BiG

2015

ANNUAL
REPORT

T.1

(Euro)

Consolidated (Audited)	2015	2014	2013	2012
Net Interest Margin	23,733,313	25,138,497	25,747,469	18,734,087
Net Commissions and Fees	12,702,261	11,442,574	6,533,123	6,789,808
Treasury and Capital Markets	112,762,645	132,807,026	93,041,699	54,831,796
Other Income	-491,846	-13,260	-300,079	-28,178
Operating Income	**148,706,373**	**169,374,837**	**125,022,212**	**80,327,513**
Personnel Expenses	-23,363,479	-24,124,063	-22,356,754	-14,840,651
Other Administrative Costs	-12,261,590	-9,276,997	-7,689,711	-6,130,922
Operating Expenses	**-35,625,069**	**-33,401,060**	**-30,046,465**	**-20,971,573**
Operating Cash Flow	**113,081,304**	**135,973,777**	**94,975,747**	**59,355,940**
Amortizations	-1,291,237	-1,028,013	-1,134,697	-1,314,991
Provisions	-2,764,774	-10,255,955	-1,871,061	-2,892,714
Imparities	-1,423,987	-209,465	-194,946	-6,294,411
Operating Results	**107,601,307**	**124,480,344**	**91,775,043**	**48,853,825**
Results of Subsidiaries	0	175,774	163,306	23,371
Profit Before Income Tax	**107,601,307**	**124,656,117**	**91,938,349**	**48,877,194**
Current Income Tax	-32,507,084	-41,849,894	-33,218,522	-16,385,895
Deferred Tax	-585,043	-277,027	-92,067	26,581
Net Income	**74,509,180**	**82,529,196**	**58,627,760**	**32,517,880**

Individual	2015	2014	2013	2012
Net Income	**74,854,898**	**82,340,760**	**58,459,256**	**32,486,385**

Selected Indicators	2015	2014	2013	2012
Total Net Assets	1,542,063,419	1,444,516,643	1,214,430,252	1,024,615,750
Shareholder Funds	276,364,401	261,369,251	207,192,600	170,724,119
Own Funds	312,743,080	261,299,611	202,589,699	161,869,909
Client Deposits	885,485,867	804,736,461	683,717,291	543,830,163
Non-Performing Loans / Total Loans	0.1%	0.1%	0.1%	0.1%
Loans / Client Deposits	42.6%	16.9%	28.8%	35.4%
Loans / Total Net Assets	24.4%	9.4%	16.2%	18.8%
Assets Under Supervision *	2,810,927,292	2,546,898,558	2,159,665,428	1,499,588,173

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

Profitability	2015	2014	2013	2012
Return on Average Assets (ROA)	5.0%	6.2%	5.2%	3.5%
Return on Average Equity (ROE)	27.7%	35.2%	31.0%	27.3%
Operating Income / Average Net Assets	10.0%	12.7%	11.2%	8.7%

Solvency	2015	2014	2013	2012
TIER 1 Capital Ratio	33.2%	35.1%	32.7%	31.9%
Total Capital Ratio	33.2%	35.1%	32.9%	32.0%

Efficiency	2015	2014	2013	2012
Net Interest Income / Earning Assets	1.6%	1.8%	2.2%	1.9%
Operating Expense / Operating Income	24.8%	20.3%	24.9%	27.7%
Personnel Expense / Operating Income	15.7%	14.2%	17.9%	18.5%

FINANCIAL INDICATORS

MANAGEMENT DISCUSSION

INTRODUCTION

Who we are

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

The Bank was founded by a group of private shareholders and began operations on March 1, 1999. The capital is relatively dispersed, fairly stable, and privately held by individual and institutional investors (see *Shareholder Base* in this section and Note 35). In its core activity, BiG operates a transparent and innovative business model, focusing on savings, investment and advisory activities directed toward both individual and corporate/institutional client segments. We focus *commercially* on client acquisition, deposit growth, and asset management; and *operationally* on asset quality, liquidity management, internal operating controls, reliable execution, capital preservation and the control of business risks in order to provide acceptable returns to our shareholders. Above all, we seek to ensure a pattern of secure, sustainable growth into the future, and to remain a safe harbor for the assets and savings of our clients.

To this end, the Bank's solvency and other operating ratios are exceptionally strong, and have remained so on a consistent basis. Since the Bank's founding in 1999 . BiG has relied on internally-generated and largely-retained earnings to finance its growth – after paying regular dividends – and to expand and improve on its business model, often during turbulent periods of unusual market stress. We have never requested, nor required assistance, capital or guarantees from any outside or official source since the Bank's inception.

BiG is, and always has been, a focused, specialized institution, supported by technology-driven, scalable processes and a culture of zero-tolerance for operational errors or credit losses. We favor quality over size or market share across our business lines, and have never sought to follow or replicate what appear now to be inefficient or discredited, traditional or universal banking models.

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

What we do

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

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

Execute transactions in regulated markets or OTC, depending on financial needs or risk-appetites of our clients;

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

Manage our Balance Sheet, our exposure to risk and, upon request, the assets of our clients;

Preserve our reputation and the integrity of our business;

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

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

For individuals, the Bank provides savings, brokerage, custody, wealth management and general banking and payment services. For corporate and institutional clients, services include market risk management, treasury, brokerage, custody, and corporate advisory services, including debt finance. The Bank's treasury and capital markets area concentrates on liquidity and balance sheet management. This area is also central to our culture of managing market-related and credit risks.

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

The Bank, through 2015 inclusive, generates all of its revenues in Portugal. The asset side of the Balance Sheet, as a rule, reflects geographic and sectorial diversity, which may vary over time, depending on market conditions and business opportunities. It also reflects our policy on maintaining exceptional levels of liquidity. The liability side of the Balance Sheet focuses on stable, retail deposits and capital growth. The Bank interacts with clients through a number of integrated channels. Retail clients are served by the online investment platform, **www.big.pt**, and financial advisors located in 18 offices in key central and regional locations. Corporate and Institutional clients are the focus of sales and product teams based mainly in Lisbon and Porto.

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

Where we Operate

BiG is based in Lisbon and operates 18 retail advisory offices (by Q1 2016) throughout Portugal. We also have a banking license to operate in Mozambique and expect to launch a wholesale banking unit in that country during the first quarter 2016.

Our main Business Lines

Specialized Retail

BiG serves individual client with varying needs and expectations with an integrated multi-channel approach, backed by a proprietary banking and trading platform plus a network of sales offices in the country's key geographic markets. The combination of internet-based platforms, specialized sales teams and financial advisors help clients execute banking transactions, manage their savings and invest through a number of the world's most important regulated markets. This business provides banking services and solutions for clients ranging from the self-directed client, to clients seeking assisted investing, to the wealth management client requiring tailor-made solutions and preservation of capital.

Institutional and Corporate Clients

For institutional investors and middle market to large corporations, the Bank's professionals from key product areas design specific financial solutions, execute trading and investment strategies and help clients to manage their 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.

How we are Regulated

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

Banco de Portugal (Bank of Portugal): date of registration 1 March 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 tied insurance intermediary 2. www.asf.com.pt.

The Bank's activity in Mozambique, where we expect to launch a wholesale unit during Q1 2016 is regulated by the Bank of Mozambique.

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

Summary of 2015 Results

***The Bank generated consolidated net income of € 74.5 million for 2015**, compared with € 82.5 million for 2014, and € 58.6 million for 2013.*

***Earnings per share (EPS) were € 0.48 for 2015**, based on a larger number of shares outstanding, following a capital increase by incorporation of reserves held in 2015, which changed the number of common shares outstanding from 104 million to 156 million. For comparison, excluding capital increase by incorporation of reserves, EPS for 2015 would have been € 0.72 versus € 0.79 for 2014, and € 0.57 for 2013.*

***Return on Average Equity (ROE) for 2015 was 27.7%,** as compared with 35.2% in 2014 and 31.0% in 2013.*

***The Book Value (BV) of BiG's common stock stood at € 1.77 (€ 2.66 on an equivalent basis, pre capital increase by incorporation of reserves),** versus € 2.51 per share 2014, and € 1.99 per share at year-end 2013.*

***BiG's Core Tier 1 ratio at 31/12/15 was 33.2%,** compared to 35.1% at year-end 2014, and 32.7% at year-end 2013.*

***The Bank's Net Operating Revenues for 2015 were € 148.7 million,** or 12.2% lower than the € 169.4 record in 2014; and as compared to € 125.0 million in 2013.*

The results reflect a small decline in revenues from investing and treasury activities when compared with 2014 result, with an 11% rise in net commissions, and a decrease in net interest margin (-5,6%).

Non-interest revenues, which form the core of the Bank's specialized investment banking business, represented 84% of overall net operating income in 2015, compared to 85.2% in 2014, or in line with prior years. Net interest income was 16% of total revenues for 2015, versus 14.8% in 2014, also in line with the average of prior years.

An overview of key income statement and balance sheet items is provided in table T.2. 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 2015, as in prior years, 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 in prior years, activity on the asset side of Balance Sheet focused on high quality, liquid securities in the available for sale portfolio. The Bank's strategy is not lending-intensive, so the balance sheet contains few illiquid loans. Credit risks and concentrations are actively managed in the light of overall market conditions and investor sentiment with respect to interest rates.

Our analyses of credit concentrations and earnings opportunities consider the progress of the Portuguese, other European, and the major economies outside Europe in dealing with the effects of a long period of economic recession, uneven rates of global recovery, and the way macro-economic and geo-political issues affect how markets perform. On average during 2015, significantly less than 50% of the Bank's exposure involved Portuguese country risk. The remainder represented largely other European and U.S. country risk exposure. For much of the year, political events in Portugal, along with macro events in Europe and globally, influenced the Bank's key financial indicators.

Persistently high levels of debt worldwide, policies of monetary easing in major blocs, slow growth in the developed world and declining growth in the developing markets, a strengthening dollar, falling prices of oil, ongoing attempts by creditors to pressure for greater fiscal responsibility by governments, and the politics of ant-austerity in Europe and the emerging markets, have contributed to form a dangerous cocktail of global risks through 2015. This resulted in higher levels of market uncertainty relative to 2014. In this environment, Management believes that the Bank's business model performed reasonably well and that the mix of businesses we manage continues to show resilience and fundamental soundness. The Bank's performance in 2015 was a result of our ability to manage the effects of a combination of factors, which affect our business in one way or another:

Financial Metrics

- Slower growth in the average level of quality, liquid earning assets in relation to 2014, amid higher risks, lower yields and fewer quality investment opportunities;

- Falling asset prices, difficulties in emerging markets and historically low interest rates globally;

- Lower costs of funding and generally acceptable market liquidity;

- Growth in volumes of savings and investment instruments, as clients moved away from lower-yielding deposits;

- Overall, 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 managing legacy, non-performing assets and deficient models, which have affected our competition negatively;

- Persistent problems in the Portuguese banking sector and significant increase in regulation;

- The growing responsibility of the banking sector toward the Portuguese Resolution Fund;

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

T.2 (Euro 000)

Summary of Results	2015	2014	2013	2012
Total Net Revenue	148,706	169,375	125,022	80,328
Non Interest Expense	-41,105	-44,894	-33,247	-31,474
Taxes	-33,092	-42,127	-33,311	-16,359
Net Income	74,509	82,529	58,628	32,518
Shareholders Funds	276,364	261,369	207,193	170,724
Own Funds	312,743	261,300	202,590	161,870
Total Net Assets	1,542,063	1,444,517	1,214,430	1,024,616
Loans	376,820	136,162	196,919	192,674
Deposits	885,486	804,736	683,717	543,830
TIER 1 Capital Ratio	33.2%	35.1%	32.7%	31.9%
Total Capital Ratio	33.2%	35.1%	32.9%	32.0%

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

Key Income Statement Items

Net Operating Revenues for 2015 declined by 12% to € 149 million, as market conditions deteriorated following the initial euphoria of the BCE's move to a program of quantitative easing in Q1. As global and domestic political and macro issues began to weigh on markets – among which, the Greek crisis, declining commodity prices and their effect on emerging markets, slowdown in China, prospects of rising rates in the U.S. and a stronger dollar, combined with unexpected political uncertainty following elections in Portugal - Management gradually moderated investment and reduced exposure to interest rates and credit risk as the year progressed. Net interest margin slowed somewhat because the prices on most asset classes decreased faster than the cost of stable retail deposits. Non-interest-related income, which is the core of the Bank's business, saw a modest drop in gains from Treasury and Investing activities, which was partially offset by an 11% increase in fees and commissions. This latter category rose because of significantly higher revenues from asset management activities and revenues from brokerage. Overall costs declined by 12% on lower salary expense, higher administrative costs and a drop in provisions. The Bank's tax bill declined 21.4%, with lower pre-tax income and marginal rates. This category included the maintenance of special taxes levied on the banking sector in Portugal.

Net interest margin. This category contributed € 23.7 million to net revenues for 2015, as compared with € 25.1 million for 2014 and € 25.7 million for 2013. The decline of 5.6% 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 10% to € 885.5 million by 31 December 2015, were up in relation to 2014 as a result of the slower rate of decline in rates paid to clients versus wholesale market rates, which are not a major part of the Bank's overall funding. The mix of stable funding costs included that from wholesale sources, such as market repos from major international banks, 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 11%, to € 12.7 million, from € 11.4 million for the prior year. This growth derived from substantially higher revenues from institutional brokerage, asset management, corporate advisory and banking services, which offset lower revenues from retail brokerage. In general during 2015, there was a pronounced trend toward assessing credit risk of banks, combined with a rise in the risk appetite of clients looking to offset declining rates on bank deposits with investments involving more managed solutions over longer periods. Management expects this movement to continue and accelerate into 2016.

Treasury and Capital Markets. Investing and credit activities associated with client trading, market making, and the revenues generated by managing the Bank's available for sale portfolio of fixed income securities, as well as income from other investments in other credit products, declined 16%, net of hedging related costs, and contributed € 111.4 million to total net operating revenues in 2015. This figured compared to € 132.8 million in 2014. As in prior years, the majority 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 2015 reflect overall declines in asset prices in major markets and most categories of risk.

Operating Expenses. Management seeks, at all times, to build as much flexibility as possible into the expense base in order to ensure a certain level of correlation with anticipated rises or falls in revenues in a given year. This is managed within reasonable bounds for a growing institution, and considers the need to continue investing, as well as relative inflexibility, or unpredictability of legislation and regulation. For 2015, total expenses, excluding taxation, declined by 8.4%, or approximately in line with a 12.2% drop in Net Operating Revenues. Compensation expenses were 3.2% lower in 2015 in year when the complement of staff grew by 17%. General Administrative Costs grew 32.2% to € 12.2 million and Amortizations rose by 25.6% to € 1.3 million, both in line with: (i) a growth in staff, (ii) more agencies, (iii) costs associated with the BiG's new banking subsidiary in Mozambique, (iv) higher expenses in publicity and rebranding "BiG" and, (v) investments in hardware and software. *As a percentage of Operating Revenues, compensation expense was 15.9% in 2015*, compared with 14.2% of the total in 2014. Overall, operating costs/operating revenues rose to 24.8% in 2015, from a record low of 20.3% in 2014, but remained below the recent five-year average of 29.2%. Also known as the Bank's "efficiency ratio," the relationship measures how the Bank uses its cost base to produce operating revenues. Meanwhile, Net Provisions declined to € 2.8 million from € 10.3 million in 2014. The provisioning is a prudential move in the face of growing general banking risks and uncertainties associated mainly with the Bank's responsibility toward the Portugal Resolution Fund, which owns Novo Banco and has acquired additional responsibilities following the resolution, at year-end, of BANIF-*Banco Internacional de Funchal*.

Pre-tax income and taxation. Pre-tax income for 2015 was € 107.6 million, as compared to € 124.7 million in 2014, € 91.9 million in 2013 and € 48.9 million in 2012. Current and deferred taxes for 2015 were € 33.1 million, as compared with € 42.1 million 2014, € 33.3 million in 2013 and € 16.4 million in 2012. This is a total of € 125 million in direct corporate taxation for the period 2012-2015, which makes BiG one of the highest corporate taxpayers for its size among financial institutions in Portugal. 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 which is specific to the banking sector. For 2015, taxation represented 30.8% of pre-tax income, a small decline in relation to the 33.8% effective rate applied in 2014.

Key Balance Sheet Items

Total Net Assets at 31 December 2015 were € 1.5 billion, a 6.8% rise when compared to the prior-year end. The Bank's main earning assets, which are actively managed in order to maximize liquidity and control concentrations of risks, represented, for the most part, a diversified Available For Sale portfolio (AFS), comprising mainly liquid, fixed income securities. This portfolio stood at about € 1 billion, or slightly below the prior year figure of € 1.09 billion. Loans to clients rose to € 376 million, because of higher levels of Residential Mortgage Backed Securities (RMBS). As a percentage of Net Assets, Loans represented 24% as compared to 9.4% at the end of 2014. The percentage of loans/client deposits at 31/21/15 was 42.6% versus 16.9% on the prior year end, which continues to be an indicator of the Bank's high levels of structural liquidity. Excluding RMBS, client loans as a percentage of client deposits were less than 2%, as compared with 2.5% at 21/12/14, 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 31/12/15.

The Bank's main sources of funding are, in this order: (i) retail client deposits, (ii) shareholders' funds, (iii) sales/repurchase agreements executed with market counterparties, among which are global financial institutions, and (iv) sale/repurchase transactions with the ECB (under LTRO facilities) and EUREX Repo platform for generally shorter tenors. The Bank does not issue long-term debt, and considering the Bank's business model and structurally low leverage, there has been no need to do so. At 31/12/15, client deposits were € 885.5 million, an increase of 10% relative to the same date in 2014. Deposits taken from the ECB, net of deposits placed with the ECB, declined modestly at year end, generally substituted with a higher level of deposits and greater use of repo facilities with global counterparties. Common stock rose to € 156 million, (156 million shares issued, with a nominal value of one euro each) following the incorporation during of € 52 million in reserves, whereby each shareholder received one share for every two held. Shareholder funds rose to € 276.4 million at 31/12/15, from € 261.4 million at 31/12/14, because of higher current earnings, net of dividends paid. Consolidated Regulatory Capital ("own funds") on a consolidated basis at year-end 2015 was € 312.7 million.

Business Environment in 2015

Overview

The past year began positively for markets with the ECB announcing a much-anticipated program of "quantitative easing" in January 2015. This program has been running its course, with generally favorable effects on the prices of sovereign debt by European countries. Global market conditions worsened gradually early in Q1, starting with the election of the party *Syriza* in Greece and that country's drawn-out, ultimately unsuccessful, attempt to challenge European budget rules. To this event were added other uncertainties, among which signs of economic slowdown in China, and the effects of an anticipated rate hike by the U.S. Federal Reserve, finally announced in December 2015. Meanwhile, emerging markets, particularly those economies dependent on oil, suffered from the significant decline in this commodity's prices, internal corruption probes and currency devaluation, as in the case of Brazil, and/or geopolitical issue and pressures, as was the case of Russia. The year 2015 was not a particularly good one for investors in equities, bonds or commodities in general. Central Banks outside the Eurozone responded in a variety of ways, including programs of asset purchases, devaluation where possible, and the maintenance of historically low discount rates as a tool to encourage economic growth. The Federal Reserve announced a much expected rate hike in December 2015, but gloom in markets has continued, and worsened, at least into the beginning of 2016.

Political uncertainty in the periphery of Europe added to the mix of generally negative conditions, as incumbent governments apparently won re-election, as was the case of Portugal in October and Spain in December, but lost their parliamentary majorities. In Portugal, the Socialist party succeeded in forming a government with the support of the Left Bloc Party and Communists. In Spain, a similar type of solution has been discussed, but the country remained without a government early in 2016, with new elections a possibility.

The new Portuguese government has defended a skeptically-received economic plan, which calls for higher growth based on State spending, combined with less austerity, while projecting at the same time a decline in the budget deficit and a reduction of the country's exceptionally high level of Debt/GDP. After reversing the privatization of certain transport companies, and then raising minimum incomes, the government's 2016 Budget proposal, following scrutiny by the European Commission, given the challenge it represents to policies of fiscal responsibility under-pinning the single currency, appears to depend on higher taxes, much of them indirect to meet objectives, assuming other expectations on the income side are realized.

Key events which further undermined business confidence and external credibility in Portugal and in the banking sector, in particular, were (i) the failed attempt to sell Novo Banco during 2015, (ii) the subsequent, decision by the Bank of Portugal to bail in certain senior bond holders, at year-end as a means to bring Novo Banco's capital ratios in line with regulatory minimums, (iii) the cost of resolving yet another bank, BANIF, at year-end, and (iv) the delays and doubts regarding the State Budget for 2016.

The market events most directly associated with the Bank's performance and prospects during 2015 had to do with the movements in global interest rates and the diverging growth paths of key economies, on the one hand, and domestic politics and the risks and opportunities associated with anti-austerity measures and the resolution of key competitors, on the other. The first event is fundamental to our business model, the management of the balance sheet and our business with clients, and is a key to creating value for our shareholders. The second is critical as well, following years of improving stability and the growing credibility for the country with external creditors and international investors.

On a detailed level, our response to business opportunities, regulatory changes, 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 5.6 times Shareholder Funds at 31/12/15, or approximately the same level as at 31/12/14 and substantially below that of most competitors;

The Bank's consolidated Liquidity Ratio was 206% at 31/12/15 and the Leverage Ratio stood at 19.1% on the same date;

BiG's Core Tier 1 ratio at 31/12/15 was 33.2% and has exceeded 30% for the past 16 years in a row;

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

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

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, global economic growth was stable for 2015, with expansion of 3.1% registered for the year. The developed bloc of the USA and Europe recorded rates of growth of 2.4% and 1.6%, respectively, while emerging markets grew at an aggregate rate of 4.4%. At the same time, the IMF noted a secular deceleration of this latter group of economies and the diverging paths of those which export raw materials (Brazil and Russia) and those which essentially import or which depend heavily on services (China and India). The combined effect of structural imbalances in emerging economies, the deflationary spiral in commodities markets, and fears of a "hard landing" in China contributed to an increase in volatility and in market pessimism, especially during the second half of the year.

Europe

In Europe, the rate of economic growth was insufficient to offset the legacy of the sovereign debt crisis, with deflationary fears justifying an increase in quantitative easing by the ECB, which began in March a program of asset purchases equal to € 60 billion per month, including the purchase of eligible sovereign debt instruments, subject to pre-determined limits. The practical results of these measures were modest during 2015, with the most successful aspect being the devaluation of the Euro against major currencies, while simultaneously peripheral sovereign debt credit spreads to Bunds tightened and new lending registered a slight increase. Inflation remained tepid and well below ECB targets at 0.2%, according to Euro Zone CPI numbers as of December 2015. These results led the ECB to announce an expansion of the original program in March 2017, a reduction in the discount rate to further negative territory (-0.30%), and the intention to re-invest interest earned in the purchase of assets. At the macro level, rates of growth in the pe-

T.3

Macroeconomic Indicators (%)		GDP			GDP	
	2014	2015	2016E	2014	2015	2016E
United States	2.4	2.4	2.6	1.6	0.1	1.1
Euro Zone	0.9	1.6	1.7	0.4	0	1
Portugal	0.9	1.5	1.5	-0.2	0.5	1.3
Middle East	3	3	2.6	3.2	3.7	3.5
Ásia ex-Japan	6.3	6.1	5.9	2.8	2.1	2.2
China	7.3	6.9	6.3	2	1.4	1.8
Japan	0	0.5	1	2.7	0.8	0.4
South America	1.3	-0.3	-0.3	5.5	6.7	8.6
World	**3.4**	**3.1**	**3.4**	**3.5**	**3.3**	**3.3**

riphery began to converge with the Core, suggesting progress in the competitiveness of the Southern European economies, while the emergence of political risks at the same time seemed to put these advances at risk over the medium term.

USA

The US economy saw growth accelerate, confirmed by general recovery of main indicators and consistent decline in the rate of unemployment, which reached minimums not seen since 2008 (5%), tempered by a low level of labor market participation and tepid salary growth among the active population. The FED, somewhat surprisingly, waited until December to announce an expected rate increase of 0,25% to 0,5%, which suggested a cautious approach justified by increasing weakness in the global economy and a combination of secular slowdown in emerging markets and drop in prices of commodities.

