

# ANNUAL REPORT 2010



# FINANCIAL INDICATORS

T.1

(Euro)

<b>Consolidated</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Net Interest Margin	16,525,657	11,918,085	9,690,611	9,500,662
Net Commissions and Fees	8,699,278	6,430,921	13,216,461	17,268,203
Treasury and Capital Markets	27,452,044	17,885,323	1,368,063	8,342,999
Other Income	-622,954	289,242	72,368	-1,092,006
<b>Operating Income</b>	<b>52,054,025</b>	<b>36,523,571</b>	<b>24,347,503</b>	<b>34,019,858</b>
Personnel Expenses	-12,556,067	-11,043,138	-8,357,235	-13,170,237
Other Administrative Costs	-6,019,658	-5,495,786	-4,361,652	-5,481,828
<b>Operating Expenses</b>	<b>-18,575,727</b>	<b>-16,538,925</b>	<b>-12,718,887</b>	<b>-18,652,065</b>
<b>Operating Cash Flow</b>	<b>33,478,298</b>	<b>19,984,647</b>	<b>11,628,616</b>	<b>15,367,793</b>
Amortizations	-1,607,394	-1,248,472	-1,141,907	-1,163,283
Provisions	-7,670	-12,480	1,795	-184,021
Impairties	-5,750,931	-3,115,429	-1,242,555	-46,504
Other Expenses	0	0	0	0
<b>Operating Results</b>	<b>26,112,303</b>	<b>15,608,264</b>	<b>9,245,949</b>	<b>13,973,985</b>
Result of Subsidiaries	292,136	-792,932	-404,110	51,127
<b>Profit Before Income Tax</b>	<b>26,404,439</b>	<b>14,815,332</b>	<b>8,841,839</b>	<b>14,025,112</b>
Current Income Tax	-5,824,683	-2,723,286	-2,453,172	-3,508,301
Deferred Tax	-119,866	237,056	37,263	751,454
<b>Net Income</b>	<b>20,459,890</b>	<b>12,329,102</b>	<b>6,425,930</b>	<b>11,268,265</b>

<b>Individual</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Net Income</b>	<b>20,196,409</b>	<b>12,314,862</b>	<b>7,172,217</b>	<b>11,026,678</b>

<b>Selected Indicators</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Total Net Assets	900,762,575	703,349,940	563,068,380	524,999,642
Shareholders Funds	108,140,897	128,685,719	107,369,380	102,406,985
Client Deposits	332,184,633	304,985,007	296,489,764	282,237,884
Non-Performing Loans / Total Loans	0.27%	0.23%	0.39%	0.15%
Non-Performing Loans / Total Net Assets	0.01%	0.02%	0.02%	0.02%
Loans / Client Deposits	12.80%	18.60%	9.86%	25.92%
Loans / Total Net Assets	4.72%	8.06%	5.19%	13.93%
Assets Under Supervision*	1,330,366,558	1,264,422,249	1,031,417,800	1,409,769,843
* Assets under management, held in custody and client deposits				

<b>Profitability</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Return on Average Assets (ROA)	2.55%	1.95%	1.18%	2.41%
Return on Average Equity (ROE)	17.28%	10.45%	6.13%	11.40%
Operating Income / Average Net Assets	6.49%	5.77%	4.48%	7.28%

<b>Solvency</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
TIER 1, Risk-Adjusted	36.20%	35.70%	32.70%	34.70%
Risk-Adjusted Capital Ratio	36.30%	32.80%	31.00%	35.50%

<b>Efficiency</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Net Interest Income / Earning Assets	1.98%	1.82%	1.94%	2.07%
Operating Expense / Operating Income	38.77%	48.70%	56.93%	58.25%
Personnel Expense / Operating Income	24.12%	30.24%	34.32%	38.71%

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## MANAGEMENT DISCUSSION



## OVERVIEW 2010

### The Bank

Banco de Investimento Global, S.A. (BiG, Banco BiG or the Bank) is a privately-held, specialized financial institution with headquarters in Lisbon, and is licensed to operate in all business areas open to the banking sector in Portugal.

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

The Bank generates all of its revenues in Portugal. However, the mix of earning assets and their geographical source may vary over time. The Bank interacts with clients through a number of integrated channels: Retail clients are served by the

online investment platform, [www.big.pt](http://www.big.pt), and financial advisors located in 12 offices in key central and regional locations, while sales and product teams based in Lisbon and Porto work with wholesale clients.

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

### Summary of 2010 Results

For the year ended 31 December 2010, Banco BiG generated Net Revenues of € 52 million, an increase of 43% in relation to 2009. Net income rose 66% to € 20.5 million on 39% higher net interest margin, a 35% rise in net commissions and a 42% rise in revenues from market related activities, most of which were realized investment gains. Earnings per share were € 0.23 in 2010 versus € 0.14 in 2009 and € 0.07 in 2008.

Return on average equity was 17.3% for the year as compared with 10.5% in 2009 and 6.13% in 2008.

The quality and liquidity of the balance sheet were high: at year end, 88% of total net assets were liquid securities and cash and the average rating of the Assets for sale portfolio stood at AA-. The Bank's loans/deposits ratio was 12.8% and the Bank held a significant cushion of assets eligible for sale/repurchase transactions with the ECB or in the market. At year end, the ratio of non-performing assets/total net assets was 0.01%.

The Bank's own funds, as calculated by Bank of Portugal regulations, were € 123 million. Banco BiG's Tier 1 ratio at 31 December 2010 was 36.2%, as compared to 35.7% at the same date in 2009 and 32.7% in 2008. BiG's consolidated risk-adjusted capital ratio at 31 December 2010 was 36.3%, versus 32.8% at the same date in 2009 and 31.0% for 2008.

Assets under supervision (AUS: deposits, assets under management, custody) rose to € 1.3 billion, as a result of higher retail deposit levels, increased investment activity by clients and a rise in the value of assets held by clients in their trading or custody accounts at the Bank.

### Impact of the Eurozone Debt Crisis on our Business in 2010

Banco de Investimento Global, S.A., as any financial institution, is sensitive to volatility in the markets and it is Management's responsibility to manage

T.2

(Euro 000)

Summary of Results	2010	2009	Δ (%)	2008	2007
Total Net Revenue	52,054	36,524	43%	24,348	34,020
Non Interest Expense	-25,942	-20,915	24%	-15,102	-20,046
Taxes	-5,945	-2,486	139%	-2,416	-2,757
Net Income	20,460	12,329	66%	6,426	11,268
Shareholders Funds	108,141	128,686	-16%	107,369	102,407
Total Net Assets	900,763	703,350	28%	563,068	525,000
Loans	42,533	56,713	-25%	29,233	73,149
Deposits	332,185	304,985	9%	296,490	282,238
TIER 1, risk-adjusted	36.20%	35.70%	1%	32.70%	34.70%
Risk-adjusted Capital Ratio	36.30%	32.80%	11%	31.00%	35.50%

through unexpected shocks and unusual market conditions, while preserving the integrity of the Bank's business and its ability to grow. Through the recent and ongoing sovereign debt crisis, markets have focused on the "peripheral" Eurozone countries and related banking systems of Greece, Spain, Ireland and Portugal, for a number of fundamental reasons, which vary from country to country. In the midst of falling ratings of major issuers, rising yields and less liquid markets, these events have had both positive and negative impacts on our business in 2010.

At the same time, because of the nature of our business model, BiG entered and has managed through a series of recent crises in an unusually strong position: with a large cushion of cash and capital, a high quality and liquid balance sheet, low gearing, independence from wholesale funding markets, and negligible issues of credit quality. Given the flexibility afforded by the Bank's strategy and balance sheet, Banco BiG has benefited overall from the general re-pricing of risk and process of deleveraging underway in the markets since 2008 in a number of generally liquid asset classes.

Specifically during 2010, the Bank's earnings improved because of: (i) higher levels of trading volumes by clients, associated with greater levels of volatility, (ii) the opportunity to increase margin income, and (iii) the flexibility to realize investment gains as a result of rising yields in highly liquid asset classes and, thereby, manage credit risk and liquidity in an uncertain environment.

The views by the international community of the Portuguese country rating and related evaluation of the banking system have led to reduced access to traditional sources of repo funding, which we believe to be a temporary event. Meanwhile, (i) at year-end, 88% of the Bank's balance sheet was cash and liquid securities, (ii) most of the Bank's earning assets can either be sold quickly or are eligible as

collateral for ECB funding, (iii) we have been active in managing a structurally excess liquidity position and (iv) a significant amount of securities remained available for conversion to additional liquidity at year-end.

Moreover, the decision by the Bank to hold and negotiate securities via its Trading or Assets for Sale portfolios provided greater flexibility to manage positions, encouraged discipline in position-taking and has resulted in a policy of absolute transparency with respect to valuations of all securities, which are marked to market under IAS through the profit and loss account and through the revaluation reserve of the Capital Funds account.

### Summary of Impact: Positives and Negatives

#### Positive:

- Continued shift toward more stable margin income, combined with a mix of lower cost funding encouraged modest expansion of the Balance Sheet, which rose 28%;
- Policy of maintaining securities in Trading and Assets for Sale portfolios: greater flexibility with respect to realizing gains in a volatile market, while maximizing transparency of the Balance Sheet;
- Rise of 35% in net commissions;
- Increase in retail deposits of 9% amidst signs of a growing deposit war;
- Gradual rebound of retail segment: € 11.3 million in net revenues or + 64% year on year;
- Virtually non-existent loan losses: diversified debt securities portfolio absent impairments;
- Rise of 66% in Net Income, which featured greater diversification of revenues;
- Maintenance of high levels of solvency and liquidity, modest levels of gearing;

- Deleveraging by domestic banks: opportunities for BiG and its business model.

#### Negative:

- Effect of total transparency on the Fair Value Reserve had an impact on Capital Funds and may limit risk taking, temporarily;
- Ratings downgrades of the Republic and major banks has damaged the country's reputation, limiting repo funding with international banks, among other factors;
- Deleveraging by commercial banks, rising yields of government debt and quest for liquidity will increase both credit spreads and deposit rates;
- Changing and increasing fiscal load;
- Recessionary environment should provide little opportunity, over the short term at least, for structural problems underlying the economy to be addressed.

### Balance Sheet Strategy

In the more than three years since the beginning of the sub-prime crisis in the USA (August 2007), the Bank has managed through a number of exceptional events. These have included a major banking crisis, a global economic turnaround and issues of leverage, creditworthiness and productivity of Europe's peripheral nations, to name a few. Throughout, Management has strived to position the Bank to grow and to prosper. We believe that our results are due to the following basic concepts that guide how we manage our business:

- We operate with low leverage and a highly conservative client loans to deposits ratio: 13% at year-end 2010, versus 19% for 2009 and 10% at year-end 2008, respectively;
- We focus on building a base of stable retail deposits and savings products alongside our client trading platforms and advisory business;



- We manage our business and balance sheet so as to be largely independent of interbank funding markets;
- We maintain a profile of structural, excess liquidity at all times;
- We run stress tests, using highly conservative scenarios, of all risk exposures on a daily basis;
- We work with levels of solvency well above regulatory guidelines;
- We acquire assets and deal in products that we can understand, and which our clients can also understand.

## Capital

At 31 December 2010, BiG's common equity was € 89,088,810, or slightly higher than the 87,570,000 shares at year end 2009, each with a nominal value of one euro. The rise was the result of subscription of new shares by Management and Staff during 2010 under approved stock programs.

Consolidated Shareholder Funds at 31 December 2010 were € 108 million versus € 128 million for 2009. The decline in Capital Funds includes the effect of a negative adjustment in the Bank's Fair Value Reserve of the Capital Account, which under IAS is available to reflect the positive or negative fluctuations of the Assets Held for Sale portfolio.

The overall high level of capital adequacy considers the considerable transparency of the Bank's business practices, balance sheet and business model.

The high solvency ratio also reflects the following general factors: the nature of our business, our appetite for market and credit risk, and a deliberate strategy of maintaining above average levels of capital adequacy and liquidity, given the turmoil in markets since 2008, in particular. Other factors include the competitive environment, the mix of assets we choose to allocate to the balance sheet and the need to ensure that risk-taking is compensated appropriately. During the year, the Bank was particularly active in rotating its mix of assets to ensure efficient use of capital and to take advantage of a general re-pricing of risk underway aggressively in the sovereign risk and covered bank debt market, as opposed to traditional lending to clients.

## Liquidity

During 2010, the Bank maintained significant levels of liquidity available as the domestic market began to feel the effects of the ratings downgrades of the Republic of Portugal and its negative effect on the banking system. It is a long-standing policy of the Bank to maintain high levels of liquidity on hand as a percentage of the balance sheet, in order to be able to respond to the most stressful market conditions. This has, as a basis, both a strategy of retail client funding and a conservative view on overall gearing. Gross leverage, measured by Net assets/Shareholder Funds rose to 8.3x at 31 December 2010, supported by a higher portfolio of liquid debt securities, versus 5.5x at year end 2009 and 5.2x at year end 2008.

Client deposits rose and ECB-sourced funding increased because of the liquidity/price advantage afforded by the Bank's larger, high quality securities portfolio. The Bank remained independent of traditional wholesale funding and participates in the domestic interbank market as a provider only. In addition, the Bank's business model is less loan-intensive, when compared to our peers as reflected in a Loans/Deposits ratio at 31 December 2010, as mentioned above, of just 13%. The quality and liquidity of our assets are major factors in providing flexibility and security in volatile markets. This issue and scenarios used for stress testing are discussed in further detail in the Liquidity Risk Management section of this Report.

## Shareholder Base

At year-end 2010, the Bank had 136 registered shareholders. The distribution of common stock remained in line with the prior year and the shareholder base was fairly stable. At 31 December 2010, 59% of the stock was held by private individuals, including the individual positions of the Bank's Management, while 41% was owned by a number of institutions and foundations. The Bank's largest single stockholder was a private individual holding a position of 12.1%. Of the shareholders of record at 31 December 2010, the largest 6 in aggregate owned slightly more than 50% of the stock, while the largest 10 shareholders, all with positions greater than 2% each, together held a total of 68%. The Bank's Management team represented a combined position of 14% of the capital. The above groupings are indicative as there are no agreements tying shareholders together.

## Dividends

For the past 12 years, since beginning operations in March 1999, the Bank has generated profits. The Bank began paying dividends in 2005, a payout of 64% in

T.3

(Euro)

Capital	2010	2009	2008	2007
Common Stock	89,088,810	87,570,000	87,570,000	75,082,920
Shareholder Funds	108,140,897	128,685,719	107,369,380	102,406,985
Own Funds	123,177,367	106,451,029	94,543,031	88,557,268
Tier 1 ratio	36.2%	35.7%	32.7%	34.7%
Risk-adjusted capital ratio	36.3%	32.8%	31.0%	35.5%

T.4

<b>Dividends</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Dividend per share	0.0325 €	0.065 €	0.050 €	0.050 €	0.040 €	0.030 €	0.025 €
% Individual Net Income distributed	15%	46%	61%	34%	42%	42%	64%

relation to 2004 earnings, and has paid dividends for each year since according to table T.4. The Bank has no firm dividend policy and Management is free to propose, and shareholders are free to approve, either increases or decreases in the dividend payout for a given year, in accordance with results, prevailing market conditions, strategy for applying capital and legal limitations.

In relation to 2010, in the interest of retaining capital given uncertain market conditions going forward, Management has proposed a cash dividend of € 0.0325 per share and the realization of an increase in capital by scrip issue that contemplates attributing, to existing shareholders, one new share per each ten currently held.

## Managing Risk

In broad terms, the Bank is in the business of assuming and managing risk. Policies and practices, which have been put to the test in the most stressful conditions over the past decade, are discussed further in the Internal Control section of this Annual Report.

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

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

During 2010, the rate of client acquisition remained steady and volumes transacted rose in relation to 2009, and following steep drops in 2008. Management focuses on ensuring that the Bank's processes can survive volatile market conditions, tests these processes regularly, and is attentive that controls and overall internal discipline be appropriate and adequate in the face of unusual events.

Bank-wide, we review and tend to increase the number and scope of stress testing scenarios for all major asset classes and portfolios, the results of which are measured, generally, on a daily basis. These include scenarios, developed by Management and the Bank's market risk group, which coincide with or exceed those recommended by our regulators. Simultaneously, we monitor value at risk (VaR) and earnings at risk in real timethroughout the day and use a number of non-statistical limits for

market risk. These are inter-linked with basic credit-related measures and operational procedures to ensure over-lapping controls over all significant exposures.

Credit exposures - associated with a significantly larger portfolio of listed earning assets, moderate levels of margin lending to clients and transactions with counterparties - have grown while absolute quality has remained consistently high. This is based on their internal and external ratings and a measure of expected credit losses. Credit-related losses, as well as costs associated with operating risks were negligible for the year, owing to a business model that stresses product design, a focus on scale and automatic processing.

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

## Business Outlook for 2011

For 2011, we expect that global growth will be strong, but unevenly distributed. The economies of Asia and other former "emerging" countries continue to boom and the US appears to be recovering, while focusing on issues of job creation and high levels of public sector debt. Europe is clearly operating at two different speeds while groping with issues related with, and underlying, the on-going sovereign debt crisis. The nature of the differing problems, domestic realities and economic priorities, combined with

recent movements for change across North Africa and the Middle East, may provide a recipe for additional shocks, greater market volatility, opportunities for growth, but also higher risks of losses, and, possibly, the beginning of the end for some long-established operating models by governments and businesses.

During 2010, markets recognized that Portugal and other “peripheral” countries do not merit the same level of confidence as that afforded Germany, or other countries operating at a different rate of development and with higher standards of fiscal rigor and rates of productivity. The resulting, much higher credit spreads being paid by the Republic and the collateral effect for the rest of the economy appear to be structural, rather than temporary in nature. Given the lead time necessary for the State, over-extended banks and indebted consumers to deleverage – more likely taking years than months to achieve, assuming long-ignored structural problems are recognized and acted on quickly - Management is not optimistic about the prospects for the Portuguese economy into the foreseeable future.

For the economy in general, we believe that 2010 marked the end of a cycle and the beginning of a new order, as yet to be defined. Meanwhile, a combination of fiscal drag, strained banks and high public and private sector borrowing costs will stifle growth.

For the banking sector, we expect to see higher credit spreads, higher funding costs and higher taxation, along with continued pressure on credit quality and capital adequacy, emphatic attention to liquidity and increasing regulatory scrutiny.

For Banco BiG, Management will favor a policy of low leverage, excess capital and ample liquidity in an uncertain environment. We believe that our business model and culture have proven to be both secure and resilient during

the financial crisis, and that opportunities may become plentiful in the current period of stress, as the past three years have shown. However, we are concerned about the slowness of the EU policy-makers to address key issues, which cannot be solved at the country level.

### Events Following the Year-End 2010

In January 2011, the Bank opened a new branch located at Palácio Estoril, on Avenida Clotilde in Estoril.

In April 2011 the Bank will open its 13th office, a new branch located in Aveiro.



# OUR BUSINESS AND ORGANIZATION

## Objectives

BiG's objectives are to provide efficient and competitive financial services to our clients and to create long term value for our shareholders. We believe that these goals are best achieved with an efficient and clearly understandable corporate and internal operating structure. Management believes that our focus on building a business around talented people, well-designed processes and reliable technology solutions is the key component of our business model and internal culture.

Together, the components serve to maximize operating efficiency and help to maintain a competitive cost structure designed to benefit the end client. They are also essential to maintaining tight controls over market, credit and operating risks to which any financial institution is exposed. At the same time our model is flexible, periodically revised and heavily dependent on a frequent review of numbers and the quantitative performance of our businesses. We seek sustained growth and a balance between investment for the medium term and expected returns in the short term.

## Legal Structure and Corporate Bodies

BiG's corporate structure is headed by the Bank. At year-end, the Bank held a minority stake in ONE TIER PARTNERS, S.G.P.S., S.A., which in turn held 100% of the capital of ONE TIER PARTNERS, Sociedade de Capital de Risco, S.A.. The former entity is a holding for the equity investments and the latter manages a private equity fund, specializing in buy-outs, Lead Capital, *Fundo de Capital de Risco para Investidores Qualificados*. The Bank also owned directly BiG Serviços Financeiros, S.A., which manages the Bank's real estate and performs financial advisory.

### Banco de Investimento Global

↓	34.76%	<b>ONE TIER PARTNERS, S.G.P.S., S.A.</b> Business: Equity stakes Common Stock: € 16,000,000
↓	100%	<b>ONE TIER PARTNERS, S.C.R., S.A.</b> Business: Private Equity Common Stock: € 750,000

↓	100%	<b>BiG Serviços Financeiros, S.A.</b> Business: Bank real estate management and financial advisory Common Stock: € 150,000
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The Bank's model of retail distribution focuses on a proprietary internet-based platform, [www.big.pt](http://www.big.pt), and at year end 2010 featured fully-integrated sales teams located in Lisbon (3), Porto, Braga, Maia, Coimbra, Leiria, Évora, Carnaxide and Viseu. The Bank added an office in Estoril in Q1 2011 and will open another in Aveiro in Q2 2011, bringing the retail network to a total of 13 offices. Wholesale clients are served by teams located in Lisbon and Porto.

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

Properties occupied by the Bank are either leased or directly owned by the Bank. In October 2009, the Bank moved into its new head office building at Av. 24 de Julho in Lisbon, which had been under construction since September 2007. The property is owned directly by the Bank.

The Bank's retail brand, *bigonline*, refers to an internet investment service managed exclusively by BiG and has no separate legal identity. The complementary brand *Banco BiG* was introduced in 2006 to unify our image in anticipation of our launching a more mass-market approach to investment advisory via our physical branches.

## Internal Organization and Business Segments

The bank organizes its product, sales, investment, processing and control areas around three key businesses: *Specialized Retail*, *Wholesale clients*, combining Corporate and Institutional clients, and *Treasury and Capital Markets*. Revenues from each area may vary as a percentage to total revenues, as market conditions change and opportunities arise.

### Specialized Retail

Banco BiG serves a wide range of individual clients with varying needs and expectations with an integrated multi-channel approach, featuring a proprietary banking and trading platform plus a growing network of

### Banco BiG – Business Segments

<b>Specialized Retail</b>	Brokerage, savings, asset management credit and banking services
<b>Wholesale Clients</b>	Corporate advisory brokerage, risk and asset management
<b>Treasury and Capital Markets</b>	Liquidity, risk and balance sheet management

T.5

(Euro 000)

Operating Revenues by Business Segment	2010	Δ (%)	2009	2008
Specialized Retail	11,321	64%	6,884	9,440
Wholesale Clients	4,220	53%	2,751	10,827
Treasury and Capital Markets	21,794	42%	15,305	302

sales offices in the country's key geographic markets. The combination of electronic platforms, specialized sales teams and financial advisors help clients execute banking transactions, manage their savings and invest through a variety of the world's most important regulated markets. This business provides banking services and solutions for clients ranging from the self-directed client, to clients seeking assisted investing, to the wealth management client requiring tailor-made solutions and preservation of capital. In 2010, this segment represented 30% of net revenues on an internal management basis, against 27% in 2009 and 45% in 2008.

### Wholesale Clients

For institutional investors and middle market to large corporations, the Bank's professionals from a number of product areas design specific financial solutions, execute trading and investment strategies and help clients to manage their risks. The broad range of services we offer includes trading in regulated markets, structuring over the counter products, managing assets, covering market risks and Corporate Finance advisory services. In 2010, this segment represented 11% of Total Net Revenues in a weak domestic environment, versus 11% in 2009 and 52% in 2008.

### Treasury and Capital Markets

This business is central to the Bank's culture of managing and understanding market risks and focuses on liquidity and balance sheet management. The area focuses on the Bank's investment portfolio, provides expertise and information for

internal consumption on markets, covers the market risk component of solutions sold to clients, is active in product design for both retail and wholesale customers and manages the treasury and risk positions of the Bank. In 2010, this segment represented 58% of Total Net Revenues, which reflects realized investment gains and the effects of the sovereign debt crisis. In 2009 the percentage of net revenues on an internal management basis was 61% and in 2008, when markets fell precipitously, 1%.

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

### Corporate Governance

The logic of the Bank's internal organization and the entities we believe are needed in order to reach our objectives are a matter for regular review and are a function of Management's desire to maintain simplicity, transparency and reasonable operating control over the business. This philosophy encourages the efficient use of resources and a clear distribution of responsibility as to how these resources are used. Banco BiG, although not a listed firm, nevertheless seeks to follow, and in general complies with, recommendations of the OECD (OECD Principles of Corporate Governance –2004 edition) and the Portuguese CMVM (CMVM Corporate Governance Code) to the extent that they are practical and commensurate with the Bank's size.

### Voting Rights

In accordance with the Bank's statutes, there are no restrictions on the voting rights of shareholders. Each share held corresponds to one vote, provided that each shareholder, or group of shareholders, holds at least 1,000 shares.

### External Advisors and Auditors

The independent auditors of the Bank and subsidiaries are KPMG. In 2006, the Bank established a policy of rotating auditors periodically, and conducts reviews for this purpose every 8 years. It is the Bank policy to have independent external audit and tax functions. *Deloitte* is the Bank's tax advisor. The Bank retains the firm of *J. A. Pinto Ribeiro & Associados* as its main external legal advisor.

### Internal Control

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

### People

Our principal assets are our people, our capital and our reputation. These are inter-linked and inter-dependent.

**BiG's statutory supervisory bodies**

<b>General Assembly</b>	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.
<b>Advisory Board</b>	Composed currently of 15 individuals, in the main shareholders of BiG, whose members and whose President are invited by the Chairman of the Board of Directors, who also has a seat on the Advisory Board as does the Vice Chairman / COO. The Advisory Board meets on average three times per year and to discuss strategy and recommendations. The decisions of the Advisory Board are not formally binding on the internal Board of Directors.
<b>Board of Directors</b>	Consisted at year end of six executive members, who manage the Bank directly on a day to day basis. Elected to four year terms, all members are experienced bank executives. While chosen based on their relevant experience, each is also a minority shareholder on an individual basis, independent of any specific shareholder interest. As all board members are executives ( <i>"monista"</i> ), 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.
<b>Fiscal Board + CPA</b>	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.
<b>Compensation Committee</b>	Consisting of three independent individuals elected for four year terms, this body reports directly to the shareholders. Compensation for the Board of Directors and Fiscal Board is determined periodically by this Committee. Responsibilities include the periodic review of compensation policies.

Since the development of our internal culture is essentially a top-down process, the recruitment, training and career development of our people begins with and involves senior management at the highest level. We see the development of our people 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, a respect for others and above all, integrity.

At year-end 2010, the average age of BiG's staff was 33 years and 80% of the Bank's staff held university degrees.

For 2010, the average number of directly affiliated staff, excluding Management was 143, compared to 140 at year end 2009. During 2011, we expect a modest net increase in headcount associated with larger sales, trading and research teams.

**Factors that Affect our Business**

The Bank manages a number of risks inherent to the banking business. These include market, liquidity, credit, operational, legal, reputation and regulatory risks. Changing economic and political conditions affect the business. In 2010, the sovereign debt crisis affecting the Eurozone has exposed serious flaws underlying the creation of the single currency, a large divergence in fiscal responsibility and productivity among European countries and the different perceptions of credit worthiness between well-managed and poorly-managed economies. Portugal, along with its many long-ignored structural issues, is at the heart of the turmoil in Europe. This factor is at the top of the list of those that have affected our business, positively and negatively, during 2010 and will continue to affect our business for some time.

