Banco Best, S.A.

Annual Report 2011

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

Annual Report 2011

INDEX:

Management Report – 2011

Banco Best, founded in 2001, has a wide range of products and services as an universal bank, supporting its clients 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 clients 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 clients and the bank.

The bank business strategy is therefore focused on serving the investment needs of retail and private clients' segments that has a need for more sophisticated and diversified financial services but at the same time covering their financial needs when buying a house or other goods and services. Clients such as companies and foundations can also use this business strategy.

The bank has a share capital of EUR 63 million and its shareholders are mostly Grupo Banco Espírito Santo (GBES) companies and Espírito Santo Financial Group and also Saxo Bank A/S, a Dannish bank that holds 25% of Banco Best's capital.

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 "PFA Offices" where they develop their activity as per the suitable legal dispositions.

I – Economical Overview

During 2011 the issue of the excess of debt at a global level has gained a new dimension, despite its existence since the beginning of the global financial crisis 3 years ago. The issues regarding the level of debt of the economical agents were initially focused on the excessive leverage of the financial sector globally, but during 2011 the attentions turned to the sovereign debts acting as proxy of assets without risk,

a fact that had significant impact not only in the financial markets but also in the economies' performance. The loss of the AAA maximum rating, along with the S&P downgrade to the North American sovereign debt in August 2011, was a serious warning in what concerns the necessary efforts to change the unsustainable path of the public debt growth in most of the developed countries. This tendency was in fact exacerbated by the efforts developed in the previous years in order to, through the budget and fiscal policies, alleviate its propagation to the real economy of the problems already felt due to the referred global financial crisis.

2011 is also indelibly marked by the escalation of the sovereign debt crisis in Europe and respective consequences. In the previous year two members of the eurozone – Greece and Ireland – received external financial aid from 3 international entities (European Union, European Central Bank and International Monetary Fund) and in May 2011 Portugal also saw its international bonds market access closed, having signed a multi-annual agreement for financial aid. Throughout the year there were several attempts to find a European institutional solution that allowed strengthening the monetary union project, and some steps were actually taken, although in a shy way, towards a greater integration aiming to reduce the imbalances resulting from the lack of coordination of economical and fiscal policies in the eurozone.

The debate around the public accounts of several European Union countries and the focus on the need to generally reduce the debt levels – through austerity policies more or less aggressive in most of the European countries – had a relevant effect concerning economic growth perspectives, with several European countries registering negative economical growth from the 1st quarter of 2011 onwards. The darkest expectations regarding the economy performance were not an exclusive of the European continent. The North American economy also suffered a significant slowdown after the recovery of 2009 and 2010, being the real estate market and employment the main areas of concern. In the emerging countries, responsible for most of the global economic growth in the past few years, the small economical activity has decreased the concern with the inflationist tensions felt in the beginning of the year, allowing the latter to revert throughout 2011 the contracting monetary policies initiated in the previous year.

In this background of small economic growth, excess of public and private debt and political hesitation to find a reliable solution for the markets concerning public debt sustainability, 2011 was a year where the systemic risk grew in several occasions and the volatility of the various assets classes registered an increase. In general the stocks markets performed negatively, with a special negative highlight to the European peripheral and emergent markets indexes and positive highlight to the North American indexes that closed with fluctuations partially negative.

As for the bonds markets, government securities considered the safer – like the North American and the German ones – performed positively in terms of price (equivalent to decreases in the demanded interest rate) throughout the entire interest rates curve, unlike other countries in the eurozone (like Portugal, Spain, Italy, Greece and even France and Austria) that saw their financing costs increase along the year. Most of the raw materials prices dropped reflecting the fears of a smaller future economic growth. The exceptions were gold – considered a refuge asset – and oil, affected by external events like the Arab Spring and the increase in the geopolitical tension between the USA and the Islamic Republic of Iran.

II – Operations in 2011

Within a context of great challenges brought by the new macro-economical backgrounds and more demanding regulations by the supervision authorities Banco Best has managed to develop its activity and pursue its strategy of a continuous improvement of the service levels and availability of products and services adjusted to the new financial and economical reality. Concerning the main indicators the clients assets volume was 1.645 million euro at the end of 2011, 1,7% below previous year, and the granted credit registered 107,5 million euro in the balance sheet of December 2011, representing a 10% growth versus the previous year.

In terms of liquidity, Best kept a comfortable level during 2011 in spite of the strong internal competition to capture clients' stable resources. The deposits volume grew by 10% and, together with the granted credit volume growth, was able to keep the ratio of transformation of deposits into credit low and controlled – 25,5%.

We can also highlight the launch of the mobile site that allows the geo-location of the investment centers, besides a vast set of ordinary banking operations like statements overviews, balances and movements, transfers, credit card management, term deposits subscriptions, cheque requests and payments. Additionally this mobile site also has the Mobile Trader that allows the client to accompany the more important markets globally and to negotiate more than 1.200 financial products, with a real time update of the respective portfolio.

During the last quarter of 2011 Best has also made available new Mobile Banking Apps for iPhone, iPad, Smartphones and Tablets with the Android system. With these Apps the clients now have an easy access to their accounts and transactions through their mobiles or Tablets. With these new Apps already available in the Apple App Store and Android Market our clients have access to all the operations of the Mobile Banking including the ordinary ones like queries, transfers, payments, credit card management and others, as well as access to the main global stock markets and to negotiate more than 1.200 financial products. It was also launched a new version of the Mobile Banking optimized for iPad Tablet and Android Tablets. When clients access the internet address www.bancobest.pt/m there is an optimized graphic interface, depending on the type of equipment used by the client and with very intuitive options, allowing a unique navigation experience. This was translated into a 72% increase on the number of clients regularly accessing Best Mobile Banking during 2011.

Still within this area of business Best also made available the eBudget application for iPhone, iPod Touch, iPad and Android Smartphones, which allows in a practical and innovative way to save, organize and manage the daily expenses on-the-go. This innovative application is available for clients and non-clients and there are records of its download not only in Europe but also in Brazil, China, USA, Canada, Japan, India, Australia and South Africa among others, i.e, it was a global success.

Also during the last quarter of 2011 Best launched a new account opening process on the Web which allows the opening of an account with Banco Best through the Internet in a fast and easy way. The clients can open an account without having to go to an Investment Centre by sending the necessary documents legally certified by mail.

Throughout the year there were new functionalities in Best website like Permanent Orders and Operations Scheduling, along with some continuous improvements to the website usability with the purpose of also improving our clients' utilization experience.

Concerning investment funds Banco Best maintained the strategy of widening the offer of fund management companies and investment funds, now distributing 1800 investment funds to the retail market and 5600 investment funds to the institutional market from 45 fund management companies – Wholesale International. In 2011 BEST introduced in Portugal 2 new fund management companies (Bank of America, Merrill Lynch and Henderson), and started the distribution in Portugal of the first funds investing in Remninbi. the Chinese currency, in this case managed by Allianz.
This way, and according to Securities and Exchange Commission data, Banco Best kept and reinforced the leadership of the foreign investment funds distribution in Portugal in 2011, presenting a market quota of 31,2% (recently released data regarding the third quarter of 2011). On the other hand, there was a change in the type of investment funds more subscribed by the clients where some funds in different currencies than the EUR – like the Nordic ones – increased their demand.

In 2011 Banco Best also introduced in their offer tailor made products, "Best Premium" under Unit Linked products that allow the subscribers to have personalized assistance in the Portfolio Management area.

In what the Portfolio Management Service is concerned, and in an environment of great volatility in the financial markets, a prudent and defensive management seeking to preserve the assets and at the same time have controlled risk assumption has allowed the more conservative profile to have positive profitability.

During 2011 the bank maintained its business areas diversification policy by adding 2 new partnerships to the wholesale business having registered an increase superior to 40% in the investment funds volume of the wholesale clients.

Within a context of great volatility in the financial markets and with a growing feeling of dislike from the national investors side, in 2011 the transactions in the secondary spot market on the national stock exchange registered a decrease of 29% versus the previous year. Thus, in the component of orders received online, market segment in which Banco Best develops its activity, the volumes negotiated registered an annual reduction of 25%. Banco Best's market quota in 2011 in the spot market online segment was slightly above 7%. Nevertheless, in the online derivatives segment, where the activity is based on the partnership model with Saxo Bank, Banco Best reached leadership with a market quota of

26%, an increase in 4% versus last year. While the online derivatives market in Portugal registered an annual decrease of 17% - the first annual reduction of the past 5 years – Banco Best was able to keep the transaction levels high, around 23 billion euro. It is worth referring also that in 2011 Banco Best was awarded with the international "CFDs Champion" award by Saxo Bank.

Concerning debt negotiation, in 2011 the private market continued to show a growing interest for this assets class, especially for 1 to 3 years bonds. Knowing about this market need and the conditions practiced by the competitors, in 2011 Banco Best created a new service that revolutionized the sale and purchase of Bonds by private investors. Through the "BONDS FOR ALL" service the clients have quick and simple online access to the biggest bonds offer in Portugal, being able to negotiate public debt, national corporate debt, as well as bonds issued by international renowned entities. This way Banco Best registered 318 million euro transaction in bonds, an increase of 7% versus the previous year and in counter-cycle against the decrease of 17% in the national market for this segment.

In 2011 Banco Best was a liquidity generator for the banking system. The clients' deposits reached 421 million euro at the end of the year, representing a growth of 19% in an environment of strong competition. The option of deposits with interest payments at the deposit beginning date – Depósito Já! – an innovative product launched in 2010, continued to register great demand being one of the new clients preferred solutions in 2011. Banco Best has also celebrated its 10th anniversary in June with the launch of a special edition of a Term Deposit with monthly and growing payments of interests. Generally the portfolio continued to have short maturities, from 3 to 6 months, giving the clients great flexibility and liquidity to manage their assets portfolio. It is also important to refer the implementation of a new recommendation of the Portuguese Central Bank in November 2011 regarding the maximum remuneration ceilings that the banks can apply, thus allowing a certain stabilization in the fierce competition followed so far.

The granted credit portfolio increased 10% to 107,5 million euro at the end of 2011. The due credit ratio stayed at a restrained level, representing 1,15% of the granted credit. Regarding new products, Best reinforced its offer of collateralized credit by financial assets by launching in the 2nd semester of 2011 a new product of current credit account that complemented the existing offer in terms of Personal Credit and Margin Account. Among the many advantages of this product we can highlight its utilization flexibility, with possibility of reinforcement and redemption any time and through the different access channels.

As for credit cards and means of payment 2011 was a year of significant growth of the number of credit cards available, with an increase of 5 thousand units along the year. The number of active and utilized cards increased significantly, registering a 17% growth.

The number of clients receiving their salaries in an account in Banco Best increased 10% in 2011. This was due to one of the most competitive offers of "salary pack" in the market, as well as to the development of several functionalities and daily current management services, where we can highlight the innovative tool of family budget launched in February. This tool allows our clients to manage their monthly budget in a simple

and intuitive way, online controlling their spending and revenues made through their bank account. It also allows making projections by identifying savings opportunities and/or needs to rebalance their regular expenses.

During 2011 Banco Best kept its policy of business lines diversification showing a growth in the international institutional clients' asset management area. It has a specifically developed set of technological tools and an individualized offer of products and services of operational support. It also counts with several clients of high value, which translated into a volume of assets under custody of 240 million euro and 12.46 euro of granted credit during 2011.

The investments made by Banco Best in 2011 in the IT area allowed, by capitalizing the launch of Banco Best's new website the previous year, the development of the necessary IT tools to strengthen the specific platforms of the wholesale and international business area that will support the international expansion of the bank. This can be materialized through the agreements signed with Saxo Bank, a credit institution with headquarters in Denmark and developing its activity globally, aiming to make available to this institution the utilization of the online distribution platform of asset management products of Banco Best in a white label logic to selected countries and sites.

It's worth highlighting the fact that in December 2011 Banco Best made available to Saxo Bank the first distribution platform in production in order to boost its wealth management activity in the British market, being this offer targeted for self-directed retail clients and composed of a wide set of stocks, ETF's, Investment Funds (national and foreign), Certificates and several Bonds.

Besides the above, 2011 was also a year of consolidation of the B2B partnerships of the investment funds distribution platform, keeping the already existing partnerships with some international financial institutions and extending these to two new financial institutions with relevant presence in the national market in the areas of insurance and asset management.

2011 was a particularly defying year in terms of financial markets due to the permanent uncertainty that characterized the debt crisis evolution in the eurozone. Within this context, the training was mostly directed to commercial internal training (products and operations) and to the training of new employees belonging to the external network (financial agents), an area where there was a strong recruiting dynamism. There were more than 200 hours of training comprising 60 new employees.

Concerning external training Banco Best continued to organize the client oriented conferences, also open to non clients, this way aiming to contribute to a growth of the participants' financial literacy. These conferences approached several subjects of stock market negotiation and investment analysis, as well as other Asset Management products like Bonds and Investment Funds. Best has also developed various initiatives with some external partners in order to provide training for our employees in the areas of English learning, Microsoft Office 2007 and Coaching for the Commercial Directors. In what Certifications are concerned in 2011 we registered the approval of more than 52 employees as Agents and Insurance

Intermediaries in the Portuguese Insurance Institute, after attending a training course promoted by the Portuguese Association of Insurance Companies.

Internally, in 2011 Banco Best provided more than 6,5 thousand hours of training to its employees, a superior number of hours than that of 2010.

Regarding the financial statements of 2011 we can highlight the significant growth of 19% versus the previous year in the Clients Assets volume. This growth was not only due to the great number of new clients registered in 2011 but also to the clients' tendency of increasing the percentage of their financial assets allocated in Term Deposits. On the other hand, and regarding Net Assets, the clients' granted credit reached a volume of 107,5 million euro, a 10% growth versus 2010. This way, in terms of the transformation of credits into deposits ratio there is an improvement of 27,6% to 25,5% between the end of 2010 and December 2011, although this ratio is below the banking sector average.

Still within the Net Assets component the bank significantly reduced the volume of Bonds on B/S in about 70%, by contrast of the increase of other components with more liquidity, mainly Deposits in other credit institutions. Thus, the Net Assets increased around 7% versus the previous year, registering a volume of 493 million euro in December 2011.

The evolution of the market interest rates in 2011, at first with an increase tendency followed by a decrease in a second phase, together with an interest margin reduction in the passive operations systematically pushed by the strong competition in the home market through clients deposits winning, had a direct impact on the paid interests cost significant increase. Nevertheless, the growth of the received interests, made possible by a wise policy of allocation of the bank's cash resources, allowed the Financial Margin value to close the year at similar levels as in 2010.

As for BEST's investment portfolio management activity, together with the foreign exchange results within a context of higher exchange volatility of the euro against the US dollar and considering some other gross profits, resulted in a net income value of around 17% below the previous year. This decrease was in part compensated by 12,5% growth in the net value of commissions received and paid, for which also contributed the results of the wholesale and international businesses in the specific areas of specialized services supplied to international institutional clients. This positive evolution of the net commissions allowed that the Banking Income reached 26 million euro in 2011, although it is still 4% less than the previous year. The referred decrease was mainly due to mandatory registration of the contribution demanded by the Investors Compensation Scheme at the end of 2011, triggered by the BPP case.

The operations costs cut was possible through employees cost reduction of 2% and also through some important cuts in the other operational costs, representing a reduction of 0,3 million euro versus the previous year. The number of depreciations/amortizations performed during the year fell to 0,8 million euro, a 35% reduction versus the previous year.

