This document is a translation from the Portuguese original "Relatório e Contas Banco BPI 1.º semestre de 2016". In the event of any inconsistency the Portuguese version shall prevail.

Report

Banco BPI

1st half 2016

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

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REPORT

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Leading business indicators

(Figures in M.€, except where indicated otherwise)

	Jun. 15	Jun. 16	Δ %
Net total assets	41 434	38 857	(6.2%)
Assets under management[1]	16 849	16 472	(2.2%)
Loans to Customers (gross) and guarantees	27 391	26 575	(3.0%)
Customer deposits	25 843	25 139	(2.7%)
Total Customer resources [2]	35 289	34 112	(3.3%)
Business turnover[3]	62 680	60 687	(3.2%)
Business turnover[3] per Employee (thousands of euro)	7 346	7 153	(2.6%)
Loans to deposits ratio[4, 5]	82%	88%	+5 p.p.
Net operating revenue	587.2	602.4	2.6%
Net operating revenue per Employee (thousands of euro)	69	71	2.7%
Operating costs / net operating revenue, excluding non-recurring impacts [6]	56.7%	56.3%	(0.3) p.p.
Net profit	76.2	105.9	39.1%
Return on average total assets (ROA)	0.7%	1.0%	+0.3 p.p.
Return on Shareholders' equity (ROE)[7]	6.8%	9.1%	+2.3 p.p.
Net profit per share	0.053	0.073	39.0%
Book value per share	1.537	1.584	3.1%
Weighted average no. of shares (in millions)	1 450.2	1 450.8	0.0%
Credit at risk / Loans to Customers[8]	4.9%	4.7%	(0.2) p.p.
Impairments cover of credit at risk[9]	84%	85%	+1 p.p.
Net credit loss[10]	0.64%	0.33%	(0.31) p.p.
Pension liabilities to Employees	1 279	1 306	2.1%
Cover of pension obligations	106%	98%	(8) p.p.
Shareholders' equity	2 230	2 299	3.1%
Shareholders' equity and non-controlling interests	2 621	2 680	2.3%
Common equity Tier I ratio (CRD IV / CRR phasing in)	10.5%	11.0%	+0.5 p.p.
Common equity Tier I ratio (CRD IV / CRR fully implemented)	9.0%	10.1%	+1.1 p.p.
Closing price (euro)	1.018	1.108	8.8%
Stock market capitalisation at year end	1 483	1 614	8.8%
Distribution network (no.)[11]	837	762	(9.0%)
BPI Group staff complement (no.) [12]	8 532	8 484	(0.6%)

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) 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 30 June 2016, the consolidated credit at risk ratio amounts to 5.0%.
9) Cover by accumulated loans and guarantees impairment allowances in the balance sheet and without considering the effect of collaterals.
10) Loan impairment charges in the semester, after deducting recoveries of loans written off (income statement) / Customer loans. In annualised terms.
11) Includes network of traditional branches and investment centres in Portugal, in France (Paris branch) 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.
12) Excludes temporary workers.

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 recorded robust and sustained growth in recent years, where BPI, through its equity interest in BFA, has a leading position in the market.

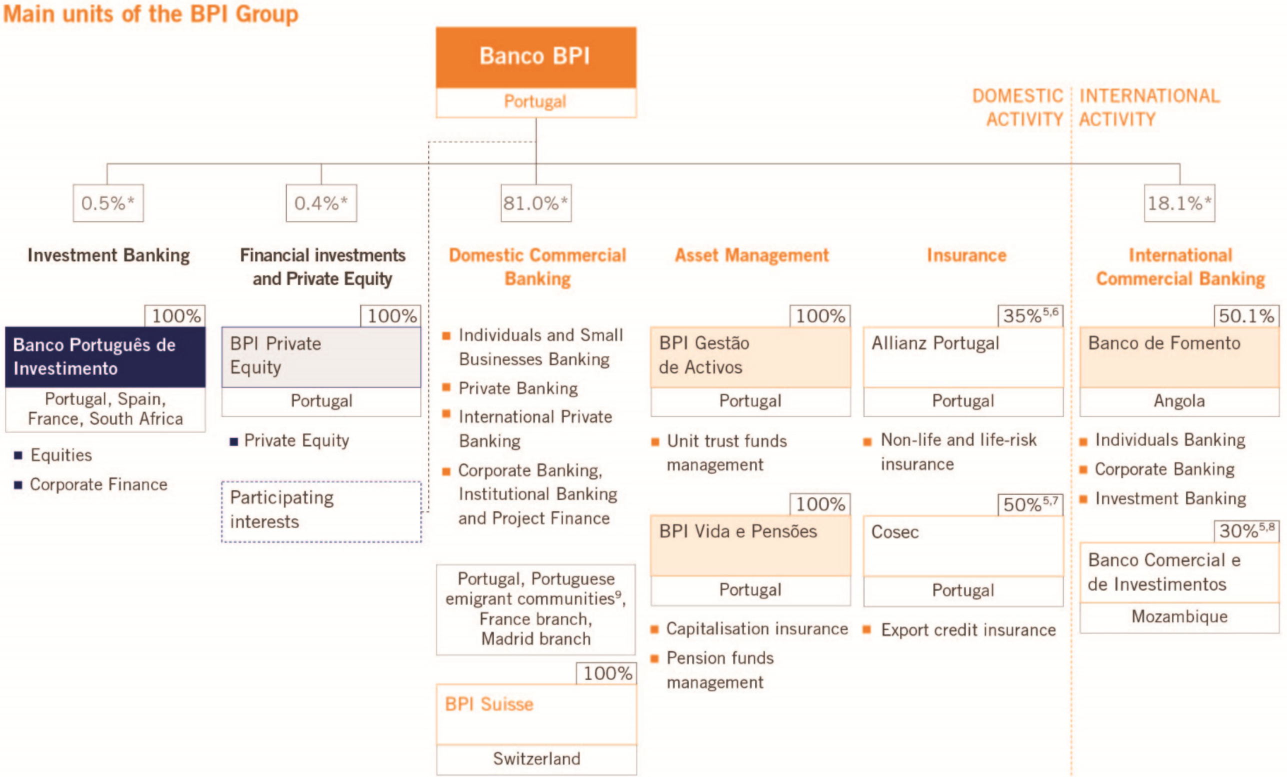
At 30 June 2016, 81.9% of the Group's Shareholders' equity was allocated to domestic operations[1], and the remaining 18.1% to international activity.

Leading indicators by business segment
At 30 June 2016

Amounts in M.€

	Domestic activity	International activity	Consolidated
Net total assets [2]	31 703	7 154	38 857
Loans to Customers[3] and guarantees	25 000	1 574	26 575
Total Customers resources	28 012	6 101	34 112
Business turnover[4]	53 012	7 675	60 687
No. of Customers (th.)	1 719	1 490	3 210
No. of Employees	5 845	2 639	8 484
Distribution network (no.)	571	191	762

Main units of the BPI Group



Note: The percentages indicated refer to the participations (direct and indirect) of Banco BPI in each company. In determining the capital allocated to the domestic activity and to the international activity business areas, it was considered the accounting capital (shareholders' equity) excluding the fair value reserve (net of deferred taxes) relative to the portfolio of financial assets available for sale. 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.

Governing bodies

At 30 June 2016

General Meeting Committee

Chairman
Miguel Luís Kolback da Veiga[1]
Deputy-Chairman
Manuel Cavaleiro Brandão[1]
Secretaries
Alexandra Magalhães[1]
Luís Manuel Amorim[1]

Remuneration Committee

CaixaBank, S.A.[5]
Arsopi-Holding, SGPS, S.A.[6]
Violas Ferreira Financial, S.A.[7]

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
Armando Leite de Pinho
Carla Bambulo
Tomás Jervell[4]

Financial Risks Committee

Chairman
Marcelino Armenter Vidal[8]
Members
Artur Santos Silva
Vicente Tardio Barutel

Board of Directors

Chairman
Artur Santos Silva
Deputy-Chairman
Fernando Ulrich
Members
Alfredo Rezende de Almeida
Allianz Europe, Ltd.[2]
António Domingues[3]
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
Manuel Ferreira da Silva
Marcelino Armenter Vidal
Maria Celeste Hagatong
Mário Leite da Silva
Pedro Barreto
Santoro Finance – Prestação de Serviços, S.A.
Tomás Jervell[4]
Vicente Tardio Barutel

Executive Committee of Board of Directors

Chairman
Fernando Ulrich
Deputy-Chairman
António Domingues[3]
Members
José Pena do Amaral
Maria Celeste Hagatong
Manuel Ferreira da Silva
João Pedro Oliveira e Costa
Pedro Barreto

Supervisory Board

Chairman
Abel António Pinto dos Reis
Members
Jorge de Figueiredo Dias
Rui Guimarães
Alternate members
Francisco Javier Olazabal
Luis Roque de Pinho Patricio

Portuguese Statutory Auditor

Member in office
Deloitte & Associados, SROC, S.A.[9]
Alternate
Carlos Luís Oliveira de Melo Loureiro

Audit and Internal Control Committee

Chairman
Ruy Octávio Matos de Carvalho[10]
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

1) The members of the General Meeting Committee, to which this note refers, informed the Chairman of the Supervisory Board on 28 June 2016 that they had renounced their posts. In the wake of this renouncement, the Shareholders' General Meeting held on 22 July 2016 elected new members to the General Meeting Committee to perform their functions till the end of the current term of office (2014/2016), with Carlos Osório de Castro as Chairman, Agostinho Cardoso Guedes as Deputy-Chairman and Alexandra Magalhães and Luís Manuel Amorim as secretaries. Banco BPI announced to the market on 23 August that it had learnt that the shareholder Violas Ferreira Financial S.A. had filed for a legal injunction to suspend the above-mentioned resolution. At the date of closing this report, the Bank was waiting for the court's decision regarding this injunction.
2) Allianz Europe, Ltd. has appointed on 29 January 2015 Mrs. Carla Bambulo, under the terms of Article 15 (2) of the Company's Articles of Association, to represent it in the exercise of this office.
3) Presented his renouncement of the post on 30 May 2016, having ceased functions on 30 June.
4) Following the granting of authorisation by the ECB to exercise functions on 3 August, an application was made to the Bank of Portugal for his registration, with commencement of functions occurring on 4 August 2016.
5) CaixaBank, S.A. designated Isidro Fainé Casas to represent it in this position.
6) Arsopi-Holding, SGPS, S.A. nominated Armando Leite de Pinho to represent it in the exercise of this office.
7) Violas Ferreira Financial, S.A. nominated Edgar Alves Ferreira to represent it in the exercise of this office.
8) The Board of Directors deliberated on 27 January 2016 that the post of Chairman of the Financial Risks Committee would henceforth be occupied by the member Marcelino Armenter Vidal.
9) Deloitte & Associados, SROC, S.A. nominated Paulo Alexandre de Sá Fernandes on 18 February 2016 to represent it in the exercise of this office.
10) Member not forming part of the Board of Directors.

Shareholders

Shareholders structure

At 30 June 2016 Banco BPI's capital was held by 18 795 Shareholders, of whom 19 797 were Individuals owning 10.5% of the capital, while 458 institutional investors and companies owned the remaining 89.5% of the capital.

Shareholders owning more than 2% of Banco BPI's capital [1]

At 30 June 2016

Shareholders	No. of shares held	% of capital held[1]
CaixaBank, S.A.	657 964 542	45.161%[1,2]
Santoro Finance – Prestação de Serviços, S.A.	270 643 372	18.576% [3]
Allianz SE	122 744 370	8.425% [4]
Violas Ferreira Financial, S.A.	39 063 392	2.681% [5]
Banco BIC, S.A.	33 283 372	2.284% [6]

Note: Shareholder positions recorded at 30 June 2016 at the securities clearing house (Central de Valores Mobiliários – CVM), based on the information received from the Central de Valores Mobiliários.

1) According to a statutory provision, for counting purposes the voting rights are limited to 20%.
2) Shareholding held at 30 June 2016 according to a communication sent by Caixabank to Banco BPI and the object of an announcement to the market on 1 July 2016. The stake held through Caixabank, S.A. ("CaixaBank"), is also imputable, as at 30 June 2016, to Criteria CaixaHolding, S.A.U., which holds 46.91% of CaixaBank (with the shareholding being 52.06% if one does not take into consideration CaixaBank's portfolio of treasury stock), which is in turn 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.
3) Directly held by Santoro Finance – Prestação de Serviços, SA ("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.
4) Indirect stake held by subsidiaries controlled by Allianz SE, holding of Allianz Group, and imputable, 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 a direct shareholding of 0.150% held by Companhia de Seguros Allianz Portugal (65% held by Allianz SE).
5) The shareholding imputable to HVF – SGPS, S.A. which wholly owns the share capital of Violas Ferreira Financial, S.A. Includes 227 273 shares held by Edgar Alves Ferreira (0.016% of Banco BPI's capital), member of the Board of Directors of HVF – SGPS.
6) 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 Securities Market Code, 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 who are, respectively, the Chairman of the Board of Directors and a Director of Banco BIC.

Distribution channels

In Portugal and Europe

Banco BPI

469
TRADITIONAL BRANCHES

39
INVESTMENT CENTRES

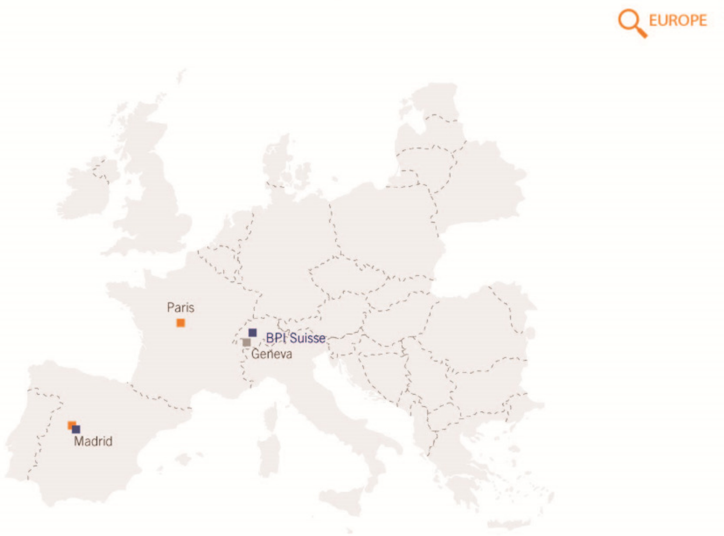
52
CORPORATE CENTRES

1 388
ATM (AUTOMATIC BANK)

29 873
POINTS OF SALE (ACTIVE)

25 640
COMMERCIAL PARTNERS

11
BRANCHES
(PARIS BRANCH)



INTERNET BANKING
(active users)

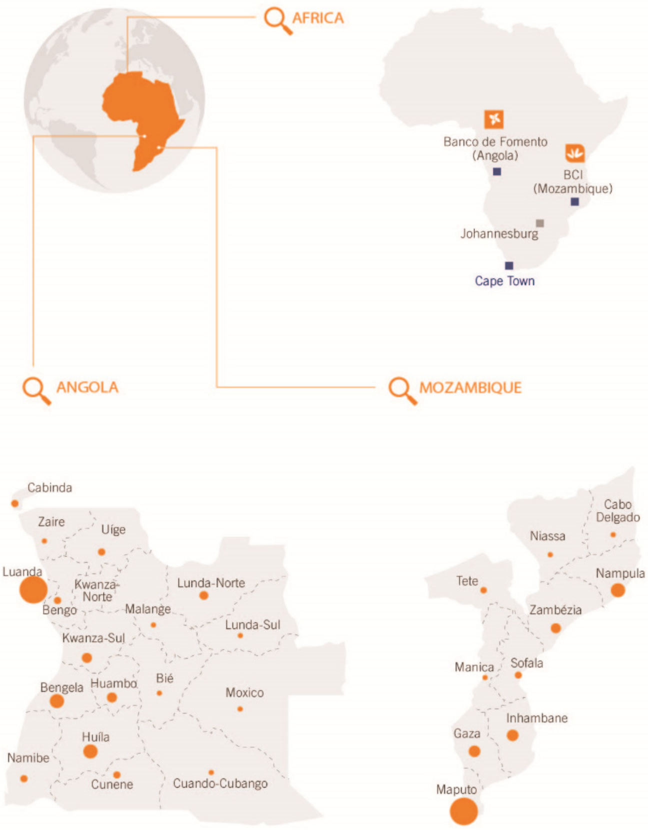
788 113
BPI NET

110 564
BPI NET EMPRESAS

TELEPHONE BANKING
(active users)

435 060
BPI DIRECTO

In Africa



Banco de Fomento (Angola)	BCI (Mozambique)	
166	165	TRADITIONAL BRANCHES
9		INVESTMENT CENTRES
	27	EXCELLENCE CENTRES
16	1	CORPORATE CENTRES
374	620	ATM (AUTOMATIC BANK)
9 337	9 105	POINTS OF SALE (ACTIVE)

INTERNET BANKING (active users)

560 898 BFA NET PARTICULARES	82 318 E-BANKING PARTICULARES
12 639 BFA NET EMPRESAS	12 419 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).

Human resources

The workforce allocated to the domestic operations fell 1.8%, numbering 5 845 employees at the end of June 2016.

In international operations, in Angola, the workforce grew by 2.3% (+60 employees) relative to June 2015. At the end of June 2016, Banco de Fomento Angola's workforce stood at 2 619 employees, representing around 31% of the total employees of BPI Group.

BPI Group Employees

			End of period figures				Average figures		
			Jun.15	Dec.15	Jun.16	Δ% Jun.14 / Jun. 15	1st half 15	1st half 16	Δ% Jun.14 / Jun. 15
Domestic activity									
Banco BPI		1	5 643	5 598	5 567	(1.3%)	5 645	5 585	(1.1%)
Banco Português de Investimento		2	53	52	51	(3.8%)	54	52	(3.7%)
Other subsidiary companies		3	67	66	68	1.5%	64	66	3.1%
Subtotal – activity in Portugal [1]	[= Σ1 to 3]	4	**5 763**	**5 716**	**5 686**	**(1.3%)**	**5 763**	**5 703**	**(1.0%)**
Overseas branches and representative offices		5	189	183	159	(15.9%)	200	173	(13.5%)
Subtotal – Domestic activity	[= Σ4 + 5]	6	**5 952**	**5 899**	**5 845**	**(1.8%)**	**5 963**	**5 876**	**(1.5%)**
International activity									
Banco de Fomento Angola		7	2 559	2 610	2 619	2.3%	2 537	2 611	2.9%
BPI Capital Africa			17	16	16	(5.9%)	13	16	23.1%
Financial services Mozambique			4	4	4	0.0%	4	4	0.0%
Subtotal – International activity [1]	[= 7]	8	**2 580**	**2 630**	**2 639**	**2.3%**	**2 554**	**2 631**	**3.0%**
Total [1]	[= 6 + 8]	9	**8 532**	**8 529**	**8 484**	**(0.6%)**	**8 517**	**8 507**	**(0.1%)**

1) Includes fixed-term contracts and excludes temporary employment of persons with no binding work contracts with BPI. At 30 June 2016, the number of Employees with fixed-term contracts in Portugal stood at 35 and in overseas operations was situated at 5. In average terms, in the first half 2016, the number of Employees with fixed-term contracts in Portugal reached 32 and in overseas operations amounted to 5.

Background to operations

PORTUGAL – ECONOMY AND MARKETS

GLOBAL AND EUROPEAN ECONOMY

The International Monetary Fund (IMF) confirmed in July that global GDP recorded an expansion of 3.1% in 2015, forecasting the same rate of world growth for 2016 (the previous forecast was 3.2%). The expectation of more moderate growth essentially reflects the increased uncertainty as regards the behaviour of economic activity in the second half of the year, associated with the outcome of the British referendum whereby the majority of the United Kingdom's inhabitants indicated that the country ceases to form part of the European Union. From the macroeconomic standpoint, the referendum result introduces a major factor of uncertainty, the outcome of which is difficult to assess, but which according to the IMF will mainly affect the European Union's developed economies. Accordingly, that institution estimates that the Eurozone will post 1.6% growth in 2016 and 1.4% in 2017, after having advanced 1.7% in 2015. The very slight slowdown in the pace of the euro countries' growth in 2016 translates the positive growth surprise in the first quarter of this year - 0.6% quarter-on-quarter and 1.7% vis-à-vis the same period last year – having benefited from a better performance by domestic demand. However in the second quarter, growth decelerated to 0.3% quarter-on-quarter and 1.6% year-on-year, suggesting that the performance in the early part of the year may not have been sustainable.

Meanwhile the USA presented growth rates which were not as robust as expected in the first two quarters of 2016 – annualised 0.8% in the first three months and 1.2% in the second quarter. In light of these results, the IMF revised its growth projection for the world's largest economy to 2.2%, down 0.2 percentage points on the growth posted in 2015; in 2018, the economy should expand 2.5%, reflecting the expectation that the result of the British referendum will have a limited impact on the US economy's activity.

As a whole, the developed economies should advance 1.8% in 2016 and in 2017, 0.1 percentage points less than in 2015. For their part, the developing economies should post growth of 4.1% and 4.6% in 2016 and 2017, respectively, after having grown 4% in 2015, reflecting on the one hand a slowdown in growth in China to 6.6% in 2016 and 6.2% in 2017, compared with 6.9% in 2015 and, on the other, the prospects that the contraction rates of the Brazilian and Russian economies are less serious than that expected in April. The first-mentioned country should contract 3.3% this year, presenting a growth of 0.5% in 2017; in the second country, GDP could shrink 1.7% in the current year and grow 1.0% next year.

The present macroeconomic scenario is characterised by a high degree of uncertainty, with the risks primarily on the down side, reflecting as already mentioned the large measure of economic and related political uncertainty, chiefly as a result of the British referendum.

In a landscape in which the prices of the main commodities remained depressed when compared with those observed in recent years, with special mention of energy products, the main inflationary pressures remained contained, above all in the developed economies. This fact, coupled with the environment of greater uncertainty, was reflected in the case of the Federal Reserve in the maintenance of its monetary policy throughout the first half of the year, postponing to the second half the possibility of pursuing the very gradual normalisation of interest rate levels, currently at an interval of between 0.25% and 0.5%. For its part, the ECB reinforced the accommodative stance of its monetary policy so as to combat an environment marked by the sustained decline in inflationary expectations.

European Central Bank stepped up its unconventional measures

With the object of re-inflating the economy, the ECB announced in March a broad spectrum of measures. As concerns the principal instruments of monetary policy, not only was the interest rate on deposits cut, but the principal European refinancing and the liquidity-supply rates were also cut. The movement was more pronounced in the deposits' rate, with the announcement of the 10 basis points (b.p.) cut, placing it at -0.4%, while the benchmark rates and liquidity-supply rates were cut by 5 b.p. to 0.0% and 0.25%, respectively. The Eurozone's monetary authority affirmed that these levels should remain unchanged for a protracted period of time which will extend beyond the date scheduled for the conclusion of the asset purchasing programme (March 2017). This signal has consolidated the projection that financing costs in the

Eurozone will continue to be minimal over the medium/long term, already implicit in the decision that, after the end of the asset purchasing programme, it will reinvest in the securities when they mature. Additionally, the ECB decided to float a new series of four TLTRO (Targeted Long Term Refinancing Operations) directed at boosting the credit market, but with some alterations to the previous series. In line with the preceding series, banks' participation in these liquidity injection operations is influenced by the size of the loan portfolio relating to non-financial companies and individuals, with the exception of home-purchase loans; meanwhile the term of these operations, as was the case with the previous series, is 4 years, with the option of repayment with effect from the second year. But the chief novelty lies in the cost of these operations for the banks given that the TLTRO's interest rate is the same as the refi rate – currently 0.0% - and could even be lower, that is, negative where the loans granted exceeds the reference value for eligible loans (loans to non-financial companies and to individuals which are not home loans) of the counterparty. In this case, the ECB will "pay" for banks to extend credit to the economy; the negative rate could reach -0.4%, the present marginal rate on deposits.

With respect to the long-term asset purchase programme (APP – Asset Purchase Programme .M.€), the ECB increased the amount of monthly purchases from 60 to 80 billion euro (th.M.€), and now also includes the purchase of miscellaneous debt; the limit for the acquisition of the debt issues of European agencies climbed from 33% to 50%. In addition, the percentage of purchases of debt issued by European agencies was cut from 12% to 10% (weight of the asset purchase programme) while the percentage of public debt purchases was raised from 8% to 10%. The change in the asset purchase programme came into effect in April and the purchases of corporate debt began in June. The main aspects of the miscellaneous debt-purchasing programme are the eligibility of the debt issues of companies from all sectors of activity (with the exception of credit institutions), whose risk assessment by the international rating agencies is situated at a level below the so-called "investment grade", at least by one of those agencies i.e. BBB- or equivalent. The purchases will be carried out by six national central banks – Germany, France, Italy, Spain, Belgium and Finland – coordinated by the ECB; each one of these central banks will be responsible for the purchases in a specific area of the Eurozone. The amount of the purchases cannot exceed 70% of each issue, the term of the eligible securities varies between six months and 30 years, purchases can be realised on the primary and secondary market, and the issuer must be headquartered in the Eurozone.

Up until June, the ECB had bought long-term assets of 1 084.6 th.M.€, of which 875.2 th.M.€ was invested in public debt, 6.4 th.M.€ in miscellaneous debt, 183.4 th.M.€ in covered bonds and 19.6 th.M.€ in ABS (Assets Backed Securities).

PORTUGUESE ECONOMY

In 2015 the economy advanced 1.5%, which represents an acceleration vis-à-vis the 0.9% growth observed in the preceding year. According to the National Statistics Institute (NSI), this behaviour essentially benefited from the more robust domestic demand, which contributed with 2.5 percentage points, while private consumption and investment rose by respectively 2.6% and 3.7%. For its part, lower external demand reduced growth by 1.0 percentage point. Exports of goods and services rose by 5.1%, which compares with 3.9% in 2014, reflecting the acceleration of the goods component; imports of goods and services expanded 7.3% in 2015, slightly more than the 7.2% observed in 2014. In the past year, there was a significant gain in the terms of trade, benefiting from a more pronounced decrease in the imported goods and services deflator, which in 2015 was -4.1% compared with -2.1% in 2014, reflecting the decrease in the prices of energy goods. For its part, the exported goods and services deflator declined by 1.0% in 2015 (0.7% decrease in the preceding year).

Meanwhile, the information relating to the first half of 2016 suggests a slowdown in the pace of the Portuguese economy's expansion. In the first quarter, the year-on-year growth rate was 0.9%, to which domestic demand contributed with 2.0 percentage points, whilst external demand withdrew 1.1 percentage points. In the second quarter, the NSI's preliminary estimate points to annual growth of 0.8%.

In the year ended in the first quarter, the economy's financing capacity was 1.0% of GDP, with households and non-financial companies evidencing a reduction in their financing capacity. The financing needs of public administration bodies improved to 3.8% of GDP versus 4.4% in the final quarter of 2015. The decrease in the borrowing capacity of households was mirrored in the decline in the savings rate to 3.5% of disposable income given the advance acquisition of consumer goods, in particular, motor cars, taking into consideration the announced change in the respective tax which came into effect with the approval of the 2016 State Budget in April. The decrease in public administration financing needs resulted from the 0.5% increase in receipts and the 0.6% reduction in spending, influenced in large measure by the decrease in capital spending and by the lower costs associated with subsidies, interest and other current expenses.

The average inflation rate was situated at -0.5% in 2015 and 0.6% in June 2016. Besides the lacklustre domestic demand, inflation's behaviour reflects the continued drop in the price of crude oil and the productivity gains achieved in recent years. This scenario should bolster households' purchasing power, thereby underpinning consumption.

The labour market trended satisfactorily, with the annual unemployment rate falling to 12.4% in 2015, down 1.4 percentage points on the 2014 figure. In the first half of 2016, this benign trend continued as borne out by the decline in the average jobless rate descending to 11.6% in the period.

Outlook for 2016

The European Commission estimates that the Portuguese economy will grow 1.5% in 2016, with domestic demand continuing to act as the main driver spurring growth. However, domestic demand's contribution could fall short of the 2015 figure to the extent that a scenario of greater internal and external uncertainty could reflect itself in the more cautious behaviour of economic agents. Notwithstanding the return of income announced by the current government, private consumption could trend more moderately in 2016 given the hike in indirect taxes. The fact that the savings rate is situated at historically low levels could lead to a greater propensity for channelling income gains to savings. The maintenance of the crude-oil price at very low levels – the IMF estimates that in 2016 it will be situated at 42.9 dollars per barrel, or roughly 8 dollars less than in 2015 – will continue to be a factor underpinning the economy. However, in the current scenario, the risks are biased towards to downside.

The public accounts will continue to be the target of closer scrutiny by the European authorities. In the first six months of the year, the deficit from the cash perspective evolved favourably, to be situated at -2.9 th.M.€, -0.97 thousand million (billion) than in the same period a year earlier, while the primary balance improved to 2.1 thousand million, 1.2 thousand million more than a year earlier. Nonetheless, achieving the target set for 2016 by the Government for the public deficit of 2.2% of GDP could prove to be difficult to attain to the extent that the current risk factors could limit the magnitude of GDP growth. Moreover, issues related to the need to recapitalise the Caixa Geral de Depósitos or expected additional pressures in certain spending captions, could also impact meeting the budget target.

Financial system

2015 saw the pursuance of the financial sector's deleveraging processes, with the loan/deposit ratio falling to 103%, down 5 percentage points on the December 2014 figure and 64 basis points lower than in June 2010, at which time this ratio registered its highest level. This performance mirrors the fact that loans granted (including securitisation operations) maintained in 2015 a contracting trend, albeit at a more moderate tempo than in 2014, whereas deposits continued to register an upward trajectory. The information available up till June 2016 indicates that the trend in the contraction of lending operations to individuals and non-financial companies continues, while deposits continue to expand.

The recourse to funding from the ECB fell to 25 th.M.€ in June 2016, 1 th.M.€ less than at the end of 2015, and equivalent to a year-on-year drop of 11%, which compares with a 54% decrease for the whole of the Eurosystem. Long-term funding operations represent 90% of the total recourse of Portuguese banks to the Eurosystem.

Loans

Information available from the Bank of Portugal indicates that the contracting trend in lending to residents remained intact up until June 2016, noting that in that month loans granted to non-financial companies recorded an annual rate of change of -2.5%, marginally higher than the -2.2% change observed in December 2015. For their part, loans granted to individuals posted an annual rate of change of -1.9% in that month, which represents a slowdown relative to the decrease of 2.7% registered in December 2015. The less marked drop in loans to individuals reflects the acceleration in consumer loans which in June rose by 8.0%, and a slight slowdown in the rate of loans advanced for home purchases, which fell by 3.0% in the same month.

Deposits

The non-financial sector's deposits continued to turn in a favourable performance in the first half of 2016 by virtue of the approximate 4.2% increase in non-financial companies' placements and the 3.6% increase in individuals' placements.

Financial markets

The performance of the economies, both developed and emerging (in particular China), the divergences in monetary policy, the pace of interest rate normalisation in the US and the trend in the principal raw materials were the primary factors influencing the financial markets during the first half of the year. Furthermore, a measure of uncertainty impacted these issues: economic growth disappointed in some regions (notably the US and China); the cycle of rising North American interest rates did not behave in line with initial expectations after the Federal Reserve had raised the interval of the fed funds rate in December 2015; raw material prices continued their downward trajectory and only in recent months have they stabilised, with special mention of the crude-oil price which posted new lows (Brent sank to a low of $27 at the end of January) before correcting subsequently.

On the currency market, the anchor exchange rate (EUR/USD) oscillated between 1.07 and 1.14, closing the half-year midway between these two rates. Contributing to this behaviour was investors' disappointment as regards the behaviour of the North American economy in this period, reflected in the postponement of the expectation of hikes in the dollar's benchmark interest rates which did not materialise. In the meantime the ECB stepped up the accommodative content of its policy at its March meeting with new measures aimed at boosting economic activity. In this context, the EUR/USD rate ceased to present a clear trend, advancing with some volatility towards the end of the half-year. It is worth mentioning the steep movements observed in the yen exchange rate, which appreciated by more than 10% in the first six months of the year against the dollar despite the efforts by the Japanese monetary authority to thwart this tendency; conversely, the pound sterling posted a drop of around 12% against the euro up till the end of June, a reflection of the referendum result relating to Great Britain's membership of the European Union, given the ensuing climate of great uncertainty.

Monetary policy in the major developed economies continued to be marked by its strongly accommodative stance, with the stepping up of this posture being observed in the case of the Eurozone and Japanese monetary authorities, whilst the Federal Reserve, which initiated the normalisation cycle in December, announced that the process would eventually be slower than foreseen. On the euro money market, the ECB's action clearly defined its performance. Consequently the key interest rates for between 1 and 12 months (Euribor rates) began to be situated in negative territory. On the other hand, USD interest rates posted an ascendant trend, very marginal up until the end of June (fruit of the uncertainty engendered by the outcome of the British referendum) and more pronounced in July and August (the 3-month dollar rate rose by around 20 b.p. up until August).

On the public-debt market, the movements observed reflected the aforementioned accommodative stance of the principal monetary authorities' policies, as well as the persistence of inflation at minimal levels and the uncertainty surrounding global growth. The downward movement in yields became more pronounced, with the benchmark German 10-year bund attaining negative values for the first time (-0.17% in June). The stepped-up asset purchasing programme embarked upon by the ECB contributed to this trend. The expectation is that there will be a future stabilisation, although in light of the current panorama, still in negative territory. Turning to the North American public-debt market, the yield on 10-year Treasuries was situated at the end of the first half of the year marginally above 1.5%, abandoning the 2% level observed at the start of the year. Once again, the scarcity of alternative investments and the global macroeconomic background of low growth and the absence of inflation, coupled with the support of the central banks, help explain this situation.

As concerns the debt of the countries of the euro periphery, this continued to benefit from the ECB's QE support programme, although greater internal uncertainty has been reflected in higher risk premiums. Indeed, in Portugal's case, the international markets assess with some scepticism the progress of fiscal policy, above all in the context of uncertainty with regard to the ability to attain a higher economic growth rate. The yield on the 10-year Treasury Bonds reached as high as 4.425% in February (presentation and discussion of the 2016 Budget), and 3.58% in June, closing the half-year around the 3% mark. It is worth adding that the sovereign risk premium, in the 10-year maturity, was situated in August above 300 basis points, or roughly 100 basis points above the levels recorded at the beginning of the year. More buoyant economic growth and a clear downward trajectory in public debt levels are the factors perceived as being fundamental for reducing the risk premium on Portuguese public debt.

Equities market

Global background

The first half of 2016 continued to be marked by expansionist monetary policies fostering growth and countering deflation. Nonetheless, the behaviour of worldwide GDP remained tenuous, although with the United States posting a better performance than the European Union. The price of oil and commodities in general ended up recording a recovery during this period. The end of the half-year was also marked by the British referendum vote in favour of the United Kingdom leaving the EU. Against this backdrop, the benchmark stock index Euro Stoxx 600 closed the first six months of the year losing 10%, while the S&P500 – the principal North American stock index – ended the period with a gain of 3%.

Portugal and Spain – secondary market

In Portugal, the benchmark PSI20 index suffered a drop of 16% during the first six months of 2016. The 62%, 25%, 16%, 31% and 20% falls in the prices of BCP, NOS, EDP, The Navigator Company and CTT shares, respectively, were the chief motives behind this performance. In Spain, the IBEX35 index closed the same period shedding 14%, with the Banco Santander and BBVA shares losing 16%, as well as the 19% and 47% losses recorded by the shares of Telefónica and IAG, fruit of the volatility in the first half-year and of the uncertainty triggered by Brexit, as well as the political indecision in Spain. Trading volumes decreased by 26% in Portugal to 11.2 th.M.€. and by 20% in Spain to 352 th.M.€. During this same period, trading volumes in the European Stoxx Europe 600 fell by 13%, whilst in the American S&P 500 index they rose by 28%.

Portugal and Spain – primary market

The first half of 2016 was characterised by the absence of major activity on the primary market. In Spain, the level of primary activity was significantly lower than in 2015.

Of the POS/OPS realised in Spain on the Continuous Market special mention is made of the Global Dominion (150 M.€), Telepizza (c. 550 M.€) and Parques Reunidos (c. 600 M.€) operations. It is important to highlight that market conditions forced the postponement of the POS of Volotea (airline company) and Telxius (telecom operator).

During the first six months there were also a number of capital increases realised by companies quoted on the Spanish market, namely by Banco Popular (c. 2.5 m.M.€), Socimi Hispania (231 M.€) and Arcelor Mittal (3 000 M.$).

In the same period it is also worth mentioning a bond issue convertible into Telefónica shares in the amount of 600 M.€).

ANGOLAN ECONOMY

Economic activity

According to the forecasts which serve as the basis for the revision of the State General Budget for 2016, Angolan economic growth in 2015 slowed down to 3.0%, after having expanded 4.8% in 2014. Crude-oil activity registered a relatively solid performance, having grown 6.3% (2.6% decline in 2014). Underpinning the crude-oil expansion was the increased output, which climbed from 1.67 million barrels per day (mbd) in 2014 to 1.78 mbd last year according to the same document[1], which gave rise to higher output in real terms. However, the fall in prices, which settled in average terms at 49.97 US$ (96.9 US$ in 2014), entailed a drop in revenues from oil exports that ended up also affecting the dynamics of the non-oil sector, which decelerated to 1.5%, down 6.7 percentage points on the 2014 figure. With the exception of the diamond sector, which accelerated from 1.0% in 2014 to 2.2% in 2015, all the other sectors of activity recorded either decelerations or declines. In particular, manufacturing contracted 2.1% after having posted solid growth of 8.1% in 2014.

The Angolan government's projections for 2016, according to the same source, point to a 1.1% increase in GDP, below the previous estimate of 3.3%, with oil output forecast to expand by only 0.8%, consistent with a slight increase in crude-oil output to 1.79 mbd during the current year. Non-oil GDP should grow by slightly more, 1.2%, with the most pronounced expansion expected in the energy sector (19.9%), while the government anticipates that manufacturing activity will contract by 3.9%.

[1]) Source: Revised State General Budget 2016, Justification Report, 3 August 2016.

Economic indicators and forecasts

	2010	2011	2012	2013	2014	2015E	2016P
Real Gross Domestic Product growth (yoy, %)	3.4	3.9	5.2	6.8	4.8	3.0	1.1
Oil sector	-3.0	-5.6	4.3	-0.9	-2.6	6.3	0.8
Non-oil sector	7.8	9.7	5.6	10.9	8.2	1.5	1.2
Oil production (millions of barrels/day)	1.76	1.63	1.72	1.73	1.67	1.78	1.79
Price of Angolan oil (average, USD/barrel)	76.5	108.7	111.0	107.5	96.9	50.0	40.9
Consumer Price Index (y-o-y change, end of period)	15.3%	11.4%	9.0%	7.7%	7.5%	14.3%	38.5%
Fiscal balance (% of GDP)	8.1	10.3	6.7	0.3	-6.6	-3.9	-5.9
Non-oil primary fiscal balance (% of non-oil GDP)	-47.4	-51.1	-53.7	-48.3	-44.6	-22.5	-15.8
Net foreign exchange reserves (in millions of USD, end of period)	19.3	27.5	32.2	32.2	27.8	24.6	18.6
Average exchange rate (AKZ/USD)	91.9	94.0	95.4	96.6	98.3	120.1	-

* For 2016, the most recent official projections for each one of the variables are included.
Source: BNA, Angolan Min. Finance, FMI (World Economic Outlook April 2016 and Article IV, Nov 2015), Bloomberg.
Note: E - Estimative; P – Prevision.

External sector

According to the Banco Nacional de Angola's preliminary data, the trade balance of goods registered a smaller surplus in 2015 of 13.1 thousand million dollars (th.M.US$), which corresponds to 12.8% of GDP, significantly lower than the 30.6 th.M.US$ recorded in 2014 (24.1% of that year's GDP). This result is essentially due to the 43.9% fall in Angolan exports, which represented in the past year 95.9% of all the exports of commodities and which suffered a decrease of 44.7%. Despite the recording of less negative figures on the services and primary receipts balance, the deterioration of the goods trade balance was sufficient to cause a worsening of the trade balance deficit, which climbed from 3.7 th.M.US$ (2.9% of GDP) in 2014 to 8.7 th.M.US$ (8.5% of GDP) in the past year. In 2016, in the first half of the year, according to government figures, the goods trade balance posted a 13.5% improvement, provoked by a 54.9% decrease in imports, which more than offset the 32.7% fall in exports. The IMF expects for the current year that there will be a deterioration in the current account balance to 11.6% of GDP.

Angola's net foreign reserves have since their historical peak of 2013 being diminishing in a gradual fashion, stabilising at around the 23-24 th.M.US$ mark since the close of 2015; in June 2016, they stood at 23.969 th.M.US$, which in spite of everything represents a 5.1% drop relative to the same period a year earlier. Nonetheless, this level still ensures a relatively comfortable position of roughly 8 months' imports of goods and services. This situation contrasts with that noted in the previous Angolan crude-oil crisis, affording a greater degree of protection to the economy in this context of low oil prices for a longer period of time. It should be mentioned, however, that this protection afforded by reserves, in conjunction with the policy of exchange-rate depreciation (about 22.5% since the end of 2015) had as a consequence the greater shortage of dollars in the economy.

Public accounts

The budget deficit in 2015 is expected to have been 3.9% of GDP, an improvement vis-à-vis the deficit recorded in 2014 (6.6%). In absolute terms, the budget balance was 476.7 thousand million kwanzas (th.M.AKZ), with a 26.1% drop in spending which offsets the 23.2% decline in receipts (particularly affected by a 36.1% reduction in oil-related tax receipts). Non-oil taxes, on the other hand, posted a slight increase of 2.6%, accounting for in the past year 37.9% of all the tax receipts (27.5% in 2014).

For 2016, according to the revised State General Budget (which assumes average price for crude oil of 41 US$), the deficit should worsen to 5.9% of GDP, chiefly due to the 16.2% increase in spending. This uplift in spending will be mainly caused by a 77.7% jump in interest costs relative to 2015 (additional 193.2 th.M.AKZ), and the 18.2% increase in capital spending (increment of 147.9 th.M.AKZ), as well as the higher employee costs which will rise 12.4% (up 172.2 th.M.AKZ). Receipts should advance by 3.1%, propped up by the 34.4% increase in non-oil taxes which counteract the 19.1% decline in oil-related taxes.

The Angolan government hopes to achieve in 2016 an increase in borrowing of 3 473.6 th.M.AKZ, 19.2% more than that initially projected. This increase will essentially be by recourse to internal borrowing (should expand 49.8% when compared to the initial Budget), bearing in mind that external borrowing will be 8.8% lower than that initially planned. Despite the revised SGB not containing a forecast of the stock of Angolan public debt, the IMF expects that this will climb from 62.3% in 2015 to 70.1% in 2016 (including of public entities and companies controlled by the State, such as Sonangol and TAAG), beginning to decline in the following years.

Inflation and interest rates

After the historical lows witnessed in the middle of 2014, the annual inflation rate, measured by the Luanda CPI, returned to double digits midway through 2015, pressured by a number of factors, to be fixed at 14.27% in the final month of the year. In 2016, the rate has maintained an upward trend, with increases in annual inflation of around 300 basis points, reaching 35.3% (year-on-year rate) in July. Inflationary pressures resulted primarily from the steep depreciation of the kwanza against the dollar (roughly 22.5% up until August), as well as the introduction of new customs tariffs in the middle of 2014, which translated into an increase in the prices of certain imported goods, and the introduction of quotas for the importation of certain products. Moreover, it is estimated that the successive cuts in fuel subsidies have also exerted a significant pressure on the general price level.

In light of the inflationary pressures and the national currency's depreciation, the BNA has been adopting a more restrictive monetary policy since 2015, which has translated itself into a gradual increase in the benchmark rate (BNA rate), having reached 16% in June (11% at the end of 2015). The BNA also decided to introduce other measures to halt the expansion of lending and to control the rise in prices, which included raising the interest rate on the permanent liquidity-supply facility to 20%, the elimination of the interest rate on the permanent overnight liquidity-absorption facility and the adoption of the permanent seven-day liquidity-absorption facility, now fixed at 7.25%. At the same time, it raised the mandatory reserves coefficient, currently at 30%.

Banking sector

Total lending to the economy registered annual average growth of 0.7% in 2015, which compares with growth of around 15.3% in 2014. In the 12 months up till April 2016, the growth in loans was 8.5%. The expansion of loans in 2015 resulted from an expansion of lending to the private sector, which grew 0.9% in annual average terms, whilst loans to the public sector (excluding the Central Administration) decreased by 3%.

Deposits grew on average by roughly 11% in 2015 relative to the preceding year, having expanded 15.4% in the 12 months up till April this year. The weight of deposits in foreign currency on total deposits fell from 36% at the close of 2014 to 34% in December 2015, to be situated at 35.4% in April 2016.

MOZAMBIQUE ECONOMY

Economic activity

The macroeconomic landscape in Mozambique remained favourable in 2015, even though economic activity has slowed down when compared with previous years. Thus, according to the NSI, Gross Domestic Product grew 6.6%, which compares with an average of more than 7% over the past four years. As regards the first half of 2016, GDP expanded in average terms by 4.5%, a deceleration when compared to the same period of 2015 (6.2%).

Economic activity in this period was adversely affected by certain factors, namely extreme weather conditions (drought and floods), political-military tension which in turn affected the circulation of goods and services and, finally, the postponement of final decisions relating to the projects in the Rovuma basin, thereby delaying the implementation of support services for these projects and, in this manner, contributing to the downturn in the services sector. In addition, economic growth was affected by the lesser availability of foreign currency and by the local currency's depreciation. Recently, under the Adjusted State Budget, the government revised downwards its economic growth forecast from the current year from 7% to 4.5%, in line with the IMF's projection.

External sector

The external accounts continue to present a strong imbalance in light of the need to resort to external savings in order to finance investments in the exploration of natural resources sectors, even though the bulk of this investment continues to be funded by means of foreign direct investment. During the first three months of 2016, the downward trend in export revenues continued, reflecting the fall in the prices of the principal goods exported by Mozambique on the international markets. At the same time, there was also a marked reduction in imports, reflecting the effects of the national currency's depreciation and the restrictive measures of economic policy implemented domestically. Bearing this in mind, it was possible to witness a decrease in the current account deficit to 871 M.US$ in the 1st quarter of 2016 (-1.3 th.M.US$ in the first quarter of 2015). The decrease in the current account deficit was in line with the drop in foreign direct investment which even so was not sufficient enough to avoid the decline in foreign reserves, which during this period fell by 368 M.US$. The latest data show an amount of reserves of 1.9 th.M.US$ in June, the equivalent of 2.7 months' imports (including the megaprojects).

Public accounts

Recently the government drafted a proposed revision of the State Budget for 2016 (in the meantime approved by the Parliament), taking into consideration the obstacles, internal and external, that the Mozambique economy will have to confront this year. In this manner, there has been a downward adjustment in the level of receipts and spending, while the debt-servicing costs, mainly external, should increase as a consequence of the national currency's depreciation. This rectification of the State Budget also incorporates a downward revision of the amounts for the Budget's General Support in line with the suspension of the financial aid from certain partners and international institutions (including the IMF). Behind this decision was the disclosure of the additional amounts of external public debt in the total amount of 1.4 th.M.US$. Taking into account the new data, the budget deficit before donations should stand at 11.3% of GDP (-8.7% of GDP after donations).

Financial sector, deposits and loans

The first six months of 2016 saw the local currency depreciate by approximately 21% against the dollar. This can be ascribed not only to the pressure on the balance of payments, but also the disclosure of additional amounts of external public debt and the consequent suspension of payments on the part of international partners, and the downward revisions of the sovereign rating by the principal international agencies. The effects of the depreciation translated into a rise in Mozambique's annual inflation rate in the closing months of 2015, a trend that has remained intact throughout this year. In the first seven months of this year, Mozambique's annual inflation rate has jumped by 9.24 percentage points to 20.7% in July. Taking into consideration this upward trend, the Banco de Moçambique hiked its benchmark monetary policy rate four times in 2016 by a total of 750 basis points to 17.25%. Additionally, the deposit rate climbed by 650 b.p. to 10.25%, while a mandatory coefficient was introduced for reserves in foreign currency, currently at 15%, to which is added the coefficient in local currency (13.0%). The rhythm of loan expansion to the private sector abated in the first five months of 2016, compared with the same period of the preceding year. Indeed, loans to the economy grew on average 16.3% between January and May of this year, compared with 27.3% in the same period of 2015.

Domestic Corporate Banking

INDIVIDUALS AND SMALL BUSINESS BANKING

At the end of the first half of 2016, Individuals and Small Business Banking handled 1 642 thousand accounts, being responsible for a portfolio of Customer resources of 22 850 M.€ and for a loans and guarantees portfolio of 13 384 M.€. During the half-year 43 thousand new accounts were opened.

At the end of June 2016, Individuals and Small Business Banking's physical network comprised a total of 469 branches and 39 Investment Centres geared to serving high net worth clients and those with the potential to accumulate financial assets.

CUSTOMER RESOURCES

At 30 June 2016, Individuals and Small Business Banking's Customer resources amounted to 22 850 M.€, reflecting a decrease of 970 M.€ (-4.1%) when compared to June 2015 and 779 M.€ less than in December 2015. Also contributing to this portfolio's decrease was the devaluation of certain assets due to the less favourable market conditions.

Individuals and Small Business Banking
Customer resources

Amounts in M.€

	30 Jun.15	31 Dec.15	30 Jun.16	Δ% Jun.15 / Jun.16
Sight deposits	5 234.7	5 708.9	6 227.5	19.0%
Time deposits	9 349.0	7 820.1	7 703.2	(17.6%)
Bonds and structured products[1] placed in Customers	892.9	966.1	750.5	(15.9%)
o.w. Indexed Deposits	532.4	685.5	591.8	11.1%
PPR [2]	1 124.7	966.0	830.5	(26.2%)
Insurance capitalisation[3]	3 670.8	3 729.0	2 860.3	(22.1%)
On-balance sheet resources	**20 272.1**	**19 190.1**	**18 372.0**	**(9.4%)**
Unit trust funds[3]	995.4	1 794.8	1 826.9	83.5%
PPR [4]	777.7	1 025.7	1 019.0	31.0%
Off-balance sheet resources	**1 773.1**	**2 820.5**	**2 845.9**	**60.5%**
Sub-total	**22 045.2**	**22 010.6**	**21 217.9**	**(3.8%)**
Corporate bonds held by Customers	419.9	327.4	555.5	32.3%
Other Customer securities[5]	1 355.1	1 291.0	1 076.3	(20.6%)
Other Customer Resources	**1 775.0**	**1 618.4**	**1 631.8**	**(8.1%)**
Total customer resources	**23 820.2**	**23 628.9**	**22 849.7**	**(4.1%)**

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 strcutured products placed with Customers, Excludes BPI stocks.

Relative to June 2015, Customer resources carried on the balance sheet declined by 9.4%, despite the marked growth in Sight Deposits (+993 M.€). The negative behaviour of resources can be attributed to the contraction of Time deposits (-1 646 M.€) and Capitalisation Insurance (-810 M.€).

In off-balance sheet resources, there was a positive trend of 1 073 M.€ as a result of the 832 M.€ increase in Unit Trust Funds and of 241 M.€ in PPR (retirement savings plans) in the form of unit trust funds.

As concerns Unit Trust Funds, the most significant development relative to June 2015 was recorded in the Money Market Funds, with growth of 467 M.€, in the Real Estate Funds (+ 245 M.€) and in the Flexible Funds (+162 M.€).

