatives on shares and share indices may be analysed as follows:

			Volatilities %		
	2014	2013	3 months	6 months	1 year
EUR/USD	1.214	1.379	8.567	6.549	6.177
EUR/GBP	0.779	0.834	6.741	5.654	5.890
EUR/JPY	145.230	144.720	9.202	7.076	7.893
EUR/CHF	1.202	1.228	1.354	1.343	2.242

The evolution of the main share indices for the years 2014 and 2013 and respective volatilities used in the evaluation of derivatives on shares and share indices may be analysed as follows:

	List price			Historic volatility %		Implicit volatility %	
	2014	2013	Variation %	1 month	3 months	Call	Put
PSI20	4,798.99	6,558.85	-26.8	24.45	23.11	23.32	23.32
Eurostoxx	3,146.43	3,109.00	1.2	24.58	21.31	28.20	28.20
DAX	9,805.55	9,552.16	2.7	22.50	19.73	19.85	19.85
S&P	2,058.90	1,848.36	11.4	13.76	13.10	14.75	14.75
Nasdaq 100	4,236.28	3,592.00	17.9	14.84	15.28	17.14	17.14
Dow Jones Ind.	17,823.07	16,576.66	7.5	12.97	12.57	13.77	13.77

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

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

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

NOTE 38
RISK MANAGEMENT

Background

The Bank seeks to manage the risks inherent to the banking business on a daily basis, specifically market, liquidity, credit, operational, technological, compliance and reputational risks. Additional information on this topic is available in the Board of Directors Report 2014.

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

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

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

Risk measurement

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

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

Risk management is an evolving process and is one of the daily centres of attention of the Board, especially because any isolated methodology is usually insufficient to provide a complete vision of our exposure. As a policy, we seek to quantify the potential losses associated with all the aspects of our business 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. *Credit risk* generally concentrates on nominal and fractionated exposures, concentrations by lender or group, sector or geography and stress testing. The management of *liquidity risk, interest rate risk* and *exchange rate* combine a number of methodologies, which include basis point values and scenario analyses. The exposure to *derivatives* is measured with sensitivity analyses of exposures measured in basis points. An evaluation of the more subjective risks to which the bank may be exposed, such as 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 to be managed are related with:

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

VaR

In terms of the product lines and portfolios of private clients, statistical measures, such as VaR, are combined with non-statistical measures, including stress tests, back testing and measures of earnings-at-risk advisories, to ensure that there are adequate controls over the expected results by risk type in any market conditions. The Group calculates VaR using a time horizon of one month (22 working days) and a confidence interval of 99%. This means that the Group can expect to incur losses greater than the estimated VaR only once every 100 working days, or approximately 2.5 times per year. As 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 on 31 December 2014 and 2013, is presented as follows:

	2014				2013			
	December	**Annual average**	**Maximum**	**Minimum**	**December**	**Annual average**	**Maximum**	**Minimum**
Exchange risk	47,547	113,981	535,687	8,236	31,882	32,794	98,922	1,279
Interest rate risk	40,207	106,969	733,704	9,982	7,486	278,967	2,102,434	7,486
Shares	101,809	123,519	285,301	12,621	103,908	142,773	400,830	34,380
Options	103,922	135,915	405,209	28,790	250,475	138,598	426,766	17,546
Effect of diversification	14%	46%			16%	28%		
Total VaR	**252,557**	**260,993**	**692,458**	**40,043**	**331,313**	**424,939**	**2,291,861**	**67,981**

The management of VaR for different trading portfolios remained within the limits established for 2014. The exposure allocated to stock portfolios, structured products and Foreign Exchange for trading remained low as had also been the case in 2013.

Sensitivity analysis

With regard to the analysis of sensitivity to stock market indices in the portfolio, or of stock market indices for which we have shares of the respective index in portfolio, the variation in prices of these indices is presented below in relation to the years ended on 31 December 2014 and 2013:

	List price			Historic volatility %	
	2014	**2013**	**Variation %**	**1 month**	**3 months**
DAX	9,805.55	9,552.16	2.65	22.50	19.73
IBEX 35	10,279.50	9,916.70	3.66	25.95	22.61
CAC 40	4,272.75	4,295.95	(0.54)	23.55	20.52
AEX	424.47	401.79	5.64	20.50	18.03
FTSE MIB	19,011.96	18,967.71	0.23	29.79	27.48
PSI20	4,798.99	6,558.85	(26.83)	24.45	23.11
Eurostoxx	3,146.43	3,109.00	1.20	24.58	21.31
S&P	2,058.90	1,848.36	11.39	13.76	13.10
ESTX Banks €	134.51	141.43	(4.89)	31.38	28.97
ESTX Oil&Gas € Pr	282.73	324.46	(12.86)	32.60	28.54
ESTX Telecomm € Pr	330.65	289.91	14.05	23.25	20.23

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

A sensitivity analysis resulting from a +/- 10% shock to the stock market indices for the years ended on 31 December 2014 and 2013 is presented as follows:

Impact resulting from a shock to stock market indexes	2014		2013	
	+10%	-10%	+10%	-10%
DAX	407	(407)	84,384	(84,384)
IBEX 35	(5,452)	5,452	31,152	(31,152)
CAC 40	(559)	559	(2,181)	2,181
AEX	(191)	191	(43,879)	43,879
FTSE MIB	(1,368)	1,368	(1,933)	1,933
PSI20	427,454	(427,454)	87,196	(87,196)
Eurostoxx	84,506	(84,506)	(186,480)	186,480
S&P	(42,845)	42,845	(1,390,465)	1,390,465
ESTX Banks €	33,542	(33,542)	56,400	(56,400)
ESTX Oil&Gas € Pr	-	-	17,809	(17,809)
ESTX Telecomm € Pr	-	-	20,300	(20,300)
Total impact	**495,494**	**(495,494)**	**(1,327,697)**	**1,327,697**

Stress Testing

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

Currently, the Group uses 16 different scenarios to carry out more than 80 daily stress tests on the various trading and investment positions. On a weekly basis the Group runs 8 new stress tests scenarios, which correspond to 48 weekly stress tests on the positions of the trading and investment books. These new scenarios are also historic, although relating to different, more recent dates and where the impact of which is more significant. The potential impact on the Group's portfolios is also estimated daily when we allow for worst case scenarios in the credit market and in the stock market, known as Armageddon Stress Test and Armageddon Stress Test Debt. These stress tests are presented and discussed in the Board of Directors Report.