As for credit provisions in 2011, and taking in consideration the adequate level of coverage of the granted credit, it was registered a level of provisions replacement that surpasses the value of the reinforcements. This and the decrease of the provisions by impairment of other assets versus last year led to a significant reduction of the set of provision related items in the income account.

In 2011 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 considerably reinforced, increasing from 13,3% in December 2010 to 16,5% at the end of 2011, higher than the legally required minimum values.

Though Banco Best kept using in 2011 the deductions due to tax losses from previous years resulting from the initial investment period and the activity kick off of the bank, the value of the provision for taxes on profits, including the special contribution for the banking sector, reached 0,3 million euro representing a growth of about 6% versus the previous year.

The Net Profit of Banco Best in 2011 was of 7 million euro representing a growth of 21% versus the previous year.

III – Shareholders and Corporate Bodies

In 2011 the Shareholders of Banco Best suffered no changes, being:

Accionistas	Nº de acções	%
Espírito Santo Tech Ventures, SGPS, SA	21 398 220	33.96543%
Banco Espírito Santo, SA	20 181 680	32.03441%
Saxo Bank A/S	15 750 000	25.00000%
Espírito Santo Financial Group, SA	5 670 000	9.00000%
Banco Espírito Santo de Investimento, SA	100	0.00016%
Total	**63 000 000**	**100.00000%**

The **Corporate Bodies** for the three-year period 2010-2012 were appointed at BEST's Annual General Meeting held on 26th March 2011. The new shareholder Saxo Bank appointed 2 non-executive members and the Secretary.

BEST Corporate Bodies in 31st December 2011 were as follows:

General Meeting

Rui Manuel Duarte Sousa da Silveira (Chairman)

Henrik Klæbel (Secretary)

Board of Directors

Ricardo Espírito Santo Silva Salgado (Chairman)

Isabel Maria Ferreira Possantes Rodrigues Cascão (Vice-Chairman)

Marília Boavida Correia Cabral (Member)

Pedro Alexandre Lemos Cabral das Neves (Member)

Francisco José Valente Hipólito dos Santos (Member)

Isabel Maria Carvalho de Almeida Bernardino (Member)

Ana Rita Gomes Barosa (Member)

Enrique Finkelstein (Member)

Fiscal Board

José Manuel Macedo Pereira (President)

Luís Manuel Santos Botelho (Member)

Elísio Armando da Cruz Cardoso (Member)

Vogal Suplente: Paulo Alexandre Nunes Nogueira (Alternative Member)

Statutory Auditor

KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A., (Statutory Audit Firm) represented by Fernando Gustavo Duarte Antunes, statutory auditor number 1233. (Permanent)
Jean-Eric Gaign, statutory auditor number 1013 (Alternative)

In the General Meeting held on 28th September 2011 Mr. Stig Pastwa, Executive Member appointed by Saxo Bank, presented his resignation, which was accepted, and Mrs. Karina Deacon was appointed by cooptation to take his place. Before the end of the year Mrs. Karina Deacon presented her resignation.

IV - Relevant Facts

None.

V – Outlook

The macro-economical perspectives for 2012 aim at a modest global economical growth and even some downturn in some regions, mainly in the eurozone. So, it is expected that the inflation rates fall down and that the currency policies global tendency are more expansive. The Portuguese economy will suffer from the effects of the ongoing adjustment program and the deleverage process in several sectors, mainly in the financial one, for which one can expect an increase of unemployment and a GDP contraction.

In light of the current uncertainties of the macro-economical environment and capitalizing on the type of nuclear competencies that have been supporting its progression, Banco Best counts on centralizing the development of its activity in 2012 in the following vectors:

- International and wholesale businesses development, deepening the establishment of the initiative launched in the UK together with Saxo Bank at the end of 2011 and developing the services of Asset Management for institutional clients;
- 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, presently sublimated by the challenges of the macro-economical environment;
- Cross-selling development, mainly through the refinement of the collateralized credit offer, adjusted to the Asset Management and Trading clients wealth and taking advantage of the current transformation of deposits into credits low ratio of around 25,5%;
- Continuous improvement of the distribution of financial, banking and insurance products in a multichannel scope and focusing on maximizing the efficiency and effectiveness of the different distribution channels;

On the other hand, the effort of costs control and cut is to be kept, improving the efficiency levels of the bank within an always defying market environment. The investment and development of the IT platform is to

be maintained in order to support the future development and national and international growth of Banco Best.

VI - Proposal for the allocation of results

As per the Societies Code regulations it is proposed to the Shareholders General Meeting the approval of the net profits totaling 7.058.543,85 Euro (seven million, fifty eight thousand, five hundred and forty three euro and eighty five cents) positive to be allocated as follows:

- 705.854,39 euro for the Legal Reserve
- 6.352.689,47 euro of retained earnings to partially offset former years losses.

VII – Concluding remarks

While concluding its Management Report for 2011, 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 Market 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 Board of the General Meeting, the Audit Board, the Statutory Auditor and the Permanent Secretary for their permanently constructive involvement;
- Mr. Stig Pastwa, Executive Member appointed by Saxo Bank, who presented his resignation in the General Meeting held on 28th September 2011, for his contribution to the development of Banco Best;
- Our Employees for their commitment, motivation, willingness and professional competence.

Lisbon, 1th March 2012

Board of Directors:

Ricardo Espírito Santo Silva Salgado

Isabel Maria Ferreira Possantes Rodrigues Cascão

Isabel Maria Carvalho de Almeida Bernardino

Ana Rita Gomes Barosa

Enrique Finkelstein

Marília Boavida Correia Cabral

Pedro Alexandre Lemos Cabral das Neves

Francisco José Valente Hipólito dos Santos

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

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

INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(in thousands of euro)

	Notes	31.12.2011	31.12.2010
Interest and similar income	5	13 079	8 711
Interest expense and similar charges	5	8 924	4 604
Net interest income		**4 155**	**4 107**
Dividend income		29	29
Fee and commission income	6	14 802	12 796
Fee and commission expenses	6	(4 485)	(3 625)
Net gains from financial assets and financial liabilities at fair value through profit or loss	7	398	976
Net gains from available-for-sale financial assets	8	(49)	232
Net gains from foreign exchange differences	9	11 193	11 724
Net gains from the sale of other financial assets		1 135	-
Other operating income and expense	10	(1 188)	933
Operating income		**25 990**	**27 172**
Staff costs	11	6 387	6 522
General and administrative expenses	12	11 564	11 765
Depreciation and amortisation	22 and 23	776	1 194
Provisions net of reversals	27	(368)	422
Loans impairment net of reversals	19	293	237
Impairment on other financial assets net of reversals	17 and 20	(47)	895
Operating expenses		**18 605**	**21 035**
Profit before income tax		**7 385**	**6 137**
Income tax			
Current tax	28	326	308
Profit for the year		**7 059**	**5 829**
Earnings per share:			
Basic (in euro)	13	0.11	0.09
Diluted (in euro)	13	0.11	0.09

The following notes form an integral part of these financial statements

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(in thousands of euro)

	31.12.2011	31.12.2010
Profit for the year	7 059	5 829
Other comprehensive income for the year, net from taxes		
Changes in fair value, net from taxes	(638)	16
	(638)	16
Total comprehensive income for the year	6 421	5 845

The following notes form an integral part of these financial statements

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

BALANCE SHEET AS AT 31 DECEMBER 2011 AND 2010

(in thousands of euro)

	Notes	31.12.2011	31.12.2010
Assets			
Deposits with banks	14	163 573	49 717
Financial assets held for trading	15	254	582
Other financial assets at fair value through profit or loss	16	-	825
Available-for-sale financial assets	17	67 443	214 452
Loans and advances to banks	18	150 051	80 191
Loans and advances to customers	19	106 841	96 872
Held-to-maturity investments	20	-	14 448
Derivatives for risk management purposes	21	42	78
Property and equipment	22	1 757	2 059
Intangible assets	23	11	361
Current income tax assets		221	212
Other assets	24	3 220	2 480
Total Assets		**493 413**	**462 277**
Liabilities			
Financial liabilities held for trading	15	57	150
Deposits from banks	25	22 426	62 495
Due to customers	26	421 445	354 057
Derivatives for risk management purposes	21	4 747	6 602
Provisions	27	800	1 190
Current income tax liabilities		177	220
Other liabilities	29	3 772	3 995
Total Liabilities		**453 424**	**428 709**
Equity			
Share capital	30	63 000	63 000
Fair value reserve	31	(3 399)	(2 761)
Other reserves and retained earnings	31	(26 671)	(32 500)
Profit for the year		7 059	5 829
Total Equity		**39 989**	**33 568**
Total Equity and Liabilities		**493 413**	**462 277**

The following notes form an integral part of these financial statements

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(in thousands of euro)

	Share Capital	Fair value reserve	Other reserves and retained earnings	Profit for the year	Total Equity
Balance as at 31 December 2009	**63 000**	**(2 777)**	**(37 076)**	**4 576**	**27 723**
Other movements recognised directly in Equity:					
Changes in fair value (see Note 31)	-	16	-	-	16
Profit for the year	-	-	-	5 829	5 829
Total gains and losses recognised in the year	-	16	-	5 829	5 845
Transfer to reserves and retained earnings	-	-	4 576	(4 576)	-
Balance as at 31 December 2010	**63 000**	**(2 761)**	**(32 500)**	**5 829**	**33 568**
Other movements recognised directly in Equity:					
Changes in fair value (see Note 31)	-	(638)	-	-	(638)
Profit for the year	-	-	-	7 059	7 059
Total gains and losses recognised in the year	-	(638)	-	7 059	6 421
Transfer to reserves and retained earnings	-	-	5 829	(5 829)	-
Balance as at 31 December 2011	**63 000**	**(3 399)**	**(26 671)**	**7 059**	**39 989**

The following notes form an integral part of these financial statements

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

CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(in thousands of euro)

	Notes	31.12.2011	31.12.2010
Cash flow from operating activities			
Interest and similar income received		12 602	10 050
Interest expense and similar charges paid		(7 844)	(4 483)
Fees and commission received		14 802	12 796
Fees and commission paid		(4 485)	(3 625)
Cash payments to employees and suppliers		(17 977)	(19 182)
		(2 902)	**(4 444)**
Changes in operating assets and liabilities:			
Acquisitions of financial assets at fair value through profit or loss		235	7 852
Sale of financial assets at fair value through profit or loss		1 223	(7 586)
Loans and advances to banks		(69 649)	(15 850)
Deposits from banks		(41 148)	(32 183)
Loans and advances to customers		(9 870)	(36 884)
Due to customers		66 198	38 907
Derivatives for risk management purposes		(1 819)	(675)
Other operating assets and liabilities		(820)	821
Net cash from operating activities before income tax		**(58 552)**	**(50 042)**
Income taxes paid		(378)	(247)
		(58 930)	**(50 289)**
Net cash from investing activities			
Dividends received		29	29
Acquisition of available-for-sale financial assets		(694)	(159 420)
Sale of available-for-sale financial assets		150 385	221 948
Held to maturity investments		10 808	3 222
Acquisition of tangible and intangible assets		(124)	(107)
		160 404	**65 672**
Net changes in cash and cash equivalents		**101 474**	**15 383**
Cash and cash equivalents at the beginning of the year		42 591	15 483
Effect of exchange rate changes on cash and cash equivalents		11 193	11 725
Net changes in cash and cash equivalents		101 474	15 383
Cash and cash equivalents at the end of the year		**155 258**	**42 591**
Cash and cash equivalents includes:			
Deposits with banks	14	163 573	49 717
Mandatory deposits with Central banks [(a)]		(8 315)	(7 126)
Total		**155 258**	**42 591**

[(a)] BEST mandatory reserves are constituted indirectly through Banco Espírito Santo, S.A (see Note 14)

The following notes form an integral part of these financial statements

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
AS AT 31 DE DEZEMBRO DE 2011

(Amounts expressed in thousands of euro, except when indicated)

NOTE 1 – ACTIVITY

BEST – Banco Electrónico de Serviço Total, S.A. (Bank or BEST) is a commercial bank headquartered in Portugal. The Bank is authorised by the Portuguese authorities, central banks and other regulatory authorities, to operate in Portugal.

BEST was established by public deed on 9 May 2001 with a share capital of euro 32 422 thousands, and began its activity on 25 June that year. In 2002 and 2003 BEST increased its share capital to euro 43 000 thousand and euro 55 000 thousand, respectively (see Note 30). In 2005, there was a new capital increase to euro 61 000 thousand and in 2006 there was an increase to euro 63 000 thousand.

The Bank is dedicated to raising funds from third parties, in the form of deposits or other funds, which, together with their own resources, invests in providing loans, securities and other assets. It also provides other banking services.

In order to combine the dynamism and innovative capacity of BEST and the experience of Banco Espirito Santo SA (BES), it was celebrated a contract in 2001 with BES, to ensure the functioning of the administrative and operational areas of BEST.

Since its establishment, the Bank is part of BES Group, being its financial statements fully consolidated by BES, headquartered in Avenida da Liberdade, n. º 195, Lisbon. Since 2009, BEST is consolidated by Saxo Bank by the equity method.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

NCA are composed by all the standards included in the International Financial Reporting Standards (IFRS) as adopted for use in the EU, with the exception of issues regulated by the Bank of Portugal such as loans impairment and recognition in retained earnings of the adjustments related to pensions during the transition period.

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.

These individual financial statements as at and for the year ended 31 December 2011 were prepared in accordance with Adjusted Accounting Standards (NCA), which includes the IFRS adopted for use in the EU until 31 December 2011. The accounting policies applied by the Bank in the preparation of these financial statements as at 31 December 2011 are consistent with the ones used in the preparation of the annual financial statements as at and for the year ended 31 December 2010.

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

The preparation of financial statements in conformity with NCA requires the application of judgment and the use of estimates and assumptions by management that affects the process of applying the Bank's accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results in the future may differ from those reported. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

2.2. Foreign currency translation

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at the foreign exchange rates ruling at the dates the fair value was determined. The resulting 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, within the fair value reserve.

2.3. Derivative financial instruments and hedge accounting

Classification

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

All other derivatives are classified as trading derivatives.

Recognition and measurement

Derivatives are initially recognised at fair value on the date on which a 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 of the derivatives designated as hedging instruments depends on the nature of the risk being hedged and of the hedge model used.

Fair values are obtained from quoted market prices, in 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 met:

(i) At the inception of the hedge, the hedge 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 book 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 that are attributable to the risks being hedged. Changes in the fair value of the derivatives that are 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 risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and the hedge accounting is discontinued prospectively. The cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement over the period to maturity.

- Cash flow hedge

When a derivative financial instrument is designated as a hedge of the variability in highly probable future cash flows, the effective portion of changes in the fair value of the hedging derivatives is recognised in equity. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement. The gain or loss relating to the ineffective portion is recognised immediately 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 equity at that time is recognised in 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 reported in equity is recognised immediately in the income statement and the hedging instrument is reclassified for the trading portfolio.

During the years covered by these financial statements the Bank did not have any transactions classified as cash flow hedge.

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 changes in fair value 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. Loans and advances to customers are recognised when cash is advanced to borrowers.

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

Loans and advances to customers are initially recorded at fair value plus transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, less impairment losses.

In accordance with the documented strategy for risk management, the Bank contracts derivative financial instruments to manage certain risks of a portion of the loan portfolio, without applying, however the provisions of hedge accounting as mentioned in Note 2.3. These loans are measured at fair value through profit or loss, in order to eliminate a measurement inconsistency resulting from measuring loans and derivatives for risk management purposes on different basis (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, as described in Note 2.5.