Compared with December 2015, the total amount of Deposits rose by 402 M.€, with Customers continuing to prefer Sight Deposits (+519 M.€), at the expense of virtually all the other products, with the performance of Capitalisation Insurance meriting special mention (-869 M.€). The first half of 2016 was also marked by the success of the placement of Variable Yield Treasury Bonds (*Obrigações do Tesouro Rendimento Variável -OTRV Maio 2021*). BPI played a key role in the placing of those bonds issued by the Portuguese Republic, forming part of the

"Placing", "Organiser" and "Global Coordinator" Banks. At the end of June BPI Customers held 339 M.€ worth of these bonds which contributed decisively to the growth of the caption of Public Subscription Offers (+136 M.€ relative to June 2015).

CUSTOMER LOANS

In June 2016 the individual Customers and Small Business loans and guarantees portfolio totalled 13 384 M.€ which corresponded to a 186 M.€ (+1.4%) increase vis-à-vis June 2015. Loans to individuals decreased 30 M.€ (-0.3%), split between -42 M.€ in the second half of 2015 and +12 M.€ in the first half of 2016. Loans advanced to small businesses rose by 210 M.€ (+15.1%) in the period.

Individuals and Small Business Banking

Customer loans and guarantees

Amounts in M.€

	30 Jun.15	31 Dec.15	30 Jun.16	∆% Jun.15 / Jun.16
Loans to individuals				
Mortgage loans[1]	10 891.2	10 812.2	10 785.8	-1.0%
Personal loans[2]	552.8	575.6	614.2	11.1%
Credit cards[3]	154.6	162.8	152.4	-1.5%
Car finance	102.5	108.2	118.9	16.0%
Loans to individuals	**11 701.1**	**11 658.9**	**11 671.2**	**-0.3%**
Loans to small businesses				
Commercial loans[4]	1 096.6	1 223.9	1 292.7	17.9%
Equipment leasing	42.5	50.3	57.7	35.9%
Property leasing	248.4	249.0	247.1	-0.5%
Factoring	6.0	7.4	6.3	4.1%
Loans to small businesses	**1 393.5**	**1 530.6**	**1 603.8**	**15.1%**
Total loan portfolio	**13 094.6**	**13 189.5**	**13 275.0**	**1.4%**
Guarantees and sureties	103.2	112.0	108.5	5.1%
Total	**13 197.8**	**13 301.5**	**13 383.6**	**1.4%**

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.

Mortgage loans, personal loans and motor car finance

In June 2016, BPI's mortgage loan portfolio decreased 1.0% when compared with June 2015, to stand at 10 786 M.€. BPI new business contracted in the 1st half of 2016 expanded by 73% when compared to the same period of 2015. Contributing to this very expressive increase was the substantially higher demand, with BPI continuing to adhere to stringent risk-evaluation criteria.

The personal loans portfolio in June 2016 reached 614 M.€, up 11.1% relative to the same month of 2015. Accumulated new loans contracted up to the end of June 2016 amounted to 151 M.€, which corresponds to 43% growth relative to the same period a year earlier. There was also an expansion in demand which led to the marked increase in new loans contracted.

The portfolio of motor car finance advanced to Individuals and Small Business Banking Customers totalled 119 M.€ at the end of June 2016. This figure represents a 16% increase relative to June 2015. The contracting of new loans in the first half of 2016 was 29% higher than the figure for the same period of 2015, reaching 33.5 M.€.

Commercial loans, leasing and factoring

In the first half of 2016, BPI maintained as its priority business segments the export and agricultural sectors, and in a transversal manner, Customers with good risk indicators. These strategic segments were the object of some important external initiatives, notably the cycle of conferences "National Agricultural Award 2016" directed at the agricultural sector, at which issues related to support for exports and financing for companies were addressed.

During the first half of 2016, BPI continued to provide finance for small and medium-sized firms under competitive conditions, via the principal programmes launched by the government, amongst which the PME Crescimento 2015 (SME Growth) credit line. Under the PME Crescimento 2015 programme, 4 073 new loan operations were carried out with a face value of some 235 M.€, involving Customers of the Individuals and Small Business Banking network. In overall terms, since the launching of the PME Investe / Crescimento credit lines, BPI has contracted 31 560 operations in the amount of 2 733 M.€ which has enabled it to maintain market leadership with its 18.5% share.

The Portugal 2020 incentives system – constituting an opportunity for the development of investment projects – also assumed paramount importance during the first half of 2016 from the standpoint of commercial action, having as its mission supporting entities with approved projects. In this domain, Banco BPI developed a specific product range for funding those projects by means of the BPI P2020 and BPI PDR2020 lines.

Also meriting special mention is the support given to innovative companies via the BPI/FEI Inovação II line – the first line in Portugal in conformity with Horizonte 2020, within the scope of the InnovFin SME Guarantee Facility.

CREDIT AND DEBIT CARDS

In the first half of 2016, Banco BPI had in portfolio 472.3 thousand credit cards, which represents a 6.8% decrease relative to June 2015. Credit card billing and outstandings (portfolio balance) registered changes of -1.7% and -1.5% respectively when compared to the same period a year earlier.

Turning to debit cards, there was a negative trend in the number of cards and a positive trend in billing. Banco BPI ended the first half of 2016 with1 104.5 thousand debit cards, which represents a 1.3% decrease relative to that noted in June 2015. Accumulated billing via these cards was 7.5% higher, to be situated at 3 348 M.€.

Credit and debit cards
Selected indicators

	30 Jun.15	31 Dec.15	30 Jun.16	Δ% Jun.15 / Jun.16
Debit cards				
No. of debit cards at the end of the year (x th.)	1 119.2	1 114.3	1 104.5	-1.3%
Billing (M.€)	3 114.7	6 667.7	3 348.3	7.5%
Credit cards				
No. of credit cards at the end of the year (x th.)	506.7	487.4	472.3	-6.8%
Billing (M.€)	481.3	995.3	473.3	-1.7%
Loan portfolio (M.€)[1]	154.6	162.8	152.4	-1.5%

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

INSURANCE

In terms of the strategic partnership with Allianz Portugal, Banco BPI commercialises a diversified range of insurance products designed for Individuals and Small Business Banking Customers and self-employed professionals.

At Individuals and Small Business Banking there were more than 750 thousand policies in force at 30 June 2016 in the universe of isolated-sale and credit-linked policies, which generated total commissions in the first half of 2016 of 21.6 M.€, 6.6% higher than in the same period a year earlier.

The portfolio of isolated-sale insurance grew by 3.9% in the first half of 2016, a consequence of the priority accorded to the sale of Life Assurance and Individuals' Public Liability. Simultaneously, the focus continued to be placed on the placing of business-related insurance, providing training to the commercial networks and injecting dynamism into the product range tailored specifically to the small business segment. Thus, in the first half of 2016, this insurance portfolio recorded 5% growth.

PRIVATE BANKING

At the end of June 2016, BPI Private Banking's business volume amounted to 5 770 M.€, which means a 1.5% rise relative to June 2015. It is worth highlighting the prospecting for new Customers which corresponded to 13% of the initial client base (Dec.15).

Assets under management and advisory mandate in the amount of 4 833 M.€, registered year-on-year growth of 0.9%, with the volume under discretionary management expanding by 12.9%. Stable investments under custody, with a value of 671 M.€, were down 3.7% in this period, in line with the markets' negative trajectory. The loan and guarantees portfolio maintained the previous year's upward trend, climbing 34.9% when compared with June 2015.

The maintenance of extremely low interest rates and the appreciable market volatility, associated with the economic uncertainty and the impact of the Brexit result of the referendum held in the United Kingdom on 23 June, are two of the aspects influencing the current economic landscape.

Against this backdrop, Customers sought to gradually diversify their investments by resorting to the BPI Private Banking solutions proposed by its professional managers.

Discretionary management and advisory mandate have presented decisions which constantly adapt to the swift market movements in line with the volatility implicit in the current background.

As a result, between June 2015 and June 2016, there was a reduction in the volumes allocated to Bonds and Term Placements. It is worth underlining the growth in the portfolios in the BPI and Equities funds of 29% and 36%, respectively.

Private Banking
Selected indicators

Amounts in M.€

		Jun.15	Jun.16	Δ%
Discretionary management and advisory services	1	4 792	4 833	0.9%
Stable investments under custody	2	697	671	(3.7%)
Loans and guarantees portfolio	3	197	266	34.9%
Business volume [= Σ 1 a 3]	4	5 686	5 770	1.5%

CORPORATE BANKING, INSTITUTIONAL BANKING AND PROJECT FINANCE

In the first half of 2016 BPI maintained a positive trajectory in the evolution of its market share in lending to non-financial companies, with all the segments (Micro, Small, Medium and Large Companies) behaving in a favourable fashion notwithstanding the context of some uncertainty and the slowdown of the Portuguese economy.

This trend is attributable to the policy of greater proximity to Portuguese companies pursued by BPI, which operating strategy was founded on the following pillars:

- Continued support to companies' businesses, financed and structured by teams totally dedicated to following the progress of companies;
- Leadership in the main public programmes: PME Investe/Crescimento, Mutual Guarantee, PME Líder and PME Excelência;
- Strong involvement in the Portugal 2020 and PDR 2020 programmes: by way of structured support, specific credit products, regular information sharing;
- Backing for innovative companies through the BPI/FEI Inovação II initiative, the first line in conformity with the Horizonte 2020 programme;
- Reinforced positioning in Agriculture;
- Strong pro-activeness within the scope of the JESSICA Programme, continuing to finance urban rehabilitation projects for a diversity of purposes, having applied all the funds managed by the Bank in terms of this Programme;
- Growing support for the Tourism sector with the signature of the *Qualificação da Oferta* (Upgrading Tourism Facilities) credit line in the amount of 60 M.€ in terms of a protocol with (the State body) Turismo de Portugal.

In the analysis of credit risk, the Bank pursued a policy guided by very stringent criteria, on a par with the practices which guarantee a permanent accompaniment and monitoring of companies.

In June 2016, the Individuals and Small Business Banking customer loans portfolio amounted to 7 548 M.€, which corresponded to 4.5% growth relative to the same month of 2015. Resources totalled 2 603 M.€, registering a rise of 15.7% relative to June 2015.

Corporate Banking, Institutional Banking and Project Finance Amounts in M.€

	30 Jun.15	31 Dec.15	30 Jun.16	Δ% Jun.15/ Jun.16
Loan portfolio				
Corporate loans	3 640.5	3 831.7	4 057.7	11.5%
Large companies	1 380.0	1 445.5	1 583.8	14.8%
Medium-sized companies	2 260.5	2 386.2	2 473.9	9.4%
Project Finance – Portugal	1 146.8	1 161.0	1 117.0	-2.6%
Madrid branch	1 026.6	943.6	877.0	-14.6%
Project Finance	590.8	557.3	511.2	-13.5%
Companies	435.9	386.3	365.8	-16.1%
Public sector	1 408.6	1 358.8	1 496.3	6.2%
Total	**7 222.6**	**7 295.0**	**7 548.1**	**4.5%**
Resources [1]	**2 251.1**	**2 316.3**	**2 603.4**	**15.7%**

1) Includes sight and term deposits.

In specialised credit to companies, the first half of 2016 recorded very expressive growth, with the Factoring and Confirming business posting overall growth of 42.8% when compared to a year earlier, with Confirming climbing 61.5%. As concerns the contracting of new Leasing business (Equipment and Real Estate), after a 76% increase in 2015, growth continued to be in the double digit range in the first half of 2016 when compared to the identical period a year earlier (13.8%).

Specialized corporate loans

Amounts in M.€

	Acum. Jun. 15	Acum. Jun. 16	Δ%
Leasing (contracting)	**94.0**	**107.0**	**13.8%**
Equipment Leasing	52.0	60.0	15.4%
Real-estate Leasing	42.0	47.0	11.9%
Factoring and Confirming	**271.0**	**387.0**	**42.8%**
Confirming	130.0	210.0	61.5%
Factoring	141.0	177.0	25.5%

MEDIUM-SIZED COMPANIES AND LARGE CORPORATIONS

At the close of June 2016, the Medium-sized Companies and Large Corporations' segment Customer loans portfolio totalled 2 474 M.€ and 1 584 M.€, respectively, which correspond to 9.4% and 14.8% increases relative to June 2015.

In the first half of 2016, loans to Medium-sized Companies and Large Corporations rose by 5.9% when compared to December 2015, up on the 5.3% growth observed in the second half of 2015.

BPI continued to lend support to large companies in the mounting and placing (public and private) of bonds as a form of ensuring alternative financing and complementing the granting of direct loans.

Within the context of the strategic priority attributed to Medium-sized companies, in this first half BPI pursued the placing of the PME Crescimento 2015 line, directed at backing the investments and working capital of all SME's, including robust-growth and export companies.

Since the launching of PME Investe/Crescimento, BPI has assumed the leading position, attaining a 19% market share of the total amount contracted (data referring to the end of the 1st half of 2016).

In the PME Líder and PME Excelência statuses, which distinguish Small and Medium-sized enterprises (SME) with the best economic-financial indicators, BPI has always been these firms' principal partner:

In PME Líder, BPI has been no. 1 in the ranking since 2008. In the first half of 2016, with the candidacy process still in the initial stage, BPI leads with a market share of 40% (Source: IAPMEI, figures up until 07/07/2016).

In PME Excelência, BPI is no. 1 in the ranking since 2009. In 2015, 596 PME Excelência (40%) firms adhered via BPI.

BPI has been particularly active in keeping abreast of Portugal 2020, providing support to the companies in the various phases of their projects, namely by way of advising in the identification of the most suitable financial solutions, as well as in the provision of funding for the projects via the BPI 2020 credit line. This line is an innovative BPI product owing to the fact that it guarantees the financing of the projects, irrespective of the grant's approval by the Management Authorities.

Under the Horizonte 2020 scheme, BPI pursued with the placing of the BPI/FEI Inovação II line in the amount of 200 M.€, which is aimed at the financing of innovative companies with less than 500 employees.

BPI continued to lend support to export firms with a comprehensive and competitive product range which encompass international trade solutions, finance and credit-risk insurance.

It also continued to assist companies in the agricultural and agro-industrial sector in their modernisation and internationalisation drives, assuming a prominent position in providing support to companies, offering them a comprehensive and diversified product range with solutions which cover the support for investment and treasury, notably:

- in investment: (i) the BPI PDR 2020 line (product adapted to the financing needs of all the phases of a PDR 2020 project); (ii) the BPI FEI/Inovação II line; (iii) the joint solutions with Agrogarante. BPI leads in the accumulated number of guarantees issued by Agrogarante with a 23% market share(Source: Agrogarante, figures up till 30/06/2016);
- in treasury (cash management): (i) solutions such as the IFAP Curto Prazo line (short-term), designed for the financing of the agricultural season and (ii) Protocolo BPI/CAP, which aligns the advance payment of operating subsidies granted by IFAP.

Within the scope of the partnership with the European Investment Bank (EIB), BPI has been placing a number of financing lines for SME's, amongst which the specific lines for companies in the agricultural and foodstuffs sector in the amount of 50 M.€.

BPI intensified its close involvement with the tourism sector, having launched a new line for this industry – the "2016 Product Upgrading Support Line" ("*Linha de Apoio à Qualificação da Oferta 2016*") in the amount of 60 M.€, earmarked to provide backing for companies with investment projects for: the creation of new top-quality tourism developments; requalification of existing tourist developments; creation and upgrading of tourist entertainment and restaurant activities; entrepreneurship in the tourism sector.

BPI's very proactive involvement in the JESSICA programme enabled it to finance urban rehabilitation projects for a variety of purposes. The programme's continuity was underwritten by means of a "pre-financing" operation contracted with the European Investment Bank, which permits accelerating the recycling of funds and to continue supporting new projects. At 30/06/2016, BPI has contracted and disbursed more than 100% of the funds made available under the Programme, realising the support to 58 projects which represented investments of 260 M.€ and financing of 156 M.€. Still during the first half, a further two urban rehabilitation projects funded by BPI within the scope of the Jessica Programme were distinguished with the National Urban Rehabilitation Award, each one of these winning in the respective category (Best Restoration Work and Social Impact).

BPI continues to position itself as the principal broker in the placing of COSEC credit insurance policies. During the 1st half of the year, it actively promoted the placing of credit insurance with the aim of assisting firms in mitigating the credit risk associated with their sales, in their market prospecting (in that it permits the prior evaluation of the risk of potential customers) and improving their ability to obtain from their banks advance revenue-receipt solutions.

In order to assist with short-term needs, BPI continued to focus on the BPI IVA JÁ (VAT Now) product for advances against VAT refunds, while it leveraged the distribution of BPI Tesouraria JÁ (Treasury Now) - a combination of very flexible short-term credit solutions earmarked for the funding of working capital needs and to compensate for the time lag between payments and receipts.

In parallel, as mentioned before, the new BPI Confirming product was launched, structured in such a manner so as to permit greater simplicity and authorisation. This was possible through the availability at BPI Net Empresas of the service for the payment of national and foreign suppliers in a format whereby it is possible to send to BPI forward payment orders which their suppliers can action in order to receive early payment from the Bank.

BPI Net Empresas, the Corporate Internet Banking service that allows carrying out an integrated management of accounts and to perform a broad range of national and international operations, has been recording various improvements and the introduction of new transactional areas for greater Customer satisfaction.

Still on the issue of increasing Customer mobility, it is now possible to have meetings with the account manager from any BPI branch or Corporate Centre, including the participation of product specialists at such meetings.

PROJECT FINANCE

The Project Finance segment's loan portfolio presented at the end of June 2016 a figure of 1 628 M.€, translating into a decrease of 6.3% vis-à-vis the same month a year earlier.

The loan portfolio's behaviour, which basically integrates operations with medium/long term maturities which are typical in this type of financing structure, continues to reflect the conjugation of regular repayments, early repayments and selling operations on the secondary market and, on the other, the utilisation of operations in the disbursement phase on the domestic market, amongst which some recently contracted.

The 1st half of 2016 also continued to be marked by the substantial involvement of a series of restructuring and renegotiation processes, covering namely, (i) various motorway concessions and sub-concessions following the signing in 2011 of the Economic and Financial Adjustment Programme between the Portuguese authorities and the European Union, the European Central Bank and the International Monetary Fund and (ii) renewable energy projects in Spain as a consequence of regulatory alterations imposed by the respective government.

In parallel with the financing aspect, the Project Finance Division remains active in the provision of financial advisory services, be they to private or public-sector entities, including a portfolio of projects in which it continues to play the role of permanent financial consultant, with special mention of the infrastructures and transportation sector.

INSTITUTIONAL BANKING AND THE STATE BUSINESS SECTOR

Loans to Customers of the public sector totalled 1 496 M.€ at the close of June 2016, which represents a 6.2% year-on-year increase.

The trend in loans to the public sector is essentially due to the realisation of operations in the State Business Sector, notably one in which Banco BPI played the leading role in the respective contracting.

COMMUNICATION AND EVENTS WITH CUSTOMERS

Continuing its strategy of working closely with companies, BPI promoted, organised and sponsored initiatives aimed at bolstering the support given to strategic segments.

PME Líder and Excelência

In the context of its sustained leadership in the PME Líder and PME Excelência statuses, BPI undertook the following initiatives:

PME Excelência 2015 ceremony: sponsored and participated in the ceremony for the presentation of the PME Excelência 2015 statuses.

Diplomas: as in previous years, personalised diplomas were given to all the PME Líder and PME Excelência firms which adhered to the status via BPI, acknowledging the honour of having chosen BPI as their partner.

Exports and Internationalisation

BPI and the Chambers of Commerce

The partnership with the Chambers of Commerce and Industry (CCI), which seeks to promote economic relations between Portuguese companies and abroad, has been reinforced in order to better support companies doing business on the overseas markets. In this context, we highlight:

- CCI Luso-Brasileira: in partnership with COSEC BPI participated in the seminar “Export to Brazil”, disseminating the banking products and services on offer to lend support to exports to and investments in Brazil, with special emphasis on the BPI-COSEC credit insurance;
- CCI Luso-Espanhola: shares with its member the articles and surveys covering current topics (Portugal 2020, Exports, Agriculture, good practices for improving the relationship with the banking sector, amongst others), sponsorship of regular publications (News Magazine and electronic Newsletter) and participation at several thematic events promoted by the Chamber;
- CCI Luso-Francesa: BPI’s participation at the conferences “The automobile sector in Portugal” and “Portugal, a Country for Developing the Outsourcing of Services”, promoting the existing backing, products and services for French companies seeking to invest in Portugal.

BPI and Business Associations

Besides further fostering protocols and partnerships already established, in this first half of the year, BPI participated in seminars and events of a number of associations with specialist speakers, in liaison with BPI’s commercial networks, endeavouring to respond to current day needs and challenges.

The following are some of the most salient initiatives:

- Associação Comercial e Industrial do Funchal – Câmara de Comércio e Indústria da Madeira: BPI promoted and participated in the debate at the seminar “The EIB Group, the Juncker Plan”, devoted to clarifying the strategic investment opportunities handled by the EIB;
- Portugal Foods: within the scope of a session of the HUB Project, BPI presented "BPI Compete Já", a product created specifically for receiving Portugal 2020 grants in advance in order to be present at business fairs and missions;
- Associação Portuguesa dos Industriais de Calçado, Componentes, Artigos de Pele e seus Sucedâneos (APICCAPS): BPI presented the context and the supports for the capitalisation of companies at a workshop organised as part of the seminar entitled “Evaluation of the Project for External Promotion and Bank Finance”;
- Associação Portuguesa da Indústria de Fundição: as part of the XVII National Foundry Congress, BPI participated in the debate "Strategy for the foundry sector", for identifying and showcasing support solutions for the sector’s growth strategies.

Agriculture and Agro-Industry

“2016 National Agriculture Award”: launching of the 5th edition of this BPI and the COFINA group (Correio da Manhã e Jornal de Negócios) initiative sponsored by the Ministry of Agriculture, Forestry and Rural Development, which has as its mission promoting, incentivising and rewarding successful ventures in national agriculture.

In order to publicise the Award and promote the debate of topics of importance for the primary sector, such as the sector’s challenges and the internationalisation of Portuguese products, two seminars were held which had some 250 participants. The opening seminar was staged at Ovibeja with the presence of the Prime Minister and the Minister of Agriculture, Forestry and Rural Development.

1st Roteiro VISÃO 2020 for Portuguese Agriculture: BPI participated at the national conference organised by the Confederação dos Agricultores de Portugal, which relied on the support of the Fundação Calouste Gulbenkian and the Fundação Manuel dos Santos. This conference was attended by various prominent entities and personalities from the national agricultural sector, promoting the debate about the sustainable intensification and efficiency in the utilisation of resources in Portuguese agriculture.

Principal agricultural fairs and events:
BPI sponsored and was actively involved in the agricultural sector’s major fairs and initiatives, notably: National Agricultural Fair (Santarém, 4 to 12 June), Ovibeja (Beja, 21 to 25 Abril), SISAB (Lisbon, 29 February to 2 March), 8th Colóquio do Milho (Ponta Delgada, 18 and 19 February), Feira do Porco Alentejano (Ourique, 17 to 20 March), Agro 2016 (Braga, 31 March to 3 April) and Wine&Food (Lisbon, 29 April to 1 May). At these events the brand had a strong presence and there were meeting places where BPI’s commercial network was available to present the most suitable products and services to participants.

BPI has participated in several debates and events, striving to clarify and support agricultural businessmen and to disseminate BPI’s specific solutions for this sector. It is worth highlighting the Colóquio Nacional de Horticultura Biológica, the “Agricultural Conversations” organised by Agrogarante (Santarém, Ponta Delgada and Beja) and “Investing in Biological Farming” of Agrobio (Faro and Porto), amongst other initiatives, such as the competition “24 Hours of Agriculture”, a competition for students studying agriculture at higher education establishments around the country.

Sea

BPI participated in the debates organised at the Oceans Business Week (Mar 2020 – a route for Internationalisation and Blue Economy Workshop), addressing the investment opportunities and specific supports for this sector.

Additionally it sponsored the Excellens Mare 2016 Awards, a PwC initiative which aims to recognise the merit and excellence of entities and personalities which have played a prominent role in the sustainable economic development of activities connected with the sea.

Entrepreneurship

BPI supported initiatives which foster entrepreneurship in Portugal, such as the INSEAD Empreendedorismo Prize (candidacies for which ended on 3 June), the NOVA Idea (new idea) Competition and the FAZ Empreendedorismo Prize (which was won by Augusto Pinho, Chairman of Direct Poultry Inc/Premium Foods, of Canada and an honourable mention for Paulo Rodrigues from the firm Mint Labs of Spain).

In parallel, a number of training and clarification sessions directed at entrepreneurs were organised.

Tourism and Urban Rehabilitation

BPI sponsored the BTL 2016 – the first bank to associate itself with the tourism sector’s largest fair. At this event, BPI signed a protocol with Turismo de Portugal that provides for a support line for Qualificação da Oferta 2016 (upgrading tourist amenities) in the total amount of 60 million euro.

As part of its proactive promotion of the JESSICA programme, BPI has participated in a number of initiatives staged by associations and municipal councils with the object of disseminating the programme and more specifically the BPI JESSICA line.

National Urban Rehabilitation Award, a Vida Imobiliária initiative, two of the nine projects lauded were financed via the JESSICA BPI programme:

- In the category "Social Impact": rehabilitation of the Palácio do Raio, in Braga;
- In the category "Best Restoration Work" – Restoration and recoupment of the Igreja (church) and Torre (tower) dos Clérigos.

BPI website and BPI Empresas newsletter
With the aim of sharing increasingly more information with Customers, the BPI Empresas (companies) website has shared more news of an informative and educational character, keeping pace with the strategy of boosting digital marketing. Besides details and information relating to banking products, BPI has published in a consistent manner, articles on its opinion, good practices and complementary analyses of a variety of topics, such as:

- Portugal 2020 and PDR 2020: publicising the opening of new tenders/competitions, analyses and clarifications concerning the procedures, levies and types of support contemplated, characteristics of the beneficiaries, amongst others;
- export: BPI surveys covering markets, updating of country data files which BPI makes available, analyses and good practices dealing with security in international trade relations;
- other topics: details of *de minimis* grants/aid, helping companies to understand how they function and how they are calculated, articles on good information-sharing practices and their impact on the risk evaluation of companies.

These analyses and articles have also been disseminated on the websites and disclosure channels of BPI's partners in strategic segments with a view to leveraging the support to companies.

BPI publishes an electronic newsletter with information about products and services, as well as analyses and other relevant information about business affairs, namely those referred to above. The newsletter is distributed to more than 65 thousand companies and small businesses, with 6 editions having been sent in this first half-year.

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 customers thus have at their disposal an extensive range of insurance products. This range includes both life assurance – death and disability insurance – and the other non-life branches – motor insurance and multi-risk insurance: home, fire, building works and installations, public liability, theft, personal accident, unemployment and sickness.

Bancassurance's performance in the first six months of 2016 is reflected in the following income indicators:

- commissions amounted to 21.6 M.€, which corresponds to a 6.6% increase;
- insurance premiums totalled 78.5 M.€, corresponding to growth of 4.5%.
- the number of active insurance policies at the end of June 2016 was 397 thousand in life assurance and 501 thousand in non-life business.

Asset management

At the close of the first half of 2016, BPI Gestão de Activos (Asset Management) had a volume of financial assets under management of 11 045 M.€, which is down 2% on the corresponding period of 2015.

In fact, notwithstanding the unit trust funds having recorded very positive growth, the volume under management at BPI Vida e Pensões relating to the insurance business and its own portfolio was down by around 20% since June 2015, eventually cancelling out the favourable trend seen in the other portfolios managed by the company.

The Customers caption also presented a decrease of about 6% because, despite the inflow of new private banking clients continuing, the institutional component saw its amount under management falling by 15 M.€.

As regards the pension funds, these also witnessed their assets decline, with changes in the order of -4%.

As mentioned earlier, the unit trust (mutual) funds – securities and real estate – posted very expressive rises, growing 37% and 83%, respectively since June of last year.

Assets under management

Amounts in M.€

	30 Jun. 15	31 Dec. 15	30 Jun. 16	Δ% Jun. 16 / Jun. 15
Unit trust (mutual) funds	2 438	3 310	3 346	37%
Real estate unit trust funds	182	344	334	83%
Pension funds	2 392	2 419	2 302	(4%)
Capitalisation insurance	5 896	5 843	4 727	(20%)
Institutional Customers	369	367	347	(6%)
Total	**11 278**	**12 284**	**11 045**	**(2%)**

UNIT TRUST FUNDS

The unit trust funds (Portuguese initials FIM) under management totalled 3 346 M.€ at the end of June 2016, maintaining the second position in the management of unit trust funds in Portugal, with a share of 26.2%, which translates into an increase of almost 10 percentage points relative to the same period of the preceding year (17% in June 2015).

Assets under management

Amounts in M.€

	30 Jun. 15	31 Dec. 15	30 Jun. 16	Δ% Jun. 16 / Jun. 15
Bonds and money market	826	1 268	1 359	64%
Capital growth (equities)	597	655	610	2%
Tax efficiency (PPR/E and PPA)	809	1 055	1 048	30%
Diversification	206	333	318	55%
Total	**2 438**	**3 310**	**3 346**	**37%**

In the period under review, all the categories performed favourably, with the caption "Bonds and Money Market" revealing the largest growth, 64%, to which contributed above all the BPI Monetário Curto Prazo and BPI Liquidez short-term funds, which were up 86% and 75%, respectively, due to the high volume of net subscriptions which continued to be recorded.

The category "Diversification", despite the lower amounts involved, also presented a steep percentage expansion of 55%, justified by the launching of two new products, BPI Dinâmico and BPI Moderado, which in June 2016 already totalled 176 M.€.

The "Tax Efficiency" component (PPR/E and PPA)" maintained its upward trend, advancing by roughly 30% relative to June 2015, with the biggest increase recorded in the BPI Reforma Segura PPR fund (secure retirement) which grew 68% in the period. It should be noted that this product is amongst the four funds that attracted the most investment, with new net inflows of more than 100 M.€ since June 2015.

As was the case noted at the end of last year, the "Capital Appreciation/Growth" category (equities) was that which presented the lowest growth, advancing by a mere 2% relative to the same period of the previous year. In fact, only the BPI Ibéria fund and the BPI Alternative Fund, domiciled in Luxembourg, presented positive performances in the period under review. This class benefited from the launching of a new fund, the BPI Agressivo fund, which had some 1.5 M.€ under management at the end of the half year.

It is important to mention that BPI Gestão de Activos was the company that recorded the highest level of net inflows in Portugal, amounting to 63 M.€ in the year.

REAL ESTATE UNIT TRUST FUNDS

At 30 June 2016, the Real Estate Unit Trust Funds had assets under management totalling 334 M.€, a figure which represents a very significant performance (83%), whilst the national market registered a 2.0% drop in the total of open-ended real-estate unit trust funds.

BPI's market share in the management of this category of open-ended real-estate funds stood at 8.9% at the end of June 2016, corresponding to fourth position.

CAPITALISATION INSURANCE

At 30 June 2016 the accumulated new contracting of capitalisation insurance by BPI Vida e Pensões was 252 M.€, down 77.3% relative to the 1st half of 2015. This decline is the result of the commercial strategy pursued in 2016 having been adapted to the environment of low interest rates and also to the fact that in 2014 and 2015 there had been exceptional levels of new contracting, well above those noted in previous years. If we compare with the pre-2014 years, we note that the 2016 figures are line with those achieved in those periods. However, it is worth underlining that the new contracting of capitalisation insurance linked to Unit Trust Funds (Unit Linked), which despite being well below that noted in June 2015, is the second best new business written in the period under review.

The total life assurance market saw its new business written decline by 31.9% in this first half year relative to June 2015.

Despite this contraction in the rate of new business written, which was transversal to the various types of products commercialised by BPI Vida e Pensões, there was in this same period a 8.8% increase in the volume of unit-linked capitalisation insurance, which was situated at 30 June 2016 at 1 865 M.€.

PENSION FUNDS

At 30 June 2016, BPI Vida e Pensões was responsible for the management of 35 pension funds which covered the pension plans of more than 250 companies, whose net assets totalled 2 302 M.€. Compared to the end of the previous year, one new defined-contribution mandate was won.

Investment banking

CORPORATE FINANCE

Based on the figures reported by Bloomberg, Mergers and Acquisitions business in Portugal[1] has been staging a recovery since the end of 2013 in the number of deals concluded (although with great volatility in terms of value, reflecting some large-scale transactions).

At the end of 2015 and the beginning of 2016, we witnessed some slowdown in the pipeline of new transactions at the Corporate Finance Division, which occurred in a period of strong involvement in the execution of various operations. The conclusion of those transactions, coupled with the political uncertainty in Europe and the lacklustre economic growth, will influence activity in the second half of 2016.

BPI Corporate Finance has maintained a high level of activity and was involved in several high profile transactions: advising Ibersol in the preparation of the acquisition of the Eat Out Group, assisting an international financial investor in the attempt to acquire the assets of Ascendi, advising a pension fund in the valuation of the investment in Galp Gas Natural Distribuição, and lending support to a financial investor in the potential acquisition of a piped LPG operator in Portugal.

BPI Corporate Finance also rendered financial advisory services under the significant number of other mandates, amongst which we cite the valuation and corporate reorganisation of Salvador Caetano, the valuation of Partex's oil & gas assets, the sale of Cartosis, the opening up of Brokerslink's capital, advising Carris, amongst others.

Besides these operations, BPI Corporate Finance has in progress a number of mandates involving investment decisions, economic-financial analyses, asset disposal processes and the preparation of capital market operations.

1) Operations with reported value in which the target and /or buyer is Portuguese, excluding the financial sector, real estate and captive operations.

EQUITIES

Secondary market

In the 1st half of 2016 BPI brokered share dealings worth 2.2 th.M.€. BPI is market leader in equities on the Euronext Lisbon market, in operations on behalf of clients with 11.2%. In online brokerage, Banco BPI is market leader with a 22.0% share, having brokered 890 M.€ in the 1st half of 2016.

Research and sales

BPI continues to be amongst the research houses with the largest coverage of companies listed on the Iberian market, with a total of 66 companies covered in Spain and 20 in Portugal at the end of June 2016.

At the end of the period, the team comprised 31 Employees, of whom 15 are attached to the Research team, 14 to Sales & Trading and 2 to Equity Capital Markets. This team was once again prominent in the rankings of international brokers operating in the Iberian market, with special reference to the Extel Survey 2016 (#2 Iberian Conference; #3 Equity Sales team; #3 Company & Expert meetings, #4 Leading Broker and Research team), the Thomson Reuters 2016 Iberia Analyst Awards (#1 Top Award-Winning Brokers) and NYSE Euronext (Most active Research House 2015 – Portugal; Most Active Trading House in Shares – Portugal; Most Active Trading House in Shares – EnterNext 2015 – Portugal).

BPI Capital Africa

BPI Capital Africa, a member of the Johannesburg Stock Exchange, continued to expand its activity in institutional brokerage. From its office in Cape Town, BPI Capital Africa presently covers 65 shares, including various companies quoted on a number of sub-Saharan Africa 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 the first half of 2016, BPI Capital Africa continued to the present in the FM research rankings in South Africa, namely #3 in the holding companies sector.

In the first half of 2016, the BPI Capital Africa team was composed of 17 members (originating from South Africa, England, Mozambique, Nigeria, Portugal and Zimbabwe) – 8 employees make up the Research team, 5 are in Sales & Trading and the remaining 4 are deployed in Operations.

Trading

The principal trading activity was concentrated at BPI Alternative Fund – Iberian Equities Long Short, whose management was subcontracted to Banco Português de Investimento. The fund's good performance since its creation contributed to the increase in the placing of participation units with the Customer base. At 30 June 2016, the fund's assets under management amounted to 350 M.€.

The fund presented at 30 June 2016 a negative performance of 2.76% net of commissions.

International operations

BANCO DE FOMENTO ANGOLA

At June 2016 Banco de Fomento Angola (BFA) had net total assets of 7 106 M.€, while its shareholders' equity stood at 761 M.€.

At the end of the first half of 2016 BFA served 1.5 million customers, 131 thousand more Customers (+9.7%) relative to June 2015. On that date, the distribution network comprised 191 units, at the same time as BFA had a headcount of 2 619 Employees.

Resources

Customer resources in June 2016 amounted to 6 101 M.€, down 9.1% relative to the same period of 2015.

BFA had a 16% market share in deposits in June 2016.

Loans

The Customer loans portfolio posted a 9.3% contraction in year-on-year terms to 1 260 M.€. According to the Central Bank's (BNA) statistics, BFA's market share in June 2016 stood at 7.5%.

Securities portfolio

BFA's securities portfolio at 30 June 2016 was 3 150 M.€ and represented 44% of the Bank's assets. The short-term securities portfolio is composed of Angola Treasury Bills in the amount of 1 026 M.€, while the portfolio of medium-term securities is made up of Treasury Bonds denominated in AKZ and in USD amounting to 2 097 M.€.

Cards and Electronic banking

BFA occupies a leading position in debit and credit cards in Angola, numbering at the end of the first half of 2016 1.1 million valid debit cards, which corresponded to a 23.8% market share, and on the same date a total of 16 thousand active credit cards (Classic and Gold).

The Bank maintains a prominent position in active APT devices (Automatic Payment Terminals) and ATM's (automated banking), having terminated the first half with a 26.4% market share in APT terminals and with a 13.7% market share in ATM's, which corresponds to second position.

Turning to the BFA App mobile application, BFA registered in June 2016 a total of 15 455 new downloads, of which 4 363 were effected by way of the iOS operating system and 11 092 using the Android operating system.

Banco de Fomento Angola

Selected indicators

Amounts in M.€

	Jun.15	Jun.16	Δ%
Net total assets	7 807	7 106	(9.0%)
Loans to Customers	1 389	1 260	(9.3%)
Customer resources	6 711	6 101	(9.1%)
Bonds held by customers (TBonds and TBills)	788	1 569	99.1%
Shareholders' equity	781	761	(2.6%)
Net profit	139	164	18.2%
Contribution for BPI consolidated result	67	79	18.2%
Employees (no.)	2 559	2 619	2.3%
Branches (no.)	188	191	1.6%
ATM machines (no.)	376	374	(0.5%)
POS (no.)	7 540	9 337	23.8%
Customers (thousand)	1 359	1 490	9.7%

CAMPAIGNS

Conta Kandengue BFA

BFA launched on 18 March a youth savings account, the Conta Kandengue BFA account. The "Conta Kandangue BFA" Campaign had as its prime objective promoting a term investment in Kwanzas, available solely to Customers up to the age of 18.

BFA NET – your supporting documents at a click

The Campaign "BFA Net – Your supporting documents at a click" is intended to disseminate the new Digital Documents functionality, available via BFA Net and BFA Net Empresas, allowing Customers to consult, store and/or print the operations performed on those channels.

Connect to BFA

The Digital Campaign "Connect to BFA" has as its goal communicating BFA's LinkedIn and YouTube channel. The followers and subscribers to these pages have access to up-to-date information about the Bank's events, campaigns, products and services.

Job application. You could become one of us.

The Digital Campaign "Job application. You could become one of us" had as its aim attracting new talents to BFA, informing about the online process for candidates wishing to work at the Bank via the website.

AWARDS

Best retail bank – Banker Africa Magazine

BFA was honoured with the 2016 Best Retail Bank Award in Banker Africa, Southern Africa Awards 2016, by the magazine Banker Africa. Banker Africa analyses and classifies the performance of the principal banking institutions in several countries.

Best corporate management – World Finance

The World Finance magazine rated BFA for the third consecutive year as the Bank with the "Best Corporate Management". In granting the award World Finance had as its main criteria the consolidation of operations, the contribution to Angola's economic development and the creation of specific solutions for Customers.

SPONSORSHIPS

Banco alimentar Angola

BFA sponsored the 4th edition for the collection of foodstuffs on behalf of the Angola Food Bank (Banco Alimentar Angola), which was held on 18 and 19 of June at shopping centres in Luanda. Some seven tons of food were collected, 16 % more than at the last campaign.

Moda Luanda

BFA sponsored the 19th edition of Luanda Fashion (Moda Luanda) which was staged on 22 and 23 of April in Luanda. This year the event's underlying theme was "Think Fashion" and as was the case in previous editions, the stars from Cinema, Television, Fashion and Music were lauded for their outstanding achievements during 2015.

Charity soup

As part of Woman's Month, BFA sponsored a social initiative organised by the wives of Luanda's firemen. The Charity Soup was held on 8 March and brought together 300 children from 5 different homes for the purpose of distributing to these children soup and other basic necessities.

Luanda Carnival

BFA was one of the official sponsors of the Luanda Carnival which was held from the 6th to 9th of February. In this edition of the Luanda Carnival, BFA celebrated with all of Luanda's citizens the customs and costumes of one of the country's most symbolic and representative tribes – the Mumuílas.

Best banking brand – Global Brands Magazine

Global Brands Magazine distinguished BFA for the third consecutive time with the Best Banking Brand in the West Africa 2016 award. The accolade had as its main factors the activation of the BFA Brand on the Angolan market and the Bank's performance in the implementation of new support services for the Customer.

Best Commercial Bank – Global Banking and Finance Review

BFA was honoured for the fourth year running with the "Best Commercial Bank in Angola" award by the British portal Global Banking and Finance Review. The award had as its main factor the diversified range of products and services, the extensive branch network and the social responsibility programme founded on Education, Health and Social Solidarity.

BCI – BANCO COMERCIAL E DE INVESTIMENTOS

BCI is a leading player in Mozambique's banking system with significant market shares in deposits (28.5%), loans (30.8%) and assets (28.4%).

BCI reached a figure of 1.4 million Customers at the end of June 2016, which corresponds to a 20% year-on-year increase. BCI boasts a distribution network with 193 units (+12.9% than in June 2015) and a workforce made up of 3046 Employees (+11.1% than in June 2015).

Total assets were down by a year-on-year 21.4% to 1 925 M.€, having been affected by the metical's depreciation against the euro.

Deposits

The customer deposits portfolio when measured in euro registered a 22.4% contraction to be situated at 1 373 M.€.

Loans

The loan portfolio was down 23.2% year-on-year to 1 122 M.€ at the close of June 2016.

Distribution network

At the end of June 2016, BCI had a total of 193 branches, of which 165 were traditional branches, 27 exclusive centres and 1 business centre.

As regards electronic banking, the ATM network was expanded by 103 units (+19.9%) and the POS network by 2 012 units (+28.4%) relative to June 2015, to total 620 ATM's and 9 105 POS.

Selected indicators Amounts in M.€

	Jun.15	Jun.16	Δ%
Net total assets	2 448	1 925	-21.4%
Loans to Customers (net)	1 460	1 122	-23.2%
Customer deposits	1 770	1 373	-22.4%
Shareholders' equity	223	154	-30.9%
Employees (no.)	2 742	3 046	11.1%
Branches (no.)	171	193	12.9%
ATM machines (no.)	517	620	19.9%
POS (no.)	7 093	9 105	28.4%
Customers (thousand)	1 164	1 397	20.0%
Foreign exchange rate EUR/MZN	43.69	70.69	61.8%

Financial review

Selected indicators

Amounts in M.€

	Jun. 15 Domestic activity	Jun. 15 International activity	Jun. 15 Consolidated	Jun. 16 Domestic activity	Jun. 16 International activity	Jun. 16 Consolidated
Net profit, efficiency and profitability						
Net profit	6.6	69.6	76.2	24.5	81.4	105.9
Net profit per share [1]	0.005	0.048	0.053	0.017	0.056	0.073
Cash flow after taxation	98.8	97.9	196.6	104.9	101.0	205.9
Net operating revenue	330.6	256.7	587.2	343.7	258.6	602.4
Net operating revenue per Employee [2] (thousands of euro)	55	100	69	58	98	71
Operating costs / net operating revenue [3]	74.4%	33.7%	56.7%	75.0%	32.5%	56.3%
Average total assets	34 217.0	8 528.8	42 251.3	32 763.2	7 262.7	39 324.7
Return on average total assets (ROA)	0.0%	3.3%	0.7%	0.1%	4.5%	1.0%
Average Shareholders' equity	1 760.5	485.0	2 245.5	1 892.6	435.1	2 327.7
Return on average Shareholders' equity (ROE) [4]	0.8%	28.7%	6.8%	2.6%	37.4%	9.1%
Assets quality						
Credit at risk	1 142.4	92.7	1 235.2	1 104.5	70.1	1 174.6
Credit at risk / Loans to Customers [5]	4.8%	6.3%	4.9%	4.7%	5.2%	4.7%
Coverage of credit at risk by impairments [6]	82%	111%	84%	83%	114%	85%
Net credit loss [7]	0.54%	1.82%	0.64%	0.25%	1.57%	0.33%
Pension liabilities						
Employee pension liabilities	1 279		1 279	1 306		1 306
Cover of pension obligations	106%		106%	98%		98%
Capital						
Shareholders' equity	1 782	447	2 230	1 883	415	2 299
Shareholders' equity and non controlling interests	1 784	837	2 621	1 885	795	2 680
CRD IV / CRR phasing in						
Common equity Tier I ratio	10.5%	10.4%	10.5%	11.1%	10.7%	11.0%
Leverage ratio			6.1%			7.1%
CRD IV / CRR fully implemented						
Common equity Tier I ratio	9.0%	9.2%	9.0%	10.4%	9.6%	10.1%
Leverage ratio			5.5%			6.7%
Liquidity						
Liquidity coverage ratio (CRD IV / CRR fully implemented)			139%			156%
Net Stable Funding Ratio (CRD IV / CRR fully implemented)			106%			115%
Loans-to-deposits ratio	102%	21%	82%	108%	21%	88%

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 30 Jun.16, the consolidated credit at risk amounts to 1174.6 M.€ and the consolidated credit at risk ratio amounts to 5.0%.
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 period, net of recoveries, as a % of the average loan portfolio, in annualised terms.

Consolidated results

In the 1st half of 2016 BPI earned a consolidated net profit of 105.9 M.€, which corresponds to a 39.1% increase when compared to the net profit of 76.2 M.€ registered in the same period of 2015.

The contribution to consolidated net profit from domestic operations improved by 17.9 M.€, from 6.6 M.€ in the 1st half of 2015 to 24.5 M.€ in the 1st half of 2016.

International operations – which primarily refer to the activity undertaken in Angola via BFA and, on a smaller scale, by BCI in Mozambique – increased their contribution to consolidated net profit by 17.0% (+11.8 M.€) to 81.4 M.€.

Return on consolidated shareholders' equity

The return on consolidated shareholders' equity (ROE) stood at 9.1% in the 1st half of 2016.

The ROE from domestic operations, to which 81% of the Group's average shareholders' equity is allocated, improved from 0.8% in the 1st half of 2015 to 2.6% in the 1st half of 2016.

The ROE from international operations, to which 19% of the Group's average shareholders' equity is allocated, was situated at 37.4% (28.7% in the 1st half of 2015).

ROE by business area in the 1st half of 2016

Amounts in M.€

		Domestic activity				International activity	BPI Group (consolidated)
		Commercial banking	Investment banking	Participating interests and other	Total		
Average risk weighted assets	1	**15 441.7**	**92.5**	**111.1**	**15 645.2**	**7 494.3**	**23 139.6**
Capital allocated	2	1 770.7	28.4	93.5	1 892.6	435.1	2 327.7
Capital reallocation	3	97.3	(17.2)	(80.1)	0.0	0.0	0.0
Adjusted Shareholders' equity for ROE calculation [= 2+3]	4	**1 868.0**	**11.2**	**13.4**	**1 892.6**	**435.1**	**2 327.7**
Net profit	5	10.8	(0.3)	14.0	24.5	81.4	105.9
Adjustment to profit due to capital reallocation	6	0.2	(0.0)	(0.2)			
Net profit (adjusted) [= 5+6]	7	**11.0**	**(0.3)**	**13.9**	**24.5**	**81.4**	**105.9**
ROE [=7/4]	8	**1.2%**	**-5.5%**	**206.5%**	**2.6%**	**37.4%**	**9.1%**

Calculation of ROE by business areas

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 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. In determining the capital allocated to international activity, the accounting capital (shareholders' equity) was taken into consideration.

Geographical segmentation of the BPI Group

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 commercial banking 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 the 1st half 2016 from Banco Fomento Angola amounted to 79.1 M.€, from BCI was 3.3 M.€, from BPI Moçambique was -0.3 M.€ and from BPI Capital África was -0.7 M.€.

CONSOLIDATED OVERVIEW

Consolidated income statement

The improvement in consolidated earnings for the six-month period can be chiefly ascribed to the higher operating income of a more recurring nature, the stabilisation of costs in both domestic and international activity, and the decrease in charges for loan impairments.

Consolidated net operating revenue rose by 15.1 M.€ (+2.6%) relative to the 1st half of 2015 to 602 M.€. This advance is chiefly explained by the higher consolidated net interest income (up 29.0 M.€, +8.8%), stemming from the net interest income expansion in domestic operations and essentially attributable to the decrease in the cost of time deposits.

Consolidated income statement

Amounts in M.€

		1st. half 15	1st half 16			Δ M.€ 1st half 15 / 1st half 16	
		Consolidated	Domestic activity	International activity	Consolidated	Consolidated, Δ M.€	Consolidated, Δ %
Net interest income (narrow sense)	1	312.4	178.0	160.8	338.7	+ 26.4	8.4%
Other income [1]	2	18.9	21.5	0.0	21.5	+ 2.7	14.1%
Net interest income [= 1 + 2]	3	**331.2**	**199.5**	**160.8**	**360.3**	**+ 29.0**	**8.8%**
Technical result from insurance contracts	4	19.4	13.5	0.0	13.5	(5.9)	(30.4%)
Commissions and other fees (net)	5	155.4	125.2	28.7	153.9	(1.5)	(1.0%)
Profits from financial operations	6	95.4	25.1	80.1	105.2	+ 9.8	10.3%
Operating income and charges	7	(14.2)	(19.6)	(10.9)	(30.5)	(16.3)	(115.2%)
Net operating revenue [= ∑ 3 to 7]	8	**587.2**	**343.7**	**258.6**	**602.4**	**+ 15.1**	**2.6%**
Personnel costs, excluding early-retirement costs and changes to the plan (ACT)	9	189.1	148.5	43.5	192.0	+ 2.9	1.5%
Outside supplies and services	10	127.1	93.3	34.3	127.6	+ 0.6	0.4%
Depreciation of fixed assets	11	17.5	10.8	6.2	17.0	(0.5)	(2.9%)
Operating costs excluding early-retirement costs and changes to the plan (ACT) [= ∑ 9 to 11]	12	333.6	252.6	84.0	336.6	+ 3.0	0.9%
Early-retirement costs	13	0.0	47.1	0.0	47.1	+ 47.1	
Changes to the plan (ACT)	14	0.0	(44.3)	0.0	(44.3)	(44.3)	
Operating costs [= 12 + 13 + 14]	15	**333.6**	**255.5**	**84.0**	**339.5**	**+ 5.9**	**1.8%**
Operating profit [= 8 - 15]	16	**253.6**	**88.3**	**174.6**	**262.9**	**+ 9.3**	**3.7%**
Recovery of loans written-off	17	7.8	7.2	1.1	8.3	+ 0.5	6.5%
Loan provisions and impairments	18	86.9	35.8	11.5	47.3	(39.6)	(45.6%)
Other impairments and provisions	19	16.0	33.9	1.8	35.7	+ 19.7	122.5%
Profits before taxes [= 16 + 17 - 18 - 19]	20	**158.4**	**25.8**	**162.4**	**188.2**	**+ 29.8**	**18.8%**
Corporate income tax	21	25.5	19.0	2.6	21.5	(4.0)	(15.6%)
Equity-accounted results of subsidiaries	22	12.7	17.7	3.6	21.4	+ 8.6	67.7%
Results attributable to non controlling interests	23	69.5	0.0	82.0	82.1	+ 12.6	18.2%
Net profit [= 20 - 21 + 22 - 23]	24	**76.2**	**24.5**	**81.4**	**105.9**	**+ 29.8**	**39.1%**
Cash flow after taxes [= 24 + 11 + 18 + 19]	25	**196.6**	**104.9**	**101.0**	**205.9**	**+ 9.3**	**4.7%**

1) Unit links gross margin, income from equity instruments and commissions associated with amortised costs (net).