Even though Banco de Investimento Global is neither currently rated nor dependent on external interbank

markets, successive downgrades by international ratings agencies of the Republic and major banks has damaged investor confidence in the country, and our business is affected by this circumstance. The view by global financial markets of Portugal's country rating, its economic prospects and the banking sector as a whole, will affect our business as counterparties reduce their exposure to the country's risk, irrespective of their analysis of individual banks. Portuguese banks, dependent on external markets to fund parts of their asset bases, have had to deal with limited access to wholesale financing since early 2010. This factor, combined with domestic weakness and private-sector indebtedness, has redefined, abruptly, the market's view of credit risk, credit spreads and the cost of funding by banks.

Additionally, the migration of quality personnel to more attractive, competitive markets, combined with tighter regulation and higher taxation applied specifically to the banking sector, may affect our



business if it becomes more difficult to retain staff and reward performance and merit, relative to other sectors of the economy.

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

## Our Business Practices

BiG is run by experienced professionals who have a relevant stake in the organization's capital alongside other shareholders, many of whom are also co-founders of the Bank. Management believes that internal governance begins with a simple organizational structure and clearly-defined lines of responsibility for corporate bodies, Management and staff. There are no shareholder arrangements, our business model is deliberately transparent, we do not favor complex organizational charts, and **the Bank does not operate offshore branches or special purpose entities**. Moreover, since the Bank's creation, we have sought to align the interests of shareholders and Management while striving to ensure a sensible separation between those that own and guide, on the one hand, and those who manage professionally and take day

to day responsibility on the other. We believe that ownership and long term incentives through stock and options programs are key to maintaining this balance and have worked with shareholders to put this into practice long before regulators began to recommend along these lines.

We believe that the best form of governance for any organization begins with its underlying culture and the integrity of its people. The nature and extent of our disclosure of information also reflect a fundamental aspect of our internal culture and value proposition. In our relations with shareholders, clients, regulators and counterparties, we make it a point to communicate in a deliberately detailed manner not only what our business model is, but how it functions. Internally, the culture of the Bank stresses the exercise of corporate governance as a daily one in responsibility and accountability for each individual, team and business line. It is a concept that begins with the Executive Board and internal supervisory committees and operates and extends throughout the organization.

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

## Competition

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

Given the structure of the Portuguese economy and its dependence on and intervention by the State, distortions in competition are not uncommon. As the largest single client of financial services, either directly or indirectly, the State also has the capacity to influence the competitive environment. The fact that relevant slices of the Portuguese economy are either owned, directly managed, or directly or indirectly influenced by the State, via golden shares or other arrangements, combined with the existence of cross-shareholdings among banks and the largest Portuguese companies - portions of whose boards are indicated or approved the government - tends to reduce transparency and business opportunities for the broader market, thus increasing competition further among niche players.

The competitive environment has begun to change since 2008, when two banks were intervened, both amid allegations of illegal conduct and revelations of



unsustainable business models. One bank was absorbed by Caixa Geral de Depósitos, while the other has had its license revoked following a long, still-unresolved regulatory and legal process.

Some consolidation of banks has begun and we expect this trend to accelerate as the severity of the economic downturn becomes evident during 2011. Depending on the outcome of the current sovereign debt crisis, and the clear need by Portuguese banks to raise capital and deleverage, significant changes to the competitive landscape may occur as foreign equity investors begin to identify and act upon opportunities.

## Compliance

As we manage through series of financial crises, global review of some of the misguided policies that appear to have been at its origin has led regularly to new legislation and regulatory measures, while at the same time scrutiny of compliance policies of the banking sector has intensified. As a banking and securities business competing with both domestic and global providers of financial services, respect for regulations and for the welfare of our clients is central to our business model. Compliance is both a key function within the bank and an integral part of the internal culture. We seek to make transparency, respect for regulations and responsible behavior competitive selling points for the Bank in dealing with clients.

## Business Continuity and Information Security

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

the Bank grows and as market conditions and the regulatory environment changes. The Bank further upgraded its business recovery procedures and has tested these upgrades in a real environment during 2010. As with stress testing of the various trading and investment portfolios, we design assumptions as a basis for crisis management and business recovery scenarios covering processing and key business functions. Key elements of the plan include alternative facilities for central functions, such as trading and operations, capacities for remote processing, systems and data recovery and redundancy, and improvements in systems security.

## Regulation

Banco de Investimento Global, S.A. is an institution registered with and supervised by the Bank of Portugal and the Comissão do Mercado de Valores Mobiliários (CMVM), the two main bodies responsible for supervising financial activities in Portugal. Over the past several years, events in financial markets have led Regulators internationally and domestically to propose and implement significant changes to the functioning of the financial services industry. We expect that regulation will increase and will add to operating costs.

## Banco de Portugal

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

[www.bportugal.pt](http://www.bportugal.pt)

## CMVM

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

[www.cmvm.pt](http://www.cmvm.pt)

## Instituto de Seguros de Portugal

As a consequence of Decree Law nº 144/2006 of 31 July, which transposed Directive nº 2002/92/CE of the European Parliament and of the Council, as of 9 December, with respect to insurance intermediation, BiG is registered with the Instituto de Seguros de Portugal as an adjunct insurance intermediary.

[www.isp.pt](http://www.isp.pt)



# ANALYSIS: RESULTS OF OPERATIONS FOR 2010

## Global Economy

T.6

Economic Evolution of the Markets (%)	2011E	GDP 2010	2009	2011E	CPI 2010	2009
US	3.0	2.8	-2.6	1.2	0.5	1.9
Eurozone	1.5	1.8	-4.1	1.5	1.6	0.3
Portugal	-1.3	1.3	-2.6	1.2	0.9	-0.9
Africa	5.5	5.0	2.8	7.0	7.5	10.4
Middle East	4.6	3.9	1.8	6.9	7.1	7.5
Asia	8.4	9.3	7.0	4.2	6.1	3.1
South America	4.3	5.9	-1.8	6.0	6.8	5.0
<b>World</b>	<b>4.4</b>	<b>5.0</b>	<b>-0.6</b>	<b>3.3</b>	<b>3.8</b>	<b>2.7</b>

Source: IMF, Bank of Portugal

## Global

Economic growth globally was strong in 2010 when compared to 2009 for the developed economies, in particular. According to data from the IMF, global economic growth was 5% versus -0.6% in 2009, with main contributions coming from the developing economies of Africa (+5%) the Middle East (+3.9%), and emerging Asia (+9.3%), which together represented 50% of global wealth. China led the group and surpassed Japan as the world's second largest economy. These economies remained robust in spite of greater political risk and accelerating prices of certain asset classes, namely real estate in China, and have supported rising prices in most raw materials, translating into inflationary pressures which may threaten the current rebound. A new equilibrium geopolitically has resulted in some tension, particularly in the foreign exchange market, where the USA has defended a progressive appreciation of the Yen in order to reduce the growing trade surplus of its main creditor, China.

In the developed world, the USA led economic recovery with growth of 2.8% versus Europe's rate of 1.8%. This differential gained momentum in 2H 2010 with the FED's QE II stimulus program and following the renewal of tax incentives negotiated by the Administration with Congress.

In contrast, Europe's more modest performance was conditioned by pressures felt by countries on the EU's periphery during most of the year, and investor concerns about the solvency and liquidity positions of those member countries. The pressure culminated with external assistance to Greece (May) and Ireland (November) within the scope under the auspices of the EU leadership and the IMF, which led to the creation of the European Financial Stability Facility (EFSF). The two interventions were insufficient to control the contagion to other peripheral countries in Europe, leading to widening spreads and negative market sentiment. The combination of factors affected risk assets in general: (i) stock indices in the periphery fell versus rises in the USA and Germany; (ii) sovereign credit spreads widened in the peripheral countries along with those of the respective banks, which corporate spreads moved in the opposite direction; (iii) raw materials rose, especially in 2H 2010, and were correlated significantly with the fall of the USD against the Euro.

Prospects for 2011 continue to suggest risks, as austerity measures in Europe's peripheral countries begin to weigh on growth, as private consumption and investment fall. The process of deleveraging globally should imply lower rates of growth when compared to historical averages

– especially in Europe – where new stress tests on major banks will be carried out following an earlier exercise in 2010. The possible interruption of liquidity programs offered to banks by the ECB brings an added risk, just as banks will be required to reinforce capital ratios to strengthen the system. Global economic momentum is expected to be maintained by favorable dynamics in the USA and emerging economies in spite of persistent inflationary issues in those countries. Excluding the emergence of external risks or shocks, inflation should be contained in the developed countries, such that a process of quantitative tightening should begin in Europe during Q2 2011.

## Portugal

According to the Winter Economic Bulletin of Bank of Portugal, Portuguese gross domestic product should register 1.3% for 2010 (vs -2.6% in 2009). Both performances were in line with the trend major global economies, although smaller in size. Economic growth in 2010 was led by growth in exports of 9% annualized, and private consumption. Imports, meanwhile, rose 5% and investment maintained a negative trend, falling 5% following a fall of 11% for the previous year. In annual terms, internal consumption was robust, although slowing significantly by the end of the

year as the economic outlook worsened and new measures to curb growth in spending were announced with the 2011 Budget. The consumer price index reached 0.9% in 2010, while unemployment reached 11.1% against 9.4% for the prior year. Projections for growth of the Portuguese economy point to a negative rate of growth of 1.2% for 2011, a slowdown in internal demand, as a result of a projected fall in investment (-6.8%) and a drop in public and private consumption. In addition, reduced availability of credit and an increase in credit spreads across the board are likely. The current account is expected to be positive in 2011, led by a rise in exports of 5.9%, while public spending is projected to contract 4.6%, reflecting the impact of measures introduced in the 2011 Budget.

### Business Environment for Banco BiG

The economic environment summarized above affects to a significant degree how our businesses perform. Banco BiG is a Portuguese bank, with a largely national client base and most revenues generated from domestic operations. However, aspects of our flexible business model, the mix of assets we manage on the balance sheet, the products and platforms we make available to our clients, and the trading partners with whom we interact, imply a balanced approach with respect to domestic and external markets. Business activity in Portugal is highly dependent on the level and competence with which the State involves itself with the economy, combined with the country's significant dependence on external factors. This combination of factors has the country at the center of the Eurozone sovereign debt crisis and we believe that there is a significant shift in market expectations underway. Structural problems of the economy are at the heart of the country's

chronic levels of low productivity and lack of competitiveness. Just as the problems are structural, the market's changed view toward Portugal may be structural, requiring fundamental, not temporary solutions over time. Management believes that the business environment into the foreseeable future will be challenging and will involve increasing regulation and risk, but may also present specific opportunities to continue to grow in a sustained manner.

### Financial Highlights

**For the full year 2010, Banco de Investimento Global earned € 20.5 million**, 66% higher than the € 12.3 million registered in 2009, which in turn was 92% higher than net results generated in 2008. Earnings per share in 2010 were € 0.23, as compared to € 0.14 in 2009 and € 0.07 in 2008. Return on Average Equity rose to 17.3% in 2010, versus 10.5% in 2009 and 6.1% in 2008.

**The Bank's Tier 1 ratio at year end was 36.2%, or slightly above the average over the past three years of 34.3%.**

Growth in Net Income was driven by a 43% rise in Net Revenues, including healthy gains in net interest margin, net commissions and net market-related revenues, which more than offset a rise in the Bank's tax rate, from 17% in 2009 to 23% in 2010. Total Net Assets were up 28% to € 901 million, on higher levels of mainly listed, fixed income earning assets. The Bank's modest loan book moved from € 57 million at year end 2009 to € 43 million at the same date in 2010, and represented 13% of Client Deposits, as compared to 19% for the same date in 2009. Non-performing loans / total net assets were a negligible 0.01% at year-end 2010.

### Summary:

- **43% increase in Net Operating Income to € 52 million, versus € 36.5 million in 2009;**
- **Gains of 39% in Net Interest Margin and 35% in Net Commissions;**
- **Net Revenues from Treasury and Capital Markets of € 21.8 million, 42% higher than in 2009;**
- **Earnings per share rose to € 0.23, vs € 0.14 in 2009 and € 0.07 in 2008;**
- **Return on Average Equity of 17.3% for 2010, vs 10.5% for 2009;**
- **Net Assets advanced 28% to € 901 million;**
- **Rise in Client Deposits of 9% to € 332 million;**
- **Assets under Supervision at 31/12/2010 of € 1.33 billion;**
- **Ratio of Loans / Deposits of 13% at 31/12/2010, vs 19% at 31/12/2009;**
- **Non-performing Loans / Total Net Assets of 0.01% at 31/12/2010, compared to 0.02% at 31/12/2009;**
- **Tier I Ratio of 36.2% at 31/12/2010, vs 35.7% at 31/12/2009 and 32.7% at 31/12/2008.**

## Detailed Results and Financial Condition for 2010

T.7

(Euro)

Revenues	2010	2009	2008
Interest income	24,075,341	17,210,684	21,626,128
Interest expense	-7,549,684	-5,292,599	-11,935,517
<b>Net interest margin</b>	<b>16,525,657</b>	<b>11,918,086</b>	<b>9,690,611</b>
Income from capital instruments	1,360,493	1,322,547	887,313
Income from services and commissions	11,485,475	8,005,808	21,519,805
Expense associated with services and commissions	-2,786,197	-1,574,887	-8,303,344
Income from market trading	3,632,089	2,124,785	-7,242,155
Income from financial assets held for sale	16,824,264	12,612,148	4,416,762
Income from exchange revaluation	1,241,544	1,853,418	3,306,143
Income from the sale of other assets	4,393,654	-27,575	0
Other income	-622,954	289,242	72,368
<b>Net operating income</b>	<b>52,054,025</b>	<b>36,523,571</b>	<b>24,347,503</b>

Net operating revenues rose by 43% in 2010 to € 52 million and featured significant growth in each of the Bank's main revenue classes. Among these:

- Net interest income was 39% higher because of wider spreads on a larger inventory of earning assets in the Bank's portfolio of securities held for sale (AFS). Year on year, the AFS portfolio grew 1.3 times to € 694 million and experienced some rotation and varying concentrations during the year as markets re-priced risk in the midst of an unprecedented reassessment of sovereign credit-worthiness and, by extension, European bank risk as the year progressed. For 2010, Net Interest Income represented 35% of total net revenues, the same percentage as in 2009 and as compared to 40% in 2008.
- Net commissions were € 8.7 million or 35% higher in 2010 than in 2009. Growth reflects the continuation of a gradual rebound in retail brokerage volumes since 2007 highs, and includes the impact of revenues from advisory and other services rendered to corporate and institutional clients (see Results by Client Segments).
- Fees and commissions from trading by retail clients are derived from a number of channels and products, including cash markets, futures, warrants, foreign exchange and contracts for difference. Also included are fees from asset management products, which include transaction management fees, and growing revenues from retail banking services. Revenues from wholesale brokerage, tailor made investment products, Corporate Advisory and private equity activities make up the rest of this class of revenues. Net commissions in 2010 from both retail and wholesale client segments rose and for both 2010 and 2009, net commissions represented 19% of total net revenues. In 2008, the total was 54%, mainly as a result of much lower trading revenues in a difficult economic environment.
- Net revenues from Treasury and Capital Markets activities advanced 42% to € 21.8 million, including trading income associated with client business and investment gains associated with the Bank's investment portfolio and similar income during a year of significant volatility for sovereign and a number of bank-related asset classes in Europe. Also included in this cate-

gory are € 4.5 million in gains from the liquidation of the Bank's Held to Maturity portfolio during the first quarter of 2010. Revenues from this category are net of Impairities registered for variable income securities, discussed in Expenses below. For 2010, net revenues from this business were 46% of the total, as compared with 45% in 2009 and just 6% in 2008, when the credit crisis affected results.

The end of 2010 marked a period of more than three years since the start of the current cycle of major global economic events, which began with the bursting of the sub-prime bubble in August 2007. With a number of markets still booming, notably Asian and Latin American economies, and as the US begins to recover, the focus during 2010 has been on Europe, the fragilities in the Eurozone and the specific issues associated with so-called "peripheral" countries of Greece, Ireland, Portugal and Spain. At the core of the various combinations of asset bubbles, fiscal imprudence by Governments and asset and liability issues affecting the various banking sectors has been a long period of high liquidity, low interest rates and imprudent credit models, which came abruptly to a halt in 2010, first with Greece, then spread quickly to other weak Euro economies.

These events have created opportunities for gain and loss, have affected investor confidence, which has begun to recover somewhat since 2008, and should continue to reverberate on the pricing of earning assets and financing through at least 2011. In 2010, the performances of equity markets globally were uneven, deal-making in Portugal slowed drastically, retail investors increased their appetite for risk towards the end of the year, and savers began to benefit from the start of a deposit war in Portugal among banks seeking to compensate for the sudden decline in external funding options.

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

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

For 2010, total expenses grew 24% as compared to an increase in net revenues of 43%. The division of the various expense categories was unchanged, with personnel-related expenses representing the largest portion. Besides compensation-related expenses, dominant expense categories include (i) administrative costs, which are closely linked to headcount, (ii) management of investments in the Bank's physical offices and technology systems, and (iii) impairments of financial assets, which on a management basis, are netted with revenues from the respective business areas.

Compensation-related expenses increased 14% year on year. A portion of compensation expenses may be variable year on year and may include either incentives paid to sales staff or accrued bonuses paid on an annual, discretionary basis. As a percentage of total Expenses, compensation-related expenses declined for the fourth year: 48% in 2010, from 53% in 2009, 55% in 2008 and 66% in 2007. The ratio of compensation expense to Total net revenues likewise has declined for four years in a row: 24% in 2010, as compared with 30% 2009, 35% in 2008 and 29% in 2007. In absolute terms, and given the general mood to contain salaries in an uncertain environment, overall compensation expense in 2010 was lower than in 2007, while average headcount has grown from 115 to 143 during the same four year period.

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 rose 10% during 2010. Management expects to contain this category to near zero growth for 2011, given the uncertain economic environment.

Amortization expenses at BiG are related principally to real estate occupied by the Bank, investments in hardware and

other equipment and initial license fees associated with software agreements. The portion associated with premises includes the head office building and investments in and improvements to the Bank's growing branch and ATM network. The Bank regularly invests in its IT infrastructure to ensure quality execution, state of the art security and appropriate redundancy. We invest in outside IT solutions and equipment to support our infrastructure and also have dedicated resources to managing the infrastructure with in-house solutions. Year on year, amortization expense increased 29%, after increasing 9% in 2009 and declining 2% in 2008. This expense category represented 6% of total Expenses in 2010 and 2009, against 8% of the total in 2008.

Impairments in Financial Assets rose to € 5.7 million and are an expense associated with the Bank's market-related activities. They include negative variations in the market value of certain longer term investment securities, notably EDP and REN. Management expects that these amounts may be reversed in the future as market values improve.

Meanwhile, overall efficiency measures improved on higher revenues and relatively contained expense growth.

Pre-Tax income for 2010 was € 26.1 million or 67% higher than 2009 and nearly three times higher than for 2008. Results from the Bank's investment in ONE TIER PARTNERS, S.G.P.S., a private equity vehicle reversed a negative trend of previous years. Current taxes more than doubled on higher taxable revenues and a more onerous tax environment, the result of draconian measures established by the current Government to correct fiscal imbalances which have accumulated over recent years. The Bank's effective tax rate moved to 23% from 17% in 2009 and 27% in 2008.

T.8

(Euro)

Expenses	2010	2009	2008
Compensation expense	-12,556,067	-11,043,139	-8,357,235
General administrative expense	-6,019,658	-5,495,786	-4,361,652
Depreciation and amortization	-1,607,394	-1,248,472	-1,141,907
Net provisions	-7,670	-12,480	1,795
Impairment of credits net of reversals and recoveries	4,941	-23,142	-30,199
Impairment of other financial assets net of reversals and recoveries	-5,737,395	-2,580,135	-1,065,565
Impairment of other assets net of reversals and recoveries	-18,477	-512,153	-146,791
<b>Total costs</b>	<b>-25,941,721</b>	<b>-20,915,307</b>	<b>-15,101,554</b>

## Balance Sheet

Total net assets at year-end 2010 were € 901 million or 28% higher than for the prior year period. The growth in earning assets, combined with some changes in the composition of main asset categories, reflected a number of factors present during the year deriving from turmoil in the sovereign debt and other credit markets, combined with the relatively stable nature of the Bank's funding profile. Unchanged, given the underlying weakness of the real economy, was Management's view on maintaining excess levels of structural liquidity, low leverage and high capital adequacy as a policy for the year. In general, Management favored cash, short term exposures and high quality marketable securities.

Earning assets at 31 December 2010 were € 829 million, 28% more than at the same date in 2009. Deposits with banks declined as opportunities to acquire higher yielding assets offering better credit risks improved. The bank's relatively small loan book represents mainly margin accounts to retail clients, which are short term in nature and structured to be self-liquidating in stressful conditions and were fully collateralized by liquid securities. At year-end 2009, close to 100% of this assets in this class were fully-collateralized and are, therefore, low risk. Loans of this nature to clients, which declined 25% at year-end, tend to grow with a rising market and to decline in periods of stress. The Available for Sale portfolio more than doubled, represented 84% of earning assets at year-end, and

contained a diversity of sovereign, covered and senior debt instruments. The portfolio consisted largely of non-complex, high quality credit issues acquired at moments of stress along the current cycle, with attractive returns. Factors that may affect the size of the portfolio include the opportunities for creating either margin or investment revenue during the year. During the first quarter of 2010, Management decided to liquidate the Held to Maturity portfolio, created at the height of the credit crisis in 2008, at a gain of € 4.5 million.

Main sources of funding were client deposits, relatively stable funding via sale/repurchase agreements with the ECB at favorable rates and other market participants, and shareholders capital. Client deposits are mainly retail in nature and rose to € 332 million, with growth tempered by two factors: (i) competition by banks willing to pay substantially above market rates to attract retail funding and (ii) slower economic growth and its impact on the savings rate in Portugal.

Shareholder Funds at 31 December 2010 were € 108 million as compared with € 129 million for the same date in 2009, € 107 million in 2008 and € 102 million in 2007. The Bank's Fair Value Reserve, which reflects the price of securities held for sale at market prices, and which may fluctuate positively or negatively, affected the capital account year on year.

All measures of performance improved on the Bank's strong profitability in 2010. **Return on Average Equity (ROE) rose to 17.3% in 2010**, as compared with 10.5% in 2009 and 6.1% in 2008. With improving revenues for 2010, and relatively lower growth in expenses for the year, **the Bank's efficiency ratio improved for the sixth year in a row, to 39%**. BiG's capital base and solvency ratios, which consider the effect of the sovereign debt crisis, remained strong and in line with prior years despite the turmoil in the markets.

T.9

(Euro)

Results and Taxation	2010	2009	2008
<b>Operating results</b>	<b>26,112,304</b>	<b>15,608,264</b>	<b>9,245,949</b>
Results of subsidiaries	292,136	-792,932	-404,110
<b>Income before tax and minority interests</b>	<b>26,404,440</b>	<b>14,815,332</b>	<b>8,841,839</b>
Current taxes	-5,824,683	-2,723,286	-2,453,172
Deferred taxes	-119,866	237,056	37,263
<b>Net income before minority interests</b>	<b>20,459,890</b>	<b>12,329,102</b>	<b>6,425,930</b>
Minority interests	0	0	0
<b>Net income</b>	<b>20,459,890</b>	<b>12,329,102</b>	<b>6,425,930</b>

T.10

(Euro 000)

Earning Assets	2010	2009	2008
Deposits with Banks	82,798	142,407	259,020
Loans	42,533	56,713	29,233
Trading Securities	8,890	10,871	7,915
Available for Sale Securities	694,295	297,818	67,218
Held to Maturity	0	141,753	134,538
<b>Total</b>	<b>828,516</b>	<b>649,562</b>	<b>497,924</b>

T.11

(Euro 000)

Main Liabilities and Capital	2010	2009	2008
Deposits from central banks	360,164	230,783	84,012
Financial liabilities held for trading	27,308	1,885	5,347
Deposits from other banks	38,943	9,560	9,789
Client deposits	332,185	304,985	296,490
Shareholder funds	108,141	128,686	107,369



T.12

Performance Measures	2010	2009	2008
<b>Profitability</b>			
Return on Assets (ROA)	2.55%	1.95%	1.18%
Return on Equity (ROE)	17.28%	10.45%	6.13%
Operating Revenues / Average Net Assets	6.49%	5.77%	4.48%
<b>Efficiency</b>			
Net Margin / Earning Assets	1.98%	1.82%	1.94%
Operating Expenses / Operating Income	38.77%	48.70%	56.93%
Personnel Expense / Operating Income	24.12%	30.24%	34.32%
<b>Solvency</b>			
Tier 1	36.20%	35.70%	32.70%
Risk-Adjusted Capital Ratio	36.30%	32.80%	31.00%

## Operating Results by Business Segment

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

Banco BiG's retail business is a unique combination of a specialized trading and investment platform and an

integrated full service banking offering for the private individual. Products and services include checking accounts, debit and credit cards, payment services and credit arrangements. The platform provides a range of savings and investment products from general banking and credit arrangements for the client requiring assistance, to more sophisticated online trading and investment platforms for self-directed clients. These include trading in equities, warrants, futures, foreign exchange, contracts for difference and third party mutual funds. We reach clients via a number of integrated channels, including internet, telephone and physical branches, manned by trained financial advisors. The range of products and distribution methods are designed to reach a large number of target clients with different investment profiles, appetites for risk and transaction needs profiles in an efficient manner.

Revenues from the Specialized Retail client segment tend to be heavily dependent on trading volumes and margin-related on income. Other sources of revenue include banking commissions and the commercial margin associated with savings and investment products, such as investment funds and other asset management solutions. Net Revenues for our retail business were € 11.3 million, or 64% above 2009. The increase reflected higher trading volumes by clients and the changing interest rate environment, which improved allocated margin revenue. Net Commissions from brokerage and investment activities were € 5.4 million or 57% of the total, versus € 4.3 million or 63% of the total in 2009.

During the year, the Bank invested in two new retail offices, scheduled to open in 2011 and increased the area's sales teams. The Bank has invested in marketing and in a new version of [www.big.pt](http://www.big.pt), which will be launched in 2011.