Impairment

The Bank assesses, at each balance sheet date, whether there is objective evidence of impairment within 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 individually for each loan. In this 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 capability to trade successfully and to generate sufficient cash flow to service their debt obligations;
- the extent of other creditors' commitments ranking ahead of the Bank;
- the existence, nature and estimated realisable value of collaterals;
- the exposure of the customer within the financial sector;
- the amount and timing of expected recoveries.

When loans have been individually assessed and no evidence of loss has been identified, these loans are grouped together on the basis of similar credit risk characteristics for the purpose of evaluating the impairment on a portfolio basis (collective assessment). Loans that are assessed individually and found to be impaired are not included in a collective assessment for impairment.

If an impairment loss is identified on an individual basis, the amount of the impairment loss to be recognised is calculated as the difference between the book value of the loan and the present value of the expected future cash flows (considering the recovery period), discounted at the original effective interest rate. The carrying amount of impaired loans is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract rules.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics, taking in consideration the Bank's credit risk management process. Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Bank historical loss experience. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank with the purpose of reducing any differences between loss estimates and actual loss experience.

According to NCA, loans value should be adjusted on prudent and righteousness criteria in order to reflect at all time its realisable value. This impairment adjustment must be equal or greater than the determined under the regulation no. 3/95, from the Bank of Portugal, which establishes the minimum reference values for generic and specific provisions.

When a loan is considered by the Bank as uncollectible and an impairment loss of 100% was recognised, it is written off against the related allowance for loan impairment.

2.5. Other financial assets

Classification

The Bank classifies its other financial assets at initial recognition in 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 principally for the purpose of selling in the short term or that are owned as part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual 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 economical basis), in order to eliminate an accounting mismatch; or
- Such financial assets contain an embedded derivative.

Note 15 includes a summary of the assets and liabilities that were classified at fair value trough profit or loss at inception.

The structured products acquired by BEST corresponding to financial instruments containing one or more embedded derivatives meet either of the above mentioned conditions, and, in accordance, are classified under the fair value trough profit or loss category.

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold until its 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) intended to be held for an indefinite period of time, (ii) designated as available-for-sale at initial recognition or (iii) that are not classified in the other categories referred to above.

Initial recognition, measurement and derecognition

Purchases 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 trade-date – the date on which the Bank commits to purchase or sell the asset.

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

Financial assets are derecognised when (i) the contractual rights to receive their cash flows have expired, (ii) the Bank has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of 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 included in the income statement in the period in which they arise.

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 equity, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Foreign exchange differences arising from equity investments classified as available-for-sale are also recognised in equity, while foreign exchange differences arising from

debt investments 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 quoted investments in active markets are based on current bid prices. For unlisted securities the Bank establishes fair value by using (i) valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis and option pricing models 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 until 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 until maturity, based on the effective interest rate method. The fair value reserve at the date of the reclassification is also recognised in the income statement, based on the effective interest rate method.

Impairment

In accordance with NCA, the Bank assesses periodically 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 impairment losses are recognised through the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) for equity securities,

a significant or prolonged decline in the fair value of the security below its 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 amount and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate. The carrying amount of the impaired assets is reduced through the use of an allowance account. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective

interest rate determined under the 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 cumulative loss recognised in equity – measured as the difference between the acquisition cost and the current fair value, less 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 if the increase is objectively related to an event occurring after the impairment loss was recognised, except in relation to equity instruments, in which case the reversal is recognised in equity.

2.6. Sale and repurchase agreements

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

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

Securities lent under lending agreements are not derecognised 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, independently from its legal form.

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

The 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 economical basis), in order to eliminate an accounting mismatch; or
- Such financial liabilities contain embedded derivatives.

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

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 realise the asset and settle the liability 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, independently from its legal form, being a contract that 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 related 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 to equity as dividends, when declared.

2.10. Property and equipment

Property and equipment are measured cost less accumulated depreciation and impairment losses. The value includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount 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 repairs and maintenance are charged to the income statement during the year in which they are incurred.

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

	Number of years
Buildings	35 to 50
Improvements in leasehold property	10
Computer equipment	4 to 5
Furniture	4 to 10
Fixtures	5 to 12
Security equipment	4 to 10
Office equipment	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 estimated and an impairment loss recognised when the net book 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 continuing use and ultimate disposal of the asset.

2.11. Intangible assets

The costs incurred with the acquisition, production and development of software are capitalised, as well as the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis during their expected useful lives, which is usually between three to six years.

Costs that are directly associated with the development of identifiable specific software applications 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.

2.12. Leases

The Bank classifies its lease agreements 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 under operating leases are charged to the income statement in the period to which they relate.

Finance leases

- As lessee

Finance lease contracts are recorded at inception date, both under assets and liabilities, at the cost of the asset leased, which is equal to the present value of 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 liability for each period.

- As lessor

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

Interest included in instalments charged to customers is recorded as interest income, while repayments of principal, also included in the instalments, is 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.

2.13. Employee benefits

Variable remuneration payment plan (PPRV)

BES and its subsidiaries established a benefits payment scheme - Variable remuneration payment plan (PPRV – 2008/2011), that ended in the first semester of 2011.

Under this incentive scheme, employees of the Bank had the right to a future cash payment, corresponding to the appreciation of BES shares above a pre-established price (strike price). In order to receive this payment, the employees had to remain in the Bank for a minimum period of three years.

This variable remuneration payment plan was within the scope of IFRS 2 – Share based payments and corresponded to a cash settlement share based payment. The fair value of this benefit plan at inception, determined at its grant date, was taken to the income statement as staff costs over a period of three years. The recognised liability under the plan was re-measured at each balance sheet date, being the fair value changes recognised in the income statement under the caption net gains from financial assets at fair value through profit or loss.

Bonus to employee and to the Board of Directors

In accordance with IAS 19 – Employee benefits, the bonus payment to employees and, eventually, to the Board of Directors are recognised in the income statement in the year to which they relate.

2.14. Income tax

Income tax for the period comprises current tax 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 fair value re-measurement of available-for-sale financial assets and cash flow hedges is subsequently recognised in the income statement when 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 year, calculated using tax rates enacted or substantively enacted at the balance sheet date at each jurisdiction.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, and is calculated using the tax rates enacted or substantively enacted at the balance sheet date in any jurisdiction and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

2.15. Provisions

Provisions are recognised when: (i) the Bank has present legal or constructive obligation, (ii) it is probable that 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 its obligation under the contract. The 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 with the contract.

2.16. 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 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 arising from non-derivative financial assets and liabilities at fair value through profit or loss is 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 through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial 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 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 premiums or discounts. In the case of financial assets or groups of similar financial assets for which an impairment loss was recognised, interest income is calculated using the interest rate used to measure the impairment loss.

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

2.17. Fee and commission income

Fees and commissions are recognised as follows:

- Fees and commissions that are earned on the execution of a significant act, as loan syndication fees, are recognised as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognised as income in the period the services 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.

2.18. Dividend income

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

2.19. Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, 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 conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

2.20. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the inception date, including cash and deposits with banks.

Cash and cash equivalents exclude restricted balances with central banks (which are made through Banco Espírito Santo, S.A.).

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

NCA set forth a range of accounting treatments and require management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Bank's reported results and related disclosure. A broader description of the accounting policies employed by the Bank is shown in Note 2 to the Financial Statements.

Because in many cases there are other alternatives to the accounting treatment chosen by management, the Bank's reported results would differ if a different treatment were chosen. Management believes that the choices made by it are appropriate and that the financial statements present the Bank's financial position and results fairly in all material respects.

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 the fair value below its cost or when it has identified an event with impact on the estimated future cash flows of the assets. This determination requires judgement based on all available relevant information, including the normal volatility of the financial instruments prices. Considering the high volatility of the markets, the Bank has considered the following parameters when assessing the existence of impairment losses:

(i) Equity securities: declines in market value above 30% in relation to the acquisition cost or market value below the acquisition cost for a period longer than twelve-months;

(ii) Debt securities: objective evidence of events that have an impact on the estimated future cash flows of these assets.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgement in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of the Bank.

3.2. Fair value of derivatives

Fair values are based on listed market prices if available; otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the

underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating fair values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model may have produced different financial results from the ones reported.

3.3. Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a regular basis, as described in Note 2.4, in accordance with the minimum reference values for generic and specific provisions, determined under the regulation no. 3/95, from the Bank of Portugal.

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The frequency of default, risk ratings, loss recovery rates and the estimation of both the amount and timing of future cash flows, among other factors, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the income statement of the Bank.

3.4 Held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement.

In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value instead of amortised cost.

Held-to-maturity investments are subject to impairment tests made by the Bank. The use of different assumptions and estimates could have an impact on the income statement of the Bank.

3.5. Income taxes

Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

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

The Tax Authorities are entitled to review the Bank' determination of annual taxable earnings, for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Board of Directors of the Bank, and those of its subsidiaries, are confident that there will be no material tax assessments within the context of the financial statements.

NOTE 4 – SEGMENT REPORTING

Considering that the Bank does not hold equity securities or debt securities publicly traded, in accordance with the paragraph 2 of the IFRS 8 - Operating Segments, the Bank does not provide information on the segments.

NOTE 5 – NET INTEREST INCOME

This balance is analysed as follows:

(in thousands of euro)

	31.12.2011			31.12.2010		
	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	4 766	-	4 766	4 878	-	4 878
Interest from deposits with banks	4 224	-	4 224	643	-	643
Interest from loans and advances	3 804	-	3 804	2 399	-	2 399
Interest from financial assets at fair value through profit or loss	-	26	26	-	53	53
Interest from derivatives for risk management purposes	-	101	101	-	529	529
Interest from held-to-maturity financial assets	158	-	158	209	-	209
	12 952	127	13 079	8 129	582	8 711
Interest expense and similar charges						
Interest from amounts due to customers	7 156	225	7 381	3 403	27	3 430
Interest from deposits from central banks and other banks	482	-	482	606	-	606
Interest from derivatives for risk management purposes	-	1 061	1 061	-	568	568
	7 638	1 286	8 924	4 009	595	4 604
	5 314	**(1 159)**	**4 155**	**4 120**	**(13)**	**4 107**

Interest from derivatives for risk management purposes includes, in accordance with the accounting policy described in Notes 2.3, interests from hedging derivatives and from derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss in accordance with the accounting policy described in Notes 2.4, 2.5 and 2.7.

NOTE 6 – NET FEE AND COMMISSION INCOME

This balance is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Fee and commission income		
From banking services	8 310	8 239
From transactions with securities	5 327	2 976
From commitments assumed to third parties	9	-
Other fee and commission income	1 156	1 581
	14 802	**12 796**
Fee and commission expenses		
From transactions with securities	463	744
From banking services rendered by third parties	779	848
Other fee and commission expenses	3 243	2 033
	4 485	**3 625**
	10 317	**9 171**

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

This balance is analysed as follows:

(in thousands of euro)

	31.12.2011			31.12.2010		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Derivative financial instruments						
Exchange rate contracts	258	485	(227)	1 221	924	297
Interest rate contracts	13	88	(75)	73	82	(9)
Equity/Index contracts	18 899	15 752	3 147	12 663	11 780	883
Other	37	-	37	-	-	-
	19 207	**16 325**	**2 882**	**13 957**	**12 786**	**1 171**
Financial assets and liabilities at fair value through profit and loss						
Securities						
Bonds and other fixed income securities						
Issued by other entities	-	22	(22)	735	13	722
Financial liabilities [1]						
Due to customers	464	2 926	(2 462)	4 203	5 120	(917)
	464	**2 948**	**(2 484)**	**4 938**	**5 133**	**(195)**
	19 671	**19 273**	**398**	**18 895**	**17 919**	**976**

[1] Includes the fair value change of hedged of assets and liabilities at *fair value option*

NOTE 8 – NET GAINS FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

This balance is analysed as follows:

(in thousands of euro)

	31.12.2011			31.12.2010		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities Issued by other entities	-	47	(47)	295	63	232
Shares	-	2	(2)	-	-	-
	-	**49**	**(49)**	**295**	**63**	**232**

NOTE 9 – NET GAINS FROM FOREIGN EXCHANGE DIFFERENCES

This balance is analysed as follows:

(in thousands of euro)

	31.12.2011			31.12.2010		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange translation	14 665	3 472	11 193	16 702	4 978	11 724
	14 665	**3 472**	**11 193**	**16 702**	**4 978**	**11 724**

This balance includes the exchange differences arising on translating monetary assets and liabilities at the 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 EXPENSES

This balance is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Other operating income	**573**	**1 796**
Other operating expenses		
Direct and indirect taxes	135	67
Contributions to the Deposits Guarantee Fund	71	102
Membership and donations	-	2
Other	1 555	692
	1 761	**863**
	(1 188)	**933**

Direct and indirect taxes include an amount of euro 76.0 thousands relating to the cost associated with the introduction of a Banking levy, created by Law No. 55-A/2010 of 31 December (see Note 28).

In December 2011, this balance includes a cost in the amount of euro 478.0 thousands related with the Investors Compensations Scheme.

NOTE 11 – STAFF COSTS

This balance is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Wages and salaries	5 170	5 363
Mandatory social charges	1 069	1 060
Other costs	148	99
	6 387	**6 522**

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

(in thousands of euro)

	31.12.2011	31.12.2010
Board of Directors		
Salaries and other short-term benefits	262	262
Pension costs	33	34
Bonus	36	81
	331	**377**
Fiscal Board	10	5
	341	**382**

As at 31 December 2011, loans granted to the Board of Directors of the Bank amounted to euro 5 thousand (31 December 2010: euro 5 thousand).

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

	31.12.2011	31.12.2010
Senior management	26	19
Specific functions	117	117
Administrative functions	28	25
	171	**161**

NOTE 12 – GENERAL AND ADMINISTRATIVE EXPENSES

This balance is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Advertising costs	2 095	2 490
Communication costs	1 132	1 101
Rental costs	1 438	1 435
Travelling and representation costs	244	335
Consumables	70	62
Water, energy and fuel	159	144
Transportation	18	20
Insurance costs	44	191
Maintenance and related services	40	41
Training	65	33
IT services	2 898	2 621
Legal costs	18	226
Temporary work	71	53
Electronic payment systems	103	124
Security Services	4	3
Independent work	74	58
Call Center	956	895
Transfer of other resources	1 612	1 258
Other costs	523	675
	11 564	**11 765**

The outstanding lease instalments related to the non-cancellable operational leasing contracts were as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Up to 1 year	275	226
1 to 5 years	377	116
	652	**342**

The fees invoiced during the years 2011 and 2010 by the statutory auditors are presented as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Audit service fees	16	16
Other assurance services arising from the external audit funcion	37	23
Total amount of invoiced services	**53**	**39**

NOTE 13 – EARNINGS PER SHARES

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

(in thousands of euro)

	31.12.2011	31.12.2010
Profit attributable to the equity holders of the Bank	7 059	5 829
Weighted average number of ordinary shares outstanding (thousands)	63 000	63 000
Basic earnings per share attributable to the equity holders of the Bank (in euros)	**0.11**	**0.09**

Diluted earnings per share

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

The diluted earnings per share are not different from the basic earnings per share as the outstanding plans of SIBA do not have a dilutive effect.

NOTE 14 – DEPOSITS WITH BANKS

As at 31 December 2011 and 2010, this balance is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Deposits with banks in Portugal		
Repayable on demand	136 871	49 539
Uncollected cheques	144	178
	137 015	**49 717**
Deposits with banks abroad		
Other deposits	26 558	-
	26 558	**-**
	163 573	**49 717**

In accordance with article 10 of Regulation no 2818/98 of the European Central Bank and through the circular letter with reference no 204/DMRCF/DMC of 5 June 2001, the Bank of Portugal authorized BEST to constitute the mandatory reserves indirectly through Banco Espírito Santo, S.A. Monthly BEST settles through a deposit account in BES the amount concerning to the mandatory reserves to be constituted. As at 31 December 2011, deposits at Central Banks amounted to euro 8 315 thousand (31 December 2010: euro 7 126 thousand) and have earned interest at an average rate of 1.25% (31 December 2010: 1.00%).

