



Banco Finantia

REPORT AND ACCOUNTS 2006

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Global Environment in 2006 and Forecasts

The global economy maintained strong growth in 2006, having expanded for the third consecutive year at a rate of around 5%. Largely responsible for this growth was the performance of the emerging economies. The major developed economies continue to converge, with the United States registering a slight slowdown in the second half of 2006, while Europe improved throughout the year.

In fact, 2006 may be seen as the turning point in the recent rapid economic growth cycle of the United States. Although the 2006 US GDP grew at rate of 3.3%, which was in line with that seen in 2005, latest OECD estimates indicate a expected slowdown over the next few years (2.4% in 2007 and 2.7% in 2008).

After numerous false starts, the Euro Zone economy has finally accelerated with the first semester of 2006 growing at a level unseen in the past few years. The good performance of exports and investments led to a median growth rate of 2.6% in 2006 vis-à-vis the 1.5% of 2005. This growth largely reflects the good performance of Germany, Europe's principal economic engine. Latest OECD projections point to an expected Euro zone GDP growth of 2.2% and 2.3% for 2007 and 2008, respectively.

Russia repeated its robust growth of the previous years' with 2006 growing at a rate of 6.8%. This growth is expected to continue in the years to come with the latest OECD estimates for Russia signaling figures of 6% and 5.5% in 2007 and 2008, respectively. Turkey, strongly penalized by the instability of the international markets throughout 2006, managed to recover with growth for 2006 expected to stand at 6%.

The Brazilian economy has shown clear signs of recovery despite some slowdown in the third quarter. It is estimated that the economy in Brazil will have grown at 3.1% in 2006 versus 2.3% of 2005. The fight to lower inflation appear to be resulting with the expected 2006 figure to be around 3% versus the 5.6% registered in 2005. This performance is particularly noteworthy given the fact that 2006 was an election year. All three major rating agencies recognized this and Brazil was upgraded to BB during the year. Later S&P further recognized that notable performance by upgrading the country's outlook to positive and opening the doors to a possible new

upgrade soon. Coupled with controlled inflation, growth rates for the next two years are now estimated at about 4%.

The economic environment in the Iberian Peninsula

The recovery of the European economy spilled over to the Portuguese economy with Portuguese exports growing at 8.3% in 2006. This acted as a lever to the whole Portuguese economy that grew above expectations at 1.3% in 2006 versus 0.4% of 2005. In its latest report, the OECD revised its forecasts for Portugal with expected GDP growth in 2007 and 2008 at 1.5% and 1.7%, respectively. Even so, Portugal will continue to grow below the projected Euro Zone average. The focus of Government policy will continue to be the reduction of the public deficit, mainly through cutbacks in expenditures.

Spain, on the other hand, continued to stand out as the country in the Euro Zone that grew the most in 2006 at 3.7%. With the inflation standing at above the 3%, a significant deviation from the Euro Zone average, the loss of competitiveness of the economy may be the reverse side of the positive growth tag that has to be offset through adequate fiscal and structural reforms. Notwithstanding the anticipated deceleration of exports, the forecasts for 2007 and 2008 continue to indicate the repetition of the above 3% GDP growth, clearly above the average growth for the EU.

OPERATIONAL ACTIVITIES

The Bank expanded considerably its activities in 2006, with total assets surpassing EUR 5 billion, which represents a 54% growth over the previous year. Above average growth was achieved in the three key activities of the Bank – Consumer Finance, Investment Banking and Private Banking – and was accompanied by an important increase in profitability, with net income and ROE reaching records of EUR 61 million and 22%, respectively.

Consumer Finance

In 2006, through its subsidiaries Sofinloc (Portugal) and Banco Finantia Sofinloc (Spain), the Bank continued to expand its Consumer Finance activity, focusing on financing the acquisition of passenger and light commercial vehicles and selling insurance policies in the Iberian Peninsula. The emphasis was maintained on promoting its products to individuals, self-employed professionals and small and medium sized companies. This is being done mainly via auto dealers supported by the Bank's commercial teams. The teams are based at the head offices in Lisbon and Madrid as well as at 30 branches (20 in Portugal and 10 in Spain). The products sold are installment credit, hire-purchase and leasing.

The Iberian market for new light vehicles fell slightly by 0.9% in 2006 with 2.2 million units sold. This fall was on account of a 0.3% reduction of sales in Spain coupled with a 5.1% decrease in the Portuguese market. In contrast, 2005 had seen sales rise 3.4% vis-à-vis the previous year.

Despite the market slowdown, the Group's Consumer Finance activity grew 24% year-on-year with total disbursements for the year amounting to EUR 579 million, by and large due to strong growth in the financing of used vehicles.

This good performance was primarily due to the strong increment of activity in Spain which saw 2006 new production reach EUR 200 million, 40% more than the previous year. Portugal also contributed positively to the 2006 with Sofinloc new financings reaching EUR 379 million, a 16% increase over 2005. According to the industry association (ASFAC), Sofinloc is the leader of the automobile credit segment in Portugal with a market share of 14.6%.

Sales in Spain now represent 35% of the Group's Consumer Finance activity and continue to move toward the management's objective of an even distribution between the two Iberian countries. This objective is being achieved through the on going strategy of increasing the geographic coverage in Spain.

In 2006 new branches were opened in Madrid Sul, Sant Cugat, Granollers and Murcia, taking the total number of branches (including the head office) in Spain to 11. In Portugal, five new branches were opened in Beja, Caldas da Rainha, Castelo Branco, Santarém and Viana do Castelo taking the total number of branches / offices to 21 (including the head office).

To supplement the principal activity, the Consumer Finance area also sells insurance policies. The products sold include: credit protection (covering life and unemployment risks), vehicle insurance associated to financing (seguro auto financiamento) and vehicle insurance without associated financing (seguro auto extra financiamento). The commissions earned via this activity in 2006 amounted to more than EUR 5 million, corresponding to a 14% increase over 2005.

The Consumer Finance portfolio of the Group in the Iberian Peninsula, including the total amount of contracts under management, grew 24% in 2006 to EUR 1,126 million (EUR 1,081 million net of provisions) from EUR 905 million the previous year, a reflection of the rapid growth of this activity. This performance was on the back of a EUR 97 million increase in the portfolio in Spain that reached EUR 349 million (+38%) and a EUR 124 million (+19%) increase in the Portuguese portfolio which reached EUR 777 million. Spain already represents about 31% of the global consolidated portfolio (28% in 2005).

OPERATIONAL ACTIVITIES

Investment Banking

The Investment Banking activities continued to focus on Fixed Income Capital Markets, Trade Finance and Corporate Finance. These activities have a strong cross border component centered on the Iberian Peninsula / Brazil corridor and on the markets of Russia, the CIS countries and Turkey.

In the Brazilian market, Banco Finantia has consolidated its position and maintained its place among the Top 10 leaders of Corporate Eurobonds. The Bank has also penetrated further into its privileged markets where the introduction of new products and the close relationship with its clients have played fundamental roles in the Bank's success.

In the areas of Capital Markets and Trade Finance, the Bank has grown its business by about 50%, with the Fixed Income portfolio amounting to about EUR 1.4 billion and the Trade Finance portfolio to EUR 260 million at year-end.

Finally, in the Corporate Finance area, besides operations in the domestic market, we highlight new cross-border deals between Portugal / Spain and other countries, namely Brazil and Russia.

Capital Markets

In 2006, in the Capital Markets area, Banco Finantia maintained its leading position, increasing the number of deals completed, diversifying the type of securities transacted and strengthening its distribution capacity. The Fixed Income portfolio was further diversified in terms of country and issuers.

In Brazil, Banco Finantia further consolidated its position leading two issues for CESP – Companhia Elétrica do Estado de São Paulo – one of USD 300 million and the other of USD 220 million and one subordinated debt issue for Banco Mercantil do Brasil for an amount of USD 125 million. We also highlight the Bank's participation in a number of bond syndicates, among which is worth mentioning the Eurobond issue of BICBanco for an amount of USD 150 million.

In the Russian and CIS Eurobond market, the Bank strengthened its position leading two issues: a USD 25 million for the Republic of Bashkortostan and a EUR 70 million issue for a Belarus Bank, Belagroprombank. It is worth highlighting Banco Finantia's participation in a diverse number of bond syndicates, namely those of Bank TuranAlem, Russian Standard Bank, International Industrial Bank, Nomos Bank, Absolut Bank and Bank Petrocommerce. These operations totaled over USD 1.8 billion. The Bank's presence in this geographic area was further flagged by its participation in two securitization operations, one for VTB and the other for the City Mortgage Bank jointly with the Russian Interregional Bank for Development.

In the secondary market, Banco Finantia increased its distribution capacity in its offices in Lisbon, Madrid, London, New York and São Paulo. This has significantly increased the client base permitting the Bank to have traded more than EUR 3 billion in international debt securities.

To support its Origination and Distribution activities, the Bank continued its policy of organizing roadshows and presentations on behalf of its clients. This is an important differentiating factor that helps enhance the bank's relationship with both issuers and investors.

OPERATIONAL ACTIVITIES

Trade Finance

The Trade Finance activity expanded significantly in 2006, maintaining its focus on origination, structuring and sales of foreign trade related financial assets. A large part of this growth resulted from the increase in business operations with the CIS countries, mainly in the area of syndicated loans to banks and companies in Russia, Kazakhstan and Ukraine. In 2006, Banco Finantia participated in more than 30 transactions in the primary market. Along with Brazil and Turkey, these countries constitute the major source of Banco Finantia's trade finance business.

In Brazil, Banco Finantia further strengthened its Trade Finance activity. Special mention is made to Banco Finantia's role in the renegotiation of Avipal S.A.'s trade related structured loan.

The Bank's activity in Eastern Europe was enhanced by its participation in a number of syndicated loans such as the loans to the Ukrainian Bank Ukrsofsbank where Banco Finantia was the Mandated Lead Arranger, to the Republic of Belarus where Banco Finantia acted as the Lead Arranger, to the Russian banks Transcredit Bank and Akbars Bank and to the Kazak Bank Centercredit, where Banco Finantia was the Arranger.

New bilateral operations were structured for new clients such as Koç Leasing and Yapi Credit Leasing in Turkey, Banco Daycoval in Brazil and Promsvyazbank and Absolut Bank in Russia.

Finally, we highlight the effort made to increase the business of structured export finance mainly in the Brazilian and Russian markets.

Corporate Finance

Corporate Finance covers Corporate Advisory Services and Structured Finance transactions.

In 2006, the Corporate Advisory deals included: the acquisition of Sidenor, the biggest Spanish manufacturer of specialty steels, by a group of investors led by the Gerdau Group (Brazil); advisory services to RAVE related to the selection of the right mix of financing for the high speed railway project in Portugal; and advisory services to REN – Rede Eléctrica Nacional – including evaluating the assets acquired from GALP, related to the transportation, storage and regasification of natural gas.

In 2006, the Bank was also mandated to advice in several mergers and acquisitions involving domestic and international investors. Other mandates included advising on the potential restructurings of several business groups in Portugal in sectors such as civil construction, building materials, health, transportation, multimedia, beverages, packaging, tourism and banking.

During the year, special efforts were made to originate cross border operations involving Portugal and the countries where Banco Finantia has operations, namely Brazil and Russia. These efforts paid off and Banco Finantia has been mandated to advice in a number of M&A and Structured Finance operations.

The extensive track record in Securitisation operations of credit portfolios was consolidated through a successful structuring and placement of the "LTR 6", the sixth transaction of the auto finance assets originated by the Consumer Finance area of the Group. The transaction combined Portuguese and Spanish assets totalling EUR 450 million. Through its subsidiary Finantia SGFTC, the Bank continued to be at the forefront of the Asset Backed Securities market in Portugal with total portfolios under management above EUR 2.8 billion at the end of 2006.

Given the ongoing projects and the prospects for the rest of the year, it is anticipated that the Financial Advisory Services could grow significantly in 2007. In addition, participation in structured finance operations in Europe is expected to increase.

OPERATIONAL ACTIVITIES

Private Banking

The year 2006 was characterized by the continuing growth and expansion of private banking activities conducted through the Private Banking Department of the Bank (Finantia Private). The client base and the volume of assets under management, principally discretionary mandates were increased. This has further consolidated the Bank's presence in this area.

In a context of uncertain markets, Finantia Private strengthened the creation of value for its clients thanks to its recognized risk management capabilities and to its independent offer of high quality products and services. By means of rigorous product selection, larger portfolio diversification and adequate tuning of portfolios' mix, it was possible to achieve in 2006 a more flexible optimization of the return/risk ratio.

For 2007, this business area will continue to pursue the goal of expanding its activity through a selective search of new clients and by increasing its degree of involvement with existing ones. This strategy will focus on improving the quality of service and the client satisfaction by providing totally independent advice. The solutions to be offered will continue to be the most suited to the individual risk profile of each client, within the framework of maximum discretion, confidentiality and independence.

Private Banking activities are conducted from the Bank's offices in Lisbon and Oporto in Portugal and Madrid, Barcelona and Valencia in Spain.

Treasury

The Treasury Department continued to follow and control all the financial flows arising from the Bank's activities. It oversees the liquidity and assets and liabilities management, including term deposits, repos and short and medium term funding.

A EUR 50 million subordinated debt issue (Tier II) and a five year syndicated term loan of EUR 150 million were placed with a wide consortium of international banks in 2006. These loans together with the EUR 450 million securitization operation referred to above extended the debt profile of the Bank and diversified its sources and instruments of financing. The liquidity of the Bank was further enhanced by the EUR 100 million capital increase completed in the last quarter of 2006.

Information Systems and Operations

During 2006, a number of projects to improve the IT systems in the Bank were undertaken. These included the automation of all the procedures relating to the integration of the Kondor system (used to input orders received) with the applications used by the Back Offices in Spain and Portugal, and a new Front-end program to be used by the Consumer Finance area in Spain. Initially, this program is to be used solely by the Call Centre, but it will be made available eventually to Collections and Recoveries.

In line with the strategy to improve the quality, precision and speed at which the information is available to management, the criteria utilized for the financial reports were streamlined and standardized and their compilation, production and availability automated. These measures have now created the infrastructure that allows the Bank to effectively respond to the requirements of Basel II.

New applications, in line with the best international standards, have been introduced to help the bank detect, prevent and safeguard against any money laundering activities.

In 2006, despite the large increase in the volume of operations processed, Banco Finantia's Operations Department maintained high levels of efficiency primarily due to improvements in the data base and control procedures, which are now almost entirely automated.

We highlight the importance of the procedures introduced which besides automating and streamlining information have also increased the level of interaction between the Operations Department and the other departments of the bank, aiming at an improvement in the overall efficiency of all departments.

For 2007, the Department of Operations will continue to concentrate on improving its systems with the objective of maintaining an increased level of efficiency without compromising security aspects. It will also further develop its control mechanisms and its capacity to respond to contingencies.

Human Resources

The development and training of the Group's employees, the most important asset of the Bank, was the focal point of the Human Resources policy for 2006. The policy, similar to prior years, was to provide the necessary human capital to sustain Banco Finantia's growth.

Aware that only with a well prepared, qualified and motivated workforce can the Bank face the future with confidence and determination, Banco Finantia continued to assist its employees to improve their professional qualifications. This was done by way of a strong investment in training programs to existing employees and a highly demanding recruitment policy for new employees. The Bank has also utilized the services of specialized recruitment agencies that are skilled in utilizing advanced methods for evaluating competencies.

Realizing the importance of "in-house" training programs, the Bank has sponsored courses designed to qualify employees to be certified instructors. These instructors will be responsible for training the other employees within the respective departments of the Bank. The increased use of computers, both within and outside the organization, led the Bank to sponsor an internal program that has highlighted and helped improve the overall knowledge on the use of the Windows application, Outlook. More than 100 employees attended this course.

A special technical course on money laundering was conducted that was attended by about 60% of the employees of the Group.

We have continued our strategy of encouraging internal rotation of employees. This is considered imperative to the proper development of the employees involved and helps dissemination of the Group's culture. Given the importance of the Consumer Finance business in Spain, a number of Portuguese employees from the IT, Operations, Consumer Finance and Accounting Departments were temporarily assigned to Spain to assist in the rapid expansion of operations in that country.