Liquidity Risk

One of the assumptions in the Group's strategy is that of a reduced exposure to the liquidity risk. The basic principles of this strategy are: (i) to pre-fund the acquisition/constitution of any asset, (ii) to ensure that a major part of the Group's Balance Sheet can be converted into liquidity in the short term and (iii) to be fully independent of the interbanking market in terms of financing.

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

The exposure by maturity of the Group's Balance Sheet assets and liabilities are distributed in the following way for the years ended on 31 December 2014 and 2013:

2014

	Spot	Up to 3 months	From 3 months to 1 year	Between 1 to 5 years	Over 5 years	Undefined	Total
Assets							
Cash and deposits in Central Banks	45,628,589	-	-	-	-	-	45,628,589
Deposits in other banks	59,616,513	-	-	-	-	-	59,616,513
Financial assets held for trading	-	234,958	1,268,875	8,168,256	5,911,161	12,256,465	27,839,715
Financial assets available for sale	-	1,325,490	-	73,046,952	998,227,234	18,378,727	1,090,978,403
Applications in banks	-	500,000	-	57,883	-	-	557,883
Loans to clients	-	15,007,146	47,524	1,331,259	119,770,685	197,479	136,354,093
	105,245,102	**17,067,594**	**1,316,399**	**82,604,350**	**1,123,909,080**	**30,832,671**	**1,360,975,196**
Liabilities							
Funding from Central Banks	-	180,172,993	-	-	-	-	180,172,993
Financial liabilities held for trading	-	5,063,405	481,315	69,704	-	-	5,614,424
Funding from other banks	39,836,403	54,308,151	14,119,825	-	-	-	108,264,379
Funding from clients	245,717,024	304,873,700	210,956,146	43,189,591	-	-	804,736,461
Hedge derivatives	-	-	-	-	22,842,895	-	22,842,895
	285,553,427	**544,418,249**	**225,557,286**	**43,259,295**	**22,842,895**	**-**	**1,121,631,152**

2013

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

Interest rate risk

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

The exposure of the assets and liabilities to the interest rate risk is presented in the table below, by maturity, for the years ended on 31 December 2014 and 2013:

2014

Time frame	Portfolio (1)		Off Balance Sheet (2)	
	Assets	***Liabilities***	***Assets***	***Liabilities***
spot - 1 month	231,882,193	509,812,052	-	-
1 - 3 months	188,049,103	322,068,549	25,019,121	-
3 - 6 months	32,978,817	133,841,584	313,077,860	-
6 - 12 months	314,912	99,378,937	-	-
1 - 2 years	758,477	32,062,041	-	-
2 - 3 years	20,009	3,859,627	-	-
3 - 4 years	2,696,859	2,102,912	-	-
4 - 5 years	20,850	4,542,828	-	-
5 - 7 years	212,964,017	-	-	-
7 - 10 years	77,406,932	-	-	206,955,345
10 - 15 years	13,507,844	-	-	207,838,000
15 - 20 years	140,020,200	-	-	-
> 20 years	467,653,256	-	-	293,621,512
Total	**1,368,273,469**	**1,107,668,530**	**338,096,981**	**708,414,857**

2013

Time frame	Portfolio (1)		Off Balance Sheet (2)	
	Assets	***Liabilities***	***Assets***	***Liabilities***
spot - 1 month	183,075,379	284,863,543	30,047,879	-
1 - 3 months	132,054,544	200,294,980	160,208,911	-
3 - 6 months	18,421,828	147,359,896	100,943,643	-
6 - 12 months	291,166	234,548,999	-	12,699,825
1 - 2 years	82,041	81,420,068	-	65,801,432
2 - 3 years	3,493	2,503,828	-	451,046,413
3 - 4 years	32,790,947	1,128,567	-	49,666,394
4 - 5 years	75,881,830	3,405,392	-	20,242,842
5 - 7 years	156,778,146	83,591	-	346,449,861
7 - 10 years	321,352,246	-	-	-
10 - 15 years	44,612,321	-	-	125,102,500
15 - 20 years	-	-	-	-
> 20 years	186,398,889	-	-	-
Total	**1,151,742,830**	**955,608,864**	**291,200,433**	**1,071,009,267**

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

Sensitivity analysis

Included in the non-statistical Basis Point Value indicators, the sensitivity to the interest rate risk for the years ended on 31 December 2014 and 2013 is presented as follows:

	2014				2013			
	Parallel increase of 100 pb	**Parallel reduction of 100 pb**	**Increase after 1 year of 50 pb**	**Reduction after 1 year of 50 pb**	**Parallel increase of 100 pb**	**Parallel reduction of 100 pb**	**Increase after 1 year of 50 pb**	**Reduction after 1 year of 50 pb**
On 31 December	(17,671,803)	17,671,803	(8,747,913)	8,747,913	(19,361,026)	19,361,026	(10,533,307)	10,533,307
On 30 June	(3,221,286)	3,221,286	(1,931,051)	1,931,051	(14,893,613)	14,893,613	(8,347,089)	8,347,089

Asset Re-pricing Risk

Included in the non-statistical earnings at risk indicators, the re-pricing bands for the years ended on 31 December 2014 and 2013, are presented as follows:

2014

	Balance Sheet value	**Not sensitive**	**Up to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**
Cash and deposits in Central Banks	45,628,589	45,628,589	-	-	-	-
Deposits in other banks	59,616,513	59,616,513	-	-	-	-
Financial assets held for trading	27,839,715	12,256,465	234,958	1,268,875	8,168,256	5,911,161
Financial assets available for sale	1,090,978,403	18,378,727	1,325,490	-	73,046,952	998,227,234
Applications in banks	557,883	-	500,000	-	57,883	-
Loans to clients	136,354,093	197,479	15,007,146	47,524	1,331,259	119,770,685
Total	**1,360,975,196**	**136,077,773**	**17,067,594**	**1,316,399**	**82,604,350**	**1,123,909,080**
Funding from Central Banks	180,172,993	-	180,172,993	-	-	-
Financial liabilities held for trading	5,614,424	-	5,063,405	481,315	69,704	-
Funding from other banks	108,264,379	39,836,403	54,308,151	14,119,825	-	-
Funding from clients	804,736,461	245,717,024	304,873,700	210,956,146	43,189,591	-
Hedge derivatives	22,842,895	-	-	-	-	22,842,895
Total	**1,121,631,152**	**285,553,427**	**544,418,249**	**225,557,286**	**43,259,295**	**22,842,895**
GAP (Assets - Liabilities)	**239,344,044**	**(149,475,654)**	**(527,350,655)**	**(224,240,887)**	**39,345,055**	**1,101,066,185**