The benign global outlook, in spite of the increase in volatility, led to different results by asset class: (i) spreads on peripheral bonds versus Bunds ended the year at practically the same level as at the start of the year; (ii) nominal rates in Bunds and US Treasuries rose during the year from a low starting point, in part because of deflationary expectations caused by pressure on prices of commodities; (iii) crude oil, in particular, corrected significantly in a relatively short period of time; (iv) equity markets were mixed, with larger declines registered in emerging markets, while developed markets gained between 0% (S&P 500) and 8% (Eurostoxx and NASDAQ), along with 10% in Japan, which represent comparatively low returns during the current cycle of expansion (since 2009) while volatility increased; (v) in exchange markets, the US dollar appreciated significantly against a basket of currencies, including a more than 10% rise in relation to the Euro.

Portugal

In 2015, the pace of economic recovery was gradual, with the country's GDP advancing by 1.5%. The rate of growth was faster during the first half of 2015, which benefitted from growth in internal demand and higher exports. Internal demand improved on a slightly lower unemployment rate of 12.4%, and reductions in the prices of crude and credit. Public demand remained constrained by government objectives set by European budget rules.

In October, general elections resulted in no absolute majority and negotiations to form a coalition of the winning Social Democrats (PSD) and the second-place Socialists (PS) proved unsuccessful. The President subsequently invited the most voted party, the PSD, to form a minority government led by the incumbent Prime Minister, Pedro Passos Coelho, whose administration 12 days later lost an expected censure motion, supported by the combined left parties, comprising Socialists, the Left Bloc (BE), Communists (CDU) and "greens" (PAN). This permitted the ascension of the Socialist leader, António Costa, to the premiership.

According to the new Government's projections, outlined in the State Budget, Portugal's GDP should grow by 1.8% for 2016, based on an expected increase in private consumption (+2.4%) and a rise in consumer prices (1.3%). The Current Account Balance is projected to be positive, equal to 0,9% of the GDP, while the Budget Deficit is projected to be 2.2% and Public Debt/GDP expected to recede to 128%. The European Commission, meanwhile, has "advised" the Government of the number weaknesses in the Budget and doubtful execution without additional measures, to be determined.

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, one of the most important for the Bank is the use of *fair value* to measure financial instruments. This is because most of the Bank's earning assets - and therefore, most of the balance sheet - are liquid, fixed and variable income securities, as opposed to less-liquid loans. As a result, substantially all of the balance sheet is "marked to market," which results in improved accounting transparency. When events occur which reduce transparency and/or liquidity in markets, as has been the case on occasion over the past several years, including during 2015, this can generate market volatility and have a significant impact on how financial securities are valued and, consequently, on the Bank's financial statements.

The assets *held for trading* purposes are measured at fair value, with variations recognized in the profit and loss statement. Assets *held for sale* are likewise measured at fair value, with respective fluctuations recognized in reserves of the capital account, until such time as an imparity may be recognized. A third category involves assets *held to maturity,* measured via amortized cost based on effective interest rates. 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.

Events that can be of particular relevance in the Financial Accounts, 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 and control functions and validated on a daily basis by Management. The aim is to identify and resolve potential issues associated with fair value or booking of revenues on an objective and timely basis.

In general, during 2015, in spite of some strong movements and a general trend downward in global markets, liquidity remained strong, thus reducing questions of fair valuations. For a number of reasons: Greece, China, US monetary policy and elections in Portugal and Spain, which saw center right governments win pluralities but not majorities, sentiment with respect to most asset classes turned largely negative. Portuguese issuers: sovereign, corporate and banking risk, all suffered for both global macro and specifically domestic reasons. Moreover, at year end, the Portuguese sovereign credit rating, as well as that of most rated banks and corporate issuers, remained below investment grade, with the likelihood of any improvements expected to be very low for the foreseeable future.

Summary Analysis – Key Metrics

For more detail 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.

For 2015, another year of strong earnings and a conservative, but consistent, policy on dividends offset a decline in the value of securities available for sale, which is reflected in the Fair Value Reserve of the capital account, resulting in a rise of 5.73% in Shareholder Funds to € 276.4 million. This total is composed entirely of shareholders' equity, and includes the impact of a partial, anticipated dividend of € 12.5 million paid to shareholders prior to year-end, based on certified results of the Bank for the period ending 30/09/15. At 31/12/15, BiG held 2,598 own shares (1,732 at 31/12/14). The increase, relative to the prior year, reflects the incorporation of reserves of the same shares affected during 2015 (Note 35). The Bank's Regulatory Capital, or "Own Funds," is calculated in accordance with central bank regulations and was € 312.7 million at 31/12/15, up 19% from € 261.3 million at the same date in 2014.

The Bank's Core Tier 1 ratio was 33.2% at year-end 2015, as compared to 35.1% at year-end 2014. This ratio has remained consistently above regulatory minimum levels under the most stressful market conditions over the past 17 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 exercise (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 Core Tier 1 ratio to improbable, but theoretically feasible shifts in market sentiment, which might have a direct effect on the

T.4 (Euro)

Capital	2015	2014	2013	2012
Common stock	156,000	104,000	104,000	104,000
Issue premiums	1.362	1,362	1,362	1,362
Treasury stock	-2	-153	-1,084	-1,172
Fair value reserve	-48,230	-7,284	-2,180	-1,184
Other reserves and retained earnings	105.204	96,515	58,947	44,559
Net profit	74.509	82,529	58,628	32,518
Shareholder Funds	276.364	261,369	207,193	170,724
Own Funds	312.743	261,300	202,590	161,870
TIER 1 ratio	33.2%	35.1%	32.9%	32.0%

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 31/12/15 are shown in table T.5 and T.6 and are discussed in further detail in both the RISK MANAGEMENT section of this report and in Note 39. These results assume a combination of two extreme events: (i) sudden drops in the value of certain types of sovereign debt, which (ii) would be required, simultaneously, to be recognized as imparities with corresponding movements in the Fair Value Reserve and the Bank's results.

The scenarios in table T.5 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 2015.

In table T.6 are the results of the theoretical impact on the Bank's solvency ratio at year-end December 2015 under each scenario.

The stress test scenarios 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

The action announced by the ECB in January 2015 to launch an aggressive asset purchase program across Europe, as one means to encourage economic growth, has proved somewhat successful in stabilizing sovereign debt yields and in driving interest rates down to – in some tenors – negative levels. While less attractive for savers, the environment is designed to provide room for indebted governments, corporates and banks to improve their balance sheets. While these moves initially provided confidence to investors, global events beyond the control of the ECB began to affect market sentiment and trading volumes as the year progressed. During the year, in this environment, 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 key components of liquidity and funding remained in line with prior years.

Loans/Deposits rose because of a higher volume of RMBS, which are classified in the loan book, because of their lower liquidity. Non-deposit-related wholesale funding, essentially short term, collateralized repos with a number of different parties, increased slightly as a percentage of earning assets, but remained in line with prior years. 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 70% to eligible assets/deposits ratio, on average. Available liquidity rises on average to more than 100% of deposits when unencumbered, non-eligible but liquid assets available for sale and cash are added to unused available amounts of the ECB/EUREX pools, as indicated in the quarterly summary for 2015 in table T.8.

Traditional lending is 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 24.4% at 31/12/15, up from 9.4% on 31/12/14, because of the above-mentioned increase in RMBS. The ratio of Loans/Deposits, a key measure of balance sheet liquidity, rose to 42.6%, from 16.9% at the prior year-end, and as compared with 28.8% on 31/12/13.

For 2015, the majority of the Bank's assets are reasonably liquid securities, which are held either as Trading or as Available for Sale (AFS) assets. Management believes, and recent history has confirmed, that the policy of holding and negotiating securities via its Trading or

T.5

Stress tests Extreme scenarios	Scenario 1	Scenario 2	Scenario 3
Portugal	Negative variations in Fair Value recognized in results	15%	25%
Spain		5%	10%
Italy		0%	5%

T.6

December 2015 - Extreme scenarios - theoretical Tier 1 Ratio	Scenario 1	Scenario 2	Scenario 3
Total Capital Ratio	28.6%	26.0%	23.2%
T1 Capital Ratio	28.6%	26.0%	23.2%

T.7 (Euro 000)

Liquidity and Funding	2015	2014	2013	2012
Loans / Client Deposits	42.6%	16.9%	28.8%	35.4%
Liquid Earning Assets / Total Net Assets	95.9%	84.8%	80.4%	76.9%
Funding from ECB	165,007	180,173	130,315	260,248
Other sources of Funding	171,220	108,264	143,478	6,481
Client Deposits / Total Liabilites & Capital	57.4%	55.7%	56.3%	53.1%

T.8 (Euro)

	Average values in € 1st trimester 2015	Average values in € 2nd trimester 2015	Average values in € 3rd trimester 2015	Average values in € 4th trimester 2015
ECB - POOL value - Eligible assets (includes haircut)(1)	545,923	658,298	613,717	491,392
ECB - POOL value - Borrowed	180,000	210,000	230,000	158,333
ECB - POOL value - Available	**365,923**	**448,298**	**383,717**	**333,058**
EUREX Repo - POOL(2) value	32,221	15,136	12,030	17,394
EUREX Repo Borrowed Net: (Borrowed - deposits)	14,000	6,000	2,000	667
Eurex Repo - Available	**13,560**	**3,084**	**2,993**	**11,788**
Eligible assets available for collateral outside the POOLs	**192,408**	**70,046**	**70,578**	**87,675**
Total eligible assets available for collateral	**571,890**	**521,428**	**457,288**	**432,522**
Eligible assets not available (given as garantee to other counterparties)	158,203	201,905	287,993	138,669
Non eligible assets	379,253	364,307	421,529	554,045

(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,

Available for Sale portfolios provides not only greater flexibility to manage positions, but also 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.** Main sources of funding and trends for 2015 included (i) retail client deposits, *which rose 10%* year on year to € 885 million (ii) higher shareholder funds, (iii) funding under repurchase agreements with market counterparties (iv) and secured short term operations with the European Central Bank (ECB), and EUREX Repo. The Bank does not issue debt securities because this type of funding is not strategic to our current business model and investment plans. As a result, BiG is not affected by the limited access to international market funding by banks as a result of the country's non-investment grade position.

Earnings

Net Revenues for 2015 declined 12.2% € 148.7 million and Net Income was down 9.7% to € 74.5 million, versus € 82.5 million for the prior year, while the Bank's average Return on Equity stood at 27.7%, as compared with 35.2% for the year 2014.

BiG's performance in 2015, while lower than the record results of 2014, was nevertheless strong based on historical results and was favorable when compared to the competition in Portugal and peers in Europe. During this period, global market conditions were considerably less positive than in 2014. Domestically, a somewhat toxic political environment in an election year resulted in the formation of a new, less business-friendly and less market-sensitive government, which,

T.9 (Euro 000)

Earnings	2015	2014	2013	2012
Net Operating Revenues	148,706	169,375	125,022	80,328
Net Operating Expenses (net imparities)	-39,681	-44,685	-33,052	-25,179
Imparities	-1,424	-209	-195	-6,294
Results from Associated Companies	0	176	163	23
Pre-tax Profit	197,601	124,656	91,938	48,877
Taxation	-33,092	-42,127	-33,311	-16,359
Net Profit	74,509	82,529	58,628	32,518

when combined with already negative trends globally, served to dampen business confidence markedly during the end of the year and increase uncertainty about the path of the Portuguese economy and its role in Europe, going forward. Since Management has grown accustomed to expanding the business carefully, while operating in an unpredictable environment, we chose to control and in some cases reduce risk during the year, in order to preserve capital and the integrity of our business. Since the onset of the European sovereign risk crisis, which evolved into a banking crisis, and which has never really ended, the Bank has continued to grow in a sustained manner and to produce solid results during what continues to be a challenging period for our competitors in the Portuguese banking system. This consistency 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.

In 2015, 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 decline in yields on earning assets in an environment of uneven economic growth, and (iii) active management of the banking book, which meant that the Bank often chose to substitute interest margin for available investment gains. As we began to see in 2014, the overall risk environment influenced clients to trade less, but to save and invest more, which in this latter case contributed to an increase in fees and commissions for the year.

The Bank's Treasury and Capital markets business produced strong, but lower results, in 2015 relative to 2014. Opportunities in fixed income, credit products and client activity were uneven and net revenues declined 16% to € 111.4 million, when compared to than € 132.8 million in 2014 and € 92.9 million in 2013. On a Business-line basis (see *RESULTS OF OPERATIONS*), the Bank's specialized retail business generated € 12.4 million in net revenues, down from the € 17.3 million gained in 2014. Gross income from the corporate and institutional client segment rose about 23% because of higher deal flow and revenues from client transactions.

On the expense side, key operating expenses, excluding provisions for general banking risks and imparities, grew 12.2%. This figure combines a small decline in compensation expense, but higher general administrative and amortization expenses associated with a higher staff complement occupying more space, higher marketing costs, upgrades to information systems and certain start-up costs associated with the Bank's future operating unit in Mozambique. In 2015, **the Bank's efficiency ratio, defined as Operating Expenses/Operating Income, moved to 24.8%,** after improving during each of the three prior years: 20.3% in 2014, 24.9% in 2013 and 27.7% in 2012.

Net provisions were € 2.8 million at 31/12/15, as compared with € 10.3 million for 31/12/14. In both years, Management increased provisions for general banking risks, as a result of uncertainties associated with responsibilities toward the Portuguese Resolution Fund, following bail-outs of BES (in 2014) and BANIF (in 2015).

A provision for impairments at year-end rose to € 1.4 million, as compared to a negligible amount in 2014. The Bank's provision for taxes dropped to € 33.8 million in 2015, from € 42.1 million in 2014, and represented a tax rate of 30.8%, as compared with 33.8% in 2014, 36.3% in 2013 and 33.5% in 2012. The level of taxation is the result of lower taxable earnings, combined with special taxation imposed by the Government on the banking sector.

Dividend Policy

On the recommendation of Management, Shareholders have approved, since the Bank's inception, a policy of building the capital base through retained earnings. Since beginning an uninterrupted practice of paying dividends in 2004, the Bank has retained, on average over the past 11 years, 65% of net income and has paid out approximately 35% in cash dividends. For the 2015 financial year, the proposed dividend is € 0.12 per share, (equivalent to € 0.18 per share prior to *capital increase by incorporation of reserves* in 2015). This compares to € 0.21 per share in 2014, and € 0.18 per share paid in relation to 2013. The proposal represents an expected dividend payout ratio of 25.1% for 2015 (26.4% for 2014) and includes the partial, anticipated dividend of € 0.08 per share paid to shareholders in November 2015, based on net income, certified by the Bank's external Auditor covering the period 1 January – 30 September 2015. A recent history of payouts by Bank is provided in table T.10. Including the proposed payout for 2015, the Bank has returned nearly € 98 million to shareholders in the form of cash dividends since 2004.

T.10 (Euro)

Dividends	2015 *	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Dividend per share	0.120 €	0.210 €	0.180 €	0.150 €	- €	0.033 €	0.065 €	0.050 €	0.050 €	0.040 €	0.030 €
% Individual Net Income Distributed	25.1%	26%	32%	48%	0%	15%	46%	61%	34%	42%	42%

* Subject to approval by Shareholders

Competitive Environment

The changes taking place in Portugal's competitive landscape have coincided with (i) the first full year of Banking Union in Europe, (ii) the introduction of bail-in rules as from 1 January 2016, (iii) unrelenting regulatory pressure and related costs on the banking sector, (iv) the weight of legacy issues on the ability of banks to build their capital bases, and (v) the accumulation of responsibilities by an under-funded Resolution Fund, with uncertain consequences for the future in terms of how the bill will be paid.

During 2015, the planned sale of Novo Banco dragged on and then postponed to 2016. Barclays announced it would abandon its retail strategy in Portugal and reportedly sold large parts of its business to Bankinter, a Spanish bank. Yet another Spanish bank, Santander, acquired BANÎF in a year-end resolution, while Caixa Bank of Spain appeared to be maintaining its options open regarding BPI, where it is already the largest shareholder, subject to changes in that bank's by-laws regarding voting rights. Other processes in the financial sector involving smaller units or insurance businesses appeared to be under consideration or in negotiation at year end.

Themes in the financial sector in 2015 included: (i) the low ratings and capital levels of the sector, (ii) a tentative recovery of the larger banks' balance sheets, following years of recognizing imparities and heavy losses, (iii) the long-term effects of inefficient business models, combined with excess capacity and inflexible labor laws, (iv) the continued inter-dependence of State and banks in the economy, and (v) the effect throughout the industry of historically low interest rates.

The process of recognition and re-positioning has been underway for some time. For some years, BiG'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 recognition of non-performing loans, which has figured in the results and strategies of banks through 2015. The domestic market has been required to adjust to effects of banks contracting their balance sheets, which has resulted in generally lower availability of credit in some sectors. The results of the stress tests carried out by EBA - European Banking Association, which are made public annually, suggest that 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, for several years now, reductions of personnel, closure of agencies, the exiting or planned divestiture of businesses, changes in management and, in some cases, 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, 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, including weaker institutions who operate, in spite of market conditions, on a "business as usual" basis in most segments. 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.

As the adjustment process runs its course, the Bank continues to experience *more, not less*, competition from a number of financial institutions, including from those which have benefitted from State assistance or regulatory intervention.

Corporate Structure

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

Management believes that these goals can be met with an efficient and clearly understandable corporate and internal operating structure, built around talented people, well-designed processes and reliable technology. Together, the components serve to maximize operating efficiency and help to maintain a competitive cost structure designed to benefit the end client and our shareholders. They are also essential to maintaining tight controls over market, credit and operating risks to which any financial institution is exposed.

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

F.1

Banco de Investimento Global

100%
ONETIER PARTNERS, SGPS, S.A.
Business: Equity stakes
Common stock: € 16.000.000

100%
ONETIER PARTNERS, SCR, S.A.
Business: Private Equity
Common stock: € 750.000

100%
BiG Serviços Financeiros, S.A.
Business: Bank real estate management and financial advisory
Common stock: € 150.000

99,99%
Banco BiG Moçambique, S.A.
Business: Banking
Common stock:
MZN 70.000.000

Legal Structure and Corporate Bodies

BiG's corporate structure is headed by the Bank. At year-end, the Bank held participations in three subsidiaries: (i) ONETIER Partners, SGPS, S.A., which in turn held 100% of the capital of ONETIER Capital, Sociedade de Capital de Risco, S.A., currently in the process of changing its focus to FinTech investments, (ii) BiG Serviços Financeiros, S.A., which performs financial advisory, and (iii) Banco BIG Moçambique, S.A., a banking subsidiary expected to begin operations in Q1 2016. None of the above participations had a relevant impact on the financial accounts of the Bank during 2016.

The Bank's model of retail distribution combines a proprietary internet-based platform, www.big.pt, and integrated sales teams located in 18 offices: Lisbon area (4), Porto (3), Braga, Maia, Coimbra, Leiria, Évora, Viseu, Aveiro, Estoril, Guimarães, Loulé, and São João da Madeira. 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 registered brands *BiG, Banco BiG* and *bigonline,* are used with our mass-market approach to retail banking, wealth management, ad online platform.

Corporate Governance

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

Voting Rights

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

External Advisors

The independent auditors of the Bank and subsidiaries are *PriceWaterhouse Coopers (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 2014. It is the Bank policy to have separate independent external audit and tax functions. Currently, *Deloitte* is the Bank's external advisor for tax matters. The Bank retains the firm of *J. A. Pinto Ribeiro & Assoc.* as its main external legal advisor.

Internal Oversight

Functional management responsibilities lie with the members of the Bank's Board, all of whom are executive, and to whom various heads of trading, front and back office report. Oversight functions for *Accounting, Internal Audit, Internal Control and Compliance* and the management of risks associated with *Markets, Credit, Technology and Operations* report directly to designated members of the Executive Board. In addition to oversight functions by area, the Bank has an *All Risks Committee*, supervised by a Senior Risk Officer, which meets regularly with two Board Members, in-

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.

cluding 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 2015, the respective stakes of the Bank's main shareholders remained relatively stable, and continue, as well, largely in the hands of Portuguese individuals or Portuguese tax residents. At year-end 2014, the Bank, which is not listed, had approximately 140 shareholders (Note 35). Some 55% of the Bank's common stock was in the hands of private individuals, while a variety of institutions, foundations, corporations, or holding companies owned the remaining 45%. The largest single shareholder, a private individual, held 12.4% of the stock directly. A total of 9 shareholders held at least 2% of the stock. All are independent of one another and, in aggregate, owned 65% of the capital. 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 2015, the average age of BIG's staff was 35 years and 80% of the Bank's staff held at least one university degree.

For the year, the number of directly affiliated staff, excluding Management, rose 17% to 222. This figure includes 212 Portuguese-based employees along with 10 staff in Mozambique as of 31/12/15. Since 2010, total staff has increased by 49%, primarily in the areas of sales and products.

Our Business Standards and Culture

For the past 17 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 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 we better governance. 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 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 the organization's exposure to risk, the Board 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 exposure to a variety of risks - while at the same time operating within prudent and reasonable guidelines. These guidelines combine basic, prudential aspects of the banking business. They also reflect the specific experience of Management and our business managers, and are updated via regulatory or legislative measures. Regular and frequent internal communication of policies of the Bank's policies and appetite regarding risk are key steps in the process. Such communications include, but are not limited to: the Bank's adherence to prudential regulations and capacity to monitor transactions appropriately, our knowledge of clients and understanding of markets, the regulatory environment in which we operate, and our appetite from time to time for certain risks given market conditions. Our business relies heavily on confidence we have in our people and on the reliability of our systems to process operations on a continuous and relatively error-free basis. 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 2015, 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 2015, while other 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 2015, in line with prior years.**

Planning: Funding and Capital

On an annual basis, Management prepares forward-looking plans for funding needs and expected allocations of capital. This planning uses estimates and 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. Major underlying assumptions used by Management include (i) sustained, organic growth, and (ii) 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 funding, 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 and sovereign debt issued by Eurozone member states and United States. It is likely that this profile will be maintained, given the overall risk profile when compared to alternatives, and based on Management's understanding of those specific markets. 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 two decades in the market for traditional lending. Given the general credit weakness in Portuguese corporate sector, with its negative effect on bank profitability, Management expects that it may continue to make be unattractive to alter the current mix of earning assets in favor of traditional lending.

The table T.12 shows growth in deposits since 2009 and estimated levels of growth through 2018, assuming current market conditions and no significant changes to the Bank's business model or unexpected shocks to the market. We expect this trend to continue and anticipate that funding costs, while declining in absolute terms, will remain above those practiced by banks in higher rated Eurozone countries for the foreseeable future.

Other sources of financing, besides capital and deposits, include funding from market counterparties, 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 short term repo funding. For planning purposes, Management assumes that it will not tap the wholesale, long-term funding markets, nor will access to relevant interbank funding be relevant 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. Over the years, while paying out nearly € 100 million in dividends since 2004 (including anticipated and proposed dividends for 2015), the Bank's capital funds has risen to the current € 275 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.

T.11 (Euro 000)

	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
Financial Assets Portfolio (1)	209,671	450,442	703,185	517,020	717,503	896,781	1,118,818	1,019,177	1,172,054	1,277,539	1,379,742
% growth	n.a.	114.8%	56.1%	-26.5%	38.8%	25.0%	24.8%	-8.9%	15.0%	9.0%	8.0%
Net Credit (2)	29,233	75,209	42,514	159,316	192,674	196,919	136,162	376,820	429,405	388,192	352,190
% growth	n.a.	157.3%	-43.5%	274.7%	20.9%	2.2%	-30.9%	176.7%	14.0%	-9.6%	-9.3%

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 000)

	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
Demand Deposits	127,782	175,708	146,989	174,853	138,589	190,980	245,717	315,113	328,156	343,812	359,557
Time Deposits	135,769	109,994	173,925	251,280	384,937	442,260	503,532	519,022	542,931	568,835	594,884
Others	32,939	19,283	11,271	14,435	20,304	50,477	55,487	51,351	84,786	88,832	92,900
Total Deposits from Clients	**296,490**	**304,985**	**332,185**	**440,568**	**543,830**	**683,717**	**804,736**	**885,486**	**955,873**	**1,001,479**	**1,047,341**
% growth	n.a.	2.9%	8.9%	32.6%	23.4%	25.7%	17.7%	10.0%	7.9%	4.8%	4.6%

Source: BiG

T.13

(Euro 000)

	2011	2012	2013	2014	2015	2016E	2017E	2018E
Deposits with Central Banks	**238,323**	**260,248**	**130,315**	**180,173**	**165,007**	**160,000**	**145,000**	**130,000**
% growth	n.a.	9.2%	-49.9%	38.3%	-8.4%	-3.0%	-9.4%	-10.3%
Repurchase Agreements	**48,896**	**6,481**	**143,478**	**108,264**	**171,220**	**299,634**	**302,630**	**305,657**
% growth	n.a.	-86.7%	2114.0%	-24.5%	58.1%	75.0%	1.0%	1.0%

Source: BiG

T.14

(Euro)

	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
Core Tier 1 ratio	32.7%	35.7%	36.2%	32.5%	31.9%	32.7%	35.1%	33.2%	32.8%	32.4%	33.6%

Source: BiG

Regulatory Developments

The global financial system has been undergoing profound changes since 2008, at the regulatory and supervisory level, and we expect them to continue and to intensify, indefinitely. The 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 intensive presence by regulators, greater reporting requirements and a focus on prudential, behavioral and internal controls.