The product areas of the Bank's Wholesale 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](http://www.big.pt) electronic platform, the Wholesale business relies on specialized sales teams and tailored solutions for corporate and institutional clients. Product areas include institutional brokerage, risk management, sales of investment products, and independent

T.13

(Euro 000)

Specialized Retail	2010	(%)	2009	(%)	2008	(%)
Net Commissions for Services to Third Parties	5,354	47%	4,333	63%	4,252	45%
Margin	4,423	39%	1,095	16%	3,995	42%
Banking Commissions	792	7%	651	9%	631	6%
Trading / Sales	752	7%	804	12%	602	6%
<b>Net Revenues</b>	<b>11,321</b>	<b>100%</b>	<b>6,884</b>	<b>100%</b>	<b>9,480</b>	<b>100%</b>
Operating Expenses	-9,318		-8,293		-7,440	
Pre-tax Income	2,003		-1,409		2,040	
% Operating Revenues / Total Segments Revenues	30%		27%		46%	
% Operating Expenses / Total Segments Revenues	59%		61%		63%	



T.14

<b>Brokerage Market Share Jan - Dec 2010</b>	<b>Market Share</b>	<b>Ranking</b>	<b>Market Volume</b>	<b>Market Var YoY</b>
<b>Online Brokerage</b>				
Stocks and Warrants	17.6%	2	15,338,641	-5.2%
Futures	40.3%	1	18,308,043	23.5%
Number of orders	15.1%	2	1,672,888	-20.6%
<b>Total Brokerage</b>				
Stocks	3.3%	7	79,883,979	26.8%
Warrants	35.2%	1	488,055	-11.5%
Futures	3.0%	5	229,421,203	64.2%

Source: CMVM. In Euro (000) traded, except number of orders

T.15

<b>Online Brokerage Percentage of Total Brokerage</b>							
<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
83%	79%	80%	65%	66%	57%	58%	56%

Block Trading excluded

advisory services for corporate, banking and institutional clients. For 2010, this client segment generated net revenues of € 4.2 million, or 53% higher than for 2009, based on higher volumes of brokerage activity with corporate clients, but lower revenues from corporate advisory services.

Results in this segment were unevenly distributed. In general, while higher than in 2009, they reflect the uncertainty felt by corporate and institutional clients to the highly negative effects of the sovereign debt crisis, ratings downgrades of the Republic and major banks, rising funding costs for banks and the private sector, and the specter of higher taxation, all of which contributed to a general lack

of business opportunities in Portugal, where the Bank's activities are focused.

The Treasury and Capital Markets business segment seeks to generate revenues, while managing the exposure of the Bank and the products sold to clients of the Bank in such areas as interest rates, foreign exchange, fixed income, equities and derivative instruments.

In managing positions, generally the Bank invests in investment grade corporate and treasury bonds, issued mainly by the US and the Eurozone issuers.

The Bank also trades in major foreign currency instruments, interest rate and

equity futures, futures on major indices and a variety of options and similar instruments, mainly in connection with client business. In managing the various trading books, the activity of the Treasury and Capital Markets team touches on many areas internally and is a source of expertise, market risk management and consistent profitability for the organization.

For 2010, the Treasury and Capital Markets generated € 21.8 million in net revenues, excluding transactions with clients, as compared with € 15.3 million in 2009. The generation of revenues, as indicated in histogram G.1, suggest a fairly normal distribution during the past and the prior years.

T.16

(Euro 000)

<b>Wholesale Clients</b>	<b>2010</b>	<b>(%)</b>	<b>2009</b>	<b>(%)</b>	<b>2008</b>	<b>(%)</b>
Net Commissions for Services to Third Parties	2,320	55%	215	8%	6,537	60%
Margin	20	0%	46	2%	32	0%
Banking Commissions	396	9%	631	23%	1,574	15%
Trading / Sales	743	18%	907	33%	1,080	10%
Corporate Finance	741	18%	952	35%	1,604	15%
<b>Net Revenues</b>	<b>4,220</b>	<b>100%</b>	<b>2,751</b>	<b>100%</b>	<b>10,827</b>	<b>100%</b>
Operating Expenses	-3,948		-3,476		-2,865	
Pre-tax Income	272		-725		7,962	
% Operating Revenues / Total Segments Revenues	11%		11%		52%	
% Operating Expenses / Total Segments Revenues	25%		26%		24%	

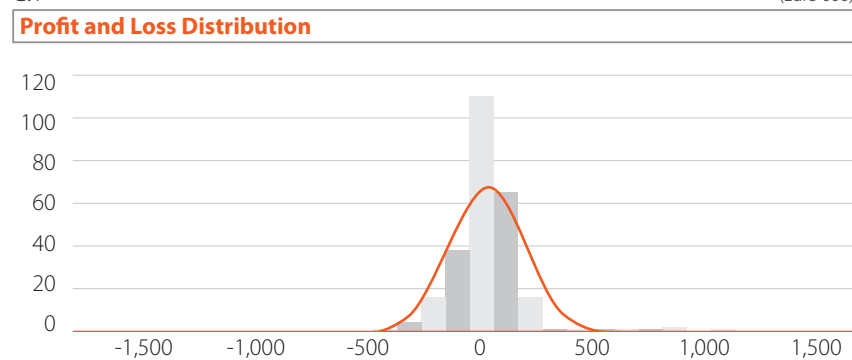
T.17

(Euro 000)

<b>Treasury and Capital Markets</b>	<b>2010</b>	<b>(%)</b>	<b>2009</b>	<b>(%)</b>	<b>2008</b>	<b>(%)</b>
Income from Capital Instruments	1,360	6%	1,323	9%	887	294%
Profit / Loss of Assets and Liabilities at fair Value Through Profit & Loss	3,632	17%	2,125	14%	-7,242	-2398%
Profit / Loss of Financial Assets Available for Sale	16,824	77%	12,612	82%	4,417	1463%
Profit / Loss from Exchange Revaluation	1,242	6%	1,853	12%	3,306	1095%
Results from Sale of Other Assets	4,473	21%	-28	0%	0	0%
Impairment of Other Financial Assets Net of Reversals and Recoveries	-5,737	-26%	-2,580	-17%	-1,066	-353%
<b>Net Revenues</b>	<b>21,794</b>	<b>100%</b>	<b>15,305</b>	<b>100%</b>	<b>302</b>	<b>100%</b>
Operating Expenses	-2,527		-1,903		-1,568	
Pre-tax Revenues	19,267		13,402		-1,266	
% Operating Revenues / Total Segments Revenues	58%		61%		1%	
% Operating Expenses / Total Segments Revenues	16%		14%		13%	

G.1

(Euro 000)



# INTERNAL CONTROL

The Bank faces a variety of risks that are inherent to our business, including market, liquidity, credit, operational, technology, compliance and reputational risks. While analyzed separately in this report, they are generally inter-related. To identify and manage these risks, Banco de Investimento Global's systems of internal control feature comprehensive and integrated policies and procedures, which are both quantitative and qualitative in nature.

These are reviewed and approved by the Board, which oversees the respective risk management functions, either as a group or by delegation. Our systems and policies are designed, broadly, to ensure effective processing, reliable systems, appropriate risk taking, daily measurement of risks, independent reporting and responsible behavior. Policies and procedures on enforcement also seek to ensure respect for and adherence to internal, regulatory, legal and prudential guidelines designed to protect the interests of clients and shareholders, while preserving the reputation of the Bank. Additional information, including stress tests for reputational and correlation risks, may be found in Note 38.

## Governance Structure

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

At the top of the Governance Structure is the executive Board of Directors. The Bank recognizes the role of the Board in overseeing risks and has always functioned with the belief

that proper controls – both to avoid unnecessary losses and as a means to generate value for shareholders in a controlled environment – are fundamental to the institution's financial strength.

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

Management believes frequent review of the policies and procedures and their clear communication throughout the organization are essential to 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 identifying, measuring, controlling and reporting exposures to potential losses are implemented in accordance with best banking practices and regulatory standards.

## Risk Management

### General Policies

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

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

- Frequent review of policies and procedures by Senior Management;
- Formal definition of responsibilities for risk management in the Bank;
- Existence of policies and procedures to promote independent oversight;
- Policy of appropriate diversification of risks;
- Systems of independent measurement and reporting;
- Overlapping systems to measure and control risk;
- Training to assist in identifying risk across business areas.

### Measuring Risk

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

- Market Risk Limits based on VaR (Value at Risk);
- Non-statistical measures such as Scenario analyses, Stress Tests and Derivative Product Sensitivity ("greeks");
- Basis Point Values;
- Limits by counterparty, family, asset class and portfolio;
- Concentration Limits;
- Qualitative analysis and procedures.

Measuring risk is an evolving process, requiring regular self-assessment exercises, updates in techniques and changes of assumptions, not to mention adherence to changing regulatory and accounting issues. The process is, as a result, a daily focus of Management, especially as any single methodology to measure risks is usually insufficient by itself to provide a complete picture of our exposures. As a policy, we seek to quantify the potential for losses associated with every aspect of our business, so as to have a reasonable prior estimate of potential damages in the event of unexpected events. These can range from those that are possible, based on recent historical data, to those that we deem to be highly unlikely, but which nevertheless can be estimated based on the assumption of certain extreme scenarios.

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

## Market Risk

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

- Liquidity Risk, which arises from the management of the Bank's assets and liabilities;

- Interest Rate Risk, resulting from exposure to changes in the level, slope and curvature of the yield curve, volatility of interest rates, duration and credit spreads;
- 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 of Directors delegates day to day oversight and control to its Market Risk Committee. This group is chaired by the CEO and includes other members of the Board, in addition to other business managers involved in trading and controls.

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

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

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

## Methodologies Used

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

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

BiG employs these systems simultaneously with others, such as loss advisories and daily controls over concentrations of risk, to ensure the integrity of the process in the event that one or more methodologies should fail, as a result of some extraordinary event occurring in the markets. These measures, and others added during the past year, proved robust during the most volatile market conditions in 2008, 2009 and 2010.

### Value at Risk (VaR)

At the level of the individual product lines and client portfolios, VaR measures risk assuming normal market conditions and 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 unusual 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 2010 indicate that there were two trading days in which losses exceeded VaR levels. After a period of relatively low volatility during the early months of 2010, VaR peaked with the increasing intensity of the sovereign debt crisis beginning during Q2 and its effect on other markets. Usage of limits was light during the year for the trading book

and heavier for the investment strategy (AFS - Assets Held for Sale), as indicated in the summary above and in the tables by trading and investment book, which follow. Daily average Trading VaR represented 0.09% of average shareholder funds for the year, while average, utilization of trading limits was 11%.

During Q1 2010, the Bank liquidated its Held to Maturity portfolio and concentrated all investment activity in its Assets Held for Sale (AFS) portfolios. Components and concentrations of the portfolio are typically dynamic as the Bank seeks to maximize stable flows of revenue, while maximizing flexibility to recognize gains and maintaining high levels of available liquidity. Investment limits averaged approximately 89% during the year and Investment daily VaR was € 778,000, or less than 0.7% of the Bank's average capital funds. Further detail on exposures may be found in the Concentration Risk section of this report.

T.18

(Euro)

Trading VaR 2010 (vs 2009)	2010				2009			
	December	Average	Max	Min	December	Average	Max	Min
Exchange risk	1,237	17,901	96,078	1,237	8,100	19,532	89,886	1,065
Interest rate risk	-	-	-	-		66,479	360,204	-
Shares	6,265	34,143	109,308	3,849	25,649	69,934	254,750	2,651
Options	69,803	110,259	388,107	34,658	67,106	95,070	404,006	9,247
Effect of diversification	7%	17%			53%	59%		
	71,724	135,445	511,871	44,081	47,865	101,868	734,183	38,384

T.19

(Euro)

Investment VaR 2010 (vs 2009)	2010				2009			
	December	Average	Max	Min	December	Average	Max	Min
Bonds	4,478,775	3,132,504	5,808,769	514,783	619,730	375,248	861,002	57,634
Shares	584,131	731,412	992,382	447,481	643,179	1,213,334	1,807,627	1,442,606
Effect of diversification	7%	18%			43%	51%		
	4,697,376	3,159,699	6,731,805	690,546	719,244	777,790	1,331,659	462,860

### Summary of key terms:

**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.20

(Euro)

<b>Trading</b>					
<b>VaR</b>	<b>Limit</b>	<b>Usage</b>			
71,724	650,000	11%			
	<b>Limits</b>	<b>30/12/2010</b>	<b>31/12/2010</b>	<b>Δ</b>	<b>Excess</b>
<b>Equity</b>	250,000	5,926	6,265	339	-
<b>Options</b>	300,000	44,483	69,803	25,320	-
<b>Interest Rate</b>	-	-	-	-	-
<b>Fx</b>	100,000	14,946	1,237	(13,709)	-

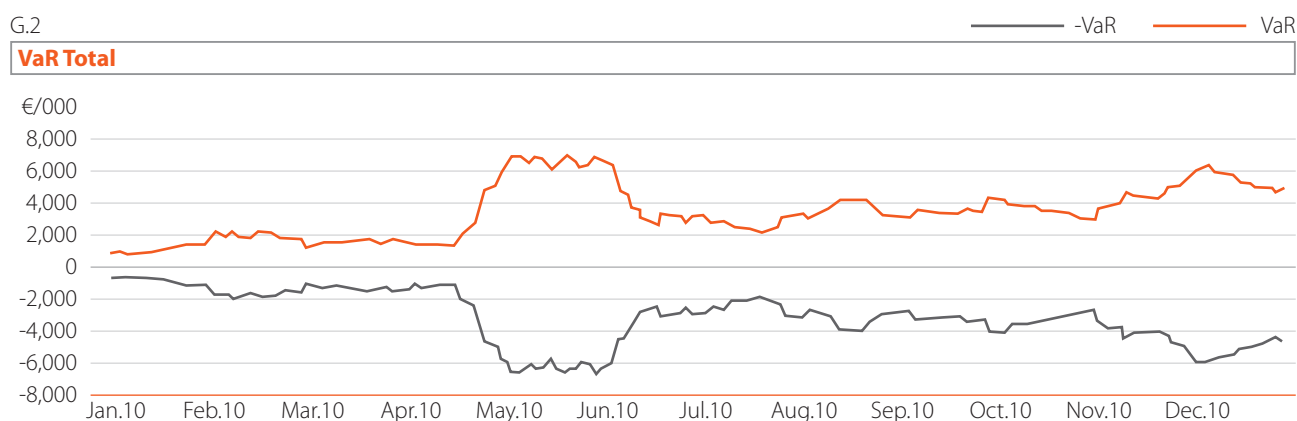
T.21

(Euro)

<b>Investment</b>					
<b>VaR</b>	<b>Limit</b>	<b>Usage</b>			
4,697,376	5,300,000	89%			
	<b>Limits</b>	<b>30/12/2010</b>	<b>31/12/2010</b>	<b>Δ</b>	<b>Excess</b>
<b>Interest Rate</b>	4,500,000	4,452,992	4,478,775	25,783	-
<b>Equity</b>	800,000	595,412	584,131	(11,281)	-

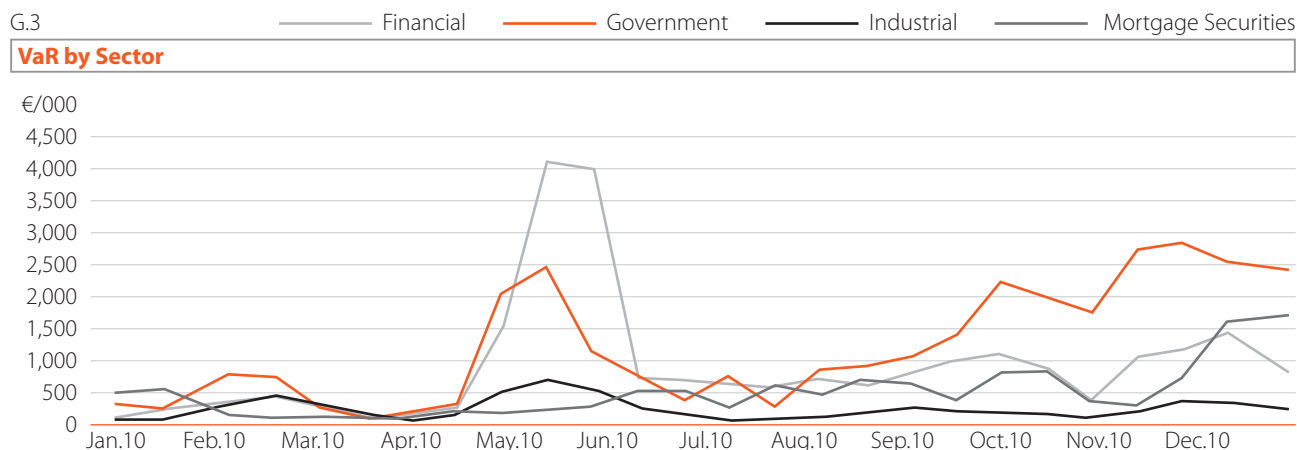
**Trading VaR and Investment VaR  
seen as a whole:**

G.2

**VaR by Sector**

VaR analysis of fixed and variable income asset classes by sector indicates the largest exposures, on average through 2010, were in Government, Financial, Corporate and Residential Mortgage-backed securities. Peaks in the Government and Financial sectors in the second and fourth quarters reflect moments of particular stress

in the sovereign debt markets and spillover effect to the financial and related sectors in mainly “peripheral” Eurozone markets.



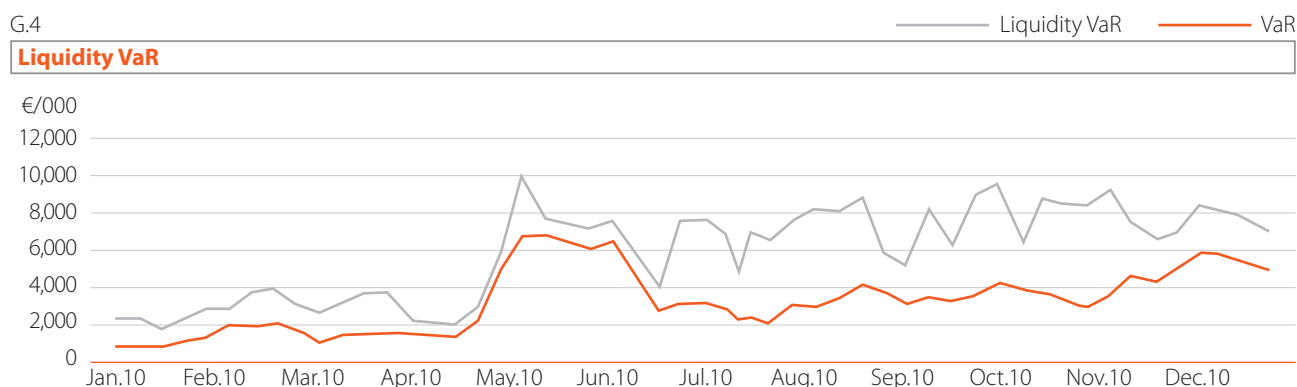
### Liquidity VaR

Liquidity VaR measures the expected loss associated with the above sector analysis, adjusted for the liquidity of the respective asset class. The addition of the liquidity component is a more conservative view of the normal VaR in that it introduces the spread between the bid and ask prices of assets. In moments of stress, the bid/ask spread widens as a function of reduced liquidity. Table T.23 shows the comparative evolution during 2010 of average liquidity VaR for different asset classes held by the Bank, where *LI* is a measure of spread between bid/ask prices. Points of significant deviation between normal VaR measures and Liquidity VaR, as indicated in the graph G.4, reflect the rise in stress and fall in liquidity among mainly fixed income instruments linked to peripheral countries and their financial institutions.

### Credit VaR

Credit VaR measures the maximum estimated loss which the Bank might suffer in credit exposures associated with its liquid fixed income Assets Held for Sale portfolio; i.e. excluding its relatively modest loan book to clients. In measuring the risks associated with the Bank's investment portfolio of credit exposures, specific characteristics such as rating, probability of default, recovery rate and sector, among others, are considered. As indicated in the graph G.5, which compares Credit VaR with normal VaR, the former represented, on average 2% of the overall credit portfolio during the year, with the exception of the month of May, during which certain sovereign debt issues reached historic levels of volatility and again in November, as uncertainty with respect to the debt repayment capacities of some Eurozone countries rose.

T.22	(Euro)
Sector	Average VaR
Basic Materials	1,808
Communications	21,769
Consumer, Cyclical	31,962
Consumer, Non-cyclical	36,857
Energy	26,593
Financial	930,852
Government	1,214,887
Industrial	245,426
Mortgage Securities	504,022
Utilities	93,136
Diversified	6,738



T.23

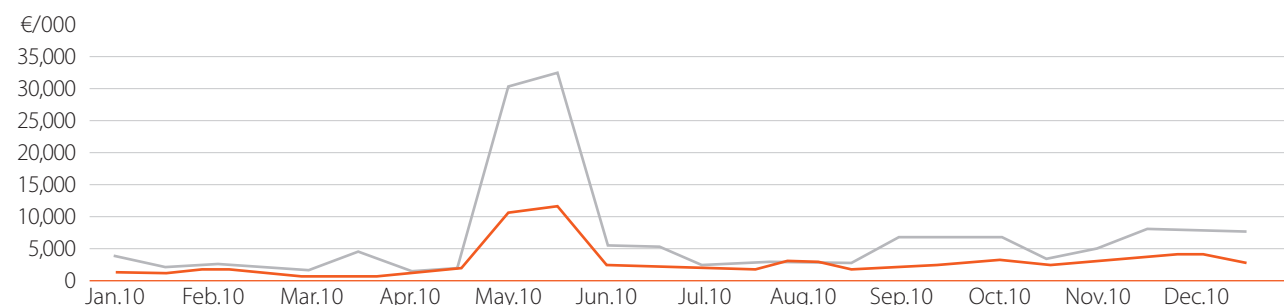
(Euro)

**Average Liquidity VaR by Sector during 2010**

Sector	L1	VaR	Liquidity VaR
Financial	542,428	814,363	1,356,791
Government	1,452,879	2,421,513	3,874,392
Industrial	16,650	233,279	249,929
Utilities	30,905	238,456	269,361
Mortgages	0	1,724,436	1,724,436

G.5

Credit VaR VaR

**Credit VaR****Stress Testing**

The Bank does extensive stress testing of its market positions and considers this approach, in combination with VaR measurements, as an essential tool for managing market risks. With economic value stress testing, the Bank seeks to estimate the potential losses associated with an instrument, book or portfolio under different scenarios. Earnings at risk stress testing give Management an estimate of the potential change in value of a given position, either current or contemplated, with the results of different scenarios used to take decisions on whether to assume, increase or close positions. On a daily basis, we perform more than 75 different tests 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. 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.

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

Historical scenarios used for daily tests are identified in tables T.24 and T.25 as "C1, C2...C5." The historical market reaction to a number of "worse case" historical events is applied to current exposures to estimate potential gains or losses in major trading or investment books, assuming the same market conditions.

Results are then compiled and reported by Management by the Bank's Market Risk area.

Stress testing scenarios based on more extreme events actually experienced in 2008 are calculated weekly. During 2010, they suggested the potential for a worse aggregate loss than when pre-2008 scenarios are applied, as above, with a peak in September 2010. Based on these scenarios, theoretical losses would have been still within acceptable limits for such an event.



T.24

(Euro 000)

<b>Trading</b>																
	Equity worst scenarios					Bonds worst scenarios					FX worst scenarios					Commodity
	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1
Equity	15	3	(4)	(7)	16	9	(2)	5	(3)	(9)	26	(8)	(22)	(5)	(2)	(3)
Options	(76)	(19)	54	5	24	61	(71)	(58)	(26)	(4)	(7)	(26)	64	13	(12)	(1)
FX	4	2	3	3	3	(0)	(2)	(2)	(2)	(3)	(1)	(1)	3	1	2	6
Total	(57)	(14)	53	1	43	70	(75)	(54)	(31)	(16)	18	(35)	46	9	(11)	1

T.25

(Euro 000)

<b>Investment Book</b>																
	Equity worst scenarios					Bonds worst scenarios					FX worst scenarios					Commodity
	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1	C2	C3	C4	C5	C1
Interest Rate	(2,209)	237	2,970	386	1,296	1,590	(3,271)	(1,188)	(1,931)	(2,147)	661	1,745	(297)	(423)	(1,520)	163
Equity	(1,367)	(1,175)	88	(522)	(762)	237	(473)	221	(454)	588	(122)	202	35	135	(196)	57
Total	(3,576)	(938)	3,058	(136)	535	1,826	(3,744)	(967)	(2,385)	(1,559)	539	1,947	(262)	(288)	(1,716)	220

**Equity worst scenarios**

C1	US Terrorist attack	11/09/01
C2	Market Fear (bear stock / bull bonds)	01/07/02
C3	Low manufacturing figures	03/09/02
C4	Walmart sales forecast cut	30/09/02
C5	Iraq conflict	24/03/03

**FX worst scenarios**

C1	Optimistic Japanese economic growth	31/03/00
C2	FED to cut interest rates	03/01/01
C3	Europe's economy to grow faster than US	03/04/01
C4	European stocks down	23/07/02
C5	May US rate boost view	07/05/04

**Bonds worst scenarios**

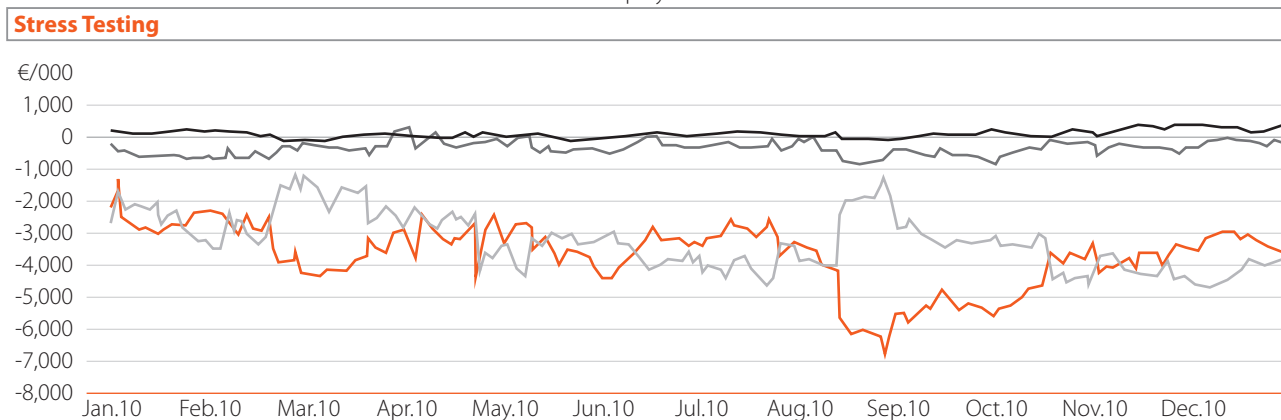
C1	Economic slow down / FED cut interest rates	02/01/01
C2	Economic slow down / FED stop cutting interest rates	05/12/01
C3	Market fear (bull stock / bear bonds)	15/10/02
C4	Fanniemae poor forecast / Greenspan speech	15/07/03
C5	FED to boost interest rate target	02/04/04

**Commodity worst scenarios**

C1	Crude oil inventories rose (energy department)	01/12/04
----	--	----------

G.6

Equity Bonds FX Commodity



T.26

**Equity: Fall in major global stock markets**

Europe: 03 - 06 October 2008	<b>DAX</b>	<b>IBEX</b>	<b>SX5E</b>	<b>PSI20</b>
	-7.07%	-6.07%	-7.86%	-9.86%
USA: 06 - 07 October 2008	<b>SPX</b>	<b>NDX</b>		
	-5.74%	-5.76%		

**Bonds: Lehman Brothers bankruptcy and AIG in high stress situation**

12 - 15 September 2008

ITRXXE Index	Increase of 30.39%
ITRXXE Index	Increase of 31.76%
ITRXXE Index	Increase of 23.73%
ECB Rate	of 4.25%

**FX: Devaluation of -2.37% of USD towards the EUR**

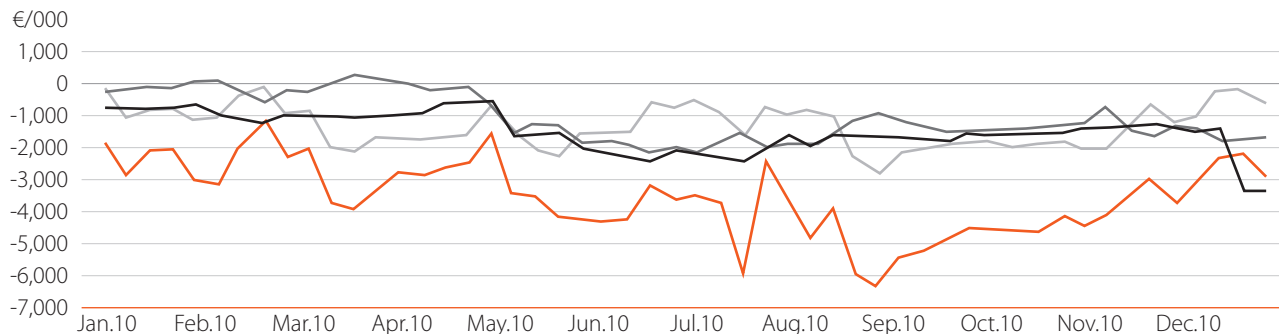
29 - 30 September 2009

**Commodities: Devaluation of crude oil in -12.5%**

06 - 07 January 2009

G.7

Equity Bonds FX Commodity

**Extreme Scenarios 2008 - 2009**

T.27

(Euro 000)

	<b>Equity</b>	<b>Bonds</b>	<b>FX</b>	<b>Commodities</b>
Maximum	-1,227	-193	214	-529
Minimum	-6,363	-2,877	-2,212	-3,492
Average	-3,556	-1,332	-1,106	-1,566
Std Deviation	1,165	663	755	682

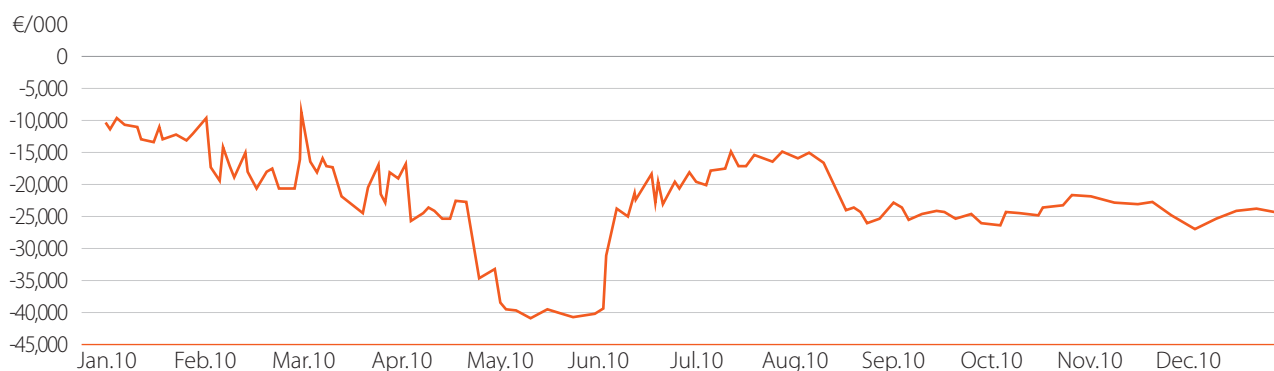
### Armageddon Stress Tests

In parallel with studies of the impact of actual historical events on the Bank's trading and investment positions at any given time, Management employs an additional risk measure on a daily basis, called the Armageddon stress test. This test is designed to measure the theoretical impact on the Bank's various exposures in the highly unlikely event that indices of the various global economies – DAX in Europe and S&P in the US – were to suffer dramatic falls of 50% and 33% respectively in a single trading day assuming asset correlations for one month.