Uncollected cheques in Portugal and abroad were sent for collection during the first working days following the reference dates.

NOTE 15 – FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

As at 31 December 2011 and 2010, this balance is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Financial assets held for trading		
Derivative financial instruments with positive fair value	254	582
Financial liabilities held for trading		
Derivatives financial instruments with negative fair value	57	150

As at 31 December 2011 and 2010, derivative financial instruments can be analysed as follows:

(in thousands of euro)

	31.12.2011			31.12.2010		
	Notional	Fair value		Notional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
Forward						
- buy	6 117	250	57	24 427	428	8
- sell	5 925			24 008		
	12 042	250	57	48 435	428	8
Interest rate contracts						
Interest Rate Swaps	2 200	4	-	2 200	13	-
Equity / Index contracts						
Equity / Index Options	-	-	-	528	141	142
TOTAL	**14 242**	**254**	**57**	**51 163**	**582**	**150**

As at 31 December 2011 and 2010, the analysis of trading derivatives by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2011		31.12.2010	
	Notional	Fair value	Notional	Fair value
Up to 3 months	12 042	193	48 262	410
3 to 12 months	2 200	4	701	9
1 to 5 years	-	-	2 200	13
	14 242	**197**	**51 163**	**432**

NOTE 16 – OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This balance is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Bonds and other fixed income securities		
Issued by other entities	-	825
	-	**825**

In light of IAS 39 and in accordance with the accounting policy described in Note 2.5, the Bank designated these financial assets as at fair value through profit or loss, in accordance with the documented risk management and investment strategy, considering that these financial assets (i) are managed and evaluated on a fair value basis and/or (ii) have embedded derivatives.

As at 31 December 2011 and 2010, the analysis of the financial assets at fair value through profit or loss by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
3 to 12 months	-	825
	-	**825**

Securities comprising the portfolio of financial assets at fair value through profit or loss are unquoted.

NOTE 17 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2011 and 2010, this balance is analysed as follows:

(in thousands of euro)

	Cost [1]	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Bonds and other fixed income securities					
Issued by government and public entities	1 164	-	(287)	-	877
Issued by other entities	69 129	4	(3 116)	-	66 017
Shares	549	-	-	-	549
Other variable income securities	167	-	-	(167)	-
Balance as at 31 December 2011	**71 009**	**4**	**(3 403)**	**(167)**	**67 443**
Bonds and other fixed income securities					
Issued by government and public entities	1 027	-	(51)	-	976
Issued by other entities	215 107	-	(2 183)	-	212 924
Shares	552	-	-	-	552
Other variable income securities	167	-	-	(167)	-
Balance as at 31 December 2010	**216 853**	**-**	**(2 234)**	**(167)**	**214 452**

[1] Acquisition cost relating to shares and other variable income securities and amortised cost relating to debt securities.

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

The balance available-for-sale financial assets includes euro 1 073 thousand (31 December 2010: euro 876 thousand) of securities pledged as collateral by the Bank. The details are analysed in Note 32.

During the years 2011 and 2010 no changes occurred in impairment losses of available-for-sale financial assets.

As at 31 December 2011 and 2010, the analysis of available-for-sale assets by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Up to 3 months	657	754
3 to 12 months	-	55 011
1 to 5 years	60 590	155 328
More than 5 years	5 647	2 807
Undetermined	549	552
	67 443	**214 452**

The analysis of the available-for-sale financial assets, by quoted and unquoted securities, is presented as follows:

(in thousands of euro)

	31.12.2011			31.12.2010		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed income securities						
Issued by government and public entities	877	-	877	976	-	976
Issued by other entities	4 258	61 759	66 017	2 765	210 159	212 924
Shares	-	549	549	3	549	552
	5 135	**62 308**	**67 443**	**3 744**	**210 708**	**214 452**

NOTE 18 – LOANS AND ADVANCES TO BANKS

As at 31 December 2011 and 2010, this balance is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Loans and advances to banks in Portugal		
Repayable on demand	140 288	32 277
Loans	-	6
	140 288	**32 283**
Loans and advances to banks abroad		
Loans	9 763	24 127
Other loans and advances	-	23 781
	9 763	**47 908**
	150 051	**80 191**

The main loans and advances to banks in Portugal, as at 31 December 2011, bear interest at an average annual interest rate of 1.09% (31 December 2010: 0.76%).

As at 31 December 2011 and 2010, the analysis of loans and advances to banks by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Up to 3 months	147 815	53 996
3 to 12 months	-	23 968
1 to 5 years	2 236	2 206
Undetermined	-	21
	150 051	**80 191**

NOTE 19 – LOANS AND ADVANCES TO CUSTOMERS

As at 31 December 2011 and 2010, this balance is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Domestic loans		
Corporate		
Commercial lines of credit	39 532	33 372
Retail		
Consumer and other loans	60 270	59 517
	99 802	**92 889**
Foreign loans		
Retail		
Consumer and other loans	6 507	4 089
	6 507	**4 089**
Overdue loans and interest		
Up to 3 months	379	61
3 to 12 months	580	158
1 to 3 years	186	343
More than 3 years	91	238
	1 236	**800**
	107 545	**97 778**
Impairment losses	**(704)**	**(906)**
	106 841	**96 872**

As at 31 December 2011 and 2010, the analysis of loans and advances to customers by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Up to 3 months	19 349	6 727
3 to 12 months	61 161	69 308
1 to 5 years	22 541	13 219
More than 5 years	3 258	7 724
Undetermined	1 236	800
	107 545	**97 778**

The changes occurred in impairment losses of loans and advances to customers are presented as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Balance at the beginning of the year	906	682
Charge for the year	864	419
Charge off	(495)	(13)
Write back for the year	(571)	(182)
Balance at the end of the year	**704**	**906**

Additionally, as at 31 December 2011, the Bank has a provision for general banking risks in the amount of euro 679 thousand (31 December 2010: euro 1 035 thousand), which in accordance to NCA is presented as a liability (see Note 27).

All loans and advances to customers granted by the Bank have a variable interest rate.

NOTE 20 – HELD-TO-MATURITY INVESTMENTS

The held-to-maturity investments, can be analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Bonds and other fixed income securities		
Issued by other entities	-	15 697
Impairment losses	-	(1 249)
	-	**14 448**

As at 31 December 2011 and 2010, the analysis of held-to-maturity investments by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Up to 3 months	-	3 028
3 to 12 months	-	7 346
1 to 5 years	-	-
More than 5 years	-	4 074
	-	**14 448**

The analysis of the held-to-maturity investments by quoted and unquoted securities, is presented as follows:

(in thousands of euro)

	31.12.2011			31.12.2010		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed income securities						
Issued by other entities	-	-	-	14 000	448	14 448
	-	**-**	**-**	**14 000**	**448**	**14 448**

The changes occurred in impairment losses of held-to-maturity investments are presented as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Balance at the beginning of the year	**1 249**	**354**
Charge for the year	2	1 815
Write back for the year	(1 203)	-
Charge off	(49)	(920)
Exchange differences and other	1	-
Balance at the end of the year	**-**	**1 249**

NOTE 21 – DERIVATIVES FOR RISK MANAGEMENT PURPOSES

As at 31 December 2011 and 2010, the fair value of the derivatives for risk management purposes can be analysed as follows:

(in thousands of euro)

	31.12.2011			31.12.2010		
	Hedging	Risk management	Total	Hedging	Risk management	Total
Derivatives for risk management purposes						
Derivatives for risk management purposes - Assets	-	42	42	-	78	78
Derivatives for risk management purposes - Liabilities	(36)	(4 711)	(4 747)	-	(6 602)	(6 602)
	(36)	**(4 669)**	**(4 705)**	**-**	**(6 524)**	**(6 524)**
Fair value component of assets and liabilities being hedged						
Financial assets						
Loans and advances to customers	37	-	37	-	-	-
	37	**-**	**37**	**-**	**-**	**-**
Financial liabilities						
Due to customers	-	3 920	3 920	-	6 383	6 383
	-	**3 920**	**3 920**	**-**	**6 383**	**6 383**
	37	**3 920**	**3 957**	**-**	**6 383**	**6 383**

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

At 31 December 2011 the fair value hedging operations do not present ineffectiveness.

Hedging derivatives

As at 31 December 2011, the fair value hedge relationships present the following features:

(in thousands of euro)

31.12.2011							
Derivative	Hedged Item	Hedged risk	Nocional	Fair value of derivative [2]	Changes in the fair value of the derivative in the year	Fair value component of the hedged item [1]	Changes in the fair value of the hedged item in the year [1]
Interest Rate Swap	Loans and advances to customers	Interest rate	666	(36)	(37)	37	37
			666	**(36)**	**(37)**	**37**	**37**

[1] Attibutable to the hedged risk
[2] Includes accrued interest

Other derivatives for risk management purposes

Other derivatives for risk management purposes includes derivatives held to hedge assets and liabilities at fair value through profit and loss in accordance with the accounting policies described in Note 2.3 and that the Bank did not classified as hedging derivatives. Book value of assets and liabilities at fair value through profit and loss can be analysed as follows:

(in thousands of euro)

		31.12.2011						
		Derivative			Assets/liabilities associated			
Derivative	Financial assets/liabilities economically hedges	Notional	Fair Value	Changes in the fair value during the year	Fair Value	Changes in the fair value during the year	Book Value	Reimbursement amount at maturity date
	Liabilities							
Interest Rate Swap	Due to customers	1 350	37	(38)	(7)	37	298	292
Index Swap	Due to customers	9 817	(4 706)	3 147	3 927	(2 499)	4 330	8 257
		11 167	**(4 669)**	**3 109**	**3 920**	**(2 462)**	**4 628**	**8 549**

(in thousands of euro)

		31.12.2010						
		Derivative			Assets/liabilities associated			
Derivative	Financial assets/liabilities economically hedges	Notional	Fair Value	Changes in the fair value during the year	Fair Value	Changes in the fair value during the year	Book Value	Reimbursement amount at maturity date
	Liabilities							
Interest Rate Swap	Due to customers	1 350	75	(9)	(17)	2	339	322
Index Swap	Due to customers	13 893	(6 599)	882	6 400	(919)	3 813	10 213
		15 243	**(6 524)**	**873**	**6 383**	**(917)**	**4 152**	**10 535**

As at 31 December 2011 and 2010, the analysis of fair value hedge transactions by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2011		31.12.2010	
	Notional	Fair value	Notional	Fair value
Up to 3 months	9 817	(4 706)	2 800	(816)
3 to 12 months	1 350	37	-	-
1 to 5 years	666	(36)	12 443	(5 708)
	11 833	**(4 705)**	**15 243**	**(6 524)**

NOTE 22 – PROPERTY AND EQUIPMENT

As at 31 December 2011 and 2010 this balance is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Property		
Improvements in leasehold property	1 235	1 206
	1 235	**1 206**
Equipments		
Computer equipment	1 296	1 218
Furniture and office equipments	1 306	1 288
Motor vehicles	107	107
Fixtures	503	497
Security equipment	56	54
Other	1	1
	3 269	**3 165**
Work in progress	**4**	**20**
	4 508	**4 391**
Accumulated depreciation	(2 751)	(2 332)
	1 757	**2 059**

The movement in this balance was as follows:

(in thousands of euro)

	Property	Equipment	Work in progress	Total
Acquisition cost				
Balance as at 31 December 2009	**867**	**2 799**	**629**	**4 295**
Acquisitions	-	75	21	96
Transfers	339	291	(630)	-
Balance as at 31 December 2010	**1 206**	**3 165**	**20**	**4 391**
Acquisitions	-	84	33	117
Transfers	29	20	(49)	-
Balance as at 31 December 2011	**1 235**	**3 269**	**4**	**4 508**
Depreciation				
Balance as at 31 December 2009	**277**	**1 630**	**-**	**1 907**
Depreciation of the year	118	307	-	425
Balance as at 31 December 2010	**395**	**1 937**	**-**	**2 332**
Depreciation of the year	121	299	-	420
Other movements	-	(1)	-	(1)
Balance as at 31 December 2011	**516**	**2 235**	**-**	**2 751**
Net amount as at 31 December 2011	**719**	**1 034**	**4**	**1 757**
Net amount as at 31 December 2010	**811**	**1 228**	**20**	**2 059**

NOTE 23 – INTANGIBLE ASSETS

As at 31 December 2011 and 2010 this balance is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Acquired to third parties		
Software	11 103	11 097
Accumulated amortisation	(11 092)	(10 736)
	11	361

The movement in this balance was as follows:

(in thousands of euro)

	Software	Other	Total
Acquisition cost			
Balance as at 31 December 2009	11 086	-	11 086
Acquisitions:			
Acquired from third parties	11	-	11
Balance as at 31 December 2010	11 097	-	11 097
Acquisitions:			
Acquired from third parties	6	-	6
Balance as at 31 December 2011	11 103	-	11 103
Amortisations			
Balance as at 31 December 2009	9 967	-	9 967
Amortisations of the year	769	-	769
Balance as at 31 December 2010	10 736	-	10 736
Amortisations of the year	356	-	356
Balance as at 31 December 2011	11 092	-	11 092
Net amount as at 31 December 2011	11	-	11
Net amount as at 31 December 2010	361	-	361

NOTE 24 – OTHER ASSETS

As at 31 December 2011 and 2010, the balance other assets is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Debtors and other deposits	1 248	1 022
Other assets	14	14
Income	947	1 189
Deferred costs	1 011	255
	3 220	**2 480**

NOTE 25 – DEPOSITS FROM BANKS

The balance deposits from banks is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Domestic		
Deposits with banks in Portugal	12 303	53 899
Loans		
Repurchase agreements	2 954	2 952
Other funds	3 685	-
	18 942	**56 851**
International		
Deposits	3 484	5 644
	3 484	**5 644**
	22 426	**62 495**

As at 31 December 2011 and 2010, the analysis of deposits from banks by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Up to 3 months	15 875	35 582
3 to 12 months	6 551	23 968
1 to 5 years	-	2 945
	22 426	**62 495**

NOTE 26 – DUE TO CUSTOMERS

The balance due to customers is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Repayable on demand	149 851	205 954
Time deposits	267 085	144 167
Savings accounts	3 502	2 778
Other funds	1 007	1 158
	421 445	**354 057**

As at 31 December 2011 and 2010, the analysis of the amounts due to customers by the period to maturity is as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Repayable on demand	**149 851**	**205 954**
With agreed maturity		
Up to 3 months	205 356	117 617
3 to 12 months	63 955	29 460
1 to 5 years	223	1 026
More than 5 years	2 060	-
	271 594	**148 103**
	421 445	**354 057**

This balance includes the amount of euro 4 628 thousand (31 December 2010: euro 4 152 thousand) of deposits recognised in the balance sheet at fair value through profit or loss (see Note 21).