2013

	Balance Sheet value	**Not sensitive**	**Up to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**
Cash and deposits in Central Banks	14,560,069	14,560,069	-	-	-	-
Deposits in other banks	30,024,236	30,024,236	-	-	-	-
Financial assets held for trading	21,899,906	15,466,476	78,794	942,387	2,166,143	3,246,106
Financial assets available for sale	874,881,170	14,845,768	-	-	142,572,751	717,462,651
Applications in banks	35,528,414	-	35,500,661	-	27,753	-
Loans to clients	196,918,521	7,492	16,804,256	14,035,491	1,023,562	165,047,720
Total	**1,173,812,316**	**74,904,041**	**52,383,711**	**14,977,878**	**145,790,209**	**885,756,477**
Funding from Central Banks	130,314,722	-	110,017,778	-	20,296,944	-
Financial liabilities held for trading	1,357,470	-	9,797	748,641	599,032	-
Funding from other banks	143,477,797	5,825,592	7,592,879	105,035,826	25,023,500	-
Funding from clients	683,717,291	190,553,926	172,401,703	276,166,832	44,594,830	-
Hedge derivatives	7,353,336	-	-	197,921	5,681,320	1,474,095
Total	**966,220,616**	**196,379,518**	**290,022,157**	**382,149,220**	**96,195,626**	**1,474,095**
GAP (Assets - Liabilities)	**207,591,700**	**(121,475,477)**	**(237,638,446)**	**(367,171,342)**	**49,594,583**	**884,282,382**

Exchange risk

In the currency exchange markets there was a decrease in the levels of volatility for the main currency pairs. This trend continued until the middle of the third quarter of 2014. After the end of the third quarter, volatility levels again increased significantly both in the Eurodollar and for the Euro-Yen and Euro-Pound. The volatility values in the Euro-Swiss Franc markets remained at constantly low levels reaching their lowest levels at the end of 2014.

During 2014, the reference interest rate of the Euro was expected to decrease, and reached historic minimum levels of 0.05%, directly affecting exchange rates. In relation to the exchange rates of the Euro against the main currencies, we should point out the devaluation of the Euro against the Dollar during the whole of 2014, although this trend was more accentuated towards the end of 2014, when such low levels had not been recorded since 2012. This trend has continued to be a constant feature even at the start of 2015.

The distribution of the Balance Sheet by currency for the years ended on 31 December 2014 and 2013 is presented as follows:

2014					
	Euros	**North American Dollars**	**Pound Sterling**	**Other Foreign Currencies**	**Total**
Assets by currency					
Cash and deposits in Central Banks	45,597,797	24,203	6,454	135	45,628,589
Deposits in other banks	37,718,461	18,514,937	1,584,079	1,799,036	59,616,513
Financial assets held for trading	25,821,165	1,634,907	383,643	-	27,839,715
Financial assets available for sale	956,432,106	134,546,297	-	-	1,090,978,403
Applications in banks	557,883	-	-	-	557,883
Loans to clients	136,162,160	-	-	-	136,162,160
Non-current assets held for sale	20,000	-	-	-	20,000
Tangible assets	15,355,337	-	-	-	15,355,337
Intangible assets	638,556	-	-	-	638,556
Deferred tax assets	4,302,321	-	-	-	4,302,321
Other assets	54,570,430	8,754,867	325	91,544	63,417,166
Total Assets	**1,277,176,216**	**163,475,211**	**1,974,501**	**1,890,715**	**1,444,516,643**
Liabilities by currency					
Funding from Central Banks	180,172,993	-	-	-	180,172,993
Financial liabilities held for trading	5,614,424	-	-	-	5,614,424
Funding from other banks	87,535,612	20,728,402	-	365	108,264,379
Funding from clients	780,774,438	23,537,308	167,126	257,589	804,736,461
Hedge derivatives	22,842,895	-	-	-	22,842,895
Provisions	14,932,010	-	-	-	14,932,010
Current tax liabilities	14,225,919	-	-	-	14,225,919
Other liabilities	22,871,456	6,047,983	1,807,368	1,631,504	32,358,311
Total Liabilities	**1,128,969,747**	**50,313,693**	**1,974,494**	**1,889,458**	**1,183,147,392**
Net assets - liabilities by currency	**148,206,469**	**113,161,518**	**7**	**1,257**	**261,369,251**

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

Sensitivity analysis

The Group does not speculate on currency markets (FX) and the use of VaR limits reflects its strategy of limiting exposure to foreign currency fundamentally to its Clients' business and associated fluxes. During 2014 BiG also opted to have some assets in the Balance Sheet in Dollars (corporate and sovereign debt of the United States), by which the exposure to Eurodollar futures contracts was intended to hedge the exchange risk for these assets.

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

The sensitivity analysis resulting from a shock of +/- 15% on the exchange rates for the years ended on 31 December 2014 and 2013 is presented as follows:

2014

Currency	Base scenario		Impact resulting from a drop of:	
	Original currency	Equivalent	+15%	-15%
Australian Dollar	441,980	298,051	(38,876)	52,597
Canadian Dollar	326,634	232,265	(30,295)	40,988
Swiss Franc	(47,207)	(39,261)	5,121	(6,928)
Danish Krone	1,441,641	193,631	(25,256)	34,170
Pound Sterling	6,684	8,581	(1,119)	1,514
Russian Ruble	215,420	2,978	(388)	526
Brazilian Real	277,566	86,182	(11,241)	15,209
Norwegian Krone	1,482,499	163,957	(21,386)	28,934
Swedish Krone	1,470,624	156,566	(20,422)	27,629
American Dollar	(1,081,105)	(890,458)	116,147	(157,140)
Yen	4,403,955	30,324	(3,955)	5,351
New Turkish Lira	3,979	1,405	(183)	248
Total impact			**(31,853)**	**43,098**

2013

Currency	Base scenario		Impact resulting from a drop of:	
	Original currency	Equivalent	+15%	-15%
Australian Dollar	204,837	132,812	(17,323)	23,438
Canadian Dollar	(897,191)	751,693	(1,283,467)	(1,471,152)
Swiss Franc	322,777	12,933	215,705	296,400
Danish Krone	222,032	29,765	(3,882)	5,254
Pound Sterling	830,819	(3,456)	870,016	1,175,861
Yen	796,484	5,503	(717)	972
Norwegian Krone	859,730	102,801	(13,408)	18,142
Swedish Krone	(121,855)	(13,755)	1,794	(2,427)
American Dollar	5,704,350	4,136,284	(539,515)	729,934
Rand	940,786	64,587	(8,424)	11,399
Total impact			**(779,220)**	**787,820**

Derivatives risk

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

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

Analysing the different sensitivities of the Group's trading portfolio for 2014, we see that the almost consistent long profile in the stock markets.