Scenarios assume events several times worse than any low point registered during the credit crisis of 2008 and were applied against current positions, which tended to be under stress at certain points during the year, as a result of the sovereign debt crisis affecting the Eurozone area. Designed to be deliberately remote in the possibility of an occurrence, the objective is to test the survivability of the Bank's business model under extreme circumstances and, as a result, to maintain discipline on limits and risk taking accordingly. The average daily exposure to theoretical losses under this highly unlikely scenario was € 22.9 million, with a peak of € 40.5 million on a single day in June 2010.

G.8

#### Armageddon Stress Test



T.28

(Euro 000)

#### Maximum and Minimum Losses

Maximum	Minimum	Average	Standard Deviation
-40,509	-9,176	-22,919	7,255

### Interest Rate Risk

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

The Bank measures interest rate risk in basis point values (bpvs), meaning that

for each change of 0.01% in the rates, we are able to calculate the economic impact of such movements on the value of assets, usually fixed rate securities, that are interest rate sensitive.

The following table shows assets and liabilities by maturity along with the respective average rates. For each maturity are shown the modified duration and basis point values.

T.29

(Euro)

<b>Interest Rate Risk</b>										
<b>Maturity</b>	<b>Assets</b>	<b>Hedge - Futures</b>	<b>Avg rate</b>	<b>Liabilities</b>	<b>Avg rate</b>	<b>Net</b>	<b>mdur</b>	<b>df</b>	<b>bpv's</b>	<b>Margin</b>
2/Jan/11	172,437,523	0	0.315%	258,297,741	0.804%	(85,860,217)	0.00006	0.00006	47	(1,533,852)
2/Feb/11	67,205,274	0	1.436%	143,047,276	1.615%	(75,842,002)	0.00087	0.00087	663	(1,341,999)
2/Mar/11	116,690,855	-2,474,250	1.344%	265,719,929	1.191%	(151,503,324)	0.00170	0.00170	2,579	(1,588,038)
2/Apr/11	73,431,735	0	1.296%	12,674,104	3.135%	60,757,632	0.00248	0.00248	(1,505)	550,256
2/May/11	82,227,860	0	1.644%	13,449,592	3.465%	68,778,269	0.00328	0.00328	(2,253)	877,048
2/Jun/11	19,803,120	-2,225,025	1.282%	8,601,075	3.287%	8,977,020	0.00409	0.00409	(367)	(28,590)
2/Jul/11	591,791	0	5.344%	3,757,973	2.751%	(3,166,182)	0.00486	0.00486	154	(71,262)
2/Aug/11	7,481	0	3.610%	961,578	2.222%	(954,097)	0.00574	0.00574	55	(20,736)
2/Sep/11	2,333	0	5.799%	266,903	2.481%	(264,570)	0.00650	0.00650	17	(6,359)
2/Oct/11	19,371	0	4.220%	927,618	2.929%	(908,246)	0.00735	0.00735	67	(25,769)
2/Nov/11	5,623	0	5.747%	557,647	2.289%	(552,023)	0.00816	0.00816	45	(12,137)
2/Dec/11	55,987	0	4.111%	1,887,365	2.953%	(1,831,378)	0.00899	0.00899	165	(51,992)
2/Jan/12	-5,135,564	0	0.203%	16,538,462	2.914%	(21,674,027)	0.00990	0.00990	2,145	(477,758)
2/Jul/12	19,110,103	0	5.012%	3,193,634	2.475%	15,916,469	0.01418	0.01418	(2,257)	840,037
2/Jan/13	49,947,005	-54,512,500	4.552%	2,029,739	1.747%	(6,595,234)	0.01884	0.01884	1,243	2,105,251
2/Jan/14	19,998,531	0	8.429%	1,747,936	2.057%	18,250,595	0.02624	0.02624	(4,789)	1,501,333
2/Jan/15	80,096,062	0	3.760%	477,092	3.424%	79,618,970	0.03628	0.03628	(28,885)	2,636,148
2/Jan/16	20,002,671	0	4.843%	0	0.000%	20,002,671	0.04480	0.04480	(8,961)	834,958
2/Jan/17	-49,520,500	0	2.554%	0	0.000%	(49,520,500)	0.05578	0.05578	27,625	(1,062,742)
2/Jan/18	20,598,530	0	5.275%	0	0.000%	20,598,530	0.06013	0.06013	(12,387)	882,405
2/Jan/19	3,202,740	0	10.799%	0	0.000%	3,202,740	0.06091	0.06091	(1,951)	257,117
2/Jan/20	104,146,009	0	4.648%	0	0.000%	104,146,009	0.07627	0.07627	(79,434)	3,680,960
2/Jan/21	0	0	0.000%	0	0.000%	0	0.10006	0.10006	0	0
2/Jan/26	7,928,674	0	5.300%	0	0.000%	7,928,674	0.11623	0.11623	(9,216)	265,758
2/Jan/31	0	0	0.000%	0	0.000%	0	0.20006	0.20006	0	0
2/Jan/36	0	0	0.000%	0	0.000%	0	0.25006	0.25006	0	0
<b>802,853,217</b>		<b>-59,211,775</b>		<b>734,135,664</b>		<b>9,505,778</b>	<b>1.2329</b>		<b>(117,199)</b>	<b>8,210,037</b>

A long or positive position in bpvs (basis point values) implies a long position in bonds funded with short term liquidity; a short or negative 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 bps in a day or a similar rise or decline of 50 bps in a week. Table T.30 measures the impact on pre-tax revenues from an unlikely parallel shift of 200 basis points (bps) during December 2010.

T.30

(Euro)

<b>December 2010</b>					
<b>Parallel increase of 200 bps</b>	<b>Parallel decrease of 200 bps</b>	<b>Parallel increase of 100 bps</b>	<b>Parallel decrease of 100 bps</b>	<b>Increase of 50 bps after 1 year</b>	<b>Decrease of 50 bps after 1 year</b>
-23,439,798	23,439,798	-11,719,899	11,719,899	-5,950,503	5,950,503

### Liquidity Risk

The events of October 2008 confirmed the critical importance of liquidity to the survivability of banks in a crisis scenario. Many failures of financial institutions are the result of insufficient liquidity arising out of unexpected, adverse conditions.

BiG's policy on liquidity and funding is based on the following principles:  
(1) pre-funding of assets prior to their

acquisition; (2) the requirement that the majority of the balance sheet be convertible to liquidity within a very short timeframe; and (3) the assumption of complete independence from interbank funding markets. Adherence to these principles, in effect, defines the Bank's business model, which is commission and service-based, and implies an asset base composed largely of highly-liquid securities as opposed to

illiquid loans. Moreover, the Bank focuses on building a stable retail base of deposits and holds more unencumbered debt securities than we require, to the extent that, during the past eleven years and especially during the recent squeeze on liquidity, the Bank tends to occupy a fairly comfortable position as net placers of funding.

Table T.31 provides a snapshot of funding mismatches at 31 December 2010 by stated maturity. For more information, please see Note 37.

Scenario testing is an important tool used by the Bank to determine the appropriateness of the funding policy in normal and stressful conditions.

T.31

(Euro)

Liquidity Indicators	Spot and until 1 week	Between 1 week and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Net assets with maturity longer than 12 months
<b>Mismatches</b>						
Mismatches by tenor	55,247,424	-48,306,947	-359,057,394	-15,946,203	-26,476,483	562,906,792
Cumulative mismatches	55,247,424	6,940,477	-352,116,917	-368,063,119	-394,539,602	-
Net Assets	326,851,859	326,851,859	667,757,970	667,757,970	667,767,103	-
Volatile Liabilities	29,403,436	62,111,662	403,985,332	404,165,405	406,292,636	-
Net Assets - Volatile Liabilities	297,448,423	264,740,196	263,772,638	263,592,565	261,474,467	-
Liquidity Gap (1)	61	54	178	178	177	-

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

### Sensitivity Analyses

The Bank also runs daily sensitivity analyses to measure the effect of variations of interest rates (excluding to these principles, in effect, defines 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 2010 to our variations in the interest rate curve;

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

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

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

**During 2010:**

T.32

<b>Greeks</b>	<b>Rho</b>	<b>Vega</b>	<b>Delta</b>	<b>Theta</b>
Min	-253,064	-51,934	112,050	-30,762
Max	-105,198	57,516	500,155	500,155
Average	-204,368	8,522	343,145	-3,384
Std Dev	39,054	24,514	54,000	4,537

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

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

T.33

<b>BPV's / Rho</b>			
<b>Years</b>	<b>Investment</b>	<b>Options</b>	<b>Total</b>
0	(2,884)	(40)	(2,924)
1	(2,300)	0	(2,300)
2	(6,735)	0	(6,735)
3	(17,021)	(126)	(17,147)
4	(30,460)	0	(30,460)
5	(21,515)	0	(21,515)
6	(18,782)	0	(18,782)
7	(13,283)	0	(13,283)
8	(466)	0	(466)
9	(64,788)	0	(64,788)
10	(13,494)	0	(13,494)
11	0	0	0
12	0	0	0
13	0	0	0
14	0	0	0
15	(5,563)	0	(5,563)
16	0	0	0
17	0	0	0
18	0	0	0
19	0	0	0
20	0	0	0
<b>Total</b>	<b>(197,293)</b>	<b>(166)</b>	<b>(197,459)</b>

T.34

(Euro)

<b>Vega</b>	<b>Maturity (Months)</b>											
<b>Skew</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>18</b>	<b>24</b>	<b>36</b>	<b>60</b>	<b>120</b>	<b>Total</b>
50%	(122)	(0)	(0)	(639)	(11)		(23)					(796)
75%	(0)				(279)							(279)
80%	(1)				3,185							3,184
90%	394	(163)		(1,334)			3,747	(6,291)				(3,648)
100%	750	(121)		(3,020)	179	(12,196)	(9,973)	392				(23,989)
110%	(800)	(123)	(1,001)	(10,676)	(1,850)	6,378		10,391	(835)			1,485
120%	1,790	(69)	1,727	(1,001)	0	5,048						7,496
125%	0	0		65	594	4,193						4,853
150%	(0)			(703)	89	6,253	(6,504)					(865)
200%				0	0		2,033		69			2,103
250%		0					(895)					(895)
<b>Total</b>	<b>2,012</b>	<b>(476)</b>	<b>727</b>	<b>(17,307)</b>	<b>1,906</b>	<b>9,677</b>	<b>(11,615)</b>	<b>4,492</b>	<b>(766)</b>	<b>0</b>	<b>0</b>	<b>(11,350)</b>

## Limits

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

Approved limits specifying authorized exposures by type are reviewed regularly and are communicated formally and periodically to managers, traders and back office personnel. Trading units are responsible for adhering to approved limits, which are monitored by separate and independent back office functions to ensure that positions are valued and recorded accurately.

## Reporting

On a daily basis, back offices compile and report positions to Management based on established statistical and non-statistical measures. Exceeded limits are reported to Senior Management immediately and action is taken to guarantee compliance with the limit. Such formal controls are enhanced by informal systems of monitoring position-taking and limits, including at least daily meetings by Senior Management with trading areas to review positions, evaluate trends and results, and to modify strategies accordingly.

## Credit Risk

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

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

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

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

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

## Nature of Credit Exposures

The nature of credit risks varies from cycle to cycle. During 2010, the main asset categories comprising direct credit risk shifted as credit spreads widened, thereby providing the opportunity for the Bank to increase exposures at wider credit spreads, while simultaneously maintaining the quality and credit rating of the portfolio. Cash on hand and interbank placements remained stable as volatility, particularly with respect to sovereign risk assets, rose during 2010.

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 and which represent the largest percentage of loans managed in simple numerical terms. These are secured by cash, marketable securities or, to a lesser extent, residential real estate. As a percentage of total loans, this category of credit represented nearly 100% of the total in 2010. On the other hand, loans to clients represented just 13% of total deposits.
- *Unsecured facilities*, which arise out of our market trading activities with professional counterparties, portfolio investments in corporate or government issuers of debt or, on occasion, which include extensions of credit to corporate borrowers based on an objective analysis of quantitative and qualitative criteria regarding the standalone creditworthiness of the client. Increasingly, exposures classified by the Bank as unsecured may involve sovereign debt issues, or debt issues of any number of entities guaranteed by sovereign guarantors or backed by real estate assets. Given the size of the Bank's investment portfolio of corporate and sovereign senior bonds, this type of facility represents the largest portion of credit exposure for the Bank.

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

### **Credit Procedures**

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

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

### **Controls on margins – Secured Facilities**

Most direct lending to clients is short term, collateralized by liquid securities and subject to rigorous controls over margins, or the difference between the value of a loan and the real-time value of the collateral supporting that loan. The Bank manages the inter-related market, operational and credit risks arising from margin accounts via an automatic system of controls over limits as well as mechanisms for automatic execution when pre-established levels of risk have been reached. This mechanism of control is based on a risk weighting allocated to different types of equities based on market volatility, as a basis for determining levels of leverage permitted in the loan account as a percentage of collateral. These levels are monitored on a real-time basis. The objective is to identify

differences in lower and higher risk securities and to adjust automatically, levels of potential exposure and eventual call and execution margins to the varying levels of risk. The Bank's experience has been that this type of lending can be a profitable use of capital and represents a relatively low risk of loss, based on empirical data. More importantly, this type of disciplined, secured lending has experienced negligible levels of credit-related losses, even under extreme market conditions experienced during the past year.

Mortgage, equity and auto loans are also available to our clients. Considering the nature of the credit cycle and extreme competition offered by specialized lenders, these loan products are seen currently as enhancements to our core offering and did not represent a significant portion of the loan portfolio in 2010.

### **Unsecured exposures**

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

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



ties, and to retail and corporate clients in the form of consumer facilities, short term margin accounts and medium term loan arrangements, which represented less than 10% of earning assets at year end.

### Managing Concentration of Risks

The Bank views its exposure to concentrations of risk in a number areas, including credit risk, market risk, liquidity risk and operational risk.

In the case of managing credit concentrations, Management and the Bank's risk area focuses on daily reports which summarize the largest concentrations of risk, including direct, indirect and contingent exposures. These are divided by financial and non-financial exposures. The reports among others serve as a management tool to monitor large exposures regularly and serve as a basis for periodic reporting of regulatory limits, including exposures equal to 10% of own funds and legal lending limits, representing 25% of consolidated capital funds. Table T.35 presents the main exposures per rating at 31 December 2010.

### Stress testing the credit portfolio

As with other portfolios, whose risks are measured in a variety of manners on a daily basis, the Bank's portfolio of debt instruments, which at year end had an average external credit rating of AA-, is subject to a number of daily stress tests in order to provide Management with an assessment of potential losses, assuming a number of different scenarios. The most extreme scenario, or Armageddon stress test, represents a daily measure of potential losses by portfolio, by largest individual potential loss, and by industrial sector. The simulations below begin with the Moody's transition ratings matrix for a period equal to the modified duration of the Bank's bond portfolio. Simulations then assume, as a base, the probability of default of an issuer, or issuers simultaneously, and the impact on the market's perception of credit risk, based on a theoretical and significant widening of spreads and the assumption of extremely low recovery rates. As with the case of testing the combined trading and investment portfolios, the objective of testing scenarios on the largest single portion of the Bank's balance sheet,

T.35 (Euro)

Exposure by Rating	Position
Aaa	200,274,255
Aa	164,217,532
A	185,955,825
Baa	61,481,409
Ba	16,980,284
B	1,769,104
C	625,561
NA	38,939,013
<b>Total</b>	<b>670,242,983</b>

Based on Moody's rating

T.36 (Euro)

Exposure by Rating – Credit/Bond Portfolio	Aaa	Aa	A	Baa	Ba	B	Caa-C	NA	Total
Covered <5y	15,601,987	80,015,100							95,617,087
Covered >5y	27,576,129	38,016,517							65,592,647
Bond derivatives			1,875,720						1,875,720
Senior < 1y - Financial				945,675					945,675
Senior >1y <3y - Financial		27,339	22,241,682	12,684,896					34,953,917
Senior >1y <3y - No Financial				4,352,149				11,339,812	15,691,961
Senior >3y - Financial			36,838,432				625,561		37,463,993
Senior >3y - No Financial		4,632,196	25,983,033	10,333,851				5,063,445	46,012,526
Guaranteed government	3,479,922	38,877,504	99,016,957	33,164,221	13,679,145			22,535,756	210,753,505
RMBS	153,616,217	2,648,875							156,265,092
Subordinated				617	3,301,139	1,769,104			5,070,861
<b>Total</b>	<b>200,274,255</b>	<b>164,217,532</b>	<b>185,955,825</b>	<b>61,481,409</b>	<b>16,980,284</b>	<b>1,769,104</b>	<b>625,561</b>	<b>38,939,013</b>	<b>670,242,983</b>

which is the credit portfolio, is to determine the extent to which earnings may be affected and shareholder funds may be depleted in theoretical circumstances. The results of these daily tests are used to maintain discipline and control position taking or excessive concentrations.

### Credit Exposure to Derivatives

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

measure of exposure to credit risk. This is defined as the cost of replacing a contract at extreme market 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.

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

### Provision for Credit Risks

The Bank's provision for credit risks is based on prudential criteria and Bank of Portugal regulations and is available to absorb potential losses deriving from the loan portfolio. Based on central bank regulation 3/95 of June 30, with alterations introduced by the Bank of Portugal under Avisos nº 2/99 and 8/03 of 26 and 30 January, respectively, the provision represents

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

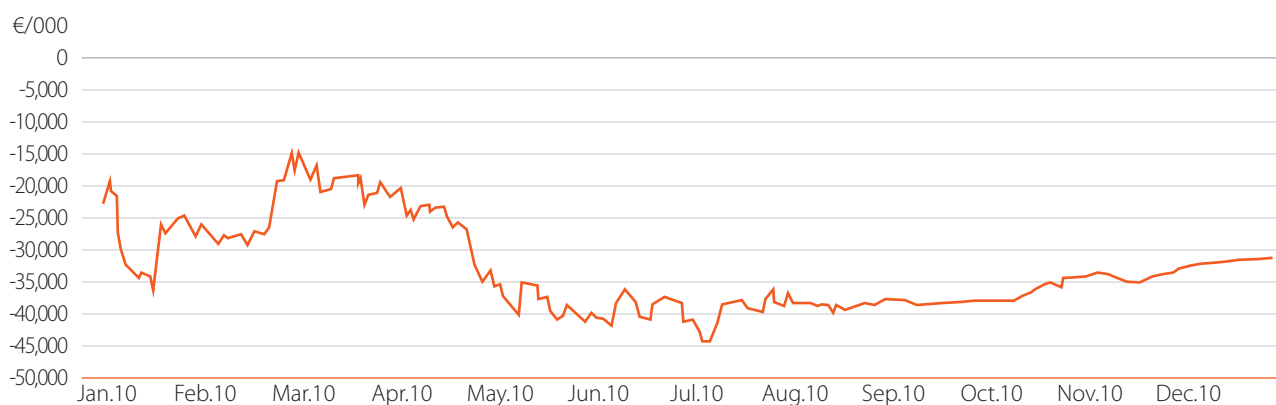
### Operating Risk

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

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

G.9

#### Armageddon Stress Test Debt



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.

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 as part of the Bank's All Risk Committee, and whose functional heads report to the Board of Directors:

- **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 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.
- **Compliance:** combining members of the Board of Directors and 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. The group meets at least weekly to review evolving regulatory issues or more frequently as necessary.

The internal functional groups regularly conduct self-assessment exercises to

identify and take action on risks associated with operations, technology, and regulatory compliance. The control processes include, as examples, continuous review of relevant operating procedures, adherence to regulatory guidelines, internal and external audits of operating departments, systems, commercial and trading areas, back-up procedures and the maintenance of outsourcing arrangements and an appropriate business recovery plan to reduce the effects of any unforeseen interruption of the Bank's business activities. While 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.

### Processing and Systems

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

During 2010, emphasis was placed in bringing the whole of the existing information technology platforms to their latest releases. The rationale behind this decision included the need to reduce operational costs associated with maintenance which are typically higher with old versions, and the desire to enter

2011 with no need to invest in systems upgrades, given aggressive targets for cost control.

Most of the bank's infrastructure was migrated to Windows 7 and Windows Server 2008R2 during 2010.

Another area of continuing investment has been in Compliance with the acquisition, configuration and implementation of both a reporting and information management system (Almonde), and front-to-back automation system (Opics), which aim to provide the bank with the tools to effectively respond to current and future regulatory requirements.

Also, as a continuing effort to strengthen the Bank's resilience to contingency scenarios, the Bank made investments to its Business Recovery Plan and upgraded two recovery sites in two of its locations, for situations where the head office may not be not operative. This action, added to the existing Recovery Data Center in Porto, provides the Bank an appropriate plan for disaster recovery in different scenarios.

Meanwhile, the Bank makes continuous updates to the trading platforms and to their security, designed to maintain the physical integrity of the infrastructure and to ensure an environment that is free from external contamination. The bank invested in new security platforms such as database and application firewalls with real-time correlation of events to allow for proactive detection of any violation of security in real time.

### Internal Audit

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

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

### **Compliance**

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 proactive management and prior validation of the risks of such services, and is active in identifying and preventing conflicts of interest.

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

Lisbon, 1 March 2011

Board of Directors

Carlos Adolfo Coelho Figueiredo Rodrigues  
Chairman and CEO

Nicholas Leo Racich  
Vice Chairman and COO

Mário João Abreu Galhardo Bolota  
Executive Director

Diogo Batista Russo Pereira da Cunha  
Executive Director

Paulo José Caramelo de Figueiredo  
Executive Director

Ricardo Dias Carneiro e Gomes de Pinho  
Executive Director



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## CONSOLIDATED STATUTORY AUDITOR'S REPORT

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

### Introduction

1. We have audited the consolidated financial statements of **Banco de Investimento Global, S.A.**, which comprise the consolidated balance sheet as at 31 December 2010 (which shows total assets of Euro 900,762,575 and total equity of Euro 108,140,896, including a net profit of Euro 20,459,890), the consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended and the corresponding Notes to the accounts.

### Responsibilities

2. The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union, that that give a true and fair view of the consolidated financial position of the Bank, the consolidated results of its operations, its comprehensive income, its changes in equity and its cash flows, as well as for the adoption of adequate accounting policies and criteria and for the maintenance of an appropriate internal control system.
3. Our responsibility is to express a professional and independent opinion on those consolidated financial statements based on our audit.

### Scope

4. We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. For this purpose our audit included:
  - verification that the financial statements of the companies included in the consolidation have been properly audited and, in those significant cases in which they were not, verification, on a test basis, of the information underlying the figures and disclosures contained in the consolidated financial statements, and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in their preparation;

- verification of the consolidation procedures and of the application of the equity method;
  - the assessment of the adequacy of the accounting principles used and their disclosure, considering the circumstances;
  - the appropriateness of the going concern basis of accounting; and
  - the assessment of the adequacy of the overall presentation of the financial statements.
5. Our audit also included the verification that the consolidated financial information included in the Report of the Board of Directors is consistent with the consolidated financial statements.
6. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

7. In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of **Banco de Investimento Global, S.A.** as at 31 December 2010, the consolidated results of its operations, its consolidated comprehensive income, its consolidated changes in equity and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

### **Report on Other Legal Requirements**

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

Lisbon, 4 April 2011

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

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

To the Shareholders of Banco de Investimento Global, SA:

In accordance with the law and company by-laws, the Fiscal Board hereby submits for your review the Report of its activity and its Opinion on the Consolidated Management Report and Financial Statements, presented by the Board of Directors of Banco de Investimento Global, SA, relating to the year ending on 31 December 2010, and also the report of the Fiscal Board on the legal certification of consolidated accounts, issued by the statutory auditor of Banco de Investimento Global, SA.