NOTE 27 – PROVISIONS

As at 31 December 2011, the balance of Provisions includes General banking risk provisions in the amount of euro 679 thousand (31 December 2010: euro 1 035 thousand) and other provisions in the amount of euro 121 thousand. The balance of provisions presents the following movements:

(in thousands of euro)

	Restructuring provision	Other provisions	Total
Balance as at 31 December 2009	**614**	**155**	**769**
Charge for the year / (Charge-off)	422	-	422
Other movements	(1)	-	(1)
Saldo a 31 de Dezembro de 2010	**1 035**	**155**	**1 190**
Charge for the year / (Charge-off)	(356)	(12)	(368)
Charge off	-	(22)	(22)
Saldo a 31 de Dezembro de 2011	**679**	**121**	**800**

NOTE 28 – INCOME TAXES

The Bank is subject to taxation in accordance with the corporate income tax code (IRC). BEST determined its current and deferred income tax balance for the year ended 31 December 2009 and on the basis of a nominal rate of 26.5%, in accordance with the Law No. 107-B/2003 and with the Law No. 2/2007 of 15 January (approved Local Tax Law). The current and deferred tax for the year ended 31 December 2010 was determined based on a tax rate of 26.5% plus an additional tax of 2.5% added following Decree-law nr 12-A of 30 June, in the scope of the additional measures of "Programa de Estabilidade e Crescimento (PEC)".

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 the tax law. However, the Board of Directors of the Bank is confident that there will be no further material tax assessments within the context of the financial statements.

As at 31 December 2011, the Bank presents tax losses brought forward in the amount of euro 1 981 thousand (31 December 2010: euro 17 814 thousand), as follows:

(in thousands of euro)

Tax loss period	Amount	Year of use	Value used	Balance	Deadline to deduction
2006	(1 155)	-	-	(1 155)	2012
2007	(826)	-	-	(826)	2013
	(1 981)		**-**	**(1 981)**	

Given the uncertainties about the utilization of tax losses brought forward and on a prudent basis, the Board of Directors of BEST chosen not to recognise deferred tax asset.

The current income tax is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Current tax	326	308
Total income tax recognised in results	**326**	**308**

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

(in thousands of euro)

	31.12.2011		31.12.2010	
	%	Valor	%	Valor
Profit before taxes		**7 385**		**6 137**
Statutory tax rate	29.0		29.0	
Income tax calculated based on the statutory tax rate		2 142		1 780
Tax losses used for which no deferred tax assets were recognised	(29.0)	(2 142)	(29.0)	(1 780)
Other	4.4	326	5.0	308
	4.4	**326**	**5.0**	**308**

Following the Law No. 55-A/2010 of 31 December, was established a Banking levy, which is not elegible as a tax cost. During the period ended 31 December 2011, the Bank recongnised a cost of euro 76.0 thousand, which was included in Other operating income and expenses – Direct and indirect taxes (see Note 10).

NOTE 29 – OTHER LIABILITIES

As at 31 December 2011 and 2010, the balance Other liabilities is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Creditors		
Public sector	657	936
Sundry creditors		
Suppliers	823	605
Creditors arising out from future contracts	275	268
Captive accounts	142	148
Other	80	152
	1 977	2 109
Accrued expenses		
Staff costs	938	1 182
Other	545	55
	1 483	1 237
Deferred income	153	196
Other sundry liabilities		
Other transactions pending settlement	159	453
	3 772	3 995

NOTE 30 – SHARE CAPITAL

Ordinary shares

At 31 December 2011 of euro 63 000 thousand represented by 63 000 thousand of shares with a nominal amount of euro 1 each, fully subscribed and realised in cash by the following entities:

In 2002, the Bank performed a capital increase from euro 32 422 thousand to euro 43 000 thousand through the issuance of 10 578 ordinary shares with a nominal value of euro 1 each, which were subscribed and fully paid. In February 2003, the Bank performed a new capital increase through the issuance of 12 million ordinary shares with a nominal value of euro 1 each.

In 2005, the capital was increased through the issuance of 6 million ordinary shares and in 2006 was increased again through the issuance of 2 million shares by the following entities:

	% Share capital	
	31.12.2011	31.12.2010
ES Tech Ventures, SGPS, S.A.	33.97%	33.97%
Banco Espírito Santo, S.A.	32.03%	32.03%
Saxo Bank, A/S	25.00%	25.00%
Espírito Santo Financial Group	9.00%	9.00%
Banco Espírito Santo de Investimento, S.A. [a]	0.00%	0.00%
	100.00%	100.00%

[a] owns 100 shares of Banco BEST

NOTE 31 – FAIR VALUE RESERVE, OTHER RESERVES AND RETAINED EARNINGS

Legal reserve

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

Fair value reserve

The fair value reserve represents the amount of the unrealized gains and losses arising from securities classified as available-for-sale, net of impairment losses recognised in the income statement in the year/previous years.

The changes in these balances were as follows:

(in thousands of euro)

		Other reserves and retained earnings		
	Fair value reserve	Legal reserve	Other reserves and retained earnings	Total
Balance as at 31 December 2009	**(2 777)**	**427**	**(37 503)**	**(37 076)**
Changes in fair value	16	-	-	-
Transfer to reserves	-	457	4 119	4 576
Balance as at 31 December 2010	**(2 761)**	**884**	**(33 384)**	**(32 500)**
Changes in fair value	(638)	-	-	-
Constituição de reservas	-	583	5 246	5 829
Balance as at 31 December 2011	**(3 399)**	**1 467**	**(28 138)**	**(26 671)**

The fair value reserve is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Amortised cost of available-for-sale financial assets	71 009	216 853
Accumulated imparment losses recognised	(167)	(167)
Amortised cost of available-for-sale financial assets, net of impairment	70 842	216 686
Fair value of available-for-sale financial assets	67 443	214 452
Net unrealised gains recognised in the fair value reserve	(3 399)	(2 234)
Fair value reserves related to securities reclassified as held-to-maturity investments	-	(527)
	(3 399)	**(2 761)**

The movement in the fair value reserve, net of deferred taxes, is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Balance at the beginning of the year	**(2 761)**	**(2 777)**
Changes in fair value	(687)	248
Disposals during the year	49	(232)
Balance at the end of the year	**(3 399)**	**(2 761)**

NOTE 32 – OFF-BALANCE SHEET ITEMS

Besides derivative financial instruments, as at 31 December 2011 and 2010, the off-balance sheet items be analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Contingent liabilities		
Guarantees and stand by letters of credit	565	573
Assets pledged as collateral	1 073	876
	1 638	**1 449**
Commitments		
Revocable commitments	55 430	102 710
Irrevocable commitments	494	486
	55 924	**103 196**
	57 562	**104 645**

Guarantees and standby letters of credit are banking operations that do not imply any out-flow by the Bank.

As at 31 December 2011, the balance assets pledged as collateral include:

- Securities pledged as collateral to the Bank of Portugal (i) for the use of the money transfer system (Sistema de Pagamento de Grandes Transacções) in the amount of euro 210 thousand (31 December 2010: euro 210 thousand);

- Securities pledged as collateral to the Portuguese Securities and Exchange Commission (CMVM) in the scope of the Investors Indemnity System (Sistema de Indemnização aos Investidores) in the amount of euro 556 thousand (31 December 2010: euro 397 thousand);

- Securities pledged as collateral to the Deposits Guarantee Fund (Fundo de Garantia de Depósitos) in the amount of euro 307 thousand (31 December 2010: euro 269 thousand);

The commitments, revocable and irrevocable, represent contractual agreements for credit concession with the Bank clients which, in general, are contracted by fixed periods or with other expiring requisites and, normally, apply for the payment of a commission. Substantially, all commitments of credit concession in force require clients to maintain certain requisites which are verified at the time of the respective formalisation.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any one another commercial operation, namely the solvency of the underlying client and business, being that the Bank requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these contingent liabilities and commitments expire without having being used, the indicated amounts do not represent necessarily future cash-flow needs.

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

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

(in thousands of euro)

	31.12.2011	31.12.2010
Responsabilities related with banking services		
Securities and other items held for safekeeping on behalf of customers	517 961	468 957
Other responsabilties related with banking services	48 346	117 823
	566 307	**586 780**

NOTE 33 – RELATED PARTIES TRANSACTIONS

As at 31 December 2011 and 2010, the balances and transactions with related parties are presented as follows:

(in thousands of euro)

	31.12.2011				31.12.2010			
	Assets	Liabilities	Income	Expense	Assets	Liabilities	Income	Expense
BES	268 097	13 181	4 042	615	72 864	37 076	2 968	977
BES AÇORES	2 145	-	-	3 297	148 450	-	1 189	-
BESI	3 535	-	2 663	254	4 003	-	-	-
ESAF	-	-	208	181	-	-	268	-
BES VIDA	-	4 676	643	-	-	26 417	1 006	-
ES CONTACT CENTER	-	-	-	956	-	-	-	895
LOCARENT	-	-	-	382	-	-	-	355
BES SEGUROS	-	68	3	-	-	25	-	-
UNICRE	-	4	-	-	-	-	-	-
SAXO BANK	26 558	12	3 920	-	23 766	100	4 309	-
	300 335	**17 941**	**11 479**	**5 685**	**249 083**	**63 618**	**9 740**	**2 227**

As at 31 December 2011 and 2010, the total amount of assets and liabilities of BEST with ESFG (Group BES holding) and related companies, is as follows:

(in thousands of euro)

	31.12.2011				31.12.2010			
	Assets	Liabilities	Income	Expense	Assets	Liabilities	Income	Expense
BANQUE PRIVÉE ESPÍRITO SANTO	-	315	-	16	9 000	16 541	204	101
COMPANHIA SEGUROS TRANQUILIDADE	-	10	-	73	-	54	-	158
ES BANKERS (Dubai)	-	165	-	-	-	156	-	-
ES FINANCIAL (P)	58 310	-	1 215	-	58 310	-	945	-
T - VIDA	2	110	-	-	-	333	-	-
	58 312	**600**	**1 215**	**89**	**67 310**	**17 084**	**1 149**	**259**

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

NOTE 34 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

(in thousands of euro)

	Amortised Cost	Fair Value		Book Value	Fair Value
		Quoted Market Prices	Valuation models based on observable market information		
Balance as at 31 December 2011					
Deposits with banks	163 573	-	-	163 573	163 573
Financial assets held for trading	-	-	254	254	254
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale financial assets	549	5 135	61 759	67 443	67 443
Loans and advances to banks	150 051	-	-	150 051	150 051
Loans and advances to customers	106 123	-	718	106 841	100 896
Held-to-maturity investments	-	-	-	-	-
Derivatives for risk management purposes	-	-	42	42	42
Financial assets	**420 296**	**5 135**	**62 773**	**488 204**	**482 259**
Financial liabilities held for trading	-	-	57	57	57
Deposits from banks	22 426	-	-	22 426	22 426
Due to customers	416 817	-	4 628	421 445	421 445
Derivatives for risk management purposes	-	-	4 747	4 747	4 747
Financial liabilities	**439 243**	**-**	**9 432**	**448 675**	**448 675**
Balance as at 31 December 2010					
Deposits with banks	49 717	-	-	49 717	49 717
Financial assets held for trading	-	-	582	582	582
Financial assets at fair value through profit or loss	-	-	825	825	825
Available-for-sale financial assets	549	3 744	210 159	214 452	214 452
Loans and advances to banks	80 191	-	-	80 191	80 191
Loans and advances to customers	96 872	-	-	96 872	95 768
Held-to-maturity investments	14 448	-	-	14 448	14 180
Derivatives for risk management purposes	-	-	78	78	78
Financial assets	**241 777**	**3 744**	**211 644**	**457 165**	**455 793**
Financial liabilities held for trading	-	-	150	150	150
Deposits from banks	62 495	-	-	62 495	62 495
Due to customers	349 532	-	4 525	354 057	354 057
Derivatives for risk management purposes	-	-	6 602	6 602	6 602
Financial liabilities	**412 027**	**-**	**11 277**	**423 304**	**423 304**

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 available quoted market prices in official markets and with dealer prices quotations provided by entities that usually provide transaction prices for these assets/liabilities traded in active markets.

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

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

During 2011 and 2010, there were no transfer between the different sources/ valuation models used by the Bank for the valuation of assets and liabilities.

The main assumptions and inputs used during the years ended 2011 and 2010 in the valuation models are presented as follows:

Interest rate curve

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

(%)

	31.12.2011			31.12.2010		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	0.3250	0.1100	0.4300	0.4500	0.3000	0.5800
1 month	1.0240	0.2953	0.7604	0.7820	0.2606	0.6800
3 months	1.3560	0.5810	1.0900	1.0060	0.3028	0.8200
6 months	1.6170	0.8085	1.3400	1.2270	0.4559	1.2600
9 months	1.7910	0.9659	1.5900	1.3720	0.6200	1.4150
1 year	1.4175	0.6770	1.0850	1.3320	0.4590	0.8910
3 years	1.3750	0.8225	1.3601	1.9450	1.3030	1.9480
5 years	1.7240	1.2260	1.5624	2.4810	2.1980	2.6180
7 years	2.0690	1.6335	1.8619	2.8930	2.8390	3.1868
10 years	2.3870	2.0160	2.2940	3.3050	3.4010	3.5350
15 years	2.6750	2.3715	2.6525	3.6380	3.8580	3.8780
20 years	2.6920	2.4960	2.8322	3.6970	4.0030	3.9530
25 years	2.6250	2.5460	2.9426	3.6660	4.0760	3.9530
30 years	2.5610	2.5870	2.9920	3.4960	4.1240	3.9230

Interest rate volatility

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

(%)

	31.12.2011			31.12.2010		
	EUR	USD	GBP	EUR	USD	GBP
1 year	51.08	76.51	53.15	42.00	104.76	56.90
3 years	52.92	77.70	67.00	42.80	67.49	52.00
5 years	50.31	67.85	62.90	36.20	47.52	39.60
7 years	44.19	56.34	52.30	31.30	37.90	32.00
10 years	38.00	47.78	39.70	26.80	31.35	25.50
15 years	32.42	42.36	29.70	23.19	27.04	20.50

Exchange rate and volatility

We present below the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

			Volatility (%)				
Exchange rates	**31.12.2011**	**31.12.2010**	**1 month**	**3 months**	**6 months**	**9 months**	**12 months**
EUR/USD	1.2939	1.3362	13.23	14.68	15.15	15.25	15.35
EUR/GBP	0.8353	0.8608	8.28	9.55	10.48	10.85	11.23
EUR/CHF	1.2156	1.2504	9.75	9.20	8.85	8.85	8.58
EUR/NOK	7.7540	7.8000	7.10	8.05	8.60	8.81	9.03
USD/BRL [a)]	1.8671	1.6597	17.15	18.45	18.90	19.23	19.55
USD/TRY [b)]	1.8882	1.5487	14.20	15.75	16.50	16.85	17.00

[a)] Calculation based on EUR/USD and EUR/BRL exchange rates

[b)] Calculation based on EUR/USD and EUR/TRY exchange rates

Concerning the exchange rates, the Bank uses in the valuation models the spot rate observed in the market at the time of the valuation.

Equity index

In the table below, we present the evolution of the main market equity indexes and the respective volatilities used for the valuation of equity derivatives:

	Quote			Historical volatility		Implied volatility
	31.12.2011	31.12.2010	% change	1 month	3 months	
DJ Euro Stoxx 50	2 317	2 793	- 17.1	32.14	38.50	29.23
PSI 20	5 494	7 588	- 27.6	23.53	27.79	-
IBEX 35	8 566	9 859	- 13.1	30.60	35.06	-
FTSE 100	5 572	5 900	- 5.6	20.99	26.58	19.26
DAX	5 898	6 914	- 14.7	31.54	38.80	27.85
S&P 500	1 258	1 258	- 0.0	24.04	27.70	20.27
BOVESPA	56 754	69 305	- 18.1	23.60	28.47	24.57

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 at central banks, Deposits with banks and Loans and advances to banks

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

Loans and advances to customers

The fair value of loans and advances to customers is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates that have been contractually defined. The expected future cash flows of loans with similar credit risk characteristics are estimated collectively. The discount rates used by the Bank are current interest rates used in loans with similar characteristics.