Key regulatory developments introduced in 2014-2015 include:

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 mº 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 e 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.

Security related to payments via Internet

The European Banking Authority (EBA) issued a number of guidelines in December 2014 regarding security of payments processed via the Internet. These guidelines are based on Directive 2007/64/CE (“Directive on Payment Services,” DPS) and cover information requirements applicable to payment services and obligations by respective providers of payment services.

Information on Bank transfers

EU Regulation 2015/847 establishes rules on information regarding by order and beneficiary parties, which accompany transfers of funds, in any currency, for purposes of preventing, detecting and investigating practices of money laundering and financing of terrorist activities, when at least one of the providers of payment services is established in the European Union.

Information on Depositors

Following the implementation of Directive 2014/49/EU of 16 April of 2014, and the respective transfer to law (Law 23-A 2015 of 26 of March and Law 66/2015 of 7 July), the provision of a Depositor Information Template became obligatory as part of an account opening process, along with a Normalized Information Form and General Terms and Conditions.

FATCA - Foreign Account Tax Compliance Act

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. With the approval of the new communication system of financial information (“RCIF”), art. 239 of the State Budget Law for 2015 (Law No. 82-B / 2014 of 31 December), and the publication of Order 10/2015 XXI, credit institutions are obliged to report the data to previous calendar year to the end of March 2016.

Reporting of Derivatives Transactions

EMIR – European Market Infrastructure Regulation 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.

With the new Regulation (EU) 2015/2365, ESMA responds to the need to increase the transparency of financial markets through securities and therefore the financial system. The evolution of market practices and technological developments allow market participants to use operations that are not "OFVM" (financing transactions through securities) as a source of funding for the management of liquidity and guarantees, as income enhancement strategy to cover short sales or for the purpose of tax arbitrage dividends. However, transactions with members of the European System of Central Banks (ESCB) should be exempted from the obligation to report OFVM trade repositories.

Bank Resolution

While not a new regulation, 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 formal for recovering and resolving credit institutions, which have been taken into account when the Government and Regulators, including input from the European level, resolved BES in August 2014 and, later, BANIF in December 2015.

Other Factors that Affect our Business

The Bank manages a number of risks inherent to the banking business. In addition to those risks summarized above, which are discussed in greater detail in this *Management Discussion* and the *Notes to the Consolidated Statements*, changing economic and political conditions affect the business. This means that macroeconomic and political risks such as those that surfaced in the past several years 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 Eurozone nations, the result of a number of factors, including short-sighted policies of a succession of governments, long-term structural issues, 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. During the period 2012-2015, the perception of the Portuguese State's risk began to improve, but under the new Socialist government which took office in late 2015, prospects for reforming the State have subsided. How Portugal's Eurozone partners, international investors, rating agencies and creditors view the country's progress, in absolute and relative terms, directly affects our business.

BiG is not rated by any 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. The effects of the Government's policies prior to and following the country's exit from Economic Adjustment Program in 2014, subsequent political events and the tax environment that remains with us, regardless of which political party is in office, among other factors, have been taking their toll on growth, employment and investor confidence. The view by global financial markets of Portugal's country rating, its economic prospects and the banking sector as a whole, affect the openness of counterparties to do business of any kind in a non-investment grade country, irrespective of the economic fundamentals of individual banks located in that country.

The Portuguese banks dependent on external markets to fund parts of their asset bases, have had to deal with limited access to wholesale financing since early 2010. This trend continues and should continue into the foreseeable future. Capital for traditional banking models has been scarce and the nature of the BES intervention in 2014, the uncertainty associated with its resolution and pending sale, selective bail-in measures enacted at year-end 2015, combined with an unexpectedly costly resolution of another bank, BANIF, have not been positive for the image of the industry. 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. We expect that returns from higher, initial investments in our retail platform and Wealth Management business 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 sometimes volatile. 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 2016

The outlook for global markets as we enter 2016 is uncertain. Equity markets began the year significantly down. China's slowing economy had been shaking world economies for months prior before the Federal Reserve raised rates for the first time in 10 years in December 2015, and concerns over the strength of Europe's banks, weak growth and sustainability of debt levels in the periphery are on the rise. The price oil, which has fallen 70% since mid-2014, is expected to remain low. This should be a bonus for consumers and some economies, while negative for the OPEC cartel and emerging market exporters. In the U.S., we expect growth to be reasonable, but below previous expectations, which should temper earlier-held projections of a number of rate hikes during 2016. Europe should grow more slowly and additional help from the ECB in the form of an extended program of "quantitative easing" is possible in 2016, but may be affected by German objections. In the absence of any credible Europe-wide plan for economic stimulus, other than ECB programs, Management expects that those country's with any room for expansionist policies are likely to remain cautious in this area, while those with no budget space will continue to pressure Brussels for freedom to spend funds which their economies in fact do not produce. Asia should continue to grow, although at a lower rate of growth, while commodity-driven emerging markets may have difficulty adjusting to lower revenues.

The key risks for the coming year include (i) political instability, (ii) the economic effects of the Government's inability to meet budget projections, (iii) higher credit spreads for Portuguese institutions, (iv) the uncertainties associated with the sale of Novo Banco, (v) on-going concerns about the stability and future of the banking sector, (vi) the effects of high long-term unemployment among the young and labor inequalities, especially between the private and public sectors, and (vi) unexpected macro events and their impact on a dependent economy, such as Portugal's.

During 2015, as in prior years, Management remained 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 2016, 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 and Wealth Management businesses will continue to be a priority. Management expects that revenues and net income will decline relative to 2015, as obstacles seem to out-number opportunities in the current environment.

Events Following the Year End 2015

Market conditions – Q1 2016

The year began with a rout in major equity markets, pressure on the bonds of major European banks, due to fears of their business models and solvency and the continued rise in periphery sovereign bonds. In this latter case, doubts about the credibility of the Portuguese State Budget for 2016, among other factors, has made Portugal the center of the storm in terms of the perception internationally of the sovereign's increased credit risk.

Banco BiG Moçambique, S.A.

The Bank expects to begin formal banking activities in Mozambique during the first quarter 2016. The wholesale operating unit will focus, initially, on corporate and institutional business in that developing market. BiG expects to raise the invested capital to USD 8 million during 2016. In addition, the Bank plans to open up to 30% of the unit's capital to local, mainly institutional investors.

New agencies

In 2016, the Bank inaugurated a new banking agency in São João da Madeira and, the new "North Headquarters" in Avenida dos Aliados, Porto.

Wealth Management / Trading Platforms / BiG Vida, S.A.

Investment in the Bank's Wealth Management business continues, with the launch of two new white label trading platforms (Power Trade / Interactive Brokers and Global Trade / Saxo Bank). In order to enhance the Bank's offering in this area, we expect to submit to the ASF an application for approval of a life insurance license during Q2 2016. This *new* subsidiary, BiG Vida, S.A., if approved, will have an initial capital injection of € 7.5 million.

RESULTS OF OPERATIONS FOR 2015

T.15 (Euro 000)

Revenues	2015	2014	2013	2012
Interest income	43,865	43,414	43,994	39,200
Interest expense	-20,131	-18,275	-18,247	-20,466
Net interest margin	**23,733**	**25,138**	**25,747**	**18,734**
Income from capital instruments	1,518	661	1,812	1,577
Income from services and commissions	15,411	18,329	8,119	9,845
Expense associated with services and commissions	-2,709	-6,886	-1,586	-3,055
Income from market trading	-48,340	-77,641	7,018	11,441
Income from financial assets held for sale	155,096	183,744	79,261	36,685
Income from exchange revaluation	1,502	11,257	-90	877
Income from the sale of other assets	2,986	14,786	5,041	4,252
Other income	-491	-13	-300	-28
Net operating income	**148,706**	**169,375**	**125,022**	**80,328**

The Bank's lower higher net operating income for 2015 resulted from of a combination subdued risk-taking and conservative management of the balance sheet during a year featuring a significant number of negative events and trends. The components of the Bank's revenues and their relative weight were consistent with prior years and included (i) a small decline the net interest margin, which decreased 5.6% year on year in a rapidly declining interest rate environment, (ii) a rise of 11% in net commissions, (iii) strong, but lower net results from investing and credit activities, (iii) lower salary expense, but an increase in other administrative expenses, (iv) a drop in provisions for possible banking risks, and (v) a lower taxes due to the decline in pre-tax profit.

Net Interest Margin was € 23.7 million in 2015 versus € 25.1 million in 2014. The Bank's gross interest revenues were slightly lower because of contained growth in the average inventory of earning assets, which generated lower nominal rates. Funding costs rose because of a higher component of stable, retail deposits whose average cost, while declining rapidly during the year, was higher than less stable market funding. The combination of (i) lower demand for debt issuance by financial and corporate sectors, and (ii) aggressive monetary easing, resulting in negative interest rates for periods up to one year, has resulted in declining yields and a compression of credit spreads, almost regardless of the quality of the issuer. Overall, Management continued to limit the growth of earning assets to rises in core client deposit base and capital funds. Relatively less inexpensive, but politically sensitive, funding from the ECB or EUREX repo, declined in net terms, replaced by a higher volume of activity with international banking counterparties. Net interest margin represented 16% of total net revenues in 2015, as compared to 15% in 2014, and 21% in 2013.

*Non-interest income for the year was € 124.9 million, versus € 144.2 million in 2014, and € 99.3 million in 2013.*The components of this category include (i) income from capital instruments, mainly dividend-yielding equity investments, (ii) commissions from client trading activity and banking services, managing and distributing assets, and advisory assignments for corporate and institutional customers, (iii) revenues from mainly client business, such as market-making, structuring products and the gains or costs of managing the underlying hedges, (iv) realized gains associated with managing credit risk and interest rate risk via the assets held for sale portfolio, and (v) other income. Revenues from capital investments rose year on year to € 1.5 million from € 661 thousand. These revenues derive from investments in 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 asset management and brokerage activities from retail and wholesale clients. These businesses include a variety of managed investments or largely self-directed, client trading platforms placed at their disposition to trade cash equities, warrants, futures, foreign exchange, and certificates for difference. This category also includes bank service fees, such as revenues from ATMs, and retainers and commissions associated with corporate advisory mandates. Revenues from asset management improved by 96% for the year, while retail brokerage declined, as higher levels of volatility, and the effects of a declining interest rate environment encouraged clients to seek alternatives to low-yielding deposits.

Net Revenues from credit and investing combine all categories of Non-Interest income, less net revenues from fees and commissions. In aggregate, income from the Treasury and Markets business for 2015 was € 111.4 million, as compared € 132.8 million, or 16% lower than in 2014. Within this group of accounting categories, trading revenues were negative for the year, because of the high costs of hedging the larger fixed income portfolio. This category should be seen in conjunction with the next category of investment gains ("Resultados de activos disponíveis para venda") as the two 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.

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

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

For 2015, total expenses, including imparities and provisions, were € 41.1 million or 9% lower than in 2014. The total reflected a drop in compensation expense, growth in general administrative and depreciation because of higher marketing costs and an expanded headcount, and a decline in provisions. Net provisions for 2015 included amounts for other banking risks. Imparities had to do with specific positions in the available for sale account, which were liquidated in early 2016. Net operating expenses, or transformation costs net of imparities and provisions – i.e. *compensation expense, benefits, general administrative expenses and depreciation/amortization*–rose 7.2% on certain investments in systems and marketing, not likely to be repeated in 2016. 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 remained well under control at 25.5%, but rose in relation to the record low recorded in 2014 of 20.3%. The ratio was in line with the average of the current five year period, (24.9% in 2013, 27.7% in 2012, and 47.9% in 2011).

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

Compensation, traditionally the Bank's largest single operating expense category, declined 3.2% and represented 65.6% of net operating expenses in 2014 (excluding amortizations, provisions and imparities), as compared to 72.2% in 2014, 74.4% in 2013 and 70.8% in 2012. Management contained compensation expense during 2015, a year in which the Bank continued to grow and recorded a net increase in headcount.

Management seeks to maintain a sensible and deliberately flexible structure of remuneration that is linked strongly to the Bank's performance in a given year. *Overall, compensation represented 15.7% of Total Net Revenues in 2015, as compared with 14.2% for 2014, the lowest percentage in the Bank's history.* Percentages for prior years were 17.8% in 2013 and 18.5% in 2012. As a percentage of total expenses, excluding taxation, compensation was 56.9% in 2015, or generally lower than or in line with prior years.

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

Administrative expenses include communications, information services, publicity, license fees, arrangements with stock exchanges and related suppliers, occupancy and other expenses related to the normal functioning of the Bank. They tend to be correlated closely with growth in personnel and the level of business activity, or associated with specific investments and rose 24.4% to € 12.3 million. This figure includes a significant investment in the repositioning of the Bank's brand. Management expects to contain this category to grow at a slower pace than the growth in revenues during 2016.

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

T.16 (Euro 000)

Expenses	2015	2014	2013	2012
Compensation expense	-23,363	-24,124	-22,357	-14,841
General administrative Expense	-12,262	-9,277	-7,690	-6,131
Depreciation and Amortization	-1,291	-1,028	-1,135	-1,315
Net provisions	-2,765	-10,256	-1,871	-2,893
Imparity of credits net of reversals and recoveries	-67	-35	34	-16
Imparity of other financial assets net of reversals and recoveries	-1,351	0	-125	-5,737
Imparity of other assets net of reversals and recoveries	-6	-174	-103	-541
Total costs	**-41,105**	**-44,894**	**-33,247**	**-31,474**

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 3.1% of total expenses in 2015, and rose for the first time in 5 years in relation to total expenses.

Costs associated with Imparities were € 1.42 million, or less than 1% of net operating revenues. They had to do with specific market-related investments liquidated in early 2016. Loan-related imparities registered in 2015 were negligible, and were consistent with prior years' levels of close to zero.

Pre-Tax income was € 107.6 Million in 2015, compared with € 124.7 million in 2014 and € 91.9 million in 2013. For 2015, the Bank paid € 33.1 million as compared with € 42.1 million the prior year. The tax rate was 30.8% in 2015, or slightly lower than the rate of 33.8% for 2014.

Operating Results by Business Segments

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

The Specialized Retail client business contributed € 12.4 million in net revenues for 2015, as compared with € 17.3 million for 2014. The main contributions came from net commissions, which included brokerage and asset management activities, and margin income, associated with the liability margin allocated from mainly savings and investment products, as opposed to lending products. Net commissions rose modestly, and growth in this segment tends to be sustained, not explosive. While the area generated a higher level of funding for the Bank, the allocation of margin declined because of the significant and rapid drop in market rates, a trend we expect to continue indefinitely. The contribution of Retail to total net revenues also declined on a relative basis. Commissions from brokerage, asset management and banking operations represented 48% of the total, while the allocations made to the margin category dropped to 41%. The trend reflects the emphasis on asset accumulation involving activities in savings, investment, trading, custody and normal banking transactions. For a number of reasons – higher competition for deposits from banks with different businesses to fund, and a decline in market rates to near zero in Europe's slow-growth environment – we expect to see a shift in the mix of revenues, in favor of commissions

T.17 (Euro 000)

Results and Taxation	2015	2014	2013	2012
Operating results	**107,601**	**124,480**	**91,775**	**48,854**
Results of subsidiaries	0	176	163	23
Income before tax and minority interests	**107,601**	**124,656**	**91,938**	**48,877**
Current Taxes	-32,507	-41,850	-33,219	-16,386
Deferred Taxes	-585	-277	-92	27
Net income before tax	**107,601**	**124,656**	**91,938**	**48,877**
Net Income	**74,509**	**82,529**	**58,628**	**32,518**

T.18 (Euro 000)

Specialized Retail	2015	(%)	2014	(%)	2013	(%)	2012	(%)
Net Commissions for Services to Third Parties	5,987	48%	5,865	34%	3,920	28%	3,893	33%
Margin	5,063	41%	9,901	57%	8,454	61%	6,672	56%
Banking Commissions	990	8%	1,033	6%	816	6%	1,038	9%
Trading / Sales	376	3%	533	3%	680	5%	310	3%
Net Revenues	**12,416**	**100%**	**17,332**	**100%**	**13,869**	**100%**	**11,913**	**100%**
Operating Expenses	-15,025		-16,911		-11,843		-12,759	
Pre-tax Income	-2,609		422		2.026		-846	
% Operating Revenues / Total Segments Revenues	9%		11%		13%		19%	
% Operating Expenses / Total Segments Expenses	60%		55%		59%		62%	

over funding-related margin activity, to continue.

During 2015, the physical network of branch offices, opened or ready to be opened early in 2016, rose to 18. The Bank's network of automatic teller machines is at 31.

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, to a lesser extent, certain consumer credit arrangements, such as auto loans and mortgages. The platform provides a range of savings and investment products from general banking and credit arrangements for the client requiring assistance, to more sophisticated online trading and investment platforms for self-directed clients. These include trading in equities, warrants, futures, foreign exchange, CFDs (contracts for difference), and third party mutual funds. We reach clients via a number of integrated channels, including via internet, telephone and physical branches, manned by trained financial advisors. The range of products and distribution methods are designed to reach a large number of target clients with different investment profiles, appetite for risk and transaction needs profiles in an efficient manner.

The product areas of the Bank's Corporate & Institutional (C&I) client segment are similar to those offered on the retail side, with the exception of Corporate Advisory. Where the retail business involves integrated sales channels based on the www.big.pt electronic platform, the C&I business relies on specialized sales teams and tailored solutions for wholesale clients with specific needs. Product offerings include institutional brokerage, risk management, sales of investment products, and independent advisory services for corporate, banking and institutional clients. For 2015, this client segment generated net revenues of € 7.8 million versus € 6.3 million in 2014, 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 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 2015, the area generated revenues, net of imparities, of € 106.2 million, as compared to € 127.9 million in 2014 and € 89.2 million for 2013. The generation of revenues suggests a fairly normal distribution during the past and the prior years, as indicated in the graph G.1.

Balance Sheet and Sources of Funding

Balance Sheet Management

During 2015, growth in the balance sheet was modest and contained, substantially, by the level of increase in retail deposits and reinvested current earnings. BiG's assets and liabilities advanced moderately from the prior year-end period because of steady inflows in stable retail client deposits 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

T.19 (Euro 000)

Wholesale	2015	(%)	2014	(%)	2013	(%)	2012	(%)
Net commissions for services to third parties	4,939	63%	4,088	65%	350	20%	2,153	66%
Margin	379	5%	111	2%	160	9%	118	4%
Banking Commissions	1,134	15%	1,049	17%	649	38%	253	8%
Trading / Sales	406	5%	264	4%	206	12%	129	4%
Corporate Finance	922	12%	810	13%	355	21%	608	19%
Net Revenues	**7,780**	**100%**	**6,323**	**100%**	**1,719**	**100%**	**3,261**	**100%**
Operating Expenses	-4,630		-9,140		-4,525		-5,497	
Pre-tax Income	3,150		-2,818		-2,805		-2,236	
% Operating Revenues / Total Segments Revenues	6%		4%		2%		5%	
% Operating Expenses / Total Segments Expenses	19%		30%		23%		27%	

T.20 (Euro 000)

Treasury & Capital Markets	2015	(%)	2014	(%)	2013	(%)	2012	(%)
Income from capital instruments	1,518	1%	661	0%	1,812	2%	1,577	3%
Profit / loss of assets and liabilities at fair value through Profit & Loss	-48,340	-43%	-77,641	-58%	7,018	8%	11,441	23%
Profit / loss of financial assets available for sale	155,096	139%	183,744	138%	79,261	85%	36,685	75%
Profit / loss from exchange revaluation	1,502	1%	11,257	8%	-90	0%	877	2%
Results from sale of other assets	2,986	3%	14,786	11%	5,041	5%	4,252	9%
Impairment of other financial assets net of reversals and recoveries	-1,351	-1%	0	0%	-125	0%	-5,737	-12%
Net Revenues	**111,412**	**100%**	**132,807**	**100%**	**92,917**	**100%**	**49,095**	**100%**
Operating Expenses	-5,230		-4,894		-3,700		-2,466	
Pre-tax Income	106,181		127,913		89,217		46,629	
% Operating Revenues / Total Segments Revenues	85%		85%		86%		80%	
% Operating Expenses / Total Segments Expenses	21%		16%		18%		18%	

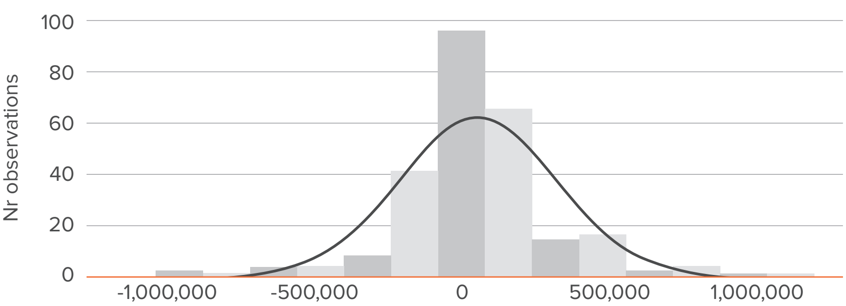
Management's most important exercises in risk management. Assets and liabilities frequently change due to client activity, market conditions and available business opportunities, but the size and composition of the Bank's balance sheet at any given time may reflect a number of factors. These include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

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

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

G.1 (Euro)

Distribution of Profit and Losses 2015



T.21 (Euro 000)

Key Balance Sheet Items	2015	2014	2013	2012
Total Net Assets	1,542,063	1,444,517	1,214,430	1,024,616
Earning Assets	1,478,311	1,360,783	1,173,812	980,855
Loans to Total Net Assets	24.4%	9.4%	16.2%	18.8%
Deposits from Central Banks	165,007	180,173	130,315	260,248
Funding from other Credit Institutions	171,220	108,264	143,478	6,481
Deposits from Clients	885,486	804,736	683,717	543,830

- 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 2015 were just over € 1.5 billion, or slightly lower than at 31/12/14. Earning Assets at 31/12/15 were just under € 1.5 billion, or 96% of Total Net Assets and were 9% higher in absolute terms in relation to the prior year-end date.

Deposits with Banks are used to manage short-term liquidity and reserve requirements with the central bank and main counterparties. The loan book grew because of a higher volume of RMBS held as loans. Including RMBS classified as loans, this category represented about 25% 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 2015, essentially all of loan assets in this class were fully collateralized and are, therefore, low risk. Loans of this nature to clients tend to grow with a rising market and to decline in periods of stress, as has been the case, particularly since 2011 (see Credit Risk Management). The Available for Sale portfolio (AFS) grew because of higher credit spreads in a number of classes of fixed income securities. AFS represented about 68% of total earning assets at 31/12/15, down from 80% on the same date the prior year, and included sovereign, covered and senior corporate debt instruments. Factors that may affect the size of the portfolio include the opportunities for creating either margin or investment revenue during the year. The decision to either hold securities for margin income or divest is decided at the level of the Bank's Asset and Liability Committee (ALCO), and takes into consideration market conditions, credit concentrations and the Bank's overall liquidity profile.

Main sources of funding were, as in prior years, client deposits, capital, and funding via sale/repurchase agreements with the ECB, and other market participants, such as Eurex Repo and other banks, at favorable rates. Client deposits are mainly retail in nature and rose 10% to € 885.5 million, after increasing 15% in 2014, and 20.5% in 2013. 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, and include EUREX REPO, which the bank joined as clearing member during 2011.

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

Shareholde Funds. Shareholder Funds at 31/12/15 were € 276.4 million versus € 261.4 million on the same date in 2014. The number of common shares issued – each with a nominal value of one euro each, fully subscribed and paid up – rose to 156 million, as a result of the incorporation of € 52 million in reserves, approved by Shareholders in 2015. The main components affecting the increase in shareholder value since that date have been other reserves/retained earnings, current earnings/net income and the payment of anticipated dividends.