### REPORT

1. The Fiscal Board analyzed the Consolidated Report of the Board of Directors and consolidated Financial Statements, comprising the consolidated Balance Sheet as at 31 December 2009, the consolidated Profit and Loss Statement, the consolidated Statement of Cash Flows and the respective Notes to the consolidated financial statements.
2. With respect to the consolidated Report of the Board of Directors, the Fiscal Board verified that its content is consistent with the consolidated Financial Statements, and that it satisfies legal and statutory requirements.
3. In reviewing the consolidated Financial Statements for the year, the Fiscal Board used, as a basis, the Legal certification and the Audit Report of the consolidated Accounts, prepared by the Statutory Auditor, with which we are in agreement.
4. As a consequence of its work, the Fiscal Board considers that the consolidated Financial Statements are appropriate for the understanding of the financial condition of Banco de Investimento Global, SA, and of its consolidated participations as at 31 December 2010, and with respect to the manner in which consolidated results were achieved.

As a result of the above, the Fiscal Board is of the OPINION that the General Assembly may approve the consolidated Report of the Board of Directors and the consolidated Financial Statements for the year ending 31 December 2010.

Lisbon, 29 March 2011

The Fiscal Board



José Galamba de Oliveira



Alcino Cardoso



Pedro Rogério Barata do Ouro Lameira





# **CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended 31 December 2010 and 2009  
(Amounts in Euros)



# CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2010 and 2009

	Note	2010	2009
Interest and similar income	4	24,075,341	17,210,684
Interest and similar costs	4	(7,549,684)	(5,292,599)
<b>Net interest income</b>		<b>16,525,657</b>	<b>11,918,085</b>
Income from capital instruments	5	1,360,493	1,322,547
Income from services and commissions	6	11,485,475	8,005,808
Charges with services and commissions	6	(2,786,197)	(1,574,887)
Profit / Loss of assets and liabilities at fair value through profit and loss	7	3,632,089	2,124,785
Profit / Loss of financial assets available for sale	8	16,824,264	12,612,148
Profit / Loss from exchange revaluation	9	1,241,544	1,853,417
Profit / Loss of disposal of other assets	22	4,393,654	(27,574)
Other operating results	10	(622,954)	289,242
<b>Operating income</b>		<b>52,054,025</b>	<b>36,523,571</b>
Staff costs	11	(12,556,069)	(11,043,138)
General administrative costs	13	(6,019,658)	(5,495,786)
Depreciation and amortization	24 and 25	(1,607,394)	(1,248,474)
Provisions net of cancellations	31	(7,670)	(12,480)
Impairment of credit net of reversals and recoveries	20	4,941	(23,142)
Impairment of other financial assets net of reversals and recoveries	18	(5,737,395)	(2,580,134)
Impairment of other assets net of reversals and recoveries	27	(18,477)	(512,153)
<b>Operating costs</b>		<b>(25,941,722)</b>	<b>(20,915,307)</b>
<b>Operating result</b>		<b>26,112,303</b>	<b>15,608,264</b>
Results from associated companies	26	292,136	(792,932)
<b>Pre-tax profit</b>		<b>26,404,439</b>	<b>14,815,332</b>
<b>Taxation</b>			
Current	32	(5,824,683)	(2,723,286)
Deferred	32	(119,866)	237,056
<b>Net profit of the year</b>		<b>20,459,890</b>	<b>12,329,102</b>
Earnings per basic share (in Euros)	14	0.23	0.14
Earnings per diluted share (in Euros)	14	0.23	0.14

The attached Notes form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2010 and 2009

	Note	2010	2009
Net Profit / Loss of the year		20,459,890	12,329,102
Other comprehensive income			
Change in fair value of financial assets available for sale		(49,083,437)	12,700,474
Actuarial gains and losses on the pension fund	12	(1,040,805)	649,406
Deferred tax	32	14,511,214	338,995
Current tax	32	(527,518)	(2,014,208)
		<b>(36,140,546)</b>	<b>11,674,667</b>
<b>Comprehensive income recognised in the year</b>		<b>(15,680,656)</b>	<b>24,003,769</b>
Attributable to:			
Shareholders of the Bank		(15,680,656)	24,003,769
		<b>(15,680,656)</b>	<b>24,003,769</b>

The attached Notes form part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

As at 31 December 2010 and 2009

	Note	2010	2009
<b>Assets</b>			
Cash and deposits in central banks	15	4,165,238	4,822,680
Deposits in other banks	16	82,728,580	73,103,466
Financial assets held for trading	17	8,890,152	10,870,611
Financial assets available for sale	18	694,294,929	297,817,643
Applications in banks	19	69,328	69,303,683
Loans to clients	20	42,532,675	56,713,275
Investments held to maturity	21	-	141,753,449
Hedge derivatives	22	775,611	-
Non-current assets held for sale	23	-	143,000
Tangible assets	24	18,016,730	18,538,539
Intangible assets	25	887,422	604,176
Investments in associated companies	26	5,198,150	4,794,425
Deferred tax assets	32	14,808,803	417,455
Other assets	27	28,394,957	24,467,538
<b>Total Assets</b>		<b>900,762,575</b>	<b>703,349,940</b>
<b>Liabilities</b>			
Funding from central banks	28	360,164,444	230,783,194
Financial liabilities held for trading	17	27,307,744	1,885,328
Funding from other banks	29	38,942,742	9,560,027
Funding from clients	30	332,184,633	304,985,007
Hedge derivatives	22	2,004,725	-
Provisions	31	170,408	189,648
Current tax liabilities		1,493,719	2,741,184
Other liabilities	33	30,353,264	24,519,833
<b>Total Liabilities</b>		<b>792,621,679</b>	<b>574,664,221</b>
<b>Capital</b>			
Capital	34	89,088,810	87,570,000
Issue premiums	34	9,343,753	8,886,393
Treasury stock	34	(1,583,087)	(433,261)
Fair value reserve	34	(38,016,812)	(2,917,071)
Other reserves and retained earnings	34	28,848,342	23,250,556
Net profit of the year		20,459,890	12,329,102
<b>Total Capital</b>		<b>108,140,896</b>	<b>128,685,719</b>
<b>Total Liabilities and Capital</b>		<b>900,762,575</b>	<b>703,349,940</b>

The attached Notes form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2010 and 2009

	Capital	Issue premiums	Treasury stock	Fair value reserve	Legal reserve	Other reserves	Net profit / Loss of the year	Total equity
<b>Balances on 31 December 2008</b>	<b>87,570,000</b>	<b>8,886,393</b>	<b>(2,116,274)</b>	<b>(13,942,332)</b>	<b>3,175,098</b>	<b>17,370,565</b>	<b>6,425,930</b>	<b>107,369,380</b>
Other movements entered directly in equity								
Comprehensive income								
Alterations in fair value of financial assets available for sale	-	-	-	12,700,474	-	-	-	12,700,474
Actuarial gains and losses on the pension fund	-	-	-	-	-	649,406	-	649,406
Deferred tax	-	-	-	338,995	-	-	-	338,995
Current tax	-	-	-	(2,014,208)	-	-	-	(2,014,208)
Net Profit / Loss of the year	-	-	-	-	-	-	12,329,102	12,329,102
<b>Total comprehensive income recognised in the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,025,261</b>	<b>-</b>	<b>649,406</b>	<b>12,329,102</b>	<b>24,003,769</b>
Distribution of profit of the year 2008								
Transfer to reserves	-	-	-	-	717,222	1,330,287	(2,047,509)	-
Distribution of dividends	-	-	-	-	-	-	(4,378,421)	(4,378,421)
Change in equity	-	-	-	-	-	-	-	-
Change in loans and advances to employees for the acquisition of treasury stock	-	-	1,683,013	-	-	-	-	1,683,013
Employee stock options program	-	-	-	-	-	7,978	-	7,978
<b>Balances on 31 December 2009</b>	<b>87,570,000</b>	<b>8,886,393</b>	<b>(433,261)</b>	<b>(2,917,071)</b>	<b>3,892,320</b>	<b>19,358,236</b>	<b>12,329,102</b>	<b>128,685,719</b>
Other movements entered directly in equity								
Comprehensive income								
Alterations in fair value of financial assets available for sale	-	-	-	(49,083,437)	-	-	-	(49,083,437)
Actuarial gains and losses on the pension fund	-	-	-	-	-	(1,040,805)	-	(1,040,805)
Deferred tax	-	-	-	14,511,214	-	-	-	14,511,214
Current tax	-	-	-	(527,518)	-	-	-	(527,518)
Net Profit / Loss of the year	-	-	-	-	-	-	20,459,890	20,459,890
<b>Total comprehensive income recognised in the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,099,741)</b>	<b>-</b>	<b>(1,040,805)</b>	<b>20,459,890</b>	<b>(15,680,656)</b>
Distribution of profit of the year 2009								
Transfer to reserves	-	-	-	-	1,231,486	5,405,667	(6,637,153)	-
Distribution of dividends	-	-	-	-	-	-	(5,691,949)	(5,691,949)
Change in loans and advances to employees for the acquisition of treasury stock	-	-	(1,149,826)	-	-	-	-	(1,149,826)
Employee stock options program	-	-	-	-	-	1,438	-	1,438
Increase in capital	1,518,810	457,360	-	-	-	-	-	1,976,170
<b>Balances on 31 December 2010</b>	<b>89,088,810</b>	<b>9,343,753</b>	<b>(1,583,087)</b>	<b>(38,016,812)</b>	<b>5,123,806</b>	<b>23,724,536</b>	<b>20,459,890</b>	<b>108,140,896</b>

The attached Notes form part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2010 and 2009

	Note	2010	2009
<b>Cash flow from operating activities</b>			
Interest and income received		24,219,244	18,633,632
Interest and costs paid		(7,559,887)	(5,516,637)
Services and commissions		8,693,791	6,437,324
Contributions to the pension fund		(1,059,653)	-
Cash payments to employees and suppliers		(15,498,729)	(18,001,231)
Other costs and income paid/received		762,212	1,303,948
		<b>9,556,978</b>	<b>2,857,036</b>
<b>Change in operating assets and liabilities:</b>			
Deposits in central banks		422,025	(1,489,468)
Financial assets and liabilities held for trading		30,932,620	12,470,856
Applications in banks		69,136,649	92,010,803
Funding from central banks		130,000,000	146,000,000
Funding from banks		29,370,412	(235,234)
Loans to clients		14,105,832	(27,665,551)
Funding from clients		26,627,438	9,501,872
Derivatives for risk management		1,331,459	-
Other operating assets and liabilities		(687,640)	(17,486,888)
<b>Cash flow net of the operating activities, before taxation on profits</b>		<b>310,795,773</b>	<b>215,963,426</b>
Taxation on profits paid / received		(7,072,148)	750,465
		<b>303,723,625</b>	<b>216,713,891</b>
<b>Cash flow from investment activities</b>			
Acquisition of investments in subsidiary and associated companies		-	1,417,160
Dividends received		1,360,493	1,978,920
Financial assets available for sale		(436,792,300)	(222,830,864)
Investments held to maturity		146,244,852	(7,215,007)
Purchase of financial investments		(1,431,196)	(8,402,620)
		<b>(290,618,151)</b>	<b>(235,052,411)</b>
<b>Cash flow from financing activities</b>			
Increase in capital		1,976,170	-
Dividends from ordinary shares paid		(5,691,948)	(4,378,421)
<b>Cash flow net of financing activities</b>		<b>(3,715,778)</b>	<b>(4,378,421)</b>
<b>Net variation in cash and cash equivalents</b>		<b>9,389,696</b>	<b>(22,716,941)</b>
Cash and cash equivalents at the beginning of the period		74,514,115	97,231,056
Cash and cash equivalents at the end of the period		83,903,811	74,514,115
		<b>9,389,696</b>	<b>(22,716,941)</b>
Cash and cash equivalents includes:			
Cash	15	1,175,231	1,410,649
Deposits in other banks	16	82,728,580	73,103,466
<b>Total</b>		<b>83,903,811</b>	<b>74,514,115</b>

The attached Notes form part of these consolidated financial statements.





# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended 31 December 2010 and 2009  
(Amounts in Euros)

## INTRODUCTION

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

On 31 December 2008, the Bank held a shareholding of 41.01% in the share capital of ONETIER PARTNERS, S.G.P.S., S.A. (ONETIER). During 2009 BiG sold 1,000,000 shares of ONETIER. After this operation the Bank's investment in ONETIER amounted to 5,562,138 Euros, corresponding to 2,781,069 ordinary shares and 2,781,069 non-voting preference shares, representing 34.76% of the share capital of ONETIER. This company was founded on 29 November 1999, its main object being to manage shareholdings in other entities with the indirect purpose of exercising economic activities.

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

## NOTE 1 BASIS OF PRESENTATION

Pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, in its transposition into Portuguese legislation through Law no. 35/2005, of 17 February and of Notification no. 1/2005, of the Bank of Portugal, the consolidated financial statements of Banco de Investimento Global, S.A. ("BiG" or "Group") are prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted in the European Union.

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

The consolidated financial statements presented here relate to the year ended 31 December 2010 and were prepared in accordance with IFRS, as adopted in the European Union up to 31 December 2010. The accounting policies used by the Group in the preparation of the financial statements reported on 31 December 2010 are consistent with those used with reference to 31 December 2009. The main standards and interpretations adopted in 2010 are mentioned in note 39.1. However, as described in note 39, the Group adopted in the preparation of the financial statements referring to 31 December 2010, the accounting standards issued by the IASB and the interpretations of the IFRIC the application of which is mandatory as of 1 January 2010. The accounting policies used by the Group in the preparation of the financial statements, described in this note, were adopted accordingly. The adoption of these new standards and interpretations in 2010 had no material effect on the Group's accounts.

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

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

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

These consolidated financial statements were approved in a meeting of the Board of Directors on 1 March 2011.

## 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 and the results attributable to the Group referring to its shareholding in associated companies. The accounting policies were applied consistently to all of the companies in the Group, in relation to the periods covered by these consolidated financial statements.

#### *Subsidiary companies*

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

Up to 31 December 2009, when the accumulated losses of a subsidiary attributable to the non-controlling interests exceed the value of the respective interest in the equity capital of this subsidiary company, the excess was attributable to the Group, with the losses being entered in the income statement in the measure in which they were incurred. Subsequent profit obtained by this subsidiary

is recognised as revenue of the Group until the losses previously absorbed are recovered. After 1 January 2010, accumulated losses are attributed to the non-controlling interests in the proportions held, which could imply the recognition of non-controlling interests of a negative amount.

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

### ***Associated companies***

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

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

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

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

### ***Balances and transactions eliminated in the consolidation***

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

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

## **2.2. Transactions in foreign currency**

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

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

## 2.3. Derivative financial instruments and hedge accounting

### **Classification**

The Group classifies 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 re-valued on a regular basis, with the gains or losses resulting from this revaluation being entered directly in the income statement of the year, except in respect of hedging derivatives.

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

- *Fair value hedging*, consists of the hedging of exposure to alterations in the fair value of a recognised asset and liability, where any gain or loss in the hedge instrument and opposite sign in the instrument hedged will be included in the income statement of the year.
- *Cash flow hedging*, is hedging of exposure to the variability in cash flow that may be attributable i) to a particular risk of a recognised asset or liability ii) or to a highly probable foreseen transaction that might affect profits and losses. The variation in gains and losses in the hedge instrument will be measured in equity capital.

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

### **Hedge accounting**

#### Classification criteria

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

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

### **Fair value hedge**

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

If the hedge ceases to meet the criteria required for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed return instrument, the revaluation adjustment is amortised up to its maturity by the effective rate method.

When a hedge instrument expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, the variations in fair value of the derivative accumulated in reserves are recognised in the income statement when the hedged transaction also affects results. If the hedged transaction can be expected not to occur, the amounts still stated in equity capital are immediately recognised in the income statement and the hedge instrument is transferred to the trading portfolio.

## 2.4. Loans to clients

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

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

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

### **Impairment**

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

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

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

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

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

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

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

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

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

## 2.5. Other financial assets

### *Classification*

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

- *Financial assets held for trading*

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

The Group designates certain financial assets held for trading upon their initial recognition when:

- these financial assets are managed, evaluated and analysed internally based on their fair value;
- derivative transactions are performed with the objective of hedging these assets, thereby ensuring consistency in the valuation of the assets and of the derivatives (accounting mismatch);
- financial assets contain embedded derivatives.

Note 17 contains a summary of the assets and liabilities that were designated at fair value through the income statement at the time of their initial recognition.

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

- *Investments held to maturity*

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

- *Financial assets available for sale*

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

### *Initial recognition, measurement and non-recognition*

The acquisition and disposal of (i) financial assets held for trading, (ii) investments held to maturity and (iii) financial assets available for sale, are recognised on the trading date, i.e., on the date on which the Group undertakes to acquire or dispose of the assets.

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

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

### *Subsequent measurement*

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

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

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

The fair value of listed financial assets is their current purchase price. In the absence of market prices, the Group estimates the fair value using (i) evaluation methodologies, such as the use of recent, similar prices for transactions made in such market conditions, with discounted cash flow techniques and option evaluation models, adapted so as to reflect the particular features and circumstances of the instrument, and (ii) evaluation assumptions based on market information.

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

### ***Impairment***

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

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

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

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

## **2.6. Financial liabilities**

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

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

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

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

## **2.7. Capital instruments**

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

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



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

### **Treasury stock**

Treasury stock is entered in the capital account 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 compensated and the net value is entered in the balance sheet when the Group has a legal right to compensate the amounts recognised and there is the intention to settle them at their net value, or to realise the asset and settle the liability at the same time.

## **2.9. Non-current assets held for sale**

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

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

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

## **2.10. Assets with repurchase agreement**

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

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

## **2.11. Tangible assets**

The tangible assets of the Group are valued at cost less the respective accumulated depreciation and impairment losses. On the date of the transition to the IFRS, the Group chose to consider as a cost the revalued amount of other tangible assets, as determined in accordance with the previous accounting policies, which from a general perspective was equivalent to the depreciated cost, measured in accordance with the IFRS and adjusted so as to reflect the alterations in the general price index. The cost includes expenses which are directly attributable to the acquisition of the goods.

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

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

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

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

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

## 2.12. Intangible assets

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

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

## 2.13. Leasing

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

### *Operational leasing*

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

### *Financial leasing*

As lessor

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

As lessee

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

## 2.14. Employee benefits

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

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

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

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

### ***Defined contribution plan***

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

### ***Defined benefit plan***

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

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

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

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

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

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

### ***Stock option remuneration plan***

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

### ***Variable remunerations to employees and corporate offices***

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

## 2.15. Provisions

Provisions are recognised (i) when the Group has a present, legal or constructive obligation, (ii) when it can be proven that payment will be required and (iii) when a reliable estimate of the value of this obligation can be made.

## 2.16. Taxation on profits

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

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

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

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

## 2.17. Recognition of income from services and commissions

Income from services and commissions is recognised as follows:

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

## 2.18. Recognition of interest

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

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

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

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

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

## 2.19. Earnings per share

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

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

## 2.20. Cash and cash equivalents

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

Cash and cash equivalents exclude deposits of an obligatory nature made with central banks.

## 2.21. Recognition of dividends

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

## 2.22. Standards and interpretations not yet adopted

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

## 2.23. Report by segments

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

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

The IFRS establish a series of accounting procedures and require management to make necessary judgements and estimates in order to decide the most appropriate accounting procedure. The main accounting estimates and 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 point 2.

## 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 shares. For the purpose and as a result of the high volatility and reduced liquidity of the markets during 2010, the following triggers for the existence of impairment were considered:

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

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

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

### **3.2. Fair value of financial derivative instruments**

Fair value is based on market quotations, when available, and, in the absence of a quotation, it is based on recent, similar transaction prices made in market conditions, or based on evaluation methodologies, based on discounted future cash flow techniques considering market conditions, the temporal value, the profitability curve and volatility factors. These methodologies can require the use of assumptions or 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-compliance, risk scores, 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. Investments held to maturity**

Investments held to maturity are financial assets with defined maturities and fixed or determinable payments which the Group has the intention and capacity to keep until their maturity, in accordance with the requisites of IAS 39.

The Group regularly assesses if there are objective signs of impairment in its portfolio of investments held to maturity. The use of alternative methodologies and different assumptions from those used in the calculations made could have a different impact on results.

### **3.5. Taxation on profits**

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

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

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

### **3.6. Pensions and other employee benefits**

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

Alterations in these assumptions could materially affect the values determined.

## NOTE 4 NET INTEREST MARGIN

The value of this item is made up as follows:

	2010			2009		
	From assets/ liabilities at amortised cost and assets available for sale	From assets/ liabilities at fair value through profit and loss	Total	From assets/ liabilities at amortised cost and assets available for sale	From assets/ liabilities at fair value through profit and loss	Total
Interest and similar income						
Interest from applications	46,294	-	46,294	1,776,404	-	1,776,404
Interest from securities available for sale	19,789,233	-	19,789,233	5,685,701	-	5,685,701
Interest from deposits	225,266	-	225,266	601,716	-	601,716
Interest from investments held to maturity	1,288,215	-	1,288,215	7,282,091	-	7,282,091
Interest from loans to clients	2,052,809	-	2,052,809	1,830,566	-	1,830,566
Interest from financial assets held for trading	-	633,198	633,198	-	12,158	12,158
Other interest and similar income	40,326	-	40,326	22,048	-	22,048
	<b>23,442,143</b>	<b>633,198</b>	<b>24,075,341</b>	<b>17,198,526</b>	<b>12,158</b>	<b>17,210,684</b>
Interest and similar costs						
Interest from funding from clients	(3,815,596)	-	(3,815,596)	(3,728,922)	-	(3,728,922)
Interest from funding from banks	(40,157)	-	(40,157)	(47,363)	-	(47,363)
Interest from funding from central banks	(3,688,139)	-	(3,688,139)	(1,510,562)	-	(1,510,562)
Other interest and similar charges	(5,792)	-	(5,792)	(5,752)	-	(5,752)
	<b>(7,549,684)</b>	<b>-</b>	<b>(7,549,684)</b>	<b>(5,292,599)</b>	<b>-</b>	<b>(5,292,599)</b>
	<b>15,892,459</b>	<b>633,198</b>	<b>16,525,657</b>	<b>11,905,927</b>	<b>12,158</b>	<b>11,918,085</b>

## NOTE 5 INCOME FROM CAPITAL INSTRUMENTS

On 31 December 2010, this caption, amounting to 1,360,493 Euros (31 December 2009: 1,322,547 Euros) comprises dividends from financial assets available for sale.

## NOTE 6 RESULTS FROM SERVICES AND COMMISSIONS

The value of this item is comprised by:

	2010	2009
Income from services and commissions		
For transactions on behalf of third parties	8,101,789	4,682,317
For services rendered	1,693,813	1,553,603
For financial consultancy services	334,566	717,400
For commission sharing	765,533	435,225
For guarantees provided	5,126	7,388
For commitments before third parties	5,925	9,550
Other income from services and commissions	578,723	600,325
	<b>11,485,475</b>	<b>8,005,808</b>
Charges with services and commissions		
For transactions performed by third parties	(2,340,877)	(1,189,060)
For transactions on financial instruments	(187,153)	(217,635)
For banking services from third parties	(224,591)	(147,586)
Other charges with services and commissions	(32,839)	(19,371)
For guarantees received	(737)	(1,235)
	<b>(2,786,197)</b>	<b>(1,574,887)</b>
	<b>8,699,278</b>	<b>6,430,921</b>

## NOTE 7 PROFIT/LOSS OF ASSETS AND LIABILITIES HELD FOR TRADING

This caption is comprised as follows:

	2010			2009		
	Income	Costs	Total	Income	Costs	Total
Assets and liabilities held for trading						
Bonds and other fixed return securities						
From public issuers	3,543,428	(61,193)	3,482,235	1,850	-	1,850
From other issuers	252,702	(125,365)	127,337	657,674	(759)	656,915
Shares	23,320,193	(16,653,715)	6,666,478	17,563,849	(6,465,137)	11,098,712
Derivative financial instruments						
Contracts on exchange rates	3,572,316	(3,562,779)	9,537	3,837,436	(3,789,045)	48,391
Contracts on interest rates	-	(729,187)	(729,187)	-	(75,900)	(75,900)
Contracts on shares / indices	10,500,242	(6,057,269)	4,442,973	1,593,418	(2,701,503)	(1,108,085)
Contracts on futures	16,906,847	(26,485,648)	(9,578,801)	10,967,929	(19,544,316)	(8,576,387)
Other	5,067,236	(5,958,063)	(890,827)	3,914,980	(3,835,691)	79,289
Hedge derivatives	2,135,017	(2,032,673)	102,344	-	-	-
	<b>65,297,981</b>	<b>(61,665,892)</b>	<b>3,632,089</b>	<b>38,537,136</b>	<b>(36,412,351)</b>	<b>2,124,785</b>

## NOTE 8 PROFIT/LOSS OF FINANCIAL ASSETS AVAILABLE FOR SALE

This caption is comprised as follows:

	2010			2009		
	Income	Costs	Total	Income	Costs	Total
Bonds and other fixed return securities						
From public issuers	4,354,812	(178,476)	4,176,336	2,837,079	(6,751)	2,830,328
From other issuers	12,543,297	(285,422)	12,257,875	8,426,879	(16,781)	8,410,098
Shares	1,299,106	(909,053)	390,053	1,443,162	(71,440)	1,371,722
	<b>18,197,215</b>	<b>(1,372,951)</b>	<b>16,824,264</b>	<b>12,707,120</b>	<b>(94,972)</b>	<b>12,612,148</b>

## NOTE 9 PROFIT/LOSS OF EXCHANGE REVALUATION

On 31 December 2010, this caption comprises income amounting to 1,241,544 Euros (31 December 2009: 1,853,417 Euros).

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



## NOTE 10 OTHER OPERATING RESULTS

This caption is comprised as follows:

	2010	2009
Other operating income		
Provision of diverse services	47,235	21,507
Repayment of expenses	5,103	7,169
Other	529,049	511,281
	<b>581,387</b>	<b>539,957</b>
Other operating costs		
Direct and indirect taxation	(298,603)	(117,078)
Contributions to deposit guarantee fund	(66,544)	(84,427)
Dues and donations	(67,657)	(31,748)
Other	(771,537)	(17,462)
	<b>(1,204,341)</b>	<b>(250,715)</b>
	<b>(622,954)</b>	<b>289,242</b>

## NOTE 11 STAFF COSTS

This caption is comprised as follows:

	2010	2009
Remunerations	(10,220,279)	(8,690,079)
Costs with retirements pensions		
of defined Benefits (note 12)	(979,575)	(973,869)
of defined Contributions (note 12)	(183,645)	(171,888)
Obligatory social charges	(977,552)	(965,809)
Other payroll costs	(195,018)	(241,493)
	<b>(12,556,069)</b>	<b>(11,043,138)</b>

Costs with remunerations and other benefits attributed to the Corporate Officers on 31 December 2010 amounted to 5,071,438 Euros (31 December 2009: 4,172,536 Euros).