Held-to-maturity investments

The fair values of these financial instruments are based on quoted market prices, when available. For unlisted securities the fair value is estimated by discounting the expected future cash-flows.

Deposits from central banks and Deposits from banks

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

Due to customers

The fair value of these financial instruments is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates that have been contractually defined. The discount rates used by the Bank are the current interest rates used in instruments with similar characteristics. Considering that the applicable interest rates to these instruments

are floating interest rates and that the period to maturity is substantially less than one year, the difference between fair value and book value is not significant.

NOTE 35 – RISK MANAGEMENT

BEST takes advantages of the synergies inherent to its shareholding structure, while maintaining a lightweight operational structure and subcontracting Group Banco Espirito Santo a set of services and other back office functions where there are economies of scale in the use of shared services.
In this sense, Banco Espirito Santo and / or Group companies are the leading provider of outsourcing services of BEST.

The role of Risk Management works within the Global Risk Department of Banco Espirito Santo and aims to ensure effective implementation of the risk management system through 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 various relevant risk committees, particularly in the Risk Committee and on the Assets and on the 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 counterparty to honour its contractual obligation. Credit risk is essentially present in traditional banking products – loans, guarantees granted and contingent liabilities – and in trading products – swaps, forwards and options (counterparty risk).

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

The risk profile of the Bank is analysed on a regular basis by the risk committee, especially in what concerns the evolution of credit exposures and credit losses. The observance of the approved credit limits and the

correct application of the mechanisms associated to the approval of credit lines under the current activity of the commercial structure are also subject to periodic analysis.

BEST credit risk exposure is analysed as follows:

(in thousands of euro)

	31.12.2011	31.12.2010
Deposits with banks	313 624	129 908
Financial assets held for trading	254	582
Financial assets at fair value through profit or loss	-	825
Available-for-sale financial assets	66 894	213 900
Loans and advances to customers	106 841	96 872
Held-to-maturity investments	-	14 448
Derivatives for risk management purposes	42	78
Other assets	1 883	2 211
Guarantees granted	565	573
Irrevocable commitments	494	486
	490 597	**459 883**

The analysis of the risk exposure by sector of activity, as at 31 December 2011 and 2010, can be analysed as follows:

(in thousands of euro)

	31.12.2011									
	Loans and advances to customers		Financial assets held for trading	Other financial assets at fair value through profit or loss	Derivados para gestão de risco	Available-for-sale financial assets		Held-to-maturity investments		Guarantees granted
	Gross amount	Impairment [a]				Gross amount	Impairment	Gross amount	Impairment	
Agriculture	44	(2)	-	-	-	-	-	-	-	-
Textiles	56	-	-	-	-	-	-	-	-	-
Chemicals and rubber	322	(12)	-	-	-	-	-	-	-	-
Non-metalic minerals	499	(6)	-	-	-	-	-	-	-	-
Metalic products	43	(2)	-	-	-	-	-	-	-	-
Construction	38	-	-	-	-	-	-	-	-	-
Wholesale and retail	381	(8)	-	-	-	-	-	-	-	-
Tourism	58	(1)	-	-	-	-	-	-	-	-
Transports and communications	24	(1)	-	-	-	-	-	-	-	-
Financial activities	2	-	254	-	42	7 627	-	-	-	-
Real estate activities	9 852	(262)	-	-	-	-	-	-	-	-
Services provided to companies	15 997	(84)	-	-	-	-	-	-	-	-
Public services	12 621	(97)	-	-	-	877	-	-	-	-
Non-profit organizations	-	-	-	-	-	59 106	(167)	-	-	-
Consumers loans	67 608	(908)	-	-	-	-	-	-	-	-
Other transforming industries	-	-	-	-	-	-	-	-	-	565
TOTAL	**107 545**	**(1 383)**	**254**	-	**42**	**67 610**	**(167)**	-	-	**565**

[a] Includes impairment loans in the amount of euro 704 thousand (see Note 19) and the provision for credit general risks in the amount of euro 679 thousand (see Note 27).

(in thousands of euro)

	31.12.2010									
	Loans and advances to customers		Financial assets held for trading	Other financial assets at fair value through profit or loss	Derivatives for risk management purposes	Available-for-sale financial assets		Held-to-maturity investments		Guarantees granted
	Gross amount	Impairment [a]				Gross amount	Impairment	Gross amount	Impairment	
Agriculture	49	(1)	-	-	-	-	-	-	-	-
Chemicals and rubber	271	(6)	-	-	-	-	-	-	-	-
Non-metalic minerals	89	(2)	-	-	-	-	-	-	-	-
Metalic products	52	(1)	-	-	-	-	-	-	-	-
Electricity, gas and water	-	-	-	-	-	-	-	1 496	-	-
Construction	38	(1)	-	-	-	-	-	-	-	-
Wholesale and retail	740	(7)	-	-	-	-	-	-	-	-
Financial activities	-	-	582	825	78	154 243	-	8 335	(1 249)	-
Real estate activities	14 054	(368)	-	-	-	-	-	-	-	-
Services provided to companies	14 135	(153)	-	-	-	476	-	-	-	-
Public services	3 952	(4)	-	-	-	976	-	-	-	-
Non-profit organisations	-	-	-	-	-	58 924	(167)	5 866	-	-
Consumers loans	64 398	(1 396)	-	-	-	-	-	-	-	-
Other transforming industries	-	(2)	-	-	-	-	-	-	-	573
TOTAL	**97 778**	**(1 941)**	**582**	**825**	**78**	**214 619**	**(167)**	**15 697**	**(1 249)**	**573**

[a] Includes impairment loans in the amount of euro 906 thousand (see Note 19) and the provision for credit general risks in the amount of euro 1 035 thousand (see Note 27).

Market Risk

Market risk is the possible loss resulting from an adverse change in the value of a financial instrument due to fluctuations in interest rates, foreign exchange rates or share prices.

The market risk management is integrated with the balance sheet management through the Asset and Liability Committee (ALCO). This committee is responsible for defining policies for the structuring and composition of the balance sheet, and for the control of exposures to interest rate, foreign exchange 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 criteria 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, allowing to evaluate the impact of potential losses higher than the ones considered by VaR.

(in thousands of euro)

	31.12.2011				31.12.2010			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange risk	48	103	209	48	107	227	490	81
Total	**48**	**103**	**209**	**48**	**107**	**227**	**490**	**81**

BEST has a VaR of euro 48 thousand (31 December 2010: euro 107 thousand) for its trading positions.

Following the recommendations of Basel II (Pilar 2) and Instructions nº19/2005, of the Bank of Portugal BEST calculates its exposure to interest rate risk based on the methodology of the Bank of International Settlement (BIS), classifying all balance and off-balance balances which are not part of the trading portfolio, by reprising intervals.

(in thousands of euro)

	31.12.2011							31.12.2010						
	Eligible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Eligible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Cash and deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	312 555	-	312 555	-	-	-	-	129 545	-	127 345	-	-	2 200	-
Loans and advances to customers	105 507	-	35 153	25 782	30 014	13 527	1 032	96 600	-	44 934	26 165	14 728	9 690	1 083
Securities	66 786	549	64 279	-	-	1 177	781	230 190	552	225 696	2 250	825	468	399
Off balance sheet			666	-	-	-	(666)			-	-	-	-	-
Total			**412 653**	**25 782**	**30 014**	**14 704**	**1 147**			**397 975**	**28 415**	**15 553**	**12 358**	**1 482**
Deposits from banks	22 324	-	19 379	-	2 945	-	-	62 282	-	59 337	-	-	2 945	-
Due to customers	422 702	-	363 526	58 779	397	-	-	358 816	-	348 324	9 949	543	-	-
Repo's with clients	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities issued*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet			10 537	630	(1 350)	-	-			720	630	-	(1 350)	-
Total			**393 442**	**59 409**	**1 992**	-	-			**408 381**	**10 579**	**543**	**1 595**	-
GAP (Assets - Liabilities)			**19 211**	**(33 627)**	**28 022**	**14 704**	**1 147**			**(10 406)**	**17 836**	**15 010**	**10 763**	**1 482**

* The amounts with interest rate are at nominal value

The model used to monitor the sensitivity of BEST banking book 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 in 50b.p.

(in thousands of euro)

	31.12.2011				31.12.2010			
	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 31 December	(380)	380	(229)	229	(649)	649	(189)	189
Average for the year	(527)	527	(230)	230	(647)	647	(151)	151
Maximum for the year	(886)	886	(247)	247	(1 002)	1 002	(189)	189
Minimum for the year	(380)	380	(220)	220	(239)	239	(95)	95

The following table presents the average balances, interests and interest rates in relation to the Bank's major assets and liabilities categories, for the years ended 31 December 2011 and 2010:

(in thousands of euro)

	31.12.2011			31.12.2010		
	Average balance for the year	Interest for the year	Average interest rate	Average balance for the year	Interest for the year	Average interest rate
Monetary assets	182 731	3 264	1.79%	62 815	643	1.02%
Loans and advances to customers	100 410	3 804	3.79%	76 386	2 399	3.14%
Securities	177 131	4 951	2.80%	308 079	5 140	1.67%
Financial assets	**460 272**	**12 019**	**2.61%**	**447 280**	**8 182**	**1.83%**
Monetary liabilities	45 142	483	1.07%	75 914	645	0.85%
Due to customers	372 811	7 381	1.98%	333 784	3 430	1.03%
Differencial resources	42 319	-	-	37 582	-	-
Financial liabilities	**460 272**	**7 864**	**1.71%**	**447 280**	**4 075**	**0.91%**
Net interest income		**4 155**	**0.90%**		**4 107**	**0.92%**

Concerning the foreign exchange risk, the distribution of the assets and liabilities by currency as at 31 of December of 2011 and 2010, is analysed as it follows:

(in thousands of euro)

		30.12.2011			31.12.2010		
		Spot	Forward	Net exposure	Spot	Forward	Net exposure
USD	UNITED STATES DOLLAR	(2 127)	2 571	444	(17 389)	19 016	1 627
GBP	GREAT BRITAIN POUNDS	319	-	319	384	-	384
DKK	DANISH KRONE	58	-	58	312	-	312
JPY	JAPANESE YENE	158	-	158	319	-	319
CHF	SWISS FRANC	101	-	101	224	-	224
SEK	SWEDISH KRONA	48	-	48	273	-	273
NOK	NORWEGIAN KRONE	113	-	113	33	-	33
CAD	CANADIAN DOLLAR	306	-	306	430	-	430
AUD	AUSTRALIAN DOLLAR	297	-	297	439	-	439
		(727)	2 571	1 844	(14 975)	19 016	4 041

Liquidity risk

Liquidity risk derives from the potential inability to fund assets while satisfying commitments on due dates and from potential difficulties in liquidating positions in portfolio without incurring in excessive losses. The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs.

The Bank prepares specific reports that allow the identification of negative mismatch and permits their dynamic coverage.

In addition, the Bank calculates the liquidity ratios in accordance with the Bank of Portugal rules (Instruction 13/2009):

(in millions of euro)

	31.12.2011	31.12.2010
Accumulated *Mismatch* [1]	220 692	92 491
Net Assets *Buffer* [2]	4 348	2 477
Liquidity position	**225 040**	**94 968**

[1] Accumulated *mismatch* corresponds to the difference between assets and liabilities with maturity date less than one year.

[2] The Net assets *Buffer* reflects the assets with maturity over one year that can be given as collateral to obtain liquidity, namely assets that can be given as collateral on loan operations with Central Banks (less haircuts), excluding those assets which are being used as collateral for loan operations with maturity of over one year.

Operational risk

Operational risk represents the risk of losses resulting from failures in internal procedures, people behaviours, information systems and external events.

To manage operational risk, it was developed and implemented a system that standardizes, systematizes and regulates the frequency of actions with the objective of identification, monitoring, controlling and mitigation of risk. The system is supported at organizational 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 solvability ratio

The main goals from capital management are (i) to allow the adequate growth of activities through the generation of enough capital to support the increase of assets, (ii) fulfilment of the minimum requirements defined by the supervision authorities in terms of capital adequacy and (iii) to ensure the fulfilment of the Banks strategic goals in respect to capital adequacy matters.

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

The Bank is subject to Bank of Portugal supervision that, under the capital adequacy Directive from the CE, establishes the prudential rules to be attended by the institutions under its supervision. These rules determine a minimum solvability ratio in relation to the requirements of the assumed risks that institutions have to fulfill.

The capital elements of the Bank are divided into: Basic Own Funds, Complementary Own Funds and Deductions, as follows:

Basic Own Funds (BOF): This category includes the realized capital, the eligible reserves (excluding the fair value reserves), the retained earnings of the period, non-controlling interests and preference shares and other hybrid equity instruments. The unrealised losses recognised under the fair value reserve and associated with equity securities, book value of goodwill, intangible assets and negative actuarial deviations from employees' benefits up to 31 December 2007 are deducted in full. From 2007, 50% of the book value of investments in banking and insurance associates over 10% also has to be deducted.

Complementary Own Funds (COF): Essentially incorporates the subordinated eligible debt and 45% of the positive fair value reserve associated with equity securities. The book value of investments in banking and insurance associates is deducted in 50% of its value.

- Deductions (D): Essentially incorporates the prudential amortization of assets received as a recovery of non-performing loans.

Additionally there are several rules that limit the composition of the capital basis. The prudential rules determine that the COF cannot exceed the BOF. Also, some components of the COF (Lower Tier II) cannot exceed 50% of the BOF.

In December 2008, the Bank of Portugal issued the Notice 11/2008, establishing a transitory period of four years, from December 2009 to December 2012, for the recognition of the actuarial gains/losses determined in 2008, deducted from the expected return of the fund plan assets for the same year.

The capital adequacy of BEST as at 31 December 2011 and 31 December 2010 is presented as follows:

(in thousands of euro)

		31-12-2011 [a]	31-12-2010 [a]
A - Capital Requirements			
Share Capital, Issue Premium and Treasury stock		62 992	62 992
Eligible reserves and retained earnings		(26 662)	(32 492)
Intangible assets		(11)	(361)
Other		(152)	(448)
Basic Own Funds (TIER I)	**(A1)**	**36 167**	**29 691**
Complementary Own Funds (TIER II)		**-**	**-**
Eligible Own Funds	**(A2)**	**36 167**	**29 691**
B- Risk Weighted Assets			
Calculated according to Notice 5/2007 (Credit Risk)		184 024	188 287
Calculated according to Notice 8/2007 (Market Risk)		1 864	4 075
Calculated according to Notice 9/2007 (Operational Risk)		33 818	31 075
Risk Weighted Assets Total	**(B)**	**219 706**	**223 437**
C- Prudential Ratios			
Tier I	(A1 / B)	16.5%	13.3%
Solvency Ratio	**(A2 / B)**	**16.5%**	**13.3%**

[a] Calculated amounts according to Standard Method.

NOTE 36 – RECENTLY ISSUED PRONOUNCEMENTS

RECENTLY ISSUED PRONOUNCEMENTS ALREADY ADOPTED BY THE GROUP

In the preparation of the consolidated financial statements for the year ended 31 December 2011, the Bank adopted the following standards and interpretations that are effective since 1 January 2011:

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

On October 2010 the International Accounting Standards Board (IASB) published Disclosures – Transfers of Financial Assets (Amendments to IFRS 7). The amendment is applicable for annual periods beginning on or after 1 July. Earlier application is permitted.