In the second half of the year, Banco Finantia conducted a survey on employee satisfaction that is expected to improve the way the Bank deals with its staff. All the employees in Portugal were invited to participate with their suggestions. This initiative yielded very satisfactory results and received a participation of more than 96%, reflecting the enthusiasm of the employees to be involved in the improvement of the work environment.

In 2006, the workforce increased by about 15% reflecting the overall growth in all the business segments of the Group, especially in the Consumer Finance area. The Spanish operations of the Group registered the largest increase in employees (45%).

At 31st December 2006, the Group's workforce totaled 531 people, of which 361 were based in Portugal and 170 abroad (154 of which were in Spain).

RISK EVALUATION AND MANAGEMENT

The policies related to the evaluation and management of the group's risks, namely, Credit, Market, Liquidity and Operational are described in the notes to the Financial Statements.

SOCIAL RESPONSIBILITY AND CULTURAL PATRONAGE

Over the last few years, the Bank has supported social projects directed towards helping disfavoured children with/without the need for special education.

In 2006 and in partnership with the Serralves Foundation of which Banco Finantia is a proud founding member, the Bank sponsored a program for mentally disabled children called “Semana de Actividades na Quinta”. The aim of this program was to engage these children in selected educational hobbies at Serralves through the use of art and nature. The Park and the other facilities at Serralves presented an ideal place for such a program that has been attended by about 400 children.

The Bank was one of the sponsors of the 2006 International Congress of “APSA – Associação Portuguesa do Síndrome de Asperger” (Portuguese Association of the Asperger Syndrome) that brought to Oporto specialists in the treatment and social insertion of children suffering from this disease from around the world.

Banco Finantia gave a nine-seat mini-van to the “Associação de Aldeias de Crianças SOS” (Association of Villages of SOS Children), that replaced the association’s aged vehicle. The mini-van is to be used for the children from Aldeia SOS in Guarda (North Portugal).

To the “AARN – Associação de Ajuda ao Recém-Nascido” (Association to assist newborn children), Banco Finantia provided assistance in the purchase of clothing for the newborn babies of the socially underprivileged people at the Maternity Alfredo da Costa in Lisbon.

Banco Finantia sponsored the book “Acreditar” edited by the “Associação Acreditar” whose proceeds are to be used for the improvement in the Paediatric services of the “Instituto Português de Oncologia” of Lisbon (the Portuguese Cancer Institute).

In Brazil, Banco Finantia assisted the “Horizontes Projectos Sociais”, a non-governmental organisation that is involved in a social mission towards the poor people of Ressaca, a neighbourhood of the Ibiuna municipality of São Paulo.

In the cultural sphere, the Bank continued to help the Palácio Nacional da Ajuda to purchase art and paintings for the Palace’s estate. The Bank also

financed regular maintenance work at the Palace.

In Spain, Banco Finantia sponsored the DeARTE fair in Madrid, an event that assists and promotes new contemporary artists of high potential.

Education is another area the Bank has continued to support, mainly through its association with selected universities. The Bank sponsors the Advanced Management Programme for Executives of the Automobile Sector conducted by the Catholic University of Lisbon. The Bank awards an annual prize to the best post-graduate student in European studies at ISEG (Instituto Superior de Economia e Gestão of the Universidade Técnica de Lisboa).

FUTURE PROSPECTS

Strong growth is expected to be maintained in all areas of the Bank backed by the recent capital increase.

The Consumer Finance area is to open more new branches in Portugal and Spain thereby continuing to grow in terms of revenues and market share in the Iberian Peninsula.

The Investment Banking division of the Group will continue to focus on its three principal areas: Capital Markets, Trade Finance and Corporate Finance – aiming at increasing revenues with a further diversification of products and issuers. The Corporate Finance activity that until recently focused primarily on financial advisory is to continue to diversify into other areas, such as loans for structured transactions.

Private Banking is also expected to increase its activities in Portugal and Spain, offering clients a more diversified product range of deposits and other savings schemes.

CONSOLIDATED RESULTS

Starting January 1, 2006, the financial consolidated statements were prepared in accordance with the International Financial Reporting Standards (IFRS), the Regulation (EC) No. 1606/2002 of the European Parliament and the Bank of Portugal Regulation No. 1/2005.

In order to assure comparability, 2005 accounts have been restated under the same accounting principles.

In 2006, Banco Finantia posted a net profit of EUR 60.6 million, a 43% increase over the EUR 42.5 million recorded in 2005.

Return on Equity (ROE) stood at 22%, compared with 20% the previous year. The Return on Risk Weighted Assets (RORWA) stood at 2.4% versus 2.5% in 2005, in spite of a 51% growth in risk weighted assets. Earnings Per Share (EPS) grew 33% to EUR 0.70 (diluted for the capital increase that took place in late 2006) compared with EUR 0.52 in 2005.

Total operating income reached EUR 146 million versus EUR 103 million in 2005, a 42% growth, with net interest income growing at 33% and, net commissions fees and other operating income excluding gains from financial operations at 47%.

To sustain business growth and to strengthen back office and regulatory demands, operational costs grew 22% compared to 2005, standing at EUR 48.9 million.

The cost-to-income ratio of operating costs (staff and general and administrative expenses and depreciation and amortization) over total operating income, recorded a significant improvement from 38.9% to 33.5%.

Consolidated net assets amounted to EUR 5,107 million versus EUR 3,336 million the prior year. Excluding hedging positions of EUR 1,544 million (EUR 747 million in 2005), net consolidated assets grew by 38%. Consumer Finance net assets reached EUR 1,081 million (24% more than in 2005) and Investment Banking assets EUR 1,781 million (64% more than in 2005).

Credit quality remained strong, with NPL ratio (amounts overdue more than 90 days plus doubtful credits over total credit) standing at 2.3%, in line with previous year. Provisions over NPLs stood at 127% (130% in 2005).

Liquidity and capitalization remained sound. In order to cope with the growth of the various business areas, several funding and capital transactions were completed raising medium long term funding, including subordinated debt and equity. A EUR 50 million subordinated debt issue was completed in the first half of the year and a capital increase of EUR 100 million on the second half. Own Funds increased to EUR 495 million at year end. The Capital Adequacy Ratio (CAD) rose to 15.8% (Tier I at 10.7%).

TREASURY STOCK | APPROPRIATION OF RESULTS | | CONCLUDING REMARKS

TREASURY STOCK

At the start of 2006, the Group held 2,573,646 treasury shares of the Bank. Purchases and sales of treasury stock during the year were effected pursuant to resolutions passed at the Bank's General Meeting held on the 28th of April 2006, that included a specific authorisation for the purchase and sale of shares as part of the share incentive programme for Banco Finantia Group employees.

During the period under review, the Group acquired 1,355,948 shares for a total amount of EUR 3,496 thousand (200,926 shares for an amount of EUR 569 thousand under the incentive program) and sold 106,284 shares for a total amount of EUR 209 thousand (33,000 shares for a total amount of EUR 94 thousand under the incentive program). As at 31st December 2006, the Group held 3,823,310 own shares of the Bank.

APPROPRIATION OF RESULTS

It is proposed that with reference to the 2006 fiscal year, a dividend of EUR 0.26 per share be distributed to Banco Finantia's shareholders. The balance of net income for the year is to be transferred to Free Reserves and Retained Earnings, after the legal and statutory appropriation to Legal Reserves.

CONCLUDING REMARKS

At the end of another year of excellent results, the Board of Directors wishes to express its gratitude to all those who gave it their support.

We wish to thank our clients, shareholders and corporate bodies for the confidence placed on us.

To the Supervision authorities, a special thanks for their cooperation.

To all our staff, a special word of gratitude for the effort, dedication, loyalty and professionalism, without which Banco Finantia would have never achieved its continued success.

Lisbon, March 13, 2007

Board of Directors

António Manuel Afonso Guerreiro (Chairman)

Eduardo de Almeida Catroga

Eduardo José de Belém Garcia e Costa

Heinz Herbert Jackel

Jose María Iceta Berecibar

Maria Luisa Falcão Libano Monteiro Antas

Stephen Clark

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CONSOLIDATED INCOME STATEMENT

for the years ended 31 December 2006 and 2005

Amounts expressed in thousands of Euros

| | Notes | 2006 | 2005 |
|--|---------------|-----------------|-----------------|
| Interest and similar income | 5 | 277 640 | 175 918 |
| Interest expense and similar charges | 5 | (167 506) | (93 311) |
| Net interest income | | 110 134 | 82 607 |
| Dividend income | 6 | 1 107 | 374 |
| Fee and commission income | 7 | 24 898 | 19 250 |
| Fee and commission expense | 7 | (7 821) | (7 641) |
| Net gains from financial operations | 8 | 15 624 | 6 565 |
| Other operating income | 9 | 2 020 | 1 779 |
| Operating income | | 145 962 | 102 934 |
| Staff costs | 10 | (24 973) | (19 962) |
| General and administrative expenses | 11 | (21 492) | (18 023) |
| Depreciation and amortisation | 20, 21 and 22 | (2 388) | (2 107) |
| Provisions, net of reversals | 29 | (93) | (12) |
| Loan impairment, net of reversals | 17 | (20 175) | (14 364) |
| Impairment on other financial assets, net of reversals | 15 | (714) | – |
| Impairment on other assets, net of reversals | 24 | (434) | (144) |
| Operating expenses | | (70 269) | (54 612) |
| Profit before income tax | | 75 693 | 48 322 |
| Current income tax | 23 | (16 279) | (5 385) |
| Deferred income tax | 23 | 1 184 | (414) |
| Profit for the year | | 60 598 | 42 523 |
| Attributable to the equity holders of the Bank | | 60 585 | 42 507 |
| Attributable to minority interest | | 13 | 16 |
| | | 60 598 | 42 523 |
| Earnings per share for profit attributable to the equity holders of the Bank | | | |
| Basic (in Euros) | 12 | 0.70 | 0.52 |
| Diluted (in Euros) | 12 | 0.70 | 0.52 |

The following notes form an integral part of these financial statements

CONSOLIDATED BALANCE SHEET

as at 31 December 2006 and 2005

Amounts expressed in thousands of Euros

| | Notes | 2006 | 2005 |
|--|-------|------------------|------------------|
| Assets | | | |
| Cash and banks | 13 | 37 871 | 61 100 |
| Financial assets at fair value through profit or loss | 14 | 1 073 752 | 636 527 |
| Available-for-sale financial assets | 15 | 400 444 | 284 779 |
| Loans and advances to banks | 16 | 2 192 792 | 1 355 654 |
| Loans and advances to customers | 17 | 1 303 221 | 922 413 |
| Hedging derivatives | 18 | 6 458 | 469 |
| Non-current assets held for sale | 19 | 876 | 1 626 |
| Investment property | 20 | 625 | – |
| Property and equipment | 21 | 18 446 | 18 492 |
| Intangible assets | 22 | 615 | 588 |
| Current income tax assets | | 1 384 | 1 139 |
| Deferred income tax assets | 23 | 1 046 | 927 |
| Other assets | 24 | 69 112 | 51 913 |
| Total assets | | 5 106 642 | 3 335 627 |
| Liabilities | | | |
| Financial liabilities held for trading | 25 | 1 504 599 | 744 327 |
| Deposits from banks | 26 | 1 524 436 | 1 100 017 |
| Due to customers | 27 | 701 793 | 465 805 |
| Debt securities issued | 28 | 779 136 | 654 690 |
| Hedging derivatives | 18 | – | 5 416 |
| Provisions | 29 | 916 | 823 |
| Current income tax liabilities | | 14 506 | 4 500 |
| Deferred income tax liabilities | 23 | 5 152 | 4 182 |
| Subordinated debt | 30 | 135 476 | 85 065 |
| Other liabilities | 31 | 39 214 | 32 243 |
| Total liabilities | | 4 705 228 | 3 097 068 |
| Equity | | | |
| Share capital | 32 | 115 000 | 75 000 |
| Share premium | 32 | 60 000 | – |
| Treasury stock | 32 | (3 823) | (2 574) |
| Revaluation reserves | 33 | 26 061 | 1 098 |
| Other reserves and retained earnings | 33 | 143 352 | 122 255 |
| Profit for the year attributable to the equity holders of the Bank | | 60 585 | 42 507 |
| Total equity attributable to the equity holders of the Bank | | 401 175 | 238 286 |
| Minority interest | | 239 | 273 |
| Total equity | | 401 414 | 238 559 |
| Total equity and liabilities | | 5 106 642 | 3 335 627 |

The following notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2006 and 2005

Amounts expressed in thousands of Euros

| | Share capital | Share premium | Treasury stock | Revaluation reserve | Other reserves and retained earnings | Profit for the year attributable to the equity holders of the Bank | Total equity attributable to the equity holders of the Bank | Minority interest | Total equity |
|---|------------------|------------------|-------------------|------------------------|--|---|--|----------------------|-----------------|
| Balance as at 1 January 2005 (see Note 41) | 75 000 | – | (3 114) | (7 042) | 136 503 | – | 201 347 | 375 | 201 722 |
| Dividends on ordinary shares ^(a) | – | – | – | – | (15 810) | – | (15 810) | – | (15 810) |
| Changes in treasury stock | – | – | 540 | – | 498 | – | 1 038 | (112) | 926 |
| Net changes in available-for-sale financial assets, net of taxes | – | – | – | 3 389 | – | – | 3 389 | (6) | 3 383 |
| Net changes in cash flow hedges, net of taxes | – | – | – | 4 751 | – | – | 4 751 | – | 4 751 |
| Currency translation differences and other adjustments | – | – | – | – | 1 064 | – | 1 064 | – | 1 064 |
| Profit for the year | – | – | – | – | – | 42 507 | 42 507 | 16 | 42 523 |
| Balance as at 31 December 2005 | 75 000 | – | (2 574) | 1 098 | 122 255 | 42 507 | 238 286 | 273 | 238 559 |
| Transfer to reserves | – | – | – | – | 23 696 | (23 696) | – | – | – |
| Dividends on ordinary shares ^(a) | – | – | – | – | – | (18 811) | (18 811) | – | (18 811) |
| Changes in treasury stock (see Note 32) | – | – | (1 249) | – | (2 038) | – | (3 287) | (46) | (3 333) |
| Net changes in available-for-sale financial assets, net of taxes (see Note 33) | – | – | – | 14 253 | – | – | 14 253 | (1) | 14 252 |
| Net changes in cash flow hedges, net of taxes (see Note 33) | – | – | – | 10 710 | – | – | 10 710 | – | 10 710 |
| Issue of 40,000,000 ordinary shares (see Note 32) | 40 000 | 60 000 | – | – | (160) | – | 99 840 | – | 99 840 |
| Currency translation differences | – | – | – | – | (401) | – | (401) | – | (401) |
| Profit for the year | – | – | – | – | – | 60 585 | 60 585 | 13 | 60 598 |
| Balance as at 31 December 2006 | 115 000 | 60 000 | (3 823) | 26 061 | 143 352 | 60 585 | 401 175 | 239 | 401 414 |

(a) Corresponds to a dividend per share of € 0.26 paid in 2006 to the shares outstanding, in accordance with the Shareholders meeting held on 28 April 2006 (2005: € 0.22).