The Delta values were, in general, higher than those recorded in 2013, which was due to a greater exposure of currency futures in order to hedge assets in foreign currency (USD). In fixed rate products, the Bank opted for a long strategy in bonds. Exposure to the interest rate risk recorded the highest values in the last quarter of 2014 due to a greater exposure to fixed yield securities (fixed rate debentures) and a reduction in the hedge. Nonetheless, in general, this increase in risk was accompanied by a strategy of interest rate hedging via interest rate swaps and interest rate futures.

2014				
	Rho	***Vega***	***Delta***	***Theta***
Minimum	(568,987)	(3,997)	(759,056)	(162,498)
Maximum	(29,108)	130,455	207,973	3,211
Average	(290,932)	40,697	(100,937)	(6,841)
Standard Deviation	123,258	39,493	188,257	11,903

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

Rho Sensitivity of the interest rate
Vega Sensitivity of the volatility
Delta Sensitivity of the underlying
Theta Sensitivity to the tempo

Limits and Reporting

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

Credit Risk

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

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

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

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

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

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

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

The distribution by sector of activity for the years ended on 31 December 2014 and 2013, is presented as follows:

2014

	Loans to clients		Financial assets at fair value through the income statement	Financial assets available for sale		Garantias e avales prestados
	Gross value	Provision	Gross value	Gross value	Provision	
Agriculture, silviculture and fisheries	-	-	-	-	-	-
Mining industries	-	-	3,105,223	73,750,659	-	-
Manufacturing industries	6,008	-	5,841,570	72,695,033	-	-
Electricity, gas, steam, hot and cold water and cold air	-	-	6,216,734	44,731,522	3,010,144	-
Construction	125,908	125,900	261,087	-	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	161,728	369	4,114,686	12,579,488	-	-
Transports and storage	5	-	1,427,873	10,987,616	-	-
Financial activity and insurance	113,612,949	1,274	3,867,481	94,873,194	-	84,860
Real estate	2,278,921	1,667	2,020	-	-	-
Scientific, technical consultancy and similar	254,161	1,252	94,475	9,194,577	-	-
Public administration and defence; Obligatory social security	-	-	1,677,565	756,427,244	-	-
Human health and social support	87,123	1,305	2,406	-	-	-
Mortgages	5,410,638	12,288	-	-	-	-
Loans to private individuals	14,201,223	47,796	-	-	-	-
Other	215,429	82	1,228,595	18,749,384	170	-
	136,354,093	**191,933**	**27,839,715**	**1,093,988,717**	**3,010,314**	**84,860**

2013

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

Exposure to public debt of Euro Zone countries

On 31 December 2014 and 2013 the Group's exposure to the public debt of Euro Zone countries is as follows:

	2014		2013	
	Financial assets held for trading	Financial assets available for sale	Financial assets held for trading	Financial assets available for sale
Portugal	3,065,820	269,478,000	1,672,313	146,157,851
Spain	-	185,773,914	-	116,792,966
Greece	39,618	-	36,118	-
Ireland	-	-	5,677	-
Italy	-	256,473,923	-	302,882,722
Germany	-	-	142,361	-
Supra National	-	-	76,755	-
	3,105,438	**711,725,837**	**1,933,224**	**565,833,539**

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

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

2014	Nominal value	List value	Accumulated interest	Balance Sheet value	Fair Value Reserve
Financial assets held for trading					
Portugal					
Maturity of under 1 year	61,253	61,782	1,675	63,457	-
Maturity of over 1 year	2,766,007	2,958,821	43,542	3,002,363	-
Greece					
Maturity of over 1 year	249,464	38,417	1,201	39,618	-
Financial assets available for sale					
Portugal					
Maturity of over 1 year	250,203,000	264,261,366	5,216,634	269,478,000	(1,532,808)
Spain					
Maturity of over 1 year	136,423,000	183,919,577	1,854,337	185,773,914	(615,594)
Italy					
Maturity of over 1 year	216,500,000	247,500,845	3,099,034	256,473,923	(5,248,140)
	606,202,724	**698,740,808**	**10,216,422**	**714,831,274**	**(7,396,543)**

2013

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

Operational risk

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

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

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

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

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

Capital and solvency ratio management

Equity Funds for the years ended on 31 December 2014 and 2013 are presented as follows:

		2014	2013
A - Equity Funds			
Ordinary paid-up capital, issue premiums and treasury stock		105,209,304	103,074,986
Results and reserves formed from retained earnings		149,919,948	98,854,612
Other temporary adjustments		7,319,759	-
Intangible assets		(1,149,400)	(133,270)
Common Equity Tier 1 Capital	(A1)	261,299,611	201,796,328
Tier 1 Capital	(A2)	261,299,611	201,796,328
Tier 2 Capital	(A3)	-	793,371
Total Equity Funds	(A4)	261,299,611	202,589,699
B - Risk weighted assets	(B)	744,364,852	616,225,008
C - Prudential Ratios			
Tier 1 common capital ratio	(A1 / B)	35.1%	32.7%
Tier 1 Capital ratio	(A2 / B)	35.1%	32.7%
Total capital ratio	(A4 / B)	35.1%	32.9%

The movement in Equity Funds for the years ended on 31 December 2014 and 2013 is presented as follows:

	2014	2013
Opening Balance	**202,589,699**	**161,869,909**
Ordinary paid-up capital, issue premiums, treasury stock and other	2,134,318	2,784,348
Results and reserves formed from retained earnings	51,065,336	35,831,443
Contributions to pension funds still not entered as costs	-	1,577,583
Revaluation differences of other assets available for sale	-	58,413
Intangible assets	(1,016,130)	61,155
Temporary adjustments	7,319,759	-
Supplementary Equity Funds	(793,371)	406,848
Closing Balance	**261,299,611**	**202,589,699**

Other Risks and their measurement:

Reputational Risk

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

Correlation Risk

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

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

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

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

Liquidity risk versus Reputation risk versus Market risk:
(30% drop in the stock market and a 100 b.p. impact on the interest rate curve)

The results of the scenario below (scenario 1, 2 and 3) relate to 31 December 2014, the impact of which is described below.

Scenario 1 - 33% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 105,802,985 Euros.
Liabilities: 81,907,457 Euros.
In this scenario, it would not be necessary to sell assets, although, on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (a drop of 30% in the stock market and a 100 b.p. shock to the interest rate curve) the Group estimates a potential loss of 17,137,881 Euros.