The amendments required to disclosures about transactions that involve transfer of financial assets, namely securitisations of financial assets, intend to help users of financial statements to evaluate the risks and the impacts associated to those transactions in the financial statements.

The adoption of this amendment by the Bank had no impact on its financial statements.

Annual Improvement Project

In May 2010, IASB published the Annual Improvement Project making 11 amendments to 7 existing standards. The effective date of the amendments, possibility of early adoption and application requirements in the transition are defined in each standard. Most changes are effective since 1 January 2011.

The adoption of these amendments by the Bank had no impact on its financial statements.

RECENTLY ISSUED PRONOUNCEMENTS YET TO BE ADOPTED BY THE GROUP

The new standards and interpretations that have been issued, but that are not yet effective and that the Bank has not yet applied are analysed bellow. The Bank will apply these standards when they became effective.

IFRS 9 – Financial instruments

The International Accounting Standards Board (IASB) has issued in November, 2009 IFRS 9 - Financial instruments part 1: Classification and measurement, which is mandatory from 1 January 2013, being an earlier adoption permitted. This IFRS has not yet been adopted by the European Union. This IFRS is included in the IASB global project to replace IAS 39 and addresses the classification and measurement of financial assets, being the main aspects:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument;
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss;
- All equity instruments issued by third parties are to be measured subsequently at fair value through profit or loss. However, the entity can irrevocably elect equity instruments to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss;

The Bank is evaluating the impact of adopting this interpretation on its financial statements.

IFRS 11 – Joint Arrangements

On May 2011 the International Accounting Standards Board (IASB) published IFRS 11 – Joint Arrangements. The amendment is applicable for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

IFRS 11 supersedes IAS 31, maintaining the same definition of joint arrangement. Nothwithstanding, two new joint arrangements categories were introduced: 1) Joint operations and 2) Joint ventures.
The main exchanges introduced by this standard were:

- The structure of joint arrangements is no longer a critical factor for the accounting model. The classification of a joint arrangement requires entities to consider the structure of the arrangement, the legal form of the separate vehicle in which the arrangement might have been structured, the terms of the contractual arrangements and other facts and circumstances;
- Introduction of mandatory application of full consolidation method, eliminating proportionate consolidation as a method to account for joint arrangements.

The Bank expects no impact from the adoption of this interpretation on its financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

On May 2011 the International Accounting Standards Board (IASB) published IFRS 12 – Disclosure of Interests in Other Entities. The amendment is applicable for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
More detailed disclosures about the involvement with entities that consolidate (subsidiaries) and those that do not consolidate, namely:

- The nature of, and risks associated with, its interests in other entities; and
- The effects of those interests on its financial position, financial performance and cash flows.

The Bank expects no impact from the adoption of this interpretation on its financial statements.

IFRS 13 – Fair Value Measurement

On May 2011 the International Accounting Standards Board (IASB) published IFRS 13 – Fair Value Measurement. The amendment is applicable for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
This standard presents a revised concept of fair value as well as new reporting requirements.

The Bank is evaluating the impact of adopting this interpretation on its financial statements.

IAS 27 – Consolidated and Separate Financial Statements

On May 2011 the International Accounting Standards Board (IASB) published IAS 27 – Consolidated and Separate Financial Statements. The amendment is applicable for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

IAS 27 (2011) introduces no amendments on the application requirements of IAS 27 as part of the financial statements, only clarifies: 1) an entity prepares separate financial statements that comply with International Financial Reporting Standards, and 2) need of disclosure requirements.

The Bank expects no impact from the adoption of this amendment on its financial statements.

IFRS 7 (Amendment) - Disclosures - Offsetting Financial Assets and Financial Liabilities

On May 2011 the International Accounting Standards Board (IASB) published IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities. The amendment is applicable for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

IFRS 7 amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The Bank is evaluating the impact of adopting this interpretation on its financial statements.

IAS 32 (Amendment) - Offsetting Financial Assets and Financial Liabilities

On May 2011 the International Accounting Standards Board (IASB) published IAS 32 – Offsetting Financial Assets and Financial Liabilities. The amendment is applicable for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

This amendment deleted paragraph AG38 and added paragraphs AG38A-AG38F, regarding the conditions required to the presentation of financial assets and liabilities by its net amount, in the financial statements of an entity:

- To meet the criterion that an entity must currently have a legally enforceable right of set-off, and
- To meet the criterion that an entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Bank is evaluating the impact of adopting this interpretation on its financial statements.

ANEXO

Adopção das Recomendações do *Financial Stability Forum (FSF)* e do *Committee of European Banking Supervisors (CEBS)* relativas à Transparência da Informação e à Valorização dos Activos

(Carta-Circular n°s 97/2008/DSB de 3 de Dezembro e Carta Circular nº58/2009/DSB de 5 de Agosto)

O Banco de Portugal, através da Carta Circular nº58/2009/DSB de 5 de Agosto de 2009 reiterou "a necessidade de as instituições continuarem a dar adequado cumprimento às recomendações do *Financial Stability Forum* (*FSF*), bem como às recomendações do *Committee of European Banking Supervisors* (*CEBS*), no que se refere à transparência da informação e à valorização de activos, tendo em conta o princípio da proporcionalidade" constantes das Cartas-Circulares nos 46/2008/DSB de 15 de Julho de 2008 e 97/2008/DSB de 3 de Dezembro de 2008.

O Banco de Portugal recomenda que seja elaborado um capítulo ou anexo específico nos documentos de prestação de contas exclusivamente dedicado aos aspectos mencionados nas respectivas recomendações do *CEBS* e do *FSF*.

No presente capítulo procurou-se dar cumprimento à recomendação do Banco de Portugal utilizando remissões para a informação apresentada, quer no Relatório de Gestão, quer nas Notas Explicativas às Demonstrações Financeiras relativos aos exercícios de 2010 e 2011.

I. MODELO DE NEGÓCIO

1. Descrição do modelo de negócio

Na introdução e no capítulo "II – Actividade Desenvolvida" do Relatório de Gestão, faz-se uma descrição sobre o modelo de negócio do Banco.

2. Estratégias e objectivos

As estratégias e objectivos do Banco estão igualmente divulgados nos capítulos "II – Actividade Desenvolvida" e "V – Perspectivas de Actividade Futura" do Relatório de Gestão. O Banco não realizou qualquer emissão de divida nem realizou nenhuma operação de titularização até 31 de Dezembro de 2011.

3., 4. e 5. Actividades desenvolvidas e contribuição para o negócio

No capítulo "II – Actividade Desenvolvida" do Relatório de Gestão apresenta-se informação acerca das actividades desenvolvidas e sua contribuição para o negócio.

II. RISCOS E GESTÃO DE RISCOS

6. e 7. Descrição e natureza dos riscos incorridos

Na Nota Explicativa 35 é apresentada diversa informação que permite ao mercado obter a percepção sobre os riscos incorridos pelo Banco e mecanismos de gestão para a sua monitorização e controlo.

III. IMPACTO DO PERÍODO DE TURBULÊNCIA FINANCEIRA NOS RESULTADOS

8., 9., 10 e 11. Descrição qualitativa e quantitativa dos resultados

Durante os exercícios de 2010 e 2011, na sequência do aumento dos riscos soberanos, operou-se um alargamento substancial dos prémios de risco sem impactos materialmente relevantes na actividade e resultados atribuíveis aos respectivos exercícios.

12. Decomposição dos *write-downs* entre realizados e não realizados

Os proveitos e custos relacionados com os activos e passivos detidos para negociação e dos activos e passivos ao justo valor através de resultados e dos activos financeiros disponíveis para venda encontram-se desagregados por instrumento financeiro nas Notas 7 e 8 às demonstrações financeiras.

13. Turbulência financeira na cotação das acções do Banco

As acções do Banco não estão cotadas em nenhum mercado oficial, pelo que este ponto não é aplicável.

14. Risco de perda máxima

Na Nota Explicativa 35 divulga-se informação relevante sobre as perdas susceptíveis de serem incorridas em situações de *stress* do mercado.

15. Responsabilidades emitidas e resultados

Não aplicável por o Banco não ter emitido responsabilidades representadas por títulos durante o exercício de 2011.

IV. NÍVEIS E TIPOS DAS EXPOSIÇÕES AFECTADAS PELO PERÍODO DE TURBULÊNCIA

16. Valor nominal e justo valor das exposições

Nas Notas Explicativas 17 e 31 divulga-se informação relevante sobre o valor das exposições do Banco.

17. Mitigantes do risco de crédito

Não aplicável.

18. Informação sobre as exposições do Banco

No exercício de 2010 e 2011, a turbulência decorreu do agravamento dos riscos soberanos dos países da periferia da Zona Euro.

A exposição do Banco Best no que se refere a títulos de dívida pública dos países afectados (Portugal, Espanha, Grécia e Irlanda) só existia para Portugal com um valor em 31 de Dezembro de 2010 e 31 de Dezembro de 2011 de 1 milhão de euros destinado a garantir as responsabilidades do Banco relativamente ao FGD e SII, à qual estava associada uma reserva de justo valor negativa que totalizava 287 mil euros em Dez 2011.

19. Movimentos nas exposições entre períodos

Nas Notas Explicativas 16, 17, 31 e 35 divulga-se informação relevante sobre as exposições do Banco em que se comparam as exposições aos mercados e os resultados quer com referência ao exercício de 2011 como ao de 2010. A informação aí divulgada considera-se suficiente, tendo por base o detalhe e quantificação apresentados e o facto de não se terem verificado acontecimentos com relevância material em 2011.

20. Exposições que não tenham sido consolidadas

Não aplicável.

21. Exposição a seguradoras *monoline* e qualidade dos activos segurados

O Banco não tem exposições a seguradoras *monoline*.

V. POLÍTICAS CONTABILÍSTICAS E MÉTODOS DE VALORIZAÇÃO

22. Produtos estruturados

Estas situações estão desenvolvidas na Nota Explicativa 2 – Principais Políticas Contabilísticas.

23. *Special Purpose Entities (SPE)* e consolidação

O Banco não realizou qualquer emissão de divida nem realizou nenhuma operação de titularização até 31 de Dezembro de 2011.

24. e 25. Justo valor dos instrumentos financeiros

Na Nota Explicativa 2 referem-se as condições de utilização da opção do justo valor, bem como as técnicas utilizadas para a valorização dos instrumentos financeiros.

VI. OUTROS ASPECTOS RELEVANTES NA DIVULGAÇÃO

26. Descrição das políticas e princípios de divulgação

O Banco, no contexto da sua politica de divulgação de informação de natureza contabilística e financeira, visa dar satisfação a todos os requisitos de natureza regulamentar, sejam eles ditados pelas normas contabilísticas ou pelas entidades de supervisão e de regulação do mercado. Paralelamente procura alinhar as suas divulgações pelas melhores práticas do mercado atendendo, por um lado, ao custo na captação da informação relevante e, por outro, dos benefícios que a mesma pode proporcionar aos diversos utilizadores.

De entre o conjunto de informação disponibilizada aos seus accionistas, clientes, colaboradores, entidades de supervisão e ao público em geral, destacamos o Relatório de Gestão e as Demonstrações Financeiras e respectivas Notas Explicativas. As demonstrações financeiras são preparadas tendo por base as Normas de Contabilidade Ajustadas (NCA) que conferem um elevado grau de transparência à informação divulgada bem assim como de comparabilidade.

ANEXO

Política de Remuneração dos membros dos órgãos sociais do BEST

Na sequência da aprovação da Lei 28/2009, de 19 de Junho, a Assembleia Geral Anual de 2011 aprovou a política de remuneração dos membros dos órgãos de administração e fiscalização que lhe foi apresentada pelo Conselho de Administração. Considerando a necessidade de a mesma ser actualizada de acordo com as novas exigências decorrentes da aprovação do Decreto-Lei 88/2011, de 20 de Junho, bem como do Aviso do Banco de Portugal 10/2011, o Conselho de Administração da sociedade "BEST – Banco Electrónico de Serviço Total, S.A." propõe para aprovação da Assembleia Geral, a Política de Remuneração do Banco para os membros dos Órgãos Sociais:

Política de remuneração dos membros dos órgãos sociais do BEST

1. Processo de aprovação da política de remuneração

a) Aprovação: A aprovar em Assembleia Geral, mediante proposta do Conselho de Administração do Banco Best.

b) Mandato do órgão de administração: O Conselho de Administração do Banco Best é eleito por mandatos de 3 anos.

c) Consultores externos: Não foram contratados quaisquer consultores externos para a definição da política de remuneração dos órgãos sociais.

d) Grupos de sociedades tomados como elementos comparativos: Foram tomados como elementos comparativos a política de remuneração dos órgãos sociais do Banco Espírito Santo, S.A., que é o accionista maioritário do Banco Best.

2. Remuneração dos membros da Mesa da Assembleia Geral

Os membros da Mesa da Assembleia Geral não são remunerados.

3. Membros do órgão de fiscalização

Os órgãos de fiscalização do Banco Best são o Conselho Fiscal e o Revisor Oficial de Contas. O Conselho Fiscal é eleito pela Assembleia Geral do BEST com mandatos trienais sendo composto por 3 vogais efectivos e um suplente assumindo um dos vogais efectivos a presidência deste órgão. Relativamente aos membros do Conselho Fiscal a sua remuneração consiste na atribuição trimestral de senhas de presença de valor variável de acordo com a experiência profissional dos respectivos membros, num valor máximo anual de 5.000 euros por vogal do Conselho Fiscal. O Revisor Oficial de Contas e suplente são eleitos pela Assembleia Geral por proposta do Conselho Fiscal, para mandatos trienais. Relativamente ao Revisor Oficial de Contas efectivo, a sua remuneração é efectuada de forma independente e enquadrada por via do contrato de prestação de serviços de revisão de contas com o Grupo Banco Espírito Santo, estando dessa forma em linha com as práticas do mercado. O Revisor Oficial de Contas suplente não é remunerado.

4. Membros não executivos do Conselho de Administração

Os membros não executivos do Conselho de Administração não são remunerados. Os membros que desempenhem funções executivas em órgãos de administração de sociedades em relação de domínio e/ou de grupo com o Banco Best, ou que exerçam funções específicas por indicação do Conselho de Administração do Banco Best, poderão ser remunerados pelas referidas sociedades ou pelo Banco Best, de acordo com o relevo das funções desempenhadas.