Costs with remunerations and other benefits attributed to key management staff with senior management functions on 31 December 2010 amounted to 1,830,355 Euros (31 December 2009: 2,018,561 Euros).

By professional category, the average number of employees of BiG during 2010 and 2009 is shown as follows:

	2010	2009
Senior management functions	21	18
Middle management functions	30	25
Specific functions	82	82
Administrative functions	13	14
Auxiliary functions	2	1
	<b>148</b>	<b>140</b>

## NOTE 12 EMPLOYEE BENEFITS

### Retirement pensions

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

	Assumptions		Actual	
	2010	2009	2010	2009
Demographic assumptions				
Mortality table	TV 88/90	TV 88/90		
Invalidity table	Suisse Re 2001	Suisse Re 2001		
Financial assumptions				
Rate of profitability of the fund	5.5%	5.5%	1.9%	11.0%
Rate of salary growth	3.0%	3.0%	1.9%	0.0%
Revaluation rate	-	2.0%	-	-
Discount rate	5.5%	5.5%	-	-

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

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

With regards to the Defined Benefits Plan, the application of IAS 19 produces the following liabilities and levels of cover relating to 31 December 2010 and 2009:

	2010	2009
Responsibilities on 31 December	(9,063,015)	(7,243,402)
Balance of funds on 31 December	9,043,343	7,833,101
<b>Excess/(Deficit) cover (notes 27 and 33)</b>	<b>(19,672)</b>	<b>589,699</b>
Deferred costs with past services (note 27)	2,280,296	2,631,652
<b>Net assets in Balance Sheet on 31 December</b>	<b>2,260,624</b>	<b>3,221,351</b>
<b>Accumulated actuarial differences deducted from reserves</b>	<b>(490,301)</b>	<b>550,504</b>

As mentioned in note 2.14., on 29 December 2005 the Bank introduced a Defined Benefit Pension Plan for the employees who opted for this benefit.

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

The evolution of responsibilities may be analysed as follows:

	2010	2009
<b>Responsibilities on 1 January</b>	<b>(7,243,402)</b>	<b>(6,479,179)</b>
Cost of current service	(660,653)	(650,653)
Cost of interest	(398,387)	(323,959)
Actuarial (gains) and losses with responsibilities	(760,573)	226,578
Transfer of responsibilities	-	(16,189)
<b>Responsibilities on 31 December</b>	<b>(9,063,015)</b>	<b>(7,243,402)</b>

The evolution of the value of the pension funds in 2010 and 2009 can be analysed as follows:

	2010	2009
<b>Balance of the fund on 1 January</b>	<b>7,833,101</b>	<b>7,041,985</b>
Real income from the fund	150,589	774,927
Contributions from the Bank	1,059,653	-
Transfer of acquired rights	-	16,189
<b>Balance of the fund on 31 December</b>	<b>9,043,343</b>	<b>7,833,101</b>

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

	2010	2009
Public debt securities	4,011,136	3,757,037
Shares	1,347,631	1,685,449
Investment fund units	-	99,629
Other	3,684,576	2,290,986
<b>Net assets in Balance Sheet</b>	<b>9,043,343</b>	<b>7,833,101</b>

The evolution of the deferred cost of past services in the years 2010 and 2009 can be analysed as follows:

	2010	2009
<b>Balance on 1 January</b>	<b>2,631,652</b>	<b>2,983,008</b>
Amortisation	(351,356)	(351,356)
<b>Balance on 31 December</b>	<b>2,280,296</b>	<b>2,631,652</b>

Actuarial differences recognised in reserves may be analysed as follows:

	2010	2009
<b>Accumulated actuarial differences in reserves on 1 January</b>	<b>550,504</b>	<b>(98,902)</b>
Actuarial (gains) and losses in the year:		
Responsibilities	(760,574)	226,578
Of the Fund	(280,231)	422,828
	(1,040,805)	649,406
<b>Accumulated actuarial differences in reserves on 31 December</b>	<b>(490,301)</b>	<b>550,504</b>

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

	2010	2009
Cost of current service	(660,653)	(650,653)
Cost of interest	(398,387)	(323,959)
Expected income from the fund	430,821	352,099
Amortisation of the year	(351,356)	(351,356)
<b>Cost of the year (note 11)</b>	<b>(979,575)</b>	<b>(973,869)</b>

On 31 December 2010, the Bank recognised the amount 183,645 Euros (31 December 2009: 171,888 Euros) as a cost relating to the Defined Contribution Plan (note 11).

The evolution of net assets in the balance sheet can be analysed as follows:

	2010	2009
<b>Net assets in the Balance Sheet on 1 January</b>	<b>3,221,351</b>	<b>3,545,814</b>
Cost of the year	(979,575)	(973,869)
Actuarial gains / (losses) in reserves	(1,040,805)	649,406
Contributions in the year	1,059,653	-
<b>Net assets in the Balance Sheet on 31 December</b>	<b>2,260,624</b>	<b>3,221,351</b>

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

	2010	2009	2008	2007	2006
Responsibilities	(9,063,015)	(7,243,402)	(6,479,179)	(6,433,081)	(5,934,306)
Balance of the funds	9,043,343	7,833,101	7,041,985	7,168,598	5,133,998
(Under) / over financed liabilities	(19,672)	589,699	562,806	735,517	(800,308)
(Gains) / Loss experience arising from liabilities	760,573	(9,276)	(423,796)	3,316	65,795
(Gains) / Loss experience arising from assets of the fund	(280,231)	422,828	1,165,293	308,124	67,878

## Stock option plan

The main characteristics of each plan are presented as follows:

Plan	Expected date of the end of the plan	Number of options on the start date of the plan	Exercise price	Number of options on 31/12/10	Number of options on 31/12/09
1999	May/2012	4,000,000	1.00	-	23,450
2005	Nov/2018	9,000,000	1.15	7,934,000	7,934,000
2007	Mar/2020	1,824,000	1.26	281,760	1,090,060
2007	Mar/2020	66,800	1.34	16,080	50,696
2007	Mar/2020	15,600	1.35	1,632	12,036
2008	Jan/2018	7,425,000	1.36	-	610,000
2008	Mar/2021	9,000	1.36	3,060	9,000
2008	Mar/2021	55,000	1.35	-	55,000
2008	Mar/2019	100,000	1.15	100,000	100,000
2010	Oct/2023	65,000	1.28	65,000	-

## NOTE 13 GENERAL ADMINISTRATIVE COSTS

This caption is comprised as follows:

	2010	2009
Rents	(782,439)	(893,855)
Supplies	(1,245,967)	(872,699)
Communications	(614,987)	(532,608)
Travel, hotel and representation costs	(260,753)	(347,523)
Advertising and publications	(285,846)	(388,975)
Specialised services		
Information Technology	(1,278,504)	(565,674)
Information	(376,896)	(320,870)
Other specialised services	(723,791)	(436,248)
Fees	(83,640)	(231,711)
Databases	(43,963)	(45,620)
Security and surveillance	(144,104)	(52,329)
Manual labor	(27,388)	(13,599)
Other	(151,380)	(794,075)
	<b>(6,019,658)</b>	<b>(5,495,786)</b>

The fees of the year for 2010 and 2009 relating to the external auditors, as provided for in Article 66-A of the Commercial Companies Code, are detailed as follows:

	2010	2009
Accounts auditing and supervision services	60,750	55,500
Other reliability guarantee services related with the Statutory Auditor	38,800	37,000
	<b>99,550</b>	<b>92,500</b>

## NOTE 14 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.

	2010	2009
Net profit	20,459,890	12,329,102
Weighted average number of ordinary shares issued	87,621,220	87,570,000
Weighted average number of treasury stock in portfolio	(1,575)	(1,575)
<b>Average number of ordinary shares in circulation</b>	<b>87,619,645</b>	<b>87,568,425</b>
<b>Earnings per share (in Euros)</b>	<b>0.23</b>	<b>0.14</b>

Earnings per diluted share are no different from Earnings per ordinary share as there were no dilutive shares on 31 December 2010 and 2009.

## NOTE 15 CASH AND DEPOSITS IN CENTRAL BANKS

On 31 December 2010 and 2009, this caption is broken down as follows:

	2010	2009
Cash	1,175,231	1,410,649
Demand deposits in central banks		
Bank of Portugal	2,990,007	3,412,031
	<b>4,165,238</b>	<b>4,822,680</b>

The caption demand deposits in central banks includes 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 2010 was included in the maintenance period from 8 December 2010 to 18 January 2011, which corresponded to an average mandatory reserve of 6,890,400 Euros.

## NOTE 16 DEPOSITS IN OTHER BANKS

On 31 December 2010 and 2009, this caption is broken down as follows:

	2010	2009
Deposits in other banks in Portugal		
Demand deposits	67,057,144	61,558,064
Deposits in other banks abroad		
Demand deposits	15,671,436	11,545,402
	<b>82,728,580</b>	<b>73,103,466</b>

The average interest rate during the year ending on 31 December 2010, was 0.24% (31 December 2009: 0.75%).

## NOTE 17 ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING

On 31 December 2010 and 2009, this caption is broken down as follows:

	2010	2009
Financial assets held for trading		
Securities		
Bonds and other fixed income securities		
Public issuers	442,108	-
Other issuers	2,923,125	552,977
Shares	4,706,167	8,598,631
Other variable income securities	-	1,379,336
	<b>8,071,400</b>	<b>10,530,944</b>
Derivatives		
Derivative financial instruments with positive fair value	818,752	339,667
	<b>8,890,152</b>	<b>10,870,611</b>
Financial liabilities held for trading		
Short sales	23,544,493	-
Derivatives		
Derivative financial instruments with negative fair value	3,763,251	1,885,328
	<b>27,307,744</b>	<b>1,885,328</b>

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

On 31 December 2010 and 2009, the caption Financial assets held for trading – Securities, is made up from listed securities.

The caption Derivative financial instruments on 31 December 2010 and 2009 is analysed below:

	2010			2009		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Contracts on exchange rates						
Currency Options	-	-	-	7,638,623	187,419	192,694
Contracts on interest rates						
Interest Rate Swaps	50,000,000	-	916,902	5,000,000	-	52,713
Contracts on shares/indices						
Equity / Index Swaps	12,063,131	122,317	1,146,118	17,966,735	116,946	1,262,522
Equity / Index Options	40,469,268	535,155	1,700,231	27,132,824	35,302	377,399
Term transactions	119,079,082	130,840	-	-	-	-
Other	1,000,000	30,440	-	-	-	-
	<b>222,611,481</b>	<b>818,752</b>	<b>3,763,251</b>	<b>57,738,182</b>	<b>339,667</b>	<b>1,885,328</b>

On 31 December 2010 and 2009, the breakdown of financial assets held for trading - Securities by maturity is as follows:

	2010	2009
Securities		
From 1 to 5 years	2,904,986	552,977
Over 5 years	460,247	-
Unspecified duration	4,706,167	9,977,967
	<b>8,071,400</b>	<b>10,530,944</b>

On 31 December 2010 and 2009, the breakdown of Financial assets held for trading - Financial derivative instruments by maturity, is as follows:

	2010		2009	
	Notional	Fair value	Notional	Fair value
Derivative financial instruments				
Up to 3 months	122,043,205	49,513	7,134,019	(26,534)
3 months to one year	42,417,902	(1,989,499)	38,860,246	(829,002)
From one to five years	39,817,253	(634,333)	9,357,992	(686,209)
Over 5 years	15,000,000	(366,041)	-	-
Unspecified duration	3,333,121	(4,139)	2,385,925	(3,916)
	<b>222,611,481</b>	<b>(2,944,499)</b>	<b>57,738,182</b>	<b>(1,545,661)</b>

## NOTE 18 FINANCIAL ASSETS AVAILABLE FOR SALE

On 31 December 2010 and 2009, this caption is broken down as follows:

	Cost (1)	Fair value reserve		Impairment losses	Balance sheet value
		Positive	Negative		
Bonds and other fixed income securities					
Public issuers	211,967,677	1,197	(28,958,511)	-	183,010,363
Other issuers	509,160,595	3,106,969	(27,499,493)	(1,058,488)	483,709,583
Shares	32,196,753	660,169	(216,184)	(5,065,755)	27,574,983
<b>Balance on 31 December 2010</b>	<b>753,325,025</b>	<b>3,768,335</b>	<b>(56,674,188)</b>	<b>(6,124,243)</b>	<b>694,294,929</b>
Bonds and other fixed income securities					
Public issuers	123,316,596	127,272	(1,653,164)	-	121,790,704
Other issuers	148,443,812	2,201,815	(1,383,415)	-	149,262,212
Shares	29,540,718	-	(195,687)	(2,580,304)	26,764,727
<b>Balance on 31 December 2009</b>	<b>301,301,126</b>	<b>2,329,087</b>	<b>(3,232,266)</b>	<b>(2,580,304)</b>	<b>297,817,643</b>

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

The average interest rate during the year ended 31 December 2010, was 3.29% (31 December 2009: 3.5%).

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..

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

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



On 31 December 2010 and 2009, the caption Financial assets available for sale is made up as follows with regard to listed and unlisted securities:

	2010			2009		
	Listed	Unlisted	Total	Listed	Unlisted	Total
Bonds and other fixed income securities						
Public issuers	183,010,363	-	183,010,363	121,790,704	-	121,790,704
Other issuers	482,742,359	967,224	483,709,583	130,748,814	18,513,398	149,262,212
Shares	27,574,653	330	27,574,983	26,764,397	330	26,764,727
	<b>693,327,375</b>	<b>967,554</b>	<b>694,294,929</b>	<b>279,303,915</b>	<b>18,513,728</b>	<b>297,817,643</b>

On 31 December 2010 and 2009, the breakdown of Financial assets available for sale by maturity is as follows:

	2010	2009
Up to 3 months	8,963,134	18,513,398
3 months to one year	15,373,850	5,093,432
From one to five years	326,880,895	80,822,810
Over 5 years	315,502,067	166,623,276
Unspecified duration	27,574,983	26,764,727
	<b>694,294,929</b>	<b>297,817,643</b>

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

	2010	2009
<b>Opening balance</b>	<b>2,580,304</b>	<b>1,065,735</b>
Additions	5,737,395	2,580,134
Used	(2,193,456)	(1,065,565)
<b>Closing balance</b>	<b>6,124,243</b>	<b>2,580,304</b>

## NOTE 19 APPLICATIONS IN BANKS

On 31 December 2010 and 2009, this caption is broken down as follows:

	2010	2009
Applications in banks in Portugal		
Deposits	-	65,097,764
Loans	69,328	40,976
	<b>69,328</b>	<b>65,138,740</b>
Applications in banks abroad		
Deposits	-	4,164,943
	-	<b>4,164,943</b>
	<b>69,328</b>	<b>69,303,683</b>

The average interest rate during the year ended 31 December 2010, was 0.26% (31 December 2009: 2.61%).

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

	2010	2009
Up to 3 months	-	69,262,726
From 3 months to one year	9,169	-
From 1 to 5 years	60,159	40,957
	<b>69,328</b>	<b>69,303,683</b>

## NOTE 20 LOANS TO CLIENTS

On 31 December 2010 and 2009, this caption is broken down as follows:

	2010	2009
Domestic loans		
To companies		
Loans	2,221,281	9,824,275
Loans at sight	6,450,365	10,373,501
Leasing	589,839	799,396
Overdrafts	6,454	28,753
Other specialised loans	30,435	42,971
To private individuals		
Loans at sight	24,478,177	27,670,259
Mortgages	4,572,178	4,741,505
Leasing	1,431,287	1,281,587
Overdrafts	99,220	118,048
Other specialised loans	1,256,918	1,308,664
	<b>41,136,154</b>	<b>56,188,959</b>
International loans		
To companies		
Loans at sight	20,483	-
Overdrafts	2,210	2,390
To private individuals		
Loans at sight	1,435,409	567,634
Overdrafts	3,151	2,604
	<b>1,461,253</b>	<b>572,628</b>
Past due loans and interest		
Over 90 days	116,517	129,345
	<b>116,517</b>	<b>129,345</b>
	<b>42,713,924</b>	<b>56,890,932</b>
<b>Provisions for loan impairment</b>	<b>(181,249)</b>	<b>(177,657)</b>
	<b>42,532,675</b>	<b>56,713,275</b>

The average interest rate during the year ended 31 December 2010 was 3.89% (31 December 2009: 4.87%).

On 31 December 2010 and 2009 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 2010, the Group's credit portfolio included loans granted to a member of the Board of Directors for 742,710 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 2009: 424,161 Euros). The loans granted to key management staff with senior management functions was 1,719,155 Euros (31 December 2009: 1,299,265 Euros).

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

	2010	2009
Up to 3 months	32,523,243	38,861,296
From 3 months to 1 year	40,900	1,557,874
From 1 to 5 years	2,263,868	10,586,402
Over 5 years	7,769,396	5,756,015
Unspecified duration	116,517	129,345
	<b>42,713,924</b>	<b>56,890,932</b>

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

	2010	2009
<b>Opening balance</b>	<b>177,657</b>	<b>181,683</b>
Additions	-	23,142
Reintegration	(4,941)	-
Used	(18,377)	-
Transfers	26,910	(27,168)
<b>Closing balance</b>	<b>181,249</b>	<b>177,657</b>

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

	2010	2009
Variable rate	42,015,066	55,798,634
Fixed rate	698,858	1,092,298
	<b>42,713,924</b>	<b>56,890,932</b>

The residual periods of leased capital were structured as follows:

	2010	2009
Instalments and residual values due		
Up to 3 months	2,552	6,198
From 3 months to 1 year	83,289	26,998
From 1 to 5 years	1,681,987	1,928,378
Over 5 years	426,660	289,006
	<b>2,194,488</b>	<b>2,250,580</b>
Interest due		
Up to 3 months	21	12
From 3 months to 1 year	1,606	239
From 1 to 5 years	123,653	134,573
Over 5 years	48,082	34,773
	<b>173,362</b>	<b>169,597</b>
Capital due		
Up to 3 months	2,531	6,186
From 3 months to 1 year	81,682	26,759
From 1 to 5 years	1,558,335	1,793,805
Over 5 years	378,578	254,233
	<b>2,021,126</b>	<b>2,080,983</b>

On 31 December 2010 and 2009, impairment was broken down as follows:

<b>2010</b>							
	Impairment calculated on an individual basis		Calculation of impairment based on portfolio		Total		Credit net of impairment
	Credit amount	Impairment	Credit amount	Impairment	Credit amount	Impairment	
Loans to:							
Companies	-	-	9,335,305	23,596	9,335,305	23,596	9,311,709
Private individuals	9,637	9,637	33,368,982	148,016	33,378,619	157,653	33,220,966
<b>Total</b>	<b>9,637</b>	<b>9,637</b>	<b>42,704,287</b>	<b>171,612</b>	<b>42,713,924</b>	<b>181,249</b>	<b>42,532,675</b>

<b>2009</b>							
	Impairment calculated on an individual basis		Calculation of impairment based on portfolio		Total		Credit net of impairment
	Credit amount	Impairment	Credit amount	Impairment	Credit amount	Impairment	
Loans to:							
Companies	183,803	16,153	23,867,134	8,663	24,050,937	24,816	24,026,121
Private individuals	406,942	116,942	32,433,053	35,899	32,839,995	152,841	32,687,154
<b>Total</b>	<b>590,745</b>	<b>133,095</b>	<b>56,300,187</b>	<b>44,562</b>	<b>56,890,932</b>	<b>177,657</b>	<b>56,713,275</b>

## NOTE 21 INVESTMENTS HELD TO MATURITY

On 31 December 2010 and 2009, this caption is broken down as follows:

	Fair value reserve		Balance sheet value
	Positive	Negative	
Bonds and other fixed income securities			
Other issuers	12,006	(2,819,653)	141,753,449
<b>Balance on 31 December 2009</b>	<b>12,006</b>	<b>(2,819,653)</b>	<b>141,753,449</b>

The periods in which the Investments held to maturity fall due is presented as follows:

<b>2009</b>	
Up to 3 months	6,194,210
From 3 months to 1 year	17,181,435
From 1 to 5 years	85,285,209
Over 5 years	33,092,595
	<b>141,753,449</b>

The fair value of the portfolio of Investments held to maturity is presented in note 37.

During the month of February 2010, the Group sold off a major group of financial assets in the amount of 66,544,289 Euros which had been in the portfolio of Investments held to maturity since July 2008, with a gain of 4,491,403 Euros being generated on this sale. The remaining unsold assets still presented in the balance sheet on 31 December 2010 had a negative fair value reserve of 401,065 Euros. Under IAS 39, the sale before the maturity of any financial asset classified as Investments held to maturity requires the reclassification of all the remaining assets of this portfolio to the portfolio of Financial assets available for sale.

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

## NOTE 22 HEDGING DERIVATIVES

On 31 December 2010 this caption is broken down as follows:

2010							
Derivative product	Associated financial asset / liability	Derivative			Associated asset / liability		
		Notional	Fair value	Variation in fair value in the year	Fair value	Variation in fair value in the year	Balance sheet value
Interest Rate Swap	Debt instruments	131,200,000	(1,229,110)	13,349	296,864,463	(7,736)	296,864,463

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

## NOTE 23 NON-CURRENT ASSETS HELD FOR SALE

On 31 December 2009 the value presented relates to a building which was given to the Bank, resulting from a case under litigation and which was sold during 2010.

## NOTE 24 TANGIBLE ASSETS

On 31 December 2010 and 2009, this caption is broken down as follows:

	2010	2009
Buildings		
Improvements to buildings	2,232,638	2,231,809
For own use	15,277,674	14,281,243
	<b>17,510,312</b>	<b>16,513,052</b>
Equipment		
Computer equipment	4,281,361	4,191,222
Furniture and material	873,479	1,343,291
Installations and interiors	993,931	1,007,040
Security equipment	1,199,216	1,179,897
Machines and tools	110,090	102,311
Other equipment	210,547	206,250
Transportation material	3,514	3,514
	<b>7,672,138</b>	<b>8,033,525</b>
Fixed assets in progress		
Buildings for own use	107,404	829
	<b>107,404</b>	<b>829</b>
	<b>25,289,854</b>	<b>24,547,406</b>
Accumulated depreciation	(7,273,124)	(6,008,867)
	<b>18,016,730</b>	<b>18,538,539</b>

The movement in this caption was the following:

	Buildings	Equipment	Fixed assets in progress	Total
Acquisition cost				
<b>Balance on 1 January 2009</b>	<b>3,368,094</b>	<b>4,988,316</b>	<b>8,520,414</b>	<b>16,876,824</b>
Additions	606,547	797,986	6,349,440	7,753,973
Transfers	12,538,411	2,247,223	(14,869,025)	(83,391)
<b>Balance on 31 December 2009</b>	<b>16,513,052</b>	<b>8,033,525</b>	<b>829</b>	<b>24,547,406</b>
Additions	500,505	196,904	107,404	804,813
Transfers	496,755	(558,291)	(829)	(62,365)
<b>Balance on 31 December 2010</b>	<b>17,510,312</b>	<b>7,672,138</b>	<b>107,404</b>	<b>25,289,854</b>
Depreciation				
<b>Balance on 1 January 2009</b>	<b>1,085,864</b>	<b>4,043,633</b>	-	<b>5,129,497</b>
Amortization of the year	385,885	493,485	-	879,370
<b>Balance on 31 December 2009</b>	<b>1,471,749</b>	<b>4,537,118</b>	-	<b>6,008,867</b>
Amortization of the year	558,454	705,803	-	1,264,257
<b>Balance on 31 December 2010</b>	<b>2,030,203</b>	<b>5,242,921</b>	-	<b>7,273,124</b>
<b>Net balance on 31 December 2010</b>	<b>15,480,109</b>	<b>2,429,217</b>	<b>107,404</b>	<b>18,016,730</b>
<b>Net balance on 31 December 2009</b>	<b>15,041,303</b>	<b>3,496,407</b>	<b>829</b>	<b>18,538,539</b>

## NOTE 25 INTANGIBLE ASSETS

On 31 December 2010 and 2009, this caption is broken down as follows:

	2010	2009
Acquired from third parties		
Automatic data processing system	6,773,400	6,147,017
Other fixed assets	586,747	586,747
	<b>7,360,147</b>	<b>6,733,764</b>
Accumulated depreciation	(6,472,725)	(6,129,588)
	<b>887,422</b>	<b>604,176</b>

The movement in this caption was the following:

	Automatic data processing system	Other intangible assets	Total
Acquisition cost			
<b>Balance on 1 January 2009</b>	<b>5,618,419</b>	<b>614,307</b>	<b>6,232,726</b>
Acquired from third parties	505,648	-	505,648
Transfers	22,950	(27,560)	(4,610)
<b>Balance on 31 December 2009</b>	<b>6,147,017</b>	<b>586,747</b>	<b>6,733,764</b>
Acquired from third parties	626,383	-	626,383
<b>Balance on 31 December 2010</b>	<b>6,773,400</b>	<b>586,747</b>	<b>7,360,147</b>
Amortization			
<b>Balance on 1 January 2009</b>	<b>5,173,737</b>	<b>586,747</b>	<b>5,760,484</b>
Amortization of the year	369,104	-	369,104
<b>Balance on 31 December 2009</b>	<b>5,542,841</b>	<b>586,747</b>	<b>6,129,588</b>
Amortization of the year	343,137	-	343,137
<b>Balance on 31 December 2010</b>	<b>5,885,978</b>	<b>586,747</b>	<b>6,472,725</b>
<b>Net balance on 31 December 2010</b>	<b>887,422</b>	-	<b>887,422</b>
<b>Net balance on 31 December 2009</b>	<b>604,176</b>	-	<b>604,176</b>

## NOTE 26 INVESTMENTS IN ASSOCIATED COMPANIES

On 31 December 2010 and 2009, this caption is broken down as follows:

2010	No. of shares	Direct shareholding	Nominal value (Euros)	Cost of participation	Balance sheet value
ONETIER PARTNERS, S.G.P.S., S.A.	5,562,138	34.76%	5,562,138	5,562,138	5,198,150

2009	No. of shares	Direct shareholding	Nominal value (Euros)	Cost of participation	Balance sheet value
ONETIER PARTNERS, S.G.P.S., S.A.	5,562,138	34.76%	5,562,138	5,562,138	4,794,425

On 31 December 2010 and 2009, the details of ONETIER, are presented as follows:

	2010			2009		
	Total assets	Total equity	Net result for the year	Total assets	Total equity	Net result for the year
ONETIER PARTNERS, S.G.P.S., S.A.	14,962,306	14,834,301	840,355	15,669,488	13,665,735	(2,226,770)

## NOTE 27 OTHER ASSETS

On 31 December 2010 and 2009, this caption is broken down as follows:

	2010	2009
Margin applications	4,819,072	583,095
Debtors on futures trading	1,998,120	1,641,046
Debtors and other applications	163,041	61,599
Public sector	120,589	120,589
Other debtors	1,671,657	888,011
Other assets	120,751	-
	<b>8,893,230</b>	<b>3,294,340</b>
Provision for impairment losses on other assets	(762,502)	(690,168)
	<b>8,130,728</b>	<b>2,604,172</b>
Expenses with deferred costs	1,026,987	258,815
Income receivable	423,149	332,444
Other accruals and deferrals		
Pending stock market transactions	15,372,043	17,733,669
Net assets relating to retirement pensions (note 12)	-	589,699
Other operations pending	1,161,754	317,087
	<b>16,533,797</b>	<b>18,640,455</b>
Retirement pensions - costs with past services deferred (note 12)	2,280,296	2,631,652
	<b>28,394,957</b>	<b>24,467,538</b>

Where securities sale and purchase operations were settled after the date of the balance sheet, these are recorded in the item Pending stock market transactions.

