Annual Report

Banco BPI 2015

Report

Index

Leading business indicators

(Consolidated figures in M.€, except where indicated otherwise)

	2011	2012	2013	2014	2015
Net total assets	42 956	44 565	42 700	42 629	40 673
Assets under management[1]	14 425	13 445	13 121	15 816	17 905
Loans to Customers (gross) and guarantees	31 535	30 519	29 004	28 474	27 089
Customer deposits	23 778	23 800	24 551	26 518	25 637
Total Customer resources[2]	32 818	31 004	31 669	35 401	35 669
Business turnover[3]	64 353	61 523	60 673	63 875	62 758
Business turnover[3] per Employee (thousands of euro)	7 287	7 088	6 958	7 509	7 358
Loans to deposits ratio[4,5]	109%	106%	96%	84%	85%
Net operating revenue	1 020.1	1 330.0	1 048.1	857.7	1 181.9
Net operating revenue per Employee (thousands of euro)	112	151	120	99	138
Operating costs / net operating revenue	67.2%	48.1%	62.1%	78.3%	56.7%
Operating costs / net operating revenue, excluding non-recurring impacts[6]	64.4%	62.1%	69.4%	61.6%	56.0%
Net profit	(284.9)	249.1	66.8	(163.6)	236.4
Return on average total assets (ROA)	(0.4%)	0.8%	0.4%	(0.1%)	0.9%
Return on Shareholders' equity (ROE)[7]	(13.5%)	13.1%	2.9%	(7.3%)	10.4%
Net profit per share[8]	(0.284)	0.216	0.048	(0.115)	0.163
Book value per share[8]	0.467	1.235	1.389	1.467	1.659
Weighted average no. of shares (in millions)[8]	1 003.8	1 154.6	1 383.7	1 422.3	1 450.4
Credit at risk / Loans to Customers[9]	3.2%	4.1%	4.7%	5.0%	4.6%
Impairments cover of credit at risk[10]	70%	71%	77%	82%	87%
Net credit loss[11]	0.43%	0.92%	0.96%	0.70%	0.48%
Pension liabilities to Employees	836	937	1 082	1 278	1 280
Cover of pension obligations[12]	100%	105%	105%	98%	109%
Shareholders' equity	469	1 708	1 922	2 127	2 407
Shareholders' equity and non-controlling interests	822	2 061	2 306	2 546	2 835
Core Tier 1 capital ratio (previous rules of Bank of Portugal)	9.2%	15.0%	16.5%	-	-
Common equity Tier 1 ratio (CRD IV / CRR phasing in)	-	-	-	10.2%[13]	10.9%
Common equity Tier 1 ratio (CRD IV / CRR fully implemented)	-	-	-	8.6%[13]	9.8%
Closing price (euro)[8]	0.471	0.943	1.216	1.026	1.091
Stock market capitalisation at year end	476	1 311	1 690	1 495	1 590
Distribution network (no.)[14]	917	914	871	835	788
BPI Group staff complement (no.)[15]	8 831	8 680	8 720	8 506	8 529

Table 1

Note: figures as reported. The figures presented in the Directors' Report refer to the amounts as reported, except where it is expressly stated that they are proforma figures (taking into consideration the retrospective application of the requirements of IFRIC 21, as provided for by IAS 8; refer to the note to the financial statements 2.1 – Comparability of information (IFRIC 21)). The retrospective application of the requirements of IFRIC 21 has the following impacts using the consolidated figures at 31 Dec. 14: decrease in shareholders' equity of 16.5 M.€ and decrease of 0.9 M.€ in net income.

1) Figures not corrected for double counting (investments of financial products in other financial products). Includes unit trust funds, retirement-savings plans (PPR's) and equity savings plans (PPA's), capitalisation insurance, limited-risk / capital-guaranteed bonds, Private Banking and institutional Clients' assets under discretionary management and advisory mandate and assets of pension funds under management (including the BPI Group's Employees' pension funds).
2) On-balance sheet Customer Resources (deposits, bonds placed with Customers and capitalisation insurance) and off-balance sheet resources (financial-asset and real-estate unit trust funds, equity savings plans and retirement savings plans). Figures corrected for double counting.
3) Customer loans, guarantees and total Customer resources.
4) Deposits as a percentage of net loans.
5) Calculated in accordance with *Bank of Portugal Instruction 16 / 2004*.
6) Excluding non-recurring impacts both in costs and revenues.
7) In calculating ROE, it was considered the Shareholders' equity prior to deduct the fair value reserve relating to the portfolio of available-for-sale financial assets
8) Figures adjusted for capital increases by way of the incorporation of reserves in May 2011 and through cash injection in August 2012.
9) Calculated in accordance with the definition in *Bank of Portugal Instruction 23 / 2011* and considering the consolidation perimeter in IAS/IFRS, in which BPI Vida e Pensões is consolidated by global integration and its loan portfolio is included in the consolidated loan portfolio (under the supervision perimeter of the Bank of Portugal, BPI Vida e Pensões is consolidated under the equity method). According to the *Instruction 23 / 2011* and considering the supervision perimeter, as of 31 Dec.15, the consolidated credit at risk ratio amounts to 4.9%.
10) Cover by accumulated loans and guarantees impairment allowances in the balance sheet and without considering the effect of associated collaterals.
11) Loan impairment charges in the year, after deducting recoveries of loans written off (income statement) / Customer loans.
12) Includes contributions to the pension fund (37.9 M.€ in 2011, 0.5 M.€ in 2012, 2.9 M.€ in 2013, 47.0 M.€ in 2014, 1.3 M.€ in 2015) made at the beginning of the following year.
13) Proforma figures considering the adherence to the special regime applicable to deferred tax assets (DTA) and the change to the risk weightings applied to Banco BPI's indirect exposure to the Angolan State and to BNA.
14) Includes network of traditional branches in Portugal, in France (Paris branch) and investment centres in Portugal and in Angola (BFA), and the network geared to serving large and medium-sized companies, project finance centre and the institutional centres in Portugal, the corporate centre in Madrid (Madrid branch) and the corporate centres in Angola.
15) Excludes temporary workers.

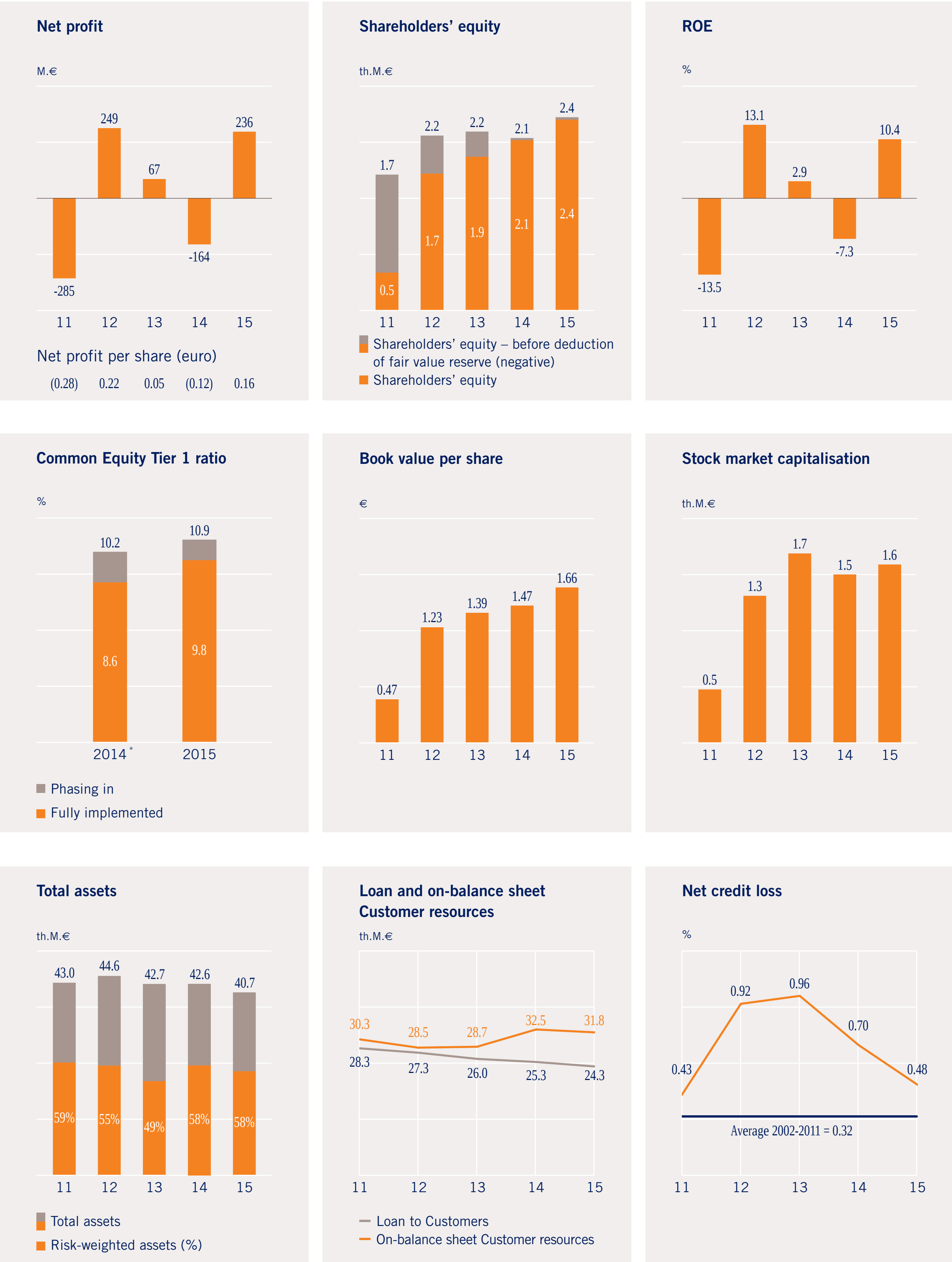


Figure 1

* Proforma figures considering the adherence to the special regime applicable to deferred tax assets (DTA) and the change to the risk weightings applied to Banco BPI's indirect exposure to the Angolan State and to BNA.

ACRONYMS AND ABBREVIATIONS

BPI Group entities – some designations adopted

“BPI Group” / “BPI”*:
The financial group as defined in page 13.

“Banco BPI” (S.A.) / ”BPI” or “the Bank”*:
Head of the BPI Group and responsible for conducting the Commercial Banking business; listed on the stock exchange.

“Banco Português de Investimento” (S.A.), “the Investment Bank”*:
The group's investment bank.

“Banco de Fomento Angola” (S.A.), “BFA”:
Angolan law bank, 50.1% held by BPI, develops BPI Group banking business in Angola.

“BCI” / “Banco Comercial e de Investimentos”:
Mozambican law bank, in which BPI has an equity interest of 30%.

Units

€	euro
US$	American dollar
th.€	thousands of euro
M.€, M.US$, M.AKZ	millions of euro, millions of American dollar, millions of Angolan Kwanza
th.M.€, th.M.US$, th.M.AKZ	thousand millions of euro, thousand millions of dollar, thousand millions of kwanza
b.p.	basis points
p.p.	percentage points

* if the context so permits.

Introduction

A GOOD YEAR TO REMEMBER

BPI closed 2015 with a consolidated net profit of 236.4 million euro, the best result of the last three years and the fifth highest in its entire history. This figure includes the contribution from domestic operations (which was negative in 2014) of 93.1 million euro, while international activity increased its contribution to 143.3 million euro, 13.6% more than in the preceding year. The return on consolidated shareholders' equity (ROE) was situated at 10.4%, twice the figure generated by domestic operations.

Chairman of the Board of Directors

Artur Santos Silva

The results achieved are also meaningful from the qualitative standpoint, because they reflect on both the domestic and international fronts an important reinforcement of the commercial capability, a substantial improvement in net interest income and an undeniable control over risks and costs, in tandem with the maintenance of sound financial indicators, as borne out by the capitalisation, leverage and liquidity ratios. Employee pension liabilities are, for their part, 109% covered, with the Pension Fund recording an annual average return of 9.5% since its creation 25 years ago and of 13.2% in the past three years.

Due to the fact that this aspect is often overlooked, it is important to draw attention in this general overview to the escalating special or contextual costs which are increasingly recurring and burdening BPI and the other financial institutions operating in Portugal. These costs are having a significant impact on the operating statements: the sum of the so-called extraordinary contribution on the banking sector, with the compulsory contributions to the Deposit Guarantee Fund, the National Resolution Fund and the European Resolution Fund, totalled 31 million euro – 44% more than in 2014 and the equivalent to around one third of the net earnings from domestic operations.

Domestic activity

In 2014, domestic activity had presented a negative result of 290 million euro, roughly 90% of which is explained by non-recurring impacts. The recovery in earnings to a net profit of 93 million euro in 2015 is from the outset attributable to the confirmation of the non-recurring nature of the previous loss and to the contributions from net operating revenue, which rose by 48.4%, and from the lower loan impairments, which fell to around half of the previous year's figure and to approximately one third of the 2013 and 2012 figures.

The breakdown of Net Operating Revenue shows the positive behaviour of commissions, which climbed 4%, and the sharp growth of 28% in net interest income, greatly influenced by the steep decline in the average spread on time deposits, falling from 1.9 to 0.8%. Conversely, net interest income continued to be strongly penalised by the conjugation of four negative factors: the volume effect resulting from the smaller loan portfolio, the downward pressure on the lending spreads for the better risk borrowers, the reduced contribution from public debt by volume and income, and the cancellation of the average margin on sight deposits as a consequence of the backdrop of interest rates at close to zero or even negative.

Notwithstanding these conditions, the Bank posted net growth of 24 thousand Customers and increased its market shares from 8.3 to 9% in individuals' resources and from 10.6 to 11.5% in companies' deposits, with improvements in all segments. The expected contraction in the volume of time deposits – ascribable to the substantial decrease in the returns offered and which remained below the market average – was compensated by a clear increase in diversification: BPI rose from 5th to 3rd place in the aggregate "Capitalisation Insurance Funds and PPR", with a 16% share, the highest since 2003. At the end of the year, the transformation of deposits into loans ratio stood at 107% in domestic terms and at 85% in consolidated terms.

As concerns lending, the market shares rose marginally to 9.7% for individuals and from 6.3 to 6.7% in non-financial companies, registering a significant slowdown in the total portfolio's contraction which shrank 2.8% *versus* 5.9% in 2014, as a consequence of a significant increase in new lending in the major business areas.

Insofar as individuals are concerned, it is worth highlighting the 88% growth in the contracting of new home loans, with market share rising to 10.6%, and the respective 45% and 23% expansion in consumer loans and motor car finance, markets in which the Bank also reinforced its relative position. It is interesting to note that the contracting of new home loans is the highest since 2010, but represents only 27% of the volume recorded in 2007, the best year ever, although on the other hand the spread is now significantly higher.

In the Companies' segment, the portfolios in the Medium-sized Companies and Small Business segments, identified as such according to the Bank's internal criteria, posted growth of 8 and 17%, respectively after the stagnation observed in 2014. In the Large Corporations and SME segments, defined using the Bank of Portugal's criterion, the market retreated 3.2 and 3.9%, respectively, while BPI's share registered gains from 7.6 to 8% in the first case, and from 6.2 to 6.5% in the second; in loans to the export sector, which according to the Bank of Portugal grew by 1.5%, BPI also improved its position, from 7.3 to 7.9%.

The increase in new lending business was conducted while adhering to stringent selectivity criteria as regards both risk levels and priority sectors. By way of example, it is worth noting the level of the loan / security relationship, the average of which was situated at 55%, and the higher penetration in the best risk levels in the Large Corporations and Small Business segments, where the most pronounced growth rates were obtained in the priority sectors, such as Agriculture and Exports.

The number of companies which indicate BPI as the principal bank grew by 2.3 points to 19.4%, placing BPI in second place according to the DATA E 2015 survey, the most reputable barometer published in Portugal in this domain. The same source also refers to

BPI as the "overall best bank for companies" and with the "best products for companies", moving from second to first position in these classifications when compared to 2014. Last year's performance also enabled BPI to reinforce its leading position in Cosec brokerage, in the PME Crescimento lines and in the Agriculture sector, with it retained first place in the Protocolo CAP, Linha IFAP line and in Agrogarante.

Also noteworthy in this review of commercial activity in 2015 was the growth observed in the trade finance and specialised credit areas – in particular leasing and confirming – the performance in the issue of large companies' bonds and in special lending operations, the placing of the Jessica lines earmarked for urban rehabilitation, the specific range of products developed for the Portugal 2020 investment programme and the intermediation of the European Investment Bank and European Investment Fund lines, in which BPI maintained the vanguard position that it has built up and consolidated over more than 30 years. Very important for commercial banking continues to be on the one hand the placing of insurance, increasingly more transversal to all the networks, although with greater weight in individual Customers. The number of policies in portfolio surpassed 300 thousand units, while the commissions from the sale of autonomous or linked-to-credit insurance grew by 5% to 41.3 million euro.

Risk and costs

The good results from lending activity in 2015 were accompanied by a clear improvement in credit risk indicators. BPI closed the year with a credit-at-risk ratio of 4.6% in consolidated terms and of 4.5% in domestic operations, the best amongst the Portuguese banking community and second in the Iberian Peninsula.

Still on the domestic front, loans in arrears for more than 90 days were situated at 3.6%, being 108% covered by impairments; considering credit at risk, the cover stands at 85%, also the highest amongst Portuguese banks. For their part, impairments net of loan recoveries fell to half the 2014 figure, totalling 87 million euro, corresponding to 0.38% of the portfolio, which levels are now very close to the early years of the financial crisis, that is 2008 and 2009. Based on Bank of Portugal information, it is possible to conclude finally that the overdue loans ratio at BPI corresponds to less than half of the market average in the individuals' segment and to roughly one third in the companies' area.

The 2015 financial year confirmed on the other hand the strategy of improving the efficiency and containment of costs pursued since 2007. Recurring operating costs, excluding early retirements, were down 1.3%, above all due to the effect of the 2.8% decrease in personnel costs.

In the period 2007-2015, operating costs without early retirements have fallen by 100 million euro, that is, 17%, while the accumulated inflation rate was 9.3%. The number of personnel employed in domestic activity has declined by 24%, with special incidence in the retail network, which closed down 30% branches and reduced its workforce by 30%. This trend translated into a considerable productivity gain, reflected in the business volume and the number of Customers per Employee, which in the same period climbed 28% and 64%, respectively.

International operations

Banco de Fomento Angola, in which BPI has a 50.1% shareholding, earned a net profit in 2015 of more than 300 million dollars, the highest ever despite the country's deteriorating financial and economic landscape fuelled by the plunging oil price. BPI's attributable share of the net profit was the equivalent of 136 million euro, corresponding to a ROE of 34%, equalling the 2008 figure, year in which BFA posted the best earnings and when BPI owned 100% of the capital.

The rate of growth and the quality of BFA's results is reflected, amongst other indicators, in the number of Customers, which rose by 8.4% to 1.4 million, accompanied by the expansion of the workforce, which increased 3.3% to total 2610, and by the moderate enlargement of the distribution network which now boasts 166 generalist branches, 16 corporate centres and 9 investment centres, five more units than in 2014. On the other hand, the Bank consolidated its leading position in the virtual channels, with 570 thousand subscribers to BFA Net and shares of 14% in ATM's, 26% in point-of-sales terminals and 22% in debit cards.

In spite of the higher operating costs, justified by the expansion in business activity, the efficiency ratio fell by one point to 33.6%, bearing in mind that net operating revenue grew by 26%, spurred above all by net interest income, which climbed by more than 30%. BFA recouped the leadership in the deposits market and closed the year in eighth place in the loans' business as an expected consequence of the prudent risk-management policy. At the close of 2015, provisions covered 122% of credit at risk and corresponded, in net terms, to 1.86% of the total portfolio in 2015.

Globally, the contribution from international operations to consolidated net profit advanced 13.6% to 143 million euro, including, besides BFA's results, the 9.4 million euro derived from the 30% equity interest held by BPI in Banco de Comércio e Indústria de Moçambique, which disputes the leadership in that market, with a return of close to 19% in 2015.

Quality, Reputation and Social Responsibility

The 2015 financial year surpassed the Bank's excellent historical records in the areas of service quality, reputation and social responsibility, as borne out by some of the most important indicators of public recognition. After the second place obtained in the period 2014-15, BPI attained in 2016 absolute first place in the ECSI – Índice Nacional de Satisfação do Cliente (national Customer satisfaction index) for the banking sector, a classification laid down by the European Commission and administered by the Quality Institute and Universidade Nova de Lisboa. The Bank recovered on the other hand the second overall place and the first amongst major financial institutions in the index "Satisfaction with the Principal Bank" published by Basef, of Marktest, the oldest and most important market poll conducted in Portugal covering the banking sector.

In the second quarter of 2015, BPI surpassed the historical high of its own internal service quality indicator (IQS), backed by a periodic survey of a movable base of 15 Customers and remained above the market average and its main rivals in the "Mystery Customer" poll, an evaluation of the service provided at the branches of all the system's institutions, carried out by an independent company based on unannounced visits. The level of complaints at the Bank of Portugal continued to be situated below the system's average; meanwhile, the overall number of complaints increased exceptionally, and only for reasons related to the tariff schedule, while the average response time fell by around 20%, in line with an improving trend clearly confirmed in the past four years.

Turning to public recognition, amongst other distinctions, above all within the ambit of the capital markets, BPI was included for the second consecutive year in Superbrands' Brands of Excellence (Portuguese listing), and has already in 2016 been designated for the third year running the Trusted Brand in the banking sector in Portugal, in a pan-European survey conducted for the main areas of major consumption by the Reader's Digest Selections. BPI occupied first place in all the attributes considered and managed to achieve the greatest distance ever relative to the second ranked.

In Angola, BFA secured first place in virtually all the local and international classifications for that market: Bank of the Year (The Banker, Euromoney), Best Bank in Angola (EMEA Finance), Best Company of the Year in the financial sector (Sirius, Deloitte), Best Branch Network (Capital Finance International), Best Corporate Bank (International Finance Magazine), Best Commercial Bank (Global Banking and Finance Review), Best Community Development Bank (The Banker, Africa), STP Excellence Prize, for the best processing (Deutsche Bank) and Superbrands' Brand of Excellence in Angola.

In the Social Responsibility domain, BPI boosted from 4.55 to 4.8 million euro its overall involvement, which it has maintained without significant oscillations over the past eight years, even in the two years it reported losses. Culture, Social Solidarity, Education and Science and Entrepreneurship are the four spheres which aggregate the Bank's most significant involvement, with special mention of the first two. These include on the one hand being patron of the Museu de Serralves and Casa da Música and, on the other, the support given to social institutions via the BPI Seniores and BPI Capacitar Awards, for projects aimed at fostering social inclusion for the elderly and disabled people. Altogether, these two awards benefited some 200 institutions and 60 thousand people over the past five years.

Exposure to Angola
In tandem with the unequivocal recovery in earnings and the main activity indicators, BPI's activity was marked in 2015 by the process of reducing the stake in BFA in order to comply with a European Central Bank ruling in terms of which the Bank's exposure to the Angolan State and to the Banco Nacional de Angola ceased to be exempt from the application of the large exposures limits, as envisaged in European regulations (CRR). The end of the aforesaid exemption had as a consequence the surpassing of that limit by roughly three thousand million euro.

In parallel, CaixaBank, BPI's biggest shareholder with a holding of 44.1% manifested its wish to eliminate the voting limitation currently enshrined in article 4 of the Statutes and with this objective, launched on 17 February 2015 a public offer for the total share capital. On 5 March the Board of Directors responded to that bid, considering the price offered insufficient. On 17 June, in General Meeting, Santoro Finance, the Bank's second largest shareholder voted against a motion submitted by it aimed at the statutory elimination of the limit on voting ("armour plating") and managed, precisely through this limit, to derail one of the takeover bid's conditions, with CaixaBank announcing on the following day its withdrawal.

On 30 September, the Board of Directors approved a proposed simple demerger of BPI, separating itself from BFA in order to put an end to the overstepping of the large risks limit that the ECB wished to see resolved by April 2016.

On 3 January 2016, as an alternative solution to the demerger, Unitel, the BFA shareholder with 49.9%, proposed to buy 10% of BFA's shares for 140 million euro, which offer was unanimously rejected by the Board of Directors, in a vote in which one of the Board members who also forms part of Unitel's Board of Directors did not take part.

On 4 February 2016, with two votes against, BPI Board of Directors decided to present to the General Meeting at the appropriate time a proposal to eliminate the statutory limit on votes. On the following day, the General Meeting was held which had been convened about a month earlier, having obtained 63.08% of the votes, but ended up being rejected by the opposition of Santoro Finance, with the "armour-plating" effect having functioned once again.

With the object of finding an alternative to the demerger project, which would have permitted accommodating the ECB's demands as regards the large risks limit, March 2016 saw the start of negotiations between the shareholders CaixaBank and Santoro Finance, talks these which had not yet been concluded at the time of closing and approving this Report.

Executive Committee

Francisco Barbeira (General Manager), Alexandre Lucena e Vale (General Manager), Manuel Ferreira da Silva (Director), Pedro Barreto (Director), Farinha Morais (General Manager) – standing

Maria Celeste Hagatong (Director), Manuel Meneses (General Manager), António Domingues (Deputy-Chairman), Fernando Ulrich (Chairman), João Pedro Oliveira e Costa (Director), José Pena do Amaral (Director) – seated

Financial structure and business

The BPI Group – headed by Banco BPI – is a financial group centred on corporate and retail banking businesses, and in the provision of investment banking and asset management services.

The two main markets of operations are Portugal, a developed and competitive market where BPI has a strong competitive position, and Angola, an emerging economy which has historically recorded robust and sustained growth, where BPI, through its equity interest in BFA, has a leading position in the market.

At 31 December 2015, 80% of the Group's Shareholders' equity was allocated to domestic operations[1], and the remaining 20% to international activity.

Leading indicators by business segment
At 31 December 2015

Amounts in M.€

	Domestic activity	International activity	Consolidated
Net total assets[2]	32 652	8 022	40 673
Loans to Customers[3] and guarantees	25 111	1 978	27 089
Total Customers resources	28 809	6 860	35 669
Business turnover[4]	53 920	8 838	62 758
No. of Customers (thousand)	1 778	1 410	3 188
No. of Employees	5 899	2 630	8 529
Distribution network (no.)	597	191	788

Table 2

Main units of the BPI Group

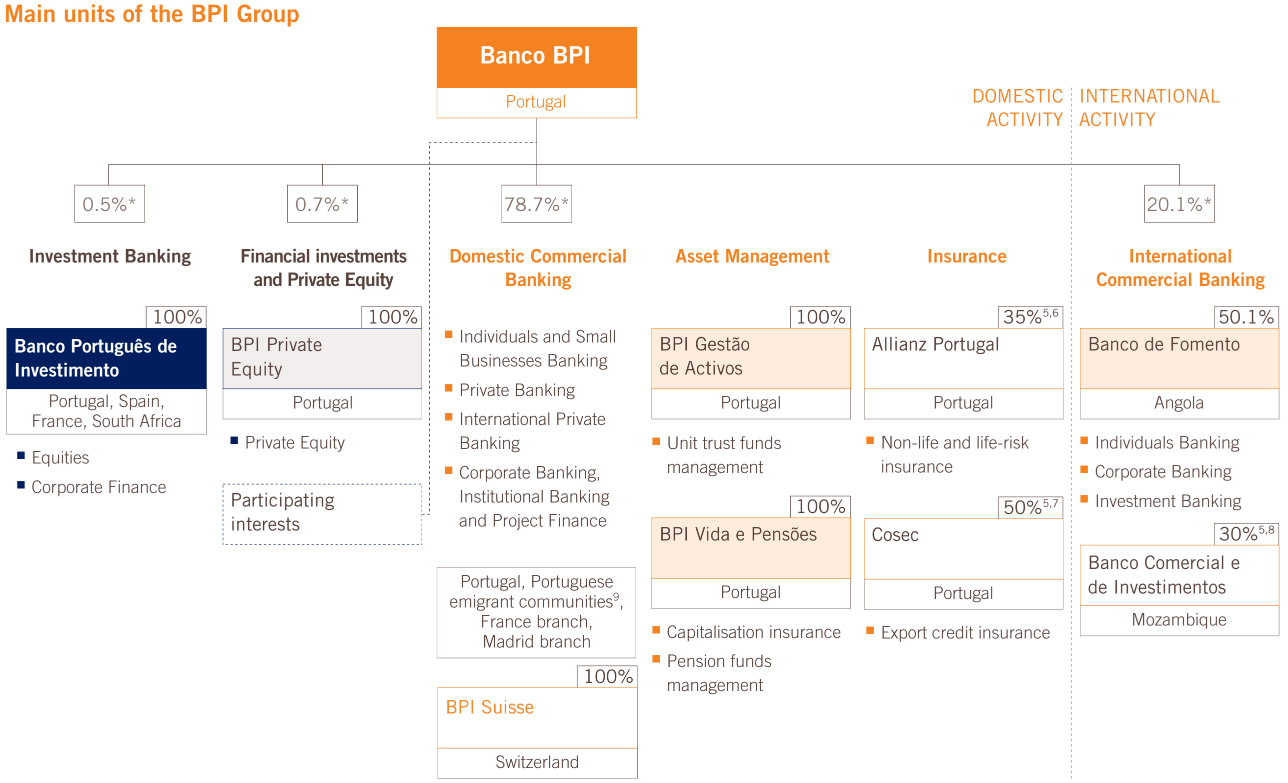


Figure 2

* The indicated percentages refer to the allocated capital by business segment at 31 December 2015. In determining the capital allocated to the domestic activity and to the international activity business areas, the accounting capital (shareholders' equity), excluding the fair value reserve (net of deferred taxes) related to the financial asset available for sale, was taken into consideration. As regard each business area integrating the domestic operations, it is assumed that the capital employed is identical to the average capital employed for this activity as a whole, except as regards the fair value reserve, which was excluded from the capital allocated.

1) BPI Group adopted the geographical segmentation as the main basis for the segmentation of its activities, having defined two segments: domestic activity and international activity.
2) The total assets figure presented for each geographic segment is corrected for the balances resulting from operations between these segments.
3) Gross loans.
4) Loans, guarantees and total Customer resources.
5) Equity-accounted subsidiaries.
6) In association with Allianz, which holds 65% of the capital.
7) In association with Euler Hermes, a company of Allianz Group.
8) In partnership with Caixa Geral de Depósitos (51%) and a group of Mozambican investors, which together, hold 19% of the share capital.
9) The BPI Group has overseas branches and representative offices in overseas cities with large communities of Portuguese emigrants.

Highlights of 2015

2015
January

9 BPI was rated for the 2nd consecutive year the Most Trusted Banking Brand in Portugal, according to the Trusted Brands survey which the Readers' Digest Selections has been conducting for the past 15 years in 10 countries.
29 Release of the 2014 consolidated results: consolidated net income was a negative 163.6 M.€, greatly affected by the negative extraordinary results of 264.3 M.€ derived from domestic activity.

February

17 CaixaBank, which owns 44.1% of BPI's capital, discloses by way of the publication of a preliminary announcement, its intention to launch a general and voluntary takeover over bid for all of the Bank's share capital, for a consideration of 1.329 euro per share and which included the following two conditions: i) elimination of any limit on the counting of votes of any shareholder in general meeting, as laid down in article 12(4) of the Statutes; and ii) acquisition of a minimum of 5.9% of the shares, in order to secure a holding of more than 50% of the share capital.
17 BPI won 4 first places in the Euronext Lisbon Awards 2016, an event organised by Euronext for the purpose of paying tribute to the performance of those entities which contributed most actively to the development of the Portuguese capital market in 2015. BPI was distinguished in the following categories: Most Active Research House, Most Active Trading House in Bonds, Most Active Trading House in Shares – EnterNext and No.1 Corporate Bond House.

March

3 BPI makes public the letter which the Chairman of the Executive Committee received on this date from Santoro, in which Santoro outlines its reflections concerning CaixaBank's takeover bid and affirms that, in its opinion, it is its duty to propose to the Boards of Banco BPI and Millennium BCP that they analyse the alternative strategy of a merger between the two entities.
5 The Board of Directors presents its report on the takeover bid announced by CaixaBank for Banco BPI, S.A.'s shares. The Board of Directors considers that the price of 1.329 euro per share offered by CaixaBank does not reflect the value of BPI, with the result that it recommended to its Shareholders that they do not accept the offer.
20 BPI presents a non-binding proposal to buy Novo Banco as part of the 2nd phase of the sale process.

April

18 BPI is notified by the Bank of Portugal that its offer was not selected for the 3rd phase of the sale of Novo Banco.
29 Release of the results for the 1st quarter of 2015: consolidated net profit amounts to 30.9 M.€ and a ROE of 5.6%.
29 Shareholders approved the report and accounts at the Annual General Meeting, the proposed appropriation of 2014 net income and the other motions submitted by the Governing Bodies: at the request of the Shareholder Santoro, a point was included in the order of business for considering an alteration to the Statutes with the aim of eliminating the limit on the counting of votes. Following the motion presented by Artur Santos Silva, in his capacity as a shareholder, the Meeting approved by 54.74% of the votes cast the suspension of proceedings and their continuation on 17 June for consideration of the point referred to.

June

1-4 Banco Português de Investimento is the Portuguese broker co-organiser of the Euronext Pan-European days conference staged in New York and Boston, at which 14 Portuguese companies were present.
17 The second session of the GM of 29 April was held for considering the proposed elimination of the limit on the counting of votes. In terms of the statutes, the statutory amendment concerned requires the approval of 75% of the votes cast: since it only obtained votes in its favour of 52.45%, it was consequently not approved.
18 CaixaBank informs that "its Board of Directors decided to present to the CMVM its decision to withdraw the registration of its takeover bid for BPI shares preliminarily announced on 17 February, bearing in mind that the condition relating to the elimination of the limit on the counting of votes laid down in BPI's statutes was not fulfilled".

July

29 Release of the consolidated results for the 1st half of 2015: consolidated net profit was 76.2 M.€ and the ROE was 6.8%.

August

25 BPI elected the Brand of Excellence in Portugal, for the 2nd consecutive year according to Superbrands, an independent international organisation dedicated to the promotion of brands governed by values such a longevity, loyalty, acceptance, goodwill and market dominance in 89 countries since 1995.

September

9-11 Banco Português de Investimento stages in Oporto the twelfth Iberian conference, which was attended by 77 European and North American institutional investors and 49 companies (46 Iberian and 3 French).

30 Banco BPI, S.A. informs that the Board of Directors had approved a proposed Simple Demerger of the Bank with a view to solving the question relating to the surpassing of the large risks limit in Angola. The aforesaid Project, after having been submitted to the Company's oversight body for its opinion and that of an independent Statutory Auditor and having been registered at the Commercial Registry, will be submitted for approval at the Shareholders' General Meeting.

October

6 As part of the 3rd edition of the BPI Seniores Award, BPI handed over 700 thousand euro to 32 institutions which presented projects that promote social inclusion and the active involvement of people aged more than 65.

28 The consolidated results for the first nine months of 2015 are released: consolidated net profit of 151.0 M.€ and ROE of 8.9%.

November

25 BPI is the "Bank that Grew the Most" (*ex aequo*), for the 2nd consecutive year, in the Large Banks category, according to the classification of Banca & Seguros 2015 organised by the Exame magazine. BPI's classification is the result of the analysis of twelve economic-financial indicators, carried out by Deloitte with the collaboration of Informa D&B Portugal.

29 Banco BPI informs about the EBA's 2015 pan-European Transparency Exercise.

December

3 As part of the 6th edition of the BPI Capacitar Award, BPI handed over 700 thousand euro to 25 institutions which presented projects with the goal of integrating the difference and contributing to improving the quality of life of the disabled or permanently handicapped.

28 Banco BPI, S.A. lodges for registration at the Commercial Registry the Bank's simple demerger project.

2016
January

3 Banco BPI informs about the letter dated 31 December 2015 received from Unitel, containing a proposal for the acquisition of 10% of BFA.

8 BPI is elected the Best Private Banking in the categories Asset Management, International Clients and Philanthropic Advice, in the Euromoney Private Banking & Wealth Management Survey 2016. This classification results from a poll realised annually by the magazine Euromoney Private Banking & Wealth Management, a prestigious worldwide financial-sector publication.

26 BPI is the new Trusted Brand in Banking in 2016. Elected for the 3rd consecutive year the most trusted banking brand in Portugal, according to the Trusted Brands survey conducted which the Reader's Digest Selections published annually. BPI's trust level climbed from 39% to 46%, registering the best result ever in the banking sector since the survey was first launched in 2001.

27 Release of the 2015 consolidated results: consolidated net profit of 236.4 M.€ and ROE of 10.4%.

27 BPI announces the first edition of the BPI Solidário Award, an award of 500 thousand euro which seeks to support projects that promote the improvement in the living conditions of those who are destitute and socially excluded.

27 Banco BPI informs that the Board of Directors analysed the proposal presented by Unitel, S.A. for the purchase of shares representing 10% of Banco de Fomento Angola, S.A.'s share capital and voting rights, and unanimously resolved to decline it. In the discussion and voting on this point the Board member Mário Leite da Silva did not take part.

February

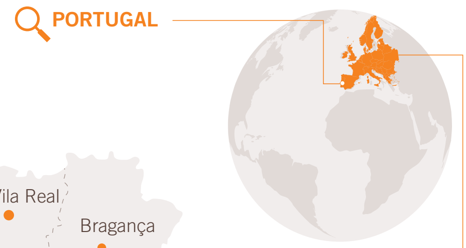
4 Banco BPI, S.A. informs that following an initiative of the Executive Committee in this respect, the Board of Directors approved – with two votes against and no abstentions – to submit for consideration of the General Meeting to be convened for this purpose a motion to alter Banco BPI's statutes with a view to eliminating the statutory limit on the counting of votes cast in General Meeting.

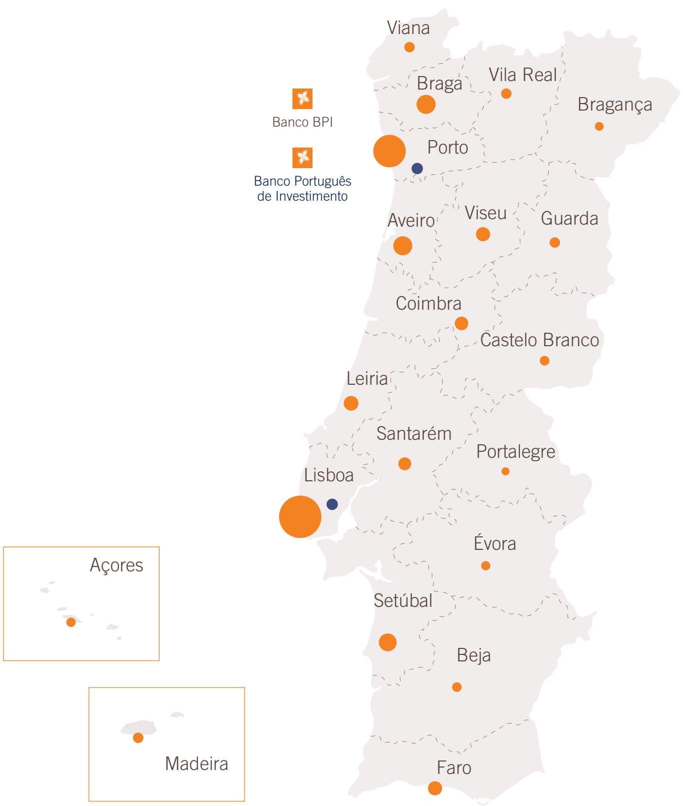
5 The Shareholders' General Meeting, at which shareholders were present or represented holding shares corresponding to 82.35% of the share capital, did not approve Banco BPI's demerger by virtue of not having achieved the qualified majority of two thirds of the votes cast on which its approval was dependent; the proposal concerned obtained 63.08% of the votes cast in its favour.

Distribution channels

In Portugal and Europe

Banco BPI





495
TRADITIONAL BRANCHES

39
INVESTMENT CENTRES

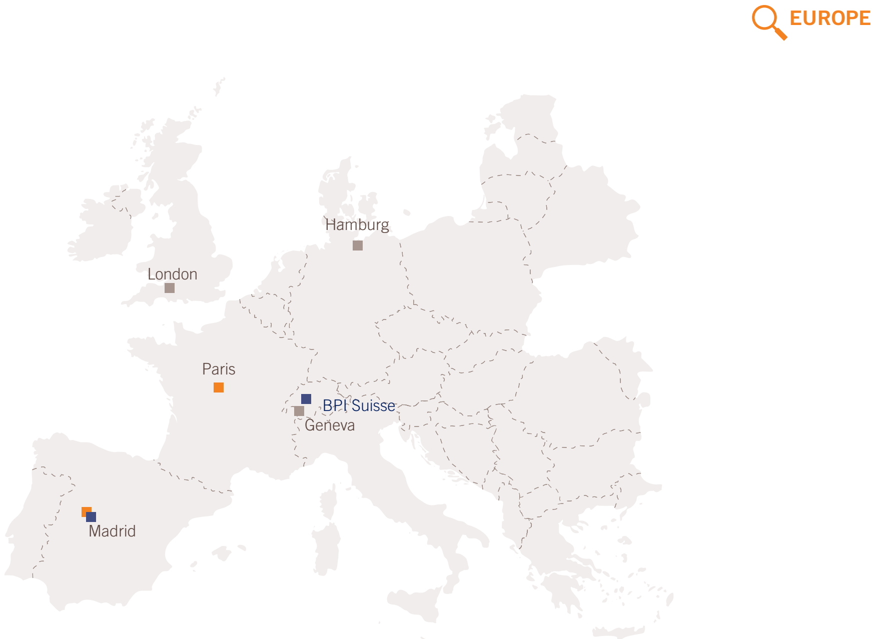
52
CORPORATE CENTRES

1 336
ATM (AUTOMATIC BANK)

30 031
POINTS OF SALE (ACTIVE)

27 276
COMMERCIAL PARTNERS

11
BRANCHES
(PARIS BRANCH)



INTERNET BANKING
(active users)

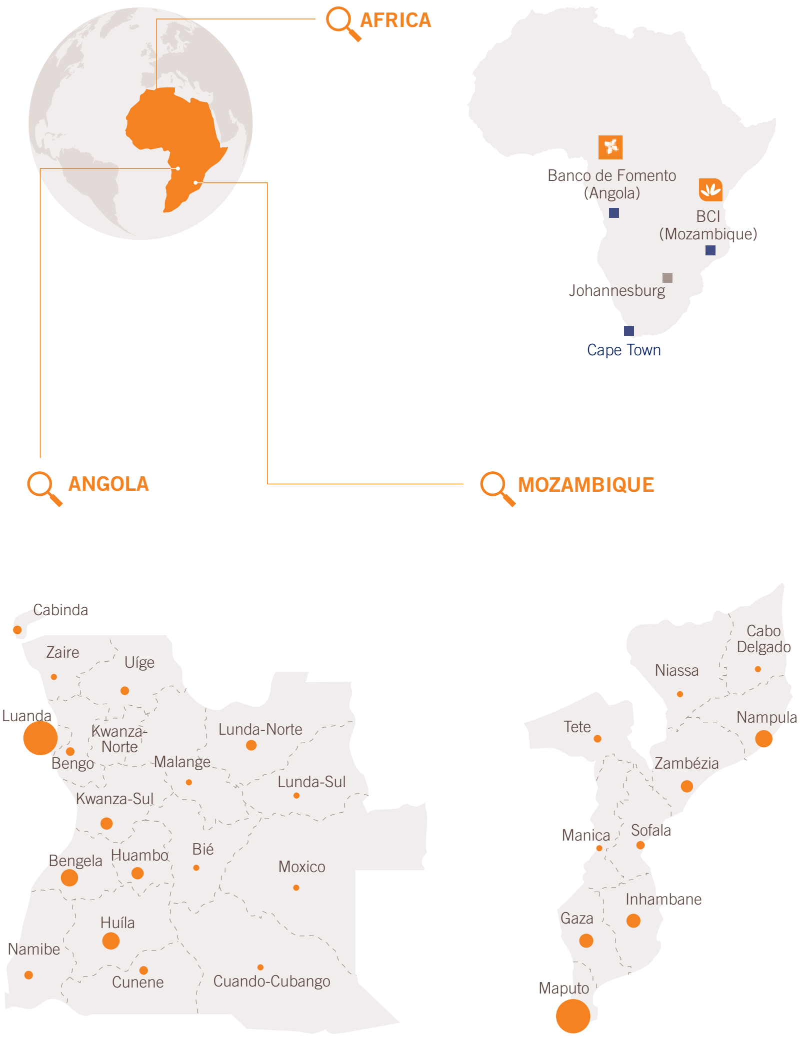
805 855
BPI NET

108 838
BPI NET EMPRESAS

TELEPHONE BANKING
(active users)

447 497
BPI DIRECTO

In Africa



	Banco de Fomento (Angola)	BCI (Mozambique)
TRADITIONAL BRANCHES	166	164
INVESTMENT CENTRES / EXCELLENCE CENTRES	9	26
CORPORATE CENTRES	16	1
ATM (AUTOMATIC BANK)	375	571
POINTS OF SALE (ACTIVE)	9 157	8 646

INTERNET BANKING
(active users)

557 773	71 725
BFA NET PARTICULARES	E-BANKING PARTICULARES
11 891	11 862
BFA NET EMPRESAS	E-BANKING EMPRESAS

Around the world

Commercial Banking
- Banks
- Branches
- Overseas branches
- Representative offices

Investment Banking
- Bank
- Offices
- Overseas units

SFE – Sucursal Financeira Exterior (off-shore financial branch).

Figure 3

Human resources

Staff headcount

At 31 December 2015, the BPI Group's workforce numbered 8 529.

In domestic operations, the staff headcount fell by 63 (1.1%), to 5 899 Employees.

In international operations, the workforce grew by 86, which represents a 3.4% increase. At the end of 2015, Banco de Fomento Angola's headcount stood at 2 610 Employees, of which 21 are BPI staff seconded to Angola.

BPI Group Employees

		Year-end figures			Year-average figures		
		2014	2015	Δ%	2014	2015	Δ%
Domestic activity							
Activity in Portugal							
Banco BPI	*1*	5 641	5 598	(0.8%)	5 763	5 633	(2.3%)
Banco Português de Investimento	*2*	56	52	(7.1%)	134	54	(59.7%)
Other subsidiary companies	*3*	61	66	8.2%	64	65	1.6%
[= Σ 1 to 3]	*4*	**5 758**	**5 716**	**(0.7%)**	**5 961**	**5 752**	**(3.5%)**
Overseas branches and representative offices	*5*	204	183	(10.3%)	205	193	(5.9%)
Domestic activity *[= 4 + 5]*	*6*	**5 962**	**5 899**	**(1.1%)**	**6 166**	**5 954**	**(3.6%)**
International activity							
Banco de Fomento Angola	*7*	2 526	2 610	3.3%	2 466	2 754	4.4%
BPI Capital Africa	*8*	14	16	14.3%	14	15	7.1%
Financial services Mozambique	*9*	4	4	0.0%	4	4	0.0%
International activity *[= 7 + 8 + 9]*	*10*	**2 544**	**2 630**	**3.4%**	**2 484**	**2 593**	**4.4%**
Total[1] *[= 6 + 10]*	*11*	**8 506**	**8 529**	**0.3%**	**8 650**	**8 538**	**(1.3%)**

Table 3

BPI Group staff complement

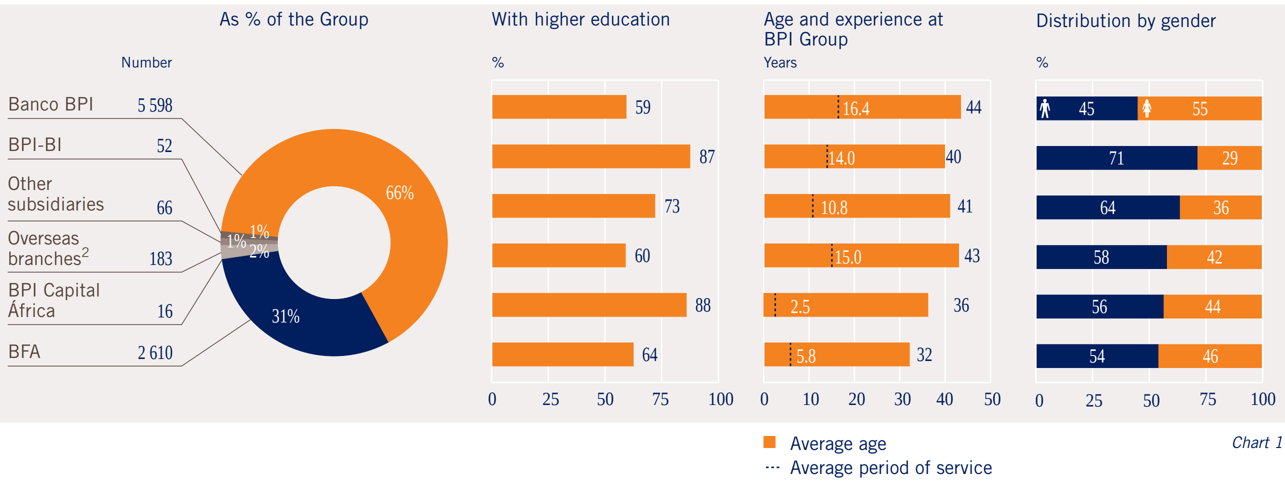


Chart 1

1) Includes fixed-term contracts and excludes temporary employment of persons with no binding work contracts with BPI.
At 31 December 2014 and 2015, the number of Employees with fixed-term contracts in Portugal stood at 21 and 32, respectively, while for overseas operations, the number stood at 4 and 4, for the same dates.
In average terms, the number of Employees with fixed-term contracts in Portugal was situated at 35 and 30 in 2014 and 2015, respectively, while the corresponding figures for overseas operations were 7 and 4, respectively.
2) Overseas branches and representative offices.

Digital banking

The digital technologies represent an enormous transformation opportunity and BPI is grooming itself for responding to the new challenges, taking advantage of the investments made in the IT systems and the capacities that the new technologies afford.

BPI is well positioned in the usage and adoption indicators pertaining to the digital channels (see box), while in 2015 the heavy investment in all the dimensions supporting Digital Banking was maintained and reinforced.

The digital transformation process in 2015 was organised with the following overriding objectives:

- modernisation, mobility and efficiency of the Commercial Networks;
- improvement in the Individuals' and Companies' Homebanking services, with special attention paid to Mobile Banking;
- boosting the capacities of Digital Marketing for improving the promotion, sales and communication on the digital channels and social networks.

NEW DIGITAL BANKING DIVISION

BPI's digital transformation initiatives were aggregated under a new Digital Banking Division, created at the end of 2015 with the goal of coordinating the transformation process, ensuring a leading position in the renovation and coordination with the contact channels and in the reformulation of the relationship experience between Customers and Bank.

This new division integrates functions and responsibilities of Marketing, IT Systems Development, Usage Experience and the forging of partnerships in the areas of digital channels for Customers and Employees, as well as being the fundamental lever in BPI's digital transformation initiatives.

Of the multiple initiatives carried out in 2015, a few stand out owing to their large impact on the Bank's business and efficiency.

MOBILITY OF THE COMMERCIAL NETWORKS

During 2015, continuing with the work initiated in the previous year, solutions were reinforced in the area of Mobility and modernisation of the Commercial Network, registering the following advances:

- broadening of the GoBanking commercial mobility to Private Banking and Private Banking International Employees;
- making available the Wi-Fi network to Customers and Employees at the Investment Centres, Corporate Centres and Central Services buildings;
- extending video-conference equipment.

Accordingly at the end of 2015, more than 250 Employees with commercial functions – all the Employees at the Investment Centre, Private Banking and Private Banking International networks – were equipped with mobile solutions, with access to multiple support tools for their commercial activity.

GOBANKING

GoBanking is BPI's new commercial platform.

Founded on new equipment solutions, – hybrid work post – and software – new business apps –, GoBanking enables BPI's commercial managers to performance their work in total mobility, close to Customers and when it is most convenient for them.

With GoBanking, the Commercial Managers have at their disposal, at any place, the following functionalities:

- opening of accounts with recourse to the digital signature;
- access to complete information about the Customer;
- access to information regarding BPI products and services;
- carrying out sale operations with recourse to digital signature;
- access to the network of BPI Remote Specialists.

REMOTE SPECIALISTS

The service to Customers was improved in 2015 with the growing use of the Remote Specialists solution, which permits access to Product and Investment Specialists during commercial meetings between the Customer and his/her Manager.

This solution is supported by a vast network of video-conferencing rooms available at all the Investment Centres, Corporate Centres and at more than 50 branches. In 2015 the solution was made available on GoBanking, thereby permitting its utilisation via the mobile medium.

OPENING AN ACCOUNT VIA MOBILITY

The opening of an account with recourse to the digital signature available on GoBanking has permitted the acquisition of new Customers via mobility and raising the security in a process that has become speedier, more intuitive and without recourse to paper. Founded on a process of adherence to the various services simultaneously, it allows offering at the same time: digital documentation, the means of operating the account and installations of Apps.

Other developments are under way which will be launched during 2016 to enable exploiting even further available capabilities and extending the solution to the other networks.

IMPROVING HOMEBANKING SERVICES

BPI provides its Customers the **homebanking services** BPI Directo, BPI Net, BPI Net Empresas, BPI Net Mobile, Apps BPI, as well as the online brokerage services BPI Online and BPI Net Bolsa. The increased adherence to homebanking services has permitted a progressive migration of transactional activity from the branches to these channels, freeing the commercial network to perform more value-added functions.

During 2015 improvements were made to the service and sales functionalities in the **Individuals' Homebanking** area, notably:

- launching of the new Deposits and Savings and prepaid Cards areas, with more information support tools for sales;
- reformulation of the 1st access to BPI Net, rendering it more user friendly, intuitive and appealing;
- reformulation of the contacts area with more connection between the branches and Customers.

Besides the various improvements in existing Apps, which reflect the growing importance of the **Mobile Banking** channel in the relationship with Customers, the following is worth highlighting:

- the launching of a solution for access financial information produced by BPI covering the stock market (App BPI Equity Research);
- the enlargement of the functionalities available on the App BPI Empresas (for companies).

More than 100 thousand new downloads of BPI Apps were effected in 2015, with approximately 400 thousand new downloads having been realised since those applications were unveiled.

As concerns **Corporate Internet Banking**, 2015 saw improvements made to the App BPI Empresas and the creation of a new area at BPI Net Empresas. which groups the information and operations relating to beneficiaries and debtors, and the subscription to digital documentation via this channel.

Transversal developments were also noted at the various digital channels, stemming from functional improvements or regulatory requirements, as well as other developments referring to the new solutions to be launched in 2016.

BPI homebanking services
Selected indicators

	2014	2015	Δ%
BPI Directo / Net + BPI Net Empresas			
Active adherents (x th.)	1 128	1 156	2%
% total transactions[1]	94%	94%	-
BPI Directo / Net			
Active adherents (x th.)	1 000	1 018	2%
BPI Net Empresas			
Active adherents (x mil)[2]	128	138	8%
Online brokerage			
Market share (Internet)	24.8%	25.4%	0.6 p.p.

Table 4

BPI IS LEADER IN DIGITAL CHANNELS

"Consumer Satisfaction Index – CSI Banca" (2nd wave of 2015)
- BPI leader in "Internet Contact Penetration Channel Used"
- BPI leader in "Internet Banking Loyalty"

"BASEF Banca" (2015)
- BPI leader in "Internet Banking Service Penetration"

"Companies Financial Services Barometer – BFin" (2015)
- BPI leader in "Net Banking Service Penetration"
- BPI leader in "Share of Net Banking Service "

"BPI Service Quality Survey (2015)
- Level of Satisfaction with Internet Services: 8.8 (scale of 0 to 10)

"Brokerage Services– Ranking CMVM" (2015)
- BPI leader in Online Brokerage

1) Total transactions of homebanking services as a percentage of the Bank's total. Does not include ATM.
2) Does not include Individuals and Small Businesses that use BPI Net service. These Customers are considered in BPI Net service.

STEPPED-UP DIGITAL MARKETING

BPI's commitment to Digital Marketing has been increasing, enabling it to take advantage of the new digital channels and be closer to Customers / users with a value proposal, at the same time managing to capture new opportunities.

It is worth noting in this strategy the positioning of BPI's public sites as commercial channels, and the growing and improved use of *Search Marketing* from the viewpoint of both paid advertisements and organic search.

In 2015 the Digital Marketing initiatives were responsible for some 100 thousand simulations on BPI sites and for 5 thousand direct opportunities.

BANCO BPI SITE

Banco BPI's public site, revamped in 2014, saw its commercial content and sales support capabilities boosted during the course of 2015.

In 2015 BPI continued to direct its efforts aimed at capturing online business, thereby meeting the needs of its Customers who are increasingly searching for alternatives to traditional channels and office hours.

The adherence by Customers and potential Customers to *click to call* and *chat* on the websites has been rising, allowing a request to be made for a commercial contact via telephone or *chat*, free of charge and during extended hours, to Portugal or abroad. The information is provided by attendance managers specialised in banking products, ranging from loans to resources, with particular emphasis on the simulation and presentation of scenarios that best suit the reality and needs expressed by the Customer.

BANCO BPI MOBILE SITE

BPI's public site optimised for Smartphones celebrated its 1st year of existence in 2015, while there was an increase in its utilisation, thus tracking the main trends of users in terms of online navigation.

In order to keep pace with the main trends and needs of users in the use of mobile devices in 2015, the BPI Mobile site integrated into its structure the *Click to Call* solution.

BPI YOUTUBE SITE

BPI's YouTube channel was the most viewed banking channel in Portugal in 2015, with more than 3.7 million video views, assuming an important positioning in the promotion and involvement of the BPI brand.

BPI EXPRESSO IMOBILIÁRIO SITE

BPI Expresso Imobiliário has since June a new layout, more attractive, and offers a new form of searching for properties, with the primary objective of providing the user a simpler and more intuitive navigation experience.

In 2015, the BPI Expresso Imobiliário site recorded an average of 417 thousand monthly visits and 4.6 million monthly page views, representing increases of 8% and 20,5%, respectively, relative to the year before.

BPI ON THE SOCIAL NETWORKS

The growing integration between the different digital platforms – website, YouTube channel and Facebook pages –, aims to afford visitors a more dynamic and interesting experience in their interaction with the Bank.

In this respect, BPI launched in 2015 the Facebook pages Prémio BPI Capacitar and Prémio BPI Seniores, the first to do so on this social network.

The Prémio BPI Capacitar page was launched in June during the period of candidacies to the 6th edition. This drive reached some 14 thousand followers, driven by the campaign which told the stories of Susana and Daniel. For its part, 1 October – International Word for Older Persons – was chosen for the launching of the Prémio BPI Seniores page. The page now begins to bring together a community which is interested in topics related to improving the quality of life and the active lifestyle of persons over the age of 65, informing them about the initiatives and projects related to the Award.

The BPI Brand

The rise to the outright leader in the quality of service provided to Customers, the rating as Trusted Bank of the Portuguese and as the Best Bank for Companies, are just some of the main distinctions received by BPI which highlight its performance in 2015.

In the social responsibility domain, the Bank stepped up its financial backing for its programmes in the cultural, solidarity, education, innovation and entrepreneurial fields with an allocation of 4.81 million euro.

Satisfaction and trust

BPI attained 1st place in Customer Satisfaction according to the ECSI Portugal 2016 poll – National Customer Satisfaction Index. ECSI Portugal is an independent survey conducted annually by the Portuguese Quality Institute, the Portuguese Quality Association and the Higher Institute for Statistics and Information Management – Universidade Nova de Lisboa, based on a common European methodology – the European Customer Satisfaction Index – which permits assessing the quality of the goods and services offered on the national market in a number of sectors of activity.

BPI was rated for the 3rd consecutive year the most trusted banking brand in the 2016 edition of Trusted Brands which the Reader's Digest Selections have compiled over the past 16 years in 10 countries. BPI's trust level climbed from 39% to 46%, recording the best result since the survey was first launched in 2001.

BASEF – Estudo de Base do Sistema Financeiro (Financial System Base Survey), published by Marktest, once again confirms that BPI has the highest level of satisfaction amongst the Portuguese financial system's five largest banks as regards overall satisfaction indicators, quality of attendance – an indicator where it has always been top placed, maintaining also the lowest share of abandonment. The same poll reveals that BPI occupies the top three positions in the ranking in 46% of the position-related indicators evaluated.

BPI was voted by companies as the Best Bank for Companies, with the Most Suitable Products and leader in New Customers according to DATA E's BFin 2015 – Corporate Financial Services Barometer. The same survey also reveals that BPI occupies 2nd position in the indicators such as Total Penetration and Satisfaction with the 1st Bank, Globally Most Efficient Bank, Most Innovative, Closest to Customers and the Most Solid.

BPI was also honoured by being rated the best banking brand in the category of banking products for senior citizens according to the poll realised by Consumer Choice 2015. The Senior Choice is a consumer choice project that assesses the satisfaction of Customers aged over 60 as relates to specific products or services.

Reputation and recognition

BPI's performance was also publicly acknowledged in several areas of financial activity by independent national and international entities. The following distinctions attributed to the Bank merit special mention in 2015:

- **The Bank with Biggest Growth (*ex aequo*)**
  For the 2nd year running in the Large Banks category, according to the 2015 Banking and Insurance classification compiled by the Exame magazine. BPI's classification is the result of the analysis of 12 economic-financial indicators carried out by Deloitte in collaboration with Informa D&B Portugal.

- **Brand of Excellence in Portugal**
  For the 2nd consecutive year and according to Superbrands, an independent international organisation that is dedicated to the promotion of brands governed

by values such as longevity, loyalty, acceptance, goodwill and market dominance in 89 countries since 1995. Superbrands analyses brand performance with the aim of identifying those which outperform their peers.

- **Best Private Banking**
  In the categories *Asset Management*, *International Clients* and *Philanthropic Advice* of the *Euromoney Private Banking and Wealth Management Survey 2016*. This classification results from a survey conducted annually by Euromoney Private Banking & Wealth Management magazine, a respected editorial reference of the financial sector worldwide. Winners are selected based on an assessment carried out by its own competitors.

- **4 Capital Market Awards**
  BPI won 4 first places in the *Euronext Lisbon Awards 2016*, the Euronext event which honours the performances of those entities that contributed most actively to the development of the Portuguese capital market in 2015. BPI was distinguished in the following categories: Most Active Research House, Most Active Trading House in Bonds, Most Active Trading House in Shares – EnterNext and No. 1 Corporate Bond House.

- **Best Open-end Fund**
  BPI Valorização won the *Country Award* given by the magazine IPE, Investment Pensions Europe 2015. It was the 7th time that a BPI Vida e Pensões pension fund was honoured and the 6th time that the award was given to the Fundo de Pensões Aberto BPI Valorização.

Investment and communication

In 2015, the financial sector posted an 8% decline in advertising investment, remaining the eighth largest investor in the universe of all sectors of activity, with a market share of 4%.

In the financial sectors' total expenditure ranking, BPI occupies 17th position, with a 4% total market share amongst the five biggest Portuguese banks and 2% share for the financial sector total.

In 2015 BPI's communication policy had as its chief goal responding to the challenges posed by the particularly demanding economic and social landscape. It was centred on the creation and dissemination of a broad set of initiatives related to the support for Portuguese companies, with the Bank's digital transformation, BPI's involvement in the social responsibility arena and the dynamic promotion of credit and insurance products amongst individual and corporate Customers.

Each one of these topics is described further in separate chapters of this report, the main overriding aspects of which are outlined here.

- **Support for Portuguese companies**
  BPI reinforced its stimulus policy aimed at the creation, development, innovation and expansion of companies' businesses:

  - reaffirmed its leadership in the principal State-backed programmes and statuses, PME Líder and PME Excelência, and in a number of PME Investe and PME Crescimento lines;

*BPI Mortgage Loan' solutions.
Make here your simulation.*

*Allianz Health insurance. Protects all
and each one.*

*Personal loans BPI.
For the projects of your life.*

200 M.€ to the innovative companies.

- it broadened its offer of products and services tailored for companies, offering them solutions with greater efficiency, quality and service level, namely within the ambit of Portugal 2020, the partnership with COSEC and the FEI Inovação line;

- it boosted its positioning as the Bank for Agriculture, giving incentives to cases of agricultural success in Portugal in yet another edition of the *National Agriculture Award* – a BPI and Cofina Group joint initiative sponsored by the Ministry of Agriculture and the Sea. It was leader in the accumulated total amounts made available in various support lines to the sector and renewed its sponsorship of the sector's main fairs and events: Feira Nacional da Agricultura, Colóquio Nacional do Milho, Ovibeja and SISAB.

- **Digital transformation**

Customers are the core of the Bank's operations, with the quality and innovation of BPI's product range being critical aspects for enhancing their satisfaction and for bolstering their relationship with the Bank.

In 2015, BPI developed a number of transversal initiatives involving the Bank's various digital channels in order to optimise the user's knowledge and utilisation experience, as well as to enhance the efficiency of the solutions available.

New functionalities were created while existing ones were improved and redesigned, and business, work and collaboration processes were simplified.

Of the vast array of initiatives undertaken, special mention is made of GoBanking, a totally innovative mobile commercial banking platform in the Portuguese banking sector. This App permits the opening of an account and the realisation of selling operations with recourse to a digital signature, as well as access in real time to all the information relating to the Customer and the Bank's product range, and to product and investment specialists via video conference. Also noteworthy was the introduction of *click-to-call* solutions in the mobile version of BPI's site, the broader range of Apps and the launching of Facebook pages devoted to the BPI Capacitar and BPI Seniores awards.

- **Social responsibility**

In 2015, BPI gave continuity its policy of commitment and social actions, supporting the most diverse initiatives in the fields of social solidarity, culture, education and research, innovation and entrepreneurship.

The nature of BPI's involvement assumed various forms, ranging from the grassroots development of social-value projects, such as the BPI Capacitar and BPI Seniores awards, to the continued support to existing entities.

The Bank for agriculture.

My partner in Portugal 2020.

BPI Safe Sale. Secure your invoices, one by one.

BPI apps.
My Bank always with me.

Social responsibility

BPI interprets its social responsibility as the set of the Institution's duties and obligations towards the community in which it operates and to the groups of specific interests that depend on its operations: Customers, Shareholders, Employees and Investors.

In this respect, the conduct of social responsivity assumes multiple dimensions, starting at the outset with compliance with the Law and applicable regulations, observance of its own code of conduct, governance policy and respective execution, the promotion of service quality, the policy of enriching its human resources, the induction into the company's affairs and the support for its initiatives.

This chapter presents a summary of the Bank's actions relating to its backing for the company's initiatives in domains such as solidarity, culture, education and research, innovation and entrepreneurship.

In these domains, the nature of BPI's involvement assumes different forms, ranging from the grassroots development of social-value projects to continued support for existing entities. BPI is governed by the following principles of action:

- support to institutions of acknowledged importance in Portuguese society;
- which demonstrate the ability to become sustainable;
- from the standpoint of continuity and a long-term commitment.

In 2015, the Bank once again stepped up its backing for corporate social responsibility initiatives with a total contribution of 4.81 million euro, spread over the areas of social responsibility, culture, education, research, innovation and entrepreneurship. Notwithstanding the economic background, in the past 9 years the Bank has contributed annually an average value of some 4.43 million euro.

BFA – Banco de Fomento Angola, in which BPI has a 50.1% stake, continued to sponsor major initiatives through its social fund. At the end of 2015 the social fund was valued at 16.8 million dollars.

In Mozambique, Banco Comercial e de Investimento, BCI, in which BPI has a 30% interest, confirmed its support for a number of initiatives in the fields of social responsibility, culture and education.

SOCIAL SOLIDARITY

In 2015 in the social solidarity arena, the highlight was the staging of the 6th edition of the Prémio BPI Capacitar.

A total of 277 candidacies were recorded, the highest number of all the editions realised so far, involving a total donation of 700 thousand euro, 200 thousand euro more than in the preceding editions. The recipients were 25 non-profit institutions which have as their mission promoting the quality of life and the social integration of handicapped or permanently disabled people.

The 1st award was given to BIPP – Soluções para a Deficiência, with a project directed at creating sustainable employment for young handicapped people and at guaranteeing their recognition as an active workforce. Through the creation of internships and paid employment in the agricultural area, it translates into an innovative model, replicable and of great environmental value.

BPI Capacitar – Fulfill dreams

BPI Capacitar – See further

Also noteworthy was the 3rd edition of the BPI Seniores Award, destined to support projects which promote the social integration and active involvement of persons over the age of 65.

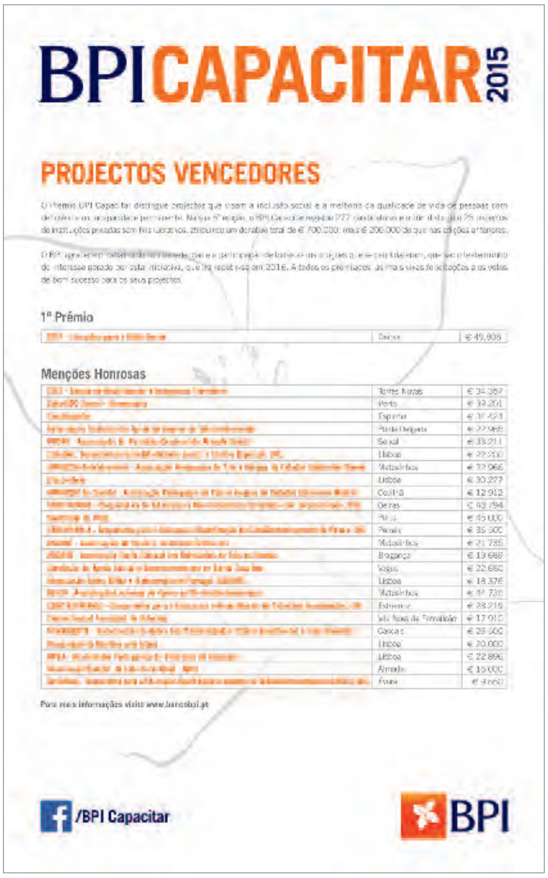
BPI Seniores. Better life quality.

In 2015, the Prémio BPI Seniores registered 713 candidacies, representing an 83% increase relative to the 1st edition and 23% more than in the preceding year. The amount attributed also increased to 700 thousand euro, up 40% on previous years.

In 2015 the recipients were 32 non-profit institutions, covering more than 14 thousand direct beneficiaries. The 1st award was given, *ex aequo*, to the Associação de Socorros Mútuos dos Artistas de Bragança with a programme to combat domestic violence amongst the elderly and to the Associação de Estudantes da Faculdade de Ciências Médicas de Lisboa with a project which promotes the part-time care of elderly people by medical students.

In total over the past 6 years, the BPI Capacitar and BPI Seniores awards handed over 4.9 million euro for the implementation of 184 social-inclusion projects, which encompass some 58 thousand direct beneficiaries, constituting one of the most prominent Corporate Social Responsibility initiatives in Portugal.

2015 also saw the creation of the BPI Solidário award, the purpose of which is to fund projects which promote the improvement in the living conditions of the poor and socially excluded. This award complements the support to the segments already covered by the BPI Capacitar and BPI Seniores awards – handicapped people and the elderly; the launching of the Prémio BPI Solidário award took place already at the start of 2016.



BPI Capacitar (enable) 2015 – winning projects

BPI Seniores (elder people) 2015 – winning projects

In the social solidarity area, the following initiatives also merit mention:

Offer a happier Christmas.

- Solidarity Campaign – Help a Child Smile – which enabled offering for the 4th consecutive year presents to around 20 thousand children from 450 regional solidarity institutions; Christmas trees in more than 580 BPI commercial areas and central services were decorated with a card which had the present which each child wanted to receive for Christmas; the presents were offered by the Bank's Customers and Employees; BPI participated by way of a donation to each local institution and to institutions operating at national level;

- Renewal of the support to EPIS – Empresários pela Inclusão Social, whose activities are centred on fighting against school failure and drop-outs, thereby contributing to the growth and development of young persons within the context of human dignity, concentrating on education and qualification at school, university and the workplace, as the fundamental instrument for personal realisation and social inclusion;

- Other notable initiatives in this domain are the renewed support to Fundação de Direitos Humanos Pro Dignitate (human rights); to Crescer Ser – Associação Portuguesa para o Direito dos Menores e da Família (minors and family law); to Associação Bagos D'Ouro; to Novo Futuro – Associação de Lares para Crianças (foster homes); to Centro de Acolhimento para Crianças Refugiadas (refugee children); to Movimento ao Serviço da Vida (MSV) for backing the Casa das Cores project; to Casa do Gaiato (child shelter); to Federação dos Bancos Alimentares contra a Fome (food banks); to Instituto de Surdos da Imaculada Conceição (deaf people); Operação Nariz Vermelho; to Liga do Hospital D. Estefânia; to BUS – Bens de Utilidade Social; Associação Portuguesa de Crianças Desaparecidas (missing children); APELA – Associação Portuguesa para a Esclerose Lateral Amiotrófica.

In Angola, the following initiatives sponsored by BFA merit highlighting:

- Banco Alimentar Angola (food bank) – in 2015, BFA maintained its support for BACFA in the campaign for collecting food which had a voluntary component, in which BFA Employees participated in the collection, separation and weighing of foodstuffs; food items were collected at various commercial establishments in Luanda and were delivered to social solidarity institutions, such as Centro Santa Bárbara (Mamã Muxima), Dom Bosco, Horizonte Azul, Centro Arnaldo Janssen, Centro de Reabilitação Nossa Sr.ª da Boa Nova and Associação de Solidariedade a Terceira Idade (ASTI);

- Christmas Campaign "Give a toy, receive a smile", with the object of involving BFA Employees and the community in general in a unique cause, entailed donating a toy to the children of the Centro Arnaldo Janssen and of the Hospital Pediátrico de Luanda; more than 300 toys were collected during 5 days at a commercial outlet – Kero and at Luanda bay.

In Mozambique, BCI continued to allocate a portion of its revenues generated from the use of its "Daki" debit card in transactions realised with Customers, channelling such funds to supporting social solidarity causes and institutions without any additional costs for the cardholders, granting donations to numerous institutions / projects, namely:

- to the Ministry of Education and Human Development, with the offer of 47 thousand books on Portuguese and mathematics to basic teaching establishments throughout the country;

- to Winnua, Lda., the company that ensures the daily supply of soya milk to certain selected schools within the ambit of the Nutritional Reinforcement Programme to school-age children in the Zambézia province;

- to the Instituto Nacional de Gestão de Calamidades (national disaster relief) and to the Movimento da Sociedade Civil, to relieve the emergency situation caused by the flooding that occurred at the start of the year;

- to the Mozambique Reconstruction Project and the 11th Gala Beneficente, promoted by Mozambique television;

- to other institutions such as ONGD Portuguesa Estímulo, Pediatria dos Hospitais Gerais de Machava e de Mavalane, Escola Comunitária S. Vicente Paulo da Malhangalene, Casa do Gaiato, Fundação para a Conservação da Biodiversidade, Cooperativa Ntumbuluku – Operação Caco-Mafalala and Slive Lda.

CULTURE

BPI continued to support in 2015 leading national institutions dedicated to the arts, such as the Museu de Serralves and the Casa da Música, of which the Bank is the founder, and to Fundação Calouste Gulbenkian, in which it co-sponsored for the 14th consecutive year to cycle of Major Composers concerts.

- Sole patron of the Museu de Serralves, which registered close to 525 thousand visits in 2015, the highest number ever.

- Sponsor of the 2015 Annual Major Exhibition "Monika Sosnowska: arquitectonização", the first exhibition in Portugal dedicated to the works of this renowned Polish artist, which was attended by more than 107 thousand visitors.

Together celebrating contemporary art

- Patron of the "Serralves em Festa" – 40 hours of non-stop culture, with more than 110 activities, more than 200 cultural sessions, which set a new public attendance record: 141 718 visitors.

- Main Patron of the Casa da Música, which celebrated in 2015 its 10th anniversary, with more than 525 thousand visitors, of whom 261 thousand were spectators.

- Patron of the Sala Suggia, known as the heart of the Casa da Música, with 150 thousand spectators.

Main Patron of the "Casa da Música"

- Patron of the festival "À volta do Barroco", with a total of 9 900 spectators.

- Sponsor of the "Verão na Casa", a festival dedicated to the summer season which included 75 concerts, 26 of which were open air and of these two large concerts staged on the Avenida dos Aliados which were attended by a total of 69 300 spectators.

- Patron of the cycle of Major Composers concerts forming part of the 2015 Gulbenkian Music season, which included 10 events with a total of around 11 thousand spectators.

Also worth mentioning was the renewed status of Patron of the following: the Caramulo Museum, the Elvas Museum of Contemporary Art, Centro Nacional de Cultura, Teatro Viriato in Viseu, Fundação Casa de Mateus and the backing given to the Foundations Fundação Luís Miguel Nava and Júlio Resende – Lugar do Desenho and to the Teatro Micaelense.

In Mozambique, BCI maintained the support for certain of the main socio-cultural initiatives such as the active partner in enhancing and preserving the Nation's artistic treasure chest:

- principal sponsor of the BCI Mozambique *Music Awards* (BCI MMA), an international platform showcasing local artists and which in 2015 saw the number of sponsors and partners grow, boosting its acceptance and credibility amongst the artistic and critics community and the public in general. In this sphere, a special reference to the show "Apoteose" by the celebrated choreographer and dancer Casimiro Nyussi;

- sponsor of the 8th edition of the Marrabenta Festival, the 2015 Gala Ngoma Moçambique, the Festival of Timbila "M'saho 2015" and the summer festivals held at the Zalala, Tofo, Barra and Lago Niassa beaches, events with great public participation and with the object of showcasing the artistic potential of traditional and light Mozambican music. It also sponsored the Maputo Classical Music season and the 2015 XIQUITSI Project of the Associação Cultural Kulungwana which involved 150 children and teenagers from the City of Maputo and outskirts;

- patron of the National School of Music which permitted offering 5 bursaries for the training of selected students based on their talent and without the means to bear the costs of attending courses at that establishment;

- renewal of the long-term support to the National Song and Dance Company, to the foundation Malangatana Valente Ngwenya and to the Universidade Eduardo Mondlane's Cultural Department.

In partnership with AEMO – Associação dos Escritores Moçambicanos (association of Mozambiquan writers), BCI awarded the BCI 2015 Annual Literature prize which has already become a national hallmark in the literary arena for the contribution which stimulates the publication of literary works in Mozambique, and the promotion of its critical reading by the public in general.

EDUCATION AND RESEARCH

In the education and research domain, BPI had at the end of 2015 protocols in force with a total of 30 higher learning institutions. Amongst these are the long-term protocols with the Instituto Superior Técnico, where it lends social support to PALOP (ex-colonies in Africa) students and backing for the Técnico Science Garden, a space dedicated to the scientific and environmental dissemination of activities of a social, cultural, sporting and integrated environmental nature on the IST's Technological and Nuclear Campus; with the Foundation for Science and Technology in funding for the Lisbon MBA; with the Universidade Católica Portuguesa; with the Escola de Tecnologias Navais da Armada Portuguesa; with the Universidade do Algarve, in the granting of 5 excellence bursaries in the amount corresponding to the annual fees and in the awarding of prizes to the best students from the Universidade do Algarve and Universidade de Aveiro.

For the 5th consecutive year, BPI promoted a series of initiatives at public and private schools with students aged between 8 and 14, addressing the "Importance of Saving", with the object of contributing actively to bolstering training in financial matters.

In 2015, BPI renewed its support for the Fundação Cidade de Lisboa (Lisbon City Foundation), which has been taking place for more than 5 years and is founded on the granting of 10 annual study bursaries, in the amount of 7 500 euro each awarded to 10 university students from 5 African-speaking countries, preferentially citizens of Angola and Mozambique.

Also noteworthy with the continued partnership with the Ministry of Education and Science for the Cambridge English for Schools project whose main purpose over the medium term is to contribute to the widespread certification of the population's use of the English language, conferred by one of the most prestigious learning institutions in the world, the University of Cambridge.

Mention is also made of the continued backing to Jus Gentium Conimbrigae and to the Instituto de Direito Penal Económico e Europeu, both of the Law Faculty of Coimbra University, as well as the cooperation with the Associação Escola Superior Biotecnologia of the Universidade Católica.

In Angola, in these domains BFA maintained major partnerships, namely:

- GEM Angola – GEM is the biggest independent survey of entrepreneurship carried out around the world; it analyses the relationship between the level of entrepreneurship and the level of economic growth in each participating country; BFA has been a partner in this initiative since 2008 and, in 2015, presented the project formally to the press;

- MBA Atlântico – this is a training programme for senior managers lectured in 3 Portuguese-speaking countries: Angola, Brazil and Portugal; this initiative of the Universidade Católica de Angola, the Universidade Católica Portuguesa and the Pontifícia Universidade Católica do Rio de Janeiro seeks to foster the exchange of academic, professional and networking experience between the managers from these 3 countries; BFA has been supporting the MBA Atlântico course since its first edition and, this year, for the 6th consecutive time an Employee of the Bank was selected to participate in the programme.

In Mozambique, BCI undertook several initiatives aimed at encouraging and rewarding merit and excellence displayed by students attending medium and higher courses at the country's principal universities and polytechnic institutes. The integration of young graduates into curricular internships and professional positions in BCI's various work areas constituted an integral part of the support strategy to this sector.

INNOVATION AND ENTREPRENEURSHIP

In 2015, BPI supported and organised several initiatives directed at fostering innovation and entrepreneurship, amongst which:

- 4th edition of the *National Agriculture Award*, a joint Cofina Group and BPI initiative, in partnership with the Ministry of Agriculture and the Sea, the object of which is to encourage and reward cases of success in the Portuguese Agriculture, Agro-Industrial, Livestock and

Forestry sectors, in the Large Companies categories (winner Portucelsoporcel Florestal, S.A.); Small and Medium-sized companies (winner Quinta do Vallado – Soc. Agrícola, Lda.); Associations / Cooperatives (winner Cooperativa União Agrícola CRL); young farmers (winner Formigaleite, Lda.); new projects (winner Fórmula da Avó, Lda.); Innovation (winners *ex aequo* Micoflora, S.A. and Bioinvitro Biotecnologia, Lda.);

- the awarding for the 6th year running of the BPI *Inovação Awards* which reward ideas advanced by BPI Employees in the categories Individuals and Divisions, who advocate innovation as relates to the Bank's products, services or processes;

- the launching of Academia BPI Empresários e Negócios, an idea that won the 2012 Innovation Prize in the Divisions category and which in 2015, was put into practice with the signing of a protocol with NOVA SBE; directed at the Bank's Employees, it entails an integrated and permanent training programme with the object of streamlining the commercial network's capability to keep abreast of Companies & Small Businesses and in the granting of credit;

- iTGROW – Software e Sistemas, ACE, an innovative project in Portugal in which BPI and Critical Software participate and which focuses on the recruitment and training of talented young people in the IT area and which in 2015 commemorated 5 years of activity; in this sphere, a special word about the Programa Acertar o Rumo ("find the right direction"), an initiative developed by ITGROW in collaboration with the Coimbra University, and is geared to the professional requalification of unemployed people with university degrees and who wish to focus on alternative career areas such a computer programming; in 2015, BPI once again supported this programme, which embarked on its 3rd edition, giving the BPI Merit prize to the best student of each edition of the course, besides making available a credit line for training adjusted to this programme's needs;

- the New Ideas Competition, a contest of Business Plans for students of the Universidade Nova de Lisboa. The initiative, which BPI backed for the 7th consecutive year, is promoted by the Entrepreneurial Office of the Universidade Nova de Lisboa with the object of affording students an integrated apprenticeship experience that stimulates an entrepreneurial attitude and a multi-disciplinary ethos; in the 2015 edition, BPI was once again a member of the jury, composed of professors and private-sector professionals, having sponsored the granting of a cash prize in the overall amount of 15 thousand euro split between the first 3 placed: the 1st BPI prize went to Outerpreter, an online platform which puts entities that need linguistic support at international telephone conferences into contact with the most suitable interpreters for satisfying this need; the 2nd prized was given to HyMe which is developing a biosensor which alerts people to the need to drink water when the hydration levels are below normal; the 3rd prize was given to Hopping Paws, a brand of healthy, nutritional and hypoallergenic food for animals;

- BPI supported for the 10th straight year and since its creation the *PME Inovação Award COTEC BPI*, promoted by COTEC with the goal of honouring Small and Medium-sized Companies (SME) with innovative attitude and businesses, examples of the creation of value for the country; in this edition, Palbit, S.A. and TEKEVER – Tecnologias de Informação, S.A. were distinguished as the most innovative SME's in 2015, taking into consideration their business strongly founded on innovation, with a large export-oriented bias and the generation of expressive economic results;

- the 8th edition of FAZ – Innovative Entrepreneurial Award for the Portuguese diaspora, promoted by COTEC, which honours every year those Portuguese businessmen and women who excel abroad as a result of their entrepreneurial ability in their host countries. In 2015, the winner was José Neves, founder of Farfetch. This is an online platform which comprises 400 luxury boutiques in 27 countries and was recently valued at one thousand million dollars, being the only Portuguese start-up with such a high valuation.

In Mozambique, 2015 was marked by the renewal of the partnership between BCI and the Clube Empresarial da Gorongosa, and which seeks to back projects and activities that are indispensable for the success of the restaurants operating in the Gorongosa National Park, the largest biodiversity conservation land mass in Mozambique and one of the world's largest.

Background to operations

PORTUGAL – ECONOMY AND MARKETS

GLOBAL AND EUROPEAN ECONOMIES

The International Monetary Fund (IMF) revised downwards the forecast for global economic growth, which meanwhile should continue along an upward trajectory. World GDP is expected to have posted a 3.1% expansion in 2015, with that institution projecting that the global economy will return to the same growth rate as that registered in the preceding year, i.e. +3.4%. The more moderate growth trend can be ascribed to the more timid and heterogeneous recovery noted in the developed economies, whilst the performance of the emerging or developing countries disappointed, evidencing the effects of the principal commodities' downward price cycle, notably crude oil, or reflecting the effects of the structural imbalances and the need to implement appropriate economic policy measures with a restrictive impact on activity. In a context in which, as foreseen, we are witnessing a gradual deceleration in China's economy – the IMF forecasts GDP growth of 6.3% in 2016 and 6% in 2017 – negative performances are also expected from Brazil – in 2016 it should record a new recession of the same scale as that observed in 2015, -3.6% – Russia (-1% in 2016) and South Africa (0.7% in 2016).

For the developed economies as a whole, the USA posted a slight acceleration in growth (from 2.4% in 2014 to the 2.5% projected for 2015), where the gradual improvement in the labour market and the robust domestic demand justified the hike in the Federal Reserve's key interest rates in December – the first rise in more than a decade. In the bloc of Eurozone countries, the economy accelerated – from 0.9% in 2014 to a projected 1.5% in 2015 – but the growth has remained weak and disparate amongst the member states. Against the backdrop of the significant and sustained drop in inflationary expectations and fears of a depressive cycle in activity and employment, the European Central Bank stepped up the expansionist stance of its monetary policy.

European Central Bank implemented unconventional measures

The ECB launched in March the purchase of long-term assets which entails the acquisition of 60 thousand million euro (th.M.€) of private and public debt (i.e. quantitative easing). The acquisition of private debt includes programmes involving the buying of covered bonds and ABS, already started in 2014. The public-debt purchase programme accounts for the greater part of the 60 th.M.€, totalling some 40 th.M.€ each month. Initially the programme had as its indicative termination date September 2016, but in December its termination (which remains open) was extended to March 2017. In addition, the array of eligible securities began to include regional public debt and, in the post-programme period, the securities in the ECB's portfolio which have in the meantime attained maturity will be reinvested. The rollover of the debt in the ECB's portfolio will have an important impact on the perception of the trend in funding costs from a long-term perspective, to the extent that the maintenance of the ECB as the purchaser of last resort guarantees that the interest rates on longer-dated debt will continue to languish at low levels. Finally the ECB also decided to reduce by 10 basis points the interest rate on the marginal deposit facility, setting it at -0.3%. The remaining key rates stood at 0.05% in the case of the refi rate and at 0.3% in the case of the interest rate on the marginal lending facility. The ECB's decision is attributable to the debility of the rise in consumer prices associated with the renewed fall in the price of crude oil in the second half of 2015.

In December asset purchases by the ECB amounted to 650 thousand million euro (th.M.€), of which 491.2 th.M.€, that is, 76% of the total, are public-debt purchases. Besides the purchase of public debt, the ECB carried out four liquidity-provision operations directed at the credit market, placing up until the end of 2015 205.4 th.M.€, which must be added to the 212.4 th.M.€ placed in 2014. At the end of the year, the ECB's assets stood at 2.8 billion euro, 0.6 billion more than in March, when it embarked on its public-debt buying programme. It is projected that in March 2017, the date scheduled for the programme's termination, the central bank's assets will be situated at 3.7 billion euro, equivalent to 33% of GDP. The prospect that monetary policy will continue to be accommodative for an extended period of time was mirrored in the fall in short-term interest rates across all maturities of up to 6 months. This trend is expected to continue at least until the middle of 2016, with the three-month Euribor sliding to levels of around -0.3 / -0.35% at the end of 2016, according to the rates implicit in the three-month Euribor futures rate and which incorporates the prospect that the European Central Bank will cut the marginal fundraising rate by a further 10 percentage points, fixing it at -0.4%.

PORTUGUESE ECONOMY

In 2015, the economy advanced 1.5%, which represents acceleration when compared to the 0.9% growth observed in the previous year. This behaviour essentially benefited from the greater dynamism of domestic demand, primarily from the private consumption component. For its part, the contribution from external demand became more negative in 2015, which is explained by the expansion in imports. When measured at current prices, they grew 1.9% in the year, but if one excludes the import of fuel, the expansion rate was considerably more pronounced: 6.7%. Exports continued to turn in a very positive behaviour, due to the diversification of efforts and the reinforced position in certain destinations with good growth prospects, advancing by 3.6% despite the 33% plunge in sales to Angola. In this scenario, the economy's external financing capability remained positive, although there was a decline relative to 2014, reflecting in great part the reduced capacity of households' financing, explained by the higher consumption. Additionally, the households' savings rate decreased sharply, being situated at roughly 4% of disposable income. According to the European Commission, the 2015 pubic deficit was situated at 3% of GDP, above the fixed target. Considering the public sector's direct support to Banif's resolution operation, the public deficit is substantially higher, standing at 4.2% of GDP. The public-debt ratio improved by 0.9 percentage points, dropping to 129.1% of GDP.

Benefiting from the improved financing conditions, the Treasury pursued a financing strategy aimed at extending the useful life of Portuguese pubic debt and made the early repayment of 8.4 th.M.€ of IMF loans under the Economic and Financial Assistance Programme. The net issues of T-Bonds during 2015 were situated at 12.9 thousand million euro, while the average maturity of the issues realised during the year was 11.7 years. The cost of public debt was situated at 3.5% in 2015, down 0.1 p.p. on 2014.

The average inflation rate stood at -0.3% in 2014. Notwithstanding the weakness in domestic demand, inflation's behaviour reflected the steep drop in oil prices and the competitive gains achieved in recent years. This scenario should boost the purchasing power of households, thus underpinning consumption.

The labour market behaved in a satisfactory manner, with the estimated unemployment rate dropping to 11.8% in December, 1.8 percentage points lower than the same period of 2014. This improvement is explained by the improved employer sentiment, but also by the carrying out of structural reforms in the labour market, introducing greater flexibility and reducing costs.

GDP growth

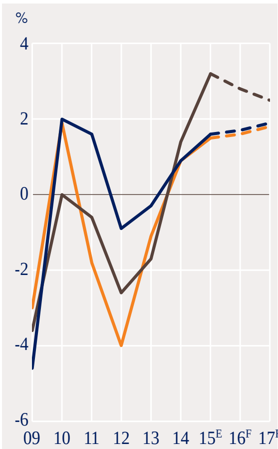


Chart 2

— Portugal
— Spain
— EMU

Source: European Commission, Winter 2015 forecasts.

Current and capital balance as % of GDP

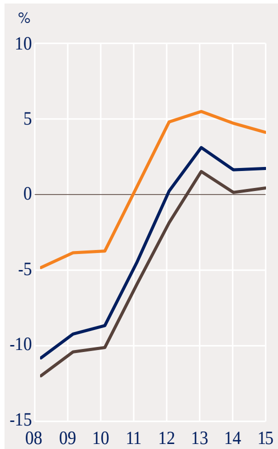


Chart 3

— Goods and services balance (excluding energy)
— Current account balance
— Current and capital balance

Source: Bank of Portugal.

Scenario for 2016

The European Commission estimates that the Portuguese economy's growth rate will accelerate to 1.6% in 2016, with domestic demand continuing to be the main engine driving growth. However, domestic demand's contribution could fall short of that registered in 2015, to the extent that a scenario of greater internal and external uncertainty could lead to more cautious behaviour on the part of economic agents. Notwithstanding the current government's announced promise to devolve income, private consumption could trend more moderately in 2016, given that the labour market is expected to turn in a more subdued performance, thereby spurring the inclination to divert the restored income to savings. The maintenance of crude prices at low levels – the IMF estimates that in 2016 these will be situated at 41.97 dollars per barrel, roughly 9 dollars lower than in 2015 –

will continue to be a factor underpinning the economy. Nonetheless, in the current scenario, the risks are trended towards the downside.

Financial system

In 2015 the financial system's deleveraging process continued with the loan / deposits ratio falling to 106% in June 2015, down 1.2 percentage points on the December 2014 figure and 60 percentage points lower than in June 2010, when this ratio stood at its highest level. This performance mirrors the fact that loans advanced (including securitisation operations) maintained in 2015 a contracting tendency, albeit at a more moderate pace than in 2014, whilst deposits continued to record a growth trajectory.

The recourse to ECB funding declined throughout 2015, being situated at 26 th.M.€ at the end of the year, down 5 th.M.€ on the 2014 figure, equivalent to a year-on-year drop of 17%, which compares with the 30% decrease for the entire Eurosystem. Long-term funding operations account for 67% of Portuguese banks' total recourse to the Eurosystem.

Loans

In 2015, loans advanced to residents contracted by around 2.0% in annual average terms, 1.8 percentage points lower than a year earlier. The contraction in lending extended to all sectors with a 1.9% decrease in loans advanced to non-financial companies and a 2.2% drop in loans to individuals. The rate of decline in lending decelerated during the course of the year and is expected to stabilise during 2016.

Deposits

Deposits of the non-financial private sector expanded by about 3.5% in annual terms during 2015, by virtue of the approximate 6% growth in the placements of non-financial companies and the increase in deposits of individuals close to 3%.

Trend in loans in Portugal

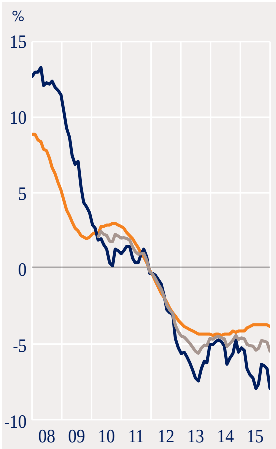


Chart 4

— Individuals
— Companies
— Total lending to the private sector

Note: Year-on-year growth rate.
Source: Bank of Portugal.

Trend in deposits in Portugal

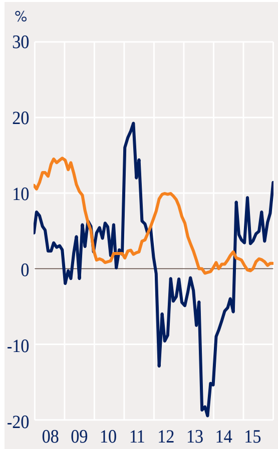


Chart 5

— Individuals
— Companies

Note: Year-on-year growth rate.
Source: Bank of Portugal.

Financial markets

The financial market continued to be influenced not only by the permanence / reinforcement of the leading central banks' ultra-expansionist policy, but also by the materialisation of divergences in the tempo of activity in the Anglo-Saxon and Eurozone economies. This state of affairs was reflected in the contrasting positioning of the major central banks with an impact on the behaviour on the principal financial assets.

On the currency market, the dollar benefited from the divergence between the economic cycles and monetary policy. After having reached a peak of 1.3992, the EUR/USD rate fell from 1.20 at the beginning of 2015 to 1.09 at the end of the year, which represents a depreciation of some 10% on the part of the single currency. In the early months of 2016, the trend changed course, with the EUR/USD recovering to around 1.12. Against the pound sterling, the euro lost 6% last year, reflecting the strengthening of the British economy as well as the prospects that the Bank of England will follow the path of the North American Federal Reserve, initiating in 2016 the cycle of normalising benchmark interest rates.

On the interbank market, the main trend was the fall in Euribor rates to negative levels, initially only in the shortest maturities, but which by the end of the year had spread to all maturities up to six months. This movement became more pronounced at the beginning of 2016 and has extended to all maturities, reflecting the stepping up of the ultra-accommodative posture of the ECB's monetary policy and the signalling that such posture could be extended even further in 2016. At the close of the year, the three-month Euribor rate was situated at -0.13% and the six-month rate at -0.04%.

In the US, the signalling that the Federal Reserve was initiating the cycle of normalising the fed funds rate was reflected in an upward movement in the dollar Libor. In fact, the three-month dollar Libor rate began the year at 0.26% and closed at 0.61%.

On the public-debt market, the yields on the principal benchmarks remained at minimal levels, which in the case of the US, contrasts with the more positive macroeconomic landscape, and in Europe reflect the effects associated with the ECB's public-debt purchasing programme and the fact that the inflation rate remains at extremely low levels. At the end of the year, yields continued to be situated at close to record lows. In the North American market, the yield on the ten-year note fluctuated between 1.68% and 2.467%, with the minimum being observed in February and the peak in June. In the Eurozone, the movement was identical, but the levels considerably lower than in the US. The 10-year German bund traded between an interval of 0.077% and 0.945% during the course of the past year, closing the year at around 0.6%.

In the periphery's sovereign-debt market, the risk premiums remained contained when compared to those observed in recent years, reflecting essentially the effect of the ECB's public-debt buying programme. Taking into consideration the 10-year public debt security, the premium demanded from Portugal began and ended the year at roughly 190 basis points (b.p.), with the low recorded in March (130 b.p.) and the high in July (250 b.p.). In Spain and Italy, the movements were identical although the risk levels demanded are situated at lower levels than those of Portuguese debt. In fact, in Spain the risk premium stood at marginally above 100 bp and in Italy slightly below that level. In Greece, the signing of the third financial assistance programme in August 2015, was reflected in a decline in the premium attaching to Greek public debt to around 770 b.p., which contrasts with the levels in the region of 1 840 b.p. in July 2015. At the start of 2016, in light of the uncertainty pervading the financial markets, we are witnessing a widening of the spreads on those countries' debt securities.

Evolution of reference rates

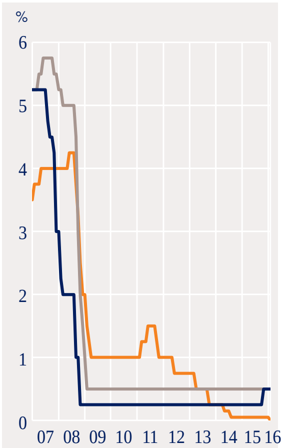


Chart 6

- ECB
- BoE
- Fed

Source: Central banks / Thomson Reuters.

Net financing with ECB in the Eurosystem

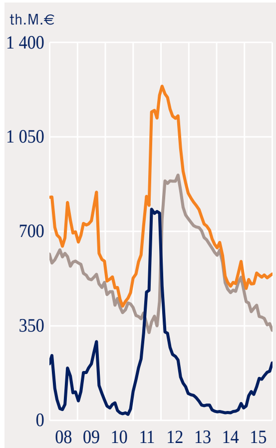


Chart 7

- Net financing
- Deposit facility
- Lending operations (MRO and LTRO)

Source: ECB.

10-year sovereign debt
Yield

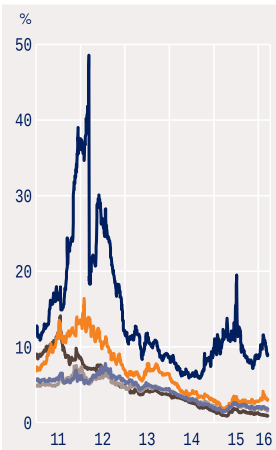


Chart 8

- Greece
- Ireland
- Italy
- Portugal
- Spain

Source: BPI and Reuters.

Corporates and financials
Credit risk premiums

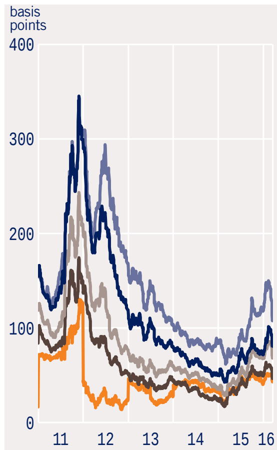


Chart 9

- Financials
- BBB
- A
- AA
- AAA

Source: Credit Suisse, Bloomberg.

Equities market

Global overview

The year 2015 continued to be marked at global level by expansionist policies aimed at fostering growth and combatting deflation. In Europe in particular, notwithstanding the uncertainty associated with the political events in Greece, the macroeconomic indicators presented improvements during the greater part of the year. However, the start of an about-turn in monetary policy in the US, signs of an economic slowdown in China and the impact of the falling oil price on certain emerging economies negatively affected the perception of risk in the closing stages of 2015. In this context, the benchmark Euro Stoxx 600 index closed the year gaining 7%, while the S&P500 – the principal North American stock market index – ended 2015 with a drop of 1%.

Portugal and Spain – secondary market

In Portugal, the benchmark PSI-20 index rose by 11% during 2015. The gains of 45%, 27%, 38%, 34% and 97% in the share prices of Jerónimo Martins, Galp, NOS, EDPR and Altri respectively were the chief contributors to this performance. In Spain, the IBEX35 index closed the year retreating 7%, with the shares of Banco Santander and Repsol posting a decline of 35%. As a consequence of the volatility noted in the year and the disappearance of certain major listed companies, such as BES or Portugal Telecom, trading volumes decreased by 29% in Portugal to 26 th.M.€. In Spain, volume climbed 7% to 833 th.M.€, benefiting from the country's improved economic outlook. The change in the volumes traded in Portugal and Spain was lower than the global Stoxx Europe 600 and S&P 500 indices (+21% and +34%, respectively).

Portugal and Spain – primary market

The activity level on the primary (new issues) market in Portugal was limited when compared to that noted in Spain.

Of the POS (public offers for sale) carried out in Spain, the following merit mention: AENA (3 875 M.€), Saeta Yield (c.435 M.€), Naturhouse (c.72 M.€), Talgo (c.570 M.€), Cellnex (c.1 950 M.€), and Euskaltel (c.765 M.€). There were no primary market operations in Portugal.

2015 saw the realisation of a number of capital increases by companies on the Iberian market. In Portugal, the most noteworthy was the capital increase carried out by Mota Engil in the amount of 81 M.€ as part of the delisting operation of Mota Engil Africa. In Spain, Telefónica (3 050 M.€.), Banco Sabadell (1 600 M.€.) and OHL (1 000 M.€.) carried out large-scale operations. Also worth mentioning was the activity in the SOCIMIs sector (investment vehicles in the real-estate sector in the Spanish market) which resorted to capital increases in the total amount of 2.5 th.M.€ in four separate operations by the companies Merlin Properties, LAR Inmobiliaria and Axiare Patrimonio.

There were no large-scale convertible bonds issues during 2015 on the Iberian primary market.

Equity indexes' evolution

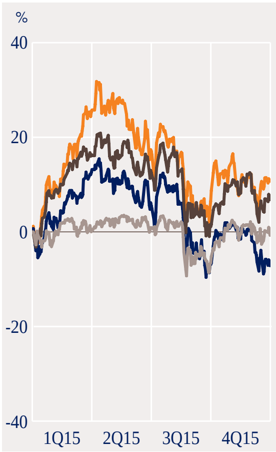


Chart 10

- PSI-20
- IBEX 35
- DJ Stoxx 600
- S&P 500

Source: Bloomberg.

Turnover
Secondary market

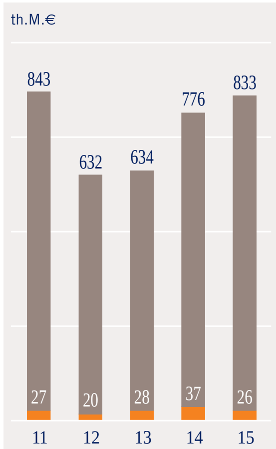


Chart 11

- IBEX 35
- PSI-20

Source: Bloomberg.

ANGOLAN ECONOMY

Economic activity

According to the new estimates for the 2016 General State Budget, Angola's economic growth decelerated to approximately 4.0% in 2015 after posting 4.8% growth in 2014. This performance can be attributed essentially to the downswing in non-oil and gas activity, which in turn was affected by the slowdown in all the other sectors, with the exception of the diamond sector. In this manner, non-oil GDP is estimated to have expanded by 2.4%. Conversely, oil and gas GDP accelerated in 2015 to 7.8% *versus* the 2.6% downturn in 2014. Spurring crude-oil activity was the higher output of this resource, which rose from 1.6 million barrels per day (mbd) in 2014 to 1.8 mbd in 2015, which permitted this sector to outperform that of the preceding year. Even so, despite the diversification drive, the Angolan economy's performance continues to be heavily dependent on the revenues from the oil and gas sector, which in 2015 was once again penalised by the plunge in oil prices on the international markets.

The Angolan government projects 3.3% economic growth in 2016. The oil and gas sector is forecast to expand (+4.8%), based in the increased output of crude to 1.89 mbd, while non-oil activities should accelerate more moderately (+2.7%), underpinned by the prospect of the 20% growth in the energy sector, 4.6% in agriculture and 3.1% in manufacturing industry and in construction.

Real GDP growth in Angola

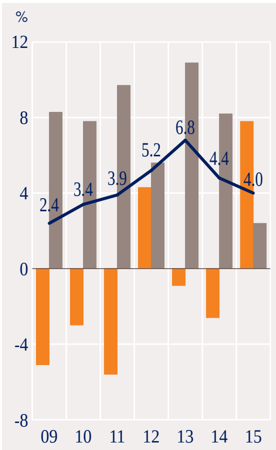


Chart 12

Oil sector
Non-oil sector
Total

Source: Finance Ministry.

Foreign exchange reserves

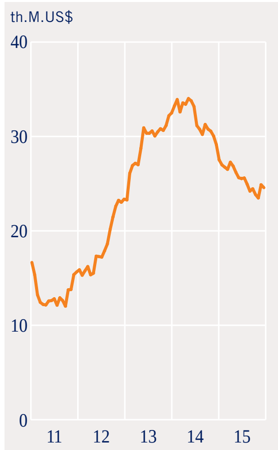


Chart 13

Source: Angolan Central Bank (BNA).

Economic indicators and forecasts

	2010	2011	2012	2013	2014^P	2015^E	2016^E
Real Gross Domestic Product growth (yoy, %)	3.4	3.9	5.2	6.8	4.8	4.0	3.3
Oil sector	(3.0)	(5.6)	4.3	(0.9)	(2.6)	7.8	4.8
Non-oil sector	7.8	9.7	5.6	10.9	8.2	2.4	2.7
Oil production (millions of barrels / day)	1.76	1.63	1.72	1.73	1.63	1.76	1.89
Price of Angolan oil (average, USD / barrel)	76.5	108.7	111.0	107.5	100.7	51.8	45.0
Consumer Price Index (y-o-y change, end of period)	15.3%	11.4%	9.0%	7.7%	7.5%	14.3%	13.0%
Fiscal balance (% of GDP)	8.1	10.3	6.7	0.3	(6.6)	(4.2)	(5.5)
Non-oil primary fiscal balance (% of non-oil GDP)	(47.4)	(51.1)	(53.7)	(47.7)	(42.8)	(21.2)	(19.7)
Net foreign exchange reserves (in thousand millions of USD, end of period)	19.3	27.5	32.2	32.2	27.8	24.7	18.6
Average exchange rate (AKZ / USD)	91.9	94.0	95.6	96.9	98.5	120.7	-

Source: BNA, Finance Ministry Angola, FMI. E – Estimated. P – Forecasts of the Finance Ministry.
Note: the table data for the economic growth was published by the Finance Ministry, and differ from data published by the National Statistics' Institute.

Table 5

External sector

The trade balance recorded an improvement during the course of 2015 according to quarterly data published by BNA up till the 3rd quarter of the year, reflecting the favourable behaviour of exports. The IMF estimates, however, a contrasting performance, expecting a decline in the trade balance to 16 th.M.US$ in 2015, the equivalent of 15.7% of GDP (*vs.* 23.6% of GDP in 2014), which was responsible for the deterioration of the current account deficit to 7.6% of GDP (*vs.* -1.5% in 2014). In 2016, the trade balance should climb to 17.5% of GDP, which performance is explained by the expansion in exports. This recovery should translate into an improvement in the current account deficit to 5.6% of GDP.

After having attained a historical maximum in mid-2013, net foreign reserves have dropped in the past two years, registering a 10% fall in December 2015 relative to a year earlier to be situated at 24.6 th.M.US$ (according to BNA data). The decrease in international reserves reflects the drop in crude-oil export receipts. BNA carried out gradual devaluations of the Kwanza against the North American dollar throughout 2015. Notwithstanding the domestic currency's depreciation, the large divergence between the official exchange rates and those ruling on the informal market suggest that the liquidity problems in the foreign-exchange market are not yet fully resolved. Moreover, the idea is reinforced that the current level of foreign reserves exceeds that observed prior to the oil crisis, which makes the national economy more protected in the present context of falling oil prices.

Public accounts

According to the Ministry of Finance's latest estimates, the 2015 budget deficit should be situated at 4.2% of GDP, compared with the expected deficit of 6.6% for 2014. Oil and gas taxes continue to represent a very significant percentage of tax receipts, although the taxation base has now been broadened and increasingly encompasses non-oil activities. Oil and gas tax receipts (which represent roughly 57% of total tax receipts) posted a decline of some 46% when compared to the 2014 figure, reflecting the downward spiral in oil prices. In parallel, there was a trend towards the increased weight from the non-oil sector on total taxation receipts (43% *vs.* 28% in 2014), the first-mentioned rising by around 7% relative to the 2014 figure. On the spending side, this is expected to contract by about 28% relative to 2014.

The 2016 State Budget assumes a GDP growth rate of 3.3% and an average oil price per barrel of 45 US$. In this respect, the deficit should reach 5.5% of GDP, evidencing an 8% increase in receipts relative to the expected figure for 2015 and a 14% increase on the expenditure side. Even so, in terms of sectorial breakdown, the concern will continue to be focused on the allocation of considerable amounts for social sectors, namely for education, health and social security.

According to official estimates, public debt should climb to 49.7% of GDP in 2016 compared with a ratio of 40.5% of GDP in 2015, increasing the recourse to external financing. The proportion of external financing has been rising, but the risks relative to their sustainability appear to be relatively contained given that the chief source of the country's revenues – crude oil – is also denominated in dollars. Angola made its debut on the international financial market in 2015 with the issue of 1.5 th.M.US$ of sovereign debt securities with a 10-year maturity and a yield of 9.5%. This issue was an important step towards Angola's entry into the international capital markets and for the diversification of the government's funding sources. The investors' receptiveness was extremely positive, with demand outstripping supply by a factor of five. Fitch classified the bond issue with a B+ rating and stable outlook.

Placements of Central Bank Securities and Treasury Bills

Placement interest rates

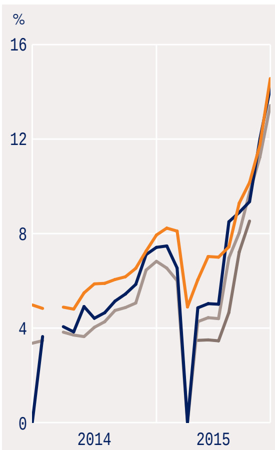


Chart 14

- 364 days
- 182 days
- 91 days
- 63 days

Amounts placed

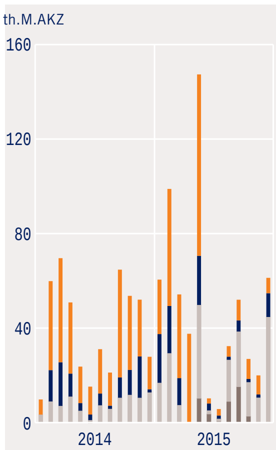


Chart 15

- 364 days
- 182 days
- 91 days
- 63 days

Source: Angolan Central Bank (BNA).

Inflation and interest rates

Following the historical lows recorded midway through 2014, the annual inflation rate returned to double-digit figures, fuelled by several factors. The Luanda inflation rate (which serves as the benchmark for monetary policy) surged by 6.8 percentage points during 2015, to stand at 14.3% in the final month of the year. Inflationary pressures resulted above all from the kwanza's sharp depreciation against the dollar, as well as the introduction of new customs duties midway through 2014, which led to an increase in the prices of certain imported goods, not to mention the introduction of import quotas for certain products. Besides these factors, it is estimated that the successive cuts in fuel subsidies have also exerted significant pressure on the general level of prices.

In light of the inflationary pressures and the local currency's depreciation, the BNA adopted a more restrictive monetary policy in 2015, which translated itself into a hike in the benchmark rate (BNA rate) to 11% at the end of the year, after having opened the year at 9%. The BNA also decided to introduce other measures to halt the growth in credit, and with this control, the rise in prices, which included the hike in the interest rate on the permanent lending facility to 13%, the elimination of the interest rate on the permanent overnight liquidity-absorption facility and the adoption of the 7-day permanent liquidity-absorption facility (1.75%). More recently, the BNA has once again revised its monetary policy interest rates, raising the BNA rate by 100 basis point to 12% and the liquidity-provision rate to 14%.

Banking sector

Total lending to the economy posted annual average growth of 0.7% in 2015, which compares with growth of some 15.3% in 2014. The trend in lending resulted from an increase in loans to the private sector, which grew by 0.9% in annual average terms, whereas loans to the public sector (excluding Central Administration) suffered a 3% decrease.

A monthly drop of around 13% in loans to the economy, recorded in December 2014 that should possibly reflect the impact on the financial system's balance sheets of BESA impairments', weighed significantly in the evolution of loans. This drop reflected in the maintenance of the low yoy growth rates throughout 2015, returning to the two-digits-level at the end of the year (17.7% yoy in December).

Deposits grew on average by around 11% in 2015 when compared with the previous year. The weight of deposits denominated in foreign currency on total deposits declined from 36% at the end of 2014 to 34% in December 2015.

Loans' evolution
Annual average balance

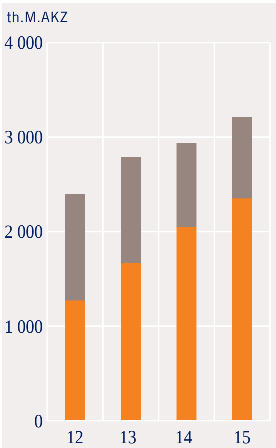


Chart 16

Total loans
Loans in local currency (AKZ)

Deposits' evolution
Annual average balance

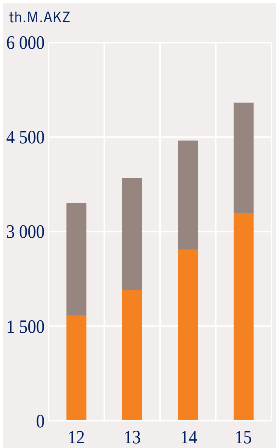


Chart 17

Total deposits
Deposits in local currency (AKZ)

Source: Angolan Central Bank (BNA).

MOZAMBIQUE ECONOMY

Economic activity

The macroeconomic landscape in Mozambique remained favourable in 2015, albeit with economic activity cooling down when compared with the levels noted in the past 4 years when growth rates were in excess of 7%. According to preliminary data, the economy expanded 6.3% in 2015. This behaviour essentially reflected a deceleration in the influx of foreign investment allied to a less expansionist fiscal policy. Meanwhile economic activity continued to be spurred by the dynamism associated with the mega projects and the development of infrastructures, which is mirrored in the other sectors of activity, notably the expansion of manufacturing industry and the energy sector. 2015 was also marked by the recovery of activity in the primary sector relative to the contraction observed in the preceding year due to climatic factors, a sector that still accounts for about 1/3 of the economy and, therefore, a major contributor to its growth. Accordingly, despite the slowdown in growth, Mozambique continues to demonstrate that it is one of the principal economies of sub-Saharan Africa in expansion, with growth rates oscillating in the region of 6-7%.

External sector

The external accounts continue to present a marked imbalance in view of the need to resort to external savings in order to finance investments in the natural resources exploration sectors, even though the bulk of this investment continues to be financed by way of Foreign Direct Investment. The external accounts' deficit should remain as long as the construction of the liquefied natural gas units are in progress and until the export of LNG commences. Over the medium term, the revenue from the exports of other projects which are now in a more advanced phase of completion, notably the coal and gas sector, could contribute positively to alleviating the trade deficit. During the first three quarters of 2015, revenue from the export of the mega projects' operations were affected by the fall in raw material prices on the international markets and by logistical constraints. On the other hand, expenditure associated with imports also registered a decrease but on a smaller scale, leading to a deterioration in the current account deficit during this period.

Real GDP growth in Mozambique

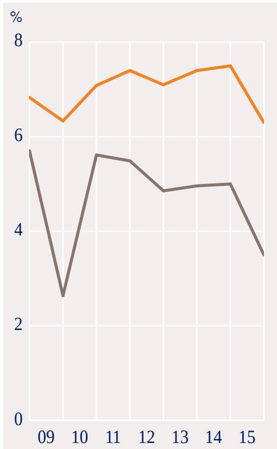


Chart 18

— Mozambique
— Sub-Saharan Africa

Source: International Monetary Fund (IMF).

Net foreign direct investment

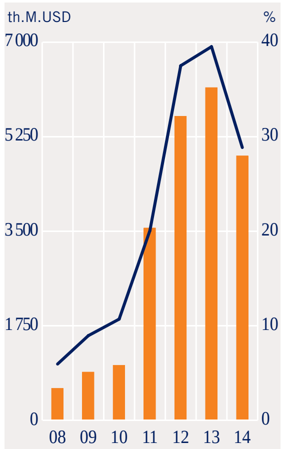


Chart 19

— % of GDP

Source: International Monetary Fund (IMF) and UNCTAD (United Nations Conference on Trade and Development).

Public accounts

Fiscal policy was less expansionist in 2015, although an improvement of the deficit is expected to occur to -6% of GDP[1] relative to the -10.6% of GDP in the previous year. The 2016 budget once again places the public finances on a more sustainable trajectory through the reduction in the deficit to -4.0% of GDP. Despite the public debt still being deemed to be at sustainable levels (according to IMF criteria), the borrowing posture adopted by the public sector has been more aggressive. Besides this, the form of deficit financing has also been changing, resorting increasingly to non-concessional and external loans to the extent that donations have been diminishing. In this context, the ratio of public debt to GDP should remain high at a time when the risk relating to external public debt also increases in the wake of the metical's depreciation against the US dollar.

Financial sector, deposits and loans

The currency stabilisation of recent years has been an important factor in keeping the rise in the general price level at a modest pace; however, the pressure on the balance of payments since 2014 resulted in a strong depreciation of the local currency. In this context, the stock of foreign reserves also ended up suffering a significant contraction, from 2.88 th.M.US$ at the end of 2014 to 1.97 th.M.US$ in November 2015. The effects of the devaluation translated into a rise in the inflation rate, which should continue to be evident during 2016. Anticipating this effect, the Bank of Mozambique immediately adopted a more restrictive monetary policy, leading to an increase in the principal monetary policy rates (the benchmark rate climbed to 9.75%) and an increase in the compulsory reserves coefficient to 10.5%. The rate of lending expansion to the private sector in 2015 continued to be robust, around 27% between January and November, relative to the 24% growth in the same period of 2014.

1) Source: IMF, *Country Report 16 / 9.*

Domestic Commercial Banking

INDIVIDUALS AND SMALL BUSINESS BANKING

Individuals and Small Business Banking handled at the close of 2015 1 670 thousand accounts, (+1.4% more than the number noted at the end of the previous year), being responsible for a portfolio of Customer Resources of 23 792 M.€ and a Loans and Guarantees portfolio in the amount of 13 325 M.€.

At the end of 2015, Individuals and Small Business Banking's physical distribution network comprised a total of 495 branches and 39 Investment Centres geared to serving high net worth Customers or those with the potential to accumulate financial assets.

CUSTOMER RESOURCES

At 31 December 2015 Individuals and Small Business Banking's total Customer resources stood at 23 792 M.€. Excluding the securities portfolios of third parties, Resources amounted to 22 145 M.€, and evidenced a +2.9% increase. The Bank's market share in Customer resources advanced by 1 p.p. in 2015 to 9.6%.

Customer resources — Amounts in M.€

	2014	2015	Δ%
Sight deposits	4 177.7	5 735.8	37.3%
Time deposits	10 560.1	7 874.0	(25.4%)
Bonds and structured products[1] placed with Customers	584.0	971.9	66.4%
o.w. Indexed Deposits	142.1	690.5	386.0%
PPR[2]	1 207.6	967.4	(19.9%)
Insurance capitalisation[3]	3 261.6	3 761.9	15.3%
On-balance sheet resources	**19 791.1**	**19 310.9**	**(2.4%)**
Unit trust funds[3]	1 089.8	1 806.7	65.8%
PPR[4]	647.4	1 027.2	58.7%
Off-balance sheet resources	**1 737.2**	**2 833.9**	**63.1%**
Sub-total	**21 528.3**	**22 144.8**	**2.9%**
Corporate bonds held by Customers	861.6	331.7	(61.5%)
Other Customer securities	1 278.8	1 315.9	2.9%
Other Customer resources[5]	2 140.4	1 647.6	(23.0%)
Total Customer resources	**23 668.7**	**23 792.5**	**0.5%**

Table 6

The behaviour of resources in 2015 was marked by:

- the expansion in Sight Deposits and the contraction in Time Deposits against a backdrop, common to the market as a whole, of the decrease in the remuneration of time deposits;
- the 500 M.€ increase in Capitalisation Insurance;
- the 717 M.€ increase in BPI Unit Trust Funds, with special mention of the trend in the Money Market Funds and the Flexible Funds;
- the 548 M.€ expansion of the Indexed Deposits.

Amongst the marketing initiatives realised in 2015 the most noteworthy were the commercialisation drives promoting Capitalisation Insurance, BPI Capitalização, BPI Multi-Soluções and BPI Multi-Soluções Não Residentes, the launching of Indexed Deposits and 3 new flexible funds: BPI Moderado, BPI Dinâmico and BPI Agressivo, which offer their participants the access to a diversified asset management with differing risk profiles.

CUSTOMER LOANS

At 31 December 2015, the individual and small business Customers' loan and guarantees portfolio amounted to 13 325 M.€. This portfolio registers a stabilisation (+0.2%) in 2015, interrupting the negative behaviour of the past few years. In fact, in the 2nd half of the year, the loan and guarantees portfolio expanded by 97.2 M.€ whereas in the 1st half of the year it recorded a decrease of 70.3 M.€.

Loans to individuals posted a 185 M.€ decrease (-1.6%). Even so, BPI records a slight improvement in its market share, from 9.6% in 2014 to 9.8% in 2015.

Loans channelled to small businesses expanded by 206 M.€, well above the 2.7 M.€ increase observed in 2014.

1) Guaranteed-capital and limited-risk bonds and indexed deposits (guaranteed capital).
2) PPR (retirement savings) in the form of capitalisation insurance.
3) Excludes PPR.
4) PPR in the form of unit trust funds.
5) Includes third party funds and structured products placed with Customers, Excludes BPI stocks.

Customer loans and guarantees Amounts in M.€

	2014	2015	Δ%
Loans to individuals			
Mortgage loans[1]	11 022.0	10 812.3	(1.9%)
Personal loans[2]	553.8	575.8	4.0%
Credit cards[3]	165.2	162.9	(1.4%)
Car finance	103.1	108.6	5.3%
Loans to individuals	**11 844.1**	**11 659.6**	**(1.6%)**
Loans to small businesses			
Commercial loans[4]	1 051.0	1 244.6	18.4%
Equipment leasing	37.6	50.7	34.9%
Property leasing	252.5	249.6	(1.2%)
Factoring	4.9	7.4	52.1%
Loans to small businesses	**1 346.0**	**1 552.3**	**15.3%**
Total loan portfolio	**13 190.1**	**13 211.9**	**0.2%**
Guarantees and sureties	108.3	113.5	4.8%
Total	**13 298.4**	**13 325.3**	**0.2%**

Table 7

Individuals and Small Businesses Banking

Loans and guarantees

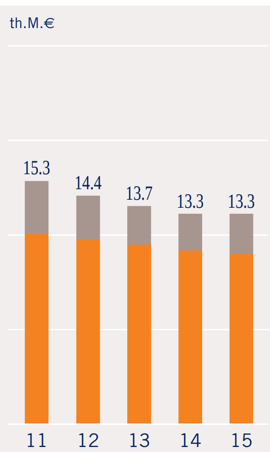


Chart 20

Other loans and guarantees
Mortgage loans

Customer resources

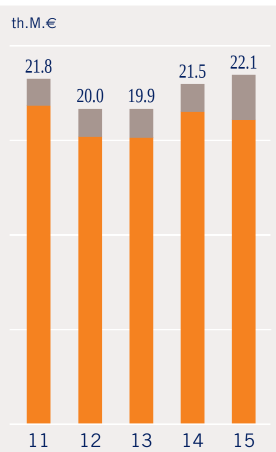


Chart 21

Off-balance sheet
On-balance sheet

Mortgage loans

At the close of 2015, the mortgage-loan portfolio stood at 10 812 M.€, still evidencing a slightly negative trend (-1.9%), albeit at the slower rate than in the preceding year.

The contracting of new loans practically doubled, climbing from 313 M.€ in 2014 to 590 M.€ in 2015, although this figure was still less than the amount of the portfolio's repayments in the year.

Personal loans

The personal loans portfolio rose by 4.0% in 2015, reaching 576 M.€ at the end of the year.

New loans contracted totalled 235 M.€, which corresponds to 45.7% growth relative to 2014.

In 2015, the commercialisation of loans associated with non-financial products proceeded in a very positive manner, having generated 18% growth in the number of products placed and 28% growth in the volume of commissions when compared to the previous year.

Motor car finance

The motor car finance portfolio relating to Individuals and Small Business Banking Customers totalled 109 M.€ at the close of 2015, corresponding to growth of 5.3%.

The contracting of new loans in 2015 registered 51.7% growth, which mirrors the increase in the sales of motor vehicles on the market and the consequent higher demand for finance.

1) Loans secured by fixed property. Corresponds primarily to home loans and loans for home alterations.
2) Includes consumer loans and credit lines made available for privatisations.
3) Includes outstanding credit of non-Bank Customers.
4) Includes overdrafts, current account loans, discounted bills receivable and other loans which form part of the loans products tailored mainly for sole traders and small businesses.

Commercial loans, leasing and factoring

The commercial loans, leasing and factoring portfolio expanded 15.3% in 2015 to total 1 552 M.€ at the end of the year.

In 2015 BPI maintained as priority segments for action the export and agricultural sectors, and in general Customers with good risk indicators.

These strategic segments were the target of certain major external initiatives, including the conference cycles "2015 National Agriculture Award", directed at the agricultural sector, and the "BPI Innovation gatherings", realised as part of the various initiatives aimed at supporting innovation and entrepreneurship which Banco BPI has been promoting. Other events were also held at which topics were debated relating to the backing for exports and financing for companies.

During 2015, BPI continued to provide financing for small and medium-sized companies with competitive conditions through the principal programmes launched by the government, with special mention of the PME Crescimento 2014 and PME Crescimento 2015 credit lines, including:

- the contracting under the PME Crescimento 2014 and PME Crescimento 2015 lines of 3 352 operations in the overall amount of 181 M.€, with Customers of the individuals and small business network;
- in global terms, since the launch of the PME Investe / Crescimento credit lines, BPI has contracted 29 452 operations in the amount of 2 547 M.€, thereby making BPI the leader with an 18.4% market share.

As regards to the PME Líder (Programa Fincresce) and PME Excelência classifications, BPI continued to assume a sustained leadership position, attaining at the end of 2015, market shares of 28% and 40%, respectively. At the level of the individuals and small business network, 1 083 PME Líder and 312 PME Excelência status awards were made.

The Portugal 2020 incentives system, by representing an opportunity for the development of investment projects, also assumed great importance in 2015 from the commercial action perspective, with the object of supporting entities with approved projects.

CREDIT AND DEBIT CARDS

At the end of 2015, Banco BPI had a portfolio of 487 thousand credit cards, -6.1% less than at the end of 2014. Billing increased 1.2% in 2015.

Banco BPI ended 2015 with 1 114 thousand debit cards, down -0.3% on the December 2014 figure. Accumulated billing posted a +9.2% increase, to be situated at 6 668 M.€.

Credit and debit cards
Selected indicators

	2014	2015	Δ%
Credit cards			
No. of credit cards at the end of the year (x th.)	519.0	487.4	(6.1%)
Billing (M.€)	983.1	995.3	1.2%
Loan portfolio (M.€)[1]	165.2	162.9	(1.4%)
Debit cards			
No. of debit cards at the end of the year (x th.)	1 117.7	1 114.3	(0.3%)
Billing (M.€)	6 103.3	6 667.7	9.2%

Table 8

INSURANCE

As part of the strategic partnership with Allianz Portugal, Banco BPI commercialises a diversified range of insurance directed at Individuals, Companies and Small Business (sole proprietors and self-employed people) Customers.

In Individuals and Small Business Banking there were some 736 thousand policies in the portfolio at the close of 2015, considering the isolated-sale and credit-linked insurance products. The associated commission totalled 41.3 M.€, which corresponds to 5.0% annual growth.

During 2015, isolated-sale insurance grew by 8.3% in terms of the number of policies to 301 thousand, thanks to the contribution from the dynamic sales promotion of business–related insurance (small and medium-sized companies, sole proprietors and self-employed professionals) and health insurance, the comprehensive range of specialised insurance (Personal and Company Public Liability) and the reformulation of the current product range (Multirriscos PME and Allianz Casa).

1) Outstanding owed by Individuals and Small Business Customers and non Customers.

INVESTMENT CENTRES

BPI has a network of 39 Investment Centres, present in the principal district capitals of the country, specially conceived for serving affluent Customers, that is, individual Customers with high potential for accumulating financial wealth. At the end of 2015, the trading volume accompanied by this specialist network amounted to 5 569 M.€.

BPI's Investment Centres are manned by teams of Financial Advisors trained to provide a personalised advisory service in the management of each Customer's day-to-day financial affairs. In this domain, it is vitally important to select investment solutions suited to each Customer, to plan for retirement and to have access under preferential conditions to BPI's entire range of credit products and banking services.

Within the context of the market decline in the return on risk-free investments, the opportunity costs of investing in medium and long-term investment solutions fell significantly, such as unit trust funds and capitalisation insurance. The increased recourse to these types of solutions during 2015, always tailored to the Customer's profile and the recommended asset allocation, resulted in growth of 25% and 60% in the volumes allocated to unit trust funds and capitalisation (unit-linked) insurance.

Turning to bonding with Customers, 2015 saw a further increase in the number of products per Customer, with the special contribution from the isolated-sale insurance policies – which posted 19% growth – the 22% growth in salary-domiciled (payday) accounts, and loans associated with non-financial products, where the volume placed recorded 37% growth. Also noteworthy was the growth in the contracting of new loans, which posted +58% growth relative to 2014.

The renovation of IT equipment utilised by the commercial teams enabled the implementation of a set of new digital tools for Customer attendance, opening the way for a greater dematerialisation of financial advisory and selling processes, the greater mobility of the commercial teams and, consequently, improved efficiency and service quality.

NON RESIDENTS

The Non Residents Division supports Individuals and Small Business Banking in linking to the Portuguese emigrant communities and to Portuguese descendants not living in Portugal.

Integrated into this structure is the branch in France which has 10 agencies and 1 representative office. The Non Residents Division also has 8 representative offices in 7 countries for providing local support to the communities.

At the end of 2015, the non-residents' segment of Individuals and Small Business Banking was responsible for a portfolio of resources[1,2], of 4 872 M.€ (+3.5% relative to 2014) and a loan book[2] of 513 M.€ (+3.5% relative to 2014), representing 20.4% of the resources and 3.9% of the loans attributable to Individuals and Small Business Banking.

The French branch had at the end of 2015 a resources portfolio of 222 M.€ (+4.7% relative to 2014) and a Customer loans portfolio of 76 M.€ (-9.2% relative to 2014).

1) Includes portfolio of third-party securities held by Customers.
2) Does not include the French branch.

PRIVATE BANKING

At the end of December 2015, BPI Private Banking's business volume was 5 919 M.€, representing a 10.8% advance when compared to the previous year. The canvassing for new Customers resulted in an 11% increase relative to the initial Customer base.

Assets under discretionary management and advisory mandate, in the amount of 4 904 M.€, registered 6.7% growth when compared to December 2014, with the volume under discretionary management expanding by 74.9% in this period. Stable investments under custody, with a value of 791 M.€, were 39.9% higher. The loans and guarantees portfolio increased by 21.9% to 224 M.€ at the end of the year.

Against a market backdrop marked by greater volatility and very low interest rates, Customers increasingly sought a gradual diversification of solutions for their investments through professional management, approximating and adapting their portfolios to the recommended asset allocation.

Accordingly, 2015 saw a decrease in the volume allocated to Bonds and Other Securities, with a corresponding increase in investments in BPI Funds and Capitalisation Insurance, with the latter group of products posting 47% growth in relation to December 2014.

Private Banking
Selected indicators

Amounts in M.€

			2014	2015	Δ%
Discretionary management and advisory services		*1*	4 595	4 904	6.7%
Stable investments under custody		*2*	565	791	39.9%
Loans and guarantees portfolio		*3*	184	224	21.9%
Business volume	*[= Σ 1 to 3]*	*4*	**5 344**	**5 919**	**10.8%**

Table 9

CORPPORATE BANKING, INSTITUTIONAL BANKING AND PROJECT FINANCE

BPI registers in 2015 a rise in its market share in lending to the universe of non financial companies and in particular to exporters, against a background of a tenuous upswing in investment which proved to be inadequate to foster the expansion of loans in the economy.

The strong proximity to companies continued to be acknowledged in market surveys, in particular in the 2015 edition of DATA E (Market Survey, 2015), in which BPI registered an excellent positioning. Companies rate BPI the "Best bank for Companies", with leadership, amongst others, in the indicators:

Best bank for companies

- **Best overall for companies** (BPI leads with an improvement of one position relative to 2014);
- **Most suitable products for companies** (BPI leads with an improvement of one position relative to 2014).

Additionally in this same survey 19.4% of the companies identified BPI as its Principal Bank (BPI in 2nd position with +2.3 p.p. than in 2014).

In general terms, the implementation of the strategy aimed at supporting companies was founded on the following aspects:

- support through a specialist network and teams totally dedicated to accompanying companies;
- sustained and continued leadership in the aggregate of the PME Investe / Crescimento lines (2015 was the 8th year of leadership in these lines) and in the accumulated activity of the Mutual Guarantee Companies;
- strong dynamism within the ambit of Portugal 2020 and PDR 2020: supporting the candidate projects, creation of specific offers, organisation of training and clarification sessions;
- financing innovative companies with less than 500 workers, within the context of the partnership with the EIF / EIB, via the BPI / FEI Inovação II line. This is the first line in Portugal falling under the Horizonte 2020 Programa-Quadro comunitário de Investigação e Inovação – (European Framework for Research and Innovation – more specifically of InnovFin;
- keeping abreast of the needs of export companies with the launching of specific credit lines – "Commercial Credit for Exporters" (in PME Crescimento 2015), and the "Angolan Internationalisation Line", in tandem with the reinforced placing of BPI-COSEC credit insurance;
- strengthened position as the "Bank for Agriculture", maintaining sustained leadership in the main credit lines for agriculture;
- continued pro-activeness in the placing of the JESSICA Funds, having approved the financing corresponding to 100% of the funds made available in terms of the mandate awarded by the EIB;
- launching of BPI Tesouraria JÁ, a combination of very flexible short-term credit solutions earmarked for financing the working capital needs and to compensate time lags between payments and receipts. It permits financing purchase and sale operations involving goods or services on the national market by means of: (i) Early payment of receipts from commercial operations; (ii) Financing the acquisition of raw materials, commodities or other payments needed for the development of the respective activity.

The Bank maintained a very stringent policy in the analysis of credit risk, as well as practices or processes which ensure the permanent accompaniment and monitoring of risk on the part of the commercial structure.

At the end of 2015, the loan portfolio of Corporate Banking, Institutional Banking and Project Finance Clients totalled 7 295 M.€.

Resources amounted to 2 316 M.€, reflecting a 5.9% rise relative to 2014.

Corporate Banking, Institutional Banking and Project Finance

Amounts in M.€

	2014	2015	Δ%
Loan portfolio			
Corporate loans	3 654.2	3 831.7	4.9%
Large companies	1 419.9	1 445.5	1.8%
Medium-sized companies	2 234.3	2 386.2	6.8%
Project Finance – Portugal	1 154.7	1 161.0	0.5%
Madrid branch	1 306.1	943.6	(27.8%)
Project Finance	634.2	557.3	(12.1%)
Companies	671.9	386.3	(42.5%)
Public sector	1 424.7	1 358.8	(4.6%)
Total	**7 539.8**	**7 295.0**	**(3.2%)**
Resources[1]	**2 186.8**	**2 316.3**	**5.9%**

Table 10

In leasing, factoring and confirming, the high growth rates recorded in the preceding year continued to prevail in 2015. It is worth highlighting the 76% growth in new contracting of Leasing business (equipment and real estate), with special reference to Real Estate Leasing with 98% growth. As regards Factoring and Confirming, the growth rate was 9%, with new Confirming business written posting a 49% rise.

Specialized corporate loans

Amounts in M.€

	2014	2015	Δ%
Leasing (contracting)	**126**	**222**	**76.2%**
Equipment Leasing	76	123	61.8%
Real-estate Leasing	50	99	98.0%
Factoring and Confirming	**583**	**638**	**9.4%**
National Factoring	311	248	(20.3%)
International Factoring	52	62	19.2%
Confirming	220	328	49.1%

Table 11

COMPANIES AND LARGE CORPORATIONS

At the end of 2015 the Customer loans portfolios relating to the Medium-sized and Large Corporations segments amounted to 2 386 M.€ and 1 446 M.€, respectively, which correspond to increases of 6.8% and 1.8% when compared with the previous year.

It is worth underlining the good performance noted in the second half of 2015, with loans to Medium-sized and Large Companies posting a 5% expansion. Both the segments performed very positively, with growth rates of 5% in the Large Corporations segment and 6% in the Medium-sized Companies segment relative to June 2015. On the other hand, BPI pursued its strategy of reducing exposure at the Madrid Branch.

BPI continued in 2015 to lend support to large-scale companies in the mounting and placing, public and private, of bonds. This strategy affords alternative sources of financing, complementing the granting of direct loans.

In 2015 BPI participated as organiser / lead manager or placer in 9 bond issues, with national and international placings of issues for Large and Medium-sized Companies.

This activity in 2015 was recognised by the Euronext Lisbon Awards 2016, with BPI in the bonds category being distinguished as the “No. 1 Corporate Bond House” and “Most Active Trading House in Bonds”.

1) Includes sight and term deposits.

INSTITUTIONAL BANKING AND STATE BUSINESS SECTOR

Loans to Public Sector Clients amounted to 1 359 M.€ at the close of 2015, which represents a 5% year-on-year decrease.

PROJECT FINANCE

The Project Finance segment's loan portfolio presented at the close of 2015 an amount of 1 718 million euro, translating into a 4% contraction relative to the preceding year, which is explained by the smaller portfolio domiciled at the Madrid Branch.

The portfolio's behaviour reflects the conjugation of ordinary repayments, early repayments, sale operations and other disbursements contracted recently on the domestic market.

After a period strongly influenced by the macroeconomic landscape and, namely, the suspension of the launching of new public-investment projects under the public-private partnership regime, the Project Finance market has given some signs of an upturn. It has thus been possible to capture new operations in Portugal, in particular in the renewable energies sector, without prejudice to adhering to a strategy of greater selectivity in the financing of projects, and in the reinforced involvement in monitoring the loans and guarantees portfolio under management.

It is worth highlighting BPI's involvement in the structuring, mounting and financing of the acquisition by First State Investments of ENEL's portfolio of wind farms in Portugal, with a total installed capacity of 641.1 MW and involving a total amount financed of 605 M.€, an operation that received one of the awards from "InfraNews' Top 10 deals of 2015" (6th place).

BPI also played an active role in a series of restructuring and renegotiation processes involving motorway concessions and sub-concessions in the wake of the signing in 2011 of the Economic and Financial Adjustment Programme between the European Union, the International Monetary Fund and the Portuguese Authorities. These processes have been in place for the past few years and have evidenced a decisive trend and attained the respective conclusion during 2015.

In parallel, with respect to the financing sphere, the Project Finance area continues to provide financial advisory services to the public sector (market where it occupies a prominent position), including a portfolio of projects in which it performs the role of permanent financial consultant, with special mention of its involvement in the health, infrastructures (namely water and waste) and transportation.

BPI, THE SME BANK

Right from the very beginning, BPI has regarded the SME's as being a strategic priority in commercial operations owing to the fundamental role they play in the national economy.

Leader in PME Líder and PME Excelência

The PME Líder and PME Excelência status classifications honour annually the national SME's with outstanding performances, based on the best rating grades, sound economic-financial indicators and the growth achieved.

The great importance attributed by BPI to the statuses is visible in the sustained leadership shares that the Bank has recorded:

- as concerns PME Líder, BPI has occupied the leading position for 8 years now. In 2015, it was once again the leader with a 28% market share (with roughly 2 000 companies), 5 p.p. higher than the 2nd bank.
- in PME Excelência, where the bank has always been the leader, BPI's market shares are even more expressive. The market share in 2015 was 40% (c. 600 companies), 17 p.p. above the 2nd bank.

In order to leverage the support for this segment, 2015 saw the launching and distribution of products specially targeted at the PME Líder and Excelência companies, namely:

- **"This loan is for leaders"**: In medium-term operations, BPI launched an innovative offer, with special conditions directed at the PME Líder and PME Excelência statuses attributed by BPI.
- **"This insurance is for leaders"**: In certain credit-risk cover solutions BPI and COSEC offered special conditions for all the PME Líder and PME Excelência firms.

Additionally, BPI has been making available to certain PME Líder firms the Risk Evaluation Service, an exclusive service that assesses the risk factors and strong points of each SME, aggregating suggested actions which could lead to an improvement in their risk profile. Created in 2008, it has already identified suggestions for action that have enabled more than 1 500 companies to improve their risk perception at the bank.

Leader in PME Investe / Crescimento

Since the launching of the PME Investe / Crescimento lines (and for the 8th year) BPI has assumed the top-ranking position, attaining an overall amount contracted of some 2 550 M.€ (data at end of 2015, PME Investimentos), with a market share of more than 18%.

In PME Crescimento 2015, earmarked for financing investments and working capital, with special focus on high-growth and export companies, BPI was leader in the total number of operations handled, with some 3 200 operations, which equates to a market share of 19% (at the end of 2015, PME Investimentos).

Leader in Mutual Guarantee

In close liaison with the Mutual Guarantee Companies (Norgarante, Lisgarante, Garval and Agrogarante), BPI maintained an active role in the dynamic promotion of mutual guarantee. At the close of 2015 BPI was leader in the number and accumulated amount of all the guarantees issued, with shares of 25% in the number of operations and 23% in the accumulated amount (at the end of 2015).

Partnership in Portugal 2020

BPI has been very active in following Portugal 2020, in particular in its backing for companies in the various stages of their projects.

The commercial teams provide counselling in the identification of the most appropriate solutions, as well as in the financing of the project via a new credit line – BPI P2020.

My partner in Portugal 2020

This line allows companies to finance investments at two distinct moments:

- immediately after the submission of the candidacy, even before the decision confirming the granting of incentives: BPI can finance the project's eligible or non-eligible investment with a maximum term of 8 years, in an operation which is subsequently adaptable depending on the incentives that are eventually approved;
- after the decision/approval: BPI co-finances the approved projects by means of incentive advance drawings, complementary financing and guarantees.

With the object of debating and clarifying the main questions regarding the new Community Framework, BPI:

- organised 8 seminars, with around 500 participants, at which the Portugal 2020 and Horizonte 2020 programmes were presented;
- created an area at www.bancobpi.pt/empresas which provides relevant information and which is permanently updated;
- prepared leaflets and published articles in the Newsletter BPI and other publications of partners with miscellaneous information.

Anticipate the European Funds

EIB credit lines

As part of the partnership with the EIB, BPI launched the line Linha BEI – Loans For SME & Other Priorities 4 (Linha BEI SME IV). This line, in the amount of 300 million euro and destined for supporting SME's and MidCaps with up to 300 Employees, was exhausted after having supported SME 1 311 projects.

In order to broaden the SME support mechanisms, two new lines were signed with the EIB: one for companies in the agricultural sector, in the amount of 50 M.€, and another for companies which have trade relations with Latin America, in the amount of 10 M.€.

JESSICA-BPI credit line

The JESSICA programme is an initiative of the European Commission and the European Investment Bank (EIB) which permits countries to use a portion of the aid received from the EU under the Structural Funds to carry out repayable investments in projects registered under an integrated, sustainable urban development plan.

These investments are realised by means of "urban development funds" to be applied in the form of loans, coupled with other sources of own and third-party capital.

The funds made available to Portugal in this regard totalled 130 M.€, allocated to the JESSICA Holding Fund Portugal. In this domain, Banco BPI was awarded the management of funds amounting to 72.5 M.€, of which 46 M.€ for the Northern Region, 8.5 M.€ for the Central Region and 18 M.€ for the Alentejo Region.

In 2015 BPI continued to be proactive in the placing of JESSICA funds ("Joint European Support for Sustainable Investment in City Areas"), earmarked for the funding of urban rehabilitation and regeneration projects.

Through these strong dynamics, BPI placed the whole amount of the funds attributed to it, having financed 56 projects falling under the Jessica Programme, in 31 municipalities and 17 sectors of activity, representing 258 M.€ of investment and 155 M.€ of financing.

After the end of the "first wave" of the application of the JESSICA funds, in terms of the mandate entrusted to it and during an additional period of 6 years (2016-2021), BPI is reinvesting the funds repaid by the projects already financed.

It is worth underlining that the Hotel Vincci Porto, one of the projects supported by BPI, was distinguished with the 2015 National Urban Rehabilitation Prize in the category "Best Touristic Use Works".

BPI, THE EXPORTERS BANK

BPI places at export companies' disposal a comprehensive and competitive range of products and services which encompass international trade solutions, financing and credit-risk insurance.

In 2015 new products specially directed at export companies were unveiled: PME Crescimento 2015 – Crédito Comercial a Exportadoras (SME 2015 Growth – Trade Credit for Exporters), which comprises Advances against Export Shipments and External Financing and the "Angola Internationalisation Line", in tandem with the reinforced placing of BPI-COSEC credit insurance.

BPI is leader in the specific line Trade Credit for Exporters of the SME 2015 Growth Line, in both the amount and in the number of operations handled by a considerable margin *vis-à-vis* the other Banks. The market shares in this specific line are very expressive: 62.5% in number and 51% in the value of operations handled[1].

The "Angola Internationalisation Line" is a subsidised credit line with Mutual Guarantee, managed by PME Crescimentos, tailored for Portuguese companies that already export or which are in the process of internationalising to Angola. This line permits advancing to companies up to 50% of the payments to be received from Angola.

In strategic markets for national companies, such as Spain, Angola and Mozambique, BPI developed specific products to support investments and exports with major partners in those markets, such as CaixaBank, BFA and BCI.

The partnership with CaixaBank now extends to Morocco, Algeria, Turkey and the United Arab Emirates, markets in which via BPI, companies can benefit from local knowledge that permits exploiting in-depth commercial opportunities, as well as a support in the management of its export flows.

In parallel, partnership agreements between BPI, the Bank of China and the Bank of Eastern Asia permit funding the trade movements between national firms and those based in the countries in which these operate.

Companies can count upon the support of specialised teams which undertake the structuring of solutions adapted to the needs of each business. In Portugal, BPI has specialist teams such as the Spanish Companies Office, the Africa Office, the Business Development Unit (for more complex projects in Angola), the Mozambique Financial Services Division (for financial consultancy and organisation/ mounting of structured finance) and the Trade Finance team for supporting companies engaged in international trade.

BPI made available a host of information about the key countries as destination markets (or potential markets) for Portuguese companies.

In 2015 Country Files were introduced into BPI's corporate website which provide a brief overview and the demographic, economic and financial characterisation, as well as the trends and risks, associated with each one of the markets.

Presently, 10 country files are available which assume importance as regards the interaction with Portuguese companies, with these studies being regularly updated.

The Country Files complement other BPI surveys and publications, also disseminated on the BPI site, such as the country studies, the bulletin covering the economic and financial situation in Angola, Mozambique and South Africa, and the monthly behaviour of economic and financial data, as well as medium and long-term forecasts relating to the main markets.

With the development and constant updating of this space, BPI seeks to facilitate the access to useful and pertinent information, with a view to leading continued support to Portuguese export firms.

2 strategic protocols were entered into in 2015 with key associations at national level, APICCAPS (Associação Portuguesa dos Industriais de Calçado, Componentes, Artigos de Pele e seus Sucedâneos) and PortugalFoods. The protocols aim to leverage BPI's support for a group of exporters in the footwear and agro-industrial sectors, which sectors present great dynamism and growth potential.

1) Source: PME Investimentos, 31 December 2015.

BPI, THE AGRICULTURE BANK

BPI continued to focus on the development, modernisation and internationalisation of companies in the agricultural and agro-industrial sector, boosting its position at the Agriculture Bank.

The Bank offers various solutions for funding investment, specially structured for the sector's needs.

The Bank for agriculture

The previous lines PRODER and PROMAR (which covered the advance payment of non-repayable subsidies of investment projects falling under the PRODER and PROMAR programmes and their complementary funding), joint solutions with AGROGARANTE (founded on separate guarantees, which permit obtaining loans for periods adapted to the projects) and John Deere solutions for financing new and used agricultural equipment (namely, tractors, combine harvesters, balers, fodder mowers and sowers) were joined in 2015 by the following lines:

- BPI PDR 2020: an innovative solution for financing companies with candidacies already submitted to the Rural Development Programme (PDR 2020). This line adapts to all the phases of an investment project, irrespective of its approval by the PDR 2020 Management Authority.
- BPI-EIB Agriculture: finance agreement with the EIB – European Investment Bank, in the amount of 50 M.€, specifically directed at the funding of SME's in the agricultural and agro-industrial sectors. It covers loans of between 25 M.€ and 50 M.€, with 10-year maturities.

In the support for treasuries, BPI has solutions such as the Short-Term IFAP line, reserved for financial agricultural seasons, and the BPI / CAP Protocol, which covers advance payments of operating subsidies granted by IFAP (direct assistance).

BPI continued to reinforce in a sustained manner its positioning in the agricultural and agro-industrial sector, assuming a leading position, being:

- no. 1 in the accumulated total amount of guarantees issued by Agrogarante, with a 22% share (Agrogarante – Sociedade de Garantia Mútua[1];
- no. 1 in the total amount of advance payments of operating subsidies granted by IFAP and validated by CAP, with a 68%[2] share;
- no. 1 in the total amount financed under the IFAP Short Term Line, Agriculture, Forestry and Livestock, with a 56%[3] share.

In a policy of proximity and support, BPI has sponsored and participated in the sector's major fairs and events: Feira Nacional da Agricultura, SISAB, Colóquio Nacional do Milho, Ovibeja and Prémio Agricultura.

As part of the *Agriculture Award*, a joint BPI and COFINA initiative, sponsored by the Ministry of Agriculture and the Sea, with the object of promoting, incentivising and rewarding cases of national success, 5 seminars were organised which promoted the debate concerning topics of national and regional importance for the sector: exports, associations and innovation.

The 4th edition of the award received 1 017 candidacies, a growth rate of 142% when compared to the 2014 edition, honoured the following winners:

Category / Special Awards	**Distinction**	**Company / Project**
Associations / Cooperatives	Winner	Cooperativa União Agrícola CRL
	Honourable mention	Associação Criadores de Porco Alentejano; Assoc. Armadores Pesca A L Centro Sul
Companies	Winner	Quinta do Vallado – Soc. Agrícola, Lda.
	Honourable mention	Testa & Cunhas, S.A.; Demeco – Agro-Pecuária, Lda.; Pedrosa & Irmãos, Lda.; Cantinho das Aromáticas – Viveiros, Lda.
Young Farmer	Winner	Formigaleite, Lda.
	Honourable mention	SR Berry, Unipessoal Lda.
New Projects	Winner	Fórmula da Avó, Lda.
	Honourable mention	Conservas da Nena, Unipessoal Lda.
Innovation	Winner ex-aequo	Micoora, S.A.; Bioinvitro Biotecnologia, Lda.
	Honourable mention	Simal-Soc Insular Massas Alimentícias, S.A.
Large Companies	Winner	Portucel Soporcel Florestal, S.A.
Personality	Posthumous prize	Eng.º Armando Sevinate Pinto
Excellent Product	Winner	Wine

Table 12

1) Figures up till 31 December 2015.
2) CAP – Confederação dos Agricultores de Portugal; IFAP – Instituto de Financiamento da Agricultura e Pescas. Data on the agricultural campaign of 2015, reported as at 31 December 2015.
3) Latest available data, reported as at 31 October 2015.