Consolidated net operating revenue from commercial banking, which aggregates the most recurring income items – net interest income, commissions and the technical result from insurance contracts – increased by 21.6 M.€ (+4.3%) to 527.6 M.€.

For their part, consolidated operating costs, excluding early-retirement costs (47.1 M.€) and the gain stemming from the revision of the Collective Employment Agreement for the Banking Sector (44.3 M.€[1]), remained stable (+0.9%). The consolidated efficiency ratio – operating costs as a percentage of net operating revenue - excluding non-recurring impacts, improved marginally from 56.7% in the 1st half of 2015 to 56.3% in the 1st half of 2016.

Credit-risk cost[2] trended positively, dropping from 79.1 M.€ in the 1st half of 2015 to 39.0 M.€ in the 1st half of 2016, thereby contributing 40 M.€ to the improvement in consolidated pre-tax net profit. As a percentage of the loan portfolio, credit-risk cost declined from 0.64% to 0.33%, which is close to its historical average figure of 0.32% recorded by BPI in the 10 years elapsing between 2002 and 2011[3].

Consolidated pre-tax net profit climbed by 29.8 M.€ (+18.8%) to 188.2 M.€.

Consolidated net profit was 105.9 M.€, bearing in mind that the provision for corporate income tax is deducted from profit before tax (21.5 M.€) , as is the appropriation of net profit by non-controlling shareholders' interests (82.1 M.€), corresponding in essence to the 49.9% interest in BFA's share capital held by Unitel, whereas equity-accounted results of subsidiaries are added to net profit (21.4 M.€).

Consolidated balance sheet

At the end of June 2016, consolidated assets totalled 38.9 th.M.€ and consolidated shareholders' equity attributable to BPI shareholders amounted to 2.3 th.M.€.

Consolidated balance sheet at 30 June 2016 Amounts in M.€

	Domestic activity[1]	International activity[1]	Consolidated
Assets			
Loans to customers	22 694.6	1 260.3	23 954.9
Financial assets' portfolio[2]	6 567.6	3 149.6	9 717.2
Other	3 116.1	2 743.8	5 184.5
Total assets	**32 378.3**	**7 153.7**	**38 856.6**
Liabilities and shareholders' equity			
Deposits	19 037.8	6 100.7	25 138.5
Other Customer Resources[3]	5 051.5		5 051.5
Other	6 403.8	258.1	5 986.4
Shareholders' equity attributable to BPI shareholders	1 883.4	415.4	2 298.8
Non controlling interests	1.8	379.5	381.3
Total Shareholders' equity and non controlling interests	**1 885.2**	**795.0**	**2 680.1**
Total liabilities and Shareholders' equity	**32 378.3**	**7 153.7**	**38 856.6**
Guarantees	1 412.1	236.2	1 648.3
Off-balance sheet Customer resources	4 494.4		4 494.4

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.

Total assets in domestic operations stood at 32.4 th.M.€. The domestic operations balance sheet essentially reflects the intermediation business with Customers: Customer resources funded assets to the extent of 74%, while Customer loans represented 70% of those assets. In off-balance sheet accounts the Bank had under management Customer resources totalling 4.5 th.M.€.

1) Gain resulting from changes to the Plan.
2 Loan impairments, net of recoveries.
3) Period prior to the maximum figures attained in 2012 (0.92%) and 2013 (0.96%).

The international operations balance sheet presents a high level of capitalisation and ample liquidity. Total assets were 7.2 th.M.€ and were wholly funded by Customer deposits and shareholders' equity. BFA's business is founded on the taking of Customer deposits and the channelling of those resources into loans (21% of deposits), with the surplus liquidity invested in Angolan State securities, in placements at the BNA (Central Bank) and on the international banking market.

Consolidated balance sheet

Amounts in M.€

		Jun.15	Dec.15	Jun.16		
		Consolidated	Consolidated	Domestic activity[1]	International activity[1]	Consolidated
Assets						
Cash, deposits at central banks and deposits and loans to credit institutions	1	4 478.0	4 570.3	1 841.5	2 567.1	3 804.9
Loans and advances to Customers	2	24 297.1	24 281.6	22 694.6	1 260.3	23 954.9
Financial assets held for dealing	3	3 513.2	3 674.6	2 798.8	1 294.0	4 092.8
Financial assets available for sale	4	7 352.3	6 509.4	3 752.4	1 855.6	5 608.1
Investments held to maturity	5	22.4	22.4	16.3		16.3
Investments in associated companies and jointly controlled entities	6	214.6	210.4	145.3	46.3	191.6
Other	7	1 556.7	1 404.5	1 129.3	130.4	1 188.0
Total assets [= ∑ 1 to 7]	8	**41 434.2**	**40 673.3**	**32 378.3**	**7 153.7**	**38 856.6**
Liabilities and shareholders' equity						
Resources of central banks	9	1 520.1	1 520.7	2 000.6		2 000.6
Credit institutions' resources	10	1 388.3	1 311.8	1 839.2	0.5	1 235.9
Customer resources and other loans	11	28 255.5	28 177.8	21 564.5	6 142.4	27 706.9
Debts evidenced by certificates	12	1 227.4	1 077.4	604.4		604.4
Technical provisions	13	3 962.0	3 663.1	2 681.0		2 681.0
Financial liabilities associated to transferred assets	14	956.1	689.5	657.6		657.6
Other subordinated loans and participating bonds	15	69.5	69.5	69.5		69.5
Other	16	1 434.4	1 327.9	1 076.3	215.9	1 220.5
Shareholders' equity attributable to BPI shareholders	17	2 229.7	2 406.9	1 883.4	415.4	2 298.8
Non controlling interests	18	391.3	428.6	1.8	379.5	381.3
Total Shareholders' equity and non-controlling interests [=17+18]	19	**2 621.0**	**2 835.5**	**1 885.2**	**795.0**	**2 680.1**
Total liabilities and Shareholders' equity [= ∑ 9 to 18]	20	**41 434.2**	**40 673.3**	**32 378.3**	**7 153.7**	**38 856.6**
Note: bank guarantees	21	2 101.7	1 828.8	1 412.1	236.2	1 648.3
Off-balance sheet Customer resources[2]	22	3 284.3	4 474.2	4 494.4		4 494.4

1) The Domestic and International Operations' balance sheets presented above are not corrected for the balances resulting from operations between those segments.
2) 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 was in consolidated terms 2 680 M.€ at the end of June 2016, corresponding to 6.9% of consolidated assets and was composed of:

- shareholders' equity attributable to BPI shareholders of 2 299 M.€. (82% of shareholders' equity was allocated to domestic activity, with the remaining 18% being employed in international activity).
- BPI non-controlling interests of 381 M.€ corresponding essentially to Unitel's 49.9% shareholding in BFA (380 M.€).

Selected indicators Amounts in M.€

	30 Jun. 16
Shareholders' equity	
Shareholders' equity	2 298.8
Shareholders' equity and non controlling interests	2 680.1
Phasing in regulatory capital	
CET1	2 566.2
CET1 ratio	11.0%
Leverage ratio	7.1%
Fully implemented regulatory capital	
CET1	2 352.6
CET1 ratio	10.1%
Leverage ratio	6.7%

Shareholders' equity and non controlling interests trend in the 1st half 2016 Amounts in M.€

		Shareholders' equity attributable to BPI shareholders	Non controlling interests	Total
Shareholders' equity at 31 December 2015	1	**2 406.9**	**428.6**	**2 835.5**
BFA dividends paid to minorities	2		(40.8)	(40.8)
Net profit	3	105.9	82.1	188.0
Change in the fair value reserve, net of deferred taxes	4	(12.8)		(12.8)
Actuarial variances, net of deferred taxes	5	(91.4)		(91.4)
Exchange translation differences of foreign companies	6	(108.0)	(88.6)	(196.6)
Other	7	(1.7)	(0.0)	(1.7)
[= ∑ 2 to 7]	8	**(108.0)**	**(47.3)**	**(155.3)**
Shareholders' equity at 30 June 2016 [=1+8]	9	**2 298.8**	**381.3**	**2 680.1**
Of which:				
Domestic activity		1 883.4	1.8	1 885.2
International activity		415.4	379.5	795.0

The shareholders' equity attributable to BPI shareholders decreased by 108 M.€ when compared to December 2015. The main factors behind this decline were:

With positive impact,

- Net profit generated in the six months of 105.9 M.€;

With negative impact,

- The currency revaluation of the shareholdings in African banks, which had a negative impact of 108 M.€ due essentially to the kwanza's 20% depreciation and the metical's 29% depreciation against the euro (consolidation currency). Of that figure, 88 M.€ resulted from the conversion into euro of the shareholding in BFA and 19 M.€ from the conversion into euro of the interest in BCI.
- The negative actuarial variance of 91.4 M.€ (net of deferred taxes), corresponding primarily to the negative variance of the return on the Employees' pension funds relative to the discount rate.

It is worth noting that the negative actuarial variance generated in the first half of the year, and recognised directly in accounting shareholders' equity, did not have a corresponding effect on CET1 capital, given that it consumed the surplus funding of the liabilities existing at the close of 2015, which is deducted in the calculation of CET1 capital.

Capital ratios

At 30 June 2016, common equity Tier I capital (CET1) calculated according to the CRD IV / CRR rules applicable in 2016 totalled 2.6 th.M.€, which corresponded to a ratio of 11.0%. CET 1 capital in domestic activity amounted to 1.8 th.M.€ and corresponded to a ratio of 11.1%, and in international activity it stood at 0.8 th.M.€ and corresponded to a ratio of 10.7%.

The fully-implemented CET 1 capital (that is, without benefiting from the phasing-in period envisaged in those rules) amounted to 2.4 th.M.€ while the ratio stood at 10.1%. In domestic operations, the CET 1 ratio was 10.4% and in international activity it was 9.6%.

Leverage ratios (CRD IV / CRR)

The leverage ratio is the ratio calculated between Tier 1 capital and the total value of the balance assets and off-balance sheet items, which are therefore not subject to the weighting coefficients as happens in the calculation of risk-weighted assets.

At 30 June 2016 the Leverage ratios were as follows:

- Phasing-in Leverage ratio: 7.1%
- Fully-implemented Leverage ratio: 6.7%

Common Equity Tier 1 Ratio

According to CRD IV / CRR rules

Amounts in M.€

		30 Jun. 15	31 Dec. 15	30 Jun.16		
				Domestic activity	International activity	Consolidated
CRD IV / CRR phasing in						
CET 1 capital	1	2 528.9	2 574.3	1 763.2	803.0	2 566.2
Risk-weighted assets	2	24 178.1	23 702.3	15 829.9	7 493.9	23 323.8
CET 1 ratio	3	**10.5%**	**10.9%**	**11.1%**	**10.7%**	**11.0%**
CRD IV / CRR Fully implemented						
CET 1 capital	4	2 181.4	2 313.4	1 635.5	717.1	2 352.6
Risk-weighted assets	5	24 114.3	23 652.8	15 751.2	7 502.0	23 253.3
CET 1 ratio	6	**9.0%**	**9.8%**	**10.4%**	**9.6%**	**10.1%**

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		
		30 Jun.15 (rules for 2015)	31 Dec.15 (rules for 2015)	30 Jun. 16 (rules for 2016)	30 Jun. 15	31 Dec. 15	30 Jun. 16
Share capital, premiums and reserves	1	2 244.4	2 393.9	2 297.3	2 229.9	2 407.0	2 291.2
Minority interests net of dividends payable	2	364.4	375.5	347.6	364.4	375.5	347.6
Non-eligible minority interests	3	(9.5)	(8.6)	0.0	(99.1)	(99.8)	(90.8)
[∑ 1 to 3]	4	2 599.2	2 760.7	2 644.9	2 495.1	2 682.7	2 548.0
Intangible assets	5	(9.0)	(11.7)	(16.0)	(22.5)	(29.1)	(26.7)
Taxes losses	6	(31.0)	(32.9)	(48.0)	(86.7)	(103.6)	(90.0)
Surplus pension fund funding	7	(29.6)	(43.8)	0.0	(74.0)	(109.5)	0.0
Other	8	(3.6)	(3.6)	(5.5)	(9.0)	(9.0)	(9.2)
[∑ 4 to 8]	9	2 526.0	2 668.8	2 575.4	2 302.8	2 431.4	2 422.2
Deductions of shareholdings in CIs and Insurers < 10%	10	0.0	0.0	0.0	0.0	0.0	0.0
Deductions of shareholdings in CIs and Insurers > 10%	11	(38.0)	(36.8)	(23.3)	(121.5)	(118.0)	(58.8)
Deductions of deferred tax assets	12	0.0	0.0	0.0	0.0	0.0	0.0
Deduction of shareholdings in CIs and Insurers >10% + deferred tax assets	13	0.0	0.0	0.0	0.0	0.0	(10.8)
Negative components of AT1 capital	14	0.0	(79.2)	(31.9)	0.0	0.0	0.0
National filters	15	40.9	21.6	46.1	0.0	0.0	0.0
Common Equity Tier I [= ∑ 9 to 15]	**16**	**2 528.9**	**2 574.3**	**2 566.2**	**2 181.4**	**2 313.4**	**2 352.6**
Additional Tier I	17	48.1	(79.2)	(31.9)	73.2	58.7	54.7
Tier II	18	(31.7)	(33.1)	(12.8)	48.4	41.7	35.5
Total own funds	**19**	**2 577.0**	**2 574.3**	**2 566.2**	**2 302.9**	**2 413.8**	**2 442.7**
Risk-weighted assets	**20**	**24 178.1**	**23 702.3**	**23 323.8**	**24 114.3**	**23 652.8**	**23 253.3**
CET1 ratio	21	10.5%	10.9%	11.0%	9.0%	9.8%	10.1%
T1 ratio	22	10.7%	10.9%	11.0%	9.3%	10.0%	10.4%
Total ratio	23	10.7%	10.9%	11.0%	9.5%	10.2%	10.5%

OVERVIEW – RESULTS OF DOMESTIC OPERATIONS

In domestic operations **BPI** posted a net profit of 24.5 M.€ in the 1st half of 2016, which corresponds to a substantial improvement when compared to the 6.6 M.€ net profit earned in the corresponding half-year a year earlier.

The recovery in net profit was underpinned by the positive trend in the more recurring income base:

- Net interest income advanced 30.0 M.€ (+18%) thanks primarily to the lower cost of time deposits, whose average spread relative to Euribor improved from 1.1% in the 1st half of 2015 to 0.45% in the 1st half of 2016;

- The cost of credit risk[1] was down by 33.3 M.€, from 61.9 M.€ in the 1st half of 2015 to 28.6 M.€ in the 1st half of 2016. As a percentage of the loan portfolio in annualised terms, credit-risk cost fell from 0.54% to 0.25%, reaching the historical average level recorded by BPI in domestic operations of 0.27%[2].
- Operating costs remained stable (+0.2% excluding non-recurring items[3]). Since 2007, the Bank has implemented in a continuous and gradual manner cost rationalisation measures which have permitted attaining a nominal reduction in costs of 16% since 2007, corresponding to an annual saving of 97 M.€.

1) Loan impairments in the period net of recoveries.
2) Average indicator in the 10 years from 2002 to 2011, period prior to the peaks attained in 2012 (0.91%) and 2013 (0.98%).
3) Operating costs excluding non-recurring items – costs with early retirements (47.1 M.€ in the 1st half 16), gain with the revision of the Collective Employment Agreement (44.3 M.€ in the 1st half 16) and costs with consultants (5.1 M.€ in the 1st half 16) - increased 0.2% year-on-year.

NON-RECURRING IMPACTS

The table below presents the principal non-recurring impacts on the results from domestic operations in the 1st half of 2016.

The positive non-recurring impacts were mostly cancelled out by the negative non-recurring impacts with the result that the aggregate effect on net profit was a positive 5.0 M.€ (after tax).

Non-recurring impacts on 1st half of 2016 earnings Amounts in M.€

	Caption	Impact on earnings of 1st half of 2016	
		Before tax	After tax
Cost of early retirements	*Personnel costs*	(47.1)	(34.1)
Revision of the Collective Employment Agreement - ACT (alterations to the SAMS plan and to the length-of-service plan premiums)	*Personnel costs*	44.3	32.2
Consultants' costs	*Outside supplies and services*	(5.1)	(3.6)
Impairments in PT International Finance bonds (OI Group)	*Other impairments and provisions*	(20.2)	(14.2)
Gains on shares in the merger of Visa Europe with Visa Inc	*Profits from financial operations*	22.9	16.2
	Equity-accounted results (via shareholding in Unicre)	8.6	8.6
Total		**3.5**	**5.0**

It is also worth noting that according to IFRIC 21, the annual contributions to the Resolution Fund and to the Single Resolution Fund were fully accounted for in the 1st half of 2016, whereas in the 1st half of 2015 only the contribution to the Resolution Fund (2.8 M.€) was booked, given that the contribution to the Single Resolution Fund (14.5 M.€) was paid and recorded in the 4th quarter of 2015.

Contributions (annual) to the Resolution Funds in the 1st half of 2016 Amounts in M.€

Annual contribution to the Resolution Fund	*Other operating income and costs*	(3.2)	(2.3)
Annual contribution to the Single Resolution Fund	*Other operating income and costs*	(14.9)	(10.5)

The operating efficiency indicator - "operating costs as a percentage of net operating revenue", excluding non-recurring impacts – was situated at 75.0% in the 1st half of 2016.

The return on average shareholders' equity in domestic activity, despite the recovery noted, remains low at 2.6% in the 1st half of 2016 (0.8% in the same period of 2015).

Domestic activity income statement

Amounts in M.€

		1st half.15	1st half.16	Δ M.€	Δ %
Net interest income (narrow sense)	1	150.6	178.0	+27.4	18.2%
Other income [1]	2	18.9	21.5	+2.7	14.1%
Net interest income [= 1 + 2]	3	**169.5**	**199.5**	**+30.0**	17.7%
Technical result from insurance contracts	4	19.4	13.5	(5.9)	(30.4%)
Commissions and other fees (net)	5	124.6	125.2	+0.6	0.5%
Profits from financial operations	6	22.5	25.1	+2.6	11.5%
Operating income and charges	7	(5.4)	(19.6)	(14.2)	(263.5%)
Net operating revenue [= ∑ 3 to 7]	8	**330.6**	**343.7**	**+13.2**	4.0%
Personnel costs, excluding early-retirement costs and changes to the plan (ACT)	9	147.5	148.5	+1.0	0.7%
Outside supplies and services	10	90.4	93.3	+2.9	3.2%
Depreciation of fixed assets	11	9.2	10.8	+1.6	17.0%
Operating costs excluding early-retirement costs and changes to the plan (ACT) [= ∑ 9 to 11]	12	247.1	252.6	+5.5	2.2%
Early-retirement costs	13		47.1	+47.1	
Changes to the plan (ACT)	14		(44.3)	(44.3)	
Operating costs [= 12 + 13 + 14]	15	247.1	255.5	+8.3	3.4%
Operating profit [= 8 - 15]	16	**83.5**	**88.3**	**+4.8**	5.8%
Recovery of loans written-off	17	6.8	7.2	+0.4	5.2%
Loan provisions and impairments	18	68.7	35.8	(32.9)	(47.9%)
Other impairments and provisions	19	14.2	33.9	+19.6	137.9%
Profits before taxes [= 16 + 17 - 18 - 19]	20	**7.3**	**25.8**	**+18.5**	253.0%
Corporate income tax	21	9.4	19.0	+9.6	101.7%
Equity-accounted results of subsidiaries	22	8.7	17.7	+9.0	103.1%
Results attributable to non controlling interests	23	0.0	0.0	+0.0	5.3%
Net profit [= 20 - 21 + 22 - 23]	24	**6.6**	**24.5**	**+17.9**	271.3%
Cash flow after taxes [= 24 + 11 + 18 + 19]	25	**98.8**	**104.9**	**+6.2**	6.3%

1) Unit links gross margin, income from equity instruments and commissions associated with amortised cost (net).

Income

The behaviour of net operating revenue (+13.2 M.€ year-on-year) was underpinned by the improvement in the more recurring captions.

Net operating revenue from commercial banking – aggregate which includes net interest income, commissions and the technical result from insurance – increased by 24.7 M.€ (+7.9%) relative to the first half of 2015, to 338.2 M.€.

Net interest income

Narrow net interest income was up 18.2% (+27.4 M.€), which is chiefly explained by the adjustment (decrease) in the average cost of time deposits against the backdrop of the loan portfolio's stabilisation.

The unit intermediation margin – defined as the margin between the interest rate on loans and the cost of deposits – improved by 0.36 p.p., from 1.3% in the 1st half of 2015 to 1.6% in the 1st half of 2016. Narrow net interest income as a percentage of average total assets was situated at 1.1% in the 1st half of 2016 (0.9% in the first half of 2015).

Net interest income and technical result of insurance contracts

Amounts in M.€

		1st half 15	1st half 16	Δ %
Narrow net interest income	*1*	150.6	178.0	18.2%
Gross margin on unit links	*2*	5.4	7.1	31.1%
Income from equity instruments	*3*	3.6	3.9	8.6%
Commissions associated with amortised cost	*4*	9.9	10.6	6.8%
Net interest income [= ∑ 1 to 4]	***5***	**169.5**	**199.5**	**17.7%**
Technical result of insurance contracts	*6*	19.4	13.5	(30.4%)
Total [= 5 + 6]	***7***	**188.9**	**213.0**	**12.8%**

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

With positive impact,

- Decrease in the average cost of time deposits, from 1.1% in the 1st half of 2015 to 0.45% above Euribor in the 1st half of 2016, which constituted the most important factor for the improvement in net interest income. The price effect on net interest income was positive by some 40 M.€.
- The expansion of lending to large and medium-sized Portuguese companies by 8.6%[1], with an average spread on the portfolio of 2.5% in the 1st half of 2016, and the 14.4%[1] expansion of lending to small businesses, with an average spread on the portfolio of 3.3%;
- The contracting of new home loans with an average spread of 2.2% in the 1st half of 2016, at the same time that repayments refer primarily to older loans contracted with much lower spreads (the average spread relating to the total portfolio is situated at 1.1%);

With negative impact,

- The decrease in spreads on loans to companies and small businesses, in particular in the lower risk segments. The average spread on the loan portfolio relating to large and medium-sized Portuguese companies declined by 0.5 p.p., from 3.0% in the 1st half of 2015 to 2.5% in the 1st half of 2016, while that of the small businesses loan book fell by 0.4 p.p., from 3.7% in the 1st half of 2015 to 3.3% in the 1st half of 2016.

It should be noted that net interest income continues to be penalised by an economic panorama marked by market interest rates which are situated at historical lows, close to zero or negative. This is the case of the Euribor rates, which is reflected directly in a nil or even negative margin earned on sight deposits, and the case of market yields on short-term public debt which is reflected in the contribution to the net interest income relating to the portfolio of securities held.

The contribution from capitalisation insurance – the margin on which is essentially recorded in the captions "gross margin on unit links" and "technical result of insurance contracts " –, essentially via the decrease in the portfolio of those resources, declined by 17.1% (-4.2 M.€) relative to the 1st half of 2015. The aggregate net interest income and the technical result of insurance contracts increased by 12.8%.

1) Year-on-year change of the portfolio average balance.

Commissions

Commissions and other net income were 0.5% higher than in the 1st half of 2015.

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

		1st half 15	1st half 16	Δ %
Commercial banking	1	99.8	102.6	2.8%
Asset management	2	20.4	19.8	(3.1%)
Investment Banking	3	4.4	2.9	(34.6%)
Total [= 1 + 2 + 3]	4	**124.6**	**125.2**	**0.5%**

Profits from financial operations

Profits from financial operations were 25.1 M.€ in the 1st half of 2016 (+2.6 M.€ than in the same period of 2015).

Profits from financial operations in the 1st half of 2016 essentially corresponded to the gain of 22.9 M.€ (before tax)[1] derived from the acquisition of Visa Europe by Visa Inc. At the end of 2015, in the wake of the launching of the takeover bid for Visa Europe by Visa Inc, Banco BPI recognised directly in shareholders' equity, in the revaluation reserve, the estimated gain from that operation. The recognition in the income statement occurred in June 2016 with the materialisation of the acquisition.

Profits from financial operations Amounts in M.€

		1st half 15	1st half 16	Δ M.€
Operations at fair value	1	23.9	(0.7)	(24.6)
Available for sale assets	2	(1.0)	24.5	+25.4
Financial income from pensions	3	(0.5)	1.3	+1.8
Total [= 1 + 2 + 3]	4	**22.5**	**25.1**	**+2.6**

Other operating losses and gains

The caption "other operating gains / (losses)", with a negative figure of 19.6 M.€ in the 1st half of 2016, includes annual contributions of 14.9 M.€ and 3.2 M.€ to the European and National Resolution Funds, respectively.

1) Gain of 16.2 M.€ after tax. Additionally, the contribution from the equity interest in Unicre, which is equity accounted, includes an after-tax gain of 8.6 M.€ relating to the operation involving the acquisition of Visa Europe by Visa Inc.

In the 1st half of 2015 the caption "other operating gains / (losses)" only included the contribution to the National Resolution Fund (2.8 M.€), given that the contribution to the Single Resolution Fund (14.5 M.€) was made and recorded in the 4th quarter of 2015.

Other operating losses and gains Amounts in M.€

		1st half 15	1st half 16	Δ M.€
Contribution to the European Resolution Fund	1	0.0	(14.9)	-14.9
Contribution to the National Resolution Fund	2	(2.8)	(3.2)	-0.4
Contribution to the deposit guarantee fund	3	(0.7)	(0.0)	+0.7
Other	4	(1.9)	(1.4)	+0.5
Total [= ∑ 1 to 4]	5	**(5.4)**	**(19.6)**	**-14.2**
Note:				
Extraordinary contribution levied on the Banking Sector[1]	6	6.6	11.1	+4.5

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.

Operating costs

Operating costs – personnel costs, outside supplies and services and depreciation and amortisation – , registered a year-on-year increase of 3.4% (+8.3 M.€), and included in the 1st half of 2016 the following non-recurring costs:

- Consultants' costs of 5.1 M.€;
- Early-retirement costs of 47.1 M.€;
- Gain stemming from alterations to the plan following the revision of the Collective Employment Agreement for the Banking Sector (ACT) of 44.3 M.€.

Excluding those non-recurring impacts, operating costs remained stable (+0.2% year-on-year).

Against the backdrop of the rationalisation and optimisation measures that BPI has implemented in a continuous and gradual manner in Portugal, 77 branches were closed in the past 12 months, which corresponds to a 12.1% reduction of the distribution network in Portugal. The workforce attached to domestic activity was reduced by 107 Employees (-1.8%) relative to June 2015.

The indicator "operating costs as a percentage of net operating revenue" (efficiency ratio), excluding non-recurring impacts was situated at 75.0% in the 1st half of 2016.

Operating costs

Amounts in M.€

		1st half 15	1st half 16	Δ%
Personnel costs, excluding early-retirement costs and changes to the plan (ACT)	1	147.5	148.5	0.7%
Outside supplies and services	2	90.4	88.3	(2.4%)
Operating costs before depreciation and amortisation [=1 + 2]	3	**237.9**	**236.8**	**(0.5%)**
Depreciation of fixed assets	4	9.2	10.8	17.0%
Operating costs excluding costs with consultants, early-retirement costs and changes to the plan (ACT) [=3 + 4]	5	**247.1**	**247.5**	**0.2%**
Costs with consultants	6	-	5.1	
Costs with early retirements	7	-	47.1	
Changes to the plan (ACT)	8	-	(44.3)	
Operating costs [=∑ 5 to 8]	9	**247.1**	**255.5**	**3.4%**
Efficiency ratio excluding non-recurring items [1,2]	10	74.4%	75.0%	

1) Operating costs (personnel costs, outside supplies and services and depreciation and amortisation) as a percentage of net operating revenue.
2) Excluding non-recurring impacts both in costs and income.
In the 1st half 2015:
Non-recurring impact on net operating revenue: costs and losses of 1.7 M.€ (adjustment by considering the accrual of the annual contributions to the Resolution Fund).
In the 1st half 2016:
Non-recurring impact on net operating revenue: gains of 13.9 M.€ (gain with the acquisition of Visa Europe by Visa Inc and the adjustment by considering the accrual of the annual contributions to the Resolution Fund).
Non-recurring impacts on costs: costs of 7.9 M.€ (costs with early retirements and consultants, less the gain resulting from the revision of the Collective Employment Agreement).

Personnel costs

Remuneration and pension costs (excluding early-retirement costs and the gain from the alteration to the plan stemming from the revision of the ACT) were 0.7% higher year-on-year.

In the 1st half of 2016, a charge of 47.1 M.€ was booked relating to 252 early retirements. The income statement has not yet benefited from the expected saving bearing in mind that of those departing only 12 were concluded in the 1st half of the year, while the remaining 240 early retirements will be realised by the end of the year.

Personnel costs

Amounts in M.€

		1st half 15	1st half 16	Δ%
Remunerations				
Fixed remunerations	1	101.7	103.6	1.9%
Variable remunerations	2	10.9	9.8	(10.2%)
Other [1]	3	4.0	4.2	6.0%
Remunerations [= ∑ 1 to 3]	4	**116.5**	**117.6**	0.9%
Pension costs and social charges [2]	5	31.0	30.9	(0.2%)
Remunerations and pension costs [= 4+5]	6	**147.5**	**148.5**	0.7%
Costs with early retirements	7	-	47.1	
Changes to the plan (ACT)	8	-	(44.3)	
Total [= 6 + 7 + 8]	9	**147.5**	**151.4**	2.6%

1) Includes bonuses and motivation incentives for the commercial network, long-service awards, cost of loans to Employees and others.
2) Includes current service cost, other welfare charges and the amortisation of changes to the pension plan conditions.

Employee pension liabilities

At 30 June 2016, the present value of liabilities to be borne by the Bank amounts to 1 306 M.€. The Employees' pension funds' net assets amount to 1 285 M.€, which guarantees the funding of 98% of the liabilities.

Employees' pension liabilities and pension funds

Amounts in M.€

		Jun. 15	Dec. 15	Jun. 16
Pension liabilities	1	1 279.0	1 279.9	1 306.3
Pension funds [1]	2	1 354.3	1 392.3	1 285.1
Funding surplus/(shortfall)	3	75.3	112.4	(21.3)
Financing of pension liabilities	4	**105.9%**	**108.8%**	**98.4%**
Total actuarial deviation [2]	5	(79.9)	(40.5)	(165.4)
Pension funds return	6	9.9%	14.0%	-6.7%

1) On 31 December 2015 it includes 1.3 M.€ of contributions transferred at the beginning of 2016 to the pension funds.
2) The amount of negative actuarial variances has been written off directly from shareholders' equity in accordance with IAS19.

Return of the pension funds

In the 1st half of 2016, the Bank's pension funds recorded a negative net return of 6.7% (non annualised), which gave rise to a negative return actuarial variance of 110 M.€.

It is worth mentioning that at the end of June 2016, the actual return of Banco BPI's pension fund since its creation in 1991 was 9.0% per annum on average, while in the last ten, five and three years the effective annual returns were 6.4%, 9.0% and 8.0%, respectively.

Actuarial assumptions

In June 2016 Banco BPI adopted a single discount rate for pension liabilities, which is similar to the use up until that date of a discount rate of 2.83% for the liabilities relating to current employees and of 2.00% for the liabilities for retirees. The other actuarial assumptions did not undergo any changes.

The following table presents the main actuarial assumptions used in the calculation of pension liabilities.

Actuarial and financial assumptions

	2015		1st half 16	
	Beginning of the year	End of the year	Beginning of the period	End of the period
Discount rate at Banco BPI [1]	2.5%	2.5%	2.5%	2.5%
Current employees	2.83%	2.83%	2.83%	2.50%
Retired	2.00%	2.00%	2.00%	2.50%
Discount rate at other companies	2.5%	2.5%	2.5%	2.5%
Pensionable salary increase rate	1.0%	1.0%	1.0%	1.0%
Pension increase rate	0.5%	0.5%	0.5%	0.5%
Mortality table	TV 73/77-M – 2 years [2)] TV 88/ 90-F – 3 years [2)]			

1) Until the end of June 2016, different discount rates were taken into account at Banco BPI for current Employees and retirees, which was the same thing as if a single discount rate of 2.5% had been used 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.

Impairments and provisions

Impairment charges in the 1st half of 2016, net of recoveries of loans previously written off, amounted to 62.5 M.€ (-13.7M.€ than the same period of 2015) and corresponded to:

- Loan impairments (net of recoveries) of 28.6 M.€, which corresponded to a decrease of 33.3 M.€ (-54%) when compared to the same period of 2015;
- Impairments for other purposes of 33.9 M.€ (+19.6 M.€ than in the same period a year earlier).

Customer loan impairments

Net credit loss, which corresponds to the amount of impairment charges after deducting loan recoveries, fell by 33.3 M.€, from 61.9 M.€ in the 1st half of 2015 to 28.6 M.€. in the 1st half of 2016.

As a percentage of the loan portfolio's average balance, net credit loss stood at 0.25% in the 1st half of 2016 (0.54% in the corresponding period of 2015), close to the average indicator for the ten years to 2011[1] which was 0.27%.

The credit-at-risk ratio was situated at 4.7% in June 2016 while cover by accumulated impairment allowances in the balance sheet, not taking into account the value of real guarantees, stood at 83%.

At the close of June 2016, 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 7.2% and cover ratio of 92%;
- small businesses – credit-at-risk ratio of 6.5% and cover ratio of 92%;
- mortgage loans - credit-at-risk ratio of 3.3% and cover ratio of 61%[2].

1) Period prior to the peaks reached in 2012 (0.91%) and 2013 (0.98%).
2) Average loan / security ratio for the total mortgage-loan portfolio was 53.5% in June 2016.

Loan impairments

Amounts in M.€

		1st half 2015				1st half 2016			
		Impairments	As % of loan portfolio[1]	Impairments net of recoveries	As % of loan portfolio[1]	Impairments	As % of loan portfolio[1]	Impairments net of recoveries	As % of loan portfolio[1]
Corporate banking, institutional banking and project finance	1	55.0	1.50%	53.6	1.46%	30.0	0.81%	28.8	0.77%
Individuals and small businesses									
Mortgage loans	2	4.6	0.08%	3.7	0.07%	(2.4)	(0.04%)	(3.4)	(0.06%)
Loans to individuals – other purposes	3	1.6	0.39%	0.1	0.03%	3.7	0.85%	2.4	0.54%
Loans to small businesses	4	1.5	0.20%	(1.6)	(0.21%)	0.9	0.11%	(2.7)	(0.31%)
[= ∑ 2 to 4]	5	7.8	0.12%	2.3	0.03%	2.3	0.03%	(3.6)	(0.05%)
Other	6	6.0	0.50%	6.0	0.50%	3.5	0.39%	3.5	0.38%
Total [= 1 + 5 + 6]	7	**68.7**	**0.60%**	**61.9**	**0.54%**	**35.8**	**0.32%**	**28.6**	**0.25%**

1) Average balance of performing loans. In annualised terms.

Impairments for other purposes

Impairment charges for investments and other purposes amounted to 14.2 M.€ in the 1st half of 2015 and to 33.9 M.€ in the 1st half of 2016.

In the 1st half of 2016 the caption "impairments for investments and other purposes" included impairments relating to PT International Finance (OI Group) bonds in the amount of 20.2 M.€.

Corporate income tax

The caption "corporate income tax" amounted to 19.0 M.€ which is explained by:

- a provision for corporate income tax of 7.8 M.€ which corresponded to an average tax rate of 30%;
- the cost associated with the Extraordinary Contribution levied on the Banking Sector of 11.1 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.

Corporate income tax

Amounts in M.€

		1st half 16
Corporate income tax	1	7.8
Average tax rate [=1 / 5]	2	30%
Extraordinary Contribution for the Banking Sector	3	11.1
Total [=1+ 3]	4	19.0
Profit before taxes	5	25.8

Equity-accounted results of subsidiaries

The 9.0 M.€ higher contribution from the equity-accounted subsidiaries to the earnings from domestic operations is essentially explained by Unicre's larger contribution, which includes in the first half of 2016 a gain of 8.6 M.€ arising from the acquisition of Visa Europe by Visa Inc.

The contribution from the insurance market subsidiaries was 6.9 M.€ (-0.6% year-on-year). Allianz Portugal contributed with 4.9 M.€ and Cosec with 2.1 M.€.

Equity-accounted results of subsidiaries

Amounts in M.€

		1st half 15	1st half 16	Δ%
Allianz Portugal	1	4.9	4.9	(1.2%)
Cosec	2	2.1	2.1	0.9%
[= 1 + 2]	3	7.0	6.9	(0.6%)
Unicre	4	1.9	10.8	464.8%
Other	5	(0.2)	0.0	101.7%
Total [=∑ 3 to 5]	6	**8.7**	**17.7**	103.1%

DOMESTIC OPERATIONS BALANCE SHEET

The total assets employed in domestic operations stood at 32.4 th.M.€ at the end of June 2016.

The domestic operations balance sheet chiefly reflects the commercial banking business conducted in Portugal. Customer loans, in the amount of 22.7 th.M.€, represent 70% of assets, while Customer resources (24.1 th.M.€) constitute the principal source of balance sheet funding (74% of assets).

The transformation of deposits into loans ratio was situated at 108%[1] in June 2016.

BPI continues to maintain a comfortable liquidity situation and balanced funding:

- BPI has a portfolio of eurozone countries' public-debt securities of 3.3 th.M.€, of which 2.4 th.M.€ are short-term securities, 0.3 th.M.€ is Portuguese MLT debt and 0.6 th.M.€ is Italian MLT debt;
- At the end of June 2016, the funds obtained from the ECB totalled 2.0 th.M.€;
- The Bank has a portfolio of 5.9 th.M.€ worth of assets eligible for additional funding from the ECB;
- Debt refinancing needs in the next few years are minimal (770 M.€ up till the end of 2018), corresponding primarily to funding obtained from the EIB;
- 2019 will see the freeing up of liquidity of some 800 M.€, via the redemption of MLT sovereign bonds held in BPI's portfolio.

1) Calculated according to Instruction 16/2004.

Domestic activity balance sheet

Amounts in M.€

		Jun.15	Dec.15	Jun.16	Δ% Jun.15/ Jun.16
Assets					
Cash, deposits at central banks and deposits and loans to credit institutions	1	2 304.0	2 164.6	1 841.5	(20.1%)
Loans and advances to Customers	2	22 907.8	22 788.1	22 694.6	(0.9%)
Financial assets held for dealing	3	3 163.7	3 147.1	2 798.8	(11.5%)
Financial assets available for sale	4	4 241.8	3 723.0	3 752.4	(11.5%)
Investments held to maturity	5	22.4	22.4	16.3	(27.1%)
Investments in associated companies and jointly controlled entities	6	147.6	146.1	145.3	(1.5%)
Other	7	1 473.3	1 279.7	1 129.3	(23.3%)
Total assets [= ∑ 1 to 7]	8	**34 260.5**	**33 271.0**	**32 378.3**	**(5.5%)**
Liabilities and shareholders' equity					
Resources of central banks	9	1 520.1	1 520.7	2 000.6	31.6%
Credit institutions' resources	10	2 008.7	1 895.7	1 839.2	(8.4%)
Customer resources and other loans	11	21 485.7	21 264.8	21 564.5	0.4%
Debts evidenced by certificates	12	1 227.4	1 077.4	604.4	(50.8%)
Technical provisions	13	3 962.0	3 663.1	2 681.0	(32.3%)
Financial liabilities associated to transferred assets	14	956.1	689.5	657.6	(31.2%)
Other subordinated loans and participating bonds	15	69.5	69.5	69.5	(0.0%)
Other	16	1 246.8	1 160.6	1 076.3	(13.7%)
Shareholders' equity attributable to BPI shareholders	17	1 782.4	1 927.8	1 883.4	5.7%
Non controlling interests	18	1.8	1.8	1.8	(0.0%)
Total Shareholders' equity and non-controlling interests [=17+18]	19	**1 784.2**	**1 929.6**	**1 885.2**	**5.7%**
Total liabilities and Shareholders' equity [= ∑ 9 to 18]	20	**34 260.5**	**33 271.0**	**32 378.3**	**(5.5%)**
Note: bank guarantees	21	1 598.1	1 443.0	1 412.1	(11.6%)
Off-balance sheet Customer resources	22	3 284.3	4 474.2	4 494.4	36.8%

Customer loans

The domestic operations' loan portfolio evidenced signs of a reversal in the downward trend in the vast majority of segments, but nevertheless still records a year-on-year decrease of 0.9% (-213 M.€), essentially explained by the 614 M.€ contraction of BPI Vida e Pensões'[1] loan portfolio.

- Loans to medium-sized and large companies in Portugal expanded 11.5% (+417 M.€).

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 companies.

- The Public and State Business Sectors' loan book recorded a year-on-year increase of 6.2% (+88 M.€).
- Loans to small businesses grew by 13.3% (+ 202 M.€).
- Consumer loans, motor car finance and credit cards were 8.9% higher (+75 M.€).
- The amount of home loans contracted posted significant expansion, climbing by 72.5% year-on-year to 414 M.€ in the 1st half of 2016, practically matching the amount of repayments in the half-year (430 M.€). Nonetheless, the mortgage-loan portfolio posted a 1.0% year-on-year decrease (-106 M.€).

Customer loans portfolio

Amounts in M.€

		Jun.15	Dec.15	Jun.16	Δ% Jun.15/ Jun.16
Corporate banking					
Large companies	1	1 380.0	1 445.5	1 583.8	14.8%
Medium-sized companies	2	2 260.5	2 386.2	2 473.9	9.4%
[= ∑ 1 to 2]	3	**3 640.5**	**3 831.7**	**4 057.7**	**11.5%**
Project Finance - Portugal	4	**1 146.8**	**1 161.0**	**1 117.0**	**(2.6%)**
Madrid branch					
Project Finance	5	590.8	557.3	511.2	(13.5%)
Corporates	6	435.9	386.3	365.8	(16.1%)
[= ∑ 5 to 6]	7	**1 026.6**	**943.6**	**877.0**	**(14.6%)**
Public Sector					
Central Administration	8	210.1	204.8	197.4	(6.0%)
Regional and local administrations	9	809.5	774.6	820.2	1.3%
State Corporate Sector - in the budget perimeter	10	42.1	51.8	55.0	30.7%
State Corporate Sector - outside the budget perimeter	11	314.9	267.4	394.6	25.3%
Other institutional	12	32.2	60.2	29.2	(9.3%)
[= ∑ 8 to 12]	13	**1 408.6**	**1 358.8**	**1 496.3**	**6.2%**
Individuals and Small Businesses Banking					
Mortgage loans to individuals	14	10 893.3	10 813.9	10 787.7	(1.0%)
Consumer credit / other purposes	15	553.2	576.2	614.4	11.1%
Credit cards	16	156.5	164.7	154.5	(1.3%)
Car financing	17	132.5	136.2	148.6	12.2%
Small businesses	18	1 525.9	1 673.5	1 728.3	13.3%
[= ∑ 14 to 18]	19	**13 261.4**	**13 364.4**	**13 433.4**	**1.3%**
BPI Vida e Pensões[1]	20	**1 939.1**	**1 724.9**	**1 325.3**	**(31.7%)**
Loans in arrears net of impairments	21	**10.4**	**(30.0)**	**(35.3)**	**(438.2%)**
Other	22	**474.3**	**433.6**	**423.1**	**(10.8%)**
Total [= 3+4+7+13 + ∑ 19 to 22]	23	**22 907.8**	**22 788.1**	**22 694.6**	**(0.9%)**
Note:					
Bank guarantees	24	1 598.1	1 443.0	1 412.1	(11.6%)

Securities and financial investments

The securities and financial investments portfolio totalled 6 713 M.€ in June 2016. This portfolio includes, besides available-for-sale financial assets (3 752 M.€), those held for trading (2 799 M.€) – corresponding in essence to BPI Vida e Pensões' portfolio (2 079 M.€) allocated to hedging capitalisation insurance and a portfolio of equities[1] (259 M.€) – , as well as investments held to maturity (16 M.€) and the shareholdings (145 M.€).

In June 2016 the portfolio of available-for-sale financial assets (3 752 M.€) was composed of:

1) 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.

- The short-term public debt of Portugal (1.5 th.M.€), Spain (485 M.€) and Italy (420 M.€);
- Medium and long-term public debt of 889 M.€ (332 M.€ of Portugal and 557 M.€ of Italy), with a residual average maturity of around 3.0 years;
- Corporate bonds in the amount of 164 M.€;
- Equities portfolio of 116 M.€;
- Participation units in funds of 189 M.€.

At the end of June 2016, the portfolio of available-for-sale financial assets presented unrealised gains of 4 M.€ (before tax).

Financial assets available-for-sale portfolio

Amounts in M.€

		31 Dec. 15					30 Jun. 16				
		Acquisition cost	Book value	Gains (losses)[1]			Acquisition cost	Book value	Gains (losses)[1]		
				Securities	Derivatives	Total			Securities	Derivatives	Total
Bonds – public debt											
Short term	1	2 256.1	2 257.0	0.4		0.4	2 393.4	2 394.1	0.5		0.5
Of which:											
Portugal		1 426.3	1 426.6	(0.1)		(0.1)	1 488.5	1 488.4	(0.3)		(0.3)
Spain		439.9	440.2	0.3		0.3	484.9	485.4	0.5		0.5
Italy		389.9	390.2	0.2		0.2	419.9	420.4	0.4		0.4
Medium and long term	2	825.2	912.5	95.2	(99.3)	(4.1)	824.1	889.3	82.0	(93.3)	(11.3)
Of which:											
Portugal		320.2	350.9	34.2	(35.8)	(1.6)	319.1	332.3	24.7	(33.7)	(9.1)
Italy		505.0	561.5	60.9	(63.5)	(2.5)	505.0	557.0	57.3	(59.6)	(2.2)
[=1 +2]	3	3 081.3	3 169.4	95.6	(99.3)	(3.7)	3 217.5	3 283.4	82.5	(93.3)	(10.8)
Corporate bonds	4	234.0	227.0	(14.9)	(6.3)	(21.2)	185.9	164.3	(7.5)	(2.0)	(9.6)
Equities	5	134.1	132.8	45.7		45.7	137.8	115.6	24.4		24.4
Other	6	243.9	193.8	(0.5)		(0.5)	242.8	189.1	(0.1)		(0.1)
Total [=∑ 3 to 6]	7	**3 693.3**	**3 723.0**	**126.0**	**(105.6)**	**20.3**	**3 784.0**	**3 752.4**	**99.3**	**(95.4)**	**4.0**
Note:											
Fair value reserve after deferred tax assets						21.8					8.9

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

Customer resources

Total Customer resources – on and off balance sheet – decreased by 2.0% (-566 M.€) year-on-year to 28.0 th.M.€.

The aggregate "Overall Customer resources", which also includes Customers' investments in third-party financial products, contracted by 2.6% (-847 M.€) year-on-year to 31.3 th.M.€. Roughly half of this decrease is attributable to the negative return of the securities portfolios. An appraisal of the behaviour of resources must also take into consideration the environment of the downward adjustment to the remuneration of time deposits and the gradual rationalisation of the distribution network, which is also influenced by a background of modest economic recovery.

Customer deposits shrank 0.5% (-94 M.€), year-on-year, while the capitalisation insurance portfolio which doubled in value between 2012 and 2015 (from 2.7 th.M.€ to 5.9 th.M.€), records a year-on-year decline of 18.3% (-1.1 th.M.€).

Off-balance sheet Customer resources posted a positive performance, expanding by a year-on-year 36.8% (+1.2 th.M.€).

Total Customer resources

Amounts in M.€

		Jun.15	Dec.15	Jun.16	Δ% Jun.15/ Jun.16
On-balance sheet resources					
Deposits					
Sight deposits	1	7 813.3	8 851.9	9 517.5	21.8%
Term and savings deposits	2	11 319.0	9 925.3	9 520.3	(15.9%)
[= 1 + 2]	3	19 132.3	18 777.2	19 037.8	(0.5%)
Bonds placed with Customers [1]	4	480.2	336.2	190.7	(60.3%)
Subtotal [= 3 + 4]	5	**19 612.5**	**19 113.3**	**19 228.5**	**(2.0%)**
Insurance capitalisation and PPR (BPI Vida e Pensões) and other	6	5 951.1	5 875.4	4 860.8	(18.3%)
On-balance sheet resources [= 5 + 6]	7	**25 563.6**	**24 988.7**	**24 089.3**	**(5.8%)**
Off-balance sheet resources [2]	8	3 284.3	4 474.2	4 494.4	36.8%
Corrections for double counting [3]	9	- 269.9	- 654.0	- 572.1	112.0%
Total Customer resources [4] [= 7+ 8 + 9]	10	**28 578.0**	**28 808.9**	**28 011.6**	**(2.0%)**
Other Customer resources					
Public offerings	11	502.4	396.5	645.3	28.4%
Third-party funds placed with Customers	12	468.6	455.8	445.4	(5.0%)
Other third-party securities held by Customers	13	2 630.2	2 622.6	2 230.3	(15.2%)
Global Customer resources [= ∑ 10 to 13]	14	**32 179.3**	**32 283.7**	**31 332.6**	**(2.6%)**
Pension Funds [5]	15	2 392.3	2 419.1	2 301.8	(3.8%)
Of which: pension funds' investments in Customer resources (on and off balance sheet)	16	- 321.4	- 304.6	- 337.2	4.9%

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 improved by 17.0% (+11.8 M.€) relative to the 1st half of 2015 to 81.4 M.€.

The main contributions to profit from international operations corresponded:

- to the 79.1 M.€ contribution from Banco de Fomento Angola (BFA), relating to the appropriation of 50.1% of its individual net profit (which grew 18.2% year-on-year);
- to the 3.3 M.€ contribution from Banco Comercial e de Investimentos (BCI), relating to the appropriation of 30% of its individual net profit, which is recognised using the equity method (-9.5% year-on-year).

In the individual accounts, BFA earned a return on shareholders' equity (ROE) of 41.9% in the 1st half of 2016 while BCI earned a ROE of 13.7%.

The return on average capital employed in international activity, after consolidation adjustments, namely the impact of taxation on dividends distributed, stood at 37.4% in the 1st half of 2016.