5. Membros da Comissão Executiva

a) Diferenciação de remuneração: todos os membros da Comissão Executiva auferem remunerações diferenciadas, de acordo com os respectivos percursos profissionais, funções desempenhadas e experiência profissional.

b) Composição da remuneração: a remuneração comporta uma parte fixa e uma parte variável, pelo que a Remuneração Total Anual ("RTA") é assim composta pelo somatório da Remuneração Fixa Anual ("RFA") e da Remuneração Variável Anual ("RVA"). A RFA dos membros da Comissão Executiva é fixada todos os anos pela Assembleia Geral de Accionistas até ao final de Março, nomeadamente tendo como base a avaliação do desempenho do exercício anterior.

c) Limites da remuneração: a RVA terá os limites que forem fixados pelo órgão competente e representará aproximadamente um máximo de 33% da RTA. A RFA é composta pelo vencimento dos membros da Comissão Executiva e por outros subsídios que são atribuídos a todos os colaboradores do Banco Best. A RVA para 2012 tem o limite de 5% do resultado Líquido do BEST, sendo em qualquer caso o limite geral o constante do artigo 24º do contrato de sociedade.

d) Equilíbrio na remuneração: o montante exacto da RVA oscilará, em cada ano, em função do grau de cumprimento dos principais objectivos anuais, constantes do Orçamento anual, tal como aprovado pelo Conselho de Administração, representando no máximo uma média de 33% da RTA. Em função do valor a RVA, o valor da RFA poderá oscilar em cada ano entre aproximadamente 66% e 100% da RTA.

e) Critérios de definição da componente variável e momentos do seu pagamento: a RVA terá um peso máximo equivalente a aproximadamente 33% na RTA. A RVA será calculada no início de cada ano pelo órgão competente, em função de uma avaliação de desempenho realizada pelos órgãos competentes do Banco. O valor da RVA será proporcional á avaliação de desempenho segundo os critérios *infra* mencionados. A RVA é dividida entre uma parcela correspondente a 50% da RVA - a Remuneração Variável Anual Simples ("RVAS"), que é paga após a aprovação das contas do exercício do ano em questão e uma parcela, correspondente aos restantes 50% da RVA, que é diferida durante 3 anos - a Remuneração Variável Anual Diferida ("RVAD"). A RVAD será dividida em três parcelas iguais, que serão pagas anualmente, por um período de três anos. A RVA é paga integralmente em numerário. Não existem componentes da RVA pagas através de instrumentos financeiros, já que tal não se considera adequado à estrutura e realidade do Banco Best. Isto porque, em primeiro lugar, a RVA representa uma componente da RTA inferior a 40%, não representando assim uma parte substancial da RTA. Por outro lado, não são ultrapassados nenhum dos indicadores de dimensão previstos no nº 1 do artigo 7º do Aviso do Banco de Portugal n.º 10/2011. Também relevante, para estes efeitos, é o facto de a actividade principal do banco ser

essencialmente exercida no mercado português, com uma estratégia de negócio orientada maioritariamente para o segmento de mercado de clientes particulares afluentes numa óptica de intermediação bancária de produtos e serviços financeiros de outros bancos, seguradoras, sociedades gestoras e corretoras, não exercendo a gestão própria de produtos próprios de natureza complexa. Finalmente, considera-se que as acções que constituem o capital social do Banco Best não estão cotadas em nenhum mercado regulamentado e são detidas exclusivamente por entidades do grupo da empresa-mãe e pelo Saxo Bank A/S.

f) Mecanismos de Limitação da Remuneração Variável: o pagamento da RVAS depende da avaliação de desempenho, podendo, ainda que a avaliação de desempenho seja positiva, não ser paga no ano em causa em função da degradação estrutural do Banco, nomeadamente caso o resultado do exercício seja negativo, como melhor explanado *infra*. A RVAD encontra-se sujeita ás seguintes limitações: i) por um lado, o seu pagamento é diferido durante um período de 3 anos; e ii) por outro, não será paga no ano em causa, em prestações ainda em dívida, em função da degradação estrutural do desempenho do BEST. Cabe à Assembleia Geral de Accionistas verificar e determinar a existência de uma degradação estrutural, nomeadamente caso o resultado do exercício seja negativo. O pagamento das prestações diferidas da RVAD referente a exercícios anteriores dependerá ainda da avaliação de desempenho correspondente ao ano em que o pagamento é devido.

g) Critérios para a avaliação de desempenho: a avaliação de desempenho é efectuada anualmente e inclui critérios não financeiros relativos às aptidões pessoais, técnicas e de gestão para o desempenho da função para além de critérios financeiros relativos ao cumprimento dos principais objectivos constantes do Orçamento Anual do ano anterior, aprovado pelo Conselho de Administração segundo os critérios *infra* referidos. A avaliação de desempenho dos membros executivos do Conselho de Administração é efectuada pelo Presidente da Comissão Executiva e a avaliação de desempenho do Presidente da Comissão Executiva é efectuada pelo Presidente do Conselho de Administração (não executivo). A avaliação dos membros executivos do Conselho de Administração assenta em cinco indicadores; i) Desempenho individual de cada membro da Comissão Executiva face às aptidões pessoais, técnicas e de gestão para o desempenho da função, incluindo o cumprimento das regras associadas à actividade dos Bancos; ii) "Cost-to-Income" (rácio entre os custos operativos e o produto bancário total), indicador que traduz a actividade operacional do Banco, e que mede a capacidade de geração de receitas face aos custos operativos incorridos; iii) Resultado Líquido do Exercício, indicador que traduz o contributo para os accionistas, já deduzido de dimensões não capturadas no Cost-to-Income, em particular o custo do risco, os impostos e os interesses minoritários; iv) "Return-on-Equity" (rácio entre o resultado líquido e os capitais próprios), indicador que mede a rentabilidade proporcionada em face do volume investido pelos accionistas; e v) Ratio de Transformação Crédito / Depósitos: indicador que mede o grau de alavancagem do Banco.

h) Principais parâmetros e fundamentos de qualquer sistema de prémios anuais e de quaisquer outros benefícios não pecuniários: não existem outras formas de remuneração para além da RFA e RVA descritas na presente política de remuneração.

i) Remuneração paga sob a forma de participação nos lucros e ou de pagamento de prémios e os motivos por que tais prémios e ou participação nos lucros foram concedidos: não existem outras formas de remuneração para além da RFA e RVA descritas na presente política de remuneração.

j) Indemnizações pagas ou devidas a ex-membros executivos do órgão de administração relativamente à cessação das suas funções durante o exercício: não foram pagas nem são devidas quaisquer indemnizações a antigos membros da Comissão Executiva relativamente à cessação das suas funções.

k) Limitações contratuais previstas para a compensação a pagar por destituição sem justa causa do administrador e sua relação com a componente variável da remuneração: não existem quaisquer acordos que fixem montantes a pagar a membros da Comissão Executiva em caso de destituição sem justa causa.

l) Principais características dos regimes complementares de pensões ou de reforma antecipada, com indicação se foram sujeitas a apreciação pela assembleia geral: o Banco Best não tem acordos que prevejam regimes complementares de pensões ou de reforma antecipada.

m) Estimativa do valor dos benefícios não pecuniários relevantes considerados como remuneração não abrangidos nas situações anteriores: não são atribuídos aos administradores benefícios não pecuniários de relevo.

6. Regras aplicáveis a todos os membros do órgão de administração

Pagamentos relativos à destituição ou cessação por acordo de funções de administradores: não existem quaisquer pagamentos aprovados respectivamente à destituição de administradores e qualquer cessação por acordo carece, no que respeita aos montantes envolvidos, de ser previamente aprovada pela Assembleia Geral.

7. Montantes pagos em 2011 aos membros dos órgãos sociais, incluindo os montantes pagos a qualquer título por outras sociedades em relação de domínio ou de grupo

a) Conselho de Administração (membros executivos):

A remuneração auferida pelos membros executivos do Conselho de Administração no exercício de 2011 inclui as remunerações fixas recebidas e pagas em 14 prestações, os complementos que são atribuídos a todos os colaboradores do Banco, como diuturnidades ou outros subsídios e as remunerações variáveis atribuídas e que se encontravam já pagas relativamente a exercícios anteriores. Isabel Maria Ferreira Possantes Rodrigues Cascão (Presidente da Comissão Executiva) auferiu a remuneração fixa de 228.511 Euros e uma remuneração variável em dinheiro de 52.014 Euros, sendo a remuneração variável diferida para o período de 2012 a 2014 de 50.000 Euros. Marília Boavida Correia Cabral auferiu a remuneração fixa de 137.290 Euros e uma remuneração variável em dinheiro de 27.023 Euros, sendo a remuneração variável diferida para o período de 2012 a 2014 de 25.000 Euros. Francisco José Valente Hipólito dos Santos, considerando apenas o período decorrido após a sua nomeação para o Conselho de Administração, auferiu a remuneração fixa de 122.998 Euros, e uma remuneração variável em dinheiro de 55.711 Euros, não havendo remuneração variável diferida para períodos seguintes. Pedro Alexandre Lemos Cabral das Neves auferiu a remuneração

fixa de 124.923 Euros e uma remuneração variável em dinheiro de 19.869 Euros, sendo a remuneração variável diferida para o período de 2012 a 2014 de 17.846 Euros.

b) Conselho Fiscal

Os membros do Conselho Fiscal não auferiram qualquer remuneração variável em 2011. O Dr Jose Manuel Macedo Pereira recebeu uma remuneração fixa em senhas de presença de 4.000 Euros, o Dr. Luis Manuel Santos Botelho recebeu uma remuneração fixa em senhas de presença de 3.200 Euros e o Dr. Elisio Armando da Cruz Cardoso recebeu uma remuneração fixa em senhas de presença de 2.400 Euros.

As funções de controlo, tal como definidas na Carta Circular do Banco de Portugal n.º 2/DSB/2010, efectuaram a avaliação da Política de Remunerações, da qual deram conhecimento ao Conselho de Administração.

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CERTIFICAÇÃO LEGAL DAS CONTAS

Introdução

1 Examinámos as demonstrações financeiras do **BEST – Banco Electrónico de Serviço Total, S.A.**, as quais compreendem o Balanço em 31 de Dezembro de 2011 (que evidencia um total de 493.413 milhares de euros e um total de capital próprio de 39.989 milhares de euros, incluindo um resultado líquido de 7.059 milhares de euros), a Demonstração dos resultados, a Demonstração do rendimento integral, a Demonstração das alterações nos capitais próprios e a Demonstração dos fluxos de caixa do exercício findo naquela data, e os correspondentes Anexos.

Responsabilidades

2 É da responsabilidade do Conselho de Administração a preparação de demonstrações financeiras, em conformidade com as Normas de Contabilidade Ajustadas, definidas pelo Banco de Portugal, que têm como base a aplicação das Normas Internacionais de Relato Financeiro em vigor e adoptadas pela União Europeia, com excepção das matérias definidas nos n°s 2° e 3° do Aviso n° 1/2005 e no n° 2° do Aviso n° 4/2005 do Banco de Portugal ("NCA's"), que apresentem de forma verdadeira e apropriada a posição financeira do Banco, o resultado das suas operações, o rendimento integral as alterações nos seus capitais próprios e os fluxos de caixa, bem como a adopção de políticas e critérios contabilísticos adequados e a manutenção de um sistema de controlo interno apropriado.

3 A nossa responsabilidade consiste em expressar uma opinião profissional e independente, baseada no nosso exame daquelas demonstrações financeiras.

Âmbito

4 O exame a que procedemos foi efectuado de acordo com as Normas Técnicas e as Directrizes de Revisão/Auditoria da Ordem dos Revisores Oficiais de Contas, as quais exigem que o mesmo seja planeado e executado com o objectivo de obter um grau de segurança aceitável sobre se as demonstrações financeiras estão isentas de distorções materialmente relevantes. Para tanto o referido exame incluiu:

- a verificação, numa base de amostragem, do suporte das quantias e divulgações constantes das demonstrações financeiras e a avaliação das estimativas, baseadas em juízos e critérios definidos pelo Conselho de Administração, utilizadas na sua preparação;
- a apreciação sobre se são adequadas as políticas contabilísticas adoptadas e a sua divulgação, tendo em conta as circunstâncias;
- a verificação da aplicabilidade do princípio da continuidade; e,
- a apreciação sobre se é adequada, em termos globais, a apresentação das demonstrações financeiras.

5 O nosso exame abrangeu também a verificação da concordância da informação financeira constante do Relatório de gestão com as demonstrações financeiras.

6 Entendemos que o exame efectuado proporciona uma base aceitável para a expressão da nossa opinião.

Opinião

7 Em nossa opinião, as referidas demonstrações financeiras apresentam de forma verdadeira e apropriada, em todos os aspectos materialmente relevantes, a posição financeira do **BEST – Banco Electrónico de Serviço Total, S.A.** em 31 de Dezembro de 2011, o resultado das suas operações, o rendimento integral, os fluxos de caixa e as alterações nos capitais próprios no exercício findo naquela data, em conformidade com as NCA's tal como definidas pelo Banco de Portugal.

Relato sobre outros requisitos legais

8 É também nossa opinião que a informação constante do relatório de gestão é concordante com as demonstrações financeiras do exercício.

Lisboa, 15 de Março de 2012

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
representada por
Fernando Gustavo Duarte Antunes (ROC n.º 1233)

BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S.A.

RELATÓRIO E PARECER DO CONSELHO FISCAL

EXERCÍCIO DE 2011

Senhores Accionistas do
Banco Electrónico de Serviço Total, S.A.

Nos termos da legislação em vigor, apresentamos o relatório sobre a actividade fiscalizadora desenvolvida pelo Conselho Fiscal sobre o Relatório de Gestão, as demonstrações financeiras e a proposta de aplicação de resultados, relativamente ao exercício findo em 31 de Dezembro de 2011, apresentados pelo Conselho de Administração do Banco Electrónico de Serviço Total, S.A. (doravante, BEST).

O Conselho Fiscal tem acompanhado, no âmbito das suas atribuições, e nos termos da lei e dos estatutos, a evolução da gestão e da actividade do BEST, nomeadamente:

i. apreciou a adequação e a eficácia dos sistemas de gestão de riscos, de controlo interno e de auditoria interna;

ii. participou, nas reuniões do Conselho de Administração, sempre que foi convocado para as mesmas;

iii. analisou os documentos de informação de gestão que foram apresentados pelo Conselho de Administração;

iv. acompanhou a verificação dos registos contabilísticos e dos correspondentes documentos de suporte;

v. apreciou as politicas contabilísticas e os critérios valorimétricos adoptados pelo BEST; e

vi. teve reuniões, sempre que necessárias, sobre a apreciação das políticas contabilísticas e os critérios valorimétricos adoptados pelo BEST, com o Revisor Oficial de Contas que sempre prestou as informações tidas como relevantes.

Foi ainda analisado o Relatório de Gestão elaborado pelo Conselho de Administração, que no entender deste Conselho cumpre os requisitos legais e estatutários e é elucidativo dos principais aspectos que circunscreveram a actividade do BEST no ano de 2011, sendo de destacar o lançamento do novo site mobile que permite a geolocalização dos centros de investimento do Banco, para além da disponibilização de um vasto conjunto de operações bancárias correntes e um módulo que permite acompanhar os mercados mais importantes à escala global e negociar mais de 1.200 títulos, com actualização em tempo real da carteira de investimentos.

O Conselho Fiscal verificou que os capitais próprios do Banco Best foram reforçados em 2011 em função directa da política de incorporação integral dos resultados líquidos do exercício anterior, pelo que o rácio Core Tier 1 foi consideravelmente reforçado ao aumentar dos 13,5% em Dezembro de 2010 para os 16,5% atingidos no final do exercício de 2011, valor substancialmente superior aos valores mínimos legalmente exigidos.

O Conselho Fiscal regista com apreço o montante atingido pelo resultado líquido do BEST, cujo valor ascende a 7.059 milhares de euros em 2011, apesar da envolvente negativa a nível nacional e internacional.

O Conselho Fiscal apreciou também, nos termos da lei, o Relatório de Auditoria elaborado pelo Revisor Oficial de Contas, tendo igualmente tomado conhecimento da sua Certificação Legal de Contas sobre as referidas demonstrações financeiras, referentes ao exercício de 2011, que não apresenta qualquer reserva e com a qual concorda.

Face ao exposto, é Parecer deste Conselho que sejam aprovados:

- O Relatório de Gestão e os restantes documentos de prestação de contas, do exercício findo em 31 de Dezembro de 2011;
- A proposta de aplicação de resultados líquidos apresentada pelo Conselho de Administração.

Lisboa, 19 de Março de 2012

O CONSELHO FISCAL

José Manuel Macedo Pereira
(Presidente)

Luis Manuel Santos Botelho

Elisio Armando da Cruz Cardoso