BPI, THE INNOVATORS' BANK

BPI has assumed a policy of backing innovation and entrepreneurship, focusing on products specially targeted at innovative companies and its support by means of prizes and initiatives.

Innovative solutions for innovative companies

BPI was pioneer in the placing in Portugal of credit lines designed for financing innovative companies.

It was the first national bank in 2013 to take part in the "Risk Sharing Instrument", having launched the 1st credit line backed by the EIF's guarantee, the BPI-EIF Innovation line, in the overall amount of 160 M.€, now fully drawn down.

In 2014, BPI was once again pioneer, contracting with the EIF the 1st guarantee accord in Portugal under the InnovFin, as part of Horizonte 2020, reserved for supporting innovative companies, in particular SME's. This accord covers the launching of the BPI / EIF Innovation II line, in the amount of 200 M.€, which is aimed at financing the investments and working capital of innovative companies with less than 500 Employees, under competitive conditions.

Taking the two credit lines together, BPI financed around 300 companies with a total amount of 215 M.€.

At the end of 2015, BPI was absolute leader in the placing of operations falling under the Early Stages and Microcredit programmes, with very expressive shares: 89% in the number of operations and 92% in the amount contracted (31 Dec.15, Sociedade Portuguesa de Garantia Mútua).

In the support lines for Entrepreneurship Microinvest and Invest+, BPI was the 2nd most active bank in the number of operations and amount contracted (Sociedade Portuguesa de Garantia Mútua).

Awards and other initiatives

BPI is associated with COTEC Portugal – Associação Empresarial para a Inovação (COTEC) since its formation in 2003, having played an active role in its creation.

COTEC has as its mission promoting increased competitiveness at companies located in Portugal, through the development and dissemination of a culture and practice of innovation, as well as of knowledge resident in the country.

In partnership with COTEC, BPI supports initiatives which encourage Portuguese companies to become more modern and competitive, with the emphasis on SME, in particular: it sponsors the SME Innovation COTEC-BPI Award and assists with the dissemination of the Innovator Entrepreneurship Award amongst the Portuguese diaspora.

BPI also supports the National Prize for Creative Industries, an initiative with Unicer and the Fundação de Serralves which has as its object fostering, supporting, accompanying and assisting in the implementation of innovative projects in the field of creative industries. These projects should present economic and financial viability, potential drivers for the creation of qualified job posts and act as a catalyst for Portuguese intellectual output within the context of the global market.

BPI supports the INSEAD Entrepreneurship Prize, which promotes companies that stand out for their innovation, growth, internationalisation and the importance of their strategy for Portugal, and honours the manager with an outstanding track record on the Portuguese economic panorama, rewarding his/her management skills and entrepreneurship.

For the past 3 editions, BPI has been publicising and giving visibility to the European Enterprise Promotion Awards, an initiative of the European Commission, promoted in Portugal by IAPMEI, which has as its goal: (i) identifying and recognising highly successful promoters of companies and entrepreneurs throughout Europe; (ii) disseminating examples of best entrepreneurial policies and practices; (iii) boosting the awareness of the rewards of entrepreneurship; (iv) incentivising and inspiring potential entrepreneurs.

Portugal has been recognised in the European finals for its excellent practices in the various categories.

2015: "Lisboa Empreende" ("Lisbon Enterprise")
2014: "AMS Thinking Ahead", and "FAZ – Ideias de Origem Portuguesa".
2013: "Portuguese Shoes – The sexiest industry in Europe".
2012: "Douro Boys".
2006: "Empresa na Hora" (Company-in-the-Hour).

BPI-COSEC SOLUTIONS: SUPPORT FOR BUSINESS GROWTH

In 2015 BPI reinforced its leading role in the placing of COSEC credit insurance policies.

COSEC is leader in Portugal in credit insurance and, via the Euler Hermes network, has a strong presence abroad which supports the international business of Portuguese companies, offering a geographical coverage of more than 50 countries. COSEC is also responsible, on behalf of the Portuguese State, for the cover and management of credit, guarantee and investment risks for political-risk countries.

BPI actively promotes the placing of credit insurance with the aim of assisting companies in the mitigation of credit risk associated with their sales, in their market prospecting (given that this permits the prior assessment of the risk attaching to potential Customers) and to enhance their ability to obtain from the Bank advance payments on account of export proceeds.

Over the past two years, new products have been launched, specially tailored for the SME segment and sold exclusively by BPI.

The "BPI Secure Export" credit insurance – innovative owing to the fact that it covers default on sporadic export operations, not requiring cover for the total invoicing –, was complemented in 2015 through the launch of "BPI Secure Sale", which permits covering sporadic operations on the domestic market.

BPI Venda Segura
Secure your invoices, one by one.

The global simplified management policy "SME Secure Business", specially conceived for the needs of SME's, represented more than 50% of the global new policies issued by it in 2015. These policies were essentially canvassed amongst companies which had never resorted to credit insurance, contributing to raising this insurance product's penetration and this management tool at smaller-scale companies and, therefore, to support the development of security in their businesses, especially in the external markets.

As part of the placing of global credit-insurance policies, BPI registered a 75% increase in the number of policies written when compared with the same period a year ago, being responsible for 54% of COSEC's new Customers. This excellent contribution, associated with a high Customer retention rate (90%), enabled BPI to boost its prominent position in COSEC's portfolio, brokering 28% of its Customers' business.

In the placing of the credit insurance covered by the State-guaranteed programmes (Credit Line policy outside the OECD), BPI maintained an active disclosure process and placed with its Customers 68% of the operations contracted, bearing testimony of the support given to companies in the diversification of export markets to countries outside the European Union.

It is worth highlighting the fact that COSEC was, once again, distinguished by the magazine Exame as "Best Insurer", in the Small and Medium-sized Companies segment in the Non-Life category as part of the "2015 Banking & Insurance" Prizes. This award recognises COSEC's solid financial situation and its ongoing drive aimed at innovation and enhancing the quality of the services provided to Customers and business partners.

COMMUNICATION AND EVENTS WITH CUSTOMERS

Within the context of the special focus on the communication related to the priority segments of Corporate business and complying with the objective of constant Customer proximity, BPI promoted and sponsored during 2015, numerous initiatives, amongst which:

PME Líder and Excelência

"PME Excelência Ceremony": within the ambit of its sustained leadership in the PME Líder and PME Excelência statuses, BPI sponsored and took part in the public ceremony for the presentation of the companies honoured with the PME Excelência 2014 status, which was held on 26 January 2015.

BPI Diplomas: delivery of the personalised diplomas to the PME Líder and PME Excelência firms which adhered to the status via BPI as a form of congratulating them for the distinction.

Export and Internationalisation

"BPI Exportação Marrocos": BPI promoted in partnership with CaixaBank, a debate on Morocco's economic reality during which there was an opportunity for a group of Portuguese companies to share experiences, in a debate that was attended by the Embassy of the Kingdom of Morocco in Portugal, as well as a representative of CaixaBank.

Joint actions: additionally, BPI continued to support and strongly pursue initiatives related with the international markets and specific sectors of activity, notably:

- events with the Portuguese-Spanish Chamber of Commerce: thematic lunches and breakfasts, permanent presence of BPI advertisements, interviews and articles in the magazine *Actualidade* and the electronic Newsletter;
- events with the Portuguese-French Chamber of Commerce: BPI's participation in conferences and forums dedicated to publicising available support and sponsorship in the Members' Directory 2015 / 2016;
- initiatives with various major national business associations: APICCAPS – Associação Portuguesa dos Industriais de Calçado, Componentes, Artigos de Pele e seus Sucedâneos, Portugal Foods, AEBA – Associação Empresarial do Baixo Ave and ACIF – Câmara do Comercio e Indústria da Madeira.

Market information: created on the BPI Empresas site and actively directed at Chambers of Commerce and business Associations an information section about key countries as destination markets for Portuguese companies, aggregating complementary information to BPI's surveys and analyses.

This area aggregates three blocks of information:

Country Files: files with summarised description of important markets for Portuguese companies, with demographic, economic and political characterisation and brief trends and risks;

Country Surveys: bulletin tracking the economic and financial situations of Angola, Mozambique and South Africa;

Monthly Trend: economic and financial analysis and medium and long-range forecasts for the principal economic markets.

Agriculture

"Agriculture 2015 Award": in the context of the 4th edition of the Agriculture Award, 5 conferences were staged devoted to disseminating and promoting candidacies for the whole country, as well as addressing important issues relating to the agro-industrial sector. These sessions brought together a total of some 600 participants.

The Agriculture Award is a joint initiative of BPI and COFINA, sponsored by the Ministry of Agriculture, Forestry and Rural Development, with the object of promoting, encouraging and rewarding cases of national success. The 2015 edition received 1 017 candidacies, which represents a 142% increase relative to the award's previous edition.

"Agriculture Selection" Programme: BPI sponsored 39 programmes transmitted by the TV station *SIC Notícias*, taking the opportunity to give visibility to 17 Customers, 4 of which were included in the programme's schedule at BPI's specific suggestion.

Sponsorship of Major Fairs and Events: BPI sponsored and supported the sector's principal national initiatives, amongst which: Feira Nacional de Agricultura, Ovibeja, Congresso Nacional do Milho, Congresso CAP, SISAB, CIRAI and Blue Bio Alliance, amongst others.

Urban rehabilitation

"Growth begins in the cities": BPI's participation in the two sessions realised by the JESSICA Portugal Fund, with the aim of disseminating and promoting the European fund, sharing the experiences of companies and promoters.

BPI was also present at the four clarification sessions organised by Municipal Councils with a view to publicising the BPI JESSICA line.

Innovation and entrepreneurship

"BPI Innovation": cycle of 8 events held in partnership with COTEC, with the objectives of: i) publicising BPI's product range for innovative companies (BPI-EIF Innovation); (ii) promoting the enlargement of the SME Innovation network, boosting BPI's connection to COTEC; (iii) disseminating support programmes for innovation.

During the course of the year, BPI also participated in initiatives with the object of promoting BPI solutions for giving its backing to innovation and entrepreneurship amongst local business entities and associations.

SME Innovation COTEC-BPI Prize

BPI backed the 11th edition of the prize promoted by COTEC Portugal, which rewards a group of SME's with innovative attitudes and businesses, constituting examples of the creation of value for the country.

FAZ Entrepreneurship Innovation in the Portuguese Diaspora Prize

BPI promoted once gain the dissemination of the COTEC initiative which has as its object rewarding and publicly showcasing those Portuguese businessmen who have excelled overseas for their role as entrepreneurs, innovators and responsible people.

BPI Companies site

Several alterations were made to the BPI Companies site during 2015 with a view to improving the information available from the standpoint of maximising the creation of value added for its users.

Pages with content specially compiled for certain of the principal segments and key topics of companies were structured and updated.

- Portugal 2020 and PDR 2020: with information about the incentive systems, beneficiaries, aids, competitions, amongst others;
- Exports: with regular market updates covering various markets (Angola, South Africa, Saudi Arabia, Algeria, Brazil, China, Columbia, Morocco, Mexico, Mozambique, Peru, Turkey) and about the global context;
- Agriculture: with studies covering Agriculture, Forestry and Economy of the Sea;
- Other topics: PME Líder and PME Excelência statuses; credit-insurance solutions.

BPI Companies Newsletter

BPI makes available an electronic newsletter with information about products and services to the corporate segment, as well as analyses and other important information of current business affairs.

The newsletter was distributed to more than 50 thousand Companies and Small Businesses, with 10 editions having been issued during the year.

BPI NET EMPRESAS

BPI Net Empresas is BPI's Corporate Internet Banking service which permits an integrated management of accounts and carrying out a broad range of national and international operations in a rapid and convenient manner, always with the maximum security.

In addition, it affords access to the digital documents file in a simple, free, ecological and secure manner, with the possibility of subscribing to the digital format of documents.

At BPI Net Empresas security is maximised by the use of the most advanced data-protection technological complemented by Access Keys and the Personal Coordinates Card.

The 2015 DataE survey recognises once again that BPI's homebanking service responds unequivocally to companies' needs. BPI leads in "Penetration of Net Banking".

This leadership demonstrates that the various developments made over the past years with the aim of better responding to the needs of companies, were well received by Customers.

After far-reaching changes to the foreign functionalities, specially thought out for companies with international operations, 2015 was marked by the implementation of several improvements relating to treasury management.

Functionalities related to Direct Debits SEPA, payment of services (to the State and other), advances against post-dated cheques, management and consultation of effects, amongst others, were introduced and developed.

Bancassurance

In the insurance area, BPI has a strategic partnership with the sector's world leader – the German Allianz group. This association has been cemented through BPI's 35% stake in the capital of Allianz Portugal, and in a distribution agreement in terms of which insurance policies are marketed via the Bank's commercial network.

BPI individual, corporate and small business Customers thus have at their disposal an extensive range of insurance products for individuals, companies and small businesses. This range includes both life assurance – death and disability insurance – and the other non-life branches – motor insurance, multi-risk insurance, work accident, engineering, agriculture, public liability, theft, personal accident, unemployment and sickness.

Bancassurance's performance in 2015 is reflected in the following indicators: the amount of commissions rose to 41.3 M.€; insurance premiums totalled 152.1 M.€; at the end of the year, the number of active insurance policies stood at 431 thousand in life assurance and 521 thousand in non-life insurance.

Commissions
Intermediation of insurance products

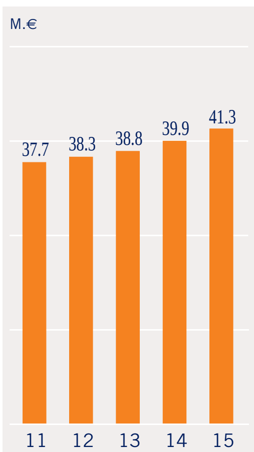


Chart 22

Insurance
Life-risk and non-life

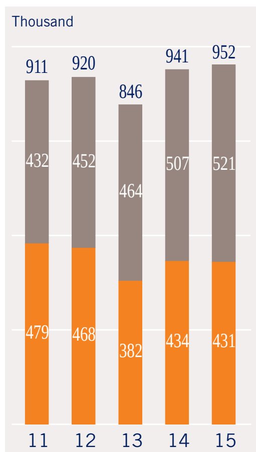


Chart 23

Non-life insurance
Life-risk insurance

Asset management

OVERVIEW OF OPERATIONS

At the end of 2015, BPI Gestão de Activos (Asset Management) had under management 11 861 M.€ of financial assets, representing a very significant increase of almost 19% relative to 2014.

Assets under management Amounts in M.€

	2014	2015	Δ%
Unit trust (mutual) funds	2 285	3 310	44.9%
Real estate unit trust funds	178	344	94.0%
Pension funds	2 249	2 419	7.6%
Capitalisation insurance	5 288	5 843	10.5%
Institutional Customers	316	367	16.3%
Total[1]	**10 001**	**11 861**	**18.6%**

Table 13

BPI's Asset Management business grew for the second consecutive year. On the domestic market, BPI's Asset Management attained market shares in 2015 of 23.3% in the management of unit trust (mutual) funds (second place in the market), 13.4% in pension fund management (third place) and 20.2% in the new contracting of life assurance (second place).

Since the beginning of 2014 BPI's Asset Management business has focused on diversified investment solutions (in the form of unit trusts, PPR (retirement savings plans) or unit-link insurance) and on niche products where there is an evident value added in their management.

Assets under management

2011-2015

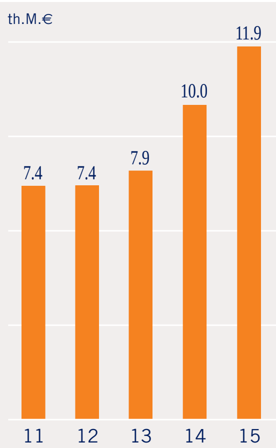


Chart 24

Assets under management breakdown

At 31 Dec. 15

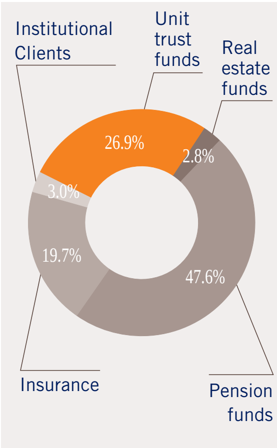


Chart 25

UNIT TRUST FUNDS

The amount of unit trust (mutual) funds under BPI's management increased by around 45% in 2015.

Considering just the national market, BPI Gestão de Activos posted growth of 46%, well above the value recorded by the local market (+3.2%). At the end of 2015, the Management Company recorded a 23.3% share, retaining second place in the ranking.

Unit trust funds under management Amounts in M.€

	2014	2015	Δ%
Bonds and money market	872	1 268	45%
Capital growth (equities)	536	655	22%
Tax efficiency (PPR/E and PPA)	678	1 055	56%
Diversification	198	333	68%
Total	**2 285**	**3 310**	**45%**

Table 14

The expansion in 2015 was noted in all the fund categories, with the Bonds and Money Market category presenting 45% growth, thanks chiefly to the contribution from the BPI Liquidez and BPI Monetário funds, which rose by 60% and 42%, respectively.

The capital-growth class (equities) increased 22%. There were good performances from the BPI África and BPI Alternative Fund funds– both domiciled in Luxembourg – with growth rates of 123% and 80%, respectively. The overall growth was however affected by the negative performance of the BPI África Nacional and BPI Brasil Valor funds, which recorded declines of 48% and 54% respectively. It should be noted that this class benefited from a new product, BPI Agressivo, which totalled 1.6 M.€ at the end of the year.

The Tax Efficiency category (PPR/E and PPA) also benefited from a very favourable behaviour, with 56% growth, with the largest percentage gain being registered by BPI Reforma Segura PPR (118%).

The Diversification category was however the one which grew the most in relative terms due to the launching of two new funds – BPI Moderado (Moderate) and BPI Equilibrado (Balanced), which attained a total under management of 171 M.€ at the end of the year.

1) Adjusted to eliminate duplications.

REAL-ESTATE UNIT TRUST FUNDS

The real-estate unit trust funds also presented a very positive performance (94%), at the same time as the national market registered a 2.1% decline in the total of open-ended funds. BPI's market share in the management of this category of funds stood at 8.9% at the end of 2015, climbing from twelfth to third place in the ranking.

INSURANCE

In 2015 BPI Vida e Pensões focused strongly on the sale of unit-linked insurance. New business written in this type of insurance increased 139.8% in 2015 to total 1 141 M.€.

It is worth underlining that in this type of insurance, the volume of BPI Vida e Pensões's premiums represents 52.6% of the total of the life market's new business written according to the latest data released by ASF – Autoridade de Supervisão de Seguros e Fundos de Pensões.

It is also worth noting that in the insurance market, there was a significant decrease in the new contracting of capital-guaranteed products in the order of 22.6%.

Considering insurance products as a whole, there was a 10.5% increase in the volume of assets under management when compared with the preceding year, which were situated at 5 843 M.€ at 31 December 2015.

PENSION FUNDS

At the end of the year, BPI Vida e Pensões was responsible for 35 pension funds of 269 companies with overall net assets of 2 419 M.€. During the year BPI Vida e Pensões registered a 7.6% increase in Pension Funds' assets under management, which compares with the market growth of 3.1%.

Pension Funds under management Amounts in M.€

	2014	2015	Δ%
Close-ended pension funds	1 898	2 030	6.9%
Open-ended pension funds	347	386	11.2%
PPR pension funds	4	3	(18.3%)
Total	**2 249**	**2 419**	**7.6%**

Table 15

During 2015, pursuant to specific legislation, the Fundo de Pensões ENVC and the Fundo de Pensões Gestnave were wound up.

BPI Vida e Pensões occupied third place in the ranking of Pension Funds managers in terms of the volume of assets under management at the close of 2015 with a 13.4% market share. In the management of Open-ended Pension Funds, BPI Vida e Pensões occupies second position in the ranking with a market share of 24.3%.

Pension funds under management
2011-2015

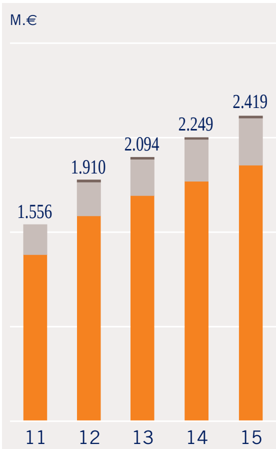


Chart 26

PPR pension funds
Open-ended pension funds
Close-ended pension funds

New contracting unit-link insurance

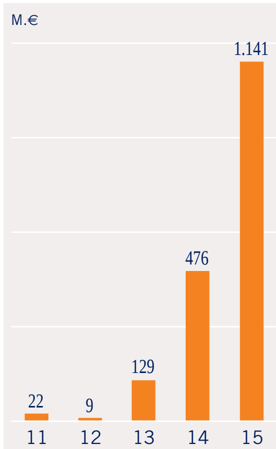


Chart 27

Investment banking

CORPORATE FINANCE

Based on the figures reported by Bloomberg relating to the deals announced in 2015 as financial advisor, Mergers and Acquisition activity in Portugal[1] recorded an increase in the number of deals (+45% to 16 operations) relative to 2014, although with a decrease of around 60% in overall value terms (mainly due to a very large deal in 2014).

BPI Corporate Finance provided financial advisory services covering a significant group of operations, amongst which assistance services in the takeover bid for Semapa shares, in the form of a swap for the shares in Portucel, S.A., in which it acted as global coordinator, the conclusion of the advisory mandate from the Arié Group in the acquisition of Barreiros Faria (Perfumes & Companhia), advising Winterfell in the acquisition of a majority stake in Efacec Power Solutions and the overall coordination of the Mota-Engil capital increase at the end of 2015. 2015 also saw the conclusion of advisory services to the consortium led by Suma in the privatisation of EGF and to the Nors Group in the acquisition of Renault Trucks Portugal.

Besides these operations, BPI provided various other advisory services as part of investment and financing decision-taking by Clients (in Portugal and overseas), in the economic-financial analysis, valuations and in corporate restructurings to a number of national and international entities. The most noteworthy amongst others were the privatisation of the Lisbon Oceanarium, where BPI advised the Parques Reunidos Group in analysing the operation; an investment in Portugal by China Three Gorges; the privatisation of CP Carga, in which it advised the potential interested party; as well as advisory services to the Vicaima, Bensaude, Partex, Ibersol, Ascendum, Salvador Caetano and Sonae groups.

MOTA-ENGIL, SGPS, S.A.

Global coordinator
Mota-Engil capital
increase

2015

BPI

efacec

Advising on the acquisition
of a majority interest
in Efacec

2015

BPI

PERFUMES & COMPANHIA

Advising the Arie Group
on acquisition of the capital
of Barreiros Faria

2015

BPI

Semapa

Organization and
support in Public
Acquisition Offer

2015

BPI

SUMA

Advising on the privatization
of EGF – Empresa Geral
do Fomento

2015

BPI

NORS
We Know How

Advising on the acquisition
of Renault Trucks Portugal
business

2015

BPI

1) Operations in which the target and / or purchaser is Portuguese.

EQUITIES

Secondary market

In 2015 BPI brokered share dealings worth 7.3 th.M.€ (7.9 th.M.€ in 2014). In online stock brokerage, in which Banco Português de Investimento acts as a financial intermediary, BPI was market leader with a share of 19.7%, having brokered 2.1 th.M.€.

Primary market

In 2015 BPI acted as Joint Global Coordinator in the Mota Engil's 81 M.€ capital increase (of which 77 M.€ was in the form of consideration *in specie* by the principal shareholders), and as Sole Book runner in the Accelerated Book building of 5.56% of Corticeira Amorim (32 M.€).

Research and sales

BPI continues to be one of the research houses with the largest coverage of quoted companies in the Iberian market, with a total of 62 companies covered in Spain and 21 in Portugal at the end of 2015. It published 657 research reports during 2015.

BPI continued to organise numerous events with the goal of fostering closer relations with companies and the institutional investor community. Amongst these, it is worth noting the XII Iberian Conference held in Oporto on 9, 10 and 11 September, at which 49 companies (46 Iberian and 3 French) and 77 European and North American institutional investors were present, as well as representatives of the Portuguese government. Furthermore, BPI organised several roadshows with companies forming part of its coverage universe. In 2015, BPI was also the broker chosen as co-organiser of the Euronext Pan-European days Conference, an event that took place in New York and Boston from 1 to 4 June, where 14 Portuguese companies were present.

At the close of 2015, the Iberian team was composed of 31 Employees, of whom 16 were allocated to the Research team, 13 to Sales and Trading and 2 to the Equity Capital Markets. This team was once again well placed in the rankings of Iberian brokers, with special mention of the Institutional Investors (#2 Iberian Research Team in 2015) and the NYSE Euronext (Most active Research House 2014 – Portugal; Most Active Trading House in Shares – EnterNext 2014 – Portugal).

BPI Capital Africa

BPI Capital Africa, a member of the Johannesburg Stock Exchange, continued to expand its stockbroking business for institutional investors. From its offices in Cape Town, BPI Capital Africa currently covers 80 stocks, including a number of companies quoted on sub-Saharan stock markets (South Africa, Botswana, Ghana, Mauritius, Mozambique, Nigeria, Kenya, Ruanda, Senegal, Tanzania, Uganda, Zambia and Zimbabwe) and maintained active contact with some 200 institutional investors, based in South Africa and in various international markets.

During 2015, BPI Capital Africa once again occupied a prominent place in the rankings of FM research in South Africa, namely #3 in the packaging sector, #5 in the industrial sector, #5 in the construction sector, as well as #3 in sub-Saharan Africa.

At the end of 2015, the BPI Capital Africa team was composed of 17 staff (from South Africa, England, Mozambique, Nigeria, Portugal and Zimbabwe).

Trading

The principal trading activity was concentrated at BPI Alternative Fund – Iberian Equities Long Short, whose management is subcontracted to Banco Português de Investimento. The fund's good performance since its creation contributed to the increased placing of the participating units with the Customer base. At the end of 2015, the fund's assets under management amounted to 340 M.€, with the BPI Group having an economic exposure of 23.6% to the fund's participating units. The fund turned in a positive performance of 6.6% in 2015, net of commissions.

PRIVATE EQUITY

The Group's private equity business is conducted by BPI Private Equity, essentially by means of the investment in venture capital funds, and a 49% shareholding in Inter-Risco, a venture-capital fund manager. BPI Private Equity also has its own portfolio of investments which it manages directly.

At the end of 2015, the overall portfolio of the Group's private equity assets, comprising its own portfolio and the participating interests in the venture-capital funds, totalled some 87 M.€ at balance sheet values. The participating units in the venture-capital funds corresponded at the end of December 2015 to:

- 17.9% in the capital of the Fundo Pathena SCA SICAR (Fundo Pathena) corresponding to the investment of 10 M.€ made by BPI Private Equity in July 2015. The Fund's investment profile corresponds to information technology companies (in late early stage and expansion / growth) with head office in the European Union and special focus on Portugal.

  The Fund was created in March 2013, with its final closing taking place in July 2015. At the end of December 2015, the Fund had a subscribed capital of some 55 M.€, about 26% of which has been paid up;
- the 52.0% interest in the Fundo Caravela – Fundo de Capital de Risco with a capital of 30 M.€, promoted by BPI and managed by Inter-Risco. This fund is in the disinvestment stage;
- the 46% interest in the Fundo Inter-Risco II, managed by Inter-Risco. In 2015 the investors approved a capital reduction to 69.5 M.€. The Fund has, besides BPI's participation of 32 M.€, other key investors such as the European Investment Fund and the Fundação Calouste Gulbenkian. The fund follows a generalist sectorial approach, focused on buyout and build-up investments in unlisted small and medium-sized Portuguese companies. This Fund entered into the disinvestment phase at the end of 2015;
- the 99.8% interest in the Fundo Inter-Risco II CI, launched in July 2013 with a capital of 30.05 M.€, and with a subsidiary nature of Fundo Inter-Risco II, by way of investments in partnership with the latter. The investment period runs until the end of 2016. Inter-Risco, which holds the Fund's remaining capital, is the respective management company;
- 9% in the Fundo PVCi, a Fund with 111 M.€ managed by the European Investment Fund, directed at investments in private equity and venture capital funds in Portugal.

Besides the aforementioned funds, which are identified briefly next, the BPI Group also has investments in the European Investment Fund managed by the EIB, in F-Hitec managed by ES Ventures, in various FCR's (company recovery funds) managed by various entities (Oxycapital, ESCapital, Explorer Investments and Capital Criativo), as well as in funds managed by Portugal Capital Ventures.

Private Equity investments[1]

Invested funds		
Caravela Fund	52.0%	In the disinvestment phase
IR II Fund	46.0%	In the disinvestment phase
IR II CI Fund	99.8%	Fund with a subsidiary nature of the Fundo IR II and which has as its mission the realisation of investments in partnership with this
PVCi	9.0%	Investment fund in private equity and venture capital funds in Portugal
Pathena Fund	17.9%	Investment fund in information technology companies (late early stage and expansion / growth) based in the member states of the European Union, with a focus in Portuguese companies or companies with a significant part of their activity in Portugal
Equity interests[2]		
Inter-Risco, S.A.	49.0%	Venture capital fund manager

1) Excludes direct holdings in companies which are not venture capital firms.
2) Also includes the participation of 9.2% in Conduril (civil engineering and public works) and 2.72% in Corporación Financiera Arco after the sale in February 2015 of the 20% shareholding in Caravela Gest SGPS, S.A. (holding the food retail area, which holds the master franchise Haagen Dazs in Portugal).

International operations

BANCO DE FOMENTO ANGOLA

At the close of 2015, BFA had total assets of 7 957 M.€, a headcount of 2 610 Employees and a distribution network made up of 191 units serving more than 1.4 million Customers.

Resources

Customer resources recorded a 7.3% year-on-year decrease to be situated at 6 860 M.€ in December 2015.

The year-on-year behaviour of deposits expressed in euro (consolidation currency) is penalised by the kwanza's 15% depreciation against euro, while on the other hand it benefits from the dollar's 11% appreciation relative to the euro.

When measured in the respective deposit-taking currencies, the resources in kwanza (which represent c.2/3 of total resources) increased by 11% year-on-year, and Customer resources taken in USD (c.1/3 of the total) shrank by 20% year-on-year.

The securities portfolio held by Customers increased 130% in 2015, standing at 1 247 M.€ at the end of the year.

Loans

The loans and guarantees portfolio, measured in euro, contracted by 18.5% to 1 494 M.€ in December 2015.

When measured in the respective lending currencies, the loan portfolio's growth was:

- the portfolio of loans advanced in kwanza (roughly 1/2 of the portfolio total) recorded a 19% drop which is explained by the conversion into Treasury Bonds of the interim tranche in AKZ of a loan granted to the Angolan State in 2014;
- the loan portfolio in dollars (roughly 1/2 of the total) decreased 4.0% year-on-year.

At the close of 2015, around 3/4 of the loan and guarantees portfolio corresponded to the corporate segment and the remaining 1/4, to the individuals' segment.

Banco de Fomento Angola
Selected indicators

Amounts in M.€

	2014	2015	Δ%
Net total assets	8 394	7 957	(5.2%)
Loans to Customers	1 833	1 494	(18.5%)
Loans to Customers and guarantees	2 321	1 879	(19.0%)
Customer resources	7 396	6 860	(7.3%)
Bonds held by Customers (TBonds and TBills)	541	1 247	130.2%
Shareholders' equity	835	855	2.5%
Net profit	246	282	14.8%
Contribution for BPI consolidated result	117	136	16.1%
Employees (no.)	2 526	2 610	3.3%
Branches (no.)	186	191	2.7%
ATM machines (no.)	371	375	1.1%
POS (no.)	6 564	9 157	39.5%
Customers (thousand)	1 301	1 410	8.4%

Table 16

Customer loans

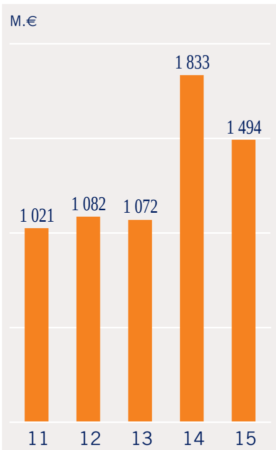


Chart 28

Customer resources

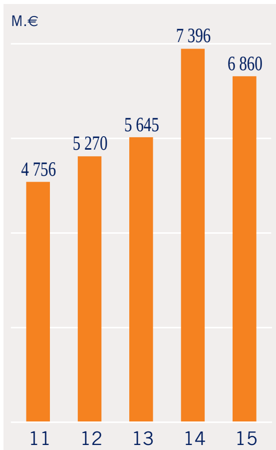


Chart 29

Cards and automated banking

BFA has a leading position in debit and credit cards in Angola, with more than 1 million valid debit cards at the end of 2015, which corresponded to a market share of 21.9%, and with close to 17 097 active credit cards (Classic and Gold).

The Bank maintained a prominent position in the stock of active TPA devices and ATM facilities in 2015, closing the year with 9 157 TPA terminals corresponding to the top spot with a 26.5% market share, and 375 ATM machines, which corresponds to second position with a 14.1% market share.

Securities portfolio

BFA's securities portfolio totalled 3 314 M.€ at the end of 2015. Around 26% of the securities portfolio comprised Angolan Treasury Bills, while the remaining 74% corresponded to Angolan Treasury Bonds with maturities ranging from 1 to 7 years.

Customers

The inflow of new Customers totalled 110 thousand in 2015. At the end of 2015, BFA Customers numbered a total of 1 410 thousand.

The homebanking service has been growing, registering a total of 65 thousand new users in 2015. At the end of the year the number of users totalled 570 thousand, which represented 40% of the total Customer base.

Employees

At the end of 2015, BFA's staff complement stood at 2 610, representing an annual increase of 3.3%.

Commercial network

BFA has an extensive and specialised distribution network, with a strong presence in Luanda and which ensures broad coverage of the entire Angolan territory. At the end of 2015 it comprised 166 branches, 9 investment centres and 16 corporate centres.

Customers

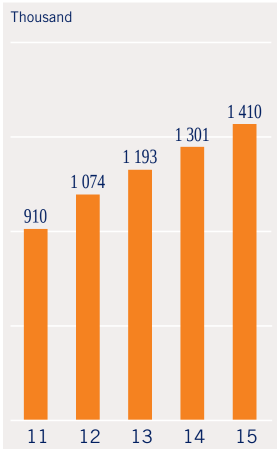


Chart 30

Subscribers of homebanking services

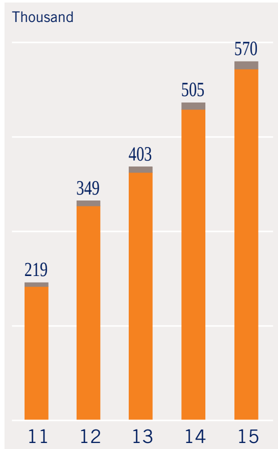


Chart 31

■ BFA NET Empresas
■ BFA NET Particulares (individuals)

Commercial network

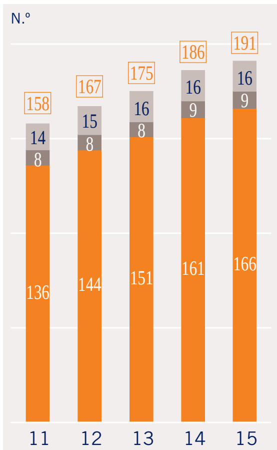


Chart 32

■ Corporate centres
■ Investment centres
■ Retail branches

Employees

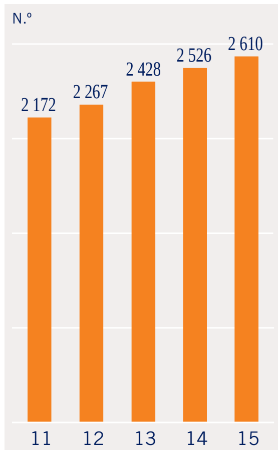


Chart 33

CAMPAIGNS

BFA APP

Download now

The BFA App Campaign – Download Now was intended to publicise the new application for smartphones which the Bank made available to its Customers and the public in general: the BFA App, which aims to make the carrying out of banking operations and / or the consultation of useful information about BFA even more user friendly.

BFA App – download now

PAYMENT OF TAXES

Campaign which had as its goal disseminating the functionality Payment of Taxes via the Internet Banking service.

Pay your taxes with a click
Enter BFA Net and click

TALK TO US

BFA attendance line

The Talk to Us Campaign – BFA Attendance Line had as its objective disseminating the Bank's Attendance Line, 923 120 120, showcasing it as a preferential communication channel for assisting the Customer, namely for the clarification of doubts about BFA products and services and in the management of complaints.

BFA attendance line – talk to us

PERSONAL LOANS FOR CIVIL SERVANTS

Without surety

Digital Campaign aimed at facilitating access to personal loans without the need for a surety. This loan is reserved solely for civil servants, whose entity has a protocol with BFA.

Loans for Civil Servants – now without surety

ROAD LEVY

In its role of authorised agent, BFA realised a campaign with the object of promoting the sale of Road Levy stamps relating to 2015.

BFA was the agent with the biggest number of sales in 2014 / 2015.

Buy here your car's levy stamp
It's so easy

NEW PRODUCTS / SERVICES

BFA APP

First mobile application

BFA unveiled at FILDA 2015 its first mobile application. The BFA App is an application for Customers and non Customers and allows any user to access BFA from mobile phones and tablets. It provides useful information, such as the most used transactional functionalities on BFA Net. It is a secure application, adhering to the same rules and security standards which are associated with the BFA Net service.

MULTICAIXA D'AGOSTO CARD

BFA launched the first co-branding Debit Card with Clube 1.º D'Agosto: Multicaixa D'Agosto. The Multicaixa D'Agosto Card is a personalised debit card in kwanza for BFA Customers and members of the Clube 1.º D'Agosto.

DIGITAL DOCUMENTS

New functionality of BFA Net

BFA made available the Digital Documents functionality on its homebanking platform. This new functionality permits subscribers to BFA Net and BFA Net Empresas to consult and download proof of certain operations realised on those channels.

e-FORMAR

Online training platform

With the object of providing online training to all BFA Employees, the e-Formar platform was launched at the end of 2015. The first e-learning training course launched on e-Formar was about 'The evolution of the work post', imparting knowledge about the main novelties and benefits of Windows 8 *vis-à-vis* Windows XP.

RECOGNITION

The Banker

Bank of the Year in Angola 2015

BFA was honoured for the second time with the Award "Bank of the Year in Angola 2015", at an official ceremony at the Hilton Bankside, in London. "The Banker" is a British magazine dedicated to the financial market since 1926. It is present in more than 180 countries and is one of the principal sources of financial information, relying upon a unique data base with more than 4 000 Banks.

Sirius Award

Best Financial Sector Company

BFA was distinguished for the third time with the Award "Best Financial Sector Company", in the 5^{th} edition of the Sirius Awards, which was staged at the Hotel Epic Sana, in Luanda. The Jury judged the innovation, quality of products and services of the sector in Angola, the economic-financial performance and the contribution that BFA has made to encourage the population to resort to banking services.

EMEA Finance Magazine

Best Bank in Angola 2015

BFA was honoured by the magazine EMEA Finance, with the award "Best Bank in Angola" for the seventh time and for six years running. EMEA Finance is a magazine directed at the financial community in Europe, Middle East and Africa, which analyses and classifies the performances of the main banking institutions in several countries.

Capital Finance International magazine

Best Branch Network

BFA was awarded the prize for "Best Branch Network" by the magazine Capital Finance International. This distinction is based on the Bank's vast commercial network, composed of 190 Branches.

International Finance Magazine

Best Corporate Bank

The International Finance magazine rated BFA "Best Corporate Bank in Angola" for the third consecutive year. The International Finance Magazine is a British online publication with an audience of more than 180 countries which annually pays tribute to the best entrepreneurs in the financial sector in their different areas of specialisation.

The Banker Africa Awards

The Best Community Development Bank

BFA was ranked the "Best community development bank" by the Banker Africa magazine. This honour is based on the analysis of the Bank's information in various platforms, such as: Magazines, Reports, Newsletters, Sites, Events and Advertisements.

Euromoney Awards for Excellence 2015

Best Bank in Angola

BFA was voted the Best Bank in Angola 2015 by the Euromoney Awards for Excellence. The criterion for awarding the prize is linked to the high levels of innovation services and experience that BFA has been developing and also the demonstration of leadership and dynamism in the market.

Superbrands

Brand of Excellence

BFA was distinguished for the fifth consecutive year with the title of Brand of Excellence by Superbrands, an independent international organisation dedicated to the promotion of brands. Superbrands Angola rewards Brands of Excellence for their performance on the national market.

Deutsche Bank

STP Excellence Award

Deutsche Bank awarded BFA for the 13th consecutive year the STP Award (Straight Through Processing) as a result of the high success rate in the automatic processing of foreign operations realised in 2014.

Global Banking and Finance Review

Best Commercial Bank in Angola

BFA was rated for the third consecutive year the "Best Commercial Bank in Angola" by the English portal Global Banking and Finance Review. The prime factors behind the accolade were the diversified range of products and services, the extensive branch network and the Corporate Social Responsibility Programme centred on Education, Health and Social Solidarity.

World Finance

Best Corporate Management

The magazine World Finance voted BFA as the bank with the "Best Corporate Management". In awarding the prize, World Finance used as the chief criteria the consolidation of operations, the contribution to the economic development of Angola and the creation of specific solutions for Customers.

BCI – BANCO COMERCIAL E DE INVESTIMENTOS

Total assets recorded annual growth of 6.5% relative to 2014, totalling 2 543 M.€. BCI reached leadership in 2015 in the financial system with market shares of 29.2% in lending, 28.8% in Customer deposits and 27.5% in assets.

Deposits

Deposits taken from Customers registered in 2015, when measured in euro, 2.7% growth, to total 1 838 M.€ BCI's deposits portfolio was affected by the metical's depreciation against the euro.

The market share in deposits was situated at 28.8% at the end of the year, which represents a share gain of 0.31 p.p. when compared with the figure at the end of 2014.

Loans

The Loans portfolio when expressed in euro shows a contraction of 2.6% to 1 402 M.€, having been affected by the negative exchange rate effect of the metical's deprecation. BCI's market share in the loans segment was situated at 29.2% in December (-0.45 p.p. relative to December 2014), retaining its leading position.

Distribution network

In 2015, BCI opened 25 new branches and closed 2 units. At the end of the year, the bank had a total of 191 distribution points, of which 164 are traditional branches, 26 Exclusive Centres and 1 Business Centre. On the other hand, BCI expanded its network of ATMs and APT terminals to 589 ATMs (+112 units *vs.* December 2014) and 8 646 APTs (+2 343 units *vs.* December 2014). The bank's Customer base climbed to around 1.3 million (+24.0%). These Customers were served at the end of the year by a total of 3 009 Employees.

Banco Comercial e de Investimentos
Selected indicators

Amounts in M.€

	2014	2015	Δ%
Net total assets	2 389	2 543	6.5%
Loans to Customers (net)	1 439	1 402	(2.6%)
Customer deposits	1 788	1 838	2.7%
Shareholders' equity	179	214	20.0%
Employees (no.)	2 456	3 009	22.5%
Branches (no.)	168	191	13.7%
ATM machines (no.)	477	589	23.5%
POS (no.)	6 303	8 646	37.2%
Customers (thousand)	1 036	1 285	24.0%
Foreign exchange rate EUR / MZN	40.84	50.04	22.5%

Table 17

Customer loans

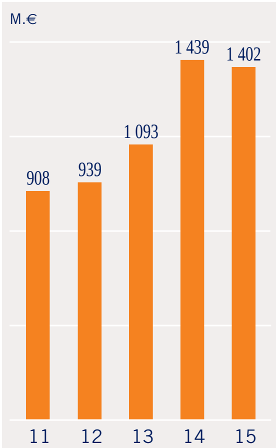


Chart 34

Customer deposits

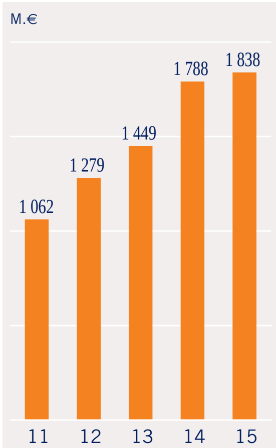


Chart 35

Financial review

Selected indicators

Amounts in M.€

	2014			2015		
	Domestic activity	International activity	Consolidated	Domestic activity	International activity	Consolidated
Net profit, efficiency and profitability						
Net profit	(289.7)	126.1	(163.6)	93.1	143.3	236.4
Net profit per share[1]	(0.204)	0.089	(0.115)	0.064	0.099	0.163
Cash flow after taxation	(62.7)	168.3	105.6	232.1	196.9	429.0
Net operating revenue	448.8	408.9	857.7	666.2	515.7	1 181.9
Net operating revenue per Employee[2] (thousands of euro)	73	165	99	112	199	138
Operating costs / net operating revenue[3]	79.4%	34.7%	61.6%	73.1%	33.6%	56.0%
Average total assets	35 918.3	7 101.4	42 201.9	34 070.0	8 189.0	41 659.0
Return on average total assets (ROA)	(0.8%)	3.5%	(0.1%)	0.3%	3.5%	0.9%
Average Shareholders' equity	1 852.2	385.7	2 237.9	1 793.0	470.4	2 263.3
Return on average Shareholders' equity (ROE)[4]	(15.6%)	32.7%	(7.3%)	5.2%	30.5%	10.4%
Assets quality						
Credit at risk	1 219.1	84.9	1 304.0	1 070.9	87.1	1 158.1
Credit at risk / Loans to Customers[5]	5.0%	4.4%	5.0%	4.5%	5.5%	4.6%
Coverage of credit at risk by impairments[6]	81%	102%	82%	85%	122%	87%
Net credit loss[7]	0.66%	1.30%	0.70%	0.38%	1.88%	0.48%
Pension liabilities						
Employee pension liabilities	1 278		1 278	1 280		1 280
Cover of pension obligations[8]	98%		98%	109%		109%
Capital						
Shareholders' equity and non-controlling interests	1 669	876	2 546	1 930	906	2 835
CRD IV / CRR phasing in						
Common equity Tier 1 ratio			10.2%[9]	11.0%	10.6%	10.9%
Leverage ratio			5.9%[9]			6.9%
CRD IV / CRR fully implemented						
Common equity Tier 1 ratio			8.6%[9]	9.9%	9.5%	9.8%
Leverage ratio			5.2%[9]			6.4%
Liquidity						
Liquidity coverage ratio (CRD IV / CRR fully implemented)			124%			113%
Net Stable Funding Ratio (CRD IV / CRR fully implemented)			99%			104%
Loans-to-deposits ratio	106%	25%	84%	107%	22%	85%

Note: figures as reported. The figures presented in the Directors' Report refer to the amounts as reported, except where it is expressly stated that they are proforma figures (taking into consideration the retrospective application of the requirements of IFRIC 21, as provided for by IAS 8; refer to the note to the financial statements 2.1 – Comparability of information (IFRIC 21)). The retrospective application of the requirements of IFRIC 21 has the following impacts using the consolidated figures at 31 Dec. 14: decrease in shareholders' equity of 16.5 M.€ and decrease of 0.9 M.€ in net income.

Table 18

1) Net profit divided by the average number of shares issued net of treasury stock.
2) Taking into consideration the number of Employees of the companies that use the full consolidation method.
3) Operating costs as a percentage of net operating revenue, excluding non-recurring impacts in costs and revenues.
4) In arriving at the ROE, account is taken of shareholders' equity before deducting the fair value reserve relating to the portfolio of available-for-sale financial assets.
5) Calculated in accordance with the definition in *Bank of Portugal Instruction 23 / 2011* and considering the consolidation perimeter in IAS / IFRS, in which BPI Vida e Pensões is consolidated by global integration and its loan portfolio is included in the consolidated loan portfolio (under the supervision perimeter of the Bank of Portugal, BPI Vida e Pensões is consolidated under the equity method). According to the *Instruction 23 / 2011* and considering the supervision perimeter, as of 31 Dec. 15, the consolidated credit at risk amounts to 1 158.1 M.€ and the consolidated credit at risk ratio amounts to 4.9%.
6) Cover by accumulated loans and guarantees impairment allowances in the balance sheet and without considering the effect of associated collaterals.
7) Loan impairments in the year, net of recoveries, as a % of the average loan portfolio.
8) The pension funds' figure taken into account includes the contribution transferred to the pension funds at the start of the following year (47.0 M.€ in 2014 and 1.3 M.€ in 2015).
9) Proforma figures taking into account the adherence to the special regime applicable to deferred tax assets and the change to the risk weightings applied to Banco BPI's indirect exposure to the Angolan State and to BNA.

CONSOLIDATED OVERVIEW

Consolidated results

BPI earned a consolidated net profit of 236.4 M.€ in 2015.

Net profit — Amounts in M.€

	2014	2015	2014 excl. non--recurring[1]	2015 excl. non--recurring[1]
Domestic activity	(289.7)	93.1	(25.5)	84.7
International activity	126.1	143.3	126.1	143.3
Consolidated	**(163.6)**	**236.4**	**100.6**	**228.0**

Table 19

Domestic operations contributed with 93.1 M.€.

International operations – which refer above all to the activity carried out in Angola via BFA and, on a smaller scale, in Mozambique through BCI – increased their contribution to consolidated net profit by 13.6% (+17.2 M.€) to 143.3 M.€.

Return on consolidated shareholders' equity

The return on consolidated shareholders' equity (ROE) was 10.4% in 2015.

The ROE on domestic operations, to which 79% of the Group's average shareholders' equity was allocated, was 5.2%.

The ROE generated by international operations, to which 21% of the Group's average shareholders' equity was allocated, was situated at 30.5%.

ROE by business area in 2015 — Amounts in M.€

			Domestic activity				International activity	BPI Group (consolidated)
			Commercial banking	Investment banking	Participating interests and other	Total		
Average risk weighted assets		1	**16 167.7**	**289.5**	**127.1**	**16 584.3**	**6 717.6**	**23 301.8**
Capital allocated		2	1 646.3	45.9	100.8	1 793.0	470.4	2 263.3
Capital reallocation		3	101.7	(14.6)	(87.1)	-	-	-
Adjusted Shareholders' equity for ROE calculation	[= 2 + 3]	4	**1 747.9**	**31.3**	**13.7**	**1 793.0**	**470.4**	**2 263.3**
Net profit		5	78.2	4.2	10.6	93.1	143.3	236.4
Adjustment to profit due to capital reallocation		6	0.6	(0.1)	(0.5)	-	-	-
Net profit (adjusted)	[= 5 + 6]	7	**78.9**	**4.1**	**10.1**	**93.1**	**143.3**	**236.4**
ROE	[= 7 / 4]	8	**4.5%**	**13.2%**	**73.6%**	**5.2%**	**30.5%**	**10.4%**

Calculation of ROE by business areas *Table 20*

The return generated by each area results from the quotient between the contribution and the average capital allocated to the area.
In determining the capital allocated to domestic activity, the accounting capital (shareholders' equity) before deducting the fair value reserve (negative) relating to the portfolio of available-for-sale financial assets, was taken into consideration. As regards each business area making up the domestic operations, it is assumed that the capital employed (before deducting the fair value reserve) is identical to the average capital employed for this activity as a whole. The amount of capital allocated to each area is calculated by multiplying the assets weighted by the quotient between shareholders' equity (before deducting the fair value reserve) and the assets weighted for the universe of the aforesaid areas. Whenever the shareholders' equity of a business area is more (or less) than the allocated capital using the above procedure, it is presumed that there has been a redistribution of capital, whereby that area's contribution is adjusted by the costs (revenue) resulting from the increase (decrease) in outside resources by virtue of the capital reallocation.

Geographical segmentation of the BPI Group's domestic activity
Domestic activity comprises the commercial banking activity conducted in Portugal, the provision of banking services to non-residents abroad – namely to Portuguese emigrant communities, and those of the Madrid branch –, and the activities relating to investment banking – conducted by Banco Português de Investimento –, private equity, asset management and insurance.
International operations comprise the activity conducted by Banco Fomento Angola, 50.1% held and consolidated in full, as well as well as the activity of Banco Comercial e de Investimentos (BCI) in Mozambique, in respect of which the appropriation of results by BPI results from the 30% shareholding held (equity accounted), the activity of BPI Moçambique – Sociedade de Investimento (100% held) and the activity of BPI Capital África in South Africa (100% held). International operations' contribution to net profit in 2015 from Banco Fomento Angola amounted to 135.7 M.€, from BCI was 9.4 M.€, from BPI Moçambique was -0.6 M.€ and from BPI Capital África was -1.3 M.€.

1) Refer to the description of non-recurring impacts in results in the page 81.

Consolidated income statement

Consolidated net operating revenue improved by 324 M.€ (+37.8%) to 1 182 M.€ in 2015. This advance is chiefly explained by the following contributions:

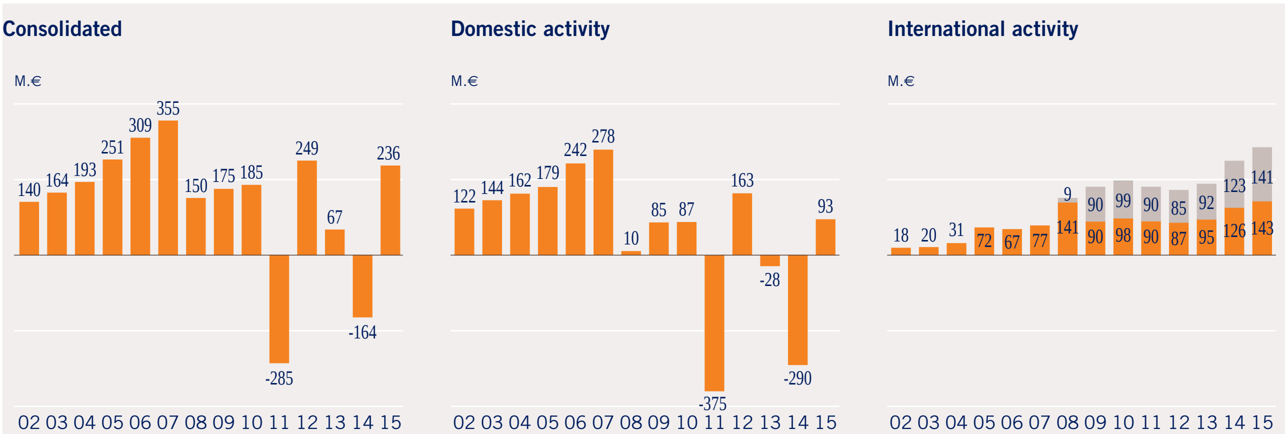
- the increase in consolidated net interest income of 149 M.€ (+29.0%), which is attributable to the expansion in net interest income from both domestic activity, of 28% (+77.5 M.€), founded mainly on the decrease in the cost of time deposits, and the 30% in international operations (+71.5 M.€);
- the higher profits from financial operations, up 170 M.€ to 195 M.€ in 2015, bearing in mind that in the previous year these included losses of 137.5 M.€ realised on the sale of Portuguese and Italian medium and long-term public debt.

Consolidated operating costs remained stable (-0.1%). Excluding early-retirement costs, operating costs rose by 3.9%. In domestic operations (excluding early-retirement costs) operating costs decreased by 1.3% while in international operations they posted a 22% rise which is essentially explained by the exchange-rate effect of the dollar's appreciation against the euro[1].

The expansion of the income base, coupled with the stabilisation in operating costs, were responsible for the improvement (reduction) of 5.6 p.p. in the efficiency ratio, which was situated at 56.0%[2] in 2015. The operating profit increased by 325 M.€, to 511 M.€.

BPI also registers an improvement in the consolidated indicators relating to credit quality. The credit-at-risk ratio improved from 5.0% in 2014 to 4.6% in 2015 while the respective impairments cover climbed from 82% to 87%.

Net results



Non-controlling interests
Net profit attributed to BPI

Chart 36

ROE

%	02	03	04	05	06	07	08	09	10	11	12	13	14	15
Consolidated	13.5	13.9	15.2	23.7	24.3	24.9	8.9	8.9	8.9	(13.5)	13.1	2.9	(7.3)	10.4
Domestic activity	13.3	13.1	13.6	18.8	22.1	23.4	0.7	4.9	4.7	(20.4)	10.2	(1.5)	(15.6)	5.2
International activity	15.2	24.9	38.6	66.8	37.1	32.2	43.1	41.6	42.8	33.8	27.4	28.4	32.7	30.5

1) The impact of the exchange rate euro / dollar in the evolution of BFA costs denominated in euro results from the fact that personnel costs are indexed to the dollar and that a significant part of the outside supplies and services are in foreign currency, due to the high dependence of the Angolan economy from imports of goods and services. When expressed in dollars, BFA costs increase by 2.5% in 2015.

2) Excluding non-recurring impacts both in costs and revenues.

Similarly, the cost of credit risk[1] also trended positively, improving from 176.7 M.€ in 2014 to 118.8 M.€ in 2015, thereby contributing 58 M.€ to the improvement in consolidated net profit before taxation.

As a percentage of the loan portfolio, credit-risk cost declined from 0.70% to 0.48%. Despite the decline relative to the peak of 0.96% recorded in 2013, that indicator is still situated above the historical figures registered by BPI (0.32% in the 10 years from 2002 to 2011[2]).

Impairments for loans and other purposes, net of recoveries, absorbed 27% of operating profit, with the result that profit before taxes amounted to 373 M.€ in 2015.

Consolidated net profit was 236.4 M.€, given that the profit before taxes is reduced by the charge for corporate income tax (29.1 M.€) and the appropriation of non-controlling interests' share of profits (140.8 M.€), corresponding essentially to the 49.9% equity interest held by Unitel in BFA, and increased by the equity-accounted results of subsidiaries (33.4 M.€, +28.0% relative to 2014).

Consolidated income statement

Amounts in M.€

			Proforma 2014[4]	2014	2015		
			Consolidated	Consolidated	Domestic activity	International activity	Consolidated
Net interest income (narrow sense)		1	485.3	485.3	316.4	308.2	624.6
Other income[3]		2	29.1	29.1	38.8	0.0	38.8
Net interest income	*[= 1 + 2]*	3	**514.5**	**514.5**	**355.2**	**308.2**	**663.4**
Technical result from insurance contracts		4	34.4	34.4	31.8	0.0	31.8
Commissions and other fees (net)		5	312.2	312.2	255.9	68.7	324.7
Profits from financial operations		6	24.9	24.9	47.9	146.7	194.6
Operating income and charges		7	(28.2)	(28.2)	(24.7)	(7.9)	(32.6)
Net operating revenue	*[= Σ 3 to 7]*	8	**857.7**	**857.7**	**666.2**	**515.7**	**1 181.9**
Personnel costs, excluding early-retirement costs		9	370.1	370.1	293.8	85.0	378.8
Outside supplies and services		10	238.2	238.2	177.3	71.9	249.2
Depreciation of fixed assets		11	30.8	30.8	19.8	16.4	36.1
Operating costs excluding early-retirement costs	*[= Σ 9 to 11]*	12	639.1	639.1	490.8	173.3	664.1
Early-retirement costs		13	32.5	32.5	6.5	0.0	6.5
Operating costs	*[= 12 + 13]*	14	**671.5**	**671.5**	**497.3**	**173.3**	**670.6**
Operating profit	*[= 8 - 14]*	15	**186.2**	**186.2**	**168.8**	**342.4**	**511.3**
Recovery of loans written-off		16	16.5	16.5	16.2	1.9	18.2
Loan provisions and impairments		17	193.2	193.2	103.4	33.6	137.0
Other impairments and provisions		18	45.3	45.3	15.9	3.6	19.5
Profits before taxes	*[= 15 + 16 - 17 - 18]*	19	**(35.8)**	**(35.8)**	**65.8**	**307.1**	**372.9**
Corporate income tax		20	31.6	30.7	(4.2)	33.3	29.1
Equity-accounted results of subsidiaries		21	26.1	26.1	23.1	10.3	33.4
Results attributable to non-controlling interests		22	123.3	123.3	0.0	140.8	140.8
Net profit	*[= 19 - 20 + 21 - 22]*	23	**(164.6)**	**(163.6)**	**93.1**	**143.3**	**236.4**
Cash flow after taxes	*[= 23 + 11 + 17 + 18]*	24	**104.7**	**105.6**	**232.1**	**196.9**	**429.0**
Note:							
Non-recurrent impacts		25		(264.3)	8.4		8.4
Net profit excl. non-recurring impacts		26		**100.6**	**84.7**	**143.3**	**228.0**

Table 21

1) Loan impairments, net of recoveries.
2) Period prior to the maximum figures attained in 2012 (0.92%) and 2013 (0.96%).
3) Unit links gross margin, income from equity instruments and commissions associated with amortised costs (net).
4) 2014 proforma due to the retrospective application of the requirements of IFRIC 21, as provided for by IAS 8. According to the new IFRIC 21 rules, in terms of which the event that creates the obligation and gives rise to a liability corresponding to the payment of a levy is the activity which triggers the payment of the levy, Banco BPI changed the manner in which it records the following levies: periodic contribution to the Resolution Fund, periodic contribution paid to the Deposit Guarantee Fund and the extraordinary contribution levied on the banking sector. See note 2.1 to the financial statements – Comparability of information (IFRIC 21).

Consolidated balance sheet

At the close of 2015, consolidated assets totalled 40.7 th.M.€ while consolidated shareholders' equity attributable to BPI shareholders stood at 2.4 th.M.€.

Total assets deployed in domestic operations were 33.3 th.M.€. The domestic operations balance sheet essentially reflects the intermediation business with Customers: Customer resources funded 75% of assets, with Customer loans representing 68% of those assets. In its off-balance sheet accounts, the Bank had under management 4.5 th.M.€ of Customer resources.

The international operations' balance sheet presents a high level of capitalisation and liquidity. Total assets were 8.0 th.M.€ whose funding is wholly funded by Customer deposits and shareholders' equity. BFA's business is founded on the taking in of Customer deposits and the application of a portion of those resources in loans (22% of deposits), while surplus liquidity is invested in Angolan State securities, in placements at the BNA (Central Bank) and on the international banking market.

Consolidated balance sheet
At 31 December 2015

Amounts in M.€

	Domestic activity[1]	International activity[1]	Consolidated
Assets			
Loans to Customers	22 788.1	1 493.6	24 281.6
Financial assets' portfolio[2]	6 892.5	3 313.9	10 206.4
Other	3 590.4	3 214.3	6 185.3
Total assets	**33 271.0**	**8 021.7**	**40 673.3**
Liabilities and shareholders' equity			
Deposits	18 777.2	6 860.0	25 637.1
Other Customer Resources[3]	6 211.6		6 211.6
Other	6 352.6	255.9	5 989.1
Shareholders' equity attributable to BPI shareholders	1 927.8	479.0	2 406.9
Non-controlling interests	1.8	426.8	428.6
Total Shareholders' equity and non-controlling interests	**1 929.6**	**905.9**	**2 835.5**
Total liabilities and Shareholders' equity	**33 271.0**	**8 021.7**	**40 673.3**
Guarantees	1 443.0	385.7	1 828.8
Off-balance sheet Customer resources	4 474.2		4 474.2

Table 22

Consolidated balance sheet structure in 2015

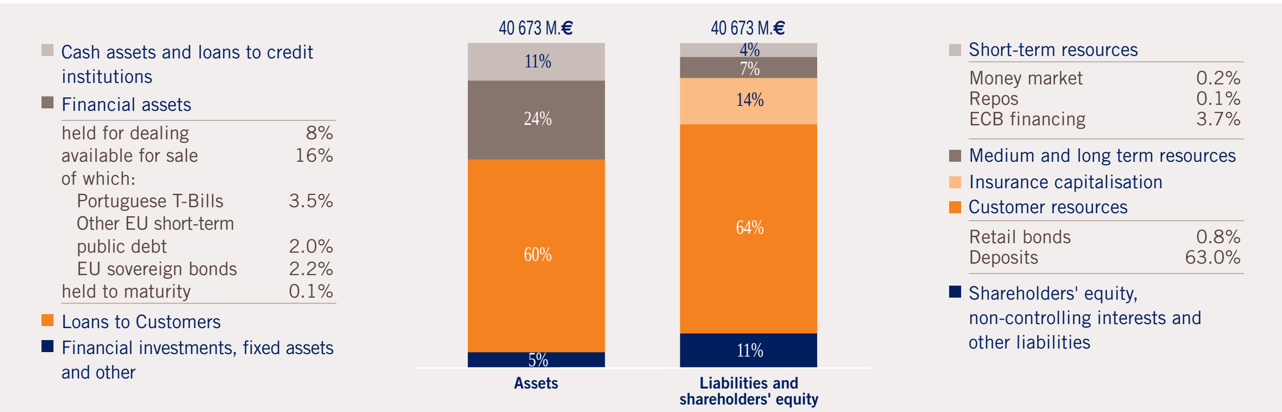


Chart 37

1) Balances not corrected for operations between these segments.
2) Financial assets held for trading, available for sale and held to maturity.
3) Capitalisation insurance, public debt placed with Customers and other on-balance sheet Customer resources.

Consolidated balance sheet

Amounts in M.€

			Proforma 2014[1]	2014	2015		
			Consolidated	Consolidated	Domestic activity[2]	International activity[2]	Consolidated
Assets							
Cash, deposits at central banks and deposits and loans to credit institutions		*1*	4 863.5	4 863.5	2 164.6	2 989.9	4 570.3
Loans and advances to Customers		*2*	25 269.0	25 269.0	22 788.1	1 493.6	24 281.6
Financial assets held for dealing		*3*	3 017.7	3 017.7	3 147.1	527.5	3 674.6
Financial assets available for sale		*4*	7 525.8	7 525.8	3 723.0	2 786.4	6 509.4
Investments held to maturity		*5*	88.4	88.4	22.4	0.0	22.4
Investments in associated companies and jointly controlled entities		*6*	213.0	213.0	146.1	64.3	210.4
Other		*7*	1 651.5	1 651.5	1 279.7	160.0	1 404.5
Total assets	*[= Σ 1 to 7]*	*8*	**42 628.9**	**42 628.9**	**33 271.0**	**8 021.7**	**40 673.3**
Liabilities and shareholders' equity							
Resources of central banks		9	1 561.2	1 561.2	1 520.7	0.0	1 520.7
Credit institutions' resources		*10*	1 372.4	1 372.4	1 895.7	0.3	1 311.8
Customer resources and other loans		*11*	28 134.6	28 134.6	21 264.8	6 913.0	28 177.8
Debts evidenced by certificates		*12*	2 238.1	2 238.1	1 077.4	0.0	1 077.4
Technical provisions		*13*	4 151.8	4 151.8	3 663.1	0.0	3 663.1
Financial liabilities associated to transferred assets		*14*	1 047.7	1 047.7	689.5	0.0	689.5
Other subordinated loans and participating bonds		*15*	69.5	69.5	69.5	0.0	69.5
Other		*16*	1 524.3	1 507.8	1 160.6	202.5	1 327.9
Shareholders' equity attributable to BPI shareholders		*17*	2 110.9	2 127.4	1 927.8	479.0	2 406.9
Non-controlling interests		*18*	418.3	418.3	1.8	426.8	428.6
Total Shareholders' equity and non-controlling interests	*[= 17 + 18]*	*19*	**2 529.2**	**2 545.6**	**1 929.6**	**905.9**	**2 835.5**
Total liabilities and Shareholders' equity	*[= Σ 9 to 18]*	*20*	**42 628.9**	**42 628.9**	**33 271.0**	**8 021.7**	**40 673.3**
Note: bank guarantees		*21*	2 168.7	2 168.7	1 443.0	385.7	1 828.8
Off-balance sheet Customer resources[3]		*22*	3 216.2	3 216.2	4 474.2		4 474.2

Table 23

1) Proforma in Dec. 2014 due to the retrospective application of the requirements of IFRIC 21, as provided for by IAS 8. See note 2.1 to the financial statements – Comparability of information (IFRIC 21).
2) The Domestic and International Operations' balance sheets presented above are not corrected for the balances resulting from operations between those segments.
3) Unit trust funds, PPR and PPA, and assets under BPI Suisse's management. Figures net of the participation units in the Group banks' portfolios.

GROUP CAPITAL

Accounting shareholders' equity

Accounting shareholders' equity amounted to 2 835 M.€ at the end of 2015, and corresponded to 7.0% of consolidated assets.

Accounting shareholders' equity comprised:

- shareholders' equity attributable to BPI shareholders of 2 407 M.€. At the end of 2015, 80% of shareholders' equity was allocated to domestic activity, with the remaining 20% being employed in international activity;
- non-controlling interests of 429 M.€ corresponding essentially to Unitel's 49.9% shareholding in BFA (427 M.€).

Selected indicators — Amounts in M.€

	2015
Shareholders' equity	
Shareholders' equity	2 406.9
Shareholders' equity and non-controlling interests	2 835.5
Regulatory capital – phasing in	
CET1	2 574.3
CET1 ratio	10.9%
Leverage ratio	6.9%
Regulatory capital – fully implemented	
CET1	2 313.4
CET1 ratio	9.8%
Leverage ratio	6.4%

Table 24

Shareholders' equity and non-controlling interests trend in 2015 — Amounts in M.€

			Shareholders' equity attributable to BPI shareholders	Non-controlling interests	Total
Shareholders equity at 31 December 2014		*1*	**2 127.4**	**418.3**	**2 545.6**
Impact of the application of IFRIC 21		*2*	(16.5)		(16.5)
Shareholders equity at 31 December 2014 Proforma	*[= 1 + 2]*	*3*	**2 110.9**	**418.3**	**2 529.2**
BFA dividends paid to minorities		*4*		(64.2)	(64.2)
Net profit		*5*	236.4	140.8	377.2
Change in the fair value reserve, net of deferred taxes		*6*	40.5		40.5
Actuarial variances, net of deferred taxes		*7*	102.5		102.5
Exchange translation differences of foreign companies		*8*	(77.0)	(66.2)	(143.2)
Revaluation reserves of insurers		*9*	(5.8)		(5.8)
Other		*10*	(0.7)	(0.0)	(0.8)
	[= Σ 4 to 10]	*11*	**296.0**	**10.4**	**306.3**
Shareholders equity at 31 December 2015	*[= 3 + 11]*	*12*	**2 406.9**	**428.6**	**2 835.5**
Of which:					
Domestic activity			1 927.8	1.8	1 929.6
International activity			479.0	426.8	905.9

Table 25

The shareholders' equity attributable to BPI shareholders increased by 296 M.€ in 2015. The main factors explaining that situation were:

With positive impact,

- net profit generated in the year of 236.4 M.€;
- the positive change in the fair value reserve of 40.5 M.€, which primarily reflects the appreciation in the value of the securities held in portfolio, above all of Portuguese and Italian public debt, as a result of the decline in the respective yields on the secondary market;
- the positive actuarial variance of 102.5 M.€ (net of deferred taxation). This resulted from the fact that the return of 14% earned by the Employee pension funds in 2015 was higher than the discount rate. It should be noted that, in terms of regulatory capital (CET1) this impact was in large part neutralised, given that the return generated a surplus of pension fund funding of a similar amount, which is deducted in the computation of CET1 capital.

With negative impact,

- the currency revaluation of the shareholdings in the African banks, which had a negative impact of 77 M.€ due primarily to the 15% depreciation of the kwanza and the 18% depreciation of the metical against the euro (consolidation currency). Of that figure, 66 M.€ resulted from the conversion to euro of the shareholding in BFA and 13.4 M.€ from the conversion to euro of the shareholding in BCI.

Capital ratios

At 31 December 2015, the common equity Tier 1 capital (CET1) calculated according to the CRD IV / CRR rules applicable in 2015 totalled 2.6 th.M.€, which corresponded to a CET1 ratio of 10.9%. The CET1 capital in domestic operations amounted to 1.7 th.M.€ and corresponded to a ratio of 11.0%, while CET1 capital in international operations amounted to 0.9 th.M.€ and corresponded to a 10.6% ratio.

Fully-implemented CET1 capital (that is, without benefiting from the phasing in envisaged in those rules) amounted to 2.3 th.M.€, while the CET1 ratio was 9.8%. In domestic operations, the CET1 ratio was 9.9% and 9.5% in international operations.

With effect from 1 January 2015, the ratios incorporate two regulatory alterations:

- adherence to the special deferred tax assets (DTA) regime approved at the Shareholders General Meeting held on 17 October 2014. At 31 December 2015, the positive impact on fully-implemented CET1 was 220 M.€ corresponding to an impact on the CET1 ratio of +0.9 p.p.
- the application of the new risk weightings applied to BFA's exposure, expressed in Kwanza, to the Angolan State and to the BNA.

Common Equity Tier 1 ratio
At 31 December 2015

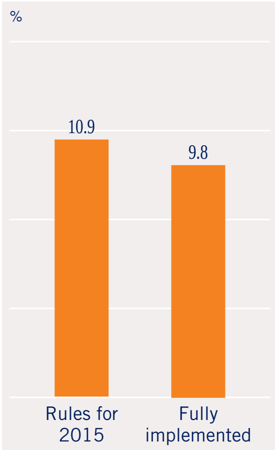


Chart 38

Risk-weighted assets
Fully implemented

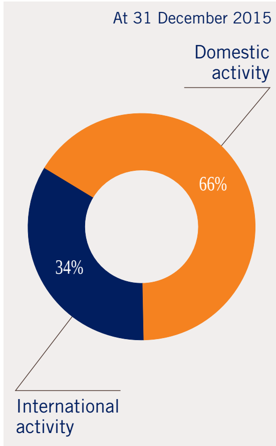


Chart 39

Common Equity Tier 1 Ratio
According to CRD IV / CRR rules

Amounts in M.€

		31 Dec. 14	31 Dec. 14 proforma[1]	31 Dec. 15		
				Domestic activity	International activity	Consolidated
CRD IV / CRR phasing in						
CET1 capital	*1*	2 425.5	2 529.9	1 715.7	858.6	2 574.3
Risk-weighted assets	*2*	20 602.3	24 811.2	15 636.8	8 065.5	23 702.3
CET1 ratio	*3*	**11.8%**	**10.2%**	**11.0%**	**10.6%**	**10.9%**
CRD IV / CRR fully implemented						
CET1 capital	*4*	1 700.7	2 118.7	1 552.5	760.9	2 313.4
Risk-weighted assets	*5*	20 221.5	24 674.7	15 610.7	8 042.1	23 652.8
CET1 ratio	*6*	**8.4%**	**8.6%**	**9.9%**	**9.5%**	**9.8%**

Table 26

1) Proforma figures considering adherence to the special deferred tax asset (DTA) regime and the application of the new risk weightings applied to Banco BPI's indirect exposure to the Angolan State and to BNA.

The 1.2 p.p. improvement in the fully-implemented Common Equity Tier 1 ratio relative to December 2014 (proforma) was due to the 195 M.€ increase in CET1 capital, with an impact on the ratio of +0.8 p.p., and to the 4.1% decrease in risk-weighted assets, with a +0.4 p.p. impact on the ratio.

The increase in CET1 capital is essentially explained by the net profit generated in the year and by the positive change in the fair value reserve arising from the appreciation of the portfolio of Portuguese and Italian sovereign debt.

It should be noted that the negative impact on CET1 capital calculated when converting into euro the shareholdings in BFA and BCI, stemming from the depreciation of the kwanza and the metical against the euro, is in large measure offset by the decrease in risk-weighted assets of those investments by way of the same currency effect.

Risk-weighted assets

BPI utilises the standard method for purposes of determining the assets weighted by credit risk, which constitutes the most expressive risk, representing roughly 88% of risk-weighted assets. In calculating capital requirements for hedging operational risk (which represents 8% of risk-weighted assets) the Bank utilises the basic indicator method.

At the close of 2015, risk-weighted assets amounted to 23.7 th.M.€ (fully implemented) and represented 58% of total consolidated assets.

It is worth noting that BPI had a portfolio of Euro-area public-debt securities and denominated in euro[1], and therefore subject to a weighting coefficient of zero, which corresponded to 8% of consolidated assets.

Noteworthy too is the high level of credit-risk cover by impairment allowances, which translates into lower pressure on regulatory capital for credit-risk cover and, therefore, its increased capacity to absorb unexpected losses.

At the close of 2015, consolidated credit-at-risk, representing 4.6% of the gross loan book, was 87% covered by accumulated impairment allowances on the balance sheet. In mortgage loans, which account for some 44% of the total portfolio, the loan-to-value ratio was 56% at the end of 2015, while credit-at-risk (3.4% of the portfolio) was covered by impairments to the extent of 62%.

Leverage ratios (CRD IV / CRR)

The leverage ratio is the ratio calculated between Tier 1 capital and the total value of balance sheet assets and off-balance sheet items, and therefore not subject to weighting coefficients as is the case when calculating risk-weighted assets.

At 31 December 2015 the following are the leverage ratios:

- Phasing-in leverage ratio: 6.9%
- Fully-implemented leverage ratio: 6.4%

1) Comprised by short-term securities (2.3 th.M.€) and medium and long term securities from Portugal (0.35 th.M.€) and Italy (0.6 th.M.€).

Common Equity Tier 1 ratio
According to the CRD IV / CRR rules

Amounts in M.€

		CRD IV / CRR Phasing in			CRD IV / CRR Fully implemented		
		31 Dec. 14 (2014 rules)	31 Dec. 14 proforma[1] (2014 rules)	31 Dec. 15 (2015 rules)	31 Dec. 14	31 Dec. 14 proforma[1]	31 Dec. 15
Share capital, premiums and reserves	*1*	2 142.5	2 142.5	2 393.9	2 127.5	2 127.5	2 407.0
Minority interests net of dividends payable	*2*	353.1	353.1	375.5	353.1	353.1	375.5
Minority interests not eligible	*3*	(44.7)	(13.8)	(8.6)	(223.6)	(68.9)	(99.8)
[Σ 1 to 3]	*4*	2 450.9	2 481.8	2 760.7	2 257.0	2 411.7	2 682.7
Intangible assets	*5*	(5.0)	(5.0)	(11.7)	(24.9)	(24.9)	(29.1)
Tax losses	*6*	(14.9)	(14.9)	(32.9)	(102.8)	(102.8)	(103.6)
Surplus pension fund funding	*7*	0.0	0.0	(43.8)	0.0	0.0	(109.5)
Other	*8*	(1.9)	(1.9)	(3.6)	(9.3)	(9.3)	(9.0)
[Σ 4 to 8]	*9*	2 429.2	2 460.1	2 668.8	2 120.0	2 274.7	2 431.4
Deductions of shareholdings in CIs and Insurers < 10%	*10*	(0.9)	(0.8)	0.0	(10.9)	(8.5)	0.0
Deductions of shareholdings in CIs and Insurers > 10%	*11*	(13.7)	(13.0)	(36.8)	(163.2)	(147.5)	(118.0)
Deductions of deferred tax assets	*12*	0.0	0.0	0.0	(78.5)	0.0	0.0
Deduction of shareholdings in CIs and Insurers >10% + deferred tax assets	*13*	(12.6)	0.0	0.0	(166.7)	0.0	0.0
Negative components of AT1 capital	*14*	(62.0)	(1.8)	(79.2)	0.0	0.0	0.0
National filters	*15*	85.5	85.5	21.6	0.0	0.0	0.0
Common Equity Tier 1 *[= Σ 9 to 15]*	*16*	**2 425.5**	**2 529.9**	**2 574.3**	**1 700.7**	**2 118.7**	**2 313.4**
Additional Tier 1	*17*	(62.0)	(1.8)	(79.2)	22.1	40.0	58.7
Tier II	*18*	(68.4)	(35.9)	(33.1)	(16.1)	(31.4)	41.7
Total own funds	*19*	**2 425.5**	**2 529.9**	**2 574.3**	**1 722.8**	**2 158.7**	**2 413.8**
Risk-weighted assets	*20*	**20 602.3**	**24 811.2**	**23 702.3**	**20 221.5**	**24 674.7**	**23 652.8**
CET1 ratio	*21*	11.8%	10.2%	10.9%	8.4%	8.6%	9.8%
T1 ratio	*22*	11.8%	10.2%	10.9%	8.5%	8.7%	10.0%
Total ratio	*23*	11.8%	10.2%	10.9%	8.5%	8.7%	10.2%

AT1 – Additional Tier 1; CET1 – Common Equity Tier 1; T1 – Tier 1; CI – Credit Institutions.

Table 27

1) Proforma figures considering adherence to the special deferred tax asset (DTA) regime and the application of the new risk weightings applied to Banco BPI's indirect exposure to the Angolan State and to BNA.

SPECIAL REGIME APPLICABLE TO DEFERRED TAX ASSETS

BPI approved at the Bank's General Meeting held on 17 October 2014 adherence to the special regime applicable to deferred tax assets embodied in *Law no. 61 / 2014* of 26 August. This Special Regime covers the deferred tax assets which have resulted from the non deduction of costs and negative net asset changes arising from loan-impairment losses and post-employment or long-term Employee benefits.

The regime, whose application began on 1 January 2015, permits the inclusion of those deferred taxes in Common Equity Tier 1 capital, without the application of the eligibility limits.

Considering the deferred tax assets in existence on 31 December 2014, the adherence to the Special Regime had a positive impact on Common Equity Tier 1 capital of 245 M.€.

The following were the impacts on the Common Equity Tier 1 (CET1) ratios:

- CET1 rules for 2014: +0.4 p.p.;
- CET1 fully implemented: +1.2 p.p.

At 31 December 2015, the positive impact on fully-implemented CET1 was 220 M.€. The corresponding impacts on the CET1 ratios was as follows:

- CET1 rules for 2015: +0.3 p.p.;
- CET1 fully implemented: +0.9 p.p.

EQUIVALENT REGULATION AND SUPERVISION

The Republic of Angola was not included in the list of third countries having regulations and supervision equivalent to those of the European Union and disclosed in December 2014 by the European Commission, which list includes 17 countries and territories around the world.

For this reason, according to BPI's announcement to the market on 16 December 2014, with effect from 1 January 2015 Banco BPI's indirect exposure in kwanza (i) to the Angolan State and (ii) to Banco Nacional de Angola (BNA), ceased to be the object, for purposes of calculating Banco BPI's capital ratios, of the same risk weightings as those provided for in Angolan regulations for this type of exposure, and began to be the object of the risk weightings envisaged in the CRR.

This means that, effective from 1 January 2015, Banco BPI's indirect exposure in kwanza to the Angolan State and to the BNA ceased to be the object of a weighting for capital ratio purposes of 0% or 20%, depending on the situation, and is now the object of a 100% weighting.

The impacts of these changes on the risk-weighted assets and on the CET1, based on the situation at 31 December 2014, were the following:

- increase in the risk-weighted assets of 4 479 M.€ in international operations: the risk-weighted assets rose from 3 667 M.€ to 8 147 M.€.
- increase in CET1 of 173 M.€, explained by the increase in eligible minority interests[1] (+155 M.€) as a consequence of the increase in weighted assets to which must be added a decrease in the deductions of investments in CI's and insurers (+18 M.€) via the increase in the reference limits.

The impacts on the Common Equity Tier 1 (CET1)[2] ratios were as follows:

- CET1 rules for 2014: -2.0 p.p.;
- CET1 fully implemented: -1.0 p.p.

1) The minority interests are eligible for the CET1 up to the amount of the required capital proportional to the value of the shareholding. Accordingly, the minority interests in BFA eligible for CET1 = BFA's RWA x 7% x 49.9%.
2) In relation to the ratios at 31 Dec. 14 proforma after DTA and taking into account the risk weightings in force at the end of 2014.

DOMESTIC OPERATIONS

OVERVIEW – RESULTS OF DOMESTIC OPERATIONS

In 2015, BPI's **domestic operations** posted a net profit of 93.1 M.€, compared with the previous year's loss of 289.7 M.€, considering that these were quite adversely affected by non-recurring costs and losses of 264.3 M.€.

Excluding non-recurring costs and losses, the net profit from domestic operations in 2015 was 84.7 M.€ when in 2014 there was a net loss of 25.5 M.€.

The improvement in the 2015 figure was underpinned by the recovery of the more recurrent income base:

- net interest income was up by 50.8 M.€ (+17%), the principal contribution coming from the decrease in the cost of time deposits, the average spread on which relative to Euribor improved from 1.5% in 2014 to 1.0% in 2015;
- the cost of credit risk[1] decreased by 71.4 M.€, from 158.5 M.€ in 2014 (0.66% of the loan portfolio) to 87.1 M.€ in 2015 (0.38% of the loan portfolio);
- operating costs remained stable in 2015. Since 2007 the Bank has implemented in an ongoing and gradual manner rationalisation and optimisation measures directed at the operational structure in domestic activity, which translate into a re-scaling of the installed capacity and efficiency gains. Since 2007, costs (excluding non-recurring) have posted a nominal decrease of 17%, which corresponded to a saving on an annual basis of 101 M.€.

NON-RECURRING IMPACTS

The non-recurring impacts on net profit from domestic operations were a negative 264.3 M.€ in 2014 (after tax) and a positive 8.4 M.€ in 2015 (after tax). The following table presents details of those impacts.

Non-recurring impacts

Amounts in M.€

	Caption	2014 before taxes	2014 after taxes	2015 before taxes	2015 after taxes
Interest on contingent convertible subordinated bonds (Cocos)[1]	*Net interest income*	(26.7)	**(20.5)**		
Loss on the sale of Portuguese and Italian MLT public debt	*Profits from financial operations*	(137.5)	**(105.9)**	(4.2)	**(3.3)**
Early retirement costs	*Personnel costs*	(32.5)	**(23.1)**	(6.5)	**(4.8)**
Impairments for private equity and other investments	*Other impairments*	(22.9)	**(16.7)**	(3.0)	**(2.4)**
Extraordinary contribution levied on the banking sector	*Income tax*		**(15.6)**		**(13.0)**
Deferred tax assets relating to 2011 tax losses[2]	*Income tax*		**(50.9)**		**32.6**
Change in the corporate tax rate from 23% to 21% in 2015[3]	*Income tax*		**(23.3)**		**-**
Other[4]		(11.0)	**(8.2)**	(0.9)	**(0.7)**
		(230.5)	**(264.3)**	(14.5)	**8.4**

Table 28

1) Interest cost of the contingent convertible subordinated bonds (CoCo) subscribed by the State. The cost with the CoCo refer to the interest relating to the first six months of 2014, given that the CoCo were fully redeemed in June of that year.
2) In 2014 BPI wrote off the balance on the deferred tax assets account relating to the 2011 tax losses (with a negative impact of 50.9 M.€ on net income), given that the projected results for 2015 did not permit foreseeing the respective utilization within the legal period which terminated in 2015. In 2015, since Banco BPI presented a taxable profit it can use the 155 M.€ of the 2011 tax loss carry-forward, with the result that in the 2015 accounts, BPI recognised a deferred tax asset credit in the income statement of 32.6 M.€ associated with the utilization of the tax loss carry-forward generated in 2011.
3) In 2014 BPI wrote off 23.3 M.€ of deferred taxes relating to timing differences by virtue of the change in the corporate tax rate from 23% to 21% in 2015. The decrease in the corporate tax rate gives rise to a decrease in future income taxes, but has an immediate negative impact as a result of the recalculation of the deferred taxes.
4) Costs with the closure of branches, adjustment to the remuneration of governing bodies following the total redemption of the CoCo's, calculation of the present value of the long-service bonuses as a result of the alteration to assumptions, costs with consultants relating to the Asset Quality Review and extraordinary payment of the preferential coupon.

1) Loan impairments in the year net of recoveries.

Net operating revenue excluding non-recurring impacts advanced by 56 M.€ to 671 M.€ in 2015, which permitted improving the cover of operating costs (491 M.€ in 2015). The indicator "operating costs as a percentage of net operating revenue", excluding non-recurring impacts, improved from 79.4% in 2014 to 73.1% in 2015.

Recurring operating profit climbed from 127 M.€ in 2014 to 180 M.€ in 2015.

Impairments for loans and other purposes (net of recoveries) absorbed 55% of operating profit in 2015. In this manner, profit before tax was 80.4 M.€.

Net profit (excluding non-recurring items), which additionally includes the impact of taxation and the equity-accounted results of subsidiaries, was situated at 84.7 M.€.

The return on average shareholders' equity in domestic operations, notwithstanding the recovery registered in 2015, remains low at 5.2% (4.7% excluding non-recurring items).

Domestic activity net profit

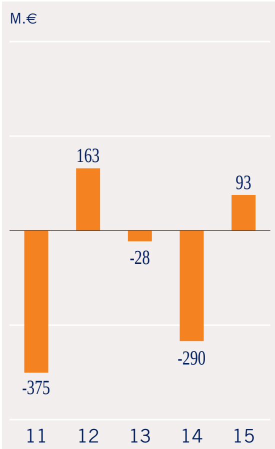


Chart 40

Domestic activity ROE

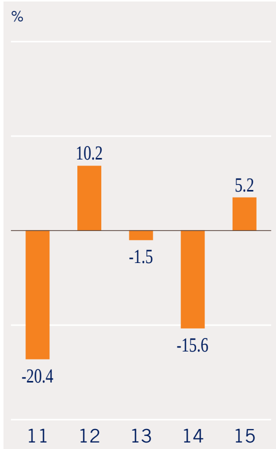


Chart 41

The following are relevant factors for the revival in the profitability of domestic operations:

- the ongoing decline in the cost of time deposits, at the same time as the demand for credit records a modest upturn, resulting in the expansion albeit weak of the loan portfolio;
- the lower cost of credit risk, which although falling to 0.38% in 2015, still remains above the historical average of 0.27%[1].
- the continuing gradual implementation of cost rationalisation and optimisation measures.

1) Average indicator in the 10 years from 2002 to 2011, period prior to the peaks attained in 2012 (0.91%) and 2013 (0.98%).

Domestic activity income statement

Amounts in M.€

			Proforma 2014[2]	2014	2015	Non-recurring impacts		Excluding non-recurring impacts		
						2014	2015	2014	2015	∆ M.€
Net interest income (narrow sense)		1	248.7	248.7	316.4	(26.7)		275.4	316.4	+41.0
Other income[1]		2	29.0	29.0	38.8			29.0	38.8	+9.8
Net interest income	[= 1 + 2]	3	**277.7**	**277.7**	**355.2**	**(26.7)**		**304.4**	**355.2**	**+50.8**
Technical result from insurance contracts		4	34.4	34.4	31.8			34.4	31.8	(2.6)
Commissions and other fees (net)		5	246.3	246.3	255.9			246.3	255.9	+9.7
Profits from financial operations		6	(92.7)	(92.7)	47.9	(137.5)	(4.2)	44.8	52.1	+7.3
Operating income and charges		7	(16.9)	(16.9)	(24.7)	(2.7)	(0.9)	(14.3)	(23.8)	(9.5)
Net operating revenue	[= Σ 3 to 7]	8	**448.8**	**448.8**	**666.2**	**(166.9)**	**(5.1)**	**615.6**	**671.3**	**+55.6**
Personnel costs, excluding early-retirement costs		9	302.1	302.1	293.8	5.8		296.3	293.8	(2.5)
Outside supplies and services		10	178.5	178.5	177.3	2.5		176.0	177.3	+1.3
Depreciation of fixed assets		11	16.7	16.7	19.8			16.7	19.8	+3.1
Operating costs excluding early-retirement costs	[= Σ 9 to 11]	12	497.2	497.2	490.8	8.3		488.9	490.8	+1.9
Early-retirement costs		13	32.5	32.5	6.5	32.5	6.5			
Operating costs	[= 12 + 13]	14	**529.7**	**529.7**	**497.3**	**40.7**	**6.5**	**488.9**	**490.8**	**+1.9**
Operating profit	[= 8 - 14]	15	**(80.9)**	**(80.9)**	**168.8**	**(207.6)**	**(11.6)**	**126.7**	**180.4**	**+53.7**
Recovery of loans written-off		16	14.0	14.0	16.2			14.0	16.2	+2.3
Loan provisions and impairments		17	172.5	172.5	103.4			172.5	103.4	(69.1)
Other impairments and provisions		18	37.9	37.9	15.9	22.9	3.0	15.0	12.9	(2.1)
Profits before taxes	[= 15 + 16 - 17 - 18]	19	**(277.3)**	**(277.3)**	**65.8**	**(230.5)**	**(14.5)**	**(46.8)**	**80.4**	**+127.2**
Corporate income tax		20	27.3	26.3	(4.2)	33.8	(22.9)	(7.4)	18.8	+26.2
Equity-accounted results of subsidiaries		21	14.6	14.6	23.1			14.6	23.1	+8.6
Results attributable to non-controlling interests		22	0.7	0.7	0.0			0.7	0.0	(0.6)
Net profit	[= 19 - 20 + 21 - 22]	23	**(290.7)**	**(289.7)**	**93.1**	**(264.3)**	**8.4**	**(25.5)**	**84.7**	**+110.2**
Cash flow after taxation	[= 23 + 11 + 17 + 18]	24	**(63.7)**	**(62.7)**	**232.1**	**(241.4)**	**11.4**	**178.6**	**220.8**	**+42.1**

Table 29

1) Unit links gross margin, income from equity instruments and commissions associated with amortised cost (net).
2) 2014 proforma due to the retrospective application of the requirements of IFRIC 21, as provided for by IAS 8. See note 2.1 to the financial statements – Comparability of information (IFRIC 21).

Income

Net interest income

Narrow net interest income rose by 27.2% (+67.7 M.€) which is primarily explained by the continuing adjustment (reduction) of the average costs of time deposits within the context of the progressive stabilisation of the loan portfolio.

The unit intermediation margin – defined as the margin between the lending interest rate and the cost of deposits – improved by 0.34 p.p., from 1.0% to 1.3%. Net interest income as a percentage of ATA was situated at 0.9% in 2015 (0.7% in 2014).

Net interest income and technical result of insurance contracts

Amounts in M.€

		2014	2015	Δ%
Narrow net interest income	1	248.7	316.4	27.2%
Gross margin on unit links	2	5.0	13.0	157.8%
Income from equity instruments	3	3.6	4.7	31.2%
Commissions associated with amortised cost	4	20.4	21.1	3.5%
Net interest income *[= Σ 1 to 4]*	5	**277.7**	**355.2**	**27.9%**
Technical result of insurance contracts	6	34.4	31.8	(7.5%)
Total *[= 5 + 6]*	7	**312.1**	**387.0**	**24.0%**

Table 30

The increase in narrow net interest income is essentially explained by the following factors:

With positive impact,

- the decrease in the average cost of time deposits, from 1.5% to 1.0% above Euribor, which constituted the prime factor for the improvement in net interest income. The price effect on the margin was positive by some 73 M.€;
- the expansion of loans to small businesses, with the portfolio recording an average spread of 3.6%. The 11.6% growth in the portfolio's average balance generated a volume effect of 6 M.€;
- the contracting of new home loans with an average spread of 2.5%. This permitted compensating via the spread the impact on net interest income of the decrease in the loan portfolio, bearing in mind that repayments, being greater than the volume contracted, refer primarily to loan operations contracted some time ago with smaller spreads (the average spread for the whole portfolio is situated at 1.1%);
- the complete repayment of the contingent convertible subordinated bonds (CoCo) in June 2014. In the 1st half of 2014, the Bank incurred a cost with those instruments of 27 M.€.

Trend in net interest income and results from capitalisation insurance

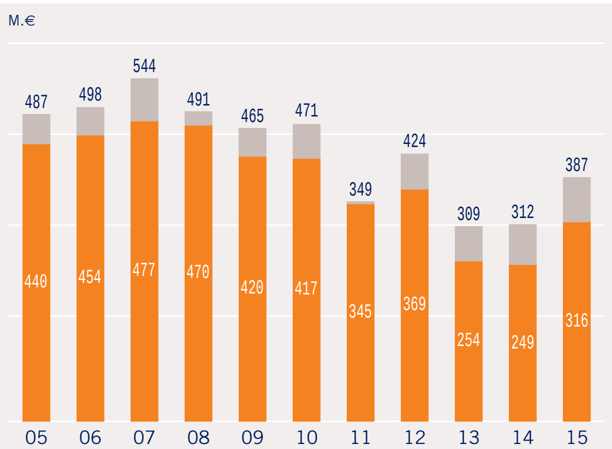


Chart 42

Capitalisation insurance and other income
Net interest income (narrow sense)

Loans and deposits spread

Quarterly average interest rates

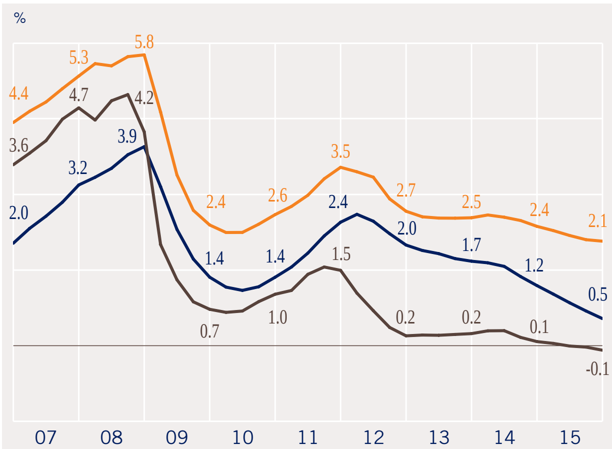


Chart 43

Loans
Deposits
Euribor 3-months

With negative impact,

- the 10% reduction in the corporate, project finance and public-sector loans portfolio in terms of average balance. It should be pointed out that this portfolio has presented a progressive stabilisation and already in the 2nd half of the year registers a positive behaviour.
- the lower spreads in the corporate segment, in particular in the lower-risk segments. The portfolio's average spread narrowed by 0.52 p.p., from 3.4% to 2.9%;
- the declining contribution to the interest margin from the securities portfolio as a result of the fall in the yields of Treasury Bills on the market and the decrease in the portfolio. At the close of 2015 the portfolio of Treasury Bills held by BPI, with a residual average maturity of around 6 months, had an average yield of 0.04%. The interest income from the portfolio of public-debt securities (short term and medium / long term) dropped by 28.4 M.€, from 34.8 M.€ in 2014 to 6.5 M.€ in 2015.

Also noteworthy was the 13.6% increase (+5.3 M.€) in the contribution from capitalisation insurance – the margin on which is essentially recorded under the captions "gross margin on unit links" and "technical result from insurance contracts". This trend is explained by the strong expansion in the portfolio of those resources, with an average unit margin of 0.8% in 2015. The aggregate of net interest income and the technical result from insurance contracts rose by 24%.

Average interest rates on remunerated assets and liabilities

Amounts in M.€

			2014			2015		
			Average balance	Interest	Average interest rate	Average balance	Interest	Average interest rate
Loans to Customers								
Companies, institutionals and project finance		*1*	8 068.1	260.1	3.2%	7 260.5	193.0	2.7%
Mortgage loans		*2*	10 814.7	146.5	1.4%	10 504.3	125.3	1.2%
Other loans to individuals		*3*	832.3	60.1	7.2%	803.0	56.5	7.0%
Loans to small businesses		*4*	1 379.1	57.5	4.2%	1 539.7	57.3	3.7%
Other		*5*	922.3	13.9	1.5%	855.9	15.4	1.8%
	[= Σ 1 to 5]	*6*	22 016.5	538.2	2.4%	20 963.5	447.5	2.1%
Customer resources[1]		*7*	20 026.3	290.7	1.5%	20 435.4	164.6	0.8%
Other income and costs		*8*		1.2			33.5	
Narrow net interest income	*[= 6 - 7 + 8]*	*9*		**248.7**			**316.4**	
Interest-earning assets[2]		*10*	29 230.4			26 213.3		
Interest-bearing liabilities[2]		*11*	29 110.6			26 235.2		
Unitary interest margin	*[= 9 / 10]*	*12*			**0.85%**			**1.21%**
Intermediation margin (= interest rate on loans – interest rate on Customer resources)	*[= 6 - 7]*	*13*			0.99%			1.33%
Narrow net interest income as % of ATA		*14*			0.69%			0.93%
Euribor 3 months (annual average)		*15*			0.21%			(0.02%)
Euribor 3 months (3 month moving average)		*16*			0.23%			0.00%

Table 31

1) Deposits, cheques, payment orders and other resources.
2) Does not include the average balances of BPI Vida e Pensões's remunerated assets and liabilities (namely, on the assets' side, debt certificates and the securities portfolio recorded in the caption Financial assets held for trading, and on the liabilities' side, capitalisation insurance) and corresponding interest, given that the margin earned on capitalisation insurance is essentially recorded under the captions "gross margin on unit links" and "technical result of insurance contracts".

Commissions

Commissions and other net income increased by 3.9% (9.7 M.€) in 2015.

The behaviour of commissions derived from commercial banking (203.9 M.€ in 2015) and investment banking (9.2 M.€ in 2015) is affected by the demerger-merger operation carried out in November 2014. In the wake of that operation, which constituted a mere internal reorganisation of the Group, part of the activities undertaken by Banco Português de Investimento started to be exercised directly by Banco BPI, with Banco Português de Investimento thereafter concentrating on the conduct of Corporate Finance and Equities business.

Asset-management commissions, which account for around 17% of total commissions, registered a 4.5% increase in 2015.

Commissions and other fees (net) Amounts in M.€

		2014	2015	Δ%
Commercial banking				
Cards	1	59.9	59.0	(1.6%)
Intermediation of insurance products	2	40.7	42.1	3.6%
Loans and guarantees	3	32.8	32.0	(2.2%)
Deposits and related services	4	21.8	29.7	36.5%
Securities operations	5	17.3	20.3	-[1]
Banking services	6	5.1	7.7	-[1]
Securitised loans	7	8.1	6.5	(19.5%)
Other	8	2.8	6.5	130.5%
[= Σ 1 to 8]	9	**188.5**	**203.9**	-[1]
Asset management	10	**41.0**	**42.8**	**4.5%**
Investment Banking	11	**16.8**	**9.2**	-[1]
Total *[= 9 + 10 + 11]*	12	**246.3**	**255.9**	**3.9%**

Table 32

Profits from financial operations

The profits from financial operations reached 47.9 M.€ in 2015.

In the preceding year, the results from financial operations were negative in the amount of 92.7 M.€, due chiefly to losses of 137.5 M.€ realised on the sale of Portuguese and Italian medium and long-term public debt.

Profits from financial operations Amounts in M.€

		2014	2015	Δ M.€
Operations at fair value				
Equities[2]	1	11.3	15.1	+3.8
Interest rate	2	(6.5)	13.9	+20.4
Structured products[3]	3	0.1	2.3	+2.2
Hedge funds	4	1.2	0.9	(0.4)
Currency[4]	5	8.9	8.9	+0.0
Repurchase of liabilities and other gains in bonds	6	25.3	12.6	(12.8)
[= Σ 1 to 6]	7	**40.3**	**53.6**	**+13.3**
Available for sale assets				
Bonds	8	(134.9)	(5.5)	+129.3
Equities	9	0.1	0.5	+0.4
Other	10	(0.2)	(1.1)	(0.8)
[= Σ 8 to 10]	11	**(135.0)**	**(6.1)**	**+128.9**
Subtotal *[= 7 + 11]*	12	**(94.7)**	**47.5**	**+142.2**
Financial income from pensions				
Expected pension funds return	13	43.3	31.8	(11.4)
Interest cost	14	(41.3)	(31.4)	+9.9
[= 13 + 14]	15	**2.0**	**0.4**	**(1.6)**
Total *[= 12 + 15]*	16	**(92.7)**	**47.9**	**+140.6**

Table 33

1) Non comparable amounts due to the demerger operation occurred in the last quarter of 2014 whereby part of the activities previously carried out by Banco Português de Investimento were transferred to Banco BPI.
2) Relating to a long-short equities portfolio and a PSI-20 futures arbitrage portfolio.
3) Bonds whose yield is indexed to the equities, commodities and other markets, with total or partial protection of the capital invested at the end of the period.
4) Gains resulting from the currency margin on operations carried out with the Customer commercial network.

Other operating losses and gains

The caption "other operating gains / (losses)", with a negative balance of 24.7 M.€ in 2015 (-16.9 M.€ in 2014), basically refers to the cost items: contributions to the Deposit Guarantee Fund (-0.7 M.€), contributions to the National Resolution Fund (-2.8 M.€), an additional contribution to the Resolution Fund which is earmarked for the Single Resolution Fund within the framework of the European Single Resolution Mechanism (-14.5 M.€), subscriptions and donations (-4.9 M.€) and taxation (-6.7 M.€).

Other operating losses and gains Amounts in M.€

		2014	2015	Δ M.€
Contribution to the deposit guarantee fund	*1*	(3.3)	(0.7)	+2.6
Contribution to the National Resolution Fund	*2*	(2.7)	(2.8)	(0.1)
Contribution to the European Resolution Fund	*3*		(14.5)	(14.5)
Subscriptions and donations	*4*	(4.2)	(4.9)	(0.7)
Taxes	*5*	(5.5)	(6.7)	(1.2)
Results on non-financial assets	*6*	(4.4)	(0.6)	+3.7
Other	*7*	3.1	5.5	+2.4
Total *[= Σ 1 to 7]*	*8*	**(16.9)**	**(24.7)**	**(7.8)**
Note:				
Extraordinary contribution levied on the Banking Sector[1]	*9*	(15.6)	(13.0)	+2.6

Table 34

Operating costs

Operating costs – personnel costs, third party supplies and services and depreciation and amortisation – decreased 6.1% in 2015. The behaviour of costs benefited from the lower early-retirement costs, from 32.5 M.€ in 2014 to 6.5 M.€ in 2015.

Excluding early-retirement costs, operating costs were down 1.3%.

Within the ambit of the rationalisation and optimisation measures which BPI has implemented in Portugal in 2015, 51 branches were closed in Portugal (-8.0%) at the same time as the workforce attached to domestic activity was reduced by 63 Employees (-1.1%).

The indicator "operating costs as a percentage of net operating revenue" (efficiency ratio), excluding non-recurring impacts on both the cost and income sides, improved from 79.4% in 2014 to 73.1% in 2015.

The improvement in the efficiency ratio, which reached its worst level in 2013 (86.5%), benefits from the gradual reduction in costs since 2007 and more recently from the recovery of the income base.

Net operating revenue

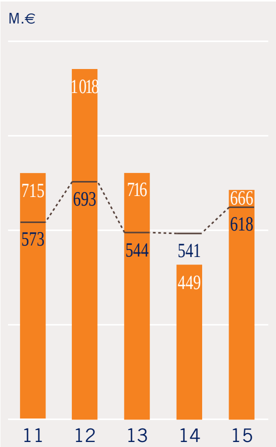


Chart 44

- Net operating revenue
- Net operating revenue excluding profits from financial operations

Operating costs

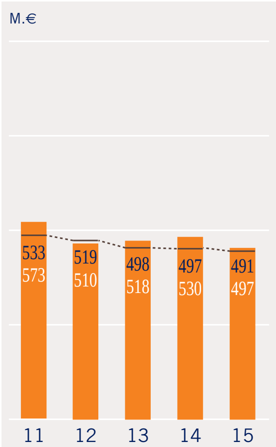


Chart 45

- Operating costs
- Operating costs, excluding costs with early retirements[2]

1) The Extraordinary Contribution levied on the Banking Sector is recorded under the caption "Corporate income tax". With the creation of the National Resolution Fund (*Decree-Law no. 31-A / 2012* of 10 February) the extraordinary contribution levied on the banking sector is now allocated to the funding of the Resolution Fund.
2) Excludes, in 2012 and 2013, gain resulting from the change to the calculation of the death subsidy.

Operating costs

Amounts in M.€

		2014	2015	Δ %
Personnel costs, excluding early-retirement costs	*1*	302.1	293.8	(2.8%)
Outside supplies and services	*2*	178.5	177.3	(0.7%)
Operating costs before depreciation and amortisation *[= 1 + 2]*	*3*	**480.6**	**471.1**	**(2.0%)**
Depreciation of fixed assets	*4*	16.7	19.8	18.5%
Operating costs excluding early-retirement costs *[= 3 + 4]*	*5*	**497.2**	**490.8**	**(1.3%)**
Costs with early retirements	*6*	32.5	6.5	(80.0%)
Operating costs *[= 5 + 6]*	*7*	**529.7**	**497.3**	**(6.1%)**
Efficiency ratio excl. non-recurring items[1,2]	*8*	79.4%	73.1%	

Table 35

Personnel costs

Remuneration and pension costs (excluding early-retirement costs) decreased 2.8% to 293.8 M.€ in 2015.

Personnel costs

Amounts in M.€

		2014	2015	Δ%
Remunerations				
Fixed remunerations	*1*	208.5	203.6	(2.3%)
Variable remunerations	*2*	18.6	21.4	15.0%
Other[3]	*3*	10.3	7.3	(28.8%)
Remunerations *[= Σ 1 to 3]*	*4*	**237.4**	**232.4**	**(2.1%)**
Pension costs and social charges[4]	*5*	64.6	61.4	(5.0%)
Remunerations and pension costs *[= 4 + 5]*	*6*	**302.1**	**293.8**	**(2.8%)**
Costs with early retirements	*7*	32.5	6.5	(80.0%)
Total *[= 6 + 7]*	*8*	**334.5**	**300.2**	**(10.2%)**

Table 36

The main factors behind the lower personnel costs (excluding early retirements) were:

- reduction of 3.6% in the average headcount employed in domestic operations;
- zero growth in the fixed component of remuneration, in terms of the salary scale review in Portugal as laid down in the Vertical Collective Labour Agreement (Acordo Colectivo de Trabalho Vertical – ACTV) for the banking sector;
- an accounting charge of 18.9 M.€ recognised in 2015 with the variable remuneration to be awarded relating to the year, which assumes that Employees will be awarded the identical variable remuneration as that of 2014;
- a charge of 2.5 M.€ recorded in 2015 in respect of variable remuneration relating to the previous year. This amount is explained by the awarding (in 2015) of 2014 variable remuneration having been made wholly in cash, giving rise to the full recognition of its cost, when in 2014 the accrual of the cost of the RVA[5] remuneration was assumed, and by adjustments between the amount actually awarded and the estimate recognised in the accounts.

Operating costs
In 2015

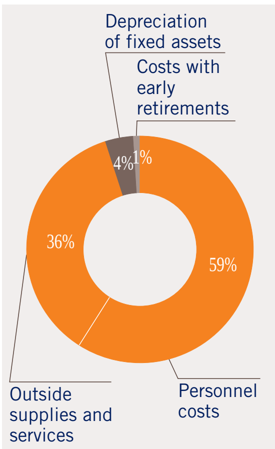


Chart 46

Personnel costs

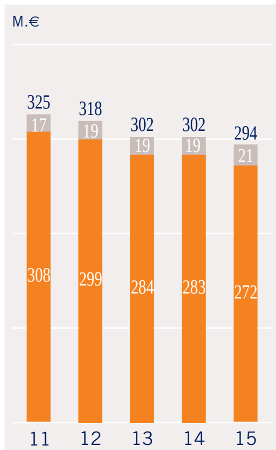


Chart 47

- Variable remunerations
- Fixed remunerations, social charges and pension costs

1) Operating costs (personnel costs, OSS and depreciation and amortisation) as a percentage of net operating revenue.
2) Excluding non-recurring impacts from both the costs and income perspectives (see page 81).
In 2014: Non-recurring impact on net operating revenue: costs and losses of 166.9 M.€. Non-recurring impacts on costs: costs of 40.7 M.€.
In 2015: Non-recurring impact on net operating revenue: costs and losses of 5.1 M.€. Non-recurring impacts on costs: costs with early retirements of 6.5 M.€.
3) Includes bonuses and motivation incentives for the commercial network, long-service awards, cost of loans to Employees and others.
4) Includes current service cost, other welfare charges, the amortisation of changes to the pension plan conditions.
5) The cost of the awarding of the RVA Programme is recorded on the accrual basis on a straight line basis, since the beginning of the year to which it refers and the date of its vesting with the Employees (in the case of the Shares Plan: 25% on the award date and the remainder on the final day of each one of the following three years; in the case of the Options Plan: beginning of the exercise period which occurs 3 months after the award date).

TREND IN OPERATING COSTS IN DOMESTIC OPERATIONS BETWEEN 2007 AND 2015

Since the first signs of the international financial crisis in 2007, the Bank has directed efforts at a rationalisation of the operational structure, involving a gradual reduction in the branch network and staff complement deployed in operations in Portugal, in parallel with the stringent control over costs.

Operating costs in 2015 (excluding early-retirement costs) represent a nominal decline of 17% when compared with the respective figures in 2007, which correspond to a saving of 101 M.€.

Since 2007 the reduction in costs in real terms (adjusting for the movement in prices) was 24%, considering that the Consumer Price Index climbed 9.3% in the period.

Operating costs

Amounts in M.€

	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11	Dec. 12	Dec. 13	Dec. 14	Dec. 15	∆ 07 / 15	
										M.€	%
Personnel costs[1]	352.8	349.3	356.7	345.8	325.2	318.5	302.5	302.1	293.8	(59.0)	(16.7%)
Outside supplies and services	203.0	196.0	181.3	186.3	182.6	179.9	177.9	178.5	177.3	(25.7)	(12.7%)
Depreciation of fixed assets	36.4	40.5	39.5	34.0	25.6	20.4	18.1	16.7	19.8	(16.6)	(45.7%)
Operating costs[1]	**592.2**	**585.8**	**577.5**	**566.1**	**533.4**	**518.8**	**498.5**	**497.2**	**490.8**	**(101.3)**	**(17.1%)**

Table 37

Between 2007 and 2015, the workforce deployed in domestic operations was reduced by 1 725 Employees (-23%) and the distribution network cut by 170 units (-23%). Since the maximum figures attained in 2008, the workforce was reduced by 1868 Employees (-24%) and the distribution network by 222 units (-28%).

	Dec. 07	Dec. 08	Dec. 09	Dec. 10	Dec. 11	Dec. 12	Dec. 13	Dec. 14	Dec. 15	∆ 07 / 15	
										No.	%
Employees	7 624	7 767	7 428	7 297	6 658	6 400	6 274	5 962	5 899	(1 725)	(22.6%)
Distribution network in Portugal	755	807	804	803	746	734	683	636	585	(170)	(22.5%)

Table 38

The domestic operations' balance sheet deleveraging was reflected in the 13% decrease in assets since 2007 (or -24% since its maximum value in 2009) and -16% in loans and guarantees (-22% since 2009).

Even so, the productivity indicators have posted an improvement during this period as a consequence of the implementation of rationalisation measures: the assets and business volume per Employee increased by 12% and 22% respectively since 2007.

However, the more recurrent income base – net interest income, technical result of insurance contracts and commissions – per Employee presents an unfavourable trend, falling by 7% since 2007. This performance is explained primarily by the decrease in the unitary interest margin (as % of ATA) of 1.44% in 2007 to 1.04% in 2015, as a consequence of the higher costs of time deposits and a backdrop of Euribor rates at minimum levels.

Selected indicators by branch and by Employee

Amounts in thousands of €

	Dec.07	Dec.08	Dec.09	Dec.10	Dec.11	Dec.12	Dec.13	Dec.14	Dec.15	∆ 07 / 15
By Employee										
Assets	5 020	5 040	5 876	5 656	5 756	6 197	5 952	5 845	5 640	12%
Business volume	7 516	7 716	8 132	8 380	8 765	8 559	8 553	9 071	9 144	22%
Net interest income, technical results from insurance and commissions	116	97	96	99	85	107	89	91	108	-7%
Operating costs, excluding costs with early retirements	82	76	77	76	76	79	78	81	83	0.9%
By branch										
Assets	49 773	47 679	53 426	50 574	50 494	53 091	53 657	53 692	55 730	12%
Business volume	74 515	72 995	73 934	74 941	76 890	73 333	77 097	83 328	90 352	21%

Table 39

1) Excluding early-retirement costs and, in 2012 and 2013, gains resulting from the change to the calculation of the death subsidy.

Employee pension liabilities
At 31 December 2015, the present value of the Bank's pension liabilities amounted to 1 280 M.€. The net assets of the Employees' pension funds stood at 1 392 M.€[1], which guaranteed the funding of 109% of liabilities.

Employees' pension liabilities and pension funds

Amounts in M.€

		2014	2015
Pension liabilities	1	1 278.4	1 279.9
Pension funds[1]	2	1 248.7	1 392.3
Funding surplus / (shortfall)	3	(29.7)	112.4
Financing of pension liabilities	4	**97.7%**	**108.8%**
Total actuarial deviation[2]	5	(183.9)	(40.5)
Pension funds return	6	7.7%	14.0%

Table 40

Financing of pension liabilities

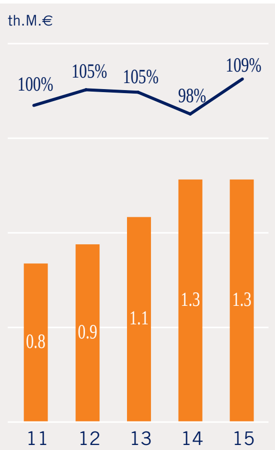


Chart 48

■ Pension liabilities
– Coverage by the pension funds' assets

Banco BPI pension funds' assets
At 31 December 2015

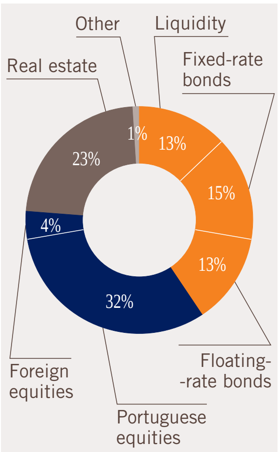


Chart 49

Pension funds' return
In 2015, the Bank's pension funds recorded a return of 14.0%, which was higher than the discount rate (2.5%) and therefore gave rise to a positive actuarial income variance of 138 M.€. It should be noted that, up till the end of 2015, Banco BPI's pension fund's actual income return since its creation in 1991 was 9.5% *per annum*, on average, and that in the last ten, five and three years, the actual annual returns were 7.4%, 10.2% and 13.2%, respectively.

The funds' positive income variance basically explains the decrease in the negative balance of the actuarial variances, which is recorded directly in accounting shareholders' equity, from -183.9 M.€ at the end of 2014 to -40.5 M.€ at the end of 2015.

The positive actuarial variance in the pensions funds' net income did not have a corresponding positive effect on CET1 capital, given that it generated a surplus funding of liabilities by a similar amount which is written off in the CET1 capital computation.

Actuarial assumptions
There were no changes to the actuarial assumptions in 2015.

The following table presents the actuarial assumptions utilised in the calculation of pension-related liabilities.

1) Includes contributions transferred to the pension funds at the beginning of the following year (47.0 M.€ in 2014 and 1.3 M.€ in 2015).
2) The amount of negative actuarial variances has been written off directly from shareholders' equity in accordance with IAS19.

Actuarial and financial assumptions

	2014			2015	
	Beginning of the year	Jun.14	End of the year	Beginning of the year	End of the year
Discount rate at Banco BPI[1]	4.0%	3.5%	2.5%	2.5%	2.5%
Current Employees	4.33%	3.83%	2.83%	2.83%	2.83%
Retired	3.50%	3.00%	2.00%	2.00%	2.00%
Discount rate at other companies	4.0%	3.5%	2.5%	2.5%	2.5%
Pensionable salary increase rate	1.50%	1.25%	1.0%	1.0%	1.0%
Pension increase rate	1.00%	0.75%	0.5%	0.5%	0.5%
Mortality table		TV 73 / 77-M – 2 years[2] TV 88 / 90-F – 3 years[2]			

Table 41

Impairments and provisions

Impairment charges in the year, after deducting recoveries of loans previously written off, were 103.0 M.€ in 2015 and corresponded to:

- loan impairments (net of recoveries) of 87.1 M.€;
- impairments for other purposes of 15.9 M.€.

Impairments of Customer loans

Net credit loss, which corresponds to the amount of impairments after deducting loan recoveries, decreased by 71.4 M.€, from 158.5 M.€ in 2014 to 87.1 M.€. in 2015.

As a percentage of the average loan portfolio, net credit loss was 0.38% in 2015, which compares with 0.66% in 2014. Despite the decrease noted, the indicator in 2015 is still situated above its average figure in the ten years till 2010[3] which was 0.27%.

Impairment charges in 2015 are earmarked almost in their entirely to reinforce the cover for situations previously identified in the corporate, project finance and institutional banking segment. In this segment, impairments net of recoveries amounted to 89.4 M.€ (1.22% of the loan portfolio), whereas in the individuals segment there was a net reversal of 4.5 M.€.

Cost of risk and net credit loss

Charges in the year

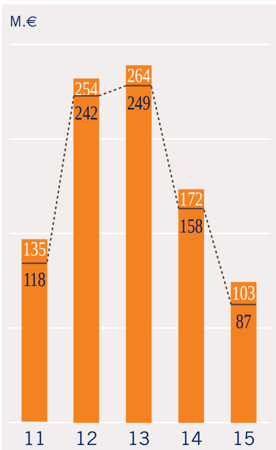


Chart 50

■ Loan impairments
— Net credit loss

As % of loan portfolio

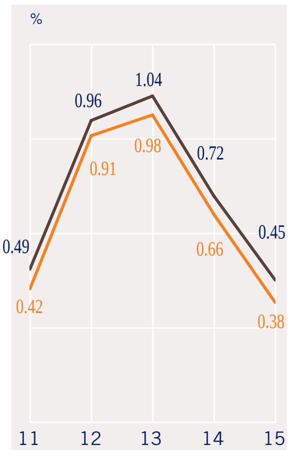


Chart 51

— Loan impairments
— Net credit loss

It should be noted that, with respect to the overall loan portfolio in domestic operations, credit at risk (adjusted for write-offs) recorded an increase in 2015 of only 13.9 M.€, which corresponded to 0.06% of the average loan portfolio. Of this figure, 12.8 M.€ refers to the corporate, project finance and institutional banking segment, which corresponded to 0.18% of the respective loan portfolio.

1) At Banco BPI different discount rates are taken into account for current Employees and retirees, which is the same thing as if single discounts rates of 4.0% in Dec. 13, 3.5% in Jun. 14 and 2.5% in Dec.14 and Dec.15 had been utilised for the entire population.
2) For the population covered, the age taken into consideration for males is 2 years less than their actual age (M) and 3 years less for females (F) respectively, which is equivalent to assuming a longer life expectancy.
3) Period prior to the peaks reached in 2012 (0.91%) and 2013 (0.98%).

The credit-at-risk ratio dropped from 5.0% in 2014 to 4.5% in 2015, while cover by accumulated impairment allowances on the balance sheet, not considering the value of real guarantees, climbed from 81% to 85%.

At the end of 2015, the credit-at-risk and impairment-cover ratios in the principal segments were as follows:

- companies, project finance and institutional banking – credit-at-risk ratio of 6.8% and cover ratio of 96%;
- small businesses – credit-at-risk ratio of 7.2% and cover ratio of 89%;
- mortgage loans – credit-at-risk ratio of 3.4% and cover ratio of 62%[1].

Loan impairments

Amounts in M.€

		2014				2015			
		Impairments	As % of loan portfolio[2]	Impairments net of recoveries	As % of loan portfolio[2]	Impairments	As % of loan portfolio[2]	Impairments net of recoveries	As % of loan portfolio[2]
Corporate banking, institutional banking and project finance	*1*	130.9	1.63%	127.9	1.59%	94.6	1.29%	89.4	1.22%
Individuals and small businesses									
Mortgage loans	*2*	35.5	0.32%	34.0	0.30%	1.9	0.02%	0.2	0.00%
Loans to individuals – other purposes	*3*	9.4	1.08%	5.5	0.63%	3.6	0.43%	0.5	0.06%
Loans to small businesses	*4*	4.9	0.35%	(0.8)	(0.06%)	1.0	0.07%	(5.2)	(0.34%)
[= Σ 2 to 4]	*5*	49.7	0.37%	38.7	0.29%	6.5	0.05%	(4.5)	(0.03%)
Other	*6*	(8.2)	(0.33%)	(8.2)	(0.33%)	2.2	0.10%	2.2	0.10%
Total *[= 1 + 5 + 6]*	*7*	**172.5**	**0.72%**	**158.5**	**0.66%**	**103.4**	**0.45%**	**87.1**	**0.38%**

Table 42

Impairments for other purposes

Impairment charges for private equity and other investments amounted to 22.9 M.€ in 2014 and 3.0 M.€ in 2015.

Impairments for other risks were reinforced by 12.9 M.€ in 2015 (15.0 M.€ in 2014).

1) Loan-to-value ratio for the total mortgage-loan portfolio was 56% at the close of 2015.
2) Average balance of performing loans.

Corporate income tax

In 2015 BPI recognised income of 4.2 M.€ in the caption "Corporate income tax" which is explained by:

- a corporate income tax charge of 15.4 M.€ which corresponded to an average income tax rate of 23%;
- a cost relating to the Extraordinary Contribution for the Banking Sector of 13.0 M.€. Since the creation of the National Resolution Fund (*Decree-Law no. 31-A / 2012*, of 10 February) the extraordinary contribution is now earmarked for financing that fund;
- a deferred tax asset income of 33 M.€ associated with the utilisation of the tax loss carry-forward generated in 2011. In 2014 BPI wrote off 50.9 M.€ of deferred tax assets relating to the 2011 tax losses (with a negative impact on 2014 net profit), given that at that date the utilisation of the tax loss carry-forward within the legal period which ended in 2015 was not expected to take place. In 2015, Banco BPI presented a taxable profit with the result that it was possible to utilise 155 M.€ of the 2011 tax losses. Accordingly BPI recognised a deferred tax asset income of 33 M.€.

Corporate income tax — Amounts in M.€

			2014	2015
Corporate income tax		*1*	(63.4)	15.4
Average tax rate	*[= 1 / 7]*	*2*	23%	23%
Extraordinary Contribution for the Banking Sector		*3*	15.6	13.0
Deferred tax assets related to 2011 tax losses		*4*	50.9	(32.6)
Change in corporate tax rate from 23% to 21% in 2015[1]		*5*	23.3	
Total	*[= 1 + Σ 3 to 5]*	*6*	**26.3**	**(4.2)**
Profit before taxes		*7*	(277.3)	65.8

Table 43

Equity-accounted results of subsidiaries

The contribution from equity-accounted subsidiaries to net profit from domestic operations was 23.1 M.€ in 2015, which represents an 8.6 M.€ increase relative to the preceding year.

The contribution from the insurance subsidiaries was 14.8 M.€, 2.2 M.€ more than in the previous year. Allianz Portugal contributed with 9.3 M.€ and Cosec with 5.5 M.€.

Equity-accounted results of subsidiaries — Amounts in M.€

			2014	2015	Δ%
Allianz Portugal		*1*	7.0	9.3	31.9%
Cosec		*2*	5.5	5.5	0.2%
	[= 1 + 2]	*3*	12.5	14.8	18.0%
Finangeste		*4*	(0.3)	0.0	
Unicre		*5*	2.2	8.4	289.0%
Other		*6*	0.2	0.0	(98.6%)
Total	*[= Σ 3 to 6]*	*7*	**14.6**	**23.1**	**59.0%**

Table 44

1) In 2014 BPI wrote off 23.3 M.€ of deferred taxes relating to timing differences by virtue of the change in the IRC rate from 23% to 21% in 2015. The decrease in the IRC rate gives rise to a reduction in future taxes, but has an immediate negative impact on net income due to the recalculation of deferred taxes.

DOMESTIC OPERATIONS BALANCE SHEET

Total assets employed in domestic operations amounted to 33.3 th.M.€ at the close of 2015.

The domestic operations' balance sheet reflects mainly the commercial banking business carried on in Portugal. At the end of 2015, Customer loans in the amount of 22.8 th.M.€, represent 68% of assets, while Customer resources (25.0 th.M.€) constitute the chief source of balance sheet funding (75% of assets).

The transformation of deposits into loans ratio in domestic operations, calculated in accordance with *Instruction 16 / 2004*, was situated at 107% at the end of 2015.

BPI maintains a comfortable liquidity position and balanced funding situation:

- BPI has a portfolio of public-debt securities of euro-zone countries of 3.2 th.M.€, of which 2.3 th.M.€ are short-term securities, 0.35 th.M.€ of Portuguese M / LT debt and 0.6 th.M.€ is M / LT Italian debt;
- at the end of 2015, funds raised from the ECB amounted to 1.5 th.M.€;
- the Bank has a portfolio of assets eligible for additional ECB funding worth 5.6 th.M.€;
- the debt refinancing requirements in the next few years are minimal (0.4 th.M.€ in 2016, 0.7 th.M.€ in 2017 and 0.2 th.M.€ in 2018), corresponding primarily to funding obtained from the EIB;
- 2019 will see a release of liquidity of 0.8 th.M.€, via the redemption of medium and long-term sovereign bonds held by BPI in portfolio.

Domestic activity balance sheet structure in 2015

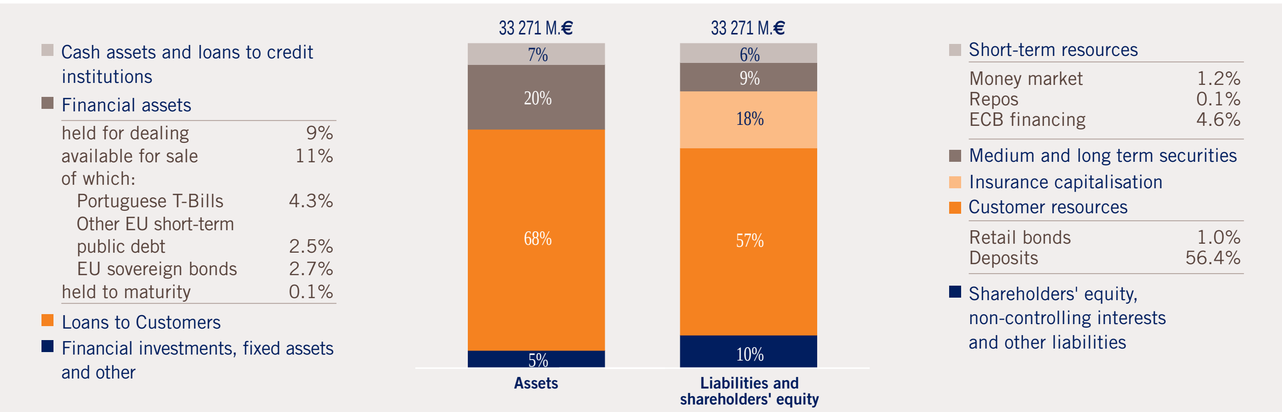


Chart 52

Customer loans

The domestic operations' loan portfolio, which contracted 2.8% (648 M.€) in 2015, evidences a deceleration in the tempo of the contraction when compared with the two previous years, when the portfolio posted decreases of 5.2% and 5.9% in 2013 and 2014, respectively.

The portfolio's behaviour during 2015 presents a progressive stabilisation by virtue of a moderate upswing in the demand for loans in the corporate, small businesses and individuals' segments. It is worth highlighting the 4.9% year-on-year growth in loans to companies, 15.4% expansion of the small businesses loan portfolio and the increased contracting of new mortgage loans, which meanwhile was insufficient to offset the portfolio's repayments, with the result that the mortgage-loan portfolio decreased by 1.9% (*vs.* 3.2% decline in 2014).

The revival in the demand for credit should remain modest given that the recovery in consumption and investment will dependent on the recoupment pace of households' disposable incomes, the private business sector's deleveraging and on the consolidation of the public accounts.

Customer loans portfolio

Amounts in M.€

			2014	2015	Δ%
Corporate banking					
Large companies		1	1 419.9	1 445.5	1.8%
Medium-sized companies		2	2 234.3	2 386.2	6.8%
	[= Σ 1 to 2]	3	**3 654.2**	**3 831.7**	**4.9%**
Project Finance – Portugal		4	**1 154.7**	**1 161.0**	**0.5%**
Madrid branch					
Project Finance		5	634.2	557.3	(12.1%)
Corporates		6	671.9	386.3	(42.5%)
	[= Σ 5 to 6]	7	**1 306.1**	**943.6**	**(27.8%)**
Public Sector					
Central Administration		8	215.4	204.8	(4.9%)
Regional and local administrations		9	814.0	774.6	(4.8%)
State Corporate Sector – in the budget perimeter		10	64.1	51.8	(19.2%)
State Corporate Sector – outside the budget perimeter		11	295.4	267.4	(9.5%)
Other institutional		12	35.8	60.2	68.1%
	[= Σ 8 to 12]	13	**1 424.7**	**1 358.8**	**(4.6%)**
Individuals and Small Businesses Banking					
Mortgage loans to individuals		14	11 024.1	10 813.9	(1.9%)
Consumer credit / other purposes		15	553.9	576.2	4.0%
Credit cards		16	166.9	164.7	(1.3%)
Car financing		17	134.8	136.2	1.0%
Small businesses		18	1 450.2	1 673.5	15.4%
	[= Σ 14 to 18]	19	**13 330.0**	**13 364.4**	**0.3%**
BPI Vida e Pensões[1]		20	**2 005.7**	**1 720.4**	**(14.2%)**
Loans in arrears net of impairments		21	**21.1**	**(30.0)**	**(241.7%)**
Other		22	**539.4**	**438.1**	**(18.8%)**
Total	*[= 3 + 4 + 7 + 13 + Σ 19 to 22]*	23	**23 436.0**	**22 788.1**	**(2.8%)**
Note:					
Bank guarantees		24	1 680.8	1 443.0	(14.1%)

Table 45

1) Securitised loans held by BPI Vida e Pensões (fully consolidated), the BPI Group entity which manages capitalisation insurance. The securitised loans portfolio of BPI Vida e Pensões corresponds, mainly, to bonds and commercial paper issued by large Portuguese companies.

Lending to medium-sized and large companies in Portugal rose by 4.9% (+177 M.€), reversing the downward trend noted until now.

The Madrid branch's loan portfolio contracted 28% (-362 M.€). The portfolio's performance reflects above all the normal and early repayments of loans as a consequence of the Bank's decision not enter into new syndicated operations in Spain.

The Public Sector and State Business Sector loan portfolio posted a year-on-year 4.6% decrease (-66 M.€).

Loans to individuals and small businesses present a stabilisation (+0.3%) given that the decrease in the mortgage-loans portfolio was offset by the expansion noted in the consumer credit and small business loans portfolios:

- the mortgage-loan portfolio shrank by 1.9% in 2015 (-210 M.€). The amount contracted for home loans shows a significant expansion in 2015, growing by a year-on-year 89% to 590 M.€. This figure is less than the amount of repayments which took place in the year, representing 78% of these;
- consumer loans, motor car finance and credit cards grew by 2.5% (+21.5 M.€);
- loans to small businesses expanded 15.4% (+223 M.€).

Loans to Customers
2011 to 2015

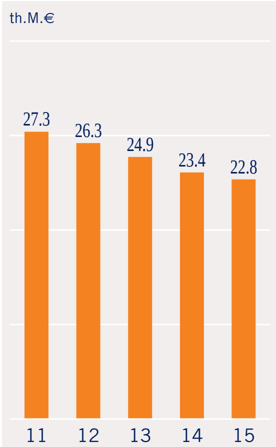


Chart 53

Loan portfolio
Breakdown at 31 Dec. 2015

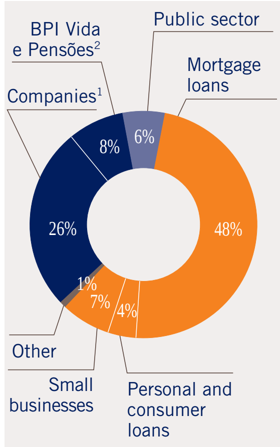


Chart 54

Securities and financial investments portfolio

The securities and financial investments portfolio amounted to 7 039 M.€ at the end of 2015. This portfolio includes, besides financial assets available for sale (3 723 M.€), those held for trading (3 147 M.€), corresponding in essence to BPI Vida e Pensões' portfolio (2 399 M.€) allocated to covering capitalisation insurance and an equities portfolio[3] (358 M.€), as well as investments held to maturity (22 M.€) and participating interests (146 M.€).

The following were the most salient aspects of the behaviour of the available-for-sale assets portfolio in 2015:

- reduction to less than half of the exposure to medium and long-term Portuguese debt through the sale of securities with a nominal value of 440 M.€. At the end of 2015, the position held in medium and long-term securities totalled 912 M.€ (balance sheet value) and has a residual average maturity of around 3.5 years. This portfolio was composed of Portuguese public debt (351 M.€) and Italian public debt (562 M.€);

1) Corporate banking, project finance and Madrid Branch's portfolio.
2) Securitised loans held by BPI Vida e Pensões. It essentially corresponds to bonds and commercial paper issued by major Portuguese Companies.
3) Associated with trading activity through the investment in and management of the BPI Alternative Fund: Iberian Equities Long Short (Lux) and the management of an arbitrage portfolio conducted at Banco Português de Investimento.

- reduction of the Portuguese Treasury Bills portfolio, from 2.5 th.M.€ at the end of 2014 to 1.4 th.M.€ at the end of 2015, and the acquisition of Spanish and Italian short-term public debt totalling respectively 440 M.€ and 390 M.€ at the end of 2015;
- decrease in the corporate bonds portfolio, from 631 M.€ at the end of 2014 to 227 M.€ at the end of 2015 in terms of balance sheet value.

At the close of 2015, the unrealised gains on the available-for-sale financial assets portfolio amounted to 20 M.€ (before tax).

Financial assets available-for-sale
2011 to 2015

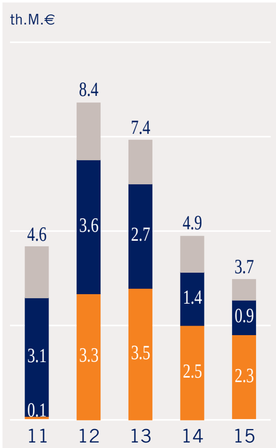


Chart 55

- Other securities
- Medium and long term public debt
- Short term public debt

Financial assets available-for-sale
Portfolio at 31 Dec. 2015

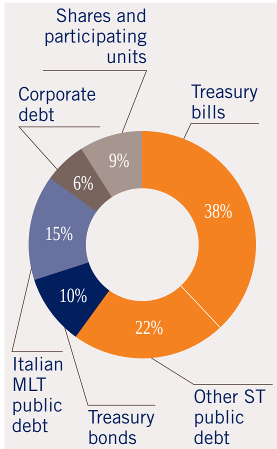


Chart 56

Financial assets available-for-sale portfolio

Amounts in M.€

		2014					2015				
		Acquisition cost	Book value	Gains (losses)[1] Securities	Gains (losses)[1] Derivatives	Gains (losses)[1] Total	Acquisition cost	Book value	Gains (losses)[1] Securities	Gains (losses)[1] Derivatives	Gains (losses)[1] Total
Bonds – public debt											
Short term	*1*	2 478.0	2 487.2	1.4		1.4	2 256.1	2 257.0	0.4		0.4
Of which:											
Portugal		2 478.0	2 487.2	1.4		1.4	1 426.3	1 426.6	(0.1)		(0.1)
Spain							439.9	440.2	0.3		0.3
Italy							389.9	390.2	0.2		0.2
Medium and long term	*2*	1 292.4	1 430.7	144.4	(185.5)	(41.1)	825.2	912.5	95.2	(99.3)	(4.1)
Of which:											
Portugal		787.4	865.2	81.3	(108.4)	(27.1)	320.2	350.9	34.2	(35.8)	(1.6)
Italy		505.0	565.6	63.2	(77.2)	(14.0)	505.0	561.5	60.9	(63.5)	(2.5)
[= 1 + 2]	*3*	3 770.5	3 917.9	145.9	(185.5)	(39.7)	3 081.3	3 169.4	95.6	(99.3)	(3.7)
Corporate bonds	*4*	595.4	630.7	12.9	(34.9)	(22.0)	234.0	227.0	(14.9)	(6.3)	(21.2)
Equities	*5*	136.3	120.3	30.4		30.4	134.1	132.8	45.7		45.7
Other	*6*	239.2	193.1	(3.8)		(3.8)	243.9	193.8	(0.5)		(0.5)
Total *[= Σ 3 to 6]*	*7*	**4 741.3**	**4 862.1**	**185.3**	**(220.4)**	**(35.2)**	**3 693.3**	**3 723.0**	**126.0**	**(105.6)**	**20.3**
Note:											
Fair value reserve after deferred tax assets						(18.8)					21.8

Table 46

1) Fair value reserve before deferred taxes. Includes impact of hedging interest-rate risk.

Customer resources

Total Customer resources – on and off the balance sheet – registered 2.9% year-on-year growth to 28.8 th.M.€.

The aggregate "Global Customer resources", which also includes Customer placements in third-party financial products, amounted to 32.3 th.M.€ at the end of 2015 (+1.1%).

Customer deposits shrank by 1.8% (-345 M.€) year-on-year, within the context of the downward adjustment to the remuneration of time deposits, the behaviour of which is still influenced by a scenario of modest economic recovery.

The positive performance of Customer resources was a determining factor behind the expansion in the portfolio of capital insurance and off-balance sheet Customer resources. BPI attracted more than 570 M.€ through the placing of capitalisation insurance, with the respective portfolio posting 10.7% growth and 1.3 th.M.€ more in off-balance sheet resources (unit trust funds and retirement-savings and equities-savings plans) which portfolio grew by 39%.

Customer resources
2011 to 2015

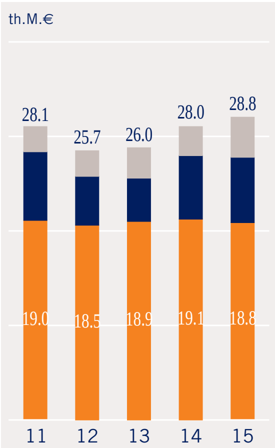


Chart 57

■ Off-balance sheet
■ Other on-balance sheet
■ Deposits

Customer resources
Breakdown at 31 Dec. 2015

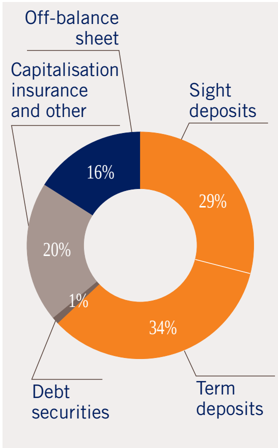


Chart 58

Total Customer resources

Amounts in M.€

			2014	2015	Δ%
On-balance sheet resources					
Deposits					
Sight deposits		1	6 392.2	8 851.9	38.5%
Term and savings deposits		2	12 729.7	9 925.3	(22.0%)
	[= 1 + 2]	3	19 121.9	18 777.2	(1.8%)
Bonds placed with Customers[1]		4	692.9	336.2	(51.5%)
Subtotal	*[= 3 + 4]*	5	**19 814.8**	**19 113.3**	**(3.5%)**
Insurance capitalisation and PPR (BPI Vida e Pensões) and other		6	5 305.1	5 875.4	10.7%
On-balance sheet resources	*[= 5 + 6]*	7	**25 119.9**	**24 988.7**	**(0.5%)**
Off-balance sheet resources[2]		8	**3 216.2**	**4 474.2**	**39.1%**
Corrections for double counting[3]		9	(331.8)	(654.0)	97.1%
Total Customer resources – on and off balance sheet[4]	*[= 7+ 8 + 9]*	10	**28 004.3**	**28 808.9**	**2.9%**
Other Customer resources					
Public offerings		11	1 006.9	396.5	(60.6%)
Third-party funds placed with Customers		12	349.4	455.8	30.4%
Other third-party securities held by Customers		13	2 586.9	2 622.6	1.4%
Global Customer resources	*[= Σ 10 to 13]*	14	**31 947.4**	**32 283.7**	**1.1%**
Pension funds[5]		15	2 248.7	2 419.1	7.6%
Of which: pension funds' investments in Customer resources (on and off balance sheet)		16	(308.7)	(304.6)	(1.3%)

Table 47

1) Structured products (bonds with yield indexed to the equities, commodities and other markets, and with total or partial capital protection at the end of the term), fixed-rate bonds and subordinated bonds issued by the BPI Group and placed with Customers.
2) Unit trust funds, PPR and PPA managed by BPI.
3 Placements of the unit trust funds managed by the BPI Group in deposits and structured products.
4) Corrected for double recording.
5) Includes the BPI Group's Employee pension funds.

INTERNATIONAL OPERATIONS

RESULTS OF INTERNATIONAL OPERATIONS

The contribution from international operations to consolidated net profit was 143.3 M.€ in 2015, which corresponds to 13.6% growth when compared to the 126.1 M.€ contribution recorded in the previous year.

The main contributions to the profit from international activity corresponded:

- to Banco de Fomento Angola's (BFA) contribution of 137.5 M.€, relating to the 50.1% appropriation of its individual profit (which was up 16% on the 2014 figure);
- to Banco Comercial e de Investimentos' (BCI) contribution of 9.4 M.€, relating to the appropriation of 30% of its individual net profit (equity accounted), which corresponds to an 11% year-on-year decrease.

In the individual accounts, BFA earned a return on shareholders' equity (ROE) of 33.6% in 2015, whilst BCI posted an 18.6% ROE.

The return on average capital allocated to international operations, after consolidation adjustments, namely, the impact of the taxation on dividends to be distributed, stood at 30.5% in 2015.

International activity contribution to net profit

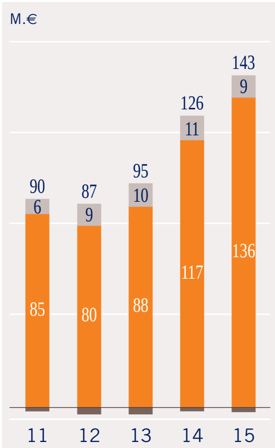


Chart 59

International activity ROE

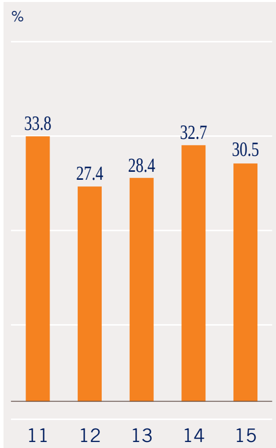


Chart 60

- BCI
- BFA
- Other

International activity income statement

Amounts in M.€

			2014	2015	Δ M.€	Δ%
Net interest income (narrow sense)		1	236.6	308.2	+71.6	30.2%
Net commission relating to amortised cost		2	0.1	0.0	(0.1)	(95.3%)
Net interest income	*[= 1 + 2]*	3	**236.7**	**308.2**	**+71.5**	**30.2%**
Commissions and other fees (net)		4	65.9	68.7	+2.8	4.3%
Profits from financial operations		5	117.6	146.7	+29.1	24.8%
Operating income and charges		6	(11.3)	(7.9)	+3.4	29.7%
Net operating revenue	*[= Σ 3 to 6]*	7	**408.9**	**515.7**	**+106.8**	**26.1%**
Personnel costs		8	68.0	85.0	+17.0	25.0%
Outside supplies and services		9	59.7	71.9	+12.2	20.4%
Depreciation of fixed assets		10	14.1	16.4	+2.3	16.1%
Operating costs	*[= Σ 8 to 10]*	11	**141.8**	**173.3**	**+31.4**	**22.2%**
Operating profit	*[= 7 - 11]*	12	**267.1**	**342.4**	**+75.3**	**28.2%**
Recovery of loans written-off		13	2.5	1.9	(0.6)	(23.6%)
Loan provisions and impairments		14	20.7	33.6	+12.9	62.2%
Other impairments and provisions		15	7.4	3.6	(3.8)	(51.1%)
Profits before taxes	*[= 12 + 13 - 14 - 15]*	16	**241.5**	**307.1**	**+65.6**	**27.2%**
Corporate income tax		17	4.3	33.3	+29.0	n.s.
Equity-accounted results of subsidiaries		18	11.6	10.3	(1.3)	(11.1%)
Results attributable to non-controlling interests		19	122.6	140.8	+18.2	14.8%
Net profit	*[= 16 - 17 + 18 - 19]*	20	**126.1**	**143.3**	**+17.2**	**13.6%**
Cash flow after taxation	*[= 20 + 10 + 14 + 15]*	21	**168.3**	**196.9**	**+28.5**	**16.9%**

n.s. – non significant.

Table 48

CONSOLIDATION OF INTERNATIONAL OPERATIONS

Geographical segment – International operations

International operations encompass the business conducted by the following companies:

Entity	Country	% capital held	Consoli-dation method	Contribu-tion to profit 2015 (M.€)
BFA	Angola	50.1%	Full consolid.	135.7
BCI	Mozambique	30%	Equity method	9.4
BPI Moçambique	Mozambique	100%	Full consolid.	(0.6)
BPI Capital África	South Africa	100%	Full consolid.	(1.3)

Table 49

The cost and income captions, as well as the asset and liability captions, presented as arising from international operations, refer almost exclusively to Banco de Fomento Angola, given that BCI's (Mozambique) contribution is equity accounted in the BPI Group's financial statements, while BPI Moçambique and BPI Capital Africa, also fully consolidated, are not material (see notes 2.2 and 3 to the financial statements).

BFA's financial statements in local currency

Angola's national currency is the kwanza, although the high utilisation of the American dollar in the Angolan economy explains why a large portion of the business transacted with Banco de Fomento Angola's Customers is expressed in US dollars. At the end of 2015, 32% of assets were denominated in dollars (39% when one also considers the assets in kwanza indexed to the dollar), 44% of loans and 35% of deposits. A substantial part of the income and costs are thus generated in the American currency or are indexed to it, as is the case of personnel costs, with the result that the behaviour of the kwanza / dollar exchange rate has an influence on the behaviour of BFA's income and costs when expressed in local currency.

In addition, the gains arising from the revaluation of the positions in foreign currency recorded in BFA's balance sheet are accounted for under the profits from financial operations caption.

At the close of 2015, BFA's balance sheet presented a long position in foreign currencies (essentially dollars) of 232 M.€ (short in kwanza).

Full consolidation of BFA

The inclusion of Banco de Fomento Angola's financial statements in the consolidated financial statements is preceded by the conversion of the results and balances in local currency (kwanza) to euro in accordance with IAS 21[1], based on the reference exchange rates disclosed on an indicative basis by the Banco Nacional de Angola (Central Bank). The gains or losses resulting from this conversion are recognised directly in consolidated shareholders' equity, under the caption revaluation reserves.

Trend in AKZ / USD and AKZ / EUR exchange rates

The kwanza registered a depreciation of 24% against the dollar in 2015 (32% appreciation of the dollar) in terms of the year-end exchange rate. When considering the year's average exchange rate, the kwanza's depreciation against the dollar was 19% (23% appreciation of the dollar).

By virtue of the euro's depreciation against the dollar which occurred in 2015, the behaviour of the kwanza / euro cross rate translates into a kwanza depreciation against the euro of 15% in terms of the year-end exchange rate (euro's 18% appreciation) and 3% in average exchange rate terms (euro's 3% appreciation).

The following table presents the kwanza exchange rate against the euro and the United States dollar, published on the Banco Nacional de Angola (BNA) website on 31 December 2015 and which were used in the incorporation into the 2015 consolidated financial statements of BFA's results relating to the month of December 2015 and its financial position as at 31 December 2015. The following table also presents the average exchange rates used for the conversion into euro of BFA's income and costs generated during the year.

Kwanza exchange rates

	End of the year[1]			Average of the year[2]		
	2014	2015	Δ%	2014	2015	Δ%
AKZ / 1 USD	102.9	135.3	32%	98.5	121.0	23%
USD / 1 EUR	1.22	1.09	(10%)	1.32	1.11	(16%)
AKZ / 1 EUR	125.2	147.8	18%	130.2	133.7	3%

1) Reference BNA (Central Bank of Angola) exchange rates published on its website at 31 December 2015.
2) Average of the prevailing rates at the end of each month.

Table 50

1) The revenues and costs generated in each of the months are converted to euros at the exchange rate of the month in which they are recognized. For assets and liabilities the exchange rate at the end of the year is used.

AKZ'S DEPRECIATION AT 4 JANUARY 2016

The kwanza exchange rates against the other currencies published on the BNA's website at the opening on 4 January 2016, first business day after 31 December 2015, evidence a depreciation of the kwanza against the euro and the United States dollar of 13% relative to the exchanges rates ruling on the last day of 2015. The impact on Banco BPI consolidated financial statements will be recognised in the 1st quarter of 2016 [*see note to the financial statements 2.2. Consolidation of subsidiaries and jointly controlled entities and recognition of associated companies (IFRS 10, IFRS 11, IAS 28 and IFRS 3)*].

	Exchange rates considered in the accounts reported at 31 Dec. 2015	Reference exchange rates of BNA published at 4 Jan.16	Chg.
AKZ / 1 USD	135.3	155.6	15%
AKZ / 1 EUR	147.8	169.7	15%

Table 51

The AKZ's depreciation (USD's appreciation) underlying the exchange rates ruling on the 1st business day of 2016 generated a positive impact of 28 M.€ in BFA's operating profit (before impairments) which basically corresponds to the gain of 30 M.€ with the revaluation of the long position in USD (short in AKZ) recorded in its balance sheet. Of the net profit after deducting corporate income tax, BPI appropriates 50.1%, with the result that the positive impact on BPI's net profit is 9 M.€.