International activity income statement

Amounts in M.€

		1st half 15	1st half 16	Δ M.€	Δ %
Net interest income (narrow sense)	1	161.8	160.8	(1.0)	(0.6%)
Net commission relating to amortised cost	2	0.0		(0.0)	(100.0%)
Net interest income [= 1 + 2]	3	**161.8**	**160.8**	**(1.0)**	**(0.6%)**
Commissions and other fees (net)	4	30.8	28.7	(2.1)	(7.0%)
Profits from financial operations	5	72.9	80.1	+7.2	9.9%
Operating income and charges	6	(8.8)	(10.9)	(2.2)	(24.5%)
Net operating revenue [= ∑ 3 to 6]	7	**256.7**	**258.6**	**+2.0**	**0.8%**
Personnel costs	8	41.6	43.5	+1.9	4.6%
Outside supplies and services	9	36.6	34.3	(2.4)	(6.4%)
Depreciation of fixed assets	10	8.3	6.2	(2.1)	(24.9%)
Operating costs [= ∑ 8 to 10]	11	**86.5**	**84.0**	**(2.5)**	**(2.9%)**
Operating profit [= 7 - 11]	12	**170.1**	**174.6**	**+4.5**	**2.6%**
Recovery of loans written-off	13	1.0	1.1	+0.2	16.1%
Loan provisions and impairments	14	18.2	11.5	(6.7)	(36.7%)
Other impairments and provisions	15	1.8	1.8	+0.0	0.9%
Profits before taxes [= 12 + 13 - 14 - 15]	16	**151.1**	**162.4**	**+11.3**	**7.5%**
Corporate income tax	17	16.1	2.6	(13.6)	(84.0%)
Equity-accounted results of subsidiaries	18	4.0	3.6	(0.4)	(9.5%)
Results attributable to non controlling interests	19	69.4	82.0	+12.6	18.2%
Net profit [= 16 - 17 + 18 - 19]	20	**69.6**	**81.4**	**+11.8**	**17.0%**
Cash flow after taxation [= 20 + 10 + 14 + 15]	21	**97.9**	**101.0**	**+3.1**	**3.2%**

Note: 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 2.1 and 3 to the financial statements).

INTERNATIONAL OPERATIONS

Kwanza and metical exchange rates against the euro and the dollar

	End of the period				Average for the period		
	Jun. 15	Dec. 15	Jun. 16	Δ% Jun15 / Jun16	1st half 15	1st half 16	Δ%
AKZ / 1 USD	121.4	135.3	165.9	37%	110.0	162.2	47%
USD / 1 EUR	1.12	1.09	1.12	0%	1.11	1.11	0%
AKZ / 1 EUR	135.3	147.8	185.4	37%	122.1	180.5	48%

Income

BFA's net operating revenue expressed in kwanza advanced by a year-on-year 47%. This performance benefited from the conversion into kwanzas of a portion of the income which was originally stated in dollars by virtue of the dollar's appreciation against the kwanza of 47% in average exchange rate terms.

When stated in the consolidation currency, bearing in mind that the kwanza depreciated against the euro (the euro appreciated 48% against the kwanza in average exchange rate terms), the growth in net operating revenue was 0.8%.

Net operating revenue

Amounts in M.€

	In million €, consolidation currency (M.€)				In million AKZ, local currency in Angola (M.AKZ)			
	1st half 15	1st half 16	Δ M.€	Δ %	1st half 15	1st half 16	Δ M.AKZ	Δ %
BFA Net operating revenue								
Net interest income	162.0	161.0	(1.0)	(0.6%)	19 779	29 139	9 361	47.3%
Commissions	30.2	28.3	(1.9)	(6.4%)	3 711	5 122	1 411	38.0%
Profits (losses) from financial operations	72.9	80.1	7.2	9.9%	9 092	14 161	5 070	55.8%
Operating income and charges	(8.8)	(10.9)	(2.2)	(24.5%)	(1 075)	(1 994)	(919)	(85.5%)
BFA Net operating revenue	**256.3**	**258.4**	**2.1**	**0.8%**	**31 507**	**46 429**	**14 922**	**47.4%**
Other subsidiaries[1]	0.4	0.2	(0.2)	(48.1%)				
Total	**256.7**	**258.6**	**2.0**	**0.8%**				

1) BPI Capital África and BPI Moçambique.

Net interest income

Narrow net interest income was 160.8 M.€ in the 1st half of 2016 (-0.6% year-on-year).

The increase in the average return earned on the Angolan public-debt securities portfolio, from 7.4% in the 1st half of 2015 to 8.6% in the 1st half of 2016, generated a positive price effect that permitted offsetting a large part of the negative impact of the year-on-year reduction of around 18% in average remunerated assets and liabilities.

Unitary interest margin was 0.6 p.p. higher, from 5.4% in the 1st half of 2015 to 5.9% in the 1st half of 2016, which is primarily explained by the increase in the securities portfolio average remuneration. The average remuneration on the loan portfolio was 9.3% in the 1st half of 2016 and 1.4% on deposits.

Commissions

Commissions and other similar income totalled in the 1st half of 2016 28.7 M.€ (-7.0% year-on-year).

Profits from financial operations

Profits from financial operations totalled 80.1 M.€ in the 1st half of 2016 (+7.2 M.€ than the same period of 2015). This figure corresponds to:

- gains of 17.0 M.€ derived from the purchase and sale of currency derived from commercial operations with Customers. Currency gains were down 15.2 M.€ when compared to the 1st half of 2015, against a backdrop of the shortage of dollars in the Angolan economy caused by the smaller inflow of dollars into the country as a result of the plunge in oil prices;
- gains of 48.7 M.€ (+24.2 M.€ year-on-year) with the revaluation of the long position in dollars (short in

kwanzas) as a consequence of the kwanza's depreciation against the dollar.

- Gains on securities of 14.3 M.€.

Operating costs

Operating costs reported in the consolidation currency (euro) decreased by 2.5 M.€ (-2.9%) year-on-year.

It should be noted that BFA's personnel costs are indexed to the evolution of the dollar and that an expressive portion of outside supplies and services is originally expressed in euro and dollars, due to the Angolan economy presenting a heavy dependence on imported goods and services.

For this reason, when expressed in local currency (kwanza), owing to the kwanza's depreciation against the euro and the dollar, BFA's operating costs climbed by 44%.

The indicator "operating costs as a percentage of net operating revenue" was situated at 32.5% in the 1st half of 2016.

Operating costs

Amounts in M.€

	In million €, consolidation currency (M.€)				In million USD (M.USD)				In million AKZ (M.AKZ)			
	1st half 15	**1st half 16**	**Δ M.€**	**Δ %**	**1st half 15**	**1st half 16**	**Δ M.USD**	**Δ %**	**1st half 15**	**1st half 16**	**Δ M.AKZ**	**Δ %**
BFA Operating costs												
Personnel costs	40.4	42.6	2.2	5.4%	44.9	47.4	2.5	5.7%	4 935	7 685	2 751	55.7%
Outside supplies and services	36.3	34.0	(2.3)	(6.4%)	40.3	37.8	(2.5)	(6.1%)	4 427	6 143	1 715	38.7%
Depreciation and amortisation	8.3	6.2	(2.1)	(24.9%)	9.2	6.9	(2.3)	(24.7%)	1 007	1 117	110	10.9%
BFA Operating costs	**85.0**	**82.7**	**(2.2)**	**(2.6%)**	**94.3**	**92.1**	**(2.2)**	**(2.3%)**	**10 369**	**14 945**	**4 576**	**44.1%**
Other subsidiaries[1]	1.6	1.3	(0.3)	(16.7%)								
Total	**86.5**	**84.0**	**(2.5)**	**(2.9%)**								
Efficiency ratio[2]	33.7%	32.5%										

1) BPI Capital África and BPI Moçambique
2) Operating costs as a percentage of net operating revenue.

Loans impairments and provisions

Loan impairments in the 1st half of 2016 amounted to 11.5 M.€, which correspond to a decline of 6.7 M.€ relative to the corresponding period of 2015.

Loan impairments net of recoveries (1.1 M.€) totalled 10.4 M.€ and represented 1.57% of the average loan book in annual-equivalent terms (1.82% in the 1st half of 2015).

In June 2016, credit-at-risk at BFA was 70.1 M.€ which corresponded to 5.2% of the gross loan book, while the respective cover by accumulated loans and guarantee provisions in the balance sheet was situated at 114%.

Loan impairments

		In million €, consolidation currency (M.€)				In million AKZ, local currency in Angola (M.AKZ)			
		1st half 15	% of loan portfolio[1]	1st half 16	% of loan portfolio[1]	1st half 15	% of loan portfolio[1]	1st half 16	% of loan portfolio[1]
Loan impairments	1	18.2	1.92%	11.5	1.74%	2 366	2.07%	1 969	1.68%
(-) Recoveries of loans in arrears written off	2	1.0	0.10%	1.1	0.17%	118	0.10%	198	0.17%
Loan impairments net of recoveries [=1 - 2]	3	**17.2**	**1.82%**	**10.4**	**1.57%**	**2 249**	**1.97%**	**1 770**	**1.51%**

1) Average balance of performing loans. In annualised terms.

Equity-accounted results of subsidiaries

Equity-accounted results – which correspond to the appropriation of the earnings attributable to the 30% equity interest in BCI in Mozambique – were down 9.5% to 3.6 M.€[1].

Shareholding of 30% in BCI

Amounts in M.€

	1st half 15	1st half 16	Δ%
Equity-accounted results	4.0	3.6	(9.5%)
Contribution to consolidated net profit	3.7	3.3	(9.5%)
Book value of the participation	67.0	46.3	(30.9%)
Metical / 1 EUR exchange rate			
Exchange rate at end of the period	43.7	70.7	61.8%
Average exchange rate	40.0	60.0	50.0%

1) 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 the 1st half 2016, BCI's contribution was 3.3 M.€, down 9.5% relative to the 1st half 2015.

Non-controlling interests

Non-controlling interests in international activity correspond to the 49.9% minority interest in the share capital of BFA held by Unitel.

BPI recognised minority interests of 82.0 M.€ in BFA's net profit in the 1st half of 2016.

INTERNATIONAL OPERATIONS BALANCE SHEET

BFA has a very liquid balance sheet, with Customer resources (6 101 M.€) funding 85% of assets at the end of June 2016. Customer resources together with own funds virtually assured the entire funding of assets.

The Customer loans portfolio represented 18% of assets, while the transformation of deposits into loans ratio was situated at 21% in June 2016.

The surplus liquidity on BFA's balance sheet, defined as total deposits and shareholders' equity not allocated to the funding of loans, compulsory reserves or the financing of fixed assets, amounted to 4.2 th.M.€ at the close of June 2016.

The surplus liquidity in kwanzas is invested in short-term securities issued by the Angolan Treasury, in placements at the BNA in reverse repos and in Angolan Treasury Bonds in kwanzas or in kwanzas indexed to the dollar. The surplus in dollars is invested in the interbank market and in Angolan Treasury Bonds denominated in dollars.

At 30 June 2016, 66% of assets was denominated in kwanzas and 34% denominated in foreign currencies (32%[1] denominated in dollars and the remaining 2% corresponded essentially to the euro given that the positions in other currencies are at residual levels).

At the close of June 2016 BFA's balance sheet presented a long position in foreign currencies (basically dollars) of 220 M.€ (short in kwanzas).

1) 40% considering assets denominated in USD and in AKZ indexed to the USD.

International activity balance sheet

Amounts in M.€

		Jun.15	Dec.15	Jun.16	Δ% Jun.15/ Jun.16
Assets					
Cash, deposits at central banks and deposits and loans to credit institutions	1	2 794.9	2 989.9	2 567.1	(8.1%)
Loans and advances to Customers	2	1 389.3	1 493.6	1 260.3	(9.3%)
Financial assets held for dealing	3	349.5	527.5	1 294.0	270.3%
Financial assets available for sale	4	3 110.5	2 786.4	1 855.6	(40.3%)
Investments held to maturity	5				
Investments in associated companies and jointly controlled entities	6	67.0	64.3	46.3	(30.9%)
Other	7	148.1	160.0	130.4	(12.0%)
Total assets [= ∑ 1 to 7]	8	**7 859.3**	**8 021.7**	**7 153.7**	**(9.0%)**
Liabilities and shareholders' equity					
Resources of central banks	9				
Credit institutions' resources	10	0.6	0.3	0.5	(12.8%)
Customer resources and other loans	11	6 769.8	6 913.0	6 142.4	(9.3%)
Debts evidenced by certificates	12				
Technical provisions	13				
Financial liabilities associated to transferred assets	14				
Other subordinated loans and participating bonds	15				
Other	16	252.2	202.5	215.9	(14.4%)
Shareholders' equity attributable to BPI shareholders	17	447.3	479.0	415.4	(7.1%)
Non controlling interests	18	389.5	426.8	379.5	(2.6%)
Total Shareholders' equity and non-controlling interests [=17+18]	19	**836.8**	**905.9**	**795.0**	**(5.0%)**
Total liabilities and Shareholders' equity [= ∑ 9 to 18]	20	**7 859.3**	**8 021.7**	**7 153.7**	**(9.0%)**
Note: bank guarantees	21	503.6	385.7	236.2	(53.1%)

Customer loans

The behaviour of the loan portfolio, measured in the respective denomination currencies, was as follows:

- The loan portfolio in kwanzas (53% of the total portfolio in June 2016) increased 26.2% relative to June 2015;
- The loan portfolio in dollars (46% of the total portfolio in June 2016) decreased 10.4% year-on-year.

The behaviour of the loan portfolio denominated in the consolidation currency (the euro) is negatively affected by the kwanza's 27% depreciation against the euro.

Denominated in euro, BFA's Customer loans portfolio decreased by a year-on-year 9.3% to 1 260 M.€ at the end of June 2016.

Customer loans portfolio

		Jun.15	Dec.15	Jun.16	Δ% Jun.15/ Jun.16
Expressed in the loan currency					
Loans in AKZ (in M.AKZ)	1	98 904	123 423	124 773	26.2%
Loans in USD (in M.USD)	2	731.0	716.4	654.7	(10.4%)
Loans in EUR (in M.€)	3	2.9	2.9	1.2	(57.4%)
Expressed in M.€ (consolidation currency)					
Loans in AKZ	4	730.8	834.9	673.1	(7.9%)
Loans in USD	5	655.6	655.7	585.9	(10.6%)
Loans in EUR and other currencies	6	2.9	2.9	1.2	(57.1%)
Total loan portfolio [= ∑ 4 to 6]	7	**1 389.3**	**1 493.6**	**1 260.3**	**(9.3%)**
Bank guarantees	8	503.6	385.7	236.2	(53.1%)

Securities portfolio

The securities portfolio totalled 3 149.6 M.€ in June 2016, corresponding to a year-on-year contraction of 9.0% (-310 M.€).

The securities portfolio in AKZ, when expressed in the consolidation currency (euro), recorded a year-on-year decrease of 25%, explained by the kwanza's depreciation.

The securities portfolio in AKZ indexed to the USD and in USD, expressed in the consolidation currency, grew by 7.8% and 94% respectively relative to June 2015.

Securities portfolio

Amounts in M.€

		Jun.15	Dec.15	Jun.16	Δ% Jun.15/ Jun.16
Securities in AKZ	1	2 566.3	2 120.2	1 916.0	(25.3%)
Securities in AKZ indexed to USD	2	578.4	570.4	623.4	7.8%
Securities in USD	3	315.3	623.3	610.2	93.5%
Total [= ∑ 1 to 3]	4	**3 460.0**	**3 313.9**	**3 149.6**	**(9.0%)**
Of which:					
Angolan Treasury Bills (T-Bills)	5	1 017.0	876.2	1 026.4	0.9%
Angolan Treasury Bonds (T-Bonds)	6	2 421.6	2 412.9	2 096.6	(13.4%)
Other	7	21.3	24.8	26.7	25.0%

The financial assets portfolio is composed of short-term securities, with maturities of up to one year, denominated in kwanzas and issued by the State (Treasury Bills) and Angolan Treasury Bonds, with maturities of 1 to 6 years.

Customer resources

The year-on-year growth in deposits measured in the respective deposit-taking currencies was as follows:

- deposits in kwanzas (63% of total deposits) increased 28.2%;
- deposits in dollars (35% of total deposits) decreased 14.8%.

The behaviour of deposits denominated in dollars is negatively impacted by the kwanza's depreciation against the euro[1].

Expressed in euro (consolidation currency), the component of deposits in kwanzas shrank 6.4% and the deposits component in dollars contracted 15.0%, resulting in a negative change of 9.1% in BFA's total deposits portfolio.

At the end of June 2016, the deposits portfolio amounted to 6 101 M.€. Sight deposits represented 59% of the total and time deposits the remaining 41%.

In its off-balance sheet accounts, BFA had 1 569 M.€ relating to Customer securities portfolios, which is almost double the amount recorded a year earlier.

Customer resources portfolio

		Jun.15	Dec.15	Jun.16	Δ% Jun.15/ Jun.16
Expressed in the respective deposit-taking currency					
Deposits in AKZ (in M.AKZ)	1	552 880	634 253	708 527	28.2%
Deposits in USD (in M.USD)	2	2 765.3	2 641.0	2 356.4	(14.8%)
Deposits in EUR (in M.€)	3	131.0	143.5	163.6	24.9%
Expressed in M.€ (consolidation currency)					
Deposits in AKZ	4	4 085.4	4 290.4	3 822.4	(6.4%)
Deposits in USD	5	2 479.8	2 417.4	2 108.8	(15.0%)
Deposits in EUR and other currencies	6	145.9	152.2	169.5	16.2%
Total deposits [= ∑ 4 to 6]	7	**6 711.1**	**6 860.0**	**6 100.7**	**(9.1%)**
Note:					
Sight deposits	8	3 586.3	4 045.3	3 597.7	0.3%
Term deposits	9	3 124.8	2 814.7	2 503.0	(19.9%)

1) The kwanza depreciated 27% against the euro, whereas the exchange rate dollar/ euro remained stable.

Profitability, efficiency, loan quality and solvency consolidated indicators according to Bank of Portugal Notice 16/2004

	30 Jun. 15		30 Jun. 16	
Net operating revenue and results of equity accounted subsidiaries / ATA	2.8%		3.2%	
Profit before taxation and non controlling interests / ATA	0.8%		1.1%	
Profit before taxation and non controlling interests / average shareholders' equity (including non controlling interests)	12.8%		15.3%	
Personnel costs / net operating revenue and results of equity accounted subsidiaries[1]	31.5%		23.7%	
Operating costs / net operating revenue and results of equity accounted subsidiaries[1]	55.6%		46.9%	
Loans in arrears for more than 90 days + doubtful loans / loan portfolio (gross)	4.2%		4.0%	
Loans in arrears for more than 90 days + doubtful loans, net of accumulated loan impairments / loan portfolio (net)	(0.0%)		(0.0%)	
Credit at risk[2] / loan portfolio (gross)	5.3%		5.0%	
Credit at risk[2], net of accumulated loan impairments / loan portfolio (net)	1.1%		0.9%	
Restructured loans as % of total loans[3]	6.4%		6.5%	
Restructured loans not included in non-performing loans ("credit at risk") as % of total loans[3]	4.5%		4.5%	
Own funds requirements ratio	10.7%	4)	11.0%	5)
Basis own funds ratio (Tier I)	10.7%	4)	11.0%	5)
Common Equity Tier I ratio	10.5%	4)	11.0%	5)
Loans (net) to deposits ratio	82%		88%	

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 2015.
5) According to the phasing-in CRD IV/CRR rules applicable in 2016.

ATA = Average total assets.

Risks 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 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 is also one specialised executive committee: 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 (DACR) is responsible for monitoring global risks, for the development of quantitative models and expert analysis to back-up the attribution of ratings, for calculating collective impairments (in both cases relating to domestic activity) and for the management of the Risk Datamart.

The DACR's rating Area is responsible for the rating function, with the Rating Committee being responsible for deciding on derogations from the Rating Models (Large and Medium-sized Companies segment), and on the BPI Rating (remaining risk segments) for the counterparties whose credit-risk approval falls under the CERC's jurisdiction.

The Bank also has a model validation unit (in Portuguese *UVM – Unidade de Validação de Modelos*), separate from their development areas, which executes the validation of the Scoring/Rating/PD/LGD models, as well as the validation of other credit-risk models which Banco BPI utilises, namely, the calculation of loan impairments (static models) and the evaluation of counterparty risk (risk of the counterparty's default in an operation before the financial settlement of the respective financial flows). The UVM's functional management is entrusted to the Validation Committee.

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 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 (PD) and LGD for all the loan segments and Corporate, Small Business, Project Finance and Institutions' Rating. **DACR** and **DF**: identification of external ratings for debt securities and for loans to Financial Institutions. **DRC**: analysis and monitoring of Corporate, Small Business, Project Finance and Institutions' risk. **Rating Committee**: derogations from the rating models (large and medium-sized companies) and decision regarding the rating for the counterparties whose credit-risk approval is the responsibility of the CERC. **DRCP**: expert system for loans to Individuals. **DACR**: exposure under Derivatives **DACR**: analysis of overall exposure to credit risk. **DACR**: models for calculating collective impairments for all the eligible loan segments. **DRC** and **DRCE**: individual analysis of impairments for exposures of customers monitored by these Divisions.	**CECA**: overall strategy **CECA, CERC**: approval of substantial operations **Credit Board, DRC, DBI, DRCP, DF**: approval of operations	**CA** (with CRF advisory) **CECA, CERC, Credit Board, DRC, DRCP, DACR, DF**: limits **CA** (with CRF advisory), **CECA, CERC, CERG, Credit Board, DACR, DO, Internal and external Auditors**[1], **Supervisory Board, Supervision Authorities:** control	DRCE: Empresas DRCP: Particulares e Empresários em nome individual	**CECA CERG, 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 Auditors1, Supervisory Board, Supervision Authorities: 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, DACR, DF, DA: limits CECA, CACI, DACR, DC, Internal and external Auditors[1], Supervisory Board, Supervision Authorities: control		

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.

	Identification and analysis of exposure	Strategy	Limits and control	Recovery	Performance Evaluation
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, Supervision Authorities:** control		
Operating risks	**DACR**: analysis of overall exposure **DOQ** and **all the Divisions**: identification of critical points	**CECA**: overall organisation **CRO** **DOQ**: regulations	**CECA, DOQ, DACR**: regulation and limits **CECA, CACI, DOQ, DACR, DC, Internal and external Auditors**[1]**, Supervisory Board, Supervision Authorities**: control	**DJ, DAI, DO, Commercial Divisions**	CECA,DOQ[1]
Legal and compliance risks	**DJ, DC** **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, Supervision Authorities**: 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 Oualidade (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) 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 website.

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 – loans for one's own and permanent homes –, the relationship between loan and security (or loan-to-value ratio) has a maximum ceiling of 85%.For more details concerning the policy for evaluating and managing collateral, see the report "Market Discipline" published on the Investor Relations website.

In the general credit regulations applicable to each one of the different divisions involved, the relevant hierarchical levels for the approval of credit according to their risk 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”.

<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 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.

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 difficulties. 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 on the situation of the loans, the impairments resulting from the collective analysis are calculated differently. Below are the calculation formulae considered in the most important segments:

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

$$\text{Impairment} = \sum_{j} (\text{Book Value}_j \times LGD_j)$$

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, institutionals, 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 in 30 June 2016

Risk classes		Value (M.€)[1]	% of portfolio amount	One-year default probability[2]
E1	1	39.48	0.63%	0.030%
E2	2	228.53	3.67%	0.030%
E3	3	841.16	13.51%	0.030%
E4	4	1 189.29	19.11%	0.041%
E5	5	1 047.20	16.82%	0.060%
E6	6	928.97	14.92%	0.070%
E7	7	656.27	10.54%	0.486%
E8	8	329.67	5.30%	2.724%
E9	9	151.21	2.43%	7.337%
E10	10	209.51	3.37%	17.266%
Without rating	11	6.42	0.10%	1.222%
ED1	12	2.74	0.04%	42.861%
ED2	13	11.27	0.18%	61.854%
ED3 (default)	14	582.72	9.36%	100.00%
Total [=Σ 1 to 14]		6 224.44	100%	1.31%

The average probability of default in the Companies' portfolio over 1 year, weighted by the value of the liabilities at 30 June 2016, was 1.31%. The loss in the event of default in this segment is on average 41.01%. The expected loss is on average is 0.54% 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.

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.

Internal rating of project finance

Breakdown of exposure by risk classes in 30 June 2016

Risk classes		Value (M.€)	% of portfolio amount
Forte	1	129.0	6.1%
Bom	2	1 245.0	58.6%
Satisfatório	3	341.2	16.1%
Fraco	4	186.1	8.8%
Incumprimento	5	190.6	9.0%
ND	6	32.2	1.5%
Total [=Σ 1 to 6]		**2 124.1**	**100.0%**

The small businesses' segment 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 3.96% and 60.40%, 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. According to the Bank of Portugal's calculation methodology (and conservative compliance with the Large exposures regulation), the portfolio reveals a minimal degree of concentration by counterparties or groups – index of 0.42 out of a maximum of 100 – as well as a low degree of sectoral concentration – index of 9.4 out of 100.

The concentration in geographical terms is inherent to the location of the Group's business operations.

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 (0.95%). 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 30 June 2016

Risk classes	Probability of default within a year[1,2,3]	Loss given default	Expected loss
Mortgage loans	0.9%	12.7%	0.1%
Personal loans	2.4%	33.6%	0.8%
Motor car finance	0.8%	22.5%	0.2%
Credit cards	0.7%	48.5%	0.3%

[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.

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 30 June 2016

	2016
New loans contracted[3]	69.4%
Housing loan portfolio	53.5%
Loans in default (more than 90 days)	85.0%

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.

3) Loans granted in June 2016.

Bonds and fixed-interest securities' investment portfolio[1]

Amounts in M.€

Rating	Jun.15	%	Jun.16	%
AAA	0	0.0%	0	0.0%
AA	1	0.0%	0	0.0%
A	78	1.6%	69	1.5%
BBB	595	12.4%	1 465	31.2%
BB	3 194	66.6%	1 871	39.8%
B	72	1.5%	51	1.1%
CCC	1	0.0%	0	0.0%
C	0	0.0%	23	0.5%
Commercial paper with guarantees from credit institutions	179	3.7%	193	4.1%
Commercial paper without guarantees	524	10.9%	577	12.3%
Without rating	149	3.1%	445	9.5%
Total	**4 793**	**100%**	**4 695**	**100%**

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 30 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 347 M.€ (gross amount) to 226 M.€ (net amount, after set off, collateralisation and correction of the amount due to credit risk) at the end of June 2016.

Current credit risk – substitution value of derivatives by type of counterparty[2]

Amounts in M.€

	Jun.15	%	Jun.16	%
Over-the-counter market	**209.5**	**100.0%**	**226.5**	**100.0%**
Financial institutions	9.9	2.0%	2.2	1.0%
Other financial intermediaries	1.0	0.8%	0.4	0.2%
Local and administrative public sector	0.3	0.3%	25.2	11.1%
Companies	197.6	96.1%	198.3	87.6%
Unit trust funds and pension funds	0.0	0.0%	0.0	0.0%
Individuals	0.6	0.9%	0.4	0.2%
Regulated markets	0.0	0.0%	0.0	0.0%
Stock exchange	0.0	0.0%	0.0	0.0%
Total	**209.5**	**100.0%**	**226.5**	**100.0%**

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 maintains loan quality indicators at relatively good levels, coupled with a high level of credit-risk provisioning.

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 reached 3.6% at the close of June 2016. In domestic operations (95% of the consolidated loan portfolio), that ratio stood at 3.6%, while in international operations (in Angola), which represent 5% of the consolidated loan portfolio, it was 3.9%.

[1]) Inclui títulos na carteira de activos disponíveis para venda, obrigações classificadas como empréstimos e papel comercial.

[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, was situated at 4.7% at the end of June 2016. In domestic activity, that ratio was situated at 4.7% and in international activity (in Angola) at 5.2%.
- **Credit risk cost:** impairment charges in the first half 2016, after deducting loan recoveries, represented 0.33% of the loan portfolio in annualized terms. In domestic activity, loan impairments (net of recoveries) represented 0.25% of the loan portfolio and in international operations 1.57% of the loan portfolio, in annualized terms.

  Cobertura por imparidades: As imparidades para crédito e garantias acumuladas no balanço ascendiam no final de Junho de 2016 a 998.5 M.€. Este valor correspondia a 85% do crédito em risco, não considerando o efeito de cobertura de risco por colaterais.
- **Impairment cover:** Accumulated loan impairment allowances in the balance sheet at the end of June 2016 stood at 998.5 M.€. This figure corresponded to 85% of credit-at-risk, not taking into account the effect of risks covered by collateral.

  Accumulated loan impairment allowances in the balance sheet for non-performing loans2 and guarantees (real and personal) represented 92% 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 143.3 M.€, in terms of gross balance sheet value. The balance sheet value net of accumulated impairments was 114.1 M.€, which compares with their market value of 141.4 M.€.

[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 30 June 2016 the credit at risk amounted to 1174.6 M.€ while the credit-at-risk ratio stood at 5.0%.

[2]) In addition, BPI had impairment allowances of 335 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 118%.

Customer loans in arrears and impairments

Amounts in M.€

		2012	2013	2014	2015	Jun. 2016		
		Consolidado	Consolidado	Consolidado	Consolidado	Actividade doméstica	Actividade internacional	Consolidado
Customer loan portfolio (gross)	1	28 129	26 897	26 306	25 260	23 588	1 338	24 926
Loans in arrears, falling due loans and impairments								
Credit at risk [1]	2	1 157.4	1 277.0	1 304.0	1 158.1	1 104.5	70.1	1 174.6
Loan impairments and guarantees (accumulated in the balance sheet)	3	824.4	978.7	1 075.2	1 012.8	918.3	80.2	998.5
Loans in arrears for more than 90 days	4	891.9	976.3	1 008.3	908.2	846.2	52.2	898.4
Loans in arrears for more than 30 days	5	917.4	997.2	1 043.7	922.5	858.1	53.3	911.4
Ratios (as % of total loans)								
Credit at risk as % of loan portfolio [1,2]	6	4.1%	4.7%	5.0%	4.6%	4.7%	5.2%	4.7%
Loan impairments (accumulated in the balance sheet) as % of loan portfolio [=3/1]	7	2.9%	3.6%	4.1%	4.0%	3.9%	6.0%	4.0%
Loans in arrears for more than 90 days as % of loan portfolio [=4/1]	8	3.2%	3.6%	3.8%	3.6%	3.6%	3.9%	3.6%
Loans in arrears for more than 30 days as % of loan portfolio [=5/1]	9	3.3%	3.7%	4.0%	3.7%	3.6%	4.0%	3.7%
Loan impairments as % of credit at risk [= 3/2]	10	71%	77%	82%	87%	83%	114%	85%
Loan impairments as % of loans in arrears for more than 90 days [= 3/4]	11	92%	100%	107%	112%	109%	154%	111%
Write-offs and sales of loans in arrears	12	81.3	93.4	106.5	169.2	20.1	23.6	43.7
Recovery of loans and interests in arrears written-off	13	15.5	17.6	16.5	18.2	7.2	1.1	8.3
Net loan loss								
Impairment charges in the period	14	269.4	272.6	193.2	137.0	35.8	11.5	47.3
Impairment charges in the period, as % of the average loan portfolio [= 14/18] [3]	15	0.97%	1.03%	0.76%	0.56%	0.32%	1.74%	0.39%
Impairment charges in the period net of recoveries	16	253.9	255.0	176.7	118.8	28.6	10.4	39.0
Impairment charges in the period net of recoveries , as % of the average loan portfolio [= 16/18] [3]	17	0.92%	0.96%	0.70%	0.48%	0.25%	1.57%	0.33%
Performing Customer loan portfolio (average balance)	18	27 687	26 587	25 388	24 546	22 618	1 325	23 943

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 30 June 2016 the credit at risk amounted to 1 174.6 M.€ while the credit-at-risk ratio stood at 5.0%.
3) In annualized terms.

The entry of new credit-at-risk loans in the 1st half of 2016 – calculated as the difference between the balance of credit at risk at the beginning and at the end of the period, plus amounts written off and net of loan recoveries – amounted to 51.9 M.€ (0.43% of the loan portfolio in annualised terms.

The entry of new credit-at-risk loans, net of recoveries, totalled 46.4 M.€ (0.41% of the loan portfolio in annualised terms) in domestic activity and 5.5 M.€ (0.82% of the loan portfolio in annualised terms) in international operations.

Net loss- measured by loan impairment charges and net of recoveries of arrear loans in the period – amounted to 39.0 M.€ in the 1st half of 2016, representing a decrease of 40.1 M.€ relative to the same period of 2015.

Net loan loss corresponded in annualised terms to 0.33% of the average performing loan portfolio in the 1st half of 2016 (0.64% in the 1st half of 2015).

In domestic operations, this indicator stood at 0.25%, being situated close to the average figure for the 10-year period up until 2011 (before the peaks observed in 2012 and 2013) which was 0.27%. In international operations, impairments (net of recoveries) represented 1.57% of the loan portfolio in annualised terms.

New entries in credit at risk[1] and impairments in the year, deducted of recoveries, by market segment

Amounts in M.€

		Domestic activity		International activity		BPI Group (consolidated)	
		1º sem.15	1º sem.16	1º sem.15	1º sem.16	1º sem.15	1º sem.16
Performing loan portfolio (average balance)	1	**23 006.4**	**22 618.2**	**1 894.2**	**1 325.2**	**24 900.5**	**23 943.4**
Change in credit at risk							
Increase in credit at risk, adjusted for write-offs and sale of loans	2	23.0	53.6	7.8	6.6	30.8	60.2
as percentage of the loan portfolio (average balance)[1] [= 2/1]	3	0.20%	0.47%	0.82%	0.99%	0.25%	0.50%
– Recoveries of loans and interest in arrears written off	4	6.8	7.2	1.0	1.1	7.8	8.3
= Increase in credit at risk, adjusted for write-offs, sales of loans and net of recoveries of arrear ,loans [= 2-4]	5	**16.2**	**46.4**	**6.8**	**5.5**	**23.0**	**51.9**
as percentage of the loan portfolio (average balance)[1] [= 5/1]	6	0.14%	0.41%	0.72%	0.82%	0.18%	0.43%
Net loan loss							
Loan impairments	7	68.7	35.8	18.2	11.5	86.9	47.3
as percentage of the loan portfolio (average balance)[1] [= 7/1]	8	0.60%	0.32%	1.92%	1.74%	0.70%	0.39%
– Recoveries of loans and interest in arrears written off	9	6.8	7.2	1.0	1.1	7.8	8.3
= Net loan loss [= 7 - 9]	10	**61.9**	**28.6**	**17.2**	**10.4**	**79.1**	**39.0**
as percentage of the loan portfolio (average balance)[1] [= 10/1]	11	0.54%	0.25%	1.82%	1.57%	0.64%	0.33%

1) In annualised terms, not taking into account collateral, was situated at

Credit at risk and provisioning cover, by segments
The balance of credit at risk in domestic operations totalled 1104 M.€ at the end of June 2016, which corresponded to a credit-at-risk ratio of 4.7%.

Credit-at-risk cover by impairment allowances in domestic operations, not taking into account collateral, was situated at 83% on that date.

Credit-at-risk cover by impairment allowances (not taking into account associated collateral) in the principal loans segments was:

- 92% in loans to companies, project finance and institutional banking;
- 92% in loans to small businesses;
- 61% in mortgage lending. It is worth noting that in this segment, the loan / average security ratio for the total portfolio was 53.5% in June 2016.

In international operations, credit at risk corresponded to 5.2% of the total loan book (gross) and was 114% covered by provisions.

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.

Credit-at-risk and coverage by Impairments accumulated in the balance sheet, by segment

		30 Jun. 15				30 Jun. 16			
		Carteira de crédito (bruta), em% do total	Crédito em risco (M.€)	Rácio de crédito em risco	Cobertura por imparidades[1]	Carteira de crédito (bruta), em% do total	Crédito em risco (M.€)	Rácio de crédito em risco	Cobertura por imparidades[1]
Domestic activity									
Companies, Project Finance and Institutional Banking	1	30%	584	7.6%	89%	32%	574	7.2%	92%
Individuals and Small Businesses Banking									
Mortgage loans to individuals	2	44%	391	3.5%	62%	44%	364	3.3%	61%
Other loans to individuals	3	3%	39	4.4%	101%	4%	43	4.5%	102%
Small businesses	4	7%	126	7.7%	96%	7%	119	6.5%	92%
[=Σ 2 to 4]	5	54%	556	4.0%	72%	56%	526	3.8%	71%
Other	6	10%	3	0.1%	s.s.	7%	4	0.3%	s.s.
Domestic activity [= 1 +5 + 6]	7	**94%**	**1 142**	**4.8%**	**82%**	**95%**	**1 104**	**4.7%**	**83%**
International activity	8	**6%**	**93**	**6.3%**	**111%**	**5%**	**70**	**5.2%**	**114%**
Total [= 7 + 8]	9	**100%**	**1 235**	**4.9%**	**84%**	**100%**	**1 175**	**4.7%**	**85%**

1) Imparidades para crédito e garantias acumuladas no balanço.

Restructured loans

The amount of restructured loans (consolidated) totalled 1 536.5 M.€ at the close of June 2016. Of this amount, 457.1 M.€ is included in the credit-at-risk balance.

The amount of restructured loans not included in credit-at-risk therefore totals 1 079.4 M.€, which corresponds to 4.3% of the gross loan portfolio.

Restructured loans — Amounts in M.€

		Dec.15	as % of gross loan[1]	Jun.16	as % of gross loan[1]
Amount included in credit-at-risk	1	452.5	1.8%	457.1	1.8%
Performing loans	2	1 096.5	4.3%	1 079.4	4.3%
Total [= 1+2]	3	**1 549.0**	**6.1%**	**1 536.5**	**6.2%**

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).

Impairments cover for defaulting loans

At the end of June 2016, the total exposure to loans with arrear instalments of principal or interest amounted to 1 287 M.€ in consolidated terms and corresponded to:

- total arrear loans (principal or interest instalments in arrears for more than 30 days) of 911 M.€ which represented 3.7% of the gross loan portfolio;
- portion not yet due in those loan operations of 376 M.€

In average terms, the total exposure to the aforesaid loans (arrear loans and associated instalments falling due) was 92% covered by individual impairments set aside specifically for those loans (663 M.€) and by the value of real guarantees (523 M.€).

Loans in arrears and performing loans associated with loans in arrears

Amounts in M.€

		Jun.15			Dec.15			Jun.16		
		Loans with collateral	Loans without collateral	Total	Loans with collateral	Loans without collateral	Total	Loans with collateral	Loans without collateral	Total
Loans										
In arrears	1	402.6	577.9	**980.6**	407.5	515.0	**922.5**	391.5	519.9	**911.4**
Falling due loans[1]	2	259.5	147.2	**406.7**	207.4	144.2	**351.6**	232.8	143.1	**375.9**
Loans [= 1+2]	3	**662.1**	**725.1**	**1 387.2**	**614.8**	**659.2**	**1 274.0**	**624.3**	**663.0**	**1 287.3**
Real guarantees[2] (mortgages and other[3])	4	533.0		**533.0**	503.6		**503.6**	522.8		**522.8**
Impairments [4]	5	259.7	451.2	**710.9**	257.1	426.9	**684.0**	257.1	406.2	**663.3**
Loans coverage by collateral and impairments [= (4+5) / 3]	6	**120%**	**62%**	**90%**	**124%**	**65%**	**93%**	**125%**	**61%**	**92%**

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.

Foreclosed properties

At the end of June 2016, BPI had a portfolio of foreclosed properties with a gross balance carrying amount of 143.3 M.€. Of this figure, 56.7 M.€ refers to properties repossessed for home-loan recoveries and 86.6 M.€ refers to properties repossessed for the recoupment of other loans.

At 30 June, the accumulated amount of impairments for foreclosed properties amounted to 29.3 M.€, which corresponded to 20% of the gross balance sheet value. Accordingly, the net balance sheet value of these properties was 114.1 M.€, which compares with their market value of 141.4 M.€.

Property repossessed from loans recovery

Amounts in M.€

		Jun. 15			Dec. 15			Jun. 16		
		Home	Other	Total	Home	Other	Total	Home	Other	Total
Gross amount	1	68.9	84.4	153.3	59.9	93.6	153.5	56.7	86.6	143.3
Impairment	2	3.5	24.7	28.2	2.6	24.7	27.3	2.1	27.1	29.3
Cover by impairments [= 2 / 1]	3	5%	29%	18%	4%	26%	18%	4%	31%	20%
Net amount [= 1-2]	4	65.4	59.7	125.1	57.3	69.0	126.3	54.6	59.5	114.1
Market value	5	81.0	71.0	152.0	71.4	82.1	153.5	68.5	72.9	141.4

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.

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.

It should be noted that the exposures linked to Banco de Fomento de Angola's business are managed locally and not a Group level. Accordingly, for purposes of the risk-management table presented here, as is also the case with Banco Comercial e de Investimento (in Mozambique), the positions stemming from BFA are those originating from the stake held in it by the Group.

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.

Country risk exposure assessment

Country risk exposure

At 30 June 2016

Amounts in M.€

Country	Rating	Gross exposure	Personal guarantees	Tangible guarantees	Exposure net of guarantees
Countries from Group I					
Euro Zone		**2 835.3**	**26.4**	**- 107.7**	**- 115.5**
	AAA	335.8	8.4	- 11.9	- 9.5
	AA	125.4	2.9	- 14.2	- 10.8
	A	45.5	- 2.2	0.0	- 5.5
	BBB	2 328.5	17.4	- 81.5	- 89.8
	CCC	0.0	0.0	0.0	0.0
Other EU countries		**148.1**	**7.7**	**- 1.2**	**- 13.7**
	AAA	9.6	0.0	- 0.1	0.0
	AA	134.1	7.7	- 1.1	- 13.7
	A	4.4	0.0	0.0	0.0
	BBB	0.0	0.0	0.0	0.0
	BB	0.0	0.0	0.0	0.0
Switzerland	AAA	37.9	13.4	- 1.9	- 0.5
USA	AAA	29.8	0.2	- 0.5	0.0
Other		24.5	0.0	- 2.1	- 0.1
Offshores		34.7	0.0	- 0.2	- 0.1
		3 110.4	**47.7**	**- 113.5**	**- 129.9**
Countries from Group II					
Brazil	BB	25.4	0.0	- 1.0	- 19.4
Angola	B	192.2	- 112.7	- 15.1	- 0.5
Russia	BB	0.0	0.0	0.0	0.0
Turkey	BBB	0.3	0.0	0.0	0.0
Mexico	BBB	51.6	0.0	0.0	0.0
Mozambique	CCC	27.3	0.0	- 1.9	- 0.9
Venezuela	CCC	9.5	0.0	- 5.6	- 0.1
Cape Verde	B	78.9	- 78.7	0.0	- 0.2
South Africa	BBB	3.5	0.0	- 1.9	0.0
Other		6.0	- 0.2	- 0.4	0.0
		394.6	**- 191.5**	**- 25.9**	**- 21.2**
Subsidiaries					
Angola (BFA)		381.1	0.0	0.0	0.0
Mozambique (BCI)		46.3	0.0	0.0	0.0
		427.4	0.0	0.0	0.0
TOTAL		**3 932.4**	**- 143.8**	**- 139.4**	**- 151.1**

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.€

	Jun.2015		Jun.2016	
	Average VaR	Maximum VaR	Average VaR	Maximum VaR
Interest rate risk	1.7	4.3	2.1	5.7
Currency risk	0.5	2.5	0.05	0.2
Equities risk	2.1	4.8	0.9	2.9
Commodities risk	0.0	0.0	0.0	0.0

[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.

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 30 June 2016, the repricing gap (of interest rates) accumulated up to 1 year of EUR was 7 999 M.€.

Interest rate risk[2]

Structural position, at 30 June 2016 — Amounts in M.€

	Until1 year	1-2 years	2-5 years	5-7 years	7-15 years	> 15 years
Accumulated gap	7 999	8 132	8 437	8 506	8 633	8 649

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 34M.€[3], whilst a 100 basis points change in interest rates has a 67 M.€ impact on net interest income.

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.

The structural currency positions resulting from investments or participating interests are managed in

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.

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[1] (depreciation of 30% in Kwanza and 20% in the remaining currencies) reveals a capital at risk of 110 M.€

1) For risk purposes, BFA’s dealing portfolio is deemed to be a banking portfolio.

Foreign exchange rate risk

Structural position, at 30 June 2016

Amounts in M.€

Type of financial instrument	Assets and liabilities by currency				
	EUR	**USD**	**AKZ**	**Other**	**Total**
Assets					
Cash and deposits at central banks	778.3	210.2	1 405.8	6.7	2 401.1
Deposits at other credit institutions	211.6	110.1	5.3	35.1	362.1
Financial assets held for dealing	453.9	248.0	1 049.4	0.1	1 751.4
Financial assets held for dealing and at fair value through profit and loss	0.0	6.5	0.0	0.0	6.5
Financial assets available for sale	3 588.8	1 045.5	866.6	0.4	5 501.3
Loans and advances to credit institutions	401.3	269.0	147.5	2.0	819.7
Loans and advances to Customers	21 179.8	694.4	673.1	86.2	22 633.5
Hedging derivatives	42.6	3.9	0.0	0.1	46.6
Tangible assets	57.7	0.0	102.1	0.7	160.5
Intangible assets	23.2	0.0	3.4	0.0	26.7
Investments in associates and jointly-controlled entities	259.6	0.8	0.0	46.3	306.6
Tax assets	448.4	0.0	5.7	0.7	454.8
Other assets	439.9	45.0	13.7	5.4	504.1
	27 885.2	**2 633.1**	**4 272.8**	**183.9**	**34 974.9**
Liabilities					
Resources of central banks	2 000.6	0.0	0.0	0.0	2 000.6
Financial liabilities held for dealing	266.8	2.6	25.3	0.0	294.8
Credit institutions' resources	1 167.8	66.5	0.1	1.6	1 235.9
Clients' resources and other loans	18 600.9	3 529.0	3 839.9	186.2	26 156.0
Debts evidenced by certificates	1 000.5	4.1	0.0	0.0	1 004.6
Financial liabilities associated to transferred assets	657.6	0.0	0.0	0.0	657.6
Hedging derivatives	150.8	0.2	0.0	0.0	151.0
Provisions	73.9	20.6	1.3	0.0	95.8
Tax liabilities	31.0	0.6	13.1	0.0	44.7
Other subordinated liabilities	21.7	0.0	0.0	0.0	21.7
Other liabilities	554.8	28.9	31.1	1.4	616.2
Foreign exchange operations pending settlement and forward position operations	1 493.0	-1 237.4	-178.6	-61.2	15.7
	26 019.4	**2 415.0**	**3 732.2**	**128.0**	**32 294.6**
Shareholders' equity					
Shareholders' equity attributable to BPI shareholders	1 872.5	-7.4	381.1	52.7	2 299.0
Non controlling interests	1.8	0.0	379.5	0.0	381.3
	1 874.3	**-7.4**	**760.6**	**52.7**	**2 680.3**
Structural position		218.26	-220.08	3.08	
Stress test		43.65	66.02	0.62	110.29

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 the 1st half 2016. 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 108% and 88%, respectively in domestic operations and in consolidated terms;
- The LCR and NSFR liquidity ratios in consolidated terms were, at the end of the period, respectively 156% and 115%, - figures which are comfortably above the regulatory minimums.
- During the 1st half of the year, the Bank increased the funds drawn from the ECB to 2.0 th.M. €, taking advantage of the new TLTRO introduced as part of the ECB's monetary policy measures;
- The Bank had at the end of the semester a portfolio of public debt of Eurozone countries amounting to 3.3 th.M.€, of which 1.5 th.M.€ in Treasury Bills issued by the Portuguese Republic, 0.4 th.M.€ issued by the Italian Republic and 0.5 th.M.€ issued by the Kingdom of Spain.
- the portfolio of assets eligible for funding from the Eurosystem stood at 8.9 th.M.€ at the end of the 1st half 2016. Of this figure, the amount not yet utilised and the therefore capable of being converted into immediate liquidity at the ECB was 5.9 th.M.€;
- the net refinancing requirements of medium and long-term until the end of 2018 are 0.8 th.M.€. 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 public debt bonds held by BPI in portfolio.

Short-term gap

BPI's short-term funding Gap (domestic operations) passed from -1.4 th.M.€ in December 2015 to -2.0 th.M.€ in June 2016. The principal factors explaining this behaviour were:

- negative change of 117M.€ in the commercial Gap;
- 137 M.€ increase in the Treasury Bills portfolio;
- redemption and repurchase of own issues of 336 M.€.

Trend in short-term funding GAP M.€

GAP at 31 Dec. 2015	**(1 446)**
Change in commercial liquidity GAP	(117)
Redemption of own debt	(336)
New debt issued	0
Redemption of bonds held	13
Sales of Treasury Bonds	0
Change in the Treasury Bills' portfolio	(137)
GAP at 30 Jun.2016	**(2 023)**

At the end of June 2016, short-term funding was broken down as follows:

- net creditor position on the money market of 86 M.€ and security repos of 109 M.€;
- funding from the ECB of 2.0 th.M.€.

Financing of short term liquidity position Amounts in M.€

		2015	Jun.2016
Short term lending			
Loans to credit institutions	1	596	476
[=1]	2	**596**	**476**
Short term borrowing			
Money market	3	(489)	(390)
Repos	4	(39)	(109)
[=3+4]	5	**(527)**	**(499)**
Euro commercial paper	6	(0)	(0)
Funding from the ECB (net of deposits)	7	(1 514)	(2 000)
[=Σ 5 to 7]	8	**(2 042)**	**(2 499)**
Total short term gap [=1+8]	9	**(1 446)**	**(2 023)**

ECB funding

At the end of June 2016, the Bank had raised funds totalling 2.0 th.M.€ from the ECB. This figure corresponds to the total drawings under the TLTRO I and II implemented by the ECB at the end of 2014 and beginning of 2016 with the aim of bolstering the granting of loans to the economy. This figure represents an increase of 0.5 th.M.€ when compared to the end of 2015.

Portfolio of assets eligible for Eurosystem funding

At the end of the half year, BPI had at its disposal a portfolio of assets eligible for the Eurosystem worth 8 940 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 5 901 M.€.

Assets eligible for the Eurosystem Amounts in M.€

		2015	Jun.2016
Total eligible assets[1]	1	**8 102**	**8 940**
of which: assets given as collateral[2]	2	1 007	1 039
Net eligible assets [= 1 - 2]	3	**7 094**	**7 901**
Used as collateral in funding with ECB	4	1 521	2 001
Available eligible assets [= 3 - 4]	5	**5 573**	**5 901**

The increase in the portfolio of eligible assets during the first half of the year reflects the capacity to generate collateral from the Bank's loan portfolio via the issuance of Mortgage Bonds retained in the balance sheet.

Prospects for the liquidity situation during the 2nd half of 2016

The maintenance of the ECB's expansionist policy is widely expected to occur, as borne out in the level of interest rates, medium-term funding operations and the pace of non-sterilised purchases of public debt and corporate paper.

Furthermore, the subdued economic growth in Portugal should not be conducive to a significant expansion in the loan portfolio.

The Bank has a high level of assets capable of being transformed into liquidity, as referred to previously, and a minimal amount of own debt maturing. It is also worth mentioning the possibility of the Bank raising further funds in the amount of around one thousand million euro under the TLTRO II, 4 years, up until March 2017.

Against this backdrop, the Bank should not need to resort to market funding in order to finance its operations, at the same time continuing to finance its assets via Customer deposits.

1) Total assets eligible for the Eurosystem funding, net of price appreciation and haircuts and before utilisation.

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.

Risk monitoring is carried out at various levels: for each division of the Group, by the central risk-management unit, integrated within the Organisation and Quality Divisions, and by specific Committees for operational risk management, namely the Operational Risk Committee, the Business Continuity Committee and the Information Security Committee.

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 occurrences with actual financial impact in the 1st half of 2016, by type of cause, was as follows:

Operational risk occurrences in the 1st half of 2016

Distribution by type of cause (actual impact and frequency)

Type of cause	Frequency (%)	Net effective impact (%)
External causes	56.51%	56.45%
People	35.81%	25.21%
Processes	4.37%	15.58%
Systems	3.31%	2.77%
Total	**100%**	**100%**

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, identifying 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.

Special importance was given to improving the management and communication processes in response to incidents that affect the conduct of normal activity.

In order to respond to critical incidents so as to improve the time lag and quality of the reaction, the Bank reinforced the preparation and functioning conditions at its contingency premises in Lisbon and Oporto.