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

T.22 (Euro 000)

Earning Assets	2015	2014	2013	2012
Deposits with Banks	82,313	105,803	80,113	70,678
Loans	376,820	136,162	196,919	192,674
Trading Securities	18,093	27,840	21,900	17,408
Available for Sale Securities	1,001,084	1,090,978	874,881	700,095
Total	**1,478,311**	**1,360,783**	**1,173,812**	**980,855**

T.23 (Euro 000)

Main Liabilities and Capital	2015	2014	2013	2012
Deposits from central banks	165,007	180,173	1,303,145	260,248
Financial liabilities held for trading	1,699	5,614	1,357	1,016
Deposits from other banks	171,220	108,264	143,478	6,481
Clients Deposits	885,486	804,736	683,717	543,830
Shareholder funds	276,364	261,369	207,193	170,724

tal to risk-weighted assets. The Bank's regular and required reporting of Core Tier 1 ratio and other solvency ratios are a key part of the regulatory capital process.

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 III, 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.

Through the ICAAP process, the Bank seeks to quantify the amount of capital it should hold, considering strategy materially relevant risks. The assessment incorporates not only Pilar I risks - market risk and credit risk – but also Pillar II risks. For Pillar I risks, we use the Standard Approach for market, credit and credit valuation adjustments, and for operational risk, we use the Basic Indicator Approach when calculating capital requirements. Additionally, we also consider the Pilar II risks, including concentration risk and interest rate risks for the banking book, for which we use internal models to calculate capital requirements. Although regulatory models are used for Pillar I risks, we also use internal models for some classes of assets with respect to credit and market risks.

By incorporating all materially relevant risks, the ICAAP results continue to demonstrate that BiG maintains a comfortable capital ratio, well above minimum prudential requirements. The self-assessment exercise also describes internal mechanisms used to accompany, control and measure risks, as well as the risk governance structure of the Bank.

Profitability measures all were strong in 2015, but below the record results achieved by the Bank in 2014. **Return on Average Equity (ROE) was 27.7%, as compared with 35.2% for the prior year.** The Bank's efficiency ratio moved to 24.8% for 2015, versus 20.3% for 2014, but was in line with the recent five-year average and continues to compare favorably with our peers.

T.24 (Euro 000)

Shareholders Capital	2015	2014	2013	2012
Common Stock	156,000	104,000	104,000	104,000
Issue Premiums	1,362	1,362	1,362	1,362
Treasury Stock	-2	-153	-1,084	-1,172
Revaluation Reserves	-48,229	-7,284	-2,180	-1,184
Other Reserves / Retained Earnings	105,204	96,515	58,947	44,560
Net Income	74,509	82,529	58,628	32,518
Antecipated Dividends	-12,480	-15,600	-12,480	-9,360
Total Shareholders Capital	276,364	261,369	207,193	170,724
Book value per share	1.77	2.51	1.99	1.64
Net assets / Equity	5.58	5.53	5.86	6.00

T.25 (Euro 000)

Consolidated Regulatory Capital	2015	2014	2013	2012
Shareholders Equity	**276,364**	**261,369**	**207,193**	**170,724**
Dividends payable	-6,240	-6,240	-6,240	-6,240
Intangible Assets	-2,628	-639	-133	-194
Renumeration Deposits above Thresold	-61	-234	-1,203	-3,900
Revaluation Reserves	45,308	7,043	2,973	1,360
Contribution to pension funds still not entered as cost				-1,578
Provisions for General Credit Risks				120
Own Funds	**312,743**	**261,300**	**202,590**	**160,292**
Risk-weighted assets	943,215	744,365	616,225	506,341
Common Equity Tier 1 Capital ratio	33.2%	35.1%	32.7%	31.9%
Tier 1 Capital ratio	33.2%	35.1%	32.7%	31.9%
Total capital ratio	33.2%	35.1%	32.9%	32.0%

T.26

Performance Measures	2015	2014	2013	2012
Profitability				
Return on Assets (ROA)	5.0%	6.2%	5.2%	3.5%
Return on Equity (ROE)	27.7%	35.2%	31.0%	27.3%
Operating Revenues / Average Net Assets	10.0%	12.7%	11.2%	8.7%
Efficiency				
Net Margin / Earning Assets	1.6%	1.8%	2.2%	1.9%
Operating Expenses / Operating Income	24.8%	20.3%	24.9%	27.7%
Personnel Expenses / Operating Income	15.7%	14.2%	17.9%	18.5%
Solvency				
TIER 1 Capital Ratio	33.2%	35.1%	32.7%	31.9%
Total Capital Ratio	33.2%	35.1%	32.9%	32.0%

RISK MANAGEMENT AND INTERNAL CONTROL

Overview

Risks are inherent to our business and include, generally, market, liquidity, interest rate, credit, operational, technology, compliance and reputational risks. 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.

To identify and manage these risks, which are inter-related, the Bank has a 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,* as they are increasingly relevant. 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. Such events can have an impact on long-standing market practices, regulations or assumptions, as well as market prices and expectations. These risks figure prominently in our view and measurement of market, liquidity and credit risks. For additional information, including stress tests for reputational and correlation risks please refer to Note 38.

The risk framework, in broad terms, 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 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 diagram D.1 presents an overview of the Bank's structure of governance for managing risks.

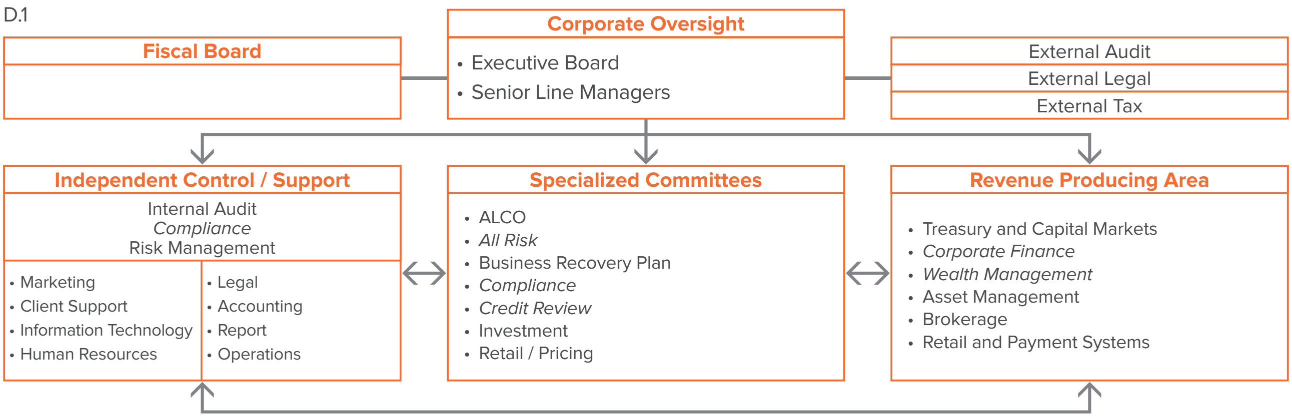
General Policies and Processes

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 sound 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

D.1



- 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 direct involvement of Management in the process of controlling risks and encouraging the rapid communication of escalating risks.

Measuring Risk

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

- Extensive use of scenario stress testing

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

- Sensitivity analyses, particularly with interest rate risk

- Basis Point Values

- Limits by counterparty, family, asset class and portfolio

- Concentration Limits

- Qualitative analysis and procedures

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

From Management's point of view, 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 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). Management and the Market Risk function to ensure continuous update, daily reporting, dialogue and review of assumptions and models. A number of criteria are used for determining appropriate limits on risk-taking associated with trading and investment risk-taking, including our current and historical analyses of markets, statistics on volatility and liquidity, fundamental and technical analysis, the level of experience and performance of traders and managers, and importantly, the Bank's appetite for risk in accordance with market conditions.

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

Reporting

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

Risk control units

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

The Compliance Committee is combined by members of the Board and the head of the Compliance department, whose responsibilities include monitoring the Bank's adherence to regulatory and legal issues, enforcement of internal operating procedures, code of ethics and related matters; meets at least weekly to review evolving regulatory issues or more frequently as necessary.

Market Risk

Market Risk represents the possible decline in the value of financial instruments as a result of changes in market conditions. Key risks that we manage in our markets activities, as they may have a direct impact on the Bank's daily profit and loss account, and/or on the Fair Value Reserve of the capital account, include:

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

In managing the above risks, the Board delegates day-to-day oversight and control to its *Asset and Liability Committee ("ALCO")* and *Market Risk 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 discussed at the level of ALCO, review models and analytics associated with calculating *value at risk* limits within both Bank and client portfolios, and are responsible for conducting daily portfolio stress tests, as well as overseeing the independent control and enforcement of limits on risk taking by front office personnel. In addition, the group seeks to ensure an efficient balance between risks and return, as well an appropriate level of volatility in operating results.

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

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

Methodologies

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

- *VaR (Value at Risk)*
- *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 future market risk. Changes in *VaR* between reporting periods, for example, are due generally to changes in levels of exposure, volatility and correlation among securities.

Results of back testing of the trading book during 2015 indicate that there were trading two days in which losses exceeded VaR levels. Trading limits, 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 42% during 2015, versus 61% in 2014 and reflect a general reduction in risk-taking. The highest levels of VaR were associated with the fixed income portfolio, reflecting concentrations in that class of instrument. Further detail on exposures may be found in the Managing Concentration Risk section of this report.

T.27 (Euro)

Trading VaR 2015 (vs 2014)	2015				2014			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Foreign exchange risk	222,329	146,657	333,914	1,592	47,547	113,981	535,687	8,236
Interest Rate Risk	26,617	324,903	1,894,602	19,545	40,207	106,969	733,704	9,982
Equity	38,231	140,456	356,978	21,671	101,809	123,519	285,301	12,621
Options	30,524	92,988	273,919	13,629	103,922	135,915	405,209	28,790
Diversification	13%	29%			14%	46%		
	274,812	**497,033**	**1,763,575**	**68,375**	**252,557**	**260,993**	**692,458**	**40,043**

T.28 (Euro)

Investment VaR 2015 (vs 2014)	2015				2014			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Interest Rate Risk	9,908,208	15,137,398	20,447,613	6,863,134	11,422,590	7,884,418	11,614,976	4,862,146
Equity	959,967	608,283	1,105,989	165,817	503,170	279,521	549,293	159,716
Diversification	3%	2%			2%	2%		
	10,501,977	**15,468,448**	**20,900,062**	**7,307,725**	**11,669,897**	**7,979,655**	**11,821,091**	**4,253,695**

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**
274,812	3,600,000	8%

	Limits	31-12-2015	30-12-2015	Δ	Excess
Equity	600.000	38.231	37.583	648	-
Options	400.000	30.524	32.191	-1.667	-
Interest Rate	2.200.000	26.617	26.959	-341	-
Foreign exchange	400.000	222.329	233.916	-11.587	-

T.30 (Euro)

Investment		
VaR	**Limit**	**Usage**
10.501.977	25.000.000	42%

	Limits	31-12-2015	30-12-2015	Δ	Excess
Equity	2.000.000	959.967	959.646	320	-
Interest Rate	23.000.000	9.908.208	10.358.321	-450.113	-

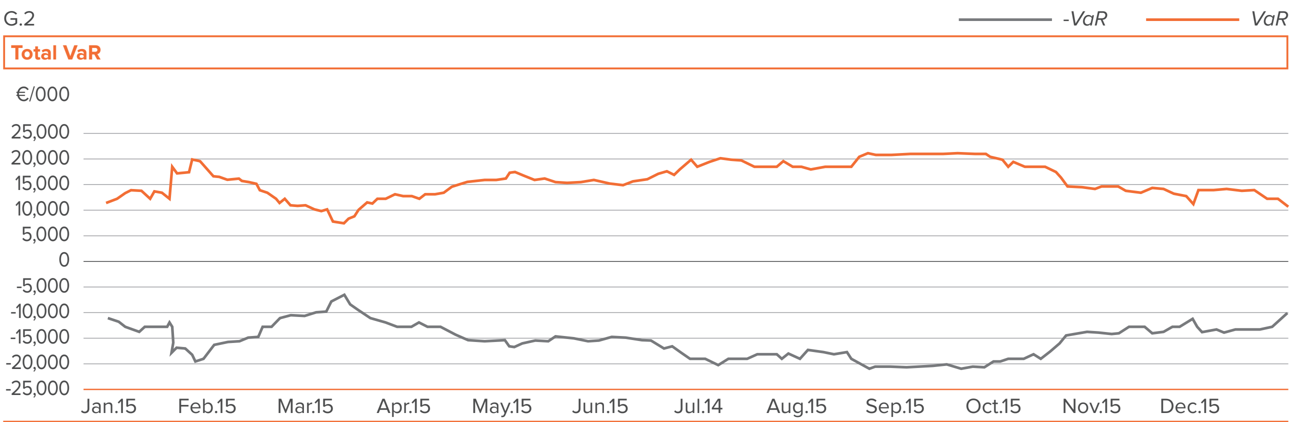
T.31 (Euro)

Sector	Average VaR
Basic Materials	312,193
Telecommunications	201,384
Consumer, Cyclical	26,826
Consumer, Non-cyclical	237,984
Financial	279,620
Government	16,065,057
Industrial	278,345
Utilities	706,061
Energy	186,223
Technology	30,195

Trading VaR and Investment VaR seen as a whole:

G.2

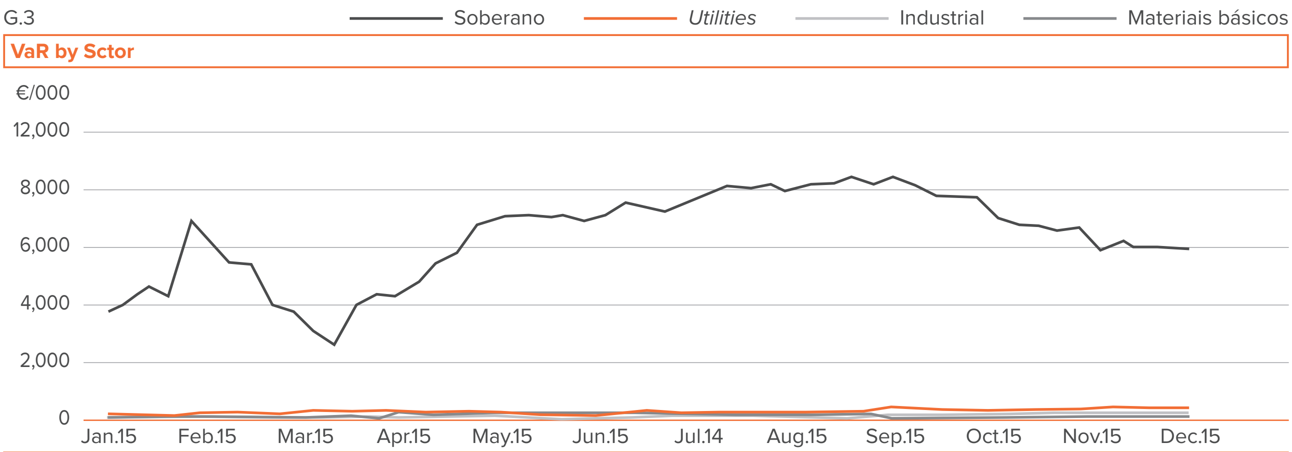
Total VaR



VaR by Sector

G.3

VaR by Sctor



VaR analysis of fixed and variable income asset classes by sector indicate the largest exposures, on average through 2015, were associated with Government issues, followed by Utilities, Basic Materials and to a lesser extent, Telecommunications 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 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 shows the comparative evolution during 2015 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, reflect the rise in stress and fall in liquidity among mainly fixed income instruments linked to peripheral countries and their financial institutions.

Stress Testing

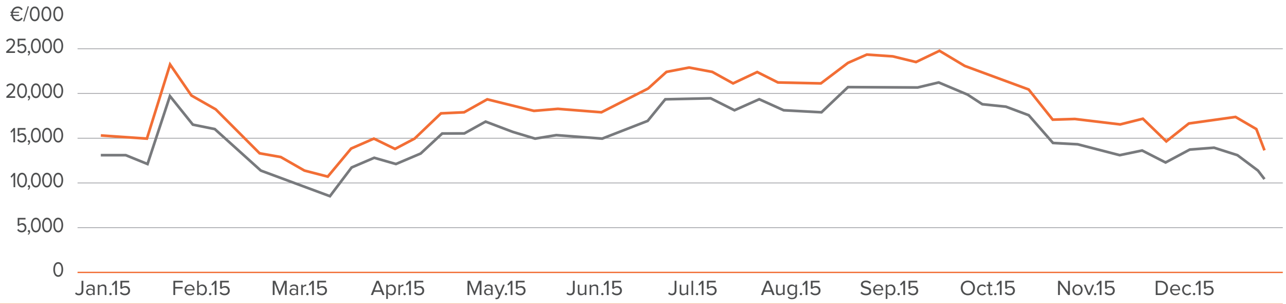
The Bank does extensive stress testing of its market positions and considers this approach, in combination with VaR measurements, to be an essential tool for managing market risks. With economic value stress testing, the Bank seeks to estimate the potential losses associated with an instrument, book 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. 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 the available for sale portfolio. 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 in table T.33, 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 2010-2014 are used given the periods of extreme market stress and used as a basis for running daily tests identified as "C1, C2....C5.". The historical market reaction to a number of "worse-case" historical events is applied to current exposures to estimate potential gains or losses in major trading or investment books, assuming the same market conditions. Results are then compiled and reported on a daily basis to Management by the Bank's Market Risk area.

G.4

Liquidity VaR



T.32 (Euro)

Average Liquidity VaR by Sector during 2015

Sector	L1	VaR	Liquidity VaR
Government	1,381,197	16,065,057	17,446,254
Utilities	262,521	706,061	968,582
Industrial	264,345	278,345	542,691
Basic Materials	100,576	312,193	412,769

Liquidity Risk

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

BiG's policy on liquidity and funding is based on the following principles: (1) pre-funding of assets prior to their acquisition; (2) the assumption that the majority of the balance sheet should be convertible to liquidity within a very short timeframe; (3) a program of building a stable, 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 issue for Management. It encompasses detailed on controls over inflows and outflows, pricing and reputational issues, controls over collateral, the ALCO process and the aspects of our business recovery plan that touch on the fundamental nature of our business model: liquid, flexible, quality assets funded conservatively by mainly stable deposits and capital.

The table T.34 provides a snapshot of funding mismatches at 31 December 2015 by stated maturity. For more information, please see Note 39.

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

T.33 (Euro 000)

Trading Book

	Worst Scenarios - Equity					Worst Scenarios - Bonds					Worst Scenarios - FX					Commodity
	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1
Equity	38	(4)	5	1	(10)	14	16	9	(4)	9	(22)	25	(13)	(13)	11	(51)
Options	(26)	6	(16)	(10)	(16)	9	(3)	(9)	4	(13)	5	8	8	4	19	(6)
FX	(29)	52	21	(57)	(178)	190	90	52	130	129	(232)	97	105	(122)	55	91
Interest Rate Risk	25	10	(0)	(21)	(47)	(55)	(166)	(125)	(78)	(27)	2	2	(36)	(25)	12	(69)
Total	(31)	69	5	(88)	(241)	144	(79)	(82)	56	89	(225)	108	77	(143)	86	15

Investment Book

	Worst Scenarios - Equity					Worst Scenarios - Bonds					Worst Scenarios - FX					Commodity
	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1
Interest Rate Risk	(13,133)	(2,785)	(2,814)	(6,512)	(6,670)	(7,218)	(17,250)	(7,160)	(13,470)	(10,693)	(2,081)	(9,647)	(11,623)	(10,838)	(3,726)	(6,011)
Equity	(1,374)	(334)	(646)	(743)	(1,105)	(813)	(316)	(457)	(1,155)	(256)	(754)	(1,376)	(1,226)	(248)	(205)	(1,173)
Total	(14,507)	(3,119)	(3,460)	(7,256)	(7,775)	(8,031)	(17,566)	(7,617)	(14,625)	(10,948)	(2,835)	(11,022)	(12,849)	(11,086)	(3,931)	(7,184)

Equity Worst Scenarios

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

Bonds Worst Scenarios

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

FX Worst Scenarios

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

Commodity Worst Scenarios

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

T.34 (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	Ativos líquidos com maturidade superior a 12 meses
Mismatches						
Mismatches by Tenor	5,388,464	-56,439,336	-343,536,527	-80,419,743	-67,596,355	0
Cumulative Mismatches	5,388,464	-51,050,871	-394,587,398	-475,007,141	-542,603,496	520,690,992
Net Assets	468,606,209	460,093,909	590,610,850	590,610,850	590,610,850	0
Volatile Liabilities	77,553,884	95,625,521	350,193,071	354,447,577	359,909,557	0
Net Assets - Volatile Liabilities	391,052,325	364,468,387	240,417,779	236,163,273	230,701,293	0
Liquidity gap (1)	36	33	25	24	24	0

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

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.35 shows assets and liabilities by maturity as of 31 December 2015, 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.36 measures the impact on pre-tax revenues from an unlikely parallel shift of 200 basis points during December 2015.

Exposure to Interest rate risk, as a percentage of regulatory capital, measured quarterly during 2015, and assuming the test scenario are described in table T.37.

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

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 above in *Market Risk*.

Credit exposures at BIG may include corporate and sovereign bonds acquired in the market, direct loans to customers, full value and replacement value inter-bank risks, securities-related settlement risk, receivables under derivative and foreign exchange contracts, and lending-related commitments under guarantees and similar facilities. In its process of analysis and approval, the Bank assesses these exposures at a number of levels: at the level of individual transaction, at the level of maximum exposure to the client and related “family,” and, separately, at

T.35 (Euro)

Interest rate risk

Maturity	Assets	Liabilities	*Off balance (+)*	*Off balance (-)*	Net	bpv's
1-Jan-16	290,762,070	528,862,809	0	0	(238,100,739)	(367)
1-Feb-16	81,581,040	344,433,092	0	0	(262,852,052)	3,054
1-Mar-16	131,505,470	129,900,190	55,117,058	0	56,722,338	(940)
1-Apr-16	27,510,605	74,106,224	0	0	(46,595,619)	1,269
1-May-16	10,767,096	42,450,427	0	0	(31,683,331)	1,244
1-Jun-16	15,020,825	55,739,861	98,005,461	0	57,286,424	(2,403)
1-Jul-16	15,842	18,371,656	0	0	(18,355,814)	918
1-Aug-16	52,323	3,390,575	0	0	(3,338,252)	296
1-Sep-16	2,386	2,424,922	0	0	(2,422,537)	147
1-Oct-16	5,556	4,096,812	0	0	(4,091,256)	326
1-Nov-16	5,179	2,004,754	0	0	(1,999,575)	170
1-Dec-16	247,734	6,397,644	0	0	(6,149,909)	413
1-Jan-17	991,567	8,949,182	0	0	(7,957,615)	1,088
1-Jul-17	0	5,109,157	0	0	(5,109,157)	877
1-Jan-18	819,285	4,100,913	0	0	(3,281,628)	861
1-Jan-19	1,907,366	3,266,798	0	0	(1,359,432)	418
1-Jan-20	22,427,633	867,812	0	0	21,559,821	(8,833)
1-Jan-21	10,586,961	0	0	0	10,586,961	(5,445)
1-Jan-22	27,675,512	0	0	0	27,675,512	(14,826)
1-Jan-23	45,544,014	0	0	0	45,544,014	(29,242)
1-Jan-24	126,531,556	0	0	0	126,531,556	(88,342)
1-Jan-25	99,346,062	0	0	54,516,382	44,829,681	(28,506)
1-Jan-26	30,775,989	0	0	275,840,000	(245,064,011)	192,901
1-Jan-31	14,656,627	0	0	0	14,656,627	(17,288)
1-Jan-36	55,507,646	0	0	0	55,507,646	(84,107)
1-Jan-41	446,256,966	0	0	283,637,612	162,619,353	(161,347)
	1,440,503,311	**1,234,472,828**	**153,122,518**	**613,993,994**	**(254,840,993)**	**(237,664)**

T.36 (Euro)

December 2015

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**
-47,532,796	47,532,796	-23,766,398	23,766,398	-12,089,539	12,089,539

T.37

Interest Rate Risk - Semi-annual Evolution

Date	Parallel increase of 200 bp in the interest rate curve	% impact on equity funds
Dec-14	-35,343,607	-13.6%
Jun-15	-32,918,470	-12.7%
Dec-15	-47,532,796	-15.2%

During 2015:

T.38

Greeks	Rho	Vega	Delta	Theta
Min	-594,320	-12,601	-78,542	-164,961
Max	115,486	64,602	168,435	208,418
Average	-286,143	17,184	34,535	-5,631
Std dev	123,232	14,674	42,969	21,268

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

the level of respective portfolios to measure concentration of risks in a given class of assets, sector, industry or geographic location. As a matter of policy, all exposures are assessed and processed for approval, whether on or off-balance sheet in nature. Controls over Market risk, as a result, often overlap with assessments of credit risk. In the course of the Bank's day-to-day activity, integrated systems to monitor exposures are an essential element in the process of credit risk management.