The following notes form an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

for the years ended 31 December 2006 and 2005

Amounts expressed in thousands of Euros

| | Notes | 2006 | 2005 |
|--|-----------|------------------|------------------|
| Cash flows arising from operating activities | | | |
| Interest and similar income received | | 287 715 | 165 656 |
| Interest and similar charges paid | | (162 761) | (64 520) |
| Fee and commission received | | 24 898 | 20 739 |
| Fee and commission paid | | (7 821) | (3 302) |
| Recoveries on loans previously written-off | | 550 | 675 |
| Cash payments to employees and suppliers | | (46 465) | (44 281) |
| Other receivables and payments | | (7 203) | (12 678) |
| | | 88 913 | 62 289 |
| Changes in operating assets: | | | |
| Deposits with central banks | | (1 396) | 424 |
| Financial assets at fair value through profit or loss | | (446 513) | (348 225) |
| Available-for-sale financial assets | | (101 463) | (8 643) |
| Loans and advances to banks | | (836 906) | (824 544) |
| Loans and advances to customers | | (381 911) | (167 711) |
| Other operating assets | | (16 912) | (20 902) |
| Changes in operating liabilities: | | | |
| Financial liabilities held for trading | | 766 238 | 579 920 |
| Deposits from banks | | 421 564 | 488 345 |
| Due from customers | | 236 585 | 109 084 |
| Other operating liabilities | | 4 481 | (54 478) |
| Net cash flow from operating activities before income taxes | | (267 320) | (184 441) |
| Income taxes paid | | (4 987) | (628) |
| | | (272 307) | (185 069) |
| Cash flows arising from investing activities | | | |
| Dividends received | 6 | 1 107 | 374 |
| Purchase of property, equipment and intangible assets | 21 and 22 | (3 302) | (2 962) |
| Proceeds from sale of property, equipment and intangible assets | 21 and 22 | 264 | 738 |
| | | (1 931) | (1 850) |
| Cash flows arising from financing activities | | | |
| Issue of ordinary shares | 32 | 100 000 | – |
| Treasury shares | 32 | (3 287) | 1 038 |
| Proceeds from issue of bonds | | 450 000 | 211 857 |
| Reimbursement of bonds | | (327 630) | (78 886) |
| Proceeds from issue of subordinated debt | | 50 000 | 75 000 |
| Reimbursement of subordinated debt | | – | (9 976) |
| Dividends paid from ordinary shares | | (18 811) | (15 810) |
| Net cash flow from financing activities | | 250 272 | 183 223 |
| Effect of exchange rate changes on cash and cash equivalents | | (618) | 501 |
| Net changes in cash and cash equivalents | | (24 584) | (3 195) |
| Cash and cash equivalents at the beginning of the year | 35 | 499 443 | 502 638 |
| Cash and cash equivalents at the end of the year | 35 | 474 859 | 499 443 |
| | | (24 584) | (3 195) |

The following notes form an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

Amounts expressed in thousands of Euros

1 Activity and Group structure

Banco Finantia, S.A. ("the Bank") is a privately-owned bank headquartered in Portugal, Rua General Firmino Miguel, nº 5, in Lisbon, resulting from the transformation in October 1992 of Finantia – Sociedade de Investimentos, S.A., which in turn had commenced its activity in July 1987. The Bank is authorised by the Portuguese authorities, central banks and other regulatory authorities, to operate in Portugal and in the countries where its international branches and subsidiaries are located.

The Group's principal business objective is to engage in all the activities and services that are permitted to banks under prevailing legislation. Banco Finantia's business areas are capital markets, money markets, advisory services, mergers and acquisitions, structured finance and credit operations and, indirectly, through its subsidiaries, leasing operations, management of equity interests, asset management, asset and funds management, forfaiting and financing of consumer credit.

The Bank has an offshore branch in Madeira. Its subsidiaries have branches and offices in Portugal, Spain, United Kingdom, Brazil, United States of America, Ireland, Cayman Islands, Jersey, Malta and Netherlands.

The financial statements of the Bank are consolidated by Finantipar, SGPS, S.A., headquartered in Portugal, Rua General Firmino Miguel, nº 5, in Lisbon.

As at 31 December 2006, the Group structure can be analysed as follows:

| Subsidiary | Year of constitution | Year of acquisition | Head-Office | Activity | % interest held | Consolidation method |
|--|----------------------|---------------------|----------------|--|-----------------|----------------------|
| Banco Finantia International, Ltd. | 1997 | 1997 | Cayman Islands | Banking | 100 | Full |
| Banco Finantia Sofinloc, S.A. | 1993 | 2001 | Spain | Banking | 99.21 | Full |
| Esprin – Española de Promociones, S.L. | 2000 | 2001 | Spain | Advisory services | 100 | Full |
| Finantia Brasil, Lda. | 1997 | 1997 | Brazil | Advisory services | 100 | Full |
| Finantia Europe, Ltd. | 1991 | 1991 | Jersey | Advisory services | 100 | Full |
| Finantia PH, Ltd. | 2004 | 2004 | Malta | Holding company | 100 | Full |
| Finantia Securities, Ltd. | 1993 | 1997 | United Kingdom | Broker-Dealer | 100 | Full |
| Finantia Serviços – Prestação de Serviços Empresariais, Lda. | 1989 | 1989 | Portugal | Advisory services | 100 | Full |
| Finantia SGFTC, S.A. | 2003 | 2003 | Portugal | Securitisation fund management company | 100 | Full |
| Finantia USA, Ltd. | 1995 | 1997 | U.S.A. | Broker-Dealer | 100 | Full |
| Sofinloc – Instituição Financeira de Crédito, S.A. | 1983 | 1992 | Portugal | Specialised credit | 100 | Full |
| Finantia Emea, Ltd. | 2005 | 2005 | Cayman Islands | Advisory services | 100 | Full |
| Finantia Madeira – S.G.P.S., S.A. | 2004 | 2004 | Portugal | Holding company | 100 | Full |
| Finantia Holding, BV. | 2004 | 2004 | Netherlands | Holding company | 100 | Full |
| Finantia Participações – S.G.P.S., S.A. | 2005 | 2005 | Portugal | Holding company | 100 | Full |
| Sofinloc Mediadora – Soc. de Mediação de Seguros, Lda. | 1990 | 1992 | Portugal | Insurance broker | 100 | Full |
| LTR Finance nº 3 plc | 2001 | 2001 | Ireland | Special purpose entity | 100 | Full |
| LTR Finance nº 4 plc | 2002 | 2002 | Ireland | Special purpose entity | 100 | Full |
| LTR Finance nº 5 plc | 2004 | 2004 | Ireland | Special purpose entity | 100 | Full |
| LTR Finance nº 6 plc | 2006 | 2006 | Ireland | Special purpose entity | 100 | Full |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

2 Basis of presentation

For all periods up to and including the year ended 31 December 2005, Banco Finantia, S.A. prepared its consolidated financial statements in conformity with generally accepted accounting principles in Portugal for the banking industry, as established by the Bank of Portugal.

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 Regulation no. 1/2005, of 21 February, from the Bank of Portugal, the Bank is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") from 2006. Therefore, from 1 January 2006 these consolidated financial statements are prepared in accordance with IFRS as adopted for use in the European Union ("EU").

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

The Group chose not to early adopt the new standards and interpretations that have been issued, which are not effective in 2006, as described in Note 39. The Group is evaluating the impact of implementing these recently issued pronouncements and has not yet completed the analysis.

These consolidated financial statements for the year ended 31 December 2006 were prepared in accordance with the IFRS effective and adopted for use in the EU. The comparative values presented for 2005 were restated in accordance with IFRS 1, in relation to what has been previously reported in accordance with Bank of Portugal's accounting principles for the banking sector (see Note 41).

These consolidated financial statements are expressed in thousands of euros and have been prepared under the historical cost convention, as modified by financial assets and financial liabilities at fair value through profit or loss, namely for derivative financial instruments, financial assets at fair value through profit or loss, available-for-sale financial assets, and recognised assets and liabilities that are hedged, in a fair value hedge, in respect of the risk that is hedged.

The preparation of financial statements in conformity with IFRS requires the application of judgement and the use of estimates and assumptions by management that affects the process of applying the Group'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 consolidated financial statements are disclosed in Note 4.

These consolidated financial statements have been approved for issue by the Board of Directors on 13 March 2007.

Transition to IFRS

In preparing these consolidated financial statements for the year ended 31 December 2006 and in determining the IFRS transition adjustments, the Group has elected to apply the transition provision within IFRS 1 – First-time Adoption of International Financial Reporting Standards, related with property and equipment. It was considered as deemed cost of individual items of property and equipment, at the date of transition to IFRS (1 January 2005), their revalued amount as determined in accordance with the previous accounting policies of the Group, which is broadly similar to depreciated cost measured under IFRS adjusted to reflect changes in a specific price index.

Except for the exemption referred to above, the Group has adopted retrospectively the remaining IFRS.

An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Group is provided in Note 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

3 Significant accounting policies

3.1 Basis of consolidation

These consolidated financial statements comprise the financial statements of Banco Finantia, S.A. and its subsidiaries ("the Group" or "Finantia Group").

The accounting policies have been consistently applied by all Group companies.

Subsidiaries

Subsidiaries are entities over which the Group exercises control. Control is presumed to exist when the Group owns more than one half of the voting rights. Additionally, control also exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity, so as to obtain benefits from its activities, even if its shareholding is less than 50%. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

Accumulated losses of a subsidiary that exceed the equity of the subsidiary attributable to the minority interest, is attributed to the Group and is taken to the income statement when incurred. If the subsidiary subsequently reports profits, such profits are recognised by the Group until the losses attributable to the minority interest previously recognised have been recovered.

Associates

Associates are entities over which the Group has significant influence but no control. Generally when the Group owns more than 20% of the voting rights it is presumed that it has significant influence. However, even if the Group owns less than 20% of the voting rights, it can have significant influence through the participation in the policy-making processes of the associated entity or the representation in its executive board of directors.

Investments in associates are accounted for by the equity method of accounting from the date on which significant influence is transferred to the Group until the date that such influence ceases.

If the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interest, the Group discontinues the application of the equity method of accounting, except when it has a legal or constructive obligation to cover those losses or has made payments on behalf of the associate.

Special purpose entities ("SPE")

The Group consolidates certain special purpose entities ("SPE"), specifically created to accomplish a well defined objective, when the substance of the relationship with those entities indicates that they are controlled by the Group, independently of the percentage of the equity held.

The evaluation of the existence of control is made based on the criteria established by SIC 12 – Consolidation – Special Purpose Entities, which can be summarised as follows:

- In substance, the activities of the SPE are being conducted in accordance with the specific needs of the Group's business, so that the Group obtains the benefits from these activities;
- In substance, the Group has the decision-making powers to obtain the majority of the benefits from the activities of the SPE;
- In substance, the Group has rights to obtain the majority of the benefits of the SPE, and therefore may be exposed to the inherent risks of its activities;
- In substance, the Group retains the majority of residual or ownership risks related to the SPE so as to obtain the benefits from its activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Goodwill

From 1 January 2005, the purchase method of accounting is used by the Group to account for the acquisition of subsidiaries and associated companies. The cost of acquisition is measured as the fair value, determined at the acquisition date, of the assets and equity instruments given and liabilities incurred or assumed plus any costs directly attributable to the acquisition.

Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of identifiable net assets acquired.

In accordance with IFRS 3 – Business Combinations, goodwill is recognised as an asset at its cost and is not amortised. Goodwill relating to the acquisition of associated companies is included in the book value of the investment in that associated company determined using the equity method. Negative goodwill is recognised directly in the income statement in the period the business combination occurs.

The recoverable amount of the goodwill recognised as an asset is reviewed annually, regardless of whether there is any indication of impairment. Impairment losses are recognised directly in the income statement.

Foreign currency translation

The financial statements of each of the Group entities are prepared using their functional currency which is defined as the currency of the primary economic environment in which that entity operates or as the currency in which funds/receipts from its activities are generated/retained. The consolidated financial statements are prepared in euros, which is the Bank's functional and presentation currency.

The financial statements of each of the Group entities that have a functional currency different from the euro are translated into euros as follows:

- Assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet date;
- Income and expenses are translated into the functional currency at rates approximating the rates ruling at the dates of the transactions;
- All resulting exchange differences are recognised in equity. When the entity is sold, such exchange differences are recognised in the income statement as a part of the gain or loss on sale.

Balances and transactions eliminated in consolidation

Inter-company balances and transactions, including any unrealised gains and losses on transactions between Group companies, are eliminated in preparing the consolidated financial statements, unless unrealised losses provides evidence of an impairment loss that should be recognised in the consolidated financial statements.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss.

3.2 Interest income and expense

Interest income and expense are recognised in the income statement under interest and similar income or interest expense and similar charges for all non-derivative financial instruments measured at amortised cost and for the available-for-sale investments, using the effective interest method.

Interest income arising from non-derivative financial assets at fair value through profit or loss is also included under interest and similar income.

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.

When calculating the effective interest rate, the Group 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 paid or received between parties that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written off as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component of the changes in their fair value is not separated out and is classified under financial assets and liabilities at fair value through profit or loss. For hedging derivatives of interest rate risk, the interest component of the changes in their fair value is recognised under interest and similar income or interest expense and similar charges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

3.3 Dividend income

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

3.4. Fee and commission income

Fees and commissions are recognised as follows:

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

3.5 Foreign currency transactions

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.

3.6 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the equity holders of the bank by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury stock. For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to reflect the impact 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.

3.7 Loans and advances to customers

Loans and advances to customers include loans and advances granted by the Group, 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 right to receive the respective cash flows has expired, (ii) the Group 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 Group has transferred its 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 method, less impairment losses.

Impairment

The Group 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 Group first assesses whether objective evidence of impairment exists individually for each loan. For this assessment, the Group uses the information that feeds the implemented credit risk models and takes into consideration, among others, 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 capability to trade successfully and to generate sufficient cash flows to service their debt obligations;
- the extent of other creditors' commitments ranking ahead of the Group;
- 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.

Where 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.

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 into consideration the Group'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 Group and historical loss experience. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group with the purpose of reducing any differences between loss estimates and actual losses.

Additionally, the Group estimates the losses that have occurred but have not been identified specifically (incurred but not reported), through the collective impairment analysis above mentioned.

When a loan is considered by the Group as uncollectible and an impairment loss of 100% has been recognised, it is written-off against the related allowance for loan impairment. Subsequent recoveries of amounts previously written-off decrease the amount of the loan impairment loss recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3.8. Other financial assets

Classification

The Group 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; and (ii) financial assets that are designated at fair value through profit or loss at inception.

- **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

- **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 Group 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 Group 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 Group 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 method and dividends are recognised in the income statement.

Held-to-maturity investments are carried at amortised cost using the effective interest 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 Group 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.

Financial instruments for which fair value cannot be reliably measured are carried at cost.

Reclassifications between categories

In accordance with IAS 39, the Group does not reclassify, after initial recognition, a financial instrument into or out of the fair value through profit or loss category.

Impairment

The Group 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 listed securities, a significant or prolonged decline in the fair value of the security below its cost, and (ii) for unlisted 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.

3.9 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.

3.10 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 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 method.

Securities lent under lending agreements are not derecognised being classified and measured in accordance with the accounting policy described in Note 3.8. Securities borrowed under borrowing agreements are not recognised in the balance sheet.

3.11 Financial guarantee contracts and irrevocable commitments

Financial guarantee contracts and irrevocable commitments are recognised off-balance sheet at fair value on the date the contract was issued. Interest, fees and other income from these off-balance sheet items are recognised during the maturity of the transactions. These transactions are evaluated for impairment.

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3.12 Derivative financial instruments and hedge accounting

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 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 a hedging instrument 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 hedge 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, their occurrence must be highly probable;
- (v) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting period for which the hedge was designated.

• 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 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 fair value hedge accounting is discontinued prospectively. The cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity.

• Cash flow hedge

Where 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 affects 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 are retained in equity until its recognition in the income statement that occurs in the moment that 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.

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.

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3.13 Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount or the corresponding fair value and are not depreciated. Any subsequent write-down of the acquired assets to fair value is recorded in the income statement.

These assets, classified as held for sale, are evaluated by external experts.

3.14 Property and equipment and investment property

Property and equipment are stated at deemed cost less accumulated depreciation and impairment losses. As referred to in Note 2, at the transition date to IFRS, the Group elected to consider as deemed cost, the revalued amount of property and equipment as determined in accordance with previous accounting policies of the Group. The deemed cost 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 Group. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method over their estimated useful lives, as follows:

| | Number of years |
|--------------------|-----------------|
| Buildings | 50 |
| Equipment | 5 to 10 |
| Computer equipment | 3 to 4 |
| Furniture | 10 |
| Motor vehicles | 3 to 4 |
| Other equipment | 4 to 10 |

Land is not depreciated.