An infrastructure monitoring room was set up with connections to the principal installations and IT systems with redundant energy and communications back-up.

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.

Em 2016 deu-se continuidade ao reforço dos sistemas de monitorização de segurança e ao incremento dos meios empregues na detecção e resposta a ameaças informáticas, com particular atenção nas vertentes relativas a ciber ataques e à segurança de pagamentos efectuados através da internet.

In 2015 continuity was given to the reinforcement of the security-monitoring systems and the increase in rhe 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.

Employees and Customers are continually kept informed and made aware of good practices in information security and internet.

LEGAL RISKS

Num domínio particular dos Riscos Operacionais - os riscos legais – verifica-se a possibilidade de haver prejuízos inesperados decorrentes de deficiências na análise do enquadramento jurídico aplicável num dado momento aos contratos/posições a estabelecer, ou da alteração do mesmo enquadramento jurídico.

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.

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 the 1st half 2016.

Recommendation Summary	Cross-reference for Report and Accounts 1st half 2016
I. BUSINESS MODEL	
1. Description of the business model	***DR*** *– Financial and business structure, page 5.*
2. Description of strategies and objectives	***DR*** *– Presentation of the report, page 38; Financial review, page 64; Risk Management, page 66.*
3. Description of the importance of the operations carried out and the respective contribution to business	***DR*** *– Domestic Commercial Banking, page 21; Bancassurance, page 30; Asset management, page 31; Investment banking, page 33; International activity, page 35; Financial review, page 38;* ***NFS*** *– 3. Segment reporting, page 123.*
4. Description of the type of activities undertaken	***DR*** *– Domestic Commercial Banking, page 21; Bancassurance, page 30; Asset management, page 31; Investment banking, page 33; International activity, page 35; Background to operations, page 11; Financial review, page 38; Risk Management, page 66.*
5. Description of the objective and extent of the institution's involvement relating to each activity undertaken.	
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 66;* ***NFS*** *– 4.49. Financial Risks, page 215 and following.*
7. Description of major risk-management practices in operations	***DR*** *– Risk Management, page 66;* ***NFS*** *– 4.49. Financial Risks, page 215 and following.*
III. IMPACT OF THE FINANCIAL TURBULENCE PERIOD ON RESULTS	
8. Qualitative and quantitative description of the results	***DR*** *– Financial review, page 38.*
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 136, 4.7. Loans to customers, page 143, 4.20. Provisions and impairments, page 175, 4.38. Net gains/losses from financial operations, page 204; 4.46. Financial Risks, page 215.*
10. Description of the reasons and factors responsible for the impact suffered	***DR*** *– Financial review, page 38; Background to operations, page* 11.
11. Comparison of the i) impacts between (relevant) periods and ii) financial statements before and after the turbulent period	***DR*** *– Financial review, page 38.*
12. Breakdown of the write-downs between realised and unrealised amounts	***DR*** *– Financial review, page 38;* ***NFS*** *– 4.5. Available-for-sale financial assets, page 136; 4.7. Loans to customers, page 143; 4.38. Net gains/losses from financial operations, page 204 and 4.20. Provisions and impairments, page 175.*
13. Description of the influence of the financial turbulence on the behaviour of Banco BPI shares	***DR*** *– Banco BPI Share, page* 92.
14. Disclosure of the maximum loss risk	***DR*** *– Risk Management, page 66;* ***NFS*** *– 4.46. Financial Risks, page 215 and following.*
15. Disclosure of the impact that the trend in spreads	***DR*** *– Financial review, pages* 48 *and* 59.

associated with the institution's own liabilities had on earnings	*The Bank did not revalue its liabilities.*
IV. EXPOSURE TYPES AND LEVELS AFFECTED BY THE TURBULENT PERIOD 16. Nominal value (or amortised cost) and fair value of exposures	***NFS*** *– 4.46. Financial Risks, page 215 and following and 4.5 Available-for-sale financial assets, page 136.*
17. Information about credit risk mitigation and respective effects on existing exposures	***DR*** *– Risk Management, page 66 and following.*
18. Detailed disclosure of exposures	***DR*** *– Risk Management, page 66;* ***NFS*** *– 4.46. Financial Risks, page 215 and following, 4.5. Available-for-sale financial assets, page 136 and 4.7. Loans to customers, page 143.*
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 38*
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 IAS 27, 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 30 June 2016, BPI has no exposure to mono-line insurers*
V. ACCOUNTING AND VALUATION POLICIES 22. Classification of transactions and structured products for accounting purposes and the respective accounting treatment	***NFS*** *– 2.2. Financial assets and liabilities, page 108; 2.2.3. Available-for-sale financial assets, page 109; 2.2.4. Loans and other receivables, page 110; 4.19. Financial liabilities associated with transferred assets, page 173.*
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*** *– 4.46. Financial Risks, page 215 and following.*
25. Description of the modelling techniques utilised for valuing financial instruments	***NFS*** *– 2.2. Financial assets and liabilities, page 108 and 4.46. Financial Risks, page 215 and following.*
VI. OTHER IMPORTANT DISCLOSURE ASPECTS 26. Description of disclosure policies and principles which are used in financial reporting	***CGovR*** *2015 – IV. Investor Relations, page 336.*

DR – Directors report; **NFS** – Notes to the Financial Statements; ***CGov 2015*** – Corporate Governance Report 2015.

Rating

The Portuguese Republic's rating did not undergo any changes in the first six months of 2016, remaining at below investment grade, respectively Ba1/BB+/BB+ given by Moody's, Fitch and S&P. However in March Fitch altered the Outlook given to the Portuguese Republic from positive to stable.

The ratings granted to Banco BPI also remained stable during the 1st half of 2016. The Bank's current long/short term ratings and respective Outlook / CreditWatch are as follows:

- Moody's: Ba3/Not Prime with Outlook under review;
- S&P: BB-/B with Watch Developing;
- Fitch: BB/B with Rating Watch Evolving.

Banco BPI credit rating

	Fitch Ratings	Moody's	Standard & Poor's
Long term	BB	Ba3	BB-
Short term	B	Not prime	B
CreditWatch / Outlook	*Rating Watch Evolving*	Under review	*CreditWatch Developing*
Rating individual	Viability rating bb	Baseline Credit Assessment b1	Stand-alone credit profile (SACP) bb-
Senior collateralised debt			
Mortgage loans		A3	
Public sector		Baa1	
Senior non-collateralised debt		Ba3	BB-
Long term	BB		
Short term	B	Not prime	B
Subordinated debt	BB-	B2	B-
Junior subordinated 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)]

	Fitch Ratings	Moody's	Standard & Poor's
Long term	BB+	Ba1	BB+u
Short term	B	Not prime	Bu
Outlook	Stable	Stable	Stable

Fitch Ratings: rating decision on 19 May 2015. On 26 April 2016 Fitch Ratings placed the long-term credit rating of BB on Rating Watch Evolving (RWE) and the short-term rating on Rating Watch Positive (RWP).

Moody's: rating decision on 28 March 2012. On 22 March 2016 Moody's put the long-term credit rating on review with direction uncertain.

Standard & Poor's: rating decision on 14 February 2012. On 22 April 2016, Standard & Poor's put the long-term credit rating on Creditwatch Developing.

1) The ratings given by S&P to the Portuguese Republic are unsolicited ("u" – unsolicited).

Banco BPI shares

STOCK MARKET PERFORMANCE

The Banco BPI share price was situated at the end of the 1st half of 2016 at 1.108€, having gained 1.6% on the price at the end of the preceding year.

The Portuguese PSI 20 index posted a 16.2% fall during the half-year, while the Spanish index was down 14.5% over the same period. The European banking sector, represented by the DJ Europe Stoxx Banks index, closed the half-year shedding 31.3%.

On 18 April CaixaBank disclosed a preliminary announcement of the launching of a takeover bid for Banco BPI shares at a price of 1.113€ per share, which has influenced the share's performance since then.

Concerns relating to global growth and to commodity prices, the United Kingdom's exit from the European Union, and the regulatory uncertainties and doubts regarding the recovery of banks' profitability contributed to the negative performance of those indices during the first six months.

Weight on indices (30 Jun. 16)
PSI-20: 3.63%; #11
Next 150: 0.74%;[1)]

Codes and tickers
ISIN and Euronext code: PTBPI0AM0004
Reuters: BBPI.LS
Bloomberg: BPI PL

Banco BPI Shares selected indicators

	1st half 2015	1st half 2016
Banco BPI share price (€)		
Maximum price	1.570	1.342
Average price	1.236	1.113
Minimum price	0.760	0.863
Closing price	1.018	1.108
Share price and benchmarks' evolution		
Banco BPI	(0.8%)	1.6%
PSI-20	15.7%	(16.2%)
IBEX 35	4.8%	(14.5%)
Dow Jones Europe STOXX Banks	12.5%	(31.3%)
Dow Jones STOXX 600	11.3%	(9.8%)
Data per share (€)		
Net profit	0.05	0.07
Cash flow after taxation	0.14	0.14
Book value	1.54	1.58
Weighted average no. of shares (in millions)	1,450.2	1,450.8
Stock market capitalisation		
Stock market capitalisation (M.€)	1483	1614
Liquidity		
Trading volume in the semester (M.€)	382	472
Daily average trading volume (M.€)	3.1	3.9
Daily average trading quantity (x th.)	2470	3533

1) 8 August 2016.

TREASURY STOCK

Banco BPI manages a treasury stock portfolio constituted with a view to the execution of the variable remuneration in shares programme (Portuguese initials - RVA) for Employees and Executive Directors. With this objective, the transactions described below were carried out in the 1st half of 2016.

At the end of June 2016, Banco BPI held 5 463 094 own shares (0.37% of share capital).

Treasury shares transactions in the first half 2016

Valor e preço em euros

	No. shares held at 31 Dec. 15	Acquisition			Disposal			Total turnover (amount)	No. shares held at 30 Jun. 16[2]
		Quantity	Amount	Average Price	Quantity	Amount	Average Price		
Banco BPI[1]	5 947 872	1 683	2 710	1.61	486 461	606 771	1.25	488 144	5 463 094
Banco Português de Investimento	0	0	0	-	0	0	-	0	0
Total	**5 947 872**	**1 683**	**2 710**	**1.61**	**486 461**	**606 771**	**1.25**	**488 144**	**5 463 094**
% of share capital	**0.41%**	**0.0001%**			**0.03%**			**0.03%**	**0.37%**

1) Includes only over the counter transactions.

2) The balance of treasury shares at the end of June 2016 does not include:

- 168 917 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 June 2016.

Banco BPI, S.A.

Interim consolidated financial statements as of June 30, 2016 and 2015

BANCO BPI, S.A.

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2016 AND DECEMBER 31, 2015

(Translation of balance sheets originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Notes	Jun. 30, 16 Amounts before impairment, depreciation and amortisation	Jun. 30, 16 Impairment, depreciation and amortisation	Jun. 30, 16 Net	Dec. 31, 15 Net
ASSETS					
Cash and deposits at central banks	4.1	2 401 058		2 401 058	2 728 185
Deposits at other credit institutions	4.2	414 231		414 231	612 055
Financial assets held for trading and at fair value through profit or loss	4.3/4.4	4 092 835		4 092 835	3 674 604
Financial assets available for sale	4.5	5 750 821	142 764	5 608 057	6 509 388
Loans and advances to credit institutions	4.6	989 562		989 562	1 230 043
Loans and advances to customers	4.7	24 926 304	971 411	23 954 893	24 281 622
Held to maturity investments	4.8	16 319		16 319	22 417
Hedging derivatives	4.4	46 614		46 614	91 286
Other tangible assets	4.9	636 222	475 672	160 550	195 095
Intangible assets	4.10	124 534	97 869	26 665	29 138
Investments in associated companies and jointly controlled entities	4.11	191 613		191 613	210 447
Tax assets	4.12	455 135		455 135	420 214
Other assets	4.13	530 654	31 602	499 052	668 798
Total Assets		**40 575 902**	**1 719 318**	**38 856 584**	**40 673 292**

	Notes	Jun. 30, 16	Dec. 31, 15
LIABILITIES			
Resources of central banks	4.14	2 000 615	1 520 735
Financial liabilities held for trading	4.15/4.4	287 126	294 318
Resources of other credit institutions	4.16	1 235 949	1 311 791
Resources of customers and other debts	4.17	27 706 872	28 177 814
Debt securities	4.18	604 374	1 077 381
Financial liabilities relating to transferred assets	4.19	657 625	689 522
Hedging derivatives	4.4	151 027	161 556
Provisions	4.20	95 807	99 864
Technical provisions	4.21	2 681 007	3 663 094
Tax liabilities	4.22	48 687	92 050
Other subordinated debt and participating bonds	4.23	69 501	69 512
Other liabilities	4.24	637 844	680 156
Total Liabilities		**36 176 434**	**37 837 793**
SHAREHOLDERS' EQUITY			
Subscribed share capital	4.26	1 293 063	1 293 063
Other equity instruments	4.27	4 376	5 194
Revaluation reserves	4.28	(208 450)	(87 564)
Other reserves and retained earnings	4.29	1 115 399	972 587
(Treasury shares)	4.27	(11 514)	(12 797)
Consolidated net income of the BPI Group	4.44	105 930	236 369
Shareholders' equity attributable to the shareholders of BPI		**2 298 804**	**2 406 852**
Non-controlling interests	4.30	381 346	428 647
Total Shareholders' Equity		**2 680 150**	**2 835 499**
Total Liabilities and Shareholders' Equity		**38 856 584**	**40 673 292**

	Notes	Jun. 30, 16 Net	Dec. 31, 15 Net
OFF BALANCE SHEET ITEMS			
Guarantees given and other contingent liabilities	4.31	1 648 304	1 828 781
Of which:			
[Guarantees and sureties]		[1 439 114]	[1 497 070]
[Others]		[209 189]	[331 711]
Commitments	4.31	3 375 295	3 372 509

The accompanying notes form an integral part of these balance sheets.

The Accountant

The Executive Committee of the Board of Directors

BANCO BPI, S.A.

INTERIM CONSOLIDATED STATEMENTS OF INCOME FOR PERIODS ENDED JUNE 30, 2016 AND 2015

(Translation of statements of income originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Notes	Jun. 30, 2016	Jun. 30, 2015
Interest and similar income		476 173	601 784
Interest and similar expenses		(137 438)	(289 430)
Financial margin (narrow sense)	4.32	**338 735**	**312 354**
Gross margin on unit links	4.33	7 051	5 379
Income from equity instruments	4.34	3 910	3 599
Net commission relating to amortised cost	4.35	10 558	9 886
Financial margin		**360 254**	**331 218**
Technical result of insurance contracts	4.36	13 495	19 401
Commissions received		151 105	152 689
Commissions paid		(20 281)	(20 815)
Other income, net		23 065	23 527
Net commission income	4.37	**153 889**	**155 401**
Gain and loss on operations at fair value		79 436	96 807
Gain and loss on assets available for sale		24 455	(952)
Interest and financial gain and loss with pensions		1 328	(472)
Net income on financial operations	4.38	**105 219**	**95 383**
Operating income		9 144	14 144
Operating expenses		(26 389)	(17 297)
Other taxes		(13 252)	(11 020)
Net operating income	4.39	**(30 497)**	**(14 173)**
Operating income from banking activity		**602 360**	**587 230**
Personnel costs	4.40	(194 861)	(189 077)
General administrative costs	4.41	(127 632)	(127 062)
Depreciation and amortisation	4.9/4.10	(17 001)	(17 504)
Overhead costs		**(339 494)**	**(333 643)**
Recovery of loans, interest and expenses		8 295	7 787
Impairment losses and provisions for loans and guarantees, net	4.20	(47 285)	(86 902)
Impairment losses and other provisions, net	4.20	(35 686)	(16 035)
Net income before income tax		**188 190**	**158 437**
Income tax	4.42	(21 545)	(25 541)
Earnings of associated companies (equity method)	4.43	21 357	12 737
Global consolidated net income		**188 002**	**145 633**
Income attributable to non-controlling interests	4.30	(82 072)	(69 455)
Consolidated net income of the BPI Group	4.44	**105 930**	**76 178**
Earnings per share (in Euro)			
Basic	4.44	0.073	0.053
Diluted	4.44	0.073	0.052

The accompanying notes form an integral part of these statements.

The Accountant **The Executive Committee of the Board of Directors**

BANCO BPI, S.A.

INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR PERIODS ENDED JUNE 30, 2016 AND 2015

(Translation of statements of income and other comprehensive income originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Jun. 30, 16			Jun. 30, 15		
	Attributable to shareholders of the BPI Group	Attributable to non-controlling interest	Total	Attributable to shareholders of the BPI Group	Attributable to non-controlling interest	Total
Consolidated net income	**105 930**	**82 072**	**188 002**	**76 178**	**69 455**	**145 633**
Income not included in the consolidated statements of income:						
Items that will not be reclassified to net income						
Actuarial deviations	(126 009)		(126 009)	105 012		105 012
Tax effect	34 600		34 600	(30 224)		(30 224)
	(91 409)		**(91 409)**	**74 788**		**74 788**
Items that may be reclassified subsequently to net income						
Foreign exchange translation differences	(108 051)	(88 576)	(196 627)	(34 628)	(32 197)	(66 825)
Revaluation reserves of financial assets available for sale:						
Revaluation of financial assets available for sale	(18 797)		(18 797)	7 740		7 740
Tax effect	4 179		4 179	(2 748)		(2 748)
Transfer to income resulting from sales	(22 340)		(22 340)	456		456
Tax effect	6 128		6 128	(155)		(155)
Transfer to income resulting from impairment recognized in the period	24 787		24 787	4 231		4 231
Tax effect	(6 792)		(6 792)	(1 153)		(1 153)
Valuation of assets of associated companies	(444)		(444)	(8 033)		(8 033)
Tax effect	(174)		(174)	2 324		2 324
	(121 504)	**(88 576)**	**(210 080)**	**(31 966)**	**(32 197)**	**(64 163)**
Income not included in the consolidated statements of income	**(212 913)**	**(88 576)**	**(301 489)**	**42 822**	**(32 197)**	**10 625**
Consolidated comprehensive income	**(106 983)**	**(6 504)**	**(113 487)**	**119 000**	**37 258**	**156 258**

The accompanying notes form an integral part of these statements.

The Accountant **The Executive Committee of the Board of Directors**

BANCO BPI, S.A.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED JUNE 30, 2016 AND 2015

(Translation of statements of changes in shareholders' equity originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Subscribed share capital	Other equity instruments	Revaluation reserves	Other reserves and retained earnings	Treasury shares	Net income	Non-controlling interests	Shareholders' equity
Balance at December 31, 2014 Proforma	**1 293 063**	**5 270**	**(51 143)**	**1 042 087**	**(13 828)**	**(164 558)**	**418 269**	**2 529 160**
Appropriation of net income for 2014 to reserves				(164 558)		164 558		
Dividends paid on preference shares							(24)	(24)
Dividends distributed to non-controlling interests							(64 207)	(64 207)
Variable Remuneration Program (RVA)		(1 417)		249	1 028			(140)
Comprehensive income for the first half of 2015			(26 257)	69 079		76 178	37 258	156 258
Other				(31)				(31)
Balance at June 30, 2015	**1 293 063**	**3 853**	**(77 400)**	**946 826**	**(12 800)**	**76 178**	**391 296**	**2 621 016**
Dividends paid on preference shares							(22)	(22)
Variable Remuneration Program (RVA)		1 341			3			1 344
Comprehensive income for the second half of 2015			(10 164)	22 927		160 191	37 373	210 327
Other				2 834				2 834
Balance at December 31, 2015	**1 293 063**	**5 194**	**(87 564)**	**972 587**	**(12 797)**	**236 369**	**428 647**	**2 835 499**
Appropriation of net income for 2015 to reserves				236 369		(236 369)		
Dividends paid on preference shares							(22)	(22)
Dividends paid to non-controlling interests							(40 775)	(40 775)
Variable Remuneration Program (RVA)		(818)		(194)	1 283			271
Comprehensive income for the first half of 2016			(120 886)	(92 027)		105 930	(6 504)	(113 487)
Other				(1 336)				(1 336)
Balance at June 30, 2016	**1 293 063**	**4 376**	**(208 450)**	**1 115 399**	**(11 514)**	**105 930**	**381 346**	**2 680 150**

The accompanying notes form an integral part of these statements.

The Accountant

The Executive Committee of the Board of Directors

BANCO BPI, S.A.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED JUNE 30, 2016 AND 2015

(Translation of statements of cash flows originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Jun. 30, 16	Jun. 30, 15
Operating activities		
Interest, commissions and similar income received	932 499	1 303 204
Interest, commissions and similar expenses paid	(483 612)	(819 045)
Recovery of loans and interest in arrears	8 296	7 787
Payments to personnel and suppliers	(342 532)	(293 931)
Net cash flow from income and expenses	114 651	198 015
Decrease (increase) in:		
Financial assets held for trading, available for sale and held to maturity	512 190	(194 225)
Loans and advances to credit institutions	237 495	669 192
Loans and advances to customers	257 464	833 226
Other assets	107 786	178 153
Net cash flow from operating assets	1 114 935	1 486 346
Increase (decrease) in:		
Resources of central banks and other credit institutions	404 886	(9 048)
Resources of customers	(1 368 560)	(41 006)
Financial liabilities held for trading	(7 174)	5 440
Other liabilities	(185 264)	(187 829)
Net cash flow from operating liabilities	(1 156 112)	(232 443)
Contributions to the Pension Funds	(1 643)	(7 798)
Income tax paid	(61 713)	(16 891)
	10 118	**1 427 229**
Investing activities		
Sale of Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.		11 604
Subscription of the increase in share capital of Banco Comercial e de Investimentos, S.A.R.L.		(12 988)
Purchase of other tangible assets and intangible assets	(7 918)	(28 351)
Sale of other tangible assets	5	12
Dividends received and other income	22 825	17 329
	14 912	**(12 394)**
Financing activities		
Liability for assets not derecognised	(31 905)	(91 783)
Issuance of debt securities and subordinated debt	14 215	34 645
Redemption of debt securities	(478 522)	(1 018 202)
Purchase and sale of own debt securities and subordinated debt	(6 112)	(10 775)
Interest on debt securities and subordinated debt	(7 125)	(38 735)
Dividends paid on preference shares	(22)	(24)
Dividends paid to non-controlling interests	(40 775)	
Purchase and sale of treasury shares	269	(140)
	(549 977)	**(1 125 014)**
Net increase (decrease) in cash and equivalents	**(524 947)**	**289 821**
Cash and equivalents at the beginning of the period	3 340 236	2 274 661
Cash and equivalents at the end of the period	**2 815 289**	**2 564 482**

Cash and deposits at central banks	2 401 058	2 012 836
Deposits at other credit institutions	414 231	551 646
Cash and equivalents	**2 815 289**	**2 564 482**
Of which:		
Cash and equivalents of Banco de Fomento Angola	1 729 260	1 690 162
Of which: in AKZ	1 411 160	1 115 053
in USD	309 777	561 262

Cash and equivalents by currencies	**2 815 289**	**2 564 482**
EUR	1 042 098	810 823
USD	320 290	581 695
AKZ	1 411 160	1 115 053
Other currencies	41 741	56 911

The accompanying notes form an integral part of these statements.

The Accountant
Alberto Pitôrra

The Executive Committee of the Board of Directors
President Fernando Ulrich
Members João Pedro Oliveira e Costa
José Pena do Amaral
Manuel Ferreira da Silva
Maria Celeste Hagatong
Pedro Barreto

Banco BPI, S.A.

Notes to the interim consolidated financial statements as of June 30, 2016 and 2015

(Unless otherwise indicated, all amounts are expressed in thousands of Euro – t. 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 November 30, 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 December 20, 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 June 30, 2016 the Group's banking operations were carried out mainly 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 the share capital of Banco de Fomento Angola, S.A. which operates as a commercial bank in Angola.

In the first half of 2016 Banco BPI ceased having control over BPI Strategies, Ltd, as it holds less than 20% of the participating units in these fund. For this reason, the fund BPI Strategies, Ltd ceased being to consolidate in accordance with the full consolidated method.

In the second half 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.

During the second half of 2015 BPI Locação de Equipamentos, Lda, a wholly owned subsidiary of Banco BPI, S.A., was liquidated.

During the first half of 2015 Banco BPI subscribed the amount of 12 988 t. euro in the share capital increase of Banco Comercial de Investimentos, maintaining its 30% participation in that company.

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 the first half of 2016 and in 2015, the BPI Group held 100% of the equity pieces of these vehicles and so they were consolidated in accordance with the full consolidation method.

At June 30, 2016 the BPI Group was made up of the following companies:

	Head Office	Shareholder´s Equity [3]	Total Assets	Net Income (loss) for the year	Direct Participation	Effective Participation	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	1 746 537	32 326 401	131 242			
Banco Português de Investimento, S.A.	Portugal	28 297	32 712	(1 293)	100.00%	100.00%	Full consolidation
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	154 316	1 925 018	10 451	30.00%	30.00%	Equity method
Banco de Fomento Angola, S.A.	Angola	760 607	7 309 801	160 109	50.09%	50.10%	Full consolidation
Banco BPI Cayman, Ltd.	Cayman Islands	156 304	425 058	6 345		100.00%	Full consolidation
Asset management							
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	Portugal	11 363	20 247	2 398	100.00%	100.00%	Full consolidation
BPI – Global Investment Fund Management Company, S.A.	Luxembourg	1 526	3 914	925	100.00%	100.00%	Full consolidation
BPI (Suisse), S.A.	Switzerland	10 032	10 356	1 080	100.00%	100.00%	Full consolidation
BPI Alternative Fund: Iberian Equities Long/Short Fund (Lux) [1]	Luxembourg	349 331	358 884	(10 120)		25.88%	Full consolidation
BPI Obrigações Mundiais - Fundo de Investimento Aberto de Obrigações [1]	Portugal	29 100	29 375	479	18.22%	21.72%	Full consolidation
Venture Capital							
BPI Private Equity - Sociedade de Capital de Risco, S.A.	Portugal	33 592	41 370	(82)	100.00%	100.00%	Full consolidation
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	1 060	1 509	6		49.00%	Equity method
Insurance							
BPI Vida e Pensões – Companhia de Seguros, S.A	Portugal	108 962	4 786 040	8 264	100.00%	100.00%	Full consolidation
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	59 700	103 099	4 171	50.00%	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	199 910	1 207 158	13 423	35.00%	35.00%	Equity method
Other							
BPI Capital Finance Ltd.[2]	Cayman Islands	1 809	1 812	23	100.00%	100.00%	Full consolidation
BPI Capital Africa (Proprietary) Limited	South Africa	(4 059)	1 732	(715)		100.00%	Full consolidation
BPI, Inc.	U.S.A.	764	765	(4)	100.00%	100.00%	Full consolidation
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	166 705	172 852	8 494	100.00%	100.00%	Full consolidation
BPI Moçambique – Sociedade de Investimento, S.A.	Mozambique	461	941	(230)	98.40%	100.00%	Full consolidation
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	135 799	367 594	51 346	21.01%	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of June 30, 2016 (accounting balances before consolidation adjustments). The financial statements of subsidiaries, associates and jointly controlled entities are pending approval by their respective governing bodies. However, the Board of Directors of Banco BPI believes that there will be no changes with significant impact on the consolidated net 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 income for the period.

2. BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES

A) BASIS 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 July 19 of the European Parliament and Council, incorporated into Portuguese legislation through Bank of Portugal Notice 1/2005 of February 21.

The consolidated financial statements have been prepared on a going concern basis, as provided for in IAS 1 – Presentation of financial statements.

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 June 30, 2016, are as follows:

- Improvements to international financial reporting standards – 2010-2012 Cycle: this process included the review of 7 accounting standards. The improvements include 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 proportionately the 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 February 1, 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 recognized 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 February 1, 2015.

- Improvements to international financial reporting standards – 2012-2014 Cycle: this process included the review 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 January 1, 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 January 1, 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 January 1, 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 January 1, 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 January 1, 2016.

The adoption of the amendments to the standards referred to above did not have a significant impact on the accompanying financial statements.

B) MAIN ACCOUNTING POLICIES

The following accounting policies are applicable to the consolidated financial statements of the BPI Group.

2.1. 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 the 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 non-controlling interest caption, 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, 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 related 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 presumed 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 January 1, 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 income of Banco BPI and the percentage of the net income 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 whose functional currency 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:

	Jun. 30, 16	Dec. 31, 15
Kwanza - Angola	185.3610	147.8320
Metical Mozambique	70.6900	50.0400
Swiss Franc	1.0867	1.0835
South Africa Rand	16.4461	16.9530
USA dollar	1.1102	1.0887

The consolidated balance sheet of the BPI Group includes a significant portion of assets and liabilities in kwanzas, as shown in Note 4.46 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 December 31, 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 December 31, 2015.

The exchange rates of the kwanza in relation to other currencies published by BNA at the opening day of January 4, 2016, the first business day after December 31, 2015, show a devaluation of the kwanza in relation to the Euro and USA dollar of about 15%.

	Official exchange rates on Dec. 31, 15	Official exchange rates on Jan. 4, 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 December 31, 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 January 4, 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 millions of Euro

	Dec. 31, 15 as reported	Proforma considering the exchange rate on Jan. 4, 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)

2.2. 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 November 1, 2008, the reference date of the changes made by the BPI Group was July 1, 2008. The reclassifications made on or after November 1, 2008 are effective only as from the reclassification date.

In Note 4.46 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.

2.2.1. 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 derivatives embedded in financial assets and liabilities), except for those designated as hedging instruments under hedge accounting (Note 2.2.7).

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.

2.2.2. 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.

2.2.3. 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 declared 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 2.2.7. Hedge Accounting – derivatives and hedged instruments.

2.2.4. 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 related to the 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 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 recognized 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 2.2.7. 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 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 t. 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 t. 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 the customer's management, 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.

2.2.5. 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 2.2.7. Hedge Accounting – derivatives and hedged instruments.

2.2.6. 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 2.2.7. 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.

2.2.7. 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.

2.2.8. 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.

2.3. 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 January 1, 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.

2.4. 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 recognized in the caption “Impairment losses and other provisions, net”.

2.5. 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.

2.6. Retirement and survivor pensions (IAS 19)

2.6.1. 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 December 31, 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 January 3, 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 January 1, 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 December 31 was published, which establishes transfer to the Social Security of the liability for retirement and survivor pensions of retirees and pensioners which at December 31, 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 - SAMS); (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 January 1, 2012.

The value of the pension fund assets transferred to the Portuguese State was 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 December 31, 2011, the amount equivalent to 55% of the provisional present value of the liabilities; (ii) by June 30, 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 December 31, 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 January 1, 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.

On June 14, 2016 a new Collective Labour Agreement (ACT) was signed with the labour unions. It was published in the Labour and Employment Bulletin ("Boletim do Trabalho e do Emprego") on August 8, 2016 and entered into force on the following day.

The new ACT maintained the pension regime as well as the supplementary health system (SAMS) applicable to employees and pensioners of Banco BPI unchanged, having, however, established new rules for the financing of SAMS for which financial institutions are responsible.

Following this change the BPI Group's SAMS liability with respect to retirees and pensioners changed from a percentage (6.5%) over the amount of the pension to a fixed per capita amount for each type of beneficiary (retired or survivor pensioner).

The impact of this change was a decrease in the past service liability in the amount of 22 215 t. euro. To the extent that is a change in the benefits of the pension plan, this impact was recorded in the statement of income caption "Personnel costs", as provided for in paragraph 103 of IAS 19 (Note 4.40).

Additionally, with the new ACT mandatory promotions due to time of service were eliminated, except for the next promotion for employees that have been promoted up to December 31, 2014.

The impact of the elimination of mandatory promotions due to time of service resulted in a reduction of 9 593 t. euro in the past service liability, which was recorded by corresponding entry to equity (actuarial deviations) (Note 4.29), since the mandatory promotions due to time of service were incorporated into the salary growth assumption used by Banco BPI.

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, 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, as of the date of the financial statements. An analysis of the actuarial assumptions and, if applicable, their corresponding change, is carried out by the BPI Group as of June 30 and December 31 of each year. On June 30, 2016 and December 31, 2015 the BPI Group did not change the actuarial assumptions because it considers that the assumptions regarding the current market conditions and expectations at the balance sheet date are still applicable. 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 December 31, 2003 were reversed by corresponding entry to retained earnings at the transition date (January 1, 2004).

2.6.2. Employees of BFA

BFA´s employees are covered by Law 7/04 of October 15, 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 June 9, 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 February 11 (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 long service 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 September 15, 2015 Law 7/15 of June 15 (New General Labour Law) came into force, which revoked Law 2/00 of February 11. 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 February 11, BFA continues to record a provision for "Retirement income" on the same basis.

In addition, BFA granted its hired locally employees and their families the right to retirement benefits for retirement due to age, disability and survivor pension. Therefore as from January 1, 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.

2.7. Long service premiums and final career premium (IAS 19)

Up to June 2016, under the Collective Labour Agreement for the banking sector there was a commitment to pay employees (of domestic operations) 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 was attributed).

With the entry into force of the new ACT, the long service premium was eliminated. However, the new ACT established the payment of the proportional part of the long service premium for the current 15, 25 or 30 years anniversary of banking service corresponding to the time of good and effective service in the banking sector at the time of the entry into force of the new ACT.

The new ACT provides for the payment of a final career premium corresponding to 1.5 times the effective monthly remuneration of the employee at the time of termination of the labour contract due to retirement.

The net impact of the elimination of the long service premium and the creation of the final career premium corresponded to a decrease of 22 079 t. euro in the past service liability. To the extent that this is a change of benefits of the pension plan, this impact was recorded in the statement of income caption "Personnel costs", as provided for in paragraph 103 of IAS 19 (Note 4.40).

Annually, the BPI Group determines the present value of the liability for long service premiums (until June 2016) and for final career 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 (up to June 2016) and for final career premiums is reflected under the caption "Other liabilities".

The following costs relating to the liability for long service premiums (until June 2016) and for final career 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.

Long service premiums and final career premiums are only paid to employees of domestic operations.

2.8. 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.

2.9. Share-based payments (Remuneração variável em acções – RVA) (IFRS 2)

The share-based payment program (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 only exception to this rule relates to the remuneration of the employees responsible for control functions which, in spite of being based principally on a fixed remuneration component, may include variable remuneration provided that it does not exceed 25% of their total remuneration which, however, will always be paid in cash.

As regards Executive Directors, the RVA, which is equal to 50% of the variable remuneration, is deferred for a 3 year period after the grant date and is subject to the following suspensive 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. After the deferral period of 3 years and the conditions being complied with the shares are transferred to the respective employees and the BPI share options fall due, and may be exercised within 3 years from the date of conclusion of the deferral period.

As regards Employee Holders of Essential Functions, as defined by law (General Regime for Credit Institutions and Financial Companies ("RGICSF") and Delegated Regulation (EU) 604/2014 of the Commission, of March 4, 2014), the share-based payment program is identical to that applicable to Executive Directors. In accordance with the Remuneration Policy approved for this group of Employees, by specific resolution each year, the Executive Commission of the Board of Directors is able to exclude from the deferral rule Employee Holders of Essential Functions with variable remuneration of less than 50 000 euro or less than 30% of the total remuneration of the previous year.

As regards the remaining Employees, the shares granted under the RVA program are transferred in full at the grant date, but transmission of 75% of the shares in question is subject to a resolution condition relating to the maintenance of the employment relationship in accordance with the RVA Regulation. This resolution condition ends on a linear basis over the three years following the grant date (25% per 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 the BPI Group also affects the due date or term for the exercise of the options granted, in accordance with the RVA Regulation.

The rules relating to the resolution condition and term defined in the RVA Regulation applicable to the majority of Employees apply, with the necessary modifications, to the remaining Executive Directors and Employee Holders of Essential Functions.

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 (January 1) 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.

2.10. 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).

2.11. 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.

2.12. Income taxes (IAS 12)

All the Group companies are taxed individually.

2.12.1. 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.

2.12.2. 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 January 1, 2015 the new Industrial Tax Code, approved by Law 19/2014 of October 22, 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 January 1, 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).

2.13. Preference shares (IAS 32 e 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.

2.14. Insurance and reinsurance brokerage services

Banco BPI is duly authorized by the Portuguese Insurance Institute 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 July 31, 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 January 31).

Commission received for insurance brokerage services is recognized 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 recognized relating to the insurance brokerage services rendered by Banco BPI, from those already referred to.

2.15. 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 June 30, 2016 and investments in tangible and intangible assets during the period, by segment, are as follows:

	Domestic operations					International operations				
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	Total	Angola (BFA)	Others	Total	Inter segment operations	BPI Group
ASSETS										
Cash and deposits at central banks	782 901				782 901	1 618 157		1 618 157		2 401 058
Deposits at other credit institutions	432 140	55 985	12 269	(197 386)	303 008	394 450	120	394 570	(283 347)	414 231
Financial assets held for trading and at fair value through profit or loss	2 573 369	232 736		(7 259)	2 798 846	1 293 989		1 293 989		4 092 835
Financial assets available for sale	3 689 995	631	61 782		3 752 408	1 855 649		1 855 649		5 608 057
Loans and advances to credit institutions	1 146 722	84 002	2 895	(478 057)	755 562	552 838	1 574	554 412	(320 412)	989 562
Loans and advances to customers	23 098 478			(403 837)	22 694 641	1 260 252		1 260 252		23 954 893
Held to maturity investments	28 533			(12 214)	16 319					16 319
Hedging derivatives	47 567			(953)	46 614					46 614
Other tangible assets	57 377	907			58 284	102 136	130	102 266		160 550
Intangible assets	22 879	318			23 197	3 450	18	3 468		26 665
Investment in associated companies and jointly controlled entities	73 224		72 094		145 318		46 295	46 295		191 613
Tax assets	447 100	1 838	(228)		448 710	5 690	735	6 425		455 135
Other assets	592 271	6 086	111	(45 985)	552 483	18 137	108	18 245	(71 676)	499 052
TOTAL ASSETS	**32 992 556**	**382 503**	**148 923**	**(1 145 691)**	**32 378 291**	**7 104 748**	**48 980**	**7 153 728**	**(675 435)**	**38 856 584**
LIABILITIES										
Resources of central banks	2 000 615				2 000 615					2 000 615
Financial liabilities held for trading	272 398			(10 607)	261 791	25 335		25 335		287 126
Resources of other credit institutions	1 843 616	262	25 059	(29 725)	1 839 212	51	445	496	(603 759)	1 235 949
Resources of customers and other debts	21 978 724	258 924		(673 157)	21 564 491	6 142 381		6 142 381		27 706 872
Debt securities	1 004 566			(400 192)	604 374					604 374
Financial liabilities relating to transferred assets	657 625				657 625					657 625
Hedging derivatives	151 200			(173)	151 027					151 027
Provisions	70 508		3 204		73 712	22 095		22 095		95 807
Technical provisions	2 681 007				2 681 007					2 681 007
Tax liabilities	26 865	164	(409)		26 620	16 927	5 140	22 067		48 687
Other subordinated debt and participating bonds	83 507			(14 006)	69 501					69 501
Other liabilities	568 930	4 245	7 778	(17 831)	563 122	140 560	5 838	146 398	(71 676)	637 844
TOTAL LIABILITIES	**31 339 561**	**263 595**	**35 632**	**(1 145 691)**	**30 493 097**	**6 347 349**	**11 423**	**6 358 772**	**(675 435)**	**36 176 434**
SHAREHOLDERS' EQUITY										
Shareholders' equity attributable to the shareholders of BPI	1 651 193	118 908	113 291		1 883 392	377 855	37 557	415 412		2 298 804
Non-controlling interests	1 802				1 802	379 544		379 544		381 346
TOTAL SHAREHOLDERS' EQUITY	**1 652 995**	**118 908**	**113 291**		**1 885 194**	**757 399**	**37 557**	**794 956**		**2 680 150**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**32 992 556**	**382 503**	**148 923**	**(1 145 691)**	**32 378 291**	**7 104 748**	**48 980**	**7 153 728**	**(675 435)**	**38 856 584**
Investments made in:										
Property	6				6	270		270		276
Equipment and other tangible assets	522				522	4 444	5	4 449		4 971
Intangible assets	1 208				1 208	1 455	9	1 464		2 672

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 in USD remunerated at an average interest rate of 0.5%.

The caption Other assets – Inter segment operations at June 30, 2016 includes 66 125 t.euro relating to dividends payable by BFA to Banco BPI, of which 29 224 t euro relating to 50% of the dividends for the year 2014 and 36 900 t. euro relating to the total amount of dividends for 2015. According to a communication received from BNA, it is expected that the dividends for 2014 will be received up to the end of 2016. As regards the dividends for 2015, request was made to BNA to authorize their transfer.

The BPI Group's income statement for the period ended June 30, 2016, by segment, is as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investment and others	Inter segment operations	**Total**	Angola (BFA)	Others	**Total**		
Interest and similar income	273 884	76		(658)	273 302	204 231	37	204 268	(1 397)	476 173
Interest and similar expenses	(95 159)	(716)	(135)	658	(95 352)	(43 234)	(249)	(43 483)	1 397	(137 438)
Financial margin (narrow sense)	**178 725**	**(640)**	**(135)**		**177 950**	**160 997**	**(212)**	**160 785**		**338 735**
Gross margin on unit links	7 051				7 051					7 051
Income from equity instruments	1 857		2 053		3 910					3 910
Net commission relating to amortised cost	10 558				10 558					10 558
Financial margin	**198 191**	**(640)**	**1 918**		**199 469**	**160 997**	**(212)**	**160 785**		**360 254**
Technical result of insurance contracts	13 495				13 495					13 495
Commissions received	145 582	6 147		(25 349)	126 380	24 989	361	25 350	(625)	151 105
Commissions paid	(35 380)	(5 321)	(3)	25 349	(15 355)	(5 551)		(5 551)	625	(20 281)
Other income, net	14 192	(1)			14 191	8 874		8 874		23 065
Net commission income	**124 394**	**825**	**(3)**		**125 216**	**28 312**	**361**	**28 673**		**153 889**
Gain and loss on operations at fair value	(6 742)	6 065			(677)	80 064	49	80 113		79 436
Gain and loss on assets available for sale	24 413	42			24 455					24 455
Interest and financial gain and loss with pensions	1 332	(4)			1 328					1 328
Net income on financial operations	**19 003**	**6 103**			**25 106**	**80 064**	**49**	**80 113**		**105 219**
Operating income	9 051				9 051	45	48	93		9 144
Operating expenses	(25 406)	(6)			(25 412)	(976)	(1)	(977)		(26 389)
Other taxes	(2 428)	(760)			(3 188)	(10 016)	(48)	(10 064)		(13 252)
Net operating expenses	**(18 783)**	**(766)**			**(19 549)**	**(10 947)**	**(1)**	**(10 948)**		**(30 497)**
Operating income from banking activity	**336 300**	**5 522**	**1 915**		**343 737**	**258 426**	**197**	**258 623**		**602 360**
Personnel costs	(147 922)	(3 329)	(112)		(151 363)	(42 585)	(913)	(43 498)		(194 861)
General administrative costs	(90 971)	(2 359)	(12)		(93 342)	(33 957)	(333)	(34 290)		(127 632)
Depreciation and amortisation	(10 700)	(53)			(10 753)	(6 192)	(56)	(6 248)		(17 001)
Overhead costs	**(249 593)**	**(5 741)**	**(124)**		**(255 458)**	**(82 734)**	**(1 302)**	**(84 036)**		**(339 494)**
Recovery of loans, interest and expenses	7 159				7 159	1 136		1 136		8 295
Impairment losses and provisions for loans and guarantees, net	(35 775)				(35 775)	(11 510)		(11 510)		(47 285)
Impairment losses and other provisions, net	(33 140)	4	(731)		(33 867)	(1 819)		(1 819)		(35 686)
Net income before income tax	**24 951**	**(215)**	**1 060**		**25 796**	**163 499**	**(1 105)**	**162 394**		**188 190**
Income tax	(19 016)	(57)	103		(18 970)	(2 368)	(207)	(2 575)		(21 545)
Earnings of associated companies (equity method)	4 854		12 876		17 730		3 627	3 627		21 357
Global consolidated net income	**10 789**	**(272)**	**14 039**		**24 556**	**161 131**	**2 315**	**163 446**		**188 002**
Income attributable to non-controlling interests	(23)				(23)	(82 049)		(82 049)		(82 072)
Consolidated net income of the BPI Group	**10 766**	**(272)**	**14 039**		**24 533**	**79 082**	**2 315**	**81 397**		**105 930**
Cash flow after taxes	90 381	(223)	14 770		104 928	98 603	2 371	100 974		205 902

The BPI Group's balance sheet as of December 31, 2015 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 (BFA)	Others	Total		
ASSETS										
Cash and deposits at central banks	997 650				997 650	1 730 534	1	1 730 535		2 728 185
Deposits at other credit institutions	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 derivatives	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 79
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 derivatives	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 in USD and in EUR remunerated at an average interest rate of 0.3%.

At December 31, 2015 the caption Other assets – Inter segment operations includes 29 801 t.euro relating to 50% of the dividends payable by BFA to Banco BPI relating to 2014 profits. According to a communication received from BFA, it is expected that that these dividends will be received up to the end of 2016.

The BPI Group's income statement for the period ended June 30, 2015, by segment, is as follows:

	Domestic operations					International operations				
	Commercial banking	Investment banking	Equity investment and others	Inter segment operations	**Total**	Angola (BFA)	Others	**Total**	Inter segment operations	**BPI Group**
Interest and similar income	387 980	528			388 508	227 219	53	227 272	(13 996)	601 784
Interest and similar expenses	(236 917)	(675)	(324)		(237 916)	(65 264)	(246)	(65 510)	13 996	(289 430)
Financial margin (narrow sense)	**151 063**	**(147)**	**(324)**		**150 592**	**161 955**	**(193)**	**161 762**		**312 354**
Gross margin on unit links	5 379				5 379					5 379
Income from equity instruments	1 284		2 315		3 599					3 599
Net commission relating to amortised cost	9 882				9 882	4		4		9 886
Financial margin	**167 608**	**(147)**	**1 991**		**169 452**	**161 959**	**(193)**	**161 766**		**331 218**
Technical result of insurance contracts	19 401				19 401					19 401
Commissions received	146 532	9 133		(26 314)	129 351	23 389	574	23 963	(625)	152 689
Commissions paid	(36 984)	(6 017)	(9)	26 314	(16 696)	(4 744)		(4 744)	625	(20 815)
Other income, net	11 930	(1)			11 929	11 598		11 598		23 527
Net commission income	**121 478**	**3 115**	**(9)**		**124 584**	**30 243**	**574**	**30 817**		**155 401**
Gain and loss on operations at fair value	17 770	6 166			23 936	72 871		72 871		96 807
Gain and loss on assets available for sale	(1 060)		108		(952)					(952)
Interest and financial gain and loss with pensions	(463)	(9)			(472)					(472)
Net income on financial operations	**16 247**	**6 157**	**108**		**22 512**	**72 871**		**72 871**		**95 383**
Operating income	13 297	5			13 302	678	164	842		14 144
Operating expenses	(15 329)	(199)			(15 528)	(1 766)	(3)	(1 769)		(17 297)
Other taxes	(2 821)	(333)			(3 154)	(7 704)	(162)	(7 866)		(11 020)
Net operating expenses	**(4 853)**	**(527)**			**(5 380)**	**(8 792)**	**(1)**	**(8 793)**		**(14 173)**
Operating income from banking activity	**319 881**	**8 598**	**2 090**		**330 569**	**256 281**	**380**	**256 661**		**587 230**
Personnel costs	(142 860)	(4 541)	(105)		(147 506)	(40 419)	(1 152)	(41 571)		(189 077)
General administrative costs	(87 921)	(2 488)	(12)		(90 421)	(36 294)	(347)	(36 641)		(127 062)
Depreciation and amortisation	(9 143)	(47)			(9 190)	(8 250)	(64)	(8 314)		(17 504)
Overhead costs	**(239 924)**	**(7 076)**	**(117)**		**(247 117)**	**(84 963)**	**(1 563)**	**(86 526)**		**(333 643)**
Recovery of loans, interest and expenses	6 809				6 809	978		978		7 787
Impairment losses and provisions for loans and guarantees, net	(68 722)				(68 722)	(18 180)		(18 180)		(86 902)
Impairment losses and other provisions, net	(6 024)	3	(8 212)		(14 233)	(1 802)		(1 802)		(16 035)
Net income before income tax	**12 020**	**1 525**	**(6 239)**		**7 306**	**152 314**	**(1 183)**	**151 131**		**158 437**
Income tax	(8 438)	(718)	(250)		(9 406)	(15 959)	(176)	(16 135)		(25 541)
Earnings of associated companies (equity method)	4 914		3 815		8 729		4 008	4 008		12 737
Global consolidated net income	**8 496**	**807**	**(2 674)**		**6 629**	**136 355**	**2 649**	**139 004**		**145 633**
Income attributable to non-controlling interests	(22)				(22)	(69 433)		(69 433)		(69 455)
Consolidated net income of the BPI Group	**8 474**	**807**	**(2 674)**		**6 607**	**66 922**	**2 649**	**69 571**		**76 178**
Cash flow after taxes	92 363	851	5 538		98 752	95 154	2 713	97 867		196 619

4. NOTES

4.1. Cash and deposits at Central Banks

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Cash	394 919	520 524
Demand deposits at the Bank of Portugal	557 811	738 402
Demand deposits at foreign Central Banks	1 448 328	1 469 253
Accrued interest		6
	2 401 058	**2 728 185**

The caption "Demand deposits at the Bank of Portugal" includes deposits made to comply with the minimum cash reserve requirements of the Eurosystem. Currently, the component of these deposits made to comply with the minimum cash reserve requirements is remunerated at 0% and the surplus funds have an interest rate of -0.40%. The minimum cash reserve corresponds to 1% of the amount of 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 cash reserve system and the liabilities to the European Central Bank 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 June 30, 2016 are calculated in accordance with the terms of BNA Instruction 02/2016 of April 11 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 June 30, 2016 the requirement to maintain compulsory cash reserves is calculated by application of the rate of 30% 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 20% of the liability in Treasury Bonds and/or with a medium and long-term loan agreement made with the Ministry of Finance, considering their maturities, provided that they are issued or disbursed as from January 2015. Compulsory cash reserves in other currencies must be made of 12% in eligible securities in foreign currency issued as from 2015 and 3% in cash.

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.

4.2. Deposits at other Credit Institutions

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Domestic Credit Institutions		
Demand deposits	2 828	34 441
Cheques for collection	58 253	70 123
Other	205	337
Foreign Credit Institutions		
Demand deposits	345 458	502 960
Cheques for collection	7 487	4 197
Impairment		(3)
	414 231	**612 055**

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 the first half of 2016 and 2015 are presented in Note 4.20.

