Best – Banco Electrónico de Serviço Total, S.A.

Annual Report 2014

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INDEX:

Management Report – 2014

Banco Best, established in 2001, has a wide range of products and services of a universal bank, supporting its customers in the identification of savings solutions and available investment opportunities, as well as in all aspects related to their financial needs and management. With a strong technological nature and open architecture, Banco Best also offers a set of services that allow customers to have the best of the new information technologies on internet, namely a faster and more efficient treatment of processes and transactions and the access to innovative services that smooth the relationship between the customers and the bank.

The bank business strategy is therefore focused on serving the investment needs of a private customers' market segment, that has a need for more sophisticated and diversified financial services, but at the same time covering their financial needs. Clients such as companies and foundations can also benefit from this business strategy.

The bank has a share capital of EUR 63 million and its shareholders are NOVO BANCO (75%) and *Saxo Bank A/S* (25%), a Danish bank.

Banco Best is headquartered in Lisbon, Praça Marquês de Pombal and does not have ordinary branches, therefore its financial products and services are provided on a large number of channels such as:

- Internet, through *Website* (www.bancobest.pt) and *Mobile Banking*;
- Investment Centers located in Lisbon, Oporto, Braga, Aveiro, Leiria, Évora and Faro, that have a *Personal Financial Advisors* (PFA) network;
- Contact Center *(Phone Banking)*.

In addition, Banco Best also has a network of promoters and financial agents, called *Financial Advisors* (FA's) that work as service providers and according to the legal dispositions on the subject. Some of these *Financial Advisors* have their own offices identified as "FA Offices" where they develop their activity as per the suitable legal dispositions.

I – Economical Overview

Throughout 2014 the world economy showed signs of recovery, although there were some differences between the growth rhythm of the developed economies and the emergent ones. The main Central Banks also gave a positive contribution to the economical activity worldwide.

According to the World Bank, the world economy registered a growth of 2,6% in 2014, 0,3 pp above the previous year, but inferior to the estimated 3,2%. USA's economical performance was a positive factor that lessened the slower recovery of Japan and the Eurozone and also the smaller growth impulse from the Chinese economy and other emerging ones.

After a negative performance during the first quarter (-2,1%) due to bad weather conditions, the USA registered the best GDP growth of the last 10 years, 4,6% and 5,0% in the second and third quarters respectively.

In 2014, and according to the Eurostat estimation, the GDP of the 28 countries of the European Union grew 1,4%. The economical activity growth annual rate of the Eurozone grew just 0,9%, although at a slower pace during the second and third quarters, 0,1% and 0,3% respectively.

China's GDP grew 7,4%, this way confirming the soft-landing tendency of the last years, and for the first time in 16 years it remained at an inferior level of that defined by the Chinese Government (7,5%). At the same time, and following the adjustment and transition process of its economy, in 2014 China registered the lowest growth rate of the last 24 years.

As for the emerging economies, it is worth mentioning the positive expectations for India, following the new Government's reformist impulse and the focus on capturing foreign investment, with an estimated GDP growth of 5,6% in 2014. Russia and Brazil had lower growth rates than those of 2013. While Russia suffered with the introduction of economical sanctions resulting from the Ukrainian crisis and the fall of oil prices, the Brazilian economy was affected by the tendency of reducing the investment levels, the industrial sector activity decrease, and consequently, by a lower level of confidence from the consumers and entrepreneurs. During 2014 Brazil was also affected by the continuous increase of Central Bank's interest rates, consequently rising the SELIC (Special Clearance and Escrow Rate) reference rate from 9,90% to 11,65%.

Due to various international factors there was an expressive devaluation of the oil price during second half of 2014. Considering the highest price registered last year oil decreased more than 50% in a 6 months period, which created great instability in the financial markets, especially at the beginning of October. The consequent reduction of the energy costs – along with the decrease of food costs – increased the concerns with the deflation risks and put the Central Banks in the center of the financial markets news.

As expected, the North American FED stopped the quantitative easing plan in October 2014. At the same time the FED revealed some caution about the beginning of the interest rate increase cycle, putting the employment market strength (not only the unemployment rate) as a *sine qua non* condition for monetary policy return to normality in the USA.

The Bank of Japan reinforced its goal of monetary expansion to 80 billion yens, following the fact that the inflation rate was below 2%.

In a different context the European Central Bank (ECB) took a set of monetary policies to reverse the decrease of the inflation rate and try to set the inflation expectations close to 2%. For the first time in its history ECB set its bank deposits rate at negative values (-0,10% in June and -0,20% in September), and at the same time announced long term refunding operations in order to increase credit granting to non-financial companies. Still in 2014 ECB initiated the plan of buying debt securities through covered bonds and asset backed securities. With the purpose of increasing its balance sheet to 2012 similar values, the ECB measures taken last year worked as a background of the big measure announced in the 2015 first meeting – the official start of the quantitative easing in the Eurozone.

In October 2014 the ECB released the results of the complete assessment made to the Eurozone banking system, including an analysis to the quality of assets of 130 banks (Asset Quality Review, AQR) working with the Euro. There were also stress tests in order to assess the resilience of the banking sector under adverse conditions and identify eventual needs of equity reinforcement. In general terms the stress tests were welcomed by the participants this way reinforcing the trust levels in the financial sector of the Eurozone, since 80% of the institutions subjected to this assessment presented suitable capital levels.

In Portugal in 2014 the GDP grew 0,9% after registering a decrease of 1,4% in 2013. The domestic demand recovery was important for Portugal to register a positive growth in the economical activity after 3 consecutive years of GDP decrease. At the same time, the unemployment rate evolution in Portugal kept its descending cycle since 2013 to 13,50%.

The program of financial and economical assistance to Portugal ended in May 2014. It was not necessary the introduction of any other assistance program to minimize eventual impacts in the country's financing. There was an evident decrease in the sovereign risk throughout 2014, the 10Y Treasury Bonds implied interest rate was of 2,42% in opposition to the 6,00% of the beginning of the year. As for Government Bonds, they registered the best performance among the developed markets with an average appreciation of more than 20%. On the other hand, the Portuguese stock market index registered a devaluation of 26,7%.

Regarding the Portuguese financial sector, there were a series of events related with Banco Espírito Santo, SA (BES) after June 2014 that ended with its resolution ordered by Bank of Portugal at the beginning of August, following the establishment of NOVO BANCO that absorbed a wide set of BES assets and liabilities selected by Bank of Portugal.

In short, the expansionist monetary policies of the main central banks, has contributed to a positive environment for the stocks indexes, highlighting the American one with 13,0% increase and the Japanese Nikkei225 with a 7,1% appreciation. At the same time, in a period still defined by historically low interest rates levels and by the deflation risks and the strong demand for government bonds and for high credit quality corporate debts, allowed also positive returns in these assets classes.

II – Operations in 2014

There were two distinct periods, a first one characterized by the activity growth rhythm of new customers and resources up until June/July, and a second one marked by the BES resolution event and the establishment of NOVO BANCO, following which there was great instability regarding the trust in the Portuguese banking system in general, but was smoothed later on. Banco Best was not indifferent to these events having registered a decrease in new customers and AUCs activity rhythm. In spite of that, Banco Best has overcome this period due to its independency both in the offer available to clients and its management, as well as due to its differentiating strategy based on innovation and state of the art technology service.

Banco Best presented a net profit of 6,7 million Euro, lower than the 10,2 million euro in 2013 but with 2,35 billion euro of assets under management, an increase of 2,3%. The customers' deposits also increased in 6% and the Core Tier 1 Ratio remained at 30,4%, this way proving the bank's stability.

The annual results demonstrate the good performance in several business areas, namely in the foreign investment funds stocks with a global volume of 1 000 million euro, representing a growth of 29%. This dynamics shows the independent offer character and the Customers demand for assets not related with the national risk in order to diversify their portfolios. The number of Customers also increased in 5,2% for more than 82 thousand. Regarding B2B activity, the institutional customers, namely the international ones, have strengthened their relationship with the bank and their activity throughout the year.

Following BES resolution NOVO BANCO became the major shareholder holding 75% of Banco Best share capital, while Saxo Bank kept its 25%. The independence and stability of Banco Best are also due to its international shareholder and it is visible in its brand name, aiming to turn the name into the bank's very own essence.

In 2014 Banco Best kept a comfortable B/S liquidity ratio in spite of the strong competition for customers' assets. The increase of 6% in the customers' deposits volume at the end of the year, together with a reduction of the granted credit volume in about 12% made the transformation of deposits into credit ratio more favourable, staying at 48%, at a controlled level and below the average values of the national banking sector.

Throughout 2014 Banco Best reinforced its leadership in the financial products and services offer in Portugal by launching its new website www.bancobest.pt on 26th June 2014, its 13th anniversary date.

This represents a great evolution that reflects the most modern web navigation habits and the most recent technological tendencies. Being more intuitive, simpler to navigate in and with more features, Banco Best's new website also obeys to the principles of responsive design - a concept that automatically adapts the layout of the Customer's device either it is a PC, a Tablet or a Smartphone. BEST is a pioneer by launching the first banking website with responsive design in Portugal.

Banco Best's leadership in innovation was recognized through two important awards:

- Best Site / App Mobile (ACEPI) - Banco Best's Mobile Banking Service was the winner of this ecommerce category at the Awards "*Navegantes XXI*" 2014, a ceremony organized by ACEPI (*Associação do Comércio Electrónico e Publicidade Interactiva*), edition that distinguished the best ecommerce and digital marketing projects. Considered the most complete in the Portuguese market, with all the day-to-day operations available, it also has the most complete mobile Stock Exchange service of the market that allows the customers to follow the main worldwide stock exchanges and negotiate more than 1.200 securities from their mobile phones.
- Best B2B Site (ACEPI) – in the same awards edition the solutions B2B and White Label won the "Best B2B Site" category. With these solutions Banco Best acts as a worldwide wealth management services provider, being the sole example in Portugal of banking services and technology export.

In the Communications area BEST has launched several campaigns keeping a high dynamic both *above the line* and *below the line*. It is worthy of note the partnership with the TV program "*O Seu Dinheiro*", airing on RTP, a series of videos that were also reused as high value contents in the bank's website, social networks and newsletters. Banco Best has implemented the New Orthographic Agreement for the Portuguese language and the new "*Tom de Voz*" – a set of writing instructions to be used in all the bank's communications.

As for the online communication channels, besides the new website, some new features and products were introduced like Operations Confirmation via Web, Online Sale of Pre-approved Cards, Online Upgrade of Card Type, Funds Selector, Funds Income Simulator, and a new model of Member get Member to get new customers. Regarding Mobile developments, the new App "Best Card Club" was introduced, which is basically the implementation of a set of partnerships (hotels, rent-a-car, travel agencies, etc.) that allow BEST cardholders to enjoy advantages and discounts.

Regarding the Compliance area, there were 3 major account opening procedures projects successfully implemented related with the FATCA rules regarding economical beneficiaries, as per Notice no. 5 of the Bank of Portugal. The remaining procedures regarding account opening via website were also optimized.

Banco Best continued to develop a set of actions with the purpose of increasing and developing the level of the investors' financial literacy and contribute to improve their financial knowledge. Under the slogan "More knowledge, better investments" BEST organized a series of events, from North to South of the country, mainly Conference-lunches, conferences, seminars and workshops, both with BEST employees as speakers and well renowned international and national specialists. The wide set of contents, the themes diversity and the interaction with the participants continued to be the distinction elements of these initiatives.

Regarding the investment funds BEST kept its strategy to widen and diversify the management companies and investment funds offer. Currently there are about 2.500 investment funds from 51 management companies being distributed to the general public, not to mention 2.000 additional investment funds being distributed exclusively to the B2B and International institutional markets. In 2014 we can highlight the introduction in the Portuguese market of 3 new management companies: Neuberger Berman; MFS (that launched the first mutual fund in the USA in 1928) and Muzinich.

Still in the subject, BEST launched the new feature “Funds Selector” with the purpose of simplifying the investment funds choice by presenting the three top funds in several categories. It is available on the website for customers and non customers. It is worth mentioning the announcement of the existence of investment funds with periodic return and the organization of some seminars in partnership with Schroeder and Fidelity in Lisbon and Oporto, for customers and non customers. The theme of periodic return is justified in some investment solutions, like the Schroder European Dividend Maximiser that has a return of 2% every three months, i.e. 8% in a year, or the Fidelity Global Multi Asset Income, which purpose is to distribute an even return for 4 quarters that total an annual 4% or 4,5% return. In a moderately positive macro-economical and financial scenario, because of the low returns of the traditionally more conservative investments related with the evolution of the interest rates, there was a natural change in the type of investment funds more subscribed by the customers, migrating to stocks and mixed funds (asset allocation).

This way, with a growth of around 30%, Banco Best remained the leader in the distribution of foreign investment funds in Portugal with a market share of 34,7%, according to the latest data release regarding 2014 2^{nd} quarter.

As for the insurance products, Banco Best registered a growth of 20% in the capitalization insurances’ volumes, which was mainly due to the trading of new special series of products with fixed rates. As for unit linked type products there was a growth of over 40% in the assets volume.

In spite of the context of some volatility experienced in 2014, the Portfolio Management Service, that completed 10 years on offer, performed positively in all its risk profiles, while registering a growth on assets under management of around 120%.

Maintaining previous years strategy, in 2014 Banco Best kept the goal of diversifying its business lines through partnerships with some institutional customers, that are object of a very specific offer of financial assets, namely in the investment funds area. It registered a customers’ investment funds volume growth of more than 50% in the B2B and International business areas.

Regarding Trading activity in 2014, due to a general positive performance of the main world financial markets, it registered a 7,6% annual growth in the number of negotiation operations of financial instruments at regulated and non-regulated markets, the two areas where Banco Best developed its orders reception and transmission activity. Nevertheless, the average volume of monthly transactions lowered to 1,6 billion euro, suffering a decrease of 19,6%.

According to the Securities and Exchange Commission data, in 2014 the volume of the orders received through the Internet (online segment) registered an annual growth of 32%. Banco Best reinforced its market share to 8,8% following a 33% increase in the volume negotiated in the cash market, a new highest annual value ever reached by the bank in this particular segment.

The growth in the spot market online negotiation in 2014 was based on a greater activity in the stocks segment, where there was a growth of 33% in the transactions volume. In the same period, and according to the SEC data, the stocks negotiation volume of the financial intermediary registered in Portugal registered a growth of 16,9%. In 2014, Banco Best also registered a growth in the segment of stocks negotiation two times higher than the one registered in the market. Still in the spot market, BEST registered a 27% growth in the volume of the received orders in Warrants, contrary to the decrease of 13,3% verified in this market segment.

Banco Best, in partnership with Saxo Bank A/S, a financial institution of Denmark considered a reference in this market area, has maintained its leadership position in the online derivatives segment in the domestic market with a share of 22%, a 12 pp reduction versus the previous year. In this line of business, although there was an increase in the number of registered transactions and in the number of Active Customers, the average volume by order decreased 25%.

At the end of 2014 the volume of customer’s deposits was of 293 million euro, a 6% decrease versus the previous year. BEST’s deposits offer remained in the areas of term deposits, currency deposits and those with several types of earnings, being noteworthy the “*Depósito Já*”, a term deposit available for new customers with an attractive interest rate and the possibility of anticipating the earnings to the beginning of the term.

There was also a 6% increase in the salary accounts and there was a growth in the number of customers that use Banco Best as their first bank, whether it is for day-to-day operations or for a global financial relationship.

Banco Best had 85 thousand Customers in December 2014, 8% more than the previous year. BEST continued with its selective choice of financial instruments and offers as one of its several initiatives to attract new customers, among which is the Member-get-Member program, where Customers introduce and promote the bank to their friends and family, presenting great results.

As for partnerships Banco Best reinforced its connection with Portuguese Airline TAP with new and stimulating unique offers for new Customers – 40 thousand miles - corresponding to two tickets to travel destinations in Europe.

Regarding Credit, there was a 5% increase in the number of contracts, but together with the redemption of some major operations, it resulted in a total gross value of 143,5 million euro, 11% below the previous year. Yet, the average portfolio margin remained stable when compared to 2013. The Margin Account, a flexible solution that allows taking advantage from the volatility and growth scenarios of the financial markets but within a risk margins control process, has also contributed to Credit growth.

Banco Best also has lines of credit like Current Accounts for Customers who do not wish to redeem any of their other investments.

The due credit rate remained at low levels, 2,4%, due to a careful credit granting policy based on the existence of financial collateral.

Banco Best remained a source of capital to NOVO BANCO, with a ratio of credit to deposits of only 48%.

Regarding credit cards business area, there was a growth of 7% in the cards sold to Customers reaching 39 thousand cards in 2014, mainly due to the number of cards sold to new Customers and to the implementation of a new commercial approval system, more effective and optimized, where the Customer only chooses the type of card and the credit limit amount from a pre-approved reference.

There was also an increase of 10% in the cards global turnover, meaning that the utilization of all card types also increased. The due credit rate stayed at low levels, 1,3% over the revolving total.

It is worth of note the launch of the Best Card Club, a partnership program between BEST and over 30 entities of different activity areas (travel, leisure, technology) with the goal of providing special offers and benefits to the Customer free of any additional charge. These offers and benefits can be conferred at any time on an App specially developed for that purpose.

In 2014 Banco Best kept its policy of diversifying its business lines by promoting the growth of the asset management area that aims to fulfill some specific needs of a set of national and international institutional customers. There are some technological tools specially developed for this business area, as well as an individualized offer of products and services. The several institutional customers that already work with BEST represent, individually, significant turnovers with 483 million euro of assets under custody, a 3% growth versus the previous year.

Banco Best continued to actively recruit Financial Advisors to their external commercial network adding 69 new promoters/tied agents to the team. The training sessions for new employees suffered a reduction when compared to the previous year – 9 sessions in 2014, 12 sessions in 2013 – but there were more than 2.400 training hours. The number of trainers certified by the bank also increased in 5% versus the previous year in order to cope with the permanent need for knowledge recycling and updating.

Regarding external training for the Personal Financial Advisors and other operational areas employees, there were several initiatives with some external partners in order to provide training in the areas of Coaching Certification (for the senior trainers) and Pedagogic Skills (8 employees), as well as in English (45 employees) and other internal training initiatives in the technical/operational and commercial product areas.

In general, BEST provided more than 8,8 thousand training hours in 2014, 18% less than those of 2013 when there was a significant and active recruitment for the commercial areas.

Regarding 2014 Financial Statements we can highlight a total assets growth of 16% in the Balance Sheet, reaching 417,8 million euro at the end of the year. The growth of the customers' deposits of +6% and that of the Net Worth of +11% have directly caused an increase of the investments in NOVO BANCO, since the credit to customers decreased 12% to a total of 143,5 million euro and the Bonds portfolio's worth was of 3,8 million euro at the end of the year.

As for the Financial Margin, worth 4,8 million euro, there was an increase of 5,6% versus the previous year, due to a reduction of 7,8% of the received interest and 37,1% in the value of the paid interest.