Scenario 2 - 50% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 105,802,985 Euros.
Liabilities: 122,861,185 Euros.
In this scenario, it would be necessary to sell assets or request additional financing, for a total amount of 17,058,200 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (a drop of 30% in the stock market and a 100 b.p. blow to the interest rate curve), the Group would have a maximum loss of 17,137,881 Euros.

Scenario 3 - 50% of Demand Deposits and of Term Deposits are withdrawn by clients in the period of one month
Liquidity available in the period of one month: 105,802,985 Euros.
Liabilities: 402,368,230 Euros.
In this scenario, it would be necessary to sell assets or request additional financing, for a total amount of 296,565,245 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (a drop of 30% of the stock market and a 100 b.p. blow to the interest rate curve), the Group would have a maximum loss of 17,137,881 Euros.

Liquidity risk versus Reputation risk versus Credit risk:
(Scenario of downgrades of debt securities:

- Aaa – Aa2: the rating is maintained
- Aa3 – A3: a drop of 2 notches in the rating
- Baa1 and lower ratings: a drop of 4 notches in the rating

The results of the scenarios below (scenario 1, 2 and 3) relate to 31 December 2014, the impact of which is described below:

Scenario 1 - 33% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 105,802,985 Euros.
Liabilities: 81,907,457 Euros.
In this scenario, it would not be necessary to sell assets, although, on the assumption that market conditions would also be simultaneously negative and based on the assumption of a downgrade of debt securities, the Group estimates a potential loss of 34,333,931 Euros.

Scenario 2 - 50% of Demand Deposits are withdrawn by clients in the period of one week
Liquidity available in the period of one week: 105,802,985 Euros.
Liabilities: 122,861,185 Euros.
In this scenario, it would be necessary to sell assets or request additional financing for a total amount of 17,058,200 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on the assumption of a downgrade of the debt securities, the Group estimates a potential loss of 34,333,931 Euros.

Scenario 3 - 50% of Demand Deposits and of Term Deposits are withdrawn by clients in the period of one month
Liquidity available in the period of one month: 105,802,985 Euros.
Liabilities: 402,368,230 Euros.

In this scenario, it would be necessary to sell assets or request additional financing for a total amount of 296,565,245 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on the assumption of a downgrade of debt securities, the Group estimates a potential loss of 34,333,931 Euros.

NOTE 39
MEASUREMENT OF IMPAIRMENT OF THE CREDIT PORTFOLIO

Qualitative disclosures

A. Credit risk management policy

BiG is in the risk management business to create value for shareholders. In general terms, the Group is exposed to risk as a direct result of the assumption of positions with respect to particular markets or combinations of markets, products or Clients, or as a result of an unexpected interruption in the systems and operations or error in the normal procedures of the Group.

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

- Frequent review of policies and procedures by the Administration;
- Formal definition of responsibility for risk management in the Group;
- Existence of policies and procedures that permit independent supervision;
- Appropriate policy of risk diversification;
- Independent reporting systems;
- Overlapping of systems to measure and control the risk;
- Training to support the identification of risks in the various areas.

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

Credit risk is managed in order to make the organization's performance sustainable within acceptable parameters of risk versus return. This aim is achieved through a combination of policies, systems and controls, always backed by pondered and cautious commercial decisions, due to a variety of reasons, such as:

- Limitations on capital and funds of the Group;
- Non-strategic nature of many of the non-collateralised loans;
- Limited resources to analyse and control exposures not guaranteed with the desired competence;
- Lack of scale/dimension.

An effort is constantly made to limit exposure to the credit risk, essentially to:

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

In the taking of decisions and risk management in the organization, the Administration applies its strategy of using a business model in combination with a number of quantitative tools and systems used to monitor and measure exposure. These aspects include:

- Non-statistical measurements, such as scenario analyses, stress and sensitivity tests;
- Limits per counterparty, family, class of assets or portfolio;
- Limits of concentration;
- Qualitative analysis and procedures.

B. Credit Write-Off Policy

Loans are written off from assets when, after: (i) the Group has demanded the payment of the whole loan and (ii) all the main steps to collect considered adequate have been taken, the expectations of recovering the loan (within a time horizon that can be reasonably estimated) are very low, thereby leading to an extreme scenario of full impairment.

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

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

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

C. Impairment reversal policy

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

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

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

D. Policy of converting debt into capital of the debtor

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

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

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

F. Description of the collateral valuation and management process

Valuation of collateral

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

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

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

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

The determination of the recoverable amount is based on the evaluation (with or without the correction factor) plus a time discount factor.
When a loan operation collateralised by a building shows signs that justify it, the collateral is re-valued by an external appraiser.

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

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

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

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

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

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

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

Definition of impaired credit

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

Process of identifying impaired credit

The Group assesses, on each reporting date along with the monthly credit meeting, if there is any indication that an asset (or group of assets) may be impaired. If such an indication exists, the Group should estimate the recoverable amount of the asset.
Initially, the Group evaluates if there exists objective evidence of impairment individually for each loan. For this evaluation and in the identification of loans with impairment on an individual basis, the Group uses the information input in the credit risk models implemented and considers the following factors, amongst others:

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

If for a given loan there is no objective evidence of impairment on an individual basis, this loan is included in a group of loans with similar credit risk characteristics (credit portfolio), which is evaluated collectively – 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 this evaluation.

In the individual analysis, when a loan stands out, namely due to its amount or type of collateral, a more detailed individual analysis is made, to gauge if there is impairment of the loan and to assess the quality of the collateral.

If an impairment loss is identified on an individual basis, the amount of the loss to be recognised corresponds to the difference between the accounting value of the loan and the actual value of the estimated future cash flow (considering the recovery period) discounted at the effective original interest rate of the contract. The loan is presented in the Balance Sheet net of the impairment.

The process of evaluation of the credit portfolio in order to determine if an impairment loss should be recognised is subject to diverse estimates and judgements. This process includes factors such as the frequency of non-fulfilment, risk notations, rates of recovery of losses and estimates both of future cash flow and of the time of their receipt. Alternative methodologies and the use of other assumptions and estimates may result in different levels of impairment losses recognised, with the consequent impact on the results of the Group

Credit categories / Segmentation of BiG's credit portfolio

For the purpose of the analysis of the impairment of credit operations, the exposure in the Group's retail credit portfolio is segmented into categories so that periodic analyses can be made of the portfolio.

The criteria underlying this grouping are:

- The loans have the same purpose;
- The target clients of the product are the same;
- The collateral of the loan is the same or similar;
- The treatment and accounting of the product is uniform;
- There are more than 25 clients in the portfolio ("active loans").