When there is an indication that an asset may be impaired, IAS 36 requires that its recoverable amount is estimated and 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.

Buildings classified as investment property represent rented buildings held by the Group. Their valuation and depreciation method are similar to the ones mentioned for property and equipment.

3.15 Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of their expected useful lives.

Costs that are directly associated with the development by the Group of identifiable specific software applications, that will probably generate economic benefits beyond one year, are recognised as intangible assets. These costs include employee costs directly associated with the development of the referred software.

Maintenance costs associated with software are recognised as an expense as incurred.

3.16 Leases

The Group 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.

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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 amortisation 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 amortisation 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.

3.17 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. These financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method, except for short sales and derivative financial liabilities, which are recognised at fair value in balance sheet, being the revaluation gains and losses recognised in the income statement (financial liabilities held for trading).

If the Group repurchases debt issued, it is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement.

Debt issued designated as hedged items and hedging derivative financial instruments are recognised in accordance with the accounting policy described in Note 3.12.

3.18 Provisions

Provisions are recognised when: (i) the Group 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.

3.19. 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. Consideration paid or received related to acquisitions or sales of equity instruments are recognised in equity, net of transaction costs, as treasury stock.

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

3.20 Treasury stock

Where the Bank or other members of the Group purchase the Bank's equity share capital, the consideration paid is deducted from total equity as treasury stock until they are cancelled, and are not revaluated. Where such shares are subsequently sold or reissued, any consideration received is included in equity.

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3.21 Employee benefits

The Group is subject to the General Regime of the Social Security System and, therefore, has no obligations for the payment of pensions or pension complements to its employees.

3.22 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 recognised in equity.

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 in any 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 assets and liabilities correspond to the amount of payable/recoverable tax in future periods resulting from temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

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 utilised.

Deferred tax assets and liabilities are not recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, to the extent that, it is not probable that the temporary differences will reversed in the foreseeable future.

3.23 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 date of acquisition, including cash and deposits with banks. Cash and cash equivalents exclude restricted balances with central banks.

4 Critical accounting estimates and judgements in applying accounting policies

IFRS 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 Group's reported results and related disclosure.

Because in many cases there are other alternatives to the accounting treatment chosen by management, the Group's reported results would differ if a different treatment was chosen.

Management believes that their choices are appropriate and that the financial statements present the Group's financial position and results fairly in all material respects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

4.1 Impairment of available-for-sale financial assets

The Group 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. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in the securities prices.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment 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 Group.

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4.2 Fair value of derivative financial instruments

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 judgements in estimating their values.

Consequently, the use of a different model or of different assumptions or judgements in applying a particular model could produce different financial results for a particular period.

4.3 Impairment losses on loans and advances to customers

The Group reviews its loans portfolio to assess impairment on a regular basis, as described in Note 3.7.

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

4.4 Income taxes

The Group is subject to income taxes in numerous jurisdictions. 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 portuguese Tax Authorities are entitled to review the Bank and its portuguese subsidiaries' determination of its annual taxable earnings, 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 is confident that there will be no material tax adjustments within the context of the financial statements.

4.5 Securitisations and special purpose entities

The Group sponsors the formation of special purpose entities (SPE) primarily for asset securitisation transactions and for liquidity purposes.

The Group does not consolidate SPE that it does not control. As it can sometimes be difficult to determine whether the Group does control an SPE, it makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question.

The determination of the SPE that needs to be consolidated by the Group requires the use of estimates and assumptions in determining the respective expected residual gains and losses and which party retains the majority of such residual benefits and risks. Different estimates and assumptions could lead the Group to a different scope of consolidation with a direct impact in net income.

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5 Net interest income

| | 2006 | 2005 |
|---|------------------|-----------------|
| Interest and similar income | | |
| Loans and advances to customers | 112 213 | 87 723 |
| Loans and advances to banks | 66 279 | 16 699 |
| Financial assets at fair value through profit or loss | 62 521 | 51 853 |
| Available-for-sale financial assets | 17 959 | 3 056 |
| Hedging derivatives | 11 938 | 10 312 |
| Origination commissions from consumer finance | 6 284 | 4 711 |
| Other interest and similar income | 446 | 1 565 |
| | 277 640 | 175 918 |
| Interest and similar expense | | |
| Deposits from banks | (47 364) | (25 982) |
| Financial liabilities held for trading | (45 235) | (9 100) |
| Debt securities issued | (22 383) | (14 915) |
| Due from customers | (17 381) | (4 737) |
| Hedging derivatives | (14 053) | (16 392) |
| Subordinated debt | (4 676) | (1 653) |
| Origination commissions from consumer finance | (15 555) | (11 530) |
| Other interest and similar expense | (859) | (9 002) |
| | (167 506) | (93 311) |
| | 110 134 | 82 607 |

6 Dividend income

| | 2006 | 2005 |
|--------------------|--------------|------------|
| Dividends received | 1 107 | 374 |
| | 1 107 | 374 |

7 Net fee and commission income

| | 2006 | 2005 |
|--|----------------|----------------|
| Fee and commission income | | |
| From consumer finance business | 15 543 | 13 652 |
| From advisory services | 3 293 | 1 919 |
| From banking services | 1 663 | 2 238 |
| From guarantees | 998 | 761 |
| From securitised credit funds under management | 610 | 668 |
| Other commissions | 2 791 | 12 |
| | 24 898 | 19 250 |
| Fee and commission expense | | |
| From consumer finance business | (5 644) | (4 728) |
| On third-party banking services | (619) | (1 008) |
| Other commissions | (1 558) | (1 905) |
| | (7 821) | (7 641) |
| | 17 077 | 11 609 |

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8 Net gains from financial operations

| | 2006 | 2005 |
|----------------------------------|---------------|--------------|
| Fixed income | 21 166 | 6 621 |
| Equities | 3 004 | – |
| Derivative financial instruments | (8 995) | (772) |
| Other securities | 1 067 | 216 |
| Foreign exchange translation | (618) | 500 |
| | 15 624 | 6 565 |

As at 31 December 2006, fixed income securities includes the amount of t€ (658) (2005: t€ 3,031) related with debt instruments designated upon initial recognition at fair value through profit or loss ("fair value option"), that incorporate embedded derivatives, as a consequence of IAS 39.

Foreign exchange translation includes the net gains/(losses) from foreign exchange revaluation of monetary assets and liabilities expressed in foreign currencies in accordance with the accounting policy described in Note 3.5.

9 Other operating income

| | 2006 | 2005 |
|--|--------------|--------------|
| Net gains from consumer finance business | 2 221 | 1 247 |
| Other taxes | (478) | (709) |
| Other operating income | 277 | 1 241 |
| | 2 020 | 1 779 |

10 Staff costs

| | 2006 | 2005 |
|-----------------|---------------|---------------|
| Remuneration | 20 622 | 16 080 |
| Social security | 3 001 | 2 936 |
| Other | 1 350 | 946 |
| | 24 973 | 19 962 |

At 31 December 2006 and 2005 the remunerations paid to the Group's Board of Directors and supervisory bodies amounted to t€ 1,901 and t€ 1,670, respectively.

The average number of employees in 2006 and 2005, by category, is as follows:

| | 2006 | 2005 |
|------------------------------|------------|------------|
| Management | 178 | 159 |
| Technical staff | 186 | 158 |
| General administration staff | 167 | 144 |
| | 531 | 461 |

11 General and administrative expenses

| | 2006 | 2005 |
|---------------------------------------|---------------|---------------|
| Specialised services | 6 907 | 5 692 |
| Maintenance and related services | 2 567 | 1 807 |
| Advertising costs | 2 354 | 1 656 |
| Travelling and entertainment expenses | 2 229 | 1 757 |
| External credits recovery services | 2 058 | 1 775 |
| Communication costs | 1 909 | 1 839 |
| Rental costs | 1 038 | 803 |
| Consumable office materials | 390 | 314 |
| Staff training costs | 243 | 235 |
| Insurance related services | 103 | 119 |
| Other expenses | 1 694 | 2 026 |
| | 21 492 | 18 023 |

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12 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury stock, as follows:

| | 2006 | 2005 |
|---|-------------|-------------|
| Profit attributable to the equity holders of the Bank | 60 585 | 42 507 |
| Weighted average number of ordinary shares outstanding (thousands) ^(a) | 86 866 | 81 860 |
| Basic earnings per share attributable to equity holders of the Bank (in Euros) | 0.70 | 0.52 |
| Number of ordinary shares outstanding at the end of the year (thousands) | 111 177 | 72 426 |

(a) Adjusted for the share capital increase occurred on 6 November 2006.

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 and is adjusted for the effects of all dilutive potential ordinary shares.

At 31 December 2006 and 2005, the diluted earnings per share is not different from the basic earnings per share, since the Group does not have any potential ordinary shares with dilutive effects. As at those dates the basic earnings per share disclosed above already reflect the dilutive effect from the share capital increase occurred in November 2006.

13 Cash and banks

| | 2006 | 2005 |
|--|---------------|---------------|
| Cash | 163 | 111 |
| Deposits at central banks | | |
| Bank of Portugal | 5 660 | 4 628 |
| Bank of Spain | 1 011 | 647 |
| | 6 671 | 5 275 |
| Deposits with banks in Portugal | | |
| Deposits repayable on demand | 1 800 | 8 604 |
| Uncollected cheques | 3 854 | 865 |
| | 5 654 | 9 469 |
| Deposits with banks abroad | | |
| Deposits repayable on demand | 25 383 | 46 245 |
| | 37 871 | 61 100 |

The balance deposits at central banks are intended to satisfy the legal requirements to maintain minimum cash reserves.

These deposits earn interest at the average rates for the main refinancing operations of the European System of Central Banks prevailing during the deposit period. In 2006, the rates varied between 2.30% e 3.30% (2005: between 2.03% and 2.09%).

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14 Financial assets at fair value through profit or loss

| | 2006 | 2005 |
|--|------------------|----------------|
| Fixed income | | |
| Listed securities | | |
| Issued by foreign governments and public entities | 291 537 | 218 509 |
| Issued by other foreign entities | 738 066 | 384 655 |
| | 1 029 603 | 603 164 |
| Unlisted securities | | |
| Issued by portuguese entities | 7 706 | 2 718 |
| Issued by foreign entities | 17 372 | 18 006 |
| | 25 078 | 20 724 |
| Equities | | |
| Listed securities | | |
| Shares | – | 2 355 |
| | – | 2 355 |
| Unlisted securities | | |
| Shares | – | 798 |
| | – | 798 |
| Derivative financial instruments with positive fair value | | |
| Currency swaps | 11 546 | 452 |
| Credit default swaps | 6 409 | 3 325 |
| Interest rate swaps | 902 | 5 401 |
| Currency forwards | 214 | 308 |
| | 19 071 | 9 486 |
| | 1 073 752 | 636 527 |

For unlisted securities and when a market price is not available, fair value is estimated in accordance with the valuation techniques described in Note 3.8.

As at 31 December 2006 and 2005, the balance of fixed income includes securities with embedded derivatives which as consequence and in accordance with IAS 39, were designated as financial assets at fair value through profit or loss ("fair value option").

The Group enters in operations with derivative financial instruments with the objective of hedging and managing the financial risks inherent to its activity, managing its own positions based on the perspective of market evolution, satisfying its client's needs or hedging structural positions (see Note 18).

The Group mainly uses the following derivative financial instruments:

Currency forward, which represents a contract between two parties for the exchange of currencies, at a determined exchange rate established at the moment of the accomplishment of the contract (forward) for a determined future date. These operations have the purpose of hedging and managing currency risk, through the elimination of the uncertainty of the future value of certain exchange rate, which is immediately fixed by the forward operation.

Currency swaps, which represents a contract between two parties and consists in the swap of currencies at a determined forward exchange rate. It is an agreement for cash flow exchange, in which one of the parts agrees to pay interest on the principal in one currency, in exchange of receiving interest on the principal in another currency. In the end of the operation, the principal in foreign currency is paid and the principal in domestic currency is received. The purposes of these operations are the hedging and management of the currency risk inherent to future receivements and payments in foreign currency, through the elimination of the uncertainty of the future value of certain exchange rate.

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Interest rate swaps, which in conceptual terms can be perceived as an agreement between two parties who compromise to exchange (swap) between them, for a specified amount and period of time, periodic payments of fixed rate for floating rate payments. Involving only one currency, this kind of instrument is mainly directed for the hedging and management of the interest rate risk, related with a loan or advance's income or cost that one part is intended to take in a determined future moment.

Credit default swap that consists in an agreement through which it is possible to invest or hedge a certain issuer's credit risk. The Group undertakes the selling position of credit hedging, receiving an interest income in exchange of a payment conditioned to a credit event. Once the credit event occurs, the seller of the credit hedging pays the buyer the amount contractually defined to cover the credit default.

The detail of the trading derivatives portfolio may be analysed as follows:

| | Notional | | Fair Value | |
|----------------------------------|-----------|-----------|---------------|---------------|
| | Buy | Sell | Asset | Liability |
| 31 December 2006 | | | | |
| Exchange rate derivatives | | | | |
| Currency forwards | 4 380 | 4 373 | 214 | 206 |
| Currency swaps | 427 921 | 417 616 | 11 546 | – |
| Interest rate derivatives | | | | |
| Interest rate swaps | 1 206 232 | 1 206 232 | 902 | 6 884 |
| Credit derivatives | | | | |
| Credit default swaps | – | 185 977 | 6 409 | 528 |
| | | | 19 071 | 7 618 |
| | | | | |
| | Notional | | Fair Value | |
| | Buy | Sell | Asset | Liability |
| 31 December 2005 | | | | |
| Exchange rate derivatives | | | | |
| Currency forwards | 22 457 | 20 920 | 308 | 268 |
| Currency swaps | 272 074 | 281 428 | 452 | 6 005 |
| Interest rate derivatives | | | | |
| Interest rate swaps | 1 267 432 | 1 267 432 | 5 401 | 4 151 |
| Credit derivatives | | | | |
| Credit default swaps | – | 158 059 | 3 325 | 3 160 |
| | | | 9 486 | 13 584 |

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15 Available-for-sale financial assets

| | 2006 | 2005 |
|---|----------------|----------------|
| Fixed income | | |
| Listed securities | | |
| Issued by Portuguese government and other public entities | 2 100 | 2 188 |
| Issued by foreign governments and other public entities | 176 593 | 119 242 |
| Issued by other foreign entities | 188 642 | 139 027 |
| | 367 335 | 260 457 |
| Unlisted securities | | |
| Issued by other foreign entities | 7 305 | 8 162 |
| | 7 305 | 8 162 |
| Equities | | |
| Listed securities | | |
| Shares | 25 804 | 13 514 |
| | 25 804 | 13 514 |
| Unlisted securities | | |
| Shares | – | 2 646 |
| | – | 2 646 |
| | 400 444 | 284 779 |

For unlisted securities and when a market price is not available, fair value is estimated in accordance with the valuation techniques described in Note 3.8.

During 2006, the Group charged through the income statement the amount of t€ 714, related with impairment losses on debt instruments issued by other foreign issuers.

16 Loans and advances to banks

| | 2006 | 2005 |
|---|------------------|------------------|
| Loans and advances to banks in Portugal | | |
| Term deposits | 180 178 | 190 000 |
| Interbank money market | 68 000 | 93 100 |
| Accrued interest | 770 | 555 |
| | 248 948 | 283 655 |
| Loans and advances to banks abroad | | |
| Reverse repurchase agreements ("reverse repos") | 1 543 612 | 746 819 |
| Forfaiting | 194 508 | 164 393 |
| Short term deposits | 153 787 | 119 178 |
| Other loans and advances to banks | 51 871 | 41 519 |
| Accrued interest | 66 | 90 |
| | 1 943 844 | 1 071 999 |
| | 2 192 792 | 1 355 654 |

Reverse repurchase agreements ("reverse repos") relates with operations for interest rate risk economic hedging (see Note 25).

The analysis of this balance by period to maturity is presented in Note 37.