4.3. Financial assets held for trading and at fair value through profit or loss

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Financial assets held for trading		
Debt Instruments		
Bonds issued by Portuguese government entities	133 455	33 322
Bonds issued by foreign government entities	1 307 215	513 721
Bonds issued by other Portuguese entities		
Non-subordinated debt	16 338	12 751
Subordinated debt	201	
Bonds issued by foreign financial entities		372
Bonds issued by other foreign entities		
Non-subordinated debt	33 949	59 190
Subordinated debt	483	
	1 491 641	**619 356**
Equity instruments		
Shares issued by Portuguese entities	118 515	173 978
Shares issued by foreign entities	134 374	184 541
	252 889	**358 519**
Other securities		
Participating units issued by Portuguese entities	137	140
Participating units issued by foreign entities	2	2
	139	**142**
	1 744 669	**978 017**
Financial assets at fair value through profit or loss		
Debt Instruments		
Bonds issued by Portuguese government entities	230 165	39 002
Bonds issued by foreign government entities	733 095	1 299 163
Bonds issued by other Portuguese entities		
Non-subordinated debt	186 520	74 565
Bonds issued by foreign financial entities	67 206	22 060
Bonds issued by other foreign entities		
Non-subordinated debt	241 915	173 340
Subordinated debt	4 683	1 104
	1 463 584	**1 609 234**
Equity instruments		
Shares issued by Portuguese entities	329	735
Shares issued by foreign entities	31 028	17 030
	31 357	**17 765**
Other securities		
Participating units issued by Portuguese entities	91 053	99 644
Participating units issued by foreign entities	497 753	716 037
	588 806	**815 681**
	2 083 747	**2 442 680**
Derivative instruments with positive fair value (Note 4.4)	**264 419**	**253 907**
	4 092 835	**3 674 604**

This caption includes the following assets hedging capitalisation insurance products issued by BPI Vida e Pensões:

	Jun. 30, 16	Dec. 31, 15
Debt Instruments		
Of public entities	963 261	1 338 166
Other entities	500 324	270 907
Equity Instruments	25 032	18 069
Other securities	588 807	768 718
Derivative instruments with positive fair value	1 099	3 107
	2 078 523	**2 398 967**

4.4. Derivatives

The caption "Derivative instruments held for trading" (Notes 4.3 and 4.15) is made up as follows:

	Jun. 30, 16			Dec. 31, 15		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
Futures	376		86	500	3	
Options				67		
Exchange forwards and swaps	1 458 150	23 920	25 495	1 989 721	22 187	26 701
Interest rate contracts						
Futures	702 189		123	3 249	42	
Options	254 790	882	833	374 914	1 617	1 217
Swaps	5 107 893	194 470	232 617	5 329 039	186 081	212 459
Contracts over shares						
Futures	3 100	1 411	319	7 156	35	89
Swaps	358 469	32 406	1 752	412 332	5 274	22 000
Options	158 635	1 099		996 416	2 675	47
Contracts over other underlying items						
Futures	181 929			151 550		
Others						
Options[2]	1 322 719	6 048	6 485	859 473	31 821	31 805
Others[3]	1 584 316	3 283		1 660 502	4 074	
Overdue derivatives		900			98	
	11 132 566	**264 419**	**267 710**	**11 784 919**	**253 907**	**294 318**

[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 4.19).

The caption "Derivative instruments held for hedging" is made up as follows:

	Jun. 30, 16			Dec. 31, 15		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Interest rate contracts						
Futures	32 388		79	70 619	5	16
Swaps	7 161 902	46 521	150 385	7 744 856	91 281	159 493
Contracts over shares						
Swaps	624 574	93	563	733 413		2 047
	7 818 864	**46 614**	**151 027**	**8 548 888**	**91 286**	**161 556**

[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 4.46 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, when 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 June 30, 2016 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	**1 367 607**	**75 443**	**15 100**			**1 458 150**
Forwards	395 378	63 061	15 100			473 539
Swaps	972 229	12 382				984 611
Interest rate contracts	**2 132 149**	**960 534**	**1 802 024**	**4 683 056**	**2 935 900**	**12 513 663**
Swaps	2 104 695	904 118	1 671 589	4 668 920	2 920 473	12 269 795
Options	27 454	56 416	130 435	14 136	15 427	243 868
Contracts over indexes and shares	**423 312**	**224 555**	**335 178**	**56**		**983 101**
Swaps	423 310	224 555	335 178			983 043
Options	2			56		58
Others	**933 523**	**452 836**	**643 601**	**493 334**	**383 741**	**2 907 035**
Options	199 709	452 836	643 601	1 062	25 511	1 322 719
Other	733 814			492 272	358 230	1 584 316
	4 856 591	**1 713 368**	**2 795 903**	**5 176 446**	**3 319 641**	**17 861 949**
Organized markets						
Exchange rate contracts	**376**					**376**
Futures	376					376
Interest rate contracts	**132 537**		**562 962**	**50 000**		**745 499**
Futures	121 615		562 962	50 000		734 577
Options	10 922					10 922
Contracts over indexes and shares	**161 677**					**161 677**
Futures	3 100					3 100
Options	158 577					158 577
Contracts over other underlying items	**181 929**					**181 929**
Futures	181 929					181 929
	476 519		**562 962**	**50 000**		**1 089 481**
	5 333 110	**1 713 368**	**3 358 865**	**5 226 446**	**3 319 641**	**18 951 430**

At December 31, 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
Other			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 June 30, 2016 the distribution of derivative operations, by counterparty external rating, was as follows:

	Jun. 30, 16			
	Notional Value[1]	**Gross exposure [2]**	**Exposure considering netting[3]**	**Net exposure[4]**
Over-the-counter market (OTC)				
AA-	830 178	3 447	504	504
A+	767 353	5 878	212	212
A	6 329 986	32 137	7 911	467
A-	438 235	8 226	975	975
BBB+	1 769 633	14 024	8 891	304
BBB	483 748	13 781	928	
BBB-	1 343 965	3 500		
BB	22 564	223	223	223
BB-	153 221	6 796	2 723	
N.R.	2 816 031	258 928	258 164	223 803
	14 954 914	**346 940**	**280 531**	**226 488**
Traded on the stock exchange				
Futures[5]	1 089 481			
	1 089 481			
	16 044 395	**346 940**	**280 531**	**226 488**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributted 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 2 907 035 t. euro.

[2] Gross exposure used for risk management purposes, without considering netting agreements, collateral and value adjustmen 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 settleme

At December 31, 2015 the distribution of derivative operations, by counterparty external rating, was as follows:

	Dec. 31, 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 attributted 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 t. euro.

[2] Gross exposure used for risk management purposes, without considering netting agreements, collateral and value adjustmen 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 settleme

4.5. Financial assets available for sale

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Debt instruments		
Bonds issued by Portuguese government entities	1 820 606	1 777 581
Bonds issued by foreign government entities	3 315 806	4 175 426
Bonds issued by other Portuguese entities	29 944	29 782
Bonds issued by other foreign entities	153 696	197 203
Impairment	(19 362)	
	5 300 690	**6 179 992**
Equity instruments		
Shares issued by Portuguese entities	62 939	66 494
Impairment	(27 902)	(28 432)
Quotas	57 107	60 784
Shares issued by foreign entities	44 802	55 328
Impairment	(18 748)	(18 619)
	118 198	**135 555**
Other securities		
Participating units issued by Portuguese entities	225 955	226 470
Impairment	(53 020)	(49 044)
Participating units issued by foreign entities	16 711	16 822
Impairment	(1 784)	(1 784)
	187 862	**192 464**
Loans and other receivables	23 255	23 049
Impairment	(21 948)	(21 672)
	1 307	**1 377**
	5 608 057	**6 509 388**

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 t. euro. The impact of the sale was recognised in “Net income on financial operations” (Note 4.38).

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 the first half of 2016 and 2015 are shown in Note 4.20.

At June 30, 2016 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					
Debt Instruments								
Issued by Portuguese Entities								
Portuguese Public Debt								
Treasury Bills								
BILHETES DO TESOURO CZ-22.07.2016	230 500 000	1,00	1,00	230 483	230 500	2		
BILHETES DO TESOURO-CZ-17-03-2017	355 000 000	1,00	1,00	354 852	354 709	(184)		
BILHETES DO TESOURO-CZ-18.11.2016	176 487 000	1,00	1,00	176 466	176 448	(27)		
BILHETES DO TESOURO-CZ-19.05.2017	149 000 000	1,00	1,00	148 892	148 836	(65)		
BILHETES DO TESOURO-CZ-20.01.2017	280 000 000	1,00	1,00	279 910	279 871	(72)		
BILHETES DO TESOURO-CZ-23.09.2016	298 000 000	1,00	1,00	297 931	297 991	8		
				1 488 534	**1 488 355**	**(338)**		
Treasury Bonds								
OT - 4.35% (16.10.2017)	60 000	0,01	105,20	93	65	1		
OT - 4.35% (16.10.2017)	500 000	0,01	0,01	525	541	17		
OT-4.75%-14.06.2019	300 000 000	0,01	0,01	318 513	331 645	24 633	(33 723)	
				319 131	**332 251**	**24 651**	**(33 723)**	
Other Residents								
Non - Subordinated debt								
Other Bonds								
VIOLAS-SGPS SA-TV-06.11.2023	30 000 000		99,47	30 000	29 944	(159)		
				30 000	**29 944**	**(159)**		
Issued by non - residents								
By foreign government entities								
Bonds								
BILHETES DO TESOURO - BFA	15 833	5,39		78	84			
BUONI ORDINARI DEL TES-CZ-1.06.2017	30 000 000	1 000,00	1 001,88	30 012	30 056	45		
BUONI ORDINARI DEL TES-CZ-14.09.2016	70 000 000	1 000,00	1 000,58	69 962	70 041	49		
BUONI ORDINARI DEL TES-CZ-14.10.2016	70 000 000	1 000,00	1 000,71	69 985	70 050	54		
BUONI ORDINARI DEL TES-CZ-14.11.2016	50 000 000	1 000,00	1 000,82	49 994	50 041	43		
BUONI ORDINARI DEL TES-CZ-14.12.2016	200 000 000	1 000,00	1 000,86	199 979	200 172	182		
BUONI POLIENNALI DEL T-4.25%-01.09.2019	312 500 000	1 000,00	1 132,65	319 558	358 344	39 205	(39 897)	
BUONI POLIENNALI DEL T-4.5%-01.03.2019	175 000 000	1 000,00	1 120,40	185 458	198 673	18 143	(19 695)	
OBRIGAÇÕES DO TESOURO - AKZ	1 606 855	539,49		1 215 322	1 245 732			
OBRIGAÇÕES DO TESOURO - USD	77 475	107,90		597 923	607 193			
SPAIN LETRAS DEL TESORO-CZ-09.12.2016	195 000 000	1 000,00	1 001,14	194 972	195 222	235		
SPAIN LETRAS DEL TESORO-CZ-15.07.2016	50 000 000	1 000,00	1 000,09	49 997	50 005	5		
SPAIN LETRAS DEL TESORO-CZ-16.09.2016	130 000 000	1 000,00	1 000,61	129 938	130 079	93		
SPAIN LETRAS DEL TESORO-CZ-17.02.2017	60 000 000	1 000,00	1 001,59	59 998	60 095	97		
SPAIN LETRAS DEL TESORO-CZ-19.08.2016	50 000 000	1 000,00	1 000,38	49 983	50 019	22		
				3 223 159	**3 315 806**	**58 173**	**(59 592)**	
Others non - residents								
Non - subordinated Debt								
Bonds								
ALLIANZ FINANCE BV-4.375% PERP.	47 500 000		100,98	45 175	48 726	616	(1 258)	
BARCLAYS BANK PLC-TV-25.05.2017	2 448 593	34 979,90	20 852,57	1 768	1 460	(860)		
C8 CAPITAL SPV -TV - PERPETUA	65 000 000	900,74	790,40	58 302	51 376	(7 173)		
COSAN FINANCE LTD-7%-01.02.2017	20 000 000		101,62	17 824	18 828	317	(616)	
EIRLES TWO LIMITED-TV. PERP.	800 000	100 000,00	57 940,00	794	467	(336)		
GAZ CAPITAL(GAZPROM)-6.212% (22.11.2016)	10 000 000		101,70	8 976	9 219	154	(168)	
KION MORTGAGE FIN SR.06-1 CL.A-15.07.51	54 805	856,33	718,92	54	46	(8)		
PORTUGAL TELCM INT FIN-4.375%(24.3.2017)	23 000 000	1 000,00	151,53	22 153	3 485			19 362
AVOCA CLO SR.IV-X CL.B-TV.(18.02.2022)	59 376	7 422,01	7 407,90	55	59			
LUSITANO MTGE-SR.1-CL.D-TV (15.12.2035)	200 000	100 000,00	76 970,00	198	154	(46)		
MADRID RMBS FTA-SR.06-1 CL.A2-22.06.2049	171 393	42 848,17	38 478,64	168	154	(15)		
PELICAN MORTGAGES-2/B (15.9.2036)	290 000	10 000,00	9 069,55	286	264	(27)		
RHODIUM BV - SR.1X- CL.C (27.5.2084)	101 716	12 714,47	12 015,18	100	96	(6)		
				155 853	**134 334**	**(7 384)**	**(2 042)**	**19 362**

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.28).

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					
Equity instruments								
Issued by residents								
Shares								
AGROGARANTE SA	111 430	1,00	1,00	111	111			
ALBERTO GASPAR, SA (CÓD LB0001: 92020020501)	60 000	5,00	0,000	141				141
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			
Cª AG.FONTE SANTA MONFORTINHO-D.SUB/E.98	10	5,00						
CIMPOR - CIM.DE PORTUGAL-SGPS	3 565	1,00	0,37	7	1	(5)		
CITEVE-QUOTA ASSOCIACAO	20	498,80		10	10			
COMPª AURIFICIA - N	1 186	7,00	1 111,30	25	1 318	1 293		
COMPª PRESTAMISTA PORTUGUEZA	10	1,00						
COMPª.FIAÇAO E TECIDOS DE FAFE - P	168	4,99						
CONDURIL, SA (C)	184 262	5,00	54,47	806	10 036	9 231		
CORTICEIRA AMORIM - SGPS	127 419	1,00	7,21	315	918	843		240
DIGITMARKET-SIST.INF.-N	4 950	1,00		743				743
EMP.CINEMATOGRAFICA S.PEDRO	100	4,99						
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						
F.I.T.-FOM.IND.TOMATE - P	148	4,99		3	3			
FAB. VASCO DA GAMA - IND.TRANSF.	33	4,99		1	1			
GARVAL - SOCIEDADE DE GARANTIA MUTUA	110 330	1,00	1,00	110	110			
GEIE - GESTÃO ESPAÇOS INC.EMPRESARIAL©	12 500	1,00		13				13
GESTINSUA - AQ.AL.PATRIMONIOS IMOB.MOB.	430	5,00		2				2
IMPRESA SGPS	6 200 000	0,50	0,23	22 791	1 432			21 358
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			
LISGARANTE - SOC.DE GARANTIA MUTUA	270 595	1,00	1,00	271	271			
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	2,42	73	49	(25)		
NEWPLASTICS	1 445	1,00		1	1			
NEXPONOR-SICAFI	1 933 840	5,00	3,98	9 669	7 691	286		2 265
NORGARANTE - SOC.DE GARANTIA MUTUA	313 150	1,00	1,00	313	313			
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	7,18	50	72	32		10
PORTUGAL CAP. VENTURES-SOC.CAP.RISCO	500 641	5,00	6,06	2 692	3 034	342		
SALVOR - SOC.INV.HOTELEIRO - P	10	5,00						

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.28).

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					
Shares (cont.)								
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	0.24	938	224			713
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						
SOFID-SOC.P/FIN.DES.-INST.FIN.CREDITO SA	1 000 000	1.00	0.90	1 250	898			352
SOMOTEL-SOC.PORTUGUESA DE MOTEIS	1 420	2.50						
SONAE - SGPS	36 868	1.00	0.71	69	26	12		55
SOPEAL-SOC.PROM.EDUC.ALCACERENSE	100	4.99						
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.	672 294	0.50	0.20	534	134	(401)		
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	619.93	792	2 945	2 153		
VNCORK SGPS	151	1.00						
				49 179	**35 037**	**13 761**		**27 902**
Quotas								
PROPAÇO - SOC.IMOB.DE PAÇO D'ARCOS		1.00		1	1			
VIACER - SOC.GEST.PART.SOCIAIS, SA		1.00		48 160	57 106	8 947		
				48 161	**57 107**	**8 947**		
Issued by non residents								
Shares								
ABANCA CORPORACION BANCARIA SA	18 588	1.00		29				29
ALTITUDE SOFTWARE B.V	6 386 243	0.04	0,000	13 810				13 810
AMSCO -USD	1 807	900.74		901				901
BVDA				268	268			
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	79.64	4 399	621			3 778
CREDIT LOGEMEN DEVELOPMENT	20	70.00	70.00	1	1			
EASDAQ NV	100	1.42		25				25
EMIS-EMPRESA INTERBANCÁRIA DE SERVIÇOS (CAPITAL)				2 261	2 261			
EUROPEAN INVESTMENT FUND	14	1 000 000.00	1 226 952.68	15 325	17 178	1 853		
GROWELA CABO VERDE	19 000	9.07		172				172
IBOS HOLDING SA	277 864	0.01		3	3			
IMC-INSTITUTO DO MERCADO DE CAPITAIS				2	2			
INTERBANCOS								
OSEO - SOFARIS	13	107.89	107.89	2	2			
S.W.I.F.T.	97	125.00		216	216			
SOPHA(BFA E FESA)				2	2			
THARWA FINANCE - MAD	20 895			196	273	77		
UNIRISCO GALICIA	80	1 202.02	1 149.41	96	92	23		27
VISA INC-CLASS C	6 002	0.00	838.89	5 250	5 035	(215)		
				43 064	**26 054**	**1 738**		**18 748**

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.28).

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								
Participating Units								
EGP-UNIVERSITY OF PORTO BUS.SCHOOL ASS.	2	4.99		70	70			
FCR-F-HITEC (ES VENTURES)	500 000	1.00	1.27	500	633	133		
FCR-FUNDO CARAVELA	1 800	3 338.80	2 314.54	6 010	4 166	95		1 939
FCR-FUNDO INTER-RISCO II - CL.A	7 500	4 263.80	2 780.25	31 979	20 852			11 127
FCR-FUNDO INTER-RISCO II CI-CLASSE A	6 000	5 000.00	4 815.55	30 144	28 893	(1 251)		
FCR-FUNDO RECUPERACAO-CATEGORIA B	95 000	1 000.00	712.11	95 000	67 649			27 349
FCR-FUNDO RECUPERACAO-CATEGORIA C	20 000	1 000.00	712.11	20 000	14 242			5 757
FCR-FUNDO REESTRUTURAÇÃO EMPRESARIAL	5 607	1 000.00	981.30	5 607	5 502	(105)		
FCR-FUNDO REVITALIZAR CENTRO	7 272 727	1.00	1.05	7 273	7 621	348		
FCR-FUNDO REVITALIZAR NORTE	7 156 881	1.00	0.96	7 157	6 891	(266)		
FCR-FUNDO REVITALIZAR SUL - CAT.A2	1 685 919	1.00	0.99	1 686	1 666	(20)		
FCR-FUNDO REVITALIZAR SUL - CAT.B2	1 774 612	1.00	0.99	1 775	1 753	(21)		
FCR-FUNDO REVITALIZAR SUL - CAT.C2	1 190 442	1.00	0.99	1 190	1 176	(14)		
FCR-PORTUGAL GLOBAL VENTURES I	6 269	10.00	9.87	69	62			8
FCR-PORTUGAL VENTURES GPI	6	25 000.00	19 407.61	130	116			15
FCR-PORTUGAL VENTURES TURISMO	164	24 939.89	9 117.26	3 568	1 495	236		2 309
FCR-PORTUGAL VENTURES VALOR 2	131	3 420.24	4 771.43	2 630	624	178		2 185
FCR-PORTUGAL VENTURES-FIEP	3 042	1 000.00	876.70	3 042	2 667	369		744
FCR-PV ACTEC II - CATEGORIA A1	67 249	1.00	0.94	78	63			15
FCR-PV ACTEC II - CATEGORIA B1	290 145	1.00	0.94	337	272	2		67
FCR-TURISMO INOVACAO CAT.B	12	50 000.00	38 630.51	600	464	(136)		
FEIIF-UNICAMPUS	3 000	1 000.00	1 000.00	3 000	3 000			
FUNDO CARAVELA	1 321	3 338.80	2 314.54	4 492	3 058	70		1 505
				226 337	**172 935**	**(382)**		**53 020**
Issued by non residents								
Participating Units								
FUNDO BPI-EUROPA	23 405	0.01	12.18	171	285	114		
FUNDO PATHENA SCA SICAR (B)	10 000 000	1.00	0.97	10 096	9 658	(437)		
PORTUGAL VENTURE CAPITAL INITIATIVE-PVCI	6 139 383	1.00	0.81	6 139	4 984	628		1 784
				16 406	**14 927**	**305**		**1 784**
Loans and others receivables								
Loans and Shareholder's loans								
EMIS - EMPRESA INTERBANCÁRIA DE SERVIÇOS (SUPRIMENTOS)					106			
MORETEXTILE, SGPS, SA								12 163
NEWPLASTICS, S A								1 523
PETROCER SGPS, LDA					200			
PROPACO - SOC. IMOB. DE PACO D'ARCOS LDA					793			4 441
SAPHETY LEVEL - TRUSTED SERVICES SA					208			
TAEM - PROCESSAMENTO ALIMENTAR, SGPS, S A								3 656
VNCORK - SGPS, S A								165
					1 307			**21 948**
				5 599 824	**5 608 057**	**99 312**	**(95 357)**	**142 764**

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.28).

At June 30, 2016 and December 31, 2015 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.

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 which was concluded on June 21, 2016. At December 31, 2015 the total amount receivable by Banco BPI, S.A. was estimated at 20.8 million euro, of which 15.5 million euro in cash and the remainder in Visa Inc. preference shares. At that date Banco BPI valued its participation in Visa Europe considering only the cash component, by corresponding entry to the equity caption "Revaluation reserves". In addition, also by corresponding entry to equity in the 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. At that date, 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 was based on the fact that at December 31, 2015 the Bank had no information to enable it to reliably value that component.

On June 21, 2016 this transaction was closed with the following amount for Banco BPI:

(i) cash of 16 528 t. euro received on the closing date of the transaction (June 21, 2016);

(ii) deferred cash in the amount of 1 427 t euro receivable in a single payment on the third anniversary of the closing of the transaction (June 21, 2019). At the closing date of the transaction the Bank recorded the present value of the amount receivable from Visa Inc. in 2019, considering a discount rate of 4%, at the amount of 1 274 t.euro;

(iii) receipt of 6 002 preference shares of Visa Inc.. In determining the fair value of the preference shares, Banco BPI used the conversion factor of the preference shares into the ordinary shares initially established by Visa Inc. and the market price of the ordinary shares of Visa Inc. on the closing date of the transaction. Banco BPI applied a haircut to the amount obtained, to reflect a discount due to the lack of liquidity of the preference shares and the uncertainty relating to the outcome of current and possible lawsuits. The fair value of the preferred shares of Visa Inc. calculated by the Bank on the closing date of this transaction amounted to 5 143 t.euro.

Thus, Banco BPI, S.A. recognized a gain, before tax, in the first half of 2016 in the amount of 22 945 t. euro, which was recorded in the statement of income caption Net income on financial operations (Note 4.38).

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:
- participating units in the credit recovery funds and in the companies controlled by those funds;
- shares and shareholders' loans of companies controlled by those 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 June 30, 2016 and December 31, 2015, the portfolio of financial assets available for sale included 67 210 t. euro and 71 092 t. euro, respectively, relating to securities and shareholders' loans subscribed for by Banco BPI under transfer of assets operations:

	Jun. 30, 16				
	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 Value**
Fundo de Recuperação, FCR [2]	96 665	15 151	(33 107)	(15 151)	63 558
Fundo de Reestruturação Empresarial, FCR	3 652				3 652
	100 317	15 151	(33 107)	(15 151)	67 210

Amounts net of unrealized subscribed capital recorded in the caption Other liabilities.

[1] Does not include interest in the amount of 2 356 t. euro, for which impairment of 100% has been recorded.

[2] Includes the companies controlled by Fundo de Recuperação, FCR: Notoriousway SA, Newplastics SA, Vncork SGPS SA, TAEM - Processamento Alimentar SGPS SA and Moretextile SA.

	Dec. 31, 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 Value**
Fundo de Recuperação, FCR [2]	96 665	15 151	(29 196)	(15 151)	67 469
Fundo de Reestruturação Empresarial, FCR	3 623				3 623
	100 288	15 151	(29 196)	(15 151)	71 092

Amounts net of unrealized subscribed capital recorded in the caption Other liabilities

[1] Does not include interest in the amount of 2 155 t. euro, for which impairment of 100% has been recorded.

[2] Includes the companies controlled by Fundo de Recuperação, FCR: Notoriousway SA, Newplastics SA, Vncork SGPS SA, TAEM - Processamento Alimentar SGPS SA e Moretextile SA.

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 72 959 t. euro at June 30, 2016 and December 31, 2015.

	Jun. 30, 16			
	Amounts related to the transferred assets			
	Gross assets transferred	Impairment on 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.

	Dec. 31, 15			
	Amounts related to the transferred assets			
	Gross assets transferred	Impairment on 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:

	Jun. 30, 16	Dec. 31, 15
Loans to the Bank of Portugal		5 500
Loans and advances to other Portuguese credit institutions		
Deposits	169 750	219 000
Other loans	79 000	79 000
Securities purchased with resale agreements	48 346	5 163
Other advances	358	23
Accrued interest	328	201
	297 782	**303 387**
Loans and advances to other foreign Central Banks	86 318	60 880
Loans and advances to other foreign credit institutions		
Very short term loans and advances	82 782	49 538
Deposits	153 373	445 973
Loans	44	44
Securities purchased with resale agreements	4 895	
Other loans and advances	360 412	357 653
Accrued interest	3 951	7 070
	691 775	**921 158**
Commission relating to amortised cost (net)	5	(2)
	989 562	**1 230 043**

The changes in impairment losses and provisions in the first half of 2016 and 2015 are presented in Note 4.20.

4.7. Loans and advances to customers

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Loans		
Domestic loans		
Companies		
Discount	86 572	108 865
Loans	5 352 791	5 286 707
Commercial lines of credit	173 595	186 413
Demand deposits - overdrafts	214 232	146 406
Invoices received - factoring	321 372	339 390
Finance leasing	350 472	301 872
Real estate leasing	335 365	338 012
Other loans	40 299	26 969
Loans to individuals		
Housing	10 834 065	10 866 552
Consumer	736 993	692 812
Other loans	427 694	432 849
Foreign loans		
Companies		
Discount	9 391	16 846
Loans	1 884 730	2 065 564
Commercial lines of credit	227 087	302 118
Demand deposits - overdrafts	11 010	16 529
Invoices received - factoring	381	723
Finance leasing	248	326
Real estate leasing	408	939
Other loans	1 086	12 829
Loans to individuals		
Housing	159 131	172 409
Consumer	210 138	259 832
Other loans	50 688	70 851
Accrued interest	67 540	69 369
	21 495 288	**21 715 182**
Securities		
Issued by Portuguese government entities	102 030	102 030
Issued by other Portuguese entities		
Non subordinated debt securities		
Bonds	1 322 680	1 288 333
Commercial paper	773 363	843 275
Subordinated debt securities	11 800	11 800
Issued by other foreign entities		
Non subordinated debt securities		
Bonds	258 677	326 311
Commercial paper	999	1 491
Subordinated debt securities		
Accrued interest	13 026	14 192
Deferred interest	(219)	(189)
	2 482 356	**2 587 243**
Correction of the amount of hedged assets	38 260	35 215
Commissions relating to amortised cost (net)	(1 012)	166
	24 014 892	**24 337 806**
Overdue loans and interest	911 412	922 470
Loan impairment	(971 411)	(978 654)
	23 954 893	**24 281 622**

Loans and Advances to Customers include the following non-derecognised securitised assets:

	Jun. 30, 16	Dec. 31, 15
Non-derecognised securitised assets [1]		
Loans		
Housing	1 517 987	1 593 367
Loans to SME's	3 264 925	3 228 647
Accrued interest	11 594	14 963
	4 794 506	**4 836 977**

[1] Excluding overdue loans and interest.

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 2.2.4 and 4.19).

At June 30, 2016 and December 31, 2015 the caption "Loans and advances to customers" also included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (Note 4.18), namely:

- 6 475 952 t. euro and 6 057 014 t. euro, respectively, allocated as collateral to mortgage bonds,
- 711 451 t. euro and 700 344 t. 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:

	Jun. 30, 16	Dec. 31, 15
Debt instruments		
Issued by Portuguese government entities	50 000	50 000
Issued by other Portuguese entities	1 020 545	1 353 528
Issued by other foreign entities	254 773	321 402
	1 325 318	**1 724 930**

The changes in impairment losses and provisions in the first half of 2016 and 2015 are presented in Note 4.20.

At June 30, 2016 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	**23 491 249**	**22 386 782**	**1 061 453**	**1 104 467**	**445 898**	**893 426**	**279 256**	**614 170**
Corporate banking	4 367 646	4 052 005	327 129	315 640	203 725	301 928	93 696	208 231
Large Companies	1 657 602	1 596 341	127 354	61 261	49 677	87 953	47 065	40 888
Medium-sized Companies	2 710 044	2 455 664	199 775	254 379	154 048	213 975	46 631	167 343
Project Finance - Portugal	1 141 305	1 022 111	242 670	119 194	37 926	83 572	15 714	67 858
Madrid	981 261	848 000	154 238	133 261	58 897	114 490	32 215	82 275
Project Finance	587 216	482 184	122 824	105 032	32 268	88 519	26 774	61 744
Corporate	394 045	365 816	31 414	28 229	26 629	25 971	5 441	20 531
Public Sector	1 498 601	1 492 537	85 185	6 063	136	2 260	2 238	23
Central Administration	197 393	197 393						
Regional and local administration	821 883	820 163	47 537	1 720		2	2	
State Corporate Sector – in the budget perimeter	54 993	54 993						
State Corporate Sector – outside the budget perimeter	394 636	394 636	37 648			2 196	2 196	
Other institutional	29 696	25 352		4 343	136	62	40	23
Individuals and Small Businesses Banking	13 872 840	13 346 942	252 231	525 899	145 214	373 076	117 710	255 367
Mortgage loans to individuals	11 079 380	10 715 628	167 962	363 752	80 018	221 083	87 136	133 948
Consumer loans / other purposes	643 761	609 820	22 079	33 942	13 071	34 124	5 346	28 778
Credit cards	161 337	154 863	23	6 473	3	7 854	1 977	5 877
Car financing	150 886	148 188	117	2 698	38	2 105	461	1 644
Small businesses	1 837 476	1 718 443	62 050	119 034	52 084	107 910	22 790	85 120
Other [2]	1 629 596	1 625 187		4 410		18 100	17 683	416
INTERNATIONAL ACTIVITY	**1 317 460**	**1 247 318**	**17 970**	**70 142**	**11 158**	**77 985**	**27 805**	**50 180**
Corporate banking	875 637	812 627	16 025	63 010	9 881	70 412	24 445	45 968
Public Sector	343 864	343 476		388	388	83	6	77
Individuals and Small Businesses Banking	97 760	91 080	1 945	6 680	889	7 448	3 353	4 095
Other	199	135		64		42	2	40
Total	**24 808 709**	**23 634 100**	**1 079 423**	**1 174 609**	**457 056**	**971 411**	**307 061**	**664 350**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

[2] Includes 1 325 319 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance products.

At December 31, 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 loans / 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
Other [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 Businesses Banking	436 237	415 147		21 090		25 964	12 084	13 880
Other	549	536		13		28	15	13
Total	**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 commissions relating to amortised cost.

[2] Includes 1 724 930 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance products.

At June 30, 2016 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	**23 491 249**	**22 272 384**	**114 397**	**16 187**	**1 088 281**	**893 426**	**249 996**	**29 262**	**5 800**	**608 368**
Corporate banking	4 367 646	4 040 220	11 786	9 706	305 934	301 928	87 194	6 503	4 587	203 644
Large Companies	1 657 602	1 590 595	5 746	213	61 048	87 953	42 261	4 804	210	40 678
Medium-sized Companies	2 710 044	2 449 625	6 040	9 493	244 886	213 975	44 933	1 699	4 377	162 966
Project Finance - Portugal	1 141 305	1 022 111			119 194	83 572	15 714			67 858
Madrid	981 261	848 000			133 261	114 490	32 215			82 275
Project Finance	587 216	482 184			105 032	88 519	26 774			61 745
Corporate	394 045	365 816			28 229	25 971	5 441			20 530
Public Sector	1 498 601	1 492 163	374		6 064	2 260	2 230	8		22
Central Administration	197 393	197 393								
Regional and local administration	821 883	820 163			1 720	2	2			
State Corporate Sector – in the budget perimeter	54 993	54 993								
State Corporate Sector – outside the budget perimeter	394 636	394 636				2 196	2 196			
Other institutional	29 696	24 978	374		4 344	62	32	8		23
Individuals and Small Businesses Banking	13 872 840	13 244 704	102 237	6 481	519 418	373 076	94 959	22 751	1 213	254 153
Mortgage loans to individuals	11 079 380	10 632 859	82 769	2 986	360 766	221 083	69 973	17 163	517	133 430
Consumer loans / other purposes	643 761	603 088	6 731	98	33 844	34 124	3 462	1 884	25	28 753
Credit cards	161 337	154 014	850	20	6 453	7 854	1 656	321	9	5 868
Car financing	150 886	147 425	763	77	2 621	2 105	337	124	6	1 638
Small businesses	1 837 476	1 707 318	11 124	3 300	115 734	107 910	19 531	3 259	656	84 464
Other [3]	1 629 596	1 625 186			4 410	18 100	17 684			416
INTERNATIONAL ACTIVITY	**1 317 460**	**1 240 948**	**6 370**		**70 142**	**77 985**	**26 414**	**1 391**		**50 180**
Corporate banking	875 637	806 520	6 107		63 010	70 412	23 088	1 356		45 967
Public Sector	343 864	343 372	104		388	83	1	5		78
Individuals and Small Businesses Banking	97 760	90 926	154		6 680	7 448	3 323	29		4 095
Other	199	130	5		64	42	1	1		40
Total	**24 808 709**	**23 513 332**	**120 767**	**16 187**	**1 158 423**	**971 411**	**276 410**	**30 653**	**5 800**	**658 548**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

[2] Includes non-defaulting loans (no days in arrears).

[3] Includes 1 325 319 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At December 31, 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 perimenter	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 loans / 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 businesses	1 791 010	1 651 564	11 270	1 724	126 452	113 086	20 989	3 249	356	88 492
Other [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
Other	549	536			13	28	15			13
Total	**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 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At June 30, 2016 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: Individually assessed	of which: Collectively assessed	Individual Impairment	Collective Impairment	Total Impairment
DOMESTIC ACTIVITY	**22 633 112**	**858 137**	**23 491 249**	**2 292 987**	**21 198 262**	**485 119**	**408 307**	**893 426**
Corporate banking	4 082 746	284 899	4 367 645	495 575	3 872 070	273 295	28 632	301 927
Large Companies	1 608 830	48 772	1 657 602	130 100	1 527 502	78 045	9 908	87 953
Medium-sized Companies	2 473 916	236 127	2 710 043	365 475	2 344 568	195 250	18 724	213 974
Project Finance - Portugal	1 116 998	24 307	1 141 305	134 894	1 006 411	68 252	15 320	83 572
Madrid	877 047	104 214	981 261	225 712	755 549	109 389	5 102	114 491
Project Finance	511 231	75 985	587 216	169 523	417 693	84 818	3 701	88 519
Corporate	365 816	28 229	394 045	56 189	337 856	24 571	1 401	25 972
Public Sector	1 496 348	2 252	1 498 600	38 396	1 460 204	2 046	214	2 260
Central Administration	197 393		197 393		197 393			
Regional and local administration	820 163	1 720	821 883		821 883		2	2
State Corporate Sector - in the budget perimeter	54 993		54 993		54 993			
State Corporate Sector - outside the budget perimeter	394 636		394 636	36 695	357 941	1 984	212	2 196
Other institutional	29 163	532	29 695	1 701	27 994	62		62
Individuals and Small Business Banking	13 433 399	439 442	13 872 841	72 376	13 800 465	20 026	353 051	373 077
Mortgage loans to individuals	10 787 720	291 660	11 079 380	4	11 079 376	1	221 083	221 084
Consumer loans/ other purposes	614 368	29 394	643 762		643 762		34 124	34 124
Credit cards	154 491	6 845	161 336		161 336		7 854	7 854
Vehicle financing	148 565	2 321	150 886		150 886		2 105	2 105
Small business	1 728 255	109 222	1 837 477	72 372	1 765 105	20 025	87 885	107 910
Other [2]	1 626 574	3 023	1 629 596	1 326 034	303 563	12 111	5 988	18 099
INTERNATIONAL ACTIVITY	**1 264 185**	**53 275**	**1 317 460**					**77 985**
Corporate banking	826 296	49 341	875 637					70 412
Public Sector	343 730	134	343 864					83
Individuals and Small Business Banking	94 026	3 734	97 760					7 448
Other	133	66	199					42
	23 897 297	**911 412**	**24 808 709**					**971 411**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

[2] Includes 1 325 319 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance products.

At December 31, 2015 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	**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 Businesses 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 businesses	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 Businesses 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 commissions relating to amortised cost.

[2] Includes 1 724 930 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance products.

At June 30, 2016 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: Individually assessed	of which: Collectively assessed	Individual Impairment	Collective Impairment	Total Impairment
Corporate	10 561 382	506 498	11 067 880	2 272 555	8 795 321	478 472	130 549	609 021
Agriculture, animal production and hunting	247 353	5 227	252 580	12 750	239 831	4 248	5 629	9 877
Forestry and forest operations	17 877	244	18 121		18 121		353	353
Fishing	28 311	9 721	38 032	26 926	11 106	22 863	77	22 940
Mining	74 789	623	75 412	1 951	73 461	530	443	973
Beverage, tobacco and food	426 842	4 800	431 642	31 737	399 906	5 692	4 886	10 578
Textiles and clothing	87 679	15 793	103 472	20 595	82 876	12 967	1 351	14 318
Leather and related products	34 570	607	35 177	538	34 640	304	404	708
Wood and cork	117 994	3 536	121 530	44 887	76 641	1 187	1 698	2 885
Pulp, paper and cardboard and graphic arts	268 180	6 372	274 552	76 507	198 044	4 478	1 284	5 762
Coke, refined petroleum products and fuel pellets	152 814		152 814	50 000	102 814		1 353	1 353
Chemicals, synthetic or artificial fibres, except pharmaceutical products	91 411	259	91 670	15 073	76 596	75	512	587
Base pharmaceutical products and pharmaceutical mixtures	52 049		52 049	28 500	23 549		85	85
Rubber and plastic materials	111 966	1 072	113 038	1 328	111 709	692	871	1 563
Other mineral non-metallic products	261 973	3 232	265 205	155 913	109 292	1 450	1 494	2 944
Metalworking industries	195 243	10 862	206 105	26 742	179 362	9 332	3 254	12 586
Computers, electronic, electrical and optical equipment	109 077	1 801	110 878	3 458	107 421	1 105	1 172	2 277
Transport equipment	56 451	1 819	58 270	1 798	56 471	1 210	705	1 915
Other manufacturing industries	53 209	3 825	57 034	4 013	53 021	2 475	1 740	4 215
Electricity, gas and water	859 633	1 768	861 401	279 925	581 476	3 044	4 566	7 610
Water treatment and collection	449 617	1 042	450 659	93 063	357 595	4 508	1 614	6 122
Construction	420 139	114 818	534 957	175 135	359 824	76 904	15 347	92 251
Wholesale and retail trade; motor vehicle and motorcycle repairs	1 256 304	84 993	1 341 297	227 091	1 114 206	47 012	31 664	78 676
Transport and storage	1 126 131	72 310	1 198 441	298 326	900 115	128 770	8 284	137 054
Restaurants and hotels	415 027	52 716	467 743	134 517	333 225	29 416	5 627	35 043
Information and communication activities	302 808	7 408	310 216	168 010	142 205	7 801	1 475	9 276
Financial intermediation, except for insurance and pension funds	542 879	38 030	580 909	116 150	464 760	45 635	5 380	51 015
Insurance, reinsurance and pension funds, except for mandatory social security	33		33		33			
Auxiliary activities to financial services and insurance	120 361	108	120 469	55	120 414	11	167	178
Real estate	452 503	23 890	476 393	49 774	426 619	10 008	6 135	16 143
Consulting, scientific, technical and similar activities	499 887	15 115	515 002	74 153	440 850	38 095	6 763	44 858
Administrative and support services	236 604	3 417	240 021	3 740	236 281	1 407	5 540	6 947
Public administration, defence and mandatory social security	1 114 706	1 620	1 116 326	50 000	1 066 326		1	1
Education	37 199	1 319	38 518	2 431	36 087	324	1 545	1 869
Healthcare and welfare	163 609	2 177	165 786	2 485	163 300	364	1 766	2 130
Leisure, cultural and sports activities	49 414	14 317	63 731	14 416	49 315	9 281	727	10 008
Other service companies	107 457	695	108 152	68 241	39 911	118	930	1 048
Companies without CAE code (Business Activity Classification - "Classificação das Actividades Económicas")	19 283	962	20 245	12 327	7 918	7 166	5 707	12 873
Individuals	12 071 731	351 637	12 423 368	20 427	12 402 940	6 647	277 758	284 405
Housing loans	10 819 637	291 835	11 111 472	67	11 111 404	10	221 162	221 172
Other	1 252 094	59 802	1 311 896	20 360	1 291 536	6 637	56 596	63 233
	22 633 113	**858 135**	**23 491 248**	**2 292 982**	**21 198 261**	**485 119**	**408 307**	**893 426**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

At December 31, 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: Individually assessed	of which: Collectively assessed	Individual Impairment	Collective Impairment	Total Impairment
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 commissions relating to amortised cost.

At June 30, 2016 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
INTERNATIONAL ACTIVITY				
Corporate	911 845	46 446	958 291	59 716
Agriculture, animal production and hunting	64 701	2 059	66 760	2 053
Mining	10 255	3 362	13 617	1 724
Other manufacturing industries	67 505	5 169	72 674	3 123
Electricity, gas and water	489		489	5
Construction	198 837	7 438	206 275	20 104
Wholesale and retail trade	430 996	21 188	452 184	19 920
Transport , storage and communications	20 442	3 388	23 830	3 428
Restaurants and hotels	25 733	1 199	26 932	2 383
Auxiliary activities to financial services and insurance	1 446	413	1 859	19
Real estate, rental and other services	42 676	1 164	43 840	3 395
Public administration, defence and mandatory social security	2 987	2	2 989	32
Education	2 652	934	3 585	1 024
Healthcare and welfare	14 962	1	14 963	16
Leisure, cultural and sports activities	22 448	12	22 460	262
Other services and activities	5 717	117	5 833	2 226
Individuals	352 339	6 830	359 169	18 269
Housing loans	125 322	882	126 204	6 728
Other	227 017	5 948	232 965	11 541
	1 264 184	**53 276**	**1 317 460**	**77 985**

[1] Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commissions relating to amortised cost.

At December 31, 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
INTERNATIONAL ACTIVITY				
Corporate	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	117 714	28 777	146 492	25 509
Transport , storage and communications	18 851	3 649	22 501	2 567
Restaurants 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, rental and other services	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
Other	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 commissions relating to amortised cost.

At June 30, 2016 the caption “Loans” was made up as follows by country:

	Performing loans	Overdue loans	Exposure [1]	from which: Assessed individually	from which: Assessed Colectivelly	Individual Impairment	Colective Impairment	Total Impairment
DOMESTIC ACTIVITY	**21 307 795**	**858 134**	**22 165 929**	**967 667**	**21 198 265**	**473 319**	**408 307**	**881 626**
Portugal	19 963 361	739 501	20 702 862	723 492	19 979 373	362 727	394 902	757 629
Spain	681 676	103 617	785 293	176 873	608 421	84 126	4 123	88 249
Angola	154 156	225	154 381		154 381		472	472
Netherlands	108 552	3	108 555		108 555		419	419
Others	400 049	14 789	414 838	67 303	347 535	26 466	8 391	34 858
INTERNATIONAL ACTIVITY (ANGOLA)	**1 264 184**	**53 276**	**1 317 460**	**-**	**-**	**-**	**-**	**77 985**
	22 571 979	**911 410**	**23 483 389**					**959 611**

[1] Does not include 1 325 319 t. euro of securities held by BPI Vida, allocated essentially to coverage of capitalization insurance.

At December 31, 2015 loans are made up as follows by country:

	Performing loans	Overdue loans	Exposure [1]	from which: Assessed individually	from which: Assessed Colectivelly	Individual Impairment	Colective Impairment	Total Impairment
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 t. euro of securities held by BPI Vida, allocated essentially to coverage of capitalization insurance.

At June 30, 2016 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	88 526	2 751 764	75 530
2005	13 767	650 488	17 654
2006	18 010	970 968	22 893
2007	25 093	1 386 657	35 267
2008	21 709	1 243 642	22 342
2009	14 031	924 253	15 699
2010	15 555	1 108 731	19 331
2011	5 095	349 027	5 373
2012	3 821	245 423	1 902
2013	3 920	234 373	1 227
2014	4 188	267 281	1 337
2015	7 424	546 687	1 592
2016	5 486	400 087	935
	226 625	**11 079 381**	**221 083**

The caption “Securities” at June 30, 2016 is made up as follows:

Nature and type of security	Quantity	Cost	Gross Book Value	Impairment [1]
Debt Instruments				
Issued by Portuguese Entities				
Portuguese Public Debt				
EDIA SA-TV-30.01.2027	16 180 000	16 180	16 180	
EDIA-EMP.DES.DO ALQUEVA - TV-11.08.2030	19 250 000	19 250	19 440	
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	50 514	
		102 030	**102 784**	
Other Residents				
Non - subordinated Debt				
Bonds				
Asset Backed Securities (ABS's)				
TAGUS-SOC.TIT.CREDITO-CL.A-12.02.2025	68 797 196	68 797	68 797	
TAGUS-SOC.TIT.CREDITO-CL.B-12.02.2025	50 000	50	50	
		68 847	**68 847**	
Other Bonds				
ADP SGPS SA-TV-15.02.2028	75 000 000	75 000	75 496	
ADP-AGUAS DE PORTUGAL,SGPS-TV-20.06.2022	50 000 000	50 000	50 004	
ALTRI - 2014/2020	50 000 000	50 000	50 341	
AUTO-SUECO - 2013 / 2018	30 000 000	30 000	30 719	
BRISA - 4.5% - 05.12.2016	8 200 000	8 168	8 378	
BRISA-CONCESSAO RODOVIARIA TV 07.01.2022	60 000 000	60 000	60 092	
CGD-3.75%-18.01.2018	9 000 000	8 989	9 141	
CIN - 2014/2019	15 000 000	15 000	15 013	
COLEP PORTUGAL SA -TV-10.10.2017	9 000 000	9 000	9 056	
DANIPACK 2016-2021	7 000 000	7 000	7 000	
EFANOR INVESTIMENTOS SGPS SA-2014/2019	15 000 000	15 000	15 108	
FIRST STATE WIND ENERGY-BONDS A DUE 2021	12 137 494	12 137	12 167	
FIRST STATE WIND ENERGY-BONDS B DUE 2030	24 500 000	24 500	24 559	
FREZITE-2016/2021	1 000 000	1 000	1 001	
GALP 2013/2018	150 000 000	152 620	153 481	
GENERIS 2015-2020	28 500 000	28 500	28 506	
GRUPO PESTANA 2014/2020	46 000 000	46 000	46 546	
GRUPO VISABEIRA SGPS-TV-14.07.2019	5 000 000	5 000	5 092	
JMR - 2015 / 2017	75 000 000	75 000	75 017	
LUSIAVES 2016-2026	10 000 000	10 000	10 052	
MEDIA CAPITAL 2014-2019	50 000 000	50 000	50 921	
MOTA-ENGIL SGPS-TV-30.12.2016	2 500 000	2 500	2 500	
MOTA-ENGIL-TV 2015/2018	12 500 000	12 500	12 524	
NOS SGPS-2015-2022	25 000 000	25 000	25 102	
PARQUE EÓLICO DO PISCO- TV 11.07.2026	11 375 000	11 375	11 632	
POLIMAIA / 1989 - SR.C (AC.CRED.)	7			
PORTUCEL SA-TV-22.09.2023	50 000 000	50 000	50 264	
RENOVA-1.6%-2015-2021	20 000 000	20 257	20 000	
REN-REDES ENERG.NAC.-TV-16.01.2020	80 000 000	80 000	80 730	
SECIL 2015-2020	80 000 000	80 000	80 200	
SEMAPA 2014/2019	28 487 000	28 525	28 707	
SEMAPA 2014/2020	41 500 000	41 500	41 600	
VIOLAS-SGPS SA-TV-06.11.2023	70 000 000	70 000	70 241	
ZON OPTIMUS 2014-2019	100 000 000	99 847	100 188	
		1 254 418	**1 261 378**	
Commercial Paper			773 813	
			773 813	
Subordinated Debt				
Bonds				
BANIF - TAX.VAR. (30.12.2015) [2]	11 800 000	11 800	11 800	11 800
		11 800	**11 800**	**11 800**

[1] Additionally, the Bank recorded collective impairment of 6 710 t. euro.

[2] 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				
BANCO DE SABADELL SA-3.375%-13.01.2018	16 000 000	15 975	16 210	
BPE FINANCIACIONES, S.A.-TV 2017.02.13	49 000 000	49 000	49 106	
EDDYSTONE FIN.SR2006-1 CLA1B 19.04.2021[2]	248 112	203	203	
EDP FINANCE BV-4.875%-14.09.2020	80 000 000	79 653	82 742	
EDP FINANCE BV-TV 26.06.2019	85 570 168	69 822	85 589	
EIRLES THREE LTD(SERIES 297)-31.12.2021	2 950 337	2 676	2 676	
ENEL FINANCE INTL SA-4%-14.09.2016	6 700 000	6 711	6 924	
EURO-VIP / 1990[3]	5 404 432	5 081	4 914	
GAS NATURAL CAPITAL-4.375%-02.11.2016	7 000 000	6 994	7 196	
RED ELECTRICA FINAN.BV-3.5%-07.10.2016	7 000 000	6 996	7 175	
		243 111	**262 735**	
Commercial Paper			999	
			999	
		1 680 206	**2 482 356**	**11 800**

[1] Additionally, the Bank recorded collective impairment of 6 710 t. euro.

[2] Securities reclassified from the caption “Financial assets held for trading” in 2009, under the amendments to IAS 39 and IFRS 7 (Notes 2 and 4.49).

[3] Securities reclassified from the caption “Financial assets held for trading” in 2013, under the amendments to IAS 39 and IFRS 7 (Notes 2 and 4.49).

Evidence of possible impairment of the Asset Backed Securities (ABSs) portfolio is determined through regular monitoring of the performance indicators of the underlying transactions. At June 30, 2016 this analysis did not show evidence of impaired securities.

4.8 Held to maturity investments

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Debt Instruments		
Bonds issued by other Portuguese entities		
Non-subordinated debt		1 197
Bonds issued by other foreign entities		
Non-subordinated debt	14 400	19 289
Subordinated debt	1 900	1 900
Accrued interest	19	31
	16 319	**22 417**

The portfolio of held to maturity investments includes assets to cover capitalisation insurance contracts issued by BPI Vida e Pensões.