The conversion of BFA's accounts in AKZ to euro (consolidation currency) results in a negative impact of 44 M.€ on the accounting shareholders' equity attributable to BPI.

The impact on the consolidated CET1 ratio (phasing in and fully implemented) is a negative 0.1 p.p., given that the negative impact of CET1 capital is to a large extent offset by the reduction, of a similar proportion, of the weighted assets which stem from the statement in euro of BFA's assets.

Impact on Banco BPI's consolidated accounts of the AKZ's benchmark exchange rate disclosed by the BNA on 4 Jan. 16

Consolidated amounts in M.€

	31 Dec. 15 as reported	Proforma considering the rate published in 4 Jan. 16	Chg.
Net profit	236	245	+9
Assets	40 673	40 076	(597)
Loans	24 282	24 176	(106)
On balance sheet Clients resources	31 849	31 299	(550)
Non-controlling interests	429	384	(44)
Shareholders' Equity	2 407	2 363	(44)
CET1 phasing in ratio (2016 rules)	10.7%	10.6%	-0.1 p.p.
CET1 fully implemented ratio	9.8%	9.7%	-0.1 p.p.

Table 52

Income

The net operating revenue from international banking operations grew by 26.1% (+106.8 M.€) in 2015.

Net operating revenue

		In million €, consolidation currency (M.€)				In million AKZ, local currency in Angola (M.AKZ)			
		2014	2015	Δ M.€	Δ%	2014	2015	Δ M.AKZ	Δ%
BFA net operating revenue									
Net interest income	1	237.0	308.6	71.6	30.2%	30 739	41 070	10 330	33.6%
Commissions	2	65.2	67.5	2.3	3.6%	8 446	9 127	681	8.1%
Profits from financial operations	3	117.6	146.7	29.1	24.8%	15 285	19 868	4 583	30.0%
Operating income and charges	4	(11.3)	(7.9)	3.3	29.7%	(1 467)	(921)	546	37.2%
BFA net operating revenue [Σ 1 to 4]	5	**408.5**	**514.9**	**106.4**	**26.0%**	**53 003**	**69 143**	**16 140**	**30.5%**
Other subsidiaries[1]	6	0.4	0.9	0.4	89.5%				
Total [5 + 6]	7	**408.9**	**515.7**	**106.8**	**26.1%**				

Table 53

BFA's net operating revenue expressed in kwanza advanced by 30.5%. When expressed in the consolidation currency, as a consequence of the kwanza's 2.6% depreciation against the euro (average exchange rate), the growth was 26.0%.

In relation to the component of income generated in dollars, its behaviour in 2015 benefited from a positive currency effect stemming from the dollar's appreciation *vis-à-vis* the kwanza:

- in the conversion to kwanza of part of the income which was originally generated in dollars (the dollar gained 23% relative to the kwanza in terms of the average exchange rate);
- in the revaluation of the long position in dollars / short in kwanza in BFA's balance sheet which generated a gain of 50 M.€ (booked in the caption profits from financial operations).

Net interest income

Narrow net interest income rose by 30.2% (+71.6 M.€) in 2015.

Roughly half of this increase is explained by the positive volume effect (34.3 M.€) of the expansion of remunerated liabilities and assets, while the other half is due to a positive price effect (37.7 M.€) generated by the increase in the unitary interest margin, from 4.2% in 2014 to 5.3% in 2015.

The increase in remunerated liabilities and assets reflects the expansion of deposits, and the placement of these resources in loans and Angolan public-debt securities.

The 1.1 p.p. rise in the unitary interest margin is chiefly the result of the higher average remuneration earned from the Angolan public-debt securities portfolio, from 6.5% in 2014 to 7.5% in 2015. The average remuneration on loans and deposits presents a slight decline, to stand at 9.3% in loans and 1.5% in deposits in 2015.

Net operating revenue

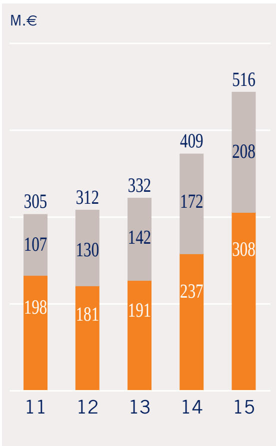


Chart 61

Commissions, profits from financial operations and other
Net interest income

Net interest income generation in 2015[2]

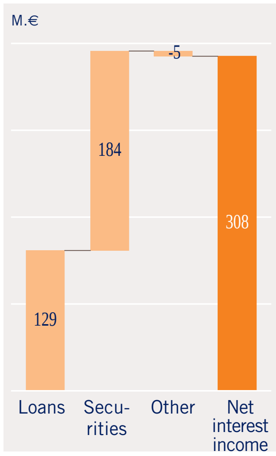


Chart 62

1) BPI Capital África and BPI Moçambique.
2) Considering the average cost of deposits.

Factors influencing the trend in net interest income from BFA

Amounts in M.€

		2014			2015			Change in net interest income				
								Volume effect and residual effect			Rate effect	Total
		Average balance	Average rate	Interest (income / costs)	Average balance	Average rate	Interest (income / costs)	Volume effect	Residual effect	Total		
Interest-earning assets												
Placements with credit institutions	1	1 662.5	2.0%	32.7	1 367.2	2.2%	30.2	(5.8)	(0.7)	(6.5)	4.0	(2.5)
Loans to Customers	2	1 388.6	9.4%	130.7	1 665.9	9.3%	154.6	26.1	(0.4)	25.7	(1.8)	23.9
Financial assets	3	2 704.8	6.5%	175.9	3 081.9	7.5%	230.6	24.5	3.7	28.2	26.5	54.7
Other	4			3.2			9.5					6.3
Interest-earning assets[1] *[= Σ 1 to 4]*	5	**5 755.9**	**6.0%**	**342.6**	**6 115.0**	**7.0%**	**425.0**	**44.8**	**2.6**	**47.4**	**28.7**	**82.4**
Interest-bearing liabilities												
Customer deposits	6	6 152.3	1.7%	102.9	7 030.7	1.5%	107.1	14.7	(1.3)	13.4	(9.2)	4.2
Other interest-bearing liabilities	7	36.5	0.5%	0.2	15.9	1.1%	0.2	(0.1)	(0.1)	(0.2)	0.2	(0.0)
Other	8			2.8			9.5					6.7
Interest-bearing liabilities[1] *[= Σ 6 to 8]*	9	**6 188.7**	**1.7%**	**105.9**	**7 046.6**	**1.7%**	**116.8**	**14.6**	**(1.4)**	**13.2**	**(8.9)**	**10.9**
Net interest income (narrow sense) *[= 5 - 9]*	10			**236.6**			**308.2**	**30.2**	**4.1**	**34.3**	**37.7**	**71.6**
Average spread (between interest-earning assets and interest-bearing liabilities)	11		4.2%			5.3%						

Table 54

Commissions

Commission and other similar income in 2015 amounted to 68.7 M.€, which corresponds to a 4.3% improvement (+2.8 M.€) relative to 2014.

Profits from financial operations

In 2015, profits from financial operations rose by 24.8% (+29.1 M.€) to 146.7 M.€. This figure corresponds mainly to:

- gains of 69 M.€ earned on the purchase and sale of currency derived from commercial operations with Customers. Currency gains decreased by 30 M.€ relative to 2014, against a backdrop of the scarcity of dollars in the Angolan economy caused by the lower inflow of dollars into the country in the wake of the fall in crude oil prices;
- gains of 50 M.€ with the revaluation of the long position in dollars (short in kwanza) as a result of the kwanza's depreciation against the dollar, which permitted offsetting the decline in the above-mentioned currency gains.

Operating costs

Operating costs reported in the consolidation currency (euro) were 31.4 M.€ higher (+22.2%) in 2015.

Net operating revenue and operating costs

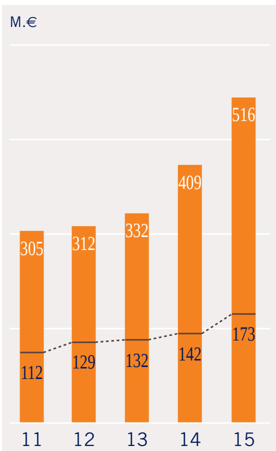


Chart 63

- Net operating revenue
- Operating costs

Operating costs as % of net operating revenue

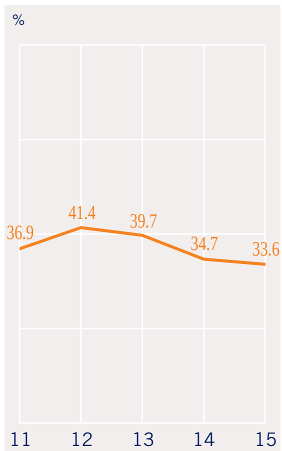


Chart 64

1) The volume, price and residual effects calculated for the total interest-earning assets and interest-bearing liabilities correspond to the sum of the values of the parts.

The increase in costs when expressed in euro is essentially explained by the dollar's appreciation against the euro by around 20% in 2015[1], in terms of the average exchange rate for the year.

This effect stems from the fact that BFA's personnel costs are indexed to the dollar's performance and that an appreciable part of third-party suppliers and services are predominantly in euro and dollars by virtue of the Angolan economy presenting a high degree of dependency on the import of goods and services.

When expressed in USD, operating costs were up 2.5%. The 4.5% increase in the average headcount and the 2.7% expansion of the distribution network were the principal factors behind this behaviour. Personnel costs were 5.1% higher, third-party supplies and services climbed 0.8%, while depreciation and amortisation were down 3.0%.

The indicator "operating costs as a percentage of net operating revenue" was situated at 33.6% in 2015.

Operating costs

		In million €, consolidation currency (M.€)				In million USD (M.USD)				In million AKZ (M.AKZ)			
		2014	**2015**	**Δ M.€**	**Δ%**	**2014**	**2015**	**Δ M. USD**	**Δ%**	**2014**	**2015**	**Δ M. AKZ**	**Δ%**
BFA operating costs													
Personnel costs	*1*	66.1	82.9	16.8	25.4%	87.2	91.6	4.4	5.1%	8 590	11 113	2 523	29.4%
Outside supplies and services	*2*	59.1	71.2	12.1	20.4%	78.1	78.7	0.7	0.8%	7 689	9 523	1 833	23.8%
Depreciation and amortisation	*3*	14.0	16.2	2.3	16.1%	18.5	17.9	(0.6)	(3.0%)	1 818	2 165	346	19.1%
BFA operating costs *[= Σ 1 to 3]*	*4*	**139.2**	**170.3**	**31.1**	**22.4%**	**183.7**	**188.2**	**4.5**	**2.5%**	**18 098**	**22 800**	**4 703**	**26.0%**
Other subsidiaries[2]	*5*	2.6	2.9	0.3	12.3%								
Total *[= 4 + 5]*	*6*	**141.8**	**173.3**	**31.4**	**22.2%**								
Efficiency ratio[3]	*7*	34.7%	33.6%										

Table 55

Loan impairments and provisions

Loan impairments in the year amounted to 33.6 M.€, up by 12.9 M.€ relative to 2014.

Loan impairments, after deducting recoveries (1.9 M.€), totalled 31.7 M.€ and represented 1.88% of the average loan portfolio (1.30% in 2014).

At the end of 2015, credit at risk at BFA stood at 87.1 M.€ which corresponded to 5.5% of the gross loan portfolio. Credit at risk was up 9.5 M.€ in 2015 (adjusted for write-offs), which corresponded to 0.56% of the loan portfolio. Credit at risk cover by accumulated loan provisions in the balance sheet climbed from 102% in 2014 to 122% in 2015.

Total impairments net of recoveries

2011 to 2015

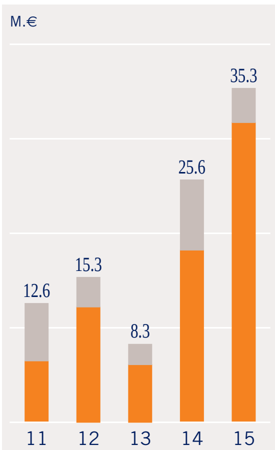


Chart 65

As % of net operating profit

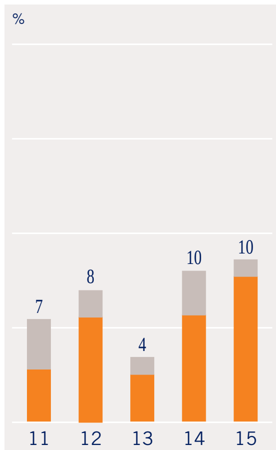


Chart 66

Other purposes
Loans (net of recoveries)

1) In terms of the year's average exchange rates in 2015 the dollar appreciated 23% against the kwanza while, for its part, the kwanza depreciated 3% against the euro.
2) BPI Capital África and BPI Moçambique.
3) Operating costs as a percentage of net operating revenue.

Loan impairments

			In million €, consolidation currency (M.€)				In million AKZ, local currency in Angola (M.AKZ)			
			2014	% of loan portfolio[1]	2015	% of loan portfolio[1]	2014	% of loan portfolio[1]	2015	% of loan portfolio[1]
Loan impairments		1	20.7	1.48%	33.6	1.99%	2 664	1.46%	4 587	2.07%
(-) Recoveries of loans in arrears written off		2	2.5	0.18%	1.9	0.11%	323	0.18%	253	0.11%
Loan impairments net of recoveries	*[= 1 - 2]*	3	**18.2**	**1.30%**	**31.7**	**1.88%**	**2 341**	**1.29%**	**4 335**	**1.96%**

Table 56

Equity-accounted results of subsidiaries

Results recognised using the equity method – which correspond to the appropriation of net profit attributable to the 30% shareholding in BCI in Mozambique – were 11.1% lower at 10.3 M.€[2].

Expressed in euro (consolidation currency), BCI's net total assets increased by 6.5%. Customer deposits rose by 2.7% to 1 838 M.€ at the close of 2015, while the loan portfolio contracted by 2.6% to 1 402 M.€. The number of Customers was up 24% to 1 285 thousand, the distribution network was enlarged by a further 23 units to 191 branches, while the staff complement rose by 22.5% to 3 009 Employees.

Shareholding of 30% in BCI Amounts in M.€

		2014	2015	Δ%
Equity-accounted results	1	11.6	10.3	(11.1%)
Contribution to consolidated net profit	2	10.6	9.4	(11.1%)
Book value of the participation	3	54.8	64.3	17.4%

Table 57

Non-controlling interests

Non-controlling interests in the results from international operations correspond to the minority 49.9% stake in BFA's capital held by Unitel.

BPI recognised 140.8 M.€ of minority interests in BFA's profit on 2015.

1) Average balance of performing loans.

2) BCI's contribution to BPI consolidated net profit, besides the equity-accounted results also includes the deferred tax relating to BCI's distributable results. In 2015, BCI's contribution was 9.4 M.€, down 11% on the previous year's contribution.

INTERNATIONAL OPERATIONS' BALANCE SHEET

BFA has an extremely liquid balance sheet, with Customer resources (6 860 M.€) funding 86% of assets at the end of 2015. Customer resources coupled with own funds practically guaranteed the funding of total assets.

The Customer resources portfolio represented 19% of assets, while the transformation of deposits into loans ratio was situated at 22% at the end of 2015.

BFA's balance sheet's surplus liquidity, defined as the total of deposits and shareholders' equity not allocated to the funding of loans, compulsory reserves or financing fixed assets, amounted to 4.8 th.M.€ at the end of December 2015.

Surplus liquidity in kwanza is invested in short-term securities issued by the Angolan Treasury, in placements at BNA in reverse repos and in Angolan Treasury Bonds in kwanza or in kwanza indexed to the dollar. Surplus liquidity in dollars is invested on the interbank market and in Angolan Treasury Bonds expressed in dollars.

At 31 December 2015, 66% of assets was expressed in kwanza and 34% expressed in foreign currencies (32%[1] expressed in dollars and the 2% corresponded essentially to the euro given that the positions in other currencies are at residual levels).

BFA's balance sheet presented at the end of 2015 a long position in foreign currencies (essentially dollars) of 232 M.€ (short kwanza).

BFA balance sheet by currency
At 31 December 2015

Amounts in M.€

	Exposure in AKZ	Exposure in USD and other currencies	Total
Assets			
Exposure to the Central Bank of Angola (BNA)	1 355	173	1 528
Of which: minimum cash reserve in deposit at BNA	578	88	666
Exposure to the Angolan State	2 688	982	3 670
Minimum cash reserve in securities	325	301	625
Securities portfolio	2 344	320	2 664
Loans	19	361	380
Loans to Customers[2]	816	297	1 113
Deposits in other banks	72	1 049	1 121
Other assets	329	197	526
Total assets	**5 259**	**2 698**	**7 957**
Liabilities			
Clients deposits	4 298	2 582	6 881
Other responsibilities	111	92	203
Total liabilities	**4 409**	**2 675**	**7 084**
Forwards and other assets		(361)	
Assets (net position) in AKZ indexed to the USD		570	
Currency position		**232**	

Table 58

International activity balance sheet structure in 2015

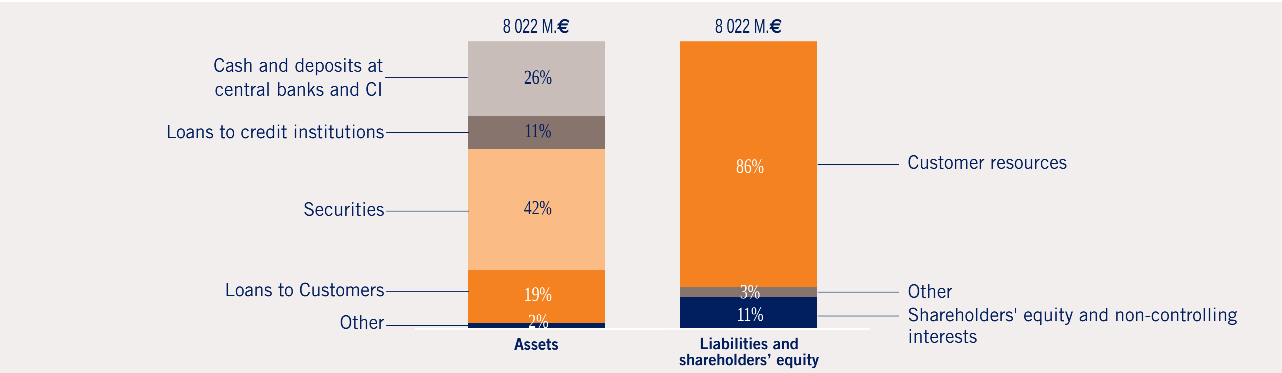


Chart 67

1) 39% considering the assets expressed in USD and in AKZ indexed to the USD.
2) Excludes loans to the Angolan State.

Customer loans

The following was the behaviour of the loan portfolio in 2015, measured in the respective currencies advanced:

- the loan portfolio in kwanza (56% of the total of the portfolio in 2015) decreased by 29 th.M.AKZ (-19.0%), which is explained by the conversion into Treasury Bonds of the interim tranche in AKZ, in the amount of 52.6 th.M.AKZ (roughly of 0.4 th.M.€), of the loan granted to the Angolan State in the 3rd quarter of 2014[1];
- the loan portfolio in dollars (44% of the portfolio in 2015) shrank 4.0%.

The behaviour of the loan portfolio in the consolidation currency, the euro, is negatively affected by the kwanza's 15% depreciation against the euro, and positively by the dollar's 11% appreciation against the euro.

Expressed in euro, BFA's Customer loans portfolio decreased by 18.5%, to 1 494 M.€ at the close of 2015.

Customer loans portfolio

		2014	2015	Δ%
Expressed in the respective loan-advanced currency				
Loans in AKZ (in M.AKZ)	*1*	152 295	123 423	(19.0%)
Loans in USD (in M.USD)	*2*	746.4	716.4	(4.0%)
Loans in EUR (in M.€)	*3*	3.2	2.9	(9.5%)
Expressed in M.€ (consolidation currency)				
Loans in AKZ	*4*	1 216.5	834.9	(31.4%)
Loans in USD	*5*	613.3	655.7	6.9%
Loans in EUR and other currencies	*6*	3.2	2.9	(8.9%)
Total loan portfolio *[= Σ 4 to 6]*	*7*	**1 833.0**	**1 493.6**	**(18.5%)**
Bank guarantees	*8*	487.9	385.7	(20.9%)

Table 59

Securities portfolio

The securities portfolio at the end of 2015 amounted to 3 313.9 M.€, which corresponds to a 15.2% increase (+436 M.€) *vis-à-vis* 2014. Contributing to this trend was the conversion into Treasury Bonds of the interim tranche in AKZ of the loan granted to the Angolan State and the larger securities portfolio in USD.

Loans to Customers
2011 to 2015

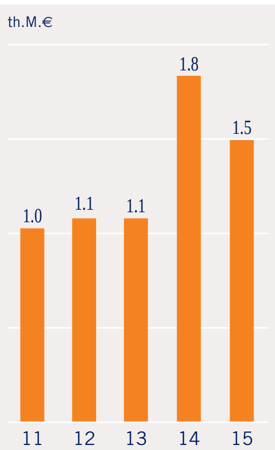


Chart 68

Loan portfolio
By currency at 31 Dec. 2015

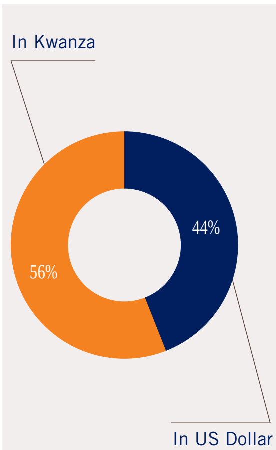


Chart 69

Portfolio of Angolan Treasury Bills and TBC

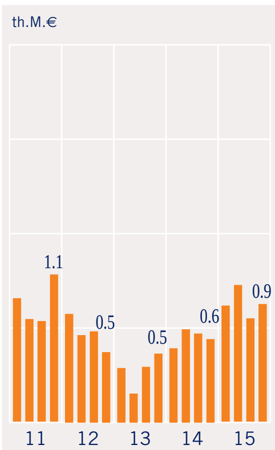


Chart 70

Portfolio of Angolan Treasury Bonds

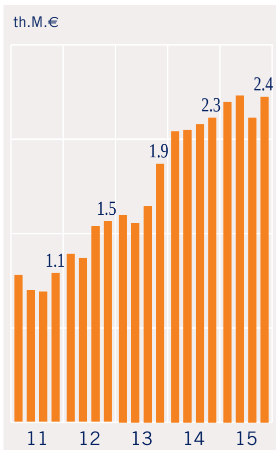


Chart 71

1) The loan granted to the Angolan State in the 3rd quarter of 2014 was composed of an interim tranche in AKZ in the amount of 52.6 th.M AKZ (equivalent to roughly 0.4 th.M.€) which as envisaged in the initial conditions, was converted in June 2015 into Treasury Bonds, and a tranche in USD in the amount of 250 M.USD (equivalent to around 0.2 th.M.€).

Securities portfolio Amounts in M.€

		2014	2015	Δ%
Securites in AKZ	1	1 867.2	2 120.2	13.6%
Securites in AKZ indexed to USD	2	593.7	570.4	(3.9%)
Securites in USD	3	417.0	623.3	49.5%
Total [= Σ 1 to 3]	4	**2 877.9**	**3 313.9**	**15.2%**
Of which:				
Angolan Treasury Bills (TBills)	5	615.1	876.2	42.5%
Angolan Treasury Bonds (TBonds)	6	2 258.1	2 412.9	6.9%
Other	7	4.7	24.8	n.s.

Table 60

The financial assets portfolio is composed in 2015 of short-term securities, with maturities of up to one year, expressed in kwanza and issued by the State (Treasury Bills) and by Angolan Treasury Bonds with maturities of 1 to 6 years.

Customer resources

The growth in 2015 in deposits measured in the respective deposit-taking currencies was as follows:

- Deposits in kwanza (63% of the total deposits in 2015) expanded 11.4%;
- Deposits in dollars (35% of the total deposits in 2015) decreased 20.2%.

The trend in deposits expressed in euro is influenced by the behaviour of the kwanza / euro and euro / dollar exchange rates[1].

Expressed in euro (consolidation currency), the deposits in kwanza component decreased 5.7% and the deposits in dollars component declined 11.1%, which resulted in a negative change of 7.3% for BFA's total deposits portfolio.

At the end of 2015, the deposits portfolio totalled 6 860 M.€. Sight deposits represented 59% of the total and time deposits the remaining 41%.

Customer resources
2011 to 2015

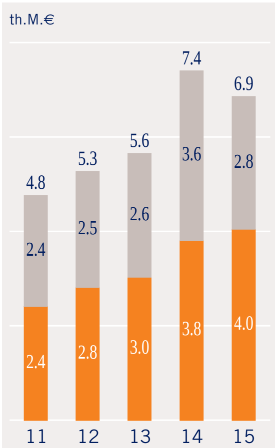


Chart 72

Customer resources
By currency at 31 Dec. 2015

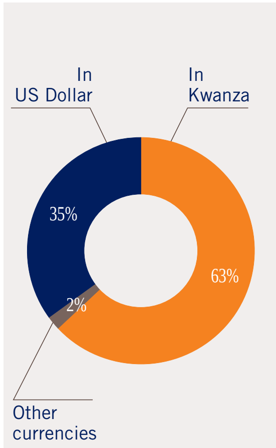


Chart 73

Customer resources portfolio

		2014	2015	Δ%
Expressed in the respective deposit-taking currency				
Deposits in AKZ (in M.AKZ)	1	569 469	634 253	11.4%
Deposits in USD (in M.USD)	2	3 308.2	2 641.0	(20.2%)
Deposits in EUR (in M.€)	3	120.4	143.5	19.2%
Expressed in M.€ (consolidation currency)				
Deposits in AKZ	4	4 548.7	4 290.4	(5.7%)
Deposits in USD	5	2 718.1	2 417.4	(11.1%)
Deposits in EUR and other currencies	6	129.6	152.2	17.4%
Total deposits [= Σ 4 to 6]	7	**7 396.3**	**6 860.0**	**(7.3%)**
Note:				
Sight deposits	8	3 805.9	4 045.3	6.3%
Term deposits	9	3 590.4	2 814.7	(21.6%)

Table 61

1) The kwanza depreciated 15% against the euro, whereas the dollar appreciated 11% relative to the euro.

Profitability, efficiency, loan quality and solvency consolidated indicators according to Bank of Portugal Notice 16 / 2004

	2014	2015
Net operating revenue and results of equity accounted subsidiaries / ATA	2.1%	2.9%
Profit before taxation and non-controlling interests / ATA	(0.0%)	1.0%
Profit before taxation and non-controlling interests / average shareholders' equity (including non-controlling interests)	(0.4%)	15.1%
Personnel costs / net operating revenue and results of equity accounted subsidiaries[1]	41.9%	31.2%
Operating costs / net operating revenue and results of equity accounted subsidiaries[1]	72.3%	54.6%
Loans in arrears for more than 90 days + doubtful loans / loan portfolio (gross)	4.3%	3.9%
Loans in arrears for more than 90 days + doubtful loans, net of accumulated loan impairments / loan portfolio (net)	0.1%	(0.2%)
Credit at risk[2]	5.4%	4.9%
Credit at risk[2], net of accumulated loan impairments / loan portfolio (net)	1.2%	0.8%
Restructured loans as % of total loans[3]	6.9%	6.6%
Restructured loans not included in non-performing loans ("credit at risk") as % of total loans[3]	4.6%	4.6%
Own funds requirements ratio	11.8%[4]	10.9%[5]
Basis own funds ratio (Tier 1)	11.8%[4]	10.9%[5]
Common Equity Tier 1 ratio	11.8%[4]	10.9%[5]
Loans (net) to deposits ratio	84%	85%

Table 62

Note: In the calculation of the indicators above, the perimeter of the Group subject to the supervision of the ECB is considered, i.e., BPI Vida e Pensões is recognized by the equity method (in the consolidated accounts, according to IAS / IFRS, that entity is consolidated by global integration).

1) Excluding costs with early-retirements.

2) Credit-at-risk corresponds to the sum of (1) the total outstanding value of loans which have principal or interest instalments in arrears for more than 90 days; (2) the total outstanding value of loans which have been restructured after having been in arrears for a period of 90 days or more, without having adequately reinforced the guarantees given (these must be sufficient to cover the total value of outstanding principal and interest; (3) the total value of loans with principal or interest instalments in arrears for less than 90 days, but in respect of which there is evidence that justify their classification as credit at risk, namely the debtor's insolvency or liquidation.

3) According to *Bank of Portugal Instruction 32 / 2013*.

4) According to the phasing-in CRD IV / CRR rules applicable in 2014.

5) According to the phasing-in CRD IV / CRR rules applicable in 2015.

ATA = Average total assets.

Risk management

At the BPI Group, risk management is founded on the ongoing identification and analysis of the exposure to the different risks (credit risk, country risk, market risks, liquidity risks, operational and other risks) and on the execution of strategies aimed at maximising the results *vis-à-vis* risks, within predefined and duly supervised limits. Risk management is complemented by the analysis *à posteriori* of performance indicators.

ORGANISATION

The BPI Group's global risk management is entrusted to the Board of Directors' Executive Committee. At the Executive Committee level, a Director without direct responsibility for the commercial divisions is placed in charge of the risk divisions.

At senior level, there are also two specialised executive committees: the Global Risks Executive Committee (global market, liquidity, credit, country, operational risks) and the Credit Risks Executive Committee, which concentrates its activity on the analysis of large-scale operations.

The Bank has a centralised and independent structure for dealing with the analysis and control of risk in accordance with the best organisational practices in this domain and with the requirements of the Basel Accord. The Risk Analysis and Control Division is responsible for monitoring global risks and for the management of the risk datamart for the whole Group.

In the specific domain of corporates, small businesses, institutional Clients and project finance credit risks, the Credit Risk Division undertakes an appraisal, independent of the commercial structures, of the risk of the various proponents or sureties and of the characteristics of the operations. The granting of ratings falls within the terms of reference of this Division's Ratings Area, with the Rating Committee having the power to derogate from them in the case of large exposure Customers. Quantitative models and expert analysis produced, respectively, by the Risk Analysis and Control Division and the Credit Risk Division, are available to support the attribution of ratings. The Corporate Loans Recovery Division undertakes the management of recovery proceedings in the event of default.

In the specific sphere of Individuals' credit risk, it is the task of the Individuals' Credit Risk Division to perform the functions of independently analysing proponents, sureties and operations, backed by the various risk indicators and scoring models produced by the Risk Analysis and Control Division. The management of recovery processes also forms part of the functions of the Individuals' Credit Risk Division.

In specific segments such as loans to financial institutions or derivatives, there are credit risk analysis areas which carry out similar functions to those described for companies or individuals.

The management of operational risks is entrusted to the Operational Risks Management Area of the Organisation and Quality Division – dedicated solely to this matter – and to the Employees specifically nominated at each of the Group's divisions, who are responsible for the identification, monitoring and mitigation of operational risks within their sphere of work. The management of operational risks also encompasses the management of Business Continuity and Information Security, observing the same governance model. There are three committees for overseeing Operational Risks, i.e. the Operational Risks, the Business Continuity and the Information Security Committees.

The BPI Group's Compliance Division has as its mission contributing to the prevention and mitigation of the "Compliance Risks", which translate into the risk of legal or regulatory sanctions, financial or reputational loss as a consequence of the failure to comply with the law, regulations, code of conduct and good banking practices, fostering the observance by the BPI Group and its Employees of all the applicable rules by way of an independent involvement, in conjunction with all the Bank's organic units. Compliance risks comprise, besides the risk of legal breach, market abuse risk and the risk of money laundering and financing of terrorism.

Matrix of responsibilities for risk management and control

	Identification and analysis of exposure	Strategy	Limits and control	Recovery	Performance Evaluation
Credit / counterparty risk	**DACR**: rating and scoring models (probabilities of default), and loss given default for all loan segments **DACR** and **DF**: external rating identification for debt securities and for credit to financial institutions **DRC**: Risk analysis, Rating for Corporates, Small Businesses, Project Finance and Institutional Clients **Rating Committee**: Rating for Institutional Clients and Derogation of Rating for Large Corporates **DRCP**: Expert System for loans to Individuals **DACR**: exposure to derivatives **DACR**: analysis of overall exposure to credit risk	**CECA**: overall strategy **CECA**, **CERC**: approval of substantial operations **Credit Board**, **DRC**, **DRCP**, **DF**: approval of operations	**CA** (with CRF advisory) **CECA**, **CERC**, **Credit Board**, **DRC**, **DRCP**, **DACR**, **DF**: limits **CA** (with CRF advisory), **CECA**, **CACI**, **CERC**, **Credit Board**, **DACR**, **DO**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control	**DRCE**: Companies **DRCP**: Individuals and Small Businesses	**CECA**, **CERC**, **DCPE**, **DACR**, **All other Divisions**
Country risk	**DF**: analysis of individual country risk with recourse to external ratings and analyses **DACR**: analysis of overall exposure	**CECA**: overall strategy **DF**, **DA**: operations	**CA** (with CRF advisory) **CECA**, **CACI**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		
Market risk	**DACR**: analysis of risk by books / instruments and global risks – interest rates, currencies, shares, commodities, other.	**CECA**: overall strategy **DF**, **DA**: operations	**CA** (with CRF advisory) **CECA**, **CERG**, **DACR**, **DF**, **DA**: limits **CECA**, **CACI**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		
Liquidity risk	**DF**, **DA**: individual risk analysis of liquidity, by instrument **DACR**: analysis of overall liquidity risk	**CECA**: overall strategy	**CA** (with CRF advisory) **CECA**, **CACI**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		
Operating risks	**DACR**: analysis of overall exposure **DOQ** and **all the Divisions**: identification of critical points	**CECA**: overall organisation **CRO** **DOQ**: regulations	**CECA**, **DORG**, **DACR**: regulation and limits **CECA**, **CACI**, **DOQ**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control	**DJ**, **DAI**, **DO**, **Commercial Divisions**	**CECA**, **DOQ**[2]
Legal and compliance risks	**DJ** **DC**: analysis of compliance risks (= legal default, market abuse, money laundering and financing terrorism)	**CECA**: compliance	**CECA**, **CACI**, **DJ**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		

CA – Conselho de Administração (Board of Directors): **CACI** – Comissão de Auditoria e de Controlo Interno (Audit and Internal Control Committee); **CECA** – Comissão Executiva do Conselho de Administração (Board of Directors Executive Committee); **CERC** – Comissão Executiva de Riscos de Crédito (Credit Risks Executive Committee); **CRF** – Comissão de Riscos Financeiros (Financial Risks Committee); **CRO** – Comité de Risco Operacional (Operating Risk Committee); **DA** – Departamento de Acções (Equity Department); **DACR** – Direcção de Análise e Controlo de Riscos (Risk Analysis and Control Division); **DAI** – Direcção de Auditoria e Inspecção (Audit and Inspection Division); **DC** – Direcção de Compliance (Compliance Division); **DCPE** – Direcção de Contabilidade, Planeamento e Estatística (Accounting, Planning and Statistics Division); **DF** – Direcção Financeira (Financial Division); **DJ** – Direcção Jurídica (Legal Division); **DO** – Direcção de Operações (Operations Division); **DOQ** – Direcção da Organização e Qualidade (Organisation and Quality Division); **DRC** – Direcção de Riscos de Crédito (Credit Risk Division); **DRCE** – Direcção de Recuperação de Crédito a Empresas (Corporate Credit Recovery Division); **DRCP** – Direcção de Riscos de Crédito a Particulares (Individuals Credit Risk Division).

The Financial Risks Committee – a consultative body reporting to the Board of Directors – is responsible, without prejudice to the legal terms of reference vested in the Supervisory Board, for monitoring the management policy covering all the financial risks arising from BPI's operations, namely liquidity, interest rate, exchange rate, market and credit risks, as well as monitoring the Company's pension-fund management policy.

1) As part of the execution of the audit and statutory audit of the BPI Group's accounts, the external auditors also contribute to the process of controlling the various risks to which the Group is exposed.
2) Except in the cases of compliance and DC division.

Credit risk

Management process

Credit risk associated with the possibility of actual default by a counterparty (or with the change in the economic value of a given instrument or portfolio stemming from a deterioration in the risk quality of a counterparty) constitutes the primary risk factor inherent in the BPI Group's business spectrum.

Specific approval for loans to **companies and small businesses or to institutional Customers** follows the principles and procedures laid down in the credit regulations, and in essence result from the following:

- Rejection filters: the existence of incidents and defaults, liens or debts to the Tax Administration and to the Social Security Department; others.
- Exposure limits to credit risk: evaluation of the present capability to service debt and the establishment of corresponding maximum exposure limits, also paying attention to the Bank's involvement capacity.
- Acceptance / rejection boundary according to the probability of the counterparty defaulting: a boundary is set in accordance with the internal rating (potential Customers whose classification places them in a risk class which is deemed to be excessive are turned down, that is, whose probability of defaulting is high) or in accordance with an equivalent analysis by an expert system.
- Mitigation of risk attaching to operations: regard is had to any personal or tangible guarantees which contribute to reducing risks.

In the **corporate** segment, the object is to become involved with long-term operations which are associated with tangible guarantees (financial and non-financial), with collateral cover levels (net of haircuts and temporal adjustments in the case of financial assets) of 100%.

In the **small businesses** segment, the medium / long-term operations must as a rule be fully secured by tangible guarantees.

In order to mitigate credit risk on companies' derivative operations, in addition to the drafting of contracts with clauses which permit the set-off of obligations in the event of default, BPI has as a rule signed collateralisation accords with its counterparties.

For more details concerning the policy for evaluating and managing collateral, see the report "Market Discipline" published on the Investor Relations web site.

In **project finance or structured finance**, the clear identification and allocation of the principal attendant risks is fundamental, isolating the project and its risk assets from the Promoters or Shareholders ("ring-fencing"), focusing on their perceived or actual cash-flow generating capability, whether it be as the source of debt repayment or as the security for loans. The loan contract typically contains far-reaching oversight powers and mechanisms by the lenders.

The specific approval of **loans to individuals** follows the principles and procedures laid down in the credit regulations and in essence result from the following:

- Rejection filters: the existence of incidents and defaults, liens or debts to the Tax Administration and to the Social Security Department, minimum and maximum age restrictions and others.
- Exposure limits: evaluation of the present capability to service debt through the calculation of the housing-to-income ratio or the estimated value of the savings of the loan applicants, guarantors or sureties. As a general rule, applications where the housing-to-income ratio is considered to be excessive or where savings become slightly positive or even negative due to the costs of the new loan, are turned down.
- Acceptance / rejection boundary, according to the probability of the counterparty defaulting: there are reactive scorings for each loan segment (housing, personal loans, credit cards and motor car finance) designed to evaluate the probability of default by the counterparty, guarantors or sureties. In complex cases, the identification of the risk class (probability of default) requires the involvement of the Individuals Credit Risk Division. Potential Customers whose classification places them at risk which is deemed to be excessive are turned down, that is, whose probability of defaulting is high.
- Mitigation of risk attaching to operations: in the acceptance or rejection of Customers and operations,

regard is had to any personal or tangible guarantees which contribute to reducing risks. In the most expressive segment – home loans –, the relationship between loan and security (or loan-to-value ratio) has a maximum ceiling of 80%. For more details concerning the policy for evaluating and managing collateral, see the report “Market Discipline” published on the Investor Relations website.

For each one of the different divisions involved, the relevant hierarchical levels for the approval of credit according to their risk or commercial characteristics have been defined with the object of decentralising decisions and, therefore, ensuring processing speed and efficacy.

À posteriori, the Bank maintains constant vigilance over the behaviour of its exposure to different counterparties, and over the trend of its portfolio (diversification by geographical area, sector of activity, loan segment, counterparty, currency and maturity). A more detailed description of the topic dealing with risk concentration is in the report “Market Discipline” which is available for consultation on the Investor Relations website.

The Bank also keeps constant vigilance over the earnings and profitability indices achieved *vis-à-vis* the risks assumed.

Problematic loans, provisioning cover indices, write-offs and recoveries are also analysed monthly.

Recovery procedures are duly identified with a view to assessing on a case-by-case basis the choice of option that prospectively allows maximising the amount recovered.

In the case of Companies or Small Businesses, the Bank seeks as a rule a non-judicial restructuring of the debt which, when credible, could involve extending the maturity period and possibly even the pardon of principal with the payment of arrear interest and reinforced security. Also as a rule, the Bank does not reinforce its exposure, neither does it accept payment in specie and nor does it convert debt into principal. Once a restructuring operation has been realised, the process is duly monitored. Non-compliance with the agreed plan sets into motion the judicial recovery of the debt. Where the debt restructuring is not feasible, the loan is subjected to judicial execution.

In the case of Individuals, the restructuring or renegotiation agreements are also a preferred path for recovery providing that there is the minimum prospect of their being complied with. The choice is largely dependent on the period of default and the loan product, which could entail extending the maturity period and implementing a payment plan of outstanding and unpaid instalments, amongst other modes. There also exists a system that alerts to default of the restructuring agreement, triggering a subsequent action.

In the case of defaulting operations, but also for operations with incidents or performing loans, the Bank makes an estimate of the provisions for impairments, which entails not only a statistical calculation but also an assessment by an expert system of the same impairment, for all of the most significant loans. Impairments and provisions are evaluated monthly by the Board of Directors’ Executive Committee (Executive Committee for Credit Risks), and are reviewed half-yearly by the external auditors and analysed regularly by the Financial Risks Committee.

Functioning as agents controlling this entire management process, in addition to the Board of Directors, the Financial Risks Committee, the Audit and Internal Control Committee, the Supervisory Board and the Executive Committee for Credit Risk, are the Risk Analysis and Control Division, the internal and external auditors[1] and the supervision authority.

1) As part of the execution of the audit and statutory audit of the BPI Group’s accounts, the external auditors also contribute to the process of controlling the various risks to which the Group is exposed.

DESCRIPTION OF MEDTHODOLOGY FOR CALCULATING IMPAIRMENTS

Financial assets or off-balance sheet operations (loans, guarantees given, irrevocable commitments, underwriting of commercial paper, derivatives, others) are in an impaired situation when events take place after the asset's initial recognition that change the expectations in relation to the future cash flows associated with that asset. The impairment corresponds to the difference between the financial asset's balance sheet value and the present value of its estimated future cash flows. The recording of provisions for the losses already incurred but not yet observed is also foreseen (IBNR – Incurred but not reported).

In the case of loans to individual Customers the portfolio is segmented according to the type of products and a collective analysis of impairments is carried out. The individual analysis in the case of Individuals only occurs for exposures of 250 th.€ or more (Private Banking and International Private Banking).

In the case of Corporate Banking, Project Finance, Institutional Banking and the State Business Sector, size-related and other complementary criteria are utilised for determining the type of analysis to be carried out, while all companies are subject to individual analysis. In the case of the Small Business and Sole Proprietors' segment, those companies with more significant exposures (250 th.€ or more) are also subjected to individual analysis, as are operations involving the following products or categories of products – Commercial Loans, Bank Guarantees, Factoring, Confirming and other debit balances (including derivatives). The analysis is performed on a collective basis for less significant exposures. In the Small Businesses segment, collective analyses are undertaken separately for the following portfolios – Equipment Leasing, Real Estate Leasing and Commercial Loans.

The impairment losses relating to the operations recorded in the loan portfolio are calculated by means of individual analysis, and these are monitored by the Finance Division.

As a general rule, in the case where no provisions are set aside after individual analysis, provisions are created based on the collective analysis.

The calculation of individual impairment is done operation by operation. The following constitute objective indices, amongst others, of the existence of individual impairment:

- Incidents and defaults (not accidental);
- Record of Incidents in the BdP's CRC;
- Risk warnings which indicate significant degradation of the situation of individuals and of the Group / companies;
- Attachment / seizure of account;
- Applications for insolvency;
- Income Tax and Social Security debts;
- Increase in the probability of default (including Scoring / Rating situations beyond the prescribed threshold and restructured / renegotiated debts arising from risk deterioration);
- Depreciation in the value of the collateral.

The final calculation of individual impairment is based on the empirical estimate (educated guess) of the product of a probability of default and of a loss in the event of default (for performing loans or with incidents); or simply of a loss in the case of default (for non-performing loans).

The expected loan recovery value contains a judgment as to the value of the cash flows to be presented by Customers, based on both their historical economic-financial performance and the expectation of future trends. The expected value of the loan recovery includes, mandatorily, the cash flows that could result for the execution of the guarantees of the collateral associated with the loan advanced. In this case, the costs arising from the respective recovery process are deducted.

Properties pledged as security are obligatorily valued in loco prior to the process being closed definitively. The valuation of foreclosed properties is entrusted by Banco BPI to duly accredited external valuers independent of the Bank who must mandatorily visit the interior of the property. The object of these valuations effected for Banco BPI is to establish the "market value" of a given property, according to the principles defined by:

- IVSC – International Valuation Standards Council in the International Valuation Standards publication (edition of 2013);
- *Bank of Portugal Notice 5 / 2006* (Valuation of Mortgaged Properties pledged as Guarantee for Mortgage Bond Loans);
- *Bank of Portugal Notice 5 / 2007* (Own Funds Adequacy).

The "Market Value" of a property is the price for which an assets can be sold under a contract between an interested seller and a buyer with the means to realise the transaction at the valuation date, on the assumption that the property is placed publically for sale, that the market conditions permit a normal transfer and that there is a normal period, taking into account the nature of the property for negotiation of the sale. In determining Market Value it is possible to resort to three valuation methods: "Market method", "Income method" and "Cost method".

The calculation mode for collective provisions relating to the most important portfolios (Home loans, Companies and Small Businesses) entails partitioning according to the gravity of past or present indices. In the case of Home Loans, the restructured or renegotiated operations (without delays) are also dealt with separately. In calculating impairments using IBNR (incurred but not reported), applied to loans without signs of the above-mentioned portfolios, specific parameters are applied for restructured loans with financial difficulties.

<table>
<tr><th>Segments</th><th>Without signs</th><th>With signs</th><th>Default</th></tr>
<tr><td>Corporate Banking</td><td rowspan="4">Performing loans or delays up to 30 days</td><td>Delays of more than 30 days or risk factors</td><td rowspan="2">Delays of more than 180 days or litigation</td></tr>
<tr><td>Small Businesses</td><td rowspan="3">Delays of more than 30 days</td></tr>
<tr><td>Personal Loan</td><td rowspan="2">Delays of more than 90 days or litigation</td></tr>
<tr><td>Motor Car Finance</td></tr>
<tr><td>Home Loans</td><td>Performing loans or delays up to 12 days</td><td>Delays of more than 12 days</td><td>Delays of more than 180 days or litigation</td></tr>
<tr><td>Credit Cards</td><td>Performing loans (status AA) or miscellaneous (inactive, cheques, etc.)</td><td>Delinquencies (status D01, D02 and D03)</td><td>Default (status CG) or litigation</td></tr>
</table>

The balance sheet value corresponds to the sum of the book value of the capital not yet due, the overdue principal, the overdue interest and the other costs of overdue loans.

Based on the aforesaid partitions, probability curves are built based on the Kaplan-Meier methodology. Sign of impairment / arrear probabilities are calculated during an emergency period of 6 months and for a subsequent transition to a default situation (delay of 180 days or 90 days, according to the segments) up until the final maturity.

The sign probability curves are built based on the time elapsing since the beginning of the observation of the loans (corresponds to the beginning of the operations or the beginning of the observation in the history of the information being considered), since the resolution of the delay / default or since the moment of a restructuring due to financial difficlties. As a rule, the probabilities are lower to the extent that operations run their course without incidents and the distance increases *vis-à-vis* the initial observation.

Different transition probability curves are also built depending on the gravity of the sign and based on the time elapsed since it was first observed. The probability is marginally smaller the bigger the distance from the observation of the sign and as long as the operation / Customer does not enter into default.

In case of default, an estimate is made of an economic loss. Based on the historical data for each segment, the payments made by the Customers after the default are identified, after deducting the direct costs of the recovery process. These flows are discounted at the rate of interest applicable to the operations and compared (%) with the exposure at the time of the default. Different recovery curves are estimated for operations which are in default for different periods (based on the amount outstanding after t months of the operations / Customers which / who remain in default in that month). In the Real Estate Leasing and Home Loan segment, in which the recovery processes are more protracted due to the property foreclosure, the recoveries include an estimate of the recovery via judicial proceedings (execution / repossession of the asset, based on the past records available relating to those situations (probability of recovery via judicial proceedings multiplied by the percentage of the estimated recovery via judicial proceedings).

Risk Factors	Without signs	With signs	Default
Probability of sign (or incident): Probability of an operation / Customer becoming late during an emergency period.	✓	×	×
Probability of transition (to default): Probability of an operation / Customer which / who already records delays (signs) arriving at a Default situation during the remaining term of the operation.	✓	✓	×
Loss in case of default (LGD): Economic loss of the operations in case of default.	✓	✓	✓

Depending upon the situation of the loans, provisions for impairments are calculated in a different manner.

Loans without signs

$$\text{Impairment} = \sum_{H,j} \left(\text{Book Value}_{H,j} - \sum_{t} \frac{ECF_t}{(1+i)^t} \right) \times SP_{H,j}$$

Loans with signs

$$\text{Impairment} = \sum_{DS} \left(\text{Book Value}_{DS} - \sum_{t} \frac{ECF_t}{(1+i)^t} \right)$$

Loans in Default

$$\text{Impairment} = \sum_{j} \left(\text{Book Value}_j \times LGD_j \right)$$

Where:

ECF = expected cash flow

SP = sign probability

TP = transition probability

LGD = default loss

DS = degree of sign (e.g. 12-30 days, 30-60 days, etc.)

H = history of operations / Customers without signs (without problems in the past: signs or default)

t = period in which the payment of a future cash flow is contractually envisaged

Restructuring of loans

The recovery procedures are duly identified with a view to deciding case-by-case on the choice of option which hopefully permits maximising the amount recovered.

In the case of Companies and Small Businesses, the Bank endeavours as a rule to achieve a non-judicial restructuring of the debt which, if credible, could involve extending the term and possibility the deferment of principal with the payment of the overdue interest or the appropriate reinforcement of the security pledged, depending on the characteristics of each specific case. Also as a rule, the Bank does not raise its exposure, neither does it accept payment in specie nor does it convert debt into principal. Having realised the restructuring, the process is duly monitored. Non-compliance with the agreed plan sets into motion the judicial debt execution process. Where the debt restructuring proves not to be feasible, the debt is subjected to immediate judicial execution.

In the case of Individuals, the restructuring or renegotiation agreements are also a preferred path for recovery providing that there is the minimum prospect of being complied with. The choice is largely dependent on the default period and the loan product, which could entail extending the maturity period and implementing a payment plan of outstanding and unpaid instalments, amongst other modes. There also exists a system that alerts to default of the restructuring agreement, triggering a subsequent action.

Evaluation of exposure to credit risk

Companies, institutional Customers, specialised finance and small businesses

BPI uses an internal rating system for companies (excluding small businesses) with ten classes (E1 to E10) plus two classes in the case of incidents (ED1 and ED2) and one in the case of default (ED3, which corresponds to a 100% "probability of default"). Default probabilities are associated to each classification for the evaluation of loans, guarantees and securities of medium and large-sized companies.

Internal rating of companies
Breakdown of exposure by risk classes
At 31 December 2015

Risk classes		Value (M.€)[1]	% of portfolio amount	One-year default probability[2]
E1	*1*	70.2	1.1%	0.03%
E2	*2*	334.0	5.4%	0.03%
E3	*3*	721.6	11.7%	0.03%
E4	*4*	958.9	15.5%	0.04%
E5	*5*	1 222.4	19.8%	0.06%
E6	*6*	726.3	11.8%	0.07%
E7	*7*	637.4	10.3%	0.49%
E8	*8*	368.2	6.0%	2.72%
E9	*9*	232.8	3.8%	7.34%
E10	*10*	260.4	4.2%	17.27%
Without rating	*11*	16.7	0.3%	1.22%
ED1	*12*	0.4	0.0%	42.86%
ED2	*13*	1.4	0.0%	61.85%
ED3 (default)	*14*	628.6	10.2%	100.00%
Total *[= Σ 1 to 14]*	*15*	**6 179.1**	**100%**	**1.60%**

Table 63

The average probability of default in the Companies' portfolio over 1 year, weighted by the value of the liabilities at 31 December 2015, was 1.60%. The loss in the event of default in this segment is on average 40.36%. The expected loss is on average is 0.66% for the whole portfolio.

In the project finance and structured finance areas, there is a classification system based on five classes. The portfolio is composed in the majority of cases of projects with "good" or "strong" ratings.

Internal rating of project finance
Breakdown of exposure by risk classes
At 31 December 2015

Risk classes		Value (M.€)	% of portfolio amount
Strong	*1*	146.1	6.3%
Good	*2*	1 283.8	55.0%
Satisfactory	*3*	430.0	18.4%
Weak	*4*	222.5	9.5%
Default	*5*	199.8	8.6%
ND	*6*	53.0	2.3%
Total *[= Σ 1 to 6]*	*7*	**2 335.2**	**100.0%**

Table 64

The segment of small businesses is still at an initial stage of a rating evaluation process. Notwithstanding this fact, it is possible to estimate an average default probability over a one-year period in the case of this portfolio, and a loss in the event of default of 3.38% and 60.58%, respectively (the definition of default used in the calculations of impairment losses is that of loans in arrears for 180 days or more).

These systems for evaluating counterparty risk are complemented by other methodologies, in particular, the calculation of the capital at risk, in accordance with the assessment enshrined in regulations governing solvency ratios or a variation thereof.

Exposure concentration indices are also analysed. In overall terms, in a qualitative appraisal, the portfolio reveals an average / high degree of concentration by counterparties or groups (including conservative compliance with the regulation regarding "large exposures") and a reduced concentration by sectors.

According to the Bank of Portugal's calculation methodology, the individual concentration indicator is 0.44% while the sectorial concentration is 11.2%. The concentration in geographical terms is inherent to the location of the Group's business operations.

1) Includes bonds, bank guarantees and commercial paper of the corporate segment and excludes without-recourse factoring operations and derivatives.
2) In the calculation of default probabilities, all the operations in default of a single Customer were regarded as being a single negative case (and not various cases). The calculation of the portfolio's average default probabilities naturally excludes the ED3 class. The DPs presented are point-in-time and hence not comparable with those published in previous years as they were through-the-cycle.

Financial institutions

In financing granted to other financial institutions, BPI bases its risk analysis on available external ratings. Financing relations are restricted, at the time of the investment, to investment grade institutions.

This system for evaluating counterparty risk is complemented by the calculation of the capital at risk, in accordance with the assessment enshrined in regulations governing solvency ratios.

Individuals

In the individuals domain, there is a reactive scoring model for each segment, designed to represent default probabilities (distribution of the results of each scoring by ten classes, plus two in the case of incidents and one class in the case of default).

Over the life of the operations, the default probabilities are assessed by behavioural scorings. It should be noted that in the home loan segment, notwithstanding the difficult economic environment, the portfolio's average probability of default is low (0.91%). This favourable trend is due to the natural decline in default probabilities on older loans (the portfolio's average age is 8.4 years while the peak of default probabilities in their lifespan is situated at 2 to 3 years).

Default probabilities of loans to individuals
At 31 December 2015

Risk classes	Probability of default within a year[1,2,3]	Loss given default	Expected loss
Mortgage loans	0.9%	13.0%	0.1%
Personal loans	2.4%	33.6%	0.8%
Motor car finance	0.9%	22.5%	0.2%
Credit cards	0.7%	48.5%	0.3%

Table 65

The estimated loss on each operation in default in these segments is also revised periodically over the lifespan of the operations. The lowest expected loss in the event of default in the motor-car and housing finance is directly related to the existence of tangible guarantees, facilitating the recoupment of loans. The existence of enforcement orders and, at times, financial collateral, also facilitates the recovery of amounts (relatively low) advanced in the form of personal loans.

Loan-to-value ratio in housing loans
At 31 December 2015

	2015
New loans contracted[4]	65.4%
Housing loan portfolio	55.6%
Loans in default (more than 90 days)	87.4%

Table 66

This system for evaluating counterparty risk is complemented by the calculation of the capital at risk, in accordance with the assessment enshrined in regulations governing solvency ratios.

Debt securities portfolio

In what regards the evaluation of risks stemming from its securities portfolio, BPI resorts primarily to information obtained from external rating reports. The investment portfolio is predominantly composed of the securities of low credit-risk issuers.

1) Probability of default weighted by the liabilities in portfolio or potential liabilities (credit cards).
2) The calculation of the average default probability includes situations of loans in arrears for less than 90 days.
3) The DPs presented are point-in-time.
4) Loans granted in December 2015.

Bonds and fixed-interest securities' investment portfolio[1]

Amounts in M.€

Rating	2014	%	2015	%
AAA	9	0.2%	0	0.0%
AA	1	0.0%	0	0.0%
A	236	4.4%	73	1.7%
BBB	790	14.6%	1 394	32.8%
BB	3 517	65.2%	1 840	43.3%
B	47	0.9%	53	1.2%
CCC	1	0.0%	0	0.0%
Commercial paper with guarantees from credit institutions	152	2.8%	168	4.0%
Commercial paper without guarantees	527	9.8%	495	11.7%
Without rating	117	2.2%	226	5.3%
Total	**5 397**	**100%**	**4 249**	**100%**

Table 67

Equities and participating interests' portfolio

As regards the structural position of the equities and participating interests portfolio, the corresponding market risk is not easily measured by traditional methodologies such as VaR, given the investment's time horizon, the importance of the positions or the lack of quoted prices in the equity market. According to the Basel Accord, this risk is treated as credit risk (and eventually included in the treatment of large exposures).

The realisation of a stress test on this portfolio (20% fall in quoted prices) reveals a capital at risk figure of 24 M.€.

Derivative operations

Credit risk analysis relating to operations in derivatives is founded on the replacement value (exposure equivalent to credit), and on default probabilities and loss values in the case of default attaching to the counterparty and to the operations, respectively.

The set-off and collateralisation contracts naturally have an influence on the calculation of this type of exposure. These agreements, which entail the receipt (and payment) of collateral amounts for hedging risks between counterparties, permitted a reduction in the substitution value of the derivatives portfolio from 321 M.€ (gross amount) to 200 M.€ (net amount, after set off and collateralisation) at the end of December 2015.

Current credit risk – substitution value of derivatives by type of counterparty[2]

Amounts in M.€

	2014	%	2015	%
Over-the-counter market	**226.4**	**100.0%**	**200.5**	**100.0%**
Financial institutions	11.5	2.0%	8.3	2.0%
Other financial intermediaries	1.1	0.8%	1.0	0.8%
Local and administrative public sector	0.4	0.3%	0.3	0.3%
Companies	212.6	96.1%	190.2	96.1%
Unit trust funds and pension funds	0.3	0.0%	0.3	0.0%
Individuals	0.5	0.9%	0.4	0.9%
Regulated markets	**–**	**–**	**–**	**–**
Stock exchange	–	–	–	–
Total	**226.4**	**100.0%**	**200.5**	**100.0%**

Table 68

This form of evaluating exposure to counterparty risk is complemented by the traditional regulatory approach (own funds requirements by capital at risk).

Default, provisioning and recovery levels

BPI recorded a decrease in the flow of new default situations, an improvement in the loan-quality indicators and the reinforcement of provisions for credit risk.

The following are details of the principal arrear-loan, risk-cost and impairment-coverage ratios:

- **Loans in arrears ratio (+90 days):** the consolidated ratio of loans in arrears for more than 90 days improved from 3.8% at the end of 2014 to 3.6% at the close of 2015. In domestic operations (94% of the consolidated loan portfolio), that ratio stood at 3.6%, while in international operations (in Angola), which represent 6% of the consolidated loan portfolio, it was 4.2%.

1) Includes securities in the available-for-sale portfolios, bonds classified as loans and commercial paper.
2) The total substitution value is the sum of the substitution values of the counterparties, when positive. It does not include options inserted into bonds issued or bought. The substitution value incorporates the effect of the risk reduction that results from the set-off of credit and debit balances between the same counterparties and agreements with counterparties, which serve as guarantee for compliance with obligations.

- **Credit-at-risk ratio (IAS / IFRS consolidation scope[1]):** the consolidated credit-at-risk ratio, according to the Bank of Portugal's definition, improved from 5.0% at the end of 2014 to 4.6% at the end of 2015. In domestic activity, that ratio was situated at 4.5% and in international activity (in Angola) at 5.5%.
- **Credit risk cost:** impairment charges in the year, after deducting loan recoveries, represented 0.48% of the loan portfolio in 2015 (0.70% in 2014). In 2015, loan impairments for the year (net of recoveries) in domestic operations represented 0.38% of the loan portfolio and in international operations 1.88% of the loan portfolio.
- **Impairment cover:** Accumulated loan impairment allowances in the balance sheet at the end of 2015 stood at 1 013 M.€. This figure corresponded to 87% of credit-at-risk[1], not taking into account the effect of risks covered by collateral, which represents an increase in loan-impairment cover when compared with the previous year (82%). Accumulated loan impairment allowances in the balance sheet for non-performing loans[2] and guarantees (real and personal) represented 93% cover for the total exposure to operations with principal or interest in arrears for more than 30 days, including the associated loans falling due.
- **Foreclosed properties:** properties repossessed in loan recovery operations totalled 153.5 M.€, in terms of gross balance sheet value. The balance sheet value net of accumulated impairments was 126.3 M.€, which compares with their market value of 153.5 M.€.

Credit at risk

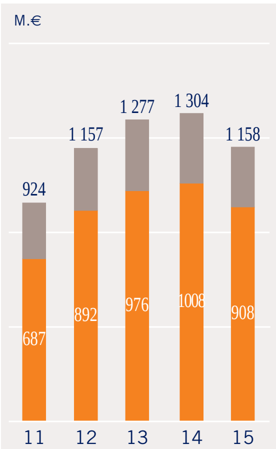


Chart 74

■ Credit at risk
Of which:
■ Loans in arrears for more than 90 days

Ratio of credit at risk

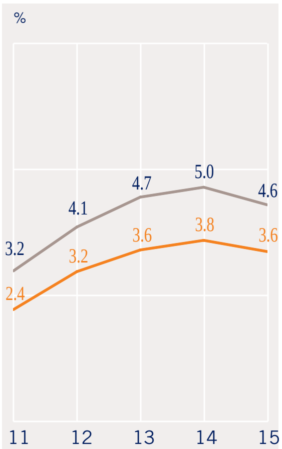


Chart 75

— Credit at risk
— Loans in arrears for more than 90 days

Impairments coverage
Not considering collaterals

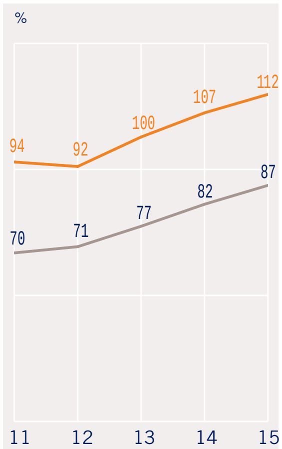


Chart 76

Coverage of:
— Credit at risk
— Loans in arrears for more than 90 days

Property repossessed from loans recovery (gross value)

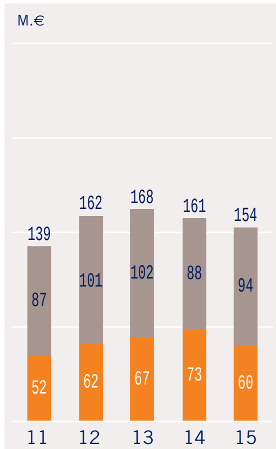


Chart 77

■ Other
■ Housing loans

1) Calculated in accordance with *Bank of Portugal Instruction no. 23 / 2011* and considering the consolidation scope in IAS / IFRS, with the result that BPI Vida e Pensões is fully consolidated and its portfolio is included in the consolidated loan portfolio (in Bank of Portugal's supervision scope, BPI Vida e Pensões is equity accounted). According to *Instruction 23 / 2011* and considering the supervision scope, at 31 Dec. 2015 the credit at risk amounted to 1158 M.€ while the credit-at-risk ratio stood at 4.9%.
2) In addition, BPI had impairment allowances of 329 M.€ for loans with no arrear instalments and for guarantees. Taking this figure also into account, coverage for total overdue loans and associated loans falling due stood at 119%.

Loans to Customers in arrears and loan impairments

Amounts in M.€

			2011	2012	2013	2014	2015		
			Consolidated	Consolidated	Consolidated	Consolidated	Domestic activity	International activity	Consolidated
Customer loan portfolio (gross)		1	28 995	28 129	26 897	26 306	23 668	1 592	25 260
Loans in arrears, falling due loans and impairments									
Credit at risk[1]		2	923.9	1 157.4	1 277.0	1 304.0	1 070.9	87.1	1 158.1
Loan impairments and guarantees (accumulated in the balance sheet)		3	642.9	824.4	978.7	1 075.2	906.7	106.1	1 012.8
Loans in arrears for more than 90 days		4	686.6	891.9	976.3	1 008.3	841.4	66.8	908.2
Loans in arrears for more than 30 days		5	728.4	917.4	997.2	1 043.7	850.0	72.4	922.5
Ratios (as % of total loans)									
Credit at risk as % of loan portfolio[1,2]	*[= 2 / 1]*	6	3.2%	4.1%	4.7%	5.0%	4.5%	5.5%	4.6%
Loan impairments (accumulated in the balance sheet) as % of loan portfolio	*[= 3 / 1]*	7	2.2%	2.9%	3.6%	4.1%	3.8%	6.7%	4.0%
Loans in arrears for more than 90 days as % of loan portfolio	*[= 4 / 1]*	8	2.4%	3.2%	3.6%	3.8%	3.6%	4.2%	3.6%
Loans in arrears for more than 30 days as % of loan portfolio	*[= 5 / 1]*	9	2.5%	3.3%	3.7%	4.0%	3.6%	4.6%	3.7%
Loan impairments as % of credit at risk	*[= 3 / 2]*	10	70%	71%	77%	82%	85%	122%	87%
Loan impairments as % of loans in arrears for more than 90 days	*[= 3 / 4]*	11	94%	92%	100%	107%	108%	159%	112%
Write-offs and sales of loans in arrears		12	86.3	81.3	93.4	106.5	162.0	7.3	169.2
Recovery of loans and interests in arrears written-off		13	20.3	15.5	17.6	16.5	16.2	1.9	18.2

Table 69

DOMESTIC OPERATIONS

Trend in defaulting loans and impairments in the year

The international financial crisis which began in 2007 and which was subsequently followed by a sovereign debt crisis that affected the countries of southern Europe – leading in Portugal's case to a request for an international bailout and to the implementation of a stringent financial stabilisation programme – originated far-reaching impacts in the real economy that resonated strongly in Banco BPI's domestic operations.

Since 2007, BPI has registered in domestic operations a deterioration in default indicators and a rise in credit-risk cost, which despite remaining at relatively good levels, have heavily penalised profitability in domestic operations.

Effective from 2013, BPI has recorded a slowdown in the flow of new default situations in domestic operations after having reached a historical high in 2012.

The emergence of new default cases (in arrears for more than 90 days) in domestic activity, calculated as the change in the balance of non-performing loans between the beginning and end of the year, to which is added write-offs effected and after deducting loan recoveries, attained 40 M.€ in 2015 (0.18% of the loan portfolio), which corresponds to a significant decrease since the peak of 263 M.€ in 2012 (0.99% of the loan portfolio).

The change in the credit at risk, adjusted for write-offs and net of recoveries, was -2 M.€ (-0.01% of the loan portfolio), which compares with an annual maximum increase of 299 M.€ (1.13% of the loan portfolio) in 2012.

Impairment charges for the year, net of loan recoveries, decreased from a maximum of 249 M.€ reached in 2013 (0.98% of the loan portfolio) to 87 M.€ in 2015 (0.38% of the loan portfolio).

The present text centres on the trend in the loan portfolio's quality indicators in Banco BPI's domestic operations. However, in order to provide a global vision for the Group, the following tables also present the indicators for the international operations and for the consolidated viewpoint (Group).

1) According to *Bank of Portugal Instruction 16 / 2004*, includes loans in arrears for more than 90 days, associated loans not yet due, restructured loans (previously with instalments in arrears for more than 90 days and in respect of which the debtor had not adequately reinforced the guarantees furnished or paid in full the interest and other charges overdue) and insolvency situations still not contemplated in loans in arrears for more than 90 days.

2) Considering the consolidation scope in IAS / IFRS, with the result that BPI Vida e Pensões is fully consolidated and its portfolio is included in the consolidated loan portfolio (in Bank of Portugal's supervision scope, BPI Vida e Pensões is equity accounted). According to *Instruction 23 / 2011* and considering the supervision scope, at 31 Dec. 2015 the credit at risk amounted to 1 158 M.€ while the credit-at-risk ratio stood at 4.9%.

Last 10 years' trend in defaulting loans (for more than 90 days)
From 2004 till 2007, new incidences of arrear loans (for more than 90 days) – adjusted for write-offs and after deducting recoveries – in domestic operations amounted to an annual average figure of around 40 M.€, which represented roughly 0.20% of the loan portfolio.

Since 2007, mirroring the economic repercussions of the international financial crisis that emerged halfway through that year, there was an increase in non-performing loan situations in domestic operations. In annual average terms, the new entries of arrear loans (for more than 90 days) – adjusted for write-offs and net of recoveries – climbed to 117 M.€ (0.42% of the loan portfolio) between 2008 and 2010.

The stream of non-performing loan situations became more pronounced with effect from 2010, as a consequence of the repercussions in the Portuguese economy of the implementation, in a short space of time, of a demanding programme aimed at correcting the macroeconomic imbalances. In 2012, a maximum of 263 M.€ was reached, which corresponded to 0.99% of the loan portfolio.

With effect from 2012, there have been two consecutive years of decline in the number of new cases of loan defaults, amounting to 40 M.€ in 2015 (0.18% of the loan portfolio).

Credit-at-risk
The trend in credit-at-risk adjusted for write-offs and net of recoveries is similar to that for arrear loans (for more than 90 days). In 2015, credit-at-risk (adjusted for write-offs and net of recoveries) in domestic operations remained virtually unchanged (-2 M.€ corresponding to -0.01% of the loan portfolio), whilst in 2012 it reached a maximum amount of 299 M.€ (1.13% of the loan portfolio).

Annual change in loans in arrears (+90 days), adjusted by write-offs and net of recoveries

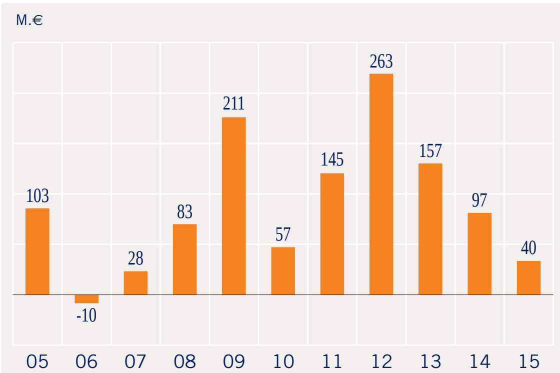


Chart 78

Loan impairments[1] net of recoveries

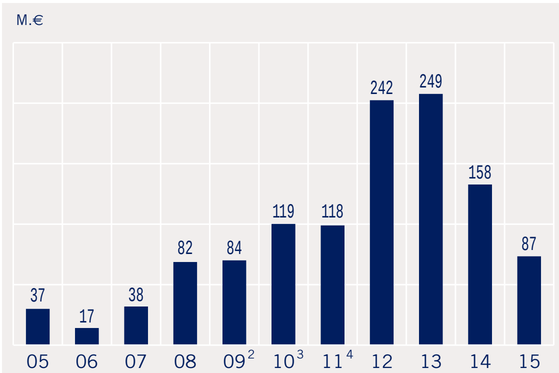


Chart 79

Annual change in loans in arrears (+90 days), adjusted by write-offs and net of recoveries
As % of average loan portfolio

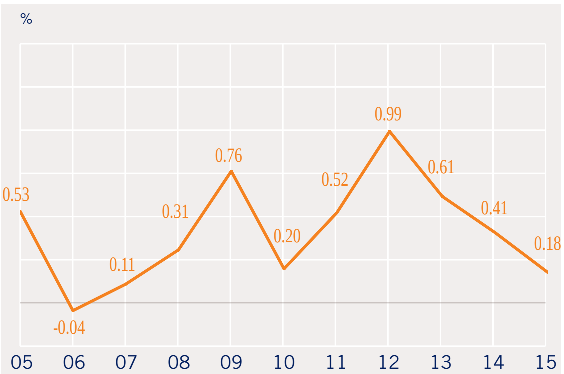


Chart 80

Loan impairments[1] net of recoveries
As % of average loan portfolio

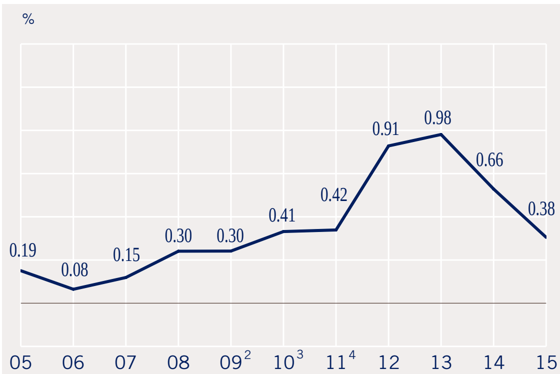


Chart 81

1) According to CRD IV / CRR.
2) In 2009, it was considered the impairment charges for the year excluding the extraordinary charge made in December of that year (of 33.2 M.€).
3) In 2010 the utilisation of the extraordinary charge made in December 2009 (of 33.2 M.€) was added to the impairment charges for the year.
4) In 2011, loan impairment charges for Greek sovereign debt of 68.3 M.€ were excluded from impairments charges for the year.

New entries of arrear loans (for more than 90 days) and credit-at-risk net of recoveries
Change in arrear loans (for more than 90 days) and in credit-at-risk, adjusted for write-offs and sale of loans in arrears in 2015, net of recoveries of loans previously written off

Amounts in M.€

	2008	2009	2010	2011	2012	2013	2014	2015
Loans in arrears for more than 90 days (annual change)								
Domestic activity	83	211	57	145	263	157	97	40
as percentage of loan portfolio (average balance)	0.31%	0.76%	0.20%	0.52%	0.99%	0.61%	0.41%	0.18%
International activity	12	23	38	31	2	4	25	11
as percentage of loan portfolio (average balance)	1.08%	1.77%	2.93%	2.93%	0.13%	0.34%	1.77%	0.65%
Consolidated	**95**	**235**	**95**	**176**	**264**	**160**	**122**	**51**
as percentage of loan portfolio (average balance)	**0.34%**	**0.81%**	**0.32%**	**0.61%**	**0.95%**	**0.60%**	**0.48%**	**0.21%**
Credit at risk (annual change)								
Domestic activity	111	207	93	166	299	190	92	(2)
as percentage of loan portfolio (average balance)	0.41%	0.74%	0.32%	0.60%	1.13%	0.75%	0.38%	(0.01%)
International activity	16	41	53	20	(10)	5	25	8
as percentage of loan portfolio (average balance)	1.43%	3.13%	4.08%	1.87%	(0.90%)	0.47%	1.79%	0.45%
Consolidated	**127**	**248**	**146**	**186**	**289**	**195**	**117**	**5**
as percentage of loan portfolio (average balance)	**0.45%**	**0.85%**	**0.49%**	**0.64%**	**1.04%**	**0.74%**	**0.46%**	**0.02%**
Note:								
Performing loan portfolio (average balance)								
Domestic activity	27 189	27 804	28 792	27 836	26 546	25 500	23 984	22 860
International activity	1 128	1 325	1 308	1 054	1 141	1 087	1 404	1 686
Consolidated	28 317	29 129	30 100	28 890	27 687	26 587	25 388	24 546

Table 70

Impairments for the year net of recoveries

Net credit loss, measured as loan impairments and net of recoveries of overdue loans in the year, was 87 M.€ in domestic operations in 2015, representing a 162 M.€ decrease relative to the peak of 249 M.€ registered in 2013.

The net credit loss in domestic operations corresponded to 0.38% in 2015 of the average non-performing loan portfolio. This indicator's average figure in the 10-year period up till 2010 (before the maximum values recorded in 2012 and 2013) was 0.27%.

Impairment charges in the year net of recoveries

Amounts in M.€

	2008	2009	2010	2011	2012	2013	2014	2015
Loan impairments net of recoveries								
Domestic activity	82	84	119	118	242	249	158	87
as percentage of loan portfolio (average balance)	0.30%	0.30%	0.41%	0.42%	0.91%	0.98%	0.66%	0.38%
International activity	10	28	19	7	12	6	18	32
as percentage of loan portfolio (average balance)	0.85%	2.12%	1.46%	0.62%	1.07%	0.56%	1.30%	1.88%
Consolidated	**91**	**112**	**138**	**124**	**254**	**255**	**177**	**119**
as percentage of loan portfolio (average balance)	**0.32%**	**0.38%**	**0.46%**	**0.43%**	**0.92%**	**0.96%**	**0.70%**	**0.48%**
Note:								
Performing loan portfolio (average balance)								
Domestic activity	27 189	27 804	28 792	27 836	26 546	25 500	23 984	22 860
International activity	1 128	1 325	1 308	1 054	1 141	1 087	1 404	1 686
Consolidated	28 317	29 129	30 100	28 890	27 687	26 587	25 388	24 546

Table 71

Trend in credit risk and impairments by segments

Impairment charges in 2015, higher than the flow of new entries of credit risk, are partly explained by the increased level of cover of previously-identified default situations.

New entries in credit at risk[1] and impairments in the year, deducted of recoveries, by market segment

Amounts in M.€

		New entries in credit at risk, deducted of recoveries					Impairments in the year, deducted of recoveries				
		2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Domestic activity											
Companies in Portugal[2]	1	14.9	129.0	106.9	103.5	6.5	23.9	119.1	84.6	76.1	64.9
Madrid branch[3]	2	6.3	41.0	91.1	(18.4)	31.5	19.8	11.7	94.8	52.7	27.9
Public Sector	3	36.8	3.6	(4.0)	(4.8)	(30.4)	0.3	9.0	(2.3)	(0.9)	(3.4)
Individuals and Small Businesses Banking											
Mortgage loans to individuals	4	60.3	81.2	(15.3)	20.8	(6.1)	33.3	69.0	50.2	34.0	0.2
Other loans to individuals[4]	5	11.2	13.8	5.9	5.6	(1.2)	9.4	12.9	6.3	5.5	0.5
Small businesses	6	35.4	27.5	7.6	(11.7)	(2.5)	28.6	19.6	9.1	(0.8)	(5.2)
[= Σ 4 to 6]	7	106.9	122.6	(1.8)	14.7	(9.9)	71.3	101.5	65.7	38.7	(4.5)
Other	8	1.5	2.7	(1.9)	(3.2)	(0.0)	2.8	0.4	6.3	(8.2)	2.2
Domestic activity *[= Σ (1 to 3) + 7 + 8]*	9	**166.4**	**298.8**	**190.3**	**91.8**	**(2.4)**	**118.0**	**241.6**	**249.0**	**158.5**	**87.1**
International activity	10	**19.7**	**(10.2)**	**5.1**	**25.1**	**7.6**	**6.5**	**12.2**	**6.1**	**18.2**	**31.7**
Total *[= 9 + 10]*	11	**186.1**	**288.6**	**195.5**	**116.9**	**5.2**	**124.5**	**253.9**	**255.0**	**176.7**	**118.8**

Table 72

Credit-at-risk and impairment cover by segments

The balance on credit-at-risk in domestic operations decreased from 1 219 M.€ at the end of 2014 to 1 071 M.€ at the close of 2015. The credit-at-risk ratio records a decrease from 5.0% in 2014 to 4.5% in 2015.

Credit-at-risk cover by impairments in domestic operations, disregarding collaterals, increased from 81% in 2014 to 85% in 2015.

Credit-at-risk cover by impairment allowances (disregarding associated collaterals) in the main loan segments at the end of 2015 was:

- 99% in company loans in Portugal;
- 87% in loans to Spanish companies (Madrid branch portfolio);
- 89% in small business loans;
- 62% in mortgage loans. It should be noted that in this segment the average loan / value ratio for the total portfolio was 56% at the end of 2015.

The following table presents the credit-at-risk and impairment cover ratios in the balance sheet by market segment, as well as each segment's contribution to the gross loan portfolio.

1) Annual change in outstanding credit-at-risk, adjusted by write-offs.
2) Corporate Banking and Project Finance in Portugal.
3) Loan portfolio of Madrid Branch (corporates and project finance).
4) Consumer credit, credit cards and car financing.

Credit-at-risk and coverage by Impairments accumulated in the balance sheet, by segment

		2014				2015			
		Loan portfolio (gross), as % of total	Credit at risk (M.€)	Credit at risk ratio	Impair-ments cover	Loan portfolio (gross), as % of total	Credit at risk (M.€)	Credit at risk ratio	Impair-ments cover
Domestic activity									
Companies in Portugal	1	19%	427	8.3%	88%	21%	408	7.7%	99%
Madrid branch	2	6%	176	12.0%	101%	4%	116	11.2%	87%
Public Sector	3	5%	31	2.1%	18%	5%	0	0.0%	n.s.
Individuals and Small Businesses Banking									
Mortgage loans to individuals	4	43%	397	3.5%	62%	44%	375	3.4%	62%
Other loans to individuals	5	3%	39	4.4%	97%	4%	40	4.4%	101%
Small businesses	6	6%	146	9.2%	91%	7%	128	7.2%	89%
[= Σ 4 to 6]	7	53%	582	4.2%	72%	55%	543	3.9%	71%
Other	8	10%	3	0.1%	s.s.	9%	3	0.1%	n.s.
Domestic activity *[= Σ (1 to 3) +7 + 8]*	9	**93%**	**1 219**	**5.0%**	**81%**	**94%**	**1 071**	**4.5%**	**85%**
International activity	10	**7%**	**85**	**4.4%**	**102%**	**6%**	**87**	**5.5%**	**122%**
Total *[= 9 + 10]*	11	**100%**	**1 304**	**5.0%**	**82%**	**100%**	**1 158**	**4.6%**	**87%**

Table 73

Restructured loans

The amount of restructured loans (consolidated) totalled 1 549 M.€ at the close of 2015. Of this amount, 452.5 M.€ is included in the credit-at-risk balance.

The amount of restructured loans not included in credit-at-risk therefore totals 1 096.5 M.€, which corresponds to 4.3% of the gross loan portfolio.

Restructured loans Amounts in M.€

		2014	as % of gross loan[1]	2015	as % of gross loan[1]
Amount included in credit-at-risk	1	520.7	2.0%	452.5	1.8%
Performing loans	2	1 152.2	4.4%	1 096.5	4.3%
Total *[= 1 + 2]*	3	**1 673.0**	**6.4%**	**1 549.0**	**6.1%**

Table 74

Impairments cover for defaulting loans

At the end of 2015, the total exposure to loans with arrear instalments of principal or interest amounted to 1 274 M.€ in consolidated terms and corresponded to:

- total arrear loans (principal or interest instalments in arrears for more than 30 days) of 922 M.€ which represented 3.7% of the gross loan portfolio;
- portion not yet due in those loan operations of 352 M.€.

In average terms, the total exposure to the aforesaid loans (arrear loans and associated instalments falling due) was 93% covered by individual impairments set aside specifically for those loans (684 M.€) and by the value of real guarantees (504 M.€).

1) Restructured loans in accordance with Bank of Portugal Instruction and considering the consolidation scope in IAS / IFRS, with the result that BPI Vida e Pensões is fully consolidated and its portfolio is included in the consolidated loan portfolio (in Bank of Portugal's supervision scope, BPI Vida e Pensões is equity accounted).

Loans in arrears and performing loans associated with loans in arrears

Amounts in M.€

		2014			2015		
		Loans with collateral	Loans without collateral	Total	Loans with collateral	Loans without collateral	Total
Loans							
In arrears	1	425.7	618.0	**1 043.7**	407.5	515.0	**922.5**
Falling due loans[1]	2	268.9	151.9	**420.8**	207.4	144.2	**351.6**
Loans *[= 1 + 2]*	3	**694.6**	**769.9**	**1 464.5**	**614.8**	**659.2**	**1 274.0**
Real guarantees[2] (mortgages and other[3])	4	542.8		**542.8**	503.6		**503.6**
Impairments[4]	5	262.7	489.9	**752.5**	257.1	426.9	**684.0**
Loans coverage by collateral and impairments *[= (4 + 5) / 3]*	6	**116%**	**64%**	**88%**	**124%**	**65%**	**93%**

Table 75

Foreclosed properties

At the end of 2015, BPI had a portfolio of foreclosed properties with a gross balance carrying amount of 153.5 M.€. Of this figure, 59.9 M.€ refers to properties repossessed for home-loan recoveries and 93.6 M.€ refers to properties repossessed for the recoupment of other loans.

At 31 December, the accumulated amount of impairments for foreclosed properties amounted to 27.3 M.€, which corresponded to 18% of the gross balance sheet value. Accordingly, the net balance sheet value of these properties was 126.3 M.€, which compares with their market value of 153.5 M.€.

Property repossessed from loans recovery

Amounts in M.€

		2014			2015		
		Home	Other	Total	Home	Other	Total
Gross amount	1	**72.7**	**88.5**	**161.2**	**59.9**	**93.6**	**153.5**
Impairment	2	3.4	23.9	27.4	2.6	24.7	27.3
Cover by impairments *[= 2 / 1]*	3	5%	27%	17%	4%	26%	18%
Net amount *[= 1 - 2]*	4	**69.3**	**64.5**	**133.9**	**57.3**	**69.0**	**126.3**
Market value	5	85.9	76.5	162.4	71.4	82.1	153.5

Table 76

1) Performing loans associated with loans in arrears.
2) The amount outstanding was considered when this is lower than the fair value of the real guarantees.
3) Include liens over bank deposits and securities.
4) In the calculation of impairments in mortgage loans in respect of which a legal recovery process has been initiated, the value of fixed properties (deemed) is the execution amount, which is less than the respective market value.

COUNTRY RISK

Management process

Country risk is very similar in terms of its respective effects to counterparty risk and is associated with the changes or specific turmoil of a political, economic or financial nature in those places where the counterparties operate (or, more rarely, in a third country where the business transaction takes place), which impede full compliance with the contract, irrespective of the counterparties' will or capacity. The "country-risk" designation is also used to classify the counterparty risk involved in loans to state entities, given the similarity between the analysis methods for country risk and those for a state's counterparty risk (sovereign risk).

The Board of Directors' Executive Committee approves the list of countries in respect of which country-risk exposure is authorised and the respective limits. Eligible countries considered are large-sized emerging markets which embrace market economy principles, are open to international trade and are of strategic importance within the framework of international politics.

Country risk exposure
Exposure net of guarantees at 31 December 2015

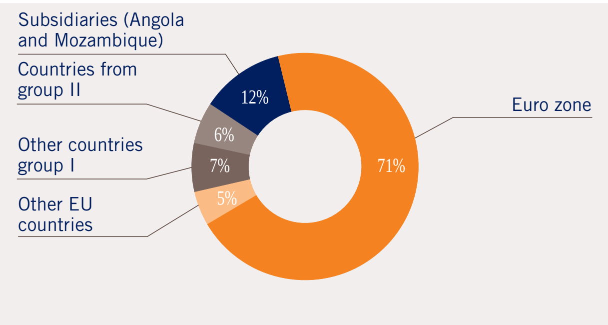


Chart 82

In addition, the operations defined as eligible are short-term financing for external trade, the loans of certain multilateral banks, certain medium-term operations with political risk hedging or which, due to their structuring, are not subject to transfer risk.

Country-risk exposure assessment

Country risk exposure
At 31 December 2015

Amounts in M.€

Country	Rating	Gross exposure	Personal guarantees	Tangible guarantees	Exposure net of guarantees
Countries from Group I					
Euro Zone		**2 968.4**	**79.4**	**(102.6)**	**2 945.3**
	AAA	426.0	69.8	(17.9)	477.9
	AA	219.7	0.0	(9.2)	210.6
	A	35.2	(0.3)	(0.1)	34.8
	BBB	2 287.4	9.9	(75.4)	2 222.0
	CCC	0.1	0.0	0.0	0.1
Other EU countries		**196.9**	**0.0**	**(4.9)**	**192.0**
	AAA	6.8	0.0	(0.1)	6.8
	AA	185.5	0.0	(4.9)	180.7
	A	4.5	0.0	0.0	4.5
	BBB	0.1	0.0	0.0	0.1
Switzerland	*AAA*	111.2	1.9	(1.7)	111.3
USA	*AAA*	57.7	0.0	(2.0)	55.7
Other		32.9	1.7	(0.6)	34.0
Offshores		68.8	0.0	(0.6)	68.2
		3 436.0	**83.1**	**(112.5)**	**3 406.6**
Countries from Group II					
Brazil	*BB*	20.0	0.0	(0.8)	19.2
Angola	*B*	220.7	(127.9)	(15.0)	77.8
Mexico	*BBB*	52.7	0.0	0.0	52.7
Mozambique	*B*	58.7	2.0	(6.0)	54.7
Venezuela	*CCC*	12.9	0.0	(3.5)	9.4
Cape Verde	*B*	81.2	(78.7)	0.0	2.5
South Africa	*BBB*	7.1	0.0	(1.0)	6.2
Other		5.6	0.0	(0.4)	5.2
		459.1	**(204.6)**	**(26.7)**	**227.8**
Subsidiaries					
Angola (BFA)		428.6	0.0	0.0	428.6
Mozambique (BCI)		64.3	0.0	0.0	64.3
		492.9	**0.0**	**0.0**	**492.9**
Total		**4 387.9**	**(121.5)**	**(139.1)**	**4 127.3**

Table 77

Individual evaluation of each country's risk is performed with recourse to external ratings, external studies (IIF and others) and internal reports prepared by the Finance Division.

The exposure to country / sovereign risk via trading activity is included in the section dealing with market risks – trading.

MARKET RISKS – TRADING POSITIONS

Management process

Market or price risk (interest rates, foreign exchange rates, equity prices, commodity prices and other) is defined as the possibility of incurring losses due to unexpected variations in the price of financial instruments or operations.

The trading positions are managed autonomously by traders and kept within the exposure limits by market or products, fixed and revised periodically. There are different exposure limits including overall VaR limits set by the Global Risks Executive Committee and later distributed autonomously amongst the various books, by the divisions involved in trading activities. In addition, stop-loss limits are defined.

As a general rule, the Bank abstains from any open positions in options sales.

Market risk exposure assessment – trading

In evaluating exposure under trading operations, this function is carried out on a daily basis which calculates the VaR – Value at Risk – according to standardised assumptions, which as a rule are consistent with the BIS's set of recommendations. Exposure arising from options is controlled by recourse to specific models. The information generated by the risk evaluation and control system is available online to authorised users.

The VaR figures found show that the trading exposure levels are not material.

Market risk in trading books[1]

Amounts in M.€

	2004		2015	
	Average VaR	Maximum VaR	Average VaR	Maximum VaR
Interest rate risk	0.8	2.8	1.3	4.3
Currency risk	1.2	1.7	0.2	2.5
Equities risk	2.3	3.8	1.8	4.8
Commodities risk	0.0	0.0	0.0	0.0

Table 78

MARKET RISKS – STRUCTURAL INTEREST RATE RISK POSITION

Management process

The risk management of structural interest rate positions (excluding trading activity) of up to one year has been delegated to the Finance Division within limits fixed by the Executive Committee or the Global Risks Executive Committee.

Long-term structural positions are managed in accordance with the rules laid down by the Executive Committee or the Global Risks Executive Committee.

Structural interest rate risk exposure assessment

The assessment of treasury positions (short term) and structural risk positions relating to interest rates (long term) is based on gap schedules. In addition, several stress tests are conducted.

At 31 December 2015, the repricing gap (of interest rates) accumulated up to 1 year of EUR was 7 433 M.€.

Interest rate risk[2]

Structural position, at 31 December 2015

Amounts in M.€

	Until 1 year	1-2 years	2-5 years	5-7 years	7-15 years	>15 years
Accumulated gap	7 433	7 420	7 906	8 003	8 212	8 260

Table 79

The Bank is structurally exposed to the risk of a fall in interest rates. A classical stress test to a 50 b.p. change in interest rates points to a loss in net interest income of 33 M.€[3].

MARKET RISKS – STRUCTURAL POSITION OF EXCHANGE RATE RISK

Management process

The management of currency risk on structural positions resulting from business dealings with the Bank's Customers is delegated to the Finance Division, within the operating bands set at senior level. As a general rule, the Bank seeks substantial hedging of these currency positions.

1) Potential maximum loss, with a 99% confidence level, resulting from an unfavourable trend in prices, indices and interest rates over a time span of two weeks, considering in the calculation of overall risk the effect of the correlation of returns. A normal distribution of returns is assumed. Maximum VaR extracted from daily calculations.
2) Customer sight deposits were considered as being not sensitive to the interest rate.
3) This standard test entails the simulation of a 50-basis points drop in the rates of assets and liabilities sensitive to the interest rate on the repricing date and taking into account a one-year time horizon.

The structural currency positions resulting from investments or participating interests are managed in accordance with the directives laid down by the Executive Committee. "Hedging" or "non hedging" are options to be decided upon depending on the prospects surrounding the direction of foreign exchange rates and the risk level involved.

Evaluation of the exposure to structural foreign exchange rate risk

In the foreign exchange domain, BFA's consolidation in the Group gives rise to a position in kwanza of an expressive amount. The positions in the remaining currencies are of minor significance. A stress test to the structural position (depreciation of 30% in Kwanza and 20% in the remaining currencies) reveals a capital at risk of 192 M.€.

Foreign exchange rate risk
Structural position, at 31 December of 2015

Amounts in M.€

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other	Total
Assets					
Cash and liquid assets	1 346	510	1 440	44	3 340
Financial assets held for dealing and at fair value through profit and loss	2 974	301	389	10	3 675
Financial assets available for sale	3 621	1 157	1 731	0	6 509
Loans and advances to credit institutions	578	511	139	1	1 230
Loans and advances to Customers	22 474	885	835	88	24 282
Investments held to maturity	22	0	0	0	22
Hedging derivatives	89	2	0	0	91
Tangible and intangible assets	91	0	133	1	224
Investments in associates and jointly-controlled entities	146	0	0	64	210
Tax assets	411	0	8	1	420
Other assets	606	46	12	6	669
	32 358	**3 412**	**4 687**	**216**	**40 673**
Liabilities					
Resources of central banks	1 521	0	0	0	1 521
Financial liabilities held for dealing	267	2	26	0	294
Credit institutions' resources	1 214	97	0	1	1 312
Clients' resources and other loans	19 758	3 912	4 310	197	28 178
Debts evidenced by certificates	1 073	4	0	0	1 077
Financial liabilities associated to transferred assets	690	0	0	0	690
Hedging derivatives	161	0	0	0	162
Provisions	75	21	3	1	100
Technical provisions	3 663	0	0	0	3 663
Tax liabilities	61	0	31	0	92
Other subordinated liabilities and participating units	70	0	0	0	70
Other liabilities[1]	605	31	37	3	677
Foreign exchange operations pending settlement and forward position operations	1 292	(884)	(344)	(60)	4
	30 449	**3 184**	**4 064**	**141**	**37 838**
Shareholders' Equity					
Shareholders' equity attributable to BPI shareholders	1 918	(9)	429	69	2 407
Non-controlling interests	2	0	427	0	429
	1 920	**(9)**	**855**	**69**	**2 835**
Structural position		(62)	(596)	(5)	
Stress test		(12)	(179)	(1)	(192)

Table 80

1) Excludes the amounts recorded in Foreign exchange operations pending settlement and forward position operations.

Note: Stress test on the currency structural position (excluding assets and liabilities held for dealing and at fair value through profit and loss). The stress test considers the impact of a 20% positive change in foreign exchange rates, except with regard to the Kwanza, in which case a 30% change was taken into account.

LIQUIDITY RISK

Management process

Liquidity risk is monitored in its various facets: i) in the ability to monitor the growth in the asset and to satisfy treasury needs without incurring abnormal losses; ii) in the maintenance of tradable assets in portfolio; iii) in the compliance with regulatory ratios.

At overall level, the liquidity-risk management strategy is the responsibility of the Executive Committee and executed by the Group's Finance Division, founded on the constant vigilance of the exposure indicators and the object of close monitoring by the Board of Director's Financial Risks Committee.

Insofar as the asset portfolio is concerned, the various managers keep a constant watch over the transaction levels of the various instruments in accordance with a variety of indicators (BPI's market share, number of days to unwind positions, size and volatility of spreads, etc.), although always observing the operating limits set for each market.

Liquidity and funding

Liquidity management in the prevailing economic and financial environment was one of the principal priorities during 2015. The equilibrium in the liquidity situation was the dominant aspect:

- Customer resources constitute the principal source of funding. The transformation of deposits into loans ratio was situated at 107% and 85%, respectively in domestic operations and in consolidated terms;
- the Bank maintained at 1.5 th.M. € the amount of funds raised from the ECB at the close of 2015;
- the Bank had at the end of the year a portfolio of public debt of Eurozone countries amounting to 3.2 th.M.€, of which 1.4 th.M.€ in Treasury Bills issued by the Portuguese Republic, 0.4 th.M.€ issued by the Italian Republic and 0.4 th.M.€ issued by the Kingdom of Spain. This portfolio is fully discountable at the ECB for liquidity raising operations. This portfolio decreased over the year by some of 0.7 th.M.€.
- the portfolio of assets eligible for funding from the Eurosystem stood at 8.1 th.M.€ at the end of the year. Of this figure, the amount not yet utilised and the therefore capable of being converted into immediate liquidity at the ECB was 5.6 th.M.€;
- the net refinancing requirements of medium and long-term debt in the next few years are relatively minor: 0.4 th.M.€ from 2016 to 2021. It is also worth pointing out that there will be a significant release of liquidity in 2019 through the redemption of 0.8 thousand M.€ of Portuguese and Italian medium and long-term bonds held by BPI in portfolio.

Short-term gap

BPI's short-term funding Gap (domestic operations) passed from -1.9 th.M.€ in December 2014 to -1.5 th.M.€ in December 2015. The principal factors explaining this behaviour were:

- the positive change in the commercial Gap of 0.6 th.M.€. This change is explained by the maintenance of the resources taken from Customers and by some reduction in the loan portfolio;
- the sale of public debt in portfolio, namely Portuguese, of 0.5 th.M.€ and of corporate bonds;
- the decrease of 0.3 M.€ in the Treasury Bills portfolio and its diversification;
- the repurchase of own issues of 1.0 th.M.€.

Trend in short-term funding GAP Amounts in M.€

GAP at 31 Dec.14	**(1 918)**
Change in commercial liquidity GAP	577
Redemption of own debt	(975)
New debt issued	0
Redemption of bonds held	68
Sales of Treasury Bonds	511
Change in the Treasury Bills' portfolio	292
GAP at 31 Dec.15	**(1 446)**

Table 81

At the end of 2015, short-term funding was broken down as follows:

- net creditor position on the money market of 107 M.€ and security repos of 39 M.€;
- funding from the ECB of 1.5 th.M.€.

Financing of short term liquidity position

Amounts in M.€

			2014	2015
Short term lending				
Loans to credit institutions		1	463	596
	[= 1]	2	**463**	**596**
Short term borrowing				
Money market		3	(825)	(489)
Repos		4	(39)	(39)
	[= 3 + 4]	5	**(865)**	**(527)**
Euro commercial paper		6	(16)	(0)
Funding from the ECB (net of deposits)		7	(1 500)	(1 514)
	[= Σ 5 to 7]	8	**(2 381)**	**(2 042)**
Total short term gap	[= 2 + 8]	9	**(1 918)**	**(1 446)**

Table 82

ECB funding

The Bank had at the end of 2015 1 514 M.€ in funds raised from the ECB. This figure corresponds to the sum of the drawings of 410 M.€ and 1 109 M.€ made in the 1st and 2nd phases of the 4-year fixed-rate operation launched by the ECB at the close of 2014 in order to foster the granting of loans to the economy, with maturity in 2018.

Portfolio of assets eligible for Eurosystem funding

At the end of 2015, BPI had at its disposal a portfolio of assets eligible for the Eurosystem worth 8 102 M.€ (figures net of price appreciation and haircuts).

Taking into account the portfolio utilisations on that date for repo operations, for the collateralisation of various obligations and for funding from the ECB, BPI had at its disposal the means to raise additional funding from the ECB of 5 573 M.€.

Assets eligible for the Eurosystem

Amounts in M.€

			2014	2015
Total eligible assets[1]		1	**9 394**	**8 102**
of which: assets given as collateral[2]		2	1 463	1 007
Net eligible assets	[= 1 - 2]	3	**7 931**	**7 094**
Used as collateral in funding with ECB		4	1 516	1 521
Available eligible assets	[= 3 - 4]	5	**6 415**	**5 573**

Table 83

The reduction of the portfolio of eligible assets during 2015 essentially reflects the sale of public debt which occurred during the year, namely Portuguese securities in the amount of some 500 M.€.

Assets eligible for the Eurosystem funding

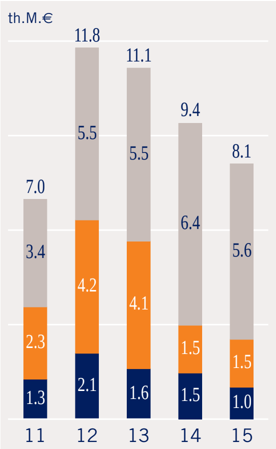


Chart 83

- Available assets (not used)
- Assets used in:
  - Financing with ECB
  - Repo operations

Net financing with the ECB

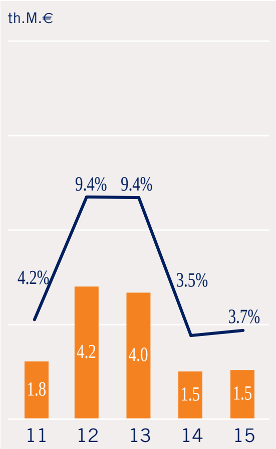


Chart 84

- Net financing with the ECB
- as % of consolidated total assets

1) Total eligible assets, net of price appreciation and haircuts and before utilisation.
2) Assets given as collateral to entities other than the ECB.

Outlook for the liquidity situation in 2016

The expansionist monetary policy implemented by the ECB, in both the medium-term financing issues and in the purchase of public-debt issues and other bonds, will continue and will possibly be bolstered by other measures.

Despite this background, the Bank should not need to resort to market funding in order to finance its activity, continuing to give preference to the funding of its assets through the medium of Customer deposits.

The ECB will make available up till June 2016 access to funds maturing in 2018 within the ambit of the TLTRO at fixed costs and the same rate as the benchmark rate of 0.05%, to which the Bank has the option to resort to in the event of need.

Between 2016 and 2021 the net medium and long-term refinancing needs arising in that period are 0.4 M.€ and result from the redemption of own debt in the amount of 1.3 th.M.€ on the one hand, and the redemption of bonds in portfolio of 0.9 th.M.€. on the other.

In 2016 the maturity of own medium-term issues amounts to 0.4 th. M.€.

BPI medium and long-term debt repayments net of bonds portfolio redemptions

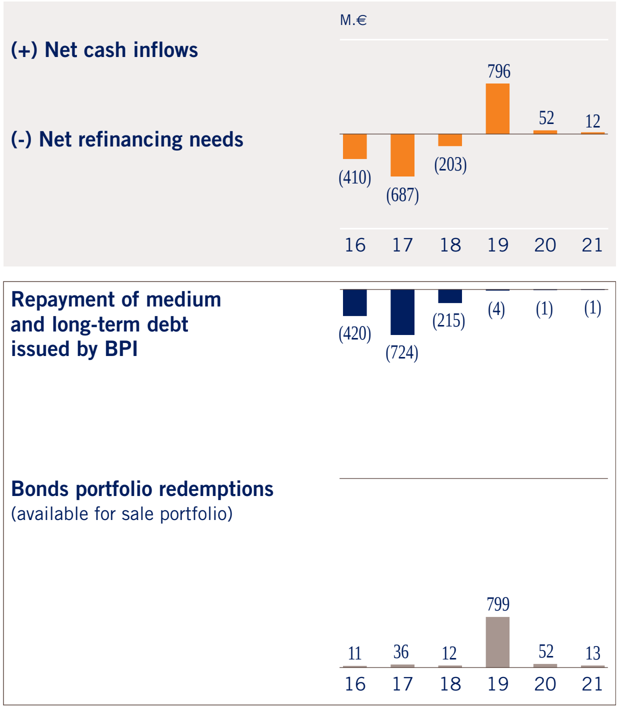


Chart 85

OPERATIONAL RISKS

Management process

Operational risk – defined as the risk of incurring financial losses provoked by deficiencies (shortcomings) in the definition or execution of procedures, failures in the information systems or as a consequence of external factors – is inherent to the activities of all institutions.

The BPI Group has implemented an operational-risk management model whose ultimate objective is to maximise the security, resilience and efficiency of the management of the assets under its custody and the service rendered to the Customer.

This model provides for the evaluation of exposure to operational risks, the mitigation of the main risks and their permanent monitoring, while at the same time being reviewed periodically.

The evaluation and monitoring of risk exposure is carried out in various forms, including: identification of the probability and potential impact of the risks, assessment of the effectiveness of the controls implemented, monitoring of operational-risk events by frequency, impact and type of risk.

The operational risks are identified and evaluated based on a self-assessment basis, being the responsibility of the risk managers of each one of the Divisions. They are also responsible for the identification of risk-mitigation measures and for ensuring their implementation.

Following good market practices, operational-risk management involves the Group's different units: the first line of defence is secured by the different Divisions, the second line is assured by the central risk-management unit integrated within the Organisation and Quality Division, and by specific operational-risk management Committees, namely, the Operational Risk Committee, the Business Risk Committee and the Information Security Committee. Finally, the Audit ensures an independent vision of the operational-risk management, thereby functioning as the third line of defence.

Risk occurrences are recorded and analysed with a view to identifying their respective cause. Whenever important, mitigation measures are defined and implemented.

The reporting lines laid down ensure that the main risks and occurrences are analysed by the appropriate managerial levels.

Operational risk events

The recording of operational risk occurrences allows accessing process efficiency and the decentralization of this process fosters a greater awareness of this type of risk.

The distribution of the occurrences registered in 2015, by type of cause, was as follows[1]:

Events of operational risk in 2015
Breakdown of financial impact by type of cause

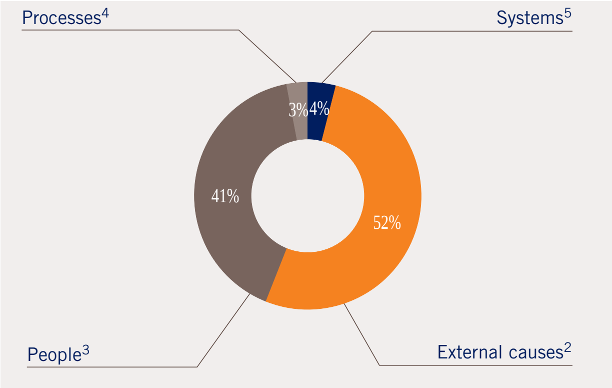


Chart 86

Events of operational risk in 2015
Breakdown of frequency by type of cause

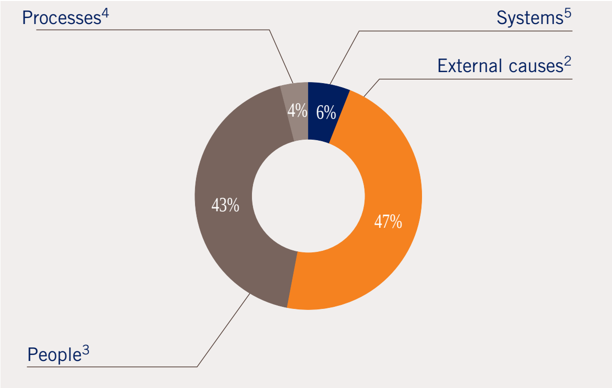


Chart 87

1) These data are valid on the date of the compilation of the report, being subject to alterations according to the evolution of each process.
2) External criminal activity, failures in the provision of contracted services and natural disasters.
3) Human failure in the execution of tasks and unauthorized intentional employee behaviour.
4) Failures in the definition of policies and / or procedures.
5) Failures in IT and communication systems.

Business continuity

The Business Continuity Plans of each one of the Group's Bodies detail the BPI's response strategy for the incidents capable of jeopardising the security of persons and other assets or of causing business interruption, laying down the alternative procedures and resources for guaranteeing the continuity of critical activities.

These plans and the information underpinning them are located outside the bank at redundancy systems, available and accessible to the respective managers at any moment and at any place.

2015 saw the updating of the business continuity plans, introducing refinements that enhanced the efficacy of the response to unforeseen incidents. The operability of their execution was checked.

The conditions for the preparation and functioning of the contingency premises in Lisbon and Oporto were similarly reinforced.

Special importance was given to improving the management and communication processes in response to incidents that affect the conduct of normal activity.

There are also alternative technological platforms for information and communication systems, guaranteeing the Bank's functioning even under contingency conditions.

The technological renovation of these platforms which support BPI's critical activities was concluded during 2015. The Data Processing Centre located at BPI's premises was migrated to an IMB DPC, which is certified in accordance with the international standards which regulate the operation and management of Data Centres. Work was started on the final phase of the total coverage of local contingency solutions to the critical platforms and which will be completed in the 1st quarter of 2016. These solutions will significantly mitigate all the IT risks associated with the IT platforms and guarantee the Continuity of Operations Plan for the activities defined as critical.

Information security

The existence of operations' teams dedicated to Information Security ensures permanent monitoring, both as regards the aspect of risk evaluation and the implementation of mitigation measures and in terms of the response to any incidents.

The management of information-security risks is integrated into the management model for the operational risks with the closest link to the information systems.

In 2015 continuity was given to the reinforcement of the security-monitoring systems and the means deployed in the detection and response to computer-related threats, with particular emphasis on the aspects relating to cyber attacks and to the security of payments made via the internet. Special emphasis was also placed on the early detection of vulnerability mechanisms by the integration of the verification and control systems into the applicational development cycle. Work also continued on strengthening the mechanisms for controlling access to the execution of operations, to information and to the critical systems.

Employees and Customers are continually kept informed and made aware of good practices in information security and internet and email utilisation.

LEGAL AND COMPLIANCE RISKS

In the specific domain of Operational Risks – legal risks – there is the possibility of incurring unexpected losses stemming from shortcomings in the analysis of the legal framework applicable at a given moment to the contracts / positions to be established or from an alteration to the same legal framework.

Special attention is paid in the realm of legal risks to the analysis of the legal framework and to the identification of any regulatory shortcomings; to the analysis of the prospects of changes to the legal framework and their consequences; to the clarification of the nature of contractual relationships and the interpretation given to them by the counterparties; the analysis of products, their legal situation, centralisation of communications to the supervision authorities and the drawing up of the respective processes for submission to such authorities; and to the identification / proposals of measures capable of reducing eventual litigation risks.

Compliance risk encompasses, besides the risk of legal default arising from a mistake or incorrect transposition into internal rules of legal provisions, the risk of market abuse and the risk of money laundering and financing of terrorism.

The scale of the Compliance risk which translates into legal or regulatory sanctions, financial or reputational loss as a consequence of the failure to comply with the application of laws, regulations, code of conduct and good banking practices, is assured and monitored by means of:

- the regular internal dissemination of news of a legal nature (national and European Union standards and regulations, as well as public consultations and other legislative initiatives) by the principal interlocutors of each division affected;

- the Compliance Division's assignment of the monitoring of the analysis of its impact on the Bank and the need for the transposition / updating of the internal rules to the Division where the new legal disposition in question has the most relevance.

This procedure is complemented by the Compliance Division's regular monitoring of the adequacy of the internal rules *vis-à-vis* the applicable legal provisions and the permanent monitoring of the transposition to the internal rulebook of new pieces of legislation, as referred to above.

As concerns the risk of market abuse, Banco BPI, as a complement to the provisions dealing with this subject contained in the Code of Conduct, defined in an internal regulation in a very stringent and detailed manner the rules and limitations applicable to personal operations realised by key persons, ensuring: i) the existence of a permanently updated list of the universe of those persons who should be regarded as being key persons; ii) as well as the communication to those people of their status and of the limitations stemming therefrom with respect to the personal operations involving financial instruments realised by them; iii) and, finally, the recording of all the personal operations realised by the key persons.

The BPI Group also has a policy for the prevention of money laundering and the financing of terrorism and has procedures implemented at each one of the entities making up the Group to manage this risk in an appropriate manner. These procedures consist of a constant monitoring of all the transactions realised via the accounts and in a regular filtering of the persons and entities who integrate at any moment the official lists of terrorists and / or subject to restrictive measures with the ultimate object of identifying any suspect. Several communications were made in 2015 of suspicious situations to the competent official entities.

Moreover, BPI has a policy for identifying and accepting Customers, which makes provision for the possibility of the refusal of the establishment of any banking relationship, namely in cases where there exists incomplete identification details or in which the purpose and / or the nature of an economic, financial or partnership relationship is unclear. The opening of anonymous or numbered accounts is not allowed, as well as the establishment of direct or indirect relations with "shell banks". In 2015 the updating of its Customers' identification details was one of BPI's chief concerns within the context of the prevention of money laundering.

BPI provided its Employees training in the prevention of money laundering and the terrorism financing, using the e-learning channel and classroom training.

ADOPTION OF THE RECOMMENDATIONS OF THE FINANCIAL STABILITY FORUM AND OF THE COMMITTEE OF EUROPEAN BANKING SUPERVISORS RELATING TO THE TRANSPARENCY OF INFORMATION AND VALUATION OF ASSETS

The Bank of Portugal, through the *circular-letters 97 / 08 / DSBDR* of 3 December 2008 and *58 / 09 / DSBDR* of 5 August 2009, has recommended that, in the accounting reporting, a separate chapter or a specific annex is prepared as part of the Annual and Interim Reports, designed to respond to the recommendations of the CEBS and of the FSF, taking into account the principle of proportionality and following the questionnaire presented as an annex to the Bank of Portugal's *circular-letter 46 / 08 / DSBDR*.

In order to comply with the Bank of Portugal's recommendation, the present chapter provides a response to the aforesaid questionnaire, using cross-references to the more detailed information presented in the Report and Accounts for 2015.

Recommendation Summary	Cross-reference for Annual Report 2015
I. BUSINESS MODEL 1. Description of the business model	*DR – Financial and business structure, page.13.*
2. Description of strategies and objectives	*DR – Presentation of the report, page 7; Financial review, page 70; Risk Management, page 110.*
3. Description of the importance of the operations carried out and the respective contribution to business	*DR – Domestic Commercial Banking, page 41; Bancassurance, page 57; Asset management, page 58; Investment banking, page 60; International activity page 63; Financial review, page 70;* *NFS – 3. Segment reporting, page 170.*
4. Description of the type of activities undertaken 5. Description of the objective and extent of the institution's involvement relating to each activity undertaken	*DR – Domestic Commercial Banking page 41; Bancassurance, page 57; Asset management, page 58; Investment banking, page 60; International activity page 63; Background to operations, page 31; Financial review, page 70; Risk Management, page 110.*
II. RISK AND RISK MANAGEMENT 6. Description of the nature and extent of the risks incurred in relation to the activities carried out and the instruments utilised	*DR – Risk Management, page 110* *NFS – 4.49. Financial Risks, page 239 and following.*
7. Description of major risk-management practices in operations	*DR – Risk Management, page 110;* *NFS – 4.49. Financial Risks, page 239 and following;* *CGovR – III. Internal Control and Risk Management, page 333.*
III. IMPACT OF THE FINANCIAL TURBULENCE PERIOD ON RESULTS 8. Qualitative and quantitative description of the results	*DR – Financial review, page 70.*
9. Breakdown of the "write-downs" / losses by types of products and instruments affected by the period of turbulence	*NFS – 4.5. Available-for-sale financial assets, page 180, 4.7. Loans to Customers, page 187, 4.22. Provisions and impairments, page 213, 4.41. Net gains / losses from financial operations, page 232; 4.49 Financial Risks, page 239.*
10. Description of the reasons and factors responsible for the impact suffered	*DR – Financial review, page 70; Background to operations, page 31.*
11. Comparison of the i) impacts between (relevant) periods and ii) financial statements before and after the turbulent period	*DR – Financial review, page 70.*
12. Breakdown of the write-downs between realised and unrealised amounts	*DR – Financial review, page 70;* *NFS – 4.5. Available-for-sale financial assets, page 180; 4.7. Loans to Customers, page 187; 4.41. Net gains / losses from financial operations, page 232 and 4.22. Provisions and impairments, page 213.*
13. Description of the influence of the financial turbulence on the behaviour of Banco BPI shares	*DR – Banco BPI Share, page 138.*
14. Disclosure of the maximum loss risk	*DR – Risk Management, page 110;* *NFS – 4.49. Financial Risks, page 239 and following.*
15. Disclosure of the impact that the trend in spreads associated with the institution's own liabilities had on earnings	*DR – Financial review, pages 84 and 102.* *The Bank did not revalue its liabilities.*

DR – Directors' Report; NFS – Notes to the financial statements; CGovR – Corporate governance report.

Recommendation Summary	Cross-reference for Annual Report 2015
IV. EXPOSURE TYPES AND LEVELS AFFECTED BY THE TURBULENT PERIOD 16. Nominal value (or amortised cost) and fair value of exposures	*NFS – 4.49. Financial Risks, page 239 and following and 4.5 Available-for-sale financial assets, page 180.*
17. Information about credit risk mitigation and respective effects on existing exposures	*DR – Risk Management, page 110 and following.*
18. Detailed disclosure of exposures	*DR – Risk Management, page 110;* *NFS – 4.49. Financial Risks, page 239 and following, 4.5. Available-for-sale financial assets, page 180 and 4.7. Loans to Customers, page 187.*
19. Movements which occurred in the exposures between the relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.)	*DR – Financial review, pages. 97 and 107.*
20. Explanations about exposures which have not been consolidated (or which have been recognised during the crisis) and the associated reasons	*The BPI Group consolidates all the exposures in which it has significant control or influence, as envisaged in IFRS 10,11, IAS 28 and IFRS 3. No changes were made to the BPI Group's consolidation scope as a consequence of the turbulent period in the financial markets.*
21. Exposure to "mono-line" insurers and quality of insured assets	*At 31 December 2015, BPI's exposure to mono-line insurers was totally indirect and stemmed from the existence of a portfolio position, the interest and principal of which were unconditionally guaranteed by this type of company. There were no losses worth noting, given that this security was not in default. At the end of 2015, BPI exposure to mono-line insurers amounted to 1.4 M.€ (book value).*
V. ACCOUNTING AND VALUATION POLICIES 22. Classification of transactions and structured products for accounting purposes and the respective accounting treatment	*NFS – 2.3. Financial assets and liabilities, page 157; 2.3.3. Available-for-sale financial assets, page 158; 2.3.4. Loans and other receivables, page 159; 4.21. Financial liabilities associated with transferred assets, page 211.*
23. Consolidation of Special Purpose Entities (SPE) and other vehicles and their reconciliation with the structured products affected by the turbulent period	*The vehicles through which Banco BPI's debt securitisation operations are effected are recorded in the consolidated financial statements according to the BPI Group's continued involvement in these operations, determined on the basis of the percentage of the equity interest held of the respective vehicles.*
24. Detailed disclosure of the fair value of financial instruments	*NFS – 4.49. Financial Risks, page 239 and following.*
25. Description of the modelling techniques utilised for valuing financial instruments	*NFS – 2.3. Financial assets and liabilities, page 157 and 4.49. Financial Risks, page 239 and following.*
VI. OTHER IMPORTANT DISCLOSURE ASPECTS 26. Description of disclosure policies and principles which are used in financial reporting	*CGovR – IV. Investor Relations, page 336.*

DR – Directors' Report; NFS – Notes to the financial statements; CGovR – Corporate governance report.

Banco BPI Shares

STOCK MARKET PERFORMANCE

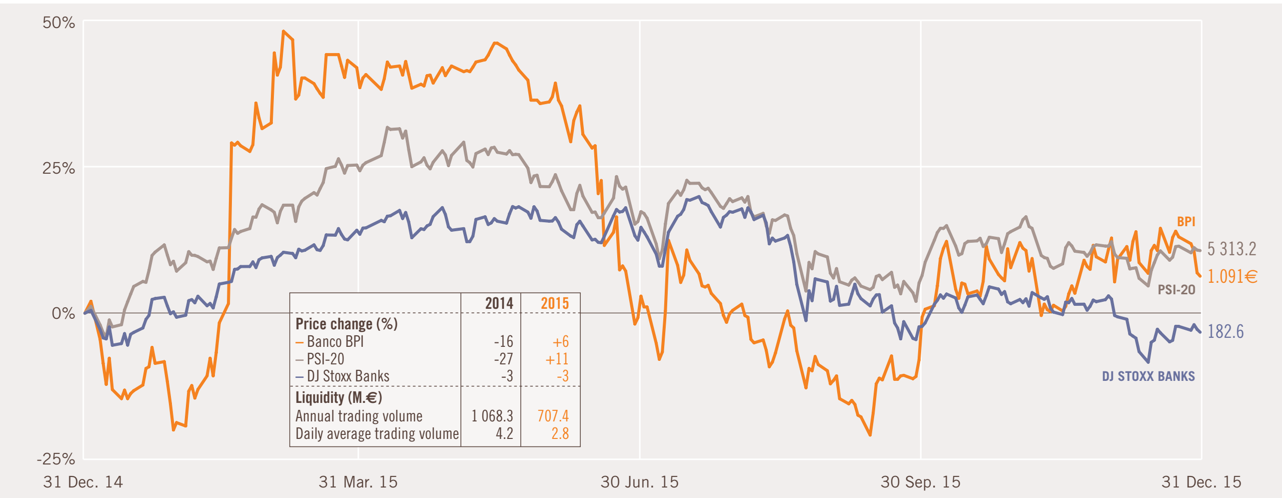
Banco BPI shares closed 2015 at 1.091 euro, posting a gain of 6% over the period. The Portuguese PSI-20 index, after having dropped 27% in the preceding year, recovered 11% in 2015 in spite of the downward trajectory that started in the second quarter of the year. The European banking sector, represented by the DJ Euro Stoxx Banks, shed 3% in 2015.

At the macro level, the Chinese economy's deceleration, the continuing drop in the price of crude oil, the risk of deflation and concerns about growth in Europe, as well as the tensions in Ukraine and Russia, contributed to the widespread retreat in the equities markets with effect from the second quarter of the year.

In February CaixaBank made public the preliminary announcement of a takeover bid for the shares of Banco BPI at a price of 1.329 euro per share, an offer that it later retracted in June.

BPI's share price during 2015 was relatively affected by the uncertainty surrounding the Bank's capacity to find a solution to the situation of having surpassed the large exposures limit triggered by the loss with effect from January 2015 of the supervisory equivalence status that Angola enjoyed up until the ECB's pronouncement relating to this issue.

In the second half of the year, the uncertainties regarding the final outcome of the sale of Novo Banco, within the framework of the resolution measure applied to Banco Espírito Santo in 2014, and the application of a resolution measure at Banif, compounded the concerns about the final obligations of the Resolution Fund and via this route, those of the participating financial institutions.



	2014	2015
Price change (%)		
– Banco BPI	-16	+6
– PSI-20	-27	+11
– DJ Stoxx Banks	-3	-3
Liquidity (M.€)		
Annual trading volume	1 068.3	707.4
Daily average trading volume	4.2	2.8

Chart 88

Codes and tickers:
ISIN and Euronext code: PTBPI0AM0004
Reuters: BBPI.LS
Bloomberg: BPI PL

Listing on the Euronext Lisbon
Index weighting (31 Dec. 15)
PSI-20: 2.96%; #11
Next 150: 0.67%[1]

1) On 14 January 2016.
Note: at 31 December 2015 Banco BPI's share capital stood at 1 293 063 324.98 euro, represented by 1 456 924 237 ordinary, nominative and dematerialised shares, with no per value. All the shares were admitted for dealing on the Euronext market.

Banco BPI shares
Selected indicators

	2011	2012	2013	2014	2015
Data per share (€)[1]					
Cash flow after taxation	0.461	0.510	0.259	0.074	0.296
Net profit	(0.284)	0.216	0.048	(0.115)	0.163
Book value	0.467	1.235	1.389	1.467	1.659
Weighted average no. of shares (in millions)[1]	1 003.8	1 154.6	1 383.7	1 422.3	1 450.4
Market valuation indicators					
Price as a multiple of:					
Cash flow after taxation (PCF)	1.0	1.9	4.7	13.8	3.7
Net profit (P/E)	(1.7)	4.4	25.2	(8.9)	6.7
Book value (PBV)	1.0	0.8	0.9	0.7	0.7
Earnings yield	(23.0%)	45.8%	5.1%	(9.5%)	15.9%
Stock market capitalisation (M.€)[2]	476	1.311	1.690	1.495	1.590

Table 84

TREASURY SHARES

Banco BPI manages a portfolio of own shares created for the purpose of executing the variable-remuneration scheme (Portuguese initials RVA) for Employees and executive directors. In this regard, the transactions referred to below were realised in 2015. At the end of 2015, Banco BPI held 5 947 872 treasury shares (0.41% of capital).

Treasury shares transactions in 2015

Amount and price in euro

	No. shares held (31 Dec. 14)	Acquisition			Disposal			Total turnover (amount)	No. shares held (31 Dec. 15)[3]
		Quantity	Amount	Average Price	Quantity	Amount	Average Price		
Banco BPI[4]	6 181 589	1 025	1 650	1.61	234 742	283 365	1.21	235 767	5 947 872
Banco Português de Investimento	0	0	0	-	0	0	-	0	0
Total	**6 181 589**	**1 025**	**1 650**	**1.61**	**234 742**	**283 365**	**1.21**	**235 767**	**5 947 872**
% of share capital	**0.42%**	**0.0001%**			**0.02%**			**0.02%**	**0.41%**

Table 85

1) Amounts adjusted for capital increases with cash contribution in June 2012 and through the incorporation of reserves in May 2011.
2) Earnings per share recorded in the year divided by the BPI share price at 31 December of the preceding year.
3) The balance of treasury shares at the end of December 2015 does not include:
– 344 222 shares awarded under the condition subsequent as part of the RVA scheme but not yet freely disposable. The transfer of the ownership of the shares awarded under the RVA scheme is wholly effected on the award date, but their availability is dependent on employees continuing to work for the BPI Group, with the result that for accounting purposes, the shares remain in Banco BPI's treasury shares portfolio up until the date they become freely disposable, but whose reporting of transactions to the CMVM and to the market occurs at the time of the award;
– 148 538 shares held in the securities portfolios of the insurance capitalization unit links of BPI Vida e Pensões. The other subsidiaries whose management is controlled by Banco BPI did not own any Banco BPI shares at the end of December 2015.
4) Includes only over the counter transactions.

Rating

In 2015 S&P revised upwards the rating given to the Portuguese Republic from BBu[1] to BB+u[1], on the basis of the country's economic recovery and budget consolidation. Moody's and Fitch maintained their respective Ba1 and BB+ ratings during 2015.

The rating grades attributed to the banking sector reflected the new methodologies utilised by the rating agencies and the approval of the new Directive dealing with banking resolution.

The ratings grades given to Banco BPI remained stable during the year. The Bank's current long / short term ratings and respective Outlook are as follows:

- Moody's: Ba3 / Not Prime with Outlook under revision;
- S&P: BB- / B with Negative Outlook;
- Fitch: BB / B with Stable Outlook.

	FitchRatings	Moody's	Standard & Poor's
Banco BPI credit rating			
Long term	BB	Ba3	BB-
Short term	B	Not prime	B
Outlook	Stable	Under revision	Negative
Individual rating	Viability rating bb	Baseline Credit Assessment b1	Stand-alone credit profile (SACP) bb-
Collateralised senior debt			
▪ Mortgage		A3	
▪ Public sector		Baa1	
Non-collateralised senior debt		Ba3	BB-
▪ Long term	BB		
▪ Short term	B	Not prime	B
Subordinated debt	BB-	B2	B-
Subordinated junior debt		B3	
Commercial paper	B	Not prime	B
Other short-term debt	B	Not prime	B
Preference shares	B	Caa1 (hyb)	CCC
Portuguese Republic sovereign risk[1]			
Long term	BB+	Ba1	BB+u
Short term	B	Not prime	Bu
Outlook	Stable	Stable	Stable

Figure 4

Fitch Ratings: rating decision on 19 May 2015. On 23 June 2015 Fitch Ratings reaffirmed the credit ratings (LT / ST) and attributed a stable Outlook.
Moody's: rating decision on 28 March 2012. On 22 March 2016 Moody's placed the ratings on review for downgrade.
Standard & Poor's: rating decision on 14 February 2012. On 11 February 2016 Standard & Poor's placed the long-term rating on Creditwatch with negative implications.
1) The ratings given by S&P to the Portuguese Republic are "u" – unsolicited.

Proposed application of results

Considering that:

a) in 2015, Banco BPI, S.A. reported in its consolidated accounts a net profit of 236 368 751 euro and, in its individual accounts, a net profit of 183 751 180.31 euro;

b) Banco BPI's shareholders' equity, as shown in its individual balance sheet as at 31 December 2015, forming part of the report and accounts to be considered within the ambit of point 1 on the order of business for the General Meeting to be held on 28 April 2016, includes an accumulated loss brought forward of 15 477 766.87 euro, stemming from the impact of the introduction of accounting standard interpretation IFRIC 21 which was recorded in 2015;

c) In view of the current circumstances, and taking into account the objective of adopting a conservative and prudent position with respect to the appropriation of the results for the year, it is considered appropriate that the Bank should reinforce its own funds;

The Board of Directors, in light of the aforegoing, proposes:

1. That the net profit for 2015 as reported in Banco BPI's individual accounts, should be appropriated as follows:

To Legal Reserve*	18 375 118.03 euro
To Other Reserves:	165 376 062.28 euro
Total:	183 751 180.31 euro

2. That with a view to covering the amount referred to in b) included in the caption "Retained earnings", the amount of 15 477 766.87 euro be transferred to it from the caption "Other reserves".

Porto, 15 March 2016

The Board of Directors

* In terms of article 97(1) of the General Regime for Credit Institutions and Financial Companies.

Final acknowledgements

BPI recorded of its best ever performances in 2015, as clearly borne out by the scale and quality of its results and the principal risk and financial solidity indicators, both domestically and internationally. The Board of Directors is grateful for the cooperation received from the Authorities, and recognises in the loyalty of its Customers and in the professionalism of its Employees a decisive contribution to the results attained.

At the beginning of 2016 Tomaz Jervell renounced the office of member of the Board of Directors and member of the Corporate Governance Committee, positions held since March 1987 and December 2006, respectively. For the past 31 years, Tomaz Jervell has been part of BPI's founding shareholder nucleus, and has maintained since then, in personal terms and through Auto Sueco and later the Nors Group, a permanent dedication to BPI, with decisive involvement in essential moments of the institution's history that fully justifies the very special gratitude and tribute recorded here in the name of the members of all the governing bodies. His son, Tomás Jervell, chief executive of the Nors Group, was co-opted to the Board of Directors on 27 January 2016 to fill the vacancy left open, which decision will be submitted for ratification by the Shareholders at the General Meeting scheduled for 28 April 2016.

Allianz Europe Ltd., the entity elected as member of the Board of Directors at the Shareholders' General Meeting of 23 April 2014, nominated Carla Sofia Pereira Bambulo to exercise the respective functions following the renunciation presented in January 2015 by Herbert Walter, who has been appointed by the German government as President of the Federal Agency for Financial Market Stabilisation (FMSA). Appointed on 13 March 2015 by the Board of Directors to the Corporate Governance Committee, Carla Bambulo is responsible for the Allianz SE's (the Allianz Group's holding company) Iberian Peninsula and Latin America Business Division, so that BPI is proud to count upon her expertise on the Board of Directors and on the Governance Committee.

Following the renunciation presented by the Board of Directors' member António Massanell Lavilla, Lluís Vendrell Pi was co-opted to the position on 29 July 2015, a decision that was ratified by the Shareholders at the General Meeting held on 5 February 2016. Lluís Vendrell's acknowledged skills and experience as jurist and manager of CaixaBank S.A.'s Corporate Finance and Mergers and Acquisitions unit, enriches and strengthens the Board of Directors team.

Porto, 29 March 2016

The Board of Directors

Consolidated financial statements

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2015 AND 2014 PROFORMA AND 1 JANUARY 2014 PROFORMA

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

		31 Dec. 15			31 Dec. 14 Proforma	1 Jan. 14 Proforma
	Notes	**Amounts before impairment, depreciation and amortisation**	**Impairment, depreciation and amortisation**	**Net**	**Net**	**Net**
ASSETS						
Cash and deposits at central banks	4.1	2 728 185		2 728 185	1 894 203	1 372 211
Deposits at other credit institutions	4.2	612 058	3	612 055	380 475	469 487
Financial assets held for trading and at fair value through profit or loss	4.3 / 4.4	3 674 604		3 674 604	3 017 733	1 317 558
Financial assets available for sale	4.5	6 628 939	119 551	6 509 388	7 525 778	9 624 243
Loans and advances to credit institutions	4.6	1 230 043		1 230 043	2 588 817	1 886 070
Loans and advances to Customers	4.7	25 260 276	978 654	24 281 622	25 268 969	25 965 133
Held to maturity investments	4.8	22 417		22 417	88 382	136 877
Hedging derivates	4.4	91 286		91 286	148 693	194 043
Non-current assets held for sale	4.9				11 604	
Investment properties	4.10				154 777	164 949
Other tangible assets	4.11	693 949	498 854	195 095	204 239	197 337
Intangible assets	4.12	123 932	94 794	29 138	24 883	19 149
Investments in associated companies and jointly controlled entities	4.13	210 447		210 447	212 980	221 992
Tax assets	4.14	420 214		420 214	422 531	539 692
Other assets	4.15 / 4.28	698 269	29 471	668 798	684 786	711 671
Total assets		**42 394 619**	**1 721 327**	**40 673 292**	**42 628 850**	**42 820 412**
LIABILITIES						
Resources of central banks	4.16			1 520 735	1 561 185	4 140 068
Financial liabilities held for trading	4.17 / 4.4			294 318	326 785	255 245
Resources of other credit institutions	4.18			1 311 791	1 372 441	1 453 249
Resources of Customers and other debts	4.19			28 177 814	28 134 617	25 630 473
Debt securities	4.20			1 077 381	2 238 074	2 598 455
Financial liabilities relating to transferred assets	4.21			689 522	1 047 731	1 387 296
Hedging derivatives	4.4			161 556	327 219	548 458
Provisions	4.22			99 864	107 333	124 037
Technical provisions	4.23			3 663 094	4 151 830	2 689 768
Tax liabilities	4.24			92 050	42 630	57 711
Contingent convertible subordinated bonds	4.25					920 433
Other subordinated debt and participating bonds	4.26			69 512	69 521	136 931
Other liabilities	4.27 / 4.28			680 156	720 324	606 612
Total Liabilities				**37 837 793**	**40 099 690**	**40 548 736**
SHAREHOLDERS' EQUITY						
Subscribed share capital	4.29			1 293 063	1 293 063	1 190 000
Other equity instruments	4.30			5 194	5 270	3 414
Revaluation reserves	4.31			(87 564)	(51 143)	(362 336)
Other reserves and retained earnings	4.32			972 587	1 042 087	1 025 154
(Treasury shares)	4.30			(12 797)	(13 828)	(17 090)
Consolidated net income of the BPI Group	4.47			236 369	(164 558)	67 015
Shareholders' equity attributable to the shareholders of BPI				**2 406 852**	**2 110 891**	**1 906 157**
Non-controlling interest	4.33			428 647	418 269	365 519
Total shareholders' equity				**2 835 499**	**2 529 160**	**2 271 676**
Total liabilities and shareholders' equity				**40 673 292**	**42 628 850**	**42 820 412**
OFF BALANCE SHEET ITEMS						
Guarantees given and other contingent liabilities	4.33			1 828 781	2 168 711	2 106 771
Of which:						
[Guarantees and sureties]				[1 497 070]	[1 826 825]	[1 832 700]
[Others]				[331 711]	[341 886]	[274 071]
Commitments	4.33			3 372 509	3 355 940	3 020 342

The accompanying notes form an integral part of these balance sheets.

The Accountant The Board of Directors

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014 PROFORMA

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

	Notes	31 Dec. 15	31 Dec. 14 Proforma
Interest and similar income		1 112 987	1 290 123
Interest and similar expenses		(488 421)	(804 795)
Financial margin (narrow sense)	**4.35**	**624 566**	**485 328**
Gross margin on unit links	4.36	12 967	5 029
Income from equity instruments	4.37	4 739	3 612
Net commission relating to amortised cost	4.38	21 118	20 484
Financial margin		**663 390**	**514 453**
Technical result of insurance contracts	4.39	31 804	34 393
Commissions received		312 974	322 588
Commissions paid		(40 537)	(47 637)
Other income, net		52 241	37 222
Net commission income	**4.40**	**324 678**	**312 173**
Gain and loss on operations at fair value		200 258	157 903
Gain and loss on assets available for sale		(6 031)	(135 005)
Interest and financial gain and loss with pensions		413	1 991
Net income on financial operations	**4.41**	**194 640**	**24 889**
Operating income		32 423	33 236
Operating expenses		(41 857)	(44 428)
Other taxes		(23 176)	(17 010)
Net operating loss	**4.42**	**(32 610)**	**(28 202)**
Operating income from banking activity		**1 181 902**	**857 706**
Personnel costs	4.43	(385 267)	(402 538)
General administrative costs	4.44	(249 233)	(238 219)
Depreciation and amortisation	4.11/4.12	(36 117)	(30 770)
Overhead costs		**(670 617)**	**(671 527)**
Recovery of loans, interest and expenses		18 162	16 472
Impairment losses and provisions for loans and guarantees, net	4.22	(136 997)	(193 191)
Impairment losses and other provisions, net	4.22	(19 523)	(45 266)
Net income before income tax		**372 927**	**(35 806)**
Income tax	4.45	(29 142)	(31 598)
Earnings of associated companies (equity method)	4.46	33 433	26 125
Global consolidated net income		**377 218**	**(41 279)**
Income attributable to non-controlling interests	4.33	(140 849)	(123 279)
Consolidated net income of the BPI Group	**4.47**	**236 369**	**(164 558)**

Earnings per share (in Euro)			
Basic	4.47	0.163	(0.116)
Diluted	4.47	0.162	(0.115)

The accompanying notes form an integral part of these statements.

The Accountant

The Board of Directors

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014 PROFORMA

	31 Dec. 15		
	Attributable to shareholders of the BPI Group	**Attributable to non-controlling interests**	**Total**
Consolidated net income	**236 369**	**140 849**	**377 218**
Income not included in the consolidated statement of income:			
Items that will not be reclassified to net income:			
Actuarial deviations	144 783		144 783
Tax effect	(42 263)		(42 263)
	102 520		**102 520**
Items that may be reclassified subsequently to net income:			
Foreign exchange translation differences	(76 945)	(66 218)	(143 163)
Revaluation reserves of financial assets available for sale:			
Revaluation of financial assets available for sale	38 370		38 370
Tax effect	(10 692)		(10 692)
Transfer to income resulting from sales	7 089		7 089
Tax effect	(1 972)		(1 972)
Transfer to income resulting from impairment recognized in the period	10 019		10 019
Tax effect	(2 290)		(2 290)
Valuation of assets of associated companies	(12 817)		(12 817)
Tax effect	2 303		2 303
	(46 935)	**(66 218)**	**(113 153)**
Income not included in the consolidated statement of income	**55 585**	**(66 218)**	**(10 633)**
Consolidated comprehensive income	**291 954**	**74 631**	**366 585**

The Accountant

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

31 Dec. 14 Proforma		
Attributable to shareholders of the BPI Group	**Attributable to non-controlling interests**	**Total**
(164 558)	**123 279**	**(41 279)**
(93 291)		(93 291)
17 892		17 892
(75 399)		**(75 399)**
24 796	23 763	48 559
240 311		240 311
(71 430)		(71 430)
135 544		135 544
(37 137)		(37 137)
25 844		25 844
(6 735)		(6 735)
22 178		22 178
(6 217)		(6 217)
327 154	**23 763**	**350 917**
251 755	**23 763**	**275 518**
87 197	**147 042**	**234 239**

The accompanying notes form an integral part of these statements.

The Board of Directors

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014 PROFORMA

	Subscribed share capital	Other equity instruments	Revaluation reserves
Balance at 31 December 2013 Proforma	**1 190 000**	**3 414**	**(362 336)**
Impact of application of IFRIC 21			
Balance at 1 January 2014 Proforma	**1 190 000**	**3 414**	**(362 336)**
Appropriation of net income for 2013 to reserves			
Exchange operation of subordinated debt and preference shares for ordinary shares (OPT)	103 063		
Dividends paid on preference shares			
Dividends paid to non-controlling interests			
Variable Remuneration Program (RVA)		1 856	
Sale / purchase of treasury shares			
Comprehensive income for 2014 Proforma			311 193
Other			
Balance at 31 December 2014 Proforma	**1 293 063**	**5 270**	**(51 143)**
Appropriation of net income for 2014 to reserves			
Dividends paid on preference shares			
Dividends paid to non-controlling interests			
Variable Remuneration Program (RVA)		(76)	
Comprehensive income for 2015			(36 421)
Other			
Balance at 31 December 2015	**1 293 063**	**5 194**	**(87 564)**

The Accountant

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

Other reserves and retained earnings	Treasury shares	Net income	Non-controlling interests	Shareholders' equity
1 040 707	**(17 090)**	**67 015**	**365 519**	**2 287 229**
(15 553)				(15 553)
1 025 154	**(17 090)**	**67 015**	**365 519**	**2 271 676**
67 015		(67 015)		
12 484			(48 998)	66 549
			(1 108)	(1 108)
			(44 186)	(44 186)
	3 262			5 118
(3 096)				(3 096)
(59 438)		(164 558)	147 042	234 239
(32)				(32)
1 042 087	**(13 828)**	**(164 558)**	**418 269**	**2 529 160**
(164 558)		164 558		
			(46)	(46)
			(64 207)	(64 207)
249	1 031			1 204
92 006		236 369	74 631	366 585
2 803				2 803
972 587	**(12 797)**	**236 369**	**428 647**	**2 835 499**

The accompanying notes form an integral part of these statements.

The Board of Directors

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014 PROFORMA

	31 Dec. 15	31 Dec. 14 Proforma
Operating activities		
Interest, commissions and similar income received	2 494 102	3 627 980
Interest, commissions and similar expenses paid	(1 522 684)	(2 682 698)
Recovery of loans and interest in arrears	18 162	16 472
Payments to personnel and suppliers	(617 679)	(598 244)
Net cash flow from income and expenses	371 901	363 510
Decrease (increase) in:		
Financial assets held for trading, available for sale and held to maturity	779 531	846 938
Loans and advances to credit institutions	1 356 531	(695 242)
Loans and advances to Customers	718 434	534 047
Investment properties		10 172
Other assets	350 694	(42 704)
Net cash flow from operating assets	3 205 190	653 211
Increase (decrease) in:		
Resources of central banks and other credit institutions	(85 560)	(2 620 418)
Resources of Customers	(393 266)	3 933 611
Financial liabilities held for trading	(32 467)	71 540
Other liabilities	(322 874)	(182 815)
Net cash flow from operating liabilities	(834 167)	1 201 918
Contributions to the Pension Funds	(7 798)	(10 654)
Income tax paid	(34 622)	(26 002)
	2 700 504	**2 181 983**
Investing activities		
Sale of Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	11 604	
Subscribed to the capital increase in Banco Comercial e de Investimentos, S.A.R.L.	(12 988)	
Purchase of other tangible assets and intangible assets	(57 059)	(37 099)
Sale of other tangible assets	39	73
Dividends received and other income	32 365	35 196
	(26 039)	**(1 830)**
Financing activities		
Liability for assets not derecognised	(358 653)	(340 035)
Redemption of contingent convertible subordinated bonds		(920 000)
Issuance of debt securities and subordinated debt	51 766	410 129
Redemption of debt securities	(1 176 408)	(1 069 758)
Purchase and sale of own debt securities and subordinated debt	(11 892)	336 256
Purchase and sale of preference shares		(11 843)
Interest on contingent convertible subordinated bonds		(27 108)
Interest on debt securities and subordinated debt	(50 653)	(81 527)
Dividends paid on preference shares	(46)	(1 108)
Dividends distributed to non-controlling interests	(64 207)	(44 186)
Purchase and sale of treasury shares	1 204	2 021
	(1 608 889)	**(1 747 159)**

The accompanying notes form an integral part of these statements.

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

	31 Dec. 15	31 Dec. 14 Proforma
Net increase (decrease) in cash and equivalents	1 065 576	432 994
Cash and equivalents at the beginning of the year	2 274 661	1 841 667
Cash and equivalents at the end of the year	**3 340 237**	**2 274 661**
Cash and deposits at central banks	2 728 179	1 894 186
Deposits at other credit institutions	612 058	380 475
Cash and equivalents	**3 340 237**	**2 274 661**
Of which:		
Cash and equivalents of Banco de Fomento Angola	**1 908 074**	**1 470 269**
Of which: in AKZ	1 440 063	778 978
in USD	461 086	682 782
Cash and equivalents by currencies	**3 340 237**	**2 274 661**
EUR	1 346 045	726 003
USD	510 001	712 960
AKZ	1 440 063	778 966
Other currencies	44 128	56 732

The accompanying notes form an integral part of these statements.

The Accountant

Alberto Pitôrra

The Board of Directors

Chairman Artur Santos Silva

Deputy-Chairman Fernando Ulrich

Members Alfredo Rezende de Almeida
António Domingues
António Lobo Xavier
Armando Leite de Pinho
Carla Bambulo
Carlos Moreira da Silva
Edgar Alves Ferreira
Ignacio Alvarez-Rendueles
Isidro Fainé Casas
João Pedro Oliveira e Costa
José Pena do Amaral
Lluís Vendrell
Manuel Ferreira da Silva
Marcelino Armenter Vidal
Maria Celeste Hagatong
Mário Leite da Silva
Pedro Barreto
Vicente Tardio Barutel

Notes to the consolidated financial statements as of 31 December 2015 and 2014

(Unless otherwise indicated, all amounts are expressed in thousands of euro – th. euro)
(These notes are a translation of notes originally issued in Portuguese – note 5)

1. THE FINANCIAL GROUP

Banco BPI is the central entity of a multi-specialised financial group dedicated to banking, which provides a broad range of banking services and products to companies, institutional investors and private individuals. Banco BPI has been listed on the Stock Exchange since 1986.

The BPI Group started operating in 1981 with the foundation of SPI – Sociedade Portuguesa de Investimentos, S.A.R.L. By public deed dated December 1984, SPI – Sociedade Portuguesa de Investimentos, S.A.R.L. changed its corporate name to BPI – Banco Português de Investimento, S.A., which was the first private investment bank created after the re-opening, in 1984, of the Portuguese banking sector to private investment. On 30 November 1995 BPI – Banco Português de Investimento, S.A. (BPI Investimentos) was transformed into BPI – SGPS, S.A., which operated exclusively as the BPI Group's holding company, and BPI Investimentos was founded to act as the BPI Group's investment banking company. On 20 December 2002, BPI SGPS, S.A. incorporated, by merger, the net assets and operations of Banco BPI and changed its corporate name to Banco BPI, S.A.

At 31 December 2015 the Group's banking operations were carried out principally through Banco BPI in the commercial banking area and through BPI Investimentos in the investment banking area. The BPI Group is also the holder of a 50.1% participation in Banco de Fomento Angola, S.A. which operates as a commercial bank in Angola.

In 2014, due to the entry into force of IFRS 10 – Consolidated Financial Statements, the BPI Group started consolidating the funds[1] BPI Obrigações Mundiais – Fundo de Investimento Aberto de Obrigações, Imofomento – Fundo de Investimento Imobiliário Aberto and BPI Strategies, Ltd. in accordance with the full consolidation method. At 31 December 2015 the BPI Group held 30.6% and 44.3% of the participating units of BPI Obrigações Mundiais and BPI Strategies, Ltd., respectively. The participations in BPI Obrigações Mundiais and BPI Strategies were consolidated in accordance with the full consolidation method, although the BPI Group holds less than 50% of the participating units, given that the BPI Group has control over the related fund management company and holds more than 20% of the participating units. In the third quarter of 2015 Banco BPI ceased having control over Imofomento – Fundo de Investimento Imobiliário, as it became holder of less than 20% of the participating units in the fund. Consequently, the fund Imofomento – Fundo de Investimento Imobiliário ceased being consolidated in accordance with the full consolidated method.

In 2014 there was a split-merger operation, which involved the separation of some activities carried out by Banco Português de Investimento, S.A. for incorporation into Banco BPI, S.A. Under this operation, which was only an internal reorganization, the BPI Group maintained form, the following activities now being carried out directly by Banco BPI:

- Private Banking;
- reception of deposits and other repayable funds, means of payment and recording and deposit of financial instruments;
- online brokerage, and
- management of financial participations.

In 2014 the investment in Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A. was reclassified to the caption NON-CURRENT ASSETS HELD FOR SALE, as the requirements of IFRS 5 for this classification were met, namely the existence of negotiations to sell the investment in the short term. The sale was completed in the first half of 2015.

During the first half of 2015 Banco BPI subscribed the amount of 12 988 th. euro to the share capital increase of Banco Comercial de Investimentos, maintaining its 30% participation in that company.

During the second half of 2015 BPI Locação de Equipamentos, Lda., a wholly owned subsidiary of Banco BPI, S.A., was liquidated.

The vehicles through which the Bank's loan securitisation operations are carried out are recorded in the consolidated financial statements in accordance with the BPI Group's continuing involvement in these operations, based on the percentage held of the equity piece of the corresponding vehicles. In 2015 and 2014, the BPI Group held 100% of the equity pieces of these vehicles and so they were consolidated in accordance with the full consolidation method.

1) Funds managed by asset management companies controlled by the BPI Group.

At 31 December 2015 the BPI Group was made up of the following companies:

	Head office	Share-holder's Equity[3]	Total assets	Net income (loss) for the year	Direct partici-pation	Effective partici-pation	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	1 724 123	32 515 479	183 751			
Banco Português de Investimento, S.A.	Portugal	31 492	37 599	1 473	100.00%	100.00%	Full consolid.
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	214 401	2 545 730	34 071	30.00%	30.00%	Equity method
Banco de Fomento Angola, S.A.	Angola	855 400	8 317 409	256 144	50.09%	50.10%	Full consolid.
Banco BPI Cayman, Ltd.	Cayman Islands	157 324	477 901	2 485		100.00%	Full consolid.
Asset management companies and dealers							
BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	Portugal	13 833	33 556	3 757	100.00%	100.00%	Full consolid.
BPI – Global Investment Fund Management Company, S.A.	Luxembourg	2 351	9 444	1 825	100.00%	100.00%	Full consolid.
BPI (Suisse), S.A.	Switzerland	9 001	9 726	4 348	100.00%	100.00%	Full consolid.
BPI Alternative Fund: Iberian Equities Long / Short Fund (Lux)[1]	Luxembourg	340 311	404 222	15 935	23.64%	50.77%	Full consolid.
BPI Obrigações Mundiais – Fundo de Investimento Aberto de Obrigações[1]	Portugal	45 345	45 408	(694)	11.36%	30.59%	Full consolid.
BPI Strategies, Ltd.[1]	Cayman Islands	50 179	50 414	119	44.29%	44.29%	Full consolid.
Venture Capital Companies							
BPI Private Equity – Sociedade de Capital de Risco, S.A.	Portugal	33 567	41 817	(1 012)	100.00%	100.00%	Full consolid.
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	1 054	1 532	6		49.00%	Equity method
Insurance Companies							
BPI Vida e Pensões – Companhia de Seguros, S.A.	Portugal	150 216	5 919 946	17 174	100.00%	100.00%	Full consolid.
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	62 667	104 288	11 022	50.00%	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	213 551	1 210 676	25 536	35.00%	35.00%	Equity method
Others							
BPI Capital Finance Ltd.[2]	Cayman Islands	1 807	1 813	44	100.00%	100.00%	Full consolid.
BPI Capital Africa (Proprietary) Limited	South Africa	(4 238)	1 322	(1 097)		100.00%	Full consolid.
BPI, Inc.	U.S.A	779	779	(5)	100.00%	100.00%	Full consolid.
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	158 213	164 028	5 368	100.00%	100.00%	Full consolid.
BPI Moçambique – Sociedade de Investimento, S.A.	Mozambique	402	1 287	(465)	98.40%	100.00%	Full consolid.
Unicre – Instituição Financeira de Crédito, S.A.	Portugal	137 926	347 230	39 872	21.01%	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of 31 December 2015 (accounting balances before consolidation adjustments). The financial statements of subsidiaries, associates and jointly controlled entities are pending approval by the respective governing bodies. However, the Board of Directors of Banco BPI believes that there will be no changes with significant impact on the consolidated income of the Bank.

1) Funds managed by asset management companies controlled by the BPI Group.
2) Share capital is made up of 5 000 ordinary shares of 1 euro each, and 1 786 000 non-voting preference shares of 1 euro each. Considering the total share capital of the company, the effective participation of the BPI Group in this company corresponds to 0.28%.
3) Includes net result for the year.

2. BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES

A) BASES OF PRESENTATION

The consolidated financial statements were prepared from the accounting records of Banco BPI and its subsidiary and associated companies in conformity with International Accounting Standards / International Financial Reporting Standards (IAS / IFRS), as endorsed by the European Union in accordance with *Regulation (EC) 1606 / 2002* of 19 July of the European Parliament and Council, incorporated into Portuguese legislation through *Bank of Portugal Notice 1 / 2005* of 21 February.

Adoption of standards (new or revised) issued by the "International Accounting Standards Board" (IASB) and interpretations issued by the "International Financial Reporting Interpretation Committee" (IFRIC), as endorsed by the European Union

The standards (new or revised) and interpretations applicable to the operations of the BPI Group reflected in the financial statements as of 31 December 2015, are as follows:

- IFRIC 21 – Levies: this interpretation establishes the criteria for recognition of a liability for a levy imposed by a government (other than income taxes). This interpretation typifies the levies and the obligating events for the recognition of a levy, clarifying when it should be recognised as a liability. This interpretation is of mandatory application for years beginning on or after 17 June 2014.

- Improvements to international financial reporting standards – 2011-2013 Cycle: this process involved the revision of 4 accounting standards: (i) IFRS 1: clarifies the meaning of the IFRSs in force at the end of the first reporting period of an entity that applies IAS / IFRS for the first time; (ii) IFRS 3 – Business combinations: clarifies that IFRS 3 excludes from its scope, the recording of the formation of a joint arrangement in the financial statements of the joint arrangement itself; (iii) IFRS 13 – Fair value measurement: clarifies that the exception to the application of the standard to financial assets and liabilities with compensating positions includes all contracts within the scope of IAS 39 regardless of whether they meet the definition of financial assets or liabilities as defined in IAS 32; (iv) IAS 40 Investment properties: clarifies that judgement is necessary in determining if an acquisition of an investment property is an acquisition of an asset or a business combination as defined by IFRS 3. These amendments are of mandatory application for years beginning on or after 1 January 2015.

The impact of the implementation of the new requirements of IFRIC 21 is explained in note 2.1 – Comparability of information. Application of the other aforementioned standards did not have a significant impact on the accompanying financial statements.

At 31 December 2015 the following standards (new and revised) and interpretations, already endorsed by the European Union, were available for early adoption:

- Improvements to international financial reporting standards – 2010-2012 Cycle: this process involved the revision of 7 accounting standards. The improvements involve the clarification of some aspects relating to: (i) IFRS 2 – Share-based payment: definition of 'vesting condition'; (ii) IFRS 3 – Business combinations: recording of contingent payments; (iii) IFRS 8 – Operating Segments: disclosure of the judgements used in relation to the aggregation of segments and clarification regarding the need to reconcile total assets by segment to the assets in the financial statements; (iv) IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets: need to restate of accumulated depreciation in the case of the revaluation of fixed assets; (v) IAS 24 – Related party disclosures: clarifies that an entity that provides management services to the company or its parent is a related party; and (vi) IFRS 13 – Fair value measurement: clarifications relating to the measurement of short-term receivables and payables. These amendments are of mandatory application for years beginning on or after 1 February 2015.

- IAS 19 – Employee Benefits: Defined benefit plans – Employee contributions: this standard was amended to clarify the requirements regarding the way in which contributions from Employees relating to services rendered must be linked to the periods of service. In addition, if the amount of the contributions is independent of the number of years in which the service is rendered, it allows the contributions to be recognised as a deduction from current service cost in the period in which the related service is rendered. These amendments are of mandatory application for years beginning on or after 1 February 2015.

- Improvements to international financial reporting standards – 2012-2014 Cycle: this process involved the revision of 4 accounting standards. The improvements involve the clarification of some aspects relating to: (i) IFRS 5 – Non-current Assets held for sale and discontinued operations: introduces guidance on how to proceed in the case of changes regarding the expected method of realization (sale or distribution to shareholders); (ii) IFRS 7 – Financial instruments: Disclosures: clarifies the impact of servicing contracts of assets for the purpose of determining the disclosures required relating to the continued involvement of derecognized assets and exempts condensed interim financial statements from the disclosures required regarding the compensation of financial assets and liabilities; (iii) IAS 19 – Employee benefits: clarifies that the high quality corporate bonds used in estimating the discount rate to be used for post-employment benefits should be in the same currency as the benefits to be paid; and (iv) IAS 34 – Interim financial reporting – clarification regarding the procedures to be used when the information is available in other documents issued together with the interim financial statements. These amendments are of mandatory application for years beginning on or after 1 January 2016.

- IFRS 11 – Joint arrangements: this change relates to the acquisition of interests in joint operations. It establishes the mandatory application of IFRS 3 when the joint operation acquired constitutes a business combination in accordance with IFRS 3. When the joint operation in question is not a business, the transaction should be recorded as an acquisition of assets. This amendment is applied prospectively for new acquisitions of interests. This amendment is of mandatory application for years beginning on or after 1 January 2016.

- IAS 1 – Presentation of financial statements: this amendment clarifies some aspects relating to the disclosure initiative, namely: (i) the entity should not make it difficult to understand financial statements by aggregating material items with immaterial items or by aggregating material items of different natures; (ii) the specific disclosures required by IFRS need only be made if the information in question is material; (iii) the line items to be presented in the financial statements specified in IAS 1 can be aggregated or segregated, as is most significant for purposes of the financial report; (iv) other comprehensive income resulting from the application of the equity method in associates and joint arrangements must be presented separately from the other components of other comprehensive income, also segregating the items that are likely to be reclassified to net results from those that will not be reclassified; (v) the structure of the notes should be flexible, respecting the following order: (a) a statement of compliance with IFRSs in the first section of the notes; (b) a description of the significant accounting policies in the second section; (c) supporting information for items in the financial statements in the third section; and (iv) other information on the fourth section. This amendment is of mandatory application for years beginning on or after 1 January 2016.

- IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets: this amendment establishes a presumption (which may be rebutted) that revenue is not an appropriate basis for amortizing an intangible asset and prohibits the use of revenue as a basis for depreciating tangible fixed assets. The presumption established for amortization of intangible assets can only be rebutted if the intangible asset is expressed in terms of revenue generated or when the use of economic benefits is highly related to the revenue generated. This amendment is of mandatory application for years beginning on or after 1 January 2016.

- IAS 27 – Separate financial statements: this amendment introduces the possibility of measuring interests in subsidiaries, joint arrangements and associates in separate financial statements by the equity method, in addition to the existing measurement methods. This amendment applies retrospectively. This amendment is of mandatory application for years beginning on or after 1 January 2016.

These standards, although endorsed by the European Union, were not adopted by the BPI Group at 31 December 2015 because their application is not yet mandatory. Significant impact is not expected on the financial statements as a result of adopting these standards.

B) MAIN ACCOUNTING POLICIES

The following accounting policies are applicable to the consolidated financial statements of the BPI Group.

2.1. Comparability of information (IFRIC 21)

IFRIC 21 – Levies was endorsed by the European Union on 13 June 2014 and is of mandatory application for years beginning on or after 17 June 2014. The purpose of IFRIC 21 is to provide guidance as to when to recognize a liability for the payment of a levy imposed by the Government that is recorded in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. As a result of the entry into force of IFRIC 21, and based on the interpretation of current legislation, Banco BPI changed its accounting policy for the recognition of the following levies:

- Extraordinary contribution over the banking sector – Banco BPI believes that the event that gives rise to the obligation to pay the extraordinary contribution over the banking sector is the activity carried out in the year preceding its payment, which is June of the following year. Therefore, the corresponding liability related to the extraordinary contribution over the banking sector as well as its cost, have been recognized on a straight-line basis in the year preceding its payment. Prior to the application of IFRIC 21, Banco BPI recognized the cost of this contribution on a straight-line basis over the year in which the respective payment was made;

- Periodic contribution to the Deposit Guarantee Fund – Banco BPI believes that the event which gives rise to the obligation to pay the periodic contribution to the Deposit Guarantee Fund is the receipt of the payment notification for that year. Therefore the liability for the annual contribution to the Deposit Guarantee Fund as well as its cost, are now fully recognized upon receipt of the payment notification for that year, usually during the month of April. Prior to the application of IFRIC 21, Banco BPI recognized the cost of this contribution on a straight-line basis over the year in which the payment was made;

- Periodic contribution to the Resolution Fund – Banco BPI believes that the event which gives rise to the obligation to pay the periodic contribution to the Resolution Fund is the fact of being in operation on the last day of April of the year to which the periodic contribution refers, in accordance with Article 9 of *Decree-Law 24 / 2013* of 19 February. Therefore, the liability relating to the periodic contribution to the Resolution Fund, as well as its cost, are now being fully recognized in April of the year to which the contribution refers. Prior to the application of IFRIC 21 Banco BPI recognized the cost of the contribution on a straight-line basis over the year in which the payment was made.

Retrospective application of the requirements of IFRIC 21, as required by IAS 8, had the following impact:

	Consolidated shareholders' equity at Dec. 31, 13 (including net income for the year)	Consolidated net income as of Dec 31, 2014	Consolidated shareholders' equity at Dec. 31, 14 (including net income for the year)
Balances as reported (before the retrospective application of the change in accounting policy)	2 287 229	(163 623)	2 545 648
Impact of application of IFRIC 21			
Extraordinary contribution over the banking sector	(15 553)	(935)	(16 488)
	(15 553)	**(935)**	**(16 488)**
Balances (proforma)	2 271 676	(164 558)	2 529 160

2.2. Consolidation of subsidiaries and jointly controlled entities and recognition of associated companies (IFRS 10, IFRS 11, IAS 28 and IFRS 3)

Banco BPI has direct and indirect participations in subsidiary and associated companies.

Subsidiary companies are entities over which the Bank has control, which is when the following conditions are met, cumulatively:

- power over the company;
- exposure, or rights, to variable returns from its involvement with the company; and
- ability to use this power over the company to affect the amount of the variable returns.

In the case of investment funds managed by BPI Gestão de Activos, it is assumed that there is control whenever the BPI Group has a participation of more than 20%. In the case of investment funds managed by Inter-Risco, the BPI Group does not consolidate the funds in which, despite having a participation greater than 20%, it does not have control over investment decisions.

Associated companies are entities over which Banco BPI has direct or indirect significant influence over their management and financial policies but over which it does not have control. As a general rule, it is presumed that significant influence exists when the participation exceeds 20%.

The financial statements of subsidiary companies are consolidated using the full consolidation method. Significant intra-group transactions and account balances are eliminated in the consolidation process. The amount of share capital, reserves and net results corresponding to third party participation in these subsidiaries is reflected in the caption MINORITY INTEREST, except for investment funds which are recorded in the caption RESOURCES OF CUSTOMERS. When necessary, adjustments are made to the subsidiary companies' financial statements to ensure their consistency with the BPI Group's accounting policies.

Goodwill arising from the difference between the cost of acquisitions (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary companies as of the date of the first consolidation are recorded as assets and are subject to impairment tests. When a subsidiary company is sold, net goodwill is included in determining the gain or loss on the sale.

Associated companies are recorded in accordance with the equity method of accounting. In accordance with this method, the amount of the investment, which is initially recognised at cost, is adjusted by post-acquisition changes in the net asset value of the associated companies, in proportion to the BPI Group's participation.

Goodwill relating to associated companies is included in the book value of the investment. The book value of associated companies (including goodwill) is subject to impairment tests in accordance with IAS 36 and IAS 39.

In the case of associated companies acquired in stages, goodwill is calculated at the time that the acquired company becomes an associate, being determined by the difference between the total acquisition cost of the investment and the proportion held of the fair value of the identifiable assets and liabilities of the associate as of that date. As provided for in IAS 28, total acquisition cost corresponds to the fair value of the original investment on the date that significant influence is achieved, plus the amount paid for the additional participation. In accordance with the policy established by the BPI Group, gains or losses on the revaluation to fair value of the original investment are recognised in the statement of income on the date the acquired company becomes an associate.

Following the loss of significant influence over an associated company (it is presu med that participation is less than 20%) and in accordance with IAS 28, the participation held is reclassified from the Investments in Associated Companies portfolio to the Financial Assets Available for Sale portfolio, being recorded at its fair value as of the date of the loss of significant influence. The difference between the fair value of the participation held and the cost of investment at that date is recognised in the statement of income.

In accordance with IFRS 1 and the BPI Group's accounting policies up to the date of transition to IAS / IFRS, goodwill on investments acquired up to 1 January 2004 was deducted in full from shareholders' equity.

Negative goodwill arising from the difference between the cost of acquisitions (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary and associated companies as of the date of the first consolidation or the date the equity method is first applied is immediately recognised in the statement of income.

The financial statements of subsidiary or associated companies which are inactive or in liquidation were excluded from the consolidation and from application of the equity method. These participations are classified as financial assets available for sale.

Consolidated net income is the sum of the individual net results of Banco BPI and the percentage of the net results of subsidiary and associated companies, equivalent to Banco BPI's effective participation in them, considering the period the participations are held for, after elimination of income and expenses resulting from inter-group transactions.

Foreign currency subsidiary and associated companies (IAS 21 and IAS 29)

The foreign currency financial statements of subsidiary and associated companies were included in the consolidation after being translated to Euro at the exchange rates published by the Bank of Portugal and, in the case of BFA and BCI, by the Central Banks of Angola and Mozambique, respectively:

- assets and liabilities expressed in foreign currencies are translated to Euro using the exchange rates in force at the balance sheet date;
- income and expenses expressed in foreign currencies are translated to Euro using the exchange rates in force in the months in which they are recognised; and,
- exchange differences resulting from the translation to Euro are recognised directly in the shareholders' equity caption REVALUATION RESERVES, since the Bank does not have participations in subsidiaries and associated companies the functional currency of which is that of a hyperinflationary economy.

When a foreign entity is sold, the accumulated exchange difference is recognized in the statement of income as a gain or loss on disposal.

The exchange rates used for the translation to euros of the accounts of foreign subsidiaries and associated companies were as follows:

	31 Dec. 15	31 Dec. 14
Kwanza – Angola	147.8320	125.1950
Metical Mozambique	50.0400	40.8400
Swiss Franc	1.0835	1.2024
South Africa Rand	16.9530	14.0353
USA dollar	1.0887	1.2141

The consolidated balance sheet of the BPI Group includes a significant portion of assets and liabilities in kwanzas, as shown in note 4.49 Financial Risks – Foreign exchange risk. Financial information expressed in this currency disclosed in the consolidated financial statements and accompanying notes has been translated to euros for presentation purposes based on the above criteria. The amounts should not be interpreted as representing that the amounts in kwanzas could have been, or could be, converted to euros.

In preparing the consolidated financial statements of Banco BPI for 2015, the inclusion of the results of BFA for the month of December 2015 and its financial position as of 31 December 2015 were determined taking into account the exchange rates of kwanzas to other currencies, particularly to the euro and the USA dollar, published by the National Bank of Angola (BNA) at 31 December 2015.

The exchange rates of the kwanza in relation to other currencies published by BNA at the opening day of 4 January 2016, the first business day after 31 December 2015, show a devaluation of the kwanza in relation to the euro and USA dollar of about 15%.

	Official exchange rates on 31 Dec. 15	Official exchange rates on 4 Jan. 16	Change
AKZ / 1 USD	135.3	155.6	**15%**
AKZ / 1 EUR	147.8	169.7	**15%**

Taking into account the requirements of IAS 21 – "The effects of changes in exchange rates", Banco BPI decided to use the exchange rates published in BNA's Internet site at 31 December 2015. In this respect, it should also be mentioned the position informed by BNA that in Angola the financial statements for 2015 should be prepared based on these exchange rates.

The use of the kwanza exchange rates published by the BNA on 4 January 2016 results in a positive impact on the consolidated net income of Banco BPI, after tax, of about 9 million euro, and a negative impact on total equity attributable to the shareholders of the Bank of about 44 million euro.

Consolidated amounts in million euro

	31 Dec. 15 as reported	Proforma considering the exchange rate on 4 Jan. 16	Change
Net Income	236	245	+9
Assets	40 673	40 076	(597)
Loans	24 282	24 176	(106)
Customer resources and other liabilities	28 178	27 628	(550)
Non-controlling interests	429	384	(44)
Shareholders' equity	2 407	2 363	(44)

2.3. Financial assets and liabilities (IAS 32, IAS 39, IFRS 7 and IFRS 13)

Financial assets and liabilities are recognised in the BPI Group's balance sheet on the trade or contracting date, unless there is an express contractual stipulation or applicable legal or regulation regime under which the transactions' inherent rights and obligations are transferred at a different date, in which case the latter date is applicable.

Financial assets and liabilities are initially recorded at fair value plus direct transaction costs, except for assets and liabilities that have been recognised at fair value through profit or loss, in which case the transaction costs are immediately recorded in the statement of income.

In accordance with IFRS 13, fair value is understood to be the price that would be received from the sale of an asset or paid for the transfer of a liability in a transaction between market participants at the measurement date. On the contracting date or at the beginning of an operation fair value is generally the transaction amount.

Fair value is determined based on:

- the price in an active market, or

- valuation methods and techniques (when there is not an active market) supported by:

  - mathematical calculations based on recognised financial theories; or,

  - prices calculated based on similar assets or liabilities traded on active markets or based on statistical estimates or other quantitative methods.

Financial assets are initially recognised, at the time of their acquisition or inception, under one of the four categories defined in IAS 39:

- financial assets held for trading and at fair value through profit or loss;

- held-to-maturity financial assets;

- available-for-sale financial assets;

- loans and other receivables.

Following the amendment to IAS 39 in October 2008 entitled "Reclassification of financial assets", it became possible to reclassify financial assets between financial asset categories, as follows: (i) in specific circumstances, non-derivative financial assets (other than those initially designated as financial assets at fair value through profit or loss under the "fair value option") can be reclassified out of the fair value through profit and loss category, and (ii) financial assets which meet the definition of loans and receivables can be reclassified from the available-for-sale financial assets category to the loans and receivables category, provided that the entity has the intention and ability to hold the asset for the foreseeable future or until maturity. For reclassifications made up to 1 November 2008, the reference date of the changes made by the BPI Group was 1 July 2008. The reclassifications made on or after 1 November 2008 are effective only as from the reclassification date.

In note 4.49 the valuation methods of assets and liabilities recorded at fair value (Financial assets held for trading and at fair value through profit or loss, Financial liabilities held for trading and Financial assets available for sale) are presented in detail.

2.3.1. Financial assets held for trading and at fair value through profit or loss and financial liabilities held for trading

These captions include:

- fixed income securities and variable-yield securities traded on active markets, which the Bank has opted, on the recognition date, to record and value at fair value through profit or loss, can be classified as held for trading or at fair value through profit or loss;

- securities related to capitalisation insurance portfolios; and,

- derivatives (including embedded derivatives on financial assets and liabilities), except for those designated as hedging instruments under hedge accounting (note 2.3.8).

Such assets and liabilities are valued daily at fair value, taking into account the own credit risk and counterparty risk of the operations. The book value of bonds and other fixed income securities includes accrued interest.

Gains and losses resulting from changes in fair value are recognised in the statement of income.

Derivative operations are subject to credit risk analysis, their value being adjusted with a corresponding entry to loss on financial operations.

2.3.2. Held-to-maturity investments

This caption includes non-derivative financial assets with fixed or determinable payments and defined maturities that the BPI Group has the intention and ability to hold until maturity.

These investments are measured at amortised cost, using the effective interest rate method and subject to impairment tests. The impairment losses on financial investments held to maturity are recorded in the income statement. If, in a subsequent period, the amount of an impairment loss decreases and that decrease can be related objectively to an event occurring after the date on which the impairment loss was recognised, the previously recognised impairment loss is reversed through the statement of income for the year.

2.3.3. Financial assets available for sale

This caption includes:

- fixed income securities which have not been classified in the trading, held to maturity or loan portfolios;

- variable yield securities available for sale; and

- shareholders' loans and supplementary capital contributions in financial assets available for sale.

Assets classified as available for sale are valued at fair value, except for equity instruments that are not traded on active markets and for which their fair value cannot be reliably measured or estimated. In this case they remain recorded at cost.

Gains and losses resulting from changes in the fair value of financial assets available for sale are recognised directly in the shareholders' equity caption FAIR VALUE REVALUATION RESERVE, except for impairment losses and exchange gains and losses on monetary assets, until the asset is sold. At this time, the gain or loss previously recognised in shareholders' equity is transferred to the statement of income.

Interest accrued on bonds and other fixed income securities and differences between their cost and nominal value (premium or discount) are recorded in the statement of income using the effective interest rate method.

Income from variable-yield securities (dividends in the case of shares) is recorded as income when it is attributed or received. In accordance with this procedure, interim dividends are recorded as income in the period in which they are declared.

At the date of preparation of the financial statements, the Bank assesses the existence of objective evidence that financial assets available for sale are impaired, considering the market situation and the available information about the issuers.

In accordance with IAS 39, a financial asset available for sale is impaired and impairment losses are incurred if, and only if: (i) there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and (ii) that (those) loss event (s) has (have) an impact on the estimated future cash flows of the financial asset, that can be reliably estimated.

In accordance with IAS 39, objective evidence that a financial asset available for sale is impaired includes observable data regarding the following loss events:

- significant financial difficulty of the issuer;

- a breach of contract by the issuer in terms of the repayment of principal or payment of interest;

- probability of bankruptcy of the issuer;

- the disappearance of an active market for the financial asset because of financial difficulties of the issuer.

In addition to the events relating to debt instruments referred to above, the existence of objective evidence of impairment on equity instruments also takes into consideration information about the following loss events:

- significant changes with adverse impact on the technological, market, economic or legal environment in which the issuer operates indicating that the cost of the investment may not be fully recovered;

- a significant or prolonged decrease in the market value of the financial asset below its cost.

When there is objective evidence that a financial asset available for sale is impaired, the accumulated loss in the fair value revaluation reserve is removed from equity and recognised in the statement of income.

Impairment losses recorded on fixed income securities are reversed through the statement of income if there is a positive change in the fair value of the security resulting from an event which has occurred after determination of the impairment. Impairment losses on variable-yield securities cannot be reversed. In the case of securities for which impairment losses have been recognised, subsequent negative changes in fair value are always recognised in the statement of income.

Exchange differences on non-monetary assets (equity instruments) classified in the available-for-sale portfolio are recognised in the exchange difference revaluation reserve. Exchange differences on other securities are recorded in the statement of income.

Financial assets available for sale, designated as hedged assets, are valued as explained in note 2.3.8. Hedge Accounting – derivatives and hedged instruments.

2.3.4. Loans and other receivables

Loans and other receivables include loans and advances made by the Bank to Customers and to credit institutions, including finance lease operations, factoring operations, participation in syndicated loans and securitised loans (commercial paper and bonds issued by companies) that are not traded on an active market and which are not intended to be sold.

Loans and securitised loans traded on active markets are included in the caption FINANCIAL ASSETS AVAILABLE FOR SALE.

At the inception date, loans and other receivables are recognised at fair value. In general, fair value at the inception date corresponds to the amount of the transaction and includes commission, taxes and other costs and income relating to credit operations.

Loans and other receivables are subsequently valued at amortised cost, using the effective interest rate method and are subject to impairment tests.

Interest income, commission, fees and other costs and income on credit operations are recognised on an accruals basis over the period of the operations, regardless of when they are received or paid. Commission received relating to credit commitments is deferred and recognised on a straight-line basis over the period of the commitment.

The Bank classifies as overdue credit, instalments of principal and interest overdue for more than 30 days. Credits under legal collection procedures include the full amount of the principal (both overdue and not yet due).

The BPI Group writes off loans on operations considered to be unrecoverable, for which provisions (in accordance with the Adjusted Accounting Standards (Normas de Contabilidade Ajustadas – NCA) established by Bank of *Portugal Notice 1 / 2005*) and impairment losses have been recorded for their full amount in the month preceding the write-off.

Gains and losses on the sale of loans to Customers on a definitive basis are recognised in net income on financial operations in the caption GAIN AND LOSS ON THE SALE OF LOANS AND ADVANCES TO CUSTOMERS. These gains or losses correspond to the difference between the sale price and the book value of those assets, net of impairment losses.

Loans designated as hedged assets are valued as explained in note 2.3.8. Hedge Accounting – derivatives and hedged instruments.

Finance leasing (IAS 17)

Lease operations in which the Bank transfers substantially all the risks and rewards of ownership of an asset to a Customer or to a third party, are reflected on the balance sheet, at the inception date, as loans granted, at the net amount paid to acquire the leased asset. Lease instalments are composed of an interest income component and a principal repayment component. The interest income component for each period reflects an effective interest rate of return on the outstanding amount of principal.

Factoring
Assets resulting from factoring operations with recourse are recorded on the balance sheet as loans granted, by the amount advanced on account under the terms of the corresponding contracts.

Assets resulting from factoring operations without recourse are recorded on the balance sheet as loans granted, by the amount of the credit taken, with a corresponding entry to the liability caption CREDITORS FOR FACTORING OPERATIONS. Amounts advanced under the contracts are debited to the caption CREDITORS FOR FACTORING OPERATIONS.

Invoices received under factoring contracts with recourse, in which amounts are not advanced, are recorded in the off-balance sheet caption, CONTRACTS WITH RECOURSE – INVOICES NOT FINANCED, by the amount of the invoices received. The balance of this caption is reduced as the invoices are settled.

Commitments resulting from unused credit lines negotiated with Customers are recorded as off-balance sheet items.

Securitised credit not derecognised
The Bank does not derecognise credits sold in securitisation operations when:

- it retains control over the operations;
- it continues to receive a substantial part of the remuneration; and,
- it retains a substantial part of the risk on the credits transferred.

Credits sold that have not been derecognised are recorded in the caption LOANS AND ADVANCES TO CUSTOMERS and are subject to the accounting principles used for other credit operations. Interest, commission and fees relating to the securitised loan portfolio are accrued over the period of the credit operation.

Amounts received relating to securitisation operations are recorded under the caption FINANCIAL LIABILITIES RELATING TO TRANSFERRED ASSETS. The respective interest, commission and fees are accrued based on the remuneration ceded by the Bank, in accordance with the expected average life of the securitisation operation at the launching date.

The risks and / or benefits maintained are represented by the bonds with the highest degree of risk, issued by the securitisation vehicle. The amount recorded in assets and liabilities represents the proportion of risk / benefit held by the Bank (continuing involvement).

Bonds issued by securitisation vehicles and held by the BPI Group entities are eliminated in the consolidation process.

Securities under repurchase and resale agreements
Securities purchased with resale agreements are not recorded in the securities portfolio. Funds paid are recorded as loans at the settlement date, while interest is accrued.

Securities sold with repurchase agreements are maintained in their original securities portfolio. Funds received are recorded in the corresponding liability caption at the settlement date, while interest is accrued.

Guarantees given and irrevocable commitments
Guarantees given and irrevocable commitments are recorded in off-balance sheet accounts by the amount at risk, while interest, commission, fees and other income are recorded in the statement of income over the period of the operations. These operations are subject to impairment tests.

Impairment
Loans, other receivables and guarantees given are subject to monthly impairment tests. Impairment losses identified are recorded by corresponding charge to the statement of income for the year. If, in subsequent periods, there is a decrease in the estimated impairment loss, the impairment loss initially recorded is reversed by credit to the statement of income.

In accordance with IAS 39 a financial asset is considered to be impaired when there is evidence that one or more loss events have occurred after initial recognition of an asset, and such events have an impact on the estimated recoverable value of the future cash flows of the financial asset considered.

IAS 39 defines some events that may be considered as objective evidence of impairment (breach of contract, such as delay in the payment of principal or interest; probability that the borrower will become bankrupt, etc.). However, in certain circumstances determination of impairment loss requires professional judgement.

Objective evidence of impairment situations is assessed as of the date of the financial statements.

Impairment assessment is made based on individual credits where they are significant in amount and on an individual or collective basis where the credits are not significant in amount.

BPI's loan portfolio is segmented as follows for purposes of determining impairment:

- Corporate Banking;
- Private individuals and small businesses;
- Specialised credit: housing loans, equipment leasing, real estate leasing, vehicle financing, consumer credit and credit cards;
- Commercial portfolio: discounts, credit with a plan, credit without a plan and overdrafts;
- Project Finance;
- Institutional Banking and the State Business Sector;
- Others.

Impairment losses relating to the Corporate Banking, Project Finance, Institutional Banking and the State Business Sector segments are determined on an individual basis whenever the credits show signs of impairment or are in default. Impairment losses are also determined on an individual basis when they relate to: (i) groups with exposure of more than 250 th. euro in operations in the Commercial loans, Credit by signature, Mobile item leasing, Real estate leasing, Factoring, Confirming and other debtor balances (including derivatives) included in the Private individual and small business segment; (ii) Customers with exposure equal to or exceeding 250 th. euro included in the Private Banking and International Private Banking segments, and (iii) loan operations monitored by the Financial Department.

Credit operations in these segments that do not show signs of impairment, as well as operations of the other segments are subject to collective assessment to determine the amount of the related impairment.

Individual assessment
In the case of assets for which there is objective evidence of impairment on an individual basis, impairment is calculated operation by operation, based on the information included in the Bank's credit risk analysis models which consider, among others, the following factors:

- overall exposure of the Customer and nature of the liabilities contracted with the Bank: financial or non-financial operations (namely, liabilities of a commercial nature or performance guarantees);
- notation of Client risk determined based on a calculation system implemented by the BPI Group. Risk notation includes, among others, the following characteristics:
  - financial situation of the Customer;
  - risk of the business sector in which the Customer operates;
  - quality of management of the Customer, measured by the experience in the relationship with the BPI Group and the existence of incidents;
  - quality of the accounting information presented;
  - nature and amount of the guarantees relating to the liabilities contracted with the Bank;
  - non-performing loans for a period exceeding 30 days.

In such situations the amount of the loss is calculated based on the difference between the book value and the estimated recoverable amount of the credit, after recovery costs, discounted at the effective rate of interest during the period from the date the impairment to the expected date of recovery.

The expected recoverable amount of the credit reflects the cash flows that can result from execution of the guarantees or collateral relating to the credit granted, less costs of the recovery process.

Assets evaluated individually, for which there are no objective signs of impairment, are included in a group of assets with similar credit risks, and impairment losses are assessed collectively.

Impairment for these groups of assets is assessed as explained in the following section – Collective assessment.

Assets assessed individually, for which an impairment loss is recognised, are excluded from the collective assessment.

Collective assessment
Future cash flows of groups of credit subject to collective impairment assessment are estimated based on the past experience of losses on assets with similar credit risk characteristics.

Collective assessment involves estimating the following risk factors:

- the possibility of a performing operation or Customer coming to show signs of impairment through delays arising during the emergence period (period between the occurrence of a loss event and identification of that event by the Bank).

  In accordance with IAS 39 these situations correspond to losses incurred but not reported, that is cases in which, for part of the credit portfolio, the loss event has already occurred, but the Bank has not yet identified it;
- the possibility of an operation or Customer that has already had delays, going into default (situations of legal collection) during the remaining period of the operation;
- financial loss on operations in default.

For purposes of determining the percentage of estimated loss on operations or Customers in default, the Bank considers payments by Customers after default, less direct costs of the recovery process. The flows considered are discounted at the interest rate of the operations and compared to the exposure at the time of default.

The inputs used for calculating collective impairment are determined based on statistical models for credit groups and revised regularly to approximate the estimated amounts to the actual amounts.

For exposures with objective evidence of impairment, the amount of the loss results from a comparison of the book value with the present value of the estimated future cash flows. The interest rate of the operations at the date of each assessment is used to calculate the present value of the future cash flows.

2.3.5. Deposits and other resources
After initial recognition, deposits and other financial resources of Customers and credit institutions are valued at amortised cost, using the effective interest rate.

This category includes life capitalisation insurance without a discretionary participation feature.

Deposits designated as hedged liabilities are valued as explained in note 2.3.8 Hedge Accounting – derivatives and hedged instruments.

2.3.6. Debt securities issued by the Bank

Debt securities issued by the Bank are recorded under the captions DEBT SECURITIES and OTHER SUBORDINATED DEBT.

At the date of issue, debt securities are recorded at fair value (issue value), including transaction expenses, commission and fees, and subsequently valued at amortised cost using the effective interest rate method.

Derivatives embedded in bonds are recorded separately and revalued at fair value through the statement of income.

Bonds designated as hedged liabilities are valued as explained in note 2.3.8. Hedge Accounting – derivatives and hedged instruments.

Bonds issued by the Bank can be listed, or not, on the Stock Exchange.

Secondary market transactions

The Bank repurchases bonds issued in the secondary market. Purchases and sales of own debt securities are included proportionately in the respective captions of debt issued (PRINCIPAL, INTEREST, COMMISSION, FEES and DERIVATIVES), and the differences between the amount liquidated and the decrease or increase in the amount of the liability are immediately recognised in the statement of income.

2.3.7. Contingent convertible subordinated bonds

Under the Recapitalisation Plan for reinforcing Core Tier 1 own funds, so as to comply with the minimum ratios defined by the European Banking Authority and the Bank of Portugal, in June 2012 Banco BPI issued financial instruments eligible as Core Tier 1 own funds (contingent convertible subordinated bonds), which were subscribed for by the Portuguese State (notes 4.25, 4.29 and 4.51).

Considering its features, defined in *Law 63-A / 2008* of 24 November, re-published by *Law 4 / 2012* of 11 January (Bank Recapitalisation Law), *Ministerial Order 150-A / 2012* of 17 May and in the Terms and Conditions established in *Order 8840-A / 2012*, of the Portuguese Minister of State and Finance of 28 June 2012 and the requirements of the International Financial Reporting Standards, namely IAS 32, these financial instruments were recorded by the BPI Group as financial liabilities, since:

- it has been established that the par value of these instruments bears interest, which must be paid by the Issuer in cash or in shares of the Issuer, otherwise the instruments will be converted into shares of the Issuer in accordance with Section 8 of the above mentioned Terms and Conditions;

- the instruments should be repurchased by Banco BPI from the Portuguese State up to the end of 29 June 2017, otherwise they will be converted into shares of the Issuer;

- the conversion referred to in the preceding paragraphs will be made through the delivery of a number of shares that cannot be determined prior to the occurrence of the event that determines the conversion, since (i) as defined in the Conversion Price contained in Section 1.1. of the above mentioned Terms and Conditions, the price depends on the listed / market value of the shares in the period prior to the occurrence of such event and (ii) the determination of the number of shares is based on the Conversion Price.

Contingent convertible subordinated bonds are valued at amortised cost, using the effective interest rate method.

The BPI Group concluded the repayment of the contingent convertible subordinated bonds to the Portuguese State on 25 June 2014.

2.3.8. Hedge accounting – derivatives and hedged instruments

The BPI Group designates as hedging instruments, derivatives contracted to hedge interest rate and foreign exchange rate risk (fair value hedge operations) on financial assets and liabilities identified individually (bond portfolio, issuance of own debt securities and loans), and on groups of operations (term deposits and fixed rate loans).

The BPI Group has formal documentation of the hedge relationship identifying, at the inception of the transaction, the instrument (or part of the instrument, or part of the risk) that is being hedged, the strategy and type of risk being hedged, the hedging derivative and the methods used to demonstrate the effectiveness of the hedge.

Monthly, the Bank tests the effectiveness of the hedge by comparing changes in the fair value of the hedged instrument, attributable to the hedged risk, with changes in the fair value of the hedging derivative, the relationship between them being within the range of 80% to 125%.

Hedging derivative instruments are recorded at fair value and the gains and losses resulting from their revaluation are recognised in the statement of income. Gains and losses resulting from changes in the fair value of hedged financial assets or liabilities, attributable to the hedged risk, are also recognised in the statement of income, by corresponding entry to the book value of the hedged asset or liability in the case of operations at amortised cost (loans, deposits and debt issued) or to the fair value revaluation reserve in case of financial assets available for sale (bonds portfolio).

A hedged asset or liability may have only one part or one component of its fair value hedged (interest rate risk, foreign exchange rate risk or credit risk), provided that the effectiveness of the hedge can be measured separately.

When using hedge accounting, the Bank does not value the commercial spreads of the hedged assets or liabilities.

If the hedging relationship ceases to exist as a result of the relationship between the fair value changes of the derivatives and the hedged instruments being outside the 80% to 125% range, the derivatives are reclassified to trading instruments and the amount of the revaluation of the hedged instrument is recognised in the statement of income for the remaining period of the operation.

Hedging effectiveness tests are duly documented on a monthly basis, thus ensuring the existence of evidence during the period of the operation.

2.3.9. Foreign currency financial assets and liabilities

Foreign currency financial assets and liabilities are recorded in conformity with the multi-currency system that is in their original currencies.

Foreign currency assets and liabilities are translated to Euro at the official market rates published by the Bank of Portugal.

Foreign currency income and expenses are translated to Euro at the exchange rates in force on the dates they are recognised.

2.4. Tangible assets (IAS 16)

Tangible assets used by the Bank in its operations are stated at cost (including directly attributable costs) less accumulated depreciation and impairment losses.

Depreciation of tangible assets is recorded on a straight-line basis over their estimated useful lives, which corresponds to the period the assets are expected to be available for use:

	Useful life (years)
Property	20 to 50
Improvements in owned property	10 to 50
Non-recoverable expenditure capitalised on leasehold buildings	3 to 10
Equipment	3 to 12
Other tangible assets	3 to 10

Non-recoverable expenditure on improvements in leasehold buildings is depreciated in accordance with its estimated useful life or the remaining period of the lease contract.

As established in IFRS 1, tangible assets acquired by the BPI Group up to 1 January 2004 have been recorded at their book value at the date of transition to IAS / IFRS, which corresponds to cost adjusted for revaluations recorded in accordance with legislation, based on price level indices. In accordance with current tax legislation, 40% of the additional depreciation charge resulting from such revaluations is not deductible for income tax purposes, the resulting deferred tax liability being recognised.

Tangible assets acquired under finance lease

Tangible assets acquired under finance lease operations, in which the Bank has all the risks and rewards of ownership, are depreciated in accordance with the procedures explained in the preceding section.

Lease instalments comprise an interest charge and a principal repayment component. The liability is reduced by the amount corresponding to the principal repayment component of each of the instalments and the interest is reflected in the statement of income over the term of the lease.

2.5. Investment properties

Properties held by the investment funds consolidated by the Group in accordance with the full consolidation method are recorded as investment properties since they are held for the purpose of long term capital appreciation and not for short-term sale, nor for use in carrying out banking activity.

These properties are initially recognised at cost, including transaction costs, being subsequently revaluated at fair value. The appraisals are carried out by independent appraisers registered at "Comissão dos Mercados de Valores Mobiliários" (Stock Exchange Commission). The fair value of investment properties should reflect market conditions at the balance sheet date, the corresponding changes being recorded in the statement of income caption OPERATING INCOME AND EXPENSES.

Investment properties are not depreciated.

At 31 December 2015 the BPI Group had no investment properties as it no longer consolidated the fund Imofomento – Fundo de Investimento Imobiliário (note 4.10).

2.6. Assets received in settlement of defaulting loans and non-current assets held for sale (IFRS 5)

Assets (property, equipment and other assets) received in settlement of defaulting loans are recorded in the caption OTHER ASSETS as they are not always in condition to be sold immediately and may be held for periods in excess of one year. Such assets are recorded at the legal or tax acquisition amount or the amount stated in the settlement agreement. Assets recovered following the resolution of lease contracts are recorded at the outstanding amount due not invoiced. Such property is subject to periodic appraisals, with impairment losses being recorded whenever the appraised value net of costs to sell is lower than its book value.

The caption OTHER ASSETS also includes the Bank's tangible assets retired from use (unused property and equipment) which are in the process of sale. Such assets are transferred from tangible assets at their book value in accordance with IAS 16 (cost less accumulated depreciation and impairment losses) when they become available for sale, and are subject to periodic appraisals with impairment losses being recorded whenever the appraised value (net of selling costs) is lower than their book value.

The appraisals are carried out by independent appraisers registered at "Comissão dos Mercados de Valores Mobiliários" (Portuguese Securities Market Code). Unrealized gains on these assets are not recognised in the balance sheet.

Tangible assets available for sale are not depreciated.

Non-current assets are classified as held for sale whenever it is expected that their book value will be recovered through sale rather than through their continued use. In order to be classified as such, an asset must meet the following conditions:

- its sale must be highly probable;
- the asset must be available for immediate sale in its present condition;
- the sale must be expected to be realized within one year from the date of classification in this caption.

Assets classified in this caption are not amortized, being valued at the lower of cost and fair value, less costs to be incurred with the sale.

If book value is greater than fair value less costs to sell, an impairment loss is recognised in the caption IMPAIRMENT LOSSES AND OTHER PROVISIONS, NET.

The caption NON-CURRENT ASSETS HELD FOR SALE at 31 December 2014 includes the investment in Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A., as the above requirements for that classification were met. The investment was valued based on its expected sales value. The sale was completed in the first half of 2015.

2.7. Intangible assets (IAS 38)

The Bank recognises, in this caption, expenses relating to the development stage of projects implemented and to be implemented, as well as the cost of acquiring software, in both cases where the impact extends beyond the financial year in which the cost is incurred.

Intangible assets are amortised on a straight-line monthly basis over the estimated period of useful life of the assets which, in general, corresponds to a period of three years.

To date the Bank has not recognised any intangible assets generated internally.

2.8. Retirement and survivor pensions (IAS 19)

2.8.1. Employees of domestic operations

The BPI Group companies that have adhered to the Collective Vertical Labour Agreement for the Portuguese Banking Sector (Acordo Colectivo de Trabalho Vertical para o Sector Bancário Português) have assumed the commitment to pay their Employees or their families, pensions for retirement due to age or incapacity, pensions for early retirement or survivor pensions (defined benefit plan). The pensions consist of a percentage, which increases with the number of years of service of the Employees, applied to their salaries. Up to 31 December 2010 the majority of Employees of the BPI Group was not covered by the Portuguese Social Security system.

With the publication of *Decree-Law 1-A / 2011* of 3 January, all the bank Employees that benefit from CAFEB – Caixa de Abono de Família dos Empregados Bancários were incorporated into the General Social Security Regime as from 1 January 2011, becoming covered by this regime as regards old age pensions and possible maternity, paternity and adoption, the cost of which the Bank no longer covers. Given the complementary nature of the rules of the Collective Labour Agreement for the Portuguese Banking Sector, the Bank will continue to cover the difference between the amount of the benefits paid under the General Social Security Regime for the items covered and the benefits established in the Collective Labour Agreement.

Incapacity and survivor pensions and sickness subsidy of these Employees will continue to be the Bank's responsibility.

Following the Three Party Agreement between the Government, the Credit Institutions and the Labour Unions for the Banking Sector, *Decree-Law 127 / 2011* of 31 December was published, which establishes transfer to the Social Security of the liability for retirement and survivor pensions of retirees and pensioners which at 31 December 2011 were in that situation and were covered by the substitute social security regime included in the collective labour regulations in force for the banking sector (Pillar 1), as well as transfer to the Portuguese State of the part of the pension fund assets covering these liabilities.

Through its pension fund, Banco BPI retains the liability for payment of (i) the amount of updates of the pensions mentioned above, according to the criteria set out in the Collective Labour Agreement (Acordo Colectivo de Trabalho); (ii) the complementary benefits to the retirement and survivor pensions assumed by the Collective Labour Agreement; (iii) the contribution on retirement and survivor pensions for Social Medical Support Services (Serviços de Apoio Médico-Social); (iv) death subsidy; (v) survivor pensions to children and surviving spouse related to the same Employee and (vi) survivor pension due to the family of a retired Employee, in which the conditions for being granted occurred as from 1 January 2012.

The value of the pension fund assets transferred to the Portuguese State must be equal to the amount of the liabilities assumed by the Social Security and was determined taking into account the following assumptions: (i) discount rate of 4%; (ii) mortality tables in accordance with the regulations defined by the Portuguese Insurance Institute (Instituto de Seguros de Portugal): male population: TV 73 / 77 less 1 year; female population: TV 88 / 90.

Transfer of the Bank's pension fund assets was made entirely in cash.

The Bank transferred ownership of the assets under the following conditions: (i) up to 31 December 2011, the amount equivalent to 55% of the provisional present value of the liabilities; (ii) by 30 June 2012, the remaining amount to complete the current definitive amount of the liabilities, as a result of the final determination of the liabilities transferred, made by an expert independent entity hired for the purpose by the Ministry of Finance.

Since the transfer to the Social Security corresponds to settlement, with extinction of the corresponding liability of Banco BPI, the difference between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liabilities transferred based on the actuarial assumptions used by Banco BPI was recorded in the statement of income caption OPERATING GAINS AND LOSSES, as provided for in paragraph 110 of IAS 19.

In accordance with the *Decree-Law 127 / 2011* of 31 December the cost incurred as a result of the transfer of the liability for retirement and survivor pensions of retired personnel and pensioners to the Social Security is tax deductible, in equal amounts, in the tax years beginning on or after 1 January 2012 based on the estimated average number of years of life expectancy of the pensioners whose liabilities were transferred, which is estimated at 18 years, and so the corresponding deferred tax asset relating to the amount settled was recognised in the statement of income.

The BPI Group determines the amount of its past service liability by actuarial calculation using the "Projected Unit Credit" method in the case of retirement due to age, and the "Single Successive Premiums" method in the case of retirement due to incapacity and survivor benefits. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary and pension increases, using mortality tables adapted to the Bank's population. The discount rate is determined based on market rates for low risk bonds with similar terms to those of the related pension liability. The current economic situation and sovereign debt crisis in Southern of Europe have caused volatility and disruption in the debt market in the Eurozone, with an abrupt decrease in market yields on corporate bonds with better ratings and also a reduction in the available portfolio of these bonds. In order to maintain the representativeness of the discount rate in these circumstances, at 31 December 2015 and 2014 Banco BPI incorporated in its determination, information on interest rates that can be obtained on bonds of the Eurozone universe and that it considers to be of high quality in terms of credit risk. An analysis of the actuarial assumptions and, if applicable, their corresponding change, is carried out by the BPI Group as of 30 June and 31 December of each year. On 31 December 2014 the BPI Group changed the discount rate and the salary and pension increase rates. At 31 December 2015, the BPI Group did not change the actuarial assumptions because it considers that the assumptions as of 31 December 2014 are still applicable considering the current market conditions and expectations at the balance sheet date. The updating of these assumptions is reflected in actuarial deviations for the period and prospectively in pension costs. The amount of the liability includes, in addition to the retirement pension benefits, post-employment healthcare benefits (SAMS) and death subsidy during retirement.

In accordance with the requirements of IAS 19, the BPI Group recognizes the effect of re-measuring the net liability (asset) of defined benefit pension plans and other post-employment benefits, directly in equity, in the Statement of Comprehensive Income, in the period in which it occurs, including actuarial gains and losses and deviations relating to the return on pension fund assets.

The increase in the past service liability resulting from early retirements is fully recognised as cost in the statement of income for the year.

Increases in the past service liability resulting from changes in the conditions of the Pension Plans are recognised in full in the statements of income.

The past service liability (post-employment benefits) is covered by Pension Funds. The value of the Pension Funds corresponds to the fair value of their assets at the balance sheet date.

The funding requirements of the Pension Fund are defined in *Bank of Portugal Notice 4 / 2005*, which establishes the requirement to fully fund (100%) pensions under payment and a minimum of 95% of the past service liability for current personnel.

The past service liability for retirement pensions net of the amount of the pension fund is recorded in the BPI Group's financial statements under the caption OTHER LIABILITIES (insufficient coverage) or OTHER ASSETS (excess coverage).

The following costs relating to retirement and survivor pensions are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year);
- net interest cost;
- cost relating to the increase in the past service liability due to early retirements;
- gains and losses resulting from changes in the conditions of the Pension Plan.

The above components are recognised in personnel costs, except the cost of the interest of all liabilities and expected return on pension funds that are recorded in net income on financial operations – interest and financial gain and loss with pensions.

At the transition date to IAS / IFRS, the BPI Group adopted the option, allowed under IFRS 1, of not recalculating actuarial gains and losses deferred since the inception of the pension plans (reset option). Consequently, deferred actuarial gains and losses reflected in the BPI Group's financial statements as of 31 December 2003 were reversed by corresponding entry to retained earnings at the transition date (1 January 2004).

2.8.2. Employees of BFA

BFA's Employees are covered by *Law 7 / 04* of 15 October, which regulates the Social Security system in Angola, and provides for the granting of pensions to all Angolan Employees covered by Social Security. The amount of these pensions is calculated based on a table proportionate to the number of years of work, applied to the average gross monthly salary received in the periods immediately preceding the date on which the Employee ceases his / her functions. In accordance with *Decree 38 / 08* of 9 June the rates of the system are 8% for the employer and 3% for the Employees.

In compliance with Article 262 of *Law 2 / 00* of 11 February (General Labour Law), BFA has recorded a provision for the liability relating to "Retirement income", calculated based on 25% of the base monthly salary on the date the Employee reaches legal retirement age, times the number of years of seniority at that date. The total amount of the past service liability is determined on an annual basis by experts, using the "Projected Unit Credit" method for past service liabilities.

On 15 September 2015 *Law 7 / 15* of 15 June (New General Labour Law) came into force, which revoked *Law 2 / 00* of 11 February. The New General Labour Law does not refer to the requirement to record a provision for "Retirement income". However, despite the revoking of *Law 2 / 00* of 11 February, BFA continues to record a provision for "Retirement income" on the same basis.

In addition, BFA granted its Employees hired locally and their families the right to retirement benefits for retirement due to age, disability and survivor pension. Therefore as from 1 January 2005 it created a defined contribution "Supplementary Pension Plan" covered by BFA's Pension Fund (as from 2013).

BFA's contribution to the BFA Pension Fund consists of a fixed percentage of 10% of the salary subject to discounts for Angolan Social Security, applied to fourteen salaries. In addition to the amount of the contributions, the profit of the investments made, net of any taxes, is added.

2.9. Long service premiums (IAS 19)

Under the Collective Labour Agreement (Acordo Colectivo de Trabalho) for the banking sector there is a commitment to pay Employees a long service premium in the month in which they reach 15, 25 and 30 years of good and effective service in the banking sector, corresponding, respectively, to one, two and three months of their effective monthly remuneration (in the year the premium is attributed).

In December 2012, Banco BPI made an advanced payment of the proportional part of the long service premium for the anniversary in progress, relating to the 15, 25 and 30 years of banking service, corresponding to the period of good and effective service in the banking sector at 31 December 2012.

In subsequent years, the BPI Group continued to follow the requirements of the Collective Labour Agreement for the banking sector as regards the long service premium, so that it pays the long service premium in the years in which the Employees complete 15, 25 and 30 years of good and effective service in the banking sector, less the amounts already paid at 31 December 2012.

Annually, the BPI Group determines the present value of the liability for long service premiums by actuarial calculation using the "Projected Unit Credit" method. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary increases, using mortality tables adapted to the Bank's population. The discount rate used is determined based on market rates for high quality corporate bonds with similar terms to those of payment of the liability. The assumptions are mutually compatible.

The liability for long service premiums is reflected under the caption OTHER LIABILITIES.

The following costs relating to the liability for long service premiums are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year);
- interest cost;
- gain and loss resulting from changes in the conditions of the benefits.

The long service premiums are only paid to the Employees of domestic operations.

2.10. Treasury shares (IAS 32)

Treasury shares are recorded at cost in equity captions and are not subject to revaluation. Realised gains and losses, as well as the resulting taxes, are recorded directly in shareholders' equity, not affecting net income for the year.

2.11. Share-based payments (Remuneração variável em acções – RVA) (IFRS 2)

The share-based payment program (Remuneração Variável em Acções – RVA) is a remuneration plan under which, whenever it is decided to grant variable remuneration to Executive Directors and Employees of the BPI Group (in the latter case provided that it exceeds 2 500 euro), it is partly made up of BPI shares and BPI share options. The individual remuneration under the RVA program varies between 10% and 50%, the percentage increasing with the responsibility level of the beneficiary.

The shares granted to Employees under the RVA program are transferred in full at the grant date, but 75% of the transfer is subject to a resolution condition (relating to termination of the employment relationship, unless made by just cause of the Employee), which terminates on a gradual basis over the three years following the grant date (25% each year). The share purchase options may be exercised between the 90th day and the fifth year as from the grant date. Termination of the employment relationship between the Employee and BPI Group also affects the options granted, in accordance with RVA Regulations.

The conditions for granting shares and share options to the Executive Directors up to RVA 2009 were similar to those previously referred to for Employees. As from RVA 2010, the shares and share options granted to Executive Directors under the RVA program are subject to the following suspending condition: Banco BPI's consolidated shareholders' equity, based on the consolidated accounts for the third year following that to which the variable remuneration relates, must be greater than Banco BPI's consolidated shareholders' equity for the year to which the variable remuneration relates, taking into account the assumptions established in the RVA Regulations. The granting of shares is also subject to the suspending condition relating to non-termination of the management or employment relationship established in the RVA Regulations. In addition to these conditions, the granting of the shares is also subject to a suspending term of three years as from the grant date and the strike period for the share options begins after that period.

As set forth in the Recapitalisation Plan (note 4.50), during the Portuguese State investment period, the members of Banco BPI's Executive Commission will not be paid any variable remuneration. Nonetheless, the Remuneration Committee may continue to evaluate annually the performance of the members of the Executive Commission of the Board of Directors and determine the amount of the variable remuneration to which they would be entitled under the rules established in the Remuneration Policy approved in the Shareholders General Meeting of April 2011. However, payment of the variable remuneration will depend on the decision of the Remuneration Committee in office when the Portuguese State investment has been fully repaid.

The remuneration limitations resulting from the recapitalisation operation referred to in the preceding paragraph, terminated on 25 June 2014, when the public investment resulting from the recapitalization operation was fully repaid.

In this respect, considering that the recommendation of both the Nominating, Admission and Remuneration Committee and the Remuneration Policy for the 2014 / 2016 period, approved by the Shareholders' General Meeting, established the recommendation that:

1) the performance evaluation of the members of the Executive Commission of the Board of Directors and determination of the variable remuneration to which they would be entitled under the Remuneration Policy rules should continue to be made annually, the payment of such amount being subject to a decision of the Remuneration Committee then in office and to take place after full repayment of the public investment;

2) also dependent upon a decision to be made by the Remuneration Committee, then in office, after full repayment of the public investment, the members of the Board of Directors, members of Executive Commission of the Board of Directors and members of the Supervisory Board should be paid the amounts corresponding to the reduction of their fixed remuneration resulting from the limitations due to the recapitalization operation;

   The Remuneration Committee made the following decisions on 3 September 2014:

   a) Considering their performance in the period in which there was public investment (second half of 2012, 2013 and first half of 2014), it approved payment to the members of the Board of Directors and members of the Supervisory Board in office during that period, of the amounts corresponding to the reduction of their fixed remuneration in that period resulting from the limitations due to the recapitalization operation; and

   b) Taking into account the opinion of the Nomination, Remuneration and Admission Committee (CNAR), approved the payment to the members of the Executive Committee of the Board of Directors who were in office in 2012 of the amount of their variable remuneration applicable as if no limitations were applied due to the recapitalization operation, in the overall amount of 1% of the consolidated net results for 2012.

   c) Ask CNAR to issue its opinion on the performance of the members of the Executive Commission of the Board of Directors in 2013 and determination of the amount of variable remuneration that should be granted to them for their performance in that year. Following this decision, taking into account the positive opinion of CNAR issued on 26 March 2015, the Remuneration Committee decided, at that time, to grant the members of the Executive Board in office in 2013 variable remuneration for their performance in that year corresponding to 1% of consolidated net income for 2013.

Costs relating to the share-based payment program (RVA program) are accrued under the caption PERSONNEL COSTS with a corresponding entry to “Other equity instruments”, as established by IFRS 2 for share-based payments. The cost of the shares and option premiums, as of the date they are granted, is accrued on a straight-line basis from the beginning of the year of the program (1 January) to the moment they become available to the Employees.

For the purpose of share-based payments, the Bank has created a portfolio of BPI shares transferring ownership of the shares to Employees on the grant date (in the case of Executive Directors, after verifying the suspension terms and conditions). However, for accounting purposes, the shares remain in the Bank’s treasury share portfolio until the date they are made available. The shares are then derecognised by corresponding entry to the amounts accumulated under the caption OTHER EQUITY INSTRUMENTS.

For purposes of the share-based payment in options, the BPI Group has created a portfolio of BPI shares in order to hedge the liability resulting from issuing call options over the BPI shares, following a delta hedging strategy (determined using a model to evaluate the BPI share options, developed in-house based on Black-Scholes methodology).

This strategy corresponds to the creation of a portfolio with delta shares for each option granted, delta corresponding to the relationship between evolution of the price of an option and evolution of the price of the underlying shares. The treasury shares held to hedge the risk of variation in the value of the options sold are recorded under the caption TREASURY SHARES HEDGING THE SHARE-BASED PAYMENT PROGRAM, where they remain while they are held for that purpose.

When the options are exercised, the treasury shares are derecognised together with transfer of their ownership to the Employees. At that time the Bank recognises a gain or loss resulting from the difference between the exercise price and the average cost of the treasury share portfolio hedging each program, less the cost of the option premiums accumulated in the caption OTHER EQUITY INSTRUMENTS.

Realised gains and losses on treasury shares in the coverage and exercise of the options of the share-based payment program, as well as the related taxes, are recorded directly in shareholders’ equity, not affecting net income for the year.

2.12. Technical provisions (IFRS 4)

The BPI Group sells capitalisation life insurance products through its subsidiary BPI Vida. Capitalisation insurance products without discretionary participation features are recorded in accordance with IAS 39 and included in the caption RESOURCES OF CUSTOMERS AND OTHER DEBTS. Capitalisation insurance products with discretionary participation features are recorded in accordance with IFRS 4, in the caption TECHNICAL PROVISIONS.

The technical provisions recorded for life insurance contracts represent, collectively, the liability to the insured Customers and include:

- Mathematical provisions determined using prospective actuarial methods in accordance with the technical bases of each product.

  They also include a provision for rate commitments, which is recorded when the effective profitability rate of the assets which represent the mathematical provisions of a certain product is lower than the technical interest rate used to calculate the mathematical provisions.

- Provision for participation in profits to be attributed to the contracts in force at the end of each year. The amount is calculated in accordance with the technical bases of each contract, duly approved by the Portuguese Insurance Institute (Instituto de Seguros de Portugal), using the profitability rates for investments covering the respective mathematical provisions.

- Provision for claims to cover indemnities payable relating to claims incurred but not yet settled. Since the BPI Group does not commercialise risk insurance, no provision has been recorded for claims incurred but not yet reported (IBNR).

2.13. Provisions for other risks and charges (IAS 37)

This caption includes provisions to cover other specific risks, namely tax contingencies, legal processes and other losses arising from the operations of the BPI Group.

2.14. Income taxes (IAS 12)

All the Group companies are taxed individually.

2.14.1. Domestic operations

Banco BPI and its subsidiary and associated companies with head offices in Portugal are subject to the tax regimes established in the Corporation Income Tax Code (Portuguese initials – CIRC) and in the Statute of Tax Benefits.

Current taxes are calculated based on the legal tax rates in force in the countries in which the Bank operates during the reporting period.

Deferred tax assets and liabilities correspond to the tax recoverable and payable in future periods resulting from temporary differences between the carrying value of assets and liabilities and their respective tax bases. Tax losses carried forward and tax credits also give rise to the recognition of deferred tax assets.

Deferred tax assets are recognised only to the extent of the probable existence of sufficient expected future taxable income to absorb the deductible temporary differences.

Deferred tax assets and liabilities have been calculated using the tax rates decreed for the period in which the respective assets or liabilities are expected to be realised.

Current and deferred taxes are recognised in the statement of income, except for those relating to amounts recorded directly in shareholders' equity (namely gains and losses on treasury shares and securities available for sale and actuarial deviations in retirement and survivor pension liabilities).

The BPI Group does not recognize deferred tax assets and liabilities for deductible or taxable temporary differences relating to investments in subsidiaries as it is unlikely that such differences will be reversed in the foreseeable future, except for the deferred tax liability relating to taxation in Angola of the dividends to be distributed to the companies of the BPI Group, in the following year, over the net result for the year of Banco de Fomento Angola.

The BPI Group does not recognize deferred tax assets and liabilities for deductible or taxable temporary differences relating to investments in associated companies, as the participation held by the BPI Group exceeds 5% for more than two years, which enables it to be considered in the Participation Exemption regime, except for Banco Comercial e de Investimentos, in which the deferred tax liability relating to taxation in Mozambique of all the distributable profits are recognized.

Net income distributed to Banco BPI by subsidiary and associated companies in Portugal are not taxed in Banco BPI as a result of application of the regime established in article 51 of the Corporation Income Tax Code, which provides for the elimination of double taxation of net income distributed.

2.14.2. Banco de Fomento Angola

BFA is subject to industrial tax and capital income tax ("Imposto de aplicação de capitais").

BFA is subject to Industrial Tax, being considered for tax purposes as a Group A taxpayer. On 1 January 2015 the new Industrial Tax Code, approved by *Law 19 / 2014* of 22 October, came into force, which established the Industrial Tax rate at 30%. A transitional regime applicable to 2014 was also established, which stipulated the application of the same tax rate (30%).

The new Industrial Tax Code provides that income subject to Capital Income Tax ("IAC") is deducted for determining taxable profit for Industrial Tax purposes.

Income from Treasury Bonds and Treasury Bills issued by the Angolan State after 1 January 2013 is subject to Capital Income Tax ("IAC"), at the rate of 10% (5% in the case of debt securities traded on a regulated market with maturities equal to or more than three years) or Industrial Tax in the case of capital gain or loss obtained (including possible exchange revaluation of the principal component).

2.15. Preference shares (IAS 32 and IAS 39)

Preference shares are classified as equity instruments when:

- there is no contractual obligation for the BPI Group to redeem the preference shares acquired by a holder (in cash or in another financial asset);
- remission or early redemption of the preference shares can only be made at the option of the BPI Group;
- dividends distributed by the BPI Group to the preference shareholders are discretionary.

The BPI Group classified the preference shares issued by BPI Capital Finance Ltd. as equity instruments. The payment of dividends and redemption of the shares are guaranteed by Banco BPI.

The preference shares classified as equity instruments, held by third parties, are presented in the consolidated financial statements in the caption MINORITY INTERESTS.

Realized gain and loss on the repurchase and sale of preference shares classified as equity instruments, as well as the corresponding tax effect, are recorded directly in shareholders' equity, not affecting net result for the year.

2.16. Insurance and reinsurance brokerage services

Banco BPI is duly authorized by the Portuguese Insurance Institute (Instituto de Seguros de Portugal) to provide insurance brokerage services in the Insurance Brokerage Services area, in accordance with the article 8, paragraph a), subparagraph i) of *Decree-Law 144 / 2006* of 31 July and operates in the life and non-life insurance brokerage areas.

In the insurance brokerage services area, Banco BPI sells insurance contracts. As remuneration for insurance brokerage services rendered, Banco BPI receives commission for brokering insurance contracts, which is defined in agreements / protocols established between Banco BPI and the Insurance Companies.

Commission received for insurance brokerage services refers to:

- commission that includes a fixed and a variable component. The fixed component is calculated by applying a predetermined rate over the amounts of subscriptions made through Banco BPI and a variable component calculated based on predetermined criteria, total annual fees being the sum of the fees calculated monthly;

- commission for participation in the results of insurance, which is calculated annually and paid by the Insurance Company in the beginning of the year following that to which it refers (up to 31 January).

Commission received for insurance brokerage services is recognised on an accruals basis. Fees received in a different period from that to which they relate are recorded as receivables in the caption OTHER ASSETS by corresponding entry to "Commissions received – for insurance brokerage services".

Banco BPI does not collect insurance premiums on behalf of Insurance Companies, or receive or pay funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognised relating to the insurance brokerage services rendered by Banco BPI, from those already referred to.

2.17. Main estimates and uncertainties regarding the application of the accounting standards

The BPI Group's financial statements have been prepared using estimates and expected future amounts in the following areas:

Retirement and survivor pensions

Retirement and survivor pension liabilities have been estimated based on actuarial tables and assumptions of the increase in pensions and salaries and discount rates. These assumptions are based on the BPI Group's expectations for the period during which the liabilities will be settled.

Loan impairment

Loan impairment has been determined based on expected future cash flows and estimated recoverable amounts. The estimates are made using assumptions based on the available historical information and assessment of the situation of the Customers. Possible differences between the assumptions used and the actual future behaviour of the loans and changes in the assumptions used by the BPI Group have an impact on the estimates.

Fair value of derivatives and unlisted financial assets

The fair value of derivatives and unlisted financial assets was estimated based on valuation methods and financial theories, the results of which depend on the assumptions used.

The financial market environment, particularly in terms of liquidity, can influence the realisable value of these financial instruments in some specific situations, including their sale prior to maturity.

Income taxes

Current and deferred taxes have been recognised based on the tax legislation currently in force for the BPI Group companies or on legislation already published for future application. Different interpretations of tax legislation can influence the amount of income taxes. Additionally, deferred tax assets are recognised based on the assumption of the existence of future taxable income.

3. SEGMENT REPORTING

The BPI Group's segment reporting is made up as follows:

- **Domestic operations:** corresponds to commercial banking business in Portugal, the provision overseas of banking services to non-residents – namely to emigrant Portuguese communities and services provided in the Madrid branch – and investment banking, private equity, asset management and insurance operations. Thus, domestic operations are divided into:
  - Commercial banking
  - Investment banking
  - Equity investments and others
- **International operations:** consist of the operations in Angola carried out by Banco de Fomento Angola, S.A, in Mozambique by Banco Comercial de Investimentos, S.A.R.L. and BPI Moçambique – Sociedade de Investimento, S.A. and in South Africa by BPI Capital Africa (Proprietary) Limited.

Commercial banking

The BPI Group's operations are focused mainly on commercial banking. Commercial banking includes:

- **Retail Banking** – includes commercial operations with private Clients, sole traders and businesses with turnover of up to 5 million euro through a multi-channel distribution network made up of traditional branches, investment centres, home banking services and telephone banking. It also includes the Private Banking area which is responsible for implementing strategies and investment proposals presented to Customers and ensures the management of their financial assets.
- **Corporate Banking, Project Finance and Institutional Banking** – includes commercial operations with companies with a turnover of more than 2 million euro and also with Retail Banking for the segment of up to 5 million euro. This also includes project finance services and relationships with entities of the Public Sector, Public and Municipal Companies, the State Business Sector, Foundations and Associations. This segment operates through a network of business centres, institutional centres and home banking services adapted to the business needs.

Investment banking

Investment banking covers the following business areas:

- **Corporate finance** – this includes rendering consultancy services relating to the analysis of investment projects and decisions, market privatisation operations and the structuring of merger and acquisition processes.
- **Share department** – includes trading activities, financial instrument primary market, brokerage and research.
- **Portfolio management** – includes services rendered to BPI Global Investment Fund Management Company, S.A. in the management of BPI Alternative Fund – Iberian Equities Long Short.

Equity investments and others

This segment includes essentially Financial Investments and Private Equity activities. The BPI Group Private Equity area invests essentially in unlisted companies with the following objectives: the development of new products and technologies, financing of investments in working capital, acquisitions and the strengthening of financial autonomy.

This segment also includes the Bank's residual activity, such segments representing individually less than 10% of total income, net profit and the Group's assets.

Inter-segment operations are presented based on the effective conditions of the operations and application of the accounting policies used to prepare the BPI Group's consolidated financial statements.

The reports used by Management consist essentially of accounting information based on IFRS.

The BPI Group's balance sheet as of 31 December 2015 and investments in tangible and intangible assets during the period, by segment, are as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	**Total**	Angola	Others	**Total**		
ASSETS										
Cash and deposits at central banks	997 650				997 650	1 730 534	1	1 730 535		2 728 185
Loans and advances to other credit institutions repayable on demand	618 324	101 568	12 648	(298 102)	434 438	345 267	77	345 344	(167 727)	612 055
Financial assets held for trading and at fair value through profit or loss	2 916 392	236 279		(5 608)	3 147 063	527 541		527 541		3 674 604
Financial assets available for sale	3 673 603	1 716	47 677		3 722 996	2 786 392		2 786 392		6 509 388
Loans and advances to credit institutions	1 226 368	80 178	2 895	(576 896)	732 545	913 238	792	914 030	(416 532)	1 230 043
Loans and advances to Customers	23 293 723			(505 661)	22 788 062	1 493 560		1 493 560		24 281 622
Held to maturity investments	34 638			(12 221)	22 417					22 417
Hedging derivates	92 554			(1 268)	91 286					91 286
Other tangible assets	65 085	925			66 010	128 863	222	129 085		195 095
Intangible assets	25 141	336			25 477	3 645	16	3 661		29 138
Investment in associated companies and jointly controlled entities	77 843		68 284		146 127		64 320	64 320		210 447
Tax assets	409 808	1 456	(245)		411 019	8 308	887	9 195		420 214
Other assets	765 671	9 739	105	(89 625)	685 890	17 089	992	18 081	(35 173)	668 798
Total assets	**34 196 800**	**432 197**	**131 364**	**(1 489 381)**	**33 270 980**	**7 954 437**	**67 307**	**8 021 744**	**(619 432)**	**40 673 292**
LIABILITIES										
Resources of central banks	1 520 735				1 520 735					1 520 735
Financial liabilities held for trading	274 261	85		(5 725)	268 621	25 697		25 697		294 318
Resources of other credit institutions	1 934 507	3 012	8 504	(50 288)	1 895 735	58	256	314	(584 258)	1 311 791
Resources of Customers and other debts	21 953 022	167 534		(855 761)	21 264 795	6 913 020		6 913 020	(1)	28 177 814
Debt securities	1 577 967			(500 586)	1 077 381					1 077 381
Financial liabilities relating to transferred assets	689 522				689 522					689 522
Hedging derivates	161 840			(284)	161 556					161 556
Provisions	70 300		3 204		73 504	26 360		26 360		99 864
Technical provisions	3 663 094				3 663 094					3 663 094
Tax liabilities	51 738	30	(473)		51 295	35 881	4 874	40 755		92 050
Other subordinated debt and participating bonds	83 525			(14 013)	69 512					69 512
Other liabilities	600 815	59 279	8 238	(62 724)	605 608	103 154	6 567	109 721	(35 173)	680 156
Total liabilities	**32 581 326**	**229 940**	**19 473**	**(1 489 381)**	**31 341 358**	**7 104 170**	**11 697**	**7 115 867**	**(619 432)**	**37 837 793**
SHAREHOLDERS' EQUITY										
Shareholders'equity attributable to the shareholders of BPI	1 613 672	202 257	111 891		1 927 820	423 422	55 610	479 032		2 406 852
Non-controlling interests	1 802				1 802	426 845		426 845		428 647
Total shareholders' equity	**1 615 474**	**202 257**	**111 891**		**1 929 622**	**850 267**	**55 610**	**905 877**		**2 835 499**
Total liabilities and shareholders' equity	**34 196 800**	**432 197**	**131 364**	**(1 489 381)**	**33 270 980**	**7 954 437**	**67 307**	**8 021 744**	**(619 432)**	**40 673 292**
Investments made in:										
Property	18				18	9 350		9 350		9 368
Equipment and other tangible assets	18 478	437			18 915	15 265	17	15 282		34 197
Intangible assets	10 275	95			10 370	3 106	18	3 124		13 494

The column "Inter segment operations" of the LOANS AND ADVANCES TO CREDIT INSTITUTIONS caption corresponds to applications of BFA in Banco BPI and BPI Cayman remunerated at an average rate of 0.25%.

At 31 December 2015 the caption OTHER ASSETS – INTER SEGMENT OPERATIONS includes 29 801 th. euro relating to 50% of the dividends payable by BFA to Banco BPI over 2014 profits. In accordance with communications received from BNA, it is expected that these dividends will be received until the end of 2016.

The BPI Group's income statement for the year ended 31 December 2015, by segment, is as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	**Total**	Angola	Others	**Total**		
Interest and similar income	703 106	654		(13 969)	689 791	424 909	93	425 002	(1 806)	1 112 987
Interest and similar expenses	(385 601)	(1 150)	(628)	13 969	(373 410)	(116 331)	(486)	(116 817)	1 806	(488 421)
Financial margin (narrow sense)	**317 505**	**(496)**	**(628)**		**316 381**	**308 578**	**(393)**	**308 185**		**624 566**
Gross margin on unit links	12 967				12 967					12 967
Income from equity instruments	2 424		2 315		4 739					4 739
Net commission relating to amortised cost	21 114				21 114	4		4		21 118
Financial margin	**354 010**	**(496)**	**1 687**		**355 201**	**308 582**	**(393)**	**308 189**		**663 390**
Technical result of insurance contracts	31 804				31 804					31 804
Commission received	301 422	22 423		(62 399)	261 446	52 304	1 244	53 548	(2 020)	312 974
Commission paid	(78 771)	(16 188)	(9)	62 399	(32 569)	(9 988)		(9 988)	2 020	(40 537)
Other income, net	27 064	(6)			27 058	25 183		25 183		52 241
Net commission income	**249 715**	**6 229**	**(9)**		**255 935**	**67 499**	**1 244**	**68 743**		**324 678**
Gain and loss on operations at fair value	38 425	15 193			53 618	146 637	3	146 640		200 258
Gain and loss on assets available for sale	(6 221)		108		(6 113)	82		82		(6 031)
Interest and financial gain and loss with pensions	425	(12)			413					413
Net income on financial operations	**32 629**	**15 181**	**108**		**47 918**	**146 719**	**3**	**146 722**		**194 640**
Operating income	22 809	49			22 858	9 299	266	9 565		32 423
Operating expenses	(40 516)	(345)			(40 861)	(992)	(4)	(996)		(41 857)
Other taxes	(5 884)	(793)	(1)		(6 678)	(16 234)	(264)	(16 498)		(23 176)
Net operating loss	**(23 591)**	**(1 089)**	**(1)**		**(24 681)**	**(7 927)**	**(2)**	**(7 929)**		**(32 610)**
Operating income from banking activity	**644 567**	**19 825**	**1 785**		**666 177**	**514 873**	**852**	**515 725**		**1 181 902**
Personnel costs	(291 205)	(8 828)	(210)		(300 243)	(82 896)	(2 128)	(85 024)		(385 267)
General administrative costs	(172 599)	(4 699)	(26)		(177 324)	(71 222)	(687)	(71 909)		(249 233)
Depreciation and amortisation	(19 674)	(92)			(19 766)	(16 230)	(121)	(16 351)		(36 117)
Overhead costs	**(483 478)**	**(13 619)**	**(236)**		**(497 333)**	**(170 348)**	**(2 936)**	**(173 284)**		**(670 617)**
Recovery of loans, interest and expenses	16 248				16 248	1 914		1 914		18 162
Impairment losses and provisions for loans and guarantees, net	(103 367)				(103 367)	(33 630)		(33 630)		(136 997)
Impairment losses and other provisions, net	(9 701)	43	(6 245)		(15 903)	(3 620)		(3 620)		(19 523)
Net income before income tax	**64 269**	**6 249**	**(4 696)**		**65 822**	**309 189**	**(2 084)**	**307 105**		**372 927**
Income tax	4 769	(2 023)	1 440		4 186	(32 667)	(661)	(33 328)		(29 142)
Earnings of associated companies (equity method)	9 250		13 891		23 141		10 292	10 292		33 433
Global consolidated net income	**78 288**	**4 226**	**10 635**		**93 149**	**276 522**	**7 547**	**284 069**		**377 218**
Income attributable to non-controlling interests	(43)				(43)	(140 806)		(140 806)		(140 849)
Consolidated net income of the BPI Group	**78 245**	**4 226**	**10 635**		**93 106**	**135 716**	**7 547**	**143 263**		**236 369**
Cash flow after taxes	210 987	4 275	16 880		232 142	189 196	7 668	196 864		429 006

The BPI Group's balance sheet as of 31 December 2014 Proforma and investments in tangible and intangible assets during the year, by segment, are as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	Total	Angola	Others	Total		
ASSETS										
Cash and deposits at central banks	439 861				439 861	1 454 341	1	1 454 342		1 894 203
Loans and advances to other credit institutions repayable on demand	533 973	54 737	14 311	(238 491)	364 530	57 546	7	57 553	(41 608)	380 475
Financial assets held for trading and at fair value through profit or loss	2 602 807	301 199		(100 422)	2 803 584	214 125	24	214 149		3 017 733
Financial assets available for sale	4 822 228	1 921	36 763	1 151	4 862 063	2 663 715		2 663 715		7 525 778
Loans and advances to credit institutions	2 035 763	122 563	2 895	(952 337)	1 208 884	2 001 287	1 270	2 002 557	(622 624)	2 588 817
Loans and advances to Customers	23 301 317	139 505		(4 821)	23 436 001	1 832 968		1 832 968		25 268 969
Held to maturity investments	120 842	9 041		(41 501)	88 382					88 382
Hedging derivates	155 708	93		(7 108)	148 693					148 693
Non-current assets held for sale	11 604				11 604					11 604
Investment properties	154 777				154 777					154 777
Other tangible assets	61 457	964			62 421	141 440	378	141 818		204 239
Intangible assets	21 722	350			22 072	2 808	3	2 811		24 883
Investment in associated companies and jointly controlled entities	93 572		64 632		158 204		54 776	54 776		212 980
Tax assets	413 666	753	(609)		413 810	7 863	858	8 721		422 531
Other assets	739 473	16 710	179	(84 984)	671 378	18 019	298	18 317	(4 909)	684 786
Total assets	**35 508 770**	**647 836**	**118 171**	**(1 428 513)**	**34 846 264**	**8 394 112**	**57 615**	**8 451 727**	**(669 141)**	**42 628 850**
LIABILITIES										
Resources of central banks	1 561 185				1 561 185					1 561 185
Financial liabilities held for trading	331 504	17 294		(24 283)	324 515	2 270		2 270		326 785
Resources of other credit institutions	2 211 916	22 898	21 657	(249 222)	2 007 249	29 344	80	29 424	(664 232)	1 372 441
Resources of Customers and other debts	21 530 023	150 275		(994 618)	20 685 680	7 448 937		7 448 937		28 134 617
Debt securities	2 343 569			(105 495)	2 238 074					2 238 074
Financial liabilities relating to transferred assets	1 047 731				1 047 731					1 047 731
Hedging derivates	332 991			(5 772)	327 219					327 219
Provisions	74 029		2 000		76 029	31 304		31 304		107 333
Technical provisions	3 862 814	289 016			4 151 830					4 151 830
Tax liabilities	24 926	1 390	(830)		25 486	13 057	4 087	17 144		42 630
Other subordinated debt and participating bonds	79 355	4 182		(14 016)	69 521					69 521
Other liabilities	696 690	15 293	1 942	(35 107)	678 818	40 965	5 450	46 415	(4 909)	720 324
Total liabilities	**34 096 733**	**500 348**	**24 769**	**(1 428 513)**	**33 193 337**	**7 565 877**	**9 617**	**7 575 494**	**(669 141)**	**40 099 690**
SHAREHOLDERS' EQUITY										
Shareholders' equity attributable to the shareholders of BPI	1 410 232	147 488	93 402		1 651 122	411 771	47 998	459 769		2 110 891
Non-controlling interests	1 805				1 805	416 464		416 464		418 269
Total shareholders' equity	**1 412 037**	**147 488**	**93 402**		**1 652 927**	**828 235**	**47 998**	**876 233**		**2 529 160**
Total liabilities and shareholders' equity	**35 508 770**	**647 836**	**118 171**	**(1 428 513)**	**34 846 264**	**8 394 112**	**57 615**	**8 451 727**	**(669 141)**	**42 628 850**
Investments made in:										
Property						1 882		1 882		1 882
Equipment and other tangible assets	7 769	343			8 112	15 915	1	15 916		24 028
Intangible assets	8 840	310			9 150	2 035	4	2 039		11 189

The column "Inter segment operations" of the caption LOANS AND ADVANCES TO CREDIT INSTITUTIONS corresponds to applications of BFA in Banco BPI remunerated at an average rate of 0.66%.

The BPI Group's income statement for the year ended 31 December 2014 Proforma, by segment, is as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	**Total**	Angola	Others	**Total**		
Interest and similar income	979 872	23 085	4		1 002 961	342 486	71	342 557	(55 395)	1 290 123
Interest and similar expenses	(732 513)	(19 087)	(2 661)		(754 261)	(105 568)	(361)	(105 929)	55 395	(804 795)
Financial margin (narrow sense)	**247 359**	**3 998**	**(2 657)**		**248 700**	**236 918**	**(290)**	**236 628**		**485 328**
Gross margin on unit links	2 342	2 687			5 029					5 029
Income from equity instruments	1 318	108	2 186		3 612					3 612
Net commission relating to amortised cost	20 402				20 402	82		82		20 484
Financial margin	**271 421**	**6 793**	**(471)**		**277 743**	**237 000**	**(290)**	**236 710**		**514 453**
Technical result of insurance contracts	34 082	311			34 393					34 393
Commission received	252 570	50 484		(32 748)	270 306	53 085	747	53 832	(1 550)	322 588
Commission paid	(56 123)	(17 623)	(14)	32 748	(41 012)	(8 174)	(1)	(8 175)	1 550	(47 637)
Other income, net	16 896	60			16 956	20 266		20 266		37 222
Net commission income	**213 343**	**32 921**	**(14)**		**246 250**	**65 177**	**746**	**65 923**		**312 173**
Gain and loss on operations at fair value	27 797	12 516			40 313	117 590		117 590		157 903
Gain and loss on assets available for sale	(135 223)	218			(135 005)					(135 005)
Interest and financial gain and loss with pensions	2 016	(24)	(1)		1 991					1 991
Net income on financial operatios	**(105 410)**	**12 710**	**(1)**		**(92 701)**	**117 590**		**117 590**		**24 889**
Operating income	31 783	8			31 791	1 317	128	1 445		33 236
Operating expenses	(42 693)	(540)			(43 233)	(1 189)	(6)	(1 195)		(44 428)
Other taxes	(4 782)	(697)	(1)		(5 480)	(11 402)	(128)	(11 530)		(17 010)
Net operating loss	**(15 692)**	**(1 229)**	**(1)**		**(16 922)**	**(11 274)**	**(6)**	**(11 280)**		**(28 202)**
Operating income from banking activity	**397 744**	**51 506**	**(487)**		**448 763**	**408 493**	**450**	**408 943**		**857 706**
Personnel costs	(312 896)	(21 454)	(172)		(334 522)	(66 104)	(1 912)	(68 016)		(402 538)
General administrative costs	(167 422)	(11 034)	(29)		(178 485)	(59 139)	(595)	(59 734)		(238 219)
Depreciation and amortisation	(15 655)	(1 027)			(16 682)	(13 980)	(108)	(14 088)		(30 770)
Overhead costs	**(495 973)**	**(33 515)**	**(201)**		**(529 689)**	**(139 223)**	**(2 615)**	**(141 838)**		**(671 527)**
Recovery of loans, interest and expenses	13 968	1			13 969	2 503		2 503		16 472
Impairment losses and provisions for loans and guarantees, net	(172 552)	100			(172 452)	(20 739)		(20 739)		(193 191)
Impairment losses and other provisions, net	(15 840)	40	(22 068)		(37 868)	(7 398)		(7 398)		(45 266)
Net income before income tax	**(272 653)**	**18 132**	**(22 756)**		**(277 277)**	**243 636**	**(2 165)**	**241 471**		**(35 806)**
Income tax	(25 443)	(5 942)	4 119		(27 266)	(4 099)	(233)	(4 332)		(31 598)
Earnings of associated companies (equity method)	7 013		7 541		14 554		11 571	11 571		26 125
Global consolidated net income	**(291 083)**	**12 190**	**(11 096)**		**(289 989)**	**239 537**	**9 173**	**248 710**		**(41 279)**
Income attributable to non-controlling interests	(679)				(679)	(122 600)		(122 600)		(123 279)
Consolidated net income of the BPI Group	**(291 762)**	**12 190**	**(11 096)**		**(290 668)**	**116 937**	**9 173**	**126 110**		**(164 558)**
Cash flow after taxes	(87 715)	13 077	10 972		(63 666)	159 054	9 281	168 335		104 669

4. NOTES

4.1. Cash and deposits at central banks

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Cash	520 524	446 448
Demand deposits at the Bank of Portugal	738 402	211 668
Demand deposits at foreign central banks	1 469 253	1 236 070
Accrued interest	6	17
	2 728 185	**1 894 203**

The caption DEMAND DEPOSITS AT THE BANK OF PORTUGAL includes deposits made to comply with the minimum cash reserve requirements of the Eurosystem. These deposits bear interest and correspond to 1% of the amount of Customers' deposits and debt securities issued maturing in up to 2 years, excluding liabilities to other institutions subject to and not exempt from the same minimum reserve system, liabilities to the ECB and national central banks that participate in the euro.

The caption DEMAND DEPOSITS AT FOREIGN CENTRAL BANKS includes deposits made by Banco de Fomento Angola in Banco Nacional de Angola (BNA) to comply with Angola's requirements for the maintenance of compulsory cash reserves. These deposits do not bear interest.

Compulsory cash reserves at 31 December 2015 are calculated in accordance with the terms of BNA *Instruction 16 / 2015* of 22 July and are held in kwanzas and in dollars, based on the currency of the liabilities which serve as a basis for determining the amount and must be maintained during the whole period to which they refer.
At 31 December 2015 the requirement to maintain compulsory cash reserves was calculated by application of the rate of 25% to the mathematical average of the eligible liabilities in kwanzas and 15% to the mathematical average of the eligible liabilities in other currencies. Compulsory cash reserves in kwanzas can be made up to 10% of the liability in Treasury Bonds, provided that they are issued as from January 2015.

At 31 December 2014 compulsory cash reserves were calculated under the terms of BNA *Instruction 07 / 2014* of 3 December and must be held in kwanzas and in dollars, based on the currency of the liabilities which serve as a basis for determining the amount, and must be maintained during the whole period to which they refer.
At 31 December 2014 the requirement to maintain compulsory cash reserves was calculated by application of the rate of 15% to the mathematical average of the eligible liabilities in kwanzas and in other currencies.

4.2. Deposits at other credit institutions

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Domestic credit institutions		
Demand deposits	34 441	3 244
Cheques for collection	70 123	59 795
Other	337	1 957
Foreign credit institutions		
Demand deposits	502 960	309 722
Cheques for collection	4 197	5 757
Impairment	(3)	
	612 055	**380 475**

Cheques for collection from domestic credit institutions correspond to cheques drawn by third parties against domestic credit institutions, which in general do not remain in this account for more than one business day.

The changes in impairment losses and provisions in 2015 and 2014 are presented in note 4.22.

4.3. Financial assets held for trading and at fair value through profit or loss

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
FINANCIAL ASSETS HELD FOR TRADING		
Debt instruments		
Bonds issued by Portuguese government entities	33 322	86 482
Bonds issued by foreign government entities	513 721	217 493
Bonds issued by other Portuguese entities		
Non-subordinated debt	12 751	17 095
Bonds issued by foreign financial entities	372	
Bonds issued by other foreign entities		
Non-subordinated debt	59 190	35 363
	619 356	**356 433**
Equity instruments		
Shares issued by Portuguese entities	173 978	150 276
Shares issued by foreign entities	184 541	102 435
	358 519	**252 711**
Other securities		
Participating units issued by Portuguese entities	140	153
Participating units issued by foreign entities	2	98
	142	**251**
	978 017	**609 395**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Debt Instruments		
Bonds issued by Portuguese government entities	39 002	83 372
Bonds issued by foreign government entities	1 299 163	1 486 446
Bonds issued by other Portuguese entities		
Non-subordinated debt	74 565	68 142
Subordinated debt		102
Bonds issued by foreign financial entities	22 060	
Bonds issued by other foreign entities		
Non-subordinated debt	173 340	86 501
Subordinated debt	1 104	2 245
	1 609 234	**1 726 808**
Equity instruments		
Shares issued by Portuguese entities	735	1 712
Shares issued by foreign entities	17 030	1 980
	17 765	**3 692**
Others securities		
Participating units issued by Portuguese entities	99 644	43 447
Participating units issued by foreign entities	716 037	344 360
	815 681	**387 807**
	2 442 680	**2 118 307**
DERIVATIVE INSTRUMENTS WITH POSITIVE FAIR VALUE (NOTE 4.4)	**253 907**	**290 031**
	3 674 604	**3 017 733**

This caption includes the following assets hedging capitalisation insurance products issued by BPI Vida e Pensões:

	31 Dec. 15	31 Dec. 14 Proforma
Debt instruments		
Of public entities	1 338 166	1 569 818
Other entities	270 907	156 838
Equity instruments	18 069	4 096
Other securities	768 718	358 550
Derivative instruments with positive fair value	3 107	1 099
	2 398 967	**2 090 401**

4.4. Derivatives

The caption DERIVATIVE INSTRUMENTS HELD FOR TRADING (notes 4.3 and 4.17) is made up as follows:

	31 Dec. 15			31 Dec. 14 Proforma		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
Futures	500	3		499	15	
Options	67					
Exchange forwards and swaps	1 989 721	22 187	26 701	1 471 401	1 656	2 800
Interest rate contracts						
Futures	3 249	42		93 630	36	1
Options	374 914	1 617	1 217	365 726	2 217	1 122
Swaps	5 329 039	186 081	212 459	5 673 703	236 076	256 228
Contracts over shares						
Futures	7 156	35	89	9 487	61	122
Swaps	412 332	5 274	22 000	313 424	2 630	21 805
Options	996 416	2 675	47	267 637	1 192	
Contracts over other underlying items						
Futures	151 550			50 519		
Others						
Options[2]	859 473	31 821	31 805	978 496	42 660	43 444
Others[3]	1 660 502	4 074		1 807 933		464
Overdue derivatives		98			3 488	
	11 784 919	**253 907**	**294 318**	**11 032 455**	**290 031**	**325 986**

1) In the case of swaps and forwards only the asset amounts were considered.
2) Parts of operations that are autonomous for accounting purposes, commonly referred to as “embedded derivatives”.
3) Corresponds to derivatives associated to financial liabilities relating to transferred assets (note 4.21).

The caption DERIVATIVE INSTRUMENTS HELD FOR HEDGING is made up as follows:

	31 Dec. 15			31 Dec. 14 Proforma		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Interest rate contracts						
Futures	70 619	5	16	135 381	30	171
Swaps	7 744 856	91 281	159 493	12 370 356	148 645	312 488
Contracts over shares						
Swaps	733 413		2 047	499 815	18	14 471
Contracts over the underlying items						
Swaps				9 232		89
	8 548 888	**91 286**	**161 556**	**13 014 784**	**148 693**	**327 219**

1) In the case of swaps and forwards only the asset amounts were considered.

The BPI Group's operations include carrying out derivative transactions to manage its own positions based on expectations regarding market evolution, to meet the needs of its Customers or hedge positions of a structural nature (hedging).

The BPI Group carries out financial derivative transactions in the form of contracts over exchange rates, interest rates, goods and metals futures price, shares or share indices (relating, among others, to inflation, shares) or a combination of these. These transactions are realised in over-the-counter (OTC) markets and in organised markets (especially stock exchanges).

Derivatives traded on organised markets follow the standards and rules of these markets.

Derivatives traded on the over-the-counter (OTC) markets are normally based on a standard bilateral contract that covers the group of operations over derivatives between the parties. In the case of inter-professional relationships, there is an ISDA – International Swaps and Derivatives Association Master Agreement. In the case of relations with Customers there is a BPI contract.

These types of contract include offsetting responsibilities in the event of non-compliance (the scope of the offsetting is established in the contract itself and is regulated by Portuguese legislation and, in the case of contracts with foreign counterparties or subject to foreign legislation, by the appropriate legislation).

Derivative contracts can also include an agreement to collateralise the credit risk generated by the transactions covered by them. Derivative contracts between two parties normally include all the derivative OTC transactions carried out between the two parties, irrespective of whether they are for hedging purposes or not.

In accordance with IAS 39, the parts of operations normally known as "embedded derivatives" are also considered separately and recorded as derivatives, in order to recognise, in net income, the fair value of these operations.

All derivatives (embedded or autonomous) are recorded at market value.

Derivatives are also recorded as off balance sheet items by their theoretical value (notional value). Notional value is the reference value for purposes of calculating the flow of payments and receipts resulting from the operation.

Market value (fair value) corresponds to the value of the derivatives if they were traded on the market on the reference date. Changes in the market value of derivatives are recognised in the appropriate balance sheet accounts and have an immediate effect on net income.

Note 4.49 includes details of the valuation methods used to determine the fair value of derivative financial instruments.

The amount of the exposure corresponds to the present value of the estimated loss, in the case of counterparty default. In the case of a derivative contract that establishes the compensation of responsibilities in the event of non-compliance, the amount of the exposure is the sum of the market values of the operations covered by the contract, when positive. In the case of operations for which the contract does not establish the compensation of responsibilities, the amount of the exposure is equal to the sum of the market values of each individual transaction, if positive. The scope of the compensation clauses, in the case of default, is considered by the BPI Group on a conservative perspective, considering that, in the case of doubt, compensation does not exist.

The potential loss in a group of derivative operations on a given date corresponds to the amount of the exposure on that date. In futures contracts, the stock markets being the counterparties for the BPI Group's operations, the credit risk is eliminated daily through financial settlement. For medium and long term derivatives, contracts usually provide for the netting of outstanding balances with the same counterparty, which eliminates or reduces credit risk. Additionally, in order to control credit risk on OTC derivatives, some agreements have also been signed under which the Bank receives from, or transfers to, the counterparty, assets (in cash or in securities) to guarantee fulfilment of the obligations.

At 31 December 2015 the notional value, by term remaining to maturity was as follows:

	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Over-the-counter market						
Exchange rate contracts	**1 682 433**	**285 241**	**22 047**			**1 989 721**
Forwards	666 236	284 524	21 289			972 049
Swaps	1 016 197	717	758			1 017 672
Interest rate contracts	**2 205 031**	**1 117 011**	**3 356 189**	**3 632 808**	**3 075 539**	**13 386 578**
Swaps	2 130 262	1 055 164	3 318 290	3 516 320	3 053 859	13 073 895
Options	74 769	61 847	37 899	116 488	21 680	312 683
Contracts over indexes and shares	**351 745**	**253 823**	**834 587**	**425 898**	**41 000**	**1 907 053**
Swaps	351 745	153 760	415 351	224 889		1 145 745
Options		100 063	419 236	201 009	41 000	761 308
Others		**114 601**	**1 199 390**	**762 263**	**443 721**	**2 519 975**
Options		114 601	433 104	244 885	66 883	859 473
Others			766 286	517 378	376 838	1 660 502
	4 239 209	**1 770 676**	**5 412 213**	**4 820 969**	**3 560 260**	**19 803 327**
Organized markets						
Exchange rate contracts	**567**					**567**
Futures	500					500
Options	67					67
Interest rate contracts	**126 099**		**10 000**			**136 099**
Futures	63 868		10 000			73 868
Options	62 231					62 231
Contracts over indexes and shares	**239 246**	**3 018**				**242 264**
Futures	7 156					7 156
Options	232 090	3 018				235 108
Contracts over other underlying items	**151 550**					**151 550**
Futures	151 550					151 550
	517 462	**3 018**	**10 000**			**530 480**
	4 756 671	**1 773 694**	**5 422 213**	**4 820 969**	**3 560 260**	**20 333 807**

At 31 December 2014 the notional value, by term remaining to maturity was as follows:

	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Over-the-counter market						
Exchange rate contracts	**1 199 426**	**259 590**	**12 385**			**1 471 401**
Forwards	213 026	257 733	12 385			483 144
Swaps	986 400	1 857				988 257
Interest rate contracts	**2 234 185**	**1 255 551**	**4 229 142**	**7 289 253**	**3 401 654**	**18 409 785**
Swaps	2 221 191	1 245 276	4 017 833	7 175 107	3 384 652	18 044 059
Options	12 994	10 275	211 309	114 146	17 002	365 726
Contracts over indexes and shares	**304 391**	**9 234**	**123 069**	**544 132**	**41 000**	**1 021 826**
Swaps	304 391	9 034	75 885	423 929		813 239
Options		200	47 184	120 203	41 000	208 587
Contracts over other underlying items		**5 970**	**3 262**			**9 232**
Swaps		5 970	3 262			9 232
Others	**107**	**11 232**	**773 435**	**1 519 205**	**482 450**	**2 786 429**
Options	107	11 232	208 580	690 958	67 619	978 496
Others			564 855	828 247	414 831	1 807 933
	3 738 109	**1 541 577**	**5 141 293**	**9 352 590**	**3 925 104**	**23 698 673**
Organized markets						
Exchange rate contracts	**499**					**499**
Futures	499					499
Interest rate contracts	**137 183**		**42 355**	**49 473**		**229 011**
Futures	137 183		42 355	49 473		229 011
Contracts over indexes and shares	**68 537**					**68 537**
Futures	9 487					9 487
Options	59 050					59 050
Contract over other underlying items	**50 519**					**50 519**
Futures	50 519					50 519
	256 738		**42 355**	**49 473**		**348 566**
	3 994 847	**1 541 577**	**5 183 648**	**9 402 063**	**3 925 104**	**24 047 239**

At 31 December 2015 the distribution of derivative operations, by counterparty external rating, was as follows:

31 Dec. 15	Notional value[1]	Gross exposure[2]	Exposure considering netting[3]	Net exposure[4]
Over-the-counter market (OTC)				
AA-	1 113 981	5 228	1 912	12
A+	1 079 269	6 023	2 643	741
A	5 874 172	47 760	18 743	1 605
A-	2 071 059	12 127	2 714	1 594
BBB+	2 170 224	11 379	6 890	3 184
BBB	629 539	16 826	1 116	1 116
BB	827			
BB-	129 275	7 086	3 493	
N.R.	4 215 006	214 751	213 575	192 218
	17 283 352	**321 180**	**251 086**	**200 470**
Traded on the stock exchange				
Futures[5]	530 480			
	530 480			
	17 813 832	**321 180**	**251 086**	**200 470**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributed by the Moody, Standard & Poor and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there are diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

1) Does not include embedded derivatives and other options in the amount of 2 519 975 th. euro.
2) Gross exposure used for risk management purposes, without considering netting agreements, collateral and value adjustment due to credit risk.
3) Amount of exposure without considering collateral and value adjustment due to credit risk.
4) Amount of exposure considering netting agreements and collateral. The amount of possible exposure from excess collateral placed by BPI in its counterparties is not classified as derivative exposure.
5) The exposure of the futures is nil, because they are traded on organised stock exchanges and there is daily financial settlement.

At 31 December 2014 the distribution of derivative operations, by counterparty external rating, was as follows:

31 Dec. 14	Notional value[1]	Gross exposure[2]	Exposure considering netting[3]	Net exposure[4]
Over-the-counter market (OTC)				
AA-	516 837	5 989	3 442	42
A+	1 229 627	3 211	650	192
A	6 853 257	88 856	49 923	4 083
A-	1 423 410	6 144	4 148	1 488
BBB+	2 836 954	35 215	3 376	706
BBB	693 871	12 250	8 066	2 336
BBB-	3 726 114	28 513	9 126	2 645
BB+	57 354	8 465	4 358	
BB-	205 819	1 096	1 096	1 096
N.R.	3 369 001	243 783	243 188	243 188
	20 912 244	**433 521**	**327 373**	**255 776**
Traded on the stock exchange				
Futures[5]	348 566			
	348 566			
	21 260 810	**433 521**	**327 373**	**255 776**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributed by the Moody, Standard & Poor and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there are diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

1) Does not include embedded derivatives and other options in the amount of 2 786 429 th. euro.
2) Amount of exposure used for risk management purposes, without considering netting agreements, collateral and value adjustment due to credit risk.
3) Amount of exposure without considering collateral and value adjustment due to credit risk.
4) Amount of exposure considering netting agreements and collateral. The amount of possible exposure from excess collateral placed by BPI in its counterparties is not classified as derivative exposure.
5) The exposure of the futures is null, because they are traded on organised stock exchanges and there is daily financial settlement.

4.5. Financial assets available for sale

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Debt instruments		
Bonds issued by Portuguese government entities	1 777 581	3 352 382
Bonds issued by foreign government entities	4 175 426	3 226 519
Bonds issued by other Portuguese entities		
Non-subordinated debt	29 782	498
Bonds issued by other foreign entities		
Non-subordinated debt	143 730	139 068
Subordinated debt	53 473	491 125
	6 179 992	**7 209 592**
Equity instruments		
Shares issued by Portuguese entities	66 494	70 000
Impairment	(28 432)	(27 851)
Quotas	60 784	59 844
Shares issued by foreign entities	55 328	39 476
Impairment	(18 619)	(18 524)
	135 555	**122 945**
Other securities		
Participating units issued by Portuguese entities	226 470	230 921
Impairment	(49 044)	(41 611)
Participating units issued by foreign entities	16 822	4 418
Impairment	(1 784)	(1 734)
	192 464	**191 994**
Loans and other receivables	**23 049**	**22 606**
Impairment	(21 672)	(21 359)
	1 377	**1 247**
Overdue bonds		1 045
Impairment on overdue bonds		(1 045)
	6 509 388	**7 525 778**

Banco BPI holds a portfolio of fixed rate bonds, issued by national and international entities, in which the interest rate risk is hedged by derivative instruments.

In 2015 the BPI Group sold bonds issued by Portuguese government entities with a nominal value of 440 000 th. euro. In 2014 the BPI Group sold bonds issued by Portuguese and foreign government entities with a nominal value of 850 000 th. euro and 487 500 th. euro, respectively. The impact of the sale was recognised in "Net income on financial operations" (note 4.41).

The caption LOANS AND OTHER RECEIVABLES corresponds to shareholders' loans to, and supplementary capital contributions in, companies classified as financial assets available for sale.

In the review made by the Bank, no impaired securities were identified, other than the amounts already recognised.

The changes in impairment losses and provisions in 2015 and 2014 are shown in note 4.22.

At 31 December 2015 this caption was made up as follows:

Nature and type of security	Quantity	Amounts per unit (€)		Cost	Book value / Fair value[1]	Net gain / (loss) on securities[2]	Hedge accounting effect[2]	Impairment
		Nominal	Listing / price					
SECURITIES								
Debt Instruments								
Issued by Portuguese entities								
Portuguese public debt								
Treasury Bills								
BILHETES DO TESOURO CZ-22.07.2016	140 000 000	1.00	1.00	139 974	139 997	14		
BILHETES DO TESOURO-CZ-18.03.2016	308 483 000	1.00	1.00	308 374	308 483	24		
BILHETES DO TESOURO-CZ-18.11.2016	176 487 000	1.00	1.00	176 468	176 323	(146)		
BILHETES DO TESOURO-CZ-20.05.2016	336 393 000	1.00	1.00	336 286	336 349	1		
BILHETES DO TESOURO-CZ-22.01.2016	231 500 000	1.00	1.00	231 287	231 500	13		
BILHETES DO TESOURO-CZ-23.09.2016	234 000 000	1.00	1.00	233 927	233 991	44		
				1 426 316	**1 426 643**	**(50)**		
Treasury Bonds								
OT – 4.35% (16.10.2017)	1 560 000	0.01	0.01	1 666	1 691	78		
OT – 4.75%-14.06.2019	300 000 000	0.01	0.01	318 513	349 247	34 161	(35 822)	
				320 179	**350 938**	**34 239**	**(35 822)**	
Others residents								
Non-subordinated debt								
Other bonds								
VIOLAS-SGPS SA-TV-06.11.2023	30 000 000		98.93	30 000	29 782	(321)		
				30 000	**29 782**	**(321)**		
Others non-residents								
Non-subordinated debt								
Bonds								
BILHETES DO TESOURO – Angola	76 146 960	6.76		472 036	508 145			
BUONI ORDINARI DEL TES-CZ-14.09.2016	70 000 000	1 000.00	1 000.41	69 962	70 029	56		
BUONI ORDINARI DEL TES-CZ-14.10.2016	70 000 000	1 000.00	1 000.42	69 985	70 029	40		
BUONI ORDINARI DEL TES-CZ-14.11.2016	50 000 000	1 000.00	1 000.44	49 994	50 022	27		
BUONI ORDINARI DEL TES-CZ-14.12.2016	200 000 000	1 000.00	1 000.46	199 979	200 092	112		
BUONI POLIENNALI DEL T-4.25%-01.09.2019	312 500 000	1 000.00	1 140.21	319 558	360 706	41 214	(41 846)	
BUONI POLIENNALI DEL T-4.5%-01.03.2019	175 000 000	1 000.00	1 132.61	185 458	200 810	19 727	(21 635)	
OBRIGAÇÕES DO TESOURO – AKZ – Angola	1 809 208	676.44		1 620 274	1 655 208			
OBRIGAÇÕES DO TESOURO – USD – Angola	44 734	135.29		611 549	620 209			
SPAIN LETRAS DEL TESORO-CZ-09.12.2016	210 000 000	1 000.00	1 000.50	209 969	210 105	134		
SPAIN LETRAS DEL TESORO-CZ-15.07.2016	50 000 000	1 000.00	1 000.27	49 997	50 014	15		
SPAIN LETRAS DEL TESORO-CZ-16.09.2016	130 000 000	1 000.00	1 000.32	129 938	130 042	87		
SPAIN LETRAS DEL TESORO-CZ-19.08.2016	50 000 000	1 000.00	1 000.29	49 983	50 015	27		
				4 038 682	**4 175 426**	**61 439**	**(63 481)**	
Others non-residents								
Non-subordinated debt								
Bonds								
ALLIANZ FINANCE BV-4.375% PERP.	47 500 000		102.97	45 175	50 715	1 679	(2 245)	
BARCLAYS BANK PLC-TV-25.05.2017	2 580 918	36 870.26	26 183.01	1 864	1 833	(540)		
COSAN FINANCE LTD-7%-01.02.2017	18 370 534		101.39	18 176	19 158	304	(1 136)	
EIRLES TWO LIMITED-TV. PERP.	800 000	100 000.00	63 250.00	794	509	(294)		
GAZ CAPITAL(GAZPROM)-6.212% (22.11.2016)	29 852 117		102.21	29 749	30 707	669	(1 234)	
KION MORTGAGE FIN SR.06-1 CL.A-15.07.51	61 675	963.67	849.36	61	54	(7)		
OTE PLC-4.625%-20.05.2016	25 000 000		100.25	24 926	25 774	67	(391)	
PORTUGAL TELCM INT FIN-4.375%(24.3.2017)	23 000 000	1 000.00	617.60	22 135	14 980	(8 539)	(1 338)	
				142 880	**143 730**	**(6 661)**	**(6 344)**	
Subordinated debt								
Bonds								
AVOCA CLO SR.IV-X CL.B-TV.(18.02.2022)	211 066	26 383.30	26 161.68	197	210	(2)		
C8 CAPITAL SPV -TV – PERPETUA	59 704 234	918.53	799.12	59 453	51 942	(7 762)		
LUSITANO MTGE-SR.1-CL.D-TV (15.12.2035)	200 000	100 000.00	84 040.00	198	168	(32)		
MADRID RMBS FTA-SR.06-1 CL.A2-22.06.2049	179 478	44 869.39	41 511.59	176	166	(11)		
PELICAN MORTGAGES-2 / B (15.9.2036)	290 000	10 000.00	9 170.53	286	266	(24)		

1) Net of impairment.

2) Amount recorded in REVALUATION RESERVES (note 4.31).

Nature and type of security	Quantity	Amounts per unit (€)		Cost	Book value / Fair value[1]	Net gain / (loss) on securities[2]	Hedge accounting effect[2]	Impairment
		Nominal	Listing / price					
Bonds (cont.)								
RHODIUM BV – SR.1X- CL.C (27.5.2084)	800 000	100 000.00	90 000.00	785	721	(80)		
				61 095	**53 473**	**(7 911)**		
Equity instruments								
Issued by residents								
Shares								
AGROGARANTE SA	363 760	1.00	1.00	364	364			
ALAR – EMP.IBERICA MATERIAL AERONAUTICO	2 200	4.99		20	20			
ALBERTO GASPAR, SA (CÓD LB0001: 92020020501)	60 000	5.00		141				141
APIS-SOC.IND.PARQUETES AZARUJENSE (C)	65 000	4.99						
APOR-AG.P / MODERNIZAÇAO PORTO – CL.B	5 665	5.00		26	26			
BOAVISTA FUTEBOL CLUBE, FUTEBOL,SAD	21 900	5.00		110				110
BOMBARDIER TRANSPORTATION PORTUGAL SA	1	5.00						
BUCIQUEIRA SGPS	8	5.00		1	1			
C.ª AG.FONTE SANTA MONFORTINHO-D.SUB / E.98	10	5.00						
CADERNO VERDE – COMUNICAÇAO (C)	134 230	1.00		967				967
CARMO & BRAZ (C)	65 000	4.99						
CIMPOR – CIM.DE PORTUGAL-SGPS	3 565	1.00	0.35	7	1	(6)		
CITEVE-QUOTA ASSOCIACAO	20	498.80		10	10			
COMP.ª AURIFICIA – N	1 186	7.00	1 111.30	25	1 318	1 293		
COMP.ª PRESTAMISTA PORTUGUEZA	10	1.00						
COMP.ª FIAÇAO E TECIDOS DE FAFE – P	168	4.99						
COMUNDO-CONSORCIO MUNDIAL IMP.EXP.	3 119	0.50		5	1			4
CONDURIL, SA	184 262	5.00	54.47	806	10 036	9 231		
CORTICEIRA AMORIM – SGPS	127 419	1.00	5.95	315	758	684		241
DIGITMARKET-SIST.INF.-N	4 950	1.00		743				743
EMP.CINEMATOGRAFICA S.PEDRO	100	4.99						
EMPRESA O COMERCIO DO PORTO	50	2.49		1	1			
ESENCE – SOC.NAC.CORTICEIRA – N	54 545	4.99						
ESTAMPARIA IMPERIO-EMP.IND.IMOBILIARIOS	170	4.99		1	1			
EURODEL-IND.METALURGICAS E PARTICIPAÇOES	8	5.00						
EUROFIL – IND.PLAST.E FILAM.	11 280	4.99		25	25			
F.I.T.-FOM.IND.TOMATE – P	148	4.99		3	3			
FAB. VASCO DA GAMA – IND.TRANSF.	33	4.99		1	1			
GAP – SGPS	548	4.99		3	3			
GARVAL – SOCIEDADE DE GARANTIA MUTUA	415 240	1.00	1.00	415	415			
GEIE – GESTÃO ESPAÇOS INC.EMPRESARIAL(C)	12 500	1.00		13				13
GESTINSUA – AQ.AL.PATRIMONIOS IMOB.MOB.	430	5.00		2				2
GREGORIO & CA.	1 510	4.99		4	4			
IMPRESA SGPS	6 200 000	0.50	0.47	22 791	2 920	998		20 868
INCAL-IND.E COM.DE ALIMENTAÇÃO	2 434	1.13		2	2			
INEGI-INST.ENG.MECANICA-QUOTA ASSOCIAÇAO	5 000	1.00		25	25			
INTERSIS AUTOMAÇAO, ENG.DE SISTEMAS	42 147	4.99		1 307				1 307
J.SOARES CORREIA-ARMAZENS DE FERRO	84	5.00		2	2			
JOTOCAR – JOÃO TOMAS CARDOSO – P	3 020	4.99		8	8			
LISGARANTE – SOC.DE GARANTIA MUTUA	18 075	1.00	1.00	18	18			
LISNAVE – EST.NAVAIS	180	5.00		1	1			
MARGUEIRA-SOC.GEST.DE FUNDOS INV.IMOB.-N	3 511	5.00		18	18			
MATUR-SOC.EMPREEND.TURISTICOS DA MADEIRA	13 175	5.00		143				143
MATUR-SOC.EMPREEND.TURISTICOS MADEIRA-N	4	5.00						
METALURGIA CASAL – P	128	4.99		1	1			
MIMALHA, SA (CÓD LB0001: 92017022101)	40 557	4.99	0,000	336				336
MORETEXTILE,SGPS,SA	711	1.00		1	1			
NET – NOVAS EMPRESAS E TECNOLOGIAS – N	20 097	5.00	2.73	73	55	(18)		
NEWPLASTICS	1 445	1.00		1	1			
NEXPONOR-SICAFI	1 933 840	5.00	3.84	9 669	7 427	23		2 264
NORGARANTE – SOC.DE GARANTIA MUTUA	353 740	1.00	1.00	354	354			
NOTORIOUSWAY, SA	2 500	1.00		3	3			
NUTROTON SGPS – C	11 395	5.00	4.38	50	50			
OFICINA DA INOVACAO	10 000	5.00	7.24	50	72	32		10
PORTO DE CAVALEIROS, SGPS	2	4.99						
PORTUGAL CAP. VENTURES-SOC.CAP.RISCO	500 641	5.00	5.72	2 692	2 865	174		

1) Net of impairment.
2) Amount recorded in REVALUATION RESERVES (note 4.31).

Nature and type of security	Quantity	Amounts per unit (€) Nominal	Listing / price	Cost	Book value / Fair value[1]	Net gain / (loss) on securities[2]	Hedge accounting effect[2]	Impairment
Shares (cont.)								
SALVOR – SOC.INV.HOTELEIRO – P	10	5.00						
SANJIMO – SOCIEDADE IMOBILIARIA	1 620	4.99		8				8
SAPHETY LEVEL – TRUSTED SERVICES	5 069	1.00		98				98
SDEM -SOC.DE DESENV.EMPR.MADEIRA,SGPS-N	937 500	1.00	0.27	938	250			688
SENAL-SOC.NAC.DE PROMOÇÃO DE EMPRESAS-P	450	0.50						
SIBS – SGPS, SA	738 455	5.00		3 115	3 115			
SOC.CONSTRUÇÕES ERG	50	4.99						
SOC.CONSTRUÇÕES ERG (EM.93) – IR (C)	6	4.99						
SOC.INDUSTRIAL ALIANÇA (VN 500.$00)	1	2.49						
SODIMUL-SOC.DE COMERCIO E TURISMO	25	14.96		2	2			
SOFID-SOC.P / FIN.DES.-INST.FIN.CREDITO SA	1 000 000	1.00	0.90	1 250	899			351
SOMOTEL-SOC.PORTUGUESA DE MOTEIS	1 420	2.50						
SONAE – SGPS	36 868	1.00	1.05	69	39	24		54
SOPEAL-SOC.PROM.EDUC.ALCACERENSE	100	4.99						
SPIDOURO-SOC.PROM.EMP.INV.DOURO E T.M.	15 000	4.99		75				75
SPI-SOC PORTUGUESA DE INOVACAO	1 500	5.00		7	7			
STAR – SOC. TURISMO E AGENCIAS RIBAMAR	533	4.99		3	3			
TAEM – PROCESSAMENTO ALIMENTAR,SGPS, SA	125	1.00						
TAGUSPARQUE – N	436 407	5.00		2 177	2 177			
TEIXEIRA DUARTE S.A.CAP.RED.2012	672 294	0.50	0.31	534	211	(323)		
TELECINE MORO – SOC.PRODUTORA DE FILMES	170	4.99		1				1
TEROLOGOS-TECNOLOGIAS DE MANUTENÇÃO – P	7 960	4.99		40	40			
TEXTIL LOPES DA COSTA	4 900	4.99		8				8
TUROPA-OPERADORES TURISTICOS	5	4.99						
UNICER – BEBIDAS DE PORTUGAL	1 002	1.00	8.07	8	8			
VIALITORAL – CONC. RODOVIARIA MADEIRA	4 750	161.25	947.37	792	4 500	3 708		
VNCORK SGPS	151	1.00						
XELB-CORK – COM.E INDUSTRIA DE CORTIÇA	87	4.99						
				50 678	**38 062**	**15 820**		**28 432**
Quotas								
PROPAÇO – SOC.IMOB.DE PAÇO D'ARCOS		1.00		1	1			
VIACER – SOC.GEST.PART.SOCIAIS, SA		1.00		48 160	60 783	12 624		
				48 161	**60 784**	**12 624**		
Issued by non-residents								
Shares								
ALTITUDE SOFTWARE B.V.	6 386 243	0.04		13 809				13 809
AMSCO -USD	1 807	918.53		919				919
BVDA				275	275			
CAIXABANK ELECTRONIC MONEY, EDE, SL	35 000	1.00		88	88			
CLUB FINANCIERO VIGO	1	15 626.31		18	12			6
CORPORACIÓN FINANCIERA ARCO (TROCA ARCO BODEGAS)	7 786	100.00	98.61	4 399	768			3 632
CREDIT LOGEMEN DEVELOPMENT	20	70.00	70.00	1	1			
EASDAQ NV	100	1.42		25				25
EMIS-EMPRESA INTERBANCÁRIA DE SERVIÇOS				2 443	2 443			
EUROPEAN INVESTMENT FUND	14	1 000 000.00	1 215 378.27	15 325	17 014	1 690		
GROWELA CABO VERDE	19 000	9.07		172				172
IBOSHOLDING	277 864	0.01	0.01	3	3			
IMC-INSTITUTO DO MERCADO DE CAPITAIS				2	2			
INTERBANCOS								
NCG BANCO SA	18 588	1.00		29				29
OSEO – SOFARIS	13	107.89	107.89	2	2			
S.W.I.F.T.	97	125.00		216	216			
SOPHA(BFA E FESA)				3	3			
THARWA FINANCE – MAD	20 895			199	276	77		
UNIRISCO GALICIA	80	1 202.02	1 241.55	96	99	30		27
VISA EUROPE LIMITED	1	10.00	15 506 716.00		15 507	15 507		
				38 024	**36 709**	**17 304**		**18 619**

1) Net of impairment.
2) Amount recorded in REVALUATION RESERVES (note 4.31).

Nature and type of security	Quantity	Amounts per unit (€)		Cost	Book value / Fair value[1]	Net gain / (loss) on securities[2]	Hedge accounting effect[2]	Impairment
		Nominal	Listing / price					
Others								
Issued by residents								
Issued by residents								
EGP-UNIVERSITY OF PORTO BUS.SCHOOL ASS.	2	4.99		70	70			
FCR-F-HITEC (ES VENTURES)	500 000	1.00	1.27	500	637	137		
FCR-FUNDO CARAVELA	1 800	3 338.80	2 261.74	6 010	4 071			1 939
FCR-FUNDO INTER-RISCO II – CL.A	7 500	4 263.80	2 792.72	31 979	20 946			11 033
FCR-FUNDO INTER-RISCO II CI-CLASSE A	6 000	5 000.00	4 819.71	30 144	28 919	(1 226)		
FCR-FUNDO RECUPERACAO-CATEGORIA B	95 000	1 000.00	746.12	95 000	70 881			24 119
FCR-FUNDO RECUPERACAO-CATEGORIA C	20 000	1 000.00	746.12	20 000	14 922			5 078
FCR-FUNDO REESTRUTURAÇÃO EMPRESARIAL	5 607	1 000.00	978.57	5 607	5 487	(120)		
FCR-FUNDO REVITALIZAR CENTRO	7 272 727	1.00	1.07	7 273	7 775	503		
FCR-FUNDO REVITALIZAR NORTE	7 272 728	1.00	0.98	7 273	7 113	(159)		
FCR-FUNDO REVITALIZAR SUL – CAT.A2	1 818 182	1.00	0.98	1 818	1 781	(37)		
FCR-FUNDO REVITALIZAR SUL – CAT.B2	1 818 181	1.00	0.98	1 818	1 781	(37)		
FCR-FUNDO REVITALIZAR SUL – CAT.C2	1 818 182	1.00	0.98	1 818	1 781	(37)		
FCR-PORTUGAL GLOBAL VENTURES I	6 269	10.00	9.95	69	62	1		8
FCR-PORTUGAL VENTURES GPI	6	25 000.00	19 572.43	130	117	1		14
FCR-PORTUGAL VENTURES TURISMO	164	24 939.89	7 676.35	3 568	1 259			2 309
FCR-PORTUGAL VENTURES VALOR 2	131	3 420.24	3 485.46	2 630	455	10		2 185
FCR-PORTUGAL VENTURES-FIEP	3 159	1 000.00	793.61	3 159	2 507	121		773
FCR-PV ACTEC II – CATEGORIA A1	67 249	1.00	0.93	78	63			15
FCR-PV ACTEC II – CATEGORIA B1	290 145	1.00	0.93	337	270			67
FCR-TURISMO INOVACAO CAT.B	12	50 000.00	43 974.63	600	528	(72)		
FEIIF-UNICAMPUS	3 000	1 000.00	1 004.46	3 000	3 013	13		
FUNDO CARAVELA	1 321	3 338.80	2 261.73	4 492	2 988			1 504
				227 373	**177 426**	**(902)**		**49 044**
Issued by non-residents								
Participating units								
FUNDO BPI-EUROPA	23 405	0.01	13.82	171	323	152		
FUNDO PATHENA SCA SICAR (B)			0,000	10 140	9 660	(480)		
PORTUGAL VENTURE CAPITAL INITIATIVE-PVCI	6 139 383	1.00	0.82	6 139	5 055	699		1 784
				16 450	**15 038**	**371**		**1 784**
Loans and other receivables								
Loans and Shareholder's loans								
EMIS – EMPRESA INTERBANCÁRIA DE SERVIÇOS (SUPRIMENTOS)					108			
MORETEXTILE SGPS, SA								12 012
NEWPLASTIC								1 522
PETROCER SGPS, LDA					200			
PROPACO-IMOBILIARIA DE PACO D'ARCOS					860			4 366
SAPHETY Level – Trusted Services SA					209			
TAEM-PROCESSAMENTO ALIMENTAR								3 609
VNCORK-SGPS,SA								163
					1 377			**21 672**
				6 399 838	**6 509 388**	**125 952**	**(105 647)**	**119 551**

1) Net of impairment.

2) Amount recorded in REVALUATION RESERVES (note 4.31).

At 31 December 2015 and 2014 Proforma the Treasury Bills – Angola and Treasury Bonds – Angola were recorded at the corresponding acquisition cost, as this is believed to best reflect their market value, since there is no listed price on an active market with regular transactions.

Until December 2015 the share in Visa Europe Limited held by Banco BPI, S.A. was stated at historical cost of 10 euro, since there was no listed price on an active market or market information that would enable the determination of a reliable fair value. In the last quarter of 2015, Visa Inc. launched a public offering to acquire 100% of the share capital of Visa Europe Limited, an operation that is estimated to be concluded in the second quarter of 2016. The total amount receivable by Banco BPI, S.A. is estimated at 20.8 million euro, of which 15.5 million euro is in cash and the remainder in preference shares. Banco BPI valued its participation in Visa Europe considering only the cash component, by corresponding entry to the caption REVALUATION RESERVES. In addition, also by corresponding entry to the equity caption DEFERRED TAX RESERVES, the Bank recorded the related deferred tax liability relating to the tax expected to be paid on the date of completion of the transaction. In the valuation of the share in Visa Europe the Bank attributed zero value to the component receivable in preference shares of Visa Inc. This decision is based on the fact that at 31 December 2015, the Bank had no information to enable it to reliably value that component.

Banco BPI carried out a series of operations relating to the transfer of financial assets (Loans to Customers) to specialized credit recovery funds (Fundo de Recuperação, FCR and Fundo de Reestruturação Empresarial FCR). These funds aim to recover companies that, despite having financial difficulties, have sustainable business models.

In addition, under the transfer of asset operations, the Bank subscribed for:

- participating units in the credit recovery funds and in the companies controlled by these funds;
- shares and shareholders' loans of companies controlled by these funds.

The credit recovery funds in which Banco BPI participates have a specific management structure, fully independent of the Bank and are held by several banks in the market (which are credit transferors). The Bank has a minority interest in these funds.

At 31 December 2015 and 31 December 2014, the portfolio of financial assets available for sale included 71 392 th. euro and 68 281 th. euro, respectively, relating to securities and shareholders' loans subscribed for by Banco BPI under transfer of assets operations:

	31 Dec. 15				
	Subscribed securities under operations of transfer of assets				
	Participating units and shares	Shareholder's loans[1]	Impairment in participating units and shares	Impairment in shareholder's loans	Net amount
Fundo de Recuperação, FCR[2]	96 665	15 151	(29 196)	(15 151)	67 469
Fundo de Reestruturação Empresarial, FCR	3 923				3 923
	100 588	**15 151**	**(29 196)**	**(15 151)**	**71 392**

Note: Amounts net of unrealized subscribed capital recorded in the caption OTHER LIABILITIES.
1) Does not include interest in the amount of 1 949 th. euro, for which impairment of 100% has been recorded.
2) Includes the companies controlled by Fundo de Recuperação, FCR: Notoriousway S.A., Newplastics S.A., Vncork SGPS S.A., TAEM – Processamento Alimentar SGPS S.A. and Moretextile S.A.

	31 Dec. 14				
	Subscribed securities under operations of transfer of assets				
	Participating units and shares	Shareholder's loans[1]	Impairment in participating units and shares	Impairment in shareholder's loans	Net amount
Fundo de Recuperação, FCR[2]	91 163	15 151	(26 785)	(15 151)	64 378
Fundo de Reestruturação Empresarial, FCR	3 903				3 903
	95 066	**15 151**	**(26 785)**	**(15 151)**	**68 281**

Note: Amounts net of unrealized subscribed capital recorded in the caption OTHER LIABILITIES.
1) Does not include interest in the amount of 1 737 th. euro, for which impairment of 100% has been recorded.
2) Includes the companies controlled by Fundo de Recuperação, FCR: Notoriousway S.A., Newplastics S.A., Vncork SGPS S.A., TAEM – Processamento Alimentar SGPS S.A. and Moretextile S.A.

Operations relating to the transfer of assets carried out by Banco BPI include the sale of loans granted to operating industrial and hospitality companies, which, because of the change of the economic environment, were having difficulties in complying with their financial commitments to the Bank. All the assets sold correspond to loans to corporate Customers of Banco BPI, no real estate having been traded.

Following the ceding of loan operations, they were derecognized from the balance sheet, as all the requirements of IAS 39 on this matter were fulfilled, namely transfer of a substantial part of the risks and benefits relating to the ceded loan operations, and therefore control. Additionally, Banco BPI does not consolidate the funds and companies that own the assets as it only has a minority participation in them. The loans sold, net of impairment, totalled 78 497 th. euro at 31 December 2015 and 2014.

	31 Dec. 15			
	Amounts related to the transferred assets			
	Gross assets transferred	Impairment of transferred assets	Sale amount	Result on the sale date[1]
Fundo de Recuperação, FCR[2]	123 730	48 967	98 289	10 635
Fundo de Reestruturação Empresarial, FCR	3 734		3 734	
	127 464	**48 967**	**102 023**	**10 635**

1) The result determined on the sale date is deducted from impairment recorded for shareholders' loans on the transaction date.
2) Includes sales to companies controlled by Fundo de Recuperação, FCR.

	31 Dec. 14			
	Amounts related to the transferred assets			
	Gross assets transferred	Impairment of transferred assets	Sale amount	Result on the sale date[1]
Fundo de Recuperação, FCR[2]	123 730	48 967	98 289	10 635
Fundo de Reestruturação Empresarial, FCR	3 734		3 734	
	127 464	**48 967**	**102 023**	**10 635**

1) The result determined on the sale date is deducted from impairment recorded for shareholders' loans on the transaction date.
2) Includes sales to companies controlled by Fundo de Recuperação, FCR.

4.6. Loans and advances to credit institutions

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Loans to Bank of Portugal	5 500	
Loans and advances to other Portuguese credit institutions		
Very short term loans and advances		10 378
Deposits	219 000	308 394
Other loans	79 000	80 000
Securities purchased with resale agreements	5 163	71 740
Other advances	23	2 158
Accrued interest	201	655
	303 387	**473 325**
Loans and advances to other foreign central banks	60 880	1 008 468
Loans and advances to other foreign credit institutions		
Very short term loans and advances	49 538	426 201
Deposits	445 973	143 478
Loans	44	44
Other loans and advances	357 653	528 443
Accrued interest	7 070	8 878
	921 158	**2 115 512**
Commission relating to amortised cost (net)	(2)	(18)
	1 230 043	**2 588 819**
Impairment		(2)
	1 230 043	**2 588 817**

The changes in impairment losses and provisions in 2015 and 2014 are presented in note 4.22.

4.7. Loans and advances to Customers

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Loans		
Domestic loans		
Companies		
Discount	108 865	109 793
Loans	5 286 707	4 575 456
Commercial lines of credit	186 413	718 210
Demand deposits – overdrafts	146 406	93 588
Invoices received – factoring	339 390	370 973
Financial leasing	301 872	240 671
Real estate leasing	338 012	338 950
Other loans	26 969	20 478
Loans to individuals		
Housing	10 866 552	11 023 969
Consumer	692 812	672 353
Others loans	432 849	466 521
Foreign loans		
Companies		
Discount	16 846	357
Loans	2 065 564	2 734 100
Commercial lines of credit	302 118	260 378
Demand deposits – overdrafts	16 529	10 394
Invoices received – factoring	723	
Finance leasing	326	384
Real estate leasing	939	781
Other loans	12 829	275 394
Loans to individuals		
Housing	172 409	106 943
Consumer	259 832	268 614
Other loans	70 851	88 759
Accrued interest	69 369	69 496
	21 715 182	**22 446 562**

(continues)

(continued)

	31 Dec. 15	31 Dec. 14 Proforma
Securities		
Issued by Portuguese government entities	102 030	99 983
Issued by other Portuguese entities		
Non subordinated debt securities		
Bonds	1 288 333	1 314 235
Commercial paper	843 275	833 708
Subordinated debt securities	11 800	11 800
Issued by other foreign entities		
Non subordinated debt securities		
Bonds	326 311	471 081
Commercial paper	1 491	
Subordinated debt securities		20 500
Accrued interest	14 192	16 989
Deferred interest	(189)	(521)
	2 587 243	**2 767 775**
Correction of the amount of hedged assets	35 215	44 659
Commission relating to amortised cost (net)	166	2 941
	24 337 806	**25 261 937**
Overdue loans and interest	922 470	1 043 693
Loan impairment	(978 654)	(1 036 661)
	24 281 622	**25 268 969**

LOANS AND ADVANCES TO CUSTOMERS include the following non-derecognized securities assets:

	31 Dec. 15	31 Dec. 14 Proforma
Non-derecognised securitised assets[1]		
Loans		
Housing	1 593 367	4 362 912
Loans to SME's	3 228 647	3 162 490
Accrued interest	14 963	17 686
	4 836 977	**7 543 088**

1) Excluding credit and interests overdue.

The loans subject to securitisation operations carried out by Banco BPI were not derecognised from the Bank's balance sheet and are recorded under the caption LOANS. The amounts received by Banco BPI from these operations are recorded under the caption LIABILITIES RELATING TO ASSETS NOT DERECOGNISED IN SECURITISATION OPERATIONS (notes 2.3.4 and 4.21).

At 31 December 2015 and 2014 the caption LOANS TO CUSTOMERS also included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (note 4.20), namely:

- 6 057 014 th. euro and 5 772 866 th. euro, respectively, allocated as collateral to mortgage bonds;
- 700 344 th. euro and 672 417 th. euro, respectively, allocated as collateral to public sector bonds.

The securities portfolio includes the following assets to cover capitalisation insurance contracts issued by BPI Vida e Pensões:

	31 Dec. 15	31 Dec. 14 Proforma
Debt instruments		
Issued by Portuguese government entities	50 000	99 983
Issued by other Portuguese entities	1 852 402	1 422 356
Issued by other foreign entities	321 402	472 205
	2 223 804	**1 994 544**

The changes in impairment losses and provisions in 2015 and 2014 are presented in note 4.22.

At 31 December 2015 the amount of the exposure and impairment of loans and advances to Customers was made up as follows:

Segment	Exposure					Impairment		
	Total exposure[1]	**Credit not at risk**	Of which restructured	**Credit at risk**	Of which restructured	Total impairment	**Credit not at risk**	**Credit at risk**
DOMESTIC ACTIVITY	**23 570 591**	**22 499 646**	**1 075 234**	**1 070 945**	**440 541**	**879 988**	**294 982**	**585 006**
Corporate banking	4 096 676	3 782 466	350 627	314 210	200 175	295 533	98 379	197 154
Large Companies	1 476 163	1 415 733	140 952	60 430	47 222	83 578	47 546	36 032
Medium-sized Companies	2 620 513	2 366 733	209 675	253 780	152 953	211 955	50 833	161 122
Project Finance – Portugal	1 184 984	1 090 770	191 536	94 214	37 924	83 027	17 254	65 773
Madrid	1 038 395	922 131	140 701	116 264	59 478	100 370	38 482	61 888
Project Finance	623 799	536 345	104 883	87 454	32 268	72 520	28 835	43 685
Corporate	414 596	385 786	35 818	28 810	27 210	27 850	9 647	18 203
Public Sector	1 358 949	1 358 681	111 284	268	144	2 261	2 228	33
Central administration	204 767	204 767						
Regional and local administration	774 593	774 583	73 546	10		10	1	9
State Corporate Sector – in the budget perimeter	51 814	51 814				1	1	
State Corporate Sector – outside the budget perimeter	267 363	267 363	37 738			2 194	2 194	
Other institutional	60 412	60 154		258	144	56	32	24
Individuals and Small Businesses Banking	13 827 928	13 284 764	277 153	543 164	142 820	384 146	124 300	259 846
Mortgage loans to individuals	11 124 073	10 749 121	179 468	374 952	80 158	230 607	92 569	138 038
Consumer credit / other purposes	603 460	572 174	25 255	31 286	11 926	31 190	5 077	26 113
Credit cards	170 862	164 895	23	5 967	2	7 273	1 963	5 310
Car financing	138 523	135 740	90	2 783	51	1 990	452	1 538
Small businesses	1 791 010	1 662 834	72 317	128 176	50 683	113 086	24 239	88 847
Others[2]	2 063 659	2 060 834	3 933	2 825		14 651	14 339	312
INTERNATIONAL ACTIVITY	**1 570 932**	**1 483 802**	**21 301**	**87 130**	**11 924**	**98 666**	**48 523**	**50 143**
Corporate Banking	748 604	682 578	21 301	66 026	11 924	72 661	36 412	36 249
Public Sector	385 542	385 541		1		13	12	1
Individuals and Small Business Banking	436 237	415 147		21 090		25 964	12 084	13 880
Others	549	536		13		28	15	13
	25 141 523	**23 983 448**	**1 096 535**	**1 158 075**	**452 465**	**978 654**	**343 505**	**635 149**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.
2) Includes 1 724 930 th. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At 31 December 2014 Proforma the amount of the exposure and impairment of loans and advances to Customers was made up as follows:

Segment	Exposure					Impairment		
	Total exposure[1]	**Credit not at risk**	Of which restructured	**Credit at risk**	Of which restructured	Total impairment	**Credit not at risk**	**Credit at risk**
DOMESTIC ACTIVITY	**24 272 352**	**23 053 301**	**1 122 266**	**1 219 051**	**508 113**	**958 795**	**295 676**	**663 119**
Corporate banking	3 946 083	3 619 117	398 076	326 966	191 766	287 748	83 949	203 799
Large Companies	1 457 119	1 388 997	103 917	68 122	48 734	69 735	31 776	37 959
Medium-sized Companies	2 488 964	2 230 120	294 159	258 844	143 032	218 013	52 173	165 840
Project Finance – Portugal	1 177 534	1 077 033	132 713	100 501	40 974	61 530	9 045	52 485
Madrid	1 475 744	1 299 392	214 398	176 352	102 665	176 867	54 239	122 628
Project Finance	689 640	627 489	84 709	62 151	16 645	58 270	26 561	31 709
Corporate	786 104	671 903	129 689	114 201	86 020	118 597	27 678	90 919
Public Sector	1 431 525	1 400 835	82 379	30 690	29 697	5 661	398	5 263
Central administration	215 422	215 422						
Regional and local administration	814 108	813 989	81 008	119	2	13	4	9
State Corporate Sector – in the budget perimeter	64 128	64 128				3	3	
State Corporate Sector – outside the budget perimeter	302 010	271 718	148	30 292	29 695	5 247	7	5 240
Other institutional	35 857	35 578	1 223	279		398	384	14
Individuals and Small Business Banking	13 815 750	13 234 109	294 700	581 641	143 011	415 063	136 434	278 629
Mortgage loans to individuals	11 342 605	10 946 074	168 212	396 531	76 808	245 835	101 546	144 289
Consumer credit / other purposes	577 240	546 690	33 335	30 550	13 125	28 915	5 457	23 458
Credit cards	173 159	167 064	24	6 095	4	7 343	2 145	5 198
Car financing	137 133	134 432	153	2 701	68	1 726	468	1 258
Small business	1 585 613	1 439 849	92 976	145 764	53 006	131 244	26 818	104 426
Others[2]	2 425 716	2 422 815		2 901		11 926	11 611	315
INTERNATIONAL ACTIVITY	**1 899 714**	**1 814 807**	**29 943**	**84 907**	**12 628**	**77 866**	**37 801**	**40 065**
Corporate banking	681 643	615 547	29 943	66 096	12 628	53 517	25 917	27 600
Public Sector	769 031	769 031				15	15	
Individuals and Small Business Banking	449 025	430 225		18 800		24 323	11 869	12 454
Others	15	4		11		11		11
	26 172 066	**24 868 108**	**1 152 209**	**1 303 958**	**520 741**	**1 036 661**	**333 477**	**703 184**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.
2) Includes 2 005 739 th. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At 31 December 2015 the amount of the exposure and impairment of loans and advances to Customers was made up as follows:

Segment	Total exposure[1]	Total exposure				Total impairment	Total impairment			
		Credit not at risk		Credit at risk			Credit not at risk		Credit at risk	
		Days in arrears		Days in arrears			Days in arrears		Days in arrears	
		< 30[2]	between 30-90	<= 90	> 90 days		< 30[2]	between 30-90	<= 90	> 90 days
DOMESTIC ACTIVITY	**23 570 591**	**22 397 913**	**101 733**	**40 165**	**1 030 780**	**879 988**	**270 585**	**24 397**	**24 894**	**560 112**
Corporate banking	4 096 676	3 774 156	8 310	37 198	277 012	295 533	95 308	3 072	24 217	172 936
Large Companies	1 476 163	1 413 163	2 570	29 622	30 808	83 578	45 406	2 141	21 965	14 066
Medium-sized Companies	2 620 513	2 360 993	5 740	7 576	246 204	211 955	49 902	931	2 252	158 870
Project Finance – Portugal	1 184 984	1 090 770			94 214	83 027	17 254			65 773
Madrid	1 038 395	922 131			116 264	100 370	38 482			61 888
Project Finance	623 799	536 345			87 454	72 520	28 835			43 685
Corporate	414 596	385 786			28 810	27 850	9 647			18 203
Public Sector	1 358 949	1 358 681			268	2 261	2 228			33
Central administration	204 767	204 767								
Regional and local administration	774 593	774 583			10	10	1			9
State Corporate Sector – in the budget perimeter	51 814	51 814				1	1			
State Corporate Sector – outside the budget perimeter	267 363	267 363				2 194	2 194			
Other institutional	60 412	60 154			258	56	32			24
Individuals and Small Business Banking	13 827 928	13 191 439	93 325	2 967	540 197	384 146	102 975	21 324	677	259 170
Mortgage loans to individuals	11 124 073	10 675 061	74 060	1 007	373 945	230 607	76 753	15 816	249	137 789
Consumer credit / other purposes	603 460	565 765	6 409	153	31 133	31 190	3 247	1 830	47	26 066
Credit cards	170 862	164 156	739	34	5 933	7 273	1 681	282	21	5 289
Car financing	138 523	134 893	847	49	2 734	1 990	305	147	4	1 534
Small business	1 791 010	1 651 564	11 270	1 724	126 452	113 086	20 989	3 249	356	88 492
Others[3]	2 063 659	2 060 736	98		2 825	14 651	14 338	1		312
INTERNATIONAL ACTIVITY	**1 570 932**	**1 470 844**	**12 958**		**87 130**	**98 666**	**47 125**	**1 398**		**50 143**
Corporate banking	748 604	673 895	8 683		66 026	72 661	35 252	1 160		36 249
Public Sector	385 542	385 541			1	13	12			1
Individuals and Small Business Banking	436 237	410 872	4 275		21 090	25 964	11 846	238		13 880
Others	549	536			13	28	15			13
	25 141 523	**23 868 757**	**114 691**	**40 165**	**1 117 910**	**978 654**	**317 710**	**25 795**	**24 894**	**610 255**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.
2) Includes non-defaulting loans (no days in arrears).
3) Includes 1 724 930 th. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At 31 December 2014 Proforma the amount of the exposure and impairment of loans and advances to Customers was made up as follows:

Segment	Total exposure[1]	Total exposure – Credit not at risk – Days in arrears – < 30[2]	Total exposure – Credit not at risk – Days in arrears – between 30-90	Total exposure – Credit at risk – Days in arrears – <= 90	Total exposure – Credit at risk – Days in arrears – > 90 days	Total impairment	Total impairment – Credit not at risk – Days in arrears – < 30[2]	Total impairment – Credit not at risk – Days in arrears – between 30-90	Total impairment – Credit at risk – Days in arrears – <= 90	Total impairment – Credit at risk – Days in arrears – > 90 days
DOMESTIC ACTIVITY	**24 272 352**	**22 918 479**	**134 822**	**48 370**	**1 170 681**	**958 795**	**263 795**	**31 881**	**30 507**	**632 612**
Corporate banking	3 946 083	3 598 182	20 935	44 093	282 873	287 748	79 453	4 496	29 587	174 212
Large Companies	1 457 119	1 388 085	912	35 497	32 625	69 735	31 199	577	25 391	12 568
Medium-sized Companies	2 488 964	2 210 097	20 023	8 596	250 248	218 013	48 254	3 919	4 196	161 644
Project Finance – Portugal	1 177 534	1 077 033			100 501	61 530	9 045			52 485
Madrid	1 475 744	1 299 392			176 352	176 867	54 239			122 628
Project Finance	689 640	627 489			62 151	58 270	26 561			31 709
Corporate	786 104	671 903			114 201	118 597	27 678			90 919
Public Sector	1 431 525	1 400 835		724	29 966	5 661	398		116	5 147
Central administration	215 422	215 422								
Regional and local administration	814 108	813 989			119	13	4			9
State Corporate Sector – in the budget perimeter	64 128	64 128				3	3			
State Corporate Sector – outside the budget perimeter	302 010	271 718		588	29 704	5 247	7		102	5 138
Other institutional	35 857	35 578		136	143	398	384		14	
Individuals and Small Business Banking	13 815 750	13 120 222	113 887	3 553	578 088	415 063	109 049	27 385	804	277 825
Mortgage loans to individuals	11 342 605	10 856 080	89 994	1 271	395 260	245 835	80 553	20 993	325	143 964
Consumer credit / other purposes	577 240	538 686	8 004	269	30 281	28 915	3 280	2 177	129	23 329
Credit cards	173 159	166 255	809	23	6 072	7 343	1 850	295	13	5 185
Car financing	137 133	133 468	964	50	2 651	1 726	341	127	1	1 257
Small business	1 585 613	1 425 733	14 116	1 940	143 824	131 244	23 025	3 793	336	104 090
Others[3]	2 425 716	2 422 815			2 901	11 926	11 611			315
INTERNATIONAL ACTIVITY	**1 899 714**	**1 801 667**	**13 140**		**84 907**	**77 866**	**36 857**	**944**		**40 065**
Corporate banking	681 643	610 081	5 466		66 096	53 517	25 165	752		27 600
Public Sector	769 031	769 031				15	15			
Individuals and Small Business Banking	449 025	422 551	7 674		18 800	24 323	11 677	192		12 454
Others	15	4			11	11				11
	26 172 066	**24 720 146**	**147 962**	**48 370**	**1 255 588**	**1 036 661**	**300 652**	**32 825**	**30 507**	**672 677**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.
2) Includes non-defaulting loans (no days in arrears).
3) Includes 2 005 739 th. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At 31 December 2015 the amount of the exposure and impairment of loans and advances to Customers assessed individually and collectively, by segment, was made up as follows:

	Performing loans	Overdue loans	Exposure[1]	of which:		Individual impairment	Collective impairment	Total impairment
				Individually assessed	Collectively assessed			
DOMESTIC ACTIVITY	**22 720 570**	**850 021**	**23 570 591**	**2 819 115**	**20 751 476**	**473 937**	**406 051**	**879 988**
Corporate banking	3 830 752	265 925	4 096 677	514 228	3 582 449	269 140	26 393	295 533
Large Companies	1 445 108	31 055	1 476 163	132 513	1 343 650	75 696	7 882	83 578
Medium-sized Companies	2 385 644	234 870	2 620 514	381 715	2 238 799	193 444	18 511	211 955
Project Finance – Portugal	1 160 958	24 026	1 184 984	198 052	986 932	69 941	13 086	83 027
Madrid	943 606	94 788	1 038 394	253 352	785 042	95 680	4 690	100 370
Project Finance	557 288	66 511	623 799	171 841	451 958	69 194	3 326	72 520
Corporate	386 318	28 277	414 595	81 511	333 084	26 486	1 364	27 850
Public Sector	1 358 759	189	1 358 948	38 409	1 320 539	2 039	221	2 260
Central administration	204 767		204 767		204 767			
Regional and local administration	774 583	10	774 593		774 593		10	10
State Corporate Sector – in the budget perimeter	51 814		51 814		51 814		1	1
State Corporate Sector – outside the budget perimeter	267 363		267 363	36 695	230 668	1 984	210	2 194
Other institutional	60 232	179	60 411	1 714	58 697	55		55
Individuals and Small Business Banking	13 365 758	462 171	13 827 929	89 428	13 738 501	25 023	359 122	384 145
Mortgage loans to individuals	10 814 184	309 890	11 124 074	6	11 124 068	1	230 606	230 607
Consumer credit / other purposes	576 219	27 241	603 460	1	603 459		31 190	31 190
Credit cards	164 717	6 145	170 862		170 862		7 273	7 273
Vehicle financing	136 179	2 344	138 523	12	138 511	12	1 977	1 989
Small financing	1 674 459	116 551	1 791 010	89 409	1 701 601	25 010	88 076	113 086
Others[2]	2 060 737	2 922	2 063 659	1 725 646	338 013	12 114	2 539	14 653
INTERNATIONAL ACTIVITY	**1 498 483**	**72 449**	**1 570 932**					**98 666**
Corporate Banking	683 340	65 264	748 604					72 661
Public Sector	385 541	1	385 542					13
Individuals and Small Business Banking	429 066	7 171	436 237					25 964
Others	536	13	549					28
	24 219 053	**922 470**	**25 141 523**					**978 654**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.
2) Includes 1 724 930 th. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At 31 December 2014 Proforma the amount of exposure and impairment of Loans and advances to Customers assessed individually and collectively, by segment, was made up as follows:

	Performing loans	Overdue loans	Exposure[1]	of which:		Individual impairment	Collective impairment	Total impairment
				Individually assessed	Collectively assessed			
DOMESTIC ACTIVITY	**23 292 413**	**979 939**	**24 272 352**	**3 483 220**	**20 789 132**	**545 635**	**413 160**	**958 795**
Corporate banking	3 653 473	292 610	3 946 083	681 446	3 264 637	265 905	21 843	287 748
Large Companies	1 419 924	37 195	1 457 119	247 847	1 209 272	64 216	5 519	69 735
Medium-sized Companies	2 233 549	255 415	2 488 964	433 599	2 055 365	201 689	16 324	218 013
Project Finance – Portugal	1 154 721	22 813	1 177 534	241 826	935 708	60 927	603	61 530
Madrid	1 306 055	169 689	1 475 744	422 795	1 052 949	174 163	2 704	176 867
Project Finance	634 152	55 488	689 640	157 739	531 901	57 357	913	58 270
Corporate	671 903	114 201	786 104	265 056	521 048	116 806	1 791	118 597
Public Sector	1 424 734	6 791	1 431 525	33 292	1 398 233	5 638	23	5 661
Central administration	215 422		215 422		215 422			
Regional and local administration	813 989	119	814 108		814 108		13	13
State Corporate Sector – in the budget perimeter	64 128		64 128		64 128		3	3
State Corporate Sector – outside the budget perimeter	295 371	6 639	302 010	30 283	271 727	5 240	7	5 247
Other institutional	35 824	33	35 857	3 009	32 848	398		398
Individuals and Small Business Banking	13 330 740	485 010	13 815 750	97 403	13 718 347	27 448	387 615	415 063
Mortgage loans to individuals	11 024 078	318 527	11 342 605	514	11 342 091	258	245 577	245 835
Consumer credit / other purposes	553 876	23 364	577 240	2	577 238		28 915	28 915
Credit cards	166 933	6 226	173 159	2	173 157	2	7 341	7 343
Vehicle financing	134 852	2 281	137 133	14	137 119	10	1 716	1 726
Small financing	1 451 001	134 612	1 585 613	96 871	1 488 742	27 178	104 066	131 244
Others[2]	2 422 690	3 026	2 425 716	2 006 458	419 258	11 554	372	11 926
INTERNATIONAL ACTIVITY	**1 835 960**	**63 754**	**1 899 714**					**77 866**
Corporate Banking	625 474	56 169	681 643					53 517
Public Sector	769 031		769 031					15
Individuals and Small Business Banking	441 451	7 574	449 025					24 323
Others	4	11	15					11
	25 128 373	**1 043 693**	**26 172 066**					**1 036 661**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.
2) Includes 2 005 739 th. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At 31 December 2015 the amount of exposure and impairment of Loans and advances to domestic Customers assessed individually and collectively, by business sector, was made up as follows:

	Performing loans	Overdue loans	Exposure[1]	of which:		Individual impairment	Collective impairment	Total impairment
				Individually assessed	Collectively assessed			
Corporates	10 651 769	484 582	11 136 351	2 797 769	8 338 582	466 379	122 217	588 596
Agriculture, animal production and hunting	234 990	5 341	240 331	13 160	227 171	3 807	5 284	9 091
Forestry and forest operations	18 120	338	18 458		18 458		420	420
Fishing	35 215	27	35 242	24 604	10 638	20 696	87	20 783
Mining	91 988	652	92 640	2 016	90 624	534	553	1 087
Beverage, tobacco and food	402 593	5 090	407 683	32 224	375 459	5 993	4 305	10 298
Textiles and clothings	89 951	14 846	104 797	20 671	84 126	12 638	1 388	14 026
Leather and related products	33 665	827	34 492	853	33 639	567	266	833
Wood and cork	174 360	4 249	178 609	89 243	89 366	2 049	1 267	3 316
Pulp, paper and carboard and graphic arts	306 045	5 018	311 063	149 458	161 605	3 822	1 968	5 790
Coke, refined petroleum products and fuel pellets	152 723		152 723	150 000	2 723		10	10
Chemicals, synthetic or atificial fibres, except pharmaceutical products	92 261	317	92 578	15 161	77 417	54	477	531
Base pharmaceutical products and pharmaceutical mixtures	48 141		48 141	28 500	19 641		69	69
Rubber and plastic materials	96 693	925	97 618	1 279	96 339	679	750	1 429
Other mineral non-metallic products	279 525	3 222	282 747	173 765	108 982	3 729	1 474	5 203
Metalworking industries	229 133	6 127	235 260	25 233	210 027	5 196	4 075	9 271
Computers, electronic, electrical and optical equipment	114 887	1 693	116 580	2 328	114 252	1 043	1 182	2 225
Transport equipment	52 272	2 318	54 590	2 410	52 180	1 273	627	1 900
Other manufacturing industries	54 680	4 808	59 488	5 284	54 204	3 236	1 670	4 906
Electricity, gas and water	898 613	1 595	900 208	345 365	554 843	3 600	3 247	6 847
Water treatment and collection	389 843	1 103	390 946	95 476	295 470	4 679	1 793	6 472
Construction	501 505	112 091	613 596	239 097	374 499	73 340	15 380	88 720
Wholesale and retail trade; motor vehicle and motorcycle repairs	1 283 133	85 691	1 368 824	266 175	1 102 649	47 691	31 856	79 547
Transport and storage	1 113 346	72 658	1 186 004	241 039	944 965	117 586	9 571	127 157
Restaurants and hotels	400 180	50 423	450 603	141 556	309 047	27 518	5 142	32 660
Information and communication activities	396 398	8 774	405 172	196 654	208 518	9 801	1 969	11 770
Financial intermediation, except for insurance and pension funds	565 033	37 852	602 885	141 610	461 275	43 850	5 419	49 269
Insurance, reinsurance and pension funds, except for mandatory social security	56		56		56			
Auxiliar activities to financial services and insurance	120 345	157	120 502	58	120 444	12	192	204
Real estate	449 560	16 677	466 237	55 727	410 510	10 718	6 155	16 873
Consulting, scientific, technical and similar activities	356 544	15 986	372 530	87 843	284 687	39 690	6 123	45 813
Administrative and support services	207 196	6 569	213 765	69 731	144 034	7 336	2 951	10 287
Public administration, defence and mandatory social security	1 088 477	10	1 088 487	50 000	1 038 487		10	10
Education	36 058	1 159	37 217	2 347	34 870	692	975	1 667
Healthcare and welfare	160 932	2 069	163 001	3 442	159 559	431	1 725	2 156
Leisure, cultural and sports activities	42 702	14 385	57 087	24 498	32 589	9 220	758	9 978
Other service companies	122 414	1 491	123 905	88 852	35 053	1 871	869	2 740
Companies without CAE code (Business Activity Classification – “Classificação das Actividades Económicas”)	12 192	94	12 286	12 110	176	3 028	2 210	5 238
Individuals	12 068 801	365 439	12 434 240	21 346	12 412 894	7 558	283 834	291 392
Housing loans	10 846 539	309 998	11 156 537	74	11 156 463	10	230 642	230 652
Others	1 222 262	55 441	1 277 703	21 272	1 256 431	7 548	53 192	60 740
	22 720 570	**850 021**	**23 570 591**	**2 819 115**	**20 751 476**	**473 937**	**406 051**	**879 988**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.