Process

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

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

Nature of Credit Exposures

The nature of credit risks we manage varies from cycle to cycle. During 2015, policy-makers have intensified 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 2015 for higher rated sovereigns, and began to weaken in the case those with chronic budget deficits, structural issues or specific dependencies, such as the production/exportation of commodities.

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

- *Secured facilities*, which arise from our relationships with mainly retail clients. These are secured by cash, eligible marketable securities or, to a lesser extent, residential real estate. This category also includes issues by banks of residential mortgage-backed securities and covered bonds. At 31/12/2015, substantially all of the Bank's portfolio of *loans* were secured facilities.
- *Unsecured facilities*, which arise out of the management of our main credit risks: namely, portfolio investments in corporate or government issuers of debt, and market trading activities with professional counterparties. Exposures classified by the Bank as *unsecured* may involve sovereign debt issues, or debt issues of any number of entities guaranteed by sovereign guarantors. Given the size of the Bank's investment portfolio of corporate and sovereign senior bonds, this type of facility represents the largest portion of credit exposure for the Bank.

Credit Procedures

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

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

Controls on margins – Secured Facilities

Margin and consumer-related lending represented less than 10% of loans at 31/12/15, or unchanged from the prior year period. Most direct lending to clients is short term, collateralized by liquid securities and subject to regular controls over margins, or the difference between the value of a loan and the real-time value of the collateral supporting that loan. The Bank manages the interrelated 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, to the financial, corporate and sovereign sector represented usually by quoted debt securities of varying maturities.

Concentration of Risks

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

In the case of managing credit concentrations, Management and the Bank's risk area focus on daily reports which summarize the largest concentrations of risk, including direct, indirect and contingent exposures. These are divided by financial and non-financial exposures. The reports among others serve as a management tool to monitor large exposures regularly and serve as a basis for periodic reporting of regulatory limits, including exposures equal to 10% of own funds and legal lending limits, representing 25% of consolidated capital funds. Main exposures at 31 December 2015 are shown in table T.39 and T.40.

T.39 (Euro)

December 2014 Exposure by Investment Strategy		Amount
Bonds	Government guaranteed	654,791,721
	ABS	351,777,637
	Senior debt	318,728,247
Total Bonds		**1,325,297,606**
Cash & Near Cash		82,313,263
Equity (1)		33,222,364
Equity derivatives (2)		283,517
Forex (3)		10,688,428
Total		**1,451,805,178**

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

Exposure by Rating:

T.40 (Euro)

Exposure by Rating – Credit/Bond Portfolio	Aaa	Aa	A	Baa	Ba	NA	Total
Government guaranteed	1,113,288		20,133,059	486,766,568	126,144,578	20,634,228	654,791,721
Senior debt		3,816,245	25,606,865	168,607,081	18,809,018	101,889,038	318,728,247
ABS		17,346,635	243,979,888	90,451,114			351,777,637
Total	**1,113,288**	**21,162,880**	**289,719,812**	**745,824,764**	**144,953,596**	**122,523,266**	**1,325,297,606**

Stress testing the credit portfolio

The Bank measures all relevant exposures in a number of manners, but none are as important as the series of stress tests we run on a variety of intervals: intra-day, daily, weekly, or monthly, with the largest volume of testing done on an intra-day or daily basis. As with other portfolios, whose risks are measured in a variety of manners on a daily basis, the Bank's available for sale portfolio, consisting of mainly fixed income securities of varying tenors, is subject daily to a number of these stress tests in order to provide Management with an assessment of potential losses, assuming a number of different, hypothetical scenarios. In addition to historical scenarios, we focus daily on extreme scenarios, or *Armageddon* stress tests. When applied to this portfolio, these scenarios seek to measure potential losses by class, by largest individual potential loss, and by industrial sector. The simulations made were 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 2015 are shown in graph G.5 and table T.41 and show that, under the most extreme circumstances, theoretical losses would be significant **but would not affect the overall solvency of the Bank,** which would remain comfortably above regulatory minimums.

Credit Exposure to Derivatives

Derivatives contracts are instruments, such as futures, forwards, swaps and options, which derive their value from underlying assets, indices, or other financial concepts. BIG utilizes derivative financial instruments and foreign exchange instruments to manage the Bank's exposures to the markets, to meet the financial needs of its customers and to generate revenues through its trading activities. In assessing risks, the Bank follows the same credit procedures for derivatives and foreign exchange-related exposures, as it does for traditional lending products described above. Credit limits for these products are calculated and controlled on the basis of potential exposure, which takes into consideration current market values and estimates of future movements in market rates based on statistical criteria. As part of the process, BIG calculates the cost of replacing a derivative or foreign exchange contract as the primary measure of exposure to credit risk. This refers to the cost of replacing a contract at extreme market 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 2015 may be found in Note 18 and 23.

Operational Risk

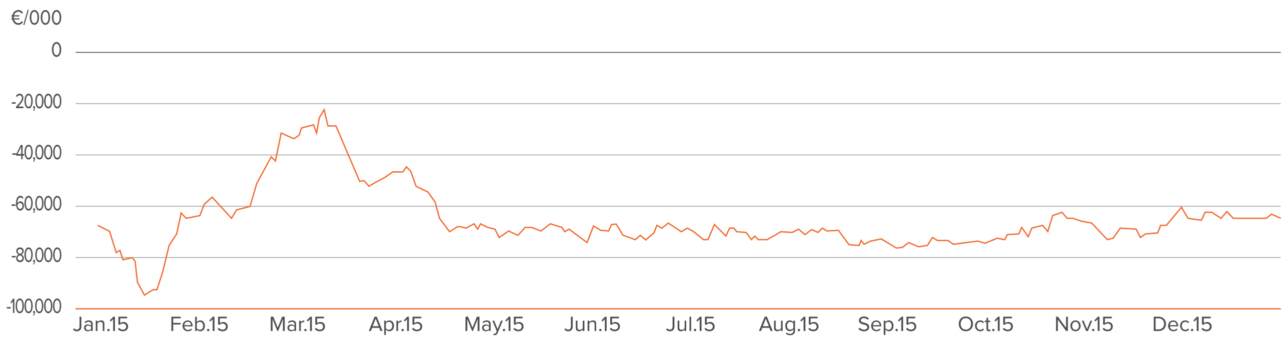
Overview

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 in-

G.5

Armageddon Stress Test Debt



T.41 (Euro 000)

Maximum and Minimum Losses

Maximum (*)	Minimum (*)	Average	Std Deviation
-94,115	-21,927	-65,565	12,036

(*) Maximum and minimum losses

sufficient execution on the part of third party suppliers of significant components of our complete business model. In the process of managing operating risks pro-actively to keep exposures to minimal levels, the Bank reviews its system of internal governance on a regular basis to ensure the smooth running of the business under both normal and unusual circumstances. These systems and procedures are designed to reduce the risks of fraud from internal or external sources, or of errors or breakdowns, which can be the result of unexpected events associated with the technology and systems infrastructure, procedures and telecommunications (see Note 39).

Limiting operating risk by adhering to internal procedures is essential to providing a competent service to our clients and to reducing the risk of loss or regulatory sanctions.

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

- *Operational Risk*, which reviews the appropriateness of internal procedures, adequacy of human and systems support to conduct normal business functions and day to day risks to which the Bank is exposed, based on both self-assessment processes, controls over operational errors by area, and planned internal and external audits;

- *Technology Risk*, which oversees the adequacy and security of the complex technical infrastructure supporting every aspect of the Bank's internal processing, reporting and links with third party suppliers of information and execution services.

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

Because of the nature of our business, operating errors do occur on occasion. It is the aim of the above governance structure and internal departments to ensure adherence to prudential and regulatory guidelines, such that the costs of such errors are kept to levels commensurate with our capital and business strategy. To assist in this control, the Bank has internal procedures for reporting data associated with operational errors to Senior Management on a regular basis. Such analyses and reporting allow for problems to be identified at their source and amended accordingly. The data compiled is extensive and permits a detailed analysis of actual operational losses incurred by type of event, by business line, by impact, and by specific or average amounts.

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

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

Compliance and Internal Audit Functions

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 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.

Internal Audit plays a key role in reviewing our operational processes, via regular inspections based on priorities defined by the Board, and 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, regulatory compliance, and general standards of integrity and quality defined by the Bank. Inspections cover all business and operating areas with results reported directly to the Board.

Application of Results for Banco de Investimento Global, S.A.

For the year 2015, Banco de Investimento Global, S.A. recorded consolidated net income of € 74,509,179.05 (seventy-four million, five hundred and nine thousand, one hundred and seventy-nine euros and 5 cents), and individual net income of € 74,854,897.56 (seventy-four million, eight hundred and fifty four thousand, eight hundred and ninety-seven euros and fifty six cents). The Board of Directors proposes that, with respect to 2015, a dividend of € 0,12 (twelve cents of a euro) be paid to each of the 156,000,000 shares representative of the common stock at 31 December 2015 with dividend rights, of which € 0.08 per share were distributed and paid in advance, in November 2015.
The proposed dividend per share implies a dividend pay-out of 25.01% of the individual profit of the year. In its individual accounts, Banco de Investimento Global, S.A. is required to apply, in accordance with nº 1, article 97 of the General Regime for Credit Institutions and Financial Companies, 10% of net profits to the formation of a legal reserve. As a result, in accordance with nº 1, article 30 of the By-Laws, the Board of Directors proposes the following distribution application of the individual results of the year:

Individual Net Profit	€ 74,854,897.56
Legal Reserve	€ 7,485,489.76
Dividends	€ 18,719,688.24
Free Reserves	€ 48,649,719.56

Lisbon, 9 March 2016

Board of Directors,

Carlos Adolfo Coelho Figueiredo Rodrigues
Chairman and Chief Executive Officer

Nicholas Leo Racich
Vice Chairman and Chief Operating Offiicer

Mário João Abreu Galhardo Bolota
Executive Director

Paulo José Caramelo de Figueiredo
Executive Director

Ricardo Dias Carneiro e Gomes de Pinho
Executive Director

(A free translation of the original in Portuguese)

Statutory Audit Report

Introduction

1 We have audited the financial statements of Banco de Investimento Global, SA ("Bank") , comprising the balance sheet as at December 31, 2015, which shows total assets of € 1,566,632 thousand and total shareholder's equity of € 275,888 thousand including a net profit of € 74,855 thousand, the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the corresponding notes to the accounts.

Responsibilities

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

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

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Accordingly, our audit included: (i) verification, on a sample basis, of the evidence supporting the amounts and disclosures in the 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 financial statements; (ii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; and (iv) assessing the overall presentation of the financial statements.

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

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

Opinion

7 In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Banco de Investimento Global, SA, as at December 31, 2015 the results and the

comprehensive income of its operations, the changes in equity and the cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Report on other legal requirements

8 It is also our opinion that the financial information included in the Directors' Report is consistent with the financial statements for the year.

Lisbon, March 21, 2016

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, 2015.

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

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

4. Within the scope of our mandate, we have verified that:
    a. the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the correspondent notes to the accounts present adequately the consolidated financial position of the Bank, the consolidated results and comprehensive income and the consolidated cash flows;
    b. the accounting policies and valuation methods applied are appropriate
    c. the consolidated 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:
    a. The consolidated Board of Directors' report is approved;
    b. The consolidated financial statements be approved.

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

March 21, 2016

The President of the Supervisory Board,

Mr. José Galamba de Oliveira

Member,

Mr. Pedro Rogério Barata do Ouro Lameira

Member,

Mr. Jorge Alegria Garcia de Aguiar

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2015 and 2014
(Amounts in Euros)

CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2015 and 2014

	Notes	2015	2014
Interest and similar income	4	43,864,633	43,413,633
Interest and similar charges	4	(20,131,320)	(18,275,136)
Net interest income		**23,733,313**	**25,138,497**
Income from capital instruments	5	1,518,443	660,850
Income from services and commissions	6	15,411,154	18,328,776
Charges with services and commissions	6	(2,708,893)	(6,886,202)
Profit/loss from assets and liabilities at fair value through the income statement	7	(48,340,414)	(77,640,615)
Profit/loss from financial assets available for sale	8	155,096,427	183,743,886
Profit/loss from exchange revaluation	9	1,502,189	11,256,872
Profit/loss from sale of other assets	10	2,986,000	14,786,033
Other operating results	11	(491,846)	(13,260)
Operating income		**148,706,373**	**169,374,837**
Staff costs	12	(23,363,479)	(24,124,063)
General administrative costs	14	(12,261,590)	(9,276,997)
Depreciation and amortization	24 and 25	(1,291,237)	(1,028,013)
Provisions net of cancellations	31	(2,764,774)	(10,255,955)
Impairment of credit net of reversals and recoveries	21	(66,745)	(35,423)
Impairment of other financial assets net of reversals and recoveries	19	(1,351,042)	-
Impairment of other assets net of reversals and recoveries	22 and 27	(6,200)	(174,042)
Operating costs		**(41,105,067)**	**(44,894,493)**
Operating result		107,601,306	124,480,344
Results from associated companies		-	**175,774**
Pre-tax profit		**107,601,306**	**124,656,118**
Taxation			
Current	33	(32,507,084)	(41,849,894)
Deferred	33	(585,043)	(277,027)
Net profit of the year		**74,509,179**	**82,529,197**
Earnings per basic share	15	0.56	0.79
Earnings per diluted share	15	0.56	0.79

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2015 and 2014

	Note	2015	2014
Net Profit / Loss of the year		74,509,179	82,529,197
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)
		-	**(2,339,789)**
Items which could be reclassified for results			
Assets Financial available for sale			
Gains and losses of the year	35	(58,232,160)	(6,963,534)
Deferred tax	33	17,178,488	1,631,290
Current tax	33	-	227,708
Exchange differences	35	108,680	-
		(40,944,992)	**(5,104,536)**
Total comprehensive income of the year		**33,564,187**	**75,084,872**

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

CONSOLIDATED BALANCE SHEET

On 31 December 2015 and 2014

	Note	2015	2014
Assets			
Cash and deposits in central banks	16	45,282,891	45,628,589
Deposits in other banks	17	32,479,874	59,616,513
Financial assets held for trading	18	18,092,996	27,839,715
Financial assets available for sale	19	1,001,084,470	1,090,978,403
Applications in banks	20	4,550,498	557,883
Loans to clients	21	376,820,146	136,162,160
Hedge derivatives	23	1,962,129	-
Non-current assets held for sale	22	-	20,000
Tangible assets	24	15,377,548	15,355,337
Intangible assets	25	2,628,396	638,556
Current tax assets	26	912,603	-
Deferred tax assets	33	20,895,766	4,302,321
Other assets	27	21,976,102	63,417,166
Total Assets		**1,542,063,419**	**1,444,516,643**
Liabilities			
Funding from central banks	28	165,006,597	180,172,993
Financial liabilities held for trading	18	1,699,119	5,614,424
Funding from other banks	29	171,219,515	108,264,379
Funding from clients	30	885,485,867	804,736,461
Hedge derivatives	23	923,005	22,842,895
Provisions	31	17,696,784	14,932,010
Current tax liabilities	26	-	14,225,919
Other liabilities	34	23,668,131	32,358,311
Total Liabilities		**1,265,699,018**	**1,183,147,392**
Capital			
Capital	35	156,000,000	104,000,000
Issue premiums	35	1,362,281	1,362,281
Treasury stock	35	(2,326)	(152,977)
Fair value reserve	35	(48,229,428)	(7,284,436)
Other reserves and retained earnings		105,204,487	96,514,926
Net profit of the year		74,509,179	82,529,197
Interim dividends	35	(12,479,792)	(15,599,740)
Total Capital		**276,364,401**	**261,369,251**
Total Liabilities and Capital		**1,542,063,419**	**1,444,516,643**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2015 and 2014

	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 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 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**
Comprehensive income									
Other comprehensive income									
Alterations in fair value of financial assets available for sale	-	-	-	(58,232,160)	-	-	-	-	(58,232,160)
Deferred tax	-	-	-	17,178,488	-	-	-	-	17,178,488
Exchange differences	-	-	-	108,680	-	-	-	-	108,680
Net profit of the year	-	-	-	-	-	-	74,509,179	-	74,509,179
Total comprehensive income recognised in the year	**-**	**-**	**-**	**(40,944,992)**	**-**	**-**	**74,509,179**	**-**	**33,564,187**
Distribution of profit of the year 2014									
Transfer para reserves	-	-	-	-	8,234,076	52,455,485	(60,689,561)	-	-
Distribution of dividends	-	-	-	-	-	-	(21,839,636)	15,599,740	(6,239,896)
Change in loans and advances to employees for the acquisition of Treasury Stock	-	-	150,651	-	-	-	-	-	150,651
Interim dividends	-	-	-	-	-	-	-	(12,479,792)	(12,479,792)
increase in capital	52,000,000	-	-	-	-	(52,000,000)	-	-	-
Balances on 31 December 2015	**156,000,000**	**1,362,281**	**(2,326)**	**(48,229,428)**	**24,683,396**	**80,521,091**	**74,509,179**	**(12,479,792)**	**276,364,401**

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

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2015 and 2014

	Note	2015	2014
Cash flow from operating activities			
Interest and income received		45,489,475	47,416,551
Interest and costs paid		(21,056,477)	(18,133,458)
Services and commissions		8,609,973	15,836,406
Contributions to the pension fund		(1,212,104)	(4,316,254)
Cash payments to employees and suppliers		(35,382,428)	(25,299,905)
Other costs and income paid/received		(491,846)	(251,868)
		(4,043,407)	**15,251,472**
Variation in operating assets and liabilities:			
Deposits in central banks		359,134	(31,178,927)
Financial assets and liabilities held for trading		23,494,248	154,784
Applications in banks		(3,994,762)	34,972,383
Funding from central banks		(15,000,000)	50,000,000
Funding from banks		63,120,211	(34,996,598)
Loans to clients		(240,648,387)	60,658,554
Funding from clients		81,047,308	125,971,115
Derivatives for risk management		(88,425,416)	(40,142,405)
Other operating assets and liabilities		37,191,404	(44,610,645)
Cash flow net of the operating activities, before taxation on profits		**(146,899,667)**	**136,079,733**
Taxation on profits paid / received		(47,647,835)	(44,822,874)
		(194,547,502)	**91,256,859**
Cash flow from investment activities			
Dividends received		1,518,443	660,850
Financial assets available for sale		186,795,874	(43,208,708)
Purchase of financial investments		(3,295,315)	(576,575)
		185,019,002	**(43,124,433)**
Cash flow from financing activities			
Treasury stock		-	931,416
Dividends paid from ordinary shares		(18,719,688)	(21,839,636)
Cash flow net of financing activities		**(18,719,688)**	**(20,908,220)**
Net variation in cash and cash equivalents		**(28,248,188)**	**27,224,206**
Cash and cash equivalents at the beginning of the period		61,302,976	31,821,106
Effect of the change in the exchange rate on cash and cash equivalents		1,124,985	2,257,664
Cash and cash equivalents at the end of the period		**34,179,773**	**61,302,976**
Net variation in cash and cash equivalents		(28,248,188)	27,224,206
Cash and cash equivalents includes:			
Cash	16	1,699,899	1,686,463
Deposits in other banks	17	32,479,874	59,616,513
Total		**34,179,773**	**61,302,976**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2015 and 2014
(Amounts in Euros)

INTRODUCTION

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

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

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
BASES OF PRESENTATION

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

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

The consolidated financial statements presented here relate to the year ended 31 December 2015 and were prepared in accordance with the IFRS, as adopted in the European Union up to 31 December 2015. The accounting policies used by the Group in the preparation of the financial statements reported on 31 December 2015 are consistent with those used with reference to 31 December 2014.

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

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

These consolidated financial statements were approved in a meeting of the Board of Directors on 9 March 2016.

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 the consolidation

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

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

2.2. Transactions in foreign currency

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

2.3. Derivative financial instruments and hedge accounting

Classification

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

All other derivatives are classified as trading derivatives.

Recognition and measurement

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

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

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

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

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

Hedge accounting

Classification criteria

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

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

Fair value hedge

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

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

Embedded derivatives

Derivatives which are embedded in other financial instruments are treated separately when their economic characteristics and their risks are not strictly related with the rest of the contract and with the characteristics of the underlying financial instrument. Embedded derivatives are 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, at their nominal value, in accordance with Notice no. 1/2005 of the Bank of Portugal.

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

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

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

Impairment

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

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

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

- the aggregate exposure to the client and if there are any overdue loans;
- the economic-financial viability of the client's business or professional activity and its capacity to generate sufficient cash flow to service its debt obligations in the future;
- potential changes in amount and estimated recovery periods due to financial difficulties of the client.

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

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

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

2.5. Other financial assets

Classification

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

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

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

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

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

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

Subsequent measurement

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

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

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

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

Impairment

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

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

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.

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.

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

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

2.11. Intangible assets

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

2.12. Leasing

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

Operational leasing

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

Finance leasing

From the point of view of the 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 interest rate on the remaining balance of the liability in each period. Goods acquired via finance leasing are depreciated at the shorter of the useful life of the goods and the lease period.

From the point of view of the 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 into defined contribution plans, namely due to the greater foreseeability, limitation and lower volatility of the inherent liabilities.

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

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

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

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.

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

Stock option remuneration plan

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

Variable remunerations to Employees and Corporate Offices

Variable remunerations attributed to employees and to the corporate offices are accounted in the profit and loss of the year they relate to.

2.14. Provisions

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

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

2.15. Taxation on profits

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

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

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

Deferred taxation is calculated in accordance with the 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

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

- when obtained as the services are provided, income is recognised in the income statement in the period to which it relates;
- when income is part of the effective interest rate of a financial instrument it is stated in the income statement by the effective interest rate method.

2.17. Recognition of interest

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

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

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

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

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

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

2.18. Earnings per share

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

2.19. Cash and cash equivalents

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

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

2.20. Recognition of dividends

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

2.21. Standards and interpretations not yet adopted

The Standards and Interpretations not yet adopted by the Group are presented in Note 42.

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 JUDGEMENTS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

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

3.1. Impairment of financial assets available for sale

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

- Capital securities: devaluations in the acquisition value or market value of more than 30% lower than acquisition value for a period of over twelve months;
- Debt securities: whenever there is objective evidence of events which impact on the recoverable value of the future cash flow of these assets.

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

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

3.2. Fair value of 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.

NOTE 4
NET INTEREST INCOME

The amount of this caption is made up as follows:

	2015			2014		
	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	54,455	-	54,455	46,508	-	46,508
Interest from securities available for sale	38,417,567	-	38,417,567	38,390,405	-	38,390,405
Interest from deposits	6,448	-	6,448	12,577	-	12,577
Interest from loans to clients	4,260,572	-	4,260,572	3,898,829	-	3,898,829
Interest from financial assets held for trading	-	532,777	532,777	-	409,181	409,181
Other interest and similar income	592,814	-	592,814	656,133	-	656,133
	43,331,856	**532,777**	**43,864,633**	**43,004,452**	**409,181**	**43,413,633**
Interest and similar charges						
Interest from funding from clients	8,320,231	-	8,320,231	12,968,002	-	12,968,002
Interest from funding from banks	708,546	-	708,546	598,066	-	598,066
Interest from funding from central banks	102,558	-	102,558	277,139	-	277,139
Other interest and similar charges	10,999,985	-	10,999,985	4,431,929	-	4,431,929
	20,131,320	**-**	**20,131,320**	**18,275,136**	**-**	**18,275,136**
	23,200,536	**532,777**	**23,733,313**	**24,729,316**	**409,181**	**25,138,497**

NOTE 5
INCOME FROM CAPITAL INSTRUMENTS

On 31 December 2015, this caption, amounting to 1 518 443 Euros (31 December 2014: 660 850 Euros) comprises dividends from financial assets available for sale.