There was a 7,6% increase in the received fees that is the result of an increase in the trading activity and the customers' preference for the out of balance financial products, like investment funds and securities, that generate fees instead of financial margin.

The currency revaluation suffered a reduction versus last year with a result of 7,5 million euro, caused by some inaction to seize the market opportunities in terms of currencies differences because of a less availability from NOVO BANCO Group for those positions management, which, in turn, reduced the total net income of Banco Best to 26,2 million euro, 18% below the previous year.

The 4,2% reduction of the activity total costs, totaling 16,2 million euro, was possible due to a very careful management of the administrative expenses, representing a cost to income ratio of 62%.

As for credit provisions and impairment, Banco Best had a total impact of 426 thousand euro cost in the statement of accounts versus 103 thousand euro last year. They are consistently low values since Banco Best has very strict criteria in what concerns risk-taking. Referring to year end values there is a coverage of 79% of due credit by provisions and of 1,9% of total credit to customers.

In 2014 the share capital of Banco Best was reinforced due to the policy of full incorporation of the previous year net results. So, the Core Tier 1 ratio was more than 30% in 2014 and remained at comfortable levels and higher than the legally required reference values.

The 2,9 million euro in provisions for taxes on profits put Banco Best's net profit in 6,7 million euro in 2014, 34% below that of 2013.

In short, as 2014 BEST financial results main indicators we can highlight: 62% of Cost to Income, 11% of ROE and positive 6,2 million euro of Net Profit.

III – Shareholders and Corporate Bodies

In 2014 the Shareholders of Banco Best suffered two changes. The first occurred in the first quarter of the year when Espírito Santo Tech Ventures SGPS S.A. and Espírito Santo Financial Group S.A. sold off their shares to Banco Espírito Santo, SA, at the time holding 75% of Banco Best's share capital. The second one took place in August when the resolution plan of Banco Espírito Santo SA happened and those 75% became property of NOVO BANCO S.A. In December 2014 the Shareholders of Banco Best were:

Shareholders	No. of shares	%
NOVO BANCO, SA	47.249.700	74,9995%
Saxo Bank A/S	15.750.000	25,0000%
Banco Espírito Santo de Investimento, SA	100	0,0002%
NOVO BANCO dos Açores, SA	100	0,0002%
GNB - Companhia de Seguros de Vida, SA	100	0,0002%
Total	**63.000.000**	**100,0000%**

In December 31st 2014 BEST Corporate Bodies were as follows:

General Meeting

Mr. Henrik Klæbel (Secretary)

Board of Directors

Mrs. Isabel Maria Ferreira Possantes Rodrigues Cascão (Vice-Chairman)
Mrs. Marília Boavida Correia Cabral (Member)
Mr. Pedro Alexandre Lemos Cabral das Neves (Member)
Mr. Francisco José Valente Hipólito dos Santos (Member)
Mr. Rasmus Hagstad Lund (Member)

Fiscal Board

Mr. José Manuel Macedo Pereira (Chairman)
Mr. Luís Manuel Santos Botelho (Member)
Mr. Feliciano Pereira (Member)
Mr. Elísio Armando da Cruz Cardoso (Alternative Member)

Statutory Auditor

Permanent: PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. - statutory auditor number 183

Represented by Mr. José Manuel Henriques Bernardo, statutory auditor number 903 or Mr. Aurélio Adriano Rangel Amado, statutory auditor number 1074

Alternative:

Mr. Jorge Manuel Santos Costa, statutory auditor number 847

Secretary

Eugénio Fernando de Jesus Quintais Lopes

The corporate bodies were elected at the General Meeting held in March 26th 2013 for a three year period, except the statutory auditor PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda., appointed in December 29th 2014 in replacement of KPMG that has resigned before term.

The following Members elected at the General Meeting held in March 26th 2013 also presented their resignation and have not been replaced until December 31st 2015:

Chairman of General Meeting: Mr. Rui Manuel Duarte Sousa da Silveira in July 31st 2014

Chairman of the Board of Directors: Mr. Ricardo Espírito Santo Silva Salgado in June 20th 2014;

Member of the Board of Directors: Mrs. Isabel Maria Carvalho de Almeida Bernardino in September 26th 2014.

IV - Relevant Facts

In January 12th 2015 Mr. Francisco José Valente Hipólito dos Santos, Member of the Board, presented his resignation due to incompatibility reasons with his new position in NOVO BANCO Group as a Compliance Officer.

V – Outlook

The change of shareholder, as far as NOVO BANCO Group is concerned, expected in 2015 can be relevant for the future business strategy of Banco Best.

The macro-economical perspectives for 2015 are expected to be good and optimistic regarding the austerity period and slow growth rates, not only in Portugal but in all Eurozone. Although some macro-economic indicators show improvement in the Portuguese economy, 2015 still brings many challenges which consequences are difficult to foresee, especially because it is a year of elections. The efforts developed to rebalance the Portuguese budget have been focused on the individuals taxes increase, negatively affecting customers' savings and presenting a challenge to Banco Best in terms of attracting new customers and growth potential.

Regardless these uncertainties and the negative aspects of the Portuguese economy, Banco Best plans to develop its activity in the following vectors:

- Consolidation of the International and B2B businesses, mainly in the institutional customers Asset Management and Trading services;
- Increase the diversification and independence of its offer, keeping a wide range of Asset Management and Trading products and services, aiming to fulfill the needs of diversification of financial assets and currencies, and allowing customers to seize the investment opportunities that come along in this constantly changing financial environment;
- Improvement of the communication between the bank and its customers making it more clear, direct and customized, focusing on improving the mobile channel and making it more available;
- Continuous monitoring of the economic and financial environment allowing the fast adjustment of the Asset Management and Trading products and services offer to the best opportunities that come along.

On the other hand, the effort of cost cut and control is to be maintained, aiming to improve the bank's efficiency levels in a market with strong competition.

VI - Proposal for results allocation

As per the Societies Code regulations it is proposed to the Shareholders General Meeting the approval of the net profits totaling 6.739.238,45 euro (six million, seven hundred and thirty nine thousand, two hundred and thirty eight euro and forty five cents) positive to be allocated as follows:

- 673.923,85 euro for the Legal Reserve
- 6.065.314,60 euro transferred to Other Reserves and Carried Results.

VII – Concluding remarks

While concluding the Management Report for 2014, the Board of Directors wishes to express its recognition of the cooperation of all who have contributed towards achieving the established goals in the performance of their duties:

- The monetary and financial authorities and supervisory bodies, notably the Bank of Portugal, Securities and Exchange Commission and Portuguese Insurance Institute for their permanent collaboration and support;
- Our customers for their trust and preference;
- Our shareholders for their constant support and interest in the activity of the bank;
- The General Meeting Members, the Fiscal Board, the Statutory Auditor and the Secretary of the Company for their permanently constructive involvement;
- Our Employees for their commitment, motivation, willingness and professional competence.

Lisbon, 16 March 2015

Board of Directors:

Mrs. Isabel Maria Ferreira Possantes Rodrigues Cascão

Mrs. Marília Boavida Correia Cabral

Mr. Pedro Alexandre Lemos Cabral das Neves

Mr. Rasmus Hagstad Lund

BALANCE SHEET (in '000 €)	Dec-14 Actual	Dec-13 Previous year	△ YoY in €	△ YoY in %
ASSETS				
Deposits with banks	47.625	49.527	(1.902)	-4%
Financial assets held for trading	864	3	861	--
Other financial assets at fair value through profit or loss	0	0	0	
Available-for-sale financial assets	3.549	25.942	(22.393)	-86%
Loans and advances to banks	215.418	120.014	95.404	79%
Loans and advances to customers	141.938	159.615	(17.677)	-11%
Held to maturity investments	0	0	0	
Financial assets with repurchase agreements	0	0	0	
Hedging derivatives	0	0	0	
Non-current assets held for sale	14	0	14	
Property and equipment	0	0	0	
Other tangible assets	1.341	1.378	(37)	-3%
Intangible assets	472	5	467	--
Investments in associates	0	0	0	
Current income tax assets	1.059	0	1.059	
Deferred income tax assets	462	472	(10)	-2%
Other assets	5.103	3.094	2.009	65%
TOTAL ASSETS	**417.845**	**360.145**	**57.700**	**16%**
LIABILITIES				
Financial liabilities held for trading	74	167	(93)	-56%
Deposits from banks	46.822	13.758	33.064	240%
Due to customers	293.298	276.960	16.338	6%
Debt securities	0	0	0	
Financial liabilities associated to transferred assets	0	0	0	
Hedging derivatives	0	34	(34)	-100%
Non-current liabilities held for sale	0	0	0	
Provisions	1.442	820	622	76%
Current income tax liabilities	603	2.025	(1.422)	-70%
Deferred income tax liabilities	60	0	60	
Instruments representing capital	0	0	0	
Subordinated debt	0	0	0	
Other liabilities	6.606	4.147	2.459	59%
TOTAL LIABILITIES	**348.905**	**297.911**	**50.994**	**17%**
Share Capital	63.000	63.000	0	0%
Share premium	(8)	(8)	0	0%
Revaluation reserves	121	154	(33)	-21%
Other reserves and retained earnings	(912)	(11.148)	10.236	-92%
Own Stock	0	0	0	
Profit for the year	6.739	10.236	(3.497)	-34%
TOTAL EQUITY	**68.940**	**62.234**	**6.706**	**11%**
TOTAL LIABILITIES + EQUITY	**417.845**	**360.145**	**57.700**	**16%**
Core Tier 1	**60.983**	**50.587**	**10.396**	**21%**
Solvency ratio	**30,4%**	**21,8%**	**8,62p,p,**	

PROFIT AND LOSS ACCOUNT (in '000 €)	Dec-14 Actual	Dec-13 Previous year	△ YoY in €	in %
Interest income	6.094	6.614	(520)	-8%
Interest expense	1.314	2.089	(775)	-37%
Net interest income	**4.780**	**4.525**	**255**	**6%**
Dividends	30	24	6	25%
Commissions and other similar income	19.839	18.445	1.394	8%
Commissions and other similar expenses	6.797	5.800	997	17%
Gains and losses in financial assets and foreign Exchange	8.372	14.784	(6.412)	-43%
Banking income	**26.224**	**31.978**	**(5.754)**	**-18%**
Staff expenses	6.595	6.045	550	9%
Other administrative expenses	8.981	10.441	(1.460)	-14%
Depreciation	622	422	200	47%
Provisions net of reversals	622	(157)	779	-496%
Loan impairment net of reversals and recoveries	(196)	260	(456)	-175%
Other financial assets' impairment net of reversals	0	0	0	
Other assets' impairment net of reversals	0	0	0	
Income before tax	**9.600**	**14.967**	**(5.367)**	**-36%**
Tax	2.861	4.731	(1.870)	-40%
Income after tax	**6.739**	**10.236**	**(3.497)**	**-34%**
Of which: Income after tax on descontinued operations	0	0	0	
Net profit	**6.739**	**10.236**	**(3.497)**	**-34,2%**

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

These financial statements are a free translation into English of the original Portuguese version. In the event of doubt or misinterpretation the Portuguese version will prevail.

BEST - BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S.A.

INCOME STATEMENT
FOR THE PERIODS ENDED 31 DECEMBER 2014 AND 2013

(in thousands of Euros)

	Notes	31.12.2014	31.12.2013
Interest and similar income		6 094	6 614
Interest expense and similar charges	5	1 314	2 089
Net interest income		**4 780**	**4 525**
Income from equity instruments		30	24
Fee and commission income	6	19 839	18 445
Fee and commission expenses	6	(6 797)	(5 800)
Net gains / (losses) from financial assets and liabilities at fair value through profit or los	7	954	(135)
Net gains / (losses) from available-for-sale financial assets	8	26	17
Net gains / (losses) from foreign exchange differences	9	7 513	15 113
Other operating income and expenses	10	(121)	(211)
Operating income		**26 224**	**31 978**
Staff costs	11	6 595	6 045
General and administrative expenses	12	8 981	10 441
Depreciation and amortisation	21 and 22	622	422
Provisions, net of reversals	26	622	(157)
Impairment losses on loans and advances, net of reversals and recoveries	18	(196)	260
Operating expenses		**16 624**	**17 011**
Profit / (loss) before income tax		**9 600**	**14 967**
Income tax			
Current tax	27	2 833	4 614
Deferred tax	27	28	117
Net profit / (loss) for the period		**6 739**	**10 236**
Basic earnings per share (in Euros)	13	0,11	0,16
Diluted earnings per share (in Euros)	13	0,11	0,16

The attached explanatory notes form an integral part of these financial statements

BEST - BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S.A.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED 31 DECEMBER 2014 AND 2013

(in thousands of Euros)

	31.12.2014	31.12.2013
Net profit / (loss) for the period	**6 739**	**10 236**
Other comprehensive income for the period		
Items that may be reclassified to the income statement		
Fair value adjustments, net of tax	(33)	333
	(33)	**333**
Total comprehensive income / (loss) for the period	**6 706**	**10 569**

The attached explanatory notes form an integral part of these financial statements

BEST - BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S.A.

BALANCE SHEET AT 31 DECEMBER 2014 AND 2013

(in thousand of Euros)

	Notes	31.12.2014	31.12.2013
Assets			
Cash and deposits with Central Banks		-	95
Deposits with banks	14	47 625	49 527
Financial assets held for trading	15	864	3
Available-for-sale financial assets	16	3 549	25 942
Loans and advances to banks	17	215 418	120 014
Loans and advances to customers	18	141 939	159 615
Non-current assets held for sale	20	14	-
Other tangible assets	21	1 341	1 378
Intangible assets	22	472	5
Current tax assets	27	1 059	-
Deferred tax assets	27	462	472
Other assets	23	5 102	3 094
Total Assets		**417 845**	**360 145**
Liabilities			
Financial liabilities held for trading	15	74	167
Deposits from banks	24	46 822	13 758
Deposits from customers	25	293 298	276 960
Derivatives held for risk management purposes	19	-	34
Provisions	26	1 442	820
Current tax liabilities	27	603	2 025
Deferred tax liabilities	27	60	-
Other liabilities	28	6 606	4 147
Total Liabilities		**348 905**	**297 911**
Equity			
Share capital	29	63 000	63 000
Fair value reserves	30	121	154
Other reserves and Retained earnings	30	(920)	(11 156)
Profit / (loss) for the period		6 739	10 236
Total Equity		**68 940**	**62 234**
Total Liabilities and Equity		**417 845**	**360 145**

The attached explanatory notes form an integral part of these financial statements

BEST - BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S.A.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2014 AND 2013

(in thousands of Euros)

	Share capital	Fair value reserves	Other reserves and Retained earnings	Net profit / (loss) for the period	Total Equity
Balance at 31 December 2012	**63 000**	**(179)**	**(19 612)**	**8 455**	**51 664**
Comprehensive income:					
Changes in fair value (see Note 30)	-	333	-	-	333
Net profit / (loss) for the period	-	-	-	10 236	10 236
Total comprehensive income / (loss) for the period	-	333	-	10 236	10 569
Constitution of reserves	-	-	8 455	(8 455)	-
Other movements	-	-	1	-	1
Balance at 31 December 2013	**63 000**	**154**	**(11 156)**	**10 236**	**62 234**
Comprehensive income:					
Changes in fair value (see Note 30)	-	(33)	-	-	(33)
Net profit / (loss) for the period	-	-	-	6 739	6 739
Total comprehensive income / (loss) for the period	-	(33)	-	6 739	6 706
Constitution of reserves	-	-	10 236	(10 236)	-
Balance at 31 December 2014	**63 000**	**121**	**(920)**	**6 739**	**68 940**

The attached explanatory notes form an integral part of these financial statements

BEST - BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S.A.

CASH FLOW STATEMENT
FOR THE PERIODS ENDED 31 DECEMBER 2014 AND 2013

(in thousands of Euros)

	Notes	31.12.2014	31.12.2013
Cash flows from operating activities			
Interest and similar income received		4 981	5 806
Interest expense and similar charges paid		(536)	(2 197)
Fees and commission received		20 107	18 445
Fees and commission paid		(6 797)	(5 800)
Cash payments to employees and suppliers		(15 559)	(17 265)
		2 196	**(1 011)**
Changes in operating assets and liabilities:			
Acquisition of financial assets at fair value through profit or loss		-	137
Sale of financial assets at fair value through profit or loss		-	(135)
Loans and advances to banks		(95 000)	(49 560)
Deposits from banks		33 065	(4 326)
Loans and advances to customers		17 590	(21 490)
Deposits from customers		16 366	(29 344)
Derivatives held for risk management purposes		1	(18)
Other operating assets and liabilities		(5 072)	436
Net cash from operating activities before income tax		**(30 854)**	**(105 311)**
Income taxes paid		(218)	(5 939)
		(31 072)	**(111 250)**
Net Cash flows from investing activities			
Dividends received		30	24
Acquisition of available-for-sale financial assets		-	(224 217)
Sale of available-for-sale financial assets		22 409	279 275
Acquisition of fixed assets		(1 053)	(134)
		21 386	**54 948**
Net changes in cash and cash equivalents		**(9 686)**	**(56 302)**
Cash and cash equivalents at beginning of period		46 912	88 101
Effect of foreign exchange rate changes on cash and cash equivalents		7 513	15 113
Net changes in cash and cash equivalents		(9 686)	(56 302)
Cash and cash equivalents at end of period		**44 739**	**46 912**
Cash and cash equivalents include:			
Cash		-	95
Deposits with banks	14	47 625	49 527
Mandatory deposits with Central Banks [(a)]		(2 886)	(2 710)
Total		**44 739**	**46 912**

[(a)] BEST constitutes its minimum reserves indirectly through Novo Banco, S.A (see Note 14)

The attached explanatory notes form an integral part of these financial statements

BEST – Banco Eletrónico de Serviço Total, S.A.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2014

(Amounts presented in thousands of Euros, except when otherwise indicated)

NOTE 1 – ACTIVITY

BEST – Banco Eletrónico de Serviço Total, S.A. (Bank or BEST) is a financial institution with its registered office in Portugal. For the purpose, it holds the necessary authorisations from the Portuguese authorities, the Bank of Portugal (i.e. the Central Bank – "Banco de Portugal") and other regulatory authorities to operate in Portugal.

BEST was incorporated by public deed on 9 May 2001 with a share capital of Euros 32 422 thousand, and began its activity on 25 June of that year. In 2002 and 2003, BEST increased its share capital to Euros 43 000 thousand and Euros 55 000 thousand, respectively (see Note 29). In 2005, share capital was again increased to Euros 61 000 thousand and, in 2006, to Euros 63 000 thousand.

The Bank raises funds from third parties, in the form of deposits or other funds, which, together with its own resources, it invests in granting loans and advances, in securities and in other assets; it also provides other banking services in Portugal.

The administrative and operational areas of BEST are handled by NOVO BANCO under a service agreement.