At 31 December 2014 Proforma the amount of exposure and impairment of Loans and advances to domestic Customers assessed individually and collectively, by business sector, was made up as follows:

	Performing loans	Overdue loans	Exposure[1]	of which:		Individual impairment	Collective impairment	Total impairment
				Individually assessed	Collectively assessed			
Corporates	11 046 694	608 898	11 655 592	3 460 447	8 195 145	537 140	112 413	649 553
Agriculture, animal production and hunting	210 805	10 552	221 357	25 803	195 554	5 628	3 642	9 270
Forestry and forest operations	11 962	380	12 342		12 342		469	469
Fishing	36 486	21 693	58 179	46 271	11 908	37 598	44	37 642
Mining	120 997	1 402	122 399	1 850	120 549	1 109	718	1 827
Beverage, tobacco and food	373 366	12 092	385 458	37 313	348 145	12 331	4 390	16 721
Textiles and clothings	97 986	8 071	106 057	35 329	70 728	11 667	1 594	13 261
Leather and related products	22 788	564	23 352	972	22 380	479	211	690
Wood and cork	131 269	6 034	137 303	76 156	61 147	1 969	1 491	3 460
Pulp, paper and carboard and graphic arts	206 773	5 176	211 949	110 285	101 664	4 115	1 458	5 573
Coke, refined petroleum products and fuel pellets	152 425		152 425	150 000	2 425		5	5
Chemicals, synthetic or atificial fibres, except pharmaceutical products	88 332	387	88 719	45 266	43 453	59	320	379
Base pharmaceutical products and pharmaceutical mixtures	62 821		62 821		62 821		295	295
Rubber and plastic materials	90 973	772	91 745	985	90 760	438	860	1 298
Other mineral non-metallic products	261 617	2 806	264 423	151 965	112 458	5 541	1 843	7 384
Metalworking industries	200 700	7 227	207 927	10 246	197 681	4 732	4 517	9 249
Computers, electronic, electrical and optical equipment	96 825	2 954	99 779	5 762	94 017	2 744	1 258	4 002
Transport equipment	48 146	1 447	49 593	3 697	45 896	1 323	674	1 997
Other manufacturing industries	49 356	6 504	55 860	6 177	49 683	3 767	1 799	5 566
Electricity, gas and water	839 994	743	840 737	273 115	567 622	3 102	289	3 391
Water treatment and collection	364 986	7 461	372 447	88 403	284 044	7 927	641	8 568
Construction	508 414	179 268	687 682	322 903	364 779	140 895	16 983	157 878
Wholesale and retail trade; motor vehicle and motorcycle repairs	1 614 275	93 384	1 707 659	469 909	1 237 750	57 319	36 381	93 700
Transport and storage	1 188 739	64 141	1 252 880	243 708	1 009 172	105 318	4 595	109 913
Restaurants and hotels	336 037	62 947	398 984	112 317	286 667	24 050	5 754	29 804
Information and communication activities	327 664	6 940	334 604	207 486	127 118	22 055	2 200	24 255
Financial intermediation, except for insurance and pension funds	694 589	36 456	731 045	339 216	391 829	29 662	2 146	31 808
Insurance, reinsurance and pension funds, except for mandatory social security	78		78		78			
Auxiliar activities to financial services and insurance	120 546	159	120 705	55	120 650	11	169	180
Real estate	382 108	23 485	405 593	73 407	332 186	13 119	5 081	18 200
Consulting, scientific, technical and similar activities	300 481	16 171	316 652	133 100	183 552	13 543	3 950	17 493
Administrative and support services	289 111	8 476	297 587	73 923	223 664	8 306	3 450	11 756
Public administration, defence and mandatory social security	1 237 019	119	1 237 138	108 983	1 128 155		9	9
Education	30 952	1 136	32 088	2 791	29 297	511	773	1 284
Healthcare and welfare	195 828	2 092	197 920	3 431	194 489	399	1 928	2 327
Leisure, cultural and sports activities	39 277	14 533	53 810	29 749	24 061	7 103	760	7 863
Other service companies	312 008	3 132	315 140	269 874	45 266	10 320	1 548	11 868
Companies without CAE code (Business Activity Classification – "Classificação das Actividades Económicas")	961	194	1 155		1 155		168	168
Individuals	12 245 720	371 041	12 616 761	22 770	12 593 991	8 495	300 747	309 242
Housing loans	11 059 803	318 631	11 378 434	519	11 377 915	261	245 614	245 875
Others	1 185 917	52 410	1 238 327	22 251	1 216 076	8 234	55 133	63 367
	23 292 414	**979 939**	**24 272 353**	**3 483 217**	**20 789 136**	**545 635**	**413 160**	**958 795**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.

At 31 December 2015 the amount of exposure and impairment of Loans and advances to international Customers, by business sector, was made up as follows:

	Performing loans	Overdue loans	Exposure[1]	Impairment
Corporates	1 077 030	65 278	1 142 308	72 686
Agriculture, animal production and hunting	69 377	2 266	71 643	2 916
Mining	11 635	4 585	16 220	3 180
Other manufacturing industries	79 349	8 091	87 440	6 452
Electricity, gas and water	357	28	385	16
Construction	218 356	6 874	225 230	21 787
Wholesale and retail trade; motor vehicle and motorcycle repairs	117 714	28 777	146 492	25 509
Transport and storage	18 851	3 649	22 501	2 567
Restaurant and hotels	23 971	1 608	25 579	1 982
Auxiliary activities to financial services and insurance	1 984	13	1 997	72
Real estate	48 975	829	49 804	2 059
Public administration, defence and mandatory social security	387 023	3	387 026	31
Education	4 771	22	4 794	408
Healthcare and welfare	49 423	8 444	57 868	3 864
Leisure, cultural and sports activities	30 496	0	30 496	915
Other services and activities	14 746	88	14 834	928
Individuals	421 453	7 171	428 624	25 980
Housing loans	137 586	1 335	138 921	10 942
Others	283 867	5 836	289 703	15 038
	1 498 483	**72 449**	**1 570 932**	**98 666**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.

At 31 December 2014 the amount of exposure and impairment of Loans and advances to international Customers, by business sector, was made up as follows:

	Performing loans	Overdue loans	Exposure[1]	Impairment
Corporates	1 454 521	56 180	1 510 701	53 457
Agriculture, animal production and hunting	66 236	2 360	68 596	3 121
Mining	16 450	1 139	17 589	707
Other manufacturing industries	43 126	6 700	49 826	4 799
Electricity, gas and water	1 233		1 233	37
Construction	212 674	11 750	224 424	15 118
Wholesale and retail trade; motor vehicle and motorcycle repairs	150 999	29 004	180 003	22 184
Transport and storage	28 318	1 553	29 871	1 171
Restaurant and hotels	26 113	533	26 646	1 528
Auxiliary activities to financial services and insurance	1 904	11	1 915	67
Real estate	37 030	1 409	38 439	2 464
Public administration, defence and mandatory social security	851 033	461	851 494	783
Education	4 194	332	4 526	215
Healthcare and welfare	5 143	1	5 144	155
Leisure, cultural and sports activities	361	3	364	11
Other services and activities	9 707	924	10 631	1 097
Individuals	381 439	7 574	389 013	24 409
Housing loans	71 109	1 258	72 367	10 908
Others	310 330	6 316	316 646	13 501
	1 835 960	**63 754**	**1 899 714**	**77 866**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.

At 31 December 2015 loans were made up as follows by country:

	Performing loans	Loans overdue	Exposure[1]	of which:		Individual impairment	Collective impairment	Total impairment
				Individually assessed	Collectively assessed			
DOMESTIC ACTIVITY	**20 995 640**	**850 021**	**21 845 661**	**1 094 185**	**20 751 476**	**462 137**	**406 051**	**868 188**
Portugal	19 520 556	739 544	20 260 100	819 319	19 440 781	363 298	395 443	758 741
Spain	751 227	94 116	845 343	202 062	643 281	74 577	3 874	78 451
Angola	176 976	105	177 081		177 080		475	475
Netherlands	109 415	2	109 417		109 417		401	401
Others	437 466	16 255	453 720	72 803	380 917	24 262	5 858	30 120
INTERNATIONAL ACTIVITY (ANGOLA)	**1 498 483**	**72 449**	**1 570 932**					**98 666**
	22 494 123	**922 470**	**23 416 593**					**966 854**

1) Does not include 1 724 930 th. euro of securities held by BPI Vida, allocated essentially to coverage of capitalization insurance.

At 31 December 2014 Proforma loans were made up as follows by country:

	Performing loans	Loans overdue	Exposure[1]	of which:		Individual impairment	Collective impairment	Total impairment
				Individually assessed	Collectively assessed			
DOMESTIC ACTIVITY	**21 286 671**	**979 939**	**22 266 611**	**1 477 481**	**20 789 132**	**534 395**	**413 160**	**947 556**
Portugal	19 280 798	795 909	20 076 708	1 034 554	19 042 157	357 957	407 116	765 074
Spain	1 163 593	169 971	1 333 563	351 449	982 114	155 078	2 661	157 739
Angola	263 984	54	264 038		264 038		267	267
Netherlands	133 252	1	133 254		133 254		476	476
Others	445 044	14 003	459 047	91 478	367 569	21 360	2 639	23 999
INTERNATIONAL ACTIVITY (ANGOLA)	**1 835 960**	**63 754**	**1 899 714**					**77 866**
	23 122 631	**1 043 693**	**24 166 325**					**1 025 422**

1) Does not include 2 005 739 th. euro of securities held by BPI Vida, allocated essentially to coverage of capitalization insurance.

At 31 December 2015 the mortgage loans to individual Customers, by year of production, granted by Banco BPI (non-consolidated) was made up as follows:

Year of production	Number of operations	Amount	Impairment recorded
2004 or previous	91 129	2 902 645	80 340
2005	14 025	677 982	18 352
2006	18 408	1 006 189	24 025
2007	25 586	1 438 183	36 593
2008	22 136	1 289 680	24 106
2009	14 311	955 118	16 033
2010	15 841	1 144 180	19 607
2011	5 288	363 114	5 393
2012	4 090	257 606	1 925
2013	4 246	251 002	1 385
2014	4 419	280 104	1 394
2015	7 767	558 271	1 454
	227 246	**11 124 074**	**230 607**

The caption SECURITIES at 31 December 2015 was made up as follows:

Nature and type of security	Quantity	Cost	Gross book value	Impairment[1]
SECURITIES				
Debt Instruments				
Issued by Portuguese entities				
Portuguese public debt				
EDIA SA-TV-30.01.2027	16 180 000	16 180	16 184	
EDIA-EMP.DES.DO ALQUEVA – TV-11.08.2030	19 250 000	19 250	19 455	
REGIAO AUTONOMA DOS ACORES-TV-16.11.2025	16 600 000	16 600	16 650	
REPUBLICA DE PORTUGAL TV – 29.01.2018	50 000 000	50 000	50 548	
		102 030	**102 837**	
Other residents				
Non-subordinated debt				
Bonds				
Asset Backed Securities (ABS's)				
TAGUS-SOC.TIT.CREDITO-CL.A-12.02.2025	72 424 924	72 425	72 425	
TAGUS-SOC.TIT.CREDITO-CL.B-12.02.2025	50 000	50	50	
		72 475	**72 475**	
Other bonds				
ADP-AGUAS DE PORTUGAL,SGPS-TV-20.06.2022	50 000 000	95 181	50 005	
ALTRI – 2014 / 2020	50 000 000	50 000	50 372	
AUTO-SUECO – 2013 / 2018	30 000 000	30 000	30 741	
BRISA – 4.5% – 05.12.2016	8 200 000	8 132	8 158	
BRISA-CONCESSAO ROD.SA-TV-07.06.2020	60 000 000	59 805	59 983	
CGD-3.75%-18.01.2018	9 000 000	8 986	9 307	
CIN – 2014 / 2019	15 000 000	15 000	15 014	
COLEP PORTUGAL SA -TV-10.10.2017	9 000 000	9 000	9 060	
EDP FINANCE BV-4.75%-26.09.2016	12 275 000	12 296	12 449	
EFANOR INVESTIMENTOS SGPS SA-2014 / 2019	15 000 000	15 000	15 189	
FIRST STATE WIND ENERGY-BONDS A DUE 2021	13 500 000	13 500	13 535	
FIRST STATE WIND ENERGY-BONDS B DUE 2030	24 500 000	24 500	24 564	
GALP 2013 / 2018	150 000 000	150 000	151 260	
GENERIS 2015-2020	28 500 000	28 500	28 506	
GRUPO PESTANA 2014 / 2020	46 000 000	46 000	46 565	
GRUPO VISABEIRA SGPS-TV-14.07.2019	5 000 000	5 000	5 096	
JMR – 2015 / 2017	75 000 000	75 000	75 018	
MEDIA CAPITAL 2014-2019	50 000 000	50 000	50 956	
MOTA-ENGIL SGPS-TV-30.12.2016	5 000 000	5 000	5 001	
MOTA-ENGIL-TV 2015 / 2018	15 000 000	15 000	15 030	
NOS SGPS-2015-2022	25 000 000	25 000	25 114	
PARQUE EÓLICO DO PISCO- TV 11.07.2026	6 625 000	6 625	6 696	
PARQUE EOLICO PISCO-TV-11.07.2026-3.ªSR.	3 750 000	3 750	3 788	
PARQUE EOLICO PISCO-TV-11.07.2026-4.ªSR.	1 000 000	1 000	1 000	
POLIMAIA / 1989 – SR.C (AC.CRED.)	7			
PORTUCEL SA-TV-22.09.2023	50 000 000	50 000	50 269	
RENOVA-1.6%-2015-2021	20 000 000	20 281	20 000	
REN-REDES ENERG.NAC.-6.25%-21.09.2016	1 224 000	1 258	1 279	
REN-REDES ENERG.NAC.-TV-16.01.2020	100 000 000	100 000	101 003	
SECIL 2015-2020	80 000 000	80 000	80 200	
SEMAPA 2014 / 2019	28 487 000	28 532	28 726	
SEMAPA 2014 / 2020	41 500 000	41 500	41 608	
SEMAPA TV (20.04.2016)[2]	7 650 000	7 649	7 670	
SONAE CAPITAL SGPS – TV – 17.01.2016	10 000 000	10 000	10 205	
VIOLAS-SGPS SA-TV-06.11.2023	70 000 000	70 000	70 241	
ZON OPTIMUS 2014-2019	100 000 000	99 825	100 186	
		1 261 320	**1 223 794**	
Commercial paper			843 874	1 693
			843 874	**1 693**
Subordinated debt				
Bonds				
BANIF – TAX.VAR. (30.12.2015)[3]	11 800 000	11 800	11 800	11 800
			11 800	**11 800**

1) Additionally, the Bank recorded collective impairment of 4 556 th. euro.
2) Securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING in 2012, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.49).
3) Securities reclassified from the caption FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS in 2008, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.49).

Nature and type of security	Quantity	Cost	Gross book value	Impairment[1]
Issued by others non-residents				
Non-subordinated debt				
Bonds				
Asset Backed Securities (ABS's)				
HSBC BRAZIL-SR.2006-A-15.04.2016	1 416 056	1 416	1 415	
		1 416	**1 415**	
Other bonds				
BANCO DE SABADELL SA-3.375%-13.01.2018	16 000 000	15 968	16 474	
BPE FINANCIACIONES, S.A.-TV 2017.02.13	49 000 000	49 000	49 118	
CAIXABANK-3.25%-22.01.2016	14 800 000	14 799	15 251	
EDDYSTONE FIN.SR2006-1 CLA1B 19.04.2021[2]	277 193	222	222	
EDP FINANCE BV-4.625% (13.06.2016)	6 903 000	6 927	7 102	
EDP FINANCE BV-4.875%-14.09.2020	80 000 000	79 612	80 762	
EDP FINANCE BV-5.875%-01.02.2016	22 228 000	22 262	23 453	
EDP FINANCE BV-TV 26.06.2019	87 260 035	69 822	87 279	
EIRLES THREE LTD(SERIES 297)-31.12.2021	5 667 429	5 096	5 096	
ENEL FINANCE INTL SA-4%-14.09.2016	6 700 000	6 739	6 818	
EURO-VIP / 1990[3]	5 511 160	5 181	4 997	
GAS NATURAL CAPITAL-4.375%-02.11.2016	7 000 000	6 986	7 036	
RED ELECTRICA FINAN.BV-3.5%-07.10.2016	7 000 000	6 989	7 046	
REPSOL SA-4.25%-12.02.2016	6 800 000	6 805	7 060	
TELECOM ITALIA SPA 8.25% – 21.03.2016	6 100 000	6 148	6 540	
TELEFONICA EMISIONES-4.375% (02.02.2016)	5 100 000	5 099	5 302	
		307 655	**329 556**	
Commercial paper			1 494	
			1 494	
			2 587 245	**13 493**

1) Additionally, the Bank recorded collective impairment of 4 556 th. euro.

2) Securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING in 2012, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.49).

3) Securities reclassified from the caption FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS in 2008, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.49).

Evidence of possible impairment of the Asset Backed Securities (ABS) portfolio is determined through regular monitoring of the performance indicators of the underlying transactions. At 31 December 2015 this did not show evidence of impaired securities.

4.8 Held to maturity investments

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Debt instruments		
Bonds issued by other Portuguese entities		
Non-subordinated debt	1 197	1 186
Bonds issued by foreign government entities		59 994
Bonds issued by other foreign entities		
Non-subordinated debt	19 289	25 252
Subordinated debt	1 900	1 900
Accrued interest	31	50
	22 417	**88 382**

The portfolio of held to maturity investments includes assets to cover capitalisation insurance contracts issued by BPI Vida e Pensões.

At 31 December 2015 this caption was made up as follows:

Nature and type of security	Quantity	Cost	Gross book value	Impairment
SECURITIES				
Debt instruments				
Issued by other residents				
Non-subordinated debt				
Bonds				
SEMAPA – TV (20.04.2016)[2]	1 200 000	1 197	1 200	
		1 197	**1 200**	
Issued by other non resident entities				
Non-subordinated debt				
Bonds				
BANCA CARIGE SPA-TV-07.06.2016[2]	1 000 000	1 000	1 001	
IBERCAJA(CA.ZARAGOZA A.R.)TV-20.04.2018[1]	6 000 000	6 000	6 010	
IBERCAJA(CA.ZARAGOZA A.R.)TV-25.04.2019[1]	8 400 000	8 400	8 412	
ING GROEP NV-TV. (11.04.2016)[1]	3 900 000	3 890	3 891	
		19 290	**19 314**	
Subordinated debt				
Bonds				
CAM INTERNATIONAL-TV-26.04.2017[2]	1 900 000	1 900	1 903	
		1 900	**1 903**	
		22 387	**22 417**	

1) Securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING under the amendments to IAS 39 and IFRS 7, in 2008 (notes 2 and 4.49)
2) Securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING under the amendments to IAS 39 and IFRS 7, in 2009 (notes 2 and 4.49).

4.9. Non-current assets held for sale

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.		
Gross value		20 136
Impairment		(8 532)
		11 604

In 2014 the investment in Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A. was reclassified to the caption NON-CURRENT ASSETS HELD FOR SALE, as the requirements for this classification referred to in IFRS 5 – Non-current assets held for sale were met, namely the existence of negotiations to sell the investment. The sale was completed in the first half of 2015.

The changes in impairment losses and provisions in 2015 and 2014 are shown in note 4.22.

4.10. Investment properties

The caption INVESTMENT PROPERTIES refers to properties held by the fund Imofomento – Fundo de Investimento Imobiliário Aberto which was consolidated in accordance with the full consolidation method until 31 August 2015. In September 2015 the BPI Group became holder of less than 20% of the participating units of the fund and so it ceased being consolidated.

The changes in this caption in 2014 were as follows:

Opening balance 31 December 2013	
Acquisition cost	168 087
Revaluations	(3 138)
Net value	164 949
Acquisitions	508
Sales and Rebates	
Acquisition cost	(7 324)
Revaluations	(577)
Revaluations	(2 779)
Closing balance 31 December 2014 Proforma	
Acquisition cost	161 271
Revaluations	(6 494)
Net value	154 777

The impact of the fair value revaluation of the investment properties is recorded in the statement of income caption OPERATING INCOME AND EXPENSES (note 4.42).

4.11. Other tangible assets

The changes in other tangible assets in 2015 were as follows:

	Gross						Depreciation						Net	
	Balance at 31 Dec. 14 Proforma	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec. 15	Balance at 31 Dec.14 Proforma	Depreciation for the year	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec. 15	Balance at 31 Dec. 15	Balance at 31 Dec.14 Proforma
Property														
Property for own use	148 915	9 098	(1 962)	4 028	(17 878)	142 201	31 576	2 959	(296)	(549)	(2 267)	31 423	110 778	117 339
Other property	13				(1)	12	2					2	10	11
Leasehold improvements	113 684	270	(5 097)	2 612	(7 282)	104 187	98 545	3 341	(5 060)	177	(5 183)	91 820	12 367	15 139
	262 612	**9 368**	**(7 059)**	**6 640**	**(25 161)**	**246 400**	**130 123**	**6 300**	**(5 356)**	**(372)**	**(7 450)**	**123 245**	**123 155**	**132 489**
Equipment														
Furniture and fixtures	51 265	1 179	(497)	166	(2 205)	49 908	43 968	1 710	(492)		(1 266)	43 920	5 988	7 297
Machinery and tools	14 042	456	(428)	38	(778)	13 330	11 997	554	(425)	31	(523)	11 634	1 696	2 045
Computer hardware	184 015	7 711	(12 732)	1 632	(5 611)	175 015	171 041	7 981	(12 720)		(4 296)	162 006	13 009	12 974
Interior installations	141 219	1 861	(8 242)	3 329	(1 604)	136 563	114 839	6 821	(6 929)	(17)	(771)	113 943	22 620	26 380
Vehicles	12 898	1 967	(364)	(25)	(1 884)	12 592	9 961	1 895	(354)	(6)	(1 519)	9 977	2 615	2 937
Security equipment	27 567	259	(783)	121	(899)	26 265	23 826	952	(773)		(515)	23 490	2 775	3 741
Other equipment	601	2			(81)	522	128	5			(8)	125	397	473
	431 607	**13 435**	**(23 046)**	**5 261**	**(13 062)**	**414 195**	**375 760**	**19 918**	**(21 693)**	**8**	**(8 898)**	**365 095**	**49 100**	**55 847**
Equipment in finance lease		10 723				10 723		1 068				1 068	9 655	
Tangible assets in progress	13 540	9 988		(11 784)	(838)	10 906							10 906	13 540
Other tangible assets	12 131	51	(449)	(8)		11 725	9 768	123	(435)	(10)		9 446	2 279	2 363
	25 671	**20 762**	**(449)**	**(11 792)**	**(838)**	**33 354**	**9 768**	**1 191**	**(435)**	**(10)**		**10 514**	**22 840**	**15 903**
	719 890	**43 565**	**(30 554)**	**109**	**(39 061)**	**693 949**	**515 651**	**27 409**	**(27 484)**	**(374)**	**(16 348)**	**498 854**	**195 095**	**204 239**

The changes in other tangible assets in 2014 Proforma were as follows:

	Gross						Depreciation						Net	
	Balance at 31 Dec.13 Proforma	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec.14 Proforma	Balance at 31 Dec.13 Proforma	Depreciation for the year	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec.14 Proforma	Balance at 31 Dec.14 Proforma	Balance at 31 Dec.13 Proforma
Property														
Property for own use	138 126	1 355	(248)	2 335	7 347	148 915	28 082	2 651		(14)	857	31 576	117 339	110 044
Other property	104		(91)			13	36		(34)			2	11	68
Leasehold improvements	110 139	527	(2 730)	2 678	3 070	113 684	96 484	2 538	(2 391)	(214)	2 128	98 545	15 139	13 655
	248 369	**1 882**	**(3 069)**	**5 013**	**10 417**	**262 612**	**124 602**	**5 189**	**(2 425)**	**(228)**	**2 985**	**130 123**	**132 489**	**123 767**
Equipment														
Furniture and fixtures	52 820	979	(3 503)	51	918	51 265	45 141	1 791	(3 450)	(3)	489	43 968	7 297	7 679
Machinery and tools	14 056	899	(1 218)	2	303	14 042	12 447	574	(1 210)	(13)	199	11 997	2 045	1 609
Computer hardware	185 432	6 369	(12 554)	2 688	2 080	184 015	175 381	6 513	(12 541)	7	1 681	171 041	12 974	10 051
Interior installations	155 561	1 502	(17 003)	513	646	141 219	121 952	7 921	(15 296)	(44)	306	114 839	26 380	33 609
Vehicles	11 722	1 529	(1 166)	46	767	12 898	8 327	2 031	(1 111)	138	576	9 961	2 937	3 395
Security equipment	26 907	733	(523)	81	369	27 567	23 363	1 001	(514)	(212)	188	23 826	3 741	3 544
Other equipment	583	3	(21)		36	601	139	6	(19)	(1)	3	128	473	444
	447 081	**12 014**	**(35 988)**	**3 381**	**5 119**	**431 607**	**386 750**	**19 837**	**(34 141)**	**(128)**	**3 442**	**375 760**	**55 847**	**60 331**
Tangible assets in progress	10 674	12 004		(9 548)	410	13 540							13 540	10 674
Other tangible assets	12 570	10	(413)	(36)		12 131	10 005	179	(374)	(42)		9 768	2 363	2 565
	23 244	**12 014**	**(413)**	**(9 584)**	**410**	**25 671**	**10 005**	**179**	**(374)**	**(42)**		**9 768**	**15 903**	**13 239**
	718 694	**25 910**	**(39 470)**	**(1 190)**	**15 946**	**719 890**	**521 357**	**25 205**	**(36 940)**	**(398)**	**6 427**	**515 651**	**204 239**	**197 337**

4.12. Intangible assets

The changes in intangible assets in 2015 were as follows:

	Gross						Depreciation					Net	
	Balance at 31 Dec.14 Proforma	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec. 15	Balance at 31 Dec.14 Proforma	Deprecia-tion for the year	Sales and write-offs	Foreign exchange differences	Balance at 31 Dec. 15	Balance at 31 Dec. 15	Balance at 31 Dec.14 Proforma
Software	85 228	3 575		6 990	(1 477)	94 316	68 464	8 697		(1 083)	76 078	18 238	16 764
Other intangible assets	26 358		(4 753)		(240)	21 365	23 697	11	(4 753)	(239)	18 716	2 649	2 661
	111 586	**3 575**	**(4 753)**	**6 990**	**(1 717)**	**115 681**	**92 161**	**8 708**	**(4 753)**	**(1 322)**	**94 794**	**20 887**	**19 425**
Intangible assets in progress	5 458	9 919		(7 126)		8 251						8 251	5 458
	117 044	**13 494**	**(4 753)**	**(136)**	**(1 717)**	**123 932**	**92 161**	**8 708**	**(4 753)**	**(1 322)**	**94 794**	**29 138**	**24 883**

The changes in intangible assets in 2014 Proforma were as follows:

	Gross						Depreciation					Net	
	Balance at 31 Dec.13 Proforma	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec.14 Proforma	Balance at 31 Dec.13 Proforma	Deprecia-tion for the year	Sales and write-offs	Foreign exchange differences	Balance at 31 Dec.14 Proforma	Balance at 31 Dec.14 Proforma	Balance at 31 Dec.13 Proforma
Software	71 044	2 540	(15)	11 149	510	85 228	62 581	5 554	(15)	344	68 464	16 764	8 463
Other intangible assets	28 735		(2 484)		107	26 358	26 063	11	(2 484)	107	23 697	2 661	2 672
	99 779	**2 540**	**(2 499)**	**11 149**	**617**	**111 586**	**88 644**	**5 565**	**(2 499)**	**451**	**92 161**	**19 425**	**11 135**
Intangible assets in progress	8 014	8 649		(11 205)		5 458						5 458	8 014
	107 793	**11 189**	**(2 499)**	**(56)**	**617**	**117 044**	**88 644**	**5 565**	**(2 499)**	**451**	**92 161**	**24 883**	**19 149**

4.13. Investments in associated companies and jointly controlled entities

Investments in associated companies and jointly controlled entities, recorded in accordance with the equity method, are as follows:

	Effective participation (%)		Book value	
	31 Dec. 15	31 Dec. 14 Proforma	31 Dec. 15	31 Dec. 14 Proforma
Banco Comercial e de Investimentos, S.A.R.L.	30.0	30.0	64 321	54 776
Companhia de Seguros Allianz Portugal, S.A.	35.0	35.0	77 842	93 572
Cosec – Companhia de Seguros de Crédito, S.A.	50.0	50.0	31 333	29 909
Inter-Risco – Sociedade de Capital de Risco, S.A.	49.0	49.0	517	881
Unicre – Instituição Financeira de Crédito, S.A.	21.0	21.0	36 434	33 842
			210 447	**212 980**

The remaining share capital of BCI is held by the Caixa Geral de Depósitos Group (51.26%), the Insitec Group (18.12%) and by individual shareholders (0.88%). As regards BCI, two agreements between shareholders were signed, with different purposes, the terms of which are as follows:

- Shareholder agreement – in July 2006 the Caixa Geral de Depósitos Group and Banco BPI entered into a shareholders' agreement relating to BCI to regulate their relationship as shareholders of BCI, as well as certain aspects relating to its operations. The agreement is of undetermined duration, remaining in force until any of the circumstances provided for therein occur.

- Preference agreement – on 22 November 2007 a Preference agreement between the Caixa Geral de Depósitos Group, Banco BPI and the Insitec Group was signed, which governs the right of preference of the CGD Group and Banco BPI in the case of a direct or indirect onerous sale of shares representing the share capital of BCI held by the Insitec Group. The agreement has an initial duration of 30 years, automatically renewable for successive periods of five years, unless terminated by either party 1 year in advance of the expiry of the initial validity period or of the ongoing renewal period.

In 2015 Banco BPI subscribed for 30% of Banco Comercial e de Investimentos' share capital increase, in the amount of 12 988 th. euro.

In 2015 and 2014 the BPI Group received the following dividends from associated companies:

	31 Dec. 15	31 Dec. 14 Proforma
Banco Comercial e de Investimentos, S.A.R.L.		1 879
Companhia de Seguros Allianz Portugal, S.A.	22 478	24 667
Cosec – Companhia de Seguros de Crédito, S.A.	3 549	3 904
Inter-Risco – Sociedade de Capital de Risco, S.A.	196	
Unicre – Instituição Financeira de Crédito, S.A.	1 403	1 135
	27 626	**31 585**

In some of the associated companies, Banco BPI is party to shareholder agreements that contain, among others, rules on the composition of the governing bodies and on the transfer of shares of such companies.

None of the associated companies of the BPI Group are listed on the stock exchange.

4.14. Tax assets

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Current tax assets		
Corporate income tax recoverable	6 748	8 670
Others	1 930	2 028
	8 678	**10 698**
Deferred tax assets		
Due to temporary differences	307 922	309 001
Due to tax losses carried forward	103 614	102 832
	411 536	**411 833**
	420 214	**422 531**

Details of deferred tax assets are presented in note 4.45.

4.15. Other assets

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Debtors, other applications and other assets		
Debtors for future operations	30 926	12 279
Collateral accounts	4 707	3 000
Other applications	13 064	10 798
VAT recoverable	3 058	2 228
Accrued loan interest subsidy	4 036	4 438
Other debtors	51 778	75 277
Overdue debtors and other applications	228	385
Impairment on overdue debtors and other applications	(169)	(1 449)
Other assets		
Gold	50	53
Other available funds and other assets	366	364
	108 044	**107 373**
Tangible assets available for sales	158 848	166 758
Impairment of overdue debtors and other applications	(29 302)	(29 390)
	129 546	**137 368**
Accrued income		
For irrevocable commitments assumed in relation to third parties	239	276
Accrued banking services rendered to third parties	2 543	2 624
Other accrued income	32 193	28 496
	34 975	**31 396**
Deferred expenses		
Insurance	20	21
Rent	3 373	3 524
Other deferred expenses	8 184	8 813
	11 577	**12 358**
Liability for pensions and other benefits (note 4.28)		
Pension fund asset value		
Pensioners and Employees	1 391 069	
Directors	42 311	
Past service liabilities		
Pensioners and Employees	(1 279 923)	
Directors	(43 979)	
Others	(1 601)	
	107 877	
Other accounts		
Foreign exchange transactions pending settlement		43 378
Stock exchange transactions pending settlement		5 265
Operations on assets pending settlement	276 779	347 648
	276 779	**396 291**
	668 798	**684 786**

The caption OTHER APPLICATIONS at 31 December 2015 and 2014 includes 5 117 th. euro and 3 170 th. euro, respectively, relating to a collateral pledged in guarantee under derivative transactions relating to bonds issued through Sagres – Sociedade de Titularização de Créditos, S.A.

The caption OTHER DEBTORS at 31 December 2015 and 2014 includes 27 556 th. euro and 53 538 th. euro relating to instalments receivable from the sale in 2008 of 49.9% of the share capital of Banco de Fomento Angola, S.A. The selling price was 365 671 th. euro, part of the proceeds from the sale being paid in eight annual instalments, from 2009 to 2016, plus compensation due to monetary correction.

The changes in assets received in settlement of defaulting loans and other tangible assets available for sale in 2015 were as follows:

	Balance at 31 Dec. 14 Proforma			Acquisitions and transfers	Sales and writte-offs		Increase / Reversals of impairment	Foreign exchange translation difference	Balance at 31 Dec. 15		
	Gross	Impairment	Net		Gross	Impairment			Gross	Impairment	Net
Assets received in settlement of defaulting loans											
Real estate	161 217	(27 366)	133 851	43 270	(51 167)	4 403	(4 300)	215	153 535	(27 263)	126 272
Equipment	1 006	(699)	307	600	(968)	253	(39)	17	655	(485)	170
Others	61	(61)							61	(61)	
Other tangible assets											
Real estate	4 474	(1 264)	3 210	488	(365)	66	(295)		4 597	(1 493)	3 104
	166 758	**(29 390)**	**137 368**	**44 358**	**(52 500)**	**4 722**	**(4 634)**	**232**	**158 848**	**(29 302)**	**129 546**

The changes in assets received in settlement of defaulting loans and other tangible assets available for sale in 2014 were as follows:

	Balance at 31 Dec. 13 Proforma			Acquisitions and transfers	Sales and writte-offs		Increase / Reversals of impairment	Foreign exchange translation difference	Balance at 31 Dec. 14 Proforma		
	Gross	Impairment	Net		Gross	Impairment			Gross	Impairment	Net
Assets received in settlement of defaulting loans											
Real estate	168 251	(33 214)	135 037	41 702	(48 962)	8 233	(2 385)	226	161 217	(27 366)	133 851
Equipment	2 129	(1 308)	821	1 640	(2 783)	558	51	20	1 006	(699)	307
Others	61	(61)							61	(61)	
Other tangible assets											
Real estate	3 920	(1 198)	2 722	554			(66)		4 474	(1 264)	3 210
Others											
	174 361	**(35 781)**	**138 580**	**43 896**	**(51 745)**	**8 791**	**(2 400)**	**246**	**166 758**	**(29 390)**	**137 368**

At 31 December 2015, the properties received in settlement of defaulting loans were made up as follows, by type of property:

Assets	No. of properties	Fair value	Book value
Land	**58**	**24 226**	**19 577**
Urban	37	23 762	19 225
Rural	21	464	352
Buildings	**1 243**	**129 012**	**106 460**
Business	234	19 047	16 388
Housing	826	75 129	59 840
Others[1]	183	34 836	30 232
Others	**3**	**269**	**235**
	1 304	**153 507**	**126 272**

1) This category includes all buildings that are not exclusively for business or housing.

At 31 December 2014 the properties received in settlement of defaulting loans were made up as follows, by type of property:

Assets	No. of properties	Fair value	Book value
Land	**55**	**9 324**	**7 846**
Urban	30	7 817	6 522
Rural	25	1 508	1 324
Buildings	**1 449**	**152 461**	**125 545**
Business	265	22 919	19 783
Housing	975	88 707	70 919
Others[1]	209	40 835	34 844
Others	**5**	**571**	**459**
	1 509	**162 356**	**133 851**

1) This category includes all buildings that are not exclusively for business or housing.

At 31 December 2015 the properties received in settlement of defaulting loans were made up as follows, by age:

Time since the settlement / execution	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Book value
Land	**13 966**	**2 725**	**561**	**2 325**	**19 577**
Urban	13 924	2 725	506	2 070	19 225
Rural	42		55	255	352
Buildings	**23 945**	**31 160**	**37 925**	**13 430**	**106 460**
Business	1 202	3 809	7 348	4 029	16 388
Housing	20 966	20 389	12 436	6 049	59 840
Others[1]	1 777	6 962	18 141	3 352	30 232
Others		**149**	**86**		**235**
	37 911	**34 034**	**38 572**	**15 755**	**126 272**

1) This category includes all buildings that are not exclusive for business or housing.

At 31 December 2014 the properties received in settlement of defaulting loans were made up as follows, by age:

Time since the settlement / execution	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Book value
Land	**4 633**	**298**	**522**	**2 393**	**7 846**
Urban	4 037	266	164	2 055	6 522
Rural	597	32	357	338	1 324
Buildings	**31 585**	**42 459**	**41 668**	**9 833**	**125 545**
Business	1 855	8 752	6 762	2 414	19 783
Housing	25 256	25 056	15 405	5 203	70 919
Others[1]	4 474	8 652	19 501	2 216	34 844
Others	**149**	**310**			**459**
	36 368	**43 067**	**42 189**	**12 226**	**133 851**

1) This category includes all buildings that are not exclusive for business or housing.

The caption OTHER ACCRUED INCOME at 31 December 2015 and 2014 includes 20 132 th. euro and 19 200 th. euro, respectively, relating to accrued commission from participation in the results of insurance products (notes 2.16 and 4.40).

At 31 December 2015 the caption PAST SERVICE LIABILITIES – OTHERS corresponded to the liability of Banco de Fomento Angola in accordance with *Law 18 / 90* of Angola, regarding the Angola Social Security system, which defines that retirement pensions must be granted to all Angolan Employees enrolled in the Social Security.

The caption STOCK EXCHANGE TRANSACTIONS PENDING SETTLEMENT at 31 December 2014 refers to the sale of securities only settled in the following month.

At 31 December 2015 and 2014 the balance of the caption OPERATIONS ON ASSETS PENDING SETTLEMENT includes:

- 213 108 th. euro and 236 831 th. euro, respectively, relating to securitisation operations carried out by Banco BPI (notes 4.7 and 4.21), resulting from temporary differences between settlement of the securitised loans and settlement of the liability for assets not derecognised;
- 28 084 th. euro and 28 201 th. euro, respectively, relating to taxes paid, but with legal processes in various courts, for which there is no expected date for completion. Highlighting the Bank's VAT processes for 2004 to 2009 – under *Decree-Law 151-A / 13* of 31 October (19 916 th. euro); Corporation Income Tax and VAT processes of Banco BPI and subsidiary companies incorporated at Dec / 2002 – under *Decree-Law 248-A / 02* of 14 November (6 731 th. euro and 6 849 th. euro, respectively);
- 6 165 th. euro and 7 422 th. euro, respectively, relating to housing loans pending settlement;
- 50 401 th. euro at 31 December 2014 relating to contributions to the Pension Fund made in the first quarter of 2015.

The changes in impairment losses and provisions in 2015 and 2014 are shown in note 4.22.

4.16. Resources of central banks

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Resources of the Bank of Portugal		
Deposits	1 519 649	1 545 301
Accrued interest	1 085	15 883
Resources of other central banks		
Deposits	1	1
	1 520 735	**1 561 185**

In 2015 and in 2014 Banco BPI took funds from the EuroSystem, using part of its portfolio of eligible assets for this purpose (note 4.34).

4.17. Financial liabilities held for trading

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Short selling		
Debt instruments		
Bonds issued by foreign government entities		799
Derivative instruments with negative fair value (note 4.4)	294 318	325 986
	294 318	**326 785**

4.18. Resources of other credit institutions

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Resources of Portuguese credit institutions		
Deposits	355 499	308 662
Loans	58	52
Other resources	3 616	4 948
Accrued interest	472	953
	359 645	**314 615**
Resources of foreign credit institutions		
Deposits of international financial organisations	704 910	708 649
Very short term resources	1 053	228
Deposits	168 838	172 731
Debt securities sold with repurchase agreements	25 728	81 399
Other resources	36 847	78 319
Accrued interest	975	1 238
	938 351	**1 042 564**
Correction of the amount of hedged liabilities	13 792	15 262
Commission relating to amortised cost	3	
	1 311 791	**1 372 441**

The balance of the caption DEBT SECURITIES SOLD WITH REPURCHASE AGREEMENTS is made up essentially of money market repurchase operations, used for liquidity management purposes.

4.19. Resources of Customers and other debts

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Demand deposits	12 886 456	10 188 124
Term deposits	12 676 526	16 241 371
Saving deposits	62 080	78 718
Compulsory deposits	9 240	8 564
Cheques and orders payable	45 959	60 582
Debt securities sold with repurchase agreement	26 186	94 260
Other resources of Customers	64 130	44 989
Minority interest in investment funds		
BPI Alternative Fund (Lux)	167 534	83 547
BPI Obrigações Mundiais	31 473	14 459
BPI Strategies	27 957	13 635
Imofomento		83 323
Capitalisation insurance products – Unit links	1 957 360	904 401
Capitalisation insurance products – Guaranteed Rate and Guaranteed Retirement	27 944	53 941
Accrued interest	167 851	218 038
	28 150 696	**28 087 952**
Correction of the amount of hedged liabilities	29 204	46 665
Commission relating to amortized cost (net))	(2 086)	
	28 177 814	**28 134 617**

The caption RESOURCES OF CUSTOMERS at 31 December 2015 includes 632 613 th. euro and 192 072 th. euro, respectively, relating to deposits of investment funds and pension funds managed by the BPI Group (295 276 th. euro and 192 794 th. euro, respectively, at 31 December 2014).

4.20. Debt securities

This caption is made up as follows:

	31 Dec. 15				31 Dec. 14 Proforma			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Commercial paper								
EUR					16 335		16 335	1.2%
					16 335		**16 335**	
Covered bonds								
EUR	4 875 000	(4 150 000)	725 000	0.7%	4 325 000	(2 837 000)	1 488 000	1.5%
	4 875 000	**(4 150 000)**	**725 000**		**4 325 000**	**(2 837 000)**	**1 488 000**	
Fixed rate cash bonds								
EUR	356 609	(32 668)	323 941	3.2%	500 826	(76 965)	423 861	3.4%
	356 609	**(32 668)**	**323 941**		**500 826**	**(76 965)**	**423 861**	
Variable rate cash bonds								
EUR					30 000	(15 928)	14 072	1.4%
					30 000	**(15 928)**	**14 072**	
Variable income cash bonds								
EUR	35 100	(15 524)	19 576		245 390	(42 270)	203 120	
USD	4 868	(698)	4 170		74 603	(11 263)	63 340	
	39 968	**(16 222)**	**23 746**		**319 993**	**(53 533)**	**266 460**	
	5 271 577	**(4 198 890)**	**1 072 687**		**5 192 154**	**(2 983 426)**	**2 208 728**	
Accrued interest			3 457				28 993	
Correction of the amount of hedged liabilities			2 060				9 438	
Premiums and commission (net)			(823)				(9 085)	
			4 694				**29 346**	
			1 077 381				**2 238 074**	

The average interest rates mentioned in the preceding table were calculated based on the interest rate of each issue in relation to the nominal value of the bonds. It is not possible to calculate the rate for the Variable Income Bonds as the income is only known when it is due.

As part of its medium and long term funding plan, the BPI Group issues cash bonds. Some of the bonds are issued under the Euro Medium Term Notes (EMTN) program.

The maximum amount for issues under the EMTN program is 10 000 000 000 euro.

Cash bonds can only be issued by institutions under the Bank of Portugal's supervision. They are an instrument currently used by the BPI Group to provide investment solutions for its Customers, as an alternative to term deposits.

Bonds issued, being cash bonds or bonds issued under the EMTN program, can be issued in different currencies.

In 2008 the BPI Group set up two guaranteed bond issue programs (mortgage bonds and bonds over the public sector), under *Decree-Law 59 / 2006*. Under these programs the BPI Group made three issues of mortgage bonds in 2009, four issues of mortgage bonds and one issue of bonds over the public sector in 2010, two issues of mortgage bonds in 2011 and one issue of mortgage bonds in 2012.

In accordance with this law, the holders of the mortgage bonds benefit from a special credit privilege over the autonomous assets, which consists of a guarantee of the debt to which the bondholders have access in the event of the issuer's insolvency.

The mortgage bonds program was set up for up to a maximum of 7 000 000 000 euro.

The mortgage bonds are secured by a portfolio of mortgage loans and other assets that together constitute an autonomous cover pool.

Assets allocated to the cover pool include mortgage loans for housing or commercial purposes located in a EU Member State and other eligible assets, such as deposits at the Bank of Portugal, deposits with financial institutions with ratings equal to or greater than "A-" and other low risk and highly liquid assets. The total value of the other assets cannot exceed 20% of the cover pool. The amount of the allocated mortgage loans cannot exceed 80% of the value of the mortgaged property in the case of residential property, or 60% of the value of the mortgaged property, in the case of commercial property.

The legislation applicable to mortgage bonds imposes prudential limits, which must be met during the period of the bonds:

- the total nominal amount of the outstanding mortgage bonds cannot exceed 95% of the total amount of mortgage loans and other assets assigned to the bonds;

- the average maturity of the outstanding mortgage bonds cannot exceed, at any time, the average maturity of the mortgage loans and other assets assigned to the bonds;

- the total amount of interest payable to the holders of mortgage bonds cannot exceed, at any time, the amount of interest receivable related to the mortgage loans and other assets assigned to the bonds;

- the net present value of the liabilities arising from the outstanding mortgage bonds cannot exceed, at any time, the net present value of the cover pool given as collateral for these bonds, after consideration of any financial derivative instruments. This ratio must be maintained when considering a 200 basis points parallel up or down shift of the yield curve;

- the credit institutions' risk exposure, except for positions with residual maturity less than or equal to 100 days, cannot exceed 15% of the total nominal amount of the outstanding mortgage bonds.

At 31 December 2015 the amount of mortgage bonds issued by the BPI Group was 4 375 000 000 euro, split into 9 issues as follows:

	OH – Serie 5	**OH – Serie 8**	**OH – Serie 9**	**OH – Serie 10**
Issue date	28-05-2009	12-02-2010	21-05-2010	05-08-2010
Nominal amount	EUR 175 000 000	EUR 200 000 000	EUR 350 000 000	EUR 600 000 000
ISIN	PTBB1XOE0006	PTBB5WOE0003	PTBBP6OE0023	PTBBQQOE0024
Maturity date	28-05-2016	12-02-2017	21-05-2025	05-08-2020
Rating (Moody's / S&P / Fitch)	Aaa / - / - / -	Aaa / - / - / -	Aaa / - / - / -	- / - / AAA / -
Reimbursement	At maturity	At maturity	At maturity	At maturity
Interest payment frequency	Quarterly	Quarterly	Quarterly	Quarterly
Coupon	Euribor 3 m + 1,20%	Euribor 3 m + 0,84%	Euribor 3 m + 0,65%	Euribor 3 m + 0,65%
Repurchases	-	-	EUR 350 000 000	EUR 600 000 000

	OH – Serie 11	**OH – Serie 12**	**OH – Serie 13**	**OH – Serie 14**
Issue date	25-01-2011	25-08-2011	20-07-2012	30-03-2015
Nominal amount	EUR 200 000 000	EUR 600 000 000	EUR 800 000 000	EUR 1 250 000 000
ISIN	PTBBPMOE0029	PTBBWAOE0024	PTBBR3OE0030	PTBBRROE0048
Maturity date	25-01-2018	25-08-2021	20-07-2017	27-03-2025
Rating (Moody's / S&P / Fitch)	Aa1 / AA / AA+ / -	A3 / A+ / A- / -	Baa3 / A- / - / -	Baa2 / - / - / -
Reimbursement	At maturity	At maturity	At maturity	At maturity
Interest payment frequency	Quarterly	Quarterly	Quarterly	Quarterly
Coupon	Euribor 3 m + 4,60%	Euribor 3 m + 0,65%	Euribor 3 m + 0,65%	Euribor 3 m + 0,50%
Repurchases	-	EUR 600 000 000	EUR 800 000 000	EUR 1 250 000 000

	OH – Serie 15
Issue date	07-10-2015
Nominal amount	EUR 200 000 000
ISIN	PTBBPSOE0031
Maturity date	07-10-2022
Rating (Moody's / S&P / Fitch)	A3 / - / - / A(High)
Reimbursement	At maturity
Interest payment frequency	Quarterly
Coupon	Euribor 3 m + 0,50%
Repurchases	EUR 200 000 000

At 31 December 2015 and 2014, the cover pool allocated to the mortgage bonds amounted to 6 073 932 th. euro and 5 825 542 th. euro, respectively, of which 6 057 014 th. euro and 5 772 866 th. euro corresponded to mortgage loans (note 4.7).

The bond program over the public sector was constituted for up to a maximum of 2 000 000 000 euro.

The bonds over the public sector are secured by a portfolio of public sector loans and other assets that together constitute the cover pool.

Loans granted to central public administrations, regional or local authorities of any EU Member State as well as loans with a specific guarantee from these entities may be allocated to the cover pool.

The prudential limits applicable to public sector bonds are similar to those applicable to the mortgage bonds, except for the limit on the maximum nominal amount of outstanding bonds in relation to the loans and other assets allocated to the cover pool, which in the case of bonds over the public sector is 100%.

At 31 December 2015 BPI Group held two outstanding issues of bonds over the public sector amounting to 500 000 000 euro, as follows:

	OSP – Serie 1	OSP – Serie 2	OSP – Serie 3
Issue date	17-07-2008	30-09-2010	07-10-2015
Nominal amount	EUR 150 000 000	EUR 250 000 000	EUR 100 000 000
ISIN	PTBP14OE0006	PTBBRHOE0024	PTBBPROE0032
Maturity date	15-06-2016	30-09-2017	07-10-2022
Rating (Moody's / S&P / Fitch)	- / AAA / -	- / A / -	Baa1 / - / -
Reimbursement	At maturity	At maturity	At maturity
Interest payment frequency	Quarterly	Quarterly	Quarterly
Coupon	Euribor 3 m - 0,004%	Euribor 3 m + 0,4%	Euribor 3 m + 0,65%
Repurchases	-	EUR 250 000 000	EUR 100 000 000

At 31 December 2015 and 2014 the cover pool allocated to bonds over the public sector amounted to 706 935 th. euro and 693 532 th. euro, respectively, of which 700 344 th. euro and 672 417 th. euro corresponded to loans (note 4.7).

The BPI Group issues bonds on a regular basis, with different remuneration conditions:

- fixed rate – bonds issued on which the BPI Group is committed to pay a previously defined rate of income, calculated based on a fixed interest rate from the time of issue to maturity;
- variable rate – bonds issued on which the BPI Group is committed to pay income calculated based on a specified interest rate index published by an outside source (market);
- variable income – bonds issued for which the return is not known, or certain, at the issue date, and can be subject to changes depending on the evolution of certain underlying assets (indices or indexing rates) announced at the date of issue. Such bonds have embedded derivatives which are recorded in specific accounts as required by IAS 39 (note 4.4.). In addition, the BPI Group maintains options contracts to hedge the risks of change in the cost incurred with these bonds.

The changes in the bonds issued by the BPI Group in 2015 were as follows:

	Commercial paper	Covered bonds	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at 31 December 2014	16 335	1 488 000	423 861	14 072	266 460	2 208 728
Bonds issued during the period		1 550 000	51 766			1 601 766
Bonds redeemed	(16 335)	(763 000)	(141 449)	(14 072)	(241 552)	(1 176 408)
Repurchases (net of resales)		(1 550 000)	(10 237)		(1 655)	(1 561 892)
Exchange difference					493	493
Balance at 31 December 2015		**725 000**	**323 941**		**23 746**	**1 072 687**

The changes in the bonds issued by the BPI Group in 2014 were as follows:

	Commercial paper	Covered bonds	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at 31 December 2013		1 519 400	677 591	100 000	231 569	2 528 560
Bonds issued during the period	16 335		155 557	30 000	208 237	410 129
Bonds redeemed			(536 284)	(142 000)	(218 727)	(897 011)
Repurchases (net of resales)		(31 400)	126 997	26 072	43 264	164 933
Exchange difference					2 117	2 117
Balance at 31 December 2014	**16 335**	**1 488 000**	**423 861**	**14 072**	**266 460**	**2 208 728**

Bonds issued by the BPI Group at 31 December 2015, by maturity date, are as follows:

	Maturity				
	2016	2017	2018-2021	> 2021	Total
Covered bonds					
EUR	325 000	200 000	200 000		725 000
	325 000	**200 000**	**200 000**		**725 000**
Fixed rate bonds					
EUR	246 228	47 465	10 248	20 000	323 941
	246 228	**47 465**	**10 248**	**20 000**	**323 941**
Variable rate bonds					
EUR	5 858	13 718			19 576
USD		4 170			4 170
	5 858	**17 888**			**23 746**
	577 086	**265 353**	**210 248**	**20 000**	**1 072 687**

Bonds issued by the BPI Group at 31 December 2014, by maturity date, are as follows:

	Maturity					
	2015	2016	2017	2018-2021	> 2021	Total
Commercial paper						
EUR	16 335					16 335
	16 335					**16 335**
Covered bonds						
EUR	763 000	325 000	200 000	200 000		1 488 000
	763 000	**325 000**	**200 000**	**200 000**		**1 488 000**
Fixed rate bonds						
EUR	141 365	254 564	6 652	1 280	20 000	423 861
	141 365	**254 564**	**6 652**	**1 280**	**20 000**	**423 861**
Variable rate bonds						
EUR		14 072				14 072
		14 072				**14 072**
Variable income bonds						
EUR	24 282	30 371	62 879	85 588		203 120
USD	11 503	10 881	16 877	24 079		63 340
	35 785	**41 252**	**79 756**	**109 667**		**266 460**
	956 485	**634 888**	**286 408**	**310 947**	**20 000**	**2 208 728**

4.21. Financial liabilities relating to transferred assets

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Liabilities relating to assets not derecognised in securitisation operations (note 4.7)		
Loans		
Housing loans	1 650 926	4 530 686
Loans to SME's	3 387 600	3 373 700
Liabilities held by the BPI Group	(4 348 817)	(6 856 024)
Accrued interest	738	1 479
Commission relating to amortised cost (net)	(925)	(2 110)
	689 522	**1 047 731**

Banco BPI launched securitisation operations, the main features of which are summarised in the tables below. These were issued through Sagres – Sociedade de Titularização de Créditos S.A.

The bonds issued by securitisation vehicles and held by BPI Group entities are eliminated in the consolidation process.

On 11 February 2011 Banco BPI launched its second small and medium company securitisation operation, in the amount of 3 472 400 th. euro, under the name of Douro SME Series 2. The operation was issued through Sagres – Sociedade de Titularização de Créditos S.A. The operation was issued in 4 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Fitch / DBRS)	Spread / Taxa fixa
Class A Notes	1 819 400	4.12	A+ / A	0.15%
Class B Notes	1 317 500	4.12	n / r	n / a
Class C Notes		n / a	n / r	n / a
Class D Notes	250 700	4.12	n / r	Residual interest
Total of the issues	**3 387 600**			
Liabilities held by BPI Group	(3 387 600)			
Total				

This issue was made in order to be eligible for possible funding from the European Central Bank.

On 24 November 2005 Banco BPI launched its first housing loan securitisation operation, in the amount of 1 500 000 th. euro, under the name of DOURO Mortgages No. 1. The operation was issued in 5 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread
Class A Notes	341 962	5.39	A2 / A- / A+	0.28%
Class B Notes	7 236	5.39	Ba2 / BB+ / A	0.34%
Class C Notes	6 578	5.39	B1 / B+ / BBB	0.54%
Class D Notes	5 482	5.39	B2 / B- / BB	0.94%
Class E Notes	6 000	5.39	nr / nr / nr	Residual interest
Total of the issues	**367 258**			
Others funds	3			
Liabilities held by BPI Group	(167 557)			
Total	**199 704**			

On 28 September 2006 Banco BPI launched its second housing loan securitisation operation in the amount of 1 500 000 th. euro under the name of DOURO Mortgages No. 2. The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread
Class A1 Notes	4 757	6.68	A1 / BBB+ / A	0.10%
Class A2 Notes	480 841	6.68	A2 / BBB+ / A	0.28%
Class B Notes	11 861	6.68	Ba2 / B+ / BBB	0.34%
Class C Notes	7 693	6.68	B1 / B- / BB	0.46%
Class D Notes	6 091	6.68	B3 / B- / B	0.96%
Class E Notes	6 135	6.68	nr / nr / nr	Residual interest
Total of the issues	**517 378**			
Liabilities held by BPI Group	(386 979)			
Total	**130 399**			

On 31 July 2007 Banco BPI launched its third housing loan securitisation operation in the amount of 1 500 000 th. euro under the name of DOURO Mortgages No. 3.The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread[1]
Class A Notes	725 807	7.84	A3 / BB+ / BBB+	0.16%
Class B Notes	18 609	7.84	nr / B / BB+	0.17%
Class C Notes	11 065	7.84	nr / B- / BB	0.23%
Class D Notes	9 556	7.84	nr / B- / B	0.48%
Class F Notes	1 251	7.84	nr / nr / nr	Residual interest
Total of the issues	**766 288**			
Others funds	(1)			
Liabilities held by BPI Group	(406 681)			
Total	**359 606**			

1) Until the date of the call option (August 2016); after this date, if the option is not exercised, the spread is multiplied by 1.5.

On 30 March 2015 the housing loan securitisation operation in the amount of 1 522 500 th. euro under the name of DOURO Mortgages No. 4 was fully repaid by exercise of the call option.

On 21 July 2015 the housing loan securitisation operation in the amount of 1 421 000 th. euro under the name of DOURO Mortgages No. 5 was fully repaid by exercise of the call option.

4.22. Provisions and impairment losses

The changes in provisions and impairment losses of the Group in 2015 were as follows:

	Balance at 31 Dec. 14 Proforma	Increases	Decreases and reversals	Uilisation	Exchange differences and others	Balance at 31 Dec. 15
Impairment losses on deposits at other credit institutions (note 4.2)		3				3
Impairment losses on loans and advances to credit institutions (note 4.6)	2		(2)			
Impairment losses on loans and advances to Customers (note 4.7)	1 036 661	184 034	(42 757)	(193 050)	(6 234)	978 654
Impairment losses on financial assets available for sale (Note 4.5)						
Debt instruments	1 045			(1 045)		
Equity instruments	46 375	2 385		(1 803)	94	47 051
Other securities	43 345	7 634		(151)		50 828
Loans and other receivables	21 359	467	(154)			21 672
Impairment losses on non-current assets held for sale (note 4.9)	8 532			(8 532)		
Impairment losses on other assets (note 4.15)						
Tangible assets held for sale	29 390	5 234	(600)	(4 722)		29 302
Debtors, other applications and other assets	1 449	351	(346)		(1 285)	169
Impairment losses and provisions for guarantees and commitments	38 559		(3 719)		(708)	34 132
Other provisions	68 774	8 434	(1 825)	(1 408)	(8 243)	65 732
	1 295 491	**208 542**	**(49 403)**	**(210 711)**	**(16 376)**	**1 227 543**

Utilisation of impairment losses on loans and advances to Customers in 2015 corresponds to credit write-offs, of which 111 024 th. euro relates to loans sold.

The increase net of decreases in impairment losses on loans and advances in 2015 includes 561 th. euro relating to the operations of BPI Vida, that was included under caption TECHNICAL RESULT OF INSURANCE CONTRACTS (note 4.39).

The impairment of non-current assets held for sale corresponds to impairment recorded on the investment in Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A, which corresponds to the difference between the book value of the investment and its valuation in the ongoing negotiation process for the sale of the investment (note 4.9). The investment was sold in the first half of 2015, and the respective impairment was used.

In 2015 the increase net of decreases of impairment losses on debtors, other applications and other assets and of other provisions include, respectively, 176 th. euro and 1 882 th. euro relating to Imofomento's operations. In the statement of income, these impairment losses were included under caption NET OPERATING INCOME (note 4.42). In the third quarter of 2015 Banco BPI stopped having control over Imofomento, as it became holder of less than 20% of the participating units of the fund and so it ceased consolidating the participation.

At 31 December 2015 the caption OTHER PROVISIONS includes Banco BPI's provision for tax contingencies and to cover ongoing lawsuits in the amount of 43 624 th. euro, namely VAT recovery processes in the amount of 28 728 th. euro.

The changes in the Group's provisions and impairment losses in 2014 were as follows:

	Balance at 31 Dec. 13 Proforma	Increases	Decreases and reversals	Uilisation	Exchange differences and others	Balance at 31 Dec. 14 Proforma
Impairment losses on loans and advances to credit institutions (note 4.6)	2					2
Impairment losses on loans and advances to Customers (note 4.7)	931 935	227 925	(15 335)	(114 646)	6 782	1 036 661
Impairment losses on financial assets available for sale (note 4.5)						
Debt instruments	1 635			(590)		1 045
Equity instruments	46 105	687		(516)	99	46 375
Other securities	18 188	25 157				43 345
Loans and other receivables	20 743	616				21 359
Impairment losses on non-current assets held for sale (note 4.9)		8 532				8 532
Impairment losses on other assets (note 4.15)						
Tangible assets held for sale	35 781	3 375	(975)	(8 791)		29 390
Debtors, other applications and other assets	983	1 980	(1 059)	(464)	9	1 449
Impairment losses and provisions for guarantees and commitments	46 766	2 696	(11 800)		897	38 559
Other provisions	77 271	14 107	(6 719)	(14 947)	(938)	68 774
	1 179 409	**285 075**	**(35 888)**	**(139 954)**	**6 849**	**1 295 491**

Utilisation of impairment losses on loans and advances to Customers in 2014 corresponds to credit write-offs, of which 25 333 th. euro relates to loans sold.

The increase in impairment losses on loans and advances to Customers in 2014 includes 10 295 th. euro relating to the operations of BPI Vida that was included under caption TECHNICAL RESULT OF INSURANCE CONTRACTS (note 4.39).

The increase in impairment losses on other securities available for sale refers to impairment of participating units of Venture Capital Funds, of which 12 747 th. euro was relates to "Fundo de Recuperação" (note 4.5).

The impairment of non-current assets held for sale corresponds to impairment recorded on the investment in Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A, and corresponds to the difference between the book value of the investment and its implicit valuation in the ongoing negotiation process for the sale of the investment (note 4.9).

In 2014 the increases net of decreases of impairment losses on debtors, other applications and other assets and other provisions include 433 th. euro and 3 th. euro, respectively, relating to Imofomento's operations. In the statement of income, these impairment losses were included under caption NET OPERATING INCOME (note 4.42).

At 31 December 2014 the caption OTHER PROVISIONS includes Banco BPI's provision for tax contingencies and to cover ongoing lawsuits in the amount of 44 034 th. euro, namely VAT recovery processes in the amount of 27 387 th. euro.

4.23. Technical provisions

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Immediate Life Annuity / Individual	4	4
Immediate Life Annuity / Group	23	24
Family Savings	2	9
BPI New Family Saving	2 191 422	2 565 208
BPI Retirement Guaranteed	138 080	162 608
BPI Retirement Saving	814 113	1 016 746
BPI Non Resident Saving	511 843	399 520
Planor	5 335	5 430
PPR BBI Life	2 153	2 193
BPI Saving Investment Plan / Youths	2	25
South PPR	117	61
	3 663 094	**4 151 830**

The technical provisions were computed on a prospective actuarial basis, contract by contract, in accordance with the technical bases of the products.

Immediate income		
Individual	Interest rate	6%
	Mortality table	PF 60 / 64
Group	Interest rate	6%
	Mortality table	PF 60 / 64
Deferred capital with counter-insurance with participation in results		
Group	Interest rate	4% and 0%
	Mortality table	PF 60 / 64, TV 73-77 and GRF 80

The technical provisions also include a provision for rate commitments, which is recorded when the effective profitability of the assets that represent the mathematical provisions of a determined product is lower than the technical interest rate used to calculate the mathematical provisions.

The BPI New Family Savings, BPI Retirement Savings PPR and BPI Non Resident Savings are capitalisation products with guaranteed capital and participation in the results.

4.24. Tax liabilities

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Current tax liability		
Corporation income tax payable	63 976	12 343
Others	66	259
	64 042	**12 602**
Deferred tax liability		
On temporary differences	28 008	30 028
	28 008	**30 028**
	92 050	**42 630**

Details of the deferred tax liability are presented in note 4.45.

4.25. Contingent convertible subordinated bonds

In the first half of 2014 Banco BPI repaid the total amount of the contingent convertible subordinated bonds issued on 29 June 2012 under the Recapitalisation Plan.

In the beginning of June 2012 Banco BPI's Board of Directors approved the Recapitalisation Plan for reinforcing Core Tier 1 own funds, in order to comply with the minimum ratios defined by the European Banking Authority and the Bank of Portugal (note 4.51).

The Recapitalisation Plan, in the amount of 1 500 000 th. euro, included:

- a share capital increase of 200 000 th. euro, with shareholders' pre-emptive rights;
- the issuance of debt instruments eligible for own funds, subscribed for by the Portuguese State, in the amount of 1 300 000 th. euro.

On 29 June 2012 the Portuguese State subscribed for debt instruments eligible for Core Tier 1 own funds (contingent convertible subordinated bonds), in the amount of 1 500 000 th. euro. The features of these instruments were defined in *Law 63-A / 2008* of 24 November, as republished by *Law 4 / 2012* of 11 January (Bank Recapitalisation Law), in *Ministerial Order 150-A / 2012* of 17 May and in the Terms and Conditions established in *Order 8840-A / 2012* of the Portuguese Minister of State and Finance of 28 June 2012. The investment period of the instrument is five years as from the date of issue, and the Recapitalisation Plan of the Bank established partial repayments over the period of the instrument. On 10 August 2012 the Bank completed the capital increase of 200 000 th. euro, with shareholders' preemptive rights (note 4.28). The amount received was used in 13 August 2012 by the Bank to repay part of the contingent convertible subordinated bonds, the par value of which was reduced to 1 300 000 th. euro. Since that date the Bank has fully repaid the contingent convertible subordinated bonds, as follows:

- 100 000 th. euro on 4 December 2012;
- 200 000 th. euro on 13 March 2013;
- 80 000 th. euro on 16 July 2013;
- 500 000 th. euro on 19 March 2014; and
- 420 000 th. euro on 25 June 2014.

The contingent convertible subordinated bonds bore interest payable half yearly, at an effective annual interest rate of 8.5% in the first year, increasing 0.25% per year in the first two years and 0.5% in each of the following years.

These instruments were convertible into Banco BPI shares on the occurrence of any one of the events listed in the Terms and Conditions established in Order 8840-A / 2012 of the Portuguese Minister of State and Finance of 28 June 2012. Briefly the conversion events were as follows:

- termination of the term of 5 years without the instruments having been fully repurchased (under Section 8.5. of the Terms and Conditions);
- occurrence of an event qualified as a material breach under Section 8.3. of the Terms and Conditions;
- occurrence of the event defined in Section 9.1. of the Terms and Conditions (viability event);
- occurrence of the event defined in Section 10 of the Terms and Conditions (regulatory event – the instrument is no longer qualified as Core Tier I) and the other alternatives provided for under this Section are not possible;
- occurrence of an event qualified as change in control under Section 9.2. of the Terms and Conditions;
- exclusion of Banco BPI shares from listing on a regulated market, under Section 9.2. of the Terms and Conditions.

Should the conversion into Banco BPI shares referred to above have occurred, it would have been made through delivery of a number of shares that cannot be determined prior to the occurrence of the event that determines the conversion, since (i) the definition of the Conversion Price contained in Section 1.1. of the Terms and Conditions states that the price depends on the price / market value of the shares in the period prior to the occurrence of the event and (ii) determination of the number of shares is made based on the Conversion Price.

The Terms and Conditions included an additional conversion event (if on 1 October 2012 the amount of instruments issued exceeds 1 300 000 th. euro), which will no longer occur because, as mentioned above, in August, 2012, 200 000 th. euro of these instruments was repurchased, reducing the amount on that date to 1 300 000 th. euro.

4.26. Other Subordinated debt and participating bonds

This caption is made up as follows:

	31 Dec. 15				31 Dec. 14 Proforma			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
SUBORDINATED BONDS								
Perpetual bonds								
EUR	310 000	(250 000)	60 000	2.3%	420 000	(360 000)	60 000	2.4%
	310 000	**(250 000)**	**60 000**		**420 000**	**(360 000)**	**60 000**	
Other bonds								
EUR	400 000	(391 293)	8 707	1.4%	400 000	(391 293)	8 707	1.6%
	400 000	**(391 293)**	**8 707**		**400 000**	**(391 293)**	**8 707**	
	710 000	**(641 293)**	**68 707**		**820 000**	**(751 293)**	**68 707**	
PARTICIPATING BONDS								
EUR	28 081	(27 350)	731	0.2%	28 081	(27 349)	732	0.7%
	28 081	**(27 350)**	**731**		**28 081**	**(27 349)**	**732**	
Accrued interest			74				82	
			74				**82**	
			69 512				**69 521**	

In the first half of 2014, Banco BPI carried out an exchange operation of subordinated debt and participating bonds for Banco BPI shares. The nominal amount of subordinated debt bonds (non-perpetual) and participating bonds accepted for the exchange amounted to 63 286 th. euro and 2 932 th. euro, respectively (note 4.41).

The changes in debt issued by the BPI Group in 2015 were as follows:

	Perpetual bonds	Other bonds	Participa-ting bonds	Total
Balance at 31 December 2014	60 000	8 707	732	69 439
Repurchases (net of resales)			(1)	(1)
Balance at 31 December 2015	60 000	8 707	731	69 438

The changes in debt issued by the BPI Group in 2014 were as follows:

	Perpetual bonds	Other bonds	Participa-ting bonds	Total
Balance at 31 December 2013	60 000	72 975	3 796	136 771
Bonds redeemed	(51 824)	(120 923)		(172 747)
Repurchases (net of resales)	51 824	56 655	(3 064)	105 415
Balance at 31 December 2014	60 000	8 707	732	69 439

Perpetual and other bonds issued by the BPI Group at 31 December 2015 are made up as follows, by residual term to maturity:

	Maturity				
	2016	**2017**	**2018-2021**	**> 2021**	**Total**
Perpetual bonds					
EUR[1]	60 000				60 000
Other bonds					
EUR		8 707			8 707
	60 000	**8 707**			**68 707**

1) In September 2012 the call option was not exercised, so these bonds now have a quarterly call option. In September 2012 the remuneration had a step-up due to the fact that the option was not exercised.

Perpetual and other bonds issued by the BPI Group at 31 December 2014 are made up as follows, by residual term to maturity:

	Maturity				
	2015	**2016**	**2017-2020**	**> 2020**	**Total**
Perpetual bonds					
EUR[1]	60 000				60 000
Other bonds					
EUR			8 707		8 707
	60 000		**8 707**		**68 707**

1) In September 2012 the call option was not exercised, so these bonds now have a quarterly call option. In September 2012 the remuneration had a step-up due to the fact that the option was not exercised.

The participating bonds can be redeemed at par at the request of the participants with the approval of the Bank or at the initiative of the Bank with six months' notice.

4.27. Other liabilities

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Creditors and other resources		
Creditors for futures operations	23 053	10 787
Consigned resources	19 765	16 170
Captive account resources	7 408	7 884
Guarantee account resources	10 711	11 528
State administrative sector		
Value Added Tax (VAT) payable	362	335
Tax withheld at source	22 566	20 615
Social Security contributions	4 678	4 758
Others	559	1 008
Contributions to other health systems	1 389	1 439
Creditors for factoring contracts	18 956	30 687
Creditors for the supply of assets	17 194	5 851
Contributions owed to the Pension Fund		
Pensioners and Employees	1 279	47 008
Directors	364	3 393
Other creditors	97 871	104 497
Deferred costs	(129)	(60)
	226 026	**265 900**
Liabilities with pensions and other benefits		
Pensions funds assets		
Pensioners and Employees		(1 201 648)
Directors		(39 098)
Past Service Liabilities		
Pensioners and Employees		1 278 394
Directors		43 744
Others		1 605
		82 997
Accrued costs		
Creditors and other resources	249	173
Personnel costs	95 323	92 309
General administrative costs	58 832	45 025
Contribution over the banking sector	13 003	16 487
Others	2 835	5 182
	170 242	**159 176**
Deferred income		
On guarantees given and other contigent liabilities	3 476	3 861
Others	9 267	6 082
	12 743	**9 943**
Deferred expenses		
Other liabilities		(1 290)
		(1 290)
Other accounts		
Foreign exchange transactions pending settlement	3 562	
Securities operations pending settlement - stock exchange operations	66 492	
Securities operations pending settlement - non stock exchange operations	32 588	24 341
Liabilities pending settlement	93 485	76 831
Other operations pending settlement	75 018	102 426
	271 145	**203 598**
	680 156	**720 324**

The caption OTHER CREDITORS at December, 2015 and 2014 includes 64 740 th. euro and 80 980 th. euro, respectively, relating to unrealized capital subscribed for in Venture Capital Funds:

	31 Dec. 15	31 Dec. 14 Proforma
Fundo de Recuperação, FCR	18 340	19 779
Fundo InterRisco II CI	18 876	22 762
Fundo InterRisco II – Fundo de Capital de Risco	6 619	15 189
FCR – Fundo Revitalizar	364	10 182
Fundo de Reestruturação Empresarial, FCR	1 864	1 594
Fundo Pathena SCA Sicar	7 460	
Other funds	11 217	11 474
	64 740	**80 980**

At 31 December 2015 and 2014 the caption OTHER CREDITORS also includes:

- 5 279 th. euro and 3 191 th. euro, respectively, relating to operations with suppliers pending settlement, for the sale of prestige products;

- 2 157 th. euro and 1 970 th. euro, respectively, relating to securities of captive accounts as they are in litigation.

At 31 December 2015 and 2014 the caption ACCRUED COSTS – PERSONNEL COSTS included 32 512 th. euro and 30 030 th. euro, respectively, relating to long service premiums.

The main actuarial and financial assumptions used to calculate the long service premium liability are as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Demographic assumptions:		
Mortality table[1]	TV 73 / 77-M – 2 years TV 88 / 90-F – 3 years	
Financial assumptions:		
Discount rate		
Beginning of the year	2.50%	4.00%
End of the year	2.50%	2.50%
Salary growth rate[2]		
Beginning of the year	1.00%	1.50%
End of the year	1.00%	1.00%
Mandatory promotions due to antiquity and seniority	0.50%	0.50%

1) Life expectancy considered was 2 years greater than the mortality table used for men and 3 years for women.
2) Estimated salary evolution, given the mandatory promotions due to antiquity and the seniority payments, was considered by the Bank directly in the projection of the evolution of salaries. Thus, the pensionable salary growth rate was adjusted accordingly.

The changes in the long service premium liability in 2015 and in 2014 were as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Long service premiums at the beginning of the year	30 030	25 173
Personnel costs:		
Current service cost	2 596	2 348
Interest cost	808	1 035
Actuarial gains and losses		
Changes in assumptions		2 891
Others	(142)	(720)
Long service premium payments	(780)	(697)
Long service premiums at the end of the year	**32 512**	**30 030**

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. As a result of the entry into force of IFRIC 21, and based on the interpretation of the legislation in force, Banco BPI changed its accounting policy for recognizing the extraordinary contribution over the banking sector as it believes that the event which creates the obligation to pay the extraordinary contribution over the banking sector is the activity carried out in the year preceding its payment, which is June of the following year. Thus, the corresponding liability for the extraordinary contribution over the banking sector as well as its cost started being recognized on a straight-line basis over the year preceding its payment.

The caption STOCK EXCHANGE TRANSACTIONS PENDING SETTLEMENT at 31 December 2015 refers to the acquisition of securities only settled in the following month.

The caption NON STOCK EXCHANGE TRANSACTIONS PENDING SETTLEMENT at 31 December 2015 and 2014 refers to the acquisition of securities only settled in the following month.

The caption LIABILITIES PENDING SETTLEMENT at 31 December 2015 and 2014 includes:

- 42 891 th. euro and 33 161 th. euro, respectively, relating to loan securitization fund transactions;

- 17 072 th. euro and 24 258 th. euro, respectively, relating to ATM transactions to be settled;

- 14 513 th. euro and 15 868 th. euro, respectively, relating to transactions to be settled with SIBS.

The caption OTHER OPERATIONS PENDING SETTLEMENT, at 31 December 2015 and 2014 includes:

- 73 454 th. euro and 95 021 th. euro, respectively, relating to transfers under SEPA (Single Euro Payment Area); and

- 326 th. euro and 4 283 th. euro respectively, relating to securities transactions pending settlement;

4.28. Liability for pensions and other benefits

The past service liability relating to pensioners and personnel that are, or have been, Employees of BPI Group companies[1], and are covered by pension Funds, is calculated in accordance with IAS 19.

Benefits established by the BPI Group are defined benefits based on the last salary earned and the length of service, involving the payment of benefits in the event of retirement due to length of service or disability, death and long service premiums. The rules for calculating the benefits result mainly from the provisions of the Collective Labour Agreement for the Portuguese Banking Sector, there being a restricted group of management Employees, however, that is also covered by a supplementary defined benefit pension plan, based on the last salary earned and length of service.

With the publication of *Decree-Law 1-A / 2011* of 3 January, all the bank Employees that benefit from CAFEB – Caixa de Abono de Família dos Empregados Bancários were incorporated into the General Social Security Regime, as from 1 January 2011, being covered by this regime as regards old age pensions and in the case of maternity, paternity and adoption leave, the cost of which the Bank will no longer cover. Given the complementary nature of the rules under the Collective Labour Agreement for the Portuguese Banking Sector (Acordo Colectivo de Trabalho do Sector Bancário), the Bank will continue to guarantee the difference between the amount of the benefits that will be paid under the General Social Security Regime for the eventualities covered and the benefits established in the Collective Labour Agreement.

Following the instructions of the National Council of Financial Supervisors (Conselho Nacional dos Supervisores Financeiros), the amount of the past service liability remained unchanged at 31 December 2010. Current service cost decreased as from 2011 and the Bank became subject to the Single Social Tax (Taxa Social Única) of 23.6%.

Incapacity and survivor pensions and sickness subsidy of these Employees will continue to be the Bank's responsibility.

Decree-Law 127 / 2011 of 31 December establishes the transfer to the Social Security of the liability for costs of the retirement and survivor pension liabilities of retired personnel and pensioners that were in that situation at 31 December 2011 and were covered by the substitute social security regime included in the collective labour regulations instrument in force for the banking sector (Pilar 1), as well as transfer to the Portuguese State of the corresponding pension fund assets covering these liabilities.

Through its pension fund, Banco BPI maintains the liability for payment of (i) the amount of the updates of the pensions mentioned above, in accordance with the criteria set out in the Collective Labour Agreement (Acordo Colectivo de Trabalho); (ii) the benefits complementary to the retirement and survivor pensions assumed by the Collective Labour Agreement for the Banking Sector; (iii) the contribution on the retirement and survivor pensions for the Social Medical Support Services (Serviços de Apoio Médico-Social); (iv) death subsidy; (v) survivor pensions to children and surviving spouse related to the same Employee and (vi) survivor pensions due to the family of current retired Employees, in which the conditions for granting the pensions occurred as from 1 January 2012.

The value of the pension fund assets transferred to the Portuguese State corresponds to the value of the liabilities undertaken by Social Security and was determined taking into account the following assumptions: (i) discount rate of 4%; (ii) mortality tables under the regulations defined by the Portuguese Insurance Institute (Instituto de Seguros de Portugal): male population: TV 73 / 77 less 1 year; female population: TV 88 / 90.

Transfer of the pension fund assets was made entirely in cash.

Transfer of ownership of the assets was carried out by the Bank under the following conditions: (i) in December 2011, the amount equivalent to 55% of the preliminary present value of the liability; (ii) in 2012, the remaining amount to complete the definitive present value of the liability, as a result of the calculation of the definitive amount of the liability transferred, made by an independent expert entity hired for the purpose by the Ministry of Finance.

1) Companies consolidated by the full consolidation method (Banco BPI, BPI Investimentos, BPI Gestão de Activos, BPI Private Equity and BPI Vida e Pensões).

Since the transfer to the Social Security corresponds to settlement, extinguishing the corresponding liability of Banco BPI, the difference between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liability transferred based on actuarial assumptions used by Banco BPI in the amount of 99 652 th. euro was recorded in 2011 in the statement of income caption OPERATING GAINS AND LOSSES, as established in paragraph 110 of IAS 19. As a result of the final determination of the liability transferred to the Portuguese State and the corresponding total and definitive transmission of the Pension Funds' assets, differences in relation to the provisional amounts at the end of 2011 were determined, of which 1 542 th. euro relates to the amount of the liability and 1 688 th. euro to the value of the fund. The positive difference between these amounts, totalling 145 th. euro, was recorded in 2012 in the caption OPERATING GAINS AND LOSSES.

BPI Vida e Pensões is the entity responsible for the actuarial calculations used to determine the amounts of the retirement and survivor pension liability, as well as for managing the respective Pension Funds.

The "Projected Unit Credit" method was used to calculate the normal cost and past service liability due to age, and the "Single Successive Premiums" method was used to calculate the cost of the incapacity and survivor benefits.

The BPI Vida e Pensões pension plan was changed in accordance with the new Collective Labour Agreement (Contrato Colectivo de Trabalho – CCT) for the Portuguese Insurance Sector, signed in December 2011, and published in Labour and Employment Bulletin (Boletim do Trabalho e Emprego), n.º 2, of 15 January 2012, the defined benefit plan ceasing to exist and a defined contribution plan being introduced. Therefore, the amount of the past service liability at 31 December 2011, relating to retirement pensions of current Employees, hired up to 22 June 1995, which was covered by clause 51, item 4 of the Collective Labour Agreement (the consolidated text of which was published in Labour and Employment Bulletin, n.º 32, of 29 August 2008), that was fully funded, was converted into individual accounts of the Employees in 2012. This change does not apply to the pension liability under payment relating to Employees that at 31 December 2011 were retired or pre-retired.

The commitments assumed in the regulations of the Banco BPI Pension Plans are funded by Pension Funds and so Banco BPI is exposed to risks resulting from the valuation of the liability and the value of the related pension funds. The Pension Funds of Banco BPI are disclosed in note 4.52.

As regards determination of the liability, Banco BPI is exposed to adverse changes in interest rates and credit spreads, since the discount rate used to determine the liability results from the income of corporate bonds with AA ratings and so includes exposure to the risk-free yields and credit spreads. In addition to the risks inherent in the discount of the future liabilities, there is exposure to the long-term inflation and mortality rates. Any change in these rates could affect positively or negatively the amount of liabilities payable by Banco BPI.

In the case of financial assets included in the Pension Fund assets, there is exposure of the equity component to market risk, the bond component to interest rate risk and credit risk, as well as currency risk. In the case of real estate assets, the main risks result from the nature of the composition of the portfolio, quality and diversification of the assets and from factors inherent in economic developments and government policies for the sector.

The investment policy was defined taking into account a long-term strategy, with an allocation of assets that includes shares, bonds, real estate and short-term investments. This strategy ensures suitability to the type of liability and also contributes to the appropriate diversification of investments through the long-term expectation of different returns and volatilities of the different asset classes.

The main actuarial assumptions used to calculate the pension liability are as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Demographic assumptions:		
Mortality table[1]	TV 73 / 77-M – 2 years	
	TV 88 / 90-F – 3 years	
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate no Banco BPI		
Beginning on the year	2.50%[2]	4.00%[3]
End of the year	2.50%[2]	2.50%[2]
Discount rate of the other companies		
Beginning on the year	2.50%	4.00%
End of the year	2.50%	2.50%
Pensionable salary increase rate[4]	1.00%	1.00%
Pension increase rate	0.50%	0.50%

1) Life expectancy considered was 2 years greater than the mortality table used, for men and 3 years for women.
2) A discount rate of 2.83% for current Employees and 2.00% for pensioners was considered, which is similar to that which would be obtained if a single discount rate of 2.5% were used for the entire population.
3) A discount rate of 4.33% for current Employees and 3.50% for pensioners which is similar to that which would be obtained if a single discount rate of 4.0% were used for the entire population.
4) The mandatory promotions due to antiquity and the seniority payments were considered autonomously, directly in the evolution of the estimated salaries, and would be equivalent to a 0.5% growth rate.

The actual results obtained in relation to the main financial assumptions were:

	31 Dec. 15	31 Dec. 14 Proforma
Pensionable salary increase rate[1]	1.40%	1.30%
Pension increase rate[2]	0.00%	0.00%
Pension fund income rate		
Banco BPI	14.04%	7.68%
Other companies	2.11%	5.98%

1) Calculated based on the changes in pensionable salaries of Employees working for Group companies at the beginning and end of the year (includes changes in remuneration levels, the effect of mandatory promotions due to antiquity and seniority payments and does not reflect new hires and exits).
2) Corresponds to the ACTV table update rate.

The following assumptions were used to calculate the amount of the social security pension which, under the provisions of the Collective Labour Agreement (ACT), must be deducted from the pension established in the ACT:

	31 Dec. 15	31 Dec. 14 Proforma
Salary increase rate for purposes of calculating the Social Security pension[1]	2.00%	2.00%
Salary revaluation rate for purposes of calculating the Social Security pension	1.00%	1.00%
Social Security pension increase rate	0.50%	0.50%

1) Pensionable salary for Social Security includes all wages, while the pensionable salary under ACT consists only to the portion of the level base salary and seniority payments, with an estimated evolution of the total pensionable salary for Social Security larger than the pensionable salary under ACT.

At 31 December 2015 and 2014 the number of pensioners and Employees covered by the pension plans funded by the pension funds was as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Retired pensioners	6 994	7 067
Survivor pensioners	1 341	1 288
Current Employees	5 921	5 732
Former Employees (clauses 137 A and 140 of the ACTV)	2 937	3 177
	17 193	**17 264**

The past service liability for pensioners and Employees of the BPI Group and respective coverage by the Pension Fund at 31 December 2015 and 2014 are as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Total past service liability		
Liability for pensions under payment	675 342	677 871
Of which: [increase in the liability resulting from early retirements during the year]	[5 648]	[42 460]
Past service liability of current and former Employees	604 581	600 523
	1 279 923	**1 278 394**
Net assets of the pension funds	1 391 069	1 201 648
Contributions to be transferred to the Pension Fund	1 279	47 008
Excess / (Insufficient) cover	112 425	(29 738)
Degree of coverage	109%	98%

In accordance with *Decree-Law 12 / 2006* of 20 January, only in very special conditions is it possible to return excess funding, so it is assumed that this excess will be used to reduce future contributions.

The average duration of the pension liability of BPI Group Employees is 17.1 years, including both current Employees and pensioners.

At 31 December 2015 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.27) the amount of 1 279 th. euro relating to the contribution for 2015 made in January 2016, after which the degree of coverage of the liability at that date would be 109%.

On 31 December 2014 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.27) the amount of 47 008 th. euro relating to the contribution for 2014 made in the first quarter of 2015, after which the degree of coverage of the liability at that date would be 98%.

The degree of coverage of the liability complies with the rule defined in *Bank of Portugal Notice 4 / 2005*, which establishes the requirement of full funding of pensions in payment and a 95% minimum level of funding of the past service liability for current Employees.

Evolution of the degree of coverage of the liability in the last five years was as follows:

	2015	2014 Proforma	2013 Proforma	2012 Proforma	2011
Total past service liability	1 279 923	1 278 394	1 082 369	937 090	835 767
Net assets of the Pension Fund	1 391 069	1 201 648	1 129 067	986 874	801 250
Contributions to be transferred to the Pension Fund	1 279	47 008	2 853	500	37 888
Excess / (insufficient) cover	112 425	(29 738)	49 551	50 284	3 371
Degree of coverage	**109%**	**98%**	**105%**	**105%**	**100%**

The changes in the present value of the past service liability in 2015 and in 2014 were as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Liability at the beginning of the year	1 278 394	1 082 369
Current cost:		
Of the BPI Group	(2 728)	(642)
Of the Employees	3 639	3 602
Interest cost	30 269	39 723
Actuarial (gain) and loss in the liability	(5 399)	134 665
Early retirements	5 648	42 460
Pensions payable (estimate)	(29 900)	(23 783)
Liability at the end of the year	**1 279 923**	**1 278 394**

The sensitivity analysis to a variation of the main financial assumptions for the entire period covered by the actuarial valuation (and not just a variation in a given year) at 31 December 2015 would result in the following impact on the present value of the past service liability[1]:

	(decrease) / increase	
	by %	amount
Change in the discount rate		
Increase by 0.25%	-4.5%	(58 192)
Increase by 0.25%	4.9%	62 218
Change in the pensionable salary increase rate[2]		
Increase by 0.25%	1.7%	21 579
Change in the pension increase rate[3]		
Increase by 0.25%	5.7%	73 468
Mortality table		
+1 year	3.4%	43 246

1) The same calculation method and assumptions used in the calculation of the liabilities was used, only the assumptions under analysis varying.
2) The increase in the changes in pensionable salaries applies only to the pensionable salary pension scheme component provided for in the Collective Labour Agreement (ACT), without any change in the pensionable salary increase for Social Security purposes, since it is the maximum risk of the salary evolution component.
3) The change in the pension increase applies to pensions and supplements provided by the Bank, as well as pensions transferred to the Social Security, for which the Bank remains responsible for future updates.

The changes in the pension funds in 2015 and 2014 were as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Net assets of the Pension Funds at the beginning of the year	1 201 648	1 129 067
Current cost:		
Of the BPI Group	47 008	7 848
Of the Employees	3 639	3 602
Pension Fund income (net)		
Income on Plan assets computed with the discount rate	30 720	41 834
Deviation of return on assets	138 042	44 594
Plan conversion of BPI Vida e Pensões	(29 988)	(25 297)
Net assets of the Pension Funds at the end of the year	**1 391 069**	**1 201 648**

The estimated contribution to the pension plan to be made by Employees in 2016 amounts to 3 734 th. euro.

At 31 December 2015 and 2014 the assets of the Banco BPI Employees' Pension Funds were as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Liquidity	12.7%	7.8%
Fixed rate bonds		
Listed	14.8%	14.6%
Floating rate bonds		
Listed	13.2%	15.2%
Portuguese shares		
Listed	28.0%	27.0%
Not listed	3.6%	4.1%
Foreign shares		
Listed	3.9%	3.1%
Real Estate	23.0%	27.2%
Others		
Listed	0.8%	1.0%
	100.0%	**100.0%**

In 2015 the contributions made by the Group to the pension fund were made in securities amounting to 42 602 th. euro and cash amounting to 4 406 th. euro. In 2014 the contributions made by the Group to the pension fund were made in real estate in the amount of 4 995 th. euro and cash of 2 853 th. euro.

The changes in the fair value of the pension fund assets used by entities of the BPI Group or representing securities issued by these entities in 2015 were as follows:

	31 Dec. 14 Proforma	Changes in fair value	Sales	31 Dec. 15
Fair value of the plan assets:				
Financial instruments issued by the BPI Group				
Bonds	60 072	(5)		60 067
	60 072	**(5)**		**60 067**
Premises used by the BPI Group	203 151	(1 921)	7 695	193 535
	263 223	**(1 926)**	**7 695**	**253 602**

The changes in the fair value of the pension fund assets used by entities of the BPI Group or representing securities issued by these entities in 2014 were as follows:

	31 Dec. 13 Proforma	Changes in fair value	Sales	31 Dec. 14 Proforma
Fair value of the plan assets:				
Financial instruments issued by the BPI Group				
Shares				
Bonds	60 079	(7)		60 072
	60 079	**(7)**		**60 072**
Premises used by the BPI Group	208 757	(2 558)	3 048	203 151
	268 836	**(2 565)**	**3 048**	**263 223**

As mentioned in note 2.8, and in accordance with the requirements of IAS 19, the Bank recognizes the effects of re-measuring the net liability (asset) of the defined benefits relating to the pension plans and other post-employment benefits, directly in equity, in the Statement of comprehensive income, in the period in which they occur, including the actuarial gains and losses and deviations relating to the return on the pension fund assets.

The changes in actuarial deviations[1] from 2011 to 2015 were as follows:

Amount at 31 December 2010 Proforma	**(254 767)**
Adjustment in the ACTV Table below the estimate	39 559
Change in the actuarial assumptions	181 228
Deviation in pension CGA[2]	16 370
Deviation in pension fund income	(300 665)
Deviation in pensions paid	(1 098)
Others	2 668
Amount at 31 December 2011	**(316 705)**
Of which:	
Deviation associated with the transferred liabilities	(193 538)
Deviation associated with the liabilities that remain with the Bank	(123 167)
Amount at 31 December 2011[3]	**(123 167)**
Adjustment in the ACTV Table below the estimate	26 181
Change rate and pension increase rate	
Discount rate and pension increase rate	(98 212)
Others[4]	(9 026)
Deviation in pension fund income	113 349
Deviation in pensions paid	597
Others[5]	885
Amount at 31 December 2012 Proforma	**(89 393)**
Adjustment in the ACTV Table below the estimate	22 467
Change in the actuarial assumptions	
Discount rate and pension increase rate	(93 721)
Mortality table	(42 635)
Deviation in pension fund income	114 986
Deviation in pensions paid	441
Others	(4 452)
Amount at 31 December 2013 Proforma	**(92 307)**
Adjustment in the ACTV Table below the estimate	18 305
Change in the financial and demographic assumptions	
Discount rate and pension and salary increase rate	(149 225)
Others	(2 400)
Deviation in pension fund income	44 594
Deviation in pensions paid	(1 516)
Others	(1 345)
Amount at 31 December 2014 Proforma (note 4.32)	**(183 894)**
Adjustment in the ACTV Table below the estimate	13 830
Change in the financial and demographic assumptions	
Others	(1 029)
Deviation in pension fund income	138 042
Deviation in pensions paid	(88)
Deviation resulting from the increase in the national minimum salary	(6 000)
Others	(1 402)
Amount at 31 December 2015 (note 4.32)	**(40 541)**

1) Actuarial gains and losses due to differences between the actuarial assumptions and the amounts effectively realised and changes in the actuarial assumptions.
2) Change in the calculation and payment rules of CGA – Caixa Geral de Aposentações pensions, which had the effect of reducing the amount of pensions payable by the Bank relating to Employees for which years of service in the Public Sector were recognised.
3) Excluding deviations relating to transferred liabilities.
4) Includes 7 426 th. euro relating to deviations caused by changes in the salary growth calculating methodology.
5) Includes (25) th. euro relating to BPI Vida e Pensões.

The consolidated financial statements as of 31 December 2015 and 2014 include the following amounts relating to coverage of the pension liability, in the captions INTEREST, FINANCIAL GAIN AND LOSS WITH PENSIONS (note 4.41) and PERSONNEL COSTS (note 4.43):

	31 Dec. 15	31 Dec. 14 Proforma
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	30 269	39 723
Income on Plan assets computed with the discount rate	(30 720)	(41 834)
	(451)	**(2 111)**
Personnel costs		
Current service cost	(2 728)	(642)
Increase in liabilities for early retirements	5 648	29 683
Compensation for early retirement	840	2 772
	3 760	**31 813**

The Members of the Executive Board of Banco BPI, S.A. and the remaining Board Members of Banco Português de Investimento benefit from a supplementary retirement and survivor pension plan. At 31 December 2006 a pension fund was started to cover this liability.

The main actuarial assumptions used to calculate the pension liability were as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Demographic assumptions:		
Mortality table[1]	TV 73 / 77-M – 2 years	
	TV 88 / 90-F – 3 years	
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate		
Beginning on the year	2.50%	4.00%
End of the year	2.50%	2.50%
Pensionable salary increase rate	0.50%	0.50%
Pension increase rate[2]	0.50%	0.50%

1) The life expectancy considered was 2 years greater than the mortality table used, for men and 3 years for women.
2) Increase equal to the variation of the Consumer Index Prices rate (CIP) according with the rules of the pension plan.

The actual results obtained in relation to the main financial assumptions were as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Pensionable salary increase rate[1]	0.00%	0.00%
Pension increase rate[2]	0.00%	0.30%
Pension fund income rate	2.42%	6.36%

1) Calculated based on the changes in pensionable salaries of Directors serving in the Group companies in the beginning and end of the year.
2) Corresponds to the variation in the CIP in accordance with the pension plan rules.

At 31 December 2015 and 2014 the past service liability of this plan and respective coverage by the Pension Fund were as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Total past service liability		
Liability for pensions under payment	17 900	18 670
Past service liability relating to the current and former directors	26 079	25 074
	43 979	**43 744**
Net assets of the pension fund	42 311	39 098
Contributions to be transferred to the Pension Fund	364	3 393
Excess / (Insufficient) cover	(1 304)	(1 253)
Degree of coverage	97%	97%

The average duration of the pension liability of directors is 11.1 years, including both current directors and pensioners.

On 31 December 2015 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.27) the amount of 364 th. euro relating to the contribution for 2015 made in January of 2016, after which the degree of coverage of the liability at that date would be 97%.

On 31 December 2014 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.27) the amount of 3 393 th. euro relating to the contribution for 2014 made in the first quarter of 2015, after which the degree of coverage of the liability at that date would be 97%.

The degree of coverage of the liabilities complies with the rule defined in *Bank of Portugal Notice 4 / 2005*, which establishes the requirement of full funding of pensions in payment and a 95% minimum level of funding of the past service liability for current Employees.

The changes in the degree of coverage of the liabilities in the last five years were as follows:

	2015	2014 Proforma	2013 Proforma	2012 Proforma	2011
Total past service liability	43 979	43 744	39 137	35 113	31 141
Net assets of the Pension Fund	42 311	39 098	35 262	32 638	28 335
Contributions to be transferred to the Pension Fund	364	3 393	2 805	2 475	2 806
Excess / (insufficient) cover	(1 304)	(1 253)	(1 070)		
Degree of coverage	**97%**	**97%**	**97%**	**100%**	**100%**

The changes in the present value of the past service liability of the plan in 2015 and in 2014 were as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Liability at the beginning of the year	43 744	39 137
Current service cost	1 806	1 752
Interest cost	1 134	1 548
Actuarial (gain) / loss in the liability	(1 488)	2 683
Pensions payable (estimate)	(1 217)	(1 376)
Liability at the end of the year	**43 979**	**43 744**

The sensitivity analysis to a variation of the main financial assumptions for the entire period covered by the actuarial valuation (and not just a variation in a given year) at 31 December 2015 would result in the following impact on the present value of the past service liability[1]:

	(decrease) / increase	
	by %	amount
Change in the discount rate		
Increase by 0.25%	-3.0%	(1 322)
Decrease by 0.25%	3.2%	1 387
Change in the pensionable salary increase rate[2]		
Increase by 0.25%	0.7%	298
Change in the pension increase rate[3]		
Increase by 0.25%	2.9%	1 255
Mortality table		
+1 year	3.5%	1 540

1) The same calculation method and assumptions used in the calculation of the liabilities was used, only varying the assumptions under analysis.
2) The increase in the changes in pensionable salaries applies only to the pensionable salary pension scheme component provided for in the Collective Labour Agreement (ACT), without any change in the pensionable salary increase for Social Security purposes, since it is the maximum risk of the salary evolution component.
3) The change in the pension increase applies to pensions and supplements provided by the Bank, as well as pensions transferred to the Social Security, for which the Bank remains responsible for future updates.

The changes in the pension fund in in 2015 and in 2014 were as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Net assets of the Pension Fund at the beginning of the year	39 098	35 262
Contributions made	3 392	2 805
Pension Fund income (net)		
Income on Plan assets computed with the discount rate	1 096	1 428
Deviation of return on assets	(68)	816
Pensions paid by the Pension Fund	(1 207)	(1 213)
Net assets of the Pension Fund at the end of the year	**42 311**	**39 098**

At 31 December 2015 and 2014 the net assets of the Banco BPI Directors' Pension Fund were as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Liquidity	4.3%	14.3%
Fixed rate bonds		
Listed	51.6%	41.7%
Indexed rate bonds		
Listed	6.9%	5.4%
Shares		
Listed	36.1%	31.7%
Real Estate		
Listed	1.1%	1.2%
Others		
Listed		5.7%
	100.0%	**100.0%**

Contributions to the Pension Funds in 2015 and in 2014 were paid in cash.

As mentioned in note 2.8, and in accordance with the requirements of IAS 19, the Bank recognizes the effects of re-measuring the liability (asset) of the defined benefit pension plans and other post-employment benefits, directly in equity, in the Statement of Comprehensive Income, in the period in which they occur, including the actuarial gains and losses and deviations in the return on pension fund assets.

The changes in actuarial deviations from 2011 to 2015 were as follows:

Amount at 31 December 2010 Proforma	**515**
Change in actuarial assumptions	994
Deviation in pension fund income	(1 927)
Deviation in pensions paid	69
Amount at 31 December 2011	**(349)**
Change in the financial demographic assumptions	(1 716)
Deviation in pension fund income	859
Deviation in pensions paid	232
Others	(458)
Amount at 31 December 2012 Proforma	**(1 432)**
Change in the financial and demographic assumptions	
Discount rate and pension increase rate	(2 262)
Mortality table	(1 192)
Deviation in pension fund income	(238)
Deviation in pensions paid	236
Others	1 236
Amount at 31 December 2013 Proforma	**(3 652)**
Change in the financial and demographic assumptions	
Discount rate and pension increase rate	(4 897)
Changes on the retirement age assumptions	1 709
Deviation in pension fund income	816
Deviation in pensions paid	163
Others	505
Amount at 31 December 2014 Proforma (note 4.32)	**(5 356)**
Deviation in pension fund income	(68)
Deviation in pensions paid	10
Changes on the retirement age assumptions	1 029
Others	459
Amount at 31 December 2015 Proforma (note 4.32)	**(3 926)**

The consolidated financial statements as of 31 December 2015 and 2014 include the following amounts relating to coverage of the pension liability for Directors, in the captions INTEREST AND FINANCIAL GAIN AND LOSS WITH PENSIONS (note 4.41) and PERSONNEL COSTS (note 4.43):

	31 Dec. 15	31 Dec. 14 Proforma
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	1 134	1 548
Income on Plan assets computed with the discount rate	(1 096)	(1 428)
	38	**120**
Personnel costs		
Current service cost	1 806	1 752
	1 806	**1 752**

At 31 December 2015 and 2014, respectively, the captions OTHER ASSETS (note 4.15) and OTHER LIABILITIES (note 4.27) past service liability – others corresponded to the liability of Banco de Fomento de Angola regarding RETIREMENT INCOME (note 2.8).

4.29. Share capital

At 31 December 2015 Banco BPI's share capital amounted to 1 293 063 th. euro, represented by 1 456 924 237 ordinary, nominal dematerialized shares, of no par value.

The Shareholders' General Meeting held on 23 April 2014 approved a proposal to increase share capital, to be paid up in kind, under a Public Exchange Offer of subordinated debt, participating bonds and preference shares for new shares of Banco BPI. The exchange operation was completed in June 2014. The nominal value of the securities subject to the offer was 127 001 th. euro, of which 115 758 th. euro accepted the exchange, which corresponds to an acceptance rate of 91%. The share capital increase included 66 924 000 new shares issued at the price of 1.54 euros, which corresponds to a share capital increase of 103 063 th. euro. Following this operation, Banco BPI's share capital was increased from 1 190 000 th. euro to 1 293 063 th. euro

Considering:

1. That in the Shareholders' General Meeting held on 23 April 2014 it was decided to authorize the Board of Directors of Banco BPI, S.A. (hereinafter referred to as Banco BPI) to purchase and sell shares up to 10% of its share capital under certain conditions;

2. That, due to legal requirements, that authorization was valid for a period of 18 months, having therefore expired on 23 October 2015;

3. That the reasons which served as the basis for this authorization remain valid, including those concerning the execution of the Share-Based Variable Remuneration Program (hereinafter RVA) for Employees of the entity and entities controlled by it and also for the corresponding directors;

4. That *Commission Regulation (EC) 2273 / 2003* of 22 December 2003 established a special regime for deviation from the general regime of market abuse for certain repurchase programs of treasury shares;

The Shareholders' General Meeting held on 25 February 2016 granted the Board of Directors of Banco BPI authorization to do the following:

a) To purchase treasury shares of up to 10% of Banco BPI's share capital, provided that:

   i) the treasury shares are purchased on a market registered by the Securities Market Commission (Comissão do Mercado de Valores Mobiliários – CMVM), at a price between 120% and 80% of the weighted daily average prices of Banco BPI shares on the 10 official price market sessions managed by Euronext Lisboa – Sociedade Gestora de Mercados Regulamentados, S.A. (Euronext) preceding the date of purchase;
   or

   ii) the purchases result from assets received in payment agreements, to settle obligations emerging from contracts entered into by Banco BPI, provided that the value attributed, for that purpose, to the shares does not exceed the value determined by application of the criteria defined in (i) above;

b) To sell Banco BPI shares provided that:

   i) the shares and options to purchase shares of Banco BPI are sold to Employees and Directors of Banco BPI and subsidiaries, as share-based payments under the terms and conditions established in the Variable Remuneration Program (RVA) regulations;
   or

   ii) the shares are sold to third parties under the following conditions:

      1. the shares are sold in a market registered at the Securities Market Commission (CMVM); and

      2. the shares are sold at a price not less than 80% of the weighted average of the daily weighted average prices of Banco BPI shares on the 10 official price market sessions managed by Euronext preceding the date of sale.

c) Carry out repurchase or resale agreements or the loan of shares of Banco BPI, provided that such operations are conducted with qualified investors that meet the requirements to be eligible counterparties of Banco BPI, in accordance with articles 30 and 317-D of the Securities Code (Código dos Valores Mobiliários).

The purchases and sales authorized by this decision may be carried out within eighteen months from the date thereof, this permission also being applicable, with the due adaptations, to the acquisition and sale of Banco BPI shares by Banco Português de Investimento, S.A.

Without prejudice to its freedom of decision and action under the authorisations included in paragraphs 1 to 3 above, the Board of Directors, in carrying them out, should take into account, whenever it considers it necessary based on the relevant circumstances, the requirements of the Regulation mentioned in paragraph 4 of the considerations.

4.30. Other equity instruments and treasury shares

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Other equity instruments		
Cost of shares to be made available to Group Employees		
RVA 2011		1
RVA 2012		23
RVA 2013	574	589
RVA 2014	35	530
RVA 2015	915	
Costs of options not exercised (premiums)		
RVA 2009		786
RVA 2010	548	558
RVA 2011	46	49
RVA 2012	947	475
RVA 2013	1 330	1 331
RVA 2014		928
RVA 2015	799	
	5 194	**5 270**
Treasury shares		
Shares to be made available to Group Employees		
RVA 2011		1
RVA 2012		26
RVA 2013	622	935
Shares hedging RVA options		
RVA 2009		6 242
RVA 2010	6 372	250
RVA 2011	2 156	2 248
RVA 2012	3 461	3 950
RVA 2013	24	23
Other shares	162	153
	12 797	**13 828**

The caption OTHER EQUITY INSTRUMENTS includes accrued share-based payment program (RVA) costs relating to shares to be made available and options not yet exercised.

Details of the Share-based Variable Remuneration Program (RVA) are included in note 4.50.

The BPI Group's financial statements as of 31 December 2015 and 2014 reflect 6 440 632 and 6 880 744 treasury shares, respectively, including 344 222 and 550 617 treasury shares to be made available under the RVA program for which ownership was transferred to the Employees on the grant date.

In 2015 and in 2014 the Bank recorded directly in shareholders' equity 343 th. euro and -2 586 th. euro, respectively, on the sale of treasury shares hedging the variable remuneration (RVA) program.

4.31. Revaluation reserves

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Revaluation reserves		
Reserves resulting from valuation to fair value of financial assets available for sale (note 4.5)		
Debt instruments		
Securities	80 735	158 724
Hedging derivatives	(105 647)	(220 439)
Equity instruments	45 748	30 379
Others	(531)	(3 837)
Reserve for foreign exchange difference on investments in foreign entities		
Subsidiary or associated companies	(110 026)	(33 075)
Equity instruments available for sale	5	(1)
Legal revaluation reserve	703	703
	(89 013)	**(67 546)**
Deferred tax reserve		
Resulting from valuation to fair value of financial assets available for sale		
Tax assets	7 759	18 565
Tax liabilities	(6 310)	(2 162)
	1 449	**16 403**
	(87 564)	**(51 143)**

Deferred taxes have been calculated in accordance with current legislation and correspond to the best estimate of the impact of recognising the unrealized gains and losses included in the caption REVALUATION RESERVES.

4.32. Other reserves and retained earnings

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Legal reserve	86 124	86 124
Merger reserve	2 530	2 530
Consolidation reserves and retained earnings	726 790	669 936
Other reserves	339 176	568 299
Actuarial deviations:		
Associated with the transferred liabilities	(193 538)	(193 538)
Associated with the liabilities that remain with the Bank	(44 467)	(189 250)
Taxes related to actuarial deviations	58 627	100 890
Loss on treasury shares	(4 345)	(4 688)
Taxes relating to gain on treasury shares	1 690	1 784
	972 587	**1 042 087**

In accordance with Article 97 of the General Regime for Credit Institutions and Financial Companies, approved by *Decree-Law 298 / 91* of 31 December and amended by *Decree-Law 201 / 2002* of 25 September, Banco BPI 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.

At 31 December 2015 and 2014 the share premium account and legal reserve of the BPI Group companies which, under the applicable regulations, may not be distributed, amounted to 184 963 th. euro and 184 034 th. euro, respectively which, weighted by Banco BPI's effective participation percentage in these companies, amounted to 90 442 th. euro and 88 608 th. euro, respectively. These reserves are included in the captions CONSOLIDATION RESERVES and RETAINED EARNINGS AND REVALUATION RESERVES.

The caption CONSOLIDATION RESERVES at 31 December 2015 and 2014 includes 17 540 th. euro and 28 302 th. euro, respectively, relating to the amount of the revaluation reserves of the companies recorded in accordance with the equity method, weighted by the BPI Group's (effective) participation in them.

In 2014 the BPI Group recorded under the caption CONSOLIDATION RESERVES AND RETAINED EARNINGS the amount of 9 536 th. euro corresponding to the impact, net of taxes, of the exchange of preference shares for new shares of Banco BPI (notes 4.29 and 4.33). This caption at 31 December 2014 also includes (3 467) th. euro relating to the revaluation of the new Banco BPI shares issued as part of the exchange operation of subordinated debt for new shares of Banco BPI (note 4.41).

4.33. Non-controlling interests

This caption is made up as follows:

	Balance sheet		Statement of income	
	31 Dec. 15	31 Dec. 14 Proforma	31 Dec. 15	31 Dec. 14 Proforma
Non-controlling shareholders in:				
Banco de Fomento Angola, S.A.	426 845	416 464	140 806	122 600
BPI Capital Finance Ltd.	1 802	1 805	43	679
	428 647	**418 269**	**140 849**	**123 279**

In December 2008, as part of the sale of 49.9% of BFA's capital to Unitel, a shareholders' agreement between Banco BPI and Unitel as regards BFA, was entered into. The agreement is valid for a period of 20 years as from the date of its signature (which took place on 9 December 2008), being automatically renewable for similar periods, unless terminated by either party up to the end of the fifteenth year of the initial term or the resulting ongoing renewal period. The agreement contains, among other provisions, rules on the composition of the governing bodies and on the transfer of BFA's shares, rules which, in the latter case, include a reciprocal preference right over the onerous transfer of BFA's shares.

Non-controlling interests in BPI Capital Finance at 31 December 2015 and 2014 include 1 786 th. euro, relating to preference shares:

	31 Dec. 15			31 Dec. 14 Proforma		
	Issued	Repurchased	Balance	Issued	Repurchased	Balance
"C" Series Shares	250 000	(248 214)	1 786	250 000	(248 214)	1 786
	250 000	**(248 214)**	**1 786**	**250 000**	**(248 214)**	**1 786**

The C Series preference shares, with a nominal value of 1 000 euro each, issued in August 2003, entitle the holders to a non-cumulative preference dividend, if and when declared by the Directors of BPI Capital Finance, Ltd., at an annual rate equal to the three month Euribor rate plus a spread of 1.55 percentage points up to 12 August 2013 and thereafter to a non-cumulative preference dividend at a rate equal to the three month Euribor rate plus a spread of 2.55 percentage points. The dividends are payable quarterly on 12 February, 12 May, 12 August and 12 November of each year. The payment of dividends and redemption of the preference shares are guaranteed by Banco BPI.

BPI Capital Finance, Ltd. will not pay any dividend on the preference shares if, during the year or quarter in progress, such dividend plus amounts already paid exceed Banco BPI's distributable funds.

The C Series preference shares are redeemable in whole or in part at their nominal value, at the option of BPI Capital Finance, Ltd. on any dividend payment date as from August 2013, subject to prior consent of the Bank of Portugal and Banco BPI. The C series preference shares are also redeemable in whole, but not in part, at the option of BPI Capital Finance, Ltd, with prior approval of the Bank of Portugal and Banco BPI, if a disqualifying capital event or tax event occurs.

These shares are subordinate to all liabilities of Banco BPI and *"pari passu"* with any other preference shares that might be issued by the Group in the future.

In the first half of 2014 Banco BPI carried out an exchange operation of preference shares for new shares of Banco BPI. The nominal value of the preference shares accepted for exchange amounted to 49 540 th. euro. Considering that the price attributed to the exchange corresponded to 75% of the nominal value, a gain net of taxes in the amount of 9 536 th. euro was obtained, which was recorded under the caption CONSOLIDATION RESERVES AND RETAINED EARNINGS (note 4.32).

4.34. Off balance sheet items

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Guarantees given and other contingent liabilities		
Guarantees and sureties	1 497 070	1 826 825
Stand-by letters of credit	77 739	75 882
Documentary credits	253 890	265 895
Sureties and indemnities	82	109
	1 828 781	**2 168 711**
Assets given as collateral	**6 813 934**	**8 444 846**
Commitments to third parties		
Irrevocable commitments		
Options on assets	9 371	13 713
Irrevocable credit lines	1 646	1 598
Securities subscription	334 612	303 726
Term commitment to make annual contributions to the deposit Guarantee Fund	38 714	38 714
Commitment to the Investor Indemnity System	9 771	9 188
Other irrevocable commitments	576	
Revocable commitments	2 977 819	2 989 001
	3 372 509	**3 355 940**
Responsibility for services provided		
Deposit and safeguard of assets	31 070 310	33 524 551
Amounts for collection	196 246	128 132
Assets managed by the institution	6 118 372	5 149 239
	37 384 928	**38 801 922**

The structure, by sector, of the guarantees given to the BPI Group at 31 December 2015 and 2014 is as follows:

	31 Dec. 15		31 Dec. 14 Proforma	
	Amount	**%**	**Amount**	**%**
Domestic activity				
Agriculture, animal production and hunting	3 413	0.2	7 004	0.3
Forestry and forest operations	510		535	
Fishing	151		746	
Mining	4 201	0.2	4 443	0.2
Beverage, tobacco and food	24 071	1.3	83 035	3.8
Textiles and clothing	15 822	0.9	14 247	0.7
Leather and related products	1 599	0.1	1 697	0.1
Wood and cork	9 592	0.5	12 346	0.6
Pulp, paper and cardboard and graphic arts	7 865	0.4	5 503	0.3
Coke, refined petroleum products and fuel pellets	17 533	1.0	19 606	0.9
Chemicals, synthetic or artificial fibres, except pharmaceutical products	9 012	0.5	6 364	0.3
Base pharmaceutical products and pharmaceutical mixtures	2 450	0.1	2 246	0.1
Rubber and plastic materials	9 624	0.5	12 521	0.6
Other mineral non-metallic products	26 242	1.4	29 576	1.4
Metalworking industries	38 142	2.1	35 656	1.6
Computers, electronic, electrical and optical equipment	11 335	0.6	11 704	0.5
Transport equipment	14 916	0.8	13 051	0.6
Other manufacturing industries	8 467	0.5	7 967	0.4
Electricity, gas and water	70 165	3.8	55 553	2.6
Water treatment and collection	50 059	2.7	97 296	4.5
Construction	304 945	16.8	354 881	16.4
Wholesale and retail trade; motor vehicle and motorcycle repairs	199 879	10.9	204 714	9.4
Transport and storage	203 339	11.2	272 030	12.5
Restaurants and hotels	27 622	1.5	27 381	1.3
Information and communication activities	116 018	6.3	150 533	6.9
Investment holding companies	8 605	0.5	44 616	2.1
Financial intermediation, except for insurance and pension funds	34 433	1.9	27 499	1.3
Insurance, reinsurance and pension funds, except for mandatory social security	939	0.1	825	
Auxiliary activities to financial services and insurance	591		637	
Real estate	17 906	1.0	30 752	1.4
Consulting, scientific, technical and similar activities	112 512	6.2	55 830	2.6
Administrative and support services	17 148	0.9	14 689	0.7
Public administration, defence and mandatory social security	11 111	0.6	19 272	0.9
Education	2 623	0.1	3 187	0.1
Healthcare and welfare	5 382	0.3	4 950	0.2
Leisure, cultural and sports activities	17 341	0.9	10 488	0.5
Other service companies	8 618	0.5	3 039	0.1
Other companies[1]			379	
Individuals				
Others	28 862	1.6	34 044	1.6
International activity				
Financial and credit institutions	61 091	3.3	21 510	1.0
Non-financial companies	323 839	17.8	464 944	21.4
Individuals	808		1 415	0.1
	1 828 781	**100.0**	**2 168 711**	**100.0**

1) Companies without CAE Code (Business Activity Classification – Classificação das Actividades Económicas).

The caption ASSETS GIVEN AS COLLATERAL at 31 December 2015 and 2014 includes:

- 75 988 th. euro and 109 783 th. euro, respectively, relating to credit and 5 525 972 th. euro and 6 759 151 th. euro relating to securities, captive for obtaining funding from the European Central Bank (ECB);

- 5 183 th. euro and 4 977 th. euro, respectively, relating to securities given in guarantee to the Securities Market Commission (Comissão do Mercado de Valores Mobiliários – CMVM) under the Investor Indemnity System (Sistema de Indemnização aos Investidores);

- 46 878 th. euro and 47 077 th. euro, respectively, relating to securities given in guarantee to the Deposit Guarantee Fund;

- at 31 December 2015 repos of bonds in the amount of 57 273 th. euro.

Additionally, at 31 December 2015 and 2014 the caption ASSETS GIVEN AS COLLATERAL includes, respectively, 981 821 th. euro and 1 396 632 th. euro of securities and 119 620 th. euro and 124 762 th. euro of credit, given as collateral to the European Investment Bank.

The COMMITMENTS TO THIRD PARTIES – OPTIONS ON ASSETS caption at 31 December 2015 and 31 December 2014 corresponds to share options issued by the BPI Group under the share-based payments program (RVA).

The COMMITMENTS TO THIRD PARTIES – SECURITIES SUBSCRIPTION caption at 31 December 2015 and 2014 corresponds to Banco BPI's commitment to subscribe for commercial paper if the securities issued are not totally or partially subscribed for by the market.

The COMMITMENTS TO THIRD PARTIES – TERM COMMITMENT TO MAKE ANNUAL CONTRIBUTIONS TO THE DEPOSIT GUARANTEE FUND caption at 31 December 2015 and 2014 corresponds to BPI's legally required irrevocable commitment, to pay to the Fund, upon request by it, of the amount of the annual contributions not yet paid.

The COMMITMENTS TO THIRD PARTIES – COMMITMENT TO THE INVESTOR INDEMNITY SYSTEM caption at 31 December 2015 and 2014 corresponds to BPI's irrevocable commitment, legally required under the applicable legislation, to pay the System, if required to do so, its share of the amounts necessary to indemnify investors.

At 31 December 2015 the BPI Group managed the following third party assets:

Investment Funds and PPR	2 999 370
Pension Funds[1]	2 419 053

1) Includes the Group companies' Pension Funds.

4.35. Financial margin (narrow sense)

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Interest and similar income		
Interest and similar income	192	395
Interest on placements with credit institutions	32 862	33 274
Interest on loans to Customers	467 631	496 326
Interest on credit in arrears	17 713	12 049
Interest on securities held for trading and available for sale	302 274	306 053
Interest on securitised assets not derecognised	127 107	173 156
Interest on derivatives	160 186	262 851
Interest on debtors and other aplications	1 761	2 226
Other interest and similar income	3 261	3 793
	1 112 987	**1 290 123**
Interest and similar expense		
Interest on resources		
Of central banks	1 214	6 138
Of other credit institutions	6 143	7 872
Deposits and other resources of Customers	271 172	393 278
Debt securities	32 056	73 995
Interest from short selling	539	1 410
Interest on derivatives	162 332	277 256
Interest on liabilities relating to assets not derecognised on securitised operations	11 523	15 895
Interest on contingent convertible subordinated bonds		26 675
Interest on subordinated debt	1 262	2 002
Other interest and similar expenses	2 180	274
	488 421	**804 795**

4.36. Gross margin on unit links

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Income from financial instruments		
Interest	9 767	5 401
Gains and losses on financial instruments	(3 706)	27 857
Gains and losses on capitalisation insurance – unit links	(6 062)	(33 258)
Management and redemption comission	12 968	5 029
	12 967	**5 029**

4.37. Income from equity instruments

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Conduril	369	553
SIBS	1 086	1 086
Viacer	1 946	1 568
Via Litoral	935	
Others	403	405
	4 739	**3 612**

4.38. Net commission relating to amortized cost

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Commission received relating to amortised cost		
Loans to Customers	27 775	26 568
Others	1 030	1 028
Commission paid relating to amortised cost		
Loans to Customers	(6 309)	(5 880)
Others	(1 378)	(1 232)
	21 118	**20 484**

4.39. Technical result of insurance contracts

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Premiums	609 342	1 721 258
Income from financial instruments	59 265	80 545
Impairment (note 4.22)	(561)	(10 295)
Cost of claims, net of reinsurance	(1 144 948)	(328 009)
Changes in technical provisions, net of reinsurance	535 089	(1 394 074)
Participation in results	(26 383)	(35 032)
	31 804	**34 393**

This caption includes the result of capitalization insurance with a discretionary participation feature (IFRS 4). Participation in the results of capitalization insurance is attributed at the end of each year and is calculated in accordance with the technical bases of each product, duly approved by the Portuguese Insurance Institute (note 2.12).

4.40. Net commission income

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Commissions received		
On guarantees provided	23 591	23 741
On commitments to third parties	2 625	2 831
On insurance brokerage services	42 113	40 666
On banking services rendered	212 418	225 213
On operations realised on behalf of third parties	21 820	25 942
Other	10 407	4 195
	312 974	**322 588**
Commissions paid		
On guarantees received	188	49
On financial instrument operations	72	34
On banking services rendered by third parties	35 380	35 921
On operations realised by third parties	4 450	3 721
Other	447	7 912
	40 537	**47 637**
Other income, net		
Refund of expenses	38 581	25 874
Income from banking services	22 147	20 803
Charges similar to fees	(8 487)	(9 455)
	52 241	**37 222**

At 31 December 2015 and 2014 the caption REFUND OF EXPENSES includes 17 455 th. euro and 9 591 th. euro, respectively, regarding the collection of account maintenance costs.

At 31 December 2015 and in 2014 commissions received for insurance brokerage services or reinsurance are made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Life insurance		
Housing	20 307	19 646
Consumer	1 880	2 079
Others	5 893	5 320
	28 080	**27 045**
Non-life insurance		
Housing	5 358	5 050
Consumer	917	570
Others	7 758	8 001
	14 033	**13 621**
	42 113	**40 666**

Remuneration for insurance brokerage services was received in full in cash, more than 98% thereof relating to insurance brokerage services for Allianz.

4.41. Net income on financial operations

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Gain and loss on operations at fair value		
Foreign exchange gain, net	127 031	121 060
Gain and loss on financial assets held for trading		
Debt instruments	34 831	10 649
Equity instruments	8 736	13 932
Other securities	844	924
Gain and loss on trading derivative instruments	9 254	(12 772)
Gain and loss on other financial assets valued at fair value through profit or loss		259
Gain and loss on financial liabilities held for trading	6 384	586
Gain and loss on the revaluation of assets and liabilities hedged by derivatives	(23 421)	57 927
Gain and loss on hedging derivative instruments	23 523	(53 234)
Other gain and loss on financial operations	13 076	18 572
	200 258	**157 903**
Gain and loss on assets available for sale		
Gain and loss on the sale of loans and andvances to Customers	(985)	(221)
Gain and loss on financial assets available for sale		
Debt instruments	(5 531)	(134 871)
Equity instruments	53	113
Others	432	(26)
	(6 031)	**(135 005)**
Interest and financial gain and loss with pensions		
Interest cost	(31 403)	(41 271)
Expected fund income	31 816	43 262
	413	**1 991**

The caption GAIN AND LOSS ON TRADING DERIVATIVE INSTRUMENTS at 31 December 2015 and 2014 includes (12 297) th. euro and (1 371) th. euro, respectively, relating to equity swaps contracted with Customers, which are hedged with shares classified in the caption EQUITY INSTRUMENTS.

The caption OTHER GAIN AND LOSS ON FINANCIAL OPERATIONS at 31 December 2015 and 2014, includes 12 456 th. euro and 21 293 th. euro, respectively, relating to gains on the repurchase of financial liabilities on securitization operations. This caption at

31 December 2014 also includes (3 467) th. euro relating to the revaluation of the new Banco BPI shares issued as part of the exchange operation of subordinated debt for new shares of Banco BPI (note 4.32).

The caption GAIN AND LOSS ON FINANCIAL ASSETS AVAILABLE FOR SALE – DEBT INSTRUMENTS at 31 December 2015 and 2014 includes losses amounting to 4 166 th. euro and 108 750 th. euro relating to the sale of Treasury Bonds issued by the Portuguese State. This caption at 31 December 2014 also includes losses in the amount of 28 550 th. euro relating to the sale of public debt issued by the Italian State.

4.42. Net operating expenses

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Operating income		
Revenue from investment properties	5 356	8 376
Gains on investment properties	175	9 961
Minority interest in the investment fund Imofomento	(1 782)	(1 033)
Gain on tangible assets held for sale	3 118	1 011
Gain on other tangible assets	9 164	8 495
Other operating income	16 392	6 426
	32 423	**33 236**
Operating expenses		
Losses on investment properties	1 882	12 377
Expenses with investment properties	1 166	1 196
Subscriptions and donations	5 180	4 513
Contributions to the Deposit Guarantee Fund	674	3 272
Contributions to the Resolution Fund	2 734	2 664
Contributions to the European Resolution Fund	14 564	
Contribution to the Investor Indemnity System	7	8
Loss on tangible assets held for sale	30	1 793
Loss on other tangible and intangible assets	9 480	12 123
Other operating expenses	6 140	6 482
	41 857	**44 428**
Other taxes		
Indirect taxes	21 175	15 045
Direct taxes	2 001	1 965
	23 176	**17 010**

The amounts recorded in the captions REVENUE FROM INVESTMENT PROPERTIES and EXPENSES WITH INVESTMENT PROPERTIES in 2015 and 2014 are made up as follows:

	31 Dec. 15		31 Dec. 14 Proforma	
	Income	Expenses	Income	Expenses
Leasehold real estate	5 356	617	8 376	950
Non-leased real estate		35		54
	5 356	**652**	**8 376**	**1 004**

GAINS AND LOSSES ON INVESTMENT PROPERTIES in 2014 include 1 376 th. euro relating to gain on property sold and (3 356) th. euro relating property revaluation (note 4.10).

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. As a result of the entry into force of IFRIC 21, and based on the interpretation of the legislation in force, Banco BPI changed its accounting policy for the recognition of the periodic contributions to the Deposit Guarantee Fund and Resolution Fund, as follows:

- Periodic contribution to the Deposit Guarantee Fund – Banco BPI believes that the event which gives rise to the obligation to pay the periodic contribution to the Deposit Guarantee Fund is the receipt of the payment notification for that year. Therefore the liability for the annual contribution to the Deposit Guarantee Fund as well as its cost, are now fully recognized upon receipt of the payment notification for the year, usually during the month of April;

- Periodic contribution to the Resolution Fund – Banco BPI believes that the event which gives rise to the obligation to pay the periodic contribution to the Resolution Fund is the fact of being in operation on the last day of April of the year to which the periodic contribution refers, date required for its payment, in accordance with Article 9 of *Decree-Law 24 / 2013* of 19 February. Therefore, the liability relating to the periodic contribution to the Resolution Fund, as well as its cost, are now being fully recognized in April of the year to which the contribution refers.

In December 2015 Banco BPI made a contribution to the National Resolution Fund in the amount of 14 375 th. euro in accordance with paragraph 1 of Article 153 – H of The General Regime for Credit Institutions and Financial Companies (“Regime Geral das Instituições de Crédito e Sociedades Financeiras”). The amount of the contribution from national banks was calculated by the Bank of Portugal based on the liabilities of these institutions, excluding own funds, less the deposits guaranteed by the Deposit Guarantee Fund, being adjusted in proportion to the risk of each institution’s profile, in accordance with the provisions of paragraph 2 of that article and *Directive 2014 / 59 / EU*, of the European Parliament and the Council, of 15 May 2014. However, in accordance with the commitment assumed under paragraph 3 of article 3 of the Transfer and Pooling Agreement of the contributions to the National Resolution Fund, of which Portugal is a signatory, it is established that the contributions levied by the National Resolution Fund may be transferred to the Single Resolution Fund, established under *Regulation 806 / 2014*, of the European Parliament and Council, of 15 July 2014.

At 31 December 2015 and 2014 the caption LOSS ON OTHER TANGIBLE AND INTANGIBLE ASSETS includes, respectively, 920 th. euro and 1 468 th. euro relating to the closure of branches.

4.43. Personnel costs

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Remuneration	300 062	285 594
Long service premium	3 262	5 554
Pension costs	3 478	5 478
Early retirement	6 488	32 455
Other mandatory social charges	62 313	63 228
Other personnel costs	9 664	10 229
	385 267	**402 538**

The caption REMUNERATION at 31 December 2015 and 2014 includes the following costs relating to remuneration granted to the members of Banco BPI's Board of Directors:

- 5 384 th. euro and 5 890 th. euro, respectively, relating to remuneration paid in cash; and
- 1 182 th. euro and 316 th. euro, respectively, relating to prior years' accrued cost of the share-based remuneration program (RVA) in accordance with IFRS 2.

The caption PENSION FUND at 31 December 2015 and 2014 includes 4 109 th. euro and 4 171 th. euro, respectively, relating to costs of the Defined Contribution Pension Plan for Employees of Banco de Fomento Angola.

4.44. Administrative costs

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Administrative costs		
Supplies		
Water, energy and fuel	13 125	12 019
Consumable material	4 805	5 387
Other	1 337	1 140
Services		
Rent and leasing	49 777	48 239
Communications and computer costs	38 077	37 574
Travel, lodging and representation	8 289	8 011
Publicity	17 506	18 379
Maintenance and repairs	20 369	20 769
Insurance	4 650	4 743
Fees	5 454	4 762
Legal expenses	4 798	5 631
Security and cleaning	12 767	11 409
Information services	8 322	5 890
Temporary labour	2 688	3 290
Studies, consultancy and auditing	15 261	11 658
SIBS	21 473	19 627
Other services	20 535	19 691
	249 233	**238 219**

At 31 December 2015 the remuneration paid to Deloitte and its network[1], in the amount of 2 257 th. euro is made up as follows, by nature and entity to which the services were provided:

Type of service	Banco BPI	BFA	BPI-BI	BPI GA	Others[2]	Total	% of total
Statutory audit	741	129	59	28	276	1 233	55%
Other assurance services	310	173	25	35	96	639	28%
Tax consultancy	25	122			7	154	7%
Other services		231				231	10%
	1 076	**655**	**84**	**63**	**379**	**2 257**	**100%**

1 The "network" of BPI auditors includes Deloitte and Deloitte & Associados, SROC, S.A., and it conforms with the definition of "network" established by the European Commission in its Recommendation no. C (2002) 1873 of 16 May 2002.

2) In order of decreased importance of the amounts paid: BPI Vida e Pensões, BPI Strategies, BPI Suisse, BPI Luxemburgo, Banco BPI Cayman, Banco BPI – Offshore de Macau, BPI Private Equity, BPI Capital Africa, BPI Alternative Fund Luxemburgo, BPI Capital Finance, BPI – Locação de Equipamentos, BPI Moçambique – Sociedade de Investimento and BPI Madeira.

Deloitte and its network did not provide any service to the BPI Group in areas relating to financial information technologies, internal audit, valuations, litigation, recruitment, among others, that could generate conflicts of interest or potential damage to the quality of the statutory audit work.

All the services rendered by Deloitte, including the remuneration conditions, independently of their nature, are subject to prior examination and approval by the Supervisory Board, which is an additional mechanism to ensure the independence of the External Auditor.

4.45. Income tax

At 31 December 2015 and 2014 Proforma, income tax recognized in the statements of income, as well as the tax burden, measured by the relationship between the tax charge and profit before tax, were as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Current income tax		
For the year	52 467	20 437
Correction of prior years	805	(4 301)
	53 272	**16 136**
Deferred tax		
Recognition and reversal of temporary differences	(36 185)	1 908
Change in tax rate		20 534
On tax losses carried forward	(948)	(23 468)
	(37 133)	**(1 026)**
Contribution over the banking sector	13 003	16 488
Total tax charged to the statement of income	**29 142**	**31 598**
Net income before income tax[1]	372 927	(35 806)
Tax burden	7.8%	-88.2%

1) Considering net income of the BPI Group plus income tax and income attributable to non-controlling interests less the earnings of associated companies (equity method).

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. As a result of the entry into force of IFRIC 21, and based on interpretation of the current legislation, Banco BPI changed its accounting policy for the recognition of the extraordinary contribution over the banking sector as it believes that the event that creates the obligation to pay the extraordinary contribution over the banking sector is the activity carried out in the year preceding its payment, which occurs in June of the following year. Thus, the corresponding liability related with the extraordinary contribution over the banking sector as well as its cost, have been recognized on a straight-line basis over the year preceding its payment.

In 2015 and 2014 Proforma, Banco BPI recorded directly in retained earnings, income tax of 12 134 th. euro and (15 742) th. euro, respectively, resulting from actuarial deviations in pensions recognized in the period, net gain / loss on treasury shares recognized in equity and the operation relating to the exchange of preference shares for new shares of Banco BPI (note 4.32).

Reconciliation between the nominal rate of income tax and the tax burden at 31 December 2015 and 2014 Proforma, as well as between the tax cost / income and the product of the accounting profit times the nominal tax rate are as follows:

	31 Dec. 15		31 Dec. 14 Proforma	
	Tax rate	**Amount**	**Tax rate**	**Amount**
Net income before income tax		372 927		(35 806)
Income tax computed based on the nominal tax rate	29.2%	108 744	(35.0%)	12 532
Effect of tax rates applicable to foreign branches	(0.2%)	(602)	(0.1%)	32
Capital gain and impairment of investments (net)	0.0%	17	(2.2%)	792
Capital gain of tangible assets (net)	(0.3%)	(1 305)	1.1%	(376)
Income on Angolan public debt	(18.1%)	(67 564)	201.6%	(72 187)
Non taxable dividends	(0.8%)	(3 137)	4.0%	(1 420)
Tax on dividends of subsidiary and associated companies	1.8%	6 564	(20.2%)	7 246
Conversion of shareholders'equity of associated companies			0.6%	(211)
Tax benefits	(0.3%)	(1 068)	2.6%	(943)
Impairment and provision for loans	0.8%	3 047	7.3%	(2 598)
Non tax deductible pension costs	0.0%	169	(4.4%)	1 588
Interest recognised on minority interests	0.0%	(9)	(0.1%)	27
Correction of prior year taxes	0.2%	806	11.2%	(3 994)
Non tax deductible uncollectible loans	0.4%	1 345		
Extraordinary investment tax credit	0.0%	(113)	0.8%	(300)
Difference of tax rate on tax losses[1]			(3.9%)	1 400
Difference between the current income tax rate and the deferred tax rate[2]	0.1%	536	(0.4%)	139
Correction of prior year taxes	(0.2%)	(738)		
Utilisation of tax losses	(8.7%)	(32 456)		
Tax losses not expected to be used			(142.2%)	50 905
Effect of change in the rate of deferred tax			(57.4%)	20 535
Contribution over the banking sector	3.5%	13 003	(46.0%)	16 488
Autonomous taxation	0.4%	1 412	(6.7%)	2 398
Other non taxable income and expenses	0.1%	491	1.3%	(455)
	7.8%	**29 142**	**(88.2%)**	**31 598**

1) The calculation of deferred taxes on tax losses is based on the tax rate of 21% and not on the nominal tax rate (which includes State and Municipal surcharge).
2) The effective current income tax rate may differ from that used to calculate deferred taxes.

Current taxes are calculated based on the nominal tax rates legally in force in the countries in which the Bank operates:

	31 Dec. 15		31 Dec. 14 Proforma	
	Net income before income tax	**Current tax rate**	**Net income before income tax**	**Current tax rate**
Companies with income tax of 23% and Surcharge between [1.5%; 6.5%]	58 296	27.4%	(292 074)	20.7%
Companies with income tax rate of 30% (Angola)	309 189	30.0%	243 635	30.0%
Investment funds[1]	5 442		12 633	
	372 927	**29.2%**	**(35 806)**	**(35.0%)**

1) Regime applicable under the provisions of article 22 of the EBF.

Deferred tax assets and liabilities correspond to the amount of tax recoverable and payable in future periods resulting from temporary differences between the amount of assets and liabilities on the balance sheet and their tax base. Deferred tax assets are also recognized on tax losses carried forward and tax credits.

Profits distributed to Banco BPI by subsidiary and associated companies in Portugal are not taxed in Banco BPI as a result of applying the regime established in article 46 of the Corporation Income Tax Code, which eliminates double taxation of profits distributed.

Deferred tax assets and liabilities are calculated using the tax rates decreed for the periods in which they are expected to reverse.

Deferred tax assets and liabilities at 31 December 2015 and 2014 Proforma are as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Deferred tax		
Assets (note 4.14)	411 536	411 833
Liabilities (note 4.24)	(28 008)	(30 028)
	383 528	**381 805**
Recorded by corresponding entry to:		
Retained earnings	276 759	287 314
Other reserves – actuarial deviations	68 188	77 063
Fair value reserve (note 4.31)		
Financial instruments available for sale	1 448	16 402
Net income	37 133	1 026
	383 528	**381 805**

Deferred tax assets are recognized up to the amount expected to be realized through future taxable profits.

The changes in deferred taxes in 2015 were as follows:

	Balance at 31 Dec. 14 Proforma	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at 31 Dec. 15
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	(1 869)	(98)				(1 967)
Early retirements	29 287	(4 596)				24 691
Banco BPI Cayman net income	213					213
Taxed provisions and impairment	147 423	(1 786)	14 665			160 302
Long service premium	8 235		678			8 913
Tax losses	102 833	(3)	951		(167)	103 614
Investment tax credit	952		113			1 065
Financial instruments available for sale	18 629	(400)	216	724	(11 565)	7 604
Actuarial deviations	61 420	(8 774)				52 646
Actuarial deviations after 2011	15 643		21 130		(21 230)	15 543
Taxes over dividends			8 829			8 829
Tax deferral of the impact of the transfer of pensions	22 748	(1 516)				21 232
Reversal of gains in the consolidated accounts		904	844			1 748
Others	6 319	(62)	304	557	(15)	7 103
	411 833	**(16 331)**	**47 730**	**1 281**	**(32 977)**	**411 536**
Deferred tax liabilities						
Revaluation of tangible fixed assets	(642)		86			(556)
Revaluation of assets and liabilities hedged by derivatives	(991)	(698)				(1 689)
Dividends to be distributed by subsidiary and associated companies	(10 446)	(6 530)	6 446	525		(10 005)
RVA's			94		(94)	
Financial instruments available for sale	(6 506)		1	4	(1 755)	(8 256)
Repurchase of liabilities and preference shares	(9 906)		8 892		(2 396)	(3 410)
Reversal of gains in the consolidated accounts	(1 534)	(2 826)	269			(4 091)
Others	(3)			3	(1)	(1)
	(30 028)	**(10 054)**	**15 788**	**532**	**(4 246)**	**(28 008)**
	381 805	**(26 385)**	**63 518**	**1 813**	**(37 223)**	**383 528**

The changes in deferred taxes in 2014 Proforma are as follows:

	Balance at 31 Dec. 13 Proforma	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at 31 Dec. 14 Proforma
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	1 647	(3 646)	130			(1 869)
Early retirements	30 455	(1 168)				29 287
Banco BPI Caymen net income	229	(16)				213
Taxed provisions and impairment	147 706	(315)	34			147 425
Long service premium	7 401	(1)	835			8 235
Tax losses	86 887	(4 625)	20 538	30		102 830
Investment tax credit	700		252			952
Financial instruments available for sale	137 139	(248)	194	5 042	(123 498)	18 629
Actuarial deviations	75 318	(8 774)			(5 124)	61 420
Actuarial deviations after 2011			(6 800)	22 443		15 643
Public exchange offer			3 329		(3 329)	
Tax deferral of the impact of the transfer of pensions	26 044	(3 296)				22 748
Others	3 930	(173)	955	1 609		6 321
	517 455	**(22 262)**	**19 467**	**29 124**	**(131 951)**	**411 833**
Deferred tax liabilities						
Revaluation of tangible fixed assets	(696)		54			(642)
Revaluation of assets and liabilities hedged by derivates	(170)	(821)				(991)
Subsidiary's equity conversion	(211)	211				
Dividends to be distributed by subsidiary and associated companies	(7 736)	(7 138)	4 624		(196)	(10 446)
RVA's		(1 169)		1 169		
Financial instruments available for sale	(6 372)	(528)		425	(31)	(6 506)
Repurchase of liabilities and preference shares	(20 066)		7 477	2 684		(9 905)
Reversal of gains in the consolidated accounts	(2 723)		1 189			(1 534)
Others	(2)	(78)		77		(3)
	(37 977)	**(9 523)**	**13 344**	**4 355**	**(227)**	**(30 028)**
	479 478	**(31 785)**	**32 811**	**33 479**	**(132 178)**	**381 805**

The BPI Group does not recognize deferred tax assets and liabilities for deductible or taxable temporary differences relating to investments in subsidiaries as it is unlikely that such differences will be reversed in the foreseeable future, except for the deferred tax liability relating to taxation in Angola of the dividends to be distributed to the Banco BPI companies, in the following year, on net income for the year of Banco de Fomento Angola.

The BPI Group does not recognize deferred tax assets and liabilities for deductible or taxable temporary differences relating to investments in associated companies as the investment held by the BPI Group is more than 5% for more than 2 years which enables it to be considered in the Participation Exemption regime, except for Banco Comercial e de Investimentos in which the deferred tax liability relating to taxation in Mozambique of all distributable profits is recognised.

4.46. Earnings of associated companies (equity method)

This caption is made up as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Banco Comercial e de Investimentos, S.A.R.L.	10 292	11 570
Companhia de Seguros Allianz Portugal, S.A.	9 250	7 014
Cosec – Companhia de Seguros de Crédito, S.A.	5 511	5 501
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.		(326)
InterRisco – Sociedade de Capital de Risco, S.A.	3	213
Unicre – Instituição Financeira de Crédito, S.A.	8 377	2 153
	33 433	**26 125**

Contribution of the associated companies of Banco BPI to the consolidated comprehensive income is as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Contribution to consolidated net income	33 433	26 125
Contribution to consolidated net income statement of income	(10 514)	15 961
Contribution to consolidated comprehensive income	**22 919**	**42 086**

4.47. Consolidated net income of the BPI Group

Contribution of Banco BPI and subsidiary and associated companies to consolidated net income in 2015 and 2014 is as follows:

	31 Dec. 15	31 Dec. 14 Proforma
Banks		
Banco BPI, S.A.[1]	36 946	(347 243)
Banco Português de Investimento, S.A.[1]	1 473	2 555
Banco de Fomento Angola, S.A.[1]	135 716	116 937
Banco Comercial e de Investimentos, S.A.R.L.[1]	9 417	10 587
Banco BPI Cayman, Ltd.[1]	2 152	2 363
Asset management and brokerage		
BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	3 757	7 174
BPI – Global Investment Fund Management Company, S.A.	1 825	1 660
BPI (Suisse), S.A.[1]	4 418	3 906
BPI Alternative Fund: Iberian Equities Long / Short Fund Luxemburgo [1]	4 644	5 210
BPI Obrigações Mundiais – Fundo de Investimento Aberto de Obrigações [1]	(14)	135
Imofomento – Fundo de Investimento Imobiliário Aberto [1]	538	702
BPI Strategies, Ltd.[1]	273	485
Venture capital / development		
BPI Private Equity – Sociedade de Capital de Risco, S.A.[1]	(1 208)	(712)
Inter-Risco – Sociedade de Capital de Risco, S.A.	3	213
Insurance		
BPI Vida e Pensões – Companhia de Seguros, S.A.[1]	16 653	26 094
Cosec – Companhia de Seguros de Crédito, S.A.	5 511	5 501
Companhia de Seguros Allianz Portugal, S.A. [1]	9 250	7 014
Others		
BPI, Inc.	(5)	(204)
BPI Locação de Equipamentos, Lda.	(7)	(9)
BPI Madeira, SGPS, Unipessoal, S.A.[1]	(276)	(16)
BPI Moçambique – Sociedade de Investimento, S.A.[1]	(557)	(56)
BPI Capital Finance		(33)
BPI Capital Africa[1]	(1 313)	(1 358)
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.[1,2]		(5 616)
Unicre – Instituição Financeira de Crédito, S.A.[1]	7 173	153
	236 369	**(164 558)**

1) Adjusted net income.
2) At 31 December 2014 the participation in Finangeste was reclassified to the caption NON-CURRENT ASSETS HELD FOR SALE and was sold in the first half of 2015 (note 4.9).

Earnings per share

Basic earnings per share is calculated by dividing net income attributable to the shareholders of Banco BPI by the weighted average number of ordinary shares outstanding in the period, excluding treasury shares acquired by the Group.

The following table shows the calculation of basic earnings per share:

	31 Dec. 15	31 Dec. 14 Proforma
Numerator		
Numerator: Net income attributable to the shareholders of BPI (in thousands of euros)	236 369	(164 558)
Denominator		
Issued ordinary shares (x 1000):		
No. at the beginning of the year	1 456 924	1 390 000
No. of new shares issued in the year	0	66 924
No. at the end of the year	1 456 924	1 456 924
Weighted average number of shares	1 456 924	1 427 038
Treasury shares, weighted average number (x 1000)	6 564	4 711
Denominator: weighted average number of shares, net of treasury shares (x 1000)	1450 360	1422 327
Consolidated basic earnings per share (in euros)	**0.163**	**(0.116)**

In June 2014 a Public Exchange Offer of subordinated debt, participating bonds and preference shares for new shares of Banco BPI was concluded. Under the exchange operation 66 924 000 new shares were issued and so following this operation Banco BPI's share capital was made up of 1 456 924 237 ordinary, nominal dematerialized shares, of no par value.

Diluted earnings per share includes in its calculation the potential dilutive effect on earnings per share of any existing financial instruments, by adjusting the average number of shares and / or the net results.

In the calculation of diluted earnings per share of Banco BPI the following adjustments to the weighted average number of shares were considered:

- Sum of shares (average number) granted to Employees subject to a resolution condition under the RVA program but not yet made available. The ownership of the shares granted, under the RVA program, is transferred in full at the grant date, but their availability is dependent on maintenance of the employment relationship with the BPI Group. Therefore for accounting purposes, the shares remain in the portfolio of treasury shares of Banco BPI until their date of delivery, at which time the treasury shares are derecognized.

- Sum of the portfolio of treasury shares allocated to cover the options to purchase shares of Banco BPI granted to Employees under the RVA program. To cover the option plan, BPI has treasury shares portfolios, allocated to each of the series of current options, in order to ensure a number of shares corresponding to the product of delta by the number of options ("delta hedging"). For the purpose of managing the hedging portfolio, the Bank carries out purchase and sale transactions on the stock exchange. In the granting of shares to Employees for exercising the options, the Bank uses the portfolio of treasury shares, which are derecognized together with the transfer of ownership, and also make purchases on the stock exchange.

The following table shows the calculation of diluted earnings per share:

	31 Dec. 15	31 Dec. 14 Proforma
Numerator		
Numerator: Net income attributable to the shareholders of BPI (in thousands of euros)	236 369	(164 558)
Denominator		
Weighted average number of shares, net of treasury shares (x 1000)	1 450 360	1 422 327
Average weighted potential ordinary shares with dilutive effect (x 1000):		
Shares granted to Employees, under the RVA program, under resolutive conditions	427	362
Treasury shares allocated to cover the RVA option plan	5 989	4 268
Denominator: weighted average number of shares adjusted (x 1000)	1 456 776	1 426 957
Consolidated diluted earnings per share (in euros)	**0.162**	**(0.115)**

4.48. Personnel

The average and period-end number of Employees[1] in 2015 and 2014 were as follows:

	31 Dec. 15		31 Dec. 14 Proforma	
	Average for the period	**End of period**	**Average for the period**	**End of period**
Executive directors[2]	9	9	9	9
Management staff	636	649	618	619
Other staff	5 336	5 338	5 409	5 312
Other Employees	2 670	2 638	2 749	2 698
	8 651	**8 634**	**8 785**	**8 638**

1) Personnel of the Group's entities consolidated by the full consolidation method. This includes personnel of the foreign branches of Banco BPI.
2) This includes the executive directors of Banco BPI and BPI Investimentos.

4.49. Financial risks

Fair value

Fair value of financial instruments and investment properties is determined whenever possible based on the price in an active market. A market is considered to be active and liquid, when it is accessed by equally knowledgeable counterparties and is traded on a regular basis. In the case of financial instruments and investment properties with no prices in active markets, due to lack of liquidity and absence of regular transactions, valuation methods and techniques to estimate fair value are used.

Financial instruments and investment properties recorded in the balance sheet at fair value were classified by levels in accordance with the hierarchy of IFRS 13.

Financial instruments recorded in the balance sheet at fair value

Debt instruments and equity instruments

- Level 1 – Price in an active market

This category includes, in addition to financial instruments listed on regulated Stock Exchanges, bonds and participating units in harmonized funds, valued based on prices / quotations in active markets, published in trading platforms, taking into account also the liquidity and quality of the prices.

The classification of fair value in level 1 is made automatically by SIVA ("Sistema Integrado de Valorização de Activos") whenever the related financial instruments are traded in an active market, considering, for this purpose, that this is the case when:

i. daily prices are given for the financial instruments by at least 6 contributors, at least three of them with firm offers, or there is a multi-contributed price (price formed by several firm offers from contributors available in the market) (active market), or;
ii. such financial instruments have been classified as level 1, in accordance with the rule referred to in the preceding paragraph, in at least 50% of the last 30 calendar days.

For financial instruments that do not have a history in the 30 days calendar available in the system, allocation of fair value level will be carried out taking into account the history available in SIVA.

- Level 2 – Valuation techniques based on market inputs

Financial instruments that have not been traded on an active market or that are valued by reference to valuation techniques based on market data for financial instruments having the same or similar characteristics in accordance with the rules referred to below are considered as level 2.

Level 2 fair value is determined automatically by SIVA in accordance with the following rules:

a) Financial instruments are classified daily in Level 2 if they are:

i. quoted by less than 6 contributors, regardless of the type of price, or;
ii. valued based on models using inputs which are mainly observable in the market (such as interest rate curves or exchange rates), or;
iii. valued based on third party indicative purchase prices, based on observable market data, and
iv. have been classified as level 1 and level 2, in accordance with the rules mentioned above in at least 50% of the last 30 calendar days.

b) For instruments that do not have a 30 day history in the available calendar in the system, allocation of the fair value level will be carried out taking into account the history available in SIVA.

- Level 3 – Valuation techniques using mainly inputs not based on observable market data

Financial assets are classified as Level 3 when they do not meet the criteria to be classified as Level 1 or Level 2, or if their value is the result of inputs not based on observable market data, namely:

a) financial instruments not admitted to trading on a regulated market, which are valued based on valuation models for which there is no generally accepted market consensus as to the inputs to be used, namely:

i. valuation based on Net Asset Value of non-harmonized funds, updated and disclosed by their managing companies;
ii. valuation based on indicative prices disclosed by the entities involved in the issue of certain financial instruments, without an active market; or
iii. valuation based on impairment tests, using indicators of the performance of the underlying operations (degree of protection by subordination of the parts owned, delinquency rates of the underlying assets, evolution of the ratings, etc.).

b) financial instruments valued at indicative purchase prices based on theoretical models, disclosed by specialized third parties.