NOTE 6
RESULTS FROM SERVICES AND COMMISSION

The amount of this caption is made up as follows:

	2015	2014
Income from services and commissions		
For transactions on behalf of third parties	3,396,726	12,499,392
For services rendered	3,972,537	3,815,619
Other income from services and commissions	5,458,155	313,255
For commission sharing	1,662,694	1,137,195
For financial consultancy services	916,464	555,117
For commitments before third parties	2,275	4,475
For guarantees provided	2,303	3,723
	15,411,154	**18,328,776**
Charges with services and commissions		
For transactions performed by third parties	1,020,280	1,056,108
Other charges with services and commissions	737,507	4,830,662
For banking services from third parties	427,968	401,327
For guarantees received	897	1,285
For transactions on financial instruments	522,241	596,820
	2,708,893	**6,886,202**
	12,702,261	**11,442,574**

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:

	2015			2014		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Bonds and other fixed return securities						
From public issuers	6,376,287	2,736,500	3,639,787	1,951,132	191,182	1,759,950
From other issuers	699,573	487,926	211,647	1,363,032	300,346	1,062,686
Shares	5,279,392	3,708,946	1,570,446	5,655,403	7,827,893	(2,172,490)
Other variable return securities	489,076	98,869	390,207	9,041	26,927	(17,886)
Derivative financial instruments						
Contracts on exchange rates	6,155,879	6,841,521	(685,642)	3,858,281	14,166,329	(10,308,048)
Contracts on interest rates	53,680,266	80,735,943	(27,055,677)	14,836,472	80,760,772	(65,924,300)
Contracts on shares / indices	16,156,730	16,977,725	(820,995)	17,975,193	17,580,313	394,880
Other	53,748,000	14,794,791	38,953,209	62,411,763	9,215,205	53,196,558
Hedge derivatives	26,752,780	91,296,176	(64,543,396)	19,145,721	74,777,686	(55,631,965)
	169,337,983	**217,678,397**	**(48,340,414)**	**127,206,038**	**204,846,653**	**(77,640,615)**

NOTE 8
PROFIT/LOSS ON FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this caption is made up as follows:

	2015			2014		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Bonds and other fixed return securities						
From public issuers	150,060,035	14,738,252	135,321,783	158,273,014	1,412,298	156,860,716
From other issuers	13,121,295	347,473	12,773,822	23,728,089	571,685	23,156,404
Shares	5,576,132	640,328	4,935,804	3,756,976	30,210	3,726,766
Other	2,231,845	166,827	2,065,018	-	-	-
	170,989,307	**15,892,880**	**155,096,427**	**185,758,079**	**2,014,193**	**183,743,886**

The gains recorded in this caption result from the sale essentially of bonds, while losses refer to the sale of public debt securities of Euro Zone countries.

NOTE 9
PROFIT/LOSS ON EXCHANGE REVALUATION

On 31 December 2015, this caption comprises gains, amounting to 1 502 189 Euros of which
8 029 507 relate to gains with spot exchange revaluation and 6 527 318 Euros relate to losses from term exchange revaluation (31 December 2014: 11 256 872 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:

	2015	**2014**
Financial transactions		
Other losses	(105,822)	(10,891)
Other gains	3,080,897	14,796,924
Non-financial transactions	10,925	-
	2,986,000	**14,786,033**

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

NOTE 11
OTHER OPERATING RESULTS

The amount of this caption is made up as follows:

	2015	2014
Other operating income		
Provision of diverse services	94,790	83,372
Repayment of expenses	362	1,312
Other	675,435	1,182,926
	770,587	**1,267,610**
Other operating costs		
Direct and indirect taxation	861,148	786,710
Contributions to deposit guarantee fund	26,706	137,343
Dues and donations	113,438	266,427
Other	261,141	90,390
	1,262,433	**1,280,870**
Other operating results	**(491,846)**	**(13,260)**

The caption Other operating results - Other essentially comprises services provided referring to the Multibanco system.

NOTE 12
STAFF COSTS

The amount of this caption is made up as follows:

	2015	2014
Remunerations	11,242,261	13,396,327
Costs with retirements pensions		
of defined Benefits	-	1,229,002
of defined Contributions (See Note 13)	930,857	757,710
Obligatory social charges	2,426,063	2,381,583
Other staff costs	8,764,298	6,359,441
	23,363,479	**24,124,063**

On 31 December 2015 costs with remunerations and other benefits attributed to the Corporate Offices were stated at 10,824,649 Euros (31 December 2014: 14,465,601 Euros).

On 31 December 2015 a provision was set up amounting to 2 428 754 Euros which corresponds to the actuarial estimate of the commitment assumed by the Bank as a result of the defined benefit plan.

The caption Other staff costs comprises health insurance and life assurance, among others.

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

	2015	2014
Short-term employee benefits	4,408,841	3,130,282
Post-employment benefits	233,371	208,767
Other long-term benefits	17,462	15,732
	4,659,675	**3,354,781**

By professional category, the number of employees on 31 December 2015 and 2014 is broken down as follows:

	2015	2014
Specific functions	139	112
Middle management functions	36	38
Senior management functions	36	29
Administrative functions	8	7
Auxiliary functions	3	3
	222	**189**

NOTE 13
EMPLOYEE BENEFITS

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

Besides the base contribution, during 2015, the Bank made an additional contribution (incentive) of an amount equal to that of the voluntary contribution of the employees, with a cap of 4.5% of the monthly base salary.

On 31 December 2015, the Bank recognised as a cost the total amount of 930 857 Euros (31 December 2014: 757 710 Euros) relating to the Defined Contribution Plan, of which 161,685 Euros relate to the additional contribution (incentive).

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

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

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

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

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

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

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

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

On 31 December 2015 a provision was set up amounting to 2 428 754 Euros which corresponds to the actuarial estimate of the commitment assumed by the Bank as a result of the defined benefit plan.

BiG Stock Option Plan

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

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

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

Technical adjustment

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

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

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

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

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

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

On 31 December 2014, the BiG's stock option programs had the following main characteristics:

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

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

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

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

Valuation methodology of the options

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

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

NOTE 14
GENERAL ADMINISTRATIVE COSTS

The amount of this caption is made up as follows:

	2015	2014
Supplies	1,296,843	1,338,722
Rents	1,081,847	621,379
Communications	560,117	534,186
Travel, hotel and representation costs	422,719	397,060
Advertising and publications	3,352,705	1,923,228
Specialised services		
Fees	138,881	138,691
Information Technology	2,630,122	2,563,533
Security and surveillance	172,424	157,681
Information	604,723	389,430
Databases	25,502	18,781
Manual labour	62,051	28,884
Other specialised services	1,672,771	929,187
Other	240,885	236,235
	12,261,590	**9,276,997**

The fees of the years 2015 and 2014 relating to the external auditors, as provided for in Article 66-A of the Commercial Companies Code, are detailed as follows:

	2015	2014
Accounts Auditing and Supervision Services	73,000	67,000
Other reliability guarantee services related with the Statutory Auditor	32,000	32,000
	105,000	**99,000**

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.

	2015	2014
Net profit attributable to the bank's shareholders	74,509,179	82,529,197
Weighted average number of ordinary shares issued	132,065,753	104,000,000
Weighted average number of Treasury Stock in portfolio	(2,199)	(1,732)
Average number of ordinary shares in circulation	**132,063,554**	**103,998,268**
Earnings per share attributable to the bank's shareholders (in Euros)	**0.56**	**0.79**

Earnings per diluted share are no different from Earnings per ordinary share as there were no dilutive shares on 31 December 2015 and 2014.

The Board of Directors made a partial interim payment of dividends as mentioned in Note 35.

NOTE 16
CASH AND DEPOSITS IN CENTRAL BANKS

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Cash	1,699,899	1,686,463
Demand deposits in Central Banks		
Bank of Portugal	43,582,992	43,942,126
	45,282,891	**45,628,589**

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 9 December 2015 to 26 January 2016.

NOTE 17
DEPOSITS IN OTHER BANKS

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Deposits in other banks in Portugal		
Demand deposits	2,314,682	2,568,935
Deposits in other banks abroad		
Demand deposits	30,165,192	57,047,578
	32,479,874	**59,616,513**

The banks where the BiG has deposits have a high rating, and at the end of the year 85.6% of these are in institutions whose rating is investment grade. The other deposits are in banks that are not classified (8.8%) or in banks whose rating is lower than investment grade (5.5%).

NOTE 18
FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Financial assets held for trading		
Securities		
Bonds and other fixed income securities		
Public issuers	1,209,310	1,677,565
Other issuers	4,479,354	10,423,657
Shares	9,141,056	12,081,936
Other	811,966	174,529
	15,641,686	**24,357,687**
Derivatives		
Derivative financial instruments with positive fair value	2,451,310	3,482,028
	18,092,996	**27,839,715**
Financial liabilities held for trading		
Derivatives		
Derivative financial instruments with negative fair value	1,699,119	5,614,424
	1,699,119	**5,614,424**

On 31 December 2015 and 2014, the caption Financial assets held for trading – Securities, was totally made up from securities listed on recognised stock exchanges.

The caption Derivative financial instruments on 31 December 2015 and 2014 is analysed as follows:

	2015			2014		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Contracts on exchange rates						
Currency Options	19,806,426	44,561	43,698	13,709,115	82,745	82,192
Currency Futures (a)	-	-	-	-	-	-
Contracts on shares/indices						
Equity / Index Options	35,745,021	1,911,614	368,957	47,004,488	3,388,378	540,697
Equity/Index Futures (a)	-	-	-	-		
Term transactions	167,937,389	495,135	1,286,464	65,892,431	-	4,980,976
Contracts on Other						
Commodity Options	-	-	-	5,248,611	10,905	10,559
	223,488,836	**2,451,310**	**1,699,119**	**131,854,645**	**3,482,028**	**5,614,424**

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

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

The notional total of embedded derivatives associated to complex financial products is entered in the classes of Currency Options and Equity/Index Options and amounts to 42 796 447 Euros. The positive fair value of these notional assets is 1 571 309 Euros, representing 64.1% of the total, and the negative fair value is 412 655 Euros, representing 24.3% of the total.

On 31 December 2015 and 2014, the distribution of the Financial assets held for trading - Securities by residual maturity, is as follows:

	2015	2014
Securities		
Up to 3 months	86,129	51,845
3 months to 1 year	231,291	333,746
From 1 to 5 years	3,069,425	5,804,470
Over 5 years	2,301,820	5,911,161
Unspecified duration	9,953,021	12,256,465
	15,641,686	**24,357,687**

On 31 December 2015 and 2014, the distribution of Financial assets and liabilities held for trading - Derivative financial instruments, by residual maturity, is presented as follows:

	2015		2014	
	Notional	Fair value	Notional	Fair value
Derivative financial instruments				
Up to 3 months	176,363,108	(432,636)	78,589,183	(4,880,292)
3 months to 1 year	35,286,615	619,328	36,045,692	453,815
From 1 to 5 years	11,839,113	565,499	17,219,770	2,294,081
	223,488,836	**752,191**	**131,854,645**	**(2,132,396)**

NOTE 19
FINANCIAL ASSETS AVAILABLE FOR SALE

On 31 December 2015 and 2014, 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	736,754,383	518,188	(7,869,559)	-	729,403,012
Other issuers	345,948,164	1,076,521	(3,828,021)	-	343,196,664
Shares	20,212,932	1,586,299	(410,190)	(3,010,314)	18,378,727
Balance on 31 December 2014	**1,102,915,479**	**3,181,008**	**(12,107,770)**	**(3,010,314)**	**1,090,978,403**
Bonds and other fixed income securities					
Public issuers	719,022,967	56,873	(60,399,345)	-	658,680,495
Other issuers	315,127,219	1,374,051	(7,350,466)	-	309,150,804
Shares	11,687,602	-	(508,951)	(1,351,042)	9,827,609
Other	24,142,535	-	(716,973)	-	23,425,562
Balance on 31 December 2015	**1,069,980,323**	**1,430,924**	**(68,975,735)**	**(1,351,042)**	**1,001,084,470**

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

On 31 December 2015, around 72.94% of the portfolio of Financial assets available for sale comprising bonds and other fixed income securities was hedged by derivative financial instruments, namely interest rate swaps and interest rate futures.

The average interest rate during the year ended on 31 December 2015, amounted to 3.45% (31 December 2014: 3.81%).

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

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

On 31 December 2015 and 2014, the caption Financial assets available for sale was broken down as follows with regard to listed and unlisted securities:

	2015			2014		
	Listed market values (level 1)	Evaluation models with no observable parameters in the market (level 3)	Total	Listed market values (level 1)	Evaluation models with no observable parameters in the market (level 3)	Total
Bonds and other fixed income securities						
Public issuers	658,680,495	-	658,680,495	729,403,012	-	729,403,012
Other issuers	309,150,804	-	309,150,804	343,196,664	-	343,196,664
Shares	9,796,801	30,808	9,827,609	18,347,919	30,808	18,378,727
Other	23,425,562	-	23,425,562	-	-	-
	1,001,053,662	**30,808**	**1,001,084,470**	**1,090,947,595**	**30,808**	**1,090,978,403**

On 31 December 2015 and 2014, the distribution of Financial assets available for sale by residual maturity is as follows:

	2015	2014
Up to 3 months	-	1,325,490
3 months to 1 year	1,808,064	-
From 1 to 5 years	96,833,470	73,046,952
Over 5 years	869,189,765	998,227,234
Unspecified duration	33,253,171	18,378,727
	1,001,084,470	**1,090,978,403**

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

	2015	2014
Opening balance	**3,010,314**	**6,704,263**
Additions	1,351,042	-
Used	(3,010,314)	(3,693,949)
Closing balance	**1,351,042**	**3,010,314**

NOTE 20
APPLICATIONS IN BANKS

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Applications in banks in Portugal		
Deposits	4,510,317	500,000
Loans	40,181	57,883
	4,550,498	**557,883**

The average interest rate during the year ended on 31 December 2015, amounted to 0.04% (31 December 2014: 0.71%).

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

	2015	2014
Up to 3 months	1,992,529	500,000
3 months to 1 year	2,517,788	-
From 1 to 5 years	40,181	57,883
	4,550,498	**557,883**

On 31 December 2015 and 2014 there was no impairment allocated to applications in banks.

NOTE 21
LOANS TO CLIENTS

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Domestic loans		
To companies		
Loans	62,171	1,571,907
Loans at sight	3,222,444	1,187,471
Overdrafts	11,988	567
Leasing	252,492	210,304
Other specialised loans	23,383	34,802
To private individuals		
Loans at sight	12,742,485	11,284,087
Mortgages	5,833,830	5,157,810
Leasing	950,692	882,850
Overdrafts	26,480	30,613
Other specialised loans	1,105,683	998,200
	24,231,648	**21,358,611**
Foreign loans		
To companies		
Loans at sight	-	7,450
Overdrafts	1,216	33
To private individuals		
Loans at sight	541,393	978,491
Mortgages	319,937	207,396
Overdrafts	7,311	828
	869,857	**1,194,198**
Loans represented by securities		
Unsubordinated debt securities		
Issued by residents	34,587,368	7,924,896
Issued by non-residents	317,190,280	105,678,909
	351,777,648	**113,603,805**
Past due loans and interest		
Over 90 days	199,671	197,479
	199,671	**197,479**
	377,078,824	**136,354,093**
Impairment of loans to clients	(258,678)	(191,933)
Loans to clients	**376,820,146**	**136,162,160**

On 31 December 2015 and 2014 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 2015, the Group's credit portfolio included loans granted to a member of the Board of Directors for 536 517 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 2014:

307 292 Euros). The loans granted to key management staff with senior management functions amounted to 1 627 036 Euros (31 December 2014: 1 483 877 Euros).

The average interest rate during the year ended on 31 December 2015 was 1.43% (31 December 2014: 2.68%).

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

	2015	2014
Up to 3 months	16,581,986	15,007,146
3 months to 1 year	103,535	47,524
From 1 to 5 years	1,436,996	1,331,259
Over 5 years	358,756,636	119,770,685
Unspecified duration	199,671	197,479
	377,078,824	**136,354,093**

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

	2015	2014
Opening balance	**191,933**	**187,802**
Additions	66,745	35,423
Used	-	(31,292)
Closing balance	**258,678**	**191,933**

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

	2015	2014
Variable rate	376,924,092	136,107,799
Fixed rate	154,732	246,294
	377,078,824	**136,354,093**

The residual periods of leased capital were structured as follows:

	2015	2014
Instalments and residual values due		
Up to 3 months	16,533	6,716
3 months to 1 year	82,827	33,361
From 1 to 5 years	1,003,456	986,307
Over 5 years	211,926	174,743
	1,314,742	**1,201,127**
Interest due		
Up to 3 months	56	24
3 months to 1 year	1,770	522
From 1 to 5 years	84,692	84,539
Over 5 years	25,040	22,888
	111,558	**107,973**
Capital due		
Up to 3 months	16,477	6,692
3 months to 1 year	81,057	32,839
From 1 to 5 years	918,764	901,768
Over 5 years	186,886	151,855
	1,203,184	**1,093,154**

On 31 December 2015 and 2014, impairment was broken down as follows:

2015

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

2014

	Impairment calculated on an individual basis		Impairment calculated on an individual basis		Total		
	Credit amount	Impairment	Credit amount	Impairment	Credit amount	Impairment	Credit net of impairment
Loans to:							
Companies	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**

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

	Acquisition value	On the transfer date				December 2014		December 2015	
		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%	41,310,813	570,506	38,015,883	229,538

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 referring to a building available for immediate sale for which the Group recorded impairment losses of 25 500 Euros. This building was sold in 2015.

NOTE 23
HEDGING DERIVATIVES

On 31 December 2015 and 2014 this caption was broken down as follows:

2015

		Derivative			Associated asset/liability		
Derivative product	**Associated financial asset / liability**	**Notional**	**Fair value (1)**	**Variation in fair value in the year**	**Fair value component of the element covered**	**Variation in fair value in the year**	**Balance Sheet value**
Interest Rate Swap	Debt instruments	153,111,601	1,039,124	23,882,019	7,080,058	(14,077,793)	201,277,225
Futures	Debt instruments	322,900,000	-	3,055,648	(3,257,036)	(21,732,430)	504,683,023
		476,011,601	**1,039,124**	**26,937,667**	**3,823,022**	**(35,810,223)**	**705,960,248**

(1) includes accrued interest

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
Futures	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

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).

On 31 December 2015, the fixed rate bonds of the portfolio of Financial assets available for sale, were hedged with interest rate swaps, in Euros and dollars, and with futures on Euro Zone public debt bonds, with maturities of between ten and thirty years. This is an interest rate risk hedge. The inefficacy of this hedge was 1.6%.

NOTE 24
TANGIBLE ASSETS

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Buildings		
Improvements to buildings	3,462,809	2,847,846
For own use	15,074,418	15,368,292
	18,537,227	**18,216,138**
Equipment		
Computer equipment	5,480,060	5,087,995
Furniture and material	1,110,508	971,167
Installations and interiors	2,072,753	2,072,753
Security equipment	168,938	158,385
Machines and tools	140,372	113,955
Other equipment	221,293	210,897
Transportation material	79,023	3,514
	9,272,947	**8,618,666**
Tangible assets in progress		
Computer equipment	9,498	-
Transportation material	36,970	-
Security equipment	3,816	-
	50,284	**-**
	27,860,458	**26,834,804**
Impairment	(301,115)	(301,115)
Accumulated depreciation	(12,181,795)	(11,178,352)
	15,377,548	**15,355,337**

The movement in this caption was the following:

	Buildings	Equipment	Tangible fixed assets in progress	Total
Acquisition cost				
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
Additions	321,089	654,280	50,284	1,025,653
Balance on 31 December 2015	18,537,228	9,272,945	50,284	27,860,457
Depreciation				
Balance on 31 December 2013	3,584,041	6,775,595	-	10,359,636
Amortization of the year	355,990	590,726	-	946,716
Impairment of the year	173,115	-	-	173,115
Balance on 31 December 2014	4,113,146	7,366,321	-	11,479,467
Amortization of the year	386,238	617,205	-	1,003,443
Balance on 31 December 2015	4,499,384	7,983,526	-	12,482,910
Net balance on 31 December 2015	**14,037,844**	**1,289,419**	**50,284**	**15,377,547**
Net balance on 31 December 2014	**14,102,993**	**1,252,344**	**-**	**15,355,337**

NOTE 25
INTANGIBLE ASSETS

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Acquired from third parties		
Automatic data treatment system	7,868,993	7,169,783
Other financial investments	2,581,583	1,009,493
	10,450,576	8,179,276
Intangible assets in progress		
Automatic data treatment system	6,334	7,169,783
	6,334	7,169,783
	10,456,910	
Accumulated amortization	(7,828,514)	(7,540,720)
	2,628,396	**638,556**

The movement in this caption was the following:

	Automatic data treatment system	Other financial investments	Tangible fixed assets in progress	Total
Acquisition cost				
Balance on 31 December 2013	7,005,496	586,747	-	7,592,243
Additions	164,287	422,746	-	587,033
Balance on 31 December 2014	7,169,783	1,009,493	-	8,179,276
Additions	699,210	1,572,090	6,334	2,277,634
Balance on 31 December 2015	7,868,993	2,581,583	6,334	10,456,910
Amortization				
Balance on 31 December 2013	6,872,226	586,747	-	7,458,973
Amortization of the year	81,297	450	-	81,747
Balance on 31 December 2014	6,953,523	587,197	-	7,540,720
Amortization of the year	287,794			287,794
Balance on 31 December 2015	7,241,317	587,197	-	7,828,514
Net balance on 31 December 2015	**627,676**	**1,994,386**	**6,334**	**2,628,396**
Net balance on 31 December 2014	**216,260**	**422,296**	**-**	**638,556**

NOTE 26
CURRENT TAX ASSETS AND LIABILITIES

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Estimated tax for the year	(33,614,660)	(42,308,625)
Payments on account	34,085,521	27,757,120
Withholding tax	441,742	325,586
Current tax assets / (liabilities)	**912,603**	**(14,225,919)**

NOTE 27
OTHER ASSETS

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Debtors and other applications		
Debtors on futures trading	214,213	2,622,947
Margin applications	14,264,226	49,548,195
Public sector	58,060	102,901
Other debtors	2,925,788	1,429,926
Debtors and other applications	165,376	29,389
Other assets	133,899	133,899
	17,761,562	**53,867,257**
Impairment losses on other assets	(34,787)	(28,587)
	17,726,775	**53,838,670**
Expenses with deferred costs	295,008	635,178
Income receivable	751,701	882,793
Other accruals and deferrals		
Pending Stock Market transactions	-	2,544,015
Other pending transactions	3,202,618	5,516,510
	3,202,618	**8,060,525**
	21,976,102	**63,417,166**

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

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

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

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

	2015	2014
Opening balance	**28,587**	**27,660**
Additions	27,364	1,610
Reversals	(21,164)	(683)
Closing balance	**34,787**	**28,587**

NOTE 28
FUNDING FROM CENTRAL BANKS

On 31 December 2015 the amount of 165 006 597 Euros (31 December 2014: 180 172 993 Euros) of 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 and Loans to clients (Residential Mortgage Backed Securities), as described in Note 36.

The maturity period of this financing on 31 December 2015 and 2014 was up to 3 months.

The average interest rate during the year ended on 31 December 2015 was 0.05% (31 December 2014: 0.16%).

NOTE 29
FUNDING FROM OTHER BANKS

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Domestic		
Deposits	82,728,440	43,258,516
	82,728,440	**43,258,516**
Abroad		
Deposits	6,319,695	8,081,251
Loans	82,171,380	56,924,612
	88,491,075	**65,005,863**
	171,219,515	**108,264,379**

The average interest rate during the year ended on 31 December 2015 was 0.28% (31 December 2014: 0.67%).

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

	2015	2014
Up to 3 months	171,219,515	94,144,554
3 months to 1 year	-	14,119,825
From 1 to 5 years	-	-
	171,219,515	**108,264,379**

NOTE 30
FUNDING FROM CLIENTS

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Demand deposits	315,113,085	245,717,024
Term deposits	519,022,094	503,532,070
Other	51,350,688	55,487,367
	885,485,867	**804,736,461**

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

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

	2015	2014
Up to 3 months	658,471,320	550,590,724
3 months to 1 year	204,720,685	210,956,146
From 1 to 5 years	22,293,862	43,189,591
	885,485,867	**804,736,461**

NOTE 31
PROVISIONS

On 31 December 2015 and 2014, this caption was broken down as follows:

	Outras provisões
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**
Additions	2,783,173
Reversals	(18,399)
Used	-
Balance on 31 December 2015	**17,696,784**

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

NOTE 32
CONTINGENT LIABILITIES – RESOLUTION FUND

The Resolution Fund is a collective person under public law with administrative and financial autonomy, which is governed by the General Regime of Banks and Financial Companies ("RGICSF") and by its regulations and whose purpose is to intervene financially in financial institutions in difficulties, applying the measures determined by the Bank of Portugal. In this context, and in conformity with the RGICSF, the sources of financing of the Resolution Fund are:

a. Revenue from contributions to the banking sector;
b. Initial contributions from the participating institutions;
c. Periodic contributions from the participating institutions;
d. Amounts from loans;
e. Income from applications of deposits;
f. Donations; and
g. Any other revenue, income or amounts that come from its activity or attributed to it by law or under contract, including amounts received from the bank that is undergoing resolution or from the institution of transition.