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17 Loans and advances to customers

| | 2006 | 2005 |
|---|------------------|----------------|
| Domestic loans | | |
| Credit | 834 686 | 643 737 |
| Leasing and hire purchase | 216 519 | 206 888 |
| Other loans | 36 500 | 7 218 |
| | 1 087 705 | 857 843 |
| Foreign loans | | |
| Forfaiting | 39 831 | 28 091 |
| Reverse repurchase agreements ("reverse repos") | 26 046 | – |
| Other loans | 120 480 | 13 232 |
| | 186 357 | 41 323 |
| Accrued interest | 28 807 | 21 670 |
| | 1 302 869 | 920 836 |
| Overdue amounts | | |
| Less than 90 days | 7 409 | 6 286 |
| More than 90 days | 38 593 | 29 795 |
| | 1 348 871 | 956 917 |
| Allowance for impaired loans | (45 650) | (34 504) |
| | 1 303 221 | 922 413 |

Reverse repurchase agreements ("reverse repos") relates with operations for interest rate risk economic hedging (see Note 25).

Loans and advances to customers include securitised loans held by SPEs sponsored by the Group for assets securitisation transactions. In accordance with SIC 12 – Consolidation – Special Purpose Entities, these SPEs are within the Group's consolidation scope, as described in the accounting policy disclosed in Note 3.1.

The gross amounts of securitised loans can be analysed as follows:

| | 2006 | 2005 |
|---------------------------|----------------|----------------|
| Credit | 594 193 | 496 583 |
| Leasing and hire purchase | 148 008 | 173 048 |
| | 742 201 | 669 631 |

The changes occurred in the allowance for impaired loans can be analysed as follows:

| | 2006 | 2005 |
|----------------------------------|---------------|---------------|
| Balance as at 1 January | 34 504 | 29 320 |
| Charges for the year | 27 622 | 22 676 |
| Reversals in the year | (7 447) | (8 312) |
| Write-offs | (9 029) | (9 180) |
| Balance as at 31 December | 45 650 | 34 504 |

During 2006, the Group recovered t€ 550 (2005: t€ 675) related to loans previously written off, in accordance with the accounting policy described in Note 3.7.

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The allowance for impaired loans, by type of loan, can be analysed as follows::

| | 2006 | 2005 |
|---------------------------|---------------|---------------|
| Credit | 40 264 | 28 657 |
| Leasing and hire purchase | 4 864 | 5 172 |
| Other loans | 522 | 675 |
| | 45 650 | 34 504 |

The analysis of this balance by period to maturity is disclosed in Note 37.

Loans and advances to customers include finance lease receivables as follows:

| | 2006 | 2005 |
|---|----------------|----------------|
| Gross investment in finance leases, receivable | | |
| Up to one year | 170 375 | 102 476 |
| From one to five years | 283 328 | 135 778 |
| More than five years | 26 948 | 6 182 |
| Unearned future income on finance leases | | |
| Up to one year | (104 234) | (14 880) |
| From one to five years | (137 224) | (21 329) |
| More than five years | (22 674) | (1 339) |
| Net investment in finance leases | | |
| Up to one year | 66 141 | 87 596 |
| From one to five years | 146 104 | 114 449 |
| More than five years | 4 274 | 4 843 |
| | 216 519 | 206 888 |

18 Hedging derivatives

To hedge the interest rate risk associated to floating interest rate debt securities issued related to securitisation operations (see Note 28), the Group enters into interest rate swap contracts.

In order to eliminate the interest rate risk associated to the quarterly cash-flow floating payments of debt securities issued by the SPEs, the Group enters into interest rate swap contracts in order to receive floating and pay fixed interest thus converting debt securities issued into fixed liabilities with an underlying hedge cost.

The effectiveness of this hedging relationship is documented and assessed on a semi-annual basis. The cash-flow hedging accounting policies are described in Note 3.12.

As at 31 December 2006, the hedging derivatives fair value are as follows:

| Hedging instrument | Notional | Derivative fair value | Changes in the derivative fair value in the year ^(a) | Hedged item fair value | Changes in the hedged item fair value in the year ^(a) |
|------------------------|----------------|-----------------------|---|------------------------|--|
| Debt securities LTR 3 | – | – | 260 | – | (260) |
| Debt securities LTR 4 | 70 832 | 66 | 1 955 | (66) | (1 955) |
| Debt securities LTR 5 | 162 417 | 1 628 | 4 184 | (1 628) | (4 184) |
| Debt securities LTR WH | – | – | (470) | – | 470 |
| Debt securities LTR 6 | 300 736 | 4 764 | 4 781 | (4 764) | (4 781) |
| | 533 984 | 6 458 | 10 710 | (6 458) | (10 710) |

(a) Excludes accrued interest.

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As at 31 December 2005, the hedging derivatives fair value are as follows:

| Hedging instrument | Notional | Derivative fair value | Changes in the derivative fair value in the year ^(a) | Hedged item fair value | Changes in the hedged item fair value in the year ^(a) |
|------------------------|----------------|-----------------------|---|------------------------|--|
| Debt securities LTR 3 | 35 349 | (369) | 814 | 369 | (814) |
| Debt securities LTR 4 | 127 205 | (2 059) | 1 726 | 2 059 | (1 726) |
| Debt securities LTR 5 | 170 273 | (2 988) | 1 742 | 2 988 | (1 742) |
| Debt securities LTR WH | 189 683 | 469 | 469 | (469) | (469) |
| | 522 510 | (4 947) | 4 751 | 4 947 | (4 751) |

(a) Excludes accrued interest.

As at 31 December, 2006, the interest rate swaps are fully designated as hedge derivatives for the above mentioned debt securities issued. This designation also applies at 31 December 2005, except for those related to debt securities issued by LTR 3 which were 85% classified as hedge derivative.

During 2006, the Group recognised in the cash-flow hedge reserve (see Note 33) an amount of t€ 10,710 (2005: t€ 4,751), related to the changes in fair value of the interest rate swaps, as described in Note 3.12.

19 Non-current assets held for sale

This balance and the respective changes occurred during 2006 and 2005 can be analysed as follows:

| | Property | Equipment | Total |
|---|------------|--------------|--------------|
| Net balance as at 1 January 2005 | 525 | 1 022 | 1 547 |
| Additions | 764 | 791 | 1 555 |
| Write-offs | – | (284) | (284) |
| Disposals | (451) | (741) | (1 192) |
| Net balance as at 31 December 2005 | 838 | 788 | 1 626 |
| Additions | 14 | 2 124 | 2 138 |
| Write-offs | – | (75) | (75) |
| Disposals | (326) | (2 487) | (2 813) |
| Net balance as at 31 December 2006 | 526 | 350 | 876 |

Property accounted for as non-current assets held for sale relates to the reallocation and/or improvement of branches where Sofinloc IFIC, S.A. is already established and equipment classified for as non-current assets held for sale relates to assets received in exchange for recovered loans.

20 Investment property

At 31 December 2006, this balance relates to property rented to external entities to the Group, in the gross amount of t€ 665 and accumulated depreciation in the amount of t€ 40, of which t€ 10 was charged during 2006.

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21 Property and equipment

This balance and the respective changes occurred during 2006 can be analysed as follows:

| | Balance at 31.12.05 | Acquisition/ Charges | Disposals | Transfers/ exchange translation | Balance at 31.12.06 |
|---------------------------------|------------------------|-------------------------|-----------|---------------------------------------|------------------------|
| Cost | | | | | |
| Buildings | 18 169 | 358 | (491) | (100) | 17 936 |
| Furniture | 2 906 | 351 | (54) | (20) | 3 183 |
| Office equipment | 3 236 | 219 | (188) | 84 | 3 351 |
| Computer equipment | 3 797 | 178 | (235) | 11 | 3 751 |
| Interior installations | 3 939 | 419 | (153) | 169 | 4 374 |
| Motor vehicles | 3 093 | 978 | (605) | – | 3 466 |
| Other tangible assets | 464 | 33 | (2) | (18) | 477 |
| Leased fixed assets | 1 305 | – | (40) | – | 1 265 |
| Work in progress | 401 | 522 | – | (923) | – |
| | 37 310 | 3 058 | (1 768) | (797) | 37 803 |
| Accumulated depreciation | | | | | |
| Buildings | 4 367 | 383 | (355) | (32) | 4 363 |
| Furniture | 2 347 | 183 | (55) | (19) | 2 456 |
| Office equipment | 2 922 | 205 | (188) | (3) | 2 936 |
| Computer equipment | 3 243 | 338 | (235) | (30) | 3 316 |
| Interior installations | 2 930 | 242 | (153) | (25) | 2 994 |
| Motor vehicles | 2 011 | 779 | (476) | – | 2 314 |
| Other tangible assets | 403 | 37 | (2) | (15) | 423 |
| Leased fixed assets | 595 | – | (40) | – | 555 |
| | 18 818 | 2 167 | (1 504) | (124) | 19 357 |
| Carrying amount | 18 492 | | | | 18 446 |

22 Intangible assets

This balance and the respective changes occurred during 2006 can be analysed as follows:

| | Balance at 31.12.05 | Acquisition/ Charges | Disposals | Transfers/ exchange translation | Balance at 31.12.06 |
|---------------------------------|------------------------|-------------------------|-----------|---------------------------------------|------------------------|
| Cost | | | | | |
| Software | 4 106 | 104 | (2 782) | 64 | 1 492 |
| Other intangible assets | 389 | 2 | – | – | 391 |
| Work in progress | 295 | 138 | – | (71) | 362 |
| | 4 790 | 244 | (2 782) | (7) | 2 245 |
| Accumulated amortisation | | | | | |
| Software | 3 819 | 208 | (2 782) | (1) | 1 244 |
| Other intangible assets | 383 | 3 | – | – | 386 |
| | 4 202 | 211 | (2 782) | (1) | 1 630 |
| Carrying amount | 588 | | | | 615 |

At 31 December 2006, other intangible assets and work in progress include software licenses and software implementation expenses, respectively.

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23 Income taxes

The income taxes recognised in the income statement for the years 2006 and 2005 can be analysed as follows:

| | 2006 | 2005 |
|--|-----------------|----------------|
| Current income tax | | |
| Current year | (16 775) | (4 238) |
| Related to prior years | 496 | (1 147) |
| | (16 279) | (5 385) |
| Deferred income tax | | |
| Origination and reversal of temporary differences | 1 190 | 2 545 |
| Recognition of previously unrecognised tax credits | (143) | (2 959) |
| Reduction in tax rate | 137 | – |
| | 1 184 | (414) |
| Total income tax recognised in the income statement | (15 095) | (5 799) |

The income taxes recognised in reserves and retained earnings for the years 2006 and 2005 refers only to deferred taxes and can be analysed as follows:

| | 2006 | 2005 |
|--|----------------|----------------|
| Deferred income tax | | |
| Transition adjustments at 1 January 2005 (see Note 41) | – | (3 055) |
| Changes in fair value reserve (see Note 33) | (2 035) | 214 |
| Total income tax recognised in reserves and retained earnings | (2 035) | (2 841) |

The deferred tax assets and liabilities recognised in balance sheet in the years 2006 and 2005 can be analysed as follows:

| | 2006 | | | 2005 | | |
|---------------------------------------|--------------|-----------------|----------------|--------------|-----------------|----------------|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| Derivative financial instruments | 3 107 | (1 750) | 1 357 | 2 634 | (2 866) | (232) |
| Available-for-sale financial assets | – | (2 578) | (2 578) | – | (543) | (543) |
| Loans and advances to customers | 6 033 | (3 697) | 2 336 | 5 040 | (5 719) | (679) |
| Provisions | – | (3 937) | (3 937) | – | (1 809) | (1 809) |
| Other | (568) | (716) | (1 284) | 498 | (490) | 8 |
| Deferred tax asset/(liability) | 8 572 | (12 678) | (4 106) | 8 172 | (11 427) | (3 255) |
| Set off of tax | (7 526) | 7 526 | – | (7 245) | 7 245 | – |
| Net tax asset/(liability) | 1 046 | (5 152) | (4 106) | 927 | (4 182) | (3 255) |

The deferred tax movements for the years 2006 and 2005 can be analysed as follows:

| | 2006 | | 2005 | |
|--|------------------------------------|------------------------|------------------------------------|-------------------------------------|
| | Recognised in the income statement | Recognised in reserves | Recognised in the income statement | Recognised in reserves and earnings |
| Derivative financial instruments | 1 589 | – | 1 137 | – |
| Available-for-sale financial assets (see Note 33) | – | (2 035) | – | 214 |
| Loans and advances to customers | 3 015 | – | (743) | – |
| Provisions | (2 128) | – | 1 992 | – |
| Others | (1 292) | – | (2 800) | – |
| Transition adjustments at 1 January 2005 (see Note 41) | – | – | – | (3 055) |
| | 1 184 | (2 035) | (414) | (2 841) |

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The reconciliation of the effective income tax rate is shown in the following table:

| | 2006 | | 2005 | |
|---|-------|----------------|-------|----------------|
| | % | Amount | % | Amount |
| Profit before income tax | | 75 693 | | 48 322 |
| Statutory income tax rate | 27.5% | | 27.5% | |
| Income tax calculated based on the statutory tax rate | | (20 815) | | (13 289) |
| Income taxes recognised in the income statement | | | | |
| Current taxes | | (16 279) | | (5 385) |
| Deferred taxes | | 1 184 | | (414) |
| Effective tax rate | 19.9% | (15 095) | 11.1% | (5 799) |
| Tax to reconcile | | (5 720) | | (7 490) |
| Reconciliation | | | | |
| Changes in accounting policies | | – | | (2 545) |
| Changes in the amount of assets and liabilities for tax purposes due to legislation changes | | 250 | | – |
| Adjustments related to derivatives | | (320) | | 23 |
| Changes in equity | | 463 | | (1 723) |
| Tax exempt profits (offshores) | | 190 | | 1 151 |
| Tax benefits | | (2 253) | | (240) |
| Income tax credit | | (2 110) | | (1 327) |
| Provisions | | (121) | | 367 |
| Non deductible costs | | (105) | | – |
| Autonomous taxation | | 93 | | 97 |
| Tax losses used | | (173) | | (2 899) |
| Recognition of previously unrecognised tax credits | | 143 | | 2 959 |
| Income tax from previous years | | 859 | | 1 147 |
| Tax credits resulting from double taxation treaties | | (154) | | (508) |
| Changes in income tax rate | | 137 | | – |
| Other | | (2 618) | | (3 992) |
| | | (5 720) | | (7 490) |

24 Other assets

| | 2006 | 2005 |
|--|---------------|---------------|
| Debtors and other applications | | |
| Debtors | 1 429 | 7 993 |
| Recoverable taxes | 1 001 | 725 |
| | 2 430 | 8 718 |
| Impairment allowances for debtors | (296) | (795) |
| | 2 134 | 7 923 |
| Accrued income | | |
| Interest and similar income | 771 | 1 844 |
| Other accrued income | 559 | 774 |
| | 1 330 | 2 618 |
| Other sundry assets | | |
| Stock exchange transactions pending settlement | 9 337 | 10 482 |
| Other transactions pending settlement | 56 311 | 30 890 |
| | 65 648 | 41 372 |
| | 69 112 | 51 913 |

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Stock exchange transactions pending settlement relates to transactions in the normal course of business of the Group (see Note 31).

At 31 December 2006, the balance of other transactions pending settlement includes the amount of t€ 54,353 (2005: t€ 24,492) related to pending amounts settled in a quarterly basis, related with the Group securitisation operations.

Changes in the impairment allowances for debtors are analysed as follows:

| | 2006 | 2005 |
|----------------------------------|------------|------------|
| Balance as at 1 January | 795 | 656 |
| Charges for the year | 434 | 144 |
| Write-offs | (933) | (5) |
| Balance as at 31 December | 296 | 795 |

25 Financial liabilities held for trading

| | 2006 | 2005 |
|--|------------------|----------------|
| Short sales | 1 496 981 | 730 743 |
| Derivative financial instruments with negative fair value (see Note 14) | | |
| Currency swaps | – | 6 005 |
| Credit default swaps | 528 | 3 160 |
| Interest rate swaps | 6 884 | 4 151 |
| Currency forwards | 206 | 268 |
| | 7 618 | 13 584 |
| | 1 504 599 | 744 327 |

Short sales relates to transactions for interest rate risk economic hedging namely with fixed income instruments issued by foreign governments and public entities, with AAA rating in USD or EUR, depending on the asset to be covered. These instruments are measured at fair value with changes recognised in the income statement (see Note 3.17).