Automatic classification proposed by SIVA relating to the level of fair value is made on the day of measurement, being supervised by a specialized team, in order to ensure that the classification of the fair value level is considered the most appropriate, according to the principles set forth herein.

If a market value is not available and it is not possible to determine fair value reliably, equity instruments are recognized at historical cost and are subject to impairment tests.

Financial derivative instruments

Financial derivative transactions in the form of foreign exchange contracts, interest rate contracts, contracts on shares or share indices, inflation contracts or a combination of these, are carried out in over-the-counter (OTC) markets and in organized markets (especially stock exchanges). For the over-the-counter derivatives (swaps and options) the valuation is based on generally accepted methods, always giving priority to values from the market.

- Level 1 – Price in an active market

This category includes futures and options and other financial derivative instruments traded on stock exchanges.

- Level 2 – Valuation techniques based on market inputs

Level 2 includes derivatives, traded on over-the-counter markets, without an optional component (swaps and similar) and that have been contracted with counterparties with which the Bank has collateralization agreements and therefore are not subject to adjustments for credit risk, to the extent that it is mitigated.

Valuation of these derivatives is made by discounting the cash flows of the operations, using interest rate market curves deemed appropriate for the currency concerned, prevailing at the time of calculation. The interest rates are obtained from reliable sources of information (e.g. Bloomberg or Reuters). The same interest rate curves are used in the projection of non-deterministic cash flows such as interest calculated from indices. The rates for required specific periods are determined by appropriate interpolation methods.

- Level 3 – Valuation techniques using mainly inputs not based on observable market data

Level 3 includes options and derivatives traded in the over-the-counter market, with embedded optional elements or derivatives that have been contracted with counterparties with which the Bank does not have collateralization agreements.

Derivative financial instruments traded in the over-the-counter market, that have been contracted with counterparties with which the Bank does not have collateralization agreements were classified as Level 3 since their credit risk adjustments are estimated mainly by using inputs not based on observable market data. With the exception of the adjustments for credit risk, the estimated fair value of these instruments is calculated in the same way as described for the Level 2 financial instruments derivatives.

The valuation of derivatives with optional elements is carried out using statistical models that consider the market value of the underlying assets and their volatilities (considering that the latter are not directly observable in the market).The theoretical models used to value derivatives classified in Level 3 are of two types:

(i) For simpler operations (plain vanilla) option and optional elements are valued based on the Black-Scholes models or their derivatives (commonly used models by the market in the valuation of this type of operation). The inputs for these models, price and volatility, are collected from Bloomberg. At 31 December 2015 the values of the unobservable market inputs (implied volatility of the underlying assets) are included in the following ranges by type of underlying asset:

Implicit volatility

Underlying	Min.	Max.
Euribor 1 month	81.99%	289.91%
Euribor 3 months	34.53%	217.11%
Euribor 6 months	36.35%	107.56%
Euribor 12 months	61.99%	74.30%
Exchange EUR / USD	7.96%	14.64%

Valuation of the non-optional components is made based on discounted cash flows, using methodology similar to that used for derivatives without an optional component.

(ii) For the more exotic options or complex derivatives incorporating optional elements (for which there are no Black Scholes models available) the Bank contracted a specialized entity that performs the valuation based on specific models, constructed using criteria and methodologies generally accepted for this type of operations.

At 31 December 2015 the values of the inputs not observable in the market (implicit volatility of the underlying assets) are included in the following categories, by type of underlying asset:

Implicit volatility

Inderlying type	Min.	Max.
Shares / indexes	4.43%	37.00%
Commodities	16.71%	34.77%

In accordance with the policy defined by the BPI Group as regards the management of exposure of options, significant open positions are not maintained, the risk being managed mainly through "back-to-back" hedges. Thus, the impact of possible changes in the inputs used in the valuation of the options, in terms of the income statement of the BPI Group, tends to be negligible.

Valuations thus obtained are, in the case of interbank transactions, valued against those used by the counterparties and whenever there are significant differences the models or assumptions are reviewed.

The Bank includes counterparty credit risk and own credit risk in the calculation of the book value of derivative financial instruments contracted in the over-the-counter market. This methodology includes the following main items:

- derivative financial instruments contracted with counterparties with which the Bank has collateralization agreements are not subject to adjustment for credit risk, to the extent that it is mitigated;
- counterparty credit risk and own credit risk adjustments relating to derivative financial instruments not collateralized are estimated using mainly historical information regarding non-performance, except for operations in which the Bank considers that the credit risk of the counterparty is comparable to the risk of the Portuguese Republic. In these cases, the adjustments for credit risk are estimated based on risk parameters implicit in the spread of Portuguese public debt against the German public debt.

The credit risk adjustments, considered by the Bank in determining of the book value of derivative financial instruments contracted in the over-the-counter market, were estimated based on this new methodology, except for the cases in which individual impairment losses were recorded. In these cases the adjustments considered by the Bank are the amount of the corresponding impairment.

Considering the complexity and subjectivity relating to determination of the assumptions used in the calculation of the adjustments to the credit risk of derivative financial instruments, it will continue to be monitored by the Bank in order to introduce the improvements that are identified based on practical experience in applying these methodologies.

Investment properties

In determining the fair value of investment properties two of the following valuation methods should be used:

- Comparative market method
  The estimated value of a property is made by comparison with real estate transactions of similar properties, both as regards location and physical condition. This method should only be used if:
  - there are a significant number of sales transactions in the market in question,
  - the traded property and sales conditions are comparable,
  - the information regarding the transactions is recent, and
  - there are no external factors affecting the transactions.
- Income method
  The estimated value of a property is calculated based on the amount from future income that it generates or may generate, applying a capitalization rate that reflects the expected return on the capital invested.
- Cost method
  The estimated value of a property corresponds to the cost of construction of a property that has the same functions as the property being valued.

The most significant variables considered in each of the methodologies are the following:

i. revenue currently practiced in rented properties,
ii. revenue potentially applicable to those properties that are not rented,
iii. estimated yields applicable to each property according to its geographical location and state of preservation,
iv. cost of construction and the cost of land of the property, as well as applicable rates, and
v. sale price per square meter for properties in a similar situation.

Real estate is valued every two years and whenever there is a significant change in their value. In 2014 the management company revalued its entire real estate portfolio. The real estate was valued based on the arithmetic average of the amounts of the valuations made by two expert independent appraisers certified by the Portuguese Stock Exchange Commission (Comissão de Mercado de Valores Imobiliários).

The main inputs used in the calculation of the market value were (potential reference values):

Region	Type of property	Net potential yield	Gross construction area	Gross leasable area	Parking facilities
Lisboa – Avenida da Liberdade	Office / services	7.00%	13.6	17.0	150
Lisboa – Rua Soeiro Pereira Gomes	Office / services	7.00%	9.8	12.3	125
Lisboa – Avenida António Augusto de Aguiar	Office / services	7.00%	12.0	15.0	150
Lisboa – Algés / Miraflores	Office / services	7.75%	6.4	8.0	80
Lisboa – Oeiras	Office / services	7.50%	10.0	12.5	85
Lisboa – Telheiras	Store / reitail	7.25%	15.5	15.5	
Lisboa – Centro Comercial Vasco da Gama	Store / reitail	6.00%	15.0	15.0	
Lisboa – Alverca	Warehouses / logistics	8.00%	4.5	4.5	
Porto – Bom Sucesso	Office / services	8.00%	9.2	11.5	85
Porto – Estádio do Bessa	Store / reitail	7.00%	10.5	10.5	75

Financial instruments recorded in the balance sheet at amortized cost

The fair value of financial instruments recorded in the balance sheet at amortized cost is determined by the BPI Group through valuation techniques.

Fair value may not correspond to the realizable value of these financial instruments in a sale or liquidation scenario, having not been determined for that purpose.

The valuation techniques used are based on market conditions applicable to similar operations as of the date of the financial statements, such as the value of their discounted cash flows based on interest rates considered as most appropriate, namely:

- the cash flows relating to Loans and advances to credit institutions and Resources of other credit institutions were discounted based on interest rate curves for interbank operations on the date of the financial statements, except for medium and long term resources, the cash-flows of which were discounted based on the interest rate curve used by the Bank for senior issuances;
- in operations with Customers (Loans to Customers and Resources of Customers and other loans) the weighted average of the spreads over the reference rates used by the Bank in the previous month for similar operations is considered;
- for bonds issued (Debt securities and Subordinated debt), the Bank considered reference interest rates and spreads available in the market, taking into account the residual maturity and degree of subordination of the issuances. For subordinated debt, the Bank used a proposal presented to the Bank by another credit institution for the issuance of perpetual subordinated debt, as the basis for the construction of subordination spread curves, also considering the senior debt curve, the Portuguese public debt curve and the evolution of the spread between the Portuguese and German public debts. On this date the Bank did not have contingent convertible subordinated bonds on the balance sheet.

The reference rates used to calculate the discount factors at 31 December 2015 are listed in the following tables and refer to the interbank market rates and the issue proposals made to BPI:

	1 month	3 months	6 months	1 year	2 years	3 years	5 years	7 years	10 years	30 years
EUR	-0.21%	-0.13%	-0.04%	0.06%	-0.03%	0.06%	0.33%	0.62%	1.00%	1.61%
GBP	0.50%	0.59%	0.75%	1.07%	1.09%	1.30%	1.59%	1.80%	2.00%	2.15%
USD	0.43%	0.61%	0.85%	1.18%	1.15%	1.38%	1.70%	1.93%	2.16%	2.59%
JPY	0.05%	0.08%	0.12%	0.22%	0.11%	0.12%	3.28%	3.52%	3.75%	4.01%

	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
Portuguese Public Debt	0.11%	0.11%	0.20%	0.67%	1.06%	1.35%	1.87%	2.16%	2.34%	2.52%
German Public Debt	-0.38%	-0.35%	-0.30%	-0.21%	-0.05%	0.04%	0.17%	0.30%	0.47%	0.63%
Spread PT / DE	-0.06%	-0.03%	0.06%	0.19%	0.33%	0.48%	0.62%	0.76%	0.89%	1.00%

The fair value of "Held to maturity investments" is based on market prices or third party purchase prices, when available. If these do not exist, fair value is estimated based on the discounted value of the expected cash flows of principal and interest.

The fair value of spot operations (including Cash and deposits at central banks, Deposits at other credit institutions repayable on demand and Demand deposits included in Resources of Customers and other debts) corresponds to their book value.

The fair value of financial instruments and investment properties at 31 December 2015 is made up as follows:

Type of financial instrument	Net book value	Fair value of financial instruments			Difference	Assets valued at historical cost[1]	Total book value
		Recorded in the balance sheet at fair value	Recorded in the balance sheet at amortised cost	Total			
Assets							
Cash and deposits at central banks	2 728 185		2 728 185	2 728 185			2 728 185
Deposits at other credit institutions	612 055		612 055	612 055			612 055
Financial assets held for trading and at fair value through profit or loss	3 420 697	3 420 697		3 420 697			3 420 697
Financial assets available for sale	6 503 220	6 503 220		6 503 220		6 168	6 509 388
Loans and advances to credit institutions	1 230 043		1 223 680[3]	1 223 680	(6 363)		1 230 043
Loans and advances to Customers	24 281 622		22 787 953[4]	22 787 953	(1 493 669)		24 281 622
Held to maturity investments	22 417		21 159[3]	21 159	(1 258)		22 417
Trading derivatives[2]	253 907	253 907		253 907			253 907
Hedging derivatives	91 286	91 286		91 286			91 286
	39 143 432	**10 269 110**	**27 373 032**	**37 642 142**	**(1 501 290)**	**6 168**	**39 149 600**
Liabilities							
Resources of central banks	1 520 735		1 521 898	1 521 898	(1 163)		1 520 735
Resources of other credit institutions	1 311 791		1 277 152[3]	1 277 152	34 639		1 311 791
Resources of Customers and other debts	28 177 814		28 116 540[5]	28 116 540	61 274		28 177 814
Debt securities	1 077 381		1 059 378[3]	1 059 378	18 003		1 077 381
Financial liabilities relating to transferred assets	689 522		637 101[4]	637 101	52 421		689 522
Trading derivatives	294 318	294 318		294 318			294 318
Hedging derivatives	161 556	161 556		161 556			161 556
Technical provisions	3 663 094		3 663 094[3]	3 663 094			3 663 094
Other subordinated debt and participating bonds	69 512		67 347[3]	67 347	2 165		69 512
	36 965 723	**455 874**	**36 342 510**	**36 798 384**	**167 339**		**36 965 723**
	2 177 709			**843 758**	**(1 333 951)**	**6 168**	**2 183 877**
Valuation differences in financial assets recognised in revaluation reserves					20 310		
					(1 313 641)		

1) Unlisted securities for which it was not possible to determine fair value on a reliable basis.
2) This caption is presented in the balance sheet as Financial assets held for trading and at fair value through profit or loss.
3) Financial instruments recognized in the balance sheet at amortized cost classified as Level 2, in accordance with the fair value hierarchy established in IFRS 13.
4) Financial instruments recognized in the balance sheet at amortized cost classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.
5) Demand deposits valued at their nominal amount. Term deposits and other resources not payable on demand classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.

The fair value of financial instruments and investment properties at 31 December 2014 Proforma is made up as follows:

Type of financial instrument	Net book value	Fair value of financial instruments			Difference	Assets valued at historical cost[1]	Total book value
		Recorded in the balance sheet at fair value	Recorded in the balance sheet at amortised cost	Total			
Assets							
Cash and deposits at central banks	1 894 203		1 894 203	1 894 203			1 894 203
Deposits at other credit institutions	380 475		380 475	380 475			380 475
Financial assets held for trading and at fair value through profit and loss	2 727 702	2 727 702		2 727 702			2 727 702
Financial assets available for sale	7 519 691	7 519 691		7 519 691		6 087	7 525 778
Loans and advances to credit institutions	2 588 817		2 580 481[3]	2 580 481	(8 336)		2 588 817
Loans and advances to Customers	25 268 969		22 971 054[4]	22 971 054	(2 297 915)		25 268 969
Held to maturity investments	88 382		86 781[3]	86 781	(1 601)		88 382
Trading derivatives[2]	290 031	290 031		290 031			290 031
Hedging derivatives	148 693	148 693		148 693			148 693
Investment properties	154 777	154 777		154 777			154 777
	41 061 740	**10 840 894**	**27 912 994**	**38 753 888**	**(2 307 852)**	**6 087**	**41 067 827**
Liabilities							
Resources of central banks	1 561 185		1 561 038[3]	1 561 038	147		1 561 185
Financial liabilities held for negotiaition	799	799		799			799
Resources of other credit institutions	1 372 441		1 331 914[3]	1 331 914	40 527		1 372 441
Resources of Customers and other debts	28 134 617		28 188 704[5]	28 188 704	(54 087)		28 134 617
Debt securities	2 238 074		2 275 281[3]	2 275 281	(37 207)		2 238 074
Financial liabilities relating to transferred assets	1 047 731		876 210[4]	876 210	171 521		1 047 731
Trading derivatives	325 986	325 986		325 986			325 986
Hedging derivatives	327 219	327 219		327 219			327 219
Technical provisions	4 151 830		4 151 830[3]	4 151 830			4 151 830
Other subordinated debt and participation bonds	69 521		65 622[3]	65 622	3 899		136 931
	39 229 403	**654 004**	**38 450 599**	**39 104 603**	**124 800**		**39 296 813**
	1 832 337			**(350 715)**	**(2 183 052)**	**6 087**	**1 771 014**
Valuation differences in financial assets recognised in revaluation reserves					(35 174)		
					(2 218 226)		

1) Unlisted securities for which it was not possible to determine fair value on a reliable basis.
2) This caption is presented in the balance sheet as Financial assets held for trading and at fair value through profit or loss.
3) Financial instruments recognized in the balance sheet at amortized cost classified as Level 2, in accordance with the fair value hierarchy established in IFRS 13.
4) Financial instruments recognized in the balance sheet at amortized cost classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.
5) Demand deposits valued at their nominal amount. Term deposits and other resources not at demand classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.

The book value of the financial instruments and investment properties recorded in the balance sheet at fair value at 31 December 2015, is made up as follows by valuation methodologies:

Type of financial instrument	Active market listing (level 1)	Valuation techniques: Market data (level 2)	Valuation techniques: Models (level 3)	Total fair value
Assets				
Financial assets held for trading and at fair value through profit or loss	2 812 537	25 818	582 342	3 420 697
Financial assets available for sale	3 315 029	51 943	3 136 248	6 503 220
Trading derivatives	80	44 659	209 168	253 907
Hedging derivatives	5	58 149	33 132	91 286
Investment properties				
	6 127 651	**180 569**	**3 960 890**	**10 269 110**
Liabilities				
Trading derivatives	135	260 578	33 605	294 318
Hedging derivatives	16	159 494	2 046	161 556
	151	**420 072**	**35 651**	**455 874**

The book value of the financial instruments and investment properties recorded in the balance sheet at fair value at 31 December 2014, Proforma is made up as follows by valuation methodologies:

Type of financial instrument	Active market listing (level 1)	Valuation techniques: Market data (level 2)	Valuation techniques: Models (level 3)	Total fair value
Assets				
Financial assets held for trading and at fair value through profit or loss	2 434 377	37 624	255 701	2 727 702
Financial assets available for sale	4 498 510	47 075	2 974 106	7 519 691
Trading derivatives	112	30 424	259 495	290 031
Hedging derivatives	30	111 025	37 638	148 693
Investment properties			154 777	154 777
	6 933 029	**226 148**	**3 681 717**	**10 840 894**
Liabilities				
Financial liabilities held for negotiaition	799			799
Trading derivatives	123	280 123	45 740	325 986
Hedging derivatives	170	311 399	15 650	327 219
	1 092	**591 522**	**61 390**	**654 004**

In 2015 and 2014 the following securities were transferred from level 2 to level 1 due to the increase in their liquidity in the market, as a result of the increase in contributors quoting the securities with firm offers and, in the case of securities of domestic issuers, resulting from improvement in the conditions of the Portuguese Debt:

	Book value	
	31 Dec. 15	**31 Dec. 14 Proforma**
BANCO SABADELL-5.234%-PERPETUA		34
CONTINENTE-7%-25.07.2015		223
MOTA-ENGIL-6.85%-2013 / 2016		286
SEMAPA – TV (20.04.2016)	11 431	
PARPUBLICA – 5.25% – OB.CONV.-28.09.2017	219	
SONAE INVESTMENTS BV-1.625%-11.06.2019	98	
	11 749	

In 2014 the following securities were transferred from level 1 to level 2 due to the decrease in their market liquidity, as a result of the decrease in contributors quoting the securities with firm offers:

	Book value
	31 Dec. 14 Proforma
SEMAPA-6.85%-30.03.2015	935
ZON MULTIMEDIA 2012-2015	209
BLUEWATER HOLDINGS BV-10%-10.12.2019	219
SEADRILL LTD-TX.VR.-12.03.2018	120
	1 484

At 31 December 2015 and 2014 financial assets held for trading and at fair value through profit or loss included in Level 3 correspond essentially to Angolan public debt. They also include bonds valued through indicative bid prices based on theoretical models or through models developed internally.

At 31 December 2015 and 2014 financial assets available for sale included in Level 3 correspond essentially to Angolan public debt securities. They also include bonds collateralized by assets (ABS's) and private equity investments.

At 31 December 2015 and 2014 trading and hedging derivatives included in Level 3 refer mainly to:

- options or swaps negotiated with Customers with an optional component and related hedging with the market;
- embedded options in structured bonds issued by Banco BPI, with remuneration indexed to baskets of shares / share indexes, commodities and exchange rates, and operations negotiated with the market to hedge the optional risk of these bonds;
- derivatives contracted in the over-the-counter market with counterparties with which the Bank does not have collaterization agreements.

The book value of financial instruments at the beginning of the reporting period was used for the presentation of transfers between levels.

For financial instruments and investment properties recorded at fair value on the balance sheet, the changes between 31 December 2015 and 2014 in assets and liabilities classified in Level 3, are as follows:

Financial assets and liabilities	Held for trading and at fair value through profit or loss	Available for sale	Trading derivatives (net)	Hedging derivatives (net)	Investment properties	Total
Net book value at 31 December 2014 Proforma	255 701	2 974 106	213 755	21 988	154 777	3 620 327
Accrued interest (amount at 31 December 2014)	(24)	(650)	(16 867)	15 537		(2 004)
Gain / (loss) recognized in net income:						
In net income on financial operations	667	279	(43 985)	(5 139)		(48 178)
Of which: Potential gain / (loss)	95	150	(31 779)	(5 137)		(36 671)
Of which: Effective gain / (loss)	572	128	(12 206)	(2)		(11 508)
In impairment loss		(9 060)				(9 060)
Gain / (loss) recognized in revaluation reserves		18 710				18 710
Purchases	350 882	203 994				554 876
Sales, redemptions and amortizations	(26 200)	(51 787)	12 205	2	(154 777)	(220 557)
Transfers in	(364)					(364)
Transfers out	1 555	11				1 566
Accrued interest (amount at 31 December 2015)	125	645	10 455	(1 302)		9 923
Net book value at 31 December 2015	**582 342**	**3 136 248**	**175 563**	**31 086**		**3 925 239**

Note: The effective gain / (loss) on derivatives corresponds to amounts paid / received in the course of early settlement of the operations.

The purchase of assets held for trading and at fair value through profit or loss and assets available for sale corresponds mainly to public debt securities of Angola and of Banco Nacional de Angola through Banco de Fomento Angola.

Transfers to other levels of financial assets held for trading and at fair value through profit or loss correspond to transfers to level 2, due to the fact that their valuation is now based on observable market data.

The transfers from other levels of assets held for trading and at fair value through profit or loss relate to securities transferred from level 2 as there has been a reduction in liquidity in their market. Transfers from other levels of assets available for sale correspond to transfers to assets stated at historical cost.

Net income on financial operations – potential gain / (loss) on trading derivatives correspond mainly to the change in fair value of operations contracted with Customers, coverage of which is carried out with counterparties with which the Bank has collateralization agreements and therefore are not subject to adjustments relating to credit risk and are classified at level 2.

For financial instruments and investment properties recorded at fair value on the balance sheet, the changes between 31 December 2013 and 31 December 2014 in assets and liabilities classified in Level 3, are as follows:

Financial assets and liabilities	Held for trading and at fair value through profit or loss	Available for sale	Trading derivatives (net)	Hedging derivatives (net)	Investment properties	Total
Net book value at 31 December 2013 Proforma	180 526	2 600 768	138 165	21 852	164 949	3 106 260
Accrued interest (amount at 31 December 2013)	(46)	(480)	(12 047)	5 787		(6 786)
Gain / (loss) recognized in net income:						
In net income on financial operations	5 758	42	70 226	12 062		88 088
Of which: Potential gain / (loss)	417		70 770	9 886		81 073
Of which: Effective gain / (loss)	5 341	42	(544)	2 176		7 015
Operational gains and losses					(2 779)	(2 779)
In impairment loss		(24 606)				(24 606)
Gain / (loss) recognized in revaluation reserves		6 602				6 602
Purchases	126 761	396 056			508	523 325
Sales / redemptions	(57 621)	(10 539)	544	(2 176)	(7 901)	(77 693)
Transfers out	(206)	(3)				(209)
Transfers in	505	5 616				6 121
Accrued interest (amount at 31 December 2014)	24	650	16 867	(15 537)		2 004
Net book value at 31 December 2014 Proforma	**255 701**	**2 974 106**	**213 755**	**21 988**	**154 777**	**3 620 327**

Note: The effective gain / (loss) on derivatives corresponds to amounts paid / received in the course of early settlement of the operations.

The purchase of assets held for trading and at fair value through profit or loss and assets available for sale corresponds mainly to public debt securities of Angola and of Banco Nacional de Angola through Banco de Fomento Angola.

Transfers to other levels of financial assets held for trading and at fair value through profit or loss correspond to transfers to level 2, due to the fact that their valuation is now based on observable market data. Transfers to other levels of assets available for sale correspond to transfers to assets stated at historical cost.

Transfers from other levels of assets available for sale include (i) 3 515 th. euro relating to securities transferred from level 1, due to the fact that possible valuation prices do not reflect prices in an active market with transactions occurring on a regular basis, (ii) 849 th. euro transferred from level 2, due to the fact that there are no longer consistent market data for their valuation, and (iii) 1 757 th. euro relating to securities transferred from assets stated at historical cost.

Potential gains on trading derivatives relate primarily to the revaluation of transactions with Customers, which are offset by other derivatives included in level 2.

Derecognition of financial instruments

In 2015 and 2014 no financial instruments for which it was not possible to reliably determine their fair value were derecognized and so there was no impact on net income for the period arising from this.

Reclassification of financial assets

The BPI Group reclassified bonds from Financial assets held for trading to Loans and advances to Customers (note 4.7) and Held to maturity investments (note 4.8) and from Financial assets available for sale (note 4.5) to Loans and advances to Customers (note 4.7), as follows:

	31 Dec. 15			31 Dec. 14 Proforma			Effective interest rate on reclassification date
	Book value on reclassification date	Book value at 31 Dec. 15	Fair value at 31 Dec. 15	Book value on reclassification date	Book value at 31 Dec. 14	Fair value at 31 Dec. 14	
Reclassification of bonds in 2008							
Financial assets held for trading	(28 107)			(53 730)			
Loans represented by securities	11 393		413	31 804	21 129	19 005	6.37%
Held to maturity investments	16 714	18 313	17 207	21 926	23 783	22 362	6.29%
Reclassification of bonds in 2009							
Financial assets held for trading	(2 863)			(3 237)			
Loans represented by securities	167	222	274	201	255	329	5.34%
Held to maturity investments	2 696	4 104	3 952	3 036	4 594	4 384	5.98%
Reclassification of bonds in 2012							
Financial assets at fair value through profit and loss	(7 699)			(7 699)			
Loans represented by securities	7 699	7 670	7 671	7 699	7 668	7 616	2.78%
Reclassification of bonds in 2013							
Financial assets available for sale	(4 093)			(4 093)			
Loans represented by securities	4 093	4 997	3 803	4 093	4 450	3 410	1.94%
		35 306	**33 320**		**61 879**	**57 106**	

In 2009 and 2008, in the context of the lack of liquidity in the bond market, the valuation prices that can be obtained for these securities did not reflect the prices on an active market traded on a regular basis. Therefore, the BPI Group decided to reclassify these bonds from financial assets held for trading to loans and advances to Customers and held to maturity investments. To determine the fair value of the financial assets available for sale, alternative valuation methods were used as described previously in this note.

In 2012 a security recorded in the financial assets at fair value through profit or loss portfolio was reclassified to the loans to Customers' portfolio as, due to the lack of liquidity of the bond market, its valuation did not reflect the price on an active market with regular transactions.

In 2013 a security recorded in the financial assets available for sale portfolio was reclassified to the loans to Customers portfolio as, due to the lack of liquidity, its valuation did not reflect the price on an active market with regular transactions.

For purposes of determining the effective interest rate of the reclassified assets at their reclassification date, the BPI Group estimated that it would recover all future cash flows relating to the reclassified securities.

After the reclassification date, the gain / (loss) relating to fair value changes of these securities not recognized in the statement of income in 2015 and 2014 and other gain / (loss) recognized in reserves and in the statement of income for these years for securities reclassified from financial assets held for trading, were as follows:

	31 Dec. 15			31 Dec. 14 Proforma		
	Gain / (loss) associated with fair value changes not recognized in the statement of income	Other gain / (loss) recognized in		Gain / (loss) associated with fair value changes not recognized in the statement of income	Other gain / (loss) recognized in	
		Reserves	Statements of income		Reserves	Statements of income
Loans represented by securities	(10 184)		(8 305)	(64)		(9 371)
Held-to-maturuty investments	354		237	3 197		210
	(9 830)		**(8 068)**	**3 133**		**(9 161)**

The amounts of gain / (loss) relating to fair value changes not recognized in the statement of income correspond to gain / (loss) that would affect net income if the bonds had remained in the "Financial assets held for trading" portfolio. Part of these amounts would be offset by opposite results under the caption TECHNICAL PROVISIONS, namely in the case of gain / (loss) on securities allocated to insurance portfolios with profit participation.

The amounts presented in other gain / (loss) recognized in the statement of income include interest, premiums / discounts and other expenses. The amounts presented in other gain / (loss) recognized in reserves correspond to the fair value changes of financial assets available for sale after the reclassification date.

Financial instrument risks

The BPI Group assesses and controls risk in accordance with best practices and in compliance with the prudential rules and regulations, following the precepts, definitions and valuation methods recommended by the Basel Banking Supervision Committee in its three pillars.

The Directors' Report, presented together with the notes to Banco BPI's financial statements, also includes a section relating to "Risk management", which contains additional information about the nature and extent of the BPI Group's financial risks.

Exposure to sovereign debt

The BPI Group's exposure to the debt of countries that have requested financial support from the European Union, the European Central Bank and the International Monetary Fund at 31 December 2015, excluding the insurance capitalization portfolios of BPI Vida e Pensões, was as follows:

BPI Group excluding insurance capitalization portfolios	Nominal value	Net book value / fair value	Net gain / (loss) on securities	Hedge accounting effect	Impairment recognized
Held for trading and at fair value through profit or loss	**30 858**	**31 247**	**(6)**		
Portugal	30 858	31 247	(6)		
Available for sale	**1 728 423**	**1 777 581**	**34 189**	**(35 822)**	
Portugal	1 728 423	1 777 581	34 189	(35 822)	
Total exposure	**1 759 281**	**1 808 828**	**34 183**	**(35 822)**	

Fair value was determined based on prices in international markets, the unrealized gains / (losses) and hedge accounting effect being reflected in specific reserve captions or in the statement of income, depending on whether the securities are classified in the available for sale securities portfolio or in the held for trading securities portfolio, respectively. The BPI Group considers that at 31 December 2015 there was no objective evidence of impairment.

In 2015 and 2014 the BPI Group sold bonds issued by Portuguese government entities with a nominal value of 440 000 th. euro and 850 000 th. euro, respectively.

At 31 December 2015 the BPI Group had no exposure to Greek sovereign debt. The BPI Group has in the financial assets available for sale portfolio, KION MORTGAGE Class A bonds (securitization of mortgage loans originated by the Greek Millennium bank) in the amount of 54 th. euro (note 4.5).

The BPI Group's exposure, excluding the insurance capitalization portfolios of BPI Vida e Pensões, to the debt of countries that have requested financial support from the European Union, the European Central Bank and the International Monetary Fund at 31 December 2015 is as follows, by residual period to maturity:

Maturity	2016	2017 to 2020	> 2021	Total
Portugal	1 455 163	352 228	1 437	1 808 828
	1 455 163	**352 228**	**1 437**	**1 808 828**

The ratings of Portugal and Greece are the following:

	31 Dec. 15			31 Dec. 14 Proforma		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
Portugal	BB+	Ba1	BB+	BB	Ba1	BB+
Greece	CCC+	Caa3	CCC	B	Caa1	B

In addition, at 31 December 2015, some insurance capitalization portfolios of BPI Vida e Pensões, fully consolidated in the financial statements of the BPI Group, held Portuguese sovereign debt bonds.

BPI Group excluding insurance capitalization portfolios	Nominal value	Net book value	Market value	Impairment
Held for trading and at fair value through profit or loss	**35 125**	**38 783**	**38 783**	
Portugal	35 125	38 783	38 783	
Loans and other receivables	**50 000**	**50 548**	**50 000**	
Portugal	50 000	50 548	50 000	
Total exposure	**85 125**	**89 331**	**88 783**	

At 31 December 2015 BPI Vida had no exposure to Greek sovereign debt. BPI Vida has in its financial assets available for sale portfolio, OTE PLC bonds (Hellenic Telecommunications Organization), the leading telecom operator in Greece, in the amount of 25 774 th. euro.

Exposure of the insurance capitalization portfolios of BPI Vida e Pensões to the sovereign debt of Portugal, at 31 December 2015 is made up as follows, by residual period of maturity:

Maturity	2016	2017 to 2020	> 2021	Total
Portugal	6 621	82 374	336	89 331
	6 621	**82 374**	**336**	**89 331**

Credit risk

Maximum exposure to credit risk

Credit risk is one of the most significant risks of the BPI Group's operations. More information about this risk, particularly about the management process for the various segments of credit, can be found in the section "Risk Management" in the Directors' Report.

Maximum exposure to credit risk at 31 December 2015, by type of financial instrument, is as follows:

Type of financial instrument	Gross book value	Impairment	Net book value
Balance sheet items			
Deposits at other credit institutions	612 055		612 055
Financial assets held for trading and at fair value through profit and loss	3 420 698		3 420 698
Financial assets available for sale	6 628 939	(119 551)	6 509 388
Loans and advances to credit institutions	1 230 043		1 230 043
Loans and advances to Customers	25 260 276	(978 654)	24 281 622
Held to maturity investments	22 417		22 417
Derivatives			
Hedging derivatives	91 286		91 286
Trading derivatives[1]	253 906		253 906
	37 519 620	**(1 098 205)**	**36 421 415**
Off balance sheet items			
Guarantees given	1 497 070	(33 035)	1 464 035
Irrevocable credit lines	1 646	(1 097)	549
	1 498 716	**(34 132)**	**1 464 584**
	39 018 336	**(1 132 337)**	**37 885 999**

1) This caption is presented in the balance sheet as financial assets held for trading and at fair value through profit or loss.

Maximum exposure to credit risk at 31 December 2014, by type of financial instrument, is as follows:

Type of financial instrument	Gross book value	Impairment	Net book value
Balance sheet items			
Deposits at other credit institutions	380 475		380 475
Financial assets held for trading and at fair value through profit and loss	2 727 702		2 727 702
Financial assets available for sale	7 637 902	(112 124)	7 525 778
Loans and advances to credit institutions	2 588 819	(2)	2 588 817
Loans and advances to Customers	26 305 630	(1 036 661)	25 268 969
Held to maturity investments	88 382		88 382
Derivatives			
Hedging derivatives	148 693		148 693
Trading derivatives[1]	290 031		290 031
	40 167 634	**(1 148 787)**	**39 018 847**
Off balance sheet items			
Guarantees given	1 826 825	(37 761)	1 789 064
Irrevocable credit lines	1 598	(798)	800
	1 828 423	**(38 559)**	**1 789 864**
	41 996 057	**(1 187 346)**	**40 808 711**

1) This caption is presented in the balance sheet as financial assets held for trading and at fair value through profit or loss.

Breakdown of overdue loans

Overdue loans and interest at 31 December 2015, by non performing classes, are as follows:

	Non performing classes					Total
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	
Loans and advances to Customers						
Subject to individual assessment						
Overdue loans and interest		10 168	47 961	315 863	120 732	494 724
Impairment		(4 029)	(28 213)	(188 707)	(89 428)	(310 377)
		6 139	**19 748**	**127 156**	**31 304**	**184 347**
Subject to collective assessment						
Overdue loans and interest	9	4 156	35 130	273 771	114 680	427 746
Impairment	(2)	(1 215)	(14 061)	(133 971)	(71 349)	(220 598)
	7	**2 941**	**21 069**	**139 800**	**43 331**	**207 148**

In addition, at 31 December 2015 collective impairment of 447 682 th. euro was recognized on performing loans to Customers and loans and advances to credit institutions.

Overdue loans and interest at 31 December 2014, by non performing classes, are as follows:

	Non performing classes					Total
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	
Loans and advances to Customers						
Subject to individual assessment						
Overdue loans and interest	6 521	20 756	36 807	422 674	108 036	594 794
Impairment	(4 340)	(4 928)	(15 244)	(255 269)	(81 850)	(361 631)
	2 181	**15 828**	**21 563**	**167 405**	**26 186**	**233 163**
Subject to collective assessment						
Overdue loans and interest	1 706	6 439	44 206	291 587	104 961	448 899
Impairment	(34)	(1 889)	(18 167)	(144 176)	(65 455)	(229 721)
	1 672	**4 550**	**26 039**	**147 411**	**39 506**	**219 178**

In addition, at 31 December 2014, collective impairment of 445 311 th. euro was recognized on performing loans to Customers and loans and advances to credit institutions.

Collateral

Banco BPI receives, among others, the following collateral in its loan granting business:

- housing mortgages;
- mortgage of buildings and land;
- deposit of assets;
- pledge of securities;
- guarantees provided by other credit institutions.

The fair value of collateral received is determined based on market value considering its nature. For example, property received in guarantee is valued by external appraisers or by Banco BPI's units using methods considered appropriate.

The coverage of overdue loans by collateral received at 31 December 2015 was as follows:

Coverage	Loans with default			Collateral[1]		Impairment[3]
	Performing amount associated with defaulting loans	Overdue	Total	Mortgages	Other Collateral[2]	
≥ 100%	98 998	161 698	260 696	257 994	2 702	90 503
≥ 75% and < 100%	61 203	149 707	210 910	178 732	10 787	79 354
≥ 50% and < 75%	1 165	61 930	63 095	40 774	330	31 364
≥ 25% and < 50%	926	22 761	23 687	8 121	1 553	16 849
≥ 0 and < 25%	45 062	11 365	56 427	412	2 210	39 009
Without collateral	144 206	515 009	659 214			426 908
	351 560	**922 470**	**1 274 029**	**486 033**	**17 582**	**683 987**

1) The value of collateral presented is the lower of the fair value of the collateral received and the amount owed at 31 December 2015.
2) Other collateral includes pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value. The amount of impairment shown includes 153 012 th. euro relating to performing loans associated with overdue loans.

The coverage of performing loans on which impairment was determined on an individual basis at 31 December 2015 was as follows:

Coverage	Loans with impairment	Collateral[1]		Impairment[3]
	Performing loans	Mortgages	Other Collateral[2]	
Loans not represented by securities				
≥ 100%	185 940	102 468	83 472	36 332
≥ 75% and < 100%	35 069	29 556	2 301	26 062
≥ 50% and < 75%	1 884	644	571	894
≥ 25% and < 50%	4 388	271	1 502	1 109
≥ 0 and < 25%	121 023	309	3 545	7 878
Without collateral	198 676			65 816
	546 980	**133 248**	**91 391**	**138 091**
Loans represented by securities				
Without collateral	6 765			1 693
Guarantees provided				
≥ 100%	15 686	11 704	3 983	1 075
≥ 50% and < 75%	2 501	1 444		1 507
≥ 25% and < 50%	2 206	700	20	411
≥ 0 and < 25%				
Without collateral	104 576			17 505
	124 969	**13 848**	**4 003**	**20 498**
	678 714	**147 096**	**95 394**	**160 282**

1) The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at 31 December 2015.
2) Other collateral includes pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value.

At 31 December 2015 the fair value of the underlying collateral of the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

Fair value of the collateral	Corporate				Construction and CRE				Housing			
	Properties		Other real collateral[1]		Properties		Other real collateral[1]		Properties		Other real collateral[1]	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M.€	710	116 134	1 795	92 781	1 598	199 629	3 586	61 571	146 521	19 377 403	3 243	89 427
≥ 0.5 M.€ and < 1 M.€	154	108 250	63	41 853	113	77 823	18	10 791	745	469 244	4	2 372
≥ 1 M.€ and < 5 M.€	243	518 644	101	202 584	79	149 141	12	20 351	69	92 368	2	3 150
≥ 5 M.€ and < 10 M.€	44	310 384	15	107 834	3	15 771	1	5 150	1	5 921		
≥ 10 M.€ and < 20 M.€	22	289 205	3	45 616	2	22 994						
≥ 20 M.€ and < 50 M.€	6	158 617	8	217 476	1	20 950						
≥ 50 M.€	1	62 873	1	132 634	5	448 722						
	1 180	**1 564 106**	**1 986**	**840 779**	**1 801**	**935 031**	**3 617**	**97 863**	**147 336**	**19 944 936**	**3 249**	**94 948**

1) Includes financial collateral (shares, bonds, deposits) and other assets.

At 31 December 2015 the loan-to-value ratio (LTV) for the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

Segment / Loan-to-value ratio	Number of properties	Without signs of impairment	With signs of impairment	Default	Impairment
Corporate					
Without associated collateral		3 500 969	254 994	185 445	245 700
< 60%	795	384 478	23 632	27 093	25 580
≥ 60% and < 80%	92	83 036	21 122	24 014	15 001
≥ 80% and < 100%	105	106 045	2 990	3 808	3 678
≥ 100%	188	1 092 941	151 511	45 209	79 035
Construction and CRE					
Without associated collateral		245 670	15 957	47 179	43 343
< 60%	1 249	84 957	30 704	61 885	41 440
≥ 60% and < 80%	262	40 412	3 646	45 181	26 427
≥ 80% and < 100%	79	32 953	334	4 811	2 091
≥ 100%	211	62 836	7 174	31 635	22 014
Housing					
Without associated collateral		13 704	409	12 459	9 597
< 60%	73 815	3 454 321	47 619	50 590	24 162
≥ 60% and < 80%	32 794	2 940 747	46 746	66 805	36 948
≥ 80% and < 100%	29 953	3 074 714	57 057	118 790	63 630
≥ 100%	10 774	991 666	32 518	215 929	96 271
	150 317	**16 109 448**	**696 412**	**940 833**	**734 915**

At 31 December 2014 the coverage of defaulting loans by collateral was as follows:

Coverage	Loans with default			Collateral[1]		Impairment[3]
	Performing amount associated with defaulting loans	Overdue	Total	Mortgages	Other Collateral[2]	
≥ 100%	116 327	162 174	278 501	275 568	2 933	98 064
≥ 75% and < 100%	75 403	151 051	226 454	197 944	6 627	80 275
≥ 50% and < 75%	2 258	62 112	64 370	41 983	361	29 709
≥ 25% and < 50%	1 218	29 330	30 548	9 479	1 773	14 092
≥ 0 and < 25%	73 738	21 028	94 766	1 427	4 749	40 539
Without collateral	151 864	617 998	769 862			489 865
	420 808	**1 043 693**	**1 464 501**	**526 401**	**16 443**	**752 544**

1) The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at 31 December 2014.
2) Other collateral includes pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value. The value of impairment shown includes 161 192 th. euro relating to performing loans associated with defaulting loans.

The coverage of performing loans on which impairment was determined on an individual basis at 31 December 2014 was as follows:

Loans with impairment		Collateral[1]		Impairment[3]
Coverage	**Performing loans**	**Mortgages**	**Other Collateral[2]**	
Loans not represented by securities				
≥ 100%	127 242	117 433	9 810	17 586
≥ 75% and < 100%	13 525	9 126	2 492	5 771
≥ 50% and <75%	25 467	14 569	692	5 925
≥ 25% and < 50%	45 181	4 090	13 909	2 086
≥ 0 and < 25%	35 735	333	1 609	3 986
Without collateral	438 618			94 411
	685 768	**145 551**	**28 512**	**129 765**
Loans represented by securities				
Without collateral	7 929			3 430
Guarantees provided				
≥ 100%	16 100	11 800	4 300	1 288
≥ 50% and < 75%	3 440	1 692	104	1 652
≥ 25% and < 50%	2 219	696	34	443
≥ 0 and < 25%	672	11	11	3
Without collateral	152 203			34 883
	174 634	**14 199**	**4 449**	**38 269**
	868 331	**159 750**	**32 961**	**171 464**

1) The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at 31 December 2014.
2) Other collateral includes pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value.

At 31 December 2014 the fair value of the underlying collateral of the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

	Corporate				Construction and CRE				Housing			
Fair value of the collateral	Properties		Other real collateral[1]		Properties		Other real collateral[1]		Properties		Other real collateral[1]	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
< 0.5 M.€	749	129 178	1 822	97 110	1 569	193 860	3 962	71 669	146 511	19 222 554	2 882	83 654
≥ 0.5 M.€ and < 1 M.€	174	123 975	81	55 699	119	82 534	16	10 301	709	444 746	6	3 485
≥ 1 M.€ and < 5 M.€	257	547 147	95	195 136	78	150 365	10	15 986	63	86 433	1	1 040
≥ 5 M.€ and < 10 M.€	47	329 110	9	59 917	2	10 617	1	8 069				
≥ 10 M.€ and < 20 M.€	20	263 863	11	155 812	1	11 356						
≥ 20 M.€ and < 50 M.€	7	178 508	16	388 979	2	42 691						
≥ 50 M.€	1	62 873	1	59 000	4	397 842						
	1 255	**1 634 655**	**2 035**	**1 011 652**	**1 775**	**889 264**	**3 989**	**106 025**	**147 283**	**19 753 733**	**2 889**	**88 179**

1) Includes financial collateral (shares, bonds, deposits) and other assets.

At 31 December 2014 the loan-to-value ratio (LTV) for the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

Segment / Loan-to-value ratio	Number of properties	Without signs of impairment	With signs of impairment	Default	Impairment
Corporate					
Without associated collateral		3 997 491	38 982	172 819	284 804
< 60%	794	310 654	20 453	39 494	23 852
≥ 60% and < 80%	172	236 561	10 383	5 090	9 178
≥ 80% and < 100%	72	140 404	1 066	5 957	6 670
≥ 100%	217	1 078 970	44 867	56 242	91 333
Construction and CRE					
Without associated collateral		296 361	17 325	38 313	41 737
< 60%	1 278	81 899	7 149	120 830	62 329
≥ 60% and < 80%	216	36 020	3 974	8 677	6 281
≥ 80% and < 100%	84	34 632	589	8 075	4 050
≥ 100%	197	42 830	14 037	26 001	26 740
Housing					
Without associated collateral		4 416	168	16 680	14 076
< 60%	71 387	3 335 724	49 344	53 577	24 749
≥ 60% and < 80%	30 262	2 670 762	50 205	70 150	38 348
≥ 80% and < 100%	30 743	3 177 074	64 126	121 422	65 713
≥ 100%	14 891	1 450 195	45 488	233 276	102 949
	150 313	**16 893 993**	**368 155**	**976 603**	**802 808**

Encumbered Assets

This note includes information on encumbered and unencumbered assets, as defined by *Bank of Portugal Instruction 28 / 2014*, of 23 December. The amounts presented correspond to the average of the observed values in the previous 4 quarters, as provided for in Title II of EBA Guidelines (EBA / GL / 2014 / 03). The information presented below refers to the prudential supervision perimeter, as defined in *Regulation (EU) 575 / 2013*, CRD IV / CRR.

An asset is considered to be encumbered when it is explicitly or implicitly given as collateral or is subject to an agreement to ensure its collateralization or improve the quality of credit in any operation from which it cannot be freely withdrawn.

At 31 December 2015, the encumbered and unencumbered assets were made up as follows:

	Book value	Fair value
ENCUMBERED ASSETS		
Portuguese public debt securities		
European Investment Bank (EIB) funding	1 174 889	1 174 889
Sales operations with repurchase agreement	79 897	79 897
Commitment to the Deposit Guarantee Fund and to the Investor Indemnity System	52 214	52 214
Total portuguese public debt	**1 307 000**	**1 307 000**
Loans		
European Central Bank (ECB) funding collateralized by mortage bonds	1 542 399	
Bonds collateralized with mortage loans	576 228	
Bonds collateralized with administrative public sector loans	150 004	
Securitization operations	907 980	
Total loans	**3 176 610**	
Other assets		
Derivates	439 395	
Credit Suport Annex (CSA)	438 660	
Margins stock exchange	735	
Other collateral	142 527	
Collateral in favour of EIB	122 621	
Others	19 906	
Total other assets	**581 922**	
Total value of the encumbered assets	**5 065 531**	**1 307 000**
UNENCUMBERED ASSETS		
Equity instruments	535 849	535 849
Debt instruments	6 483 131	6 502 652
Other assets	24 292 595	
Unencumbered assets total amount	**31 311 575**	**7 038 501**

Note: Does not include the fair value of assets recorded at amortized cost.

The encumbered assets included in this table correspond to operations made as guarantee or pledged as collateral, without being derecognized as a Bank asset, such as securities given in repo operations and assets supporting collateralized bonds issuances.

At 31 December 2015 the fair value of the encumbered collateral received was made up as follows:

Collateral received	**Fair value of the received collateral**	
	Encumbered	**Free**
Debt instruments		
Reports (reverse repurchase agreement)		
Public debt	59 022	7 262
Financial companies		
Non-financial companies		
Total debt instruments	**59 022**	**7 262**
Other assets (derivatives)	17 110	
Encumbered received collateral total amount	**76 132**	**7 262**

This table includes collateral received that does not meet the requirements for recognition in the balance sheet, such as securities received as collateral for repo transactions. These assets may or may not be reusable and given as collateral in other operations.

At 31 December 2015 liabilities associated with encumbered assets and collateral received were as follows:

Encumbrance sources	Associated and contingent liabilities	Assets and received collateral
Financial liabilities		
Derivatives	537 998	452 497
Deposits		
European Central Bank funding	1 520 286	1 542 399
European Investment Bank (BEI) funding	706 523	1 297 510
Sales operations with repurchase agreement	182 643	177 061
Other deposits	84 224	15 029
Issued securities		
Bonds collateralized with mortage loans	576 228	576 228
Bonds collateralized with administrative public sector loans	150 004	150 004
Securitization operations	907 980	907 980
	4 665 884	**5 118 707**
Other encumbrance sources		
Commitment to the Deposit Guarantee Fund	38 714	47 016
Commitment to the Investor Indemnity System	9 598	5 115
Contingent liquidy facility of European Central Bank		1 463
Total	**48 312**	**53 593**
Encumbrance sources total amount	**4 714 195**	**5 172 300**

Significance of the encumbrance of assets in the BPI Group's financing policy

The encumbrance of assets can be made for several reasons, namely:

- the existence of legal requirements such as the case of assets pledged to the Deposit Guarantee Fund and to the Investor Indemnity System;
- the existence of an initial margin or trading margin underlying derivative financial instrument operations;
- the existence of operational funding needs.

The main reason for Banco BPI giving assets as guarantee is due to its liquidity needs and financing obtained, namely:

- from European Central Bank
- from European Investment Bank
- through mortgage bonds and bonds over the Public Sector and securitization of credit placed on the market, and
- through repos over securities included in the Group's own portfolio.

Assets are not considered as encumbered if they are included in the liquidity pool deposited with the European Central Bank and not used, or if they are credit operations associated with mortgage bonds and bonds over the Public Sector and securitization of credit not placed on the market.

Credit risk quality (rating)

This section presents information concerning the quality of the credit risk of the BPI Group's main financial assets, excluding derivatives which are analyzed in detail in note 4.4. In the case of financial assets with ratings assigned by the international rating agencies (Moody's, Standard & Poor's and Fitch) the rules set in the prudential regulations issued by the Bank of Portugal were followed, selecting the second best in the case of different external ratings for the same instrument. When no specific external ratings were found, Banco BPI used external ratings assigned by the issuer of instruments with the same degree of subordination. In the case of local authorities, banks and other similar institutions, the ratings used are based on the external ratings assigned to the State where the entity has its headquarters. External rating is an important element to consider in the management of positions, especially in security portfolios, and is also used for calculating weights used to determine prudential capital by the standard method, in accordance with the regulations issued by the Bank of Portugal.

Loan exposures without external ratings were distributed by quality levels (project finance), rating classes (for company and entrepreneurs and business exposures), or by scorings (private Customer exposure). External and internal ratings, where they exist, are an indicator of increasing importance to the BPI Group's internal management of loans, being used by the teams responsible for monitoring Customers in order to inform the decisions regarding new loans or the situation of existing exposure. This internal classification does not include all the Group's exposure, namely it excludes sovereign exposures or exposure to other banks, in which case external ratings are used and the loans granted locally by Banco de Fomento de Angola which uses its own methodologies.

Actual internal ratings and scorings include ten classes for regular operations, from E01 / N01 / 01 (less probability of default) to E10 / N10 / 10 (more probability of default); two classes (ED1 / ND1 / D01 and ED2 / ND2 / D02) for "incidents" (delays in payment of less than 60 and 90 days, respectively) and finally one class for default (ED3 / ND3 / D03), when delay in payment of a given amount by a counterparty exceeds 90 days.

Project finance operations have a separate internal classification from other loan operations due to their specific nature, so that at any moment the quality of the credit risk can be determined (from Weak to Strong).

Under *Notice 3 / 2012* of the National Bank of Angola, BFA's credit operations are classified in ascending order of risk, according to the following classes:
Level A: No risk
Level B: Very low risk
Level C: Low risk
Level D: Moderate risk
Level E: High risk
Level F: Very high risk
Level G: Risk of loss

The classification of the loans to the same Customer is made at the level of greatest risk.

Overdue loans are classified in risk levels based on the time elapsed since the date the transactions became in default, the minimum provision levels being calculated in accordance with the following table:

Risk levels	**A**	**B**	**C**	**D**	**E**	**F**	**G**
Time elapsed since the entry into default	until 15 days	from 15 to 30 days	from 1 to 2 months	from 2 to 3 months	from 3 to 5 months	from 5 to 6 months	more than 6 months

For loans to Customers for periods exceeding two years, the time elapsed since the loans became defaulting is considered double the period mentioned above.

Non-defaulting loans, which were not recorded as overdue loans, are classified based on the following criteria defined by the Bank:

- Level A: loans guaranteed by captive bank accounts in BFA and / or State securities (Treasury Bonds and Treasury Bills, and Central Bank Securities), in which the total guarantees received is equal to or greater than the amount of the loan. Some other loans are classified in this level by the Bank as having no risk, given the characteristics of their borrowers and the nature of the operations;

- Level B: loans guaranteed by captive bank accounts in BFA and / or State securities (Treasury Bonds and Treasury Bills, and Central Bank Securities), in which the total guarantees received is more than 75% but less than 100% of the value of the loan; and

- Level C: remaining loans including operations with other types of real guarantees and operations with only personal guarantees.

Under the regular review of loans, including overdue loans, BFA makes reclassifications of overdue loans to performing loans, based on an economic analysis of the prospect of collectability, regarding in particular the existence of collateral, the assets of the borrowers or guarantors and the existence of operations the risk of which BFA considers equal to State risk.

Annually, BFA writes-off loans classified for more than six months at Level G, by utilization of the respective provision.

Renegotiated operations are kept at least at the same risk level as that in which they were classified in the month preceding the renegotiation. The reclassification to a lower level of risk occurs only if there is a regular and significant repayment of the operation, payment of accrued interest in arrears, or based on the quality and value of new collateral provided in the renegotiated operation. Gain and income resulting from the renegotiation is recorded when effectively received.

Deposits and loans and advances to credit institutions, by ratings, at 31 December 2015 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Deposits, loans and advances to credit institutions	External rating	AAA to AA-	403 250		403 250
		A+ to A-	444 970		444 970
		BBB+ to BBB-	462 705		462 705
		BB+ to BB-	232 446		232 446
		B+ to B-	217 134	3	217 131
		< B-	4		4
	N / D	N / D	3		3
			1 760 512	**3**	**1 760 509**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans to Customers, by ratings, at 31 December 2015 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to Customers	External rating	AAA to AA-	16 479		16 479
		A+ to A-	79 693	771	78 922
		BBB+ to BBB-	435 192		435 192
		BB+ to BB-	1 215 863	536	1 215 327
		B+ to B-	212 920		212 920
		< B-			
	Rating project finance	Strong	121 555	442	121 113
		Good	860 139	11 098	849 041
		Satisfactory	259 205	6 173	253 032
		Weak	197 118	10 966	186 152
		Default	160 664	106 153	54 511
	Corporates rating	E01 to E03	658 966	2 747	656 219
		E04 to E06	2 183 470	9 366	2 174 104
		E07 to E10	1 278 118	36 653	1 241 465
		ED1 to ED3	491 411	278 618	212 793
	Entrepreneurs and business rating	N01 to N03	40 268	285	39 983
		N04 to N06	489 036	2 827	486 209
		N07 to N10	678 837	13 611	665 226
		ND1 to ND3	160 590	90 860	69 730
	Scoring	01 to 03	7 724 991	12 527	7 712 464
		04 to 06	2 468 581	9 083	2 459 498
		07 to 10	1 102 856	23 217	1 079 639
		D01 to D03	657 106	222 360	434 746
	Notice no. 3 / 2012 of National Bank of Angola	Level A	494 589		494 589
		Level B	12 815	128	12 687
		Level C	937 601	28 128	909 473
		Level D	14 219	1 422	12 797
		Level E	32 212	8 777	23 434
		Level F	50 201	30 186	20 015
		Level G	29 295	29 295	
	N / D	N / D	2 112 748	42 425	2 070 323
			25 176 738	**978 654**	**24 198 084**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value.

The Securities portfolio, by ratings, at 31 December 2015 was as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	285 615		285 615
		A+ to A-	96 598		96 598
		BBB+ to BBB-	2 706 168	29	2 706 139
		BB+ to BB-	1 925 827	354	1 925 473
		B+ to B-	3 376 886		3 376 886
		< B-	28 129		28 129
	N / D	N / D	1 652 799	119 168	1 533 631
			10 072 022	**119 551**	**9 952 471**

Deposits and loans and advances to credit institutions, by ratings, at 31 December 2014 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Deposits, loans and advances to credit institutions	External rating	AAA to AA-	305 909		305 909
		A+ to A-	610 477		610 477
		BBB+ to BBB-	379 460		379 460
		BB+ to BB-	1 552 660		1 552 660
		B+ to B-	44 781	2	44 779
	N / D	N / D	936		936
			2 894 227	**2**	**2 894 225**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans to Customers, by ratings, at 31 December 2014 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to Customers	External rating	AAA to AA-	8 242		8 242
		A+ to A-	167 734	986	166 748
		BBB+ to BBB-	274 715		274 715
		BB+ to BB-	1 707 567	411	1 707 156
		B+ to B-	77 027		77 027
		< B-	11 800		11 800
	Rating project finance	Strong	133 133		133 133
		Good	840 481	193	840 288
		Satisfactory	258 480	812	257 668
		Weak	238 580	25 648	212 932
	Corporates rating	E01 to E03	609 846	2 675	607 171
		E04 to E06	2 202 826	9 115	2 193 711
		E07 to E10	1 289 722	70 036	1 219 686
		ED1 to ED3	564 945	326 524	238 421
	Entrepreneurs and business rating	N01 to N03	37 501	261	37 240
		N04 to N06	385 737	2 805	382 932
		N07 to N10	627 832	11 054	616 778
		ND1 to ND3	202 911	110 558	92 353
	Scoring	01 to 03	7 803 000	12 835	7 790 165
		04 to 06	2 527 555	10 738	2 516 817
		07 to 10	1 132 511	24 384	1 108 127
		D01 to D03	684 113	232 371	451 742
	Notice no. 3 / 2012 of National Bank of Angola	Level A	858 400		858 400
		Level B	7 050	70	6 979
		Level C	930 472	27 912	902 560
		Level D	18 914	1 891	17 023
		Level E	23 821	5 359	18 462
		Level F	47 941	29 358	18 583
		Level G	13 116	13 116	
	N / D	N / D	2 530 753	117 548	2 413 205
			26 216 725	**1 036 661**	**25 180 064**

Note: Gross exposure corresponds to the nominal value adjusted for value corrections.

The Securities portfolio, by ratings, at 31 December 2014 was as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	160 122		160 122
		A+ to A-	179 789		179 789
		BBB+ to BBB-	2 280 903	29	2 280 874
		BB+ to BB-	6 630 595	287	6 630 308
		B+ to B-	79 223		79 223
		< B-	1 709		1 709
	N / D	N / D	1 121 595	111 808	1 009 787
			10 453 936	**112 124**	**10 341 812**

Restructured loans

At 31 December 2015 and 2014 the restructured loan operations were identified in accordance with *Bank of Portugal Instruction 32 / 2013* (which replaces *Instruction 18 / 2012*) which defines restructured loans due to financial difficulties of the Customer.

In accordance with the Instruction, institutions must identify and mark in their information systems, loan contracts with Customers in situations of financial difficulty, whenever there are changes to the terms and conditions of the contracts (namely, extension of the repayment term, introduction of grace periods, capitalization of interest, reduction of interest rates, waiver of interest or capital), or the institution agrees to grant new credit facilities for total or partial payment of the existing debt service, and for this purpose include the words "restructured loans due to financial difficulty of the Customer."

A Customer is considered to be in a position of financial difficulty when it has failed to fulfill any of its financial obligations to the institution or if it is foreseeable that this will occur, given the information available.

The existence of restructured loans has a direct impact on the rating models of the Bank, affecting their rating notation for at least 3 years after the loan restructuring.

The demarking of restructured loans due to Customers' financial difficulties can only be made after a minimum period of two years from the date of their restructuring, provided that the following conditions are met cumulatively:

a) regular payment of the installments of principal during this period, of an accumulated amount equivalent to at least half of the amount of principal that would be due if the payment plan of constant installments were applied. In the case of renewable credit operations there must be a reduction of their utilization to an average level of less than 70% of the limit that was authorized by the institution at the time of their restructuring, during a period of three months;

b) non-inexistence of any overdue instalment of principal or interest, for a period of more than 30 days, for any loan operation with the Customer;

c) the Customer not having resorted to any debt restructuring mechanism in the period. Should a new restructuring / renegotiation process take place due to financial difficulties, the terms are restarted.

The following restructured loan operations have been identified for domestic operations of the BPI Group at 31 December 2015 and 2014:

	31 Dec. 15				31 Dec. 14 Proforma			
	Loans			Impairment	Loans			Impairment
	Performing	Overdue	Total		Performing	Overdue	Total	
Domestic activity								
Companies	888 155	207 649	1 095 804	288 336	923 058	269 609	1 192 667	295 491
Loans to individuals								
Housing	202 417	57 213	259 630	63 641	191 624	53 396	245 020	64 145
Other loans	104 882	55 460	160 342	54 151	139 129	53 561	192 690	55 093
	1 195 453	**320 322**	**1 515 775**	**406 128**	**1 253 811**	**376 567**	**1 630 378**	**414 729**

At 31 December 2015 and 2014 restructured loan operations identified by Banco de Fomento de Angola amounted to 33 225 th. euro and 42 571 th. euro, respectively.

Liquidity risk

The schedules presented below were prepared based on the requirements of IFRS 7 relating to Liquidity Risk, considering the total contractual undiscounted cash flows expected to be paid or received in the periods relating to outstanding transactions on the reference dates.

The main assumptions used in preparing the tables below were:

- in the case of interest depending on market indices or other references which are only identifiable on a future date (such as interest based on the Euribor) assumptions were made regarding the future value of such references, based on the last known value;
- defaults and early repayment are not considered (except for perpetual debt instruments);
- shares and overdue loans are included (by their book value) as "undetermined";
- demand deposits (including interest) and the bills and coins on hand are considered as "on demand";
- trading portfolio operations and all derivatives are considered in these schedules by their projected or estimated cash flows, on the contractual dates, and not by the market values that would be obtained by their possible sale in the short term.

The contractual undiscounted cash flows of financial assets and liabilities at 31 December 2015 were as follows:

	on demand	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	more than 5 years	Undetermined	Total
Assets							
Cash and deposits at central banks	2 728 179						2 728 179
Deposits at other credit institutions	537 737	74 320					612 058
Financial assets held for trading and fair value through profit or loss		875 121	935 783	373 323	44 364	1 192 107	3 420 697
Financial assets available for sale		1 029 851	2 685 428	1 979 327	485 387	448 947	6 628 939
Held-to-maturity investments		1 943	10 913	9 530			22 386
Loans and advances to credit institutions		963 433	180 773	73 112	5 456		1 222 774
Loans and advances to Customers		2 719 340	2 248 435	7 233 818	12 017 460	922 470	25 141 523
Hedging derivatives[1]		2 123 506	3 671 761	2 525 173	157 830		8 478 269
Trading derivatives[1]		616 799	1 688 771	1 920 304	2 533 170		6 759 044
Contratual interest cash flows of derivatives		28 172	67 077	150 744	142 912		388 905
Contractual interest cash flows of other assets		143 966	460 889	1 947 098	2 429 402		4 981 355
	3 265 916	**8 576 451**	**11 949 829**	**16 212 429**	**17 815 980**	**2 563 524**	**60 384 129**
Liabilities							
Resources of central banks				1 519 650			1 519 650
Resources of other credit institutions		263 687	373 034	22 666	637 162		1 296 549
Resources of Customers and other debts	12 886 456	5 142 920	6 527 990	1 520 453	1 905 027		27 982 845
Debt securities		70 679	501 288	480 645	20 075		1 072 687
Financial liabilities relating to transferred assets			436 322	253 387			689 709
Hedging derivatives[1]		2 115 718	3 657 588	2 532 254	158 591		8 464 151
Trading derivatives[1]		616 479	1 693 174	1 904 849	2 542 518		6 757 020
Technical provisions		350 922	1 004 736	611 734	1 695 702		3 663 094
Other subordinated debt and participating bonds		57 573	732	11 133			69 438
Contractual interest cash flows of derivatives		19 129	75 047	235 651	109 776		439 603
Contractual interest cash flow of other liabilities		59 592	85 068	159 661	56 190		360 510
	12 886 456	**8 696 698**	**14 354 980**	**9 252 083**	**7 125 041**		**52 315 258**

1) Includes the notional amount of swap operations.

The contractual undiscounted cash flows of financial assets and liabilities at 31 December 2014 were as follows:

	on demand	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	more than 5 years	Undetermined	Total
Assets							
Cash and deposits at central banks	1 894 186						1 894 186
Deposits at other credit institutions	314 923	65 552					380 475
Financial assets held for trading and fair value through profit or loss		1 284 167	388 437	246 797	163 839	644 462	2 727 702
Financial assets available for sale		1 236 292	2 452 511	3 514 197	6 591	428 311	7 637 902
Held-to-maturity investments		62 806	8 504	17 022			88 332
Loans and advances to credit institutions		2 317 000	180 716	81 543	45		2 579 304
Loans and advances to Customers		2 854 730	2 798 255	7 326 164	12 148 841	1 044 079	26 172 068
Hedging derivatives[1]		2 175 141	4 637 586	5 901 050	165 625		12 879 402
Trading derivatives[1]		541 823	1 042 019	2 611 175	2 780 367		6 975 384
Contratual interest cash flows of derivatives		65 512	100 776	237 799	190 816		594 903
Contractual interest cash flows of other assets	17	217 624	513 135	2 101 655	2 358 500		5 190 931
	2 209 126	**10 820 646**	**12 121 939**	**22 037 403**	**17 814 625**	**2 116 852**	**67 120 590**
Liabilities							
Resources of central banks		1 134 652		410 650			1 545 302
Financial liabilities held for trading					799		799
Resources of other credit institutions		373 923	112 862	143 872	724 331		1 354 988
Resources of Customers and other debts	10 188 124	6 033 243	7 280 015	3 525 969	842 563		27 869 914
Debt securities		798 487	152 148	1 238 073	20 020		2 208 728
Financial liabilities relating to transferred assets			638 296	410 066			1 048 362
Hedging derivatives[1]		2 175 058	4 617 819	5 898 447	166 186		12 857 510
Trading derivatives[1]		532 302	1 036 568	2 594 480	2 792 247		6 955 597
Technical provisions		387 089	1 108 701	817 869	1 838 172		4 151 830
Other subordinated debt and participating bonds		58 661		10 778			69 439
Contractual interest cash flows of derivatives		46 583	130 009	410 017	164 325		750 933
Contractual interest cash flow of other liabilities		110 892	49 001	157 065	90 943		407 902
	10 188 124	**11 650 889**	**15 125 418**	**15 617 286**	**6 639 586**		**59 221 303**

1) Includes the notional amount of swap operations.

The Bank continuously tracks the evolution of its liquidity, monitoring the incoming and outgoing of funds in real time. Projections of liquidity are carried out periodically in order to help plan the short and medium term funding strategy.

The amount of net funding received from the ECB remained at 1.5 billion euro in December 2015, relating entirely to the funds obtained under the TLTRO program (Targeted Longer-term Refinancing Operations, a 4 year operation at a fixed rate launched by the ECB at the end of 2014 to promote the granting of credit to the economy, maturing in 2018).

In 2015 own debt of 869 million euro was repaid and securitization operations originated by the Bank in the amount of 276 million euro were repurchased.

At 31 December 2015 the Bank had a portfolio of assets totalling 8 102 million euro, net of ECB valuation margins, to be used for obtaining funding from the ECB. This amount includes 5 573 million euro available for immediate use.

More information about the management of liquidity risks of the BPI Group is contained in the "Liquidity risk" section of the Directors' Report.

Market risk

Market risk (interest rate, exchange rate, share price, commodity price and spread) is defined as the potential to incur losses due to unexpected changes in the price of instruments or operations ("price" includes index value, interest rate or exchange rate). Spread risk is the risk resulting from the variability of interest rates of some counterparties in relation to the interest rate used as a reference.

The Executive Board for Global Risks (EBGR) is responsible for managing the BPI Group's market risk and differentiates between the trading portfolio (trading) and the remaining businesses. In the specific case of exchange risk, the assessment is made for the activity as a whole (trading and non-trading).

More information about market risks in the BPI Group is contained in the "Risk Management" section of the Directors' Report.

Trading portfolio (trading)

Trading positions are managed autonomously by the traders, within the limits established by the Trading Department Manual for the entire BPI Group, approved by the Executive Committee of the Board of Directors. The trading portfolio is defined for financial and risk management purposes, independently of the accounting classification (although the concepts largely match) and includes all types of financial instruments traded by the Trading Rooms (derivatives, repurchases, shares and bonds) that cause various types of market risk, namely interest rate, shares, exchange, commodities and spread risks.

Market risk in trading operations is assessed and controlled daily through the calculation of VaR – Value at Risk – using a standard model (of the "variance co-variance" type), based on the activity of the Banks of the BPI Group as a whole.

Calculated VaR corresponds to the maximum potential loss, with a confidence level of 99%, resulting from an adverse evolution of risk factors within a timeframe of two weeks (risk factors are price increase rates, indexes and interest rates that affect the value of the portfolio, or that are taken as representative of those prices, indexes and rates). The model uses, as risk factor volatility, the standard deviation of historical samples of their amounts on an annual basis and uniform weight. In calculating the overall risk, the effect of the diversification of investments is included in the model through the statistical effect of the correlation between risk factors (the correlation is calculated from annual historical samples and uniform weight of relevant pairs of risk factors). A normal distribution of risk factors is assumed, with a mean of zero and standard deviation leading to the above mentioned confidence level.

In 2015 and 2014 the average VaR in the Bank's trading books was as follows:

	31 Dec. 15		31 Dec. 14 Proforma	
	VaR (average)	VaR (maximum)	VaR (average)	VaR (maximum)
Interest rate risk	1 275	4 310	779	2 796
Currency risk	225	2 507	1 240	1 662
Equity risk	1 812	4 774	2 253	3 765

In compliance with its legal obligations, the Group also produces prudential information for purposes of control by the supervisor and calculates regulatory capital relating to market risks in accordance with the standard methodology established by the Bank of Portugal.

Banking portfolio (non-trading)

The Financial Committee, chaired by the Executive Board's member responsible for the financial portfolio, monitors and manages the positions that are part of the banking portfolio, from reports produced for the purpose and within the guidelines of EBGR. When necessary an extraordinary meeting of EBGR is requested to make the more important decisions.

Offsetting of financial assets and liabilities

BPI Group has contracts that allow the offsetting of financial assets and liabilities on a net basis per counterparty, namely derivative operations and repo security transactions.

The Group has the policy of contracting its derivative operations with its professional counterparties (through "ISDA Master Agreements") or with its Customers (through framework contracts), in order to have the possibility, in both cases, of netting positions by counterparty or Customer. Credit Support Annexes (CSA's) are also signed with professional counterparties that allow the transfer of collateral in order to minimize the risk.

Repo transactions are made mostly under a standard ISMA contract called "Global Master Repurchase Agreement", which is considered as a compensation agreement, allowing the offsetting of the positive and negative values of all transactions negotiated with the counterparty.

Derivatives and repo transactions relating to securities are not compensated for the purpose of presentation in the financial statements of the BPI Group – the amount of each transaction is recorded as an asset or a liability, depending on whether the operation has a positive or negative fair value, respectively.

At 31 December 2015 and 2014 the amount of asset derivative financial instruments[1] traded in the over-the-counter market, offset by related liability derivatives, by counterparty type, was as follows:

Counterparty	Financial assets in the financial statements	Related amounts not set off in the financial statements		Net
		Financial instruments	Cash collateral pledged as guarantee	
		31 Dec. 15		
Financial Institutions	115 805	(89 046)	(19 846)	6 913
Local and Administrative Public Sector	336			336
Other Financial Intermediaries	5 229	(268)		4 961
Companies	192 629	(20 924)		171 705
Insurance / Pension Companies	211			211
Individuals	221			221
	314 431	**(110 238)**	**(19 846)**	**184 347**
		31 Dec. 14		
Financial Institutions	185 787	(113 344)	(47 990)	24 453
Local and Administrative Public Sector	413			413
Other Financial Intermediaries	657	(74)		583
Companies	216 998	(1 193)		215 805
Insurance / Pension Companies	60			60
Individuals	388			388
	404 302	**(114 610)**	**(47 990)**	**241 702**

At 31 December 2015 and 2014 the amount of liability derivative financial instruments[1] traded in the over-the-counter market, offset by related asset derivatives, by counterparty type, was as follows:

Counterparty	Financial assets in the financial statements	Related amounts not set off in the financial statements		Net
		Financial instruments	Cash collateral pledged as guarantee	
		31 Dec. 15		
Financial Institutions	406 085	(89 046)	(314 820)	2 219
Other Financial Intermediaries	21 267	(268)		20 999
Companies	27 018	(20 924)		6 094
Individuals	3			3
	454 373	**(110 238)**	**(314 820)**	**29 315**
		31 Dec. 14		
Financial Institutions	619 385	(113 344)	(483 878)	22 164
Other Financial Intermediaries	137	(74)		63
Companies	23 612	(1 193)		22 419
Individuals	1			1
	643 135	**(114 610)**	**(483 878)**	**44 647**

1) Does not include embedded derivatives and listed derivatives in the amounts of 29 261 th. euro and 24 353 th. euro, at 31 December 2015 and 2014, respectively.

At 31 December 2015 and 2014 the amount of securities purchased with resale agreements, by counterparty type, was as follows:

Counterparty	Financial assets in the financial statements	Securities received in the resale agreement	Net value
	31 Dec. 15		
Financial Institutions	5 161	(5 161)	
	5 161	**(5 161)**	
	31 Dec. 14 Proforma		
Financial Institutions	71 740	(71 740)	
	71 740	**(71 740)**	

At 31 December 2015 and 2014 the amount of debt securities sold with repurchase agreements, by counterparty type, was as follows:

Counterparty	Financial assets in the financial statements	Securities received in the resale agreement	Net value
	31 Dec. 15		
Financial Institutions	25 732	(25 732)	
Other Financial Intermediaries	26 207	(26 207)	
	51 939	**(51 939)**	
	31 Dec. 14 Proforma		
Financial Institutions	81 409	(81 409)	
Other Financial Intermediaries	94 260	(94 260)	
	175 669	**(175 669)**	

Interest rate risk

Following is a sensitivity analysis of the BPI Group's financial margin and shareholders' equity to a 2% increase in the reference interest rate, considering all the instruments of the banking portfolio sensitive to interest rate variations (including the securities portfolio of the international operations classified in the accounting records as of trading):

Time band	Financial margin					
	31 Dec. 15			31 Dec. 14 Proforma		
	Position	Weighting factor	Weighted position	Position	Weighting factor	Weighted position
on demand	565 060	2.00%	11 301	689 940	2.00%	13 799
on demand-1 month	2 761 758	1.92%	53 026	1 294 540	1.92%	24 855
1-2 months	1 965 113	1.75%	34 389	2 517 461	1.75%	44 056
2-3 months	2 017 142	1.58%	31 871	1 183 645	1.58%	18 702
3-4 months	(49 036)	1.42%	(696)	(153 665)	1.42%	(2 182)
4-5 months	810 803	1.25%	10 135	79 690	1.25%	996
5-6 months	1 128 207	1.08%	12 185	1 630 357	1.08%	17 608
6-7 months	121 713	0.92%	1 120	(41 023)	0.92%	(377)
7-8 months	(151 361)	0.75%	(1 135)	(48 493)	0.75%	(364)
8-9 months	219 508	0.58%	1 273	33 206	0.58%	193
9-10 months	53 131	0.42%	223	(86 747)	0.42%	(364)
10-11 months	60 202	0.25%	151	111 067	0.25%	278
11-12 months	(54 328)	0.08%	(43)	195 541	0.08%	156
			153 799			**117 354**

Note: The positions were distributed by the asset, liability and respective maturity class columns.

The weighted position indicates an estimate of the impact on the financial margin obtained at the end of 12 months starting on 1 July of each year resulting from a single and instantaneous change of 2% in the overall market interest rates affecting the respective positions. Thus, the impact on each date depends on the existence and time distribution of the repricing gaps.

The interest rate risk of the remaining fixed interest rate assets and liabilities is hedged through derivatives, or is offset by balance sheet operations with a reverse risk profile.

Equity risk

In accordance with prudential requirements, the BPI Group calculates the impact of a 20% decrease in share prices and participating units classified as financial assets available for sale and financial assets at fair value through profit or loss[1]. This stress test was based on the following exposures in shares and participating units:

	31 Dec. 15	31 Dec. 14 Proforma
Financial assets held for trading and at fair value through profit or loss	46 962	29 257
Financial assets available for sale – at fair value and without impairment	149 929	128 628
Financial assets available for sale – at fair value and with impairment	112 807	96 743
Financial assets available for sale at historical cost	6 168	6 087
Participating units in liquidity, bond and real estate funds	3 874	3 920
	319 740	**264 635**

Note: Does not include the trading portfolio which is considered in market risk.

A 20% decrease in the price of the above securities (except for securities recorded at cost and participating units in liquidity, bond and real estate funds) at 31 December 2015 and 2014, would result in a decrease of 61 940 th. euro and 50 926 th. euro, respectively, in their fair value, implying the recognition of a loss of 31 954 th. euro and 25 200 th. euro, the remaining devaluation being reflected in the fair value reserve.

Currency risk

Financial assets and liabilities at 31 December 2015, by currency, were as follows:

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other currencies	Total
Assets					
Cash and deposits	1 346 048	510 001	1 440 063	44 128	3 340 240
Financial assets held for trading and at fair value through profit or loss	2 974 218	301 072	389 058	10 256	3 674 604
Financial assets available for sale	3 620 739	1 157 018	1 731 183	448	6 509 388
Loans and advances to credit institutions	578 287	511 401	139 349	1 006	1 230 043
Loans and advances to Customers	22 473 836	884 932	834 889	87 965	24 281 622
Held-to-maturity investments	22 417				22 417
Hedging derivatives	88 933	2 211		142	91 286
Tangible and intangible assets	90 774		132 509	950	224 233
Investments in associates and jointly controlled entities	146 127			64 320	210 447
Tax assets	411 019		8 308	887	420 214
Other assets	605 666	45 687	11 716	5 729	668 798
	32 358 064	**3 412 322**	**4 687 075**	**215 831**	**40 673 292**
Liabilities					
Resources of central banks	1 520 735				1 520 735
Financial liabilities held for trading	266 643	1 963	25 698	14	294 318
Resources of other credit institutions	1 214 258	96 845	58	630	1 311 791
Resources of Customers and other debts	19 758 370	3 912 278	4 310 327	196 839	28 177 814
Debt securities	1 073 287	4 094			1 077 381
Financial liabilities relating to transferred assets	689 522				689 522
Hedging derivatives	161 245	311			161 556
Provisions	74 576	21 365	3 363	560	99 864
Technical provisions	3 663 094				3 663 094
Tax liabilities	61 306	14	30 729	1	92 050
Other subordinated debt and participating bonds	69 512				69 512
Other liabilities[2]	604 638	31 322	37 167	3 467	676 594
Foreign exchange transactions pending settlement and position for term operations	1 291 570	(884 216)	(343 522)	(60 270)	3 562
	30 448 756	**3 183 976**	**4 063 820**	**141 241**	**37 837 793**
Shareholders' equity attributable to the shareholders of BPI	1 917 937	(9 125)	428 555	69 485	2 406 852
Non-controlling interests	1 802		426 845		428 647
Foreign exchange position	**(10 431)**	**237 471**	**(232 145)**	**5 105**	**0**
Stress Test		47 494	69 644	1 021	

1) Excluding securities held by BPI Vida e Pensões.
2) Excludes the amount recorded in foreign exchange transactions pending settlement and term operation positions.

Financial assets and liabilities at 31 December 2014, by currency, were as follows:

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other currencies	Total
Assets					
Cash and deposits	726 019	712 960	778 977	56 722	2 274 678
Financial assets held for trading and at fair value through profit or loss	2 600 742	251 153	153 457	12 381	3 017 733
Financial assets available for sale	4 762 579	1 049 001	1 713 755	443	7 525 778
Loans and advances to credit institutions	642 331	703 353	1 241 968	1 165	2 588 817
Loans and advances to Customers	23 068 084	883 079	1 216 461	101 345	25 268 969
Held-to-maturity investments	88 382				88 382
Hedging derivatives	146 317	2 097		279	148 693
Financial assets available for sale	11 604				11 604
Investment property	154 777				154 777
Tangible and intangible assets	84 051		144 248	823	229 122
Investments in associates and jointly controlled entities	158 204			54 776	212 980
Tax assets	413 810		7 863	858	422 531
Other assets[1]	562 126	67 708	8 617	2 957	641 408
Foreign exchange transactions pending settlement and position for term operations	(1 141 344)	939 417	133 828	111 477	43 378
	32 277 682	**4 608 768**	**5 399 174**	**343 226**	**42 628 850**
Liabilities					
Resources of central banks	1 515 884	45 301			1 561 185
Financial liabilities held for trading	319 157	5 301	2 270	57	326 785
Resources of other credit institutions	1 237 681	132 992	52	1 716	1 372 441
Resources of Customers and other debts	19 040 585	4 260 043	4 585 511	248 478	28 134 617
Debt securities	2 177 152	60 922			2 238 074
Financial liabilities relating to transferred assets	1 047 731				1 047 731
Hedging derivatives	317 441	9 729		49	327 219
Provisions	77 084	21 926	7 791	532	107 333
Technical provisions	4 151 830				4 151 830
Tax liabilities	35 939	13	6 678		42 630
Other subordinated debt and participating bonds	69 521				69 521
Other liabilities	642 606	18 532	29 700	29 486	720 324
	30 632 611	**4 554 759**	**4 632 002**	**280 318**	**40 099 690**
Shareholders' equity attributable to the shareholders of BPI	1 653 654	(11 041)	403 006	65 272	2 110 891
Non-controlling interests	(13 321)		431 590		418 269
Foreign exchange position	**4 738**	**65 050**	**(67 424)**	**(2 364)**	
Stress Test		13 010	20 227	473	

1) Excludes the amount recorded in Foreign exchange transactions pending settlement and position for term operations.

The stress test consists of assessing the impact of a 20% variation in the exchange rate of each currency against the euro, with the exception of the Kwanza (AKZ) in which the impact of a 30% variation against the euro was assessed. The amounts presented above are absolute amounts, and correspond to the potential impact (before taxes) on total equity including non-controlling interests.

The participations in Banco de Fomento Angola (BFA), Banco Comercial e de Investimentos (BCI) and BPI Mozambique expose the BPI Group to exchange risk which is reflected mainly in the translation to euros of the balance sheet and results of these companies in terms of their consolidation. Consequently the changes in exchange rates of the respective functional currencies against the euro: (i) local currencies – kwanza and metical, in Angola and Mozambique, respectively – in relation to the euro and (ii) dollars in relation to the euro, due to the significant use of the American dollar in these economies, influence the evolution of the balance sheet captions and results of the BPI Group. Exchange differences resulting from the translation to euro of shareholders' equity of BFA, BCI and BPI Mozambique are recognized directly in the equity caption REVALUATION RESERVES.

In Angola and Mozambique there are restrictions resulting from currency exchange control policies, both in currency exchange and in capital transferred to other countries. Currency transfer, including the repatriation of profits or dividends, is subject to official authorization of these countries.

BFA strictly manages its foreign exchange exposure resulting from structural positions held in the various currencies or transaction needs of its Customers, seeking to actively control its risk by maintaining its asset and liability positions in each currency balanced.

As a basic criterion, the currency exposure of BFA (to currencies other than the kwanza) should tend to be zero, there being the possibility of temporary fluctuations in short or long positions. In situations of expected currency devaluation of the kwanza, BFA establishes long positions in dollars, within the limits defined for this purpose.

As part of its activity, BFA operates mainly in kwanzas and dollars, holding positions in other currencies at residual levels, simplifying the process of managing the exchange position. In order to ensure the timely satisfaction of the needs for currencies of its Customers, BFA purchases currencies in the primary market through the mechanism of BNA's foreign exchange auctions and purchases from Customers. The financial management rules and foreign exchange risks are set out in the Limits and Procedures Manual of the Financial and International Department.

The consolidated balance sheet of the BPI Group includes a significant portion of assets and liabilities in kwanzas. Financial information expressed in this currency, disclosed in the consolidated financial statements and accompanying notes, has been translated to euro for presentation purposes based on the criteria defined in IAS 21 (note 2.2.). These amounts should not be interpreted as a representation that the amounts in kwanzas could have been, or could be, converted to euros.

US dollar loans granted by BFA to Customers are presented in the above tables in the "USD" column. However, in accordance with item 2, article 4 of *Notice 3 / 2012* of the National Bank of Angola financial institutions should, in the collection of installments of loans granted, accept available funds in the accounts of its Customers expressed in any currency, regardless of the contracted currency. This requirement applies only to loans contracted after the entry into force of that standard. BFA Clients have generally paid the installments of principal and interest of US dollar loans with the equivalent in kwanzas at the settlement date, under the option given in *Notice 3 / 2012* of the BNA.

In the above tables, the securities in kwanzas indexed to US Dollars, held by BFA, are presented in the "USD" column. The securities in kwanzas indexed to US Dollars at 31 December 2015 and 2014 amounted to 570 377 th. euro and 593 672 th. euro, respectively.

Hedge accounting

The BPI Group applies fair value hedge accounting to several business lines, including hedging for:

- fixed rate loans to Customers;
- fixed rate deposits;
- fixed rate debt issues;
- structured debt issues;
- fixed rate securities.

The BPI Group uses "back-to-back" hedging relationships and macro-hedging.

The BPI Group hedges interest rate risk and currency risk relating to the above hedged items.

Interest rate swaps and forward currency operations are the main hedging instruments used.

Application of Hedge Accounting eliminates the "accounting mismatch" that would result from the recognition of the hedged items at amortized cost, while the hedging instruments (derivative financial instruments) would have to be recorded at fair value through profit or loss. The value of hedged financial instruments is their exposure (nominal value contracted).

The book value of hedged instruments and fair value of hedging instruments at 31 December 2015 is made up as follows:

	Hedged items					Hedging instruments			
Fair value types of hedge	**Nominal amount**	**Interest, premiums and potential gain / loss**	**Impair-ment**	**Value corrections**	**Total**	**Nominal amount**	**Interest and premiums**	**Revalua-tion**	**Fair value**
Assets									
Loans to Customers	319 084	3 440	(1 755)	35 215	355 984	354 268	(5 996)	(36 710)	(42 706)
Fixed rate securities portfolio	810 500	14 602		100 640	925 742	845 500	(13 504)	(100 529)	(114 033)
	1 129 584	**18 042**	**(1 755)**	**135 855**	**1 281 726**	**1 199 768**	**(19 500)**	**(137 239)**	**(156 739)**
Liabilities									
Resources of credit institutions	20 000	779		13 792	34 571	20 000	(776)	(13 785)	(14 561)
Customer deposits	6 484 542	71 064		29 204	6 584 810	6 138 884	(39 028)	(13 030)	(52 058)
Debt issues	327 687	367		2 060	330 114	1 190 236	657	(20 507)	(19 850)
	6 832 229	**72 210**		**45 056**	**6 949 495**	**7 349 120**	**(39 147)**	**(47 322)**	**(86 469)**

Note: Embedded options were not included.

The book value of hedged instruments and fair value of hedging instruments at 31 December 2014 is made up as follows:

	Hedged items					Hedging instruments			
Fair value types of hedge	**Nominal amount**	**Interest, premiums and potential gain / loss**	**Impair-ment**	**Value corrections**	**Total**	**Nominal amount**	**Interest and premiums**	**Revalua-tion**	**Fair value**
Assets									
Loans to Customers	377 069	3 300	(2 482)	44 659	422 546	447 389	(5 977)	(46 087)	(52 064)
Fixed rate securities portfolio	1 766 855	16 557		220 439	2 003 851	1 820 885	(35 838)	(219 321)	(255 159)
	2 143 924	**19 857**	**(2 482)**	**265 098**	**2 426 397**	**2 268 274**	**(41 815)**	**(265 408)**	**(307 223)**
Liabilities									
Resources of credit institutions	20 000	776		15 262	36 038	20 000	(755)	(15 255)	(16 010)
Customer deposits	8 200 294	74 139		46 665	8 321 098	8 466 078	(42 454)	(28 690)	(71 144)
Debt issues	1 447 392	7 771		9 438	1 464 601	2 260 432	(10 475)	(31 068)	(41 543)
	9 667 686	**82 686**		**71 365**	**9 821 737**	**10 746 510**	**(53 684)**	**(75 013)**	**(128 697)**

Note: Embedded options were not included.

The tables above include the nominal amounts of hedged items for which hedge accounting is being applied. The notional amount of hedging instruments corresponds to the sum of the notional amounts of the hedging derivative contracts, including forward start operations (swaps and futures), and therefore the notional amount may be higher than the nominal amounts of the hedged items. For a given asset or liability (namely fixed rate securities) there may be several derivatives to hedge the corresponding future flows.

Net income on financial operations recognized in hedging derivative financial instruments and in hedged items in 2015 and 2014 were as follows:

Fair value types of hedge	**31 Dec. 15**	**31 Dec. 14 Proforma**
Hedging derivatives	23 523	(53 234)
Hedged items		
Loans to Customers	(9 441)	10 737
Fixed rate securities portfolio	(40 500)	38 229
Resources of credit institutions	1 471	(7 819)
Customer deposits	17 461	(20 693)
Debt issues	7 588	37 473
	(23 421)	**57 927**
	102	**4 693**

IFRS 9 – Impact of expected loan loss disclosures

In July 2014 the IASB (International Accounting Standards Board) published IFRS 9 "Financial Instruments". This standard, which is of mandatory application for years beginning on or after 1 January 2018, after its adoption by the European Union, will replace IAS 39 "Financial instruments: recognition and measurement".

IFRS 9 introduces changes in the way in which financial institutions calculate impairment loss on their financial instruments, in particular as regards Loans to Customers. IFRS 9 uses an expected loss model (Expected Credit Loss – ECL) replacing the incurred loss model used by IAS 39. In accordance with this new model, entities must recognize expected losses prior to the occurrence of the loss events. There is also the need to include forward-looking information in the estimates of expected loss, with the inclusion of future trends and scenarios, namely macroeconomic scenarios. The ECL concept required by IFRS 9 also has differences in relation to the Expected Loss concept set out in CRD IV.

In the ECL model, assets subject to the impairment calculation, should be classified in one of the following categories ("stages"), due to credit risk changes since the initial recognition of the asset and not based on the credit risk at the reporting date.

- Stage 1 – As from the initial recognition of the asset and whenever there is not a significant deterioration in credit risk since that date, the assets are classified in stage 1. An impairment loss corresponding to the ECL for the time horizon of 1 year as from the reporting date should be recognized for such assets.

- Stage 2 – If there is significant deterioration in risk since initial recognition, the assets should be classified in stage 2. In this stage, the impairment corresponds to the ECL for the remaining life of the asset (ECL lifetime). The concept of significant deterioration of credit risk, established in IFRS 9, introduces a higher level of subjectivity in the impairment calculation, also requiring greater connection with the entity's credit risk management policies. The lifetime and forward-looking perspectives introduce challenges in modeling, by financial institutions, of the credit risk parameters.

- Stage 3 – Impaired assets should be classified in this stage, with impairment corresponding to lifetime ECL. As compared with stage 2, the distinction corresponds to the form of recognising the effective interest, which should be based on net book value (gross book value in stage 2).

In order to adopt IFRS 9, Banco BPI set up a working team, in order to analyze the scope, impact and time required to adopt IFRS 9 on a timely basis.

4.50. Share-based variable remuneration program

The share-based variable remuneration program (Remuneração Variável em Acções – RVA) is a remuneration plan under which, whenever it is decided to grant variable remuneration to Executive Directors and Employees of the BPI Group (in the latter case provided that it exceeds 2500 euro) it is made up of BPI shares and BPI share options. The individual remuneration under the RVA program varies between 10% and 50%, the percentage increasing with the responsibility level of the beneficiary.

The shares granted to Employees under the RVA program are transferred in full at the grant date, but 75% of the transfer is subject to a resolution condition (relating to termination of the employment relationship, unless made by just cause of the Employee), which expires on a gradual basis over the three years following the grant date (25% each year). The options to purchase shares may be exercised between the 90th day to the fifth year as from the grant date. In accordance with the RVA Regulations, termination of the employment relationship between the Employee and the BPI Group also affects the options granted.

The conditions for granting shares and share options to the Executive Directors up to RVA 2009 were similar to those referred above for Employees. As from RVA 2010, the shares and share options granted to the Executive Directors under the RVA program are subject to the following suspending condition: Banco BPI's consolidated shareholders' equity, based on the consolidated accounts for the third year following that to which the variable remuneration relates, must be greater than Banco BPI's consolidated shareholders' equity for the year to which the variable remuneration relates, observing the assumptions established in the RVA Regulations. The granting of shares is also subject to the suspending condition of non-termination of the management or employment relationship established in the RVA Regulations. In addition to these conditions, the granting of the shares is also subject to a suspending term of three years as from the grant date and the strike period for the share options only begins after that period.

During the Portuguese State investment period, the members of Banco BPI's Executive Commission will not be paid any variable remuneration. Nonetheless, the Remuneration Committee may continue to evaluate annually the performance of the members of the Executive Commission of the Board of Directors and determine the amount of the variable remuneration to which they would be entitled under the rules established in the Remuneration Policy approved in the Shareholders General Meeting of April 2011. However, payment of the variable remuneration will depend on the decision of the Remuneration Committee in office when the Portuguese State investment has been fully repaid.

The limitations in terms of remuneration, resulting from the recapitalization operation explained in the preceding paragraph, ceased as from 25 June 2014, when the public investment due to the recapitalization operation was fully repaid.

In this respect, considering that the recommendation of both the Nominating, Admission and Remuneration Committee and the Remuneration Policy for the 2014 / 2016 period, approved by the Shareholders' General Meeting, established the recommendation that:

1) the performance evaluation of the members of the Executive Commission of the Board of Directors and determination of the variable remuneration to which they would be entitled under the Remuneration Policy rules should continue to be made annually, the payment of such amount being subject to a decision of the Remuneration Committee then in office and to take place after full repayment of the public investment;

2) also dependent upon a decision to be made by the Remuneration Committee, then in office, after full repayment of the public investment, the members of the Board of Directors, members of Executive Commission of the Board of Directors and members of the Supervisory Board should be paid the amounts corresponding to the reduction of their fixed remuneration resulting from the limitations due to the recapitalization operation.

   The Remuneration Committee made the following decisions on 3 September 2014:

   a) Considering their performance in the period in which there was public investment (second half of 2012, 2013 and first half of 2014), it approved payment to the members of the Board of Directors and members of the Supervisory Board in office during that period, of the amounts corresponding to the reduction of their fixed remuneration in that period resulting from the limitations due to the recapitalization operation; and

   b) Taking into account the opinion of the Nomination, Remuneration and Admission Committee (CNAR), approved the payment to the members of the Executive Committee of the Board of Directors who were in office in 2012 of the amount of their variable remuneration applicable as if no limitations were applied due to the recapitalization operation, in the overall amount of 1% of the consolidated net results for 2012.

   c) Request CNAR to issue its opinion on the performance of the members of the Executive Commission of the Board of Directors in 2013 and determine the amount of variable remuneration that should be attributed to them for their performance in that year. Following this decision, taking into account the positive opinion of CNAR issued on 26 March 2015, the Remuneration Committee decided, at that time, to attribute to the members of the Executive Commission who were in office in 2013, variable remuneration relating to their performance in that year, corresponding to 1% of consolidated net income for 2013.

In the case of RVA 2007, the Employees whose variable remuneration was equal to or greater than 2 500 euro and less than or equal to 10 000 euro could choose to receive this amount fully in "cash". In the case of RVA 2008, 2009, 2010, 2011, 2012 and 2013 Executive Directors and Employees, whose variable remuneration was equal to or greater than 2 500 euro could choose to receive the variable remuneration entirely in "cash" without affecting the deferral of the availability and Conditions of Access referred to above to up to 50% of the variable remuneration paid to the Executive Directors.

Considering that in the first half of 2015 Banco BPI was under a public share purchase offering, launched on 17 February 2015, and considering on the one hand, the interest in maintaining the RVA program, since the principles that inspired its creation and the objectives it aims to achieve remain valid and, on the other hand, the possible questions that, under the circumstances, could be raised because of the granting of share based remuneration, the Board of Directors of BPI decided not to realize the RVA program for the year 2014. In 2006 there was no RVA program because Banco BPI was also under a public share purchase offering. Under these circumstances, the variable remuneration was fully paid in cash. All the other RVA programs remain in force under the conditions referred to in this note.

The price of the shares granted corresponds to the weighted average list price of the BPI shares traded in the last ten stock exchange sessions prior to the date the shares are granted. The price of the shares granted also corresponds to the strike price of the options.

The shares are made available (in the three years following the date they are attributed) subject to the beneficiaries remaining with the BPI Group. The price of the shares attributed, as well as the period in which they are made available, are summarized in the following table:

Program	Shares				
	Date of assign-ment	Assign-ment price[1]	Date of availability of tranches		
			2nd	3rd	4th
RVA 2011	2012-05-28	0.36	2013-05-28	2014-05-28	2015-05-28
RVA 2012	2012-12-19	0.87	2013-12-19	2014-12-19	2015-12-19
RVA 2013	2014-05-14	1.81	2015-05-14	2016-05-14	2017-05-14

1) Assignment price after the effect of the capital increases of BBPI, performed in May 2011, August 2012 and June 2014.

The share options can be exercised between the 90th day and the end of the 5th year following the date they were attributed. The share options are made available subject to the beneficiaries remaining with the BPI Group.

The strike prices of the options, as well as the period the options can be exercised, are summarized in the following table:

Program	Options			
	Date of assignment	Strike price[1]	Strike period	
			From	To
RVA 2009	2010-03-11	1.72	2010-06-12	2015-03-11
RVA 2010	2011-04-29	1.11	2011-07-30	2016-04-29
RVA 2011	2012-05-28	0.36	2012-08-29	2017-05-28
RVA 2012	2012-12-19	0.87	2013-03-19	2017-12-19
RVA 2013	2014-05-14	1.81	2014-08-15	2019-05-14

1) Strike price after the effect of the capital increases of BBPI in May 2011, August 2012 and June 2014.

By decision of the Shareholders' General Meeting of the Bank, the members of Executive Commission of the Board of Directors implemented an RVA plan (with a suspensive condition) the availability and strike periods of which are shown in the following tables:

Reference year	Program	Shares		
		Date of assignment	Assignment price[1]	Date of availability
2010	RVA 2010 CECA	2011-04-29	1.25	2014-04-29
2012	RVA 2014 CECA	2014-09-03	1.40	2017-09-03
2013	RVA 2015 CECA	2015-07-10	1.02	2018-07-10

1) Assigment price after the effect of the capital increases of BBPI in May 2011, August 2012 and June 2014.

Reference year	Program	Options			
		Date of assignment	Strike price[1]	Strike period	
				De	A
2010	RVA 2010 CECA	2011-04-29	1.11	2014-04-29	2017-04-29
2012	RVA 2014 CECA	2014-09-03	1.40	2017-09-03	2020-09-03
2013	RVA 2015 CECA	2015-07-10	1.02	2018-07-10	2021-07-10

1) Strike price after the effect of the capital increases of BBPI in May 2011, August 2012 and June 2014.

The total cost of the RVA programs is as follows:

Program	Total cost		
	Shares	Options	Total
RVA 2001	2 478	2 478	4 956
RVA 2002	2 507	2 507	5 014
RVA 2003	3 202	2 272	5 474
RVA 2004	3 834	2 169	6 003
RVA 2005	4 006	3 075	7 081
RVA 2007	2 649	5 938	8 587
RVA 2008	115	634	749
RVA 2009	29	814	843
RVA 2010	29	738	767
RVA 2011	8	211	219
RVA 2012	53	609	662
RVA 2013	1 269	1 331	2 600
RVA 2015	2 450	1 329	3 779
	22 629	**24 105**	**46 734**

The RVA amounts are estimated for the exercise.

MODEL FOR VALUING THE EQUITY INSTRUMENTS GRANTED TO THE EMPLOYEES OF THE BPI GROUP

Shares

The Bank, for purposes of the share-based payment program, acquires a portfolio of BPI shares and transfers ownership of the shares to the Employees on the date the RVA remuneration is granted.

The changes in the number of shares not yet made available to the Employees of the BPI Group in 2015 and 2014 Proforma, as well as the fair value of the respective instruments, are as follows:

	RVA 2009			RVA 2010			RVA 2011			RVA 2012			RVA 2013		
	Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value	
		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date
Shares attributed until 2013	15 706	27	19	7 059	8	9	9 168	3	11	60 923	53	74			
Shares made available until 2013	15 586	27	19	5 216	6	6	4 590	2	6	30 479	26	37			
Shares made available early until 2013	120														
Shares refused until 2013															
Shares not made available at 31 December 2013				1 843	2	2	4 578	2	6	30 444	26	37			
Shares attributed in 2014													702 879	1 269	721
Shares made available in 2014				1 843	2	2	2 289	1	2				176 847	319	181
Shares made available early in 2014													7 533	14	8
Shares refused in 2014													615	1	1
Shares not made available at 31 December 2014							2 289	1	2	30 444	26	31	517 884	935	531
Shares attributed in 2015															
Shares made available in 2015							2 289	1	2	30 444	26	33	172 175	311	188
Shares made available early in 2015													462	1	1
Shares refused in 2015													1 025	2	1
Shares not made available at 31 December 2015													344 222	622	376

In the case of death, incapacity or retirement of the Employee, the shares not yet made available are made available early, becoming freely available to the person or to the respective heirs.

The shares refused include shares granted but not made available, to which the Employee has lost his / her right because he / she has left the BPI Group.

Options

The changes in the number of share options in circulation, held by Employees of the BPI Group (options that can be exercised) in 2015 and 2014 Proforma, as well as their respective fair values are as follows:

	RVA 2009			RVA 2010			RVA 2011			RVA 2012			RVA 2013		
	Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value	
		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date
Options attributed until 2013	2 337 808	763	346	855 761	210	444	1 194 011	145	1 329	2 616 653	725	1 968			
Options made available until 2013	2 337 808	763	346	855 761	210	444	1 194 011	145	1 329	2 616 653	725	1 968			
Options cancelled until 2013	24 501	8	4							412 628	114	310			
Options exercised until 2013				7 495	2	4	744 537	90	829	85 005	24	64			
Options in circulation and exercisable at 31 December 2013	2 313 307	755	342	848 266	208	440	449 474	55	500	2 119 020	587	1 594			
Options in circulation at 31 December 2013	2 313 307	755		848 266	208	133	449 474	55	267	2 119 020	587	608			
Options attributed in 2014				2 040 204	501	321							2 982 564	1 321	324
Options made available in 2014													2 982 564	1 321	324
Options cancelled in 2014	3 257	1											2 246	1	
Options exercised in 2014	58 187	19		259 023	64	41	43 636	5	26	405 742	112	116			
Options in circulation and exercisable at 31 December 2014	2 251 863	735		2 629 447	646	414	405 838	49	241	1 713 278	475	492	2 980 318	1 320	324
Options in circulation at 31 December 2014	2 251 863	735		2 629 447	646	153	405 838	49	255	1 713 278	475	442	2 980 318	1 320	227
Options attributed in 2015															
Options made available in 2015															
Options cancelled in 2015	2 251 863	735											1 173	1	
Options exercised in 2015				40 712	10	2	28 091	3	18	165 939	46	43			
Options in circulation and exercisable at 31 December 2015				2 588 735	636	150	377 747	46	237	1 547 339	429	399	2 979 145	1 320	226

The granting and availability of Shares and Options in 2014 under the RVA 2010 and 2013 programs result from the share capital increase in June 2014.

When an Employee of the BPI Group leaves the Group he / she loses the right to the options attributed and not yet made available. In the case of options made available but not yet exercised, the Employee has a maximum period of 30 days from the date the labour relationship terminates to exercise the option, after which the option expires (options cancelled).

In the case of death, incapacity or retirement of Employees, the options attributed become immediately exercisable, having to be exercised within a period of 2 years from the date of the event, otherwise they expire. Cancelled options include options not exercised within this period.

In 2015 and in 2014 Proforma, the average price of the shares on the date in which the options were exercised was as follows:

Program	Options exercised in 2015		Options exercised in 2014	
	Number of options	Average price of the shares	Number of options	Average price of the shares
RVA 2008			2 349 919	1.58
RVA 2009			58 187	1.89
RVA 2010	40 712	1.38	259 023	1.81
RVA 2011	28 091	1.25	43 636	1.48
RVA 2012	165 939	1.16	405 742	1.60

In determining the number of options to be granted to Employees and directors, the BPI Group determines the financial value of the options as of the date they are granted.

The premium of the options over Banco BPI shares was determined in accordance with an internally developed model, based on the Black-Scholes model, for the RVA 2003 to RVA 2013 programs.

The critical factors of the model used to manage the RVA programs are as follows:

- Volatility of Banco BPI shares, which was determined as follows:
  - 60% of the historical volatility of Banco BPI shares in the last 3.33 years;
  - 10% of the VIX volatility index;
  - 10% of the VDAX volatility index;
  - 20% of the implicit volatility of the listed options traded in Spain over Spanish banks which are similar to Banco BPI.
- Average expected life of the option, which depends, among others, on the following factors:
  - Responsibility level of the beneficiaries: Directors and other Employees;
  - Ratio between the market price and the strike price; and
  - Volatility of the share price.

The model also enables the number of shares of Banco BPI necessary to ensure adequate coverage of the inherent risk of issuing options under the RVA program to be determined.

The parameters used to determine the financial value of the options under each RVA program, as of the date the options are attributed, are as follows:

	RVA 2007	RVA 2008	RVA 2009	RVA 2010	RVA 2011	RVA 2012	RVA 2013
BPI listing	3.33	1.41	1.94	1.25	0.37	0.87	1.81
Strike price[1]	3.33	1.41	1.94	1.25	0.37	0.87	1.81
Implicit volatility	29.34%	44.27%	32.25%	35.97%	41.70%	39.78%	37.29%
Interest rate	3.73%	3.10%	2.68%	5.15%	3.87%	3.18%	1.48%
Expected dividends	0.19	0.07	0.08	0.00	0.00	0.00	0.00
Value of the option	0.41	0.37	0.37	0.28	0.12	0.28	0.44

1) The strike price does not consider the effect of the adjustment relating to the capital increases in June 2008, May 2011, August 2012 and June 2014.

The number of outstanding options under each RVA Program, as well as their respective fair values at 31 December 2015 were as follows:

	RVA 2009	RVA 2010	RVA 2011	RVA 2012	RVA 2013
Number of outstanding options	0	2 588 735	377 747	1 547 339	2 979 145
Strike price	1.72	1.11	0.36	0.87	1.81
Value of option	0.00	0.11	0.58	0.26	0.09

The number of outstanding options under each RVA Program, as well as their respective fair values at 31 December 2014 Proforma were as follows:

	RVA 2009	RVA 2010	RVA 2011	RVA 2012	RVA 2013
Number of outstanding options	2 251 863	2 629 447	405 838	1 713 278	2 980 318
Strike price	1.72	1.11	0.36	0.87	1.81
Value of option	0.00	0.16	0.59	0.29	0.11

ACCOUNTING IMPACT OF THE RVA PROGRAM

Shares

In order to cover the share-based payments to Employees of Banco BPI and its subsidiaries, the Bank acquires a portfolio of treasury shares at the time the RVA remuneration is attributed. The shares remain in Banco BPI's portfolio until they are made available to the beneficiaries. At that time they are derecognized by corresponding charge to the accumulated costs caption OTHER EQUITY INSTRUMENTS.

The book value and fair value of the share component of the RVA program not yet made available to the Employees / Directors at 31 December 2015 and 2014 Proforma are as follows:

Shares	Program	31 Dec. 15			31 Dec. 14 Proforma		
		Book value	Number of shares	Fair value	Book value	Number of shares	Fair value
Cost of the shares to be made available to the Group's Employees, recognized in shareholders's equity	RVA 2011				1		
	RVA 2012				23		
	RVA 2013	574			589		
	RVA 2014	35			530		
	RVA 2015	915					
		1 524			**1 143**		
Cost of the shares to be made available to the Group's Employees, not recognized in shareholders'equity	RVA 2012				3		
	RVA 2013	48			346		
	RVA 2014				810		
	RVA 2015	1 535					
		1 583			**1 159**		
		3 107	**344 222**	**376**	**2 302**	**550 617**	**564**
Treasury shares available in advance to the Group's Employees							
	RVA 2013				14		
					14		
Treasury shares to be made available to the Group's Employees	RVA 2011				1	2 289	2
	RVA 2012				26	30 444	31
	RVA 2013	622	344 222	376	935	517 884	531
		622	**344 222**	**376**	**962**	**550 617**	**564**

Options

The BPI Group has created a portfolio of BPI shares to cover its share-based payment program responsibilities resulting from the issuance of options to purchase BPI shares to Employees of Banco BPI and its subsidiaries in accordance with a delta strategy (determined in accordance with BPI's options evaluation model developed in-house based on the Black-Scholes model). The strategy corresponds to the creation of a portfolio with delta shares for each option issued, the delta number corresponding to the relationship between the variation in the price of an option and variation in the price of the underlying share. The treasury shares held to hedge the risk of variation in the amount of the options sold are recorded in the caption TREASURY SHARES HEDGING THE RVA, where they remain while they are held for that purpose.

When the options are exercised, the treasury shares are derecognized together with transfer of share ownership to the Employees of Banco BPI and its subsidiaries. At that time a gain or loss is recognized, in the amount corresponding to the difference between the strike price and the average cost of acquiring the treasury share portfolio covering each of the programs, less the cost of the option premiums accumulated in the caption OTHER EQUITY INSTRUMENTS.

The book value and fair value of the outstanding option component of the RVA program attributed to the Employees / Directors at 31 December 2015 and 2014 Proforma were as follows:

Options	Program	31 Dec. 15 Book value	31 Dec. 15 Fair value	31 Dec. 15 Unrealized gain / (loss)	31 Dec. 14 Proforma Book value	31 Dec. 14 Proforma Fair value	31 Dec. 14 Proforma Unrealized gain / (loss)
Cost of outstanding options (premiums) recognized in shareholders'equity	RVA 2009				786		
	RVA 2010	548			558		
	RVA 2011	46			49		
	RVA 2012	947			475		
	RVA 2013	1 330			1 331		
	RVA 2014				928		
	RVA 2015	799					
		3 670			**4 127**		
Cost of outstanding options (premium) not recognized in shareholders'equity	RVA 2014				1 563		
	RVA 2015	530					
		530			**1 563**		
		4 200	**595**	**3 605**	**5 690**	**2 619**	**3 071**
Treasury shares hedging the RVA options	RVA 2009				6 242	4 167	(2 075)
	RVA 2010	6 372	4 478	(1 894)	250	86	(164)
	RVA 2011	2 156	719	(1 437)	2 248	705	(1 543)
	RVA 2012	3 461	1 283	(2 178)	3 950	1 377	(2 573)
	RVA 2013	24	10	(14)	23	8	(15)
		12 013	**6 490**	**(5 523)**	**12 713**	**6 343**	**(6 370)**
Unrealized gain / (loss)				**(1 918)**			**(3 299)**

The gain and loss realized on treasury shares hedging the exercise of RVA options, as well as the respective taxes, are recorded directly in shareholders' equity, not affecting net income.

The gain and (loss) recorded in making the shares available and in exercising the options, as well as in the corresponding hedge, recorded in shareholders' equity at 31 December 2015 and 2014 Proforma were as follows:

Gain-loss		Program	31 Dec. 15	31 Dec. 14 Proforma
Shares	In making the shares available	RVA 2008		50
		RVA 2009	21	
		RVA 2010		(206)
		RVA 2013		(879)
			21	**(1 035)**
Options	In the exercise of options	RVA 2008		(1 242)
		RVA 2009	59	(59)
		RVA 2010	(65)	(425)
		RVA 2011	(78)	(122)
		RVA 2012	(299)	(731)
			(383)	**(2 579)**
Transaction costs / Dividend devolution			**41**	**7**
Premiums of options not exercised at the end of the program		RVA2009	**665**	
			344	**(3 607)**

The cost of the share-based remuneration program is accrued in personnel costs, by corresponding entry to the OTHER EQUITY INSTRUMENTS caption, as required by IFRS 2 for share-based payment programs. The cost of the shares and option premiums, when they are granted, is accrued on a straight-line basis from the beginning of the program (1 January) to the date they are made available to the Employees / Directors.

The total cost of the share-based payment program recognized in 2015 and 2014 was as follows:

Program	31 Dec. 15 Shares	31 Dec. 15 Options	31 Dec. 15 Total	31 Dec. 14 Proforma Shares	31 Dec. 14 Proforma Options	31 Dec. 14 Proforma Total
RVA 2009					(1)	(1)
RVA 2010				8	32	40
RVA 2011						
RVA 2012	3	75	78	8		8
RVA 2013	222	(1)	221	899	944	1 843
RVA 2014	(493)	(409)	(902)	530	928	1 457
RVA 2015	915	799	1 713			
	647	**464**	**1 110**	**1 445**	**1 903**	**3 347**

4.51. Capital Management

At 31 December 2015 and 2014 the Group had the following capital ratios calculated in accordance with the transitional provisions of *Directive 2013 / 36 / EU* and *Regulation (EU) 575 / 2013*, CRD IV / CRR, approved on 26 June 2013 by the European Parliament and the Council of the European Union in force as from 1 January 2014.

	31 Dec. 15	31 Dec. 14
Accounting Shareholders' equity[1]	2 424 999	2 290 482
Unrealized gains on fair value reserve	10 535	(3 783)
Eligible non-controlling interests	366 836	308 378
Actuarial deviations	(63 811)	(58 558)
Deferred tax assets arising from tax losses	(32 912)	(14 879)
Loans granted for acquisition of treasury shares and intangible assets	(15 263)	(6 971)
Participating interests in banking and insurance institutions	(36 829)	(27 178)
Negative Additional Tier 1	(79 240)	(61 968)
Common Equity Tier 1	**2 574 315**	**2 425 523**
Additional Tier 1		
Tier 2		
Total Own funds	2 574 315	2 425 523
Risk-weighted assets	**23 702 317**	**20 602 267**
Common Equity Tier 1	10.9%	11.8%
Tier 1	10.9%	11.8%
Total ratio	10.9%	11.8%

1) Excluding fair value reserve and actuarial deviations.

Considering that the Bank adhered to the Special Regime of Deferred Tax Assets approved in the Shareholders' General Meeting of 17 October 2014 and the loss of supervision equivalence in Angola, both as from 1 January 2015, the Common Equity Tier 1 pro-forma of BPI as of 31 December 2014 would be 10.2%.

Considering full implementation of the CRV IV / CRR rules, Banco BPI's "fully implemented" Common Equity Tier 1 at 31 December 2015 was 9.8%. At 31 December 2014 the "fully implemented" Common Equity Tier 1, considering the Special Deferred Tax Assets Regime and loss of the supervision equivalence in Angola, would be 8.6%.

In addition, Common Equity Tier 1 meets the minimum capital requirements set by the ECB for the BPI Group under the Supervisory Review and Evaluation Process (SREP).

Dividend policy

As from the amendment to the articles of association of Banco BPI approved in the Shareholders' General Meeting held on 20 April 2006, the following rule was included (Article 26 item 3): "The Shareholders' General Meeting should decide on the long term dividend policy by proposal of the Board of Directors which should justify possible deviations from that policy."

In complying with this statutory rule, the Shareholders' General Meeting held on 19 April 2007 approved the Long Term Dividend Policy of Banco BPI, the main guideline being to distribute an annual dividend of not less than 40% of consolidated net income for the year, except in special circumstances.

The Policy referred to in the previous paragraph was temporarily limited by item 6.4. of the Recapitalization Plan approved in the Shareholders' General Meeting held on 27 June 2012, in which the Board of Directors indicated that there would be no dividends or reserve distributions until the hybrid instruments to be issued in the recapitalization plan had been entirely repaid, as well, in the same way, as item 11.1. A) of the Terms and Conditions of the Core Tier 1 Capital Instruments Subscribed for by the State approved by Order of the Portuguese Minister of State and Finance 8840-A / 2012.

4.52. Related parties

In accordance to IAS 24, the entities considered to be related to Banco BPI are:

- those in which the Bank has direct or indirect significant influence in decisions relating to their financial and operating policies – Associated and jointly controlled companies and pension funds;
- entities that have direct or indirect significant influence on the management and financial policies of the Bank – Shareholders, presuming that this happens when the equity interest exceeds 20%;
- Key management personnel of Banco BPI, considering for this purpose executive and non-executive members of the Board of Directors and individual persons and companies associated to them.

The BPI Group's related parties at 31 December 2015 were as follows:

Name of related entity	Head office	Effective participation	Direct participation
Associated and jointly controlled entities of Banco BPI			
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	30.0%	30.0%
Companhia de Seguros Allianz Portugal, S.A.	Portugal	35.0%	35.0%
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	
Unicre – Instituição Financeira de Crédito, S.A.	Portugal	21.0%	21.0%
Pension funds of Employees and Directors of the BPI Group			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	10.2%	
Fundo de Pensões Aberto BPI Valorização	Portugal	41.5%	
Fundo de Pensões Aberto BPI Segurança	Portugal	24.5%	
Fundo de Pensões Aberto BPI Garantia	Portugal	9.7%	
Shareholders of Banco BPI			
Grupo La Caixa	Spain	44.1%	
Members of the Board of Directors of Banco BPI			
Artur Santos Silva			
Fernando Ulrich			
Alfredo Rezende de Almeida			
Allianz Europe Ltd. – that appointed Carla Bambulo as representative to act in her own name			
António Domingues			
António Lobo Xavier			
Armando Leite de Pinho			
Carlos Moreira da Silva			
Edgar Alves Ferreira			
Isidro Fainé Casas			
Ignacio Alvarez-Rendueles			
João Pedro Oliveira e Costa			
José Pena do Amaral			
Lluís Vendrell			
Manuel Ferreira da Silva			
Marcelino Armenter Vidal			
Maria Celeste Hagatong			
Mário Leite da Silva			
Pedro Barreto			
Santoro Finance – Prestação de Serviços, S.A.			
Tomaz Jervell			
Vicente Tardio Barutel			

The total assets, liabilities and off-balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of Employees of the BPI Group at 31 December 2015 were as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Assets			
Financial applications	16 111		16 111
Financial assets held for trading and at fair value through profit or loss		140	140
Loans	10 037		10 037
Other assets	20 142	720	20 862
	46 290	**860**	**47 150**
Liabilities			
Deposits and technical provisions	38 182	192 015	230 197
Resources of other credit institutions	5 114		5 114
Provisions	7		7
Other financial resources		60 067	60 067
Other liabilities	26		26
	43 329	**252 082**	**295 411**
Income			
Financial margin (narrow sense)	171	(1 615)	(1 444)
Net commissions	41 799	102	41 901
Operating income and charges		2 668	2 668
General administrative expenses	(742)	(15 984)	(16 726)
	41 228	**(14 829)**	**26 399**
Off balance sheet items			
Guarantees given and other contigent liabilities			
Guarantees and sureties	12 232		12 232
Commitments to third parties			
Revocable commitments	5 128		5 128
Responsabilities for services rendered			
Deposit and safeguard of assets	1 060 312	1 119 004	2 179 316
Other	10 000		10 000
	1 087 672	**1 119 004**	**2 206 676**

The total assets, liabilities and off balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at 31 December 2015 are as follows:

	Shareholders of Banco BPI[1]	Members of the Board of Directors of Banco BPI[2]	Companies in which Members of the Board of Directors of Banco BPI have significant influence[3]	Total
Assets				
Financial applications	337 270			337 270
Financial assets held for trading and at fair value through profit or loss	9 961	45 079	1 932	56 972
Financial assets available for sale	88	48 909	60 792	109 789
Loans	15 682	199 211	203 236	418 129
Derivatives	348			348
Other assets	786	1	27 556	28 343
	364 135	**293 200**	**293 516**	**950 851**
Liabilities				
Deposits and technical provisions	410	240 761	381 593	622 764
Resources from other credit institutions	2 448			2 448
Provisions	33	107	343	483
Other liabilities	2	107		109
	2 893	**240 975**	**381 936**	**625 804**
Income				
Financial margin (narrow sense)	1 845	4 067	3 952	9 864
Net commissions		897	46	943
Gain and loss on financial transactions	(4)	980	(6)	970
Impairment and net provisions for loans and guarantees	7	(294)	(2 598)	(2 885)
	1 848	**5 650**	**1 394**	**8 892**
Off balance sheet items				
Guarantees given and other contingent liabilities				
Guarantees and sureties	27 114	36 501	71 092	134 707
Documentary credits			57 875	57 875
Guarantees received		52 393	10 479	62 872
Commitments to third parties				
Irrevocable commitments			51 500	51 500
Revocable commitments	11	18 400	46 233	64 644
Responsabilities for services rendered				
Deposit and safeguard of assets	700 927	264 159	329 949	1 295 035
Others			65 500	65 500
Foreign exchange operations and derivative instruments				
Purchases	344 866			344 866
Sales	(343 942)			(343 942)
	728 976	**371 453**	**632 628**	**1 733 057**

1) Includes the La Caixa Group headed up by the Fundação Bancária La Caixa, comprising the companies it controls.

2) Includes the Members of the Board of Directors, also including: (i) Allianz Europe Ltd., the companies that control it, including Allianz SE, and the companies controlled by it, except Allianz Portugal, which was considered in associated companies; and (ii) Santoro Financial Holdings, SGPS, as it is the sole shareholder of Santoro Finance, Mrs. Isabel José dos Santos, as shareholder of Santoro Financial Holdings, SGPS to whom, under the terms of paragraph b) item 1 of article 20 and article 21 of the Portuguese Securities Code, the investment of Santoro Finance in Banco BPI is attributed, and the companies controlled by Mrs. Isabel José dos Santos.

3) Includes the companies in which the Members of the Board of Directors have significant influence not included in other categories.

The total assets, liabilities and off balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of Employees of the BPI Group at 31 December 2014 are as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Assets			
Financial applications	3 095		3 095
Financial assets held for trading and at fair value through profit or loss		153	153
Loans	18 118		18 118
Other assets	19 254	243	19 497
	40 467	**396**	**40 863**
Liabilities			
Deposits and technical provisions	37 022	146 451	183 473
Debt securities		2 526	2 526
Other financial resources		60 072	60 072
Other liabilities	63		63
	37 085	**209 049**	**246 134**
Income			
Financial margin (narrow sense)	16	(1 999)	(1 983)
Net commissions	40 367	16	40 383
General and administrative expenses	(555)	(16 420)	(16 975)
Impairment and net provisions for loans and guarantees	54		54
	39 882	**(18 403)**	**21 479**
Off balance sheet items			
Guarantees given and other contingent liabilities			
Guarantees and sureties	10 881		10 881
Commitments to third parties			
Revocable commitments	3 069		3 069
Responsibilities for services rendered			
Deposit and safeguard of assets	1 124 084	977 445	2 101 529
	1 138 034	**977 445**	**2 115 479**

The total assets, liabilities and off balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at 31 December 2014 are as follows:

	Shareholders of Banco BPI[1]	Members of the Board of Directors of Banco BPI[2]	Companies in which Members of the Board of Directors of Banco BPI have significant influence[3]	Total
Assets				
Financial applications	96 919			96 919
Financial assets held for trading and at fair value through profit or loss	4 469	8 734	560	13 763
Financial assets available for sale	88		59 851	59 939
Loans	847	37 584	277 798	316 229
Other assets	9 306		53 538	62 844
	111 629	**46 318**	**391 747**	**549 694**
Liabilities				
Deposits and technical provisions	8 855	393 244	762 508	1 164 607
Provisions	75	1	473	549
Debt securities		384	516	900
Other liabilities		129		129
	8 930	**393 758**	**763 497**	**1 166 185**
Income				
Financial margin (narrow sense)	970	(71)	2 342	3 241
Net comissions		63	11	74
Gains and losses on financial transactions	8			8
Impairment and net provisions for loans and guarantees	21	(122)	56	(45)
	999	**(130)**	**2 409**	**3 278**
Off balance sheet items				
Guarantees given and other contingent liabilities				
Guarantees and sureties	30 109	61 727	66 243	158 079
Documentary credits			63 424	63 424
Commitments to third parties				
Revocable commitments	8	1 236	119 393	120 637
Responsibilities for services rendered				
Deposit and safeguard of assets	659 167	1 401 783	308 980	2 369 930
Others			43 800	43 800
Foreign exchange operations and derivatives instruments				
Purchases	500 411		2 499	502 910
Sales	(491 121)		(2 499)	(493 620)
	698 574	**1 464 746**	**601 840**	**2 765 160**

1) Includes the La Caixa Group headed up by the Fundação Bancária La Caixa, comprising the companies it controls.
2) Includes the Members of the Board of Directors, also including: (i) Allianz Europe Ltd., the companies that control it, including Allianz SE, and the companies controlled by it, except Allianz Portugal, which was considered in associated companies; and (ii) Santoro Financial Holdings, SGPS, as it is the sole shareholder of Santoro Finance, Mrs. Isabel José dos Santos, as shareholder of Santoro Financial Holdings, SGPS to whom, under the terms of paragraph b) item 1 of article 20 and article 21 of the Portuguese Securities Code, the investment of Santoro Finance in Banco BPI is attributed, and the companies controlled by Mrs. Isabel José dos Santos.
3) Includes the companies in which the Members of the Board of Directors have significant influence not included in other categories.

As mentioned above, in accordance with IAS 24, the Bank considers as related entities those in which Banco BPI has, directly or indirectly, significant influence over its management and financial policy – associated companies and jointly controlled companies and pension funds – and entities that have a significant influence on the Bank's management – Shareholders and members of the Board of Directors of Banco BPI.

In the Notes of 31 December 2014, the Bank disclosed its understanding at that time stating that, in addition to the La Caixa Group, there were no other shareholders with significant influence over Banco BPI, namely due to the fact that they do not hold, directly or indirectly through subsidiaries, 20% or more of the voting rights, as provided for in IAS 28. In addition, reference was made, that taking into account the degree of subjectivity involving this understanding, this matter was under analysis by the Bank so as to reassess other indicators that could point to the existence of significant influence of entities with participations of less than 20%, because of the substance of the relationship.

Following this analysis, the Bank decided to include as related parties the following additional entities: (i) Allianz Europe, Ltd., the companies that control it, including Allianz SE, and the companies controlled by it, except for Allianz Portugal, which was already considered in associated companies, and (ii) Santoro Financial Holding, SGPS, as it is the sole shareholder of Santoro Finance, Mrs. Isabel José dos Santos, as shareholder of Santoro Financial Holdings, SGPS, to whom, under the terms of paragraph b) item 1 of article 20 and article 21 of the Portuguese Securities Code, the investment of Santoro Finance in Banco BPI is attributed, and the companies controlled by Mrs. Isabel José dos Santos. The disclosure of balances and transactions with these entities was made for the first time in the notes to the consolidated financial statements of 30 June 2015.

Therefore, the amounts presented in this note for 31 December 2014 have been revised to be comparable with the amounts for 31 December 2015, including all the related parties referred to above.

EMPLOYEE REMUNERATION AND OTHER BENEFITS

Indication of the annual amount of remuneration received, in aggregate and individually, by the members of the Company's management body, by the Company, including fixed and variable remuneration and, in relation to this, mention of the different components that gave rise to it.

In 2015 the fixed remuneration of the members of the Board of Directors amounted to 3 239 622 euro.

To this amount it must be added, specifically as regards fixed remuneration of the members of the Executive Commission, 39 490 euro relating to seniority and 17 258 euro relating to long service premiums (in accordance with the Collective Labour Agreement for the Portuguese Banking Sector (Acordo Colectivo de Trabalho do Sector Bancário), and in the case of non-executive members, 251 600 euro relating to attendance allowance for their participation in meetings of the advisory and support committees of the Board of Directors as established in the statutes.

The individual amounts were as follows:

Amounts in euro

Board of Directors	Fixed remuneration	Attendance allowance	Seniority payments	Long service premiums
Artur Santos Silva	126 000	33 300	n / a	n / a
Fernando Ulrich	462 000	n / a	7 676	
António Domingues	423 500	n / a	6 014	
Alfredo Rezende	49 000	37 000	n / a	n / a
António Lobo Xavier	49 000	7 400	n / a	n / a
Armando Leite de Pinho	49 000	3 700	n / a	n / a
Carla Sofia Bambulo[1]	44 917	3 700	n / a	n / a
Carlos Moreira da Silva	49 000	11 100	n / a	n / a
Edgar Alves Ferreira	49 000	37 000	n / a	n / a
Herbert Walter[2]	1 970	n / a	n / a	n / a
Ignacio Alvarez Rendueles	49 000	37 000	n / a	n / a
Isidro Fainé Casas	49 000	n / a	n / a	n / a
João Pedro Oliveira Costa	326 200	n / a	3 878	
José Pena do Amaral	326 200	n / a	6 014	
Lluís Vendrell	11 297	n / a	n / a	n / a
Manuel Ferreira da Silva	326 200	n / a	6 014	
Maria Celeste Hagatong	326 200	n / a	6 014	17 258
Marcelino Armenter	49 000	40 700	n / a	n / a
Mário Leite da Silva	49 000	22 200	n / a	n / a
Pedro Barreto	326 200	n / a	3 878	
Tomaz Jervell	49 000	3 700	n / a	n / a
Vicente Tardio Barutel	49 000	14 800	n / a	n / a

1) Appointed on 1 February 2015
2) Cease to function as a member of the board of directors on 15 January 2015

Considering that:

A. The national legal provisions applicable to the recapitalization operation of Banco BPI carried out in June 2012 established limitations to the remuneration of the members of the Board of Directors and Supervisory Body of Banco BPI. Such limitations were essentially:

- the imposition of a reduction of the aggregate amount of remuneration of the members of the Board of Directors and Supervisory Body to 50% of the average remuneration paid to those bodies in 2010 and 2011;
- the prohibition of payment of variable remuneration to the members of the Executive Committee of the Board of Directors.

On the other hand, the Commitments made to the European Commission, which led to its consideration as consistent with the internal market of public aid granted, included the remuneration provisions set out in the Corporate Governance Report.

B. In the framework and implementation of the discipline referred to in the preceding paragraph:

i) the Banco BPI recapitalization plan, approved by the Shareholders' General Meeting held on 27 June 2012 provided exceptions to the remuneration policy in force, in order to apply the above reductions in remuneration and prohibit the payment of variable remuneration to the members of the Executive Committee of the Board of Directors;

ii) the decision of the Remuneration Committee of 26 June 2012 established, under the opinion of the Nomination, Remuneration and Admission Committee, the new remuneration of the members of the Board of Directors and Supervisory Board (including attendance fees), to be applied as from 1 July 2012;

iii) the remuneration policy approved by the Shareholders' General Meeting held on 23 April 2014, for the 2014 / 2016 period foresaw and maintained the exceptions mentioned in B (i).

C. Both the recommendation of the Remuneration Committee mentioned in B (ii) and the Remuneration Policy for the 2014 / 2016 period mentioned in B (iii), included the following recommendations:

i) The recommendation that following the proposal of the Nomination, Remuneration and Admission Committee, the performance evaluation of the members of the Executive Committee of the Board of Directors and determination of their variable remuneration by applying the Remuneration Policy rules should continue to be made annually, the payment of such amount being subject to a decision of the Remuneration Committee then in office and to take office after full repayment of the public investment;

ii) The recommendation, again dependent on a decision of the Remuneration Committee then in office, after full repayment of the public investment, that the members of the Board of Directors, members of the Executive Committee of the Board of Directors and members of the Supervisory Board be paid the amounts corresponding to the reduction of their fixed remuneration due to the limitations imposed by the recapitalization operation, updated at the rate established under the Collective Vertical Labour Agreement for the Banking Sector for level 18 remuneration.

D. The limitations on remuneration as the result of the recapitalization operation mentioned above ceased as from 25 June 2014, when the public investment associated with the recapitalization operation was fully repaid.

E. The positive decision of the Nomination, Remuneration and Admission Committee to the Remuneration Committee relating to the performance of the members of the Executive Committee of the Board of Directors in 2013 and determination of the amount of variable remuneration which it believes should be attributed to them for their performance in that year.

The Remuneration Committee made the following decisions on 3 September 2014:

a) following the recommendation made in C. (ii), and considering the performance in the period in which there was public investment (second half of 2012, 2013 and first half of 2014), approved the payment to the members of the Board of Directors and members of the Supervisory Board who were in office during that period of the amounts corresponding to the reduction of their fixed remuneration in that period resulting from the limitations imposed by the recapitalization operation;

b) following the recommendation mentioned in C (i), and considering the opinion of the Nomination, Remuneration and Admission Committee, approved the payment to the members of the Executive Committee of the Board of Directors who were in office in 2012 the amount of their variable remuneration applicable as if no limitations were applied due to the recapitalization operation, in the overall amount of 1% of the consolidated net profit for 2012;

c) to request the Nomination, Remuneration and Admission Committee to issue its opinion on the performance of the members of the Executive Commission of the Board of Directors in 2013 and determination of the amount of variable remuneration that should be attributed to them for their performance in that year.

Following the resolution referred to in c) above and taking into account the positive opinion of the Nomination, Remuneration and Admission Committee issued on 26 March 2015, the Remuneration Committee decided, at that time, to attribute to the members of the Executive Commission who were in office in 2013, variable remuneration relating to their performance in that year corresponding to 1% of consolidated net income for 2013.

Thus, as a result of that decision, in addition to the regular amounts of fixed remuneration and attendance allowance (referred to in the above table) the members of the Executive Commission of the Board of Directors who were in office in 2013 were also paid the amounts detailed in the following table in 2015:

Amounts in euro

Executive Commission of the Board of Directors	**Variable remuneration[2]**
Fernando Ulrich	122 708
António Domingues	112 483
António Farinha Morais[2]	86 640
José Pena do Amaral	86 640
Manuel Ferreira da Silva	86 640
Maria Celeste Hagatong	86 640
Pedro Barreto	86 640

1) Variable remuneration attributed in 2015 relating to performance in 2013, attributed in accordance with the resolution referred to above.
2) Ceased functions as member of the Board of Directors and member of the Executive Commission on 23 April 2014.

Any amounts paid by other companies in a control or group relationship or who are subject to common domain

With the exception of the Director Manuel Ferreira da Silva, for which part – in the amount of 244 650 euro – of the fixed remuneration referred to in the preceding paragraph was paid by Banco Português de Investimento, S.A., no other member of the Executive Committee received any remuneration from a Group company other than Banco BPI.

Remuneration paid in the form of participation in profits and / or payments of bonuses and the reasons why such bonus payments and / or participation in profits were granted

As a result of approval by the Remuneration Committee of the payment to members of the Executive Committee, that were in office in 2013, of the variable remuneration to which they were entitled for that year, as explained earlier, 50% of that amount was, under the terms of the Remuneration Policy in force and according to the RVA rules, attributed through Banco BPI shares and / or options, the payment of which is subject to a deferral period and to the existence of conditions of access to deferred remuneration. The breakdown of deferred RVA remuneration by the members of the Executive Commission and the respective granting and exercise price were as follows:

Breakdown of deferred RVA remuneration		Amounts in euro
Executive Commission of the Board of Directors	**Banco BPI shares[1]**	**Options on Banco BPI shares[2]**
Fernando Ulrich	60 116	
António Domingues		233 270
António Farinha Morais		179 676
José Pena do Amaral	21 223	89 838
Manuel Ferreira da Silva	21 223	89 838
Maria Celeste Hagatong	42 446	
Pedro Barreto		179 676

1) Assignment price of 1.026 euro.
2) Assignment price of 0.2411 euro and strike price of the option of 1.0206 euro. The share options can be exercised after the third year following the date – 10 July 2015 – of the decision of the Remuneration Committee provided that the Condition of Access to the Deferred Remuneration, as established in the Remuneration Policy and in the RVA Regulations, are complied with.

Compensation paid or owed to former executive directors in respect of early termination of service during the year

In 2015 no payments were made for early termination.

Indication of the annual amount of remuneration received, in total and individually, by the members of the supervisory board of the Company for purposes of Law 28 / 2009 of 19 June

In 2015, the total remuneration of the members of the Supervisory Board was 198 800 euro. The amounts earned individually were as follows:

Amounts in euro

Supervisory Board	Fixed Remuneration Regular
Abel Reis	72 800
Jorge Figueiredo Dias	63 000
Rui Guimarães	63 000

Remuneration of the Chairman of the Shareholders' General Meeting Committee

In 2015 the overall remuneration for exercising the function of **Chairman of the Shareholders' General Meeting Committee** was 14 000 euro, paid in 14 instalments.

The members of the Shareholders' General Meeting Committee do not benefit, as a result of this circumstance, from any retirement entitlement.

Pensions of the executive members of the Board of Directors

At 31 December 2015 the Directors covered by the defined benefits pension plan and the plan's liability, were as follows:

	Current	Retired	Total
Number of persons	7	4	11
Liability (th. euro)	16 798	11 513	28 311

Adding the amounts relating to other individuals that are current or former Directors of the Banks in the BPI Group and that benefit from a defined benefit pension plan to the figures presented in the table above, the table is as follows:

	Current	Retired	Total
Number of persons	14	9	23
Liability (th. euro)	26 078	17 900	43 978

In December 2006 the liability for retirement and survivor pensions under a defined benefit pension regime for Directors of the BPI Group's banks was transferred to an open-ended pension fund (Fundo de Pensões BPI Valorização).

The pension rights acquired in the 2015 by the members of the Executive Committee relating to old age retirement pensions amounted to 56 187 euro.

Loans to members of the Board of Directors

Mortgage loans

At 31 December 2015 the overall balance of mortgage loans granted to members of the Executive Committee of the Board of Directors for the purpose of acquiring their own homes amounted to 1 997 th. euro.

Credit lines for the exercise of RVA options and subscriptions of BPI shares in the capital increase realised in 2008

Banco BPI's executive Directors (as well as its Employees) benefit from a credit line for the acquisition and maintenance in portfolio of BPI shares resulting from the exercise of options awarded under the RVA scheme. At 31 December 2015, the balance of credit given to the members of Banco BPI's Executive Committee was 5 331 th. euro.

In 2008 a credit line was made available to the Directors of the Group companies (as well as to Employees and retirees) who wished to subscribe for BPI shares in the capital increase to keep in the portfolio of shares thus acquired[1]. At 31 December 2015 the credit line balance relating to the members of Banco BPI's Executive Committee was 971 th. euro.

Credit lines for the exercise of RVA options and subscription for BPI shares in the 2008 capital increase

Balance at 31 December 2015

	Credit line for the exercise of options[1]	Credit line for subscription for BPI shares
Banco BPI Executive Committee	5 331	971
Directors of Banco Português de Investimento[2]	89	39
Managers and other Employees	2 109	273
Total	**7 529**	**1 283**

1) Financing held for maintenance in portfolio of BPI shares resulting from the exercise of options awarded under the RVA scheme.
2) Excluding members from the Executive Committee of the Board of Directors of Banco BPI.

Employee remuneration and other benefits

The information provided in this section has the objective of complying with the requirements of Bank of Portugal *Notice 10 / 2011*, and refers to the Employees who meet certain of the following criteria corresponding to those set out in article 1(2)(a) and (c) of the aforesaid Notice:

1. Responsible for risk taking.
2. Responsible for control functions.
3. International retail banking (BFA).
4. Operational Functions.
5. Trading / Sales.

In applying the above-mentioned criteria, exclusively for determining the Employees to which the information to be provided under article 17 of *Notice 10 / 2011*, the Bank considered that the universe of

1) This credit line is intended, exclusively, to finance the acquisition of Banco BPI shares resulting from the subscription rights exercised by each Employee or Director on the date on which the subscription rights were detached from the shares (21 May 2008, the last day the shares traded with rights).

relevant Employees corresponds to the group of Employees covered by the "Remuneration Policy of Banco BPI's Essential Functions Holders" approved by the Board of Directors on 11 December 2015 and mentioned in section 3.2 of the BPI Group's Governance Report.

In 2015, the universe defined above encompassed 29 Employees.

In 2015, the remuneration paid to the above totalled 6 206 thousand euro split between fixed remuneration of 3 977 thousand euro, and variable remuneration of 2 229 thousand euro.

In 31 December 2015 the aggregate amount of annual pension rights acquired by the Employees under review was 17 441 thousand euro.

Breakdown of the remuneration and pension rights indicated above between the above-mentioned two groups was as follows (amounts in euro):

Amounts in euro

Board of Directors	1 – Responsible for risk taking	2 – Responsible for control functions	3– International retail banking (BFA)	4 – Operational functions	5 – Trading / Sales	TOTAL
No. Employees	16	3	3	5	2	29
Fixed remuneration	2 261 769	376 529	430 347	756 275	151 906	3 976 825
Variable remuneration	1 112 918	200 838	221 184	494 994	542 160	2 229 094
Past service liability	9 199 995	915 875	3 832 187	3 290 734	202 698	17 441 488

There is no deferred remuneration (not paid) awarded to the above group of Employees.

There is no deferred remuneration due, paid or subject to reduction as a result of the adjustment introduced based on individual performance.

No new Employees were recruited in 2015 who fall within this group.

No payments were made in 2015 for early termination of employment contracts.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholdings of the members of the Board of Directors at 31 December 2015 were as follows:

	Shares[1]										
	Held at 31 Dec. 14	Purchases	Sales	Held at 31 Dec. 15	Held at 31 Dec. 15[2]	Unavailable shares A	Shares pledged in guarantee B	Shares pledged in guarantee C	Shares pledged in guarantee D	Loans E	Loans F
Artur Santos Silva	500 000			500 000	546						
Fernando Ulrich[3]	2 092 180			2 092 180	2 283		1 585 040	348 510		4 173	719
Alfredo Rezende de Almeida	2 250 000			2 250 000	2 455						
António Domingues[3]	56 042			56 042	61						
António Lobo Xavier											
Armando Costa Leite de Pinho											
Carla Bambulo											
Carlos Moreira da Silva	66 333			66 333	72						
Edgar Alves Ferreira	227 273			227 273	248						
Ignacio Alvarez-Rendueles											
Isidro Fainé Casas											
João Pedro Oliveira e Costa[3]	10 708			10 708	12						
José Pena do Amaral[3]	184 913			184 913	202		132 231			169	
António Massanel Lavilla[4]											
Manuel Ferreira da Silva[3]	930 884			930 884	1 016	5 442			300 000		
Marcelino Armenter Vidal											
Maria Celeste Hagatong[3]	885 151			885 151	966		171 110	48 815		375	99
Mário Leite da Silva											
Pedro Barreto[3]	500 000			500 000	546		378 399	94 600		615	154
Tomaz Jervell	15 680			15 680	17						
Vicente Tardio Barutel											
Santoro Finance – Prestação de Serviços, S.A.	270 643 372			270 643 372	295 272						

A – Shares attributed under the RVA program, the availability of which at 31 December 2014 is subject to a resolution condition.
B – Shares which at 31 December 2015 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA program.
C – Shares which at 31 December 2015 were pledged in guarantee of loans to finance their acquisition resulting from exercise of BPI share subscription rights under the capital increase.
D – Shares which at 31 December 2015 were pledged in guarantee for purposes of article 396 of the Commercial Company Code (Código das Sociedades Comerciais).
E – Amount owed at 31 December 2015 on the loan referred to in B.
F – Amount owed at 31 December 2015 on the loan referred to in C.
1) Includes securities held by their spouses.
2) Fair value of the shares.
3) Member of the Executive Committee.
4) Submitted his resignation on 25 June 2015, effective as from 29 July.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholder position of the members of the Board of Directors in terms of options held at 31 December 2015 was as follows:

	Options[1]			
	Held at 31 Dec. 14	**Purchases**	**Exercise[2]**	**Held at 31 Dec. 15**
Artur Santos Silva				
Fernando Ulrich[3]				
Alfredo Rezende de Almeida				
António Domingues[3]	426 820			426 820
António Lobo Xavier				
Armando Costa Leite de Pinho				
Carla Bambulo				
Carlos Moreira da Silva				
Edgar Alves Ferreira				
Ignacio Alvarez-Rendueles				
Isidro Fainé Casas				
João Pedro Oliveira e Costa[3]	127 249			127 249
José Pena do Amaral[3]	358 530			358 530
António Massanel Lavilla[4]				
Manuel Ferreira da Silva[3]	557 256		154 355	402 901
Marcelino Armenter Vidal				
Maria Celeste Hagatong[3]				
Mário Leite da Silva				
Pedro Barreto[3]	667 237		308 707	358 530
Tomaz Jervell				
Vicente Tardio Barutel				
Santoro Finance – Prestação de Serviços, S.A.				

1) Includes securities held by their spouses.
2) Includes extinction by lapsing.
3) Member of the Executive Committee.
4) Submitted his resignation on 25 June 2015, effective as from 29 July.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholding position of the other directors of Banco BPI, members of the Board of Directors of Banco Português de Investimento, in terms of the shares held at 31 December 2015 was as follows:

	Shares								
	Held at 31 Dec. 14	**Pur-chases**	**Sales**	**Held at 31 Dec. 15**	**Value at 31 Dec. 15[1]**	**Shares pledged in guarantee A**	**Shares pledged in guarantee B**	**Loans C**	**Loans D**
Alexandre Lucena e Vale	155 308			155 308	169	40 594	18 694	89	39
Fernando Costa Lima	81 124			81 124	89				
José Miguel Morais Alves	35 517			35 517	39				

A – Shares which at 31 December 2015 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA program.
B – Shares which at 31 December 2015 were pledged in guarantee of loans to finance their acquisition resulting from exercise of BPI share subscription rights under the capital increase.
C – Amount owed at 31 December 2015, on the loan referred to in A.
D – Amount owed at 31 December 2015, on the loan referred to in B.
1) Fair value of the shares.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholding position of the other directors of Banco BPI, members of the Board of Directors of Banco Português de Investimento, in terms of the options held at 31 December 2015 was as follows:

	Options			
	Held at 31 Dec. 14	**Purchases**	**Exercise[1]**	**Held at 31 Dec. 15**
Alexandre Lucena e Vale	121 305			121 305
Fernando Costa Lima	251 793		55 127	196 666
José Miguel Morais Alves	119 074			119 074

1) Includes extinction by lapsing.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholding position of the other directors of Banco BPI, in terms of shares and options held at 31 December 2015 was as follows:

	Shares[1]					Options[1]			
	Held at 31 Dec. 14	Purchases	Sales	Held at 31 Dec. 15	Value at 31 Dec. 15[2]	Held at 31 Dec. 14	Purchases	Exercise[3]	Held at 31 Dec. 15
Manuel Maria Meneses	114 179			114 179	125	103 801		61 099	42 702
Francisco Xavier Avillez	200 001			200 001	218	314 410			314 410
Susana Trigo Cabral	38 181			38 181	42				
Luis Ricardo Araújo	70 000			70 000	76	222 557		33 689	188 868
Graça Graça Moura	40 228			40 228	44				
Ana Rosas Oliveira	22 098			22 098	24	51 306			51 306
João Avides Moreira	20 892			20 892	23	96 879		15 313	81 566

1) Includes securities held by their spouses.
2) Fair value of shares.
3) Includes extinction by lapsing.

ARTUR SANTOS SILVA
Has not traded any shares.

FERNANDO ULRICH
Has not traded any shares.

At 31 December 2015 his spouse held 58 724 Banco BPI shares.

ALFREDO REZENDE DE ALMEIDA
Has not traded any shares.

ANTÓNIO DOMINGUES
Has not traded any shares.

ANTÓNIO LOBO XAVIER
Does not hold and has not traded any Banco BPI shares.

ANTÓNIO MASSANELL LAVILLA
Does not hold and has not traded any Banco BPI shares.

Resigned on 25 June 2015.

Is Vice-President of CaixaBank, S.A.

For further information about the changes and participation of CaixaBank, S.A. in Banco BPI's capital, see the information below concerning the member Isidro Fainé Casas.

ARMANDO COSTA LEITE DE PINHO
Does not hold and has not traded any Banco BPI shares.

At 31 December 2015, Arsopi – Holding, SGPS, S.A., of which he is President of the Board of Directors. owned 2 942 267 Banco BPI shares.

At 31 December 2015, ROE, SGPS, S.A., of which he is President of the Board of Directors, owned 4 442 291 Banco BPI shares.

At 31 December 2015, Security, SGPS, S.A., of which he is President of the Board of Directors, owned 3 414 404 Banco BPI shares.

CARLA BAMBULO
Does not hold and has not traded any Banco BPI shares.

At 31 December 2015, Allianz Europe, Ltd., owned 120 553 986 Banco BPI shares.

CARLOS MOREIRA DA SILVA
Has not traded any shares

EDGAR ALVES FERREIRA
Has not traded any shares.

At 31 December 2015, VFF – Violas Ferreira Financial, S.A., of which he is a member of the Board of Directors, owned 38 836 116 Banco BPI shares.

IGNACIO ALVAREZ RENDUELES
Does not hold and has not traded any Banco BPI shares.

Is Executive Director at CaixaBank, S.A.

For further information about the transactions and participation of Caixa Bank, S.A. in Banco BPI's capital, see the information below concerning the member Isidro Fainé Casas.

ISIDRO FAINÉ CASAS
Does not hold and has not traded any Banco BPI shares.

Is President of Patronato de la Fundacion Bancaria Caixa d'Estalvis i Pensiones de Barcelona "la Caixa" and President of Criteria CaixaHolding, S.A., which at 31 December controlled 56.8% of CaixaBank, S.A., and is also President of CaixaBank, S.A.

At 31 December 2015 Caixa Bank, S.A. owned a total of 642 462 536 Banco BPI shares.

JOÃO PEDRO OLIVEIRA E COSTA
Has not traded any shares.

JOSÉ PENA DO AMARAL
Has not traded any shares.

LLUÍS VENDRELL
Does not hold and has not traded any Banco BPI shares.

MANUEL FERREIRA DA SILVA
Has not traded any shares.

On 11 March 154 335 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

On 30 June 2015 his spouse held a total of 260 884 shares and 44 371 purchase options of Banco BPI shares.

MARCELINO ARMENTER VIDAL
Does not hold and has not traded any Banco BPI shares.

Is Executive Deputy General Director of Criteria Caixa-Holding, S.A., which has control over CaixaBank, S.A.

For further information about the transactions and participation of CaixaBank, S.A. in Banco BPI's capital, see the above information concerning the member Isidro Fainé Casas.

MARIA CELESTE HAGATONG
Has not traded any shares.

At 31 December 2015 her husband held 407 316 shares.

MÁRIO LEITE DA SILVA
Does not hold and has not traded any Banco BPI shares.

Is President of the Board of Directors of Santoro Finance – Prestação de Serviços, S.A. and President of the Board of Directors of Santoro Financial Holdings, SGPS, S.A. which has full control over it.

At 31 December 2015 Santoro Finance – Prestação de Serviços, S.A. owned 270 643 372 Banco BPI shares.

PEDRO BARRETO
Has not traded any shares.

On 11 March 308 707 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

TOMAZ JERVELL
Has not traded any shares.

At 31 December 2015 Norsócia, SGPS, S.A. of which he is a member of the Board of Directors owned 11 050 105 Banco BPI shares.

VICENTE TARDIO BARUTEL
Does not hold and has not traded any Banco BPI shares.

ALEXANDRE LUCENA E VALE
Has not traded any shares.

FERNANDO COSTA LIMA
Has not traded any shares.

On 11 March 55 127 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

JOSÉ MIGUEL MORAIS ALVES
Has not traded any shares.

MANUEL MARIA MENESES
Has not traded any shares.

On 11 March 61 099 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

FRANCISCO XAVIER AVILLEZ
Has not traded any shares.

SUSANA TRIGO CABRAL
Has not traded any shares.

LUÍS RICARDO ARAÚJO
Has not traded any shares.

On 11 March 33 689 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

GRAÇA GRAÇA MOURA
Has not traded any shares.

At 31 December 2015 her husband owned 27 677 Banco BPI shares.

ANA ROSAS OLIVEIRA
Has not traded any shares.

At 31 December 2015 her husband held 4 659 Banco BPI shares and 7 871 options on Banco BPI shares.

JOÃO AVIDES MOREIRA
Has not traded any shares.

On 11 March 15 313 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

4.53. Subsequent events

Resolution Fund

Resolution measure applied to Banco Espírito Santo, S.A.