On 3 August 2014, following the Resolution Measure applied by the Bank of Portugal to Banco Espírito Santo, its majority shareholder, BEST was included in Grupo NOVO BANCO's consolidation perimeter.

The Bank forms part of Grupo NOVO BANCO and its financial statements are fully consolidated in those of NOVO BANCO, with registered office at Avenida da Liberdade, no. 195, in Lisbon. As from 2009, Saxo Bank has been consolidating the Bank under the equity method, consequence of the shareholding it acquired.

NOTE 2 – MAIN ACCOUNTING POLICIES

2.1. Bases of presentation

In accordance with Regulation (EC) no. 1606/2002, of 19 July 2002, of the European Council and Parliament, and its adoption into Portuguese Law through Decree-Law no. 35/2005, of 17 February 2005, and Notice no. 1/2005 of the Bank of Portugal, Banco Electrónico de Serviço Total, S.A. is required to prepare its financial statements in accordance with the Adjusted Accounting Standards (NCA), as defined by the Bank of Portugal at the date of the presentation of the accounts.

The NCA comprise all the standards included in the International Financial Reporting Standards (IFRS) as adopted for use in the EU, with the exception of certain matters regulated by the Bank of Portugal, such as loan impairment and the treatment afforded to the recognition in retained earnings of adjustments relating to retirement and survivor pensions during the transition period.

The IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor body.

The accounting policies applied by the Bank in the preparation of its financial statements at 31 December 2014 are consistent with those used in the preparation of the annual financial statements at and for the period ended 31 December 2013.

However, and as described in Note 35, in the preparation of the financial statements at 31 December 2014, the Bank adopted the accounting standards issued by IASB and IFRIC interpretations, effective since 1 January 2014. The accounting policies adopted by the Bank in the preparation of the financial statements are in accordance with those described in said note. The adoption of these new standards and interpretations had no material impact on the Bank's financial statements.

The accounting standards and interpretations recently issued but not yet effective and that the Bank has not yet adopted in the preparation of its financial statements may also be analysed in Note 35.

These financial statements are expressed in thousands of Euros, rounded to the nearest thousand, and have been prepared under the historical cost convention, except for the assets and liabilities accounted for at fair value, namely derivative contracts, financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and hedged assets and liabilities, in respect of the hedged component.

The preparation of financial statements in conformity with the NCA requires the application of judgement and the use of estimates and assumptions by the Bank that affect both the process of applying the accounting policies and the reported amounts of income, expenses, assets and liabilities. Changes in such assumptions and differences between these and the reality in the future may impact these estimates and judgement applied. The areas involving a higher degree of judgement or complexity or where the assumptions and estimates used are significant to the financial statements are disclosed in Note 3.

These financial statements were approved at the Board of Directors' meeting held on 16 March 2015.

2.2. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on this translation are recognised in the income statement.

Non-monetary assets and liabilities measured at historical cost, denominated in foreign currency, are translated using the foreign exchange rates prevailing at the dates of the transactions. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Euros at the foreign exchange rates ruling at the dates the fair values were determined. The resulting foreign exchange differences are accounted for in the income statement, except if related to equity instruments classified as available-for-sale, which are accounted for in equity, under fair value reserves.

2.3. Derivative financial instruments and hedge accounting

Classification

Derivatives held for risk management purposes include (i) hedging derivatives and (ii) derivatives acquired to manage the risk of certain financial assets and liabilities designated at fair value through profit or loss but that were not classified as hedging derivatives.

All other derivatives are classified as trading derivatives.

Recognition and measurement

Derivatives are initially recognised at fair value on the date the derivative contract is entered into (trade date). Subsequent to initial recognition, the fair value of derivative financial instruments is re-measured on a regular basis and the resulting gains or losses on re-measurement are recognised directly in the income statement, except for derivatives designated as hedging instruments. The recognition of the resulting gains or losses on the derivatives designated as hedging instruments depends on the nature of the risk being hedged and the hedge model used.

Fair values are obtained from quoted market prices, on active markets, if available or are determined using valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

Hedge accounting

- Classification criteria

Hedge accounting is used for derivative financial instruments designated as hedging instruments, provided the following criteria are cumulatively met:

(i) At the inception of the hedge, the hedging relationship is identified and documented, including the identification of the hedged item and of the hedging instrument and the evaluation of the effectiveness of the hedge;
(ii) The hedge is expected to be highly effective, both at the inception of the hedge and on an ongoing basis;
(iii) The effectiveness of the hedge can be reliably measured, both at the inception of the hedge and on an ongoing basis;
(iv) For cash flows hedges, the cash flows are highly probable of occurring.

- Fair value hedge

In a fair value hedge, the carrying value of the hedged asset or liability, determined in accordance with the respective accounting policy, is adjusted to reflect the changes in its fair value attributable to the hedged risk. The changes in the fair value of derivatives designated as hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and its hedge accounting is discontinued prospectively. If the hedged asset or liability corresponds to a fixed income instrument, the re-measurement adjustment is amortised over the period to maturity, using the effective interest rate method.

- Cash flow hedge

When a derivative financial instrument is designated as a hedge against the variability in highly probable future cash flows (cash flow hedge), the effective portion of the changes in the fair value of the hedging derivative is recognised in reserves, being recycled to the income statement in the periods in which the hedged item affects the income statement. The gain or loss relating to the ineffective portion is immediately recognised in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in reserves is recycled to the income statement when the hedged transaction also affects the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss recorded in equity is immediately recognised in the income statement and the hedging instrument is reclassified to the trading portfolio.

During the periods covered by these financial statements the Bank did not have any hedging operations classified as cash flow hedges.

Embedded derivatives

Derivatives that are embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value, with the changes in fair value being recognised in the income statement.

2.4. Loans and advances to customers

Loans and advances to customers include loans and advances originated by the Bank, which are not intended to be sold in the short-term and are recognised on the date cash is advanced to customers.

Loans and advances to customers are de-recognised from the balance sheet when (i) the contractual rights to receive their respective cash flows have expired, (ii) the Bank has transferred substantially all the risks and rewards of ownership, or (iii) although retaining some but not substantially all the risks and rewards of ownership, the Bank has transferred the control over the assets.

Loans and advances to customers are initially recorded at their nominal value, not being re-classifiable to the remaining categories of financial assets.

In accordance with the documented strategy for risk management, the Bank contracts derivative financial instruments to manage certain risks on part of the loan portfolio, without applying, however the provisions of hedge accounting mentioned in Note 2.3. In these situations, the initial recognition of these loans is measured at fair value through profit or loss, in order to eliminate the measurement inconsistency resulting from measuring the loans and the derivatives held for risk management purposes on different bases (i.e. the accounting mismatch). This procedure is in accordance with the accounting policy for classification, recognition and measurement of financial assets at fair value through profit or loss described in Note 2.5.

Impairment

The Bank assesses, at each balance sheet date, whether there is objective evidence of impairment in its loan portfolio. Impairment losses identified are recognised in the income statement and are subsequently reversed through the income statement if, in a subsequent period, the amount of the impairment losses decreases.

A loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, is impaired when: (i) there is objective evidence of impairment as a result of one or more events that occurred after its initial recognition and (ii) that event (or events) has an impact on the estimated future cash flows of the loan or of the loan portfolio, that can be reliably estimated.

The Bank first assesses whether objective evidence of impairment exists for each loan individually. In this individual assessment, the Bank uses the information that feeds the credit risk models implemented and takes in consideration the following factors:

- the aggregate exposure to the customer and the existence of non-performing loans;
- the viability of the customer's business model and its capacity to trade successfully and to generate sufficient cash flows to service its debt obligations;
- the extent of other creditors' commitments ranking ahead of the Bank;
- the existence, nature and estimated realisable value of collateral;
- the exposure of the customer within the financial sector;
- the amount and timing of expected recoveries.

Loans that have been individually assessed with no evidence of impairment having being identified, are grouped together on the basis of similar credit risk characteristics (loan portfolio) for purposes of evaluating impairment on a portfolio basis (collective assessment). Loans that are individually assessed and found to be impaired are not included in the collective assessment for impairment.

If an impairment loss is identified on an individual basis, the amount of the impairment loss to be recognised corresponds to the difference between the carrying value of the loan and the present value of the expected future cash flows (considering the recovery period), discounted at the contract's original effective interest rate. Loans and advances to customers are presented net of impairment losses. If a loan has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate, determined under the rules of each contract.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from the foreclosure less costs inherent to the recovery and sale of the collateral.

For the purposes of the collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics, in function of the Bank's credit risk evaluation process defined. Future cash flows from a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans and the Bank's historical loss experience. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank so as to monitor the differences between the loss estimates and actual loss experience.

According to the NCA, loan values should be adjusted based on rigor and prudence criteria in order to reflect, at all times, their realisable value. This impairment adjustment may not be lower than that determined under Notice no. 3/95 of the Bank of Portugal, which establishes the minimum reference values for general and specific provisions.

When a loan is considered uncollectible by the Bank and an impairment loss of 100% has been recognised, it is written off against the asset.

2.5. Other financial assets

Classification

The Bank classifies its other financial assets at initial recognition, considering the intentions underlying their acquisition, under the following categories:

- *Financial assets at fair value through profit or loss*

This category includes: (i) financial assets held for trading, which are those acquired primarily for the purpose of resale in the short-term or that are owned as part of a portfolio of identified financial instruments that are managed as a whole and for which there is evidence of a recent pattern of short-term profit taking and (ii) financial assets that are designated at fair value through profit or loss at inception.

The Bank classifies, at inception, certain financial assets at fair value through profit or loss when:

- such financial assets are managed, measured and their performance evaluated on a fair value basis;
- such financial assets are being hedged (on an economic basis), in order to eliminate an accounting mismatch; or
- such financial assets contain embedded derivatives.

The structured products acquired by the Bank corresponding to financial instruments containing one or more embedded derivatives meet at least one of the above mentioned conditions, and, accordingly, are classified under the fair value through profit or loss category.

- *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and defined maturities that the Bank has the positive intention and ability to hold to maturity and that are not classified, at inception, as at fair value through profit or loss or as available-for-sale.

- *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets (i) the Bank intends to hold for an indefinite period of time, (ii) designated as available-for-sale at initial recognition, or (iii) that are not classified under the other categories referred to above.

Initial recognition and measurement and de-recognition

Acquisitions and sales of: (i) financial assets at fair value through profit or loss, (ii) held-to-maturity investments and (iii) available-for-sale financial assets are recognised on the trade date, that is, the date on which the Bank commits to acquire or sell the assets.

Financial assets are initially recognised at fair value plus transaction costs, except for financial assets at fair value through profit or loss, for which transaction costs are recognised directly in the income statement.

Financial assets are de-recognised when (i) the contractual rights to receive their cash flows have expired, (ii) the Bank has transferred substantially all the risks and rewards of ownership, or (iii) although retaining some but not substantially all the risks and rewards of ownership, the Bank has transferred the control over the assets.

Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value are recognised in the income statement.

Available-for-sale financial assets are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in reserves, until the financial assets are de-recognised or impaired, at which moment the cumulative gain or loss previously recognised in reserves is recycled to the income statement. Foreign exchange differences arising on shares or other equity instruments classified as available-for-sale are also recognised in reserves, whilst foreign exchange differences arising on debt instruments are recognised in the income statement. Interest, calculated using the effective interest rate method, and dividends are recognised in the income statement.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method, net of any impairment losses recognised.

The fair values of investments quoted on active markets are their current bid prices. For unlisted securities, the Bank establishes fair value using (i) valuation methodologies, including the use of recent arm's length transactions, discounted cash flow analysis and option pricing models customised to reflect the specificities and circumstances of the instruments and (ii) valuation assumptions based on market information.

Reclassifications between categories

The Bank only reclassifies non-derivative financial assets with fixed or determinable payments and fixed maturities, from the available-for-sale financial assets category to the held-to-maturity investments category, if it has the intention and ability to hold those financial assets to maturity.

Reclassifications between these categories are made at the fair value of the assets reclassified on the date of the reclassification. The difference between this fair value and the respective nominal value is recognised in the income statement over the period to maturity, based on the effective interest rate method. The fair value reserves existing at the date of the reclassification are also recognised in the income statement, using the effective interest rate method.

Impairment

In accordance with the NCA, the Bank periodically assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the recoverable amount of the asset is determined and the impairment losses are recognised through the income statement.

A financial asset or a group of financial assets is impaired whenever there is objective evidence of impairment as a result of one or more events that occurred after its initial recognition, such as:

(i) for shares and other equity instruments, a significant or prolonged decline in its fair value below its acquisition cost, and (ii) for debt securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

For held-to-maturity investments, the amount of the impairment loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate. These assets are presented in the balance sheet net of impairment losses. If a held-to-maturity investment has a variable interest rate, the discount rate used for measuring any impairment loss is the current effective interest rate, determined under the rules of each contract. For held-to-maturity investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the income statement.

If there is objective evidence that an impairment loss on available-for-sale financial assets has been incurred, the potential cumulative loss recognised in reserves – measured as the difference between the acquisition cost and the current fair value, net of any impairment loss on that financial asset previously recognised in the income statement – is taken to the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through the income statement up to the acquisition cost, provided the increase is objectively related to an event occurring after the impairment loss was recognised, except in respect of shares and other equity instruments, in which case the reversal is recognised in reserves.

2.6. Sale and repurchase agreements and loaned / borrowed securities

Securities sold under repurchase agreements (repos) at a fixed price or at sales price plus a return are not de-recognised. The corresponding liability is included in amounts due to banks or to customers, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreement, using the effective interest rate method.

Securities purchased under agreements to resell (reverse repos) at a fixed price or at purchase price plus a return are not recognised, with the purchase price paid being recorded as loans and advances to banks or customers, as appropriate. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreement, using the effective interest rate method.

Securities lent under lending agreements are not de-recognised, being classified and measured in accordance with the accounting policy described in Note 2.5. Securities borrowed under borrowing agreements are not recognised in the balance sheet.

2.7. Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, irrespective of its legal form.

Non-derivatives financial liabilities include deposits from banks and deposits from customers, loans, debt securities, subordinated debt and short selling.

These financial liabilities are recognised (i) initially, at fair value less transaction costs and (ii) subsequently, at amortised cost, using the effective interest rate method, except for short sales and financial liabilities designated at fair value through profit or loss, which are measured at fair value.

The Bank designates, at inception, certain financial liabilities as at fair value through profit or loss when:

- such financial liabilities are being hedged (on an economic basis), in order to eliminate an accounting mismatch; or
- such financial liabilities contain embedded derivatives.

The fair value of quoted financial liabilities is their current bid price. In the absence of a quoted price, the Bank establishes fair value using valuation techniques based on market information, including the issuer’s own credit risk.

2.8. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.9. Equity instruments

An instrument is classified as an equity instrument when it does not contain a contractual obligation to deliver cash or another financial asset, irrespective of its legal form, but evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognised under equity as a deduction from the proceeds. Amounts paid or received relating to acquisitions or sales of equity instruments are recognised in equity, net of transaction costs.

Distributions to holders of an equity instrument are debited directly against equity as dividends, when declared.

2.10. Non-current assets held for sale

Non-current assets or disposal groups (groups of assets to be disposed of together, and related liabilities that include at least one non-current asset) are classified as held for sale when their carrying values are to be recovered mainly through a sale transaction (including those acquired exclusively with a view to their subsequent resale), the assets or disposal groups are available for immediate sale and the sale is highly probable.

Immediately before the initial classification of the asset (or disposal group) as held for sale, the measurement of the non-current assets (or of all the assets and liabilities in a disposal group) is brought up to date in accordance with the applicable IFRS. Subsequently, these assets or disposal groups are measured at the lower of their carrying value and fair value less costs to sell.

In the scope of its loan granting activity, the Bank incurs in the risk of the borrower failing to repay the full amount due. In the case of loans and advances with mortgage collateral, the Bank executes them, receiving the property or other assets held as collateral in settlement of the loans. Due to the provisions of the General Regime governing Credit Institutions and Financial Companies (“Regime Geral das Instituições de Crédito e Sociedades Financeiras” (RGICSF)), banks are prevented, unless authorised by the Bank of Portugal, from acquiring property that is not essential to their daily operations and object (no. 1 of article 112 of RGICSF), being able to acquire, however, property in exchange for loans granted by the Group. This property must be sold within 2 years, period which may be extended by written authorization from the Bank of Portugal and on conditions to be determined by this Authority (article 114 of RGICSF).

It is the Group's objective to dispose of all property acquired in exchange for loans immediately. This property is classified as non-current assets held-for-sale and is initially recognised at the lower of its fair value less costs to sell and the carrying value of the subjacent loans. Subsequently, this property is measured at the lower of its initial carrying value and the corresponding fair value less costs to sell and is not depreciated. Any subsequent write-down of the acquired property to fair value is recorded in the income statement.

The valuation of this property is performed in accordance with one of the following methodologies, applied depending on the specific situation of the asset:

a) Market Method

The Market Comparison Criteria takes as reference transaction values of similar and comparable properties to the property under valuation, obtained through market prospecting carried out in the area.

b) Income Method

Under this method, the property is valued based on the capitalization of its net income, discounted to the present using the discounted cash flow method.

c) Cost Method

This method aims to reflect the current amount that would be required to substitute the asset in its present condition, separating the value of the property into its fundamental components: Urban Ground Value and Urbanity Value; Construction Value; and Indirect Costs Value.

The valuations are performed by independent entities specialised in these services. The valuation reports are analysed internally through an assessment of parameter and process adequacy vis-à-vis market evolution, comparing the sales values with the revalued amounts of the assets.

2.11. Other tangible assets

Other tangible assets of the Bank are measured at cost less accumulated depreciation and impairment losses. The cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying value or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank. All other repair and maintenance expenditure is charged to the income statement during the period in which it is incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method, applied over their estimated useful lives, as follows:

	Number of years
Buildings for own use	35 to 50
Improvements in leasehold property	10
Computer equipment	4 to 5
Furniture	4 to 10
Fixtures	5 to 10
Security equipment	4 to 10
Machinery and tools	4 to 10
Motor vehicles	4
Other equipment	5

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

The recoverable amount is determined as the greater of its net selling price and value in use, which is based on the net present value of future cash flows arising from the continued use and ultimate disposal of the asset.

2.12. Intangible assets

The costs incurred with the acquisition, production and development of software are capitalised, as are costs incurred to bring it into use. These costs are amortised using the straight-line method over their expected useful lives, which usually ranges between 3 and 6 years.

Costs that are directly associated with the development of identifiable specific software by the Bank, and that will probably generate economic benefits beyond one year, are recognised as intangible assets. All remaining costs associated with IT services are recognised as an expense as incurred.

2.13. Leases

The Bank classifies its lease operations as finance leases or operating leases taking into consideration the substance of the transaction rather than its legal form, in accordance with IAS 17 – Leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Payments made by the Bank under operating leases are recognised in the income statement in the period to which they relate.