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

	2010	2009
Opening balance	690,168	265,739
Additions	55,577	568,016
Used	-	(70,270)
Reversals	(37,100)	(55,863)
Exchange	53,857	(17,454)
<b>Closing balance</b>	<b>762,502</b>	<b>690,168</b>

## NOTE 28 FUNDING FROM CENTRAL BANKS

On 31 December 2010, this caption, amounting to 360,164,444 Euros (31 December 2009: 230,783,194 Euros), relates to funding from the European System of Central Banks, fully collateralised by securities in the portfolios of Financial assets available for sale in 2010 and 2009 and Investments held to maturity in 2009. The maturity period of this financing on 31 December 2010 is up to 3 months (31 December 2009 it was from 3 months to 1 year).

The value of the securities provided as guarantee amounts to 519,950,291 Euros (31 December 2009: 273,151,284 Euros) (note 35).

## NOTE 29 FUNDING FROM OTHER BANKS

On 31 December 2010 and 2009, this caption is broken down as follows:

	2010	2009
Domestic		
Deposits	129,048	166,631
	<b>129,048</b>	<b>166,631</b>
Abroad		
Deposits	5,547,686	5,688,095
Resources at very short term	661,253	2,331,666
Loans	32,604,755	-
Other resources	-	1,373,635
	<b>38,813,694</b>	<b>9,393,396</b>
	<b>38,942,742</b>	<b>9,560,027</b>

The average interest rate during the year ended 31 December 2010 and 2009 was 0.3%.

The residual periods of Funding from other banks, were structured as follows:

	2010	2009
Up to 3 months	38,942,742	9,560,027
	<b>38,942,742</b>	<b>9,560,027</b>



## NOTE 30 FUNDING FROM CLIENTS

On 31 December 2010 and 2009 this caption is broken down as follows:

	2010	2009
Demand deposits	146,988,651	175,707,948
Term deposits	173,924,834	109,993,780
Other	11,271,148	19,283,279
	<b>332,184,633</b>	<b>304,985,007</b>

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

	2010	2009
Up to 3 months	265,113,915	266,333,883
From 3 months to 1 year	45,337,976	32,433,487
From 1 to 5 years	21,732,742	6,217,637
	<b>332,184,633</b>	<b>304,985,007</b>

## NOTE 31 PROVISIONS

On 31 December 2010 and 2009 this caption is broken down as follows:

	Other provisions
<b>Balance on 1 January 2009</b>	<b>150,000</b>
Addition	12,480
Transfers	27,168
<b>Balance on 31 December 2009</b>	<b>189,648</b>
Addition	7,670
Transfers	(26,910)
<b>Balance on 31 December 2010</b>	<b>170,408</b>

## NOTE 32 TAXATION

The Bank and its subsidiary companies are subject to taxation pursuant to the regime of Corporation Tax (IRC) and corresponding local taxes. The calculation of the current and deferred tax of 2009 was based on a nominal tax and municipal surtax rate of 26.5%, in accordance with Law no. 107-B/2003, of 31 December and Law no. 2/2007 of 15 January (which approved the Local Finances Law). The current and deferred tax for 2010 was based on a nominal Corporation Tax and local tax rate of 26.5%, plus an additional rate of 2.5% for State Tax provided for under the additional measures of the Stability and Growth Programme (PEC) approved by Law no. 12-A/2010, of 30 June.

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

The deferred tax assets and liabilities recognised in the balance sheet in 2010 and 2009 can be analysed as follows:

	2010	2009
Provisions	414,959	424,277
Financial assets held for trading	-	(17,284)
Financial assets available for sale	14,327,879	(192,903)
Other	65,965	203,365
<b>Net deferred tax assets / (liabilities)</b>	<b>14,808,803</b>	<b>417,455</b>
<b>Tax movement in the year</b>	<b>14,391,348</b>	<b>576,051</b>

The movement of deferred tax in 2010 and 2009 is explained below:

	2010			2009		
	Recognised in results	Recognised in reserves	Total	Recognised in results	Recognised in reserves	Total
Reportable tax losses	-	-	-	-	(827,911)	(827,911)
Provisions	(9,318)	-	(9,318)	78,738	-	78,738
Financial assets available for sale	9,568	14,511,214	14,520,782	9,568	1,166,906	1,176,474
Financial assets held for trading	17,284	-	17,284	17,283	-	17,283
Other	(137,400)	-	(137,400)	131,467	-	131,467
	<b>(119,866)</b>	<b>14,511,214</b>	<b>14,391,348</b>	<b>237,056</b>	<b>338,995</b>	<b>576,051</b>

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

	2010	2009
Recognised in reserves		
Current tax	(527,518)	(2,014,208)
Deferred tax	14,511,214	338,995
	<b>13,983,696</b>	<b>(1,675,213)</b>
Recognised in results		
Current tax		
Of the year	(6,148,079)	(2,729,181)
From previous years	323,396	5,895
	<b>(5,824,683)</b>	<b>(2,723,286)</b>
Deferred tax	(119,866)	237,056
	<b>(5,944,549)</b>	<b>(2,486,230)</b>
	<b>8,039,147</b>	<b>(4,161,443)</b>

The reconciliation of the tax rate for the years 2010 and 2009 can be analysed as follows:

	2010		2009	
	Tax rate	Amount	Tax rate	Amount
Pre-tax profit		26,404,439		14,815,332
Estimated tax charge	29.00%	7,590,394	26.50%	3,926,063
Pension fund	1.02%	265,685	-	-
Tax exempt dividends	-7.51%	(1,965,232)	-9.85%	(1,459,719)
Corrections due to tax credits	0.08%	20,671	0.09%	13,168
Non-deductible costs for tax purposes	0.56%	145,835	4.24%	628,764
Tax benefits	-0.37%	(97,096)	-0.33%	(49,197)
Accounting and tax gains	1.64%	428,872	-3.86%	(571,169)
Autonomous taxation and double taxation	0.10%	27,459	0.18%	27,407
Other	-1.61%	(420,476)	-0.20%	(29,087)
Effect of rate change	-0.20%	(51,563)	-	-
	<b>22.71%</b>	<b>5,944,549</b>	<b>16.78%</b>	<b>2,486,230</b>

## NOTE 33 OTHER LIABILITIES

On 31 December 2010 and 2009 this caption is broken down as follows:

	2010	2009
Creditors and other dues		
On futures and options transactions	2,064,719	1,660,020
Other dues	1,623,733	828,750
Public sector	2,793,187	1,346,440
Securities transactions	4,789	3,207
Suppliers of goods	121,684	29,560
Other creditors	745,235	1,521
	<b>7,353,347</b>	<b>3,869,498</b>
Costs payable		
Staff charges	1,773,318	1,339,302
On third party transactions	1,191,832	-
Other costs payable	2,469,340	1,392,749
	<b>5,434,490</b>	<b>2,732,051</b>
Revenue from deferred income	116,555	469,384
Accruals and deferrals		
Pending securities transactions	16,688,554	16,938,169
Net pension plan liabilities (note 12)	19,672	-
Other pending transactions	740,646	510,731
	<b>17,448,872</b>	<b>17,448,900</b>
	<b>30,353,264</b>	<b>24,519,833</b>

Transactions involving the sale and purchase of securities, which were settled after the balance sheet date are recorded in the Pending securities transactions item.

## NOTE 34 CAPITAL, ISSUE PREMIUMS, TREASURY STOCK AND RESERVES

### Capital

On 31 December 2010 and 2009 the capital of the Group was represented by 89,088,810 shares (31 December 2009: 87,570,000 shares), with the nominal value of 1 Euro each, fully subscribed and paid up.

On 31 December 2010 and 2009, the shareholder structure of the Group was the following:

	2010	2009
António da Silva Rodrigues	12.13%	12.34%
Adger – S.G.P.S., S.A.	10.79%	10.98%
Carlos Adolfo Coelho Figueiredo Rodrigues	8.62%	8.44%
WWC World Wide Capital - S.G.P.S., S.A.	8.37%	8.00%
Carlos Pompeu Ramalhão Fortunato	5.67%	4.69%
JRI – S.G.P.S., S.A.	5.09%	5.17%
Edimo, Sociedade Internacional de Gestão S.G.P.S., Unipessoal Lda.	4.90%	4.99%
Nicholas Leo Racich	4.59%	4.54%
José António de Melo Pinto Ribeiro	3.30%	3.32%
MSF – S.G.P.S., S.A.	2.46%	5.00%
Alfredo Milne e Carmo	2.08%	2.11%
Maria Carlos Ramalhão Fortunato Leça Ramada	2.07%	1.49%
Other	29.93%	28.92%
	<b>100.00%</b>	<b>100.00%</b>

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

## Issue premiums

On 31 December 2010, the issue premiums amounting to 9,343,753 Euros refer to the premiums paid by the shareholders in the capital increases made (31 December 2009: 8,886,393 Euros).

## Treasury stock

The movement in treasury stock is as follows:

	2010		2009	
	No. of shares	Value	No. of shares	Value
Treasury stock				
<b>Balance at start of year</b>	<b>1,575</b>	<b>2,326</b>	<b>1,575</b>	<b>2,326</b>
<b>Balance at the year end</b>	<b>1,575</b>	<b>2,326</b>	<b>1,575</b>	<b>2,326</b>
Loans for acquisition of treasury stock				
<b>Balance at start of year</b>	<b>365,175</b>	<b>430,935</b>	<b>1,818,808</b>	<b>2,113,948</b>
Movement	901,551	1,149,826	(1,453,633)	(1,683,013)
<b>Balance at year end</b>	<b>1,266,726</b>	<b>1,580,761</b>	<b>365,175</b>	<b>430,935</b>
<b>Closing balance</b>	<b>1,268,301</b>	<b>1,583,087</b>	<b>366,750</b>	<b>433,261</b>

## Legal reserve

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

## Fair value reserve

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

The fair value reserve for the years ended 31 December 2010 and 2009 is analysed as follows:

	2010	2009
Cost of financial assets available for sale (note 18) <sup>(1)</sup>	753,325,025	301,301,126
Impairment Losses (note 18)	(6,124,243)	(2,580,304)
Market value of financial assets available for sale (note 18)	694,294,929	297,817,643
Potential losses recognised in fair value of financial assets available for sale	(52,905,853)	(903,179)
Potential losses recognised in fair value reserve of investments held to maturity	-	(2,807,647)
Fair value reserve of associated companies	155,283	43,693
Deferred tax	14,327,879	(183,335)
Current tax	405,879	933,397
	(38,016,812)	(2,917,071)

<sup>(1)</sup> amortised cost for debt securities and acquisition cost with regard to shares.

The movement of the fair value reserve, net of taxation, for the years 2010 and 2009 is analysed as follows:

	2010	2009
<b>Balance on 1 January</b>	<b>(2,917,071)</b>	<b>(13,942,332)</b>
Change in fair value	(49,195,027)	11,803,035
Fair value reserve of associated companies	111,590	897,439
Current tax recognised in the year in reserves	(527,518)	(2,014,208)
Deferred tax recognised in the year in reserves	14,511,214	338,995
	<b>(35,099,741)</b>	<b>11,025,261</b>
<b>Balance on 31 December</b>	<b>(38,016,812)</b>	<b>(2,917,071)</b>

## NOTE 35 OFF-BALANCE SHEET ACCOUNTS

On 31 December 2010 and 2009 this caption is broken down as follows:

	2010	2009
Guarantees provided and other liabilities		
Assets given as guarantee	529,134,091	286,195,514
Guarantees and sureties	725,325	1,405,739
	<b>529,859,416</b>	<b>287,601,253</b>
Guarantees received		
Personal guarantees		
Guarantees and sureties	7,145,142	1,520,010
Other	943,589	1,068,351
Real guarantees		
Securities	57,060,465	72,460,650
Loans	7,835,089	12,051,039
Real Estate	11,560,511	12,691,774
	<b>84,544,796</b>	<b>99,791,824</b>
Commitments before third parties		
Irrevocable commitments		
Term transactions	32,604,755	-
Potential liability to the Investor Compensation System	1,145,403	948,433
Revocable commitments		
Bank overdraft facilities	87,559,181	106,543,554
	<b>121,309,339</b>	<b>107,491,987</b>
Liabilities for services provided		
Asset custody and deposit	872,114,681	847,384,919
For asset administration	50,162,585	35,911,680
For collection of amounts	5,229	19,077
	<b>922,282,495</b>	<b>883,315,676</b>

On 31 December 2010 and 2009, the balance of the caption Assets given as guarantee includes:

- securities provided as a guarantee to the Bank of Portugal under the Large Transactions Payment System amounting to 6,279,700 Euros (31 December 2009: 7,345,730 Euros), these securities are classified in the balance sheet in the portfolio of Financial assets available for sale;
- securities provided as a guarantee to the Investor Compensation System for the amount of 1,020,000 Euros (31 December 2009: 1,093,500 Euros), these securities are classified in the balance sheet in the portfolio of Financial assets available for sale;
- securities provided as a guarantee to the European System of Central Banks for the amount of 519,950,291 Euros (31 December 2009: 273,151,284 Euros), these securities are classified in the balance sheet in the portfolio of Financial assets available for sale in 2010 and 2009 and in Investments held to maturity in 2009;

- securities provided as a guarantee to LCH. Clearenet in the amount of 1,884,100 Euros (31 December 2009: 4,605,000 Euros), these securities are classified in the balance sheet in the portfolio of Financial assets available for sale.

## NOTE 36 RELATED PARTY TRANSACTIONS

In the years ending in 2010 and 2009, the total amounts of assets, liabilities, income and costs relating to transactions made with related entities were the following:

	2010				2009			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
Associated companies								
ONETIER PARTNERS, SCR, S.A.	-	801,239	10,799	-	824,807	-	18,916	-
Fundo LEADCAPITAL	-	16,636	266	-	165,197	1,208	2,538	-

## NOTE 37 FAIR VALUE OF FINANCIAL INSTRUMENTS

On 31 December 2010 and 2009, the fair value of the assets and liabilities financial is presented as follows:

	Fair Value			Others at amortised cost	Total balance sheet value	Fair value
	Listed market values	Evaluation models with parameters observable in the market	Evaluation models with no observable parameters in the market			
31 December 2010						
Cash and deposits in central banks	-	-	-	4,165,238	4,165,238	4,165,238
Deposits in other banks	-	-	-	82,728,580	82,728,580	82,728,580
Financial assets held for trading	8,071,400	818,752	-	-	8,890,152	8,890,152
Financial assets available for sale	693,327,375	967,224	330	-	694,294,929	694,294,929
Applications in banks	-	-	-	69,328	69,328	69,328
Loans to clients	-	-	-	42,532,675	42,532,675	42,532,675
Financial assets	701,398,775	1,785,976	330	129,495,821	832,680,902	832,680,902
Funding from central banks	-	-	-	360,164,444	360,164,444	360,164,444
Financial liabilities held for trading	23,544,493	3,763,251	-	-	27,307,744	27,307,744
Funding from other banks	-	-	-	38,942,742	38,942,742	38,942,742
Funding from clients	-	-	-	332,184,633	332,184,633	332,184,633
	23,544,493	3,763,251	-	731,291,819	758,599,563	758,599,563
31 December 2009						
Cash and deposits in central banks	-	-	-	4,822,680	4,822,680	4,822,680
Deposits in other banks	-	-	-	73,103,466	73,103,466	73,103,466
Financial assets held for trading	10,530,944	339,667	-	-	10,870,611	10,870,611
Financial assets available for sale	279,303,915	-	330	18,513,398	297,817,643	297,817,643
Applications in banks	-	-	-	69,303,683	69,303,683	69,303,683
Loans to clients	-	-	-	56,713,275	56,713,275	56,713,275
Investments held to maturity	-	-	-	141,753,449	141,753,449	146,533,402
Financial assets	289,834,859	339,667	330	364,209,951	654,384,807	659,164,760
Funding from central banks	-	-	-	230,783,194	230,783,194	230,783,194
Financial liabilities held for trading	-	1,885,328	-	-	1,885,328	1,885,328
Funding from other banks	-	-	-	9,560,027	9,560,027	9,560,027
Funding from clients	-	-	-	304,985,007	304,985,007	304,985,007
	-	1,885,328	-	545,328,228	547,213,556	547,213,556

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

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

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

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

During 2010 no transfers were made between the different evaluation levels of the assets and liabilities.

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

*Cash and deposits in central banks, Deposits in other banks and Applications in banks* – considering the short terms associated to these financial instruments, the balance sheet value is a reasonable estimate of the respective fair value;

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

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

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

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

The interest rate curves of the main currencies for the years 2010 and 2009 may be analysed as follows:

(amounts expressed as percentages)

	2010		2009	
	EUR	USD	EUR	USD
Overnight	0.225	0.100	0.290	0.010
1 month	0.782	0.261	0.453	0.231
3 months	1.006	0.303	0.700	0.251
6 months	1.227	0.456	0.994	0.430
9 months	1.372	0.613	1.127	0.713
1 year	1.507	0.781	1.248	0.984
3 years	1.891	1.279	2.248	2.056
5 years	2.491	2.174	2.810	2.981
7 years	2.928	2.820	3.216	3.537
10 years	3.324	3.377	3.583	3.971
15 years	3.640	3.844	3.963	4.360
20 years	3.699	4.000	4.062	4.467
25 years	3.617	4.070	4.022	4.500
30 years	3.497	4.105	3.944	4.537

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 2010 and 2009, may be analysed as follows:

(amounts expressed as percentages)

	2010		2009	
	EUR	USD	EUR	USD
3 years	2.37	2.70	2.90	3.62
5 years	4.81	4.46	3.79	3.77
7 years	5.14	8.10	4.21	5.91
10 years	7.20	7.49	5.70	7.00

The evolution of the exchange rates of the main currencies for the years 2010 and 2009, and respective historic volatilities used in the evaluation of exchange derivatives may be analysed as follows:

	2010	2009	Volatilities		
			3 months	6 months	1 year
EUR/USD	1.336	1.441	12.38	12.94	11.02
EUR/GBP	0.861	0.888	9.23	9.69	9.22
EUR/JPY	108.650	133.160	12.51	16.12	14.29
EUR/CHF	1.250	1.484	10.51	10.54	8.92

The evolution of the main share indices for the years 2010 and 2009, and the respective volatilities used in the evaluation of derivatives on shares and share indices may be analysed as follows:

	List price			Historic volatility		Implicit volatility	
	2010	2009	Variation	1 month	3 months	Call	Put
PSI20	7,588.31	8,463.85	(10.34)	18.08	14.12	22.05	22.05
Eurostoxx	2,792.82	2,964.96	(5.81)	18.42	17.32	22.36	22.66
DAX	6,914.19	5,957.43	16.10	15.60	14.18	19.05	19.38
S&P	1,257.64	1,115.10	12.80	10.84	13.46	16.21	16.21
Nasdaq 100	2,217.86	1,860.31	19.20	12.40	14.76	18.26	18.26
Dow Jones Ind.	11,577.51	10,428.00	11.00	10.14	12.32	14.29	14.29

## Loans to clients

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

## Funding from other banks

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

## Funding from clients

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



## NOTE 38 RISK MANAGEMENT

### Background

The Bank manages its risks inherent to the banking business on a daily basis, specifically market, liquidity, credit, operational, technological, compliance and reputational risks. Additional information on this topic is available in the Management Discussion of this Annual Report for 2010.

Due to the fact that these risks are normally related, the Bank has structured a system of internal control which, through procedures, policies and other instruments of control, seeks to manage all of the risks in a comprehensive and integrated manner. These procedures and policies are generically conceived to ensure effective processing, the existence of robust systems, the appropriate assumption of risk, independent reporting and responsible behavior, 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.

### Measurement of risk

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

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

Measuring risk is an evolving process, especially because any single methodology is usually insufficient to provide a complete view 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 in the event of unexpected events. These can range from those which are possible based on recent historic data, to those which we consider highly improbable, but which nevertheless can be estimated based on the assumption of certain extreme scenarios.

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

### Market risk

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

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

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

- Price risk of securities and raw materials: resulting from exposure to changes in the price of the underlying assets and volatility;
- Exchange rate risk: resulting from exposure to changes in the spot price, at a future point in time, and volatility;
- Derivative risk: resulting from the management of our exposure to changes in the price of the underlying assets used to hedge clients' positions and products.

## VaR

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

VaR for the years ended 31 December 2010 and 2009 is presented as follows:

	2010				2009			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange risk	1,237	17,901	96,078	1,237	8,100	19,532	89,886	1,065
Interest rate risk	-	-	-	-	-	66,479	360,204	-
Shares	6,265	34,143	109,308	3,849	25,649	69,934	254,750	2,651
Options	69,803	110,259	388,107	34,658	67,106	95,070	404,006	9,247
Effect of diversification	7%	17%			53%	59%		
	<b>71,724</b>	<b>135,445</b>	<b>511,871</b>	<b>44,081</b>	<b>47,865</b>	<b>101,868</b>	<b>734,183</b>	<b>38,384</b>

The management of VaR for different trading portfolios remained within the limits established for 2010. The reduced exposure allocated to stock portfolios, structured products and Foreign Exchange for trading was based on the few opportunities for investment compared with other classes of assets (bonds), and also due to the low business level related with clients requiring hedging.

## Stress testing

These tests are complementary to VaR limits and are an essential tool for managing market risks. Through economic stress testing, the Bank attempts 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 Bank on a daily basis assuming certain historic market events or other scenarios to simulate our exposure and, in certain cases, the exposure of our clients to potential losses. When no historic data is available, underlying assets of classes of identical assets with a high level of correlation may be used.

Currently, the Bank uses 16 different scenarios to carry out more than 75 daily stress tests on the various trading and investment positions. In addition to daily stress testing of portfolios based on historical events and known reactions by markets to those events, the Bank performs Armageddon stress tests of market exposures. These scenarios simulate the impact of events or falls in markets which are not based on historical observation, but rather on extreme, potential scenarios. These stress tests are presented and discussed in the Board of Directors Report.

## Liquidity risk

One of the assumptions in the Bank's strategy is that of a reduced exposure to the liquidity risk. The basic principles of this strategy are (i) a policy of pre-funding of assets prior to their acquisition, (ii) ensuring that a major part of the Bank's balance sheet can be converted into liquidity within a short timeframe, and (iii) to be largely independent of the interbank market in terms of financing.

The management of the Bank'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 Bank's balance sheet assets and liabilities are distributed in the following way for the years ended 31 December 2010 and 2009:

2010	Spot	Up to 3 months	From 3 months to 1 year	Between 1 to 5 years	Over 5 years	Undefined	Total
<b>Assets</b>							
Cash and deposits in central banks	4,165,238	-	-	-	-	-	4,165,238
Deposits in other banks	82,728,580	-	-	-	-	-	82,728,580
Financial assets held for trading	-	479,677	318,023	2,926,038	460,247	4,706,167	8,890,152
Financial assets available for sale	-	8,963,134	15,373,850	326,880,895	315,502,067	27,574,983	694,294,929
Applications in banks	-	-	9,169	60,159	-	-	69,328
Loans to clients	-	32,457,997	40,900	2,263,868	7,769,396	514	42,532,675
Hedge derivatives	-	-	-	215,158	560,453	-	775,611
	<b>86,893,818</b>	<b>41,900,808</b>	<b>15,741,942</b>	<b>332,346,118</b>	<b>324,292,163</b>	<b>32,281,664</b>	<b>833,456,513</b>
<b>Liabilities</b>							
Funding from central banks	-	360,164,444	-	-	-	-	360,164,444
Financial liabilities held for trading	-	430,164	2,307,522	655,385	366,041	23,548,632	27,307,744
Funding from other banks	5,663,998	33,278,744	-	-	-	-	38,942,742
Funding from clients	146,988,651	118,125,264	45,337,976	21,732,742	-	-	332,184,633
Hedge derivatives	-	-	-	9,488	1,995,237	-	2,004,725
	<b>152,652,649</b>	<b>511,998,616</b>	<b>47,645,498</b>	<b>22,397,615</b>	<b>2,361,278</b>	<b>23,548,632</b>	<b>760,604,288</b>

2009	Spot	Up to 3 months	From 3 months to 1 year	Between 1 to 5 years	Over 5 years	Undefined	Total
<b>Assets</b>							
Cash and deposits in central banks	4,822,680	-	-	-	-	-	4,822,680
Deposits in other banks	73,103,466	-	-	-	-	-	73,103,466
Financial assets held for trading	-	57,459	208,788	586,171	-	10,018,193	10,870,611
Financial assets available for sale	-	18,513,398	11,746,362	94,962,047	145,831,109	26,764,727	297,817,643
Applications in banks	-	69,262,707	-	40,976	-	-	69,303,683
Loans to clients	-	46,312,941	1,557,874	3,086,402	5,756,015	43	56,713,275
Investments held to maturity	-	6,194,210	22,816,215	93,139,118	19,603,906	-	141,753,449
	<b>77,926,146</b>	<b>140,340,715</b>	<b>36,329,239</b>	<b>191,814,714</b>	<b>171,191,030</b>	<b>36,782,963</b>	<b>654,384,807</b>
<b>Liabilities</b>							
Funding from central banks	-	-	230,783,194	-	-	-	230,783,194
Financial liabilities held for trading	-	83,994	1,037,790	719,401	-	44,143	1,885,328
Funding from other banks	5,854,726	3,705,301	-	-	-	-	9,560,027
Funding from clients	175,707,175	90,626,708	32,433,487	6,217,637	-	-	304,985,007
	<b>181,561,901</b>	<b>94,416,003</b>	<b>264,254,471</b>	<b>6,937,038</b>	<b>-</b>	<b>44,143</b>	<b>547,213,556</b>

## Interest rate risk

Included in the non-statistical basis point value indicators, the sensitivity to interest rate risk for the years ended 31 December 2010 and 2009 is presented as follows:

	2010				2009			
	Yields shifted upwards by 100 bps	Yields shifted downwards by 100 bps	Increase after 1 year of 50 bps	Decrease after 1 year of 50 bps	Yields shifted upwards by 100 bps	Yields shifted downwards by 100 bps	Increase after 1 year of 50 bps	Decrease after 1 year of 50 bps
On 31 December	(11,719,899)	11,719,899	(5,950,503)	5,950,503	(9,252,305)	7,601,206	(4,626,153)	3,800,603
On 30 June	(10,708,486)	10,708,486	(5,728,129)	5,728,129	(1,111,335)	1,081,902	(555,668)	540,951

## Asset re-pricing risk

Included in the non-statistical earnings at risk indicators, the re-pricing bands for the years ended 31 December 2010 and 2009 are presented as follows:

2010	Balance sheet value	Not sensitive	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Cash and deposits in central banks	4,165,238	4,165,238	-	-	-	-
Deposits in other banks	82,728,580	82,728,580	-	-	-	-
Financial assets held for trading	8,890,152	4,706,167	479,677	318,023	2,926,038	460,247
Financial assets available for sale	694,294,929	27,574,983	8,963,134	15,373,850	326,880,895	315,502,067
Applications in banks	69,328	-	-	9,169	60,159	-
Loans to clients	42,532,675	514	32,457,997	40,900	2,263,868	7,769,396
Investments held to maturity	775,611	-	-	-	215,158	560,453
<b>Total</b>	<b>833,456,513</b>	<b>119,175,482</b>	<b>41,900,808</b>	<b>15,741,942</b>	<b>332,346,118</b>	<b>324,292,163</b>
Funding from central banks	360,164,444	-	360,164,444	-	-	-
Financial liabilities held for trading	27,307,744	23,548,632	430,164	2,307,522	655,385	366,041
Funding from other banks	38,942,742	-	38,942,742	-	-	-
Funding from clients	332,184,633	-	265,113,915	45,337,976	21,732,742	-
Hedge derivatives	2,004,725	-	-	-	9,488	1,995,237
<b>Total</b>	<b>760,604,288</b>	<b>23,548,632</b>	<b>664,651,265</b>	<b>47,645,498</b>	<b>22,397,615</b>	<b>2,361,278</b>
<b>GAP (Assets - Liabilities)</b>	<b>72,852,225</b>	<b>95,626,850</b>	<b>(622,750,457)</b>	<b>(31,903,556)</b>	<b>309,948,503</b>	<b>321,930,885</b>

2009	Balance sheet value	Not sensitive	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Cash and deposits in central banks	4,822,680	4,822,680	-	-	-	-
Deposits in other banks	73,103,466	73,103,466	-	-	-	-
Financial assets held for trading	10,870,611	10,018,193	57,459	208,788	586,171	-
Financial assets available for sale	297,817,643	26,764,727	18,513,398	5,093,432	80,822,810	166,623,276
Applications in banks	69,303,683	-	69,262,726	-	40,957	-
Loans to clients	56,713,275	43	46,312,941	1,557,874	3,086,402	5,756,015
Investments held to maturity	141,753,449	141,753,449	-	-	-	-
<b>Total</b>	<b>654,384,807</b>	<b>256,462,558</b>	<b>134,146,524</b>	<b>6,860,094</b>	<b>84,536,340</b>	<b>172,379,291</b>
Funding from central banks	230,783,194	175,760,278	-	55,022,916	-	-
Financial liabilities held for trading	1,885,328	44,006	83,994	1,037,790	719,538	-
Funding from other banks	9,560,027	-	9,560,027	-	-	-
Funding from clients	304,985,007	-	266,333,883	32,433,487	6,217,637	-
<b>Total</b>	<b>547,213,556</b>	<b>175,804,284</b>	<b>275,977,904</b>	<b>88,494,193</b>	<b>6,937,175</b>	<b>-</b>
<b>GAP (Assets - Liabilities)</b>	<b>107,171,251</b>	<b>80,658,274</b>	<b>-141,831,380</b>	<b>-81,634,099</b>	<b>77,599,165</b>	<b>172,379,291</b>

## Exchange risk

The currency exchange markets were highly volatile during the year as a result of the uncertainty in the various economic blocks. During the year, expectations relating to interest rates changed frequently in the main economies, impacting directly on exchange rates. Banco BiG does not speculate on currency markets (FX) and the relatively low use of VaR limits reflects the Bank's strategy of limiting exposure to foreign currency fundamentally to its clients' business and associated fluxes.