In accordance with a communication of the Bank of Portugal dated 3 August 2014, it was decided to apply a resolution measure to Banco Espírito Santo, S.A., which consists of the transfer of most of its business to a transition bank, called "Novo Banco", created especially for that purpose. In accordance with the community norm, capitalization of "Novo Banco" was ensured by the Resolution Fund, created by *Decree-Law 31-A / 2012* of 10 February. As provided for in the Decree-Law, the Resolution Fund is resourced from payment of contributions due by the institutions participating in the Fund and contribution from the banking sector. In addition, the Decree-Law provides that if such resources are insufficient for fulfillment of its obligations other financing means can be used, such as: (i) special contributions from credit institutions; and (ii) loans granted.

In the specific case of the resolution measure relating to Banco Espírito Santo, S.A., the Resolution Fund provided 4.9 thousand million euro to pay up the share capital of "Novo Banco". Of this amount, 377 million euro corresponds to the Resolution Fund's own financial resources, resulting from the contributions already paid by the participating institutions and from contributions of the banking sector. In addition, a syndicated loan of 700 million euro was made to the Resolution Fund, with the contribution of each credit institution depending on various factors, including its size. The participation of Banco BPI in this loan was 116.2 million euro. The remaining amount needed to finance the resolution measure adopted came from a loan granted by the Portuguese State, which will subsequently be repaid and remunerated by the Resolution Fund. When Novo Banco is sold the proceeds of the sale will be primarily assigned to the Resolution Fund.

In September 2015 the Bank of Portugal interrupted the sale of the participation of the Resolution Fund in Novo Banco, initiated in 2014, and completed the current procedure without accepting any of the three binding proposals considering that their terms and conditions were not satisfactory. In a statement of 21 December 2015 the Bank of Portugal announced the agreement reached with the European Commission which provided, among other commitments, for the extension of the deadline for the sale of the full shareholder stake held by the Resolution Fund in Novo Banco.

On 29 December 2015 the Bank of Portugal issued a statement on the approval of a set of decisions supplementing the resolution measure applied to BES. The Bank of Portugal decided to retransmit to BES the liability for the non-subordinated bonds issued by them and that were designated to institutional investors. The nominal amount of the bonds retransmitted to BES is 1 941 million euro and corresponds to a book value of 1 985 million euro. These bonds were originally issued by BES and placed specifically among qualified investors. In addition to this measure, the Bank of Portugal also clarified that the Resolution Fund is responsible for neutralizing, through compensating Novo Banco, the possible adverse effects of future decisions, resulting from the resolution process, which result in liabilities or contingencies.

The process of sale of the participation held by the Resolution Fund in the capital of Novo Banco was relaunched in January 2016, and is currently in progress.

Resolution measure applied to Banif – Banco Internacional do Funchal, S.A.

In accordance with a statement of the Bank of Portugal of 20 December 2015 it was decided the sell the operations of Banif – Banco Internacional do Funchal, S.A. (Banif) and most of its assets and liabilities to Banco Santander Totta for 150 million euro. According to that statement, the requirements of the European institutions and the impracticability of a voluntary sale of Banif led to this sale being considered in the context of a resolution measure.

Most of the assets not subject to the sale were transferred to an asset management vehicle, called Oitante, S.A. (Oitante), created specifically for this purpose, the sole shareholder of which is the Resolution Fund. In this respect, Oitante issued debt securities of 746 million euro, which were acquired in full by Banco Santander Totta, having been given a guarantee by the Resolution Fund and a counter-guarantee by the Portuguese State.

The operation involved public support of around 2 255 million euro to cover future contingencies, of which 489 million euro by the Resolution Fund and 1 766 million euro directly by the Portuguese State, as a result of the options agreed between the Portuguese authorities, the European institutions and Banco Santander Totta for defining the perimeter of the assets and liabilities sold.

Up to the date of approval of the financial statements by the Board of Directors, Banco BPI did not have any information to enable it to estimate with reasonable reliability whether, as result of these processes, there will be a possible insufficiency of resources in the Resolution Fund and, if applicable, how it will be funded.

Therefore, at this date it is not possible to assess the possible impact of this matter on Banco BPI's financial statements, since potential losses to be incurred depend on the conclusion of the referred processes and the amount of periodic and / or special contributions, that may possibly be determined by the Bank of Portugal (in case of periodic contributions) or by the Minister of Finance (in the case of the special contributions), under the terms and competencies which are legally assigned to them.

In accordance with the information available to this time: (i) it is not likely that the Resolution Fund will propose the creation of a special contribution to finance the resolution measures described above, so the possible collection of a special contribution appears to be remote, and (ii) it is expected that any deficits of the Resolution Fund will be financed through periodic contributions under article 9 of *Decree-Law 24 / 2013* of 19 February, which stipulates that periodic contributions to the Resolution Fund must be paid by the participating institutions who are active on the last day of April of the year to which the periodic contribution refers.

Regulation and supervision equivalence in Angola

In accordance with the statement published by Banco BPI on 16 December 2014, the European Commission published under, among other provisions, paragraph 7 of Article 114 of *Regulation (EU) 575 / 2013* of 26 June 2013 (CRR), the list of countries with regulations and supervision equivalent to those of the European Union. The list includes 17 countries or territories and does not include the Republic of Angola. Consequently, as from 1 January 2015 the indirect exposure in kwanzas of Banco BPI: (i) to Angolan State[1], and (ii) to Banco Nacional de Angola (BNA)[2], is no longer considered, for the purpose of the calculation of Banco BPI's capital ratios, weighted for risk established in Angolan regulations for that type of exposure, and starts being considered weighted by risk established in the CRR.

This means that as from 1 January 2015, the indirect exposure in kwanzas of Banco BPI to Angolan State and to Banco Nacional de Angola (BNA) is no longer weighted at 0% or 20% depending on the exposure, in the calculation of capital ratios, and started being weighted at 100%.

Considering the fact that Banco BPI adhered to the Special Regime for Deferred Tax Assets and the implementation of new risk weights for indirect exposure of Banco BPI to Angolan State and to BNA, the proforma Common Equity Tier 1 (CET1) ratios at 31 December 2014 would be:

- CET1 "Phasing in" (rules applicable in 2014): 10.2% (2.0 p.p. lower than the ratio calculated considering the risk weights in force in 31 December 2014);

- CET1 "fully implemented" (fully implemented rules): 8.6% (1.0 p.p. lower than the ratio calculated considering the risk weights in forced in 31 December 2014).

The loss of regulatory and supervision equivalence in Angola also has the consequence of indirect exposure in kwanzas of Banco BPI to Angolan State and to BNA (the latter with the exception of the minimum cash reserves) to be no longer exempt from application of the limit to large exposures established in article 395 of the CRR. Termination of this exemption implies that the indirect exposure of Banco BPI to the Angolan State exceeds, as from 1 January 2015, the limit to large exposures.

Banco BPI requested the European Central Bank (ECB) to approve a change of the consolidation method of BFA, in order to start applying, for prudential purposes, the equity method, which the ECB has not received favorably.

In order to restore its compliance with the large exposures limit, Banco BPI has identified the alternative of making a company legally autonomous, by demerger to a company different from Banco BPI and participated in by its current shareholders, of the organizational structure needed to carry-out autonomously and independently from the Divested Company, the activity of managing the participations in African credit institutions.

At the Shareholders General Meeting of 5 February, the demerger project was voted on but not approved, as the qualified majority necessary for the purpose was not achieved. Banco BPI will continue to seek solutions to comply with the limit to large exposures resulting from the exposure of Banco de Fomento Angola to Angolan State and to Banco Nacional de Angola, and so at this time the corresponding impacts on the Bank are unknown.

5. NOTE ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in conformity with the International Financial Reporting Standards as endorsed by the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

1) Angolan public debt securities held by Banco de Fomento Angola (BFA) and loans granted to the Angolan State by BFA.
2) Minimum cash reserves and other deposits and repos of BFA.

Statement from the Board of Directors

DECLARATION REFERRED TO IN ARTICLE 245 (1) C)
OF THE SECURITIES CODE

Article 245 (1) (c) of the Securities Code prescribes that each one of the persons responsible for the company issues a declaration, the content of which is defined therein.

The Members of Banco BPI's Board of Directors, identified here by name, individually subscribe to the declaration transcribed as follows[1]:

"I declare in the terms and for the purposes for article 245 (1) (c) of the Securities Code that, to the best of my knowledge, the directors' report, the annual accounts, the statutory audit certification and other documents forming part of Banco BPI, S.A.'s annual report, all relating to the 2015 financial year, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of that company and of the companies included in the consolidation perimeter, and that the directors' report provides an accurate account of that company's and of the companies included in the consolidation perimeter business, performance and financial position, as well as containing a description of the principal risks and uncertainties which they confront."

BOARD OF DIRECTORS

Artur Santos Silva	(Chairman)
Fernando Ulrich	(Deputy-Chairman)
Alfredo Rezende de Almeida	(Member)
António Domingues	(Member)
António Lobo Xavier	(Member)
Armando Leite de Pinho	(Member)
Carla Bambulo	(Member)
Carlos Moreira da Silva	(Member)
Edgar Alves Ferreira	(Member)
Ignacio Alvarez-Rendueles	(Member)
Isidro Fainé Casas	(Member)
João Pedro Oliveira e Costa	(Member)
José Pena do Amaral	(Member)
Lluís Vendrell	(Member)
Manuel Ferreira da Silva	(Member)
Marcelino Armenter Vidal	(Member)
Maria Celeste Hagatong	(Member)
Mário Leite da Silva	(Member)
Pedro Barreto	(Member)
Vicente Tardio Barutel	(Member)

Oporto, 29 March 2016

1) The Supervisory Board members signed statements with the same contents.
Within the scope of the documents for which they are responsible, the External Auditors have signed an equivalent declaration.

Legal certification of accounts and audit report

Deloitte.

LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORT
CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of euros – th. euro)

Introduction

1. In compliance with the applicable legislation we hereby present our Legal Certification of Accounts and Audit Report on the consolidated financial information contained in the Directors' Report and the accompanying consolidated financial statements of Banco BPI, S.A. and subsidiaries ("the Bank") for the year ended 31 December 2015, which comprise the Consolidated Balance Sheet as of 31 December 2015 (that reflects total assets of 40 673 292 th. euro and total shareholders' equity of 2 835 499 th. euro, including a consolidated net income of 236 369 th. euro), the Consolidated Statements of Income, Profit or Loss and Other Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the year then ended and the corresponding Notes.

Responsibilities

2. The Board of Directors of the Bank is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders' equity and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as endorsed by the European Union that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code (Código dos Valores Mobiliários); (iii) the adoption of adequate accounting policies and criteria and maintenance of appropriate systems of internal control; and (iv) the disclosure of any significant facts that have influenced its activity and the activity of the companies included in the consolidation, their financial position, their income or their comprehensive income.

3. Our responsibility is to examine the consolidated financial information contained in the documents of account referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code (Código dos Valores Mobiliários), and to issue a professional and independent report based on our examination.

Deloitte.

Deloitte & Associados, SROC S.A.
Inscrição na OROC nº 43
Registo na CMVM nº 231

Scope

4. Our examination was performed in accordance with the auditing standards ("Normas Técnicas e Directrizes de Revisão / Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. This examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the estimates, based on judgements and criteria defined by the Board of Directors of the Bank, used in their preparation. This examination also included verifying the consolidation procedures used, application of the equity method and verifying that the financial statements of the companies included in the consolidation have been adequately examined, assessing the adequacy of the accounting principles used, their uniform application and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements, and assessing if, in all material respects, the financial information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the Directors' Report is consistent with the other consolidated documents of account, as well as the verifications established in items 4 and 5 of article 451 of the Commercial Companies Code ("Código das Sociedades Comerciais"). We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above present fairly, in all material respects, the consolidated financial position of Banco BPI, S.A. and its subsidiaries as of 31 December 2015, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders' equity and their consolidated cash flows for the year then ended in conformity with the International Financial Reporting Standards as endorsed by the European Union and the financial information included therein is, in terms of the definitions included in the standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Emphasis

6. The indirect exposure of Banco BPI to the Angolan State and the National Bank of Angola ("Banco Nacional de Angola") exceeds the large exposures limit established in Article 395 of the *Regulation (EU) No. 575 / 2013* of 26 June 2013 (CRR). As of this date the solution in order for the Bank to comply with this limit is not defined yet and therefore the corresponding impacts on it are still unknown.

Deloitte.

Deloitte & Associados, SROC S.A.
Inscrição na OROC nº 43
Registo na CMVM nº 231

Report on other legal requirements

7. It is also our opinion that the consolidated financial information included in the Directors' Report is consistent with the consolidated financial statements for 2015 and that the report on corporate governance includes the items required for the Bank in accordance with article 245-A of the Portuguese Securities Market Code (Código dos Valores Mobiliários).

Lisbon, 1 April 2016

Deloitte e Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION
(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC, S.A. internal procedures, the report should not be signed. In the event of discrepancies, the Portuguese language version prevails.)

Report and opinion of the Supervisory Board

BPI

**REPORT AND OPINION OF THE SUPERVISORY BOARD
ON THE BPI GROUP'S 2015 CONSOLIDATED ACCOUNTS**

The present document relating to the 2015 financial year was prepared by the BPI Group's Supervisory Board (or simply BPI) in compliance with the requirements of article 420 of the Commercial Companies Code (CCC).

1. REPORT ON THE SUPERVISORY BOARD'S WORK RELATING TO THE 2015 FINANCIAL YEAR

During 2015, the Supervisory Board met fourteen times, of which twelve meetings were attended by all of its members. There was not full attendance at only two meetings, namely those held on 28 January and 19 November, due to the absences of, respectively, the member Jorge Figueiredo Dias, due to illness duly proven, and of the Chairman of the Supervisory Board, Abel Pinto dos Reis, for personal reasons.

Besides these meetings, the Supervisory Board members attended the ten meetings of the Audit and Internal Control Committee (CACI) held during the year, which enabled it:

- to analyse all the documentation distributed as support for their respective work;
- to be present to hear the explanations given by the persons responsible for each one of the areas reviewed;
- to put questions and to ask for clarifications concerning any doubts about the documents analysed; and
- to monitor directly the evolution of the Bank's operations, paying special attention to compliance with the company's memorandum and articles of association, regulations and legal requirements.

The Supervisory Board was also present during 2015 at Banco BPI's General Meeting of 29 April at which the 2014 accounts were approved, and which, after an adjournment, continued on 17 June in order to discuss the suppression of the limit on shareholders' voting rights, which alteration ended up not being approved.

Already in 2016, the Supervisory Board participated in the Board of Directors' meeting of 15 March at which the 2015 accounts were reviewed, with their final approval being dependent on the circulation of the definitive documents amongst all the members of the Board of Directors and the Supervisory Board. Final approval took place on 29 March.

In compliance with the terms of reference legally entrusted to it and which form part of its regulations, the Supervisory Board carried out a number of oversight procedures during 2015, of which the following are highlighted.

1.1. Overseeing compliance with legal and regulatory provisions, the statutes and the rules issued by the supervisory authorities, as well as with the general policies, standards and practices instituted internally

During the year, the Supervisory Board kept abreast of the various issues related to the Group's compliance with obligations or recommendations relating to corporate governance. At the end of the year, by reviewing the BPI Group's Corporate Governance Report presented by the Board of Directors, it verified that such report translated the practices that it was able to observe regularly and which in terms of article 420(5) of the CCC, it covered the details referred to in article 245-A of the Securities Code (SC).

The Board studied the reports on the audits conducted by the Audit and Inspection Division and the review procedures carried out by BPI's statutory / external auditors, paying particular attention to the shortcomings identified and the recommendations presented with a view to overcoming them, as well compliance with the deadlines laid down for their rectification.

It also monitored the results of the work performed by the statutory / external auditors in the areas related to compliance with the Group's obligations relating to income tax matters.

The Board monitored all the audit work carried out by the Bank of Portugal and by the external auditors indicated by it, as well as the respective progress reports sent systematically to that Bank.

Furthermore, it kept itself regularly informed about the activity of the Compliance Division.

The Supervisory Board also monitored with special attention the measures taken by the Board of Directors with a view to complying with a European Commission Execution Decision of 12 December of 2014, in which Angola and Mozambique were excluded from the list of countries with equivalent regulations and supervision as those of the European Union. This decision meant that BPI's exposures to the Angolan State and to Banco Nacional de Angola ceased to be subject to weightings of 0% and 20%, respectively, to both being weighted 100%, a fact that implied that the large risks (exposures) limit to which BPI is subject was exceeded. In this context, the Supervisory Board issued opinions on 17 October and 23 December 2015 on the proposals presented by the Board of Directors for a simple merger-demerger operation that would permit placing BPI's investments in African financial institutions in a holding company to be formed. This operation did not materialise because it was not approved at the Shareholders' General Meeting held already in the current year, on 5 February.

1.2. Checking that at Banco BPI and the other Group companies subject to supervision on a consolidated basis, there has been adherence to the fundamental objectives laid down in the field of internal control and risk management by the Bank of Portugal and by the Securities Market Commission (CMVM) in the supervision directives applicable to credit institutions and financial companies
The Board paid particular attention to the guidelines issued by the Bank of Portugal, in particular its *Notice 5 / 2008*, in respect of aspects pertaining to internal control and risk control, having evaluated the operational procedures at Banco BPI, Banco Português de Investimento and the other Group companies subject to supervision on a consolidated basis, including branches and subsidiaries.

The opinions on all the BPI Group companies' internal control reports were prepared in June and submitted to the Bank of Portugal. It also issued an opinion pursuant to the provisions of *Bank of Portugal Notice no. 9 / 2012*, on the work undertaken with respect to the oversight of activities aimed at the prevention of money laundering and the financing of terrorism.

1.3. Verifying the appropriateness of and overseeing compliance with the accounting policies, criteria and practices adopted and the proper state of the supporting documents
Both on a quarterly basis and as regards the consolidated results reported at the end of 2015 by Banco BPI, the Supervisory Board carried out the analysis of the results and the conclusions of the financial statements' audit procedures undertaken by the statutory / external auditors, as well as the information provided at the time relating to the accounting policies and practices.

It is worth underlining the improvement seen in the results of this financial year, which translated into the transformation of a loss of 166.6 million euro in 2014 into a net profit of 236.4 million euro in 2015.

1.4. Monitoring the process involving the preparation and dissemination of financial information by the company
On the one hand, the Board analysed in detail the financial information that had been given to it during the course of the year, having contacted whenever necessary those in charge of the Accounting, Planning and Statistics Division which is the source of that information.

On the other hand, besides studying the documents made available about the Statutory Certification of the consolidated and individual Accounts, the Supervisory Board regularly contacted with the statutory / external auditors, which enabled it to keep informed about the services rendered by them and to better understand the situations which in the statutory / external auditors' opinion BPI should pay greater attention to.

1.5. Proposing to the General Meeting the appointment of the statutory / external auditors in accordance with article 420(2)(b) of the CCC, with Point II.4.4 of the CMVM Recommendations on Corporate Governance and with article 3(8)(a) of the Supervisory Board Regulations (SBR)
In 2015 there was no need to propose the appointment of the statutory / external auditors on the grounds that their term of office was still in progress.

1.6. Overseeing the independence of Banco BPI's statutory / external auditors and in this context to consider and decide, after having heard the Audit and Internal Control Committee, on the provision by the statutory / external auditors of additional services to the Group, as well as on the respective conditions
In terms of article 420(2) (d) of the CCC, the Supervisory Board oversaw and evaluated the work and independence of Banco BPI's statutory / external auditors, Deloitte & Associados, S.R.O.C, S.A. (hereinafter referred to simply as Deloitte).

It approved, after having obtained the opinion of the CACI, the Annual Review Procedures Plan, as well as the adjustments which were made during the year.

It approved, after having obtained the opinion of the CACI, the fees relating to the "Statutory Audit" and "Other Assurance Services" for all the Group entities in respect of which it is directly responsible and, through specific opinions, it also approved the contracting of additional services, controlling the proportion of the fees charged referring to "Tax consultancy services" and "Other non-statutory audit services" relative to the total fees contracted.

During 2015 the following fees payable to Deloitte for services rendered were adjudicated for the Group as a whole:

■ Statutory audit	1 379 055.53 euro
■ Other assurance services	715 335.62 euro
■ Tax consultancy services	147 114.29 euro
■ Other non-statutory audit services	309 391.48 euro

The above figures correspond to the provision of services adjudicated in 2015 irrespective of them having actually been rendered and invoiced, a situation that is referred to in the Board of Directors' Report.

As concerns "Tax consultancy services" and "Other non-statutory audit services", it is worth highlighting:

- the preparation of effectiveness tests to be undertaken within the context of the prevention of money laundering and the financing of terrorism;

- as regards Banco de Fomento Angola, the support given in aspects relating to taxation and in the process of evaluating the impairments and provisions set aside, as well as the analysis of transfer pricing; and

- lending support in the drafting of the new Financial Reporting model for BPI Gestão de Activos and BPI Vida e Pensões.

The "Tax consultancy services" and the "Other non-statutory audit services" represented 17.9% of Deloitte's total fees adjudicated in 2015, while the portion relating to Banco BPI and its subsidiaries represented 6.21% (these percentages compare with the figures registered in 2014 of 15.9% and 4.2%, respectively).

1.7. Approving, after having heard the CACI, the statutory / external auditors' Annual Work Plan in accordance with article 3(8)(e) of the SBR
The statutory / external auditors' Work Plan for 2015 was approved at the Supervisory Board's meeting held on 12 March 2015, after having obtained the opinion of the CACI.

1.8. Monitoring the inspections of the European Central Bank, the Bank of Portugal, the CMVM and the Tax and Customs Authority carried out at Banco BPI and the other Group companies subject to supervision on a consolidated basis
The Board gathered information throughout the year on the Bank of Portugal's supervisory work, namely through its own inspection services or that of the external auditors designated by it, as well as of the other supervision authorities and the Inspectorate-General of Finance relating to all the Group companies subject to supervision on a consolidated basis, having paid special attention to the reports on the audits conducted by the Bank of Portugal.

It is worth noting that in this financial year, the Supervisory Board met with the Joint Team of Staff Members of the European Central Bank and of the Bank of Portugal charged with BPI's supervision and monitoring.

1.9. Appraising the operational procedures, with the object of certifying that there is an effective management of the respective activities through the proper management of risks and of complete, reliable and timely financial and accounting information, as well as of an adequate monitoring system
The Supervisory Board devoted special attention to the guidelines laid down by the Bank of Portugal, namely in its *Notice 5 / 2008*, complemented by the document "EBA Guidelines on Internal Governance" relating to aspects involving the risk control and operational control systems, having evaluated the operational procedures at Banco BPI, Banco Português de Investimento and the other Group companies, including the branches and subsidiaries.

Also bearing in mind *Notice no. 9 / 2012*, it issued an opinion on the activity relating to the oversight of the work covering the prevention of money laundering and the financing of terrorism.

The analysis was conducted based essentially on the findings of the audit examinations performed by the Audit and Inspection Division and by the Bank of Portugal's permanent inspection team, as well as the procedural reviews conducted by the external auditors, and on the activity reports of the Audit, Operational Risk Management, Compliance and Risk Control functions.

This information was complemented by the clarifications and information provided by the Divisions and Managements responsible, not only during the meetings of the CACI but also the meetings of the Supervisory Board at which the presence of the persons in charge of BPI's units or by the statutory / external auditors was solicited.

1.9.1. Operational risk
Besides the information received via the audits and the annual report prepared by the area which controls Operational Risk, the Supervisory Board received information and all the documentation dealt with at the six meetings of the Operational Risk

Committee, having had permanent access to the portal where all the information relating to operational risk and to the meetings of the Operational Risk Committee is available.

1.9.2. Credit risk

The Supervisory Board monitored the analysis carried out on the trend in customers' liabilities undertaken at the meetings of the Financial Risks Committee. This review, which is conducted on a systematic basis, covered in particular the following aspects:

- review of the 20 largest exposures to non-financial entities;
- behaviour of the 50 biggest impairments in Corporate and Small Business Banking;
- Customers with credit-risk exposures of more than 75 million euro;
- Customers belonging to the following groups under regular observation:
  - 100 biggest customers without individual impairment allowances set aside;
  - 50 biggest customers with individual impairment allowances set aside;
  - 50 biggest customers subject to judicial recovery / execution; and
  - Project Finance portfolio projects;
- defaults of more than 250 000 € in Corporate and Small Business Banking;
- trend in the distribution of the Corporate Banking portfolio by rating class;
- trend in the 100 largest exposures in the construction and public works sector;
- trend in the 20 largest exposures in the real-estate sector;
- trend in the loan portfolio of groups controlled by entities resident in Spain;
- trend in the loan portfolio of non residents in Portugal and Spain; and
- trend in foreclosed properties and respective impairments of more than 250 m.€.

In terms of article 20 of the SC and pursuant to article 109 of the General Regime for Credit Institutions and Financial Companies (GRCIFC), business dealings between the company and shareholders with qualified holdings, or with entities with whom they have any relationship, as well as the fixing or revision of the exposure limits that such dealings have taken place – in a total of eight – were always submitted for prior pronouncement by the Supervisory Board, irrespective of the amount involved.

In terms of article 85(8) of the GRCIFC, the Supervisory Board was also called upon to issue twenty five prior opinions relating to the fixing or revision of exposure limits, under normal market conditions, of the entities in which members of BPI's management or supervisory bodies were managers or held qualified holdings.

1.9.3. Financial risks

The Supervisory Board continued to devote special attention to accompanying the evolution of the financial markets, with the aim of evaluating the strategy and initiatives followed in order to monitor the exposure to both higher-risk products and markets.

As regards the matters dealt with at the meetings of the Financial Risks Committee, it is worth mentioning the following:

- the Supervisory Board had access to the minutes of all the Committee's meetings;
- the members of the Supervisory Board had access to those meetings whenever, bearing in mind the matters to be dealt with, these were considered to be of interest.

1.9.4. Reputational risk

During 2015, the information provided about Banco BPI's Service Quality Indices (SQI), in which the European Customer Satisfaction Index was used as the benchmark, was analysed, as were the service-quality indices relating to the competition.

The Supervisory Board analysed the annual report on the Investor Relations Division's work dealing with the performance of its functions of disseminating financial information and interacting with investors, analysts and other market players.

The monitoring reports issued by the rating agencies were also the object of review.

The Supervisory Board also reviewed and followed up all Irregularity Communications, i.e. meaning the facts that seriously violate or compromise:

a) compliance with the legal, regulatory, ethical and deontological principles to which the Members of the Governing Bodies and the Employees of the companies forming part of the BPI Group are bound in performing their respective functions;
b) the preservation of Customers', Shareholders' and BPI's own assets; or
c) the preservation of BPI's institutional image and reputation.

Of the nine Irregularity Communications closed during the course of 2015, all relating to Banco BPI, at the date of compiling this report, the situation was as follows:

- one Communication received in 2012 was closed relating to the fraudulent transfer committed through the improper use of an iPhone, in which the Bank was obliged to bear the amount of the transfer;
- of the three Communications received in 2014 – two of which were closed with the Customers being adjudged to not have grounds for their complaints, with the result that there was no loss for the Bank; the other resulted in giving support to the customer in resolving a right of ownership problem; and
- all the five Communications received in 2015 – three of which were resolved in favour of the Customer, with the issues having been settled without loss for the Bank, unless from the image perspective; in the other two the decision went against the Customers, who were duly clarified, although there might have been some loss of image from the Bank's perspective.

At the date of the compilation of this document, there was only one Communication in progress relating to Banco BPI and dating back to 2013, which process was in the judicial appeal phase.

1.9.5. Compliance risk

The Board monitored the Compliance Division's activity, namely with respect to the control over money laundering and terrorist financing activities. In this domain, the Supervisory Board widened its scope to the Group's relationship, materialised primarily via that Division, with the authorities whose task it is to monitor the issues referred to.

Besides the regular monitoring of this Division's activity, the Supervisory Board also reviewed the following documents:

- this Division's activity report with reference to March 2015;
- report corresponding to the status of the Compliance function as at 31 May 2015, as laid down in article 17(1)(f) of *Bank of Portugal Notice no. 5 / 2008*, published on 1 July and article 305-A(2)(f) of the Securities Code; and
- report on the prevention of money laundering and the financing of terrorism in terms of *Bank of Portugal Notice 9 / 2012*.

1.9.6. Monitoring audit work

As regards the monitoring of the audit areas, both internal and external, special mention is made of the Supervisory Board's participation in the following processes:

- in the drafting of the report on and accompanying the quarterly work plans of the Audit and Inspection Division;
- in the approval of the statutory / external auditor's Annual Procedural Review Plans or subsequent revisions of this plan, as well as assessing the scope thereof bearing in mind the coverage of the areas exposed to the greatest potential risk;
- in the appraisal of the findings of the audits realised, both internal and external, and keeping abreast of the recommendations considered important, analysis of the time frames for their implementation the deadlines and the degree of their compliance;
- in the analysis of the coverage schedules of the internal audits carried out in the past 3 years;
- in the half-yearly review of the events giving rise to losses; and
- in the review of the Audit and Inspection Division's activity report drawn up to June 2015.

The Supervisory Board was regularly informed about the communications sent to the Bank of Portugal and subsequently also the European Central Bank concerning the recommendations made by the respective permanent inspection team.

1.9.7. Report to the Bank of Portugal in terms of Notice no. 5 / 2008

The Supervisory Board issued opinions which it submitted to the Bank of Portugal in terms of *Notice 5 / 2008*, on the effectiveness and coherence of the BPI Group's and in particular Banco BPI's internal control and risk-management systems.

To this end:

- it considered the annual internal control reports prepared by the Boards of Directors of all the Group companies subject to Bank of Portugal supervision;
- it analysed the opinions of the respective statutory auditors on the internal control systems underlying the preparation and dissemination of financial information; and
- it reviewed the reports prepared by the Audit and Inspection Division; the Risk Analysis and Control Division, the Compliance Division and the Organisation Division (Operational Risk Area) and by the statutory / external auditors.

1.9.8. Report to the Bank of Portugal in terms of Notice no. 9 / 2012
The Supervisory Board issued a report which it sent to the Bank of Portugal in June 2015, on its activity relating to the prevention of money laundering and the financing of terrorism prepared by BPI covering the period June 2014 to May 2015.

1.10. Giving an opinion on the Report, Accounts and Proposed Appropriation of Results presented by the Board of Directors
In terms of article 420(1)(g) of the CCC, the Supervisory Board:

- accompanied the preparation of the documentation during the year having in particular met with the heads and professional staff of the Accounting, Planning and Statistics Division on 8 March 2016 with the objective of obtaining detailed information about the preparation and closing of the accounts;
- regularly contacted the partners and professional staff of the statutory / external auditors, keeping informed of the work performed by them and, in particular, meeting with them on 8 March 2016 in order to obtain their views on the accounts on the date of their closing;
- it examined the following documents prepared for the 2015 financial year, with which it was in agreement:
  - the Directors Report;
  - the Accounts – which included the Consolidated Balance Sheet at 31 December, the Consolidated Income Statement, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Shareholders' Equity – and the respective Notes;
  - the Statutory Certification of Accounts and the Audit Report.

2. SUPERVISORY BOARD'S OPINION
In view of the foregoing, the Supervisory Board is of the opinion that, with respect to the 2015 financial year, the BPI Group's Directors' Report, the Proposed Appropriation of Results contained therein, the Group's Consolidated Annual Accounts, the respective Statutory Certification of Accounts and Audit Report, and the Group's Corporate Governance Report, are in conformity with applicable legal, statutory or accounting requirements, with the result that it recommends that they be approved at the Shareholders General Meeting.

Finally, below is a transcript of a statement which was signed individually by each one of the members of the Supervisory Board with the object of complying with the legal requirement expressed therein:

> *«I declare, in the terms and for the purposes of article 245 (1) (c) of the Securities Code that, to the best of my knowledge, the Directors' Report, the Consolidated Annual Accounts, the Statutory Certification of Accounts and the Audit Report and the other documents forming part of the BPI Group's annual report, all relating to the 2015 financial year, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the Group's assets and liabilities, its financial position and its financial results, and that the Directors' Report provides an accurate account of the Group's business, performance and financial position, as well as containing a description of the principal risks and uncertainties confronting it.».*

Porto, 4 April 2016

Abel Pinto dos Reis – Chairman

Jorge Figueiredo Dias – Member

Rui Campos Guimarães – Member

BPI Group
Corporate Governance Report

This report – which constitutes an integral part of Banco BPI's 2015 Annual Report – aims to divulge the structure and corporate governance practices adopted by BPI as well as BPI's judgment regarding compliance with the recommendations set out in the Corporate Governance Code, in the version published by the Securities Commission ("CMVM") in July 2013. This report was elaborated in accordance with Articles 7.º and 245-A of the Portuguese Securities Code and the model annexed to Regulation no. 4 / 2013.

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Part I – Information on Shareholder structure, organisation and corporate governance

A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. Capital structure

At 31 December 2015 Banco BPI's share capital stood at 1 293 063 324.98 euros, represented by 1 456 924 237 ordinary, nominative and dematerialised shares, with no par value. All the shares were admitted for dealing on the Euronext market.

On the same date – 31 December 2015 – Banco BPI's shares were held by 19 901 Shareholders. Of these, 19 412 were individuals holding 11% of the capital, while 489 were institutional investors and companies who collectively held the remaining 89% of the capital.

2. Restrictions on the transfer of shares

The Company's Statues do not contain any restrictions on the transfer of shares, such as consent clauses for the sale or limitations to the ownership of shares.

3. Own shares

At 31 December 2015 the BPI Group held 5 947 872 own shares corresponding to 0.41% of Banco BPI's share capital and voting rights[1].

4. Important agreements in cases such as a change in the control of the company

There are no significant accords of which BPI forms part and which enter into effect, are altered or cease in the event there is a change in the control of the company. Fours loans totalling 660 million euro contain clauses which, in case of a change in control, contemplate consequences which, once certain circumstances are fulfilled, could include the obligation to make early repayment.

5. System that is subject to a change of the statutory provision that limits the number of votes cast by a single shareholder

Article 12(4) of Banco BPI's statutes stipulates that the votes cast by a single shareholder or entities related to him / her in the terms laid down by this provision which exceed 20% of the total votes corresponding to the share capital, shall not be counted.

The change to this statutory provision requires the approval of seventy five per cent of the votes cast in General Meeting (GM).

Banco BPI's statutes do not incorporate the measures as regards the maintenance of those limits being the object of periodic reappraisal in General Meeting (contrary to what is contemplated in *Recommendation I.4* of the CMVM's Corporate Governance Code).

As more fully explained in item 14, the Board of Directors, by resolution passed on 4 February 2016, approved a motion to eliminate the statutory rule limiting the counting of votes, to be presented for the resolution of the Shareholders General Meeting.

6. Shareholders' agreements

The Bank is not aware of any shareholder agreement relating to the exercise of company rights or to the transfer of Banco BPI shares.

II. SHAREHOLDINGS AND BONDS HELD

7. Holders of qualifying shareholdings

Shareholders owning more than 2% of Banco BPI's capital[2]

At 31 December 2015

Shareholders	No. of shares held	% of capital held
CaixaBank, S.A.	642 462 536	44.097%[2,3]
Santoro Finance – Prestação de Serviços, S.A.	270 643 372	18.576%[4]
Allianz SE	122 744 370	8.425%[5]
Violas Ferreira Financial, S.A.	39 063 392	2.681%[6]
Banco BIC, S.A.	33 283 372	2.284%[7]

There are no special rights attributed by the Statutes to shareholders, with the result that there are no shareholders with special rights.

1) The balance of own shares at the end of December 2015 does not include:
– 344 222 shares awarded subject to a condition subsequent under the RVA programme but not yet freely disposable. The transfer of the shares awarded under the RVA programme is fully effected on the award date, but availability (vesting) is dependent on the Employee remaining at the BPI Group, so that for accounting purposes, the shares remain in Banco BPI's own portfolio until the vesting (disposable) date.
– 148 538 shares held in the securities portfolios of capitalization insurance units links managed by BPI Vida e Pensões.
2) According to a statutory provision, for counting purposes the voting rights are limited to 20%.
3) The stake held through CaixaBank, S.A. ("CaixaBank"), is also imputable, as of 31 December 2015, to Criteria CaixaHolding, S.A.U., which holds 56.8% of CaixaBank, which in turn is controlled by Caixa d'Estalvis i Pensions de Barcelona, "La Caixa", holder of 100% of the respective voting rights, in terms of article 20(1)(d) of the SC.
4) Directly held by Santoro Finance – Prestação de Serviços, S.A. ("Santoro Finance"), and imputable, in terms of article 20(1)(b) of the SC, to Santoro Financial Holdings, SGPS ("Santoro"), as owner of the entire capital of Santoro Finance, and to Eng. Isabel José dos Santos, in her capacity as shareholder of Santoro Financial Holdings, SGPS.
5) Indirect shareholding held by subsidiaries controlled by Allianz SE, the Allianz Group's holding company, and imputable to that entity in terms of article 20(1)(b) of the SC: direct shareholding of 8.275% held by Allianz Europe Ltd. (100% held by Allianz SE) and direct shareholding of 0.150% held by Companhia de Seguros Allianz Portugal (65% held by Allianz SE).
6) Shareholding imputable to HVF – SGPS, S.A. which wholly owns the capital of Violas Ferreira Financial, S.A. Includes 227 273 shares held by Edgar Alves Ferreira (0.016% of Banco BPI's share capital), member of the Board of Directors of the company HVF – SGPS, S.A. and of Violas Ferreira Financial, S.A.
7) Shareholding according to the communication sent by Banco BIC to Banco BPI on 26 February 2016 and announced to the market on the same date. Includes 27 646 900 shares held directly by Banco BIC, S.A. (1.90% of Banco BPI's share capital) and, in terms of the provisions of article 20(1)(d) of the SC, includes 5 634 822 shares held by Fernando Leonidio Mendes Teles (0.387% of Banco BPI's share capital) and 1 650 shares held by Fernando José Aleixo Duarte, respectively, Chairman of the Board of Directors and Director of Banco BIC. According to the communication made on 2 March 2016, Banco BIC informed that the surpassing of the 2% limit occurred on 11 April 2013, following the acquisition of 612 182 Banco BPI shares by Banco BIC. As a result of that acquisition, Banco BIC is now the holder of 26 569 873 Banco BPI shares (1.912% of the share capital). Amongst its directors, the Chairman of the Board of Directors, Fernando Leonidio Mendes Teles, was on the date the holder of 1 752 722 Banco BPI shares (0.126% of the share capital).

Beyond the holdings exceeding 2% previously mentioned, there is a group of reference shareholders that hold positions higher than 1% in the company's capital. As of 31 December 2015, a group of shareholders who jointly are here designated as Arsopi[1], held stakes that, when aggregated, amounted to 2.0475% of the share capital of Banco BPI. At the same date, Nors Group[2] (Auto-Sueco, Lda.) had 1.519% of the Bank's capital.

8. Number of shares and bonds held by members of the management and supervisory boards[3]

Held at 31 Dec.15	Shares	Options on BPI shares	Bonds	
	Quantity	Quantity	Quantity	Nominal value (€)
Board of Directors				
Artur Santos Silva	500 000	0	0	
Fernando Ulrich[4]	2 092 180	0	0	
Alfredo Rezende de Almeida	2 250 000	0	0	
António Domingues[4]	56 042	426 820	0	
António Lobo Xavier	0	0	0	
Armando Leite de Pinho	0	0	0	
Carla Bambulo	0	0	0	
Carlos Moreira da Silva	66 333	0	0	
Edgar Alves Ferreira	227 273	0	0	
Ignacio Alvarez-Rendueles	0	0	0	
Isidro Fainé Casas	0	0	0	
João Pedro Oliveira e Costa[4]	10 708	127 249	0	
José Pena do Amaral[4]	184 913	358 530	0	
Lluís Vendrell	0	0	0	
Manuel Ferreira da Silva[4]	930 884	402 901	0	
Marcelino Armenter Vidal	0	0	0	
Maria Celeste Hagatong[4]	885 151	0	0	
Mário Leite da Silva	0	0	0	
Pedro Barreto[4]	500 000	358 530	0	
Tomaz Jervell[5]	15 680	0	0	
Vicente Tardio Barutel	0	0	0	
Santoro Finance – Prestação de Serviços, S.A.	270 643 372	0	0	
Supervisory Board				
Abel Pinto dos Reis	0	0	0	
Jorge Figueiredo Dias	0	0	0	
Rui Campos Guimarães	0	0	0	

In the note to the consolidated financial statements 4.52 – Related parties, information is provided concerning the shares held individually by the members of Management, with mention of the events occurring during the year.

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase

There is no existing authorisation that gives special powers to the Board of Directors, especially as regards resolutions on the capital increase.

1) At 31 December 2015, companies controlled by the director Armando Leite de Pinho held 7 856 695 shares representing 0.5% of BPI's capital. Persons related by family ties and companies linked to them owned holdings which, added to the abovementioned, totalled 29 832 650 shares representing 2.0475% of BPI's capital. According to the information which the Bank has, this does not mean that the aforesaid aggregate constitutes a qualified shareholding in BPI in terms of article 16 and following of the Securities Code.
2) Participating interest held via Norsócia SGPS, S.A. and Ascendum España S.L., held, as of 31 December 2015, respectively, at 100% and 50% by Nors Group (Auto-Sueco, Lda.). These companies had as of 31 December 2015, respectively, 11 050 105 and 11 084 734 shares of Banco BPI, representative of 0.758% and 0.761% of Banco BPI's share capital.
3) The information reported related to the members in functions at 31 December 2015.
4) Member of the Executive Committee.
5) Renounced the post on 25 January 2016.

10. Information on any significant business relationships between the holders of qualifying holdings and the company

Any transaction of business between the company and shareholders owning qualified holdings, or with entities with which they have any relationship in terms of article 20 of the SMC, is always preceded by the Supervisory Board's opinion, irrespective of the amount thereof.

During 2015 the Supervisory Board was called upon – in terms of article 109(3) of the General Regime for Credit Institutions and Financial Companies – to issue eight prior opinions on operations with or the review of exposure limits under normal market conditions of shareholders with qualified holdings.

Similarly, the Supervisory Board issued twenty-five prior opinions in terms of article 85(8) of the General Regime for Credit Institutions and Financial Companies on operations or the review of credit limits involving companies in which the members of the management or supervisory body were managers or in which they held qualified holdings.

There were no business dealings or operations in 2015 between Banco BPI on the one hand, and the members of its Board of Directors, its Audit Board, the holders of qualified shareholdings or Group companies, on the other, which were materially relevant and cumulatively, which were carried out other than under market conditions (applicable to similar operations) or beyond the scope of the bank's normal day-to-day business operations.

However, it is important to disclose the following business relations existing between BPI and some of the holders of qualified shareholdings.

Namely:

Allianz Group

BPI is in partnership[1] with the Allianz Group in the life assurance and life risk business, materialised in a 35% interest in Allianz Portugal[2] and in an agreement for the distribution of insurance through its commercial network.

The Allianz Group owns an 8.4% shareholding in Banco BPI at 31 December 2015.

La Caixa

BPI has a partnership with La Caixa reflected in the offer of products and services aimed at supporting companies operating in the Iberian Peninsula, allowing them to conduct international financial operations under the conditions equal to those performed in their home markets.

Arsopi[3]

BPI has a partnership with the Arsopi, evidenced by:

- a 14%[4] shareholding in a holding company called Viacer;
- a direct and indirect shareholding (via Viacer) of 13.5%[5] and 9.5%, respectively, totalling 23.02% in the holding company called Petrocer (at the moment is deactivated).

Viacer's most significant assets are a 56% shareholding in Unicer – one of the country's biggest drinks manufacturers and distributors.

1) From which revenue is derived in the form of a share in the profits (from the shareholding) and commissions (for the selling of insurance at the bank's network).
2) Consolidated participation in Banco BPI's accounts using the equity method.
3) The firm Arsopi does not have a qualified holding in terms of article 20 of the Securities Code, as explained in note 1 of page 306.
4) The Arsopi Group has a shareholding of 28.5%.
5) The Arsopi Group owns a direct holding of 5.0% and an indirect holding – via Viacer – of 19.38%.

B. GOVERNING BODIES AND COMMITTEES

GOVERNANCE MODEL

BPI's governance model is structured according to one of the three models contemplated in the Commercial Companies Code – commonly referred to as the Latin model.

The company's management is entrusted to the **Board of Directors** which includes an **Executive Committee** – formed by professionals independent from any shareholders' or specific interests – to which the Board has delegated wide management powers for conducting the day-to-day activity.

Four specialist committees function within the ambit of the Board of Directors, composed exclusively of non-executive members: (i) The **Audit and Internal Control Committee** (Comissão de Auditoria e Controlo Interno – CACI), which works in close proximity to the Executive Committee; (ii) the **Financial Risks Committee** (Comissão de Riscos Financeiros – CRF), which is responsible, without prejudice to the duties in this domain vested in the **Supervisory Board**, for following closely the management policy covering all financial risks, including credit risks, arising from the Bank's operations, as well as monitoring the management of the Bank's pension fund; (iii) the **Corporate Governance Committee** (Comissão de Governo da Sociedade – CGS), which is charged with supporting and advising the Board of Directors on streamlining the governance and oversight model and pronouncing itself on matters pertaining to social responsibility, ethics, professional deontology and protecting the environment and (iv) the **Nominations, Evaluation and Remuneration Committee** (Comissão de Nomeações, Avaliação e Remunerações – CNAR), whose duties are to give opinions on the filling of vacancies occurring on the governing bodies and on the choice of Directors to be appointed to the Executive Committee, and to exercise the functions which on the subject of remuneration policy are envisaged in article 7 of *Bank of Portugal Notice 10 / 2011*.

The oversight functions are attributed to the Supervisory Board – whose key terms of reference include, overseeing management, supervising compliance with the Law and the company's Statutes, verifying the accounts, supervising the independence of the Portuguese Statutory Auditor and the external auditor, as well as evaluating the last-mentioned's work – and to the **Portuguese Statutory Auditor** (ROC), whose prime function is to examine and then certify the accounts.

The **General Meeting**, composed by all Shareholders, deliberates on the issues which are specifically attributed to it by the law or by the Statutes – including the election of the governing bodies, the approval of the directors' reports, the annual accounts, the distribution of profits, and capital increases –, as well as if so solicited by the Board of Directors, on matters dealing with the company's management.

The **Remuneration Committee** (Comissão de Remunerações – CR), composed of three shareholders, is elected by the General Meeting. The Committee sets the remuneration of the holders of positions on Banco BPI's governing bodies, based on the opinion of the CNAR, and must observe, as regards the fixed remuneration of the members of the Board of Directors and the variable remuneration of the Executive Committee, the limits laid down by the General Meeting.

The **Company Secretary** is appointed by the Board of Directors and performs the functions contemplated in the law and others attributed by the Bank.

At 31 December 2015

General Meeting Committee

Chairman
Miguel Luís Kolback da Veiga

Deputy-Chairman
Manuel Cavaleiro Brandão

Secretaries
Alexandra Magalhães
Luís Manuel Amorim

Remuneration Committee

CaixaBank, S.A.[4]
Arsopi – Holding, SGPS, S.A.[5]
Violas Ferreira Financial, S.A.[6]

Supervisory Board

Chairman
Abel António Pinto dos Reis

Members
Jorge de Figueiredo Dias
Rui Guimarães

Alternate members
Francisco Javier Olazabal
Luís Roque de Pinho Patricio

Board of Directors

Chairman
Artur Santos Silva

Deputy-Chairman
Fernando Ulrich

Members
Alfredo Rezende de Almeida
Allianz Europe, Ltd.[1]
António Domingues
António Lobo Xavier
Armando Leite de Pinho
Carlos Moreira da Silva
Edgar Alves Ferreira
Ignacio Alvarez-Rendueles
Isidro Fainé Casas
João Pedro Oliveira e Costa
José Pena do Amaral
Lluís Vendrell[2]
Manuel Ferreira da Silva
Marcelino Armenter Vidal
Maria Celeste Hagatong
Mário Leite da Silva
Pedro Barreto
Santoro Finance – Prestação de Serviços, S.A.
Tomaz Jervell[3]
Vicente Tardio Barutel

Nominations, Evaluation and Remuneration Committee

Chairman
António Lobo Xavier

Members
Marcelino Armenter Vidal
Carlos Moreira da Silva

Corporate Governance Committee

Chairman
Artur Santos Silva

Members
Carla Bambulo
Armando Leite de Pinho
Tomaz Jervell[3]

Financial Risks Commission

Chairman
Artur Santos Silva[7]

Members
Marcelino Armenter Vidal[7]
Vicente Tardio Barutel

Portuguese Statutory Auditor

Member in office
Deloitte & Associados, SROC, S.A.[8]

Alternate
Carlos Luís Oliveira de Melo Loureiro

Audit and Internal Control Committee

Chairman
Ruy Octávio Matos de Carvalho[9]

Members
Alfredo Rezende de Almeida
Ignacio Alvarez-Rendueles
Mário Leite da Silva
Edgar Alves Ferreira

Company Secretary

Member in office
João Avides Moreira

Alternate
Fernando Leite da Silva

Executive Committee of Board of Directors

Chairman
Fernando Ulrich

Deputy-Chairman
António Domingues

Members
José Pena do Amaral
Maria Celeste Hagatong
Manuel Ferreira da Silva
Pedro Barreto
João Pedro Oliveira e Costa

1) Allianz Europe, Ltd. appointed on 29 January 2015, in terms of article 15(2) of Banco BPI, S.A.'s statutes Carla Bambulo to assume the post.
2) Co-opted on 29 July 2015, following the renouncement present by António Massanel Lavilla on 25 June 2015. The aforesaid co-option was, in legal terms, ratified by the Shareholders General Meeting of 5 February 2016.
3) Tendered his resignation from the post on 25 January 2016. The Board of Directors, at its meeting of 27 January approved the co-option of Tomás Jervell to fill the vacancy now opened.
4) CaixaBank, S.A. designated Isidro Fainé Casas to represent it in the exercise of this post.
5) Arsopi-Holding, SGPS, S.A. designated Armando Leite de Pinho to represent it in the exercise of this post.
6) Violas Ferreira Financial, S.A. designated Edgar Alves Ferreira to represent it in the exercise of this post.
7) The Board of Directors deliberated on 27 January 2016 that the position of Chairman of the Financial Risks Committee would henceforth be exercised by the member Marcelino Armenter Vidal.
8) Deloitte & Associados, SROC, S.A. designated António Marques Dias to represent it in the exercise of this post. On 18 February 2016 Deloitte & Associados SROC S.A. communicated to the Bank the designation of the partner Paulo Alexandre de Sá Fernandes to represent it as from that date.
9) Member not belonging to the Board of Directors.

I. GENERAL MEETING

The General Meeting (GM) is the governing body composed of all Banco BPI's shareholders.

GENERAL MEETING'S PRINCIPAL TERMS OF REFERENCE

- Election of members of the Board of Directors, the Supervisory Board, the Remuneration Committee and Chairman, Deputy-Chairman and Secretaries of the General Meeting Committee, as well as the election of the Portuguese Statutory Auditor.
- Consideration of the Board of Directors' annual report, discussion and voting on the consolidated and individual accounts, as well as on the Portuguese Statutory Auditor's opinion.
- Evaluation of the Board of Directors' and the Portuguese Statutory Auditor's performance.
- Deliberation on the appropriation of the annual results.
- Definition of a maximum limit for the annual fixed remuneration of the members of the Board of Directors and of the maximum percentage of consolidated profit which, not exceeding 5%, the variable remuneration of the members of the Executive Committee may represent each year.
- Review of the strategic orientation and policies adopted.
- Deliberation on a long-term dividend policy proposed by the Board of Directors.
- Deliberate on the acquisition and sale of treasury stock.
- Deliberation on the capital increases and the issue of bonds convertible into shares or that confer the right to subscribe for shares.
- Deliberation on changes to the statutes.

Representative of the external auditor

The external auditor, through the partner responsible for the audit of Banco BPI's consolidated financial statements, is present at the Annual General Meetings, and is available to clarify any query related to the opinions issued on Banco BPI's individual or consolidated accounts.

Representative of the Remuneration Committee

The presence of at least one member of the Remuneration Committee at the General Meetings is always assured.

Functioning rules

According to the law, the Annual General Meeting must meet by the end of May[1]. In addition, the Committee Chairman must convene extraordinarily the General Meeting whenever this is requested by the Board of Directors, the Supervisory Board or by shareholders owning shares corresponding to the minimum number by imperative law and who so request by means of a signed written document which indicates in precise terms the matters that should appear on the agenda and which justify the need for the General Meeting, and must be accompanied by the relevant draft resolutions.

Constituent Quorum and required majority

The General Meeting can deliberate at its first convocation irrespective of the number of shareholders present or represented, except if it deliberates on altering the Bank's statutes, merger, demerger, and transformation, dissolution of the Company or other matters for which the law requires a qualified majority without specifying it. In these cases, it is necessary that shareholders who own at least shares corresponding to a third of the share capital must be present or represented.

At the second convocation, the Meeting can deliberate irrespective of the number of Shareholders present or represented and the capital represented by them.

In terms of article 386 of the Commercial Companies Code (CCC), the General Meeting deliberates by a majority of the votes cast irrespective of the percentage share capital represented thereat, with abstentions not being counted. The law and the statutes can however require a qualified majority should this be the case:

a) of the resolutions relating to the matters for which the law prescribes a constitutive quorum of one third of the share capital (such as for altering the statutes, merger, demerger, transformation), which in terms of article 386(3) of the CCC, have to be approved by two thirds of the votes cast;
b) of the resolutions amending the Statutes relating to the limitation of the voting rights cast by one only shareholder (article 12(4) and (5) and article 30(2)) and of the resolution concerning the company's dissolution, in respect of which the Bank's statutes require the approval by 75% of the votes cast.

Right to information

During the course of General Meetings, any Shareholder can request that information be supplied so that he / she can form a substantiated opinion about the matters being deliberated.

1) In terms of article 376(1) of the Commercial Companies Code, the Shareholders General Meeting must meet within three months after the close of the financial year, or within five months in the case of companies required to present consolidated accounts or which apply the equity accounting method.

11. Shareholders' General Meeting

The composition of the General Meeting Committee appears in the organisation chart "Governing bodies and Committees" (page 308 of the present report).

The members of the General Meeting Committee were elected at the General Meeting of 23 April 2014 for a term of three years which ends on 31 December 2016.

12. Attribution of the right to vote

A shareholder is entitled to vote if he / she / it owns at least one Banco BPI share on the fifth trading day prior to the holding of the General Meeting (registration date), in accordance with the principle of "one share / one vote".

Procedures relating to representation

BPI provides to Shareholders in its website www.ir.bpi.pt, in the page dedicated to the General Meeting, the meeting notices, as well as the proxy forms – available in Portuguese and English.

The proxies are communicated by a signed written document addressed to the Chairman of the General Meeting Committee, at the latest by the end of the day prior to the above-mentioned registration date.

Procedures relating to postal voting

Postal voting is envisaged in the statutes. BPI provides to Shareholders, on Banco BPI's head Office and on its website, self-addressed ballot papers to the Chairman of the General Meeting, by means of which the Shareholder can clearly cast his / her / its vote.

The ballot paper must be signed and the authentication of the signature (by a notary, lawyer or solicitor) must be recorded on it. The ballot papers must be received at Banco BPI's head Office by 6.00 pm of the third business day before the date scheduled for the General Meeting. The description of the manner how the scrutiny of postal votes takes place in General Meeting appears in the notice of meeting.

The confidentiality of the postal votes is assured by the Bank up till the moment of the opening of the respective ballot papers by the Chairman of the General Meeting Committee. On this date, the safeguarding of such confidentiality is now guaranteed by the Chairman of the General Meeting Committee up until the moment of voting.

The Chairman of the General Meeting is responsible for checking the authenticity of the voting papers, as well as the conformity with the rules and the absence of vote duplication stemming from the presence at the General Meeting of the shareholders whose vote arrived by post. The postal vote is deemed to be revoked in the case of the presence of the Shareholder or the respective proxy at the General Meeting.

The Chairman of the General Meeting Committee informs those present of the number and the results of the postal votes received.

Procedures relating to voting by electronic means

BPI offers its Shareholders the possibility of casting votes by means of electronic mail. The procedures required for voting by electronic mail are in part similar to those required for postal voting: BPI provides to Shareholders a draft – available in Portuguese and English – that allows them to opt for the system of electronic voting. This draft can be obtained from the website www.ir.bpi.pt or upon request to the Investor Relations Division. The draft must be signed and the signature must be authenticated by a notary, lawyer or legal clerk.

In the draft, which must be addressed to the Bank, the Shareholder is asked, amongst other details, to provide a password and indicate the email address. BPI sends the Shareholder an email indicating his counter password which, jointly with the initial password, will give him access to an electronic ballot paper on a page at the site www.ir.bpi.pt. The Shareholder can exercise his voting right until 6 p.m. of the third business day before that set for the Meeting.

13. Maximum percentage of voting rights that may be exercised by a single shareholder

Article 12(4) of Banco BPI's statutes stipulates that the votes cast by a single shareholder or entities related to him / her in the terms laid down by this provision which exceed 20% of the total votes corresponding to the share capital, shall not be counted.

The principal limiting the number of votes cast by a sole shareholder was proposed by the General Board with the object of promoting a framework conducive to a balanced participation of the principal shareholders in the company's affairs, from the standpoint of Shareholders'[1] long-term interests. As more fully explained in the following item, the Board of Directors, by resolution passed on 4 February 2016, approved a motion eliminating the aforesaid statutory rule limiting the counting of votes, to be presented for deliberation of the Shareholders General Meeting.

1) On 17 February 2015 the shareholder CaixaBank, S.A. disclosed the preliminary announcement of a takeover bid for Banco BPI shares, which places as a condition for the bid's realization is the elimination of the limitation on the counting of votes concerned. The members of the Board of Directors who have management positions in the CaixaBank, S.A. group have argued in favor of the revision of the aforementioned limitation since 2011.

14. Shareholders' resolutions that, imposed by the articles of association, may only be passed with a qualified majority

According to article 30(2) of Banco BPI's statutes, the alterations to numbers four and five of article 12 of the said statutes (provisions which set and regulate the limit on the number of votes capable of being issued by a shareholder and entities related to him / her), to number one of article thirty one (provision which fixes a special qualified majority for the company's winding up), as well as to this number two of article 30, require the approval of seventy five per cent of the votes cast, which majority is higher than that envisaged in article 386(3) of the Commercial Companies Code (two thirds of the votes cast).

It will be recalled that the qualified majority of seventy five per cent in question, even though it is higher than the qualified majority laid down in the law, is, just as the latter, defined according to the votes cast and not the votes corresponding to the share capital.

The Board of Directors, having considered:

a) that the rule in question limiting votes had as its aim promoting a framework designed to foster a balanced participation by the Shareholders in the Bank's affairs, from the standpoint of the Shareholders' long-term interests, and naturally which is recommendable from the perspective of the maintenance of an appropriate decision-making capability on the part of the Bank;
b) that, bearing in mind its instrumental character, the aforesaid vote-limitation rule should be permanently evaluated against the specific circumstances of the Bank's affairs, so that a judgement can be made as to whether it should be retained as appropriate in light of the framework and goals referred to in the preceding sub-paragraph;
c) that this requirement of an updated approach to the vote-limitation rules which was the cornerstone of the above trend as regards the percentage limit utilised in this limitation;
d) that the Bank now faces a different scenario than that which existed up until recently;
e) that, in reality, the Portuguese financial system has undergone in the last year and a half far-reaching changes, amongst which include the entry into functioning of the Banking Union and the consequent subjection to a new supervisory paradigm, as well as the resolution of two banks of significant size;
f) that this new environment in which the Portuguese financial system finds itself poses new and demanding challenges that, amongst other aspects, entail the need to respond and manage the effects of the bank resolutions that took place, the capacity to respond to future trends towards greater concentration and the ability to respond to the new requirements stemming the new supervision framework;
g) that these challenges require the Bank has at its disposal all the available instruments to enable it to confront and, thus, better defend the interests of the institution, its shareholders, depositors, Employees and other stakeholders;
h) that one of those instruments is the monitoring and involvement of the present and future shareholders in the Bank's activity, whether it be by way of support for the funding of its operations and respective expansion, or with respect to backing for the Bank's eventual concentration operations;
i) that, above all against the background outlined above, the existence of a statutory limitation on the counting of votes may affect the above-mentioned monitoring and involvement of the existing or future shareholders of the Banks;
j) that, within this scenario and for the reasons referred to, it is advisable to eliminate the limitation on the counting of votes enshrined in the Bank's statutes.

Approved on 4 February 2016 a motion to eliminate the aforesaid statutory rule limiting the counting of votes, to be submitted to deliberation at the Shareholders General Meeting.

II. MANAGEMENT AND SUPERVISION

15. Details of corporate governance model adopted

The governance model adopted by BPI is contemplated in the Commercial Companies Code and is commonly referred to as the Latin Model, which is presented in great detail on page 308 ("B. Governing Bodies and Committees").

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors

The Statutes do not contain any rules governing procedural or material requirements related to the appointment or replacement of members of the Board of Directors.

However article 29(3) of the Statutes contains a limitation applicable to the appointment of Board of Director members forming part of the Executive Committee and which prescribes that *"Any member of the Board of Directors aged 62 or more at 31 December of the preceding year cannot be appointed to the Executive Committee."*

The RGICSF lays down the adequacy requisites (integrity, professional qualifications, independence and availability) which the members of the management and oversight bodies must possess for the exercise of the respective functions.

Pursuant to the provisions of article 30-A(2) of the RGICSF "The Selection and Evaluation Policy for the members of the Board of

Directors, the Supervisory Board and Employees with essential functions", which contain the legal requirements and requisites applicable to the afore-mentioned members, was approved at the General Meeting of 29 April 2015.

17. Composition of the Board of Directors

The composition of the Board of Directors and of its consultative committees is presented in the organisation chart "Governing bodies and Committees" (page 308 of the present report). As concerns the date of the 1st appointment and term of office, one must consult the annex, page 375).

On 25 June 2015 the member of the Board of Directors António Massanell Lavilla presented his renouncement of the position, with the Board of Directors co-opting on 29 July 2015 to fill the vacancy thus opened Lluís Vendrell Pí, which co-option was ratified at the Shareholders General Meeting held on 5 February 2016.

In terms of article 15 of the Statutes *"The Board of Directors is composed of a minimum number of eleven and a maximum number of twenty five members, elected by the General Meeting, who shall nominate the chairman from amongst their number and, if deemed necessary, one or more deputy chairmen."*.

Still according to article 29 of the Statutes: *"The members of the governing bodies are elected for terms of three years, while re-election is always permitted, with the exception of the members of the Supervisory Board who can only be re-elected for two more consecutive terms of office."*.

18. Independence of the Board of Directors members

The organisation chart "Governing bodies and Committees" (page 308) presents the composition of the Board of Directors, indicating its members who make up the Executive Committee.

Non-executive members of Banco BPI's Board of Directors — At 31 December 2015

	Board of Directors consultative committees				
	Audit and Internal Control Committee	Financial Risks Committee	Corporate Governance Committee	Nominations, Valuation and Remunerations Committee	Independence basis
Chairman					
Artur Santos Silva		Chairman	Chairman		Independent
Members					
Alfredo Rezende de Almeida	Member				Independent
António Lobo Xavier				Chairman	Independent
Armando Leite de Pinho			Member		Independent
Carla Bambulo			Member		✓
Carlos Moreira da Silva				Member	Independent
Edgar Alves Ferreira	Member				✓
Ignacio Alvarez-Rendueles	Member				✓
Isidro Fainé Casas					✓
Lluís Vendrell					✓
Marcelino Armenter Vidal		Member		Member	✓
Mário Leite da Silva	Member				✓
Tomaz Jervell			Member		Independent
Vicente Tardio Barutel		Member			✓

Independent: In terms of recommendation II.1.7 of the Corporate Governance Code disclosed by the CMVM, a member of the Board of Director is deemed to be Independent when he / she is not associated with any specific interest group in the company and is not in any situation that is capable of affecting his / her impartial analysis or decision, namely by virtue of:
a) Having been an Employee of the company or of a company controlled by it or with which there has been a group relationship in the preceding three years;
b) Having, in the preceding three years, rendered services or established a significant commercial relationship with the company or a company controlled by it or with which there has been a group relationship, whether directly or as member, administrator, director or officer of a corporate entity;
c) Being a beneficiary of remuneration paid by the company or by a company controlled by it or with which there has been a group relationship, besides the remuneration derived from the exercise of directorship functions;
d) Living under a common law union or being the spouse, relative or direct relative up to the 3rd degree of lineage, inclusive, of directors or natural persons who are the direct or indirect holders of a qualified holding;
e) Being the holder of a qualified holding or the representative of a shareholder with a qualified holding.
The director concerned is not covered by any of the situations referred to in sub-paragraphs a) to e) which constitute the norm in question, nor is he covered by the situation described in ✓.

✓ The director concerned is not the holder of a qualified holding of 2% or more of the company's capital; the director concerned occupies a management position (s) in an entity(ies) holding a qualified holding of 2% or more of Banco BPI's capital or in its group entity(ies), a fact which in the opinion of the Board of Directors does not mean, nor does it have as a consequence, that the aforesaid director must be deemed to be a person who is acting in the name or on behalf of the abovementioned entity(ies); if however the broad meaning of the phrase "representative of a shareholder with a qualified holding" is construed so that such action is deemed to exist by virtue of the simple fact that he is an executive of the said entity(ies), then the director indicated finds himself in that situation.

19. Professional qualifications and other relevant curricular details of members of the Board of Directors

Consult the Annex to the present report (page 375).

20. Family, professional or commercial relationship, habitual and significant, of the members of the Board of Directors with shareholders to whom a qualified holding of 2% or more of the voting rights is imputed

As referred to in item 7 of the present report, the shareholders to whom are imputed qualified holdings of more than 2% in the bank are corporate entities. Accordingly and naturally, there does not exist any family relationship between the members of the Board of Directors and shareholders with a qualified holding of more than 2%.

The professional relationships of the members of the Board of Directors with shareholders holding a qualified holding of more than 2% are described with respect to each member in annex to the present document, detailing therein the professional positions occupied in the corporate shareholders with qualified holdings of more than 2%.

BPI has not received any communication of any commercial relationships, habitual and significant, between the members of the Board of Directors and corporate shareholders with qualified holdings of more than 2% in BPI.

21. Apportionment of duties between the various governing bodies and committees

21.1. Board of Directors

The Board of Directors is the corporate body to which the widest powers have been attributed in order to manage and represent the company, without prejudice to the specific powers which the law vests in the Supervisory Board. The BPI Group's major strategic options are laid down by it.

PRINCIPAL TERMS OF REFERENCE OF THE BOARD OF DIRECTORS

- To appoint the Executive Committee from amongst their members.
- To define the BPI Group's general policies: for this purpose, the BPI Group shall mean the group of credit institutions and financial companies controlled directly or indirectly by Banco BPI, S.A., including the entities with management contract to be assumed by BPI.
- To approve the strategic plan and operating plans and budgets, both annual and pluri-annual, and the alterations thereto, and to periodically monitor their execution.
- To prepare the documents forming the annual report and accounts and the proposed appropriation of net income, to be presented at the General Meeting.
- To take the initiative to propose any amendments to the statutes and capital increases, as well as bond issues which do not fall within its powers, presenting the corresponding proposals to the General Meeting.
- To approve the code of conduct of the companies controlled fully by the BPI Group.

Furthermore, the Board of Directors is responsible for practising all the other acts which are necessary or appropriate for the pursuance of the business activities falling within its objects clause and, in particular:

- to represent the company in and out of court, as plaintiff and defendant, to institute and contest any legal or arbitration proceedings, to confess, withdraw or reach a compromise in any legal actions or to abide by arbitrators' decision;
- to acquire, dispose of or encumber any assets or rights;
- to deliberate, in the terms of paragraph two of Article three of the Articles of Association, on the company's participation in the equity capital of other companies and in partnership association (joint venture) contracts, in complementary corporate groupings and in European economic-interest groupings;
- to approve shareholdings in banks and insurance companies, as well as their disposal;
- to approve loan operations to companies or groups of companies where the exposure exceeds 300 M.€;
- to appoint the Directors of the banks controlled by BPI;
- to appoint authorised signatories to perform certain acts or categories of acts, defining the extension of the respective mandates.

The Board of Directors is also responsible for the following:

- to delegate to an Executive Committee, composed of three to nine members, the day-to-day management of the Company, subject to the limits to be fixed in the resolution approving such delegation;
- to co-opt Directors to fill any vacancies which may occur;
- to appoint a Company Secretary and an alternate Secretary;
- to draw up a set of internal rules of procedure and approve the functioning regulations for the Executive Committee to be appointed, as well as for the Audit and Internal Control Committee, the Nominations, Evaluation and Remuneration Committee and the Corporate Governance Committee; these last two committees must prepare reports (at least annually) for the Board of Directors' review and approval.

21.2. Executive Committee of the Board of Directors

By resolution of the Board of Directors, the Company's day-to-day management has been delegated to the Board of Directors' Executive Committee. This includes all the necessary or appropriate management powers for the conduct of banking activity in terms of and to the extent that is permitted by law and, namely, powers to decide and represent the Company as regards the following matters:

PRINCIPAL TERMS OF REFERENCE OF THE BOARD OF DIRECTORS' EXECUTIVE COMMITTEE

- Operations for the granting of credit or financing.
- Remunerated provision of personal guarantees.
- Provision of real guarantees involving securities and which are necessary or appropriate for pursing the activities contained in the Company's business objects.
- Realisation of foreign currency operations.
- Realisation of deposit-taking operations.
- Issuance of cash bonds and financial instruments of a similar nature.
- Subscription, acquisition, disposal or encumbering of participating interests in any companies, with the exception of shareholdings in Banks and Insurance Companies.
- Acquisition, disposal or encumbering of any other securities.
- Acquisition, disposal or encumbering of movable and immovable assets.
- Acquisition of services.
- Admissions, definition of levels, categories, remuneration conditions and other Employee perks, as well as the appointment to managerial positions.
- Exercise of disciplinary power and the application of any sanctions.
- Opening or closure of branches or agencies.
- Appointment of who should represent the Bank at its subsidiary and associated companies' general meetings, setting the voting intention to be cast thereat.
- Appointment of the persons who should exercise the corporate functions for which the Bank was elected, as well as the persons whom the Bank should indicate to apply as candidates for any corporate office, except the members of the Board of Directors of the Banks controlled by the Company.
- Issue of binding instructions to the companies totally controlled by the Company.
- Representation of the Bank in and out of court, as plaintiff and defendant, including the institution and contestation of any judicial or arbitration procedures, as well as admission, withdrawal or compromise in any lawsuits and the assumption of arbitral commitments.
- Appointing authorised signatories, with or without powers of attorney, for the performance of specified acts or category of acts, defining the extent of the respective mandates.

As regards operations involving the granting of credit or financing and the provision of remunerated personal guarantees, such operations cannot result in the involvement in a relationship with any single entity (or if it forms part of a group, then with respect to that group) of more than 15% of Banco BPI's consolidated shareholders' equity.

Above that amount, the involvement must be decided at a plenary meeting of the Board of Directors.

21.3. Consultative and support bodies for the Board of Directors

Within the ambit of the Board of Directors, there are four consultative committees providing specialist support and envisaged in the statutes: the Audit and Internal Control Committee (CACI), the Financial Risks Committee (CRF), the Corporate Governance Committee and the Nominations, Evaluation and Remuneration Committee (CNAR).

The following is a brief description of those committees' terms of reference:

PRINCIPAL TERMS OF REFERENCE OF THE AUDIT AND INTERNAL CONTROL COMMITTEE

The Audit and Internal Control Committee is responsible, without prejudice to the functions of the Supervisory Board, for monitoring the Executive Committee's activity, following closely the preparation and disclosure of financial information and evaluating the effectiveness of the internal control, management of non-financial risks and internal audit systems.

PRINCIPAL TERMS OF REFERENCE OF THE FINANCIAL RISKS COMMITTEE

Without prejudice to the functions legally attributed to the Supervisory Board, the Financial Risks Committee is responsible for monitoring the management policy covering all the financial risks associated with the company's business, namely liquidity, interest rate, currency, market and credit risks, as well as monitoring the management policy relating to the company's pension fund.

PRINCIPAL TERMS OF REFERENCE OF THE CORPORATE GOVERNANCE COMMITTEE

The function of the Corporate Governance Committee is, besides its core mission of supporting and advising the Board of Directors on matters relating to corporate governance, to make pronouncements on matters within the scope of corporate social responsibility, ethics, professional conduct and environmental protection. The Committee prepares an annual report on the functioning of the company's corporate governance structure.

PRINCIPAL TERMS OF REFERENCE OF NOMINATIONS, EVALUATION AND REMUNERATION COMMITTEE

The Nominations, Evaluation and Remuneration Committee, has as its principal functions issuing opinions on the filling of vacancies arising on the governing bodies on the choice of Directors to be appointed to the Executive Committee and the evaluation and fixing of this Executive Committee's remuneration.

21.4. Company Secretary

The Company Secretary is appointed by the Board of Directors. The duration of his / her functions coincides with the term of office of the members of the Board of Directors which appointed him / her. In the case of the secretary's absence or impediment, his / her functions will be performed by the alternate secretary.

PRINCIPAL TERMS OF REFERENCE OF THE COMPANY SECRETARY

In addition to the other functions attributed by the Bank, the Company Secretary performs the functions contemplated in the law:

- To serve as secretary at the meetings of the governing bodies.
- To record the minutes and sign them together with the members of the respective governing bodies and the Chairman of the General Meeting Committee, when this is the case.
- To keep, store and maintain in proper order the minute books and loose minute sheets, the list of presences, the share register, as well as attending to the routine matters relating to these.
- To expedite the legal notices convening the meetings of all the governing bodies.
- To authenticate the signatures of the members of the governing bodies placed on the company's documents.
- To certify that all the copies or transcriptions extracted from the company's books or of filed documents are genuine, complete and up-to-date.
- To satisfy within the scope of the terms of reference, the requests formulated by shareholders in the exercise of their right to information and to furnish the information solicited from the members of the governing bodies which exercise oversight functions covering the deliberations of the Board of Directors or of the Executive Committee.
- To certify the content, total or partial, of the company's statutes in force, as well as the identity of the members of the company's various bodies and which are the powers vested in them.
- To certify the up-dated copies of the statutes, deliberations of the shareholders and of management, and of the entries in force appearing in the company's books, as well as ensuring that they are handed over to or sent to the owners of the shares who have requested them and have paid the respective cost.
- To authenticate with his / her initials all the documentation submitted to the General Meeting and that referred to in the respective minutes.
- To promote the registration of the company's acts subject to this requirement.

22. Regulations governing the Board of Directors

The Regulations governing the functioning of the Board of Directors are available at the Investor Relations website (www.ir.bpi.pt), under the section "Corporate Governance".

23. Number of meetings held and degree of attendance

The Board of Directors met 14 times in 2015. The attendance rate of each member was:

Member	Presence	Representation
Artur Santos Silva	12	-
Fernando Ulrich	13	-
Alfredo Rezende de Almeida	13	-
António Domingues	13	-
António Lobo Xavier	11	2
Armando Leite Pinho	10	3
Carla Bambulo	11	1
Carlos Moreira da Silva	10	1
Edgar Alves Ferreira	13	-
Ignacio Alvarez-Rendueles	12	-
Isidro Fainé Casas	0	12
João Pedro Oliveira e Costa	13	-
José Pena do Amaral	13	-
Lluís Vendrell[1]	5	
Manuel Ferreira da Silva	12	1
Marcelino Armenter Vidal	11	1
Maria Celeste Hagatong	13	-
Mário Leite da Silva	12	1
Pedro Barreto	13	0
Tomaz Jervell[2]	10	3
Vicente Tardio Barutel	10	1

During the 2015 financial year Banco BPI's Board of Directors reviewed and approved, amongst others, the following matters:

Principal resolutions / matters dealt with the Board of Directors' meetings

Date	Resolution / Matters
	Approval of plans and budgets
11 Dec.	Review of estimated results for 2015
11 Dec.	Review and approval of the Plan and Budget for 2016
13 Mar., 30 Sep.	Funding and Capital Plan
11 Dec.	Approval of the Recovery Plan
	Annual Report and proposed appropriation of results
29 Jan. and 13 Mar.	Review and approval of the 2014 consolidated accounts, as well as deliberation about their public release
13 Mar.	Review of the BPI Group's situation in February 2015
26 Mar.	Approval of the draft Report and Accounts to be presented to the AGM of 29 April 2015
29 Apr.	Review of the consolidated accounts at 31 March 2015 as well as deliberation about their public release
26 Jun.	Review of the BPI Group's situation in May 2015
29 Jul.	Review of the consolidated accounts at 30 June 2015 as well as deliberation about their public release
30 Sep.	Review of the BPI Group's situation in August 2015
28 Oct.	Review of the consolidated accounts at 30 September 2015 as well as deliberation about their public release

1) Commenced functions on 8 October 2015.
2) Renounced on 25 January 2016. At its meeting of 27 January the Board of Directors approved the co-option of Tomás Jervell to fill the vacancy thus opened.

Principal resolutions / matters dealt with the Board of Directors' meetings (cont.)

Date	Resolution / Matters
	Proposed motions to presented at the Shareholders' General Meeting
26 Mar.	Approval of the draft Notice of Meeting and motions to be presented at the AGM of 29 April 2015
11 Dec., 23 Dec.	Approval of the request for the convening of an AGM for 5 Feb. 2016 and Approval of the motions to be presented
	Monitoring of the trend in the BPI Group's pension liabilities and in the pension funds' assets
29 Jan., 13 Mar., 29 Apr., 26 Jun., 29 Jul., 28 Oct.	Review of retirement and survivors' pension liabilities and respective cover by the pension fund, as well as the respective rate of return earned
	Monitoring of the Bank's exposure to large risks and funding operations
29 Jan., 13 Mar., 26 Mar., 29 Apr., 26 Jun., 29 Jul., 28 Oct., 11 Dec.	Review of other operations subject to the regime contemplated in article 85 or 109 of the Banking Law
	Bond issue
29 Jan.	Approval of the renewal / revision of the Euro Term Note Programme (EMTN Programme)
11 Dec.	Review of the conditions of a possible issue on Subordinated Bonds market
	Internal functioning
29 Jan., 13 Mar., 29 Apr., 29 Jul., 28 Oct., 11 Dec.	Information about the activity of the Audit and Internal Control Committee
29 Jan., 29 Apr., 29 Jul., 28 Oct., 11 Dec.	Information about the activity of the Financial Risks Committee
11 Dec.	Information concerning the activity of the Nominations, Evaluation and Remuneration Committee
28 Oct.	Scheduling of the meetings of the General Meeting and of the Board of Directors in 2016
13 Mar.	Appointments to the Financial Risks Committee and the recomposition of the Corporate Governance Committee
29 Jul.	Co-option of a new member to the Board of Directors
26 Jun., 29 Jul., 28 Oct.	Situation of the accumulation of positions by the members of the Board of Directors
11 Dec.	Approval of the Remuneration Policy for Employees with Essential Functions
	Other matters of general interest to the Company
29 Jan.	Restructuring Plan agreed with the DGCom
13 Mar.	Review of the letter of 2 March 2015 from Santoro relating to the takeover bid launched by CaixaBank and alternative strategies
14 Apr.	Preliminary study of consolidation possibilities in the national market
30 Sep.	Results of the Supervisory Review and Evaluation Process (SREP)
30 Sep.	Bank of Portugal Notice 1 / 2015 – Maintenance of own funds reserve
29 Jan., 13 Mar., 14 Apr., 26 Jun., 29 Jul., 30 Sep., 28 Oct., 11 Dec.	BFA – Loss of supervision and prudential regulations equivalence and exceeding the large risks limit by Banco BPI – Appraisal of the resolution alternatives and Approval of the Demerger project
29 Jan., 13 Mar., 19 Mar., 14 Apr., 30 Sep.	Novo Banco
29 Jan.	BCI (Mozambique) Capital increase and exercising of pre-emptive rights
4 Mar.	CaixaBank takeover bid – Board of Directors' report on the conditions and timing of the bid
29 Jan., 29 Apr., 26 Jun., 29 Jul., 28 Oct.	Analysis of the stock market behaviour of Banco BPI shares

Mention is also made, given its importance that the Board of Directors approved:

- at its meeting of 27 January 2016 the maintenance and pursuance of the acts and formalities leading to the execution and realisation of the Demerger project, approved on 11 December 2015;
- at its meeting of 4 February 2016 a motion to the presented for deliberation by the Shareholders at a General Meeting relating to the elimination of the statutory rule limiting the counting of votes.

24. Bodies charged with the responsibility for carrying out the evaluation of the executive directors' performance

Responsibility for undertaking the evaluation of the executive directors' performance with a view to determining the respective variable annual remuneration is entrusted to the Remuneration Committee (RC).

In the exercise of their functions, the Remuneration Committee takes into consideration the proposals and recommendations presented to it by the Nominations, Evaluation and Remuneration Committee in terms of the provisions of article 7(4) of *Bank of Portugal Notice 10 / 2011*.

25. Predefined criteria for assessing executive directors' performance

The Nominations, Evaluation and Remuneration Committee in preparing its report to the Remuneration Committee, and the Remuneration Committee itself define the variable remuneration of executives according to their performance evaluation and carry out that evaluation based on the following criteria which (i) are consistently used over the years and are hence predetermined and (ii) are quantitative.

According to the remuneration policy for members of Banco BPI's Management and Oversight Bodies and which was approved at the General Meeting of 29 April 2015, besides the non-quantitative parameters (such as those linked to reputation / level of complaints, etc.), the Remuneration Committee also takes special account the following quantitative parameters:

- solvency (solvency ratio, loan default ratios, foreclosure properties and the situation of the Bank's pension fund);
- profitability (ROE – Return on Equity, net interest income, impairments and Raroc – Risk adjusted return on capital);
- efficiency (cost-to-income ratio);
- market position (market shares);
- liquidity (ratio of transformation of balance sheet resources into loans, maturity of medium / long-term debts and the level of ECB utilisation).

The evaluation of performance assesses the contribution of each one of the executives in the light of those criteria.

26. Positions held by members of the Board of Directors

As regards this item, we refer you to the information appearing in the annex on page 375.

27. Details of the committees created within the Board of Directors and the place where the rules on the functioning thereof is available

As previously explained (points 15 and 21.), four specialist committees function within the ambit of the Board of Directors, composed exclusively of non-executive members:

- the Audit and Internal Control Committee (Comissão de Auditoria e de Controlo Interno – CACI);
- the Financial Risks Committee (Comissão de Riscos Financeiros – CRF);
- the Corporate Governance Committee (Comissão de Governo da Sociedade – CGS);
- the Nominations, Evaluation and Remuneration Committee (Comissão de Nomeação, Avaliação e Remunerações – CNAR).

The full spectrum of the abovementioned specialist committees' terms of reference is set out in the statutes and respective regulations. Both regulatory documents are available on the Investor Relations website, under the section "Corporate Governance".

The CNAR's terms of reference also result from which is defined in *Bank of Portugal Notice 10 / 2011* and in RGICSF.

28. Composition of the Executive Committee

The Executive Committee of Banco BPI's Board of Directors (Executive Committee – Portuguese acronym CECA) is currently composed of seven professional executive Directors who are independent of any shareholders or specific interest groups.

It is the BPI Group's policy that the persons making up the Executive Committee only exercise other corporate functions by appointment by the Bank when it has important participating interests in those companies.

Executive Committee	Principal areas of responsibility
Chairman	
Fernando Ulrich	Accounting, Planning and Statistics; Risk Analysis and Control; Individuals' Credit Risk; Corporate and Small Business Credit Risk; Corporate Loans Recovery; Lean Programme; Asset Management.
Deputy-Chairman	
António Domingues	Finance; Audit and Inspection; Institutional Banking / State Business Sector; Financial Services – Mozambique; Legal Affairs; Compliance; Investor Relations; Business Development Unit – Africa, Banco de Fomento Angola.
Members	
José Pena do Amaral	Marketing; Communication and Brand Management; Public Relations; Human Resources; Small Businesses and commercial Partnerships; Insurance.
Maria Celeste Hagatong	Corporate Banking; Project Finance; Real estate Investment; Specialised Credit to Companies; Office for Africa; Banco BPI Branch in Spain.
Manuel Ferreira da Silva	Equities; Corporate Finance; Economic and Financial Studies; BPI Investimentos Branch in Spain; Private Equity.
Pedro Barreto	Organisation and Quality; Information Systems; Procurement, Outsourcing and Fixed Assets; Operations; Security; Digital Banking; BCI Fomento (Mozambique).
João Oliveira e Costa	Individuals and Small Business Banking; Non-residents; Private Banking; Investment Centres.

Terms of reference
The Executive Committee has wide management powers, delegated by the Board of Directors, to carry on the Group's day-to-day activity, while its exercise is the object of permanent monitoring by the Board of Directors.

These powers to decide and represent the company in the matters referred to in item 21.2 are set out in this Committee's functioning regulations.

The full spectrum of this body's terms of reference is set out in the statutes and respective regulations. Both regulatory documents are available on the Investor Relations website, in the section "Corporate Governance".

Executive Committee Meetings
The Executive Committee meets at least once a month for the purpose of dealing with matters of general interest relating to Banco BPI and its subsidiaries. It normally meets on a weekly basis. In 2015, the Executive Committee met 61 times.

Functioning rules
The Executive Committee can only adopt resolutions when the majority of its members are present, while representation is not permitted.

The resolutions of the Board of Directors' Executive Committee are adopted by an absolute majority of the votes, with the Chairman having the casting vote.

According to the statutes, a person cannot be appointed to the Executive Committee who, at 31 December of the year prior to such appointment, had attained 62 or more years of age.

Policy of rotation of areas of responsibility in the Executive Committee
All the members of the Executive Committee play an active role in the day-to-day management of the Group's business, having under their stewardship one or more specific business areas, in accordance with the respective profile and with individual expertise, and corresponding to the distribution of responsibilities which at any moment best contributes to that body's effective and balanced functioning. The Executive Committee meets weekly to review the Bank's operations and risks. Without limitation to the greater or lesser concentration of one or other person in a specific area, the Executive Committee's decision-making process on matters pertaining to the conduct of the current management of the Group is based on a collegial format and is the object of systematic monitoring by the Board of Directors. In addition, given the importance of market risks in financial activity:

- since the beginning of the international financial crisis in 2007 the Executive Committee has assumed as a management priority the monitoring by it of the aforementioned risks.
- the Financial Risks Committee, composed of non-executive members of the Board of Directors, monitors the management policy relating to all the financial risks inherent in the Bank's operations, including credit risks, as well as the management of its pension fund.
- on the other hand, the Audit and Internal Control Committee, the Board of Directors' consultative body which meets monthly (except in the months of February and August), monitors closely the operational risks and the exercise of the compliance function.

BPI does not see any advantage under the present circumstances and bearing in mind the conditions and mode of the Executive Committee's functioning, in setting a policy of periodic rotation of the CECA members' tasks.

Information to the Board of Directors and to the Supervisory Board
The Chairman of the Executive Committee sends to the Chairman of the Board of Directors and to the Chairman of the Supervisory Board, for his knowledge, the notices of that Committee's meetings prior to their realisation. The minutes of the respective meetings are also made available.

In addition to the above information, the Executive Committee makes available every six months to the Board of Directors and to the Supervisory Board a summary of all the matters dealt with at its meetings in the aforesaid period.

The members of the Executive Committee furnish in a timely and proper manner the information solicited from them by other members of governing bodies.

Specialised Executive Committees
Bearing in mind the importance of credit risks and market risks in banking activity, as well as the importance attributed to information technologies as a competitive factor, there are two specialised committees: the already-mentioned Executive Committee for Credit Risks and the Executive Committee for Information Technologies which include, each one of them, and in addition to the members of the Executive Committee, the Group's senior executives in charge of the respective areas.

PRINCIPAL TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE FOR CREDIT RISKS

The **Executive Committee for Credit Risk** is the body which monitors and decides on the concession and recovery of loans, analysing mandatorily all the exposures to any one entity involving more than a defined limit.

PRINCIPAL TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE FOR INFORMATION TECHNOLOGIES

The **Executive Committee for Information Technologies** is the body which defines and monitors the Bank's priorities in the information systems domain, as well as the control over related projects and undertakes the annual evaluation and approval of the strategic plan within the scope of the information systems.

Composition

Besides the members of Banco BPI's Executive Committee, these bodies include the heads of the relevant divisions.

	Executive Committee for Credit Risks	Executive Committee for Information Technologies
Fernando Ulrich	Alexandre Lucena e Vale (Legal)	António Farinha Morais (General Risk Manager)
António Domingues	António Farinha Morais (General Risk Manager)	Francisco Manuel Barbeira (Information Systems)
José Pena do Amaral	Filipe Macedo Cartaxo (Institucional Banking / SBS)	Jorge Artur Guimarães (Management of CETI projects)
Maria Celeste Hagatong	Frederico Silva Pinto (Credit Risks)	Manuel Maria Meneses (Organisation and Quality)
Manuel Ferreira da Silva	João Azevedo Gomes (Companies North– Reg. Coord. Porto)	Maria Teresa Rocha (Operations)
Pedro Barreto	Joaquim Pinheiro (Loan recovery)	Teresa Sales Almeida (Marketing)
João Oliveira e Costa	Luís Camara Pestana (Companies South and Islands)	
	Maria do Carmo Oliveira (Large companies North)	
	Joaquim Miguel Ribeiro (Companies North– Reg.Coord. North)	
	Pedro Monteiro Coelho (Large Companies South)	
	Pedro Silva Fernandes (Companies Center)	
	Tiago Simões de Almeida (Project Finance)	

29. Terms of reference and summary of activities undertaken of the consultative committees of the Board of Directors

29.1. Audit and Internal Control Committee in 2015

Terms of reference and activity

The Audit and Internal Control Committee is responsible, without prejudice to the functions of the Supervisory Board, for monitoring the Executive Committee's activity, following closely the preparation and disclosure of financial information and evaluating the effectiveness of the internal control, management of non-financial risks and internal audit systems.

REPORT OF THE AUDIT AND INTERNAL CONTROL COMMITTEE'S ACTIVITY IN 2015

The Audit and Internal Control Committee (Portuguese acronym CACI) held ten meetings during 2015, having analysed the matters related with its terms of reference according to the activity plan approved at the meeting held in December of the previous year.

In terms of its regulations, the Chairman and Vice-Chairman of the Executive Committee, the members of the Supervisory Board and the representatives of the Portuguese statutory auditors participated regularly at the CACI's meetings, but without the right to vote.

In addition, those responsible for the areas whose matters were analysed were summoned to take part in the meetings of the members of Banco BPI's Executive Committee and Directors, as well as of the Group companies.

The reviews carried out and the decisions taken were mainly founded on the work performed by the External Auditors, by the Audit and Inspection Division (Portuguese acronym DAI) and by the other Bank Divisions and affiliated companies within the scope of their respective functions. Where applicable, these were also backed up by inspections and communications with the supervisory authorities.

The following is a summary of the CACI's activities in 2015, as part of its terms of reference.

1. Overseeing observance of the law and regulations, the supervision authorities' standards, the company's statutes and the internal policies, standards and practices

The Committee supervised compliance with legal, regulatory and internal provisions in the various areas encompassed by the audit and review work covering the internal and external auditors' procedures. To this end, the findings of these procedural reviews and work (which were submitted regularly during the year) were analysed, while being informed as to the implementation of the ensuing recommendations.

In the same order of concerns, the Committee examined, namely, the following work:

- analysis prepared by the External Auditors of the processes implemented at the BPI Group companies to ensure the safeguarding of Customers' assets;
- report compiled by the DAI concerning the BPI Group's compliance with the rules relating to the prudential reports submitted to the Bank of Portugal, as well as about the reliability of the respective contents;
- the BPI Group's "Recovery Plan" for submission to the Bank of Portugal and the European Central Bank (ECB), drawn up in conformity with the guidelines prescribed by the European Banking Authority.

The Committee was also kept informed during the year of the processes relating to the inspections carried out by the Bank of Portugal, pursuant to the Risk Evaluation Model (Modelo de Avaliação de Riscos – MAR), covering the areas "Loans to Large and Medium-sized Companies", "Loans to Small Businesses " and "Project Finance", reviewing the Bank's replies to those inspection reports and the rate of implementation of the recommendations formulated therein by way of the half-yearly progress reports.

Based on the identical documentation, it also followed the progress relating to compliance with the recommendations stemming from:

- the Bank of Portugal's Special Inspections Programme – SIP as regards the credit-risk procedures and controls and the impairment methodologies ("Workstream 1"), the calculation of the own funds requirements for credit risk ("Workstream 2") and the simulation and analysis of the amounts of those requirements ("Workstream 2.1");
- the inspection process covering the exposure to the construction and real-estate promotion sectors (OIP 2012);
- the transversal exercise of the impairment review of the loan portfolio (ETRICC), with respect to that aspect relating to the monitoring activity of the restructuring funds invested in by the credit institution;
- the Special Assessment Programme – SAP, devoted to the assessment of the risk-management policies and processes associated with distressed loans;
- the Comprehensive Assessment promoted by the ECB and concentrating on the Asset Quality Review – AQR.

It also pursued at the April meeting the questionnaires completed and lodged with the ECB relating to the management and control of credit, operational, market and interest-rate risks within the scope of that central bank's initiative entitled "Thematic Review on Risk Governance and Risk Appetite".

2. Supervision of the adequacy and compliance with the accounting policies and practices, review of the statutory audit and of the process involving the preparation and dissemination of financial information

Verification of compliance with accounting policies, criteria and practices and checking the integrity of financial information were also undertaken primarily through appraisal of the findings of the audits and reviews of procedures conducted during the year by the external and internal audit teams.

In addition, the Committee analysed in detail the BPI Group's consolidated results to December 2014, as well as those relating to the first, second and third quarters of 2015.

The March meeting analysed the draft 2014 Report and Accounts, as well as the Supervisory Board's report and opinion on the annual report and accounts and the Portuguese Statutory Auditor's draft statutory audit certification and audit report. At the September meeting, it considered the report and accounts for the first six months of 2015, as well as the external auditors' audit reports on the interim individual and consolidated financial information.

It also examined the principal findings of the review realised with respect to Banco BPI's and Banco Português de Investimento's financial statements by Deloitte for the periods ended 31 March and 30 September 2015. It also reviewed the financial statements of Banco de Fomento Angola (BFA) for the six months to June 2015.

At the April and October meetings, it reviewed the reports submitted by the external auditors covering the process of quantification of the impairment losses of Banco BPI's loan portfolio with reference to 31 December 2014 and 30 June 2015, pursuant to the *Bank of Portugal's Instruction no. 5 / 2013*.

Still as regards the monitoring of the preparation and dissemination of financial information, the Committee analysed at the June and December meetings the "Banco BPI's Quarterly consolidated information", prepared in compliance with *CMVM Regulation no. 5 / 2008*.

On the other hand, the report prepared by the Legal Division on the IRC tax computation relating to 2014 was the object of special review, as was the report on the review carried out by the external auditors of the respective Form 22.

In addition, it examined at the March meeting the findings and recommendations arising from the review carried out by Deloitte of the procedures followed regarding various aspects of a tax-related nature and deemed important for the Bank.

3. Evaluating and enhancing the effectiveness of the internal control system

The evaluation and enhancement of the efficacy of the internal control systems within the BPI Group was a permanent concern of the Committee.

With this mission, the Committee regularly evaluated the operational procedures in place at the Group companies, including the branches and subsidiaries.

The analysis carried out was essentially based on the findings of the procedural reviews conducted by the external auditors and by the Internal Audit unit, but also on the presentations and clarifications which are the responsibility of the relevant Boards and Divisions.

The information furnished periodically by the DAI unit on compliance and the forecast of the periods for implementation of the recommendations formulated by the audits, with an indication of the degree of associated risk, also constituted an important indicator.

The Committee also periodically reviewed the schedules indicating the areas and themes subjected to the audits conducted by the DAI in the last three years with the aim of becoming aware of the scope of these initiatives and their contribution to streamlining the internal control systems.

On the other hand, the April meeting analysed the draft report relating to 2014 covering the Internal Capital Adequacy Assessment Process (ICAAP), to be submitted to the supervision authorities in terms of regulations in force.

The same meeting also examined the report on loan concentration risk with reference to December 2014, compiled in compliance with the *Bank of Portugal's Instruction no. 5 / 2011*.

It also studied at the June meeting the document entitled "Disciplina de Mercado" (Market Discipline), published on the Bank's website in compliance with the provisions of *Decree-Law no. 104 / 2007* and *Notice no. 10 / 2007* and containing information about the BPI Group's risk-management policies.

Insofar as compliance with reporting duties to the supervisory authorities are concerned about the adequacy and effectiveness of the internal control systems, pursuant to the regulatory requirements of the Bank of Portugal, CMVM, the Instituto de Seguros de Portugal and "Commission de Surveillance du Secteur Financier" of Luxembourg, the committee analysed:

- the annual reports on the risk management, compliance and internal audit functions of the BPI Group, BPI Gestão de Activos and BPI Global Investment Fund Management Company – BPI GIF (Luxembourg);
- the annual internal control reports of the BPI Group and its subsidiaries and branches subject to supervision on a consolidated basis, as well as the opinions of the respective oversight bodies and the statutory auditors, sent to the Bank of Portugal and the CMVM;
- the annual reports dealing with the prevention of money laundering and the financing of terrorism for Banco BPI, Banco Português de Investimento and BPI Gestão de Activos, as well as the opinions of the respective oversight bodies, sent to the Bank of Portugal;
- the annual report on the internal audit function, as well as the annual report on the risk-management and internal control system at BPI Vida e Pensões and the respective statutory auditors' report, the last two of which sent to the Insurance and Pension Funds Supervisory Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões – ASF).

At the May meeting, the Committee reviewed the most relevant aspects and the principal rules relating to the management of BFA's operational, compliance, credit, market, liquidity, market, currency and IT systems risks, with the respective Executive Committee having provided the necessary clarifications concerning these matters.

4. Evaluating and promoting the effectiveness of the management system of non-financial risks

a) Operational risks

One of the principal means used in assessing and promoting efficacy in the control of operational risk involved the appraisal of the findings and recommendations resulting from the audits and review procedures conducted by the Auditors, in conjunction with the heads of the Divisions and Group companies which were the object of these reviews.

These findings permitted identifying the most important shortcomings and formulating the recommendations to the Group bodies and companies audited, as well as the transmission of suggestions to the Executive Committee regarding the issues at stake.

Besides the abovementioned audits and review procedures, the Committee also reviewed during 2015 other initiatives with the same purpose which covered the following areas:

(i) Reviews of the External Auditors' procedures:

- Credit Risks Division – Rating Area
- Transfers effected by the Bank on the domestic and overseas markets
- Intake of resources at the branches
- General IT Controls – SAMF Application
- Finance Division – Treasury Area – Liquidity
- Real Estate Investment Division – Valuations Area
- BFA – Loan Monitoring, Recovery and Legal Action Division
- BFA – Foreign and Treasury Division
- BFA – General IT Controls – Banka and Financa Applications

(ii) Audits of Banco BPI's Audit and Inspection Division

- French branch
- Payments Means and Market Operations Division – Transfers Area
- Operations and Financial Instruments Division – Custody
- Banco BPI Cayman
- Cayman branch
- Macau branch
- Credit Operations Division – Individuals and Small Businesses Area
- Spanish branch
- BPI GIF (Luxemburgo)

In addition a detailed analysis was performed at the April meeting of the annual reports on operational risk management, business continuity and information security, the coordination of which is undertaken by the Operational Risks Management Area of the Organisation and Quality Division. The Committee thus acquainted itself with the activities carried out in 2014 in those three areas, as well as the respective goals and initiatives under way with a view to the management of these risks at the BPI Group.

In addition, the Committee was informed at the January and July meetings about all the investigations carried out by the DAI of occurrences which generate losses, respectively in the second half of 2014 and first six months of 2015, having analysed the operational causes of these occurrences and the measures decided on for their eradication.

It also performed an identical analysis at the May meeting of incidents which occurred at BFA in 2014, by way of a report prepared by that bank's Security, Audit and Inspection Division (Portuguese acronym DAI).

Furthermore, it examined at the January and July meetings statistical data presented by the DAI relating to incidents of that nature which took place at Banco BPI, respectively in the three-year periods 2012 / 2014 and 2013 / 2015, with details of the risks imputed to the Bank and its Employees, as well as those assumed by the Bank.

Meanwhile at the March and September meetings, the summaries prepared by the Quality Area of the Organisation and Quality Division were reviewed regarding Customer complaints received at Banco BPI in the previous half year, as well as the improvements introduced into the internal procedures arising from the complaint situations, with a view to refining the control of operational risk. At the November meeting, a similar review was done as regards the summary presented by the BFA's Marketing Division covering the process for handling complaints at that Bank.

Special attention was also paid at the September meeting to the report submitted by the Procurement, Outsourcing and Fixed Assets Division regarding outsourced activities, with details of the methods and procedures utilised for ensuring adequate control of this type of activity on the subject of security, quality and price levels.

b) Compliance risk

The activity reports on the work performed by the Compliance Divisions of Banco BPI and BFA during 2014 were examined at the March and May meetings respectively, in the mission of preventing and mitigating compliance risk in the regulatory area and, more specifically, in the prevention of money laundering, the financing of terrorism and market abuse. It was therefore possible to be informed about the action taken by those two Divisions for streamlining and reinforcing the respective means of action.

The Committee also approved at the March meeting the activity plan of Banco BPI's Compliance Division for the 2015 financial year, when special attention was paid to pursuing the implementation of the compliance-risk management model, to strengthening the policy of Customer acceptance and to refining the Bank's Employee training policy in this domain. At the June meeting, the annual activity plan for 2015 relating to BFA's Compliance Division was approved.

The Committee also studied at the September meeting the document formalising the BPI Group's "Policy for the Prevention of Money Laundering and the Financing of Terrorism" drawn up by the Compliance Division, in conformity with the banking sector's best practices in this domain. It also acquainted itself with the internal regulations containing the corresponding operational procedures.

In compliance with the provisions of the Code of Ethics and Conduct, the Committee was given in a quarterly basis the Compliance Division's reports containing information about the results of the monitoring of the Code's observance.

c) Reputational risk

The Committee reviewed at the March and September meetings the various service-quality evaluation factors, as well as the external and internal instruments used at Banco BPI for its measurement, amongst which the service quality indices "IQS – Índices da qualidade de serviços". It also acquainted itself through the Quality Area with the strategic priorities resulting from the analysis of those indicators and the initiatives taken in order to foster quality in Customer attendance and support.

Complementarily, there was the opportunity to review the already-mentioned quarterly summaries covering complaints, the reputational risk associated with the procedures followed in the provision of services and communication with Customers.

The Committee reviewed at the October meeting the report on the work carried out during 2015 by the Investor Relations Division in the discharge of its financial information disclosure functions covering the control and management of reputational risk within the scope of its activity, and the response to requests from investors, analysts and other market agents.

Moreover, at the September meeting, it studied the Legal Division's information describing the procedures relating to the relationship with the Tax and Customs Authority within the context of compliance with tax-related obligations.

In addition, it reviewed the conclusions of the various reports issued during the year by the rating firms (Standard & Poor's, Moody's and Fitch Ratings) covering Banco BPI and Banco Português de Investimento, other Portuguese banks and the Portuguese Republic.

5. Evaluating and promoting the effectiveness of internal audit activity

The monitoring of the Audit and Inspection Division's (DAI) work and the evaluation of its efficacy were undertaken during the year through:

- approval of the quarterly audit plans;
- the review of the activity undertaken by the Division in each half year;
- the quarterly analysis of the audits performed in the last three years and the underlying criteria;
- the analysis of the principal findings of the audits;
- the analysis of compliance with the recommendations issued by the DAI, by the external auditors and by the Bank of Portugal, based on information supplied by that Division with indication of the respective degrees of risk.

In drafting the audit plans, the Committee followed the principle of guaranteeing as regards the central services and the Group companies, adequate distribution of the audit work over the major risk areas or with a greater administrative burden, and as regards the commercial network, the bodies also indicating the greatest risk or the occurrence of possible irregularities.

The monitoring and control of the activity of BFA's DAI realised within the scope of the Committee's functions with respect to the Group companies subject to supervision on a consolidated basis, were meanwhile realised through the review of its 2014 activity report and the approval of the respective audit plan for 2015. At the November meeting, the Committee was informed about the audit of BFA's branches carried out by the DAI in 2015 up till that month, with details of the principal findings.

6. Monitoring and overseeing the Portuguese statutory auditors' independence and activity

The Committee supervised and evaluated throughout the year the activity and independence of the Portuguese statutory auditors, namely as regards the provision of additional services.

In this regard, the Committee issued an opinion on the external auditors' procedural review plan for 2015 at Banco BPI and Banco Português de Investimento, with a view to its approval by the Supervisory Board. In addition and as already referred to, it studied the findings of those reviews and followed through the adoption of the resulting recommendations.

It also reported for the same purpose on the proposed fees relating to the external auditors' annual work plan at those two banks and at other Group companies.

It also examined and submitted, with its opinion, to the Supervisory Board for approval Deloitte's proposals for work not directly related with their function as the Group's external auditors.

At the September meeting, the Committee also perused the most salient aspects of *Law nos. 140 / 2015* and *148 / 2015*, respectively of 7 and 9 September, which approved the new Statute of the Portuguese Institute of Statutory Auditors and the Legal Regime for Audit Oversight, as regards the new rules governing the mandates and functions of the Statutory Auditors at public-interest entities.

29.2. Financial Risks Committee

Terms of reference and activity

Without prejudice to the functions legally attributed to the Supervisory Board, the Financial Risks Committee (Portuguese initials CRF) is responsible for monitoring the management policy covering all the financial risks associated with the company's business, namely liquidity, interest rate, currency, market and credit risks, as well as monitoring the management policy relating to the company's pension fund.

The Financial Risks Committee met ten times in 2015, having dealt with the following matters at those meetings:

Date	Resolutions / Matters
29 January 2015	▪ Banco BPI's liquidity situation. ▪ Loan Operations to be submitted to the Board of Directors and to the Supervisory Board, pursuant to articles 85 and 109 do Regime Geral das Instituições de Crédito (RGIC). ▪ Other Credit Operations.
26 March 2015	▪ Banco BPI's liquidity situation. ▪ Exposure to Sovereign Debt. ▪ Loan Operations to be submitted to the Board of Directors and to the Supervisory Board, pursuant to articles 85 and 109 of General Regime for Credit Institutions (Regime Geral das Instituições de Crédito – RGIC). ▪ Other Credit Operations.
28 April 2015	▪ Banco BPI's liquidity situation. ▪ ILAAP – Internal Liquidity Adequacy Assessment Process. ▪ Proposed Limit for counterparty of Repo Operations. ▪ Loan Operations to be submitted to the Board of Directors and to the Supervisory Board, pursuant to articles 85 and 109 of General Regime for Credit Institutions (Regime Geral das Instituições de Crédito – RGIC). ▪ Other Credit Operations.
3 June 2015	▪ Analysis of medium / long-term loan operations.
12 June 2015	▪ Banco BPI's liquidity situation. ▪ Updating of the Markets Room Manual. ▪ Loan operations to be submitted to the Board of Directors and the Supervisory Board, pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC). ▪ Other Loan Operations. ▪ Behaviour of the 20 biggest exposures to non-financial entities. ▪ Behaviour of the 50 biggest impairments at Corporate and Small Business Banking. ▪ Credit risk exposures of more than 75 M.€. ▪ Trend in the distribution of the Corporate Banking portfolio by rating classes. ▪ Behaviour of the 100 largest exposures in the construction and public works sector. ▪ Behaviour of the 20 largest exposures to the real-estate activities sector. ▪ Behaviour of the Loan Portfolio of the groups controlled by entities resident in Spain. ▪ Behaviour of the Loan Portfolio of non-residents in Portugal and Spain. ▪ Trend in foreclosed fixed properties and respective impairments. ▪ Corporate Banking groups under observation. ▪ Analysis of defaults in excess of 250 000 € at Corporate and Small Business Banking.
15 July 2015	▪ Banco BPI's liquidity situation. ▪ Loan operations to be submitted to the Board of Directors and the Supervisory Board, pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC). ▪ Other Loan Operations.
27 July 2015	▪ Suspension of the credit limit attributed to an entity. ▪ Diversification of the liquid assets portfolio. ▪ Loan Operations to be submitted to the Board of Directors and to the Supervisory Board, pursuant to articles 85 and 109 of General Regime for Credit Institutions (Regime Geral das Instituições de Crédito – RGIC).
9 September 2015	▪ Banco BPI's liquidity situation. ▪ Loan operations to be submitted to the Board of Directors and the Supervisory Board, pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC). ▪ Other Loan Operations.
21 October 2015	▪ Banco BPI's liquidity situation. ▪ Loan operations to be submitted to the Board of Directors and the Supervisory Board, pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC). ▪ Other Loan Operations. ▪ Trend of the 20 largest exposures to non-financial institutions. ▪ Trend in the 50 biggest impairments at Corporate and Small Business Banking. ▪ Credit risk exposures of more than 75 M.€. ▪ Trend in the distribution of the Corporate Banking portfolio by rating classes. ▪ Trend in 100 biggest exposures in the construction and public works sector. ▪ Trend in the 20 biggest exposures to the real-estate sector. ▪ Trend in the Loan portfolio of groups controlled by entities resident in Spain. ▪ Trend in the Loan portfolio of non-residents in Portugal and Spain. ▪ Trend in foreclosed fixed properties and respective impairments. ▪ Corporate Banking groups under observation. ▪ Analysis of defaults in excess of 250 000 € at Corporate and Small Business Banking.

Date	Resolutions / Matters
9 December 2015	▪ Banco BPI's liquidity situation.
	▪ Loan operations to be submitted to the Board of Directors and the Supervisory Board, pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC).
	▪ Other loan operations.

29.3. Corporate Governance Committee

Terms of reference and activity

The function of the Corporate Governance Committee (portuguese initials CGS) is, besides its core mission of supporting and advising the Board of Directors on matters relating to corporate governance, to make pronouncements on matters within the scope of corporate social responsibility, ethics, professional conduct and environmental protection. The Committee prepares an annual report on the functioning of the company's corporate governance structure.

Activity of the Corporate Governance Committee in 2015

Date	Resolutions / Matters
20 March 2015	▪ Review of the BPI Group's proposed and preliminary Corporate Governance Report in 2014.
	▪ Review of Banco BPI activity in 2014 within the scope of its Social Responsibility, with the Committee having considered very positively the fact that the Bank, notwithstanding the constraints stemming from the particularly challenging economic landscape, having kept its commitments in the corporate social responsibility sphere – patronage, social solidarity, culture, education and research, innovation and entrepreneurship.
	▪ Information regarding the latest legislative / regulatory news relating to Corporate Governance matters.
23 December 2015	▪ Monitoring of the Board of Directors functioning following the ECB Governing Council's decision of 20 November, with the object of considering whether and to what extent, the dispute between the Bank's two principal shareholders has affected its governance or the decision process, and definition of the measures to be considered.

29.4. Nominations, Evaluation and Remuneration Committee

Terms of reference and activity

The Nominations, Evaluation and Remuneration Committee (portuguese initials – CNAR) is responsible for filling vacancies arising on the governing bodies and for the selection of Directors to be appointed to the Executive Committee. Its functions also include performing the tasks envisaged in the Selection and Evaluation Policy, as well as those set out in the Remuneration Policy and in article 7 of *Bank of Portugal Notice 10 / 2011*.

Activity of the Nominations, Evaluation and Remuneration Committee in 2015

Date	Resolutions / Matters
26 March 2015	▪ Approval of the opinion on the proposed "Banco BPI's Remuneration Policy applicable to the members of the Board of Directors and Supervisory Board" to be submitted by the Remuneration Committee to the Shareholders' General Meeting of 29 April 2015, as well as on the execution and application of the Remuneration Policy in force in 2014.
	▪ Approval of the opinion on the proposed "Selection and Evaluation Policy of the members of Banco BPI's Board of Directors, Supervisory Board and Employees with essential functions" to be presented by the Board of Directors to the General Meeting;
	▪ Evaluation of the performance of the members of the Executive Committee in 2013.
	▪ Change in the Committee's Chairman.
29 July 2015	▪ Review, in legal terms and pursuant to the Selection and Evaluation Policy in force, of the suitability of the person indicated to fill the vacancy arising on the Board of Directors.
28 October 2015	▪ Evaluation of the situation resulting from the public statements made on 21 July by the representative and directors of the shareholder HVF, SGPS, S.A., Tiago Violas Ferreira.
	▪ Assessment of the alterations introduced by Bank of Portugal Instruction no. 12 / 2015 relating to the authorisation procedure for the exercise of functions as members of the Board of Directors and of the Supervisory Board.

The full specification of the abovementioned specialist Committees' duties are laid down in the statutes and respective regulations. Both these documents are available for consultation on the Investor Relations website (www.ir.bpi.pt), under the BPI Group's Governance section.

III. OVERSIGHT

30. Identification of the oversight body

The oversight function is entrusted to the Supervisory Board and to the Portuguese Statutory Auditor.

Terms of reference of the Supervisory Board

The Supervisory Board's core terms of reference are supervising the company's management, overseeing compliance with the Law and the Statutes, verifying that the annual report and accounts present a true and fair view, overseeing the Portuguese statutory auditors' annual audit and independence, as well as evaluating their work. The complete spectrum of this body's functions is set out in the statutes and respective regulations. Both these regulatory documents are available on the Investors' Relations website, under the section "Corporate Governance".

31. Supervisory Board's composition

At 31 December 2015, the Supervisory Board had the following composition:

At 31 December 2015

	Date of first appointment	End of current term
Chairman		
Abel António Pinto dos Reis	23 Apr. 08	31 Dec. 16
Members		
Jorge de Figueiredo Dias	21 Apr. 99	31 Dec. 16
Rui Campos Guimarães	23 Apr. 14	31 Dec. 16
Alternates		
Luís Roque de Pinho Patrício	23 Apr. 14	31 Dec. 16
Francisco Olazabal	22 Apr. 09	31 Dec. 16

According to article 22 of the Articles of Association, *"The Supervisory Board is composed of at least three and no more than five permanent members, and also two alternate members."*

According to article 29 of the Articles of Association, *"The members of the governing bodies are elected for three-year periods and may always be re-elected, except for the members of the Supervisory Board, who shall only be re-elected for another two consecutive terms of office".*

32. Identification of the independent members of the Supervisory Board

The following table lists the members of the Supervisory Board who meet the independence criteria in terms of article 414(5) of the CCC.

Independence (according to art. 414 (5) CCC)

	a)[1]	b)[1]
Chairman		
Abel António Pinto dos Reis	Complies	Complies
Members		
Jorge de Figueiredo Dias	Complies	-[2]
Rui Campos Guimarães	Complies	Complies
Alternates		
Luís Roque de Pinho Patrício	-	-
Francisco Olazabal	-	-

33. Professional qualifications and other important curricular details

Consult the annex to the present report (page 375).

34. Supervisory Board's Regulations

The Supervisory Board's functioning Regulations are available on the Investor Relations website (www.ir.bpi.pt), under the section "Corporate Governance".

35. Number of meetings held and attendance rate

Member	No. of meetings in which member was present	Attendance rate (%)
Abel Pinto dos Reis	13	93
Jorge Figueiredo Dias	13	93
Rui Campos Guimarães	14	100

During 2015 the Supervisory Board held fourteen meetings, at which all of its members were present, with two exceptions, as described in the Supervisory Board's Activity Report.

In addition to those meetings, the Supervisory Board attended 10 meetings of the Audit and Internal Control Committee.

36. Positions occupied in other companies and other important functions exercised by the members of the Supervisory Board

Consult the annex to the present report (page 375).

1) A person is deemed to be independent if he / she is not associated with any specific interest group in the company, or is not in any position that may influence his / her impartiality of analysis or decision, namely by virtue of a) being the owner or acting in the name or on behalf of the holders of a qualified shareholding of 2% or more of the company's share capital; b) having been re-elected for more than two terms of office, successive or interspersed.
2) Is covered by article 414(b) of the CCC by virtue of having been re-elected for more than two terms of office on BPI's governing bodies.

37. The Supervisory Board's involvement in the contracting of additional services from the external auditor

The Supervisory Board, through its specific opinions, reviews and decides, after having heard the Audit and Internal Control Committee, on the provision of additional services to the company and its Group companies, as well as the respective conditions, controlling the weight of the fees adjudicated relating to "Tax Consultancy Services" and "Other non-Statutory Audit Services" relative to the total fees contracted.

Of the total services adjudicated to Deloitte in 2015, those referring to Tax Consultancy and Non-Statutory Audit Services or of assurance represented 16.7%. The figure mentioned here may differ from the amount of the emoluments paid to Deloitte in the year due to a possible timing difference between the period to which the adjudication refers and the period of the actual provision of the service.

38. Other Supervisory Board functions

Besides the functions set out in item 37, the Supervisory Board's terms of reference include, amongst others,

With respect to the external auditor of the company:

- to submit to the Board of Directors the proposal concerning the external auditor to be contracted by the company, including not only the proposal about who should provide those services, but also the proposal for the respective remuneration;
- to represent the company, for any and all purposes, in relation to the external auditor, and act, notably, as the first contact of the company with the auditor and the first recipient of the respective reports;
- to ensure that the company provides the appropriate conditions for the external auditor to render its services;
- to oversee the independence of the external auditor;
- approving, after hearing the Audit and Internal Control Committee, the external auditor's annual work plan;
- evaluating the external auditors' work;
- to propose to the General Meeting the dismissal or resolution of the service contract with the External Auditor whenever there are grounds for just cause.

With respect to the Statutory Auditor:

- to propose its appointment to the General Meeting;
- to oversee the statutory audit of the accounting documents of the company;
- to oversee the independence of the Statutory Auditor and, within that framework, consider and decide, upon consulting with the Audit and Internal Control Committee, about the provision of additional services by the Statutory Auditor to the company and companies of its Group, as well as the conditions thereof.

As regards internal control:

- to verify, at Banco BPI and other companies of the Group subject to supervision on a consolidated basis, that the major targets set by the Bank of Portugal and the CMVM (the Portuguese stock market regulator) for internal control and risk management in the guidelines on supervision addressed to credit institutions and financial companies, are met.

In terms of its Statutes, its operating regulations and as evidenced in its annual activity report, the Supervisory Board evaluates the functioning of the internal control and risk management systems, proposing the alterations that it deems necessary and issuing opinions on the work plans and the resources allocated to the internal audit services and other compliance services.

The complete framework of the Supervisory Board's terms of reference is embodied in the statutes and the respective regulations. Both these documents are available for consultation on the Investor Relations website (www.ir.bpi.pt), under the BPI Group's Governance section.

IV. PORTUGUESE STATUTORY AUDITOR

The Portuguese statutory auditor is appointed by the General Meeting following a proposal by the Supervisory Board. It can be a natural person or a company with the statutory auditor status. In addition to the member in office, an alternate member shall be appointed.

Terms of reference

The Portuguese statutory auditor is responsible for carrying out all the examinations and all the necessary verifications for the audit and certification of the accounts.

39. Details of the Statutory Auditor and the partner who represents said Auditor

Deloitte & Associados, SROC, S.A. (Deloitte), a member firm of the international network Deloitte Touche Tohmatsu (DTTL network), is the BPI Group's Portuguese Statutory Auditor and was elected in the General of Meeting of 23 April 2014 for the 2014 / 2016 three year period.

António Marques Dias was until 17 February 2016 the partner responsible for the audit of Banco BPI's financial statements. Deloitte & Associados SROC S.A. designated on 18 February 2016 Paulo Alexandre de Sá Fernandes to carry out, in representation of the aforesaid firm, the function of Portuguese statutory auditor.

The Company's alternate Statutory Auditor is Dr. Carlos Luís Oliveira de Melo Loureiro.

40. Indication of the number of years in which the statutory auditor has worked consecutively with the company and/or the group

Deloitte & Associados, SROC, S.A. has exercised functions consecutively at the BPI Group since 2002.

41. Description of other services rendered by the ROC to the company

See item 47.

V. EXTERNAL AUDITOR

42. Identification of the External Auditor

The firm Deloitte & Associados, SROC, S.A. (as identified in item 39 above) is similarly and for purposes of article 8 of the Securities Code, the Bank's External Auditor and is registered with the CMVM under number 231.

António Marques Dias represented the External Auditor until 17 February 2016, after which date Paulo Alexandre de Sá Fernandes became the External Auditors' representative.

43. Number of years in which the external auditor and the statutory audit partner representing the firm exercise functions at the BPI Group

The External Auditor, Deloitte & Associados, SROC, S.A., has exercised functions consecutively at the BPI Group since 2002.

António Marques Dias is the partner who has represented the External Auditor since 2011.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

BPI recognises and subscribes to the concerns manifested, amongst others, by the CMVM (Securities Market Commission), by the European Commission and by IOSCO – International Organization of Securities Commissions, amongst other entities, regarding the safeguarding of auditors' independence *vis-à-vis* the audit Client. BPI believes that this independence is essential for ensuring the public's trust in the reliability of their reports and in the credibility of the financial information published.

BPI is of the opinion that its auditors are independent within the context of the regulatory and professional requirements applicable and that their objectivity is not compromised. BPI has incorporated into its governance practices and policies several mechanisms which safeguard the independence of the auditors.

Indeed, the company which audits the BPI Group's accounts, as well as the persons in charge of the relevant audit work, has to the best of BPI's knowledge, no interest – effective or imminent – financial, commercial, employment, family or of any other nature – other than those which result from the normal course of their professional activity – in BPI Group companies, capable of leading a reasonable and informed third party to consider that such interests could compromise the auditor's independence.

On the other hand, the Portuguese Statutory Auditors Act (EOROC) provides that anyone who has served in the last three years as a member of a company's administrative or management bodies, cannot exercise the function of auditor of the same company. In the same manner, the Portuguese Statutory Auditor who in the last three years has acted as the Portuguese Statutory Auditor of companies or entities, is barred from exercising functions as a member of such companies' or entities' administrative or management bodies.

The EOROC furthermore provides that in the case of public-interest entities the maximum period for carrying out audit functions by the partner responsible for the direct organisation or execution of the audit is seven years, commencing from the date of his / her appointment, but may be appointed again after a minimum period of two years has elapsed.

Pursuant to the provisions of applicable legislation, the Supervisory Board verified the auditors' independence by means of: (a) the auditors' written confirmation of independence as envisaged in article 62-B of the EOROC; (b) the confirmation of compliance with the rotation requirements relating to the partner in charge and (c) the identification of the threats to independence and safeguard measures adopted for their mitigation.

BPI has adopted the principle of not entering into employment contract s with any person that has in the past been partner of the audit firm which has provided audit services to any BPI Group companies before at least three years have elapsed since the cessation of the provision of such services.

In years in which there are elections of Governing Bodies, the Supervisory Board proposes to the General Meeting the nomination of the External Auditor / Portuguese Statutory Auditor, carrying out for this purpose a prior analysis which, with respect to the election held at the 2014 General Meeting, the Supervisory Board referred to in its report in the following manner:

"The Board analysed the need to propose to the General Meeting the nomination of the External Auditor / Portuguese Statutory Auditor for the period 2014 / 2016, taking into account that:

a) In April 2011 the Bank reappointed Deloitte & Associados as the BPI Group's External Auditor / Portuguese Statutory Auditor, although there was already in force (and applicable to BPI) a CMVM recommendation of 2010 concerning the periodic rotation of the External Auditor / Portuguese Statutory Auditor;

b) This decision was based on the fact that the country is confronted with a severe and long-lasting economic and financial crisis, which required that the EA's in office had an in-depth and detailed knowledge of the respective CI's;

c) In a first phase, the inadequate knowledge of the CI's reality on the part of a new External Auditor / Portuguese Statutory Auditor (only rebuttable in a gradual manner over the medium term), naturally gives origin to difficulties in the resolution of shortcomings and weaknesses, potentially causing bigger losses, as well as costs with the hasty development of transitional solutions or mitigating actions;

d) The prevailing environment is today much more serious than that observed at the beginning of 2011;

e) The economic-financial crisis has deteriorated in the economically more developed zones, with a strong incidence in Europe and therefore in Portugal, an economically weak country with a high level of indebtedness (and still climbing);

f) More specifically, what matters to BPI is highlighting the following factors:

i. The marked contraction in economic activity and employment reflects itself very negatively on the banking system, namely from the viewpoint of risks, impairments and losses in the loan portfolios, as well as losses incurred not only on investments in financial assets but also on fixed properties (own and held as security);

ii. The application of the Recapitalisation Contract reinforces even further the need for an in-depth knowledge and always up-to-date of the Bank's reality on the part of the External Auditor / Portuguese Statutory Auditor; only in this manner is it possible to carry out an effective monitoring and mitigation of the actual and potential risks, as well as provide the support which becomes necessary for compliance with the targets which have been committed to;

iii. The fact that, as part of the economic and financial adjustment programme and complementing the audits conducted by the Bank of Portugal, the auditors accredited on the market have already been auditing on a regular basis at Banco BPI, following the guidelines issued by the Bank of Portugal, with the consequent validation of the work carried out by the Bank's External Auditor;

iv. The promotion of improved activity in the Internal Audit, Compliance and Risk Management areas, which have been regularly monitored by the Executive Committee, the Audit and Internal Control Committee and the Supervisory Board.

g) Collaterally, but in consonance with the above commentary, the EBF in its Draft of 2013.02.04, advises against the rotation of the CI's External Auditor / Portuguese Statutory Auditor, citing reasons of logic and common sense identical to those taken into account by the Bank at the time of the last reappointment of its External Auditor / Portuguese Statutory Auditor.

In this context and after considering this matter, in liaison with the Board of Directors, the Supervisory Board was of the opinion that it should propose the renewal of the contract with the current External Auditor / Portuguese Statutory Auditor – Deloitte & Associados, SROC S.A. for the term 2014 / 2016."

Law no. 140 / 2015 was published on 7 September 2015 and which approves the new Portuguese Institute of Statutory Auditors Statute (Estatuto da Ordem dos Revisores Oficiais de Contas – ROC), whose provisions came into force on 1 January 2016.

This enactment ensures in partial terms the execution of *Regulation (EU) no. 537 / 2014* of the European Parliament and Council of 16 April 2014, relating to the specific requirements for the statutory audit of the consolidated accounts of the so-called "public interest entities", a concept which includes Banco BPI not only because it is a credit institution, but also because it is a company that has issued negotiable securities which are listed on a regulated market.

According to the new rules, the statutory audit functions may be performed by the same statutory auditor over a maximum period of seven years after its first appointment (which can be exceptionally extended up to a maximum of 10 years provided that extension is approved by the relevant body), and may be appointed again after a minimum interval of 4 years. The functions must be performed initially for a minimum legal period of 2 years and for a maximum period corresponding to two or three terms of office, depending on whether these have a duration of 4 or 3 years respectively.

Irrespective of the rules governing the change in statutory auditor, it is also compulsory for there to be a change in the partner responsible for the orientation or direct execution of the statutory audit at the end of 7 years, although the same person may be appointed once again after a minimum interval of 3 years.

Notwithstanding the fact that *Law no. 140 / 2015* provides that the period during which the partner responsible, the statutory auditor or a firm of statutory auditors at a public-interest entity exercised functions prior to the date of coming into force of the new Institute's Statute, approved in an annex to the aforesaid law, and, subsequent to that moment, until the termination of the terms of office in progress, being recorded, at the time of the eventual renewal of the term of office, for purposes of the application of the above limits, the same Law provides that the rules contained in it, namely with respect to the requirements of the integrity and qualification of the statutory auditors and of the firms of statutory auditors, does not impinge upon the compliance with the terms of office in progress.

45. Indication of the body responsible for evaluating the external auditor and frequency with which this evaluation is carried out

The evaluation of the External Auditor falls within the Supervisory Board's terms of reference, in the terms explained in item 37 above. The evaluation is carried out annually.

The Supervisory Board is responsible, in terms of its regulations, for proposing to the General Meeting the dismissal or resolution of the service contract with the External Auditor whenever there are grounds for just cause.

46. Identification of non-audit work

All the work adjudicated is the object of case-by-case approval by the Supervisory Board, once it has obtained the prior opinion of the Audit and Internal Control Committee. The Supervisory Board takes into account the legal limits fixed for the different types of services.

47. Remuneration

Indication of the amount of the annual emoluments paid by the company and/or by the companies controlled by it or with a group relationship, to the Auditors and other natural or legal persons belonging to the same network, and details of the percentage referring to the following services (for purposes of this information, the concept of network is that which is defined in the *European Commission's Recommendation no. C (2002) 1873*, of 16 May):

Breakdown of the emoluments paid to Deloitte

Amounts in th.€

	2014		2015	
	th.€	%	th.€	%
By the Company				
Statutory audit services	615	27.1%	741	32.8%
Assurance services	271	11.9%	310	13.7%
Tax consultancy services	215	9.5%	25	1.1%
Other non-audit related services	67	2.9%	0	0.0%
	1 550	**56.0%**	**1 076**	**47.7%**
By entities making up the group[1]				
Statutory audit services	512	22.5%	492	21.8%
Assurance services	368	16.2%	329	14.6%
Tax consultancy services	102	4.5%	129	5.7%
Other non-statutory audit services	249	9.0%	231	10.2%
	1 216	**43.9%**	**1 181**	**52.3%**
Total	**2 767**	**100.0%**	**2 257**	**100.0%**

1) By decreasing order of importance as regards the amount paid: BFA, BPI Vida e Pensões, BPI-BI, BPI Strategies, BPI Suisse, BPI Luxemburgo, Banco BPI Cayman, Banco BPI – Macau Offshore, BPI Private Equity, BPI Capital Africa, BPI Alternative Fund Luxemburgo, BPI Capital Finance, BPI – Locação de Equipamentos, BPI Moçambique – Sociedade de Investimentos, BPI Madeira and BPI GA.

C. INTERNAL ORGANISATION

I. STATUTES

48. The rules governing amendment to the articles of Association

In terms of article 30 of the Articles of Association, any amendment requires approval by a majority of two thirds of the votes cast at a General Meeting specially convened for this purpose, except for any amendment to article twelve, paragraphs four and five, article thirty-one, paragraph one, as well as to number two of article thirty, which requires approval by seventy-five per cent of votes cast.

The matters to which the above provisions refer and which require a majority of 75% of the votes cast in order to be amended are the following:

- article 12(4) and(5) – provisions which regulate the limitation of the number of votes cast by a shareholder and entities related to him / her and capable of being counted;
- article 31(1) – provision that lays down a special qualified majority for the company's dissolution;
- article 30(2) – provision that lays down that an alteration to the imposition of a qualified majority for the abovementioned matters can only be changed by the application of the aforesaid majority.

As referred to earlier in item 14 the Board of Directors, taking into consideration the circumstances and explanations detailed in that item, by way of a resolution passed on 4 February 2016 approved a motion to eliminate the statutory rule limiting the counting of votes, to be submitted for deliberation at the Shareholders' General Meeting.

II. REPORTING OF IRREGULARITIES

49. Reporting means and policy on the reporting of irregularities in the company

The Supervisory Board is responsible in terms of article 420 j) of the CCC, for the receiving the communications of irregularities presented by Employees, Customers, Shareholders and any other entities.

BPI Employees must communicate to the oversight body, the Supervisory Board, any irregular practices which they detect or are aware of or have justified suspicions of so as to prevent or impede irregularities which may cause financial damages to BPI or damage to the Bank's image.

In terms of the service instrument that regulates this matter and which clearly sets out all the procedures and which is available to all Employees, the communication referred to in the preceding number must be made in writing and contain all the details and information that the Employee has available and which he / she deem to be necessary for assessing the irregularity. The Employee may also request confidential treatment as regards the origin of the communication.

The communications of irregularities are received, opened and processed by the Advisor to the Supervisory Board, who shall be responsible for safeguarding the anonymity of all the relevant subscribers.

The Supervisory Board Advisor informs the respective Chairman of the communications of irregularities received who, having heard the other members of the Supervisory Board, when deemed necessary, shall decide on what course of action to take.

Where the communications of irregularities warrant the intervention of the Bank's departments, namely of the Audit and Inspection Division, they are presented by the Supervisory Board's Chairman to the Chairman of the Board of Directors which will deal with them in the appropriate manner.

Copies of the reports produced by the DAI or by any other body so requested are sent to the Chairmen of the Supervisory Board, of the Board of Directors and of the Audit and Internal Control Committee.

The Supervisory Board's report discloses the number of communications of irregularity received and their status.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Persons, bodies or committees responsible for the internal audit and for the implementation of internal control systems

The internal control system in existence at Banco BPI is founded on the objectives and guidelines laid down by the Board of Directors and the CACI. These are monitored closely by the last-mentioned Committee and are based on a structure which encompasses, amongst others, a Risk Control Division, an Audit Division and a Compliance Division.

This system's oversight and evaluation are undertaken by the Supervisory Board which not only functions in full liaison with the CACI but is also directly involved in the supervision of the principal risks and in the definition of the risk-management, compliance and internal audit programmes.

51. Explanation, even if by inclusion in the organisation chart, of the hierarchical and/or functional dependence relationships vis-à-vis the company's other bodies or committees

The BPI Group's overall risk management falls within the Board of Directors' Executive Committee's terms of reference. As concerns the Executive Committee, the risk divisions' portfolio is entrusted to a Director with no direct responsibility for the commercial divisions.

At senior level there is also one specialist executive committee: the Credit Risks Executive Committee, whose attention is focused on the analysis of large-scale operations.

Without prejudice to the functions legally attributed to the Supervisory Board, the Financial Risks Committee is responsible for monitoring the management policy covering all the financial risks associated with the company's business, namely liquidity, interest rate, currency, market and credit risks, as well as monitoring the management policy relating to the company's pension fund.

52. Other functional areas responsible for risk control

The Bank has a centralised and independent structure for dealing with the analysis and control of risk in accordance with the best organisational practices in this domain and with the requirements of the Basle Accord. The Risk Analysis and Control Division is responsible for monitoring global risks and for the management of the risk datamart for the whole Group.

In the specific domain of corporates, small businesses, institutional Clients and project finance credit risks, the Credit Risk Division undertakes an appraisal, independent of the commercial structures, of the risk of the various proponents or sureties and of the characteristics of the operations. The granting of ratings falls within this Division's terms of references, with the Rating Committee having the power to derogate them for the Clients with great exposure. Quantitative models and expert analysis produced, respectively, by the Risk Analysis and Control Division and the Credit Risk Division, are available to support the attribution of ratings. The Corporate Loans Recovery Division undertakes the management of recovery proceedings in the event of default.

In the specific sphere of Individuals' credit risk, it is the task of the Individuals' Credit Risk Division to perform the functions of independently analysing proponents, sureties and operations, backed by the various risk indicators and scoring models produced by the Risk Analysis and Control Division. The management of recovery processes also forms part of the functions of the Individuals' Credit Risk Division.

In specific segments such as loans to financial institutions or derivatives, there are credit risk analysis areas which carry out similar functions to those described for companies or individuals.

The management of operational risk at the BPI Group is entrusted to two specific bodies: the Operational Risk Committee and the Analysis and Operational Risk Management Area, as well as to members of each one of the Group's bodies – operational risks' pivots – charged with the identification and management of operational risks in their areas of activity.

The BPI Group's Compliance Division covers all areas, processes and activities of companies of BPI Group in Portugal and has as its mission contributing to the prevention and mitigation of the "Compliance Risks", which translate into the risk of legal or regulatory sanctions, financial or reputational loss as a consequence of the failure to comply with the law, regulations, code of conduct and good banking practices, fostering the observance by the BPI Group and its Employees of all the applicable rules by way of an independent involvement, in conjunction with all the Bank's organic units. The Group entities not covered have their own requirements, adapted to the products and services that they are selling and to the size of each one.

Matrix of responsibilities for risk management and control

	Identification and analysis of exposure	Strategy	Limits and control	Recovery	Performance Evaluation
Credit / counterparty risk	**DACR**: rating and scoring models (probabilities of default), and loss given default for all loan segments **DACR** and **DF**: external rating identification for debt securities and for credit to financial institutions **DRC**: Risk analysis, Rating for Corporates, Small Businesses, Project Finance and Institutional Clients **Rating Committee**: Rating for Institutional Clients and Derogation of Rating for Large Corporates **DRCP**: Expert System for loans to Individuals **DACR**: exposure to derivatives **DACR**: analysis of overall exposure to credit risk	**CECA**: overall strategy **CECA**, **CERC**: approval of substantial operations **Credit Board**, **DRC**, **DRCP**, **DF**: approval of operations	**CA** (with CRF advisory) **CECA**, **CERC**, **Credit Board**, **DRC**, **DRCP**, **DACR**, **DF**: limits **CA** (with CRF advisory), **CECA**, **CACI**, **CERC**, **Credit Board**, **DACR**, **DO**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control	**DRCE**: Companies **DRCP**: Individuals and Small Businesses	**CECA**, **CERC**, **DCPE**, **DACR**, **All other Divisions**
Country risk	**DF**: analysis of individual country risk with recourse to external ratings and analyses **DACR**: analysis of overall exposure	**CECA**: overall strategy **DF**, **DA**: operations	**CA** (with CRF advisory) **CECA**, **CACI**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		
Market risk	**DACR**: analysis of risk by books / instruments and global risks – interest rates, currencies, shares, commodities, other.	**CECA**: overall strategy **DF**, **DA**: operations	**CA** (with CRF advisory) **CECA**, **CERG**, **DACR**, **DF**, **DA**: limits **CECA**, **CACI**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		
Liquidity risk	**DF**, **DA**: individual risk analysis of liquidity, by instrument **DACR**: analysis of overall liquidity risk	**CECA**: overall strategy	**CA** (with CRF advisory) **CECA**, **CACI**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		
Operating risks	**DACR**: analysis of overall exposure **DOQ** and **all the Divisions**: identification of critical points	**CECA**: overall organisation **CRO** **DOQ**: regulations	**CECA**, **DORG**, **DACR**: regulation and limits **CECA**, **CACI**, **DOQ**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control	**DJ**, **DAI**, **DO**, **Commercial Divisions**	**CECA**, **DOQ**[2]
Legal and compliance risks	**DJ** **DC**: analysis of compliance risks (= legal default, market abuse, money laundering and financing terrorism)	**CECA**: compliance	**CECA**, **CACI**, **DJ**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		

CA – Conselho de Administração (Board of Directors): **CACI** – Comissão de Auditoria e de Controlo Interno (Audit and Internal Control Committee); **CECA** – Comissão Executiva do Conselho de Administração (Board of Directors Executive Committee); **CERC** – Comissão Executiva de Riscos de Crédito (Credit Risks Executive Committee); **CRF** – Comissão de Riscos Financeiros (Financial Risks Committee); **CRO** – Comité de Risco Operacional (Operating Risk Committee); **DA** – Departamento de Acções (Equity Department); **DACR** – Direcção de Análise e Controlo de Riscos (Risk Analysis and Control Division); **DAI** – Direcção de Auditoria e Inspecção (Audit and Inspection Division); **DC** – Direcção de Compliance (Compliance Division); **DCPE** – Direcção de Contabilidade, Planeamento e Estatística (Accounting, Planning and Statistics Division); **DF** – Direcção Financeira (Financial Division); **DJ** – Direcção Jurídica (Legal Division); **DO** – Direcção de Operações (Operations Division); **DOQ** – Direcção da Organização e Qualidade (Organisation and Quality Division); **DRC** – Direcção de Riscos de Crédito (Credit Risk Division); **DRCE** – Direcção de Recuperação de Crédito a Empresas (Corporate Credit Recovery Division); **DRCP** – Direcção de Riscos de Crédito a Particulares (Individuals Credit Risk Division).

1) As part of the execution of the audit and statutory audit of the BPI Group's accounts, the external auditors also contribute to the process of controlling the various risks to which the Group is exposed.

2) Except in the cases of compliance and DC division.

53. Details and description of the major types of risk

Risk management at the BPI Group is based on the permanent identification and analysis of exposure to different risks – credit risk, country risk, market risks, liquidity risk, operating and legal risks or other – and on the adoption of strategies aimed at maximising profitability within predefined (and duly supervised) limits. Management is complemented *a posteriori* by analysis of performance indicators.

In a separate chapter of the Directors' report and which is deemed to form an integral part of this report by reference, the main risks to which the Group is exposed in the conduct of its business are described (page 110).

54. Description of the procedure for identification, assessment, monitoring, control and risk management

The policy, procedures and allocation of powers amongst the Group's various bodies and departments on matters relating to the control and management of the Group's risks are described in detail in a separate chapter of the Directors' Report and are incorporated into this document by way of reference (pages 110 to 135).

55. Internal control and risk management systems implemented in the company regarding the procedure for reporting financial information

The Investor Relations Division (DRI) is the body responsible for the preparation and disclosure of documents containing financial information – quarterly and annual results and annual and interim reports.

The above financial information and disclosure process is defined and the chief risks attaching to this process are identified in a mandatory-compliance internal regulation.

The execution of the controls prescribed for mitigating each risk has to be demonstrated internally and externally by the person in charge of their execution by means of the production of specific evidence for each case.

The process entails permanent dialogue with the heads of the divisions involved and with the Executive Committee. The documents to be disclosed and the respective timing of disclosure – depending on the document concerned – require the express approval of the Executive Committee and/or the Board of Directors. The aforesaid documents, in terms of the procedures envisaged for each situation, are also sent for review by the Board of Directors' consultative committees and/or by the Supervisory Board.

It is BPI's practice to release documents immediately after the stock market close on the actual day on which the Executive Committee or the Board of Directors approves them.

The preparation and disclosure of documents containing financial information is the object of annual assessment by the external auditors.

IV. INVESTOR ASSISTANCE

56. Department responsible for investor assistance

The Investor Relations Division has as its principal functions guaranteeing, to the Authorities and to the market, compliance with legal and regulatory reporting obligations to which Banco BPI is bound, responding to the information needs of investors, financial analysts and other interested parties, and lending support to the Executive Committee in aspects relating to Banco BPI's presence on the market as a listed entity.

Within the scope of the abovementioned responsibilities, of particular importance is the disclosure of information classified as "relevant fact", the furnishing of quarterly information concerning the Group's activity and results, and the preparation of the annual and interim reports and accounts.

BPI has, in its capacity as a listed company, been engaged in intensive communication activity with the market throughout 2015.

BPI participated in 9 conferences for investors dealing with the financial sector, both abroad – London, New York and Boston – and in Portugal. As part of this activity, the Bank staged more than 120 individual meetings with institutional investors.

As regards the dissemination of results, BPI continued to hold meetings with analysts and investors in 2015 in order to discuss quarterly results. These meetings – which were attended by all the members of the Executive Committee of Banco BPI's Board of Directors – can be attended in person or by way of conference call, as well as being broadcast simultaneously and with free access by webcast, via the Bank's Investor Relations' website.

Throughout the year, BPI maintained permanent contact with the financial analysts who cover the BPI share and who in 2015 were responsible for the production of more than 100 research reports on the Bank.

The DRI is composed of a team of four full-time Employees with the appropriate qualifications and experience in financial and communication matters.

57. Representative for relations with the market

The Representative for Relations with the Market is Luís Ricardo Araújo, also head of the Investor Relations Division.

58. Requests for information

As part of its functions, the DRI responds to various requests for information from shareholders, investors, financial analysts and other parties. When requests relate to information and clarification – via telephone, e-mail and letter,– about financial information, activity, dividends, general meetings and other issues of a similar nature, and when such information is public, then the response is generally immediate.

In the other situations – provided it falls within the DRI's jurisdiction – the response time depends on the nature and complexity of the request, the availability of information and the eventual need for obtaining contributions from the Group's other bodies or departments.

In general terms, all the documents issued for public dissemination by BPI within the scope of its relationship with the market (including preparatory documents for general meetings) are available for dispatch in digital format, upon request.

All the information of a public nature regarding the BPI Group can be requested from the Investor Relations Office via the contact page at the web site, by telephone, e-mail, fax or by letter.

INVESTOR RELATIONS CONTACTS

Address:	Rua Tenente Valadim, n.º 284 – 3.º 4100-476 Porto
Phone:	+351 22 607 33 37
Fax:	+351 22 600 47 38
E-mail:	investor.relations@bancobpi.pt
Web site:	www.ir.bpi.pt

V. WEB SITE

59. Web site

BPI has a web site, available in English and in Portuguese, dedicated exclusively to the disclosure of information of an institutional nature about the Group. This web site is available at the address www.ir.bpi.pt.

60. Location where the information about the firm, its status of a public limited company, the registered office and the other details referred to in article 171 of the Commercial Companies Code is provided

The information referred in item 60 is available in the web site of Banco BPI, in the section "Mandatory Information to Investors".

61. Location where the Statutes and the functioning regulations of the governing bodies and the Board of Directors' consultative committees can be found

The information referred in item 61 is available in the web site of Banco BPI, in the section "Corporate Governance".

62. Location where the information about the identity of the persons sitting on the governing bodies and of the person representing relations with the market and the functions and means of access to the Investor Relations Division is provided

The information related to the identity of the persons sitting on the governing bodies is available in the web site of Banco BPI, in the section "Corporate Governance".

The information related to the identity of the person representing relations with the market and the Investor Relations Division, respective functions and means of access, is available in the web site of Banco BPI, in the section "Mandatory Information to Investors".

63. Location where the reports and accounts of the previous five years, as well as the calendar of corporate events including, amongst other information, the meetings of the General Meeting and the disclosure of the annual, interim and quarterly accounts can be found

The annual reports and accounts for each year, half-year and quarter for the previous five years is available in the web site of Banco BPI, in the section "Financial data".

The calendar of corporate events including, amongst other information, the meetings of the General Meeting and the disclosure of the annual, interim and quarterly accounts is available in the web site of Banco BPI, in the section "IR' Events Calendar".

64. Location where the General Meeting Notices, as well as the proposals to be tabled for discussion and voting by the shareholders can be found

The information referred in item 64 is available in the web site of Banco BPI, in the section "General Meeting".

65. Location where the historical register with the resolutions passed at the Company's General Meetings, the share capital represented and the voting results relating to the preceding three years is available

The information referred in item 65 is available in the web site of Banco BPI, in the section "General Meeting".

D. REMUNERATION

I. POWER TO FIX REMUNERATION

66. Power to fix the remuneration of the Company's governing bodies and Senior Management

The Remuneration Committee is the body responsible for fixing the remuneration of the members of the management and oversight bodies.

In terms of the law and the Remuneration Policy, the Board of Directors has the power to fix the remuneration of the Bank's Employees, namely, those referred to in article 115 C)(5) of the RGICSF, that is:

- senior executives;
- those responsible for risk assumption;
- those responsible for control functions;
- Employees whose total remuneration places them on the same salary scale as those in the above-mentioned categories, providing that the respective professional activities have a material impact on the institution's risk profile.

II. REMUNERATION COMMITTEE

Terms of reference

The Remuneration Committee (RC) is responsible for:

- fixing the remuneration of the members of Banco BPI's governing bodies, based on the opinion of the CNAR and within the framework of the compensation policy approved by the GM;
- defining the remuneration policy and applying the retirement regime for members of Banco BPI's Executive Committee (once again, within the framework of the compensation policy approved in GM) and the Board of Directors of Banco Português de Investimento;
- evaluating the members of Banco BPI's Executive Committee and of the Board of Directors of Banco Português de Investimento, with a view to determining the respective annual variable remuneration.

In the exercise of their functions, the Remuneration Committee takes into consideration the proposals and recommendations presented to it by the Nominations, Evaluation and Remuneration Committee in terms of the provisions of article 7(4) of *Bank of Portugal Notice 10 / 2011*.

According to the statutes (article 28) at the time the General Meeting appoints the Remuneration Committee, the former must define that the term of office of the governing bodies which commences on the date of that resolution, the limits of the annual fixed remuneration of all the members of the Board of Directors and the maximum percentage of the profits, which cannot exceed 5%, that can be set aside each year for the variable remuneration of the members of the Executive Committee.

As regards the fixed remuneration of the members of the Board of Directors and the variable remuneration of the Executive Committee, these must respect the limits prescribed by the General Meeting.

67. Composition of the remuneration committee

Pursuant to Banco BPI's statutes the Remuneration Committee is composed of three shareholders elected for three-year terms by the General Meeting, who in turn shall elect from amongst themselves the Chairman, who has the casting vote.

The Remuneration Committee is composed of independent members *vis-à-vis* the executive members of the Board of Directors.

In the performance of its duties, the RC can be assisted by the experts and external consultants that the Committee believes it should consult.

The Remuneration Committee does not resort to the services of natural or legal persons who are not independent because they are bound by an employment or service contract to the Board of Directors as well as, when applicable, because such persons have a current relationship with BPI's consultancy firm.

The Remuneration Committee's composition for the 2014 / 2016 term was approved by the Shareholders in the General Meeting of 23 April 2014 and has the following composition:

- CaixaBank, S.A. represented by Isidro Fainé Casas;
- Arsopi Holding, SGPS, S.A. represented by Armando Leite de Pinho;
- Violas Ferreira Financial, S.A. represented by Edgar Alves Ferreira.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

All the members of the Remuneration Committee currently occupy or have occupied in the past management positions at various other companies, and possess knowledge and experience in matters of remuneration policy.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy of the management and oversight bodies referred to in article 2 of Law no. 28 / 2009, of 19 June

Decree-Law no. 157 / 2014 of 24 October, which came into force on 24 November 2014, altered article 2 of *Law no. 28 / 2009*, with its sub-paragraph no. 4 providing the following "Credit institutions and financial companies are subject to the rules relating to the remuneration policy laid down in the General Regime for Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras –

RGICSF), approved by *Decree-Law no. 298 / 92* of 31 December."

Hence, Banco BPI is currently only subject to the provisions relating to this matter contained in the RGICSF and without prejudice to the detailed references dealing with this matter which appear in the following paragraphs of this chapter, the full content of the Remuneration Policy relating to the members of Banco BPI's Management and Supervisory bodies approved at the General Meeting of 29 April 2015 is described next.

The present Remuneration policy was submitted to the General Meeting of 29 April 2015 and approved thereat.

BANCO BPI'S REMUNERATION POLICY APPLICABLE TO MEMBERS OF THE BOARD OF DIRECTORS AND OF THE SUPERVISORY BOARD

1. Objective scope

The present Remuneration Policy is applicable:

a) To the members (executive and non executive) of the Banco BPI S.A.'s Board of Directors (Banco BPI);

b) To the members of Banco BPI's Supervisory Board.

2. Objective scope

The present Remuneration Policy is applicable to the persons at Banco BPI referred to in Section 1 who perform the functions referred to.

Banco BPI shall promote the adoption, with the necessary adaptations arising, namely, from the criteria of proportionality and adequacy envisaged in the General Regime for Credit Institutions and Financial Companies (hereinafter the General Regime) and of the needs for this compatibility with other legal regulations, of the present policy and the principles stemming therefrom, by its subsidiaries.

3. Definition of Remuneration Policy

The definition of Remuneration Policy is the responsibility of the Remuneration Committee, assisted by the external experts and consultants whom the Committee believes should be consulted.

The Remuneration Committee must take into consideration in defining the Remuneration Policy the objectives that such policy (i) contributes to promoting and is coherent with a sound and prudent risk management (ii) does not constitute an incentive for the assumption of risk levels above those tolerated by the Bank and (iii) does not create or contribute to conflict of interest situations.

The Remuneration Policy defined must be compatible with Banco BPI's business strategy and objectives, values and long-term interests – just as these are and may become defined by the relevant governing bodies for this purpose.

The Remuneration Committee must also bear in mind in formulating Remuneration Policy and in such a manner that take into account and are appropriate and proportionate to the nature, characteristics, scale, organisation and complexity of Banco BPI's activities, the principles and applicable legal rules, namely those envisaged in General Regime and in *Bank of Portugal Notice 10 / 2011*.

The Board of Directors' Committee known as the Nominations, Evaluation and Remuneration Committee (CNAR) – whose duty it is to collaborate and perform the functions envisaged in RGICSF, in article 7 of *Bank of Portugal Notice 10 / 2011* and in its regulations dealing with its functions – shall participate in formulating the Remuneration Policy.

Within the framework of the process of formulating Remuneration Policy, the Remuneration Committee and/or the CNAR may call upon those responsible for the audit, compliance and risk-management units, from whom it may request the contributions which, for this purpose and with respect to the risks in which each one of these functions intervenes, they consider relevant.

3.1 Remuneration Committee

3.1.1 Terms of reference

According to the provisions of article 28(2) of Banco BPI's Statutes, the remuneration of the members of Banco BPI's management and supervisory bodies is laid down by the Remuneration Committee after having heard, as regards the members of the Board of Directors who form part of the Executive Committee,(in this document referred to as executive Directors), the CNAR.

The definition of remuneration envisaged in the preceding paragraph is, in terms of article 28(3) of the Statutes, done within the framework of the ceiling for the fixed remuneration of the Board of Directors' members, as well as of the maximum percentage of the annual consolidated net profit – which cannot exceed 5% in any year –, that can be allocated to the executive Directors variable remuneration, which may be fixed by the General Meeting at the beginning of each governing body's term of office.