Finance leases

- As lessee

Finance lease contracts are recorded at their inception date, both under assets and liabilities, at the cost of the leased asset, which is equivalent to the present value of the outstanding lease instalments. Instalments comprise (i) an interest charge, which is recognised in the income statement and (ii) the repayment of principal, which is deducted from liabilities. Financial charges are recognised as costs over the lease period, in order to produce a constant periodic rate of interest on the remaining balance of the liability of each period.

- As lessor

Assets leased out are recorded in the balance sheet as loans granted, in an amount equivalent to the net investment made in the leased assets.

Interest included in instalments charged to customers is recorded as interest income, whilst the repayments of principal, also included in the instalments, are deducted from the amount of the loans granted. The recognition of the interest reflects a constant periodic rate of return on the lessor's net outstanding investment.

2.14. Employee benefits

Variable remuneration paid to employees and management body members (bonuses)

In accordance with IAS 19 – Employee benefits, the variable remuneration (bonuses, awards and other) paid to employees and, eventually, to the executive members of the management bodies, are recognised in the income statement in the period to which they relate.

2.15. Income tax

Income tax for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity. Income tax recognised directly in equity relating to the fair value re-measurement of available-for-sale financial assets and cash flow hedges is subsequently recognised in the income statement when the gains or losses giving rise to the income tax are also recognised in the income statement.

Current tax is the tax expected to be paid on the taxable profit for the period, calculated using tax rules and tax rates enacted or substantively enacted at the balance sheet date, in each jurisdiction.

Deferred tax is determined, using the balance sheet liability method, on timing differences arising between the carrying values of assets and liabilities for financial reporting purposes and their respective tax base, and is calculated using the tax rates enacted or substantively enacted at the balance sheet date, in each jurisdiction, that are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax liabilities are recognised for all taxable timing differences; differences arising on the initial recognition of assets and liabilities that affect neither accounting nor taxable profit to the extent that they will probably not reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible timing differences can be deducted.

2.16. Provisions

Provisions are recognised when: (i) the Bank has a present legal or constructive obligation, (ii) it is probable that its settlement will be required in the future and (iii) a reliable estimate of the obligation can be made.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting the obligations under the contract. This provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net costs of continuing the contract.

2.17. Recognition of interest income and expense

Interest income and expense are recognised in the income statement under interest and similar income and interest expense and similar charges, respectively, for all non-derivative financial instruments measured at amortised cost and for the available-for-sale financial assets, using the effective interest rate method. Interest income and expense arising from non-derivative financial assets and liabilities at fair value through profit or loss are also included under interest and similar income or interest expense and similar charges, respectively.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying value of the financial asset or liability. The effective interest rate is calculated at inception and it is not subsequently revised.

When calculating the effective interest rate, the Bank estimates cash flows considering all the contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and all other directly related premiums or discounts. In the case of financial assets or groups of similar financial assets for which an impairment loss has been recognised, interest income is calculated using the interest rate used to measure the impairment loss.

For derivative financial instruments, excluding those held for risk management purposes (see Note 2.3), the interest component of the changes in their fair value is not separated and is classified under net gains / (losses) from financial assets and liabilities at fair value through profit or loss. The interest component of the changes in the fair value of derivatives held for risk management purposes is recognised under interest and similar income or interest expense and similar charges.

2.18. Recognition of fee and commission income

Fees and commissions are recognised as follows:

- Fees and commissions that are earned on the execution of a significant act, such as loan syndication fees, are recognised as income when the significant act has been completed;
- Fees and commissions earned over the period during which the services are provided are recognised as income in the period they are provided;
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised as income using the effective interest rate method.

2.19. Recognition of dividend income

Dividend income is recognised when the right to receive the payment is established.

2.20. Earnings per share

Basic earnings per share is calculated by dividing the net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares purchased by the Bank and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume the conversion of all potential dilutive ordinary shares, such as convertible debt and share options granted to employees. The dilution effect reflects a decrease in the earnings per share and results from the assumption that all convertible debt is converted and that all the options granted are exercised.

2.21. Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents comprise balances with less than three months' maturity from the inception date, including cash and deposits with Central Banks and with other credit institutions.

Cash and cash equivalents exclude restricted balances with Central Banks (which are made through NOVO BANCO, S.A.).

NOTE 3 – MAIN ESTIMATES AND JUDGEMENTS USED IN PREPARING THE FINANCIAL STATEMENTS

The NCA set forth a range of accounting treatments and require that the Board of Directors apply its judgement and make the necessary estimates in deciding which treatment is most appropriate. The most significant accounting estimates and judgements used are discussed in this note so as to increase the understanding of how their application affects the Bank's reported results and disclosure. A broader description of the accounting policies applied by the Bank is presented in Note 2 to the financial statements.

Since in many cases there are other alternatives to the accounting treatment adopted by the Board of Directors, the Bank's reported results could differ if a different treatment had been chosen. Management believes that the choices made are appropriate and that the financial statements present the Bank's financial position and results fairly in all material aspects.

3.1. Impairment of available-for-sale financial assets

The Bank determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in their fair value below their acquisition cost or when it has identified an event with an impact on the estimated future cash flows from the assets. This determination requires judgement, which the Bank determines based on all available relevant information, including the normal volatility of the financial instruments' prices. Considering the high volatility of the markets, the Bank considers the following parameters as triggers, when assessing the existence of impairment:

(i) Equity securities: significant decline in market value in relation to the acquisition cost or market value below the acquisition cost for a prolonged period;
(ii) Debt securities: objective evidence of events that have an impact on the estimated future cash flows from these assets.

Additionally, valuations are generally obtained through market quotations (mark to market) or valuation models (mark to model) that may require the use of certain assumptions or judgements in establishing estimates of fair value.

The use of alternative methodologies and different assumptions and estimates could result in a different level of impairment losses being recognised, with a consequent impact on the income statement of the Bank.

3.2. Fair value of derivative financial instruments

Fair values are based on listed market prices, when available; otherwise, fair value is determined either through dealer price quotations (both for that transaction or for similar instruments traded) or through pricing models, based on the net present value of estimated future cash flows which take into consideration the market conditions, time value, yield curve and volatility factors of the underlying instruments. These pricing models may require assumptions or judgements in estimating fair values.

Consequently, the use of a different model or the use of different assumptions or judgements in applying a particular model might have produced different financial results from those reported.

3.3. Impairment losses of loans advances to customers

The Bank reviews its loan portfolio to assess impairment on a regular basis, as described in Note 2.4, in accordance with the minimum reference values for general and specific provisions defined by Notice no. 3/95 of the Bank of Portugal.

The evaluation process applied to the loan portfolio in determining whether, or not, an impairment loss should be recorded in the income statement is subject to numerous estimates and judgements. The frequency of default, risk ratings, loss recovery rates and the estimation of both the amount and timing of future cash flows, amongst other factors, are considered in this evaluation process.

The use of alternative methodologies and different assumptions and estimates could result in a different level of impairment losses being recognised, with a consequent impact on the income statement of the Bank.

3.4. Income taxes

The Bank is subject to taxes on its income. Significant interpretations and estimates are required in determining the global amount for income taxes. There are many transactions and calculations for which the ultimate tax amount determination is uncertain during the ordinary course of business.

Different interpretations and estimates could result in a different level of income taxes, current and deferred, being recognised in the period.

The Tax Authorities are entitled to review the Bank's self-assessed tax returns for a period of four years or six years, in the event of tax loss carry forwards. Hence, it is possible that additional taxes may be assessed, mainly as a result of differences in interpretation of tax law. However, the Board of Directors of the Bank is confident that there will be no material tax assessments within the context of the financial statements.

NOTE 4 – SEGMENTAL REPORTING

Given that the Bank does not hold treasury stock or debt securities that are publicly traded, in accordance with paragraph 2 of IFRS 8 - Operating Segments, it does not present segmental information.

NOTE 5 – NET INTEREST INCOME

This caption comprises:

(in thousands of Euros)

	31.12.2014			31.12.2013		
	Assets / Liabilities at amortised cost and Available-for-sale financial assets	Assets / Liabilities at fair value through profit or loss	Total	Assets / Liabilities at amortised cost and Available-for-sale financial assets	Assets / Liabilities at fair value through profit or loss	Total
Interest and similar income						
Interest from available-for-sale financial assets	282	-	282	1 149	-	1 149
Interest from deposits with and loans and advances to banks	917	-	917	549	-	549
Interest from loans and advances to customers	4 895	-	4 895	4 915	-	4 915
Interest from derivatives held for risk management purposes	-	-	-	-	1	1
	6 094	-	6 094	6 613	1	6 614
Interest expense and similar charges						
Interest on amounts due to customers	1 170	-	1 170	2 011	-	2 011
Interest on deposits from Central Banks and banks	106	-	106	61	-	61
Interest on derivatives held for risk management purposes	-	38	38	-	17	17
	1 276	38	1 314	2 072	17	2 089
	4 818	**(38)**	**4 780**	**4 541**	**(16)**	**4 525**

The captions Interest income and Interest expense from derivatives held for risk management purposes include, in accordance with the accounting policy described in Note 2.3, interest both from hedging derivatives and from derivatives used to manage the risk of certain financial assets and liabilities designated at fair value through profit or loss, as per the accounting policies described in Notes 2.4, 2.5 and 2.7.

NOTE 6 – NET FEE AND COMMISSION INCOME

This caption comprises:

(in thousands of Euros)

	31.12.2014	31.12.2013
Fee and commission income		
From banking services	12 066	10 248
From transactions of securities	6 046	7 250
From commitments to third parties	41	1
Other fee and commission income	1 686	946
	19 839	**18 445**
Fee and commission expense		
With transactions of securities	395	312
With banking services rendered by third parties	888	650
Other fee and commission expenses	5 514	4 838
	6 797	**5 800**
	13 042	**12 645**

NOTE 7 – NET GAINS / (LOSSES) FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

This caption comprises:

(in thousands of Euros)

	31.12.2014			31.12.2013		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Derivative Financial Instruments						
Foreign exchange rate contracts	1 033	77	956	31	167	(136)
Interest rate contracts	36	3	33	27	10	17
	1 069	**80**	**989**	**58**	**177**	**(119)**
Financial assets and liabilities at fair value through profit and loss						
Financial assets [(1)]						
Loans and advances to customers	-	35	(35)	-	16	(16)
	-	**35**	**(35)**	**-**	**16**	**(16)**
	1 069	**115**	**954**	**58**	**193**	**(135)**

(1) Includes the fair value change of hedged assets / liabilities or fair value option

NOTE 8 – NET GAINS / (LOSSES) FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

This caption comprises:

(in thousands of Euros)

	31.12.2014			31.12.2013		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Bonds and other fixed income securities						
Issued by other entities	26	-	26	211	194	17
	26	**-**	**26**	**211**	**194**	**17**

NOTE 9 – NET GAINS / (LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES

This caption comprises:

(in thousands of Euros)

	31.12.2014			31.12.2013		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	11 037	3 524	7 513	16 784	1 671	15 113
	11 037	**3 524**	**7 513**	**16 784**	**1 671**	**15 113**

This caption includes the foreign exchange differences arising from the revaluation of monetary assets and liabilities at the foreign exchange rates ruling at the balance sheet date, in accordance with the accounting policy described in Note 2.2.

NOTE 10 – OTHER OPERATING INCOME AND EXPENSE

This caption comprises:

(in thousands of Euros)

	31.12.2014	31.12.2013
Other operating income / (expense)		
Non-recurring gains / (losses) on credit operations	22	15
Direct and indirect taxes	(50)	(72)
Contributions to the Deposits Guarantee Fund	(92)	(104)
Contribution applied on the banking sector	(46)	(38)
Other	45	(12)
	(121)	**(211)**
	(121)	**(211)**

NOTE 11 – STAFF COSTS

At 31 December 2014, the number of Bank employees is 159 (31 December 2013: 166).

Staff costs have the following breakdown:

(in thousands of Euros)

	31.12.2014	31.12.2013
Wages and salaries	5 369	4 818
Mandatory social charges	1 129	1 074
Other costs	97	153
	6 595	**6 045**

The costs with salaries and other benefits attributed to the Board of Directors of the Bank are presented as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Board of Directors		
Salaries and other short-term benefits	275	276
Post-employment benefits and other social charges	69	42
Variable remuneration	98	-
	442	**318**
Supervisory Board	10	10
	452	**328**

At 31 December 2014, the members of the Management Bodies had no claims over the Bank. At 31 December 2013, loans granted to the members of the Management Bodies of the Bank amounted to Euros 6 thousand.

The number of Bank employees, by professional category, is analysed as follows:

	31.12.2014	31.12.2013
Management functions	31	33
Specific functions	109	113
Administrative functions	19	20
	159	**166**

NOTE 12 – GENERAL AND ADMINISTRATIVE EXPENSES

This caption comprises:

(in thousands of Euros)

	31.12.2014	31.12.2013
Advertising	1 890	2 397
Communication	965	1 062
Rentals	1 274	1 387
Travel and representation costs	115	246
Consumables	53	75
Water, energy and fuel	138	175
Transport	34	16
Insurance	215	112
Maintenance and related services	33	45
Training	61	53
IT services	1 392	1 852
Legal costs	16	4
Studies and consultation	101	211
Electronic payment systems	181	217
Independent work	93	26
Consultants and auditors	21	174
Assignment of human resources	1 207	1 143
Other costs	1 192	1 246
	8 981	**10 441**

The outstanding lease instalments relating to non-cancellable operating lease contracts are as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Up to 1 year	35	45
1 to 5 years	467	413
	502	**458**

The fees invoiced during financial periods 2014 and 2013 by the Statutory Audit Company have the following breakdown:

(in thousands of Euros)

	31.12.2014	31.12.2013
Statutory audit fees	17	14
Audit related fees	7	20
Other services	10	10
Total amount of the services invoiced	**34**	**44**

NOTE 13 – EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

(in thousands of Euros)

	31.12.2014	31.12.2013
Net profit / (loss) attributable to the shareholders of the Bank	6 739	10 236
Weighted average number of ordinary shares (thousands)	63 000	63 000
Basic earnings per share attributable to the shareholders of the Bank (in Euros)	**0.11**	**0.16**

Diluted earnings per share

The diluted earnings per share is calculated considering the profit attributable to the shareholders of the Bank and the weighted average number of ordinary shares outstanding, adjusted for the effects of all potential dilutive ordinary shares.

The diluted earnings per share does not differ from the basic earnings per share as the shares subjacent to the variable remuneration payment plan on financial instruments (PRVIF) do not have a dilutive effect.

NOTE 14 – DEPOSITS WITH BANKS

At 31 December 2014 and 2013, this caption is analysed as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Deposits with banks in Portugal		
Repayable on demand	20 540	18 237
Uncollected cheques	1	-
	20 541	**18 237**
Deposits with banks abroad		
Other	27 084	31 290
	27 084	**31 290**
	47 625	**49 527**

In accordance with article 10 of Regulation no. 2818/98 of the European Central Bank, and through Circular Letter no. 204/DMRCF/DMC, of 5 June 2001, the Bank of Portugal authorised BEST to constitute its minimum mandatory reserves indirectly, through NOVO BANCO, S.A. Monthly, BEST settles through a deposit account with NOVO BANCO the amount relating to the minimum mandatory reserves to be constituted. At 31 December 2014, the balance of that account amounted to Euros 2 886 thousand (31 December 2013: Euros 2 710 thousand), and had earned interest at an average rate of 0.16% (31 December 2013: 0.56%).

Uncollected cheques relating to banks in Portugal were sent for collection during the first working days subsequent to the reference dates.

NOTE 15 – FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

At 31 December 2014 and 2013, this caption is analysed as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Financial assets held for trading		
Derivative financial instruments with a positive fair value	864	3
Financial liabilities held for trading		
Derivative financial instruments with a negative fair value	74	167

At 31 December 2014 and 2013, derivative financial instruments may be analysed as follows:

(in thousands of Euros)

	31.12.2014			31.12.2013		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange rate contracts						
Forwards						
- buy	40 282	864	74	7 163	3	167
- sell	39 480			7 328		
Currency Swaps						
- buy	-	-	-	98	-	-
- sell	-			99		
	79 762	864	74	14 688	3	167
TOTAL	**79 762**	**864**	**74**	**14 688**	**3**	**167**

At 31 December 2014 and 2013, the analysis of trading derivatives by period to maturity is as follows:

(in thousands of Euros)

	31.12.2014		31.12.2013	
	Notional	Fair value	Notional	Fair value
Up to 3 months	79 762	790	14 688	(164)
	79 762	**790**	**14 688**	**(164)**

NOTE 16 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 31 December 2014 and 2013, this caption is analysed as follows:

(in thousands of Euros)

	Cost [1]	Fair value reserves		Impairment losses	Carrying value
		Positive	Negative		
Bonds and other fixed income securities					
Issued by Government and public entities	1 477	233	-	-	1 710
Issued by other entities	1 348	-	(69)	-	1 279
Shares	560	-	-	-	560
Other variable income securities	167	-	-	(167)	-
Balance at 31 December 2014	**3 552**	**233**	**(69)**	**(167)**	**3 549**
Bonds and other fixed income securities					
Issued by Government and public entities	1 411	198	-	-	1 609
Issued by other entities	23 817	40	(84)	-	23 773
Shares	560	-	-	-	560
Other variable income securities	167	-	-	(167)	-
Balance at 31 December 2013	**25 955**	**238**	**(84)**	**(167)**	**25 942**

[1] Acquisition cost relating to shares and other equity instruments and amortised cost relating to debt securities

In accordance with the accounting policy described in Note 2.5, the Bank periodically assesses whether there is objective evidence of impairment of available-for-sale financial assets, applying the judgement criteria described in Note 3.1.

Securities pledged as collateral by the Bank are analysed in Note 31.

No changes were verified in the impairment losses of available-for-sale financial assets.

At 31 December 2014 and 2013, the analysis of available-for-sale financial assets by period to maturity is as follows:

(in thousands of Euros)	31.12.2014	31.12.2013
Up to 3 months	14	16 006
3 months to 1 year	354	3 749
1 to 5 years	2 621	3 916
More than 5 years	-	1 711
Undetermined	560	560
	3 549	**25 942**

The caption Available-for-sale financial assets, by quoted and unquoted securities, has the following breakdown:

(in thousands of Euros)

	31.12.2014			31.12.2013		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed income securities						
Issued by Government and public entities	1 710	-	1 710	1 609	-	1 609
Issued by other entities	-	1 279	1 279	1 042	22 731	23 773
Shares	-	560	560	-	560	560
	1 710	**1 839**	**3 549**	**2 651**	**23 291**	**25 942**

NOTE 17 – LOANS AND ADVANCES TO BANKS

At 31 December 2014 and 2013, this caption is analysed as follows:

(in thousands of Euros)	31.12.2014	31.12.2013
Loans and advances to banks in Portugal		
Deposits with banks	215 418	120 014
	215 418	**120 014**
	215 418	**120 014**

At 31 December 2014, the main loans and advances to banks in Portugal bear interest at an average annual interest rate of 0.51% (31 December 2013: 0.67%).