In accordance with range of credit products in BiG's portfolio, these are segmented, for the analysis of impairment, into the following groups:

- Margin Account;
- BiG Auto;
- Mortgages;
- Loans to clients;
- Other.

I. Indication of the signs of impairment by credit segments

The assessment of whether a given exposure or group of exposures show objective signs of impairment, as a result of one or more events that occurred since the start of the loan (loss events), and if these had an impact on the estimated future cash flows, is made adopting conservative indications of impairment, appropriate to each credit segment, namely:

i) Active evidence / signs

- The client has an unauthorised overdraft or unpaid instalments/loans;
- Other amounts receivable (e.g. billing) that are not paid on the due date;

ii) Passive evidence / signs

- The client is on the LUR (the Bank of Portugal's User Risk List) – Cheques;
- The client has incidents with other banks – Overdue Loans, Retraded or Written-down from Assets – in the CRC (the Bank of Portugal's Credit Liabilities Centre);
- The client has been subjected to any kind of legal lien;
- There is a history of credit default in BiG;
- There is a history of unauthorised demand deposit overdrafts in BiG;
- The client becomes unemployed or the Employer declares bankruptcy or layoffs;
- The client's spouse becomes unemployed or their Employer declares bankruptcy or layoffs;
- The client or spouse loses part of their monthly income;
- Loans restructured due to financial difficulties of the client;
- The client or spouse are included in any risk list outside of BiG;
- The client expects to go insolvent or be subject to recovery programs;
- Use of revolving credit operations (namely, and in the case of BiG, Margin Account or salary account) to, at least, 95% of the limit initially authorised by the bank over a minimum consecutive period of 12 months;
- Increase in the level impairment hedging or recognition of economic loss;
- Delivery of assets in lieu of payment;
- Violation of any contract signed with the Group.

J. Indication of the thresholds defined for individual analysis

For the purpose of the identification of individually significant exposures (which will obligatorily be analysed on an individual basis), the Group sets thresholds that should be considered. These are, among other things, exposures collateralised by non-liquid assets which represent a relevant percentage of the retail credit portfolio or of BiG's own funds. Nevertheless, even if a given exposure does not come within these criteria, and bearing in mind the Group's conservative position in relation to the credit risk, this may be subject to individual analysis for impairment.

K. Policy relating to the degrees of internal risk, specifying the treatment given to a borrower classified as in default

The Group does not use internal credit ratings in the treatment of irregular credit.

The internal treatment of a client classified as in default should contemplate taking all the operational measures that appear necessary, namely the inhibition of: (i) movements in accounts and means of moving accounts, (ii) transfers of amounts outside of the Group, (iii) attempts to reduce or remove collateral and (iv) increases in exposure by the borrower.

As necessary, still in relation to this internal analysis, the legal mechanisms that ensure the execution of guarantees or the filing of enforcement proceedings will be triggered. This action will be coordinated by the Compliance Department, together with the firm of lawyers that assists the Group in legal matters.

The actions described above should also take into consideration: (i) knowledge of the client, (ii) awareness of the product, (iii) the necessary understanding of standards, regulations, procedures, timings of reporting to the supervisory bodies and (iv) the need to adjust the Group's internal accounts and reports.

L. Generic description of the calculation of the current value of future cash flows in the calculation of the impairment losses assessed individually and collectively.

On an individual basis, the method of calculation adopted by the Group to determine the impairment of credit is the discounted cash flow (DCF) method or rather, that of calculating the PV (Present Value) of the cash-flows due at the time of the analysis, discounted at a given interest rate. This PV is then compared with the exposure value and, if the difference is negative, there will then be impairment for an amount which should be duly accounted.

For impairment calculated on a collective basis, the Group determines the net value of each exposure (amount of the loan – amount of collateral). This collateral amount is adjusted by "haircuts", in accordance with the rules defined in the point called "Valuation of collateral". For the purpose of collective analysis, only in operations with financial guarantees (Margin Account) or real guarantees (Mortgages) is the respective collateral valued, while in other operations collateral is assumed to be equal to 0 (zero), even in the case of the leasing of motor vehicles where the property belongs to the Group. A coefficient of 1.5% is applied to the net value of the exposure, except in Margin Account and Overdraft products, where 1% is applied.

In the case of the DCF method, the interest rate used in the calculation of impairment is determined in accordance with the following rules:

- fixed rate contracts: initial fixed rate
- variable rate contracts: current interest rate, resulting from the contract clauses (e.g. indexed to the Euribor)

Note: if the interest rate cannot be determined (e.g. for billing/ amounts receivable), the rate offered in BiG's "SuperDepósito" in force on the date of the analysis is used.

When the exposures are guaranteed by collateral, the Group takes into consideration the expected value of the collateral as well as the expectations of recovery, and the recovery and sale costs.

M. Description of the emergent period used for the different segments and justification of its appropriateness

The Group does not have an emergent period given that it does not have a model of collective impairment that considers this parameter.

N. Detailed description of the cost associated to the credit risk, including disclosure of the PD, EAD, LGD and cure rates

The Group, and considering the short period of tempo since it started in the credit business, namely specialised credit, still does not have sufficient historical data to correctly calculate these parameters.

O. Conclusions concerning analyses of the sensitivity to the amount of impairment and alterations to the main assumptions

The Group assesses the impairment of its credit portfolio based on specific signs of impairment, which nevertheless do not depend on complex assumptions and so sensitivity analyses are not performed on the assumptions used.

Quantitative disclosures

Breakdown of exposures and impairment:

a.1)

	Exposure 2014				Impairment 2014		
	Total Exposure	Performing Loans	Of which: restructured	Non-Performing Loans	Total Impairment	Performing Loans	Non-Performing Loans
Current Account Credit	13,165,262	13,163,145	-	2,117	13,206	11,243	1,963
Mortgages	5,403,148	5,357,716	-	45,432	12,288	930	11,358
Other	4,167,373	3,990,977	12,435	176,396	165,166	22,562	142,604
	22,735,783	**22,511,838**	**12,435**	**223,945**	**190,660**	**34,735**	**155,925**

a.2)

	Total Exposure 2014					Total Impairment 2014	
		Performing Loans		Non-Performing Loans		Performing Loans	Non-Performing Loans
	Total Exposure 2014	Days late < 30 Without evidence	Days late < 30 With evidence	Days late > 90 *	Total Impairment 2014	Days late < 30	Days late > 90
Current Account Credit	13,165,262	12,839,246	323,899	2,117	13,206	11,243	1,963
Mortgages	5,403,148	5,350,797	6,920	45,432	12,288	930	11,358
Other	4,167,373	3,864,568	126,408	176,396	165,166	22,562	142,604
	22,735,783	**22,054,611**	**457,227**	**223,945**	**190,660**	**34,735**	**155,925**