At least one member of the Remuneration Committee shall be present at Banco BPI's Shareholders' General Meeting.

3.1.2 Committee's composition

In terms of Banco BPI's Statutes, the Remuneration Committee is composed of three shareholders elected every three years by the General Meeting, who shall appoint a Chairman from amongst their number and who shall have the casting vote.

The Remuneration Committee is composed of independent members *vis-à-vis* the executive members of the Board of Directors and includes at least one member with knowledge and experience in the field of remuneration policy.

The Remuneration Committee currently in office, elected by the General Meeting resolution of 23 April 2014 for the term 2014-2016, has the following composition:

a) CaixaBank, S.A. which designated to represent it Isidro Fainé Casas;

b) Arsopi Holding, SGPS S.A., which designated to represent it Armando Leite de Pinho;

c) Violas Ferreira Financial, S.A., which designated to represent it Edgar Alves Ferreira.

3.2 Comparisons used
In setting the remuneration of the members of Banco BPI's management and supervisory bodies, the Remuneration Committee takes into due consideration the remuneration policies and practices of comparable Iberian banks.

3.3. Annual evaluation
The CNAR undertakes an analysis and annual assessment of the application of the Remuneration Policy with a view to ascertaining whether its application results in effects on the management of the institution's risks, capital and liquidity that requires a review of that policy and, where this is the case, the identification of the corrective measures to be adopted.

In the analysis and assessment concerned, the CNAR may call upon, amongst others, those in charge of the audit, compliance and risk management units, from whom contributions may be requested which for this purpose and with respect to the risks in which each one of these functions intervene, they consider relevant.

The CNAR communicates to the Remuneration Committee the findings of the aforesaid analysis and assessment, and will liaise with it the presentation of the conclusions reached to the Annual General Meeting.

4. General principles and objectives of the Remuneration Policy

4.1 Remuneration structure

4.1.1 For non-executive Directors and members of the Supervisory Board

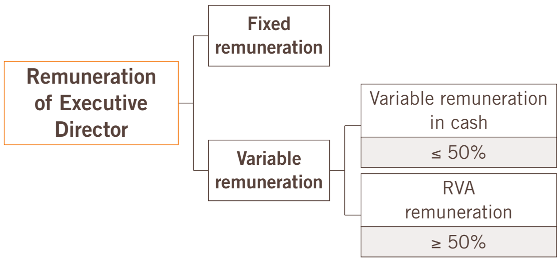
According to the provisions of article 28(1) of the Statutes, the remuneration of the non-executive members of the Board of Directors (Non-executive Directors) and of members of the Supervisory Board is composed exclusively of a fixed remuneration, paid monthly, and excluding any variable remuneration and, therefore, not dependent on Banco BPI's results. In the case of the non-executive Directors who sit on the Board of Directors' consultative and support bodies contemplated in the Statutes, that remuneration is increased by the amount of the respective attendance allowances.

4.1.2 For the Executive Directors

The remuneration of the Executive Directors is composed of a fixed and a variable component. The variable remuneration may not be awarded in exceptional cases, namely, if its awarding limits Banco BPI's capacity to reinforce its own funds base, whilst in any event all the types of current and future risks shall always be taken into account in its granting.

For its part, the variable remuneration is composed of a portion in cash and a portion in Banco BPI shares and/or options to buy Banco BPI shares (hereinafter referred to as the RVA Remuneration), awarded within the framework and in the terms of the Regulations of the Variable Remuneration in Shares Programme (Regulamento do Programa de Remuneration Variável em Acções – RVA) approved at the General Meeting of 27 April 2011 and disclosed in the Corporate Governance Report (hereinafter referred to as the RVA Regulations) and other rules relating thereto.

The RVA Remuneration should represent, at the very least, 50% of the overall amount of the variable remuneration of each Executive Director.



The RVA Remuneration, up to the limit of 50% of the overall amount of each Executive Director's variable remuneration, is made available with subjection to a suspensive term (called the **Deferral Period**, the definition of which appears in section 5 of this Policy) that results in the deferral of the availability of the aforesaid RVA Remuneration for the period of 3 years and simultaneously with the subjection to a suspensive condition (called the **Access Condition to Deferred Remuneration**, the definition of which appears in section 5 of this Policy), referred to in this document as the Deferred RVA Remuneration.

Guaranteed variable remuneration cannot be granted, except when a new member is engaged, while in any event such guaranteed variable remuneration can only be applied in the first year of office and will only be due when the Bank has a solid and strong capital base.

4.2 Overall limits applicable to the members of the management bodies

Banco BPI's Statutes attribute to the General Meeting the powers to define, valid for the term of office of the governing bodies which commences on the date of this resolution, of the limit:

i. of the annual fixed remuneration of the members of the Board of Directors;

ii. of the maximum percentage of the annual consolidated net profit – which cannot exceed 5% in any year – that can be allocated each year to the executive Directors variable remuneration.

For the three-year period 2014 / 2016 and following the proposal presented by the Remuneration Committee, the following limits approved at the General Meeting of 23 April 2014 are in force:

a) Limit of the annual fixed remuneration for the members of the Board of Directors: 4 000 000 €; this limit is subdivided into the following partial limits:

- Non-executive Directors (not including for this purposes attendance allowances): 1 400 000 €;
- Executive Directors: 2 600 000 €.

b) Maximum percentage of the annual consolidated net profit which each year can be allocated to the variable remuneration of the group of executive Directors: 1%.

4.3 Specific limits of the variable remuneration of the Executive Directors
In terms of the law, the annual variable remuneration of any one of the non-executive directors cannot be more than the total value of the fixed remuneration earned by the respective executive director in the immediately preceding financial year.

The approval and granting of a higher amount than that referred to above, which at the maximum can be double the fixed remuneration, shall be dependent upon compliance with legally-prescribed requirements for this purpose.

4.4 Alignment of interests
The present Remuneration Policy is aimed at, amongst other objectives, contributing to the alignment of the Executive Directors' interests with those of the company, while also discouraging the assumption of excessive risks. Such contribution results, amongst other aspects:

a) from the rule which provides that the limit on the variable remuneration of the Executive Directors is defined on the basis of Banco BPI's consolidated results, thereby ensuring annually in this manner an effective limit on such remuneration in the event of a negative result;

b) from the circumstance of the availability of a portion of that remuneration (of an amount corresponding to a minimum of 50% of the overall amount of the variable remuneration) being deferred for 3 years;

c) from the rule which provides that at least 50% of the variable remuneration of the Executive Directors is composed of Banco BPI shares and / options to buy Banco BPI shares which the Executive Directors cannot dispose of for a period of 3 years (Deferred RVA Remuneration), which shares and options have a value that reflects, by nature and in these terms, an exposure to the company's performance and to the price of its shares; and, finally

d) from the circumstance that the Deferred RVA Remuneration is subject to the Condition of Access to Deferred Remuneration, and the consequent loss thereof if the aforesaid condition is not met in the terms contemplated in the RVA Regulations.

4.5 Hedging risk
With the acceptance of the variable remuneration granted to them, the Executive Directors assume the commitment, up until the verification of the Access Condition to the Deferred Remuneration, to not utilise remuneration insurance or any other risk-hedging mechanisms trending towards attenuating the effects of the alignment of the interests referred to in the various sub-paragraphs of the preceding item.

4.6 Determination of remuneration
4.6.1 For the non-executive Directors and the members of the Supervisory Board
The actual remuneration of the non-executive Directors and of the members of the Supervisory Board is defined at the start of each three years by the Remuneration Committee, taking into account in their case the overall limit laid down by the General Meeting referred to in 4.2 a). The Remuneration Committee also defines at the start of each three-year period, the value of the attendance allowances payable to the non-executive Directors who sit on the Board of Directors' consultative and support committees contemplated in the Statutes.

4.6.2 For the executive Directors
4.6.2.1 Fixed remuneration
The fixing of the amount of the fixed remuneration of the executive Directors is undertaken by the Remuneration Committee, after having heard the CNAR, within the framework of the limit envisaged in 4.2.a).

The amount of this remuneration is adjusted annually by the application of the rate of increase identical to that which, under the CEA for the banking sector, is applied to level 18 remuneration.

4.6.2.2 Variable remuneration
The fixing of the amount of the Executive Directors variable remuneration is undertaken by the Remuneration Committee, having heard the CNAR, based on their performance evaluation and taking in account:

a) Respect for the rules laid down in 4.1;

b) Respect for the limit set by the General Meeting in the terms referred to in 4.2. b);

c) The policy pursued in the matter at comparable institutions, such as defined in 3.2.

In fixing the overall amount of the variable component of the executive Directors' remuneration, although no automatic dependence relationship shall stem there from, the trend of the overall amount defined for the variable remuneration of the universe of Banco BPI Employees is also taken into consideration. In this respect, it will be recalled that in defining the overall amount of the variable remuneration of the universe of Banco BPI Employees who perform their functions in Portugal, one of the most important factors taken into account is the consolidated net profit before tax from Banco BPI's domestic operations.

4.7 Profit sharing

Banco BPI does not have a policy of remunerating its Directors through profit sharing.

4.8 Other benefits

4.8.1 Retirement benefits for executive Directors – principal characteristics

The management board members who are or have been executive Directors (or, in the case of the previous governance model, members of the Management Board) benefit from the pension plan applicable to the majority of Banco BPI Employees to the extent that they were Banco BPI Employees before occupying these positions and have seen, in terms of the law, their employment contract suspended.

The members of the management body who are or have been Executive Directors (or in the case of the previous governance model, Management Board members) also are entitled under a defined-benefit regime to a complementary retirement benefit, approved at the Bank's General Board meeting on 25 July 1995. This complementary retirement benefit affords to the respective beneficiaries a supplementary pension, the monthly amount of which depends of the monthly salary in force on 31 December 2009 for the office of the Executive Committee corresponding to that which the said beneficiary occupied and the number of years exercising those functions.

The rules governing the aforesaid benefit are enshrined in the Regulations of the Retirement Entitlement of the Management Members approved at the above-mentioned General Board meeting and which is reproduced in the Corporate Governance Report.

The Executive Directors are entitled to a complementary retirement benefit under the defined-contribution regime to which the Bank contributes with a monthly amount equal to 12.5% of the value of his / her monthly salary which was in force on 31 December 2009 for the office of the Executive Committee corresponding to that which this beneficiary occupies, updated at the identical rate as that which in terms of the ACT is applied to level 18 remuneration.

The members of the management and supervisory bodies who are not, nor have they even been, executive Directors (or, in the case of the previous model, members of the Management Board) are not entitled to any retirement benefit granted by the Bank.

The following amounts are deducted from the pensions paid under the plan for the executive Directors:

i. the pensions paid by the Social Security which fall under any of the following two categories:
   - those relating to the functions performed at the BPI Group;
   - those relating to the functions performed at third party entities at the BPI Group's instigation and which the BPI Group has recognised for that purpose;

ii. the pensions paid by other BPI Group pension plans.

BPI does not grant any discretionary pension benefits to its Executive Directors.

4.8.2 Current or past dismissal or cessation of function situations

There is no provision whereby, in a situation of dismissal or early cessation of functions of a member of the Board of Directors or of the Supervisory Board, the Bank is obliged to pay any indemnity or compensation, besides that which if such is the case, results from applicable legal provisions.

The remuneration for compensating a new member of the Board of Directors or of the Supervisory Board for early cessation of functions shall always take into consideration the Bank's long-term interests, including the application of the rules relating to performance as well as the Condition of Access to Deferred Remuneration and the claw-back and reduction mechanisms.

5. Specific rules applicable to the variable remuneration of Executive Directors

As referred to in 4, only the executive Directors remuneration includes a variable component which, in addition to that set out in that item, is also subject to the following rules:

5.1 Structure and composition of the variable component

The variable remuneration awarded to executive Directors is composed of a portion awarded in cash and a portion in Banco BPI shares and/or options to purchase such shares within the framework and under the terms of the RVA Regulations. The variable remuneration portion of each one of the executive Directors which comprises shares and/or options to purchase Banco BPI shares must represent at least 50% of the overall amount of the respective variable remuneration.

5.2 Fixing of the actual amount of the variable remuneration to be granted

Once the overall amount of the remuneration has been defined in the terms referred to in 4.6.2.2 above, the determination of the actual amount of the variable remuneration to be granted to each executive Director is done by the Remuneration Committee, taking into account the evaluation of each one's performance with reference to the financial year and to the period elapsed between the start of the term of office in progress, which in turn takes into consideration the following quantitative criteria:

a) Solvency (solvency ratio, loan default ratios, foreclosure properties and the situation of the Bank's pension fund);

b) Profitability (ROE – Return on equity, net interest income, impairments and Raroc – Risk adjusted return on capital);

c) Efficiency (cost-to-income ratio);

d) Market position (market shares);

e) Liquidity (ratio of transformation of balance sheet resources into loans, maturity of medium / long-term debts and the level of ECB utilisation).

On the other hand, qualitative criteria also encompass the Bank's reputation indicators and the level of Customer complaints.

The performance evaluation of the Executive Directors shall also take into account not only the year to which such variable remuneration refers but, as the term of office progresses, the previous years so that such evaluation and, consequently, the overall amount of the variable remuneration to be granted takes into account a multi-year scenario, guaranteeing that the evaluation process is based on the long-term performance and that the payment of the concomitant remuneration components is spread over a period which takes into consideration the underlying economic cycle and its business risks.

The amount of executive Directors variable remuneration laid down by the Remuneration Committee is reduced by the amount of the remuneration earned from the exercise of functions at other companies on Banco BPI's instructions.

5.3 Award
The awarding of variable remuneration to the executive Directors is done in the first half of the year following that to which it relates, observing the provisions envisaged in the following points and such other terms which may be set by the Remuneration Committee (which date is designated according to the RVA Regulations as the Payment Date).

5.4 Availability
The portion of each executive Director's variable remuneration paid in cash, up to the 50% limit of the overall amount of this variable remuneration, is made available immediately on the Payment Date and without such availability being subject to conditions.

The availability of the Deferred RVA Component is deferred for a period of 3 years commencing on the Payment Date (**Deferment Period**), which:

a) in the case of BPI shares, constitutes a suspensive term to which the respective transfer is subject; and,

b) in the case of options, constitutes the period after which they mature.

The availability of the Deferred RVA Remuneration is also subject to the fulfilment of the following condition designated as Condition for Access to Deferred Remuneration.

Access Condition to Deferred Remuneration: Banco BPI's shareholders' equity, as per its consolidated accounts relating to the year immediately prior to that in which the Conclusion Date of the Deferral Period falls (Final Shareholders' Equity figure), should be more than Banco BPI's shareholders' equity figure as per its consolidated accounts relating to the Reference Year (Initial Shareholders' Equity figure);

For purposes of the above Condition, the following definitions shall apply:

- **Payment date:** the date on which shares and/or options are awarded as the variable component of the variable remuneration of an Executive Director;
- **Conclusion Date of the Deferral Period:** the date which marks the end of 3 years after the Payment Date;
- **Payment year:** the financial year in which the Payment Date falls;
- **Reference year:** the financial year whose performance is remunerated by the variable component paid on the Payment Date, that is, the financial year prior to the Payment Year.

In ascertaining whether the Access Condition to Deferred Remuneration has been fulfilled, the Remuneration Committee must effect the necessary adjustments so as to make the Initial and Final Shareholders' Equity figures comparable, taking into account the objective underlying the setting of that condition: ensuring that the deferred remuneration only becomes freely disposable (but is freely disposable) provided that there is a positive trend in Banco BPI's consolidated shareholders' equity, arising from the BPI Group's business and the earnings generated by that business.

Within this framework, not only must the required adjustments be made to correct for any changes in accounting policies that occurred after the year of the Initial Shareholders' Equity, but also the adjustments needed to (i) correct for the effects of any cash-injection capital increases and (ii) assume the observance in the financial years relating to the Initial Shareholders' Equity and the Final Shareholders Equity, as well as in the intervening years, of Banco BPI's Long-Term Dividend Policy.

The criteria utilised for the fixing of variable remuneration to be granted, together with the existence of the Condition of Access to Deferred Remuneration, ensure that the variable remuneration takes into account the various types of current and future risks, as well as the cost of the own funds and liquidity needed by Banco BPI for the conduct of its business.

The Access Condition to Deferred Remuneration may be revised by the Remuneration Committee after having heard the CNAR (not effecting however the awards already made).

5.5 Variable remuneration claw-back and reduction mechanisms
Without prejudice to the application of the Condition of Access to Deferred Remuneration, the variable remuneration, irrespective of already having been paid or not or whether there exists any entitlement to its receipt, will still be subject to the reduction or claw-back mechanisms whenever the Remuneration Committee, based on the duly substantiated opinion of the CNAR, concludes that the Executive Director:

a) participated in or was responsible for an action that resulted in significant losses for the Bank;

b) ceased to meet the criteria of suitability and integrity.

For this purpose, the following shall mean:

a) Reduction mechanism: the regime by which the Bank can reduce in total or in part the amount of the variable remuneration in respect of which the Condition of Access to Deferred Remuneration has not yet been confirmed;

b) Claw-back mechanism: the regime by which the Bank can withhold, thereby not making it definitively available, the amount of the variable remuneration in respect of which the Condition of Access to Deferred Remuneration has already been confirmed, but has not yet been paid.

6. Disclosure and update

The present Remuneration Policy is disclosed on the Bank's intranet and on Banco BPI's website (www.bancobpi.pt), and is available and accessible for consultation by anybody.

The present Policy, as well as its implementation, shall be the object of annual review by the Remuneration Committee after having heard the CNAR, while the Remuneration Committee is responsible for presenting to the Shareholders the alterations which it deems justified.

Banco BPI's statutes grant the General Meeting the powers for the definition, valid for the term of office of the governing bodies which commences on the date of that deliberation, of the limit:

i) of the annual fixed remuneration of the members of the Board of Directors;

ii) of the maximum percentage of the consolidated net profit for the year that, not exceeding 5%, in each year can be allocated to the variable remuneration of the Executive Directors.

For the three-year period 2014 / 2016 and following the proposal presented by the Remuneration Committee, the following limits approved at the General Meeting of 23 April 2014, shall be in force:

a) Limit to the annual fixed remuneration of the members of the Board of Directors: € 4 000 000; this limit is subdivided into the following partial limits:

- Non-Executive Directors is subdivided into the following limits (not including for this purpose the attendance vouchers): € 1 400 000;
- Executive Directors: € 2 600 000.

b) Maximum percentage of the consolidated net profit for the year which in each year can be allocated to the variable remuneration of the Executive Directors as a whole: 1%.

The annual limit on the fixed remuneration of the Board of Directors is thus fixed at € 1 400 000 for the non-executive members as a whole and at € 2 600 000 for the executive members as a whole. Similarly, the maximum limit that can be allocated to the variable remuneration of the executive directors as a whole is fixed at 1% of the consolidated net profit.

As referred to in item 77, in 2015 the executive directors were granted variable remuneration for their performance in 2013 (RVA 2013 CECA).

Taking into account the overall amount of the fixed remuneration paid to the executive directors in office in 2015 of € 2 516 500, it is considered that the total variable remuneration paid in the amount of € 668 391 (corresponding to 1% of the amount of Banco BPI's consolidated net profit in 2013), is globally reasonable *vis-à-vis* the fixed component, representing only 27% of that amount.

Considering that:

a) the remuneration policy:

i) defines the overall maximum amount of the remuneration of the members of the Board of Directors; and

ii) as regards the variable remuneration, it set out the criteria to be utilised by the Remuneration Committee for determining the overall amount to be granted in each year to the members of the Executive Committee and the amount to be granted to each member of that body;

b) every year a note is included in the governance report of the individual amounts paid to the members of the governing bodies in the year to which the report refers. This information not only enables the shareholders to know exactly the amount of remuneration earned by each member of the governing bodies and, where this is the case, to pronounce thereon, but also allows them, combining this information with the overall limits laid down in the Remuneration Policy, to at least estimate what such remuneration might be in the following year;

The existence is assured of:

- an ability to forecast, within reasonable parameters, what will be the potential maximum remuneration of each one of the members of the governing bodies;

- information about the actual remuneration of each one of the members of the governing bodies and the possibility for the shareholders to pronounce thereon if they deem fit;
- an effective transparency with regard to the individual Remuneration Policy of each one of the members of the governing bodies.

From the conjugation of the statutory rule that specifies that the terms of office of the governing bodies have a duration of three years with the rule embodied in the Remuneration Policy relating to the deferral for the period of 3 years of the vesting of 50% of the variable remuneration known as the RVA Remuneration (which is solely composed of BPI share and/or options to buy BPI shares), naturally means that at the end of each term of office the executive directors hold all the BPI shares that were granted to them in that term (it is worth highlighting that the shares awarded to them in the second and third year of the term of office will only be vested respectively in the following year and in the two years after the termination of the aforesaid term of office).

70. Alignment of directors' interests with the company's long-term interests

As referred to in the text of the Remuneration Policy, it is aimed at, amongst other objectives, contributing to the alignment of the executive directors' interests with those of the company and the dissuasion of the assumption of excessive risks. That contribution results from, amongst other aspects:

- the rule that provides that the limit of the Executive Directors' variable remuneration is dependent upon the amount of Banco BPI's consolidated net profit, thereby ensuring annually via such rule an effective cap on that remuneration in the event of a negative result;
- from the circumstance that the vesting of a part of that remuneration (the amount of which corresponds to at least 50% of the amount of the variable remuneration) is deferred for 3 years;
- from the rule that provides that at least 50% of the Executive Directors' variable remuneration is composed of Banco BPI shares and/or options to acquire Banco BPI shares which the Executive Director cannot dispose of for the period of 3 years (RVA Deferred Remuneration), shares and options whose value reflects by their nature and in these terms, an exposure to the company's performance and to its share price; and finally
- from the fact that the RVA Deferred Remuneration is subject to the Condition of Access to Deferred Remuneration, and the consequent loss thereof should the aforesaid condition not be met in terms of RVA Regulations.

71. Variable component of remuneration and impact of the performance e valuation on this component

The Executive Directors' remuneration is composed of a fixed and a variable component.

In turn, the variable component is composed of a cash portion and a portion (hereinafter called the RVA Component) in Banco BPI shares and/or options to acquire Banco BPI shares, awarded within the framework and upon the terms of the Regulations governing the Variable Remuneration in Shares Programme (Portuguese initials RVA) and the other rules relating to this scheme.

The RVA Component should represent at least 50% of the overall amount of each Executive Director's variable remuneration.

The fixing of the overall amount of the Executive Directors' variable remuneration component is done by the Remuneration Committee, after having heard the CNAR, based on their performance evaluation and bearing in mind:

a) observance of the maximum percentage of the annual consolidated net profit that can be appropriated to the executive directors' variable remuneration, as laid down in the remuneration policy approved by the General Meeting;

b) the remuneration policies and practices of comparable Iberian banks.

In fixing the variable component of executive directors' remuneration, the trend in the overall amount defined for the variable remuneration of the universe of Banco BPI Employees is also taken into consideration, although this does not mean that there is an automatic correlation between the two. In this respect, it will be recalled that in determining the overall amount of the variable remuneration for the universe of Banco BPI Employees who work in Portugal, one of the most important factors taken into account is the pre-tax consolidated net profit earned from Banco BPI's domestic operations.

The evaluation of the Executive Directors' performance shall also take into account not only the relevant financial year but, to the extent that the term of office progresses, the previous financial years so that that evaluation and, consequently, the overall amount of the variable remuneration to be awarded to the Executive Directors takes into account a multi-year perspective. This ensures that the evaluation process is based on long-term performance and that the payment of the components of remuneration depending on it is spread over a period which takes into consideration the underlying economic cycle and its business risks.

72. Deferment of payment of the variable remuneration component

The RVA Component, up to the 50% limit of the overall amount of each executive Director's variable remuneration, becomes available subject to a deferral period of 3 years, that is, it remains subject to the Deferral Period and to the Condition for Access to Deferred Remuneration (as defined in the RVA Regulations).

73. Miscellaneous information about the variable remuneration in shares

The following are the criteria used as the basis for the awarding of variable remuneration in shares, as well as for the retention by the executive directors of those shares and for the entering into future contracts relating to those shares, namely hedging or risk transfer contracts, respective limit, and their relationship *vis-à-vis* the total annual remuneration.

Once the overall amount of the variable remuneration has been defined as set out in 71 above, the fixing of the actual amount of the variable remuneration to be awarded to each executive director is done by the Remuneration Committee taking into account each one's performance evaluation with reference to the year and period since the beginning of the current term of office, which, in turn, takes into account the following quantitative criteria:

a) solvency (solvency ratio, loan default ratios, foreclosed properties and the situation of the Bank's Pension Fund);

b) profitability (ROE – Return on Equity), net interest income, impairments and Raroc – Risk adjusted return on capital);

c) efficiency (cost-to-income ratio);

d) market position (market shares);

e) liquidity (transformation ratio of balance sheet resources into loans, maturity of medium / long-term debt and the level of ECB utilisation).

On the other hand, qualitative criteria are also considered, namely the Bank's reputation indicators and the level of Customer complaints.

The amount of compensation earned for the exercise of functions at other companies indicated by Banco BPI is deducted from the amount of the executive directors' variable remuneration as fixed by the Remuneration Committee.

The awarding of variable remuneration to the executive directors is effected on a date in the first half of the year following that to which it refers, in compliance with the rules laid down in the following points and under such other terms as may be fixed by the Remuneration Committee (which date according to the RVA Regulations is known as the Payment Date).

The portion of each executive director's variable remuneration paid in cash is, up to the 50% limit of the overall amount of that variable remuneration, immediately available on the Payment Date and without such availability being subject to conditions. The availability of the Deferred RVA Component shall be suspended for a period of 3 years commencing from the Payment Date (Deferral Period), which:

- in the case of BPI shares, constitutes the suspensive term to which the respective transfer remains subject; and,
- in the case of options, constitutes the period the course of which is necessary for them to mature.

Without prejudice to the above-mentioned payment conditions, payment of the Deferred RVA Component is also subject to the ascertainment of the following access condition (envisaged and termed in the RVA Regulations as Condition for Access to Deferred Remuneration).

Condition for Access to Deferred Remuneration: Banco BPI's shareholders' equity situation, calculated based on its consolidated accounts relating to the financial year immediately preceding that on which the Deferral Period Completion Date (ending shareholders' equity) is higher than Banco BPI's shareholders' equity situation, calculated based on its consolidated accounts relating to the Reference Year (initial shareholders' equity).

For purposes of the above Condition, the following definitions shall apply:

- payment date: the date on which shares and/or options are awarded as the variable component of the variable remuneration of an Executive Director;
- conclusion Date of the Deferral Period the date which marks the end of 3 years after the Payment Date;
- payment year: the financial year in which the Payment Date falls;
- reference year: the financial year whose performance is remunerated by the variable component paid on the Payment Date, that is, the financial year prior to the Payment Year.

In ascertaining whether the Access Condition to Deferred Remuneration has been fulfilled, the Remuneration Committee must effect the necessary adjustments so as to make the Initial and Final Shareholders' Equity figures comparable, taking into account the objective underlying the setting of that condition: ensuring that the deferred remuneration only becomes freely disposable (but is freely disposable) providing that there is a positive trend in Banco BPI's consolidated shareholders' equity, arising from the BPI Group's business and the earnings generated by that business.

Within this framework, not only must the required adjustments be made to correct for any changes in accounting policies that occurred after the year of the Initial Shareholders' Equity, but also the adjustments needed to (i) correct for the effects of any cash-injection capital increases and (ii) assume the observance in the financial years relating to the Initial Shareholders' Equity and the Final Shareholders Equity, as well as in the intervening years, of Banco BPI's Long-Term Dividend Policy.

The criteria utilised for the fixing of the variable remuneration to be awarded, together with the existence of the Condition of Access to Deferred Remuneration, ensure that the variable remuneration takes into account the various types of existing and future risks, as well as the cost of the own funds and liquidity needed for the conduct by Banco BPI of its business.

The Access Condition to Deferred Remuneration may be revised by the Remuneration Committee after having heard the CNAR (not effecting however the awards already made).

With the acceptance of the variable remuneration granted to them, the Executive Directors assume the commitment, up until the verification of the Access Condition to the Deferred Remuneration, to not utilise remuneration insurance or any other risk-hedging mechanisms trending towards attenuating the effects of the alignment of the interests referred to in item 70.

74. Criteria on which the awarding of variable remuneration in options is based and indication of the deferral period and the exercise price

As the awarding of variable remuneration in options is one of the components of variable remuneration, its awarding is based on exact assumptions and the criteria indicated above in item 73 for the awarding of shares, with the deferral period being 3 years.

According to the RVA Regulations, the exercise price of the options awarded to the members of the Executive Committee is approved by the Remuneration Committee.

The Exercise Price shall be adjusted in the case of:

a) there being a change in BPI's share capital, except in capital increases with cash calls in which the shareholders have renounced their pre-emption rights;

b) there being a distribution of dividends and/or reserves to BPI shareholders, except where BPI's Board of Directors considers that such operation does not have a significant effect on the value of the shares;

c) the Executive Body considers that a fact has occurred of a nature similar to that which substantially reduces the value of BPI shares.

In the cases envisaged in sub-paragraph a), there shall be, together with the adjustment to the exercise price, an adjustment to the quantity of options awarded which, according to the criterion envisaged in the following paragraph, becomes necessary.

The above foreseen adjustments shall be made, in the terms determined by the Remuneration Committee, in such a manner that the Director's position remains substantially identical to that which existed before the occurrence of the facts that gave rise to them.

The following are the exercise prices applicable to BPI shares and to the BPI share options awarded under the various RVA Programmes:

Summary table of the RVA programmes (Employees)[1]

Amounts in euro

Plan	Shares				
	Award date	Award amount[2]	Availability date of the tranches		
			2nd	3rd	4th
RVA 2013	14-05-2014	1.8060	14-05-2015	14-05-2016	14-05-2017
RVA 2012	19-12-2012	0.8660	19-12-2013	19-12-2014	19-12-2015
RVA 2011	28-05-2012	0.3660	28-05-2013	28-05-2014	28-05-2015

Plan	Options					
	Award date	Award amount	Exercise price		Exercise period	
			Initial	Adjusted[3]	From	To
RVA 2013	14-05-2014	0.4430	1.806	1.806	15-08-2014	14-05-2019
RVA 2012	19-12-2012	0.2770	0.866	0.866	19-03-2013	19-12-2017
RVA 2011	28-05-2012	0.1240	0.366	0.358	29-08-2012	28-05-2017
RVA 2010	29-04-2011	0.2765	1.245	1.108	30-07-2011	29-04-2016
RVA 2009	11-03-2010	0.3670	1.935	1.722	12-06-2010	11-03-2015

1) The indication of the year in the RVA plan refers to the financial year whose performance it is intended to compensate.
2) Amount of the award after the effect of Banco BPI's capital increases realised in May 2011, August 2012 and June 2014.
3) Exercise price after the effect of Banco BPI's capital increases realised in May 2011, August 2012 and June 2014.

Summary table of the RVA programmes (Executive Board Members)[1] Amounts in euro

Plan	Shares		
	Award date	Award amount	Availability date
RVA 2013 CECA	10-07-2015	1.0206	10-07-2018
RVA 2012 CECA	03-09-2014	1.4010	03-09-2017
RVA 2010 CECA	29-04-2011	1.2450	29-04-2014

Plan	Options					
	Award date	Award amount	Exercise price		Exercise period	
			Initial	Adjusted[2]	From	To
RVA 2013 CECA	10-07-2015	0.2411	1.0206	1.0206	10-07-2018	10-07-2021
RVA 2012 CECA	03-09-2014	0.3250	1.4010	1.4010	03-09-2017	03-09-2020
RVA 2010 CECA	29-04-2011	0.2765	1.2450	1.1080	29-04-2014	29-04-2017

75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits

BPI Group Directors do not benefit from other forms of remuneration – cash and non-cash – other than those referred to in this document or in the notes to the financial statements or which stem from the normal application of the CEA or labour law.

In the notes to the consolidated financial statements 4.52 Related parties, information is given about the loans granted to the Executive Directors for the acquisition of their own homes and the loans granted for the acquisition and maintenance of the BPI shares resulting from the exercise of the options awarded under the RVA programme (as is the case with Employees), and about the various insurance policies which the Executive Directors benefit from.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis

The management board members who are or have been executive Directors (or, in the case of the previous governance model, members of the Management Board) benefit from the pension plan applicable to the majority of Banco BPI Employees to the extent that they were Banco BPI Employees before occupying these positions and have seen, in terms of the law, their employment contract suspended.

The management board members who are or have been executive Directors (or, in the case of the previous governance model, members of the Management Board) also benefit under the defined-benefit regime from a supplementary pension approved at the Bank's General Board meeting of 25 July 1995 and which provides them a supplementary pension, the monthly amount of which depends on the monthly salary earned as executive Directors and the number of years they performed those functions.

The rules which govern the aforesaid benefit are set out in the Retirement Entitlement Regulations for the Members of the Management Board, approved at the above-mentioned General Meeting (and hereinafter referred to as the Retirement Entitlement Regulations).

The executive Directors are entitled to a supplementary retirement benefit, to which the Bank contributes a monthly amount equal to 12.5% of the amount of their fixed monthly salary which exceeds at any moment the amount of their fixed monthly salary at 31 December 2009, updated at the identical rate of increase which under the CEA is applied to level 18 remuneration.

The members of the management and supervisory bodies who are not, nor have they even been, executive Directors (or, in the case of the previous model, members of the Management Board) are not entitled to any retirement benefit granted by the Bank.

The following amounts are deducted from the pensions paid under the plan for the executive Directors:

- the pensions paid by the Social Security which fall under any of the following three categories:
  - those relating to the functions performed at the BPI Group;
  - those relating to the functions performed at third party entities at the BPI Group's instigation and which the BPI Group has recognised for that purpose;
  - the pensions paid by other BPI Group pension plans.

The principal features of the executive directors' retirement benefits scheme are set out in the Regulations which are reproduced next:

1) The indication of the year in the RVA plan refers to the financial year whose performance it is intended to compensate. The granting of the RVA 2012 CECA and RVA 2013 CECA was the object of deliberation of the Remuneration Committee on, respectively, 3 September 2014 and 26 March 2015.
2) Exercise price after the effect of Banco BPI's capital increases realised in May 2011, August 2012 and June 2014.

"Article 1

1. *The members of Banco BPI's Management Board are entitled to retire as set out in the Articles of Association and herein established, provided that the following conditions are met:*
   - *a) They have reached the age of 60 or became incapacitated to perform their duties;*
   - *b) Being, at the time when the facts referred to in the preceding sub-paragraph occur, elected to the post of Manager or, if they are not, they meet the requirements set out in article 4;*
   - *c) They have held such office for at least 3 years, consecutive or intermittent.*
2. *For purposes of the requirement envisaged in sub-paragraph c) of the preceding number, the following is counted:*
   - *a) The entire length of tenure as a Director, even before these Regulations;*
   - *b) The entire length of tenure as a Director, before the alteration to the Bank's structure and as SPI – Sociedade Portuguesa de Investimentos, SARL's Director.*
3. *If Banco BPI, S.A.'s structure is changed again to Board of Directors instead of Management Board, the provisions herein set out shall still apply to Directors' retirement, as the aim is to regulate the retirement entitlement of the members of this bank's management body.*

Article 2

1. *Retirement entitles the beneficiaries to receive from the Bank a pension calculated on the basis of the amount of the fixed monthly remuneration as at 31 December 2009 for the Management Board post corresponding to that which they occupied at the date the conditions envisaged in article 1 are met, updated at the identical rate of increase as that, according to the Collective Employment Agreement for the banking sector, which is applied to level 18 remuneration.*
2. *The pension amount shall be that which results from the application of the percentages given below to the compensation referred to in paragraph 1 of this Article, depending on whether it is a disability to perform the duties or retirement age, and shall be calculated according to the number of years in which the office as member of the Board has been held:*

No. of years the office as member of the Management Board was held	Disability to hold the office	Mandatory Retirement (age limit)
> 3	25%	-
> 4	30%	-
> 5	35%	-
> 6	40%	-
> 7	45%	-
> 8	50%	-
> 9	55%	30%
> 10	60%	40%
> 11	65%	50%
> 12	70%	60%
> 13	75%	70%
> 14	80%	80%
> 15	90%	90%
> 16	100%	100%

3. *The retirement pension, fixed under the terms of the preceding paragraphs, shall be updated annually by the CPI rate of change.*
4. *Irrespective of the provisions set forth in Article 1 (1) (c), if disability results from accident at work or illness caused by work, the beneficiary is entitled to a pension in an amount which results from the application to the compensation referred to in paragraph 1 of this Article of a percentage that, as from 10%, shall grow as much for each full year of tenure as member of the Management Board, other than the first year, up to 100%.*
5. *For purposes of the application of the provisions of the preceding numbers, where the beneficiaries have exercised management functions at any Bank controlled by Banco BPI with head office in Portugal, whether these were exercised before or after the acquisition of that control, the relevant number of years exercise of functions (first column of table no. 2) shall correspond to the sum of the number of years during which the exercise of the office of Management Board member was exercised and the number of years of the exercise of management functions at the foresaid Bank(s) controlled by Banco BPI.*

Article 3

1. *For the purposes provided herein, the right to reach statutory retirement may be exercised when the Director reaches 60 years of age or is incapacitated to remain in office.*
2. *Any Director wishing to retire shall inform the General Board that, within 3 months from the date the notice is served, conditions herein set are met.*
3. *If the grounds for reaching retirement is a disability, the General Board may, if deemed fit, require that the Director be submitted to medical examination by experts appointed by the Board for the purpose.*

Article 4

1. *Whoever has completed 9 years, consecutive or interspersed, of the exercise of the office of Manager and who, having so ceased to exercise it, if he / she remains in management functions at any Bank controlled by Banco BPI until reaching the age of 60, in other functions at the last-mentioned or at a BPI Group company, or in functions outside the BPI Group but in the latter's interest or at the latter's instruction, upon reaching that age, or if before reaching that age becomes incapacitated for exercising such functions, acquires the right to start receiving a retirement pension which will be calculated by the application of the percentages indicated in article 2(2) for the situation of reaching retirement age to the amount of the salary referred to in article 2(1).*
2. *The amount of the pension referred to in the in the preceding paragraph shall be:*
   - *a) revised under the terms set out in paragraph 3 of article 2;*
   - *b) reduced by 20%, in case the beneficiary no longer is part of BPI's Management Board or of the management bodies of the banks listed therein, due to relinquishment of his / her posts on unfair grounds, or, if not re-elected, ceases to serve the BPI Group before attaining 60 years of age.*

Article 5

1. *In case of death of any Director who is retired, or who is still holding office but has already acquired rights pursuant to Article 4 of these Regulations, his / her relatives are entitled to a survivor's pension.*
2. *The amount of the survivor's pension provided for in the preceding paragraph shall be calculated based on the pension to which, pursuant to these Regulations, the beneficiary would be entitled if he / she were already retired, or on that already actually earned, as appropriate, and shall be revised annually by the CPI rate of change.*
3. *The percentages and conditions for granting a survivor pension to the relatives of the deceased Director shall be governed, in the part not specifically provided for in these Regulations, by the rules of the social security general scheme in force, which is attached hereto as Annex I.*

Article 6

1. *Pensions referred to in the preceding articles shall be deducted of the entire amount of pensions received or to be received by beneficiaries for their years of service at the BPI Group, or which the BPI Group may have acknowledged for said purpose.*
2. *If and when the interested party is entitled to the pensions referred to in the preceding paragraph, it shall apply for them and notify the Bank that they have been awarded and of any changes to the amounts – otherwise, the Bank shall not pay the pension due – substantiating, upon request, the amounts actually received for the Bank to calculate the amount of the pension to be paid or any repayment to be made by the beneficiary to the Bank.*
3. *The pensions set out herein shall be paid 14 times a year: twelve in the calendar months, one in June and the other before Christmas.*
4. *Any Director removed from the Management Board on fair grounds, or who has lost its mandate, as well as any Director not re-elected on fair grounds for dismissal, shall lose any right it may have acquired.*

Article 7

1. *The Bank may transfer any liabilities arising from the retirement entitlement herein ruled to an insurer or any pension fund.*[1]
2. *Such transfer requires prior written agreement of the beneficiaries whenever it causes changes to retirement conditions or a reduction in benefits or guarantees that they had been enjoying.*
3. *Insurance contracts against the risk that the Bank is extinguished shall be made, at the Bank's expense, ensuring, besides the extinction, that pensions continue to be paid.*
4. *The Management Board is authorised to enter into the insurance contracts mentioned in the preceding paragraph.*

Article 8

Any expedient action resulting from the application of these Regulations, including the starting of retirement proceedings shall be organised by the relevant departments of the Bank.

Article 9

The General Board may delegate to the Compensation Committee the powers conferred in article 3, as well as any issues concerning the interpretation and integration of these Regulations.

Article 10

These Regulations replace those entered into force on 29 November 1990 but, for Board Members currently in office, apply only to those who, until 31 December 1995, opt for being subject to these Regulations."

The executive members of the Board of Directors allocated an amount of 16 388 thousand euro at 31 December 2015, corresponding to the present value of the liabilities for past services of the defined-benefit pension plan of which they are beneficiaries:

Amounts in th.€

Executive Directors	Amount
Fernando Ulrich	4 250
António Domingues	3 320
José Pena do Amaral	2 195
Manuel Ferreira da Silva	2 079
Maria Celeste Hagatong	3 599
Pedro Barreto	918
João Oliveira e Costa	27

In 2015, the cost for the year of retirement and survivors' pensions, calculated on the actuarial valuation of 31.12.2014, amounted to 1 397 thousand euro and is broken down as follows:

Amounts in th.€

Executive Directors	Cost of current services	Net interest cost	Cost for the year
Fernando Ulrich	237	5	242
António Domingues	249	4	253
José Pena do Amaral	227	3	230
Manuel Ferreira da Silva	210	3	213
Maria Celeste Hagatong	326	4	330
Pedro Barreto	89	1	90
João Oliveira e Costa	40	0	40

1) In December 2006, the liabilities for defined-benefit retirement and survivors' pensions of the BPI Group's Banks were transferred to an open-end pension fund (Fundo de Pensões BPI Valorização).

IV. REMUNERATION DISCLOSURE

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same

In 2015, the fixed remuneration for all the members of the Board of Directors amounted to 3 239 622 euro.

Added to this figure were, in which refers specially to the fixed remuneration of the member of the Executive Committee, 39 490 euro in seniority payments and 17 258 euro relating to the long-service bonus (in terms of the Collective Employment Agreement for the Banking Sector), and in the case of the Board's non-executive members, 251 600 euro in attendance allowances at meetings of Board of Directors Committees set out in BPI's bylaws.

The amounts earned individually were as follows:

Amounts in euro

Board of Directors	Fixed remuneration	Attendance allowances	Seniority payments	Long-service bonus
Artur Santos Silva	126 000	33 300	n/a	n/a
Fernando Ulrich	462 000	n/a	7 676	0
António Domingues	423 500	n/a	6 014	0
Alfredo Rezende	49 000	37 000	n/a	n/a
António Lobo Xavier	49 000	7 400	n/a	n/a
Armando Leite de Pinho	49 000	3 700	n/a	n/a
Carla Sofia Bambulo[1]	44 917	3 700	n/a	n/a
Carlos Moreira da Silva	49 000	11 100	n/a	n/a
Edgar Alves Ferreira	49 000	37 000	n/a	n/a
Herbert Walter[2]	1 970	n/a	n/a	n/a
Ignacio Alvarez Rendueles	49 000	37 000	n/a	n/a
Isidro Fainé Casas	49 000	n/a	n/a	n/a
João Pedro Oliveira Costa	326 200	n/a	3 878	0
José Pena do Amaral	326 200	n/a	6 014	0
Lluís Vendrell	11 297	n/a	n/a	n/a
Manuel Ferreira da Silva	326 200	n/a	6 014	0
Maria Celeste Hagatong	326 200	n/a	6 014	17 258
Marcelino Armenter	49 000	40 700	n/a	n/a
Mário Leite da Silva	49 000	22 200	n/a	n/a
Pedro Barreto	326 200	n/a	3 878	0
Tomaz Jervell	49 000	3 700	n/a	n/a
Vicente Tardio Barutel	49 000	14 800	n/a	n/a

Following a resolution of the Remuneration Committee of 3 September 2014, and taking into account the content of the CNAR's positive opinion, the Remuneration Committee deliberated on 26 March 2015 the awarding to the members of the Executive Committee who were in office in 2013 of variable remuneration relating to their performance in that year in the overall amount corresponding to 1% of the consolidated net profit earned in 2013.

Accordingly and as a result of the aforesaid resolution, besides the regular amounts of fixed remuneration and attendance vouchers (referred to in the previous table), the amounts detailed in the table below were also paid in 2015 to the members of the Executive Committee of the Board of Directors who were in office in 2013:

Amounts in euro

Board of Directors	Variable remuneration[3]
Fernando Ulrich	122 708
António Domingues	112 483
António Farinha Morais[4]	86 640
José Pena do Amaral	86 640
Manuel Ferreira da Silva	86 640
Maria Celeste Hagatong	86 640
Pedro Barreto	86 640

1) Appointed on 1 February 2015.
2) Ceased functions as a member of the Board of Directors on 15 January 2015.
3) Variable remuneration awarded in 2015 referring to the performance in 2013, granted in terms of the above-mentioned deliberation.
4) Ceased functions as a member of the Board of Directors and member of its Executive Committee on 23 April 2014.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control

With the aforementioned exception of the director Manuel Ferreira da Silva in relation to which part – in the amount of 244 650 euro – of the fixed remuneration referred to in item 77 has been paid by Banco Português de Investimento, S.A., no other member of the Executive Committee received any remuneration from any Group company other than Banco BPI.

79. Remuneration paid in the form of profit sharing and/or the payment of bonuses and the reasons why those bonuses and/or profit sharing were granted

As a result of the approval by the Remuneration Committee of the payment to the members of the Executive Committee who were in office in 2013 of the amount of the variable remuneration due to them with reference to that same year, as described in item 77 above, 50% of the amount thereof was, in terms of the Remuneration Policy in force and according to RVA Regulations, awarded in Banco BPI shares and/or options (RVA 2013 CECA), the payment of which is in the meantime subject to the termination of the deferral period and to the ascertainment of the access condition to the deferred remuneration. The composition of the RVA Remuneration realised by the members of the Executive Committee and the respective award and exercise price were as follows:

Composition of Deferred RVA Remuneration – RVA 2013 CECA

Executive Committee of the Board of Directors	Banco BPI Shares[1]	Options over Banco BPI Shares[2]
Fernando Ulrich	60 116	0
António Domingues	0	233 270
António Farinha Morais	0	179 676
José Pena do Amaral	21 223	89 838
Manuel Ferreira da Silva	21 223	89 838
Maria Celeste Hagatong	42 446	0
Pedro Barreto	0	179 676

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year

There was no payment in 2015 arising from early termination of employment contracts.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28 / 2009 of 19 June

In 2015, the aggregate remuneration of the members of the Supervisory Board, amounted to 198 800 euro. The gross amounts earned individually are as follows:

Remuneration of the Supervisory Board Amounts in euro

Supervisory Board	Fixed remuneration
Abel Reis	72 800
Jorge Figueiredo Dias	63 000
Rui Guimarães	63 000

82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting

In 2015, the overall amount of remuneration for the exercise of the function of **Chairman of the General Meeting Committee** was 14 000 euro, paid in 14 instalments.

The members of the General Meeting Committee do not benefit for this fact from any retirement entitlement.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. Contractual limitations envisaged for the indemnity payable for the removal of a director without just cause and its relationship with the variable component of remuneration

On this subject, Article 403(5) of the Commercial Companies Code provides that: "If the dismissal is not founded on just cause, the director is entitled to an indemnity for the damages suffered, in the manner stipulated in the contract entered into with him / her, or in the general terms of the law, while such indemnity shall not exceed the amount of the remuneration he / she would presumably have received up till the end of the period for which he / she was elected."

There are no contractual limitations / conditions envisaged for the indemnity payable for a director's dismissal without just cause.

84. Agreements between the company and the members of the management board and managers which make provision for indemnities in the case of removal, dismissal without just cause or cessation of the work relationship following a change in the control of the company

There are no agreements between BPI and the members of management body or managers which make provision for indemnities in the case of removal, dismissal without just cause or cessation of the work relationship following a change in the control of the company, except those stemming from applicable general law.

VI. SHARE-ALLOCATION AND/OR STOCK OPTION PLANS

85. Details of the plan and the number of persons included therein

The BPI Group has since the beginning of 2001 a variable remuneration in shares programme (RVA programme) whose beneficiaries are the Group's Executive Directors and Employees, and which entails annually the granting of a part of the variable remuneration in the form of Banco BPI shares and options to buy Banco BPI shares.

1) Award value of € 1.0206.
2) Award value of € 0.2411 option exercise price of € 1.0206. The options may be exercised after the expiry of the 3-year deferral period commencing on – 10 July 2015 – of the Remuneration Committee resolution providing that the Access Condition to the Deferred Remuneration has been fulfilled, as laid down in the Remuneration Policy and RVA regulations.

The RVA scheme constitutes an important instrument for the management of the Group's human resources and reinforces the alignment of the Directors' and Employees' interests with the ultimate goal of Management and the Shareholders – the creation of value – given that the income earned by Directors and Employees alike becomes intrinsically associated with the appreciation of the BPI share on the stock exchange, while the relative importance of the RVA incentive scheme rises with the level of responsibility.

The RVA regulations embrace Banco BPI's Executive Committee, the Board of Directors of Banco Português de Investimento, as well as all the Group's Employees whose annual variable remuneration is equal to or more than 2 500 euro.

Indeed, the proportion of the RVA incentives in the variable remuneration of the members of the Executive Committee is 50%, and between 35% and 10% for the remaining Employees.

The proportion of the RVA incentives in the variable remuneration of the Chairman and Vice-Chairman of the Executive Committee is no smaller than 50%.

86. Characterisation of the share and options incentive plan

In the notes to the financial statements "4.49. Variable remuneration in shares programme (RVA)" of the present Report and Accounts (page 223), to which the reader is referred, a detailed description of the RVA Programme is presented and which includes, namely, the award conditions, the clauses barring the disposal of sales, the criteria relating to the prices of shares and the exercise price of options, the period during which the options can be exercised, the characteristics of the shares or options to be awarded, the existence of incentives for the acquisition of shares and/or the exercise of options).

Credit line for the exercise of options

At the start of 2004, a credit line for the Bank's Employees and Executive Directors who wish to exercise the RVA options was made available.

As regards the use of the credit line by members of the Executive Committee, the Supervisory Board has given its approval, at the same time as the Bank of Portugal as well as the Remunerations Committee were informed.

According to the conditions in force at 31 December 2011, this credit line provided at the moment of utilisation an amount with a minimum limit of 2 500 euro and up to 75% of the market value of the shares to be purchased as a consequence of the exercise of the respective options, with a maximum amount of 100% of the amount needed to exercise the options.

The original conditions of the loans in question were as follows:

- **Period** – 4 years (extendable for a similar period).
- **Repayment** – At the end of the period, with the possibility of making partial or total early repayments without penalties.
- **Interest** – The outstanding principal earns interest at the 12-month Euribor plus 0.75 percentage points (or of 1.5 percentage points from the moment of the extension).

On 25 July 2011 the Board of Directors, without the participation of the Executive Committee members, approved the following alterations to the conditions of the aforementioned loans applicable to the Executive Directors and to Employees:

1. The term of the loans can, at the request of the borrowers, be extended so that their maturity date becomes 31 May 2020;
2. The loan interest rate becomes the rate corresponding to the 6-month Euribor ruling at the antepenultimate working day prior to the commencement of each period for the accrual of interest; this rate is applicable to the interest period in progress at the date of approval of these measures, as well as to the ensuing interest periods;
3. At the request of borrowers, the interest whose maturity date is situated in a year in which Banco BPI does not distribute dividends can be capitalised;
4. The obligation to reinforce guarantees is suspended until 31 December 2015;
5. All the other credit line conditions remain in force, namely those relating to when an Employee or an Executive Director cease to be employed by the Bank (in this case, provided not substituted by a work relationship with Banco BPI or a BPI Group company, namely:
   a) The rule in this situation is that the loan matures, save where the Bank informs the borrower that it agrees to maintain the loan, in which case the consequences as regards the rate of interest envisaged in the Regulations shall apply;
   b) However, if this situation is due to retirement, such maturity shall not apply, with the term of the loan and the other conditions in effect at the retirement date remaining in force without any modification;
6. In the event of the Employee's or the Executive Director's death, all the conditions attaching to the respective loan which are in force on that date shall continue to apply;
7. For Employees who are interested, the following operation is made possible:
   a) Pledge in lieu of the shares blocked, at their market value (closing price on the date before the pledge) and decrease in the outstanding loan by this amount, providing that:
      i. compliance with the rules laid down in the General Meeting authorisation in force for the acquisition of treasury shares;

ii. guarantees are given which the Bank considers to the adequate for the balance of the remaining debt.

b) Application to the amount of the remaining debt of the conditions 1 to 6.

The share incentive and options scheme in force at BPI – known as the RVA Programme – is regulated by the provisions set out in the scheme, as well as by the provisions appearing in its Regulations, known as the Regulations for the Variable Remuneration in Shares Programme – RVA.

Approval by the General Meeting of Shareholders of the RVA program and its Rules

The general lines of the RVA were approved by the General Board (governing body which existed until 1999) which, in terms of the law then in force, was necessarily composed of Shareholders).

At the GM of 21 April 1999, the Chairman of the Board of Directors placed for the Shareholders' consideration a proposal to authorise the acquisition and disposal of treasury shares by the Company, which acquisitions and disposals were destined, amongst other purposes, to make possible the execution of the aforesaid incentive scheme. This proposal is renewed every year for the same purpose.

In addition, at the General Meeting of 20 April 2005 the Chairman of the Board of Directors presented to the Shareholders the objectives, characteristics, composition and extent of the share incentive scheme (RVA) adopted by Banco BPI, having disclosed the figures relating to the application of the RVA scheme.

At the General Meeting held on 27 April 2011, a proposal was submitted to the Shareholders to amend the RVA scheme regulations, which proposal was approved by 99.4% of the votes cast, with the complete text of the aforesaid regulation having been made available at that time.

The maintenance in force of the aforesaid Regulations was the object of confirmation by the Shareholders at the General Meeting of 24 April 2013.

87. Option rights awarded for the acquisition of shares ('stock options'), the beneficiaries of which are the company's workers and Employees

At 31 December 2015 BPI Employees were the holders of 7 525 714 options over BPI shares, as shown in the table below:

RVA Programme	No. of options held by Employees	Exercise price	Exercise limit date
RVA 2009	1 634 477	1.722€	11 Mar. 2015
RVA 2010	768 507	1.108€	29 Apr. 2016
RVA 2011	405 838	0.358€	28 May 2017
RVA 2012	1 713 278	0.866€	19 Dec. 2017
RVA 2013	3 003 614	1.806€	14 May 2019

The Board of Directors decided that in 2015 there would be no awarding of BPI share options under the RVA programme, with the variable remuneration being paid solely in cash, due to the fact that the Bank was the object of a takeover bid preliminarily announced by CaixaBank on 17 February 2015.

88. Control mechanisms envisaged in an eventual system of Employee participation in the share capital to the extent that the voting rights are not exercised directly by those Employees (art. 245-A(1)(e))

Neither the RVA Programme nor its Regulations contemplate any control mechanisms for the situation in which voting rights are not exercised directly by the Employees to whom BPI shares have been awarded in execution of those rights.

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the company for purposes of controlling related party dealings

Internal regulations lay down the limitations, as well as the approval procedures and reporting of operations for the granting of loans under whatever form to members of the management body, the oversight bodies and to Shareholders owning a qualified holding, as well as to their families and to entities which the law deems to be related to any one of them.

These regulations ensure a stringent control of compliance with the legal rules envisaged in the General Regime for Credit Institutions and Financial Companies relating to the granting of loans to the above-mentioned persons / entities.

The entering into business operations between the company and shareholders owning qualified holdings, or with entities with which they have any relationship in terms of article 20 of the Securities Code, is always submitted beforehand to the Supervisory Board of its opinion, irrespective of the amount involved.

The Bank keeps in its centralised IT applications:

- an updated list of the entities falling under the concept of "related party";
- information regarding exposure by Customer (which serves as the basis for the calculation of weighted assets for capital ratio purposes);
- integrated Customer positions.

Moreover, the operations and relevant relationships in the related-party transactions domain are defined.

The Accounting, Planning and Statistics Division (Portuguese initials – DCPE) gathers and prepares information detailing Banco BPI's exposures to the counterparties identified in the preceding item.

The DCPE, the company Secretary and the Investor Relations Division become globally involved in the abovementioned process.

90. Indication of the transactions which were subject to control in the year under review

During 2015 the Supervisory Board was, in terms of article 109(3) of the RGICSF, called upon to issue eight prior opinions relating to operations with or the revision of exposure limits under normal market conditions of shareholders with qualified holdings.

The Supervisory Board issued twenty five prior opinions in the terms envisaged in article 85(8) of the General Regime for Credit Institutions and Financial Companies covering operations with or the revision of credit limits to entities in which the members of the Bank's management or oversight bodies were managers or owned qualified holdings.

There were no business dealings or operations in 2015 between Banco BPI on the one hand, and the members of its Board of Directors, its Supervisory Board, the holders of qualified shareholdings or Group companies, on the other, which were materially relevant and cumulatively, which were carried out other than under market conditions (applicable to similar operations) or beyond the scope of the bank's normal day-to-day business operations[1].

91. Procedures and criteria applicable to the supervisory board's involvement – business dealings with shareholders owning a qualified holding

Any transaction of business between the company and shareholders owning a qualified holding, or with entities with which they have any relationship in terms of article 20 of the SC, is always preceded by the Supervisory Board's opinion, irrespective of the amount thereof, and such business transaction must always be carried out under normal market conditions.

The Supervisory Board's opinion is issued on the basis of detailed information presented for the appraisal of the operations by the Credit Risk Committees and by the Executive Committee, as well as also being backed up by the information sent to the Board of Directors after appraisal by those bodies.

II. DETAILS RELATING TO BUSINESS DEALINGS

92. Annual report and accounts documents containing information about related party business dealings

According to IAS 24, related parties are defined as those over which Banco BPI exercises, directly or indirectly, a significant influence on their management and financial policy – associated and jointly-controlled companies and Pension Funds – and the entities which exercise a significant influence over the Bank's management – Shareholders and members of Banco BPI's Board of Directors.

The overall amounts of assets, liabilities, earnings and off-balance sheet liabilities relating to operations with related parties are presented in the notes to the consolidated financial statements 4.52. Related parties, of the present Report and Accounts (page 277).

1) A number of amendments introduced into the General Regime for Credit Institutions (Regime Geral das Instituições de Crédito – RGIC) by *Law no. 118 / 2015* of 31 August came into force on 3 September 2015. Amongst those changes, this enactment introduced a new obligation relating to the provision of information, for inclusion in financial institutions' annual reports, dealing with the operations realised pursuant to the provisions of article 85 of the RGIC ("Loans to members of the governing bodies") and of article 109 of the RGIC ("Loans to holders of qualified shareholdings"), as regards the relevant beneficiaries and amounts.
Having raised doubts as to how to comply with that obligation, given that it is necessary to reconcile this with the legal duty of banking confidentiality, Banco BPI is currently in talks with the Bank of Portugal with the object of clarifying these doubts.

Part II – Corporate Governance assessment

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

For purposes of the present report and the review of compliance – recommendation by recommendation – which follows, BPI used as the benchmark the Corporate Governance Code disclosed by the CMVM in July 2013.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE OCDE ADOPTED

Declaration in terms of article 245(A)(1)(O) of the SC on the adoption of the corporate governance code which BPI is voluntarily subject to, non-conformity with the recommendations contained therein and the reasons for that deviation.

BPI complies with a significant number of recommendations contained in the CMVM's Corporate Governance Code, ("CMVM Recommendation") – the appraisal of which appears in the present report.

The following table lists the recommendations appearing in the Corporate Governance Code issued by the Portuguese Securities Market Commission (CMVM) in 2013, indicating which ones were adopted by BPI and which were not. Similarly, mention is made of the points of the report where reference is made to the topics under review.

		Adoption	References in the Governance Report[1] Item / (page no.)
I.	**VOTING AND CORPORATE CONTROL**		
I.1.	Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Yes	Item 12 (p. 311)
I.2.	Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	No	Part II,2 (explanation) (p. 360)
I.3.	Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Yes	Item 13 and Part II,2 (explanation) (p. 311 and 360)
I.4.	The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.	No	Part II,2 (reasons of divergence) (p. 360)
I.5.	Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted.	Yes	Items 4, 83, 84 (p. 305 and 352)
II.	**SUPERVISION, MANAGEMENT AND OVERSIGHT**		
II.1.	**Supervision and management**		
II.1.1.	Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Yes	Item 21 (p. 314)
II.1.2.	The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) defining the strategy and general policies of the company, ii) defining the business structure of the group iii) decisions considered strategic due to the amount, risk and particular characteristics involved.	Yes	Item 21 (p. 314)

1) Except when mentioned in other way.

		Adoption	References in the Governance Report[1] Item / (page no.)
II.1.3.	The General and Supervisory Board, besides carrying out the oversight duties entrusted to them, must assume full responsibility as regards corporate governance with the result that by way of statutory provision or equivalent means, this body must obligatorily be bound to make pronouncements about the company's strategy and principal policies, the definition of the group's business structure and the decisions that must be regarded as being strategic due to the amount or risk thereof. This body should also evaluate the compliance with the strategic plan and the execution of the company's principal policies.	Not applicable[2]	Not applicable
II.1.4.	Except for small-sized companies, the Board of Directors shall create the necessary committees in order to:		
	a) Ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees;	Yes	Items 15, 21, 24, 25, 27, 29, 66, 67 and 68 (p. 312, 314, 318, 319, 321 and 338)
	b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	Yes	Items 15, 21, 27 and 29 (p. 312, 314, 319 and 321)
II.1.5.	The Board of Directors should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Yes	Item 50 (p. 333)
II.1.6.	The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Yes	Item 17 (p. 313)
II.1.7.	Amongst the non-executive directors there must be an adequate proportion of independent persons taking into account the governance model adopted, the size of the company and its shareholder structure and the respective free float.	Yes	Item 18 (p. 313)
II.1.8.	When board members that carry out executive duties are requested by other board members, said shall provide the information requested, in a timely and appropriate manner to the request.	Yes	Item 28 (p. 319)
II.1.9.	The Chairman of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors and the Chairman of the Supervisory Board, the convening notices and minutes of the relevant meetings.	Yes	Item 28 (p. 319)
II.1.10.	If the Chairman of the Board of Directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that said can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	Not applicable because the condition does not exist	
II.2.	**SUPERVISION**		
II.2.1.	The Chairman of the Supervisory Board shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Yes	Item 32 (p. 328)
II.2.2.	The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Yes	Items 37 and 45 (p. 329 and 331)
II.2.3.	The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	Yes	Item 37 (p. 329)
II.2.4.	The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Yes	Item 38 (p. 329)

1) Except when mentioned in other way.
2) Not applicable because it relates to a non-existent body in the governance model adopted by BPI.

		Adoption	References in the Governance Report[1] Item / (page no.)
II.2.5.	The Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.	Yes	Item 38 (p. 329)
II.3.	**Remuneration setting**		
II.3.1.	All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	Yes	Items 67 and 68 (p. 338)
II.3.2.	Any natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Yes	Items 67 and 68 (p. 338)
II.3.3.	A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28 / 2009 of 19 June, shall also contain the following:		
	a) identification and details of the criteria for determining the remuneration paid to the members of the governing bodies;	Yes	Item 69 (p. 338)
	b) information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable;	Yes	Item 69 (p. 338)
	c) [d) in the Code's original wording] Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	Yes	Item 69 (p. 338)
II.3.4.	Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.	Yes	Item 86 (p. 353)
II.3.5.	Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.	Yes	Item 76 (p. 348)
III.	**REMUNERATION**		
III.1.	The remuneration of the executive members of the board shall be based on actual performance and shall discourage taking on excessive risk-taking.	Yes	Item 69 (p. 338)
III.2.	The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.	Yes	Item 69 (p. 338)
III.3.	The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.	Yes	Item 69 (p. 338)
III.4.	A significant part of the variable remuneration should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.	Yes	Item 69 (p. 338)
III.5.	Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.	Yes	Item 69 (p. 338)

1) Except when mentioned in other way.

		Adoption	References in the Governance Report[1] Item / (page no.)
III.6.	Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their mandate.	Yes	Item 69 (p. 338)
III.7.	When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.	Yes	Item 69 (p. 338)
III.8.	When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	Yes	Item 83 (p. 352)
IV.	**AUDITING**		
IV.1.	The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	No	
IV.2.	The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services – which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance – said should not exceed more than 30% of the total value of services rendered to the company.	Yes	Item 37 (p. 329)
IV.3.	Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Yes	Item 44 (p. 330)
V.	**CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS**		
V.1.	The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions.	Yes	Item 89 (p. 355)
V.2.	The supervisory or oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings – or entities with which they are in any of the relationships described in article 20 / 1 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body.	Yes	Items 90, 91, 92 (p. 355)
VI.	**INFORMATION**		
VI.1.	Companies shall provide, via their websites in both the Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.	Yes	Item 59 to 65 (p. 337)
VI.2.	Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept.	Yes	Item 56 (p. 336)

1) Except when mentioned in other way.

In addition. BPI considers, with respect to the *CMVM Recommendations nos. I.2, I.3 and II.3.3.*, that it has substantially complied with the recommendation in question, in the terms explained below:

Recomm.	Explanation
I.3	Recommendation adopted. Article 12(4) of Banco BPI's statutes stipulates that the votes cast by one only shareholder and entities related to him / her in the terms defined by that provision which exceed 20% of the total votes corresponding to the share capital shall not be counted. The alteration to that statutory provision requires the approval of seventy five per cent of the votes cast in General Meeting (GM). The principle of limiting the number of votes cast by any single shareholder was proposed by the then General (Management) Board with the objective of promoting a framework conducive to the balanced participation of the principal shareholders in the company's affairs from the viewpoint of the shareholders' long-term interests. In its initial formulation, which was approved by the shareholders at the GM held on 21 April 1999 by a majority of 90.01% of the votes cast, it set a limit of 12.5% of the total votes corresponding to the share capital. At the GM of 20 April 2006, that limit was raised to 17.5%, through the resolution passed by a majority of 77.4% of the votes cast and, finally, at the GM of 22 April 2009, it was raised to the current 20% by a resolution approved unanimously. Taking into account the grounds explained in detail in item 14 of the present document, the Board of Directors by way of a resolution passed on 4 February 2016 approved a proposal to be submitted for deliberation by Shareholders in General Meeting, with a view to eliminating the aforesaid statutory rule limiting the counting of votes.

In this manner, BPI believes that it adopts the CMVM Recommendations, with the exception of *Recommendations no. I.2 and I.4*, which are not adopted for the following reasons:

Recomm.	Explanation
I.2	Recommendation not adopted. The companies should not adopt mechanisms which hinder the passing of resolutions by their shareholders, namely setting a deliberative quorum larger than that envisaged in the law. According to article 30(2) of Banco BPI's statutes, the alterations to article 12(4) and (5) of these statutes (provisions which set and regulate the limit on the number of votes capable of being cast by a single shareholder and entities related to him / her), to article 31(1) (provision which prescribes a special qualified majority for winding up the company), as well as to this article 30(2), require the approval of seventy five per cent of the votes cast, which majority is higher than that envisaged by article 386(3) of the Commercial Companies Code (two thirds of the votes cast). On the other hand, the qualified majority of seventy five per cent in question, although higher than the qualified majority provided for by law, is, as with this last-mentioned, defined in accordance with the number of votes cast and not the votes corresponding to the share capital. The Board of Directors passed a resolution on 4 February approving a proposal to eliminate the statutory rule limiting the counting of votes, to be presented for the deliberation of the Shareholders in General Meeting.
I.4	Recommendation not adopted. Banco BPI's statutes do not contain the measures laid down in the recommendation in question with respect to the maintenance of the limits mentioned with regard to recommendation 1.3 being the object of periodic review in General Meeting. The Board of Directors passed a resolution on 4 February 2016 approving a proposal to eliminate the statutory rule limiting the counting of votes, to be presented for the deliberation of the Shareholders in General Meeting.

3. OTHER INFORMATION

3.1. Bank of Portugal regulations governing remuneration policies

Decree-Law no. 157 / 2014 of 24 October came into force on 24 November 2014 and transposed *Directive no. 36 / 2013 / EU* (commonly known as CRD IV) and amended the General Regime for Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras (RGICSF) namely as regards the matter of remuneration policy.

Amongst the modifications introduced in the RGICSF is the introduction therein of a set of provisions dealing with the matter of the remuneration policy for the members of the management and oversight bodies.

Despite a significant part of the aforementioned provisions relating to the question of remuneration policy introduced into the RGICSF being aligned with the regime that is already in force (the regime contemplated in *Decree-law no. 104 / 2007* of 3 April and in *Law no. 28 / 2009* of 19 June), some of them contain innovative aspects.

The main novelties introduced are highlighted as follows:

a) Provision that the total variable component of remuneration must become subject to the mechanisms of reduction («malus») and reversion («clawback»), with the credit institution being obliged to define specific criteria for their application, ensuring that they are, in particular, considering the situations in which the Employee:

   i) participated or was responsible for an action which resulted in significant losses for the credit institution;

   ii) ceased to comply with the criteria of suitability and integrity;

b) The variable component of remuneration cannot exceed the amount of the fixed component of remuneration, with credit institutions being able to approve a higher maximum level for the variable component of total remuneration, provided that the variable component of remuneration does not exceed twice the amount of each Employee's fixed remuneration.

The Shareholders' General Meeting of 29 April 2015 approved "Banco BPI's Remuneration Policy applicable to the members of the Board of Directors and of the Supervisory Board", which fully complies with the above-mentioned legal requirements.

3.2 Principles and rules for the disclosure of information relating to this topic, whether about policy or about the remuneration to be paid in terms thereof (see Articles 16 and 17 of Bank of Portugal Notice 10 / 2011)

The Bank complies with this aspect by means of the present Corporate Governance Report, the notes to the financial statements and the comprehensive information contained therein concerning the remuneration policy pursued.

3.3. Remuneration Policy for Employees with exercising essential functions

In terms of the RGICSF, the Remuneration Policy contained therein is not only applicable to the members of the Board of Directors (executive and non executive) and of the Supervisory Board, but also the Employees (designated by BPI as "Holders of Essential Functions") who are:

a) responsible for the assumption of risks; this group is composed of those Employees who are charged with taking decisions involving the assumption of risks and, in the specific area of credit risk, those who participate in that decision as regards its analysis and evaluation, that is, the Employees who form part of the Credit Risks Executive Committee and the heads of the Credit Risks Divisions, the Individuals' Credit Risk Division and the Finance Division;

b) earn a salary that places them on the same remuneration scale as the members of the Executive Committee or the Employees referred to in the preceding point (i) and who simultaneously meet any one of the qualitative or quantitative requirements contemplated in the Commission's Delegated *Regulation (EU) no. 604 / 2014* of 4 March 2014;

c) are responsible for control functions within the meaning of *Bank of Portugal Notice 5 / 2008*, that is those Employees who assume the position of front-line responsibility at the Compliance Division, the Audit and Inspection Division and the Risk Analysis and Control Division.

In compliance with the provisions of article 115-C(5) of the RGICSF, Banco BPI's Board of Directors approved on 11 December 2015, the Remuneration Policy for the Holders of Essential Functions, the content of which is described as follows:

REMUNERATION POLICY FOR BANCO BPI EMPLOYEES PERFORMING ESSENTIAL FUNCTIONS

1. Subjective scope

The present Remuneration Policy is applicable to the following "Banco BPI Employees Performing Essential Functions" (hereinafter Employees):

a) The Employees who:

i. Are responsible for the assumption of risks; this group is composed of those Employees who are charged with taking decisions involving the assumption of risks and, in the specific area of credit risk, those who participate in that decision as regards its analysis and evaluation, that is, the Employees who form part of the Credit Risks Executive Committee and the heads of the Credit Risks Divisions, the Individuals' Credit Risk Division and the Finance Division;

ii. Earn a salary that places them on the same remuneration scale as the members of the Executive Committee or the Employees referred to in the preceding point (i) and who simultaneously meet any one of the qualitative or quantitative requirements contemplated in the Commission's Delegated *Regulation (UE) no. 604 / 2014* of 4 March 2014.

b) Are responsible for control functions within the meaning of *Bank of Portugal Notice 5 / 2008*, that is those Employees who assume the position of front-line responsibility at the Compliance Division, the Audit and Inspection Division and the Risk Analysis and Control Division.

It is the function of the Executive Committee, following a proposal by the DRH, to approve and update the list of persons who, falling under the categories referred to above in sub-paragraphs a) and b), should for this purpose be regarded as being Employees performing essential functions (Employees).

To this end the DRH must in the 2nd quarter of each year carry out a review and, where necessary, update the list of Employees, taking as a reference besides the functions performed the qualitative and quantitative criteria envisaged in the *Delegated Regulation no. 604 / 2014*. Specifically with regards to the quantitative criteria, the DRH must use as its reference the total fixed remuneration paid in the immediately preceding financial year and the total amount of the variable remuneration awarded for performance in that same reference year.

Without prejudice to the obligation described above, the DRH shall propose to the Executive Committee the immediate updating of the list of Employees whenever there are changes in the year of the posts referred to in sub-paragraphs a) and b) above.

The DRH is responsible for communicating to each one of the persons appearing on the aforesaid list his / her classification as Employee for purposes of the present Policy, informing them and elucidating them as regards its content.

2. Objective scope

The present Remuneration Policy is applicable to the persons referred to in section 1 who perform the aforementioned functions at Banco BPI.

Banco BPI shall promote the adoption, with the necessary adaptations, namely of the proportionality and suitability criteria envisaged in the General Regime for Credit Institutions and Financial Companies (hereinafter the General Regime) and of the necessity of rendering it compatible with other applicable legal regulations, namely in the case of foreign subsidiaries, of the present policy and the principles embodied in it, by its subsidiaries.

In any event the present Policy is not applicable to the part of fixed or variable remuneration granted directly by the subsidiaries not wholly held by the Bank to Employees, since BPI does not have full control over those subsidiaries, it does not have the power to impose its application, as well as by the fact that the present matter may be subject to its own legislation in those same jurisdictions (in the case of foreign subsidiaries) whose compliance the aforesaid subsidiaries are bound by in the first instance.

3. Objectives

The present Remuneration Policy has as its aim, amongst other goals, contributing to the alignment of the Employees' interests with those of BPI and dissuading the assumption of excessive risks.
Such contribution results, amongst other aspects:

a) from the rule that provides that the limit on variable remuneration is defined as being dependent on Banco BPI's consolidated net profit, ensuring annually in this way an effective limit of that remuneration in the event of a negative result;

b) from the rule that provides that at least 50% of the overall amount of the variable remuneration be composed of Banco BPI shares and/or options to buy Banco BPI shares (RVA Remuneration);

c) from the rule that provides that at least 40% of the overall amount of variable remuneration is subject to deferred vesting (Deferred Remuneration) and, finally;

d) from the fact that the Deferred Remuneration is subject to the Condition of Access to Deferred Remuneration which assumes a positive trend in BPI's consolidated shareholders' equity, and the consequent possibility of the loss thereof should the aforesaid condition not be met.

To the extent that the Deferred Remuneration is composed of Banco BPI shares and/or options to buy Banco BPI shares, this deferral, by exposing the value of the shares and options to the trend in the company's performance on the market and the subjection of the right to its receipt to the confirmation of a condition of access (Condition of Access to Deferred Remuneration) which requires the verification of a positive trend in BPI's consolidated shareholders' equity, thus contributes in a decisive manner to the alignment of Employees' interests with those of BPI, as well as the disincentive for the assumption of excessive risks by them.

4. Definition of the Remuneration Policy

The Board of Directors is responsible for formulating the Remuneration Policy, and may be assisted by experts and external consultants when it deems this necessary.

The Board of Directors shall bear in mind, in formulating Banco BPI's Remuneration Policy, the objectives that this policy:

i. contributes to the promotion of and is coherent with a sound and prudent risk management;
ii. does not constitute an incentive for the assumption of risks that exceed those tolerated by Banco BPI and;
iii. does not create or contribute to the creation of conflict of interest situations.

The Remuneration Policy defined must be compatible with the business strategy and Banco BPI's long-term goals, values and interests, just as these are and may become defined by the competent governing bodies for this purpose.

The Board of Directors should also bear in mind, in defining the Remuneration Policy, and in such a manner that takes into account and are suitable and proportional to the nature, characteristics, scale, organisation and complexity of Banco BPI's activities, the applicable principles and legal rules, namely those envisaged in the General Regime for Credit Institutions and Financial Companies (General Regime) and in *Bank of Portugal Notice 10 / 2011*.

The Board of Directors Committee appointed by the Nominations, Evaluation and Remuneration Committee (CNAR), whose function it is to collaborate and perform the functions envisaged in the General Regime, in article 7 of *Bank of Portugal Notice 10 / 2011* and in its Regulations on functioning, shall participate in the definition of Remuneration Policy.

In the Remuneration Policy definition process, the CNAR may interview those responsible for the audit, compliance and risk management units, to whom it may request the contribution which, for this purpose and as regards the risks that each one of these functions is associated with, it deems important.

5. Evaluation

The CNAR promotes an analysis and annual evaluation of the application (implementation) of the Remuneration Policy, with a view to ascertaining whether such application has effects on the management of the institution's risks, capital and liquidity which evidence the need for this policy's revision and, if such is the case, the identification of the refinement measures to be adopted.

In the analysis and evaluation concerned, the CNAR may hear, amongst others, those responsible for the audit, compliance and risk-management units, to whom it may request the contribution which, for this purpose and as regards the risks that each one of these functions is associated with, it deems important.

The CNAR shall present to the Board of Directors a report with the findings of that analysis and evaluation, and shall liaise with that body the presentation to the annual General Meeting of the conclusions reached.

6. Structure

Employees' remuneration is composed of a fixed remuneration and, when so decided and without prejudice to the special regime envisaged for Employees with control functions, a variable remuneration.

The variable remuneration may not be granted in exceptional cases, namely if its awarding limits Banco BPI's capacity to reinforce its own funds base, while in any event its awarding will always take into consideration all the types of existing and future risks.

In terms of the law, the variable remuneration of each Employee relating to the year which is to be remunerated, cannot exceed the fixed remuneration for that same year.

The approval and granting of a higher amount than that referred to above, the maximum limit of which may be equal to double the fixed remuneration, shall be dependent on compliance with the legally prescribed requisites for this purpose.

6.1 Fixed remuneration

The fixed remuneration earned by each Employee is that which results from the application of the respective employment contract and the Collective Employment Agreement (Acordo Colectivo de Trabalho – ACT) for the banking sector, while also based on the relevant professional experience and on the organisational responsibility of the Employee's functions.

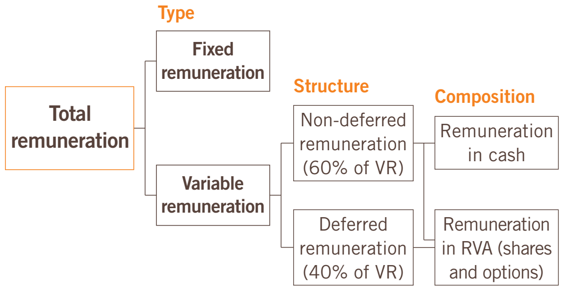
6.2 Variable remuneration

As can be seen from the accompanying table, the variable remuneration incorporates a part that is subject to the deferral rules and subjection to the conditions which are indicated in item 8 of this Policy (Deferred Remuneration). The amount of the Deferred Remuneration corresponds to 40% of the overall amount of the Variable Remuneration that is granted.

As regards its composition, the variable remuneration is made up of a portion in cash and another portion in Banco BPI shares and/or options to buy Banco BPI shares (RVA Remuneration), granted within the framework and in terms of the Regulations of the Variable Remuneration in Shares Programme (hereinafter referred to as the RVA Regulation) and other rules relating thereto.

The RVA Remuneration shall represent, at the very least, 40% of the overall value of each Employee's variable remuneration.

The portion of the variable remuneration which corresponds to Deferred Remuneration is wholly composed of RVA Remuneration.



6.3 Special rules applicable to Employees responsible for control functions

The remuneration of Employees responsible for control functions (referred to in section 1(b)) is mainly based on the fixed remuneration component. The remuneration of these Employees may include a variable remuneration, but this can never exceed 25% of his / her total remuneration and must be paid in cash.

7. Determination of the Variable Remuneration to be granted to each Employee

7.1 General rule

The determination of the actual amount of the variable remuneration to be granted is done by the Executive Committee of the Board of Directors after the CNAR's opinion and taking into account:

a) the evaluation of the Employee's performance, which must consider, inter alia, compliance of his / her functions beyond that required, criteria of a financial and non-financial nature and the performance of the structural unit for which he / she is responsible relative to BPI's overall results;

b) observance of the rules and procedures applicable to the activity carried out, namely internal control rules and when applicable those relating to Customer and investor relations;

c) the sustainable performance adapted to BPI's risk, considering amongst others the trend in the cost of own funds and liquidity;

d) in the case of Employees with control functions, the result of the performance of the respective control functions.

The evaluation of the Employee's performance shall take into account, not only the financial year that such variable remuneration refers to, but also previous financial years, so that this evaluation and consequently the variable remuneration to be granted takes into a multi-year horizon, ensuring that the evaluation process is based on a long-term performance and that the payment of the remuneration components dependent on it is spread over a period which takes into consideration the underlying economic cycle and BPI's business risks.

In fixing the overall component of Employees' variable remuneration, account is also taken, although this does not result in any automatic dependence, of the trend in the overall amount defined for the variable remuneration of the universe of Banco BPI's other Employees. In this respect, it will be recorded that in the definition of the overall amount of the variable remuneration for the universe of Banco BPI's Employees who carry out their functions in Portugal, one of the more relevant factors taken into account is the consolidated pre-tax net profit earned from Banco BPI's domestic operations.

No guaranteed variable remuneration can be granted, except when the hiring of a new Employee is concerned, while in any case such guaranteed variable remuneration can only be applied in the first year of the exercise of functions and will only be due if the Bank has a solid and strong capital base.

7.2 Exceptions

The variable remuneration of Employees who perform control functions (those referred to in section 1(b)) is a function of and depends only on the fulfilment of the objectives associated with their functions and the Bank's overall results, and is thus independent of the performance of the structural units which they control.

The variable remuneration of the Employees who perform control functions referred to in section 1(b) is supervised directly by the CNAR.

8. Granting, deferral and vesting

8.1 Granting

The granting of variable remuneration should as a rule be done on a date falling within the first half-year of the financial year to which it refers, pursuant to the rules envisaged in the following points and in other terms fixed by the CNAR (which date, according to the RVA Regulation is referred to as the Payment Date).

The variable remuneration of the Employees referred to in section 1(b)) will be vested on the date it is granted.

8.2 Deferral

As set out in item 6.2. of Deferred Remuneration (representing 40% of the overall amount of variable remuneration) is granted with subjection to a suspensive term (called the **Deferral Period**) whereby vesting is deferred during a period of 3 years and simultaneously with subjection to a suspensive condition (called the **Condition of Access to Deferred Remuneration**), referred to in this document as Deferred Remuneration.

The variable remuneration of the Employees referred to in section 1(b) is not subject to any Deferral Period.

8.3 Vesting

The portion of variable remuneration which does not constitute Deferred Remuneration is vested immediately on the Payment Date and without such vesting being subject to conditions.

The vesting of Deferred Remuneration shall take place in a phased manner, in the proportion of 1/3 in each one of the years following that of its granting.

The BPI shares to be vested in each one of the aforesaid periods shall be immediately free, while the options to buy BPI shares shall only be exercisable with effect from 90 days after the date of their vesting, expiring 5 years after the date of their vesting.

The vesting of the Deferred Remuneration in each one of the abovementioned periods, is also subject to the confirmation of the following condition, known as Condition of Access to Deferred Remuneration.

Condition of Access to Deferred Remuneration:
The vesting with the Employees referred to in section 1(a) of the Deferred Remuneration granted to them is subject to the confirmation of the following condition (Condition of Access to Deferred Remuneration).

Banco BPI's shareholders' equity situation in the financial year prior to the vesting as shown in its consolidated accounts should (Final Shareholders' Equity) be greater than Banco BPI's shareholders' equity as computed based on its consolidated accounts relating to the immediately preceding financial year. (Initial Shareholders' Equity).

In assessing the confirmation of the Condition of Access to Deferred Remuneration, the CNAR must make the necessary adjustments in order to render the Initial and Final Shareholders' Equity comparable, taking into account the underlying objective for the meeting of that condition: ensuring that the deferred remuneration is only vested (but is vested) if there is a positive behaviour of Banco BPI's consolidated shareholders' equity stemming from the BPI Group's business and the results generated therefrom.

In this context, not only must the adjustments be made in order to correct for any changes in accounting policies which have occurred in the year of the Initial Shareholders' Equity, but also the adjustments necessary to (i) correct for the effects of any cash-injection share capital increases and (ii) assume the observance in the years relating to the Initial Shareholders' Equity and the Final Shareholders' Equity of Banco BPI's Long Term Dividend Policy.

The criteria utilised for the fixing of the variable remuneration to be granted together with the existence of the Condition of Access to Deferred Remuneration, ensure that the variable remuneration takes into account the various types of existing and future risks, as well as the cost of the own funds and the liquidity needed by Banco BPI in order to conduct its business.

The Condition of Access to Deferred Remuneration can be revised by the Board of Directors, after having heard the CNAR (not affecting however the grants already made).

Exceptionally and with the CNAR's favourable opinion, the Executive Committee may exclude the application of the deferral rule and the Condition of Access to RVA Remuneration of those Employees in respect of whom this represents less than 30% of the total remuneration earned by him / her in the preceding year or when the RVA Remuneration granted to that Employee does not exceed € 50 000.

9. Reversion and reduction mechanisms of variable remuneration
Without prejudice to the application of the Condition of Access to Deferred Remuneration, the variable remuneration, regardless of whether it has already been paid or not and in respect of which there already exists any right to its receipt, will still be subject to the reduction or reversion mechanisms whenever the Board of Directors, based on the favourable opinion of the CNAR concludes that the Employee participated in or was responsible for an act that resulted in significant losses for the Bank.

For this purpose, the following shall mean:

a) Reduction mechanism: the regime by which the Bank can reduce in total or in part the amount of the variable remuneration in respect of which the Condition of Access to Deferred Remuneration has not yet been confirmed;

b) Claw-back mechanism: the regime by which the Bank can withhold, thereby not making it definitively available, the amount of the variable remuneration in respect of which the Condition of Access to Deferred Remuneration has already been confirmed, but has not yet been paid.

10. Profit sharing
Banco BPI does not have a policy of remunerating its Employees by way of profit sharing.

11. Hedging risk
With the acceptance of the variable remuneration granted to them, the Employees assume the commitment that, until confirmation of the Condition of Access to Deferred Remuneration, they do not use remuneration insurance or any other risk-hedging mechanisms with a view to attenuating the effects of the alignment of the interests referred to in the various sub-paragraphs of section 3.

12. Situations of dismissal or cessation of current or previous functions
There is no provision whereby in a situation of the cessation of the Employee's employment relationship with the Bank he / she must be paid any indemnity or compensation besides that which, where this is the case, results from applicable legal provisions.

The remuneration aimed at compensating an Employee for the cessation of the exercise of previous functions will always take into consideration the Bank's long-term interests, including the application of the rules relating to performance, as well as the Condition of Access to Deferred Remuneration and the reversion and reduction mechanisms.

13. Other benefits

13.1 Retirement benefits

As explained in the following point b), the retirement benefits that the Employees benefit from are defined and embody the benefit stemming from the pension plan envisaged in the Collective Employment Agreements (Portuguese initials ACT) for the banking sector entered into between the North, Centre, South and the Islands Trade Unions, on the one side, and with the National Union of Banking Employees and Professionals and the Independent Banking Trade Union, on the other. In certain cases, stemming from the commitments previously assumed, the Employees may be subject to the application of the rules of the general Social Security regime.

i. As regards the benefits concerned, it is worth mentioning the following:

ii. The Employees do not enjoy, for this fact and under this heading, retirement benefits, save for the Employees who are Directors of Banco Português de Investimento, S.A. and who do not form part of Banco BPI's Executive Committee who, in that capacity and besides the regime applicable to the vast majority of BPI Employees, benefit cumulatively and whilst they remain exercise the aforesaid functions, from a complementary defined-contribution pension plan, the monthly contribution of which corresponds to 12.5% of the supplementary remuneration of € 2 500 which they earn for the exercise of directorship functions;

iii. The benefit referred to in (i) can, by decision of the Executive Committee, encompass other Employees;

iv. Without prejudice to that referred to in a) Employees benefit from a retirement-pension plan envisaged in the ACT for the banking sector or, in certain cases, and to the extent that it is more favourable, stemming from the rules of the general Social Security regime, the funding of which is provided by a pension fund. These benefits are identical to those which the vast majority of Banco BPI Employees enjoy under the same conditions;

v. Banco BPI Employees who are or have been admitted to the banking sector after 3 March 2009 are mandatorily covered by the general Social Security regime, while also entitled in terms of the banking sector's ACT to a complementary defined-contribution pension plan, in the amount of 1.5% of the basic remuneration and length-of-service bonus.

13.2 Other non-monetary benefits

Employees do not benefit from other forms of remuneration – monetary and non monetary – which are not referred to in this Policy or which stem from the normal application of the ACT or labour legislation.

14. Disclosure and updating

The present Remuneration Policy is disseminated on the Bank's intranet and on Banco BPI's web site (www.bancobpi.pt) being available and accessible for consultation by anybody.

The present policy as well as its implementation will be subject to annual review by the Board of Directors.

15. Entry into force

The present Policy comes into force on the date of its approval by the Board of Directors, being applied to the variable remuneration paid to Employees with effect from that date, even when it is earmarked to remunerate the performance prior to the date of its entry into force.

Board of Directors
Lisbon, 11 December 2015

3.3.1. Information provided in compliance with the provisions of article 17 of Bank of Portugal Notice 10 / 2011 relating to the Remuneration Policy of Employees performing essential functions:

a) Competent bodies of the institution for carrying out the individual performance evaluation

In terms of the Remuneration Policy for Employees performing Essential Functions, the competent body for evaluating individual performance is the Executive Committee, after the opinion of the CNAR, with the exception of the performance evaluation of those responsible for the Internal Audit function, whose evaluation, in terms of the Board's decision of 27 January 2016, is solely undertaken by the Board of Directors.

b) Predetermined criteria for the individual performance on which the right to a variable component of remuneration is based

The performance evaluation of each Employee must consider, amongst others:

- compliance with his / her functions beyond that required, financial and non-financial criteria and the performance of the structure's unit under his / her responsibility *vis-à-vis* BPI's overall results;
- observance of the rules and procedures applicable to the activity carried out, namely the internal control rules and, when applicable, those relating to Customer and investor relations;
- the sustainable performance and adapted to BPI's risk, considering inter alia the trend in the cost of own funds and liquidity.

In the case of Employees with control functions, the performance evaluation shall take into account the result of the performance of the respective control functions.

The evaluation of the Employee's performance shall take into account not only the financial year to which the variable remuneration refers but also the previous financial years and consequently the variable remuneration to be granted takes into account a multi-year perspective, ensuring that the evaluation process is based on long-term performance and that the payment of the components of remuneration depending on it is spread over a period that takes into consideration the underlying economic cycle and BPI's business risks.

c) Relative importance of the variable and fixed components of remuneration, as well as the maximum limits for each component

The fixed remuneration earned by each Employee is that which results from the application of the respective employment contract and the Collective Employment Agreement for the banking sector (ACT), while also based on the relevant professional experience and on the organisation responsibility of the Employee's functions, there being therefore no predefined maximum limit for the fixed remuneration.

The variable remuneration incorporates a part which is subject to the deferral rules and subjection to the conditions that are indicated in item 8 of the Policy (Deferred Remuneration). The value of Deferred Remuneration corresponds to 40% of the overall value of the Variable Remuneration granted.

As regards its composition, the variable remuneration incorporates a part in cash and another part in Banco BPI shares and/or options to buy Banco BPI shares (RVA Remuneration), granted within the framework and in the terms of Regulations for the Variable Remuneration in Shares Programme (hereinafter referred to as the RVA Regulation) and other rules relating thereto.

The RVA Remuneration must represent at least 40% of the overall amount of each Employee's variable remuneration.

The part of variable remuneration which corresponds to the Deferred Remuneration is wholly composed of RVA Remuneration.

d) Mode how the payment of the variable remuneration is subject to the continued positive performance of the institution over the deferral period

To the extent that the Deferred Remuneration is composed of Banco BPI shares and/or options to buy Banco BPI shares, this deferral, by exposing the value of the shares and options comprising it to the behaviour of the company's performance on the market and the subjection of the right to its receipt to confirmation of the condition of access (Condition of Access to Deferred Remuneration) which requires a positive trend in BPI's consolidated shareholders' equity, thereby contributing in a decisive manner to the alignment of Employees' and BPI's interests, such as discouraging the excessive assumption of risks by them, subjecting the payment of part of the variable remuneration known as RVA remuneration to BPI's continued positive performance over the deferral period.

e) Criteria on which to base the granting of variable remuneration in options and indication of the deferral period and the exercise price

The determination of the actual amount of the variable remuneration to be granted by the Executive Committee of the Board of Directors after the CNAR's opinion and taking into account:

- the evaluation of Employee's performance, which must consider, inter alia, compliance of his / her functions beyond that required, criteria of a financial and non-financial nature and the performance of the structural unit for which he / she is responsible relative to BPI's overall results;
- observance of the rules and procedures applicable to the activity carried out, namely internal control rules and when applicable those relating to Customer and investor relations;
- the sustainable performance adapted to BPI's risk, considering amongst others the trend in the cost of own funds and liquidity;
- in the case of Employees with control functions, the result of the performance of the respective control functions.

The evaluation of the Employee's performance shall take into account, not only the financial year that such variable remuneration refers to, but also previous financial years, so that this evaluation and consequently the variable remuneration to be granted takes into a multi-year horizon, ensuring that the evaluation process is based on a long-term performance and that the payment of the remuneration components dependent on it is spread over a period which takes into consideration the underlying economic cycle and BPI's business risks.

In fixing the overall component of Employees' variable remuneration account is also taken, although this does not result in any automatic dependence, of the trend in the overall amount defined for the variable remuneration of the universe of Banco BPI's other Employees. In this respect, it will be recorded that in the definition of the overall amount of the variable remuneration for the universe of Banco BPI's Employees who carry out their functions in Portugal, one of the more relevant factors taken into account is the consolidated pre-tax net profit earned from Banco BPI's domestic operations.

f) Principal parameters and grounds of any system of annual bonuses and of any other non-monetary benefits

Employees do not benefit from other forms of remuneration – monetary and non monetary – which are not referred to in this Policy or which stem from the normal application of the ACT or labour legislation.

3.3.2 Principal characteristics of the retirement-benefit system applicable to Employees performing essential functions

a) As explained in the following point b), the retirement benefits that the Employees benefit from are defined and embody the benefit stemming from the pension plan envisaged in the Collective Employment Agreements (Portuguese initials ACT) for the banking sector entered into between the North, Centre, South and the Islands Trade Unions, on the one side, and with the National Union of Banking Employees and Professionals and the Independent Banking Trade Union, on the other. In certain cases stemming from the commitments previously assumed, the Employees may be subject to the application of the rules of the general Social Security regime.

b) As regards the benefits concerned, it is worth mentioning the following:

i. The Employees do not enjoy, for this fact and under this heading, retirement benefits, save for the Employees who are Directors of Banco Português de Investimento, S.A. and who do not form part of Banco BPI's Executive Committee who, in that capacity and besides the regime applicable to the vast majority of BPI Employees, benefit cumulatively and whilst they remain exercise the aforesaid functions, from a complementary defined-contribution pension plan, the monthly contribution of which corresponds to 12.5% of the supplementary remuneration of € 2 500 which they earn for the exercise of directorship functions;

ii. The benefit referred to in (i) can, by decision of the Executive Committee, encompass other Employees;

iii. Without prejudice to that referred to in a) Employees benefit from a retirement-pension plan envisaged in the ACT for the banking sector or, in certain cases, and to the extent that it is more favourable, stemming from the rules of the general Social Security regime, the funding of which is provided by a pension fund. These benefits are identical to those which the vast majority of Banco BPI Employees enjoy under the same conditions;

iv. Banco BPI Employees who are or have been admitted to the banking sector after 3 March 2009 are mandatorily covered by the general Social Security regime, while also entitled in terms of the banking sector's ACT to a complementary defined-contribution pension plan, in the amount of 1.5% of the basic remuneration and length-of-service bonus.

3.3.3. Quantitative information provided pursuant to article 17 of Bank of Portugal Notice 10 / 2011 relating to the remuneration of Employees exercising essential functions

It should be noted that, as referred to in item 87 of the present report, by decision of the Board of Directors, in 2015 there was no awarding of options on BPI shares under the RVA programme, with the variable remuneration being paid wholly in cash, because the Bank was the object of a takeover bid preliminarily announced by CaixaBank on 17 February 2015.

a) **Annual amount of the fixed and variable components of remuneration and the number of beneficiaries;**
Fixed component: 3 976 825 euro
Variable component: 2 229 094 euro
No. of Employees (beneficiaries): 29

b) **Amounts and types of variable remuneration, broken down into cash, shares, share-linked instruments and other types of remuneration;**
As referred to in item 87 of the present report, by decision of the Board of Directors, in 2015 there was no granting of options on BPI shares under the RVA programme, with the variable remuneration having been paid wholly in cash, because the bank was the object of a takeover bid preliminarily announced by CaixaBank on 17 February 2015.

c) **Amount of deferred remuneration not paid, broken down by invested and non invested components;**
Not applicable by virtue of that referred to in b).

d) **Annual amounts of deferred remuneration due, paid or the object of reductions resulting from adjustments introduced in accordance with the individual performance of Employees;**
No amounts were granted for deferred remuneration due, paid or the object of reductions resulting from the adjustments introduced in accordance with the individual performance of Employees.

e) **Number of new hirings made in the year;**
There are no new hirings for the universe of Employees in question.

f) **Amount of the payments made or due annually by virtue of the early rescission of employment contracts with Employees, the number of beneficiaries of such payments and the biggest payment made to an Employee.**
There were no payments made or due by virtue of the early rescission of the employment contract with Employees of this universe.

3.4.Share Incentive Scheme (RVA) Rules

Version approved at the General Meeting of 27 April of 2011, with the alterations introduced at the General Meeting of 23 April 2014 and at the General Meeting of 29 Abril 2015, containing the regime applicable to the variable remuneration of each member of the Executive Committee.

PART I

General Provisions

Article 1

(Definitions)

The following expressions used herein shall bear the meaning set opposite them, respectively:

- "Shares" – BPI ordinary shares;
- "BPI" – Banco BPI, S.A.;
- "Employees" – the members of the Companies' management bodies (as hereinafter defined) other than the members of the Executive Body (as hereinafter defined) acting as such, and the positions of individuals bound to BPI or to any of the Companies by a contract of employment, designated by the Executive Body every year;
- "Agreement" – the agreement entered into between BPI and any Employee for the allocation of Shares and Options as a result of the acceptance of the agreement proposal set out in Article 4 of the Rules;
- "BPI Group" – the group formed by the Companies;
- "Option" – the right granted to an Employee to purchase one BPI share;
- "Executive Body" – BPI's management executive body;
- "Exercise Price" – the amount to be paid by an Employee for the purchase of one Share on the exercise of an Option;
- "Rules" – these rules;
- "Companies" – BPI and any of the companies directly or indirectly controlled by it;
- "Maturity" – the date from which the Option may be exercised.

Article 2

(Awarding Shares and Options to Employees)

1. BPI may award Shares and Options to its Employees, as a variable remuneration, under the terms of these Rules.
2. The award shall be made by entering into an Agreement.

Article 3

(Criteria for awarding Shares and Options)

1. When establishing the maximum number of Shares and Options to be awarded each year by BPI, the Executive Body shall set the criteria presiding over their distribution to the Employees of each Company, as well as the conditions to which such allocation shall be subject, other than those listed herein.
2. The criteria to be established for the award of Shares and Options shall always include a merit discretionary rating for each Employee, determined by the management body of the Company where the Employee performs his / her duties.
3. It shall be the responsibility of the Executive Body to assess, on a discretionary basis, the merit of the members of the management body of the other Companies of the BPI Group, as well as of the Employees performing duties at BPI.

Article 4

(Procedures for awarding Shares and Options to Employees)

1. Shares and Options shall be granted by the Executive Body, after hearing the management body of each Company of the BPI Group.
2. The award of Shares and Options shall take the form of a proposed agreement addressed in writing by BPI to the Employee, which shall be deemed accepted should the Employee not expressly declare in writing that it is not his / her intention to accept it.
3. The proposed agreement shall include, among other information deemed necessary by the Executive Body, the following:
   a) the number of Shares and the number of Options awarded to the Employee;
   b) the conditions to which the award of Shares and Options is subject;
   c) the period within which Shares shall be freely available for the Employee;
   d) the Maturity of the Options, the Exercise Period and the Exercise Price;
   e) the date that shall be deemed, for any and all purposes, the date of award of Shares and Options object of the Agreement;
   f) the unavailability of Shares awarded, and which have been transferred subject to condition subsequent, and the establishment of their deposit, in which BPI shall be deemed interested under the terms and for the purposes of Article 1193 of the Civil Code. Such unavailability and deposit shall cease on and as of the date on which it is determined that conditions subsequent no longer take effect;
   g) a reference that the proposed agreement comprises and incorporates the terms of these Rules.
4. Each group of Shares, as well as of Options, awarded at the same date and, in respect of Options, with the same Maturity Date, shall form a Series.

Article 5

(Taxes, duties and fees)

1. BPI shall bear all transaction costs due by reason of the transfer of Shares made under the Agreement in favour of the Employee.
2. Each Employee shall bear all taxes and duties due by him / her as a result of any allocation and/or transfer of Shares

and Options in his / her favour, and authorise BPI, if BPI deems appropriate, to substitute him / her in the payment thereof, and thereby giving irrevocable instructions to the Banks of the BPI Group to pay to BPI, by debiting their deposit accounts, the amounts disbursed by BPI, upon submission of the relevant evidence.

Article 6
(Remuneration Committee's Intervention)

1. It shall be the responsibility of BPI's Remuneration Committee to perform, with respect to the members of the Executive Body, the duties attributed by these Rules to the Executive Body with respect to Employees in general.
2. Any agreement between BPI and the members of the Executive Body shall be entered into by the Chairman and one of the members of the Remuneration Committee, representing BPI, upon whom the required powers are conferred by these Rules.
3. Suspension to exercise Options, by decision of the Executive Body, shall automatically encompass Options held by its members, without prejudice to the Remuneration Committee being able to determine, at its discretion, such suspension, in compliance with the provisions of Article 11(3) hereof.
4. The Exercise Price to be established by the Executive Body for each Series of Options shall be communicated by the Executive Body to the Remuneration Committee and the Remuneration Committee shall not take a lower price in the resolution to be adopted for the allocation of Options of that Series to the members of the Executive Body.
5. The criteria for any adjustment to be made either to the Exercise Price or to the number of Options, under the terms of Article 14 hereof, shall be established, with respect to Options awarded to the members of the Executive Body, under such terms that shall not be more favourable for such Employees than those established by the Executive Body for Employees in general.

Article 7
(Construction and incorporation of the Rules; eligibility)

1. It shall be the sole responsibility of the Executive Body to construe these Rules, as well as to fill any hiatus therein.
2. The Executive Body may from time to time, at its sole discretion, anticipate terms precedent, accelerate the Maturity Date of the Options, not require the confirmation of conditions precedent, waive at conditions subsequent and declare that these latter can no longer take effect when and where, cumulatively, a) such terms and conditions affect the transfer of the Shares and the allocation of the Options or their exercise and b) such procedure accelerates or consolidates the transfer of those rights to Employees.

Article 8
(Arbitration Convention)

1. Any dispute arising from awarding Shares and Options to Employees, as well as from the application of these Rules, shall be finally submitted to arbitration.
2. BPI's statutory auditor at the commencement of the arbitration proceeding shall act as the sole arbitrator, and his / her decision shall be final, admitting no appeal.

PART II
Transfer of Shares

Article 9
(Transfer of Shares – General Rule – submission to condition subsequent)

1. The mere conclusion of the Agreement grants the Employee the ownership of a portion of the Shares awarded to him / her, in the number established therein.
2. The remaining Shares awarded shall be transferred to the Employee upon conclusion of the Agreement, but such transfer shall be cancelled, for the whole or part of such remaining Shares, under the Agreement, upon the occurrence of any of the following facts before the dates set out for that purpose in the Agreement:
   a) termination of employment or directorship of the Employee with the BPI Group at the initiative of the Employee, on unfair grounds;
   b) termination, at BPI Group's initiative and on fair grounds, of employment or directorship of the Employee;
   c) termination, upon agreement between the parties, of employment or directorship without expressly safeguarding, in writing, the rights of the Employee under the Agreement.
3. If, on the date established in the agreement as the deadline for the confirmation of the conditions subsequent set forth in the foregoing paragraph, the Employee is the subject of an investigatory hearing or disciplinary proceeding with the intent to dismiss, such deadline shall be extended up to and including the date the decision on those proceedings is notified by the employer to that Employee.
4. For the purpose hereof, no termination of employment or directorship shall take place should any of the facts set out in sub-paragraphs above be followed, within a maximum of 90 days, by the establishment of a new relation of any of the aforesaid two types with one of the Companies.
5. In the event of a) Employee's death, b) Employee's retirement, or c) cessation of BPI's control over the Company where the Employee performs his / her duties, it shall be deemed that the condition subsequent of the transfer shall cease to take effect.

6. Shares transferred under condition subsequent shall be held in trust, pending on such condition, in the Employee's securities account with BPI, and BPI is interested in such deposit, under the terms and for the purposes of Article 1193 of the Civil Code.
7. Share dividends, the transfer of which being subject to condition subsequent, shall be deposited, on the date they are paid out, in the Employee's current account with BPI, without any restriction on their use or transaction, without prejudice to paragraph below.
8. Upon confirmation of condition subsequent:
   a) Shares deposited shall promptly revert to BPI, which may freely make any transaction on them;
   b) the Employee shall deliver to BPI an amount equivalent to dividends referred to in the foregoing paragraph 7; for that purpose, the Employee irrevocably instructs the Banks of the BPI Group to pay the said amount to BPI, by debiting their deposit accounts.
9. In case one or more share capital increases through incorporation of reserves occur in BPI, the transfer of Shares, to which the Employee is entitled as a result of his / her ownership of Shares in respect of which transfer is subject to condition subsequent, shall be subject to an equal condition.

Article 10

(Transfer of Shares – transfer situations under term and condition precedent)

1. Where justified in the light of the interests underlying the Incentive Scheme object of these Rules, the Executive Body shall award Shares under term and condition subsequent.
2. The following rules shall apply to the award of Shares carried out under the terms of the foregoing paragraph:
   a) the mere conclusion of the Agreement grants the Employee the ownership of a portion of the Shares awarded to him / her, in the number established therein;
   b) the remaining Shares awarded shall be transferred to the Employee on the dates and in the number specified in the Agreement, if before any of such dates none of the facts referred to in Article 9, paragraph 2 has occurred, and the provisions set forth in Article 9, paragraph 3 shall apply, as amended;
   c) in the event of any fact referred to in Article 9, paragraph 2, BPI shall return to the Employee the amount delivered by him / her under the terms of paragraph 3 (b) below;
   d) should any of the facts set out in Article 9, paragraph 5 occur, all Shares awarded, but with suspended transfer, shall be promptly transferred.
3. While term and condition subsequent are pending, the following rules shall apply:
   a) in case one or more share capital increases through incorporation of reserves in BPI occur, Shares awarded shall be accrued of Shares to which the Employee would be entitled if he / she were already a holder of the Shares awarded and not yet transferred on the date of such increase;
   b) in case of capital increase with right of preference for shareholders, the Employee shall be entitled to the Shares he / she would subscribe if he / she already were the holder of Shares awarded and not yet transferred provided that he / she delivers to BPI, during the subscription period, the cash consideration corresponding to the sum that he / she would have to pay to BPI as capital realisation;
   c) Shares awarded shall also be accrued of a number of Shares corresponding to the division of dividends and reserves distributed, which would be attributable to Shares awarded and not yet transferred, at the price per Share on the stock exchange at the close of business on the first day Shares are transacted ex dividend or reserves distributed;
   d) the provisions of the foregoing sub-paragraphs may also apply, as amended, when the Executive Body deems that a fact similar to those set out therein substantially reduce the Share value;
   e) Shares additionally awarded to Employees by virtue of adjustments set out in the foregoing sub-paragraphs shall be transferred to them together with those initially awarded and on a pro rata basis;
   f) in case of BPI's merger or split, the transfer of Shares subject to term and condition subsequent shall have as object the Shares of the company resulting from the merger, or of the companies resulting from the split, in line with the exchange relation established for the purpose of any those operations.

PART III

Exercise of Options

Article 11

(Maturity, Expiry and Exercise of Options)

1. Options shall mature on the ninetieth day following the date they were granted and the Options shall expire five years having elapsed since the date they were granted.
2. The Options may be exercised at any time within the period comprised between their Maturity and their expiry dates, except for:
   a) the period between the commencement date and the expiry date of the Share subscription period in BPI's share capital increases;
   b) the existence of an investigatory hearing or disciplinary proceeding with the intent to dismiss action against the Employee, in respect of the period between and including the date proceedings are started and the date on which

the resolution taken in such proceedings is notified by the employer to the Employee.

3. Whenever deemed necessary to prevent insider trading, the Executive Body may suspend the exercise of the Options for periods not exceeding 30 days at a time.
4. The exercise of Options by each Employee shall be made upon written notice addressed to BPI, expressing his / her intention to buy Shares corresponding to the whole or part of the Options that have been awarded and are overdue.

Article 12

(Exercise Price)

1. The Exercise Price shall be set by the Executive Body and shall be identical for Options of the same Series.
2. The payment of the Exercise Price shall be made on the third business day following the exercise of the Options.

Article 13

(Option expiry)

1. The termination of employment or directorship of the Employee, at the initiative of the BPI Group and on fair grounds, shall automatically determine that all Options awarded and not exercised, of that Employee.
2. In case of:
   a) termination of employment or directorship of the Employee with the BPI Group at the initiative of the Employee, on unfair grounds; or
   b) termination, upon agreement between the parties, of employment or directorship without expressly safeguarding, in writing, the rights of the Employee under the Agreement;
      - the Options of that Employee, awarded and not yet matured, shall automatically lapse;
      - the Options of that Employee, awarded and already matured, shall lapse if not exercised within 30 days from the date of termination of employment or directorship.
3. In case of:
   a) Employee's death;
   b) Employee's retirement; or
   c) cessation of BPI's control over the Company where the Employee performs his / her duties, the Maturity of all Options awarded shall take place, their exercise shall be made within a maximum period of 2 years therefrom.
4. In case of BPI's merger or split, the object of the Options shall be made of the number of shares of the company resulting from the merger, or of the companies resulting from the split, in line with the exchange relation established for the purpose of any of those operations.

Article 14

(Adjustments)

1. The Exercise Price shall be adjusted in case of:
   a) any change in BPI's share capital, except in respect of share capital increases through new cash contributions, where shareholders have waived their pre-emptive right;
   b) an allocation of dividends and/or reserves to BPI shareholders, except when BPI's Board of Directors deems that the aforesaid operation has no significant effect on the value of the Shares;
   c) the Executive Body deems to have occurred a fact of a similar nature of the previous ones likely to reduce significantly BPI's share value.
2. In those cases set out in sub-paragraph a) of the foregoing paragraph, an adjustment shall be made to the number of Options awarded, together with an adjustment to their exercise price, pursuant to the criteria set out in paragraph below, as deemed necessary.
3. Any adjustment set out in the foregoing paragraphs shall be made, under the terms established by BPI's Executive Body or Board of Directors, so that the Employee's position is substantially maintained identical to that existing before the occurrence of the facts that have determined them.

PART IV

(Final Provisions)

Article 15

(Assignment of the contract position and Options)

1. The Employee's contract position in the Agreement is non-transferability *inter vivos*.
2. Options, though overdue, cannot be transferred by gift inter vivos but may be assigned upon death to heirs or assignees of the Employee holder thereof.
3. Notwithstanding the provisions of the foregoing paragraph and under exceptional circumstances in the best interests of the Company, BPI may buy Options, overdue or not, from its Employees.

Article 16

(No derogation from the Codes of Conduct)

The disposal of Shares awarded to Employees under the terms of the Agreement, as well as of Shares acquired by them upon exercising their Options, is subject to, besides the restrictions set out herein and in the Agreement, the rules of the Code of Conduct applicable to the Employee or to the member of BPI's management or supervisory bodies.

SPECIAL SECTION

(Rules to be applied to the component of variable remuneration of each member of the Executive Committee which represents 50% of the aggregate amount of the variable remuneration, and which is made up of shares and options for the acquisition of Banco BPI shares.)

The RVA Remuneration up to the limit of 50% of the overall amount of the variable remuneration of each Executive Directors, is vested with subjection to a suspensive term (called the Deferral Period from which results the deferral of the vesting of the RVA Remuneration for the period of 3 years, being called the Deferred RVA Remuneration.

Accordingly, the vesting of the **Deferred RVA Remuneration** is subject to the elapsing of the 3 year period commencing from the Payment Date (**Deferral Period**), which:

a) in the case of BPI, constitutes the suspensive term to which the respective transfer is subject;

b) in the case of options, constitutes the period that must elapse before these mature.

The vesting of the Deferred RVA Remuneration is also subject to the confirmation of the following condition, called the Access Condition to Deferred Remuneration.

Access Condition to Deferred Remuneration: Banco BPI's shareholders' equity, as per its consolidated accounts relating to the year immediately prior to that in which the Conclusion Date of the Deferral Period falls (Final Shareholders' Equity figure), should be more than Banco BPI's shareholders' equity figure as per its consolidated accounts relating to the Reference Year (Initial Shareholders' Equity figure).

For purposes of the above Condition, the following definitions shall apply:

- **payment date:** the date on which shares and/or options are awarded as the variable component of the variable remuneration of an Executive Director;
- **conclusion Date of the Deferral Period:** the date which marks the end of 3 years after the Payment Date;
- **payment year:** the financial year in which the Payment Date falls;
- **reference year:** the financial year whose performance is remunerated by the variable component paid on the Payment Date, that is, the financial year prior to the Payment Year.

In ascertaining whether the Access Condition to Deferred Remuneration has been fulfilled, the Remuneration Committee must effect the necessary adjustments so as to make the Initial and Final Shareholders' Equity figures comparable, taking into account the objective underlying the setting of that condition: ensuring that the deferred remuneration only becomes freely disposable (but is freely disposable) provided that there is a positive trend in Banco BPI's consolidated shareholders' equity, arising from the BPI Group's business and the earnings generated by that business.

Within this framework, not only must the required adjustments be made to correct for any changes in accounting policies that occurred after the year of the Initial Shareholders' Equity, but also the adjustments needed to (i) correct for the effects of any cash-injection capital increases and (ii) assume the observance in the financial years relating to the Initial Shareholders' Equity and the Final Shareholders Equity, as well as in the intervening years, of Banco BPI's Long-Term Dividend Policy.

The criteria utilised for the fixing of the variable remuneration to be granted, together with the Access Condition to Deferred Remuneration, ensure that the variable remuneration takes into account the various types of current and future risks, as well as the cost of the own funds and liquidity needed for the conduct by Banco BPI of its business.

The Access Condition to Deferred Remuneration may be revised by the Remuneration Committee after having heard the CNAR (not effecting however the awards already made).

Reversion and reduction mechanisms of variable remuneration
Without prejudice to the application of the Access Condition to Deferred Remuneration, the variable remuneration regardless of whether it has already been paid or not, and in respect of which there is already a right to its receipt, shall still be subject to the reduction or reversion mechanisms whenever the Remuneration Committee, based on a favourable opinion of the CNAR, concludes that the Executive Directors:

a) participated in or was responsible for an act which resulted in significant losses for the Bank;

b) ceased to meet the criteria of suitability and integrity.

For this purpose, the following shall mean:

a) **Reduction mechanism:** the regime by which the Bank can reduce in total or in part the amount of the variable remuneration in respect of which the Condition of Access to Deferred Remuneration has not yet been confirmed;

b) **Claw-back mechanism:** the regime by which the Bank can withhold, thereby not making it definitively available, the amount of the variable remuneration in respect of which the Condition of Access to Deferred Remuneration has already been confirmed, but has not yet been paid.

1. Award of Shares

1.1 Where Shares awarding is at stake, they should be awarded "under term and condition precedent" set out in Article 10 of the Rules.

1.2 The term precedent corresponds to the Deferral Period.

1.3 Conditions precedent restrict the transfer of all Shares subject to the scheme set out in this special section and are the following:

- Completion Date of the Deferral Period, of any of the following events:
  1. Termination of the management relationship with the BPI Group at the initiative of the Executive Director, on fair grounds;
  2. Termination at the initiative of the BPI Group and on fair grounds of the management relationship with the Executive Director;
  3. Termination, by agreement between the parties, of the management relationship, without the rights of the Executive Directors to the shares awarded under condition having been expressly safeguarded in writing.
- The Condition for Access to Deferred Remuneration;

1.4 The provisions set out in paragraph 2.3 shall not affect the application of the rule embodied in article 10 (2) of the Regulations, in terms of which in the event of the Executive Director's death or retirement, all the shares whose award is suspended are immediately transferred.

2. Award of Options

2.1 Options awarding is subject, as a condition precedent, to the Condition for Access to Deferred Remuneration;

2.2 The Options shall mature on the Completion Date for the Deferral Period;

2.3 The Options shall expire three years having elapsed following from the Completion Date of the Deferral Period;

2.4 The provisions set forth in paragraph 3.2 above shall not affect the application of the rule stemming from Article 13 (3) of the Rules, according to which in the event of the Executive Director's death or retirement, all Options awarded mature immediately (they must be exercised within two years).

3. Limits on transactions of Shares and Options

The Shares and Options awarded under term and conditions precedent shall not be assigned, in general terms, to the Executive Director before confirmation of said term and conditions. Therefore, until such term or conditions are confirmed (whichever occurs later), the said shares and options are not registered in that Executive Director's name, nor is he / she entitled to freely dispose of them or encumber them.

4. Application of other terms of the Rules

Save for what is the object of the derogations envisaged in the foregoing paragraphs, the provisions of these Rules remain fully in force.

Annex

Annex

EXPERIENCE, PROFESSIONAL QUALIFICATIONS AND OTHER MANAGEMENT AND OVERSIGHT POSITIONS HELD IN OTHER COMPANIES OR ENTITIES BY THE GOVERNING BODIES OF BANCO BPI, S.A.

SHAREHOLDERS GENERAL MEETING

Miguel Veiga (Chairman)

Date of birth	30 June 1936
Nationality	Portuguese
Date of first appointment	27 April 2011
End of current term	31 December 2016

Academic qualifications

1959: Honours Law degree

Management and supervisory positions at other companies

2007-...: Non-executive Director of Impresa, SGPS, S.A.
1993-...: Non-executive Director of Companhia de Seguros Tranquilidade

Other positions

Chairman of the General Meeting Committee:
Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.
Interposto Comercial e Industrial do Norte
Aplicação Urbana II – Investimento Imobiliário, S.A.
Atlantic SGFII, S.A.

Manuel Cavaleiro Brandão (Deputy-Chairman)

Date of birth	6 June 1946
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2016

Academic qualifications

Honours Law degree, Universidade de Coimbra
Attended post-graduate course in European Affairs, Universidade de Coimbra

Management and supervisory positions at other companies

Deputy-Chairman of Fundação de Serralves

Other positions

Chairman of the General Meeting Committee:
Sonae SGPS, S.A.
LEICA – Aparelhos Ópticos de Precisão, S.A.
Equity Partner of "PLMJ – A.M. Pereira, Sáragga Leal, Oliveira Martins, Júdice e Associados – Sociedade de Advogados, R.L."
Associate Founder of the "Associação Portuguesa de Arbitragem"
Member of the Arbitration Board of the Delegação Nacional Portuguesa da CCI – Chambre de Commerce Internationale
Arbitrator appointed by the Economic and Social Council
Member of the LCIA (Londen Court of International Arbitration) and of the Club Español del Arbitraje.

Previous professional experience

2006-2007: Member of the Labour Relations White Paper Commission (CLBRL)
2004-2006: Chairman (2006) and Deputy-Chairman (2004 and 2005) of the CCBE (Conselho das Ordens dos Advogados Europeias)
2004-2005: Member of the "Court of Arbitration" of the "ICC – International Chamber of Commerce" (Paris)
1992-2005: Member of the Arbitration Board of the Commercial Arbitration Centre of the Câmara de Comércio e Indústria Portuguese and of the Câmaras de Comércio e Indústria de Lisboa e Porto
1990-1992 and 2002-2004: Member of the General Board of the Portuguese Law Society
1984-1989: Member of the Porto District Board of the Portuguese Law Society
1990-2011: Member (Advisor) of the European Economic and Social Committee
Member of LCIA (London Court of International Arbitration) and Club Español de Arbitraje

Maria Alexandra Magalhães

Date of birth	11 Novembfs 1967
Nationality	Portuguese
Date of first appointment	20 April 2005
End of current term	31 December 2016

Academic qualifications

1990: Economics graduate, Universidade do Porto
1996: "Master Quality Management" – Institut Méditerranéen de la Qualité / École Supérieure de Commerce et Technologie – France
2003: Post-graduation in Human Resources – Universidade Moderna do Porto
2010: MBA, IE Madrid

Management and supervisory positions at other companies

Director of Sarcol – Sociedade de Gestão e Investimento Imobiliário, S.A.

Other positions

Consultant at Dynargie

Previous professional experience

Various positions held at Sarcol Group

Luís Manuel Alves de Sousa Amorim

Date of birth	1 September 1963
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2016

Academic qualifications

1986: Business Management graduate – Universidade Católica Portuguesa

Management and supervisory positions at other companies

2000-...: Director of RIAOVAR – Empreendimentos Turísticos e Imobiliários, S.A.

Previous professional experience

1993-2007: Director of Simon – Sociedade Imobiliária do Norte, S.A.
1991-2007: Manager of Sanor – Sociedade Agrícola do Norte, Lda.
1989-1990: Manager of the Organisation and Management Systems Department – Modelo Supermercados, S.A.
1986-1989: Professional staff member of the Management Control Department – Sonae Distribuição, S.A.

SUPERVISORY BOARD

Abel António Pinto dos Reis (Chairman)

Date of birth	10 October 1933
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2016

Academic qualifications

1960: Economics graduate of the Universidade do Porto
1952: Accounting Course, Instituto Comercial Porto
1948: General Commerce Course, Colégio Universal, Porto

Management and supervisory positions at other companies

2007-…: Chairman of the Supervisory Board of COSEC – Companhia de Seguros de Créditos, S.A.
2000-…: Non-executive Director of Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.

Previous professional experience

2007-2008 (31 March): Chairman of the Supervisory Board of BPI Vida – Companhia de Seguros de Vida, S.A.
2000-2008 (31 March): Non-executive Director of Fernando & Irmãos, SGPS, S.A.
1993-1997: Member of the Management Board of Caixa Central de Crédito Agrícola Mútuo
1986-1992: Chairman of the Management Board of the Fundo de Garantia do Crédito Agrícola Mútuo
1976-1992: Director at the Bank of Portugal
1961-1964: Assistant lecturer at Faculdade de Economia do Porto
1957-1975: Employee, professional staff member, auditor and manager of Banco Português do Atlântico
1952-1953: Employee of Banco Espírito Santo

Jorge de Figueiredo Dias

Date of birth	30 September 1937
Nationality	Portuguese
Date of first appointment	21 April 1999
End of current term	31 December 2016

Academic qualifications

1959: Law graduate of the Universidade de Coimbra
1970: PhD in Law (Legal Sciences) from Law Faculty of the Universidade de Coimbra
1977: Chair Professor

Management and supervisory positions at other companies

Chairman of the Board of Directors of Bússola das Palavras, S.A.

Other positions

Member of Management Council of the Fundação Luso-Americana para o Desenvolvimento

Previous professional experience

1991-2005: Deputy-Chairman of SIC (Société Internationale de Criminologie)
1990-2001: Chairman of FIPP (Fondation Internationale Pénale et Pénitentiaire)
1996-2002: Deputy-Chairman of SIDS (Société Internationale de Défense Sociale)
1996-2000: Chairman of the General Meeting Committee of Caixa Geral de Depósitos
1991-1996: Member of SIDS (Société Internationale de Défense Sociale)
1986-1991: Member of SIC (Société Internationale de Criminologie)
1984-2004: Member of the Management Council of the AIDP (Association Internationale de Droit Pénal)
1982-1986: Member of the Council of State
1979-1983: Member of the Constitutional Commission
1978-1990: Member of FIPP (Fondation Internationale Pénale et Pénitentiaire)

Rui Campos Guimarães

Date of birth	11 August 1949
Nationality	Portuguese
Date of first appointment	23 April 2014
End of current term	31 December 2016

Academic qualifications

1971: Hons. degree in Mechanical Engineering, Engineering Faculty, Universidade do Porto
1976: Master of Arts from Lancaster University, UK
1981: Doctor of Philosophy in Operational Research from Lancaster University, UK
1998: Aggregation in Industrial Management, Engineering Faculty, Universidade do Porto

Management and supervisory positions at other companies

2005-2015: Member of the Board of Directors of Fundação de Serralves, where he was Executive Deputy-Chairman between 2011 and 2015

Previous professional experience

2011-2014: Member of the Board of Directors of Grupo Efacec
2011-2014: Member of the Board of Directors of Associação EGP – U.Porto, which supports the functioning of Porto Business School
1971-2011: Lecturer at the Engineering Faculty of the Universidade do Porto,where he occupied the office of Senior Professor since 1999
1986-1989: President of the Management Board of INEGI – Instituto de Engenharia Mecânica e Gestão Industrial
1995-2000: President of the Management Board of ISEE – Instituto Superior de Estudos Empresariais, subsequently transformed into EGP – Escola de Gestão do Porto and the Porto Business School
2003-2009: Director General of COTEC Portugal – Associação Empresarial para a Inovação
2009-2012: President of the Management Board of APGEI – Associação Portuguesa de Gestão e Engenharia Industrial

BOARD OF DIRECTORS

Artur Santos Silva (Chairman)

Date of birth	22 May 1941
Nationality	Portuguese
Date of first appointment	6 October 1981
End of current term	31 December 2016

Academic qualifications

1985: Stanford Executive Program, Stanford University
1963: Law graduate, Universidade de Coimbra

Management and supervisory positions at other companies

Chairman of the Board of Directors of Partex Oil & Gas (Holdings) Corporation (100% held by Fundação Calouste Gulbenkian)
Chairman of the Supervisory Board of Partex Holding B.V.

Other positions

Chairman of the Board of Directors of Fundação Calouste Gulbenkian

Previous professional experience

1981-2004: Executive Chairman of SPI / BPI
1977-1978: Deputy-Governor of the Bank of Portugal
1975-1976: Secretary of State of the Treasury
1968-1975: Manager at Banco Português do Atlântico
1963-1967: Assistant lecturer at the Law Faculty of Universidade de Coimbra, in the chairs Public Finance and Political Economics.

Fernando Ulrich (Deputy-Chairman and Chairman of Executive Committee)

Date of birth	26 April 1952
Nationality	Portuguese
Date of first appointment	22 March 1985
End of current term	31 December 2016

Academic qualifications

1969-74: Attended Business Management Course of the Instituto Superior de Economia de Lisboa

Management and oversight positions held at companies within the BPI Group

Chairman of the Board of Directors of Banco de Fomento Angola, S.A.
Chairman of the Board of Directors of Banco Português de Investimento, S.A.
Chairman of the Board of Directors of BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.
Chairman of the Board of Directors of BPI Vida e Pensões – Companhia de Seguros, S.A.
Chairman of the Board of Directors of BPI Madeira, SGPS, Unipessoal, S.A.
Chairman of the Board of Directors of BPI Global Investment Fund Management Company, S.A.
Director of BPI Capital Finance Limited
Director of Banco BPI Cayman, Ltd.

Management and supervisory positions at other companies

Manager of Viacer, Sociedade Gestora de Participações Sociais, Lda.
Manager of Petrocer, SGPS, Lda.

Other positions

Member of the Associação Portuguesa de Bancos's Management Board
Chairman of the Founders' Assembly of the Fundação Portugal África

Previous professional experience

1983-1985: Deputy Manager of SPI – Sociedade Portuguesa de Investimento
1981-1983: Chief of the Office of the Minister of Finance and Planning
1979-1980: Officer at the Secretariat for External Economic Cooperation of the Ministry of Foreign Affairs (Relations with the EFTA, OECD and GATT)
1975-1979: Member of the Portuguese Delegation at the OECD (Paris), responsible for economic and financial matters
1973-1974: In charge of the financial markets section of the weekly "Expresso"

Alfredo Rezende de Almeida

Date of birth	22 May 1934
Nationality	Portuguese
Date of first appointment	6 October 1981
End of current term	31 December 2016

Academic qualifications

1959: Economics graduate, Economics Faculty of the Universidade do Porto

Management and supervisory positions at other companies

Sole Director of Casa de Ardias – Sociedade Agrícola e Comercial, S.A.

Other positions

Director of ATP – Associação Têxtil e do Vestuário de Portugal
Director of Associação Portuguesa de Exportadores Têxteis

Previous professional experience

1998-2008: Chairman of the Board of Directors of ARCOtêxteis, S.A.
1998-2008: Chairman of the Board of Directors of ARCOfio – Fiação, S.A.
1998-2006: Deputy-Chairman of the Board of Directors of ARCOtinto – Tinturaria, S.A.
1995-2006: Director of FÁBRICA DO ARCO – Recursos Energéticos, S.A.
1989-1990: Chairman of the General Board of BCI – Banco de Comércio e Indústria, S.A.
1985-1988: Member of the General Board of BCI – Banco de Comércio e Indústria, S.A.
1986-1991: Member of the General Board of Sociedade Portuguesa de Capital de Risco, S.A.
1959-1963: Director of Sociedade Luso-Americana de Confecções, SARL

António Domingues (Deputy-Chairman of the Executive Committee)

Date of birth	30 December 1956
Nationality	Portuguese
Date of first appointment	29 Novembfs 1995
End of current term	31 December 2016

Academic qualifications

1979: Economics graduate of the Instituto Superior de Economia de Lisboa

Management and oversight positions held at companies within the BPI Group

Deputy-Chairman of the Board of Directors of Banco Português de Investimento, S.A.
Deputy-Chairman of the Board of Directors of Banco de Fomento Angola, S.A.
Chairman of the Board of Directors of BPI Moçambique – Sociedade de Investimento, S.A.
Member of the Companhia de Seguros Allianz Portugal, S.A.
Member of the BPI Madeira, SGPS, Unipessoal, S.A.

Management and supervisory positions at other companies

Non-executive Director at NOS, SGPS, S.A.

Previous professional experience

2007-2013: Deputy-Chairman of the Board of Directors of BCI – Banco Comercial e de Investimentos, S.A.
1988-1989: Assistant Director-General of the branch in France of Banco Português do Atlântico
1986-1988: Technical advisor at the Foreign Department of the Bank of Portugal
1982-1985: Director of the Foreign Department of the Instituto Emissor de Macau
1981: Economist at IAPMEI
Until 1981: Economist at the Office of Studies and Planning of the Ministry of Industry and Energy

António Lobo Xavier

Date of birth	16 October 1959
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2016

Academic qualifications

1982: Law graduate of the Universidade de Coimbra
1988: MSc in Legal-Economic Sciences from the Law Faculty of the Universidade de Coimbra

Management and supervisory positions at other companies

Executive Director of SonaeCom – SGPS, S.A.
Non-executive Director of NOS SGPS, S.A.
Non-executive Director of Público – Comunicação Social, S.A.
Non-executive Director of Mota Engil, S.A.
Non-executive Director of Fábrica Têxtil Riopele, S.A.
Non-executive Director of Vallis, SGPS, S.A.

Other positions

Curator Member of the Fundação Belmiro de Azevedo
Partner of law firm "Morais Leitão, Galvão Teles, Soares da Silva e Associados – Sociedade de Advogados"
Chairman of the IRC Reform Commission
Consultant to the Board of Directors of SonaeCom, SGPS, S.A.
Member of the Consultative Committee of Futebol Clube do Porto, SAD
Member of the Board of Directors of the Instituto de Arbitragem Comercial
Member of the Board of Directors of the Centro de Arbitragem Comercial

Previous professional experience

2000-2002: Director of Futebol Clube do Porto, SAD.
1988-1994: Guest lecturer of the Law department of Universidade Portucalense
1988-1994: Teacher at the European Studies Course at the Law Faculty of Universidade de Coimbra
1988: Advisor for the 1988 Tax Reform Commission
1988-1994: Assistant lecturer at the Law Faculty of the Universidade de Coimbra
1986-1991: Member of the Higher Council of the Administrative and Tax Courts
1985-…: Independent law consultant in the matters of Finance and Tax Law
1983-1996: Member of the Portuguese Parliament
1983-1988: Trainee assistant lecturer at the Law Faculty of the Universidade de Coimbra

Antonio Massanell Lavilla (resigned at 25 June 2015)

Date of birth	24 September 1954
Nationality	Spanish
Date of first appointment	24 October 2014
End of current term	31 December 2016

Academic qualifications

1988: Hons. degree in Economic Science from the Universidade de Barcelona

Management and supervisory positions at other companies

Executive Deputy-Chairman of the Board of Directors of Caixabank, S.A.
Non-Executive Deputy-Chairman of the Board of Directors of Mediterranea Beach & Golf Community, S.A.
Non-Executive member of the Board of Directors of Sareb, S.A.
Non-Executive member of the Board of Directors of Boursorama, SAS
Non-Executive member of the Board of Directors of elefónica, S.A.
Non-Executive Chairman of the Board of Directors of Cecabank, S.A.

Previous professional experience

2014-…: Deputy-Chairman of Caixabank, S.A.
2011-2014: Director General of Means at Caixabank, S.A.
1999-2011: Executive Assistant Director General of Caja de Ahorros Y Pensions de Barcelona "la Caixa"

Armando Costa Leite de Pinho

Date of birth	29 April 1934
Nationality	Portuguese
Date of first appointment	26 March 1987
End of current term	31 December 2016

Academic qualifications

1956: Diploma in Engineering, Instituto Superior de Engenharia do Porto

Management and supervisory positions at other companies

Chairman of the Board of Directors of Arsopi Holding, SGPS, S.A.
Chairman of the Board of Directors of Arsopi – Indústrias Metalúrgicas Arlindo S. Pinho, S.A.
Sole Director of Arsopi España, S.L.
Chairman of the Board of Directors of Tecnocon – Tecnologia e Sistemas de Controle, S.A.
Chairman of the Board of Directors of Arsopi – Thermal, S.A.
Chairman of the Board of Directors of A. P. Invest, SGPS, S.A.
Chairman of the Board of Directors of ROE, SGPS, S.A.
Chairman of the Board of Directors of Security, SGPS, S.A.
Director of Unicer – Bebidas de Portugal, SGPS, S.A.
Director of Empresa de Transportes Álvaro Figueiredo, S.A.
Director of Viacer – Sociedade Gestora de Participações Sociais, Lda.
Director of Petrocer – SGPS, Lda.
Director of IPA – Imobiliária Pinhos & Antunes, Lda.

Previous professional experience

1988-2000: Managing Director of Arsopi, S.A.
1985-1990: Member of the General Board of BCI – Banco de Comércio e Indústria, S.A.
1969-1988: Manager of Arsopi, Lda.
1957-1969: Manager and Technical and Production Director of Metalúrgica de Cambra

Carla Bambulo

Date of birth	28 August 1973
Nationality	Portuguese
Date of first appointment	29 January 2015
End of current term	31 December 2016

Academic qualifications

1999: Hons. degree in Applied Mathematics and Computation, Universidade Técnica de Lisboa – Instituto Superior Técnico
2004: Masters degree in Insurance and Pension Fund Management (curricular part) – Universidade de Barcelona – IFA

Management and supervisory positions at other companies

2016-…: Member of the Board of AMOS IBEROLATAM

Previous professional experience

2015-…: Head of Business Division for Iberia and Latin America da Allianz SE
2013-2014: Senior Business Consultant for Iberia and Latin America da Allianz SE
2011-2012: Manager of Strategic, Risk and Actuarial Planning at Companhia de Seguros Allianz Portugal
2008-2010: Manager of Strategic Planning, Control and Reporting at Companhia de Seguros Allianz Portugal
2006-2007: Head of Reporting at Companhia de Seguros Allianz Portugal

Carlos Moreira da Silva

Date of birth	12 September 1952
Nationality	Portuguese
Date of first appointment	20 April 2006
End of current term	31 December 2016

Academic qualifications

2006: Stanford Executive Programme, University of Stanford, USA
1982: PhD in Management Sciences, University of Warwick, UK
1978: MSc in Man. Sci. and OR, University of Warwick, UK
1975: Graduate in Mechanical Engineering from the University of Porto

Management and supervisory positions at other companies

Non-Executive Chairman of the Board of Directors of BA Glass, I, S.A.
Non-Executive member of the Board of Directors of BA GLASS B.V.
Non-Executive Chairman of the Board of Directors of Fim do Dia SGPS S.A.
Non-Executive Deputy-Chairman of the Board of Directors of Sonae Indústria, S.A.

Previous professional experience

2009-2012: Member of the Supervisory Board of Jeronimo Martins Dystrybucja, S.A.
2005-2012: Member of the Advisory Board of 3i Spain
2003-2005: Chairman of Executive Committee of Sonae Indústria, SGPS
1988-1998: Director of several companies within Grupo Sonae
1987-1988: Director of EDP, Electricidade de Portugal
1982-1987: Assistant Professor at the Engineering Faculty of the Universidade do Porto

Edgar Alves Ferreira

Date of birth	21 March 1945
Nationality	Portuguese
Date of first appointment	20 October 2005
End of current term	31 December 2016

Academic qualifications

1967: Forestry graduate of the Instituto Superior de Agronomia
Post-graduate degree in Management from the Universidade Nova de Lisboa

Management and supervisory positions at other companies

Director of HVF – SGPS, S.A.
Director of III – Investimentos Industriais e Imobiliários, S.A.
Director of Corfi, S.A.
Director of Violas Ferreira Financial S.A.

Previous professional experience

1978-...: Production manager at Cotesi
...-2005: Director of companies within Violas Group
1989-2005: Member of the Board of Directors of Unicer – Bebidas de Portugal, SGPS, S.A.

Herbert Walter (resigned at 15 January 2015)

Date of birth	10 August 1953
Nationality	German
Date of first appointment	21 April 2004
End of current term	31 December 2016

Academic qualifications

1982: PhD in Political Sciences
1974-79: Kaufmann graduate in Business Administration, Ludwig-Maximilians University (Munich)

Management and supervisory positions at other companies

Member of the Board of Directors of DEPFA Bank plc, Dublin
Member of the Board of Directors of Hypo Alpe Adria Bank Internacional, Klagenfurt
Member of the Supervisory Board of Board of Aragon Ag, Wiesbaden (since July 2012)

Previous professional experience

2011 (Feb.)–2013 (Feb.): Member of the Board of Directors of NOMOS-BANK, Moscovo
Member of the Board of Directors of Banco Popular Español S.A., Madrid (until March 2010)
Member of the Board of Directors of Deutsche Lufthansa AG, Colónia (until May 2010)
Member of the Board of Directors of E.ON Ruhrgas AG, Essen (until May 2010)
Assistant lecturer at the University of Munich
Journalist for "Frankfurter Allgemeine Zeitung and Handelsblatt"
2003-2009: Chairman of the Executive Committee of Dresdner Bank AG
2003-2009: Member of the Board of Directors of Allianz SE
1999-2002: Responsible for Customers (Companies and Individuals) and Member of the Executive Committee of the Deutsche Bank Group
1999-2003: "Spokesman" of the Executive Committee of Dresdner Bank 24 AG

Ignacio Alvarez-Rendueles

Date of birth	8 July 1965
Nationality	Spanish
Date of first appointment	22 April 2009
End of current term	31 December 2016

Academic qualifications

1991: The Wharton School, University of Pennsylvania MBA, Major in Finance
1988: C.U.N.E.F. Universidade Complutense de Madrid, Honours degree in Economic and Business Sciences

Management and supervisory positions at other companies

Deputy Executive Diirector of, Vice Presidency, CaixaBank, S.A.

Other positions

Brilliance – BEA Auto Finance Co, Ltd., Director
Escuela de Organización Industrial de España – Member of the Advisory Board

Previous professional experience

2008-11: Caja de Ahorros y Pensiones de Barcelona "la Caixa" – Executive Deputy Chairman, International Banking
2000-08: Goldman Sachs International – Executive Director, Investment Banking
1993-00: Salomon Brothers International – Director, Investment Banking
1992-93: S.G. Warburg & Co. – Associate, Investment Banking
1989-90: Salomon Brothers International – Financial analyst, Investment banking

Isidro Fainé Casas

Date of birth	10 July 1942
Nationality	Spanish
Date of first appointment	27 March 1996
End of current term	31 December 2016

Academic qualifications

Graduate in "Senior Management", IESE
PhD in Economics
Member of the "Real Academia de Ciencias Económicas y Financieras" and the "Académico da Real Academia de Doctores"
Holder of an ISMP in "Business Administration", Harvard University

Management and supervisory positions at other companies

President of Patronato of the Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa"
Chairman of the Board of Directors of CaixaBank, S.A.
Executive Chairman of the Board of Directors of Criteria CaixaHolding, S.A.
First Deputy-Chairman of Abertis Infraestructuras, S.A.
Deputy-Chairman of Telefónica, S.A.
First Deputy-Chairman of Repsol, S.A.
Director of Suez Environnement Company
Non-Executive Director of The Bank of East Asia, Ltd.

Other positions

President of the Confederación Española de Cajas de Ahorros – CECA
Deputy-Chairman of the European Savings Banks Group – ESBG
First Deputy-Chairman of the World Savings Banks Institute – WSBI
President of the Confederación Española de Directivos y Ejecutivos – CEDE
President of the Capítulo Español del Club de Roma
President of the Círculo Financiero
Member of the Consejo Empresarial para la Competitividad – CEC

Previous professional experience

1999-2007: Director-General of Caja de Ahorros y Pensiones de Barcelona "la Caixa"
1991: Executive Deputy Director-General of Caja de Ahorros y Pensiones de Barcelona "la Caixa"
1984: Deputy Director-General of Caja de Ahorros y Pensiones de Barcelona "la Caixa"
1982: Subdirector-General of Caja de Ahorros y Pensiones de Barcelona "la Caixa"
1978: General Manager of Banco Unión, S.A.
1974: Advisor and General Manager of Banca Jover
1973: Staff Manager of Banca Riva Y Garcia
1969: Director of Banco Asunción, Paraguay
1964: Investment Manager of Banco Atlântico
Director of Abertis Infraestruturas, S.A. (until May 2015 and as 1st Vice-Chairman, until February 2015)
2nd Vice Chairman of Sociedad General de Aguas de Barcelona, S.A. (until 2014)
Director of the Financial Group Inbursa, S.A.B. de C.V. (until 2011)

José Pena do Amaral

Date of birth	29 November 1955
Nationality	Portuguese
Date of first appointment	21 April 1999
End of current term	31 December 2016

Academic qualifications

1978: Economics graduate from Instituto Superior de Ciências do Trabalho e da Empresa

Management and oversight positions held at companies within the BPI Group

Non-Executive Member of the Board of Directors of Banco de Fomento Angola, S.A.
Director of BPI Madeira, SGPS, Unipessoal, S.A.
Director of Companhia de Seguros Allianz Portugal, S.A.
Chairman of the of the Board of Directors of Casa da Música

Other positions

Member of the Board of Curators of the Lisbon MBA

Previous professional experience

1986-1996: Consultant at Casa Civil of the President of the Republic for European Affairs
1983-1985: Head of the Office of the Minister of Finance and Planning; permanent member of the Portuguese Ministerial Delegation in the negotiations for Portugal's accession to the European Community
1982-1983: Member of the Office of the consultants Jalles & Vasconcelos Porto; correspondent of the Expresso, RTP and of Deutsche Welle in Brussels
1980-1982: Head of the ANOP delegation in Brussels
1979-1980: Editor of the Economic Supplement of the Diário de Notícias
1975-1980: Professional journalist at the Diário de Notícias

João Pedro Oliveira e Costa

Date of birth	15 October 1965
Nationality	Portuguese
Date of first appointment	23 April 2014
End of current term	31 December 2016

Academic qualifications

1989: Company Administration and Management, Universidade Católica Portuguesa

Management and oversight positions held at companies within the BPI Group

Director and member of the Executive Committee of the Board of Directors of Banco Português de Investimento, S.A.
Director of BPI Suisse

Management and supervisory positions at other companies

Does not occupy other positions

Previous professional experience

2007-...: Director and member of the Executive Committee of Banco Português de Investimento, S.A.
2000-2007: Central Manager at Banco Português de Investimento, S.A.

Lluís Vendrell Pí

Date of birth	7 March 1972
Nationality	Spanish
Date of first appointment	29 July 2015
End of current term	31 December 2016

Academic qualifications

1996: Law graduate of the Universidade Autónoma de Barcelona
1995: Erasmus Programme at Limerick University (Ireland)
2010: PDG, IESE Business School

Management and supervisory positions at other companies

Does not occupy other management or supervisory positions at other companies.

Previous professional experience

2011-...: Corporate Manager in the Corporate M&A Area of Caixabank, S.A.
2007-2011: Legal Advisory Manager at Criteria CaixaCorp, S.A.
2002: Seconded to the law firm Sidley Austin (New York)
1996-2007: Lawyer at the law firm Uría Menendéz (Barcelona office)

Manuel Ferreira da Silva

Date of birth	25 February 1957
Nationality	Portuguese
Date of first appointment	26 April 2001
End of current term	31 December 2016

Academic qualifications

1982: MBA, Nova School of Business and Economics
1980: Economics graduate from the Economics Faculty of the Universidade do Porto

Management and oversight positions held at companies within the BPI Group

Director and Chairman of the Executive Committee of the Board of Directors of Banco Português de Investimento, S.A.
Chairman of the Board of Directors of BPI Private Equity – Sociedade de Capital de Risco, S.A.
Director of BPI Madeira, SGPS, Unipessoal, S.A.

Management and supervisory positions at other companies

Member of the Supervisory Board of Euronext, N.V.
Deputy-Chairman of Fundação de Serralves
Chairman of the Supervisory Board of Cerealis, SGPS, S.A.
Chairman of the Supervisory Board of INEGI – Instituto de Engenharia Mecânica e Gestão Industrial

Previous professional experience

2010-2014: Member and effective from 2012 President of the Representatives Board of the Economics Faculty of the Universidade do Porto
2000-2001: Director of the Lisbon and Oporto Stock Exchange
1980-1989: Lecturer at the Economics Faculty at the Universidade do Porto
1981-1983: Assistant to the manager of the Centro de Investigação Operacional da Armada

Marcelino Armenter Vidal

Date of birth	2 June 1957
Nationality	Spanish
Date of first appointment	3 February 2005
End of current term	31 December 2016

Academic qualifications

Hons degree in Company Management and Administration
Master of Business Administration (ESADE)

Management and supervisory positions at other companies

Director-General of Criteria Caixa, S.A.U.
Director of Abertis Infraestruturas S.A.
Executive Chairman of Caixa Capital Risc, S.G.E.C.R., S.A.
Chairman and Managing Advisor at Criteria Venture Capital, S.A.

Previous professional experience

2007-2013: Director-General of CaixaBank (Riesgos)
2005-2007: Executive Director of Caja de Ahorros y Pensiones de Barcelona "la Caixa"
2001-2007: Director-General of Caixa Holding, S.A.
1995-2000: Managing Director of Banco Herrero

Maria Celeste Hagatong

Date of birth	2 July 1952
Nationality	Portuguese
Date of first appointment	27 September 2000
End of current term	31 December 2016

Academic qualifications

1974: Finance graduate of the Instituto Superior de Economia da Universidade Técnica de Lisboa

Management and supervisory positions at other companies

Director of BPI Madeira, SGPS, Unipessoal, S.A.
Non-Executive Director of Cosec – Companhia de Seguros de Crédito, S.A.

Other positions

Non-executive Director of Cruz Vermelha Portuguesa (CVP) – Sociedade de Gestão Hospitalar, S.A.
Member od the Board of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado
Chairman of Fundação Jorge Álvares

Previous professional experience

1984-1985: Member of the Board of Directors of Fonds de Réétablissement du Conseil de L'Europe
1978-1985: Manager of Financial Services at the Directorate-General of the Treasury of the Ministry of Finance
1977: Administrative and Finance Director of the Republic's Parliament
1976-1977: Ministry of Finance – Directorate-General of the Treasury
1974-1976: Lecturer at the Instituto Superior de Ciências do Trabalho e da Empresa
1974-1976: Responsible for the Department of Local Finance of the Ministry for Internal Administration

Mário Leite da Silva

Date of birth	16 Novembfr 1972
Nationality	Portuguese
Date of first appointment	22 April 2009
End of current term	31 December 2016

Academic qualifications

Economics graduate, Economics Faculty of Universidade do Porto

Management and supervisory positions at other companies

Chairman of the Board of Directors of Santoro Finance – Prestação de Serviços, S.A.
Chairman of the Board of Directors of Santoro Financial Holdings, SGPS, S.A.
Chairman of the Board of Directors of Fidequity – Serviços de Gestão, S.A.
Chairman of the Board of Directors of Efacec Power Solutions, SGPS, S.A.
Chairman of the Board of Directors of Grisogono, S.A.
Member of the Board of Directors of Socip – Sociedade de Investimentos e Participações, S.A.
Member of the Board of Directors of Esperaza Holding, B.V.
Member of the Board of Directors of Banco de Fomento Angola, S.A.
Member of the Board of Directors of Nova Cimangola, S.A.
Member of the Board of Directors of Finstar – Sociedade de Investimentos e Participações, S.A.
Member of the Board of Directors of Kento Holding Limited
Member of the Board of Directors of NOS, SGPS, S.A.
Member of the Board of Directors of Victoria Holding Limited
Member of the Board of Directors of Dorsay, SGPS, S.A.
Member of the Board of Directors of Ciminvest – Sociedade de Investimentos e Participações, S.A.
Director of Niara Holding, SGPS, Unipessoal, Lda.
Member of the Audit and Finance Committee of NOS, SGPS, S.A.

Previous professional experience

Administrative and Financial Director and Member of the Board of Directors of several companies of Grupo Américo Amorim

Pedro Barreto

Date of birth	3 March 1966
Nationality	Portuguese
Date of first appointment	3 March 2004
End of current term	31 December 2016

Academic qualifications

2001: Stanford Executive Program
1989: Business Management graduate of the Universidade Católica Portuguesa

Management and oversight positions held at companies within the BPI Group

Deputy-Chairman of the Board of Directors of BCI – Banco Comercial e de Investimentos, S.A.
Director of BPI Madeira, SGPS, Unipessoal, S.A.
Director of Unicre – Instituição Financeira de Crédito, S.A
Non-Executive Director of SIBS SGPS, S.A.
Non-Executive Director of SIBS, Forward Payment Solutions, S.A.

Previous professional experience

1984-1988: IT Division of Soporcel – Sociedade Portuguesa de Celulose

Tomaz Jervell (resigned at 25 January 2016)

Date of birth	4 March 1944
Nationality	Norwegian
Date of first appointment	26 March 1987
End of current term	31 December 2016

Academic qualifications

1969: Higher School of Commerce, Oslo

Management and supervisory positions at other companies

Chairman of the General Board of Auto-Sueco, Lda.
Chairman of the Board of Directors of Norbase, SGPS, S.A.
Chairman of the Board of Directors of Auto-Sueco (Angola), SARL
Chairman of the Board of Directors of Vellar, SGPS, S.A.

Vicente Tardio Barutel

Date of birth	19 Novembfr 1947
Nationality	Spanish
Date of first appointment	23 April 2014
End of current term	31 December 2016

Academic qualifications

1971: Hons. Degree in Economics, Universidade de Barcelona Actuario, Universidade de Barcelona

Management and supervisory positions at other companies

Chairman of the Board of Directors of Companhia de Seguros Allianz Portugal, S.A.
Chairman of the Board of Directors of Allianz Compañia de Seguros y Reaseguros, S.A. (Spain)
Chairman of Allianz México S.A. Compañia de Seguros
Director of Banco Popular Español, S.A.
Non-executive member of the Supervisory Board of Allianz Worldwide Partners SAS.

BANCO BPI, S.A.

Public held company

Registered in Oporto C.R.C. and tax identification under the sole number 501 214 534

Headquarters: Rua Tenente Valadim, n.º 284, 4100-476 Porto, PORTUGAL

Share Capital: EUR 1 293 063 324.98