At 31 December 2014 and 2013, the analysis of loans and advances to banks by period to maturity is as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Up to 3 months	60 228	120 014
3 months to 1 year	135 189	-
1 to 5 years	20 001	-
	215 418	**120 014**

NOTE 18 – LOANS AND ADVANCES TO CUSTOMERS

At 31 December 2014 and 2013, this caption is analysed as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Domestic loans and advances		
Corporate		
Commercial lines of credit	26 456	45 934
Overdrafts	44	-
Retail		
Consumer and other loans	102 367	102 009
	128 867	**147 943**
Foreign loans and advances		
Retail		
Consumer and other loans	11 189	10 503
	11 189	**10 503**
Overdue loans and advances and interest		
Up to 3 months	2 536	2 400
3 months to 1 year	184	128
1 to 3 years	311	1 605
More than 3 years	439	194
	3 470	**4 327**
	143 526	**162 773**
Impairment losses	**(1 587)**	**(3 158)**
	141 939	**159 615**

At 31 December 2014 and 2013, the analysis of loans and advances to customers by period to maturity is as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Up to 3 months	8 390	39 717
3 months to 1 year	72 569	103 374
1 to 5 years	52 148	12 920
More than 5 years	6 949	2 435
Undetermined	3 470	4 327
	143 526	**162 773**

The movements occurring in impairment losses of loans and advances to customers, shown as an adjustment to the asset amount, are as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Balance at beginning of period	3 158	3 225
Increase for the period	938	2 575
Utilisation during period	(1 374)	(327)
Write-back for the period	(1 134)	(2 315)
Foreign exchange differences and other	(1)	-
Balance at end of period	**1 587**	**3 158**

Additionally, at 31 December 2014, the Bank has a provision for general banking risks amounting to Euros 1 169 thousand (31 December 2013: Euros 699 thousand), which, in accordance with the NCA, is presented as a liability (see Note 26).

Loans and advances to customers by interest rate type are as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Variable interest rate	143 526	162 773
	143 526	**162 773**

NOTE 19 – DERIVATIVES HELD FOR RISK MANAGEMENT PURPOSES

At 31 December 2013, the fair value of the derivatives held for risk management purposes may be analysed as follows:

(in thousands of Euros)

	31.12.2014		31.12.2013	
	Risk management	Total	Risk management	Total
Derivatives held for risk management purposes				
Derivatives held for risk management purposes - Liabilities	-	-	(34)	(34)
	-	**-**	**(34)**	**(34)**
Fair value of assets and liabilities hedged				
Financial assets				
Loans and advances to customers	-	-	35	35
	-	**-**	**35**	**35**
	-	**-**	**35**	**35**

As mentioned in the accounting policy described in Note 2.3, the caption Derivatives held for risk management purposes includes hedging derivatives and derivatives contracted to manage the risk of certain financial assets and liabilities designated at fair value through profit or loss (and that were not designated as hedging derivatives).

At 31 December 2013, the ineffective component of fair value hedging operations resulted in a gain of Euros 2 thousand.

Hedging derivatives

There are no fair value hedging operations at 31 December 2014.

At 31 December 2013, the fair value hedging operations may be analysed as follows:

(in thousands of Euros)

Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative(2)	Change in fair value of derivative in period	Fair value component of item hedged (1)	Change in fair value of hedged item in period (1)
31.12.2013							
Interest Rate Swap	Loans and advances to customers	Interest rate	532	(34)	18	35	(16)
			532	**(34)**	**18**	**35**	**(16)**

(1) Attributable to the hedged risk
(2) Includes accrued interest

At 31 December 2014 and 2013, fair value hedging operations by period to maturity may be analysed as follows:

(in thousands of Euros)

	31.12.2014		31.12.2013	
	Notional	Fair value	Notional	Fair value
1 to 5 years	-	-	532	(34)
	-	**-**	**532**	**(34)**

NOTE 20 – NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2014 and 2013, this caption is analysed as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Property	14	-
	14	**-**
	14	**-**

The amount presented relates to property, recorded on the date of its acquisition through foreclosure at its market value, considering an immediate sale scenario. Subsequently, it is revalued periodically with impairment losses being reinforced as appropriate.

NOTE 21 – OTHER TANGIBLE ASSETS

At 31 December 2014 and 2013, this caption is analysed as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Property		
Improvements in leasehold property	1 194	1 178
	1 194	**1 178**
Equipment		
Computer equipment	1 931	1 527
Furniture	1 510	1 457
Machinery and tools	110	108
Fixtures	531	504
Security equipment	58	58
Other	1	1
	4 141	**3 655**
Work in progress	**-**	**33**
	5 335	**4 866**
Accumulated depreciation	(3 994)	(3 488)
	1 341	**1 378**

The movements in this caption were as follows:

(in thousands of Euros)

	Property	Equipment	Work in progress	Total
Acquisition cost				
Balance at 31 December 2012	**1 208**	**3 577**	**-**	**4 785**
Acquisitions	-	72	59	131
Disposals / write-offs	(33)	(17)	-	(50)
Transfers	3	23	(26)	-
Balance at 31 December 2013	**1 178**	**3 655**	**33**	**4 866**
Acquisitions	-	431	38	469
Transfers	16	55	(71)	-
Balance at 31 December 2014	**1 194**	**4 141**	**-**	**5 335**
Accumulated depreciation				
Balance at 31 December 2012	**604**	**2 517**	**-**	**3 121**
Depreciation for the period	114	303	-	417
Disposals / write-offs	(33)	(17)	-	(50)
Balance at 31 December 2013	**685**	**2 803**	**-**	**3 488**
Depreciation for the period	124	382	-	506
Balance at 31 December 2014	**809**	**3 185**	**-**	**3 994**
Carrying value at 31 December 2014	**385**	**956**	**-**	**1 341**
Carrying value at 31 December 2013	**493**	**852**	**33**	**1 378**

NOTE 22 – INTANGIBLE ASSETS

At 31 December 2014 and 2013, this caption is analysed as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Acquired from third parties		
Software - Automatic data processing system	**11 692**	**11 108**
Accumulated amortisation	**(11 220)**	**(11 103)**
	472	**5**

The movements in this caption were as follows:

(in thousands of Euros)

	Software	Other	Total
Acquisition cost			
Balance at 31 December 2012	**11 105**	**-**	**11 105**
Acquisitions:			
Acquired from third parties	3	-	3
Balance at 31 December 2013	**11 108**	**-**	**11 108**
Acquisitions:			
Acquired from third parties	584	-	584
Balance at 31 December 2014	**11 692**	**-**	**11 692**
Accumulated amortisation			
Balance at 31 December 2012	**11 098**	**-**	**11 098**
Amortisation for the period	5	-	5
Balance at 31 December 2013	**11 103**	**-**	**11 103**
Amortisation for the period	116	-	116
Other movements	1	-	1
Balance at 31 December 2014	**11 220**	**-**	**11 220**
Carrying value at 31 December 2014	**472**	**-**	**472**
Carrying value at 31 December 2013	**5**	**-**	**5**

NOTE 23 – OTHER ASSETS

At 31 December 2014 and 2013, the caption Other assets is analysed as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Debtors and other applications	662	1 268
Security deposit accounts	2 212	546
Other assets	14	14
Accrued income	2 136	1 175
Deferred costs	24	56
Other transactions pending settlement	54	35
	5 102	**3 094**

NOTE 24 – DEPOSITS FROM BANKS

The caption Deposits from banks is presented as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Domestic		
Deposits	31 326	5 130
Other funds	-	1
	31 326	**5 131**
International		
Deposits	4 604	8 596
Other funds	10 892	31
	15 496	**8 627**
	46 822	**13 758**

At 31 December 2014 and 2013, the analysis of deposits from banks by period to maturity is as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Up to 3 months	42 266	13 758
3 months to 1 year	4 556	-
	46 822	**13 758**

NOTE 25 – DEPOSITS FROM CUSTOMERS

The caption Deposits from customers has the following breakdown:

(in thousands of Euros)

	31.12.2014	31.12.2013
Demand deposits	231 100	206 317
Term deposits	59 920	68 255
Savings accounts	835	1 149
Other funds	1 443	1 239
	293 298	**276 960**

At 31 December 2014 and 2013, the analysis of deposits from customers by period to maturity is as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Repayable on demand	**231 100**	**206 317**
With agreed maturity		
Up to 3 months	49 845	61 256
3 months to 1 year	8 398	6 891
1 to 5 years	1 404	6
More than 5 years	2 551	2 490
	62 198	**70 643**
	293 298	**276 960**

NOTE 26 – PROVISIONS

At 31 December 2014, the caption Provisions includes a general credit risk provision in the amount of Euros 1 169 thousand (31 December 2013: Euros 699 thousand) and provisions for other risks and charges in the amount of Euros 273 thousand (31 December 2013: Euros 121 thousand). The movements in this caption are presented as follows:

(in thousands of Euros)

	Provision for general credit risks	Other provisions	Total
Balance at 31 December 2012	**855**	**121**	976
Increase / (write-backs) for the period	(157)	-	(157)
Other movements	1	-	1
Balance at 31 December 2013	**699**	**121**	**820**
Increase / (write-backs) for the period	470	152	622
Balance at 31 December 2014	**1 169**	**273**	**1 442**

NOTE 27 – INCOME TAXES

The Bank is subject to taxation under the Corporate Income Tax Code (“Imposto sobre o Rendimento das Pessoas Coletivas” (IRC)) and corresponding Surcharges (“Derrama”).

Income taxes (current or deferred) are recognised in the income statement except in cases where the underlying transactions have been reflected in other equity captions. In these situations, the corresponding tax is also charged to equity, not affecting the net profit for the period.

The Bank determined its current income tax for the periods ended 31 December 2014 and 2013 on the basis of a nominal IRC tax rate plus Municipal Surcharge totalling 26.5%, in accordance with Law no. 107-B/2003, of 31 December, Law no. 2/2007, of 15 January (which approved the Local Finance Law (“Lei das Finanças Locais”)), increased by an additional charge of up to 5% of State Surcharge (“Derrama Estadual”) levied on taxable income exceeding Euros 7.5 million in accordance with Law no. 66-B/2012, of 31 December (2013 State Budget Law (“Lei do Orçamento do Estado para 2013”)) and Law no. 2/2014, of 16 January.

Deferred taxes are calculated based on tax rates anticipated to be in force at the date of the reversal of the timing differences, which correspond to the rates enacted or substantively enacted at the balance sheet date. On this basis, for the 2013 financial period the deferred tax calculation was broadly calculated based on an aggregate rate of 28%, resulting from the sum of the corporate tax rate (23%), approved by Law no. 2/2014, of 16 January, the Municipal Surcharge rate (1.5%) and an average expected rate of 3.5% for the State Surcharge. For the 2014 period, deferred tax was broadly calculated based on an aggregate rate of 26%, resulting from the sum of the corporate tax rate (21%) approved by Law no. 82-B/2014, of 31 December, the Municipal Surcharge rate (1.5%) previously referred to and an average expected rate of State Surcharge (3.5%).

The Portuguese Tax Authorities are entitled to review the annual tax returns of the Bank for a period of four years. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of tax law. However, Management is confident that there will be no material differences arising from tax assessments within the context of these financial statements.

Deferred tax assets and liabilities recognised in the balance sheet at 31 December 2014 and 2013 may be analysed as follows:

(in thousands of Euros)

	Assets		Liabilities		Net	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Financial instruments	18	-	60	-	(42)	-
Impairment losses on loans and advances to customers	444	472	-	-	444	472
Net deferred tax assets / (liabilities)	**462**	**472**	**60**	**-**	**402**	**472**

The movements in the Deferred tax balance sheet captions were as follows:

(in thousands of Euros)

	31.12.2014		31.12.2013	
	Recognised in the income statement	Recognised in reserves	Recognised in the income statement	Recognised in reserves
Available-for-sale financial assets	-	43	-	-
Impairment losses on loans and advances to customers	28	-	117	-
Deferred taxes	28	43	117	-
Current taxes	2 833	-	4 614	
Total tax recognised	**2 861**	**43**	**4 731**	**-**

The reconciliation of the income tax rate may be analysed as follows:

(in thousands of Euros)

	31.12.2014		31.12.2013	
	%	Amount	%	Amount
Profit / (loss) before tax		**9 600**		**14 967**
Banking levy		46		38
		9 646		**15 005**
Tax rate	28.0		30.0	
Income tax calculated based on tax rate		2 701		4 502
Non-deductible costs	0.6	53	1.0	153
Rate and tax base changes due to IRC Reform	0.3	31	0.1	17
Other	0.8	76	0.4	59
	29.8	**2 861**	**31.6**	**4 731**

Following the enactment of Law no. 55-A/2010, of 31 December, a Banking levy ("Contribuição sobre o Sector Bancário"), which is not eligible as a tax cost, was established and this regime was extended by Law no. 64-B/2011, of 30 December, Law no. 66-B/2012, of 31 December, and Law no. 83-C/2013, of 31 December. At 31 December 2014, the Group recognised a cost for the period of Euros 46 thousand (31 December 2013: Euros 38 thousand), which was included in Other operating income and expense – Direct and indirect taxes (see Note 10).

NOTE 28 – OTHER LIABILITIES

At 31 December 2014 and 2013, the caption Other liabilities is analysed as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Public sector	1 230	1 342
Suppliers	637	477
Creditors for futures and options contracts	2 212	546
Security deposit accounts	695	288
Other creditors	56	39
Staff costs	792	818
Other accrued expenses	840	43
Deferred income	129	149
Other transactions pending settlement	15	445
	6 606	**4 147**

NOTE 29 – SHARE CAPITAL

Ordinary shares

At 31 December 2014, the Bank's share capital, amounting to Euros 63 000 thousand, is represented by 63 million shares with a nominal value of Euro 1 each, fully subscribed and realised in cash.

In 2002, the Bank increased its share capital from Euros 32 422 thousand to Euros 43 000 thousand through the issuance of 10 578 thousand ordinary shares with a nominal value of Euro 1 each, which were fully subscribed and realised in cash. In February 2003, the Bank underwent a new share capital increase through the issuance of 12 million ordinary shares with a nominal value of Euro 1 each. In 2005, share capital was again increased through the issuance of 6 million ordinary shares and, in 2006, once again through the issuance of a further 2 million ordinary shares.

The Bank's shareholder structure is as follows:

	Shareholding %	
	31.12.2014	31.12.2013
NOVO BANCO, S.A.	75.00%	-
Saxo Bank, A/S	25.00%	25.00%
Banco Espírito Santo de Investimento, S.A. [(a)]	0.00%	0.00%
GNB - Companhia de Seguros Vida, S.A. [(a)]	0.00%	0.00%
NOVO BANCO dos Açores, S.A. [(a)]	0.00%	0.00%
ES Tech Ventures, SGPS, S.A. [(b)]	-	33.97%
Banco Espírito Santo, S.A. [(c)]	-	32.03%
Espírito Santo Financial Group	-	9.00%
	100.00%	**100.00%**

[(a)] holds 100 shares

[(b)] in March 2014, ES Tech Ventures disposed of its entire shareholding to Banco Espírito Santo, S.A.

[(c)] in the scope of the resolution measure applied to Banco Espírito Santo, S.A., its shareholding in BEST was transferred to NOVO BANCO, S.A.

NOTE 30 – FAIR VALUE RESERVES, OTHER RESERVES AND RETAINED EARNINGS

Legal reserve

The legal reserve can only be used to absorb accumulated losses or to increase share capital. Portuguese legislation applicable to the banking sector (Article 97 of Decree-Law no. 298/92, of 31 December) requires that 10% of the profit for the period be transferred to the legal reserve until it equals share capital.

Fair value reserves

The fair value reserves represent the amounts of unrealised gains and losses arising from securities classified as available-for-sale, net of impairment losses recognised in the income statement in the period / previous periods.

The movements in these captions during the 2014 and 2013 financial periods were as follows:

(in thousands of Euros)

	Fair value reserves			Other reserves and Retained earnings		
	Available-for-sale financial assets	Deferred tax reserves	Total Fair value reserves	Legal reserve	Other reserves and Retained earnings	Total Other reserves and Retained earnings
Balance at 31 December 2012	**(179)**	**-**	**(179)**	**2 173**	**(21 785)**	**(19 612)**
Changes in fair value	333	-	333	-	-	-
Constitution of reserves	-	-	-	846	7 610	8 456
Balance at 31 December 2013	**154**	**-**	**154**	**3 019**	**(14 175)**	**(11 156)**
Changes in fair value	10	(43)	(33)	-	-	-
Constitution of reserves	-	-	-	1 023	9 213	10 236
Balance at 31 December 2014	**164**	**(43)**	**121**	**4 042**	**(4 962)**	**(920)**

The fair value reserves are analysed as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Amortised cost of available-for-sale financial assets	3 552	25 955
Accumulated impairment losses recognised	(167)	(167)
Amortised cost of available-for-sale financial assets, net of impairment losses	3 385	25 788
Fair value of available-for-sale financial assets	3 549	25 942
Unrealised gains / (losses) recognised in fair value reserves	164	154
Deferred taxes	(43)	-
Unrealised gains / (losses) recognised in fair value reserves, net of tax	**121**	**154**

The movements in fair value reserves, net of deferred taxes, may be analysed as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Balance at beginning of period	**154**	**(179)**
Changes in fair value	36	350
Disposals during period	(26)	(17)
Deferred taxes recognised in reserves during period	(43)	-
Balance at end of period	**121**	**154**

NOTE 31 – CONTINGENT LIABILITIES AND COMMITMENTS

Besides derivative financial instruments, at 31 December 2014 and 2013, the off-balance sheet items included the following:

(in thousands of Euros)

	31.12.2014	31.12.2013
Contingent liabilities		
Guarantees and standby letters of credit	380	380
Assets pledged as collateral	1 696	1 595
	2 076	**1 975**
Commitments		
Revocable commitments	72 385	68 808
Irrevocable commitments	243	243
	72 628	**69 051**
	74 704	**71 026**

Guarantees and standby letters of credit are banking operations that do not imply an outflow by the Bank.

At 31 December 2014, the caption Assets pledged as collateral includes:

- Securities pledged as collateral to the Portuguese Securities and Exchange Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) in the scope of the Investors Indemnity System ("Sistema de Indemnização aos Investidores") in the amount of Euros 1 056 thousand (31 December 2013: Euros 993 thousand);
- Securities pledged as collateral to the Deposits Guarantee Fund ("Fundo de Garantia de Depósitos") in the amount of Euros 640 thousand (31 December 2013: Euros 602 thousand).