The securities sold are obtained through operations of reverse repurchase agreements – reverse repos contracted with credit institutions (see Note 16), which are recognised and measured in accordance with the accounting policy described in Note 3.10.

These transactions do not qualify for hedge accounting in accordance with the IAS 39 requirements.

26 Deposits from banks

| | 2006 | 2005 |
|---|------------------|------------------|
| Securities sold under repurchase agreements ("repos") | 881 709 | 631 265 |
| Medium and long-term loans | 385 000 | 235 000 |
| Deposits | 203 826 | 179 706 |
| Interbank money market | 47 000 | 50 000 |
| Accrued interest | 6 901 | 4 046 |
| | 1 524 436 | 1 100 017 |

On 16 August 2005, the Bank contracted a syndicated medium and long-term loan in the amount of t€ 160,000. The related interest is payable on a half-yearly basis in arrears at a rate equal to the six-month Euribor plus a spread of 0.30%. This loan will be amortised in three years. During 2006, this loan accrued interest at an effective rate of 3.92% (2005: 2.52%).

On 13 September 2006, the Bank contracted a syndicated medium and long-term loan in the amount of t€ 150,000. The related interest is payable on a half-yearly basis in arrears at a rate equal to the six-month Euribor plus a spread of 0.33%. This loan will be amortised in five years. During 2006, this loan accrued interest at an effective rate of 3.91%.

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27 Due to customers

| | 2006 | 2005 |
|----------------------------------|----------------|----------------|
| Repayable on demand | 31 965 | 16 983 |
| With agreed maturity date | | |
| Up to 3 months | 283 627 | 372 280 |
| From 3 to 12 months | 273 685 | 71 904 |
| From 1 to 5 years | 110 790 | 2 873 |
| More than 5 years | 1 726 | 1 765 |
| | 669 828 | 448 822 |
| | 701 793 | 465 805 |

At 31 December 2006, this balance includes the amount of t€ 39,357 related with securities sold under repurchase agreements ("repos") with agreed maturity date up to 3 months, and the amount of t€ 197,874 (2005: t€ 116,611) related with securities sold under repurchase agreements ("repos") with agreed maturity date between 3 to 12 months.

28 Debt securities issued

At 31 December 2006, this balance comprises:

| Denomination | Issue date | Maturity date | Interest rate | Effective interest rate | Nominal amount | Interest | Carrying amount |
|-----------------------------|------------|---------------|-------------------|-------------------------|----------------|--------------|-----------------|
| LTR Finance No 3 plc | | | | | | | |
| Class A | 20/Nov/01 | 20/Jan/10 | Euribor 3m + 75bp | 3.95% | 12 142 | 98 | 12 240 |
| Class B | 20/Nov/01 | 20/Jan/10 | 4.94% | 4.94% | 6 500 | 61 | 6 561 |
| LTR Finance No 4 plc | | | | | | | |
| Class A | 2/Dec/02 | 25/Nov/12 | Euribor 3m + 30bp | 3.88% | 79 678 | 304 | 79 982 |
| Class B | 2/Dec/02 | 25/Nov/12 | Euribor 3m + 50bp | 3.88% | 9 600 | 38 | 9 638 |
| Class C | 2/Dec/02 | 25/Nov/12 | Euribor 3m + 75bp | 3.88% | 10 500 | 45 | 10 545 |
| LTR Finance No 5 plc | | | | | | | |
| Class A | 1/Jul/04 | 1/Jul/15 | Euribor 3m + 20bp | 3.59% | 174 700 | 1 230 | 175 930 |
| Class B | 1/Jul/04 | 1/Jul/15 | Euribor 3m + 37bp | 3.59% | 15 600 | 115 | 15 715 |
| Class C | 1/Jul/04 | 1/Jul/15 | Euribor 3m + 55bp | 3.59% | 16 600 | 128 | 16 728 |
| LTR Finance No 6 plc | | | | | | | |
| Class A | 25/Sep/06 | 24/Nov/18 | Euribor 3m + 14bp | 3.67% | 371 250 | 1 471 | 372 721 |
| Class B | 25/Sep/06 | 24/Nov/18 | Euribor 3m + 23bp | 3.67% | 35 000 | 142 | 35 142 |
| Class C | 25/Sep/06 | 24/Nov/18 | Euribor 3m + 30bp | 3.67% | 30 600 | 126 | 30 726 |
| Class D | 25/Sep/06 | 24/Nov/18 | Euribor 3m + 65bp | 3.67% | 13 150 | 58 | 13 208 |
| | | | | | 775 320 | 3 816 | 779 136 |

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At 31 December 2005, this balance comprises:

| Denomination | Issue date | Maturity date | Interest rate | Effective interest rate | Nominal amount | Interest | Carrying amount |
|-----------------------------|------------|---------------|------------------------------|-------------------------|----------------|--------------|-----------------|
| LTR Finance No 3 plc | | | | | | | |
| Senior | 20/Nov/01 | 20/Jan/10 | Euribor 3m + 33bp | 3.95% | 32 693 | 153 | 32 846 |
| Class A | 20/Nov/01 | 20/Jan/10 | Euribor 3m + 75bp | 3.95% | 13 500 | 74 | 13 574 |
| Class B | 20/Nov/01 | 20/Jan/10 | 4.94% | 4.94% | 6 500 | 60 | 6 560 |
| LTR Finance No 4 plc | | | | | | | |
| Class A | 2/Dec/02 | 25/Nov/12 | Euribor 3m + 30bp | 3.88% | 161 400 | 443 | 161 843 |
| Class B | 2/Dec/02 | 25/Nov/12 | Euribor 3m + 50bp | 3.88% | 9 600 | 28 | 9 628 |
| Class C | 2/Dec/02 | 25/Nov/12 | Euribor 3m + 75bp | 3.88% | 10 500 | 34 | 10 534 |
| LTR Finance No 5 plc | | | | | | | |
| Class A | 1/Jul/04 | 1/Jul/15 | Euribor 3m + 20bp | 3.59% | 174 700 | 787 | 175 487 |
| Class B | 1/Jul/04 | 1/Jul/15 | Euribor 3m + 37bp | 3.59% | 15 600 | 75 | 15 675 |
| Class C | 1/Jul/04 | 1/Jul/15 | Euribor 3m + 55bp | 3.59% | 16 600 | 86 | 16 686 |
| LTR Warehouse | | | | | | | |
| Class A | 11/Mar/05 | 11/Sep/06 | Cp Euro Discount Rate+8bp | 2.46% | 211 794 | 63 | 211 857 |
| | | | | | 652 887 | 1 803 | 654 690 |

29 Provisions

These provisions, in the amount of t€ 916 as at 31 December 2006 (2005: t€ 823) are intended to cover certain contingencies related to the Group's activity.

During the year 2006, the Group charged through the income statement the amount of t€ 93 (2005: t€ 12).

30 Subordinated debt

| | 2006 | 2005 |
|--------------------|----------------|---------------|
| Subordinated loans | 125 000 | 75 000 |
| Subordinated bonds | 10 000 | 10 000 |
| Accrued income | 476 | 65 |
| | 135 476 | 85 065 |

On 19 December 2001, the Group issued a subordinated bond in the amount of € 10 million represented by 200,000 bonds at a nominal value of € 50 each.

Interest on these bonds accrues half-yearly in arrears on 19 July and 19 January of each year. The interest rate payable on these bonds corresponds to the six-month Euribor on the second business day before the beginning of each half-yearly interest period, plus 1%.

These bonds are redeemable at par value on 19 January 2012, although they may be repaid earlier at the Group's option, subject to the prior approval from the Bank of Portugal, beginning on the payment date of the tenth interest period.

On 4 May 2005 the Group issued a subordinated loan in the amount of t€ 75,000. Interest is payable quarterly in arrears, at a rate equal to the three-month Euribor plus 1.35%. During 2006, this loan accrued interest at an effective rate of 3.74% (2005: 4.57%).

This loan is redeemable at par value on 4 May 2015 although it may be repaid earlier at the Group's option, subject to the prior approval from the Bank of Portugal on each interest payment beginning on the payment date of the fifth interest period.

On 28 July 2006 the Group issued another subordinated loan in the amount of t€ 50,000. Interest is payable quarterly in arrears, at a rate equal to the three-month Euribor plus 1.35%. During 2006, this loan accrued interest at an effective rate of 5.03%.

This loan is redeemable at par value on 28 July 2018 although it may be repaid earlier at the Group's option, subject to the prior approval from the Bank of Portugal on each interest payment beginning on the payment date of the fifth interest period.

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31 Other liabilities

| | 2006 | 2005 |
|--|---------------|---------------|
| Creditors and other resources | | |
| Amounts owed to the public sector | 1 536 | 1 497 |
| Creditors from consumer business finance | 1 348 | 463 |
| Other creditors | 1 055 | 2 853 |
| Other suppliers | 364 | 540 |
| | 4 303 | 5 353 |
| Accrued expenses | | |
| Interest payable | 4 698 | 3 736 |
| Holiday pay and subsidies | 1 553 | 1 138 |
| Other accrued expenses | 10 318 | 5 038 |
| | 16 569 | 9 912 |
| Other sundry liabilities | | |
| Stock exchange transactions pending settlement | 15 810 | 13 320 |
| Other transactions pending settlement | 2 532 | 3 658 |
| | 18 342 | 16 978 |
| | 39 214 | 32 243 |

Stock exchange transactions pending settlement relates to transactions in the normal course of business of the Group (see Note 24).

At 31 December 2005, the caption other transactions pending settlement includes the amount of t€ 2,568 received by the Group related with insurance premiums charged to the customers and due to the insurance companies.

32 Share capital, share premium and treasury stock

Share capital

At 31 December 2006, the Bank's share capital is in the amount of t€ 115,000, represented by 115 million ordinary shares with a nominal value of € 1 each. All issued shares are fully paid.

In November 2006, following the Group's business plan the share capital was increased from t€ 75,000 to t€ 115,000, fully subscribed by the shareholders.

Four of the Bank's shareholders hold more than 5% of the capital. Together, these shareholders hold approximately 80% of the Bank's share capital.

Share premium

At 31 December 2006, the share premium in the amount of t€ 60,000 relates to premium paid by the shareholders following the capital increase occurred on 6 November 2006.

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Treasury stock

During 2006 and 2005 the following movements occurred in treasury stock:

| | 2006 | | 2005 | |
|----------------------------------|------------------|--------------|------------------|--------------|
| | Number of shares | Amount (t€) | Number of shares | Amount (t€) |
| Balance as at 1 January | 2 573 646 | 5 014 | 3 113 645 | 6 052 |
| Shares purchased | 1 355 948 | 3 496 | 70 438 | 149 |
| Shares sold | (106 284) | (209) | (610 437) | (1 187) |
| Balance as at 31 December | 3 823 310 | 8 301 | 2 573 646 | 5 014 |

33 Revaluation reserves, other reserves and retained earnings

Revaluation reserves

The revaluation reserves represent the amount of the unrealised 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, and the effective part of the changes in the cash flow hedging derivatives fair value.

The amount of this reserve is shown net of deferred taxes, as follows:

| | 2006 | 2005 |
|--|---------------|--------------|
| Balance as at 1 January | 1 098 | (7 042) |
| Fair value reserve - available-for-sale financial assets | 16 288 | 3 175 |
| Hedging reserve - cash flow hedges | 10 710 | 4 751 |
| Deferred taxes (see Note 23) | (2 035) | 214 |
| Balance as at 31 December | 26 061 | 1 098 |

As at 31 December 2006 and 2005, the fair value reserve can be explained as follows:

| | 2006 | 2005 |
|--|---------------|--------------|
| Amortised cost of available-for-sale financial assets | 378 980 | 278 889 |
| Accumulated impairment recognised in the income statement (see Note 15) | (714) | – |
| Amortised cost of available-for-sale financial assets, net of impairment | 378 266 | 278 889 |
| Fair value of available-for-sale financial assets | 400 444 | 284 779 |
| Net unrealised gains recognised in the fair value reserve | 22 178 | 5 890 |
| Deferred taxes | (2 578) | (543) |
| Balance at the end of the year | 19 600 | 5 347 |

During the year 2006, the amount of t€ (5,996) (2005: t€ 731) was transferred from the fair value reserve and recognised in profit or loss, in accordance with the accounting policy disclosed in Note 3.8.

Other reserves and retained earnings

| | 2006 | 2005 |
|--------------------------------------|----------------|----------------|
| Legal reserve | 18 787 | 15 629 |
| Other reserves and retained earnings | 124 565 | 106 626 |
| | 143 352 | 122 255 |

The legal reserve can only be used to cover cumulated losses or to increase capital. According to Article 97 of the General Regime for Credit Institutions and Financial Companies, approved by Decree-Law 298/92 of 31 December and amended by Decree-Law 201/2002 of 25 September, Banco Finantia and other portuguese Group financial companies must appropriate at least 10% of its net income each year to a legal reserve until the amount of the reserve equals the greater of the amount of share capital or the sum of the free reserves plus retained earnings (in accordance with the Article 296º of the Portuguese Companies Code).

The other Group companies with head offices in Portugal must transfer to a legal reserve at least 5% of their net annual profits until this reserve is equal to 20% of issued capital.

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34 Off balance sheet items

| | 2006 | 2005 |
|--|------------------|------------------|
| Guarantees issued and other contingent liabilities | | |
| Guarantees and standby letters of credit | 28 107 | 37 094 |
| Securities pledged as collateral under repurchase agreements | 1 109 193 | 745 832 |
| Deposits and repos confirmed | 7 913 | 250 |
| Other commitments | 32 739 | 50 883 |
| | 1 177 952 | 834 059 |
| Responsibilities for banking services provided | | |
| Securities and items held for safekeeping | 421 447 | 679 346 |
| Assets under management – securitisation | 2 815 876 | 2 754 123 |
| Guarantees received | 1 565 874 | 859 447 |
| | 4 803 197 | 4 292 916 |

35 Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise the following balances with maturity less than three months, from the date of acquisition:

| | 2006 | 2005 |
|---------------------------------------|----------------|----------------|
| Cash (Note 13) | 163 | 111 |
| Deposits with banks (Note 13) | 31 037 | 55 714 |
| Loans and advances to banks (Note 37) | 443 659 | 443 618 |
| | 474 859 | 499 443 |

At 31 December 2006, the amount of t€ 405,579 (2005: t€ 760,902) included in loans and advances to banks with maturity term up to three months, is not considered as cash and cash equivalents.

36 Balances and transactions with related parties

| | 2006 | 2005 |
|--------------------------------------|--------|--------|
| Assets | | |
| Loans and advances to customers | 30 734 | 12 300 |
| Other assets | – | 5 700 |
| Liabilities | | |
| Due to customers | 210 | 136 |
| Subordinated debt | – | 5 174 |
| Income | | |
| Interest and similar income | 415 | 298 |
| Costs | | |
| Interest expense and similar charges | 164 | 167 |

The amount of remunerations paid to the Group's management and supervisory bodies is disclosed in Note 10.

37 Risk management activity

The Finance Committee, which meets monthly, is responsible for evaluating and monitoring the various risks that the Group is subjected to. They analyse and propose methodologies, policies and adequate procedures to control and/or mitigate such risks.

In organisational terms, in what regards the Investment Banking as well as the Consumer Finance business, the risk management function is centralised in the Credit and ALM department (Assets and Liabilities Management), as an independent unit from the Group's origination departments, including the various risks: credit, market, liquidity and operational. This structure facilitates a cross and integrated analysis, considering the complementarity of the analysis and correlations between the different kinds of risks.