* Loan with payment of capital or interest overdue by more than 90 days, but about which there is evidences that justifies its classification as credit in risk of default

b) Breakdown of the credit portfolio by segment and by year of production:

	Current Account Credit			Mortgages			Other		
Year of production	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up	Number of transactions	Amount	Impairment set up
2004 and previous	70	2,748,798	467	15	739,531	-	3	84,346	-
2005	15	396,336	2	-	-	-	-	-	-
2006	24	687,341	1,267	-	-	-	-	-	-
2007	43	1,119,100	2,551	6	408,237	381	3	30,372	78
2008	34	542,391	543	16	887,976	7	8	52,242	324
2009	41	1,601,864	200	5	498,704	-	6	176,566	325
2010	28	484,726	67	4	306,163	11	39	532,963	128,511
2011	28	1,798,789	925	14	826,952	100	17	213,862	897
2012	24	642,643	50	6	472,452	104	20	196,122	2,942
2013	25	684,519	785	7	567,110	713	27	482,287	15,267
2014	73	2,458,755	6,349	8	696,023	10,972	1,336	2,398,613	16,821
	405	**13,165,262**	**13,206**	**81**	**5,403,148**	**12,288**	**1,459**	**4,167,373**	**165,165**

c) Breakdown of gross exposure to credit and impairment assessed individually and collectively, by segment, sector and geography.

c.1) By segment:

2014	Current Account Credit		Mortgages		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	2,118	1,963	45,432	11,358	176,396	142,604	223,946	155,925
Collective	13,163,145	11,243	5,357,716	930	3,990,977	22,561	22,511,838	34,734
	13,165,263	**13,206**	**5,403,148**	**12,288**	**4,167,373**	**165,165**	**22,735,784**	**190,659**

c.2) By sector of activity: The breakdown by sector does not apply to BiG's retail portfolio as this concentrates on private individuals.

c.3) By geography: The breakdown by geography does not apply to BiG's retail portfolio as this is concentrated on Portugal.

d) Breakdown of the portfolio of restructured credit by restructuring measure applied

2014	Performing Loans			Total		
Measure	Number of transactions	Exposure	Impairment	Number of transactions	Exposure	Impairment
Extent of Period	2	12,435	182	2	12,435	182

e) Inward and outward movements in the restructured credit portfolio:

	2014
Opening balance of restructured loans portfolio (gross of impairment)	-
Credit restructured in the period	12,963
Payment of restructured loans (partial or total)	528
Closing balance of restructured loans portfolio (gross of impairment)	**12,435**

f) Breakdown of the fair value of the collateral underlying the credit portfolio by segments:

2014	Current Account Credit		Mortgages				Other			
	Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
Justo valor	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	390	15,755,077	48	8,447,639	1	35,000	11	1,902,147	4	92,239
>= 0,5 M€ and < 1 M€	6	3,863,047	6	3,629,000	-	-	1	564,000	-	-
>= 1 M€ and < 5 M€	-	-	1	1,652,000	-	-	-	-	1	1,500,000
	396	**19,618,124**	**55**	**13,728,639**	**1**	**35,000**	**12**	**2,466,147**	**5**	**1,592,239**

* Examples: Shares, bonds and deposits (at market prices)

g) LTV ratio of the Housing and Other segments:

2014	Number of buildings	Performing Loans	Impairment
Mortgages			
< 60%	32	2,815,360	108
>= 60% and < 80%	12	1,262,084	-
>= 80% and < 100%	10	1,275,213	708
>= 100%	1	83,950	-
Other			
< 60%	12	959,089	-
	67	**6,395,696**	**816**

h) Breakdown of the fair value and of the net book value of the buildings received as payment in kind, by type of asset and by age:

On 31 December 2014 the caption Non-current assets held for sale has a balance of 45 500 Euros referring to buildings available for immediate sale, resulting from lawsuits. For these assets the Group recorded impairment losses amounting to 25 500 Euros. On this same date the Group did not have any building received as payment in kind in its portfolio.

i) Distribution of the credit portfolio by degrees of internal risk:

The Group does not use internal credit ratings.

j) Disclosure of the risk parameters associated to the model of impairment by segments:

The Group does not use risk parameters, e.g. PD and LGD, in the impairment model.

NOTE 40
CHARGING OF ASSETS

On 31 December 2014, charges on assets may be analysed as follows:

	Book value of pledged assets	**Fair value of pledged assets**	**Book value of unencumbered assets**	**Fair value of unencumbered assets**
Equity instruments	-	-	30,460,663	30,460,663
Debt securities	241,467,212	245,900,690	956,837,491	959,244,983
Other assets	500,000		178,101,962	
	241,967,212		**1,165,400,116**	

On 31 December 2014 the amount of the liabilities associated to charged assets was 215 972 307 Euros.

NOTE 41
RECENTLY ISSUED STANDARDS

41.1. Impact of the adoption of standards and interpretations that became effective on 1 January 2014:

Standards

IAS 32 (amendment) 'Compensation of financial assets and liabilities. This amendment is part of the "compensation of assets and liabilities" project of the IASB, which sets out to clarify the concept of "actually having the legal right to compensation", and clarifies that some settlement systems which use gross amounts (compensation chambers) may be equivalent to compensation using net amounts. The Group is assessing the impact of these amendments on the financial statements.

IAS 36 (amendment) 'Disclosure of the recoverable amount for non-financial assets'. This amendment deals with the disclosure of information on the recoverable amount of impaired assets, when this has been measured through the model of fair value less sales costs. There were no significant impacts on the Group arising from the adoption of this amendment

IAS 39 (amendment) 'Novation of derivatives and continuity of hedge accounting'. The amendment to IAS 39 means that an Entity may continue to use hedge accounting, when the counterparty of a derivative that had been designated as a hedge instrument, is altered for a compensation chamber, or equivalent, as a consequence of the application of a law or regulation. The Group is assessing the impact of these amendments on the financial statements.

Amendments to IFRS 10, 12 and IAS 27 – 'Investment entities'. The amendment defines an investment entity and introduces an exception to the application of consolidation under IFRS 10, for entities that qualify as investment entities, whose investments in subsidiaries should be measured at fair value through the income statement of the year, by reference to IAS 39. Specific disclosures required by IFRS 12. There were no significant impacts on the Group arising from the adoption of this amendment

41.2. Standards, amendments to existing standards and interpretations that have been already published and whose application is mandatory for annual periods that start on or after 1 July 2014, or later, and which the Entity decided not to adopt in advance:

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

IFRS 2, 'Share-based Payments' (to be applied in the years that start on or after 1 July 2014). This amendment is still subject to the process of endorsement by the European Union. The amendment to *IFRS* 2 changes the definition of "conditions of acquisition" and "market conditions", also introducing the concepts of "performance conditions" and "conditions of service", as two types of "conditions of acquisition", in the evaluation of the rights acquired over shares or share options.