The commitments, revocable and irrevocable, represent contractual agreements for credit concession entered into with the Bank's clients (ex. unused credit lines) which, in general, are contracted for fixed periods or with other expiry requirements and, normally, imply the payment of a commission. Practically all credit concession commitments in force require clients to abide by certain requirements, which are already verified at the moment of the respective formalisation.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles applied to any other commercial operation, namely that of the solvency of the underlying client and business, with the Bank requiring such operations to be adequately covered by collateral, when necessary. Since it is expected that the majority of these contingent liabilities and commitments will expire without having being used, the amounts indicated do not necessarily represent future cash flow needs.

The above mentioned securities pledged as collateral are recorded in the available-for-sale portfolio and can be executed in the event the Bank does not fulfil its obligations under the terms and conditions of the contracts celebrated.

Additionally, the liabilities accounted for off-balance sheet relating to banking services provided are as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Responsibilities related with banking services		
Deposit and custodianship of securities and other items for customers	627 437	827 440
Other responsibilities related with banking services	167 886	91 867
	795 323	**919 307**

NOTE 32 – RELATED PARTY TRANSACTIONS

At 31 December 2014 and 2013, the Bank's transactions with related parties, as well as the respective expense and income recognised during the periods, are summarised as follows:

(in thousands of Euros)

	31.12.2014				31.12.2013			
	Assets	Liabilities	Income	Expense	Assets	Liabilities	Income	Expense
NOVO BANCO	230 628	31 226	935	178	132 217	4 819	680	39
NOVO BANCO AÇORES	2 878	-	-	-	-	-	-	-
BESI	-	-	2 739	-	1 281	-	4 635	-
GNB GA	129	-	636	223	11	-	632	117
GNB VIDA	925	28 915	5	-	-	11 248	405	84
LOCARENT	-	-	-	-	-	-	-	299
GNB SEGUROS	-	177	-	-	-	149	5	-
UNICRE	-	2	-	-	-	1	-	-
SAXO BANK	20 535	11 231	3 265	-	25 150	-	3 884	-
	255 095	**71 551**	**7 580**	**401**	**158 659**	**16 217**	**10 241**	**539**

All transactions with related parties are made on an arm's length basis, under the fair value principle.

NOTE 33 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILTIES

The fair value of financial assets and liabilities, for the Bank, is as follows:

(in thousands of Euros)

	Amortised Cost	At fair value			Carrying value	Fair value
		Quoted Market Prices	Valuation models based on observable market information	Valuation models based on non-observable market information		
31 December 2014						
Deposits with banks	47 625	-	-	-	47 625	47 625
Financial assets held for trading	-	-	-	864	864	864
Available-for-sale financial assets	549	1 710	1 279	11	3 549	3 549
Loans and advances to banks	215 418	-	-	-	215 418	215 418
Loans and advances to customers	141 939	-	-	-	141 939	141 802
Financial assets	**405 531**	**1 710**	**1 279**	**875**	**409 395**	**409 258**
Financial liabilities held for trading	-	-	74	-	74	74
Deposits from banks	46 822	-	-	-	46 822	46 822
Deposits from customers	293 298	-	-	-	293 298	293 298
Financial Liabilities	**340 120**	**-**	**74**	**-**	**340 194**	**340 194**
31 December 2013						
Deposits with banks	49 527	-	-	-	49 527	49 527
Financial assets held for trading	3	-	-	-	3	3
Available-for-sale financial assets	549	2 651	22 742	-	25 942	25 942
Loans and advances to banks	120 014	-	-	-	120 014	120 014
Loans and advances to customers	159 006	-	609	-	159 615	156 938
Financial assets	**329 099**	**2 651**	**23 351**	**-**	**355 101**	**352 424**
Financial liabilities held for trading	-	-	167	-	167	167
Deposits from banks	13 758	-	-	-	13 758	13 758
Deposits from customers	276 960	-	-	-	276 960	276 960
Derivatives held for risk management purposes	-	-	34	-	34	34
Financial Liabilities	**290 718**	**-**	**201**	**-**	**290 919**	**290 919**

BEST determines the fair value of its financial assets and liabilities in accordance with the following hierarchy:

Quoted market prices – this category includes financial assets with quoted market prices available on official markets and with dealer price quotations provided by entities that usually provide transaction prices for these assets / liabilities traded on active markets.

Valuation models based on observable market information – consists of the use of internal valuation techniques, namely discounted cash flow models and option pricing models, which imply the use of estimates and require judgements that vary in accordance with the complexity of the financial instruments. Notwithstanding, the Bank uses as inputs in its models observable market data such as interest rate curves, credit spreads, volatility and market indexes. These also include instruments with dealer price quotations but which are not traded on active markets.

Valuation models based on non-observable market information – consists of the use of internal valuation models or quotations provided by third parties but which imply the use of non-observable market information.

The main assumptions and inputs used in the valuation models, during financial periods 2014 and 2013, are as follows:

Interest rate curves

The short-term rates presented reflect benchmark interest rates for the money market, whilst for the long-term the values presented represent the swap interest rates for the respective periods:

(%)

	31.12.2014			31.12.2013		
	EUR	**USD**	**GBP**	**EUR**	**USD**	**GBP**
Overnight	0.0100	0.1750	0.4500	0.1100	0.1100	0.4100
1 month	0.0180	0.3100	0.5250	0.1941	0.1600	0.4100
3 months	0.0780	0.1900	0.6000	0.2870	0.3300	0.5200
6 months	0.1710	0.5000	0.7400	0.3890	0.4100	0.7350
9 months	0.1662	0.6000	0.7393	0.3981	0.4500	0.8100
1 year	0.1635	0.4325	0.6476	0.4130	0.3050	0.6412
3 years	0.2240	1.2610	1.1400	0.7715	0.8560	1.4342
5 years	0.3600	1.7900	1.4490	1.2580	1.7490	2.1337
7 years	0.5320	2.0390	1.6450	1.6820	2.4270	2.5770
10 years	0.8195	2.2790	1.8430	2.1550	3.0280	2.9876
15 years	1.1528	2.5020	2.0673	2.5809	3.5230	3.3160
20 years	1.3268	2.6160	2.1838	2.7139	3.7200	3.4170
25 years	1.4169	2.6660	2.2211	2.7399	3.8080	3.4380
30 years	1.4718	2.6910	2.2320	2.7309	3.8520	3.4360

Interest rate volatility

(%)

	31.12.2014			31.12.2013		
	EUR	USD	GBP	EUR	USD	GBP
1 year	283.60	69.94	49.46	112.77	75.90	49.18
3 years	102.30	57.67	61.19	65.30	72.76	55.78
5 years	94.22	49.13	59.26	53.30	50.62	45.99
7 years	84.35	44.41	55.17	45.20	38.21	38.55
10 years	67.52	40.68	49.61	36.80	31.55	31.80
15 years	53.72	35.58	41.94	30.68	35.58	26.58

The values presented below refer to the implied volatilities (at the money) used for the valuation of interest rate options:

Foreign exchange rates and volatility

The foreign exchange rates (European Central Bank) at the balance sheet date and the implied volatilities (at the money) for the main foreign currencies pairs used in the derivatives' valuation are presented next:

			Volatility (%)				
Foreign exchange rate pair	**31.12.2014**	**31.12.2013**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.2141	1.3791	9.57	9.34	9.03	8.93	8.93
EUR/GBP	0.7789	0.8337	7.67	7.69	8.30	8.18	8.10
EUR/CHF	1.2024	1.2276	2.95	3.42	3.70	4.08	4.28
EUR/NOK	9.0420	8.3630	15.57	13.61	11.50	10.65	10.40
EUR/PLN	4.2732	4.1543	7.29	7.42	7.50	7.58	7.75
EUR/RUB	72.3370	45.3246	68.60	56.00	48.96	22.50	41.69
USD/BRL a)	2.6527	2.3621	15.00	14.50	14.45	14.55	14.65
USD/TRY b)	2.3326	2.1467	12.55	12.92	13.58	13.96	14.30

[a] Calculated based on the EUR/USD and EUR/BRL rates

[b] Calculated based on the EUR/USD and EUR/TRY rates

Equity indexes

The table below presents the evolution of the main market equity indexes and the respective volatilities used for the valuation of equity derivatives:

	Quotation			Historical volatility		Implicit volatility
	31.12.2014	31.12.2013	% change	1 month	3 months	
DJ Euro Stoxx 50	3 146	3 109	2.47	24.58	21.31	27.02
PSI 20	4 799	6 559	-18.03	24.45	23.11	-
IBEX 35	10 280	9 917	-2.06	25.94	22.61	-
FTSE 100	6 566	6 749	-1.67	18.03	14.69	15.03
DAX	9 806	9 552	7.12	22.50	19.73	19.50
S&P 500	2 059	1 848	6.18	13.76	13.10	15.04
BOVESPA	50 007	51 507	-11.67	33.78	34.02	26.38

The Bank uses in its valuation models the spot rate observed on the market at the moment of the valuation.

The methods and assumptions used in estimating the fair values of financial assets and liabilities measured at amortised cost in the balance sheet, are analysed as follows:

Cash and deposits with Central Banks, Deposits with banks and Loans and advances to banks

Considering the short-term nature of these financial instruments, their carrying value is a reasonable estimate of their fair value.

Loans and advances to customers

The fair value of loans and advances to customers is estimated based on the discounting of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates contractually defined. The expected future cash flows of loans with similar credit risk characteristics, such as, for example, home mortgages, are estimated on a portfolio basis. The discount rates used by the Bank are the current interest rates used in loans with similar characteristics, at the balance sheet date.

Deposits from Central Banks and Deposits from banks

Considering the short-term nature of these financial instruments, their carrying value is a reasonable estimate of their fair value.

Deposits from customers

The fair value of these financial instruments is estimated based on the discounting of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates contractually defined. The discount rates used by the Bank are the current interest rates used in instruments with similar characteristics at the balance sheet date. Considering that the interest rates applicable to these instruments are renewed for periods substantially inferior to one year, the differences between fair value and carrying value are not material.

NOTE 34 – ACTIVITY RISK MANAGEMENT

BEST takes advantages of the synergies inherent to its shareholding structure, maintaining a lightweight operational structure and subcontracting to Group NOVO BANCO a number of services and other back-office functions whenever economies of scale can be achieved through the use of shared services. In this sense, NOVO BANCO and / or Group companies are the leading provider of outsourcing services to BEST.

The Risk Management function integrates the Global Risk Department of NOVO BANCO and aims to ensure an effective implementation of the risk management system through the continuous monitoring of its adequacy and effectiveness, seeking to identify, assess, monitor and control all material risks to which the Bank is exposed, both internally and externally. In this context, BEST participates in the various relevant risk committees, namely the Risk Committee and the Assets and Liabilities Management Committee.

The Bank is exposed to the following risks arising from the use of financial instruments:

- Credit risk;
- Market risk;
- Liquidity risk;
- Operational risk.

Credit risk

Credit risk represents the potential financial loss arising from the failure of a borrower or counterpart to honour its contractual obligations. Credit risk is essentially present in traditional banking products – loans, guarantees granted and contingent liabilities – and in trading products – swaps, forwards and options (counterpart risk).

The credit portfolio management is an ongoing process that requires interaction between the various teams responsible for risk management throughout the consecutive stages of the credit process. This approach is complemented with the continuous introduction of improvements in the methodologies and in the risk assessment and control tools, as well as in procedures and in the decision-making processes.

The risk profile of the Bank is analysed on a regular basis by the Risk Committee, especially as regards the evolution of credit exposure and credit losses. The observance of approved credit limits and the correct application of the mechanisms associated with the approval of credit lines during the current activity of the commercial structure are also subject to periodic analysis.

BEST's credit risk exposure is analysed as follows:

(in thousands of Euros)

	31.12.2014	31.12.2013
Deposits with and loans and advances to banks	263 043	169 541
Available-for-sale financial assets	2 989	25 382
Loans and advances to customers	141 939	159 615
Other assets	2 739	2 379
Guarantees and standby letters of credit	380	380
Irrevocable commitments	243	243
	411 333	**357 540**

The analysis of the risk exposure by sector of activity, at 31 December 2014 and 2013, may be presented as follows:

(in thousands of Euros)

	31.12.2014					
	Loans and advances to customers		Financial assets held for trading	Available-for-sale financial assets		Guarantees granted
	Gross amount	Impairment [a]		Gross amount	Impairment	
Agriculture, Forestry and Fishery	541	(4)	-	-	-	-
Food, Beverages and Tobacco	704	(5)	-	-	-	-
Textiles and Clothing	3 656	(36)	-	-	-	-
Wood and Cork	95	(1)	-	-	-	-
Paper and Printing Industry	959	(6)	-	-	-	-
Chemicals and Rubber	302	(2)	-	-	-	-
Non-metallic Minerals	215	(2)	-	-	-	-
Metallurgical Industries and Metallic Products	183	(2)	-	-	-	-
Other Transforming Industries	-	-	-	-	-	-
Construction and Public Works	378	(7)	-	-	-	-
Wholesale and Retail Trade	4 454	(48)	-	-	-	-
Tourism	92	-	-	-	-	-
Transport and Communication	-	-	-	-	-	-
Financial Activities	280	(1)	864	1 995	(167)	-
Real Estate Activities	4 037	(14)	-	-	-	-
Services Provided to Companies	11 362	(480)	-	11	-	-
Public Administration and Services	918	(6)	-	1 710	-	-
Other community service activities	486	(5)	-	-	-	-
Consumer Loans	114 864	(2 136)	-	-	-	-
Other	-	(2)	-	-	-	380
TOTAL	**143 526**	**(2 757)**	**864**	**3 716**	**(167)**	**380**

[a] includes an impairment provision of Euros 1 587 thousand (see Note 18) and a provision for general credit risks of Euros 1 169 thousand (see Note 26)

(in thousands of Euros)

	31.12.2013					
	Loans and advances to customers		Financial assets held for trading	Available-for-sale financial assets		Guarantees granted
	Gross amount	Impairment (a)		Gross amount	Impairment	
Agriculture, Forestry and Fishery	178	(1)	-	-	-	-
Food, Beverages and Tobacco	679	(3)	-	-	-	-
Textiles and Clothing	2 810	(17)	-	-	-	-
Wood and Cork	151	(1)	-	-	-	-
Paper and Printing Industry	193	(1)	-	-	-	-
Chemicals and Rubber	319	(0)	-	-	-	-
Non-metallic Minerals	1 797	(9)	-	-	-	-
Metallurgical Industries and Metallic Products	147	(1)	-	-	-	-
Other Transforming Industries	42	(0)	-	-	-	-
Construction and Public Works	509	(3)	-	15 971	-	-
Wholesale and Retail Trade	3 055	(16)	-	-	-	-
Tourism	228	(1)	-	-	-	-
Transport and Communication	237	(1)	-	-	-	-
Financial Activities	349	(1)	3	3 558	-	-
Real Estate Activities	10 724	(622)	-	-	-	-
Services Provided to Companies	11 602	(29)	-	4 802	-	-
Public Administration and Services	2 111	(16)	-	1 609	-	-
Other community service activities	12 941	(100)	-	167	(167)	-
Consumer Loans	114 702	(3 031)	-	-	-	-
Other	-	(2)	-	-	-	380
TOTAL	**162 773**	**(3 857)**	**3 -**	**26 108**	**(167)**	**380**

[a] includes an impairment provision of Euros 3 158 thousand (see Note 18) and a provision for general credit risks of Euros 699 thousand (see Note 26)

Market risk

Market risk represents the possible loss resulting from an adverse change in the value of financial instruments due to fluctuations in interest rates, foreign exchange rates, share prices and commodity prices.

Market risk management is integrated within balance sheet management through the Asset and Liability Committee (ALCO), constituted at top management level. This committee is responsible for defining policies for the structuring and composition of the balance sheet, and for controlling exposure to interest rate, foreign exchange rate and liquidity risk.

The main measure of market risk is the assessment of potential losses under adverse market conditions, for which the Value at Risk (VaR) valuation methodology is used. The Bank's VaR model uses the Monte Carlo simulation, based on a confidence level of 99% and an investment period of 10 days. Volatilities and correlations are historical, based on an observation period of one year. As a complement to VaR, stress testing has been developed, permitting an evaluation of the impact of potential losses higher than those considered by VaR.

(in thousands of Euros)

	31.12.2014				**31.12.2013**			
	December	Period average	Maximum	Minimum	December	Period average	Maximum	Minimum
Foreign exchange rate risk	144	77	153	42	57	53	89	25
Total	**144**	**77**	**153**	**42**	**57**	**53**	**89**	**25**

BEST has a VaR of Euros 144 thousand (31 December 2013: Euros 57 thousand) for its trading positions.

Following the issues of the Basel II (Pillar 2) recommendations and Instruction no. 19/2005 of the Bank of Portugal, BEST calculates its exposure to interest rate risk based on the methodology set by the Bank of International Settlement (BIS), classifying all balance and off-balance captions which are not part of the trading portfolio, by re-pricing intervals.

(in thousands of Euros)

	31.12.2014						
	Eligible amounts	Not sensitive	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years
Loans and advances to and deposits with banks	262 625	1	107 624	60 000	95 000	-	-
Loans and advances to customers	142 902	-	92 189	33 037	4 911	12 492	273
Securities	3 535	560	-	-	354	2 621	-
Total			**199 813**	**93 037**	**100 265**	**15 113**	**273**
Deposits from Banks	40 590	-	40 590	-	-	-	-
Deposits from customers	297 984	-	146 016	17 359	27 608	107 001	-
Total			**186 606**	**17 359**	**27 608**	**107 001**	**-**
Balance sheet GAP (Assets - Liabilities)	69 927		13 207	75 678	72 657	(91 888)	273
Off-Balance sheet	-		-	-	-	-	-
Structural GAP	**69 927**		**13 207**	**75 678**	**72 657**	**(91 888)**	**273**
Accumulated GAP			**13 207**	**88 885**	**161 542**	**69 654**	**69 927**

(in thousands of Euros)

	31.12.2013						
	Eligible amounts	Not sensitive	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years
Loans and advances to and deposits with banks	169 621	-	169 621	-	-	-	-
Loans and advances to customers	161 887	-	98 253	33 702	12 824	16 459	649
Securities	25 908	560	17 683	3 749	-	3 916	0
Total			**285 557**	**37 451**	**12 824**	**20 375**	**649**
Deposits from Banks	13 756	-	13 756	-	-	-	-
Deposits from customers	275 591	-	121 154	18 928	28 021	107 488	-
Total			**134 910**	**18 928**	**28 021**	**107 488**	**-**
Balance sheet GAP (Assets - Liabilities)	67 509		150 647	18 523	(15 197)	(87 113)	649
Off-Balance sheet	-		532	-	-	(532)	-
Structural GAP	**67 509**		**151 179**	**18 522**	**(15 197)**	**(87 645)**	**649**
Accumulated GAP			**151 179**	**169 701**	**154 505**	**66 860**	**67 509**

The model used to monitor the sensitivity of BEST's banking portfolio to interest rate risk is based on the duration model and considers a scenario of a 100 basis points parallel shift in the interest rate curve for all maturities and non-parallel scenarios of changes in the yield curve above 1 year of 50b.p..