In the Consumer Finance area, the credit risk management component is shared with the Risk Management department, a more specialised unit in the Sofinloc and Banco Finantia Sofinloc business. This permits the Group to avail of the obvious synergies in the creation of scoring models, in a way that achieves the objective of bringing closer the processes of risk analysis of pricing operations and the respective commercial areas, namely in terms of establishing objectives in line with the risk appetite.

Credit Risk

Credit risk, which arises not only from the possibility of a counterparty defaulting but also from the change in the economic value of a certain instrument on the back of a fall in the credit quality, constitutes one of the most important risks for the Group considering its assets structure.

The approval of any credit exposure is carried out according to a set of internal principles and procedures embodied in the Group's Credit Rules and Regulations, which define the different decision levels commensurate with the amount and kind of product to be financed.

For the Consumer Finance business, the first decision level is the automatic decision through the Group internally developed system, Siacc. This allows the Bank to balance the expected return and the use of capital for each operation. The Group has scoring models that are applied separately to the Portuguese and Spanish credit portfolios, based on the wide experience developed since the Group's first scoring model of 1995. Besides being the basis to the automatic decision process (a credit proposal has to satisfy a minimum score to have an automatic approval along with other certain defined criteria and filters) the scoring model attributes a score to each proposal based on the probability of loss. This permits calculating the expected profitability of each operation adjusted to the probable loss.

In the Investment Banking area, all operations are subject to limits defined by the Credit Department. Every individual limit is analysed by these departments with a cap on the maximum amount permitted based on the issuers rating and category. Over and above the guidelines new limits established also take into account the geographical exposure. The department of Credit and ALM is also responsible for the daily monitoring of the approved limits.

The credit portfolio risk profile is analysed monthly by the Finance Committee, with special emphasis on credits with problems, both in the Investment Banking area as the Consumer Finance (the latter relating to only credits pertaining to higher levels of decision making, considering the portfolio granularity). In these meetings the respective exposures are analysed and the allocation and consumption of capital is reviewed. Other risks such as interest rate, currency and liquidity are also studied.

Market risk

Market or price risk (interest rates, exchange rates, share prices amongst others) is defined as the likelihood of incurring losses due to unexpected variations in the price of instruments or operations.

The Group has adopted a strategy of minimising the interest rate risk, structuring the balance sheet in order to hedge the impact of the movements on the yield curve in its securities portfolio.

In accordance with the principles in force, it was decided to hedge the interest rate risk on the bonds portfolio and part of the Consumer Finance portfolio (fixed rate) using short selling transactions of public debt with AAA rating, in EUR or USD, according to the hedged assets. However, part of the Consumer Finance assets hedging is still done using interest rate swaps that allow the matching of maturities and average refixing rate terms of those assets with the ones that result from the liabilities of the corresponding securitisation operations.

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In terms of currency risk management, the Group has a policy of operating exclusively in assets and liabilities in EUR and USD. In this last case, in order to mitigate the currency risk of the USD exposures, is done a daily monitoring of not only the spot revaluation position but also of the forward exposure resulting of the impact expectations that the assets and liabilities in USD will generate in the future.

The positions in other currencies are exceptional and without significance on the balance sheet or profit and loss statement of the institution. In a global way, a systematic control of the interest rate and currency gaps is done, which is an object of deep analysis by the Finance Committee that defines the measures to adopt.

In the scope of the market risk control and assessment to which the Group is subject, emphasis is placed on the daily calculation of VaR for the securities portfolio (extended to the consolidated balance sheet). This is in line with the BIS recommendation. Back-testing exercises have been satisfactorily concluded. As of 31 December 2006, the daily VAR was at € 2.06 million, which corresponded to 0.60% of Tier 1 Capital.

Interest rate risk exposure

Exposures to interest rate fluctuations constitute one of the principal aspects for proper risk management. In the case of assets related to Consumer Finance, the complete hedging of interest rate risk has been laid down as a general principle through the contracting of interest rate swaps with the purpose of matching the maturities and the rate resetting dates of the assets with the liabilities resulting from the securitisation operations.

In the Investment Banking area, systematic monitoring is conducted of the distribution of assets and liabilities along the interest rate curve, with the risks which exceed the exposure limits defined by the Finance Committee being hedged through derivative instruments or specific long term financing operations.

Currency risk exposure

As a rule, the Group only deals in assets and liabilities denominated in EUR and USD, while the positions in other currencies are sporadic and have no significant impact on the balance sheet and results. In order to neutralise the currency risk of the USD exposures, these positions are monitored in a daily basis, not only in the spot revaluation position, but also in the forward revaluation position, resulting on the impact expectations that the USD assets and liabilities can generate in the future.

This analysis is presented and discussed in the Finance Committee on a monthly basis, with a view to defining or correcting the measures to be adopted in terms of managing the Group's currency risk.

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The assets and liabilities detail by currency can be analysed as follows:

| | 2006 | | |
|---|------------------|------------------|------------|
| | Euros (EUR) | US\$ (USD) | Other |
| Assets | | | |
| Cash and banks | 19 372 | 18 374 | 126 |
| Financial assets at fair value through profit or loss | 573 778 | 888 658 | – |
| Loans and advances to banks | 1 128 948 | 1 063 844 | – |
| Loans and advances to customers | 1 238 753 | 64 468 | – |
| Hedging derivatives | 6 458 | – | – |
| Non-current assets held for sale | 876 | – | – |
| Other non-financial assets | 75 245 | 13 454 | – |
| Total assets | 3 043 431 | 2 048 797 | 126 |
| Liabilities | | | |
| Financial liabilities held for trading | 711 661 | 792 732 | – |
| Deposits from banks | 863 973 | 660 448 | 15 |
| Due to customers | 547 046 | 154 747 | – |
| Debt securities issued | 779 136 | – | – |
| Subordinated debt | 135 476 | – | – |
| Other non-financial liabilities | 42 943 | 16 845 | – |
| Total liabilities | 3 080 236 | 1 624 772 | 15 |
| Equity | 391 180 | 10 234 | – |
| Total liabilities and equity | 3 471 416 | 1 635 006 | 15 |
| Commitments and contingent liabilities | | | |
| Forwards | 64 | (57) | – |
| Swap operations | 427 921 | (417 616) | – |
| | 427 985 | (417 673) | – |
| Net position | – | (3 882) | 111 |

At 31 December, 2005 this caption is analysed as follows:

| | 2005 | | |
|---|------------------|------------------|------------|
| | Euros (EUR) | US\$ (USD) | Other |
| Total assets | 1 893 825 | 1 445 371 | 256 |
| Total liabilities | 1 953 285 | 1 144 755 | – |
| Total equity | 235 071 | 3 488 | – |
| | (294 531) | 297 128 | 256 |
| Commitments and contingent liabilities | 294 531 | (302 348) | – |
| Net position | – | (5 220) | 256 |

Liquidity risk

The ability of the Group to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn is defined as its liquidity risk.

The liquidity risk management is carried out in a global and centralised way and within the pre-defined limits, in accordance with two distinct basis: i) cash flow management, through a system of cash flow control that allows the calculation and daily control of Treasury balances in a quarterly perspective; ii) stock management, in a way to keep a short-term excess of liquidity that assures the normal activity of the Group even in unfavourable scenarios.

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The Treasury department takes over the cash flow management, making a daily report to the member of the Executive Committee responsible for the area. The ALM department is responsible for all the analysis referent to the stock management monthly presentable to the Finance Committee, which is responsible for the liquidity strategy of the Group, as well as for the adoption of all corrective measures every time the pre-defined limits are not achieved.

In the Investment Banking area, the strategy defined consists in favouring high liquidity applications, easily marketable or that allow autofinancing through repos or other funding instruments.

In what concerns the Consumer Finance activity, the option has been the back-to-back funding through securitisation operations, which represented at the end of the period almost 80% of the value of those assets.

In 2005, the Group started to use a short term securitisation structure, monthly supplied with Consumer Finance credits originated in the Iberian Peninsula, leading to the maximisation of this kind of instrument and reducing the resource to other funding sources.

Relative to the other liability instruments used, the strategy is based on source diversification, not only in counterparties, but also in kinds of operations. Care is taken to comply with certain maximum ratios of concentration in counterparty depositors, money market and repos.

A brief analysis of the investment portfolios' exposure of the Group by period to maturity is presented as follows:

| | Notes | Carrying amount | Up to 3 months | From 3 months to 1 year | From 1 to 5 years | More than 5 years | Undetermined |
|-------------------------------------|-------|------------------|------------------|-------------------------|-------------------|-------------------|---------------|
| 31 December 2006 | | | | | | | |
| Cash and banks | 13 | 37 871 | 37 871 | – | – | – | – |
| Available-for-sale financial assets | 15 | 400 444 | 6 572 | 9 512 | 128 024 | 230 532 | 25 804 |
| Loans and advances to banks | 16 | 2 192 793 | 849 238 | 1 249 997 | 93 380 | 178 | – |
| Loans and advances to customers | 17 | 1 303 221 | 111 492 | 240 775 | 809 241 | 141 361 | 352 |
| | | 3 934 329 | 1 005 173 | 1 500 284 | 1 030 645 | 372 071 | 26 156 |
| Deposits from banks | 26 | 1 524 436 | 1 208 436 | 6 000 | 310 000 | – | – |
| Due from customers | 27 | 701 793 | 315 592 | 273 685 | 110 790 | 1 726 | – |
| Debt securities issued | 28 | 779 136 | 3 816 | – | 18 642 | 756 678 | – |
| Subordinated debt | 30 | 135 476 | 476 | – | – | 135 000 | – |
| | | 3 140 841 | 1 528 320 | 279 685 | 439 432 | 893 404 | – |
| 31 December 2005 | | | | | | | |
| Cash and banks | 13 | 61 100 | 61 100 | – | – | – | – |
| Available-for-sale financial assets | 15 | 284 779 | 29 860 | 10 216 | 86 015 | 142 528 | 16 160 |
| Loans and advances to banks | 16 | 1 355 653 | 1 204 520 | 116 106 | 34 849 | 178 | – |
| Loans and advances to customers | 17 | 922 413 | 100 907 | 229 677 | 520 932 | 69 320 | 1 577 |
| | | 2 623 945 | 1 396 387 | 355 999 | 641 796 | 212 026 | 17 737 |
| Deposits from banks | 26 | 1 100 017 | 853 159 | 11 083 | 235 000 | 775 | – |
| Due from customers | 27 | 465 805 | 389 263 | 71 904 | 2 873 | 1 765 | – |
| Debt securities issued | 28 | 654 690 | 1 803 | – | 264 487 | 388 400 | – |
| Subordinated debt | 30 | 85 065 | 65 | – | – | 85 000 | – |
| | | 2 305 577 | 1 244 290 | 82 987 | 502 360 | 475 940 | – |

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Operational risk

Operational risk may be defined as the risk of loss resulting from inadequate internal processes, human or system failures, or external factors, that include legal risk (excludes, however, the strategic and reputational risks).

The operational risk management has always been one of the Group's biggest concerns. As a consequence, the Group has developed a policy of systematically creating operative manuals and simultaneously making accountable the head of each department for its compliance. This automatically helps mitigating the operational risk. Having in mind the best practices established in the new Basel Accord (Basel II), the Group has been intensifying its efforts in implementing more advanced and effective measurement and risk control methods, being in the process of collecting and recording all kinds of risks that may affect Group's activity (loss event register and risk control self assessment).

In 2006, some additional measures within the scope of evaluation and control of this kind of risk have been taken. Heads of the main areas of the Group's activities were advised on the importance of complying with the measures defined. In the Consumer Finance area, whose operational risk events are typically characterised by a high frequency and low severity, was constituted a commission that includes the Directors of the different operational areas. This commission was formed with an objective of identifying the critical aspects in the processes and procedures, issuing opinions and taking corrective measures aimed at minimising the incurred risk.

There is a Quality Control area, whose objective is the certification and validation of the data inserted in the proposals and contracts in line with the internal credit rules, representing an additional measure of control, along with the Bank's internal and external audit.

In a global perspective, there is a strong concern in identifying, and analysing ex-ante the problems and risks, with the objective of either preventing or control them. This is particularly relevant in Investment Banking, where the approval of a new financial instrument is subject to the analysis and opinion of multidisciplinary and interdepartmental teams, as well as different levels of authorisations. There is a contingency and Disaster Recovery plans in place that ensures the continuity of the Group's activities even in the more extreme situations.

38 Fair value of financial assets and liabilities measured at amortised cost

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value:

| | | 2006 | | 2005 | |
|---------------------------------|-------|-----------------|------------|-----------------|------------|
| | Notes | Carrying amount | Fair value | Carrying amount | Fair value |
| Assets | | | | | |
| Cash and banks | 13 | 37 871 | 37 871 | 61 100 | 61 100 |
| Loans and advances to banks | 16 | 2 192 792 | 2 192 792 | 1 355 654 | 1 355 654 |
| Loans and advances to customers | 17 | 1 303 221 | 1 319 216 | 922 413 | 944 399 |
| Liabilities | | | | | |
| Deposits from banks | 26 | 1 524 436 | 1 524 436 | 1 100 017 | 1 100 017 |
| Due from customers | 27 | 701 793 | 701 793 | 465 805 | 465 805 |
| Debt securities issued | 28 | 779 136 | 780 167 | 654 690 | 653 220 |
| Subordinated debt | 30 | 135 476 | 135 476 | 85 065 | 85 065 |

Fair value is based on market prices, whenever they are available. The major methods and assumptions used in estimating fair values of financial assets and liabilities accounted for at amortised cost, are analysed as follows:

Cash and banks

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

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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 (capital and interest), considering that the instalments are paid in the contractually defined dates.

Deposits from banks

For the deposits from banks with short term nature it is considered that its carrying amount is a reasonable estimate of its fair value. The fair value of medium and long term deposits from banks is estimated based on the discount of the expected future cash flows (capital and interest), considering that the instalments are paid in the contractually defined dates.

Due from customers

The fair value of these financial instruments is based on the discount of the expected future cash flows (capital and interest), considering that the instalments are paid in the contractually defined dates.

Considering that the applicable interest rates are variable and that the period to maturity is substantially less than one year, there are no measurable differences in its fair value.

Debt securities issued and subordinated debt

For instruments where hedge accounting is applicable, the fair value is considered to be already reflected in the balance sheet. For the other instruments, fair value is based on market prices when available. When unavailable, fair value is estimated based on the discount of the expected future cash flows (capital and interest).

39 Recently issued pronouncements

The new standards and interpretations that have been issued, but that are not yet effective and that the Group has not yet applied, can be analysed below.

The Group is evaluating the impact of adopting these recently issued pronouncements and has not yet completed the analysis.

IFRS 7 – Financial Instruments: Disclosures

(Effective for annual periods beginning on or after 1 January 2007)

IFRS 7 deals with the disclosure requirements in relation to all risks arising from financial instruments (with limited exemptions), and applies to any entity that holds financial instruments. The level of disclosure required depends on the extent of the entity's use of financial instruments and its exposure to financial risk. The Standard retains many of the disclosure requirements currently within IAS 32 and IAS 30. However, there have been some editorial changes to the existing requirements as well as some additional disclosure requirements added. The overriding objective is that preparers should provide disclosures that enhance a user's understanding of the entity's exposures to financial risks and how the entity manages those risks.

IFRS 8 – Operating Segments

(Effective for annual periods beginning on or after 1 January 2009)

IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

IFRS 8 requires the amount reported for each segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to that segment and assessing its performance. In contrast to IAS 14, IFRS 8 does not define segment revenue, segment expense, segment result, segment assets and segment liabilities, nor does it require segment information to be prepared in conformity with the accounting policies adopted for the entity's financial statements. As a consequence, entities will have more discretion in determining what is included in segment profit or loss under IFRS 8, limited only by their internal reporting practices.

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Amendment to IAS 1 – Capital Disclosures

(Effective for annual periods beginning on or after 1 January 2007)

IAS 1 Presentation of Financial Statements was amended in conjunction with the release of IFRS 7. The amendments impose additional requirements for disclosure of:

- the entity's objectives, policies and processes for managing capital;
- quantitative data about what the entity regards as capital;
- whether the entity has complied with any capital requirements; and
- if it has not complied, the consequences of such non-compliance.

IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

(Effective for annual periods beginning on or after 1 March 2006)

IAS 29 Financial Reporting in Hyperinflationary Economies requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date. Comparative figures for prior period(s) should be restated into the same current measuring unit. IFRIC 7 contains guidance on how an entity would restate its financial statements in the first year it identifies the existence of hyperinflation in the economy of its functional currency, including specifically the restatement of deferred tax in the opening balance sheet.

IFRIC 8 – Scope of IFRS 2

(Effective for annual periods beginning on or after 1 May 2006)

IFRIC 8 clarifies the scope of IFRS 2 – Share-based Payment, namely in what concerns that IFRS 2 applies to share-based payment transactions in which the entity cannot identify specifically some or all of the goods or services received and that in the absence of specifically identifiable goods or services, other circumstances may indicate that goods or services have been (or will be) received, in which case IFRS 2 applies.

Additionally, if the identifiable consideration received (if any) appears to be less than the fair value of the equity instruments granted or the liability incurred, typically this circumstance indicates that other consideration (i.e. unidentifiable goods or services) has been (or will be) received.

For cash-settled transactions in which unidentifiable goods or services are received, the liability should be measured at each subsequent reporting date in order to be consistent with IFRS 2. Subsequent re-measurements of the liability do not affect the measurement of the unidentifiable goods or services received (or to be received) as those are measured at grant date.

IFRIC 9 – Reassessment of Embedded Derivatives

(Effective for annual periods beginning on or after 1 May 2006)

IFRIC 9 addresses two questions: (i) does an entity have to reconsider its assessment of whether an embedded derivative needs to be separated after the initial recognition of the hybrid contract?; (ii) should a first-time adopter of IFRS make its assessment of whether an embedded derivative needs to be separated when the entity first became a party to the hybrid contract, or when the entity adopts IFRS for the first time?

The IFRIC concluded that an entity generally should not reassess its conclusion as to whether an embedded derivative needs to be separated from the hybrid contract after it is initially recognised. Similarly, a first-time adopter of IFRS should make its assessment on the basis of conditions existing when the entity became party to the hybrid contract, not when it adopts IFRS. An entity should only revisit its assessment if the terms of the contract change, and the expected future cash flows of the embedded derivative, the host contract, or both, have changed significantly relative to the previously expected cash flows on the contract.

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IFRIC 10 – Interim Financial Reporting and Impairment

(Effective for annual periods beginning on or after 1 November 2006)

The Interpretation addresses the interaction between the requirements of IAS 34 Interim Financial Reporting and the recognition of impairment losses on goodwill under IAS 36 and certain financial assets under IAS 39. The Interpretation concludes that where an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment should not be reversed in subsequent interim financial statements nor in annual financial statements.

IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions

(Effective for annual periods beginning on or after 1 March 2007)

IFRIC 11 clarifies the application of IFRS 2 Share-based Payment to certain share-based payment arrangements involving the entity's own equity instruments and to arrangements involving equity instruments of the entity's parent. The IFRIC concluded that when an entity receives services as consideration for rights to its own equity instruments, the transaction should be accounted for as equity-settled.

IFRIC 12 – Service Concession Arrangements

(Effective for annual periods beginning on or after 1 January 2008)

The Interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services, such as schools and roads. The Interpretation does not address the accounting for the government (grantor) side of such arrangements. The Interpretation states that for arrangements falling within its scope (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator.

40 Subsequent events

As at 25 January 2007, following the exercise of the clean-up call over its assets, LTR Finance nº 3 plc ceased its activity.

41 Transition to IFRS

As referred to in Note 2, these are the first consolidated financial statements prepared by the Group in accordance with the International Financial Reporting Standards (IFRS).

The accounting policies described in Note 3 were used in the preparation of these financial statements as at and for the year ended 31 December 2006, the comparative financial information for the year ended 31 December 2005, as well in the preparation of the opening consolidated balance sheet in accordance with the IFRS as at 1 January 2005 (transition date).

In the preparation of the opening consolidated balance sheet in accordance with the IFRS and of the comparative financial information for the year ended 31 December 2005, the Group has restated amounts previously reported in accordance with the general accepted accounting principles for the banking sector (PCSB) and other rules established by the Bank of Portugal.

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The differences between the PCSB and the IFRS with impact in the consolidated financial statements in 1 January 2005 and 31 December 2005 and the equity and net profit reconciliation at these dates, are presented as follows:

| | | 1 January 2005 | 31 December 2005 | |
|---|------|----------------|------------------|---------------------|
| | | Equity | Net profit | Revaluation reserve |
| PCSB | Item | 166 919 | 37 497 | 767 |
| Transition adjustments | | | | |
| Derivative financial instruments and hedge accounting | a) | (6 191) | (1 650) | 4 751 |
| Loan impairment | b) | (1 955) | 7 175 | – |
| Securities portfolio | c) | 16 484 | (3 418) | 3 175 |
| Changes in consolidation scope | d) | 22 300 | (1 268) | – |
| Amortised cost | e) | 9 543 | 5 045 | – |
| Deferred taxes | f) | (3 055) | (414) | 214 |
| Treasury stock | g) | (3 114) | – | – |
| Other | | 791 | (460) | – |
| Total adjustments | | 34 803 | 5 010 | 8 140 |
| IFRS | | 201 722 | 42 507 | 238 559 |

An explanation of the major adjustments made under the adoption of the IFRS to equity as at 1 January 2005 and 31 December 2005 and to the net profit for the year ended 31 December 2005, is presented as follows:

a) Derivative financial instruments and hedge accounting

Under previously PCSB's regulations, all derivative instruments were recognised in off balance sheet accounts at their notional amount, with the accrual of the respective receivable or payable interest recognised in balance sheet.

In accordance with the IAS 39, all derivative instruments are recognised in balance sheet at fair value, including hedging derivatives.

With the IFRS adoption, the Group analysed the existing hedging operations in accordance with the local rules and identified the hedging models that should adopt in accordance with the IAS 39. The Group decided to adopt the cash flow hedging for financial liabilities that arise from securitisation operations, that generate variable inflows and for which the Group intends to mitigate the exposure to the cash flows unpredictability attributable to the interest rate risk associated to these financial liabilities recognised in balance sheet.

In this hedging model, all gains or losses arising from the changes in the fair value of the hedging instrument are deferred in equity, in the effective part of the hedging. These gains or losses are transferred to profit and loss in the same period than the hedged instrument generates gains or losses.

As at 1 January 2005, with the adoption of the IAS 39, the resulting effect from the recognition of derivative financial instruments generated a decrease in equity in the gross amount of t€ 6,191 caused by the recognition of the derivative instruments – trading and hedging:

- (i) the positive amount of t€ 2,757 recognised in net profit resulting of the recognition in the balance sheet of derivative instruments, classified as trading (credit default swaps, currency swaps and interest rate swaps contracted by the SPE), at fair value;
- (ii) the negative amount of t€ 8,948 recognised in revaluation reserve related with the recognition of the interest rate risk hedging associated to financial liabilities cash flows;

b) Loan impairment

In accordance with the previous accounting policies adopted by the Bank (PCSB), provisions for loans and advances to customers were set up in accordance with Bank of Portugal Regulation n. 3/95, amended by the Notices n. 2/99 and 8/2003. The loan impairment was subject to the recognition of specific provisions for credit in arrears, for credit of doubtful collection, for investment securities (country risk) and provisions for general credit risks in accordance with the Notices mentioned above.

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In addition, this supervisory authority has established the obligation of the entities under its supervision to submit, twice a year, a report analysing economic provisions to cover the specific risk in the loans portfolio. In the application of the Bank of Portugal regulations, in the calculation of loan losses provisions, there was an overriding requirement that the provisions should be sufficient for economic purposes.

In accordance with IAS 39, the loan portfolio is measured at amortised cost and subject to impairment tests. Impairment losses to be recognised are determined as the difference between the carrying amount of the loan and the present value of future expected cash flows, discounted at the loan's original effective interest rate.

c) Securities portfolio

In accordance with the previous accounting policies adopted by the Bank, the available-for-sale financial assets were recognised at the lower of cost or market value. The unrealised losses were fully provided for against the income statement and unrealised gains were not recognised. Increases in the market value of securities previously provided for, such as debt or equity securities, were recognised in income as a write-back of provisions.

Under IAS 39, the Group's securities portfolio is classified in the following categories: (i) financial assets available-for-sale, and (ii) financial assets at fair value through profit and loss. The available-for-sale financial assets are recognised at fair value, with the unrealised gains and losses recognised in the fair value reserve, except when an impairment loss exists, in which case it is charged against income. Impairment losses on equity securities cannot be reversed through income, as opposed to the procedure followed for debt securities.

As at 1 January 2005, with the adoption of IAS 39, the gross effect of the recognition of unrealised gains and losses originated an increase in equity in the amount of t€ 3,677, of which t€ 2,715 were recognised in the revaluation reserve related with financial assets available-for-sale, and t€ 962 in retained earnings related with financial assets at fair value through profit or loss. The amount of tax effect recognised in the revaluation reserve and retained earnings was t€ 756 and t€ 249, respectively.

In addition, upon the initial adoption of IAS 39, the Group reverted the provision for country risk created in accordance with the Notice 3/95 of Bank of Portugal in the gross amount of t€ 12,807.

However, during 2005, and still under PCSB regulations, the Group reverted the provision for country-risk related to the securities portfolio, directly to free reserves, without impacting the annual net profit.

d) Changes in the consolidation scope

The Bank of Portugal's regulations on consolidation did not require the consolidation of Special Purpose Entities (SPE). According to IFRS all the SPE, with which the Group maintains relationships must be analysed in accordance with the applicable consolidation rules (as described in SIC 12 – Consolidation – Special Purpose Entities), including those entities that may have been constituted in the scope of securitisation transactions.

Based on the criteria established by SIC 12, the consolidation scope includes certain SPE, that previously were recorded in the Groups' securities portfolio.

Moreover, with the adoption of IAS 27, the Group consolidates, by the full consolidation method, certain financial participations that, according to PCSB's regulations, were recognised by the equity method.

e) Amortised cost

In accordance with the previous accounting policies adopted by the Group, fees and commissions received and paid related to the loan portfolio were charged to income in the year the loan was granted, except on situations in which the loan was designed to fund continued services. In this case, the commissions were charged during the period of the service.

Under IFRS, the main change resulted from incremental fees and commissions, captured in loans origination, being recognised as a part of the effective interest rate of the loan during its period.

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f) Deferred taxes

According to the previous accounting policies of the Group, deferred tax assets were not recognised. The concept of deferred income tax liabilities, resulting from temporary differences between the accounting results and results for tax purposes, was applicable every time there was a reasonable likelihood of these taxes to be paid or deducted in a foreseeable future.

Following the adoption of IFRS, the Group recognises deferred tax assets (in accordance with IAS 12), when it is probable that future tax profits will be available to absorb deductible temporary differences, including tax losses.

The deferred income tax liabilities are recognised for all the temporary differences between the accounting results and results for tax purposes (temporary taxable differences).

In the transition to IFRS, were recognised deferred taxes associated to transition adjustments, as well as deferred income tax assets that were not recognised according to PCSB standards.

g) Treasury stock

In accordance with PCSB standards, treasury stocks were recognised as an asset. According to IFRS, treasury stocks, as well as related realised gains and losses, net of taxes, are recognised directly in equity.

An explanation of how the transition to IFRS has affected the reported financial position is set out as follows:

| | 1 January 2005 | | | 31 December 2005 | | |
|---|------------------|-------------------------------|------------------|------------------|-------------------------------|------------------|
| | PCSB | Effect of transitions to IFRS | IFRS | PCSB | Effect of transitions to IFRS | IFRS |
| Assets | | | | | | |
| Cash and banks | 23 936 | 59 617 | 83 553 | 24 746 | 36 354 | 61 100 |
| Other financial assets at fair value ⁽¹⁾ | 517 410 | (9 614) | 507 796 | 990 120 | (68 814) | 921 306 |
| Loans and advances to banks | 479 015 | 41 920 | 520 935 | 1 325 533 | 30 121 | 1 355 654 |
| Loans and advances to customers | 320 986 | 429 605 | 750 591 | 292 784 | 629 629 | 922 413 |
| Hedging derivatives | – | – | – | – | 469 | 469 |
| Current income tax assets | 1 295 | (27) | 1 268 | 1 114 | 25 | 1 139 |
| Deferred income tax assets | – | 9 753 | 9 753 | – | 927 | 927 |
| Other assets | 108 183 | (13 018) | 95 165 | 50 191 | 20 802 | 70 993 |
| Total assets | 1 450 825 | 518 236 | 1 969 061 | 2 684 488 | 651 139 | 3 335 627 |
| Liabilities | | | | | | |
| Financial liabilities held for trading | – | 159 362 | 159 362 | – | 744 327 | 744 327 |
| Deposits from banks | 607 626 | (7 085) | 600 541 | 1 095 971 | 4 046 | 1 100 017 |
| Due from customers | 507 986 | (150 915) | 357 071 | 1 196 216 | (730 411) | 465 805 |
| Debt securities issued | 7 062 | 510 992 | 518 054 | – | 654 690 | 654 690 |
| Hedging derivatives | – | 9 921 | 9 921 | – | 5 416 | 5 416 |
| Provisions | 6 216 | (5 405) | 811 | 5 554 | (4 731) | 823 |
| Current income tax liabilities | 1 646 | 65 | 1 711 | 4 411 | 89 | 4 500 |
| Deferred income tax liabilities | – | 12 771 | 12 771 | – | 4 182 | 4 182 |
| Subordinated debt | 19 976 | 7 622 | 27 598 | 85 000 | 65 | 85 065 |
| Other liabilities | 133 394 | (53 895) | 79 499 | 94 646 | (62 403) | 32 243 |
| Total liabilities | 1 283 906 | 483 433 | 1 767 339 | 2 481 798 | 615 270 | 3 097 068 |
| Total equity | 166 919 | 34 803 | 201 722 | 202 690 | 35 869 | 238 559 |
| Total equity and liabilities | 1 450 825 | 518 236 | 1 969 061 | 2 684 488 | 651 139 | 3 335 627 |

(1) Includes Financial assets at fair value through profit or loss and available-for-sale financial assets.

STATUTORY AUDIT REPORT

(Consolidated Financial Statements)

(Free translation from the original presentation in Portuguese)

31 December 2006

Introduction

1 We have audited the consolidated financial statements of Banco Finantia, S.A. ("the Bank"), comprising the consolidated balance sheet as at December 31, 2006, (which shows total assets of € 5 106 642 thousand and total shareholder's equity of € 401 414 thousand, including a net profit € 60 585 thousand), the consolidated statement of income, the consolidated statement of changes in shareholder's equity, the consolidated cash flow statement for the year then ended and the corresponding notes to the accounts. The consolidated financial statements were prepared in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Responsibilities

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

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

Scope

4 We conducted our examination in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the examination to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly, our examination included:

(i) verification that the subsidiary's financial statements have been examined and for the cases where such an examination was not carried out, verification, on a test basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and, when applicable, the utilisation of the equity method; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; and (v) evaluating the overall presentation of the consolidated financial statements.

5 Our examination also included the verification of the consistency of the financial information integrated in the consolidated Management Report with the consolidated financial statements.

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

Opinion

7 In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Banco Finantia, S.A. as at 31 December, 2006, the consolidated changes in shareholder's equity, the consolidated results of its operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis

8 Without qualifying our opinion expressed in paragraph 7 above, we draw your attention to the fact that as mentioned in Note 2.1 in the Notes to the accounts, in 2006, the Bank applied for the first time the International Financial Reporting Standards in preparing its consolidated financial statements, following the requirements of IFRS 1 – First time adoption of the International Financial Reporting Standards, the transition date being 1 January 2005. Consequently the financial information as of 31 December, 2005 and for the year then ended, presented previously in accordance with the Plano de Contas para o Sistema Bancário, has been restated, for comparison purposes, to IFRS, as explained in Note 41.

Lisbon, 19 March 2007

PRICEWATERHOUSECOOPERS 

PriceWaterhouseCoopers & Associados

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