At June 30, 2016 this caption was made up as follows:

Nature and type of security	Quantity	Cost	Gross Book Value	Impairment
Debt Instruments				
Issued by other non resident entities				
Non - subordinated Debt				
Bonds				
IBERCAJA(CA.ZARAGOZA A.R.)TV-20.04.2018[1]	6 000 000	6 000	6 007	
IBERCAJA(CA.ZARAGOZA A.R.)TV-25.04.2019[1]	8 400 000	8 400	8 409	
		14 400	**14 416**	
Subordinated Debt				
Bonds				
CAM INTERNATIONAL-TV-26.04.2017[2]	1 900 000	1 900	1 903	
		1 900	**1 903**	
		16 300	**16 319**	

[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. Other tangible assets

The changes in other tangible assets in the first half of 2016 were as follows:

	Gross						Depreciation						Net	
	Balance at Dec. 31, 15	**Purchases**	**Sales and write-offs**	**Transfers and others**	**Foreign exchange differences**	**Balance at Jun. 30, 16**	**Balance at Dec. 31, 15**	**Depreciation for the period**	**Sales and write-offs**	**Transfers and others**	**Foreign exchange differences**	**Balance at Jun. 30, 16**	**Balance at Jun. 30, 16**	**Balance at Dec. 31, 15**
Property														
Property for own use	142 201	177	(81)	923	(20 744)	122 476	31 423	1 148		(242)	(2 658)	29 671	92 805	110 778
Other property	12					12	2					2	10	10
Leasehold improvements	104 187	99	(5)	451	(8 553)	96 179	91 820	1 066	(5)		(6 143)	86 738	9 441	12 367
	246 400	**276**	**(86)**	**1 374**	**(29 297)**	**218 667**	**123 245**	**2 214**	**(5)**	**(242)**	**(8 801)**	**116 411**	**102 256**	**123 155**
Equipment														
Furniture and fixtures	49 908	165	(133)	51	(2 528)	47 463	43 920	643	(129)		(1 519)	42 915	4 548	5 988
Machinery and tools	13 330	92	(45)		(909)	12 468	11 634	205	(44)		(620)	11 175	1 293	1 696
Computer hardware	175 015	2 020	(901)	512	(6 518)	170 128	162 006	3 805	(898)	(10)	(5 241)	159 662	10 466	13 009
Interior installations	136 563	291	(13 016)	156	(2 028)	121 966	113 943	3 021	(12 281)	(10)	(953)	103 720	18 246	22 620
Vehicles	12 592	589	(73)	(144)	(2 320)	10 644	9 977	700	(73)	(144)	(1 824)	8 636	2 008	2 615
Security equipment	26 265	124	(1 820)	(2)	(1 045)	23 522	23 490	387	(1 813)	(1)	(619)	21 444	2 078	2 775
Other equipment	522	1	(2)		(90)	431	125	2	(2)		(9)	116	315	397
	414 195	**3 282**	**(15 990)**	**573**	**(15 438)**	**386 622**	**365 095**	**8 763**	**(15 240)**	**(165)**	**(10 785)**	**347 668**	**38 954**	**49 100**
Equipment in finance lease	10 723	11				10 734	1 068	1 283				2 351	8 383	9 655
Tangible assets in progress	10 906	1 678		(2 915)	(952)	8 717							8 717	10 906
Other tangible assets	11 725		(234)	(9)		11 482	9 446	40	(234)	(10)		9 242	2 240	2 279
	33 354	**1 689**	**(234)**	**(2 924)**	**(952)**	**30 933**	**10 514**	**1 323**	**(234)**	**(10)**		**11 593**	**19 340**	**22 840**
	693 949	**5 247**	**(16 310)**	**(977)**	**(45 687)**	**636 222**	**498 854**	**12 300**	**(15 479)**	**(417)**	**(19 586)**	**475 672**	**160 550**	**195 095**

The changes in other tangible assets in the first half of 2015 were as follows:

	Gross						Depreciation						Net	
	Balance at Dec. 31, 14	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 15	Balance at Dec. 31, 14	Depreciation for the period	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 15	Balance at Jun. 30, 15	Balance at Dec. 31, 14
Property														
Property for own use	148 915	16 041	(7 234)	3 166	(8 324)	152 564	31 576	1 596	(69)	(79)	(1 117)	31 907	120 657	117 339
Other property	13					13	2					2	11	11
Leasehold improvements	113 684	181	(1 509)	756	(3 594)	109 518	98 545	1 401	(1 509)		(2 532)	95 905	13 613	15 139
	262 612	**16 222**	**(8 743)**	**3 922**	**(11 918)**	**262 095**	**130 123**	**2 997**	**(1 578)**	**(79)**	**(3 649)**	**127 814**	**134 281**	**132 489**
Equipment														
Furniture and fixtures	51 265	708	(67)	124	(1 040)	50 990	43 968	916	(64)		(587)	44 233	6 757	7 297
Machinery and tools	14 042	220	(143)	38	(383)	13 774	11 997	302	(142)	31	(257)	11 931	1 843	2 045
Computer hardware	184 015	5 012	(6 588)	1 110	(2 720)	180 829	171 041	3 921	(6 579)		(2 031)	166 352	14 477	12 974
Interior installations	141 219	776	(1 862)	2 935	(736)	142 332	114 839	3 467	(1 416)		(342)	116 548	25 784	26 380
Vehicles	12 898	807	(143)	38	(886)	12 714	9 961	1 023	(142)	1	(734)	10 109	2 605	2 937
Security equipment	27 567	63	(234)	48	(439)	27 005	23 826	510	(229)		(254)	23 853	3 152	3 741
Other equipment	601	1			(39)	563	128	3			(4)	127	436	473
	431 607	**7 587**	**(9 037)**	**4 293**	**(6 243)**	**428 207**	**375 760**	**10 142**	**(8 572)**	**32**	**(4 209)**	**373 153**	**55 054**	**55 847**
Tangible assets in progress	13 540	2 302		(8 614)	(441)	6 787							6 787	13 540
Other tangible assets	12 131	37	(10)			12 158	9 768	68	(10)			9 826	2 332	2 363
	25 671	**2 339**	**(10)**	**(8 614)**	**(441)**	**18 945**	**9 768**	**68**	**(10)**			**9 826**	**9 119**	**15 903**
	719 890	**26 148**	**(17 790)**	**(399)**	**(18 602)**	**709 247**	**515 651**	**13 207**	**(10 160)**	**(47)**	**(7 858)**	**510 793**	**198 454**	**204 239**

4.10. Intangible assets

The changes in intangible assets in the first half of 2016 were as follows

	Gross					Amortization				Net	
	Balance at Dec. 31, 15	Purchases	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 16	Balance at Dec. 31, 15	Amortization for the period	Foreign exchange differences	Balance at Jun. 30, 16	Balance at Jun. 30, 16	Balance at Dec. 31, 15
Software	94 316	1 488		(2 127)	93 677	76 078	4 695	(1 358)	79 415	14 262	18 238
Other intangible assets	21 365			(268)	21 097	18 716	6	(268)	18 454	2 643	2 649
	115 681	**1 488**		**(2 395)**	**114 774**	**94 794**	**4 701**	**(1 626)**	**97 869**	**16 905**	**20 887**
Intangible assets in progress	8 251	1 184	325		9 760					9 760	8 251
	123 932	**2 672**	**325**	**(2 395)**	**124 534**	**94 794**	**4 701**	**(1 626)**	**97 869**	**26 665**	**29 138**

The changes in intangible assets in the first half of 2015 were as follows:

	Gross						Amortization					Net	
	Balance at Dec. 31, 14	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 15	Balance at Dec. 31, 14	Amortization for the period	Sales and write-offs	Foreign exchange differences	Balance at Jun. 30, 15	Balance at Jun. 30, 15	Balance at Dec. 31, 14
Software	85 228	1 230		2 378	(682)	88 154	68 464	4 291		(535)	72 220	15 934	16 764
Other intangible assets	26 358		(2 734)		(117)	23 507	23 697	6	(2 734)	(117)	20 852	2 655	2 661
	111 586	**1 230**	**(2 734)**	**2 378**	**(799)**	**111 661**	**92 161**	**4 297**	**(2 734)**	**(652)**	**93 072**	**18 589**	**19 425**
Intangible assets in progress	5 458	973		(2 509)		3 922						3 922	5 458
	117 044	**2 203**	**(2 734)**	**(131)**	**(799)**	**115 583**	**92 161**	**4 297**	**(2 734)**	**(652)**	**93 072**	**22 511**	**24 883**

4.11. 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	
	Jun. 30, 16	Dec. 31, 15	Jun. 30, 16	Dec. 31, 15
Banco Comercial e de Investimentos, S.A.R.L.	30.0	30.0	46 296	64 321
Companhia de Seguros Allianz Portugal, S.A.	35.0	35.0	73 223	77 842
Cosec – Companhia de Seguros de Crédito, S.A.	50.0	50.0	29 850	31 333
Inter-Risco - Sociedade de Capital de Risco, S.A.	49.0	49.0	519	517
Unicre - Instituição Financeira de Crédito, S.A.	21.0	21.0	41 725	36 434
			191 613	**210 447**

The remaining share capital of BCI is held essentially by the Caixa Geral de Depósitos Group (51.00%) and the Insitec Group (18.12%). Two agreements serving different purposes were signed between the shareholders, 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 November 22, 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 t. euro.

In the first half of 2016 and in 2015 the BPI Group received the following dividends from associated companies:

	Jun. 30, 16	Dec. 31, 15
Companhia de Seguros Allianz Portugal, S.A.	9 855	22 478
Cosec – Companhia de Seguros de Crédito, S.A.	3 615	3 549
Inter-Risco - Sociedade de Capital de Risco, S.A.		196
Unicre - Instituição Financeira de Crédito, S.A.	5 446	1 403
	18 916	**27 626**

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.

4.12. Tax assets

This caption is made up as follows

	Jun. 30, 16	Dec. 31, 15
Current tax assets		
Corporate income tax recoverable	3 383	6 748
Other	1 959	1 930
	5 342	**8 678**
Deferred tax assets		
Due to temporary differences	359 837	307 922
Due to tax losses carried forward	89 956	103 614
	449 793	**411 536**
	455 135	**420 214**

Details of deferred tax assets are presented in Note 4.42.

4.13. Other assets

This caption is made up as follows:

	Jun. 30. 16	Dec. 31. 15
Debtors, other applications and other assets		
Debtors for future operations	22 520	30 926
Collaterals		
Of derivatives	6 419	10 827
Reports with central counterparties (CCP) (Note 4.17)	27 990	4 331
Single Resolution Fund	2 636	
Other	6 817	2 613
VAT recoverable	9 577	3 058
Debtors for loan interest subsidy receivable	4 032	4 036
Other debtors	46 525	51 778
Overdue debtors and other applications	367	228
Impairment of overdue debtors and other applications	(167)	(169)
Other assets		
Gold	52	50
Other available funds and other assets	397	366
	127 165	108 044
Assets received in settlement of defaulting loans and other tangible assets	148 804	158 848
Impairment	(31 435)	(29 302)
	117 369	129 546
Accrued income		
For irrevocable commitments assumed in relation to third parties	219	239
For banking services rendered to third parties	2 207	2 543
Other accrued income	24 080	32 193
	26 506	34 975
Deferred expenses		
Insurance	152	20
Rent	3 483	3 373
Other deferred expenses	15 380	8 184
	19 015	11 577
Liability for pensions and other benefits		
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		
Operations on assets pending settlement	208 997	276 779
	208 997	276 779
	499 052	**668 798**

The caption “Collaterals of derivatives” at June 30, 2016 and December 31, 2015 includes 2 231 t. euro and 5 117 t. euro, relating to 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 June 30, 2016 and December 31, 2015 includes 27 022 t. euro and 27 556 t. 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 t. 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 caption “Other debtors” at June 30, 2016 includes 1 427 t. euro relating to the cash receivable in 2019 relating to the public tender offer to acquire 100% of the share capital of Visa Europe Limited by Visa Inc. (Note 4.5).

The changes in assets received in settlement of defaulting loans and other tangible assets available for sale in the first half of 2016 were as follows:

	Balance at Dec. 31, 15			Acquisitions and transfers	Sales and write-offs		Increase / Reversals of impairment	Foreign exchange translation differenc	Balance at Jun. 30, 16		
	Gross	Impairment	Net		Gross	Impairment			Gross	Impairment	Net
Assets received in settlement of defaulting loans											
Real estate	153 535	(27 263)	126 272	18 297	(28 511)	4 188	(6 183)	(9)	143 312	(29 258)	114 054
Equipment	655	(485)	170	121	(150)	49	(6)		626	(442)	184
Other	61	(61)							61	(61)	
Other tangible assets											
Real estate	4 597	(1 493)	3 104	208			(181)		4 805	(1 674)	3 131
	158 848	**(29 302)**	**129 546**	**18 626**	**(28 661)**	**4 237**	**(6 370)**	**(9)**	**148 804**	**(31 435)**	**117 369**

The changes in assets received in settlement of defaulting loans and other tangible assets available for sale in the first half of 2015 were as follows:

	Balance at Dec. 31, 14			Acquisitions and transfers	Sales and write-offs		Increase / Reversals of impairment	Foreign exchange translation differenc	Balance at Jun. 30, 15		
	Gross	Impairment	Net		Gross	Impairment			Gross	Impairment	Net
Assets received in settlement of defaulting loans											
Real estate	161 217	(27 366)	133 851	15 151	(23 293)	1 260	(2 067)	207	153 282	(28 173)	125 109
Equipment	1 006	(699)	307	391	(687)	246	(52)	17	727	(505)	222
Other	61	(61)							61	(61)	
Other tangible assets											
Real estate	4 474	(1 264)	3 210	30					4 504	(1 264)	3 240
	166 758	**(29 390)**	**137 368**	**15 572**	**(23 980)**	**1 506**	**(2 119)**	**224**	**158 574**	**(30 003)**	**128 571**

At June 30, 2016, the real estate received in settlement of defaulting loans was made up as follows, by type of property:

Assets	Nr. of properties	Fair Value	Book value
Land	**62**	**20 838**	**14 835**
Urban	39	20 297	14 429
Rural	23	541	406
Buildings	**1 153**	**120 132**	**98 854**
Business	214	16 733	14 321
Housing	780	71 290	56 376
Other [1]	159	32 109	28 157
Other	**6**	**440**	**365**
Total	**1 221**	**141 410**	**114 054**

[1] This category includes all buildings that are not exclusively business or housing.

At December 31, 2015 the real estate received in settlement of defaulting loans was made up as follows, by type of property:

Asset	Nr. 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
Other[1]	183	34 836	30 232
Other	**3**	**269**	**235**
Total	**1 304**	**153 507**	**126 272**

[1] This category includes all buildings that are not exclusively business or housing.

At June 30, 2016 the real estate received in settlement of defaulting loans was made up as follows, by aging:

Time since the settlement / execution	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Book value
Land	**11 125**	**1 139**	**241**	**2 330**	**14 835**
Urban	11 090	1 131	133	2 075	**14 429**
Rural	35	8	108	255	**406**
Buildings	**26 478**	**22 366**	**36 504**	**13 506**	**98 854**
Business	948	1 543	7 568	4 262	**14 321**
Housing	22 821	17 360	10 203	5 992	**56 376**
Other [1]	2 709	3 463	18 733	3 252	**28 157**
Other	**205**	**74**	**86**		**365**
Total	**37 808**	**23 579**	**36 831**	**15 836**	**114 054**

At December 31, 2015 the real estate received in settlement of defaulting loans was made up as follows, by aging:

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**
Other [1]	1 777	6 962	18 141	3 352	**30 232**
Other		**149**	**86**		**235**
Total	**37 911**	**34 034**	**38 572**	**15 755**	**126 272**

[1] This category includes all buildings that are not exclusive for business or housing.

The caption "Other accrued income" at June 30, 2016 and December 31, 2015 includes 10 757 t. euro and 20 132 t. euro, respectively, relating to accrued commission from participation in the results of insurance products (Notes 2.14 and 4.37).

At December 31, 2015 the caption "Past service liabilities – Other" 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 "Other deferred expenses" at June 30, 2016 and December 31, 2015 includes 9 417 t. euro and 5 285 t. euro relating to current contracts with service providers.

At June 30, 2016 and December 31, 2015 the balance of the caption asset operations pending adjustment includes:

- 154 710 t. euro and 213 108 t. 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;
- 27 127 t. euro and 28 084 t. euro, respectively, relating to taxes paid which have been contested by Banco BPI. At the date of the financial statements there was no expected date for the decision. The main ongoing tax processes refer to the Bank's VAT processes arising from inspections from 2004 to 2009, of which 19 916 t. euro was paid under Decree-Law 151-A / 13 of October 31. The remaining amounts of 7 328 t. euro and 8 285 t. euros relate to amounts paid under Decree-Law 248-A / 02 of November 14, as well as other processes prior to the merger carried out in 2002, relating to tax processes of various types.
- 5 132 t. euro and 6 165 t. euro, respectively, relating to housing loans pending settlement.

The changes in impairment losses and provisions in the first half of 2016 and 2015 are shown in Note 4.20.

4.14. Resources of Central Banks

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Resources of the Bank of Portugal		
Deposits	2 000 000	1 519 649
Accrued interest	614	1 085
Resources of other Central Banks		
Deposits	1	1
	2 000 615	**1 520 735**

In the first half of 2016 and in 2015 Banco BPI took funds from the EuroSystem, using part of its portfolio of eligible assets for this purpose (Note 4.31).

4.15. Financial liabilities held for trading

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Short selling		
Debt instruments		
Bonds issued by Portuguese government entities	14 669	
Bonds issued by foreign government entities	4 280	
Bonds issued by other foreign entities	467	
Derivative instruments with negative fair value (Note 4.4)	267 710	294 318
	287 126	**294 318**

4.16. Resources of other credit institutions

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Resources of Portuguese credit institutions		
Deposits	285 875	355 499
Loans	51	58
Other resources	2 910	3 616
Accrued interest	363	472
	289 199	359 645
Resources of foreign credit institutions		
Deposits of international financial organisations	764 715	704 910
Very short term resources	1 830	1 053
Deposits	146 124	168 838
Debt securities sold with repurchase agreements	1 662	25 728
Other resources	31 709	36 847
Accrued interest	542	975
	946 582	938 351
Correction of the amount of hedged liabilities		13 792
Commissions relating to amortised cost	168	3
	1 235 949	**1 311 791**

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.

4.17. Resources of customers and other debts

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Demand deposits	13 103 847	12 886 456
Term deposits	11 963 163	12 676 526
Savings deposits	60 093	62 080
Compulsory deposits	9 735	9 240
Cheques and orders payable	50 947	45 959
Debt securities sold w ith repurchase agreement	160 230	26 186
Other resources of customers	56 139	64 130
Non-Controlling interests in investment funds		
BPI Alternative Fund (Lux)	258 924	167 534
BPI Obrigações Mundiais	22 780	31 473
BPI Strategies		27 957
Capitalisation insurance products - Unit links	1 874 508	1 957 360
Capitalisation insurance products - Guaranteed Rate and Guaranteed Re	23 563	27 944
Accrued interest	110 944	167 851
	27 694 873	28 150 696
Correction of the amount of hedged liabilities	12 803	29 204
Commissions relating to amortised cost (net)	(804)	(2 086)
	27 706 872	**28 177 814**

The caption "Debt securities sold with repurchase agreement" relates to transactions with Central Counterparties (Note 4.13). During the first half of 2016 Banco BPI settled these transactions preferentially through Central Counterparties.

The caption "Resources of customers" at June 30, 2016 included 551 908 t. euro and 141 719 t. euro, respectively, relating to deposits of investment funds and pension funds managed by the BPI Group (632 613 t. euro and 192 072 t. euro, respectively, at December 31, 2015).

4.18. Debt securities

This caption is made up as follows:

	Jun. 30, 16				Dec. 31, 15			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Covered Bonds								
EUR	5 200 000	(4 800 000)	400 000	0.5%	4 875 000	(4 150 000)	725 000	0.7%
	5 200 000	**(4 800 000)**	**400 000**		**4 875 000**	**(4 150 000)**	**725 000**	
Fixed rate cash bonds								
EUR	202 160	(17 681)	184 479	1.9%	356 609	(32 668)	323 941	3.2%
	202 160	**(17 681)**	**184 479**		**356 609**	**(32 668)**	**323 941**	
Variable income cash bonds								
EUR	20 100	(6 482)	13 618		35 100	(15 524)	19 576	
USD	4 774	(685)	4 089		4 868	(698)	4 170	
	24 874	**(7 167)**	**17 707**		**39 968**	**(16 222)**	**23 746**	
	5 427 034	**(4 824 848)**	**602 186**		**5 271 577**	**(4 198 890)**	**1 072 687**	
Accrued interest			2 263				3 457	
Correction of the amount of hedged liabilities			526				2 060	
Premiums and commission (net)			(601)				(823)	
			2 188				4 694	
			604 374				1 077 381	

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.

During 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 cover pool of 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 of 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 June 30, 2016 the amount of mortgage bonds issued by the BPI Group was 4 700 000 000 euro, split into nine issues as follows:

	OH - Series 8	OH - Series 9	OH - Series 10	OH - Series 11
Issue Date	February 12, 2020	May 21, 2010	August 5, 2010	January 25, 2011
Nominal Amount	EUR 200 000 000	EUR 350 000 000	EUR 600 000 000	EUR 200 000 000
ISIN	PTBB5WOE0003	PTBBP6OE0023	PTBBQQOE0024	PTBBPMOE0029
Maturity Date	February 12, 2017	May 21, 2025	August 5, 2020	January 25, 2018
Rating (Moody's/S&P/Fitch)	Aaa/-/-/-	Aaa/-/-/-	-/-/AAA/-	Aa1/AA/AA+/-
Reimbursement	At maturity	At maturity	At maturity	At maturity
Interest Payment frequency	Quarterly	Quarterly	Quarterly	Quarterly
Coupon	Euribor 3 m + 0.84%	Euribor 3 m + 0.65%	Euribor 3 m + 0.65%	Euribor 3 m + 4.60%
Repurchases	-	EUR 350 000 000	EUR 600 000 000	-

	OH - Series 12	OH - Series 13	OH - Series 14	OH - Series 15
Issue Date	August 25, 2011	July 20, 2012	March 30, 2015	October 7, 2015
Nominal Amount	EUR 600 000 000	EUR 800 000 000	EUR 1 250 000 000	EUR 200 000 000
ISIN	PTBBWAOE0024	PTBBR3OE0030	PTBBRROE0048	PTBBPSOE0031
Maturity Date	August 25, 2021	July 20, 2017	March 30, 2025	October 7, 2022
Rating (Moody's/S&P/Fitch)	A3/A+/A-/-	Baa3/A-/-/-	Baa2/-/-/-	A3/-/-/A(High)
Reimbursement	At maturity	At maturity	At maturity	At maturity
Interest Payment frequency	Quarterly	Quarterly	Quarterly	Quarterly
Coupon	Euribor 3 m + 0.65%	Euribor 3 m + 0.65%	Euribor 3 m + 050%	Euribor 3 m + 0.50%
Repurchases	EUR 600 000 000	EUR 800 000 000	EUR 1 250 000 000	EUR 200 000 000

	OH - Series 16
Issue Date	May 30, 2016
Nominal Amount	EUR 500 000 000
ISIN	PTBBP7OE0022
Maturity Date	May 30, 2023
Rating (Moody's/S&P/Fitch)	A3/-/-/A(High)
Reimbursement	At maturity
Interest Payment frequency	Quarterly
Coupon	Euribor 3 m + 0.80%
Repurchases	EUR 500 000 000

At June 30, 2016 and December 31, 2015, the cover pool allocated to the mortgage bonds amounted to 6 496 225 t. euro and 6 073 932 t. euro, respectively, of which 6 475 952 t. euro and 6 057 014 t. 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 June 30, 2016 BPI Group held three outstanding issues of bonds over the public sector amounting to 500 000 000 euro, as follows:

	OSP - Series 2	OSP - Series 3	OSP - Series 4
Issue Date	September 30, 2010	October 7, 2015	June 15, 2016
Nominal Amount	EUR 250 000 000	EUR 100 000 000	EUR 150 000 000
ISIN	PTBBRHOE0024	PTBBPROE0032	PTBBPGOE0035
Maturity Date	September 30, 2017	October 7, 2022	June 15, 2023
Rating (Moody's/S&P/Fitch)	-/A/-	Baa1/-/-	Baa1/-/-
Reimbursement	At maturity	At maturity	At maturity
Interest Payment frequency	Quarterly	Quarterly	Quarterly
Coupon	Euribor 3 m + 0.4%	Euribor 3 m + 0.65%	Euribor 3 m + 0.80%
Repurchases	EUR 250 000 000	EUR 100 000 000	EUR 150 000 000

At June 30, 2016 and December 31, 2015 the cover pool allocated to bonds over the public sector amounted to 713 111 t. euro and 706 935 t. euro, respectively, of which 711 451 t. euro and 700 344 t. 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 (indexes 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 the first half of 2016 were as follows:

	Covered Bonds	Fixed rate bonds	Variable income bonds	Total
Balance at December 31, 2015	725 000	323 941	23 746	1 072 687
Bonds issued during the period	650 000	14 214		664 214
Bonds redeemed	(325 000)	(147 664)	(5 858)	(478 522)
Repurchases (net of resales)	(650 000)	(6 012)	(100)	(656 112)
Exchange difference			(81)	(81)
Balance at June 30, 2016	400 000	184 479	17 707	602 186

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 December 31, 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 December 31, 2015		725 000	323 941		23 746	1 072 687

Bonds issued by the BPI Group at June 30, 2016, by maturity date, are as follows:

	Maturity					
	2016	2017	2018	2019-2022	> 2022	Total
Covered Bonds						
EUR		200 000	200 000			400 000
		200 000	200 000			400 000
Fixed rate bonds						
EUR	95 362	45 136	16 281	7 700	20 000	184 479
	95 362	45 136	16 281	7 700	20 000	184 479
Variable income bonds						
EUR		13 618				13 618
USD		4 089				4 089
		17 707				17 707
Total	95 362	262 843	216 281		20 000	602 186

Bonds issued by the BPI Group at December 31, 2015, by maturity date, are as follows:

	Maturity					
	2016	2017	2018	2019-2022	> 2022	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	9 468	780	20 000	323 941
	246 228	47 465	9 468	780	20 000	323 941
Variable income bonds						
EUR	5 858	13 718				19 576
USD		4 170				4 170
	5 858	17 888				23 746
Total	577 086	265 353	209 468		20 000	1 072 687

4.19. Financial liabilities relating to transferred assets

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Liabilities relating to assets not derecognised in securitisation operations (Note 4.7)		
Loans		
Housing loans	1 573 989	1 650 926
Loans to SME's	3 371 200	3 387 600
Liabilities held by the BPI Group	(4 287 385)	(4 348 817)
Accrued costs	619	738
Commissions relating to amortised cost (net)	(798)	(925)
	657 625	**689 522**

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 were eliminated in the consolidation process.

On February 11, 2011 Banco BPI launched its second small and medium company securitisation operation, in the amount of 3 472 400 t. 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 / Fixed rate
▪ Class A Notes	1 819 400	3.60	A+/A	0.15%
▪ Class B Notes	1 317 500	3.60	n/r	n/a
▪ Class C Notes		n/a	n/r	n/a
▪ Residual Note	234 300	3.60	n/r	Residual interest
Total of the issues	3 371 200			
Liabilities held by BPI Group	(3 371 200)			
Total				

This issue was made in order to be eligible for possible funding from the European Central Bank.

On November 24, 2005 Banco BPI launched its first housing loan securitisation operation, in the amount of 1 500 000 t. 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	323 638	5.339812464	A2/A-/A+	0.28%
▪ Class B Notes	6 848	5.339812464	Ba2/BB+/A	0.34%
▪ Class C Notes	6 226	5.339812464	B1/B+/BBB	0.54%
▪ Class D Notes	5 188	5.339812464	B2/B-/BB	0.94%
▪ Class E Notes	6 000	5.339812464	nr/nr/nr	Residual Interest
Total of the issues	347 899			
Other funds	3			
Liabilities held by BPI Group	(158 513)			
Total	189 390			

On September 28, 2006 Banco BPI launched its second housing loan securitisation operation in the amount of 1 500 000 t. 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	4 527	6.43	A1/BBB+/A	0.10%
▪ Class A2 Notes	457 508	6.43	A2/BBB+/A	0.28%
▪ Class B Notes	11 285	6.43	Ba2/B+/BBB	0.34%
▪ Class C Notes	7 320	6.43	B1/B-/BB	0.46%
▪ Class D Notes	5 795	6.43	B3/B-/B	0.96%
▪ Class E Notes	5 837	6.43	nr/nr/nr	Residual Interest
Total of the issues	492 273			
Liabilities held by BPI Group	(368 200)			
Total	124 073			

On July 31, 2007 Banco BPI launched its third housing loan securitisation operation in the amount of 1 500 000 t. 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	695 000	7.79	A3/BB+/BBB+	0.16%
▪ Class B Notes	17 819	7.79	nr/B/BB+	0.17%
▪ Class C Notes	10 595	7.79	nr/B-/BB	0.23%
▪ Class D Notes	9 150	7.79	nr/B-/B	0.48%
▪ Class E Notes		n/a	nr/nr/nr	n/a
▪ Class F Notes	1 251	7.79	nr/nr/nr	Residual Interest
Total of the issues	733 815			
Other funds	(1)			
Liabilities held by BPI Group	(389 472)			
Total	344 342			

[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 March 30, 2015 the housing loan securitisation operation in the amount of 1 522 500 t. euro under the name of DOURO Mortgages No. 4 was fully repaid by exercise of the call option.

On July 21, 2015 the housing loan securitisation operation in the amount of 1 421 000 t. euro under the name of DOURO Mortgages No. 5 was fully repaid by exercise of the call option.

4.20. Provisions and impairment losses

The liability caption “Provisions” is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Impairment losses and provisions for guarantees and commitments	27 088	34 132
Other provisions		
VAT's Recovery processes (2013 to 2014)	28 729	28 729
Tax contingencies	7 299	7 299
Social or statutory nature	15 037	15 565
Other provisions	17 654	14 139
	95 807	**99 864**

The caption “Other provisions – Social or statutory nature” at June 30, 2016 and December 31, 2015 is to cover BFA Social Fund’s risks of a social or statutory nature. This Fund, which has the purpose of financially supporting initiatives in the areas of education, health and social solidarity, was founded between the years 2005 and 2009, through the provision of 5% of BFA’s net profit for the prior year in US Dollars. The provision was recorded between the years 2005 and 2009.

The changes in provisions and impairment losses of the Group in the first half of 2016 were as follows:

	Balance at Dec. 31, 15	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at Jun. 30, 16
Impairment losses of loans and advances to customers (Note 4.7)	978 654	77 710	(23 706)	(47 689)	(13 558)	971 411
Impairment losses and provisions for guarantees and commitments	34 132	363	(7 082)		(325)	27 088
	1 012 786	78 073	(30 788)	(47 689)	(13 883)	998 499
Impairment losses of deposits at other credit institutions (Note 4.2)	3		(3)			
Impairment losses of financial assets available for sale (Note 4.5)						
Debt instruments[1]		20 170			(808)	19 362
Equity instruments	47 051	769		(1 152)	(18)	46 650
Other securitites	50 828	4 005		(29)		54 804
Loans and other receivables	21 672	276				21 948
Impairment losses of other assets (Note 4.13)						
Tangible assets held for sale	29 302	7 008	(638)	(4 237)		31 435
Debtors, other applications and other assets	169		(2)			167
Other provisions	65 732	4 409	(308)	(1 052)	(62)	68 719
	214 757	36 637	(951)	(6 470)	(888)	243 085
	1 227 543	**114 710**	**(31 739)**	**(54 159)**	**(14 771)**	**1 241 584**

[1] Impairment loss recognised on the bonds Portugal Telecom International Finance 4.375% 24.3.2017.

Utilisation of impairment losses of loans and advances to customers in the first half of 2016 corresponds to credit write-offs.

The caption Impairment losses exchange differences and other related to loans and advances to customers corresponds essentially to exchange difference on the initial balance of BFA.

The changes in the Group's provisions and impairment losses in the first half of 2015 were as follows:

	Balance at Dec. 31, 14	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at Jun. 30, 15
Impairment losses of loans and advances to customers (Note 4.7)	1 036 661	88 277	(13 067)	(118 374)	(1 398)	992 099
Impairment losses and provisions for guarantees and commitments	38 559	5 015			(223)	43 351
	1 075 220	93 292	(13 067)	(118 374)	(1 621)	1 035 450
Impairment losses of deposits at other credit institutions (Note 4.2)					2	2
Impairment losses of loans and advances to credit institutions (Note 4.6)	2				(2)	
Impairment losses of financial assets available for sale (Note 4.5)						
Debt instruments	1 045			(1 045)		
Equity instruments	46 375	2 332		(1 779)	70	46 998
Other securitites	43 345	1 899		(9)		45 235
Loans and other receivables	21 359	248				21 607
Impairment losses of non-current assets held for sale	8 532			(8 532)		
Impairment losses of other assets (Note 4.13)						
Tangible assets held for sale	29 390	2 304	(185)	(1 506)		30 003
Debtors, other applications and other assets	1 449	283	(124)		(76)	1 532
Other provisions	68 774	12 279	(1 460)	(388)	(2 815)	76 390
	220 271	19 345	(1 769)	(13 259)	(2 821)	221 767
	1 295 491	**112 637**	**(14 836)**	**(131 633)**	**(4 442)**	**1 257 217**

Utilisation of impairment losses of loans and advances to customers in the first half of 2015 corresponds to credit write-offs, of which 74 514 t. euro relates to loans sold.

The increase net of decreases in impairment losses of loans and advances to customers in the first half of 2015 includes (6 677) t. euro relating to the operations of BPI Vida, that were included under the caption "Technical result of insurance contracts" (Note 4.36).

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 negotiation process for the sale of the investment that was ongoing as of December 31, 2014 (Note 4.9). The investment was sold in the first half of 2015, and the respective impairment was used.

In the first half of 2015, the increases net of decreases of impairment losses of debtors, other applications and other assets and of other provisions include, respectively, 278 t. euro and 1 263 t. euro relating to Imofomento's operations. In the statement of income, these impairment losses were included under the caption "Net operating income" (Note 4.39).

4.21. Technical provisions

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Immediate Life Annuity / Individual	4	4
Immediate Life Annuity / Group	22	23
Family Savings	2	2
BPI New Family Savings	1 463 715	2 191 422
BPI Retirement Guaranteed	118 650	138 080
BPI Retirement Savings	697 352	814 113
BPI Non Resident Savings	393 727	511 843
Planor	5 321	5 335
PPR BBI Life	2 164	2 153
Savings Investment Plan / Youths	2	2
South PPR	48	117
	2 681 007	**3 663 094**

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.

4.22. Tax liabilities

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Current Tax Liability		
Corporation income tax payable	32 923	63 976
Other		66
	32 923	64 042
Deferred Tax Liability		
Temporary differences	15 764	28 008
	15 764	28 008
	48 687	**92 050**

Details of the deferred tax liability are presented in Note 4.42.

4.23. Other Subordinated debt and participating bonds

This caption is made up as follows:

	Jun. 30, 16				Dec. 31, 15			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Other subordinated debt								
Perpetual bonds								
EUR	310 000	(250 000)	60 000		310 000	(250 000)	60 000	2,3%
	310 000	**(250 000)**	**60 000**		**310 000**	**(250 000)**	**60 000**	
Other Bonds								
EUR	400 000	(391 293)	8 707		400 000	(391 293)	8 707	1,4%
	400 000	**(391 293)**	**8 707**		**400 000**	**(391 293)**	**8 707**	
	710 000	**(641 293)**	**68 707**		**710 000**	**(641 293)**	**68 707**	
Participating bonds								
EUR	28 081	(27 350)	731		28 081	(27 350)	731	0,2%
	28 081	**(27 350)**	**731**		**28 081**	**(27 350)**	**731**	
Accrued interest			63				74	
			63				74	
			69 501				69 512	

The changes in debt issued by the BPI Group in the first half of 2016 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at December 31, 2015	60 000	8 707	731	69 438
Repurchases (net of resales)				
Balance at June 30, 2016	60 000	8 707	731	69 438

The changes in debt issued by the BPI Group in 2015 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at December 31, 2014	60 000	8 707	732	69 439
Repurchases (net of resales)			(1)	(1)
Balance at December 31, 2015	60 000	8 707	731	69 438

Perpetual and other bonds issued by the BPI Group at June 30, 2016 are made up as follows, by maturity date:

	Maturity				
	2016	**2017**	**2018-2021**	**> 2021**	**Total**
Perpetual Bonds					
EUR [1]	60 000				60 000
Other Bonds					
EUR		8 707			8 707
Total	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 December 31, 2015 are made up as follows, by maturity date:

	Maturity				
	2016	**2017**	**2018-2021**	**> 2021**	**Total**
Perpetual Bonds					
EUR [1]	60 000				60 000
Other Bonds					
EUR		8 707			8 707
Total	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 value at the request of the participants with the approval of the Bank or at the initiative of the Bank with a six months' notice.

4.24. Other liabilities

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Creditors and other resources		
Creditors for futures operations	20 306	23 053
Consigned resources	11 328	19 765
Captive account resources	7 255	7 408
Guarantee account resources	10 432	10 711
Public Sector		
Value Added Tax (VAT) payable	647	362
Tax w ithheld at source	16 186	22 566
Social Security contributions	4 649	4 678
Other	343	559
Contributions to other health systems	1 405	1 389
Creditors for factoring contracts	20 427	18 956
Creditors for the supply of assets	13 338	17 194
Contributions ow ed to the Pension Fund		
Pensioners and employees		1 279
Directors		364
Other creditors	86 922	97 871
Deferred costs	(249)	(129)
	192 989	226 026
Liabilities with pensions and other benefits		
Pension Funds Assets		
Pensioners and employees	(1 285 071)	
Directors	(41 269)	
Past Service Liabilities		
Pensioners and employees	1 306 338	
Directors	44 674	
Other	1 451	
	26 123	
Accrued costs		
Creditors and other resources	1	249
Personnel costs	84 188	95 323
General administrative costs	49 927	58 832
Contribution over the banking sector	7 655	13 003
Other	2 713	2 835
	144 484	170 242
Deferred income		
On guarantees given and other contingent liabilities	3 046	3 476
Other	12 448	9 267
	15 494	12 743
Outras contas de regularização		
Foreign exchange transactions pending settlement	15 740	3 562
Securities operations pending settlement - stock exchange operations	2 975	66 492
Securities operations pending settlement - non stock exchange operations	1 107	32 588
Liabilities pending settlement	80 044	93 485
Other operations pending settlement	158 887	75 018
	258 753	271 145
	637 843	**680 156**

The caption “Other creditors” at June 30, 2016 and December 31, 2015 includes 59 827 t. euro and 64 740 t. euro, respectively, relating to unrealized capital subscribed for in Venture Capital Funds:

	Jun. 30, 16	Dec. 31, 15
Fundo de Recuperação, FCR	18 340	18 340
Fundo InterRisco II CI	14 824	18 876
Fundo InterRisco II - Fundo de Capital de Risco	6 619	6 619
FCR - Fundo Revitalizar		364
Fundo de Reestruturação Empresarial, FCR	1 850	1 864
Funo Pathena SCA Sicar	6 977	7 460
Other Funds	11 217	11 217
	59 827	**64 740**

At June 30, 2016 and December 31, 2015 and 2014 the caption “Other creditors” also includes:

- 4 691 t. euro and 5 279 t. euro, respectively, relating to operations with suppliers pending settlement, for the sale of prestige products;
- 2 690 t. euro and 2 157 t. euro, respectively, relating to securities of captive accounts as they are in litigation.

The caption “Accrued costs – Personnel costs” at December 31, 2015 includes 32 512 t. euro relating to long service premiums. As mentioned in Note 2.7, due to the entry into force of the new Collective Labour Agreement, long service premium was eliminated. However, the agreement established the payment of the proportional share of the long service premium for the anniversary in progress relating to 15, 25 or 30 years of good and effective service in the banking sector on the entry into force date of the new Collective Labour Agreement. At June 30, 2016 the amount payable by Banco BPI amounted to 5 421 t. euro. Additionally, at June 30, 2016, 5 724 t. euro relating to the final career premium created by the new Collective Labour Agreement was recorded.

The main actuarial and financial assumptions used to calculate the final career and long service premium liability are as follows:

	Jun. 30, 16	Dec. 31, 15
Demographic assumptions:		
Mortality table [1]	TV 73/77-M - 2 years TV 88/90-W - 3 years	
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate of Banco BPI		
Beginning on the period	2.50%	2.50% [2]
End of the period	2.50%	2.50% [2]
Discount rate of the other companies		
Beginning of the period	2.50%	2.50%
End of the period	2.50%	2.50%
Pensionable salary increase rate [3] [4]	1.00%	1.00%
Pension increase rate[4]	0.50%	0.50%

[1] Life expectancy considered was 2 years greater than the mortality table used for men and 3 years for women.

The changes in the final career premium and long service premium liability in the first half of 2016 and in 2015 were as follows:

	Jun. 30, 16	Dec. 31, 15
Long service premiums at the beginning of the period	32 512	30 030
Long service premiums payments	(835)	(780)
Personnel Costs (Note 4.40):		
Current service cost	1 123	2 596
Interest cost	424	808
Other		(142)
Extinction of the long service premiums and constitution of the final career premium		
Gain from the extinction of the long service premium	(27 803)	
Expenses with the constitution of the final career premium	5 724	
Final career premium / long service at the end of the period	**11 145**	**32 512**
Of which:		
Long service premiums payable	5 421	32 512
Final career premium	5 724	

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the rate 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. Therefore, the amount recorded in the caption “Accrued costs – Contribution over the banking sector” corresponds to the contribution payable in June of the following year.

The caption “Stock exchange transactions pending settlement” at June 30, 2016 and December 31, 2015 refers to the acquisition of securities to be settled in the following month.

The caption “Non stock exchange transactions pending settlement” at June 30, 2016 and December 31, 2015 refers to the acquisition of securities to be settled in the following month.

The caption “Liabilities pending settlement” at June 30, 2016 and December 31, 2015 includes:

- 20 126 t. euro and 42 891 t. euro, respectively, relating to transactions with loans securitisation funds;
- 35 155 t. euro and 17 072 t. euro, respectively, relating to ATM transactions to be settled;
- 8 867 t. euro and 14 513 t. euro, respectively, relating to transactions to be settled with SIBS.

The caption “Other operations pending settlement”, at June 30, 2016 and December 31, 2015 includes 150 759 t. euro and 73 454 t. euro, respectively, relating to transfers under SEPA (Single Euro Payment Area).

4.25. Liability for pensions and other benefits

The past service liability relating to pensioners, personnel and Directors that are, or have been, employees of BPI Group companies[1], 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 is also a restricted group of management employees that is 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 January 3, 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 January 1, 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, 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 December 31, 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 December 31, 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 December 31, 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 for the Banking Sector; (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 January 1, 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: 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 that purpose by the Ministry of Finance.

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 t. 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 t. relates to the amount of the liability and 1 688 t. euro to the value of the fund. The positive difference between these amounts, totalling 145 t. euro, was recorded in 2012 in the caption "Operating gains and losses".

[1] Companies consolidated by the full consolidation method (Banco BPI, BPI Investimentos, BPI Gestão de Activos, BPI Private Equity and BPI Vida e Pensões)

On June 14, 2016 a new Collective Labour Agreement (“Acordo Colectivo de Trabalho” – ACT) was signed with the labour unions. It was published in the Labour and Employment Bulletin (“Boletim do Trabalho e Emprego”) on August 8, 2016 and entered into force the following day.

The new ACT established new rules for the financing of SAMS (Note 2.6) the impact of which is to decrease past service liability in the amount of 22 215 t. euro. As this is a change in benefits of the pension plan, the impact was recorded in the statement of income caption “Personnel costs”, as provided for in paragraph 103 of IAS 19 (Note 4.40).

Additionally, with the new Collective Labour Agreement, mandatory promotions due to time of service were eliminated, except for the next promotion of employees who were promoted up to December 31, 2014 (Note 2.6).
The impact of the elimination of mandatory promotions due to time of service corresponded to a decrease of 9 593 t. euro in the past service liability, which was recorded by corresponding entry to equity (actuarial deviations) (Note 4.29), since the mandatory promotions due to time of service corresponded to an actuarial assumption used by Banco BPI.

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. 2, of January 15, 2012, the defined benefit plan ceasing to exist and a defined contribution plan being introduced. Therefore, the amount of the past service liability at December 31, 2011, relating to retirement pensions of current employees, hired up to June 22, 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. 32, of August 29, 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 December 31, 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 4.49.

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 to the 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:

	Jun. 30, 16	Dec. 31, 15
Demographic assumptions:		
Mortality table [1]	TV 73/77-M - 2 years TV 88/90-W - 3 years	
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate of Banco BPI		
Beginning on the period	2.50%	2.50% [2]
End of the period	2.50%	2.50% [2]
Discount rate of the other companies		
Beginning of the period	2.50%	2.50%
End of the period	2.50%	2.50%
Pensionable salary increase rate [3 4]	1.00%	1.00%
Pension increase rate[4]	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] The mandatory promotions due to time of service and the seniority payments were considered autonomously, directly in the evolution the estimated salaries, and would be equivalent to a 0.5% growth rate.

[4] It was considered a pensionable salary and a pension increase rate of 1.25% and 0.75% for 2016 and 2017, respectively, as provided new Collective Labour Agreement

The actual results obtained in relation to the main financial assumptions were:

	Jun. 30, 16	Dec. 31, 15
Pensionable salary increase rate [1]	[1]	1.40% [2]
Pension increase rate	[1]	0.00% [3]
Pension fund income rate		
Banco BPI	- 6.07% [4]	14,04%
Other companies	-1.80% [4]	2,11%

[1] Determined solely on an annual basis

[2] 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 time of service and seniority payments and does not reflect new hires and exits).

[3] Corresponds to the ACTV table update rate.

[4] Rate related to the first half of 2016, not annualized.

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:

	Jun. 30, 16	Dec. 31, 15
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 volution of the total pensionable salary for Social Security larger than the pensionable salary under ACT.

Calculation of the liability for retirement and survivor pensions of the BPI Group at June 30, 2016 was based on projections of the amounts of the actuarial valuation as of December 31, 2015.

At December 31, 2015 the number of pensioners and employees covered by the pension plans funded by the pension funds was as follows:

	Dec. 31, 15
Retired pensioners	6 994
Survivor pensioners	1 341
Current employees	5 921
Former employees (clauses 137 A and 140 of the ACTV)	2 937
	17 193

The past service liability for pensioners and employees of the BPI Group and respective coverage by the Pension Fund at June 30, 2016 and December 31, 2015 are as follows:

	Jun. 30, 16	Dec. 31, 15
Total past service liability		
Liability for pensions under payment	18 123	17 900
Of w hich: [increase in the liability resulting from early retirements during the period]		
Past service liability of current and former employees	26 551	26 079
	44 674	**43 979**
Net assets of the pension funds	41 269	42 311
Contributions to be transferred to the Pension Fund		364
Excess/(Insufficient) coverage	(3 405)	(1 304)
Degree of coverage	92%	97%

In accordance with Decree Law 12/2006 of January 20, 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 December 31, 2015 the Bank recorded in the caption "Other Liabilities – Contributions to the Pension Fund" (Note 4.24) the amount of 1 279 t. 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%.

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 past five years was as follows:

	Jun. 30, 2016	2015	2014 Proforma	2013 Proforma	2012 Proforma
Total past service liability	1 306 338	1 279 923	1 278 394	1 082 369	937 090
Net assets of the Pension Fund	1 285 071	1 391 069	1 201 648	1 129 067	986 874
Contributions to be transferred to the Pension Fund		1 279	47 008	2 853	500
Excess/ (insufficient) coverage	(21 267)	112 425	(29 738)	49 551	50 284
Degree of coverage	98%	109%	98%	105%	105%

The changes in the present value of the past service liability in the first half of 2016 and in 2015 were as follows:

	Jun. 30, 16	Dec. 31, 15
Liability at the beginning of the period	1 279 923	1 278 394
Current cost:		
Of the BPI Group	(1 594)	(2 728)
Of the employees	1 858	3 639
Interest cost	15 153	30 269
Actuarial (gain) and loss in the liability	14 409	(5 399)
Early retirements	34 097	5 648
Change in the pension plan conditions - SAMS	(22 215)	
Pensions payable (estimate)	(15 293)	(29 900)
Liability at the end of the period	**1 306 338**	**1 279 923**

The sensitivity analysis to a change of the main financial assumptions for the entire period covered by the actuarial valuation (and not just a change in a given year) at June 30, 2016 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%	(59 393)
Decrease by 0.25%	4.9%	63 502
Change in the salary increase rate [2]		
Increase by 0.25%	1.7%	22 024
Change in the pension increase rate [3]		
Increase by 0.25%	5.7%	74 985
Mortality Table		
+1 year	3.4%	44 139

[1]The same calculation method and assumptions used in the calculation of the liabilities were used, only the assumptions under analysis are changing.

[2]The increase in the changes in salaries applies only to the pensionable salary pension scheme componen 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 a pensions transferred to the Social Security, for which the Bank remains responsible for future updates.

The changes in the pension funds in the first half of 2016 and in 2015 were as follows:

	Jun. 30, 16	Dec. 31, 15
Net assets of the Pension Funds at the beginning of the period	1 391 069	1 201 648
Current cost:		
Of the BPI Group	1 279	47 008
Of the employees	1 858	3 639
Pension Fund income (net)		
Income on Plan assets computed with the discount rate	16 497	30 720
Deviation of return on assets	(109 899)	138 042
Plan conversion of BPI Vida e Pensões	(15 733)	(29 988)
Net assets of the Pension Funds at the end of the period	**1 285 071**	**1 391 069**

The estimated contribution to the pension plan to be made in 2016 amounts to 1 858 t. euros.

At June 30, 2016 and December 31, 2015 the assets of the Banco BPI Employees' Pension Funds were as follows:

	Jun. 30, 16	Dec. 31, 15
Liquidity	10.1%	12.7%
Fixed rate bonds		
Listed	16.2%	14.8%
Floating rate bonds		
Listed	12.8%	13.2%
Portuguese shares		
Listed	21.8%	28.0%
Not listed	3.7%	3.6%
Foreign shares		
Listed	3.3%	3.9%
Real Estate	23.9%	23.0%
Others		
Listed	8.2%	0.8%
	100.0%	**100.0%**

In the first half of 2016 the contributions made by the Group to the pension fund were made in cash. In 2015 the contributions made by the Group to the pension fund were made in securities amounting to 42 602 t.euro and in cash amounting to 4 406 t.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 the first half of 2016 were as follows:

	Dec. 31, 15	Changes in fair value	Sales	Jun. 30, 16
Fair value of the plan assets:				
Financial instruments issued by the BPI Group				
Bonds	60 067	(11 424)		48 643
	60 067	(11 424)		48 643
Premises used by the BPI Group	193 535	288	20 458	173 365
	253 602	**(11 136)**	**20 458**	**222 008**

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:

	Dec. 31, 14 Proforma	Changes in fair value	Sales	Dec. 31, 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**

As mentioned in Note 2.6, 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 2012 to 2015 and in the first half of 2016 were as follows:

Amount at December 31, 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 December 31, 2011 [2]	**(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)
Other [3]	(9 026)
Deviation in pension fund income	113 349
Deviation in pensions paid	597
Other	885
Amount at December 31, 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
Other	(4 452)
Amount at December 31, 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)
Other	(2 400)
Deviation in pension fund income	44 594
Deviation in pensions paid	(1 516)
Other	(1 345)
Amount at December 31, 2014 Proforma	**(183 894)**
Adjustment in the ACTV Table below the estimate	13 830
Change in the financial and demographic assumptions	
Other	(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)
Other	(1 402)
Amount at December 31, 2015 (Note 4.29)	**(40 541)**
Adjustment in the ACTV Table above the estimate	(13 017)
Change in the financial and demographic assumptions	
Single discount rate	(10 985)
Elimination of automatic promotions - ACT	9 593
Deviation in pension fund income	(109 899)
Deviation in pensions paid	(440)
Amount at June 30, 2016 (Note 4.29)	**(165 289)**

[1] Actuarial gains and losses due to differences between the actuarial assumptions and the amounts effectivel realised and changes in the actuarial assumptions.

[2] Excluding deviations relating to transferred liabilities.