(in thousands of Euros)

	31.12.2014				31.12.2013			
	Parallel increase of 100 bp	Parallel decrease of 100 bp	Increase of 50 bp after 1 year	Decrease of 50 bp after 1 year	Parallel increase of 100 bp	Parallel decrease of 100 bp	Increase of 50 bp after 1 year	Decrease of 50 bp after 1 year
At end of period	712	(712)	777	(777)	1 394	(1 394)	723	(723)
Average for the period	1 026	(1 026)	787	(787)	1 520	(1 520)	799	(799)
Maximum for the period	1 262	(1 262)	808	(808)	1 636	(1 636)	838	(838)
Minimum for the period	712	(712)	777	(777)	1 394	(1 394)	723	(723)

The following table presents the average balances, interest charges and interest rates in relation to the Bank's major financial assets and liabilities categories, for the periods ended 31 December 2014 and 2013:

(in thousands of Euros)

	31.12.2014			31.12.2013		
	Average balance for period	Interest for period	Average interest rate	Average balance for period	Interest for period	Average interest rate
Monetary assets	217 530	916	0,42%	140 654	549	0,39%
Loans and advances to customers	160 395	4 896	3,05%	154 717	4 915	3,18%
Securities	6 577	282	4,29%	59 813	1 149	1,92%
Differential applications	-	-	-	-	(14)	-
Financial assets	**384 502**	**6 094**	**1,58%**	**355 184**	**6 599**	**1,86%**
Monetary Liabilities	26 580	144	0,54%	15 818	61	0,39%
Deposits from customers	296 570	1 170	0,39%	277 081	2 013	0,73%
Differential liabilities	61 352	-	-	62 285	-	-
Financial liabilities	**384 502**	**1 314**	**0,34%**	**355 184**	**2 074**	**0,58%**
Net interest income		**4 780**	**1,24%**		**4 525**	**1,27%**

Concerning foreign exchange risk, the breakdown of assets and liabilities by currency, at 31 of December of 2014 and 2013, is analysed as follows:

(in thousands of Euros)

		31.12.2014			31.12.2013		
		Spot	Forward	Net exposure	Spot	Forward	Net exposure
USD	UNITED STATES DOLLAR	(26 191)	28 164	1 973	(6 600)	6 868	268
GBP	GREAT BRITISH POUND	(3 016)	3 920	904	57	-	57
DKK	DANISH KRONE	110	-	110	190	-	190
JPY	JAPANESE YEN	49	336	385	256	113	369
CHF	SWISS FRANC	496	-	496	70	-	70
SEK	SWEDISH KRONE	50	-	50	230	-	230
NOK	NORWEGIAN KRONE	142	-	142	643	-	643
CAD	CANADIAN DOLLAR	515	-	515	565	-	565
AUD	AUSTRALIAN DOLLAR	578	-	578	315	-	315
PLN	POLISH ZLOTY	23	-	23	833	-	833
TRL	TURKISH LIRA	114	-	114	-	-	-
	OTHER	29	-	29	28	-	28
		(27 101)	**32 420**	**5 319**	**(3 413)**	**6 981**	**3 568**

Note: asset / (liability)

Liquidity risk

Liquidity risk derives from the potential inability to fund assets whilst satisfying commitments on due dates without incurring in excessive losses.

Liquidity risk can be divided into two types:

- Asset liquidity (market liquidity risk) – consists of the inability to sell a particular asset due to lack of liquidity on the market, which results in extending the bid / offer spread or in the application of a haircut to market value.
- Funding liquidity (funding liquidity risk) – consists of the inability to, within the desired timeframe and currency, fund assets on the market and / or refinance debt falling due. This inability can be reflected in a significant increase in the financing cost or the demand for collateral to obtain funds. Difficulty in (re)financing can lead to asset sales, even if incurring in significant losses. The risk of (re)financing should be minimized through an adequate diversification of funding sources and maturities.

Banks are subject to liquidity risk as an inherent part of their business of transforming maturities (long-term lenders and short-term depositors), a prudent management of liquidity risk being, therefore, critical.

The Bank prepares specific reports that allow for the identification of negative mismatches, permitting their dynamic coverage.

(millions of Euros)

	31.12.2014						
	Eligible amounts	Up to 7 days	7 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	More than 1 year
ASSETS							
Loans and advances to and deposits with banks and Central Banks	263	-	53	40	15	60	95
Loans and advances to customers	140	-	-	-	1	3	2
Securities	3	-	-	-	-	-	-
Other assets, net	3	-	3	-	-	-	-
Off-balance sheet (Commitments and Derivatives)	1	-	-	-	1	-	-
Total		**-**	**56**	**40**	**17**	**63**	**97**
LIABILITIES							
Deposits from banks, Central Banks and Other loans	41	-	36	-	5	-	-
Deposits from customers	298	-	27	3	7	-	-
Other short-term liabilities	7	-	7	-	-	-	-
Off-balance sheet (Commitments and Derivatives)	72	-	-	-	1	1	1
Total		**-**	**70**	**3**	**13**	**1**	**1**
GAP (Assets - Liabilities)		**(14)**	**37**	**5**	**61**	**96**	
Accumulated GAP		**(14)**	**22**	**27**	**89**	**185**	
Net Assets Buffer > 12 months							**1**

(millions of Euros)

	31.12.2013						
	Eligible amounts	Up to 7 days	7 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	More than 1 year
ASSETS							
Loans and advances to and deposits with banks and Central Banks	170	110	60	-	-	-	-
Loans and advances to customers	156	1	2	3	3	4	143
Securities	25	-	16	-	4	-	5
Total		**111**	**78**	**3**	**7**	**4**	**148**
LIABILITIES							
Deposits from banks, Central Banks and Other loans	14	12	2	-	-	-	-
Deposits from customers	276	25	5	11	1	-	234
Other short-term liabilities	6	6	-	-	-	-	-
Off-balance sheet (Commitments and Derivatives)	69	-	-	1	1	1	66
Total		**43**	**7**	**12**	**2**	**1**	**300**
GAP (Assets - Liabilities)		**69**	**70**	**(8)**	**5**	**3**	
Accumulated GAP		**69**	**139**	**131**	**136**	**139**	
Net Assets Buffer > 12 months							**1**

The one year cumulative gap went from Euros 139 198 thousand in December 2013 to Euros 185 314 thousand in December 2014, with this positive change reflecting the liquidity of the Bank's assets.

Additionally, and in accordance with Instruction no. 13/2009 of the Bank of Portugal, the liquidity gap is defined as [(Net Assets - Volatile Liabilities) / (Assets - Net Assets) * 100] at each cumulative residual maturity level, where net assets include cash and net securities and volatile liabilities include cash, issuances, commitments, derivatives and other liabilities. This indicator permits a characterization of the wholesale risk of institutions.

At 31 December 2014, BEST's one year liquidity gap was 138.6, which compares with 78.2 at 31 December 2013. This ratio continues frankly positive, reflecting the stability of the liabilities and the liquidity of the Bank's assets.

Operational risk

Operational risk represents the risk of losses resulting from failures or weaknesses in internal procedures, information systems, people behaviour or caused by external events, including legal risks. Operational risk is therefore understood to be the sum of the following risks: operational, information systems, compliance and reputational.

To manage operational risk, a system was developed and implemented standardising, systematising and regulating the frequency of actions with the objective of identifying, monitoring, controlling and mitigating said risk. The system is supported at organisational level by a unit within the Global Risk Department, exclusively dedicated to this task, and by representatives designated by each of the relevant departments and subsidiaries.

Capital Management and Solvency Ratio

The main objectives of capital management are to ensure compliance with the Bank's strategic objectives in matters pertaining to capital adequacy, respecting and complying with the own funds minimum requirements defined by the supervisory entities.

The definition of the strategy in terms of capital adequacy is made by the Executive Committee and is integrated in the global definition of the Bank's goals.

The Bank is subject to the Bank of Portugal's supervision, which, under the Capital Adequacy Directive of the EU, establishes the prudential rules to be observed by the institutions under its supervision. These rules define the minimum own funds to capital ratio (solvency ratio) in relation to the risks assumed, that institutions have to comply with.

The European Parliament and Council approved, on 26 June 2013, EU Directive 2013/36/EU and EU Regulation no. 75/2013 that regulate, in the European Union, the access to the credit institution and investment company activity and determine the prudential requirements to be observed by those entities as from 1 January 2014, respectively. This legislation transposes into the European legal order the recommendations of the Basel Committee, generally designated Basel III.

Notice no. 6/2013, of 23 December, of the Bank of Portugal regulates the transitory regime foreseen in that Regulation in matters pertaining to own funds, the establishment of capital preservation measures and the determination of a Common Equity Tier I (CET I) ratio not inferior to 7%.

Currently, under the new Basel III legal order, the equity elements of BEST, for the purpose of determining the solvency ratio, are divided into: Common Equity Tier I (or Core Tier I), Basic Own Funds (or Tier I), Complementary Own Funds (or Tier II) and Total Own Funds, as follows:

- Common Equity Tier I: This category includes, essentially, realised share capital, share premiums, eligible reserves and the net profit for the period appropriated, when certified. The following balance sheets amounts are deductible from Core Tier I: intangible assets, negative actuarial deviations arising on liabilities with post-employment benefits to employees, the surplus value of deferred tax assets and shareholdings in financial entities and, when applicable, the net loss for the period.

- Basic Own Funds (BOF) (Tier I): In addition to the amounts considered as Core Tier I, this category includes preference shares and hybrid capital instruments.
- Complementary Own Funds (COF) (Tier II): Incorporates, essentially, subordinated eligible debt.

BEST's equity is essentially composed of Common Equity Tier I elements.

The capital adequacy of BEST at 31 December 2014 and 2013 is presented as follows:

(in thousands of Euros)

		BIS III		BIS II
		31.12.2014	01.01.2014	31.12.2013
A - Accounting Equity				
Realised Ordinary share capital, Shares premium and own shares		62 992	62 992	62 992
Eligible Reserves and Retained earnings (excluding fair value reserves)		(912)	(11 148)	(11 148)
Intangible assets		(94)	(1)	(5)
Actuarial deviations with post-employment liabilities having a prudential impact		-	-	-
Fair value reserves having a prudential impact		(10)	-	-
Other effects		(622)	(781)	(1 252)
Common Equity Tier I / Core Tier I	**(A1)**	**61 354**	**51 062**	**50 587**
Preference and Hybrid shares		-	-	-
Other effects		-	-	-
Tier I	**(A2)**	**61 354**	**51 062**	**50 587**
Eligible Subordinated debt		-	-	-
Other effects		-	-	-
TIER II		**61 354**	**51 062**	**50 587**
Deductions		**-**	**-**	-
Eligible Own Funds	**(A3)**	**61 354**	**51 062**	**50 587**
B- Risk Weighted Assets	**(B)**	**201 981** [(1)]	**233 230**	**232 230**
C- Prudential ratios				
Common Equity Tier I / Core Tier 1	**(A1 / B)**	**30,4%**	**21,9%**	**21,8%**
Tier 1	**(A2 / B)**	**30,4%**	**21,9%**	**21,8%**
Solvency	**(A3 / B)**	**30,4%**	**21,9%**	**21,8%**

[(1)] provisional amount

NOTE 35 – RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

Impact of the adoption of standards and interpretations that became effective on 1 January 2014

IAS 32 (amendment) 'Offsetting Financial Assets and Financial Liabilities'. This amendment is part of the IASB offsetting project which clarifies the meaning of "currently has a legally enforceable right to set-off", and clarifies that some gross settlement systems (clearing houses) may be equivalent to net settlement. The adoption of this amendment did not produce an impact on the financial statements of the Bank.

IAS 36 (amendment) 'Recoverable amount disclosure for Non-financial assets'. This standard addresses the disclosure of information about the recoverable amount of impaired assets when based on fair value less cost to sell model. The adoption of this amendment did not produce an impact on the financial statements of the Bank.

IAS 39 (amendment) 'Novation of derivatives and continuation of hedge accounting'. This amendment allow hedge accounting to continue in a situation where a derivative designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulation, if specific conditions are met. The adoption of this amendment did not produce an impact on the financial statements of the Bank.

Amendment to IFRS 10, 11 and IAS 27,'Investment entities'. This amendment defines an investment entity and introduces an exception from consolidation under IFRS 10, for the investment entities that qualify, for which all investments in subsidiaries are required to be measured at fair value through profit and loss under IAS 39. Specific disclosures requirements are included in IFRS 12. The adoption of this amendment did not produce an impact on the financial statements of the Bank.

IFRS 10 (new), 'Consolidated financial statements'. IFRS 10 replaces all the guidance on control and consolidation in IAS 27 and SIC 12, changing the definition of control and the criteria applied to determine control. The core principle that a consolidated entity presents a parent and its subsidiaries as a single entity remain unchanged. The adoption of this amendment did not produce an impact on the financial statements of the Bank.

IFRS 11 (new), 'Joint arrangements'. IFRS 11, focus on the rights and obligations of the joint arrangements rather than its legal form. Joint arrangements can be joint operations (rights to the assets and obligations) or joint ventures (rights to net assets, applying equity method).Proportional consolidation of joint venture is no longer allowed. The adoption of this amendment did not produce an impact on the financial statements of the Bank.

IFRS 12 (new), 'Disclosure of interest in other entities' (to be applied in EU at the latest in the annual periods beginning on or after 1 January 2014). This standard sets out the required disclosures for all types of interests in other entities, such as: subsidiaries, joint arrangements, associates and structured entities, to allow the evaluation of the nature, risks and financial effects associated with entity's interests. The adoption of this amendment did not produce an impact on the financial statements of the Bank.

Amendment to IFRS 10, 11 and 12, 'Transition guidance'. This amendment clarifies that, when from the adoption of IFRS 10 results a different accounting treatment from IAS 27/SIC12 application, the comparatives must be adjusted to only the preceding comparative period, being the differences calculated recognised as at the beginning of the comparative period, in equity. The IFRS 11 amendment refers to the obligation of impairment testing over the financial investment, which results from the proportional consolidation elimination. Specific disclosures requirements are included in IFRS 12. The adoption of this amendment did not produce an impact on the financial statements of the Bank.

IAS 27 (revised 2011), 'Separate financial statements'. IAS 27 was revised after the issuance of IFRS 10 and contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements. The adoption of this amendment did not produce an impact on the financial statements of the Bank.

IAS 28 (revised 2011),'Investments in associates and joint ventures'. IAS 28 was revised after the issuance of IFRS 11 and prescribes the accounting for investments in associates and joint ventures, and sets out the requirements for the application of equity method. The adoption of this amendment did not produce an impact on the financial statements of the Bank.

The following standards, amendments to existing standards and interpretations have been published and are mandatory for the accounting periods beginning on or after 1 July 2014 or later periods, but that the Bank has not early adopted:

Standards

IAS 1 (amendment), 'Disclosure initiative' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by the European Union. This amendment provides guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

IAS 16 and IAS 38 (amendment), 'Acceptable methods of depreciation and amortisation calculation' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by the European Union. This amendment clarifies that the use of revenue-based methods to calculate the depreciation / amortization of an asset is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an asset. It shall be applied prospectively. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

IAS 19 (amendment), 'Defined benefit plans – Employee contributions' (effective for annual periods beginning on or after 1 July 2014). This amendment is still subject to endorsement by European Union. This amendment apply to contributions from employees or third parties to defined benefit plans and aims to simplify the accounting when contributions are independent of the number of years of service. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

IAS 27 (amendment), 'Equity method in separate financial statements' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment allows entities to use equity method to measure investments in subsidiaries, joint ventures and associates in separate financial statements. This amendment applies retrospectively. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

Amendment to IFRS 10 and IAS 28, 'Sale or contribution of assets between investor and its Associate or Joint venture' (effective for annual periods beginning on or after 1 January 2016).This amendment is still subject to endorsement by European Union. This amendment clarifies that the sale or contribution of assets between an investor and its associate or joint venture, entitles the investor to recognise a full gain or loss when the assets transferred constitute a business, and only a partial gain or loss (in the share owned by third parties) when it does not constitute a business. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

Amendment to IFRS 10, 12 and IAS 28, 'Investment entities: applying consolidation exception'' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment clarifies that the exemption from the obligation to prepare consolidated financial statements by investment entities apply to an intermediate parent which is a subsidiary of an investment entity. The policy choice to apply equity method, under IAS 28, is extended to an entity, which is not an investment entity, but has an interest in an associate or joint venture which is an investment entity. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

IFRS 11 (amendment), 'Accounting for the acquisitions of interests in joint operations (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business, being applied the principles of IFRS 3 – Business combinations. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

Annual Improvement 2010 - 2012, (generally effective for annual periods beginning on or after 1 July 2014). These improvements are still subject to endorsement by European Union. The 2010-2012 annual improvements affects: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

Annual Improvement 2011 - 2013, (effective in European Union for annual periods beginning on or after 1 January 2015). The 2011-2013 annual improvements affects: IFRS 1, IFRS 3, IFRS 13 and IAS 40. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

Annual Improvement 2012 - 2014, (effective for annual periods beginning on or after 1 January 2016). These improvements are still subject to endorsement by European Union. The 2012-2014 annual improvements affects: IFRS 5, IFRS 7, IAS 19 and IAS 34. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

IFRS 9 (new), 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018). This standard is still subject to endorsement by European Union. IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

IFRS 15 (new), 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2017). This standard is still subject to endorsement by European Union. This new standard, applies only to contracts with customers to provide goods or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

Interpretation

IFRIC 21 (new), 'Levies' (effective for annual periods beginning on or after 17 June 2014). Interpretation to IAS 37 and the recognition of a liability, clarifying that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment. The adoption of this amendment is not expected to produce a material impact on the financial statements of the Bank.

ANNEX

Remuneration Policy for the Corporate Bodies of BEST – Banco Electrónico de Serviço Total, S.A.

1. Remuneration policy approval process

a) Approval

To be approved in the General Meeting as per proposal of the Board of Directors of Banco Best.

b) Mandate of the Board of Directors

The Board of Directors of Banco Best is elected for a period of three years.

c) External Consultants

No external consultants were hired to define the corporate bodies' remuneration policy.

d) Groups of Companies taken as comparative elements

NOVO BANCO corporate bodies' remuneration policy was taken as a comparative element, since it is the major shareholder of Banco Best.

2. Remuneration of the members of the General Meeting Board

The members of the General meeting Board are not remunerated.

3. Remuneration of the members of the Remuneration Committee

The members of the Remuneration Committee will be remunerated with presence vouchers.