The Bank, like most of the financial institutions operating in Portugal, is one of the institutions participating in the Resolution Fund making contributions that result from the application of a rate defined annually by the Bank of Portugal, essentially based on the amount of liabilities. In 2015 the periodic contribution made by the Bank amounted to 69 786 Euros, based on a contribution rate of 0.015%.

As part of its responsibility as the authority of supervision and resolution of the Portuguese financial sector, on 3 August 2014 the Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), pursuant to article 145º-G (5) of the RGICSF, which consisted in the transfer of the majority of its activity to a transition bank, called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose.

To make up the share capital of the Novo Banco, the Resolution Fund provided 4,900 million Euros. Of this amount, 377 million Euros corresponds to the Resolution Fund's own financial resources. Furthermore, a loan of 700 million Euros was granted by a bank syndicate to the Resolution Fund, in which each bank's participation was weighted according to diverse factors, including the respective size. The remaining amount, 3,823 million Euros, necessary for the financing of the resolution measure adopted came from a loan granted by the Portuguese State, which will be reimbursed and remunerated by the Resolution Fund. The funds that are generated with the sale of Novo Banco will be allocated in full to the Resolution Fund.

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

i) clarification that no liabilities that were contingent or unknown on the date of the application of the resolution measure to the BES were transferred to Novo Banco;

ii) the retransfer to BES of the participation in the company BES Finance, which is necessary to ensure full compliance with and the execution of the resolution measure with regard to the non-transfer to Novo Banco of subordinated debt instruments issued by BES; and iii) clarification that the Resolution Fund is responsible for neutralising, by compensation to Novo Banco, any negative effects of decisions arising from the resolution process, which give rise to liabilities or contingencies associated to litigation.

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

As a result of the above-mentioned decisions, the risk of litigation involving the Resolution Fund is also significant.

Although on the balance sheet date these situations represented contingent liabilities, and which are therefore not subject to being recorded in the Group's financial statements, the Board of Directors decided to immediately recognise, in the caption of provisions for general banking risks, a provision to cater for any contingencies of this nature, amounting to approximately 9 000 000 Euros (31 December 2014: 8 000 000 Euros).

NOTE 33
TAXATION

The Bank and its subsidiaries determined the amount of its current tax on income for the years 2015 and 2014 based on a nominal tax rate of 21% and 23% respectively, plus a municipal surtax rate of 1.5%. For 2015 and 2014 an additional rate of 3% for State Tax is also applied, while a rate of 5% is applied to taxable income between 1.5 million Euros and 7.5 million Euros, with a rate of 7% being applied to taxable income over 35 million Euros.

The Group calculated the amount of its deferred tax for the years 2015 and 2014 based on a nominal rate of 21%, plus a municipal surtax rate of 3% relating to the State Tax is also applied, a rate of 5% is applied to taxable income over 1.5 million Euros to 7.5 million Euros, 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:

	2015	2014
Financial assets available for sale	20,573,533	3,395,046
Other	322,233	907,275
Net deferred tax assets / (liabilities)	**20,895,766**	**4,302,321**
Tax movement in the year	**16,593,445**	**2,234,415**

The movement in deferred tax in 2015 and 2014 is explained as follows:

	2015			2014		
	Recognised in results	Recognised in reserves	Total	Recognised in results	Recognised in reserves	Total
Financial assets available for sale	-	17,178,487	17,178,487	-	2,030,194	2,030,194
Pension Fund	-	-	-	(133,264)	(398,904)	(532,168)
Other	(585,042)	-	(585,042)	(81,758)	818,147	736,389
	(585,042)	**17,178,487**	**16,593,445**	**(215,022)**	**2,449,437**	**2,234,415**

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

	2015	2014
Recognised in reserves		
Current tax	-	227,708
Deferred tax	17,178,487	2,449,437
	17,178,487	**2,677,145**
Recognised in results		
Current tax		
Of the year	(32,870,743)	(41,991,961)
From previous years	363,659	142,067
	(32,507,084)	**(41,849,894)**
Deferred tax	(585,043)	(277,027)
	(33,092,127)	**(42,126,921)**
	(15,913,640)	**(39,449,776)**

The reconciliation of the tax rate for the years 2015 and 2014 may be analysed as follows:

	2015		2014	
	Tax rate	Amount	Tax rate	Amount
Pre-tax profit		107,601,306		124,656,118
Estimated tax charge	27.5%	29,590,359	29.5%	36,773,555
Pension fund	-	-	0.11%	133,264
Corrections due to tax credits	-	-	0.01%	16,356
Non-deductible costs for tax purposes	1.35%	1,451,856	2.87%	3,576,846
Tax benefits	-0.05%	(48,372)	-0.03%	(42,927)
Autonomous taxation and double taxation	0.15%	159,009	0.10%	119,595
Contributions on the banking sector	0.19%	205,304	0.15%	181,253
Other	1.61%	1,733,971	1.10%	1,368,979
	30.29%	**33,092,127**	**33.79%**	**42,126,921**

NOTE 34
OTHER LIABILITIES

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Creditors and other dues		
On futures and options transactions	369,095	1,940,179
Other dues	510,000	1,630,000
Public sector	1,107,550	1,058,050
Securities transactions	2,081	2,081
Other creditors	138,272	125,947
	2,126,998	**4,756,257**
Costs payable		
Staff charges	10,162,637	10,343,208
Other charges payable	4,374,688	8,522,654
	14,537,325	**18,865,862**
Revenue from deferred income	25,714	21,548
Other accruals and deferrals		
Other pending transactions	6,978,094	8,714,644
	6,978,094	8,714,644
	23,668,131	**32,358,311**

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

NOTE 35
CAPITAL, ISSUE PREMIUMS, TREASURY STOCK AND RESERVES

Capital

On 31 December 2015 the Bank's capital was represented by 156 000 000 shares (31 December 2014: 104 000 000 shares), with a nominal value of 1 Euro each, fully subscribed and paid up.

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

On 31 December 2015 and 2014, the shareholder structure of the Bank was the following:

	2015	2014
António da Silva Rodrigues	12.39%	12.39%
Adger – SGPS, S.A.	10.96%	10.58%
Carlos Adolfo Coelho Figueiredo Rodrigues	9.94%	9.94%
WWC World Wide Capital - SPGS, S.A.	9.93%	9.93%
Nicholas Leo Racich	5.31%	5.31%
JRI – SGPS, S.A.	5.00%	5.00%
Bâloise Vie Luxembourg S.A.	4.81%	1.26%
Oceangest - Gestão e Empreendimentos Imobiliários, S.A.	4.62%	0.00%
Helena Adelina S. L. Marques Carmo	2.01%	2.01%
Leonid Pavlovitch Ranchinskiy	0.36%	2.09%
Edimo - Gestão e Investimentos, S.A.	0.00%	4.62%
Other	34.67%	36.87%
	100.00%	**100.00%**

Issue premiums

On 31 December 2015 and 2014, 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:

	2015		2014	
	No. of shares	Value	No. of shares	Value
Treasury stock				
Balance at start of the year	2,598	2,326	1,732	2,326
Balance at end of the year	2,598	2,326	1,732	2,326
Loans for acquisition of treasury stock				
Balance at start of the year	112,135	150,651	868,656	1,082,067
Movement	(112,135)	(150,651)	(756,521)	(931,416)
Balance at end of the year	0	-	112,135	150,651
Closing balance	**2,598**	**2,326**	**113,867**	**152,977**

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 2015 and 2014 is analysed as follows:

	2015	2014
Cost of financial assets available for sale (Note 19) (1)	1,069,980,323	1,102,915,479
Impairment Losses (Note 19)	(1,351,042)	(3,010,314)
Market value of financial assets available for sale (Note 19)	1,001,084,470	1,090,978,403
Fair value reserve of financial assets for sale	(71,367,834)	30,706,483
Fair value reserve associated to macro-hedging for interest rate risk	3,823,023	(39,633,245)
Fair value reserve of financial assets at amortised cost (note 21)	(2,033,021)	(2,418,911)
Exchange differences	108,679	-
Deferred tax	20,573,532	3,395,044
Current tax	666,193	666,193
	(48,229,428)	**(7,284,436)**

(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 2015 and 2014 is analysed as follows:

	2015	2014
Balance on 1 January	**(7,284,436)**	**(2,179,900)**
Change in fair value	(58,232,160)	(6,882,016)
Fair Value Reserve of associated companies	-	(81,518)
Current tax recognised in the year in reserves	-	227,708
Deferred tax recognised in the year in reserves	17,178,488	1,631,290
Exchange differences	108,680	-
	(40,944,992)	(5,104,536)
Balance on 31 December	**(48,229,428)**	**(7,284,436)**

Legal reserve

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

Interim dividends

The Board of Directors made the payment of partial, interim dividends amounting to 0.08 Euros per share, in November of 2015, based on the certified results of the period from 1 January 2015 to 30 September 2015.

NOTE 36
OFF-BALANCE SHEET ACCOUNTS

On 31 December 2015 and 2014, this caption was broken down as follows:

	2015	2014
Guarantees provided and other liabilities		
Assets given as guarantee	662,489,104	801,651,193
Guarantees and sureties	98,473	84,860
	662,587,577	**801,736,053**
Guarantees received		
Personal guarantees		
Guarantees and sureties	5,590,843	6,022,424
Other	447,675	378,389
Real guarantees		
Securities	60,319,031	47,863,689
Loans	6,942,994	4,912,101
Real Estate	7,199,620	8,369,631
	80,500,163	**67,546,234**
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	53,209,530	68,332,791
	53,884,144	**79,239,949**
Liabilities for services provided		
Asset custody and deposit	1,466,235,134	1,458,198,763
For asset administration	136,760,682	45,447,819
For collection of amounts	15,654	2,100
	1,603,011,470	**1,503,648,682**

On 31 December 2015 and 2014, the balance of the caption Assets Given as Guarantee includes:

- securities provided as a guarantee to the Investor Compensation System amounting to 772 590 Euros (31 December 2014: 747 180 Euros);
- securities provided as a guarantee to the European System of Central Banks amounting to 530 992 227 Euros (31 December 2014: 731 974 924 Euros). Assets provided as a guarantee correspond to a pool of securities, of which only 165 000 000 Euros are provided as a collateral in liquidity operations (31 December 2014: 180 000 000 Euros);
- other securities provided as a guarantee amounting to 130 724 287 Euros (31 December 2014: 68 929 089 Euros).

NOTE 37
RELATED PARTY TRANSACTIONS

Under 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. On 31 December 2015 and 2014 the Group had no shareholders with significant influence. The shareholder structure of the Group may be consulted in Note 35.

In the years ended in 2015 and 2014, the total amount of assets, liabilities, income and costs relating to transactions with related entities was the following:

	2015		2014	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Members of the Board of Directors	486,043	2,146,374	312,408	4,271,670
Employees' Pension Fund	123	6,241,835	130	6,865,975

NOTE 38
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

On 31 December 2015 and 2014, the fair value of the financial assets and liabilities is presented as follows:

	Amortised cost	Listed market values (level 1)	Evaluation models with parameters / prices observable in the market (level 2)	Evaluation models with no observable parameters in the market (level 3)	Total Balance Sheet value	Fair Value
31 December 2015						
Cash and deposits in central banks	45,282,891	-	-	-	45,282,891	45,282,891
Deposits in other banks	32,479,874	-	-	-	32,479,874	32,479,874
Financial assets held for trading						
Securities						
Bonds and other fixed income securities						
Public issuers	-	1,209,310	-	-	1,209,310	1,209,310
Other issuers	-	4,479,354	-	-	4,479,354	4,479,354
Shares	-	9,141,056	-	-	9,141,056	9,141,056
Other	-	811,966	-	-	811,966	811,966
Derivatives						
Contracts on exchange rates	-	-	44,561	-	44,561	44,561
Contracts on shares/indices	-	-	1,911,614	-	1,911,614	1,911,614
Term transactions	-	-	495,135	-	495,135	495,135
Financial assets available for sale						
Bonds and other fixed income securities						
Public issuers	-	658,680,495	-	-	658,680,495	658,680,495
Other issuers	-	309,150,804	-	-	309,150,804	309,150,804
Shares	-	9,796,801	-	30,808	9,827,609	9,827,609
Other	-	23,425,562	-	-	23,425,562	23,425,562
Applications in banks	4,550,498	-	-	-	4,550,498	4,550,498
Loans to clients [a]	376,820,146	-	-	-	376,820,146	359,761,871
Financial assets	**459,133,409**	**1,016,695,348**	**2,451,310**	**30,808**	**1,478,310,875**	**1,461,252,600**
Funding from central banks	165,006,597	-	-	-	165,006,597	165,006,597
Financial liabilities held for trading						
Derivatives						
Contracts on exchange rates	-	-	43,698	-	43,698	43,698
Contracts on shares/indices	-	-	368,957	-	368,957	368,957
Term transactions	-	-	1,286,464	-	1,286,464	1,286,464
Funding from other banks	171,219,515	-	-	-	171,219,515	171,219,515
Funding from clients	885,485,867	-	-	-	885,485,867	885,485,867
	1,221,711,979	**-**	**1,699,119**	**-**	**1,223,411,098**	**1,223,411,098**
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 income securities						
Public issuers	-	1,677,565	-	-	1,677,565	1,677,565
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 income securities						
Public issuers	-	729,403,012	-	-	729,403,012	729,403,012
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**

[a] Os preços mencionados podem não reflectir condições normais de mercado como mencionado na nota 21, são valores sem suporte de transações efectivas no mercado, em virtude de este se encontrar inativo.

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 2015 and 2014 may be analysed as follows:

(amounts expressed as a percentage)

	2015		2014	
	EUR	USD	EUR	USD
Overnight	-0.100	0.250	0.080	0.030
1 month	-0.205	0.430	0.018	0.171
3 months	-0.131	0.613	0.078	0.256
6 months	-0.040	0.846	0.171	0.363
9 months	0.004	--	0.245	--
1 year	0.060	1.178	0.325	0.629
3 years	0.060	1.416	0.220	1.299
5 years	0.331	1.737	0.360	1.772
7 years	0.620	1.951	0.528	2.041
10 years	1.001	2.202	0.812	2.283
15 years	1.397	2.418	1.148	2.507
20 years	1.565	2.532	1.321	2.620
25 years	1.603	2.589	1.412	2.671
30 years	1.613	2.619	1.461	2.700

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 2015 and 2014 may be analysed as follows:

(amounts expressed as a percentage)

	2015		2014	
	EUR	USD	EUR	USD
3 years	1.12	1.64	0.59	1.92
5 years	4.01	3.00	3.47	2.88
7 years	4.09	4.65	2.33	4.63
10 years	6.38	4.82	4.91	4.37

The evolution of the exchange rates of the main currencies for the years 2015 and 2014 and respective volatilities used in the evaluation of derivatives on shares and share indices may be analysed as follows:

			Volatilities %		
	2015	2014	3 months	6 months	1 year
EUR/USD	1.089	1.214	10.766	11.640	11.211
EUR/GBP	0.734	0.779	9.379	10.189	9.005
EUR/JPY	131.070	145.230	8.695	9.215	10.062
EUR/CHF	1.084	1.202	5.759	5.996	19.078

The evolution of the main share indices for the years 2015 and 2014 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 %	
	2015	2014	Variation %	1 month	3 months	Call	Put
PSI20	5,313.17	4,798.99	10.7	16.81	21.40	20.50	20.50
Eurostoxx	3,267.52	3,146.43	3.9	23.39	23.14	23.02	23.02
DAX	10,743.01	9,805.55	9.6	25.48	24.38	21.94	21.94
S&P	2,043.94	2,058.90	-0.7	16.33	18.56	15.48	15.48
Nasdaq 100	4,593.27	4,236.28	8.4	17.70	21.08	17.89	17.89
Dow Jones Ind.	17,425.03	17,823.07	-2.2	16.14	17.98	14.86	14.86

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

NOTE 39
RISK MANAGEMENT

Background

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

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

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

Market Risk

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

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

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

VaR

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

The *VaR* for the years ended on 31 December 2015 and 2014 is presented as follows:

	2015				2014			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange risk	222,329	146,657	333,914	1,592	47,547	113,981	535,687	8,236
Interest rate risk	26,617	324,903	1,894,602	19,545	40,207	106,969	733,704	9,982
Shares	38,231	140,456	356,978	21,671	101,809	123,519	285,301	12,621
Options	30,524	92,988	273,919	13,629	103,922	135,915	405,209	28,790
Effect of diversification	13%	29%			14%	46%		
Total VaR	**274,812**	**497,033**	**1,763,575**	**68,375**	**252,557**	**260,993**	**692,458**	**40,043**

The management of VaR for different trading portfolios remained within the limits established for 2015. The exposure allocated to stock portfolios, structured products and Foreign Exchange for trading remained low as had also been the case in 2014.

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 2015 and 2014:

	List price			Historic volatility %	
	2015	2014	Variation %	1 month	3 months
DAX	10,743.01	9,805.55	9.6	25.48	24.38
IBEX 35	9,544.20	10,279.50	(7.2)	22.88	22.19
CAC 40	4,637.06	4,272.75	8.5	22.42	23.18
AEX	441.82	424.47	4.1	22.77	22.77
FTSE MIB	21,418.37	19,011.96	12.7	23.16	23.72
PSI20	5,313.17	4,798.99	10.7	16.81	21.40
Eurostoxx	3,267.52	3,146.43	3.8	23.39	23.14
S&P	2,043.94	2,058.90	(.7)	16.33	18.56
ESTX Banks €	127.87	134.51	(4.9)	22.38	23.90
ESTX Oil&Gas € Pr	271.36	282.73	(4.0)	28.93	28.70
ESTX Telecomm € Pr	363.26	330.65	9.9	26.53	27.47

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

A sensitivity analysis resulting from a +/- 10% blow to the stock market indices for the years ended on 31 December 2015 and 2014, is presented as follows:

Impact resulting from a sudden drop in stock indices	2015		2014	
	+10%	-10%	+10%	-10%
DAX	10,816	(10,816)	407	(407)
IBEX 35	2,430	(2,430)	(5,452)	5,452
CAC 40	354	(354)	(559)	559
AEX	(4,759)	4,759	(191)	191
FTSE MIB	199	(199)	(1,368)	1,368
PSI20	(25,779)	25,779	427,454	(427,454)
Eurostoxx	(6,276)	6,276	84,506	(84,506)
S&P	28,309	(28,309)	(42,845)	42,845
ESTX Banks €	16,063	(16,063)	33,542	(33,542)
Total do impacto	**21,357**	**(21,357)**	**495,494**	**(495,494)**

Stress Testing

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

Currently, the Group uses 16 different scenarios to carry out more than 96 daily stress tests on the various trading and investment positions. The potential impact on the Group's portfolios is also estimated daily when we allow for worst case scenarios in the credit market and in the stock market and in the Armageddon Stress Test Debt. These stress tests are presented and discussed in the Board of Directors Report.

Liquidity Risk

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

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

The exposure by maturity of the Group's Balance Sheet assets and liabilities are distributed in the following way for the years ended on 31 December 2015 and 2014:

2015

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

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**

Interest rate risk

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

The exposure of the assets and liabilities to the interest rate risk is presented in the table below, by maturity, for the years ended on 31 December 2015 and 2014:

2015

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

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**

(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 2015 and 2014 is presented as follows:

	2015				2014			
	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	(23,766,398)	23,766,398	(12,089,539)	12,089,539	(17,671,803)	17,671,803	(8,747,913)	8,747,913
On 30 June	(16,459,235)	16,459,235	(8,264,374)	8,264,374	(3,221,286)	3,221,286	(1,931,051)	1,931,051

Asset Re-pricing Risk

Included in the non-statistical earnings at risk indicators, the re-pricing bands for the years ended on 31 December 2015 and 2014, are presented as follows:

2015

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

2014

	Balance Sheet value	Not sensitive	Up to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years
Cash and deposits in central banks	45,628,589	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**

Exchange risk

In the currency exchange markets there was an increase of the levels of volatility for the main currency pairs. This trend continued throughout 2015, while at the year end the historic volatility for the period of one year was always over that recorded at the end of 2014.

During 2015, the reference interest rate of the Euro was expected to be maintained, remaining at historic minimum levels of 0.05%, in line with the level at the end of 2014. 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 2015. This devaluation is in line with the trend already recorded at the end of 2014. The devaluation of the Euro against the Pound Sterling and the Swiss Franc during 2015 should also be noted.

The distribution of the Balance Sheet by currency for the years ended on 31 December 2015 and 2014 is presented as follows:

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

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**

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 2015 the Group also opted to have some assets in the Balance Sheet in Dollars (corporate and sovereign debt of the United States *and some exposure to emerging markets*), by which the exposure to Eurodollar futures contracts was intended to hedge the exchange risk for these assets. Albeit residual, during 2015 it also invested in some debt securities in other currencies, namely Pounds.

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

The sensitivity analysis resulting from a blow of +/- 15% on the exchange rates for the years ended on 31 December 2015 and 2014 is presented as follows:

2015

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

2014

Currency	Base scenario: Original currency	Base scenario: Equivalent	Impact resulting from a drop of: +15%	Impact resulting from a drop of: -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
Yen	4,403,955	30,324	(3,955)	5,351
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)
New Turkish Lira	3,979	1,405	(183)	248
Total impact			**(31,853)**	**43,098**

Hedging risk

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

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

Analysing the different sensitivities of the Group's trading portfolio for 2015, we see that the almost consistent long profile in the stock markets.

The Delta values were, in general, lower than those recorded in 2015. In fixed rate products, the Bank opted for a long strategy in bonds. Exposure to the interest rate risk at times was lower than annual average due to some deleveraging of the balance sheet. Nonetheless, in general, these oscillations in risk were accompanied by a strategy of interest rate hedging via interest rate swaps and interest rate futures.

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

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

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

Limits and Reporting

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

Credit Risk

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

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

Credit risk arising from dealings with professional counterparties as well as issuers of quoted securities, is assessed in combination with procedures for managing market risks discussed above in Market Risk.
In its process of analysis and approval, the Group assesses its exposure both in terms of individual transactions, in terms of the maximum exposure per client and, separately, in terms of the respective portfolios, to ensure there is adequate control over risk concentrations in each sector or industry. As a matter of policy, all exposures are assessed and processed for approval, whether on or off-balance sheet in nature. In the course of the Group's day to day activity, integrated systems to monitor exposures are an essential element in the process of credit risk management.