The distribution of the balance sheet by currency for the years ended 31 December 2010 and 2009 is presented as follows:

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

2009	Euros	North American Dollars	Pounds Sterling	Japanese Yen	Other Foreign Currencies	Total
<b>Assets by currency</b>						
Cash and deposits in central banks	4,800,481	19,235	2,961	-	3	4,822,680
Deposits in other banks	70,421,731	2,330,301	180,146	47,770	123,518	73,103,466
Financial assets held for trading	9,805,887	1,055,821	8,903	-	-	10,870,611
Financial assets available for sale	282,447,708	15,369,935	-	-	-	297,817,643
Applications in banks	65,138,740	4,164,943	-	-	-	69,303,683
Loans to clients	56,713,275	-	-	-	-	56,713,275
Investments held to maturity	135,861,254	3,872,398	2,019,797	-	-	141,753,449
Non-current assets held for sale	143,000	-	-	-	-	143,000
Tangible assets	18,538,539	-	-	-	-	18,538,539
Intangible assets	604,176	-	-	-	-	604,176
Investments in subsidiary and associated companies	4,794,425	-	-	-	-	4,794,425
Deferred tax assets	417,455	-	-	-	-	417,455
Other assets	17,772,621	6,522,898	141,352	22,806	7,861	24,467,538
<b>Total Assets</b>	<b>667,459,292</b>	<b>33,335,531</b>	<b>2,353,159</b>	<b>70,576</b>	<b>131,382</b>	<b>703,349,940</b>
<b>Liabilities by currency</b>						
Funding from central banks	230,783,194	-	-	-	-	230,783,194
Financial liabilities held for trading	1,788,391	86,243	10,694	-	-	1,885,328
Funding from other banks	5,567,820	3,990,270	-	-	1,937	9,560,027
Funding from clients	288,907,389	16,071,139	6,458	-	21	304,985,007
Provisions	189,648	-	-	-	-	189,648
Current tax liabilities	2,741,184	-	-	-	-	2,741,184
Other liabilities	17,282,702	7,106,602	128,009	1,635	885	24,519,833
<b>Total liabilities</b>	<b>547,260,328</b>	<b>27,254,254</b>	<b>145,161</b>	<b>1,635</b>	<b>2,843</b>	<b>574,664,221</b>
<b>Net assets - liabilities by currency</b>	<b>120,198,964</b>	<b>6,081,277</b>	<b>2,207,998</b>	<b>68,941</b>	<b>128,539</b>	<b>128,685,719</b>

## Derivatives risk

Measuring the risk of the Bank's derivatives book depends on a number of variables related with the market, including the price of underlying assets, volatility, interest rates and time to maturity. The Bank quantifies its exposure to these variables carrying out sensitivity analyses known as "greeks" which are mathematical term defined below. The low values recorded at the start of 2010 for the implicit volatility measured by the main reference indices (V2K Index and VIX Index in Europe and in the USA respectively) followed the trend recorded by the values at the end of 2009. However, this trend reversed in mid 2010, when quite high values were attained, just as was the case at the start of 2009. Nevertheless this trend in the values for volatility gradually fell again as from the last quarter of 2010.

Throughout 2010 there was an increase in the exposure to the interest rate risk, increase in bpv's, due to the increase in the bond portfolio. In line with previous years, BiG follows a long strategy in bonds. The vega value of the options portfolio increased due to the levels of implicit market volatility. The delta value had a long profile in the stock markets as in the previous year.

2010	<i>Rho</i>	<i>Vega</i>	<i>Delta</i>	<i>Theta</i>
Min	(253,064)	(51,934)	112,050	(30,762)
Max	(105,198)	57,516	500,155	8,958
Average	(204,368)	8,522	343,145	(3,384)
Standard Deviation	39,054	24,514	54,000	4,537

2009	<i>Rho</i>	<i>Vega</i>	<i>Delta</i>	<i>Theta</i>
Min	(115,727)	(20,267)	238,007	(19,261)
Max	9,530	41,773	457,197	13,992
Average	(62,212)	8,998	376,140	(875)
Standard Deviation	24,228	13,937	44,460	3,964

<i>Rho</i>	Interest rate sensitivity
<i>Vega</i>	Sensitivity of volatility
<i>Delta</i>	Sensitivity of the underlying stock
<i>Theta</i>	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 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 include direct exposure to clients who have contracted loans, direct exposure to credit risks associated with securities issued by third parties and held as investment or trading assets of the Group, and market or settlement risk associated with trading activities by clients.

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

In its process of analysis and approval, the Bank assesses its exposure at the level of individual transactions, maximum exposure per client and, separately, the respective portfolios, to ensure adequate control over risk concentrations in each sector or industry. As a matter of policy, all exposures are assessed and processed for approval, whether on or off-balance sheet in nature. Controls over market risk, as a result, often overlap with 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.

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

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

The distribution by sector of activity for the years ended 31 December 2010 and 2009 is presented as follows:

2010	Loans to clients		Financial assets at fair value through profit and loss	Financial assets available for sale		Guarantees and sureties provided
	Gross value	Provision	Gross value	Gross value	Provision	
Agriculture and silviculture	27,441	412	-	-	-	-
Mining industries	-	-	533,338	-	-	-
Clothing industry	17,810	1	42,079	-	-	-
Food, drink and tobacco	16,589	1,874	-	-	-	-
Paper, graphics and editorials	-	-	465,556	7,944,547	-	-
Chemical industry	-	-	95,700	-	-	-
Manufacture of machines and equipment	850,356	20	-	-	-	-
Transport machines and material	-	-	-	-	-	-
Electricity, water and gas	-	-	194,003	29,697,440	5,065,586	-
Construction	256,195	13,443	140,762	-	-	-
Bulk and retail trade; repair of motor vehicles and motorcycles	198,430	1,978	9,356	3,528,011	-	-
Transports and communications	12,055	92	1,953,904	11,856,517	-	-
Financial activity	73,366	-	3,657,894	432,186,008	1,058,487	654,500
Real estate	5,376,085	650	-	-	-	-
Other service companies	2,285,982	1,300	761,141	6,003,600	-	70,825
Administration and public services	-	-	537,325	209,202,879	-	-
Human health and social support	134,750	1,784	-	-	-	-
Mortgages	4,572,178	-	-	-	-	-
Loans to private individuals	28,806,440	158,966	499,094	-	-	-
Other	86,247	729	-	-	-	-
	<b>42,713,924</b>	<b>181,249</b>	<b>8,890,152</b>	<b>700,419,002</b>	<b>6,124,073</b>	<b>725,325</b>

2009	Loans to clients		Financial assets at fair value through profit and loss	Financial assets available for sale		Investments held to maturity	Guarantess and sureties provided
	Gross value	Provision	Gross value	Gross value	Provision	Gross value	
Agriculture and silviculture	37,428	-	-	-	-	-	-
Mining industries	-	-	1,806,866	-	-	-	-
Food, drink and tobacco	25,401	1,315	-	4,500,000	-	8,285,194	60,000
Paper, graphics and editorials	-	-	-	-	-	7,973,475	-
Chemical industry	-	-	613,305	-	-	3,143,055	-
Manufacture of machines and equipment	2,149,644	-	-	-	-	-	-
Transport machines and material	-	-	-	-	-	11,160,485	-
Electricity, water and gas	-	-	2,906,465	20,743,348	1,290,443	6,253,211	-
Construction	309,370	10,946	-	-	-	4,736,658	-
Bulk and retail trade; repair of motor vehicles and motorcycles	1,628,776	-	-	41,832	-	11,132,364	-
Transports and communications	7,597,689	-	1,906,470	21,788,066	-	22,581,240	-
Financial activity	56,796	-	3,053,915	121,678,320	1,289,691	62,361,736	722,000
Real estate	4,615,776	-	-	-	-	-	-
Other service companies	7,045,251	405	505,778	4,002,927	-	4,126,031	27,168
Administration and public services	-	-	-	127,643,284	-	-	-
Human health and social support	105,170	-	-	-	-	-	-
Mortgages	4,741,505	-	-	-	-	-	-
Loans to private individuals	28,492,536	164,879	77,812	-	-	-	596,571
Other	85,590	112	-	-	-	-	-
	<b>56,890,932</b>	<b>177,657</b>	<b>10,870,611</b>	<b>300,397,777</b>	<b>2,580,134</b>	<b>141,753,449</b>	<b>1,405,739</b>

The geographic distribution for the years ended 31 December 2010 and 2009 is as follows:

	2010	2009
Portugal	71%	58%
Other EU	29%	34%
US	-	5%
Rest of the World	-	3%
<b>Balance at the end of the year</b>	<b>100%</b>	<b>100%</b>

## Operational risk

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

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

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

The objective of this structure is to ensure that the Bank 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 Bank's capital and its strategy. Alongside this structure, a culture of risk detection and mitigation is nurtured in the Bank, which encourages the proactive resolution of problems based on their early identification.

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



## Capital and solvency ratio management

Equity Funds for the years ended 31 December 2010 and 2009 are presented as follows:

		2010	2009
<b>A - Equity Funds</b>			
Ordinary paid-up capital, issue premiums and treasury stock		96,849,476	96,023,132
Results and reserves formed from retained earnings		28,848,342	23,250,556
Contributions to pension funds still not entered as costs		(2,280,296)	(2,631,652)
Revaluation differences of other assets available for sale		260,093	(195,687)
Intangible assets		(887,422)	(604,176)
Equity Funds to determine the Ratio Core Tier I	(A1)	122,790,193	115,842,173
Deductions from core equity		-	(9,391,144)
Core Tier I	(A2)	122,790,193	106,451,029
Supplementary Equity Capital (Tier II)	(A3)	387,174	-
Eligible Equity Funds	(A4)	123,177,367	106,451,029
<b>B - Equivalent-Risk Assets</b>			
Calculated in accordance with Notification 5/2007 (Banking Portfolio risks)		254,595,300	257,551,175
Calculated in accordance with Notification 8/2007 (Trading Portfolio risks)		13,325,975	6,395,925
Calculated in accordance with Notification 9/2007 (Operating Risk)		71,613,613	60,417,963
<b>Total Equivalent-Risk Assets</b>	<b>(B)</b>	<b>339,534,888</b>	<b>324,365,063</b>
<b>C - Prudential Ratios</b>			
Ratio Core Tier 1	(A1/B)	36.2%	35.7%
Ratio Tier 1	(A2/B)	36.2%	32.8%
Solvency ratio	(A4/B)	36.3%	32.8%

The movement in equity funds for the years ended 31 December 2010 and 2009 is presented as follows:

		2010	2009
<b>Opening balance</b>			
Ordinary paid-up capital, issue premiums and treasury stock		106,451,029	94,543,031
Results and reserves formed from retained earnings		826,344	1,683,012
Contributions to pension funds still not entered as costs		5,597,786	2,704,893
Revaluation differences of other assets available for sale		351,356	351,356
Revaluation differences of other assets available for sale		455,780	11,525,020
Intangible assets		(283,246)	(131,934)
Deductions from core equity		(283,246)	(131,934)
Supplementary Equity Funds		9,391,144	(4,224,349)
		387,174	-
<b>Closing balance</b>		<b>123,177,367</b>	<b>106,451,029</b>

### Other risks and their measurement

#### Reputational risk

Reputation risk is 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. To measure such risks, BiG has conceived stress tests based on the assumption of negative news affecting the partial or total withdrawal of deposits by clients within different timeframes.

#### Correlation risk

Different types of risk, liquidity, credit, reputation, counterparty, market concentration, interest rate, market, etc., are correlated among 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 confidence by clients and of investors in general. Such a situation can lead to increased liquidity risk for the institution with regard to its immediate liabilities.
- **Liquidity risk versus reputation risk versus market risk:**  
In the above case, reputation risk versus liquidity risk is analysed. We can nevertheless assume that there is an unusual variation in the different financial instruments in the market.
- **Liquidity risk versus reputation risk versus credit risk:**  
In this case, as in the previous point, we allow for scenarios where there is Reputation Risk and Liquidity Risk. In addition we can also consider a scenario of the probability of default of the assets, as well as the impact of the change in spreads in their evaluation.

***Liquidity risk versus reputation risk versus market risk:***

(50% drop in the Dax and 33% in the SPX indices)

The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2010, the impact of which is as follows.

*Scenario 1 - 33% of clients want to withdraw their Demand Deposits in the period of one week*

Immediately available liquidity: 82,670,746 Euros.

Liabilities: 48,967,744 Euros.

While not necessary to sell assets; given the market conditions assuming this scenario, BiG would have a loss of 25,291,064 Euros.

*Scenario 2 - 50% of clients wish to withdraw their Demand Deposits in the period of one week*

Liquidity available in the period of one week: 82,670,746 Euros.

Liabilities: 73,451,616 Euros.

While not necessary to sell assets; given the market conditions assuming this scenario, BiG would have a loss of 25,291,064 Euros.

*Scenario 3 - 50% of clients want to withdraw their Demand Deposits and Term Deposits in the period of one month*

Liquidity available in the period of one week: 83,017,968 Euros.

Liabilities: 160,529,691 Euros.

It would be necessary to sell assets in the amount of 77,511,723 Euros; given market conditions assuming this scenario, BiG would have a loss of 25,291,064 Euros.

***Liquidity risk versus Reputation Risk versus Credit risk:***

(Armageddon Stress Test Debt)

The results of the scenarios below (scenarios 1, 2 and 3) relate to 31 December 2010, the impact of which is as follows.

*Scenario 1 - 33% of clients want to withdraw their Demand Deposits in the period of one week*

Immediately available liquidity: 82,670,746 Euros.

Liabilities: 48,967,744 Euros.

It would not be necessary to sell assets; given the market conditions assuming this scenario, BiG would have a loss of 31,545,836 Euros.

*Scenario 2 - 50% of clients wish to withdraw their Demand Deposits in the period of one week*

Liquidity available in the period of one week: 82,670,746 Euros.

Liabilities: 73,451,616 Euros.

It would not be necessary to sell assets; given the market conditions assuming this scenario, BiG would have a loss of 31,545,836 Euros.

*Scenario 3 - 50% of clients want to withdraw their Demand Deposits and Term Deposits in the period of one month*

Liquidity available in the period of one week: 83,017,968 Euros.

Liabilities: 160,529,691 Euros.

It would be necessary to sell assets in the amount of 77,511,723 Euros; given market conditions assuming this scenario, BiG would have a loss of 31,545,836 Euros.

## **NOTE 39**

### **ACCOUNTING STANDARDS AND INTERPRETATIONS RECENTLY ISSUED**

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

In the preparation of the consolidated financial statements referring to 31 December 2010, the Group adopted the following accounting standards and interpretations the application of which is mandatory as of 1 January 2010:

##### **IFRS 1 (amended) – First time adoption of the international financial reporting standards and IAS 27 – Consolidated and separate financial statements**

The alterations to the IFRS 1 - First time adoption of the international financial reporting standards and to the IAS 27 – Consolidated and separate financial statements are effective for years that begin after 1 July 2009.

These alterations meant that entities which are adopting the IFRS for the first time in the preparation of their individual accounts, adopt as a deemed cost of their investments in subsidiary companies, joint and associated undertakings, the respective fair value on the date of the transition to the IFRS or the balance sheet value based on the previous accounting reference.

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

##### **IFRS 3 (revised) – Business concentrations and IAS 27 (amended) - Consolidated and separate financial statements**

The IASB issued the IFRS 3 (revised) – Business concentrations and an alteration to IAS 27 – Consolidated and separate financial statements in January 2008.

The main impacts of the alterations to these standards correspond: (i) to the treatment of partial acquisitions, in which non-controlling interests (previously called minority interests) can be measured at fair value (which also implies the recognition of the goodwill attributable to non-controlling interests) or as a parcel attributable to non-controlling interests of the fair value of the equity acquired (as required by the previous IAS 27); (ii) to the step acquisition in which the new rules require, upon the calculation of goodwill, the revaluation, with a counter-entry in the income statement, of the fair value of any non-controlling interest held prior to the acquisition that would lead to obtaining control; (iii) to the entry of the costs directly related with an acquisition of a subsidiary company that are now directly allocated to results; (iv) to contingent prices where the alteration to the estimate over time is now stated in the income statement and does not affect goodwill and (v) to alterations in the percentages of subsidiary companies held that do not result in the loss de control and which are now stated as movements in equity.

Furthermore, the alterations to the IAS 27 also mean that losses accumulated in a subsidiary company will be attributed to non-controlling interests (recognition of negative non-controlling interests) and which, upon the sale of a subsidiary company, lead to the loss of control of any non-controlling interest retained is measured at fair value determined on the date of the sale.

This application of this standard is prospective as from 1 January 2010 and had no significant impact on the Group's consolidated accounts in 2010.

##### **IFRS 5 (amended) – Non-current assets held for sale and discontinued operating units.**

This alteration clarifies the disclosures required by the standard relating to non-current assets (or groups for sale) classified for sale or discontinued operations.

The adoption of this alteration had no significant impact on the Group's consolidated financial statements.

##### **IAS 39 (Amended) – Financial instruments: recognition and measurement – assets and liabilities eligible for hedging**

The IASB issued an alteration to the IAS 39 - Financial instruments: recognition and measurement – assets and liabilities eligible for hedging the application of which is obligatory for years that begin as from 1 July 2009.

This alteration clarifies the application of existing principles that determine the risks or cash flows that are eligible to be included in a hedge operation.

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

**IFRIC 12 – Service Concession Contracts**

In July 2007 the IFRIC issued IFRIC 12 - Service Concession Contracts, the application of which is mandatory as from 1 January 2008, although it could be adopted before this date. This interpretation was only adopted by the European Union in 2009 and therefore it is only mandatory for the Group as from 1 January 2010.

IFRIC 12 applies to public-private service concession contracts and only contemplates situations where the grantor (i) controls or regulates the services provided by the operator, and (ii) controls the residual interests of the infrastructures upon the maturity of the contract.

The adoption of this standard had no impact on the Group's consolidated financial statements.

**IFRIC 17 – Distributions of non-cash assets to shareholders**

IFRIC 17 – Distributions of non-cash assets to shareholders comes into force for years starting from 1 July 2009.

This interpretation aims to clarify the accounting treatment of distributions of non-cash assets to shareholders. It thereby establishes that distributions of non-cash assets should be recorded at the fair value of the assets distributed with the difference in the respective balance sheet value being recognised in the income statement upon distribution.

The adoption of this standard had no impact on the Group's consolidated financial statements.

**IFRIC 18 – Transfers of assets from customers**

IFRIC 18 – Transfers of assets from customers comes into force for years starting from 1 July 2009.

This interpretation aims to clarify the accounting treatment in agreements entered into by which an entity receives assets from clients for its own use and with the intention of subsequently connecting the client to a network or granting the client ongoing access to the supply of goods or services.

The interpretation clarifies:

- the conditions in which assets come within the scope of this interpretation;
- the recognition of the assets and their initial measurement;
- the identification of identifiable services (one or more services in exchange for the transferred assets);
- the recognition of income;
- the accounting of cash transfers by clients.

The adoption of this standard had no impact on the Group's consolidated financial statements.

**Annual Improvement Project**

In May 2008, the IASB published the Annual Improvement Project which amended certain standards in force at that time. The alterations that affected the Group in 2010 are as follows:

- Alteration to IFRS 5 - Non-current assets held for sale and discontinued operating units, effective for years starting from 1 July 2009. This alteration clarified that all the assets and liabilities of a subsidiary should be classified as non-current assets held for sale in accordance with IFRS 5 if there is a partial sale plan of the subsidiary which would lead to a loss of control.

The adoption of this standard had no impact on the Group's consolidated financial statements.

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

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

#### **IFRS 9 - Financial instruments**

In November of 2009 the IASB issued the IFRS 9 - Financial instruments Part I: Classification and measurement, the application of which is obligatory for years beginning as of 1 January 2013, although it could be adopted before this. This standard suffered some alterations in October 2010. IFRS 9 was not yet adopted by the European Union.

This standard is part of the first stage of the IASB's global project to replace the IAS 39 and deals with the topics of the classification and measurement of financial assets. The main aspects considered are the following:

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

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

#### **IFRS 7 - Financial instruments: Disclosures – Transfers of financial assets**

In October 2010 the IASB, issued IFRS 7 - Financial instruments: Disclosures – Transfers of financial assets, with a mandatory effective date of application for years starting as of 1 July 2011, although it could be adopted before this. This alteration was not yet adopted by the European Union.

The aim of the alterations required of the disclosures of operations that involve the transfer of financial assets, namely securitizations of financial assets, is for users of the financial statements to be able to evaluate the risk and impacts associated to these operations in terms of the financial statements.

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

#### **IAS 24 (revised) – Related party disclosures**

In November 2009 the IASB issued IAS 24 (revised) - Related party disclosures, the effective date of mandatory application of which is for years starting as of 1 January 2011, although it may be adopted (in full or in part) prior to this. This alteration was not yet adopted by the European Union.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement of related entities with the State to disclose in detail all transactions with the State and other similar entities.

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

**IAS 32 (alteration) – Classification of rights issues**

On 8 October 2008 the IASB published an alteration to IAS 32 – Financial instruments: presentation – classification of rights issues. The application of this alteration is obligatory for years starting as of 1 February 2010, although it could be adopted before this.

This alteration establishes the accounting of rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. It is thereby established that the rights, options or warrants issued for the acquisition of a fixed number of the issuer's capital instruments for a fixed amount in any currency should be treated as capital instruments, provided that the entity offers these rights, options or warrants pro-rata to all the holders of capital instruments (of the same class) of the company that are not based on derivatives contracts.

There is not expected to be any impact on the consolidated financial statements arising from the adoption of this alteration to IAS 32.

**IFRIC 14 (Amended) – Prepayments of a Minimum Funding Requirement**

This alteration aims to correct the unintended consequence of IFRIC 14 – "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

Without this alteration it was not possible for an entity to recognise voluntary payments relating to minimum contributions to the fund as an asset. This was not the intention when the IFRIC 14 was issued, and this alteration now corrects this situation.

This alteration comes into force for years starting as from 1 January 2011, although it could be adopted before this. The application of this alteration is retrospective for the first comparative period presented.

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

**IFRIC 19 – Extinction de financial liabilities through issue de capital instruments**

On 26 November 2009 the IASB published IFRIC 19 - Extinguishing financial liabilities through the issue of capital instruments. The application of this interpretation is obligatory for years starting as of 1 July 2010, although it could be adopted before this.

In accordance with this interpretation there are a number of ways of dealing with the measurement of capital instruments issued in a transaction that exchanges a debt instrument for a capital instrument. A transaction that exchanges a debt instrument for a capital instrument relates to a transaction in which the debtor and the creditor renegotiate the terms of a financial liability, in which the debtor extinguishes the liability totally or partially through the issue of capital instruments delivered to the creditor.

This interpretation clarifies (i) when a capital instrument is issued to totally or partially extinguish a financial liability it corresponds to the "retribution paid" in accordance with paragraph 41 of the IAS 39, (ii) how an entity should initially measure the capital instrument issued to extinguish the financial liability and (iii) how an entity should state the differences between the balance sheet value of the extinguished financial liability and the value of the capital instrument issued.

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

# SUPERVISORY BOARDS

## **General Shareholders' Assembly**

### **President**

José António de Melo Pinto Ribeiro

### **Secretary**

João Manuel de Jesus Rufino

## **Board of Directors**

### **Chairman and Chief Executive Officer**

Carlos Adolfo Coelho Figueiredo Rodrigues

### **Vice Chairman and Chief Operative Officer**

Nicholas Leo Racich

### **Executive Directors**

Mário João Abreu Galhardo Bolota

Diogo Batista Russo Pereira da Cunha

Paulo José Caramelo de Figueiredo

Ricardo Dias Carneiro e Gomes de Pinho

## **Fiscal Board**

José Fernando Catarino Galamba de Oliveira

Ariadne Prata Arsénio Nunes

Alcino Cardoso

## **Effective Portuguese Statutory Auditor**

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

Inês Maria Bastos Viegas Clare Neves Girão de Almeida

## **Alternate Portuguese Statutory Auditor**

Ana Cristina Soares Valente Dourado





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### Affluent Clients

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