4. Supervisory Board Members

The Supervisory Bodies of Banco Best are the Supervisory Body and the Independent Statutory Auditor.The Supervisory Body is elected by the General Meeting of Banco Best for a period of three years and is composed of 3 permanent members and an alternative member, being one of the permanent members its chairperson. Their remuneration consists in the quarterly attribution of presence vouchers of variable value according to their professional experience, at a maximum of Eur 5 000 per member. The Permanent Statutory Auditor and the Alternative are proposed by the Supervisory body and are appointed by the General Meeting for periods of three years. The remuneration of the Permanent Statutory Auditor is made independently and as per the auditing services agreement with Grupo NOVO BANCO, thus in line with the market practices. The Alternative Statutory Auditor is not remunerated.

5. Non executive members of the Board of Directors

The non executive members of the Board of Directors are not remunerated. The members that have executive positions in corporate bodies of companies in dominant position and/or group related with Banco Best, or that hold specific positions by indication of the Board of Directors of Banco Best, may be remunerated by the referred companies or by Banco Best according to the relevance of their position.

6. Executive Committee Members

a) Differentiation of remuneration

All the Executive Committee members have different remuneration, according to their professional history, position held and professional experience.

b) Remuneration components

The remuneration consists of a fix part and a variable part. Therefore, the Total Annual Remuneration ("TAR") is composed by the addition of the Fixed Annual Remuneration ("FAR") and the Variable Annual Remuneration ("VAR"). The FAR of the members of the Executive Committee is determined every year by the General Meeting to be held by the end of March with reference to the previous financial year.

c) Limits of remuneration

The VAR will be limited as determined by the responsible body and will represent a maximum of 33% of the TAR. The FAR is composed by the Executive Committee members' salary and of other aids that are granted to all workers of Banco Best. The VAR for 2012 has a limit of 5% of Best net profits. In any case the limit provided for by Article 24 of the company's articles of incorporation must be considered.

d) Balance in the remuneration

The exact amount of the VAR will vary, each year, based on the achievement of the annual goals provided for by the yearly budget approved by the Board of Directors and it will represent at the maximum an average of 33% of the TAR. Depending on the amount of the VAR, the amount of the FAR may vary on each year from approximately 66% and 100% of the TAR.

e) Criteria for the definition of the variable component and dates of payment

The VAR represents at the maximum around 33% of the TAR. The VAR will be calculated at the beginning of each year by the responsible body according to a performance evaluation to be undertaken by the responsible body. The amount of the VAR will be proportional to the performance evaluation to be done according to the criteria described below. The VAR is divided in two parcels: one, corresponding to 50% of the VAR – the Simple Variable Annual Remuneration ("SVAR") to be paid after the approval of the Report and Accounts of the relevant financial year and one other parcel, corresponding to the remaining 50%, to be deferred within a period of three years – the Deferred Variable Annual Remuneration ("DVAR"). The DVAR is divided in three equal parcels, that will be paid on an yearly basis, within a period of three years. The VAR is paid fully in cash. Therefore, no parcel is paid in financial instruments, due to the fact that such payment is not adequate to the structure and reality of Banco Best. The main reasons for this are, on one hand, the fact that the VAR represents less than 40% of the TAR, not representing, therefore, a substantial part of the TAR. On the other hand, none of the dimension thresholds set forth by Article 7, number 1 of the Bank of Portugal Notice n. 10/2011 is reached. The fact that the main activity of Banco Best takes place in the Portuguese market must also be considered. In fact, the bank's business strategy is mainly oriented towards retail affluent clients aiming at placing products and services of other banks, insurance companies, managing entities and brokers. The bank does not manage its own complex products. Finally, Banco Best's shares are not listed and are exclusively held by other companies of the group and by Saxo Bank A/S.

f) Means of Limitation of the Variable Remuneration

The payment of the SVAR depends on the performance evaluation. Even if the evaluation is positive, the SVAR may not be paid on a given year if Banco Best suffers a structural degradation, in particular of the results of the relevant financial year are negative, as explained below. The DVAR is subject to the following general limitations: firstly, its payment is deferred throughout a 3 year period; secondly, it ceases being due in case BEST suffers a structural degradation. It is the General Meeting of Shareholders duty to determine the existence of a structural degradation, in particular if the results on any given financial year are negative. The payment of the deferred parcels of the DVAR regarding previous years is also dependent on the evaluation to take place on the year when the payment is due.

g) Criteria for the performance evaluation

The performance evaluation takes place every year and includes non financial criteria regarding the personal, technical and management skills relevant to the performance as executive director besides financial criteria regarding the achievement of the main goals set forth by the annual budget of the previous financial year, approved by the Board of Directors in accordance with the criteria mentioned below. The performance evaluation of the executive directors is made by the Chairperson of the Executive Committee and the performance evaluation of the Chairperson of the Executive Committee is made by the Chairperson of the Board of Directors (non executive). The performance evaluation of the executive directors is based on the following five criteria: (i) Individual performance of each member of the Executive Committee, considering their personal, technical and management skills relevant to the performance as executive director and compliance with the rules relevant for the activity of banks; (ii) Cost-to-Income" (ratio between the operational costs and the total banking income), indicator that shows the operational activity of Banco Best and that measures the capacity for generating income in relation to the operational costs; (iii) Financial year Net Result, indicator that shows the contribution to the shareholders, already deducted of non captured dimensions in the Cost-to-Income, namely the risk cost, the taxes and the minority interests; (iv) “Return-on-Equity” (ratio between the net results and the own funds), indicator that measures the yield generated in view of the volume invested by the shareholders; and (v) Credit / Deposits Transformation Ratio: indicator that measures the leverage level of the bank.

h) Main reasoning and criteria for any rewards payment and any other benefits not payable in cash

There is no other remuneration besides the fixed and variable remunerations as described in this policy.

i) Compensations paid or due to ex-executive members of the corporate body referring to their duties cease during the financial year

No compensations were paid or are due to ex-executive members of the Executive Committee referring to the cease of their duties.

j) Contractual limitations foreseen for the compensation to be paid in case of dismissal without justified cause and their relation with the remuneration variable part

There aren’t any agreements that fix the amount to be paid to members of the Executive Committee dismissed without justified cause.

k) Main characteristics of the pensions complementary system or early retirement, indicating if they were subject to the General Meeting discussion

Banco Best have no agreements that foresee pension complementary systems or early retirement.

l) Estimation of the value of the relevant non pecuniary benefits considered as remuneration and not foreseen in the previous situations

Relevant non pecuniary benefits are not distributed.

7. Rules applicable to all the corporate bodies members

Payments referring to the dismissal or ceasing of duties by the Directors

There aren’t any approved payments regarding the directors’ dismissal, and any cease of duties by mutual agreement needs to be previously approved by the General Meeting in what regards the involved amounts.

8. Payments made in 2011 to the members of the Corporate Bodies, including amount paid, for any reason, to companies in a group relationship:

a) Executive Committee

The remuneration of the members of the Executive Committee in 2014 includes the fixed remunerations paid in 14 parcels, the complements that are granted to all workers of Banco Best and the variable remuneration attributed in relation to previous years. Isabel Maria Ferreira Rodrigues Cascão (CEO) earned, as a fixed remuneration, Eur 251 145, two amounts or Eur 16 667 corresponding to the deferred component for 2014 approved in 2011 and in 2013, an amount of Eur 5 833 corresponding to the deferred component for 2014 approved in 2012, being in 2014 approved a variable remuneration referred to 2013 of Eur 61 849 to be paid in 2014 and deferred to 2015 - 2017 period Eur 20 616 for each year. Ms. Marília Boavida Correia Cabral earned a fixed remuneration of Eur 139 331, two amounts of Eur 8 333 corresponding to the deferred component for 2014 approved in 2011 and in 2013, an amount of Eur 2 917 corresponding to the deferred component for 2014 approved in 2012, being in 2014 approved a variable remuneration referred to 2013 of Eur 33 810 to be paid in 2014 and deferred to 2015 - 2017 period Eur 11 270 for each year. and a variable remuneration of Eur 27 023, Eur 25 000 of which were deferred for the 2012 – 2014 period. Mr Pedro Neves earned a fixed remuneration of Eur 124 923, two amounts of Eur 5 949 corresponding to the deferred component for 2014 approved in 2011 and in 2013, an amount of Eur 2 082 corresponding to the deferred component for 2014 approved in 2012, being in 2014 approved a variable remuneration referred to 2013 of Eur 30 765 to be paid in 2014 and deferred to 2015 - 2017 period Eur 10 255 for each year.

b) Supervisory Body

The total fixed remuneration paid to the Chairperson of the Supervisory Body Mr. José Manuel Macedo Pereira was € 4 000 and no variable remuneration was paid. The fixed remuneration paid to the member of the Supervisory Body, Mr. Luís Manuel Santos Botelho, was € 3 200 and no variable remuneration was paid. The fixed remuneration paid to the member of the Supervisory Body, Mr. Feliciano Pereira, was € 2 400 and no variable remuneration was paid.

The control functions as defined in the Circular Letter of Banco de Portugal. No 2/DSB/2010, responsible for evaluating the Remuneration Policy, advised the Board of Directors of the results of that evaluation.

ANNEX

Managers remuneration policy

I. Introduction

Banco Best's remuneration policy of the Corporate Bodies and employees that have a position of control as stated in Bank of Portugal Notice no. 5/2008 is set more on a strong fixed component, and for that more independent of the bank's results, than on a variable one that is relatively lesser.

II. Scope and Fundamental Principles

This remuneration policy applies to all employees of the management body of the institution, those responsible for the departments that compose the bank's organization chart, as well as all employees that have a position of control as stated in Bank of Portugal Notice no. 5/2008.

III. Remuneration Policy for BEST Corporate Bodies

1. Remuneration Policy approval process

Approval: to be approved by the Board of Directors, as per Bank of Portugal Notice no. 10/2011, art. 5.

2. Mandate of the Board of Directors

By Law and the Articles of Association, the fixed remuneration of BEST Corporate Bodies is to be established by the Board of Directors within the scope of its staff and incentives policies management, and taking in consideration the strategic goals of the Bank.

3. Members of the Board of Directors

The current Members of the Board of Directors are: Isabel Maria Ferreira Possantes Rodrigues Cascão (Vice-Chairman), Marília Boavida Correia Cabral (Member), Pedro Alexandre Lemos Cabral das Neves (Member) and Rasmus Lund (Member).

4. External consultants

The Board of Directors did not hire external consultants.

5. Executive Managers

a) Remuneration components: the remuneration consists of a fixed part and a variable part; the Total Annual Remuneration ("TAR") is composed of the Annual Fixed Remuneration ("AFR") plus the Annual Variable Remuneration ("AVR"). The remuneration policy is annually revised by the Board of Directors until the end of May. As a consequence, the fixed remuneration can be revised every year depending on several indicators, also influencing the variable part.

b) Limits of remuneration: the variable part will have its limit set by the Board of Directors and it will be, in average, 23% of the TAR. The AVR payment is not due in case of structural degradation of the bank, as referred below. The AFR is composed of the Managers salary and of other aids granted to all BEST employees.

c) Balance in the remuneration: the AVR will have the limits set by the Board of Directors and will represent, in average, 23% of the TAR. The exact amount of the AVR will vary each year depending on the achievement of the main annual goals, the individual ones (quantitative and qualitative) and those of the department/business area under the Director's management according to the performance evaluation model of Banco Best, as approved by the Board of Directors.

d) Criteria for the definition of the variable part: the AVR limits will be set at the beginning of each year by the Board of Directors and based on the Incentives and Goals System associated to each business area and according to the fulfilment level of the main goals approved by the Board. The AVR will be paid in cash in the following fiscal year after the results approval. There aren't any AVR deferred or paid through financial instruments since Banco Best has a controlled policy regarding risk assumption preventing a material impact on the bank's risk profile. In addition, it should be referred that the AVR represents an ATR component that, in average, reaches a maximum of 23%; that none of the dimension indicators stated in Bank of Portugal Notice no. 10/2011, art. No. 7, no. 1, are overcome; that the bank's main activity is essentially practiced in the Portuguese market with a business strategy mainly focused on the market segment of affluent private customers and working as intermediary of financial products and services of other banks, insurance companies, management companies and brokers, not managing complex financial products of its own; and that the shares of Banco Best share capital are not listed in any regulated market and are exclusively held by companies belonging to the parent company and Saxo Bank A/S.

e) Means of Limitation of the Variable Remuneration: the exact amount of the AVR will vary each year depending on the performance evaluation and the achievement of the main annual goals, defined in the annual budget, as approved by the Board of Directors. Nevertheless, even if the evaluation is positive, the AVR may not be paid in case there is a performance structural degradation of the bank. It is the Shareholders General Meeting duty to verify and determine the existence of a structural degradation, namely in case the results are negative.

f) Criteria for the performance evaluation: the evaluation of executive managers of the commercial business area is based on qualitative criteria regarding personal, technical and management skills for the job performance, and based on quantitative criteria according to the following indicators: i) Results, which include other indicators that demonstrate the business area results compared with the goals set; ii) Net Income, which measures the contribution to the bank results; iii) Quality, which include indicators with metrics that assess the quality of the service rendered to the internal and external customers; iv) Cost-to-Income, a ratio between the operational costs and the total net income showing the bank's operations and measuring its capability to generate income. The evaluation of executive managers of the central business area is based on qualitative criteria regarding personal, technical and management skills for the job performance, and based on quantitative criteria according to the following indicators: i) Activity, which includes other indicators that demonstrate the results of the employee's operation area; ii) Risk, which includes risk indicators relevant for each area; iii) Quality, which includes indicators with metrics that assess the quality of the service rendered to the internal and external customers. The evaluation of the employees in control positions within the bank (Bank of Portugal Notice no.5/2008) is based on qualitative criteria referent to personal, technical and management skills.

g) Main parameters and fundamentals of any annual rewards system and any other benefits given to the executive managers: besides the fixed and variable remuneration here described there aren't any other relevant benefits.

h) Main characteristics of the complementary pension systems given to the executive managers: Banco Best has no complementary pension or early retirement systems.

6. Amounts paid to Executive Managers in 2014

The remuneration paid to the Executive Managers and the employees in control positions regarding 2014 fiscal year include the fixed remunerations received and paid in 14 payments, the benefits paid to all BEST employees, like seniority and subsidies, and the variable remunerations already paid regarding previous years. The Executive Managers and employees in control positions received a global fixed remuneration of Euro 898.381 and a variable remuneration of Euro 113.544. Detailing by the main business areas, the three managers of the commercial area received a global fixed remuneration of Euro 221.148 and a variable remuneration of Euro 27.255. The nine managers and employees in control positions of the central services area received a global fixed remuneration of Euro 677.233 and a variable remuneration of Euro 86.290.

Statutory Audit Report

(Free translation from the original in Portuguese)

Introduction

1 We have audited the financial statements of BEST – Banco Eletrónico de Serviço Total, SA, comprising the balance sheet as at 31 December 2014, (which shows total assets of Euros 417,845 thousand and total shareholder's equity of Euros 68,940 thousand, including a net profit of Euros 6,739 thousand), the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the corresponding notes to the accounts. These financial statements were prepared in accordance with the Adjusted Accounting Rules (NCA) defined in the Bank of Portugal Regulation nº 1/2005, which are based on the International Financial Reporting Standards ("IFRS") in force, as adopted by the European Union, with the exceptions defined in the Bank of Portugal Regulations nº 1/2005, nº 4/2005 and nº 7/2008.

Responsibilities

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

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

Scope

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

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

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

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Opinion

8 In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of BEST – Banco Eletrónico de Serviço Total, SAas at 31 December 2014, the results and the comprehensive income of its operations, the changes in equity and the cash flows for the year then ended, in accordance with the Adjusted Accounting Rules (NCA) defined by the Bank of Portugal.

Report on other legal requirements

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

26 March 2015

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

José Manuel Henriques Bernardo, R.O.C.

Report And Opinion Of The Supervisory Board

(Free translation from the original in Portuguese)

To the Shareholders of
Banco Electrónico de Serviço Total, S.A.

In accordance with the law, we herewith present the report on the supervisory activity carried out by the Supervisory Board over the Management Report, the financial statements and the proposed appropriation of results, as presented by the Board of Directors of Banco Electrónico de Serviço Total, SA (hereafter, BEST) with respect to the year ended 31 December 2014.

The Supervisory Board accompanied, within the scope of its attributions, and in accordance with the law and BEST's articles of association, the evolution of BEST's management and activity, namely:

i. it appraised the adequacy and effectiveness of the risk management, internal control and internal audit systems;

ii. it participated in the Board of Director Meetings whenever called to same;

iii. it analysed the management information documentation presented by the Board of Directors;

iv. it accompanied the verification of the accounting records and underlying supporting documentation;

v. it evaluated the accounting policies and valuation methods adopted by BEST; and

vi. it had meetings, whenever necessary, to appraise the accounting policies and the valuation methods adopted by BEST, with the person responsible for the financial department, who always provided us with the relevant information and to whom the Supervisory Board extends its thanks.

The Management Report prepared by the Board of Directors was also analysed and it is the opinion of the Supervisory Board that it complies with both the legal and articles of association requirements and is elucidative of the main aspects that circumscribed the activity of BEST during the 2014 financial period.

The Management Report describes the activity carried out during 2014 that had two clearly distinct periods, the first characterized by growth in the rhythm of the activity with new clients and resources with a relatively normal evolution up till June / July and, a second period, marked by the BES resolution event and the creation of NOVO BANCO, this period being characterized by a high instability in the general confidence afforded the Portuguese banking system, which stabilized in the following months.

One verifies that within the referred context, Banco Best generated, in 2014, a net result of 6.7 million Euros compared to the 10.2 million Euros of the previous period but achieved an increase of 2.3 % in assets under management, which exceeded 2.36 million Euros. These results were further accompanied by an increase in Client deposits of 6% and by the attainment of a Core Tier I ratio of 30.4%, demonstrating the excellent solidity of the Bank.

The Supervisory Board verified that following the application of the resolution process to BES, the majority shareholder is now NOVO BANCO, with 75% of the share capital, whilst Saxo Bank maintained, unchanged, its 25% shareholding. The independence and solidity of Banco Best is also derived from its international shareholder structure and this is manifest in the maintenance of its name: BEST – Banco Electrónico de Serviço Total, SA, continuing to pursue the aspiration of transforming this name into the essence of the Bank itself and into its ubiquitous aspirational target.

The Supervisory Board also appraised, in accordance with the law, the Audit Report prepared by the Statutory Auditor, having also considered the Statutory Auditor Report issued on said financial statements, in respect of the 2014 financial period, with which conclusions it concurs.

The Audit Report prepared by a reputable international audit firm was also analysed.

In light of the foregoing, this Supervisory Board is of the opinion that:

a) The Management Report and financial statements for the financial period ended on 31 December 2014 be approved;

b) The proposed appropriation of results presented by the Board of Directors be approved;

c) A vote of praise be approved vis-à-vis the Board of Directors for the effective manner in which they conducted the business of the Bank.

Lisbon, 30 March 2015

The Supervisory Board

____

José Manuel Macedo Pereira
(Chairman)

____

Luís Manuel Santos Botelho

____

Feliciano José Policarpo Pereira