IFRS 3, 'Concentrations of business activities' (to be applied in the years that start on or after 1 July 2014). This amendment is still subject to the process of endorsement by the European Union. This amendment clarifies that an obligation to pay an amount of a contingent

purchase is classified in accordance with IAS 32, as a liability, or as an equity instrument, if it meets the definition of financial instrument. Contingent payments classified as liabilities will be measured at fair value through the income statement of the year.

IFRS 8, 'Operating segments' (to be applied in the years that start on or after 1 July 2014). This amendment is still subject to the process of endorsement by the European Union. This amendment amends IFRS 8 to now require disclosure of the judgements made by the Management for the aggregation of operating segments, also requiring reconciliation between assets by segment and the global assets of the Entity, when this information is reported.

IFRS 13, 'Fair value: measurement and disclosure' (to be applied in the years that start on or after 1 July 2014). This amendment is still subject to the process of endorsement by the European Union. The amendment to IFRS 13 clarifies that the standard does not remove the possibility of the measurement of current accounts receivable and payable based on billed amounts, when the discount has no material effect.

IAS 16, 'Tangible Fixed Assets' and *IAS* 38 'Intangible assets' (to be applied in the years that start on or after 1 July 2014). This amendment is still subject to the process of endorsement by the European Union. The amendment to IAS 16 and to IAS 38 clarifies the treatment to be given to the gross book values and to accumulated depreciation/ amortization, when an Entity adopts the revaluation model in the subsequent measurement of tangible fixed assets and/ or intangible assets, allowing 2 methods. This clarification is significant when either the useful lives or the methods of depreciation/amortization are revised during the revaluation period.

IAS 24, 'Related Party Disclosures' (to be applied in the years that start on or after 1 July 2014). This amendment is still subject to the process of endorsement by the European Union. This amendment to IAS 24 changes the definition of related party, which now includes Entities that provide management services to the Entity that reports, or to the parent company of the Entity that reports.

IFRS 1, 'First time adoption of the IFRS' (to be applied in the European Union in the years that start on or after 1 January 2015). The amendment to IFRS 1 clarifies that those adopting the IFRS for the first time may use either the previous version or the new version of a standard which, although not yet mandatory, is available for early adoption.

IFRS 3, 'Concentrations of business activities' (to be applied in the European Union in the years that start on or after 1 January 2015). The amendment to IFRS 3 clarifies that the standard is not applicable to the accounting of the constitution of any joint arrangement under IFRS 11, in the financial statements of the joint arrangement.

IFRS 13, 'Fair value: measurement and disclosure' (to be applied in the European Union in the years that start on or after 1 January 2015). The amendment clarifies that the exception to the measurement at fair value of a portfolio on a net basis, is applicable to all types of contracts (including non-financial contracts) under IAS 39.

IAS 40, 'Investment properties' (to be applied in the European Union in the years that start on or after 1 January 2015). This amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive. IFRS 3 needs to be used whenever an investment property is acquired, to determine if the acquisition corresponds to a concentration of business activities or not.

IFRS 5, 'Non-current assets held for sale and discontinued operating units' (to be applied in the years that start on or after 1 January 2016). This amendment is still subject to the process of endorsement by the European Union. The amendment clarifies that when an asset (or group for sale) is reclassified from "held for sale" to "held for distribution" or vice-versa, this does not constitute an amendment to the sale or distribution plan.

IFRS 7, 'Financial instruments: disclosures' (to be applied in the years that start on or after 1 January 2016). This amendment is still subject to the process of endorsement by the European Union. This amendment includes additional information on the significance of continued involvement in the transfer (derecognition) of financial assets, for the purpose of fulfilling disclosure obligations.

IAS 19, 'Employee benefits' (to be applied in the years that start on or after 1 January 2016). This amendment is still subject to the process of endorsement by the European Union. This amendment clarifies that in the determination of the discount rate of liabilities with post-employment defined benefit plans, this has to correspond to high quality bonds of the same currency in which the liabilities are calculated.

IAS 34, 'Interim Financial Reporting' (to be applied in the years that start on or after 1 January 2016). This amendment is still subject to the process of endorsement by the European Union. This amendment clarifies the meaning of "information disclosed in another area of the interim financial statements, and requires the inclusion of crossed references for this information.

IFRS 9 (new), 'Financial instruments' (to be applied in the years that start on or after 1 January 2018). This standard is still subject to the process of endorsement by the European Union. IFRS 9 replaces the requirements of IAS 39, in relation: (i) to the classification and measurement of financial assets and liabilities; (ii) to the recognition of impairment of receivable credit (through the expected loss model); and (iii) to the requirements for the recognition and classification of hedge accounting. The entity is assessing the impact of the introduction of these amendments.

IFRS 14 (new),'Deviations in pricing' (to be applied in the years that start on or after 1 January 2016). This standard is still subject to the process of endorsement by the European Union. This standard allows those adopting the IFRS for the first time to continue to recognise

regulatory assets and liabilities in accordance with the policy followed under the previous standard. However, in order to enable comparability with the entities that have already adopted the IFRS and do not recognise regulatory assets/liabilities, these amounts have to be disclosed separately in the financial statements. The Bank does not anticipate any relevant impact from the application of this amendment on its financial statements.

IFRS 15 (new), ‘Revenue from Contracts with Customers’ (to be applied in the years that start on or after 1 January 2017). This standard is still subject to the process of endorsement by the European Union. This new standard only applies to contracts for the delivery of products or provision of services, and requires the entity to recognise the income when the contractual obligation to deliver assets or provide services is satisfied and at the amount that reflects the counter provision to which the entity is entitled, as allowed for in the “5-step methodology”. [The entity is assessing the impact of the introduction of these amendments.

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

Fiscal Board

José Fernando Catarino Galamba de Oliveira (President)
Pedro Rogério Barata de Ouro Lameira (Effective Member)
Diogo Pereira Duarte (Effective Member)
Jorge Alegria Garcia de Aguiar (Alternate Member)

Effective Portuguese Statutory Auditor

PricewaterhouseCoopers & Associados,
Sociedade de Revisores de Contas, S.A., represented by
Aurélio Adriano Rangel Amado or
José Manuel Henriques Bernardo

Jorge Manuel Santos Costa
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