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

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

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

The distribution by sector of activity for the years ended on 31 December 2015 and 2014 is presented as follows:

2015

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

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**

Exposure to public debt of Euro Zone countries

On 31 December 2015 and 2014 the Group's exposure to the public debt of Euro Zone countries is as follows:

	2015		2014	
	Financial assets held for trading	**Financial assets available for sale**	**Financial assets held for trading**	**Financial assets available for sale**
Portugal	1,130,085	108,611,220	3,065,820	269,478,000
Spain	-	295,862,945	-	185,773,914
Greece	31,740	-	39,618	-
Italy	-	202,797,924	-	256,473,923
Germany	11,541	-	-	-
	1,173,366	**607,272,089**	**3,105,438**	**711,725,837**

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:

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

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)**

Operational Risk

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

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

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

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

The Group has a project in hand to reformulate the Operational Risk Measurement and Management System, in line with the indications of the Basle Accord, 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 2015 and 2014 are presented as follows:

		2015	2014
A - Equity Funds			
Ordinary paid-up capital, issue premiums and treasury stock		157,359,955	105,209,304
Results and reserves formed from retained earnings		92,190,912	149,919,948
Other temporary adjustments		67,397,644	7,319,759
Intangible assets		(4,205,431)	(1,149,400)
Common Equity Tier 1 Capital	(A1)	312,743,080	261,299,611
Tier 1 Capital	(A2)	312,743,080	261,299,611
Total Equity Funds	(A3)	312,743,080	261,299,611
B - Risk weighted assets	(B)	943,214,939	744,364,852
C- Prudential Ratios			
Tier 1 common capital ratio	(A1 / B)	33.2%	35.1%
Tier 1 Capital ratio	(A2 / B)	33.2%	35.1%
Total capital ratio	(A3 / B)	33.2%	35.1%

The movement in Equity Funds for the years ended on 31 December 2015 and 2014 is presented as follows:

	2015	2014
Opening Balance	**261,299,611**	**202,589,699**
Ordinary paid-up capital, issue premiums, treasury stock and other	52,150,651	2,134,318
Results and reserves formed from retained earnings	(57,729,036)	51,065,336
Intangible assets	(3,056,031)	(1,016,130)
Temporary adjustments	60,077,885	7,319,759
Supplementary Equity Funds	-	(793,371)
Closing Balance	**312,743,080**	**261,299,611**

Other Risks and their measurement:

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

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

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

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

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

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

The results of the scenario below (scenario 1, 2 and 3) relate to 31 December 2015, 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: 82 313 263 Euros.
Liabilities: 105 037 695 Euros.
In this scenario, it would be necessary to sell assets or look for look for additional financing, for a total amount of 22 724 432 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 35 528 993 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: 82 313 263 Euros.
Liabilities: 157 556 543 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing, for a total amount of 75 243 280 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 35 528 993 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: 82 313 263 Euros.
Liabilities: 442 742 934 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing, for a total amount of 360 429 671 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 35 528 993 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 2015, 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: 82 313 263 Euros.
Liabilities: 105 037 695 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing, for a total amount of 22 724 432 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (downgrade of debt securities), the Group would have a maximum loss of 23 636 063 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: 82 313 263 Euros.
Liabilities: 157 556 543 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing, for a total amount of 75 243 280 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (downgrade of debt securities), the Group estimates a potential loss of 23 636 063 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: 82 313 263 Euros.
Liabilities: 442 742 934 Euros.
In this scenario, it would be necessary to sell assets or look for additional financing, for a total amount of 360 429 671 Euros. Based on the assumption that market conditions would also be simultaneously negative and based on stress assumptions (downgrade of debt securities), the Group estimates a potential loss of 23 636 063 Euros.

NOTE 40
MEASUREMENT OF IMPAIRMENT OF THE CREDIT PORTFOLIO

Qualitative disclosures

A. Credit risk management policy

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

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

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

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

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

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

B. Credit Write-Off Policy

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

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

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

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

C. Impairment reversal policy

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

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

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

D. Policy of converting debt into capital of the debtor

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

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

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

F. Description of the collateral valuation and management process

Valuation of collateral

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

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

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

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

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

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

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

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

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

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

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

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

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

Definition of impaired credit

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

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

Process of identifying impaired credit

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 any indication exists, the Group should estimate the recoverable amount of the asset.

Initially, the Group evaluates if there exists objective evidence of impairment individually for each loan. For this evaluation and in the identification of loans with impairment on an individual basis, the Group uses the information input in the credit risk models implemented and considers the following factors, amongst others:
- the aggregate exposure to the client and if there are any overdue loans;
- the economic-financial viability of the client’s business or professional activity and its capacity to generate sufficient cash flow to service its debt obligations in the future;
- the existence, nature and the estimated value of the collateral associated to each loan;
- if there are privileged creditors;
- the client’s level of indebtedness in the financial sector;
- the amount and timing of estimated recovery.

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

In the individual analysis, when a loan stands out, namely due to its amount or type of collateral, a more detailed individual analysis is made, to gauge if there is impairment of the loan and to assess the quality of the collateral.

If an impairment loss is identified on an individual basis, the amount of the loss to be recognised corresponds to the difference between the accounting value of the loan and the actual value of the estimated future cash flow (considering the recovery period) discounted at the effective original interest rate of the contract. The loan is presented in the Balance Sheet net of the impairment.

The process of evaluation of the credit portfolio in order to determine if an impairment loss should be recognised is subject to diverse estimates and judgements. This process includes factors such as the frequency of non-fulfilment, risk notations, rates of recovery of losses and estimates both of future cash flow and of the time of their receipt. Alternative methodologies and the use of other assumptions and estimates may result in different levels of impairment losses recognised, with the consequent impact on the results of the Group.

Credit categories / Segmentation of BiG's credit portfolio

For the purpose of the analysis of the impairment of credit operations, the exposure in the Group's retail credit portfolio is segmented into categories so that periodic analyses can be made of the portfolio.

The criteria underlying this grouping are:
- The loans have the same purpose;
- The target clients of the product are the same;
- The collateral of the loan is the same or similar;
- The treatment and accounting of the product is uniform;
- There are more than 25 clients in the portfolio ("active loans").

In accordance with range of credit products in BiG's portfolio, these are segmented, for the analysis of impairment, into the following groups:
- Margin Account;
- BiG Auto;
- Mortgages;
- Other.

I. Indication of the signs of impairment by credit segments

The assessment of whether a given exposure or group of exposures show objective signs of impairment, as a result of one or more events that occurred since the start of the loan (loss events), and if these had an impact on the estimated future cash flows, is made adopting conservative indications of impairment, appropriate to each credit segment, namely:

i) Active evidence / signs
- The client has an unauthorised overdraft or unpaid instalments/loans;
- Other amounts receivable (e.g. billing) that are not paid on the due date;

ii) Passive evidence / signs
- The client has an unauthorised overdraft or has outstanding lines/loans;
- Other amounts receivable (e.g. billing) unpaid on the due date;
- The client is on the LUR (the Bank of Portugal's User Risk List) – Cheques;
- The client has incidents with other banks – Overdue Loans, Retraded or Wriitten-down from Assets – in the CRC (the Bank of Portugal's Credit Liabilities Centre);
- The client has been subjected to any kind of legal lien;
- The client owes money to the ATA (Customs and Excise Authority);
- The client owes money to the Social Security;
- There is a history of credit default in BiG;
- There is a history of unauthorised demand deposit overdrafts in BiG;
- The client becomes unemployed or the Employer declares bankruptcy or layoffs;
- The client's spouse becomes unemployed or their Employer declares bankruptcy or layoffs;
- The client or spouse loses part of their monthly income;
- Loans restructured due to financial difficulties of the client;
- The client or spouse are included in any risk list outside of BiG;
- The client expects to go insolvent or be subject to recovery programs;
- Delivery of assets in lieu of payment;
- Violation of any contract signed with the Group.

J. Indication of the thresholds defined for individual analysis

For the purpose of the identification of individually significant exposures (which will obligatorily be analysed on an individual basis), the Group sets thresholds that should be considered. These are, among other things, exposures collateralised by non-liquid assets which represent a relevant percentage of the retail credit portfolio or of BiG's own funds. Nevertheless, even if a given exposure does not come within these criteria, and bearing in mind the Group's conservative position in relation to the credit risk, this may be subject to individual analysis for impairment.

K. Policy relating to the degrees of internal risk, specifying the treatment given to a borrower classified as in default

The Group does not use internal credit ratings in the treatment of irregular credit.

The internal treatment of a client classified as in default should contemplate taking all the operational measures that appear necessary, namely the inhibition of (i) movements in accounts and means of moving accounts, (ii) transfers of amounts outside of the Group, (iii) attempts to reduce or remove collateral and (iv) increases in exposure by the borrower.

As necessary, still in relation to this internal analysis, the legal mechanisms that ensure the execution of guarantees or the filing of enforcement proceedings will be triggered. This action will be coordinated by the Compliance Department, together with the firm of lawyers that assists the Group in legal matters.

The actions described above should also take into consideration (i) knowledge of the client, (ii) awareness of the product, (iii) the necessary understanding of standards, regulations, procedures, timings of reporting to the supervisory bodies and (iv) the need to adjust the Group's internal accounts and reports.

L. Generic description of the calculation of the current value of future cash flows in the calculation of the impairment losses assessed individually and collectively

On an individual basis, the method of calculation adopted by the Group to determine the impairment of credit is the discounted cash flow (DCF) method or rather, that of calculating the PV (Present Value) of the cash-flows due at the time of the analysis, discounted at a given interest rate. This PV is then compared with the exposure value and, if the difference is negative, there will then be impairment for an amount which should be duly accounted.

For impairment calculated on a collective basis, the Group determines the net value of each exposure (amount of the loan – amount of collateral). This collateral amount is adjusted by "haircuts", in accordance with the rules defined in the point called "Valuation of collateral". For the purpose of collective analysis, only in operations with financial guarantees (Margin Account) or real guarantees (Mortgages) is the respective collateral valued, while in other operations collateral is assumed to be equal to 0 (zero), even in the case of the leasing of motor vehicles where the property belongs to the Group.
A coefficient of 1.5% is applied to the net value of the exposure, except in Margin Account and Overdraft products, where 1% is applied.

In the case of the DCF method, the interest rate used in the calculation of impairment is determined in accordance with the following rules:

- fixed rate contracts: initial fixed rate
- variable rate contracts: current interest rate, resulting from the contract clauses (e.g. indexed to the Euribor)

Note: if the interest rate cannot be determined (e.g. for billing/ amounts receivable), the rate offered in BiG's "SuperDepósito" in force on the date of the analysis is used.

When the exposures are guaranteed by collateral, the Group takes into consideration the expected value of the collateral as well as the expectations of recovery, and the recovery and sale costs.

M. Description of the emergent period used for the different segments and justification of its appropriateness

The Group does not have an emergent period given that it does not have a model of collective impairment that considers this parameter.

N. Detailed description of the cost associated to the credit risk, including disclosure of the PD, EAD, LGD and cure rates

The Group has compiled historical data with which it is developing and calculating PD's and LGD's.

O. Conclusions concerning analyses of the sensitivity to the amount of impairment and alterations to the main assumptions

The Group assesses the impairment of its credit portfolio based on specific signs of impairment, which nevertheless do not depend on complex assumptions and so sensitivity analyses are not performed on the assumptions used.

Quantitative disclosures

Breakdown of exposures and impairment:

a.1)

Segment	Exposure 2015 Total Exposure	Exposure 2015 Performing Loans	Exposure 2015 Of which: restructured	Exposure 2015 Non-Performing Loans	Impairment 2015 Total Impairment	Impairment 2015 Performing Loans	Impairment 2015 Non-Performing Loans
Current Account Credit	16,506,448	16,506,226	-	222	18,734	18,512	222
Mortgages	6,190,366	6,144,935	-	45,432	77,346	54,244	23,102
Other	2,586,291	2,432,274	-	154,016	162,473	12,223	150,250
	25,283,105	**25,083,435**	**-**	**199,670**	**258,553**	**84,979**	**173,574**

Segment	Exposure 2014 Total Exposure	Exposure 2014 Performing Loans	Exposure 2014 Of which: restructured	Exposure 2014 Non-Performing Loans	Impairment 2014 Total Impairment	Impairment 2014 Performing Loans	Impairment 2014 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 2015						Total Impairment 2015			
		Performing Loans			Non-Performing Loans			Performing Loans		Non-Performing Loans	
		Days late < 30									
Segment	Total Exposure 2015	Without evidence	With evidence	Days late between 30-90	Days late <= 90*	Days late > 90	Imparidade Total 2015	Days late <= 90	Days late between 30 e 90	Days late <= 90*	Days late > 90
Current Account Credit	16,506,448	11,982,332	4,523,304	592	-	222	18,734	18,511	1	-	222
Mortgages	6,190,366	6,041,076	103,858	-	-	45,432	77,346	54,244	-	-	23,102
Other	2,586,291	2,346,073	61,322	24,879	226	153,791	162,473	12,065	158	2	150,248
	25,283,105	**20,369,481**	**4,688,484**	**25,471**	**226**	**199,445**	**258,553**	**84,820**	**159**	**2**	**173,572**

		Total Exposure 2014						Total Impairment 2014			
		Performing Loans			Non-Performing Loans			Performing Loans		Non-Performing Loans	
		Days late < 30									
Segment	Total Exposure 2014	Without evidence	With evidence	Days late between 30-90	Days late <= 90*	Days late > 90	Imparidade Total 2014	Days late <= 90	Days late between 30 e 90	Days late <= 90*	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
2005 and previous	70	2,853,589	3,240	15	683,479	6,033	33	82,178	5,072
2006	18	737,466	780	-	-	-	3	142,909	140,059
2007	34	627,223	663	6	390,422	3,446	2	25,505	35
2008	28	355,944	376	15	846,548	7,473	6	38,095	5,268
2009	38	1,827,308	1,933	7	530,067	27,381	-	-	-
2010	26	320,106	339	3	285,980	2,524	15	273,240	2,282
2011	28	2,251,055	3,434	13	763,998	6,744	9	42,975	171
2012	18	374,243	396	6	396,956	3,504	18	119,564	397
2013	21	416,539	441	6	550,462	4,859	22	366,004	2,159
2014	46	2,519,467	2,665	8	685,200	6,049	42	679,341	3,279
2015	54	4,223,508	4,467	8	1,057,254	9,333	1,487	816,480	3,751
	381	**16,506,448**	**18,734**	**87**	**6,190,366**	**77,346**	**1,637**	**2,586,291**	**162,473**

	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:

2015	Current Account Credit		Mortgages		Other		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Collective	16,506,448	18,734	6,190,366	77,346	2,586,291	162,473	25,283,105	258,553

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

2015	Performing Loans			Total		
Measure	Number of Transactions	Exposure	Impairment	Number of Transactions	Exposure	Impairment
Length of Period	3	9,328	14	3	9,328	14

2014	Performing Loans			Total		
Measure	Number of Transactions	Exposure	Impairment	Number of Transactions	Exposure	Impairment
Length of Period	2	12,435	182	2	12,435	182

e) Inward and outward movements in the restructured credit portfolio:

	2015	2014
Opening balance of restructured loans portfolio (gross of impairment)	**12,435**	**-**
Credit restructured in the period	656	12,963
Payment of restructured loans (partial or total)	3,763	528
Closing balance of restructured loans portfolio (gross of impairment)	**9,328**	**12,435**

f) Breakdown of the fair value of the collateral underlying the credit portfolio by segments:

2015	Current Account Credit				Mortgages				Other			
	Buildings		Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	1	293,550	371	15,462,082	82	15,529,117	1	35,000	15	2,273,746	2	35,000
>= 0.5 M€ and < 1 M€	-	-	6	4,945,430	-	-	-	-	-	-	-	-
>= 1 M€ and < 5 M€	-	-	1	3,565,761	-	-	-	-	-	-	-	-
	1	**293,550**	**378**	**23,973,273**	**82**	**15,529,117**	**1**	**35,000**	**15**	**2,273,746**	**2**	**35,000**

2014	Current Account Credit				Mortgages				Other			
	Buildings		Other Real Collateral*		Buildings		Other Real Collateral*		Buildings		Other Real Collateral*	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	-	-	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:

2015	Number of buildings	Performing Loans	Impairment
Current Account Credit			
< 60%	1	115,000	1,175
Mortgages			
< 60%	45	3,248,452	28,675
>= 60% and < 80%	18	1,783,106	15,740
>= 80% and < 100%	19	1,081,883	9,550
Other			
< 60%	11	830,976	7,143
>= 60% and < 80%	1	15,865	20
>= 80% and < 100%	3	41,929	53
	98	**7,117,211**	**62,357**

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 had 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. This building was sold during 2015. On 31 December 2015 the Group did not have any building received as payment in kind in its portfolio.

i) Distribution of the credit portfolio by degrees of internal risk:

The Group does not use internal credit ratings.

j) Disclosure of the risk parameters associated to the model of impairment by segments:

The Group does not use risk parameters, e.g. PD and LGD, in the impairment model.

NOTE 41
CHARGING OF ASSETS

On 31 December 2015 and 2014 charges on assets may be analysed as follows:

2015	Book value of pledged assets	Fair value of pledged assets	Book value of unencumbered assets	Fair value of unencumbered assets
Equity instruments	-	-	43,206,193	43,206,193
Debt securities	320,820,960	320,520,581	1,004,476,651	987,718,755
Other assets	500,000	-	173,059,615	-
	321,320,960		**1,220,742,459**	

2014	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	-	192,401,477	-
	241,967,212		**1,179,699,631**	

On 31 December 2015 the amount of liabilities associated to charged assets was 246 353 570 Euros (31 December 2014: 215 972 307).

NOTE 42
RECENTLY ISSUED STANDARDS

1. Adoption of standards and interpretations that became effective on 1 January 2015, with no material impact on the financial statements of 31 December 2015:

Standards

a) Amendments to standards 2011 - 2013. This cycle of amendments affects the following standards:

IFRS 3, 'Concentrations of business activities'. The amendment to IFRS 3 clarifies that the standard is not applicable to the accounting of the constitution of any joint arrangement according to IFRS 11, in the financial statements of the joint arrangement.

IFRS 13, 'Fair value: measurement and disclosure. The amendment clarifies that the exception to the measurement at fair value of um portfolio on a net basis is applicable to all types of contracts (including non-financial contracts) under IAS 39.

Interpretations

b) IFRIC 21 (new), 'Rates'. IFRIC 21 is an interpretation of IAS 37 and of the recognition of liabilities, clarifying that a past event that results in an obligation to pay a rate or tax (other than corporation tax - IRC) corresponds to the activity described in the relevant legislation that requires the payment.

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 February 2015, and which the Group decided not to adopt in advance. With the exception of IFRS9, for which the Group is assessing the potential impacts, no material impacts are expected from the adoption of these standards and/or interpretations.

Standards

a) Amendments to standards 2010 - 2012, (to be applied, in general, in the years that start on or after 1 February 2015). This cycle of amendments affects the following standards:

IFRS 2, 'Share-based Payments' (to be applied in the years that start on or after 1 February 2015). The amendment to the IFRS 2 alters the definition of the vesting conditions, now contemplating only two types of conditions of acquisition: "service conditions" and "performance conditions". The new definition of "performance conditions" contemplates that only conditions related with the entity are considered.

IFRS 3, 'Concentrations of business activities' (to be applied in the years that start on or after 1 February 2015). This amendment clarifies that an obligation to pay the amount of a contingent purchase, is classified in accordance with IAS 32, as a liability, or as an equity instrument, if it complies with the definition of financial instrument. Contingent payments classified as liabilities will be measured at fair value through the income statement of the year.

IFRS 13, 'Fair value: measurement and disclosure (to be applied in the years that start on or after 1 February 2015). The amendment to IFRS 13 clarifies that the standard does not remove the possibility of measurement of current accounts receivable and payable based on the amounts billed, when the effect of the discount is not material.

IAS 16, 'Tangible fixed assets' and IAS 38 'Intangible assets' (to be applied in the years that start on or after 1 February 2015). The amendment to IAS 16 and to IAS 38 clarifies the treatment to be given to the gross carrying amount and to accumulated depreciation / amortization, when the Entity adopts the revaluation model in the subsequent measurement of tangible and/ or intangible fixed assets, contemplating 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, 'Disclosures of related parties' (to be applied in the years that start on or after 1 February 2015). This amendment to IAS 24 alters the definition of related party to now include Entities that provide management services to the reporting Entity, or to the parent company of the reporting Entity.

b) IAS 19 (alteration), 'Defined benefit plans – Employees' contributions' (to be applied in the years that start on or after 1 February 2015). The alteration to IAS 19 applies to contributions of employees or third party entities to defined benefit plans, and sets out to simplify their accounting, when the contributions are not associated to the number of years of service.

c) IAS 1 (alteration), 'Revision of disclosures' (to be applied in the years that start on or after 1 January 2016). The alteration gives indications relating to materiality and aggregation, the presentation of subtotals, the structure of the financial statements, the disclosure of accounting policies, and the presentation of the items of Other comprehensive income generated by investments measured using the equity pick-up method.

d) IAS 16 and IAS 38 (alteration), 'Acceptable methods of calculation of amortization and depreciation (to be applied in the years that start on or after 1 January 2016). This alteration clarifies that the use of methods of calculation of the depreciation / amortization of assets based on income obtained are not, as a rule, considered appropriate for the measurement of the pattern of consumption of the economic benefits associated to the asset. It is to be applied prospectively.

e) IAS 27 (alteration), 'Equity method in separate financial statements' (to be applied in the years that start on or after 1 January 2016). This alteration allows an entity to apply the equity method in the measurement of investments in subsidiaries, joint ventures and associates, in separate financial statements. This alteration is to be applied retrospectively.

f) Amendments to standards 2012 - 2014, (to be applied, in general, in the years that start on or after 1 January 2016). This cycle of amendments affects the following standards:

IFRS 5, 'Non-current assets held for sale and discontinued operations' (to be applied in the years that start on or after 1 January 2016). 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 alteration to the plan of selling or distributing.

IFRS 7, 'Financial instruments: disclosures' (to be applied in the years that start on or after 1 January 2016). This amendment includes additional information on the significance of continued involvement in the transfer (derecognition) of financial assets, for the purpose of compliance with the obligations of disclosure.

IAS 19, 'Employee benefits' (to be applied in the years that start on or after 1 January 2016). This amendment clarifies that in the determination of the discount rate of the liabilities with defined benefit plans after employment, this has to correspond to high quality bonds of the same currency in which the liabilities are calculated.

IAS 34, 'Interim reporting' (to be applied in the years that start on or after 1 January 2016). This amendment clarifies the meaning of information disclosed in another area of the interim financial statements, and requires the inclusion of cross-references for this information.

g) 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 European Union's endorsement process. IFRS 9 replaced the requisites of IAS 39, in relation: (i) to the classification and measurement of financial assets and liabilities; (ii) to the recognition of impairment on credit receivable (through the expected credit loss model); and (iii) to the requisites for the recognition and classification of hedge accounting.

h) IFRS 15 (new), 'Revenue from Contracts with Customers' (to be applied in the years that start on or after 1 January 2018). This standard is still subject to the European Union's endorsement process. This new standard applies only to contracts for the delivery of products or provision of services, and requires an entity to recognise revenue when the contractual obligation to deliver assets or provide services is satisfied and for the amount that reflects the counter-provision to which the entity is entitled, as contemplated in the "5 step methodology".

Summary table of new standards:

Description	Alteration	Date of effect
1. Alterations and interpretations effective on 31 December 2015		
Amendments to standards 2011 – 2013	Clarifications	1 January 2015
IFRIC 21 – Levies	New interpretation – Accounting of liabilities by rates	1 January 2015
2. Alterations effective on or after 1 February 2015		
Amendments to standards 2010 – 2012	Clarifications	1 February 2015
IAS 19 – Defined benefit plans	Accounting of contributions from employees or other entities	1 February 2015
IAS 16 and IAS 38 – Methods of calculation of amortization/ depreciation	Revenue-based methods of depreciation / amortization are not permitted.	1 January 2016
IAS 1 – Presentation of the financial statements	Revision of the disclosures as part of the IASB's Disclosure Initiative project	1 January 2016
IAS 27 – Separate financial statements	Option to use the equity method, in the separate financial statements, investments in subsidiaries, joint ventures and associates.	1 January 2016
Amendments to standards 2012 – 2014	Various clarifications	1 January 2016
3. Standards and alterations effective on or after 1 February 2015, not yet endorsed by the EU		
IFRS 9 – Financial instruments	New standard for the accounting treatment of financial instruments	1 January 2018
IFRS 15 – Revenue from contracts with clients	Recognition of revenue related with the delivery of assets and provision of services, by the application the of the 5 step method.	1 January 2018

NOTE 43
SUBSEQUENT EVENTS

In conformity with article 2 of Notice no. 5/2015 of the Bank of Portugal, dated 7 December, as from 1 January 2016, entities subject to the supervision of the Bank of Portugal shall prepare the financial statements on an individual basis, in accordance with the International Accounting Standards (IAS), as adopted, at any time, by Regulations of the European Union and respecting the conceptual structure for the preparation and presentation of financial statements that encompasses those standards, as with what was previously required for the financial statements on a consolidated basis, when applicable.

The impacts on the Bank's financial statements on an individual basis on 1 January 2016, arising from the application of the IAS, result, essentially, in a reduction of provisions for loans to clients and guarantees, arising from the recognition of impairment losses calculated pursuant to IAS 39 in replacement of the previous standard contemplated in Notice no. 3/95 of the Bank of Portugal now revoked, which leads, excluding the associated fiscal effect, to an increase in equity of 25 176 Euros.

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)
Jorge Alegria Garcia de Aguiar (Effective Member)

Effective Portuguese Statutory Auditor

PricewaterhouseCoopers & Associados,
Sociedade de Revisores de Contas, S.A., represented by
Aurélio Adriano Rangel Amado or
José Manuel Henriques Bernardo

Jorge Manuel Santos Costa
(Chartered Accountant - Alternate)

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