[3] Includes 7 426 t. euro relating to deviations caused by changes in the salary growth calculating methodolog

The consolidated financial statements as of June 30, 2016 and 2015 include the following amounts relating to coverage of the pension liability, in the captions “Interest and financial gain and loss with pensions” (Note 4.38) and “Personnel costs” (Note 4.40):

	Jun. 30, 16	**Jun. 30, 15**
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	15 153	15 131
Income on Plan assets computed with the discount rate	(16 497)	(14 682)
	(1 344)	**449**
Personnel costs		
Current service cost	(1 594)	(1 362)
Increase in liabilities for early retirements [1]	42 995	
Compensation for early retirement	4 155	
Change in the pension plan conditions - SAMS	(22 215)	
	23 341	**3 760**

[1] In June 2016 includes 8,898 t.euro related to a program of 50 early retirements that will occur in the second semester of 2016.

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 December 31, 2006 a pension fund was started to cover this liability.

The main actuarial assumptions used to calculate the pension liability were as follows:

	Jun. 30, 16	**Dec. 31, 15**
Demographic assumptions:		
Mortality table [1]	TV 73/77-M - 2 years TV 88/90-W - 3 years	
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate		
Beginning of the period	2.50%	2.50%
End of the period	2.50%	2.50%
Pensionable salary increase rate	0.50%	0.50%
Pension increase rate [2]	0.50%	0.50%

[1] Life expectancy considered was 2 years greater than the mortality tabled used for men and 3 years for women.

[2] Increase equal to the variation of the Consumer Price Index rate according to the pension plan rules.

The actual results obtained in relation to the main financial assumptions were as follows:

	Jun. 30, 16	**Dec. 31, 15**
Pensionable salary increase rate [1]	[1]	0.00% [2]
Pension increase rate [2]	[1]	0.00% [3]
Pension fund income rate	- 1.90% [4]	2.42%

[1] Determined solely on an annual basis.

[2] Calculated based on the changes in pensionable salaries of employees working for Group companies at the beginnin and end of the year.

[3] Increase equal to the change in the Consumer Price Index as per the pension plan rules.

[4] Rate relative to the first half of 2016, not annualized.

At June 30, 2016 and December 31, 2015 the past service liability of this plan and respective coverage by the Pension Fund were as follows:

	Jun. 30, 16	Dec. 31, 15
Total past service liability		
Liability for pensions under payment	18 123	17 900
Of w hich: [increase in the liability resulting from early retirements during the period]		
Past service liability of current and former Directors	26 551	26 079
	44 674	**43 979**
Net assets of the pension funds	41 269	42 311
Contributions to be transferred to the Pension Fund		364
Excess/(Insufficient) coverage	(3 405)	(1 304)
Degree of coverage	92%	97%

The average duration of the pension liability of Directors is 11.1 years, including both current and retired Directors.

As of December 31, 2015 the Bank recorded in the caption "Other Liabilities - Contributions to the Pension Fund" (Note 4.24) the amount of 364 t. 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 97%, complying 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 past five years were as follows:

	Jun. 30, 2016	2015	2014 Proforma	2013 Proforma	2012 Proforma
Total past service liability	44 674	43 979	43 744	39 137	35 113
Net assets of the Pension Fund	41 269	42 311	39 098	35 262	32 638
Contributions to be transferred to the Pension Fund		364	3 393	2 805	2 475
Excess / (insufficient) coverage	(3 405)	(1 304)	(1 253)	(1 070)	
Degree of coverage	92%	97%	97%	97%	100%

The changes in the present value of the past service liability of the plan in the first half of 2016 and in 2015 were as follows:

	Jun. 30, 16	Dec. 31, 15
Liability at the beginning of the period	43 979	43 744
Current service cost	824	1 806
Interest cost	561	1 134
Actuarial (gain)/loss in the liability		(1 488)
Pensions payable (estimate)	(690)	(1 217)
Liability at the end of the period	**44 674**	**43 979**

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 June 30, 2016 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%	(1 343)
Decrease by 0.25%	3,2%	1 409
Change in the salary increase rate [2]		
Increase by 0.25%	0,7%	303
Change in the pension increase rate [3]		
Increase by 0.25%	2,9%	1 274
Mortality Table		
+1 year	3,5%	1 564

[1]The same calculation method and assumptions usedin the calculation of the liabilities was used, only the assumptions under analysis changing.

[2]The increase in the changes in 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 the first half of 2016 and in 2015 were as follows

	Jun. 30, 16	**Dec. 31, 15**
Net assets of the Pension Fund at the beginning of the period	42 311	39 098
Contributions made	364	3 392
Pension Fund income (net)		
Income on Plan assets computed with the discount rate	545	1 096
Deviation of return on assets	(1 343)	(68)
Pensions paid by the Pension Fund	(608)	(1 207)
Net assets of the Pension Fund at the end of the period	**41 269**	**42 311**

At June 30, 2016 and December 31, 2015 the net assets of the Banco BPI Directors' Pension Fund were as follows:

	Jun. 30, 16	**Dec. 31, 15**
Liquidity	1.5%	4.3%
Fixed rate bonds		
Listed	55.6%	51.6%
Indexed rate bonds		
Listed	5.3%	6.9%
Shares		
Listed	29.1%	29.5%
Real Estate		
Listed	1.0%	1.1%
Others		
Listed	7.5%	6.6%
	100.0%	**100.0%**

Contributions to the Pension Funds in the first half of 2016 and in 2015 were paid in cash.

As mentioned in Note 2.6, 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 2012 to 2015 and in the first half of 2016 were as follows:

Amount at December 31, 2011	**(349)**
Change in the financial demographic assumptions	(1 716)
Deviation in pension fund income	859
Deviation in pensions paid	232
Other	(458)
Amount at December 31, 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
Other	1 236
Amount at December 31, 2013 Proforma	**(3 652)**
Change in the financial and demographic assumptions	
Discount rate pension and salary increase rate	(4 897)
Changes on the retirement age assumptions	1 709
Deviation in pension fund income	816
Deviation in pensions paid	163
Other	505
Amount at December 31, 2014 Proforma	**(5 356)**
Deviation in pension fund income	(68)
Deviation in pensions paid	10
Changes on the retirement age assumptions	1 029
Other	459
Amount at December 31, 2015 Proforma (Note 4.29)	**(3 926)**
Deviation in pension fund income	(1 343)
Deviation in pensions paid	82
Amount at June 30, 2016 Proforma (Note 4.29)	**(5 187)**

The consolidated financial statements as of June 30, 2016 and 2015 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 4.38) and "Personnel costs" (Note 4.40):

	Jun. 30, 16	Jun. 30, 15
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	561	562
Income on Plan assets computed with the discount rate	(545)	(539)
	16	**23**
Personnel costs		
Current service cost	824	903
	824	**903**

At June 30, 2016 and December 31, 2015, respectively, the captions "Other liabilities" (Note 4.24) and "Other assets" (Note 4.15) past service liability – others corresponded to the liability of Banco de Fomento de Angola regarding "Retirement income" (Note 2.6).

Under the legislation in force, BFA is responsible for the payment of a benefit at the time of the retirement of each employee. The payment corresponds to 25% of the monthly base salary paid on the date the employee reaches retirement age, for each year of seniority on the same date. The total amount of the past service liability is determined on an annual basis by experts, using the "Projected Unit Credit" method.

The main demographic and financial assumptions used to evaluate these liabilities to BFA employees were as follows:

	Jun. 30, 16	Dec. 31, 15
Demographic assumptions:		
Mortality table	TV 73/77	TV 73/77
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Financial assumptions:		
Difference between income rate and salary increase rate in the long term	2% per annum	2% per annum

4.26. Share capital

At June 30, 2016 and December 31, 2015 Banco BPI's share capital amounted to 1 293 063 t. euro, represented by 1 456 924 237 ordinary, nominal dematerialized shares, of no par value.

The Shareholders' General Meeting held on February 25, 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 Programme (RVA) regulations;
   or
   iii) the shares are sold to third parties under the following conditions:
      1. the shares are sold in a market registered with the Securities Market Commission; 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.

4.27. Other equity instruments and treasury shares

These captions are made up as follows:

	Jun. 30, 16	Dec. 31, 15
Other equity instruments		
Cost of shares to be made available to Group employees		
RVA 2013	388	574
RVA 2014	49	35
RVA 2015	409	915
RVA 2016	339	
Costs of options not exercised (premiums)		
RVA 2010	369	548
RVA 2011	42	46
RVA 2012	1 108	947
RVA 2013	1 324	1 330
RVA 2015		799
RVA 2016	348	
	4 376	**5 194**
Treasury shares		
Shares to be made available to Group employees		
RVA 2013	306	622
Shares hedging RVA options		
RVA 2010	5 847	6 372
RVA 2011	2 054	2 156
RVA 2012	3 116	3 461
RVA 2013	27	24
Other shares	164	162
	11 514	**12 797**

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 Programme (RVA) are included in Note 4.47.

The BPI Group’s financial statements as of June 30, 2016 and December 31, 2015 reflect 5 780 549 and 6 440 632 treasury shares, respectively, including 168 917 and 344 222 treasury shares to be made available under the RVA programme for which ownership was transferred to the employees on the grant date.

In the first half of 2016 and in 2015 the Bank recorded directly in shareholders’ equity losses of - 269 t. euro and - 343 t. euro, respectively, on the sale of treasury shares hedging the variable remuneration (RVA) programme.

4.28. Revaluation reserves

This caption is made up as follows

	Jun. 30, 16	Dec. 31, 15
Revaluation reserves		
Reserves resulting from valuation to fair value of financial assets available for sale (Note 4.5):		
Debt Instruments		
Securities	74 943	80 735
Hedging derivatives	(95 357)	(105 647)
Equity Instruments	24 446	45 748
Other	(77)	(531)
Reserve for foreign exchange difference on investments in foreign entities		
Subsidiary and associated companies	(218 075)	(110 026)
Equity instruments available for sale	3	5
Legal revaluation reserve	703	703
	(213 414)	**(89 013)**
Deferred tax reserve		
Resulting from valuation to fair value of financial assets available for sale:		
Tax assets	6 748	7 759
Tax liabilities	(1 784)	(6 310)
	4 964	**1 449**
	(208 450)	**(87 564)**

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”.

4.29. Other reserves and retained earnings

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Legal reserve	104 499	86 124
Merger reserve	2 530	2 530
Consolidation reserves and retained earnings	773 351	726 790
Other reserves	508 843	339 176
Actuarial deviations		
Associated with the transferred liabilities	(193 538)	(193 538)
Associated with the liabilities that remain with the Bank	(170 476)	(44 467)
Taxes related to actuarial deviations	93 227	58 627
Loss on treasury shares	(4 614)	(4 345)
Taxes relating to gain on treasury shares	1 577	1 690
	1 115 399	**972 587**

In accordance with Article 97 of the General Regime for Credit Institutions and Financial Companies, approved by Decree-Law 298/91 of December 31 and amended by Decree-Law 201/2002 of September 25, 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 June 30, 2016 and December 31, 2015 the share premium account and legal reserve of the BPI Group companies which, under the applicable regulations, may not be distributed, amounted to 183 848 t. euro and 184 963 t. euro, respectively which, weighted by Banco BPI’s effective participation percentage in these companies, amounted to 90 558 t. euro and 90 442 t. euro, respectively. These reserves are included in the captions consolidation reserves and retained earnings and revaluation reserves.

The caption “Consolidation reserves” at June 30, 2016 and December 31, 2015 includes 17 242 t. euro and 17 540 t. 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.

4.30. Non-controlling interests

This caption is made up as follows:

	Balance Sheet		Statement of Income	
	Jun. 30, 16	**Dec. 31, 15**	**Jun. 30, 16**	**Jun. 30, 15**
Non-controlling interests:				
Banco de Fomento Angola, S.A.	379 543	426 845	82 049	69 433
BPI Capital Finance Ltd	1 803	1 802	23	22
	381 346	**428 647**	**82 072**	**69 455**

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 December 9, 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 June 30, 2016 and December 31, 2015 include 1 786 t euro, relating to preference shares:

	Jun. 30, 16			Dec. 31, 15		
	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 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 August 12, 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 February 12, May 12, August 12 and November 12 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.

4.31. Off balance sheet items

This caption is made up as follows:

	Jun. 30, 16	Dec. 31, 15
Guarantees provided and other contingent liabilities		
Guarantees and sureties	1 439 114	1 497 070
Stand-by letters of credit	65 083	77 739
Documentary credits	144 019	253 890
Sureties and indemnities	88	82
	1 648 304	**1 828 781**
Assets pledged as collateral	**7 928 788**	**6 813 934**
Commitments to third parties		
Irrevocable commitments		
Options on assets	8 452	9 371
Irrevocable credit lines	1 481	1 646
Securities subscription	385 606	334 612
Term commitment to make annual contributions to the Deposit Guarantee Fund	38 714	38 714
Term commitment to make annual contributions to the Resolution Fund	2 636	
Commitment to the Investor Indemnity System	9 728	9 771
Other irrevocable commitments	549	576
Revocable commitments	2 928 129	2 977 819
	3 375 295	**3 372 509**
Responsibility for services provided		
Deposit and safeguard of assets	28 747 163	31 070 310
Amounts for collection	212 242	196 246
Assets managed by the institution	6 014 011	6 118 372
	34 973 416	**37 384 928**

The structure, by sector, of the guarantees provided by the BPI Group at June 30, 2016 and December 31, 2015 is as follows:

	Jun. 30, 16		Dec. 31, 15	
	Amount	**%**	**Amount**	**%**
Domestic activity:				
Agriculture, animal production and hunting	3 905	0.2	3 413	0.2
Forestry and forest operations	416		510	
Fishing	148		151	
Mining	3 489	0.2	4 201	0.2
Beverage, tobacco and food	25 602	1.6	24 071	1.3
Textiles and clothing	13 033	0.8	15 822	0.9
Leather and related products	1 686	0.1	1 599	0.1
Wood and cork	11 863	0.7	9 592	0.5
Pulp, paper, cardboard and graphic arts	10 703	0.6	7 865	0.4
Coke, refined petroleum products and fuel pellets	17 337	1.1	17 533	1.0
Chemicals, synthetic or artificial fibres, except pharmaceutical products	8 443	0.5	9 012	0.5
Base pharmaceutical products and pharmaceutical mixtures	2 469	0.1	2 450	0.1
Rubber and plastic materials	8 187	0.5	9 624	0.5
Other mineral non-metallic products	27 183	1.6	26 242	1.4
Metalworking industries	35 209	2.1	38 142	2.1
Computers, electronic, electrical and optical equipment	11 763	0.7	11 335	0.6
Transport equipment	22 615	1.4	14 916	0.8
Other manufacturing industries	9 033	0.5	8 467	0.5
Electricity, gas and water	68 903	4.2	70 165	3.8
Water treatment and collection	49 223	3.0	50 059	2.7
Construction	275 369	16.6	304 945	16.8
Wholesale and retail trade; motor vehicle and motorcycle repairs	191 420	11.6	199 879	10.9
Transport and storage	189 480	11.6	203 339	11.2
Restaurants and hotels	24 581	1.5	27 622	1.5
Information and communication activities	109 845	6.7	116 018	6.3
Investment holding companies	7 740	0.5	8 605	0.5
Financial intermediation, except for insurance and pension funds	37 438	2.3	34 433	1.9
Insurance, reinsurance and pension funds, except for mandatory social security	984	0.1	939	0.1
Auxiliary activities to financial services and insurance	601		591	
Real estate	19 341	1.2	17 906	1.0
Consulting, scientific, technical and similar activities	108 837	6.6	112 512	6.2
Administrative and support services	18 992	1.2	17 148	0.9
Public administration, defence and mandatory social security	8 439	0.5	11 111	0.6
Education	2 544	0.2	2 623	0.1
Healthcare and welfare	4 973	0.3	5 382	0.3
Leisure, cultural and sports activities	8 562	0.5	17 341	0.9
Other service companies	18 276	1.1	8 618	0.5
Individuals				
Other	53 449	3.2	28 862	1.6
International activity:				
Financial and credit institutions	9 459	0.6	61 091	3.3
Non-financial companies	226 592	13.8	323 839	17.8
Individuals	172		808	
	1 648 304	**100.0**	**1 828 781**	**100.0**

The caption "Assets pledged as collateral" at June 30, 2016 and December 31, 2015 includes:

- 70 085 t. euro and 75 988 t. euro, respectively, relating to credit and 6 687 176 t. euro and 5 525 972 t. euro relating to securities, captive for obtaining funding from the European Central Bank (ECB);
- 5 056 t. euro and 5 183 t. euro, respectively, relating to securities pledged in guarantee to the Securities Market Commission (Comissão do Mercado de Valores Mobiliários - CMVM) under the Investor Indemnity System (Sistema de Indemnização aos Investidores);
- 45 187 t. euro and 46 878 t. euro, respectively, relating to securities given in guarantee to the Deposit Guarantee Fund;
- 162 363 t. euro and 57 273 t. euro, respectively, relating to repos of bonds.

Additionally, at June 30, 2016 and December 31, 2015 the caption "Assets pledged as collateral" includes, respectively, 839 683 t. euro and 981 821 t. euro of securities and 119 069 t. euro and 119 620 t. euro of loans, pledged as collateral to the European Investment Bank.

The caption "Options on assets" at June 30, 2016 and December 31, 2015 corresponds to share options issued by the BPI Group under the share-based payments programme (RVA).

The caption "Commitments to third parties - Securities subscription" at June 30, 2016 and December 31, 2015 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 caption "Term commitment to make annual contributions to the Deposit Guarantee Fund" at June 30, 2016 and December 31, 2015 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 caption "Commitment to the Investor Indemnity System" at June 30, 2016 and December 31, 2015 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 June 30, 2016 the BPI Group managed the following third party assets:

Investment Funds and PPRs	3 070 776
Pension Funds [1]	2 301 846

[1] Includes the Group companies' Pension Funds.

4.32. Financial margin (narrow sense)

This caption is made up as follows:

	Jun. 30, 16	Jun. 30, 15
Interest and similar income		
Interest on deposits with banks	59	87
Interest on placements with credit institutions	11 360	23 776
Interest on loans to customers	210 853	241 701
Interest on credit in arrears	6 317	9 434
Interest on securities held for trading and available for sale	142 254	155 810
Interest on securitised assets not derecognised	49 305	70 641
Interest on derivatives	53 880	97 797
Interest on debtors and other aplications	573	898
Other interest and similar income	1 572	1 640
	476 173	**601 784**
Interest and similar expense		
Interest on resources		
Of central banks	663	609
Of other credit institutions	2 201	3 312
Deposits and other resources of customers	75 682	155 151
Debt securities	5 584	24 387
Interest from short selling	663	346
Interest on derivatives	46 536	97 451
Interest on liabilities relating to assets not derecognised on securitised operations	4 256	6 662
Interest on subordinated debt	547	644
Other interest and similar expenses	1 306	868
	137 438	**289 430**

4.33. Gross margin on unit links

This caption is made up as follows:

	Jun. 30, 16	Jun. 30, 15
Income from financial instruments		
Interest	529	3 763
Gains and losses on financial instruments	(46 836)	27 865
Gains and losses on capitalisation insurance - unit links	46 307	(31 629)
Management and redemption comission	7 051	5 380
	7 051	**5 379**

4.34. Income from equity instruments

This caption is made up as follows:

	Jun. 30, 16	Jun. 30, 15
Conduril	92	369
SIBS		1 086
Viacer	1 960	1 946
Via Litoral	1 663	
Other	195	198
	3 910	**3 599**

4.35. Net commission relating to amortised cost

This caption is made up as follows:

	Jun. 30, 16	Jun. 30, 15
Commission received relating to amortised cost		
Loans to customers	13 516	13 054
Other	539	496
Commission paid relating to amortised cost		
Loans to customers	(3 308)	(3 047)
Other	(189)	(617)
	10 558	**9 886**

4.36. Technical result of insurance contracts

This caption is made up as follows:

	Jun. 30, 16	Jun. 30, 15
Premiums	129 751	292 866
Income from financial instruments	24 933	32 026
Impairment		6 677
Cost of claims, net of reinsurance	(1 126 567)	(516 463)
Changes in technical provisions, net of reinsurance	996 612	223 541
Participation in results	(11 234)	(19 246)
	13 495	**19 401**

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 basis of each product, duly approved by the Portuguese Insurance Institute (Note 2.10).

4.37. Net commission income

This caption is made up as follows:

	Jun. 30, 16	Jun. 30, 15
Commissions received		
On guarantees provided	8 456	11 601
On commitments to third parties	1 215	1 326
On insurance brokerage services	22 111	20 721
On banking services rendered	104 569	102 585
On operations performed on behalf of third parties	10 224	10 599
Other	4 530	5 857
	151 105	**152 689**
Commissions paid		
On guarantees received	30	72
On financial instrument operations	61	44
On banking services rendered by third parties	17 589	17 984
On operations realised by third parties	2 322	2 468
Other	279	247
	20 281	**20 815**
Other income, net		
Refund of expenses	20 431	17 581
Income from banking services	6 826	10 295
Charges similar to fees	(4 192)	(4 349)
	23 065	**23 527**

At June 30, 2016 and 2015 the caption “Refund of expenses” includes 9 985 t. euro and 7 407 t. euro, respectively, regarding the collection of account maintenance costs.

At June 30, 2016 and 2015 commissions received for insurance brokerage services or reinsurance are made up as follows:

	Jun. 30, 16	Jun. 30, 15
Life insurance		
Housing	10 193	10 110
Consumer	1 111	723
Other	3 439	3 023
	14 743	**13 856**
Non-life insurance		
Housing	2 763	2 624
Consumer	470	531
Other	4 135	3 710
	7 368	**6 865**
	22 111	**20 721**

Remuneration for insurance brokerage services were received fully in cash, and about 98% of the commission relates to insurance brokerage services for Allianz.

4.38. Net income on financial operations

This caption is made up as follows:

	Jun. 30, 16	Jun. 30, 15
Gain and loss on operations at fair value		
Foreign exchange gain, net	70 539	60 198
Gain and loss on financial assets held for trading		
Debt instruments	15 588	20 778
Equity instruments	(48 940)	36 799
Other securities	407	930
Gain and loss on trading derivative instruments	42 058	(26 743)
Gain and loss on other financial assets valued at fair value through profit or loss	1	
Gain and loss on financial liabilities held for trading	206	167
Gain and loss on the revaluation of assets and liabilities hedged by derivatives	29 025	(20 097)
Gain and loss on hedging derivative instruments	(29 618)	20 878
Other gain and loss on financial operations	170	3 897
	79 436	**96 807**
Gain and loss on assets available for sale		
Gain and loss on the sale of loans and advances to customers	1 229	(954)
Gain and loss on financial assets available for sale		
Debt instruments	252	(68)
Equity instruments	22 945	61
Other securities	29	9
	24 455	**(952)**
Interest and financial gain and loss with pensions		
Interest cost	(15 714)	(15 693)
Income on plan assets computed with the discount rate	17 042	15 221
	1 328	**(472)**

The caption “Gain and loss on trading derivative instruments” at June 30, 2016 and 2015 includes 38 370 t. euro and (23 441) t. 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 June 30, 2016 and 2015, includes (25) t. euro and 3 390 t. euro, respectively, relating to gains on the repurchase of financial liabilities on securitisation operations.

The gain of 22 945 t. euro in the caption “Gain and loss on financial assets available for sale – Equity instruments” at June 30, 2016, refers to the impact of the public tender offer for the acquisition of 100% of the share capital of Visa Europe Limited by Visa Inc. (Note 4.5.).

4.39. Net operating income

This caption is made up as follows:

	Jun. 30, 16	Jun. 30, 15
Operating income		
Revenue from investment properties		4 088
Gain on investment properties		5
Non controlling interest in the investment fund Imofomento		(542)
Gain on tangible assets held for sale	2 781	1 184
Gain on other tangible assets	2 701	5 398
Other operating income	3 662	4 011
	9 144	**14 144**
Operating expenses		
Loss on investment properties		1 546
Expenses with investment properties		534
Subscriptions and donations	1 904	2 156
Contributions to the Deposit Guarantee Fund	12	674
Contributions to the Resolution Fund	3 205	2 775
Contributions to the Single Resolution Fund	14 939	
Contribution to the Investor Indemnity System	8	7
Loss on tangible assets held for sale		841
Loss on other tangible and intangible assets	3 243	5 606
Other operating expenses	3 078	3 158
	26 389	**17 297**
Other taxes		
Indirect taxes	11 521	10 018
Direct taxes	1 731	1 002
	13 252	**11 020**

The amounts recorded in the captions “Revenue from investment properties” and “Expenses with investment properties” in the first half of 2015 are made up as follows:

	Jun. 30, 15	
	Income	**Expenses**
Leasehold real estate	4 088	455
Non-leased real estate		26
	4 088	**481**

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the rate 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, in 2015 Banco BPI changed its accounting policy for the recognition of the periodic contributions to the Deposit Guarantee Fund and Resolution Fund, with the expense being fully recognized upon receipt of the payment notifications for the year which, according to the legal terms, is in the first half year.

In April 2016 and 2015 Banco BPI made contributions to the Resolution Fund in the amount of 3 205 t. euro and 2 734 t. euro, in accordance with the Article 14 of Law 23-A/2015 of March 26, in conjunction with the regime established by Decree-Law 24/2013 of February 19. In addition to these contributions the Bank paid 14 253 t. euro to the Resolution Fund in the second half of 2015.

In May 2016 Banco BPI paid a contribution of 14 937 t. euro to the Single Resolution Fund. The total contribution attributable to Banco BPI amounted to 17 613 t. euro, the Bank having decided to constitute an irrevocable commitment for the difference (Notes 4.13 and 4.29) which was determined by the Single Resolution Board in accordance with the methodology established in Delegated Resolution (EU) 2015/63 of the Commission of October 21, 2014 and the conditions established in Execution Regulation (EU) 2015/81 of the Council of December 19, 2014.

4.40. Personnel costs

This caption is made up as follows:

	Jun. 30, 16	**Jun. 30, 15**
Remuneration	150 935	149 359
Long service premium (Note 4.24)	(26 256)	1 701
Final career premium (Note 4.24)	5 724	
Pension costs (Note 4.25)	2 090	1 528
Changes in the conditions of the pension plan - SAMS (Note 4.25)	(22 215)	
Early retirements (Note 4.25)	47 150	
Other mandatory social charges	31 541	31 300
Other personnel costs	5 892	5 189
	194 861	**189 077**

The caption "Remuneration" at June 30, 2016 and 2015 includes the following costs relating to remuneration granted to the members of Banco BPI's Board of Directors:

- 1 759 t. euro and 1 882 t. euro, respectively, relating to remuneration paid in cash; and
- 548 t. euro and 750 t. euro, respectively, relating to prior years' accrued cost of the share-based remuneration programme (RVA) in accordance with IFRS 2.

The caption "Pension costs" at June 30, 2016 and 2016 includes 2 703 t. euro and 1 847 t. euro, respectively, relating to costs of the Defined Contribution Pension Plan for employees of Banco de Fomento Angola.

4.41. General administrative costs

This caption is made up as follows:

	Jun. 30, 16	Jun. 30, 15
General administrative costs		
Supplies		
Water, energy and fuel	6 707	6 657
Consumable material	2 495	2 350
Other	679	848
Services		
Rent and leasing	24 159	25 168
Communications and computer costs	19 300	19 176
Travel, lodging and representation	4 152	4 174
Advertising and publishing	10 140	10 504
Maintenance and repairs	10 707	10 366
Insurance	2 291	2 438
Fees	3 136	2 575
Legal expenses	2 910	2 990
Security and cleaning	6 294	6 482
Information services	4 238	4 253
Temporary labour	1 495	1 778
Studies, consultancy and auditing	7 969	3 992
SIBS	10 213	11 070
Other services	10 747	12 241
	127 632	**127 062**

4.42. Income tax

At June 30, 2016 and 2015, income tax recognised in the statement of income, as well as the tax burden, measured by the relationship between the tax charge and profit before tax, were as follows:

	Jun. 30, 16	Jun. 30, 15
Current income tax		
For the period	30 195	25 703
Correction of prior years [2]	(6 550)	1 156
	23 645	**26 859**
Deferred tax		
Recognition and reversal of temporary differences	(26 776)	(23 973)
Change in tax rate	23	
On tax losses carried forward	13 525	16 055
	(13 228)	**(7 918)**
Contribution over the banking sector	**11 128**	**6 600**
Total tax charged to the statement of income	**21 545**	**25 541**
Net income before income tax[1]	188 190	158 437
Tax burden	11,4%	16,1%

[1] Considering net income of the BPI Group plus income tax and income attributable to non-controlling interests less the earnings of associated companies (not consolidated).

[2] Includes 10 255 t. euro relating to BFA, resulting from the possibility of the deduction, for tax purposes, of the foreign exchange revaluations of securities issued up to December 31, 2012. Additionally, it includes the amount of (2 789) t. euro also relating to BFA due to the additional payment of Industrial Tax for the year 2013.

In the first half of 2016 and 2015 Banco BPI recorded directly in retained earnings, income tax of (32 887) t. euro and 30 318 t. euro, respectively, resulting from actuarial deviations in pensions for the period, net gain/loss on treasury shares recognized in equity and cancellation of Bank of Portugal Notice 3/95.

Reconciliation between the nominal rate of income tax and the tax burden at June 30, 2016 and 2015, as well as between the tax cost/income and the product of the accounting profit times the nominal tax rate are as follows:

	Jun. 30, 16		Jun. 30, 15	
	Tax rate	Amount	Tax rate	Amount
Net income before income tax		188 190		158 437
Income tax computed based on the nominal tax rate	29.5%	55 426	30.3%	48 081
Effect of tax rates applicable to foreign branches	0.0%	16	-0.3%	(476)
Capital gain and impairment of investments (net)	-0.5%	(950)	0.9%	1 406
Capital gain of tangible assets (net)	-0.4%	(749)	-0.4%	(662)
Income on Angolan public debt	-24.3%	(45 733)	-21.6%	(34 185)
Non taxable dividends	-0.1%	(126)	-1.1%	(1 786)
Tax on dividends of subsidiary and associated companies	1.9%	3 612	2.0%	3 129
Tax benefits	-0.2%	(283)	-0.3%	(473)
Impairment and provision for loans	-0.3%	(517)	0.5%	795
Non tax deductible pension costs	0.6%	1 202	0.2%	358
Correction of prior year tax losses carried forward	-3.5%	(6 550)	0.7%	1 156
Non tax deductible uncollectible loans	0.0%	88	0.8%	1 319
Extraordinary investment tax credit	0.6%	1 065	-0.1%	(113)
Difference between the current income tax rate and the deferred tax rate [1]	0.9%	1 762	0.0%	66
Correction of prior years tax losses carried forward	0.0%	(88)	-0.5%	(738)
Tax losses carried forward	-0.1%	(113)	-0.1%	(157)
Effect of change in the rate of deferred tax	0.0%	23		
Contribution over the banking sector	5.9%	11 128	4.2%	6 600
Autonomous taxation	0.5%	903	0.7%	1 103
Other non taxable income and expenses	0.8%	1 429	0.1%	118
	11.4%	**21 545**	**16.1%**	**25 541**

[1] 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:

	Jun. 30, 16		Jun. 30, 15	
	Net income before income tax	Current tax rate	Net income before income tax	Current tax rate
Companies with income tax rate of 21% and Surcharge between [1.5% ; 8.5%[	23 969	26.6%	2 947	81.0%
Companies with income tax rate of 30% (Angola)	163 499	30.0%	152 314	30.0%
Investment funds[1]	722		3 176	
	188 190	29.5%	158 437	30.3%

[1] Regime applicable under the provisions of article 22 of the EBF (Statute of Tax Benefits).

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 June 30, 2016 and December 31, 2015 are as follows:

	Jun. 30, 16	Dec. 31, 2015
Deferred tax		
Assets (Note 4.12)	449 793	411 536
Liabilities (Note 4.22)	(15 764)	(28 008)
	434 029	383 528
Recorded by corresponding entry to:		
Retained earnings	324 036	276 759
Other reserves - Actuarial deviations	91 801	68 188
Fair value reserve (Note 4.28)		
Financial instruments available for sale	4 964	1 448
Net income	13 228	37 133
	434 029	383 528

Deferred tax assets are recognized up to the amount expected to be realized through future taxable profits.

The changes in deferred taxes in the first half of 2016 were as follows:

	Balance at Dec. 31, 15	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at Jun. 30, 16
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	(1 967)	(136)				(2 103)
Early retirements	24 691	(13)	8 891			33 569
Banco BPI Cayman net income	213					213
Taxed provisions and impairment	160 302	894	14 809	893		176 898
Long service premium	8 913	(5 851)				3 062
Tax losses carried forward	103 614	(14 011)	603		(250)	89 956
Investment tax credit	1 065	(1 065)				
Financial instruments available for sale	7 604	25	484	1 099	(2 089)	7 123
Actuarial deviations	52 646	(4 387)				48 259
Actuarial deviations after 2011	15 543	(3 258)	(68)	31 325		43 542
Taxes over dividends	8 829		11 214			20 043
Tax deferral of the impact of the transfer of pensions	21 232	(761)				20 471
Reversal of gains in the consolidated accounts	1 748	(761)	89			1 076
Other	7 103	(100)	133	548		7 684
	411 536	(29 424)	36 155	33 865	(2 339)	449 793
Deferred tax liabilities						
Revaluation of tangible fixed assets	(556)		23			(533)
Revaluation of assets and liabilities hedged by derivatives	(1 689)	1 247				(442)
Dividends to be distributed by subsidiary and associated companies	(10 005)	(3 603)	4 094	1 168		(8 346)
RVA		(74)		74		
Financial instruments available for sale	(8 256)	134		5 997	(21)	(2 146)
Repurchase of liabilities and preference shares	(3 410)		3 515		(1 513)	(1 408)
Reversal of gains in the consolidated accounts	(4 091)	(33)	1 236			(2 888)
Other	(1)	(42)		42		(1)
	(28 008)	(2 371)	8 868	7 281	(1 534)	(15 764)
	383 528	**(31 795)**	**45 023**	**41 146**	**(3 873)**	**434 029**

The changes in deferred taxes in the first half of 2015 were as follows:

	Balance at Dec. 31, 14	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at Jun. 30, 15
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	(1 869)	(4)	25			(1 848)
Early retirements	29 287	(3 072)				26 215
Banco BPI Cayman net income	213					213
Taxed provisions and impairment	147 423	(1 236)	9 301			155 488
Long service premium	8 235	(1)	354			8 588
Tax losses carried forward	102 833	(16 238)	183		(62)	86 716
Investment tax credit	952		113			1 065
Financial instruments available for sale	18 629	(9)	17	228	(4 564)	14 301
Actuarial deviations	61 420	(4 387)				57 033
Actuarial deviations after 2011	15 643	15 275	32		(15 408)	15 542
Tax deferral of the impact of the transfer of pensions	22 748	(758)				21 990
Other	6 319	(79)	353	1 092	(11)	7 674
	411 833	(10 509)	10 378	1 320	(20 045)	392 977
Deferred tax liabilities						
Revaluation of tangible fixed assets	(642)		60			(582)
Revaluation of assets and liabilities hedged by derivatives	(991)	(644)				(1 635)
Subsidiary's equity conversion						
Dividends to be distributed by subsidiary and associated companies	(10 446)	(3 128)	6 446	32	180	(6 916)
RVA			94		(94)	
Credit impairment						
Financial instruments available for sale	(6 506)	(26)		3 082	(8)	(3 458)
Repurchase of liabilities and preference shares	(9 906)		5 216		(2 894)	(7 584)
Reversal of gains in the consolidated accounts	(1 534)	(100)	131	100		(1 403)
Other	(3)				1	(2)
	(30 028)	(3 898)	11 947	3 214	(2 815)	(21 580)
	381 805	**(14 407)**	**22 325**	**4 534**	**(22 860)**	**371 397**

The BPI Group does not recognise deferred tax assets or 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 recognise 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.

4.43. Earnings of associated companies (equity method)

This caption is made up as follows:

	Jun. 30, 16	Jun. 30, 15
Banco Comercial e de Investimentos, S.A.R.L.	3 627	4 008
Companhia de Seguros Allianz Portugal, S.A.	4 854	4 914
Cosec – Companhia de Seguros de Crédito, S.A.	2 085	2 067
InterRisco - Sociedade de Capital de Risco, S.A.	3	(161)
Unicre - Instituição Financeira de Crédito, S.A.	10 788	1 909
	21 357	**12 737**

Net income of Unicre at June 30, 2016 reflects the gain due to the closing of the public tender offer for the acquisition of Visa Europe Limited by Visa Inc. (Note 4.5).

Contribution of the associated companies of Banco BPI to the consolidated comprehensive income is as follows:

	Jun. 30, 16	Jun. 30, 15
Contribution to consolidated net income	21 357	12 737
Income not included in the consolidated statement of income	(618)	(5 709)
Contribution to consolidated comprehensive income	**20 739**	**7 028**

4.44. Consolidated net income of the BPI Group

Contribution of Banco BPI and subsidiary and associated companies to consolidated net income in the first half of 2016 and 2015 is as follows:

	Jun. 30, 16	Jun. 30, 15
Banks		
Banco BPI, S.A.[1]	(9 985)	(15 981)
Banco Português de Investimento, S.A.[1]	(1 288)	(447)
Banco de Fomento Angola, S.A.[1]	79 082	66 922
Banco Comercial e de Investimentos, S.A.R.L.[1]	3 319	3 667
Banco BPI Cayman, Ltd [1]	5 290	3 164
Asset management		
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	2 398	3 048
BPI - Global Investment Fund Management Company, S.A.	925	968
BPI (Suisse), S.A.[1]	1 050	1 808
BPI Alternative Fund: Iberian Equities Long/Short Fund Luxemburgo [1]	691	1 838
BPI Obrigações Mundiais - Fundo de Investimento Aberto de Obrigações [1]	111	48
Imofomento - Fundo de Investimento Imobiliário Aberto [1 2]		590
BPI Strategies, Ltd[1 2]	(122)	674
Venture capital / development		
BPI Private Equity - Sociedade de Capital de Risco, S.A.[1]	(82)	435
Inter-Risco - Sociedade de Capital de Risco, S.A.	3	(161)
Insurance		
BPI Vida e Pensões - Companhia de Seguros, S.A.[1]	8 295	9 948
Cosec - Companhia de Seguros de Crédito, S.A.	2 085	2 067
Companhia de Seguros Allianz Portugal, S.A. [1]	4 854	4 914
Other		
BPI, Inc	(4)	(3)
BPI Locação de Equipamentos, Lda		(5)
BPI Madeira, SGPS, Unipessoal, S.A.[1]	(478)	(296)
BPI Moçambique - Sociedade de Investimento, S.A. [1]	(274)	(322)
BPI Capital Finance		
BPI Capital Africa [1]	(728)	(698)
Unicre - Instituição Financeira de Crédito, S.A.[1]	10 788	(6 000)
	105 930	**76 178**

[1] Adjusted net income.

[2] Participation that ceased being consolidated by the BPI Group as explained in Note 1.

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:

	Jun. 30, 16	Jun. 30, 15
Numerator		
Numerator: Net income attributable to the shareholders of BPI (in thousands of euro)	105 930	76 178
Denominator		
Issued ordinary shares (x 1000):		
No. at the beginning of the period	1456 924	1456 924
No. of new shares issued in the period	0	0
No. at the end of the period	1456 924	1456 924
Weighted average number of shares	1456 924	1456 924
Treasury shares, weighted average number (x 1000)	6 155	6 677
Denominator: weighted average number of shares, net of treasury shares (x 1000)	1450 769	1450 247
Consolidated basic earnings per share (in euros)	**0.073**	**0.053**

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 programme, is transferred in full at the grant date, but their availability is dependent on the 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 derecognised.
- Sum of the portfolio of treasury shares allocated to cover the options to purchase shares of Banco BPI granted to employees under the RVA programme. 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 derecognised 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:

	Jun. 30, 16	Jun. 30, 15
Numerator		
Numerator: Net income attributable to the shareholders of BPI (in thousands of euros)	105 930	76 178
Denominator		
Weighted average number of shares, net of treasury shares (x 1000)	1450 769	1450 247
Average weighted ordinary shares with dilutive effect (x 1000):		
Shares granted to employees, under the RVA programme, under resolutive conditions	298	498
Treasury shares allocated to cover the RVA option plan	5 708	6 031
Denominator: weighted average number of shares adjusted (x 1000)	1456 776	1456 776
Consolidated diluted earnings per share (in euro)	**0.073**	**0.052**

4.45. Personnel

The average and period-end number of employees[1] in the first half of 2016 and 2015 were as follows:

	Jun. 30, 16		Jun. 30, 15	
	Average for the period	End of period	Average for the period	End of period
Directors[2]	9	9	9	9
Management staff	651	653	630	636
Other staff	5 384	5 428	5 327	5 337
Other employees	2 574	2 516	2 669	2 667
	8 618	**8 606**	**8 635**	**8 649**

[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.

4.46. 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 June 30, 2016 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	94.51%	172.86%
Euribor 3 months	51.92%	131.19%
Euribor 6 months	52.97%	125.97%
Euribor 12 months	94.99%	94.99%
Exchange EUR/USD	9.26%	19.05%

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 June 30, 2016 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		
Underlying type	Min	Max
Shares/indexes	4.53%	36.36%

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 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.

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 and advances to customers and Resources of Customers and other debts) 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. As there have been no recent proposals for senior and subordinated debt, at June 30, 2016, it was considered the evolution of changes in the proposals for covered bonds and subordinated debt throughout the year was considered.

The reference rates used to calculate the discount factors at June 30, 2016 are listed in the following tables and refer to the interbank market rates:

	1 month	3 months	6 months	1 year	2 years	3 years	5 years	7 years	10 years	30 years
EUR	-0.36%	-0.29%	-0.18%	-0.05%	-0.21%	-0.20%	-0.10%	0.08%	0.37%	0.80%
GBP	0.51%	0.56%	0.67%	0.91%	0.57%	0.58%	0.66%	0.81%	1.03%	1.24%
USD	0.47%	0.65%	0.91%	1.22%	0.74%	0.82%	0.98%	1.15%	1.35%	1.80%
JPY	-0.05%	-0.03%	-0.02%	0.07%	-0.14%	-0.16%	2.33%	2.46%	2.66%	2.90%

	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
Portuguese Public Debt	0.58%	0.58%	1.14%	1.58%	1.82%	2.06%	2.29%	2.85%	2.81%	3.01%
German Public Debt	-0.38%	-0.66%	-0.66%	-0.63%	-0.57%	-0.54%	-0.45%	-0.38%	-0.26%	-0.13%
Spread PT/DE	0.96%	1.24%	1.80%	2.21%	2.39%	2.59%	2.75%	3.23%	3.08%	3.14%

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 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 June 30, 2016 is made up as follows:

Type of financial instrument	Net book value	Fair value of financial instruments: Recorded in the balance sheet at fair value	Fair value of financial instruments: Recorded in the balance sheet at amortised cost	Fair value of financial instruments: Total	Difference	Assets valued at historical cost [1]	Total book value
Assets							
Cash and deposits at Central Banks	2 401 058		2 401 058	2 401 058			2 401 058
Deposits at other credit institutions	414 231		414 231	414 231			414 231
Financial assets held for trading and at fair value through profit or loss	3 828 416	3 828 416		3 828 416			3 828 416
Financial assets available for sale	5 601 999	5 601 999		5 601 999		6 058	5 608 057
Loans and advances to credit institutions	989 562		989 190 [3]	989 190	(372)		989 562
Loans and advances to customers	23 954 893		22 255 280 [4]	22 255 280	(1 699 613)		23 954 893
Held to maturity investments	16 319		15 180 [3]	15 180	(1 139)		16 319
Trading derivatives [2]	264 419	264 419		264 419			264 419
Hedging derivatives	46 614	46 614		46 614			46 614
	37 517 511	9 741 448	26 074 939	35 816 387	(1 701 124)	6 058	37 523 569
Liabilities							
Resources of central banks	2 000 615		2 001 697	2 001 697	(1 082)		2 000 615
Financial liabilities held for trading	19 416	19 416		19 416			19 416
Resources of other credit institutions	1 235 949		1 211 635 [3]	1 211 635	24 314		1 235 949
Resources of customers and other debts	27 706 872		27 630 622 [5]	27 630 622	76 250		27 706 872
Debt securities	604 374		593 292 [3]	593 292	11 082		604 374
Financial liabilities relating to transferred assets	657 625		597 980 [4]	597 980	59 645		657 625
Trading derivatives	267 710	267 710		267 710			267 710
Hedging derivatives	151 027	151 027		151 027			151 027
Technical provisions	2 681 007		2 681 007 [3]	2 681 007			2 681 007
Other subordinated debt and participating bonds	69 501		67 661 [3]	67 661	1 840		69 501
	35 394 096	438 153	34 783 894	35 222 047	172 049		35 394 096
	2 123 415			594 340	(1 529 075)	6 058	2 129 473
Valuation differences in financial assets recognised in revaluation reserves					3 958		
Total					(1 525 117)		

[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 December 31, 2015 is made up as follows:

Type of financial instrument	Net book value	Fair value of financial instruments: Recorded in the balance sheet at fair value	Fair value of financial instruments: Recorded in the balance sheet at amortised cost	Fair value of financial instruments: Total	Difference	Assets valued at historical cost [1]	Total book value
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		
Total					(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 book value of the financial instruments and investment properties recorded in the balance sheet at fair value at June 30, 2016, is made up as follows by valuation methodologies:

Type of financial instrument	Active market listings (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	2 499 527	25 131	1 303 757	3 828 415
Financial assets available for sale	3 366 457	5 035	2 230 507	5 601 999
Trading derivatives	1 411	74 872	188 136	264 419
Hedging derivatives		44 882	1 732	46 614
	5 867 395	149 920	3 724 132	9 741 447
Liabilities				
Financial liabilities held for trading	19 416			19 416
Trading derivatives	528	259 163	8 019	267 710
Hedging derivatives	79	150 385	563	151 027
	20 023	409 548	8 582	438 153

The book value of the financial instruments and investment properties recorded in the balance sheet at fair value at December 31, 2015, is made up as follows by valuation methodologies:

Type of financial instrument	Active market listings (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
	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

In 2015 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
	Dec. 31, 2015
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
	11 479

During the first half of 2016 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
	Jun. 30, 2016
NIGERIA TREASURY BOND 16.39% 27.01.2022	118
COLEP PORTUGAL SA -TV -10.10.2017	201
TALLINK GROUP PLC -TV - 18.10.2018	445
	764

At June 30, 2016 and December 31, 2015 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 June 30, 2016 and December 31, 2015 financial assets available for sale included in Level 3 correspond essentially to Angolan public debt securities. They also include bonds collateralized by assets (ABS) and private equity investments.

At June 30, 2016 and December 31, 2015 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 linked 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 recorded at fair value on the balance sheet, the changes between December 31, 2015 and June 30, 2016 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)	Total
Net book value at December 31, 2015	582 342	3 136 248	175 563	31 086	3 925 239
Accrued interest and premiums (amount at December 31, 2015)	(125)	(645)	(10 455)	1 302	(9 923)
Gain / (loss) recognised in net income					
Net income on financial operations					
Potential gain / (loss)	610	(10)	5 696	(31 197)	(24 901)
Effective gain / (loss)	514	29	327	332	1 202
Exchange revaluation	(10 230)	(236 293)			(246 523)
Impairment losses and other provisions		(4 426)			(4 426)
Gain / (loss) recognised in revaluation reserves		(5 152)			(5 152)
Purchases	1 222 724	45 899			1 268 623
Sales, redemptions or amortisations	(496 368)	(758 002)	(327)	(332)	(1 255 029)
Transfers out		(3)			(3)
Transfers in	4 114	51 944			56 058
Accrued interest and premiums (amount at June 30, 2016)	176	918	9 313	(22)	10 385
Net book value at June 30, 2016	1 303 757	2 230 507	180 117	1 169	3 715 550

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 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 of assets available for sale to other levels correspond to transfers to assets stated at historical cost, as it is no longer possible to obtain a valuation.

The caption “Transfers from other levels of assets available for sale” corresponds to the C8 Capital SPV issue, transferred from level 2 as there has been a reduction in liquidity in its market.

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 December 31, 2014 and December 31, 2015 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 December 31, 2014 Proforma	255 701	2 974 106	213 755	21 988	154 777	3 620 327
Accrued interest and premiums (amount at December 31, 2014)	(24)	(650)	(16 867)	15 537		(2 004)
Gain / (loss) recognised in net income						
Net income on financial operations	667	279	(43 985)	(5 139)		(48 178)
Potential gain / (loss)	95	150	(31 779)	(5 137)		(36 671)
Effective gain / (loss)	572	128	(12 206)	(2)		(11 508)
Impairment losses and other provisions		(9 060)				(9 060)
Gain / (loss) recognized in revaluation reserves		18 710				18 710
Purchases	350 882	203 994				554 876
Sales, redemptions or amortisations	(26 200)	(51 787)	12 205	2	(154 777)	(220 557)
Transfers out	(364)					(364)
Transfers in	1 555	11				1 566
Accrued interest and premiums (amount at December 31, 2015)	125	645	10 455	(1 302)		9 923
Net book value at December 31, 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.

Derecognition of financial assets

In the first half of 2016 and in 2015 no financial instruments for which it was not possible to reliably determine their fair value were derecognised 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:

	Jun. 30, 16			Dec. 31, 15			
	Book value on reclassification date	Book value at Jun. 30, 16	Fair value at Jun. 30, 16	Book value on reclassification date	Book value at Dec. 31, 15	Fair value at Dec 31, 15	Effective interest rate on reclassification date
Reclassification of bonds in 2008							
Financial assets held for trading	(24 448)			(28 107)			
Loans represented by securities	11 393		68	11 393		413	6.37%
Held to maturity investments	13 055	14 416	13 373	16 714	18 313	17 207	6.29%
Reclassification of bonds in 2009							
Financial assets held for trading	(998)			(2 863)			
Loans represented by securities	150	203	241	167	222	274	5.34%
Held to maturity investments	848	1 903	1 807	2 696	4 104	3 952	5.98%
Reclassification of bonds in 2012							
Financial assets at fair value through profit and loss				(7 699)			
Loans represented by securities				7 699	7 670	7 671	2.78%
Reclassification of bonds in 2013							
Financial assets available for sale	(4 093)			(4 093)			
Loans represented by securities	4 093	4 914	3 729	4 093	4 997	3 803	1.94%
		21 436	19 218		35 306	33 320	

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 recognised in the statement of income in the first half of 2016 and in 2015 and other gain / (loss) recognised in reserves and in the statement of income for these periods for securities reclassified from financial assets held for trading, were as follows:

	Jun. 30, 16			Dec. 31, 15		
	Gain/ (loss) associated with fair value changes not recognised in the statement of income	Other gain / (loss) recognised in:		Gain/ (loss) associated with fair value changes not recognised in the statement of income	Other gain / (loss) recognised in:	
		Reserves	Statement of income		Reserves	Statement of income
Loans represented by securities	(354)		128	(10 184)		(8 305)
Held-to-maturity investments	94		30	354		237
	(260)		158	(9 830)		(8 068)

The amounts of gain / (loss) relating to fair value changes not recognised 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) recognised in the statement of income include interest, premiums / discounts and other expenses. The amounts presented in other gain / (loss) recognised 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 June 30, 2016, 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 recognised
Held for trading and at fair value through profit or loss	**132 421**	**132 393**	**0**		
Portugal	132 421	132 393	0		
Available for sale	**1 789 547**	**1 820 606**	**24 313**	**(33 723)**	
Portugal	1 789 547	1 820 606	24 313	(33 723)	
Total exposure	**1 921 968**	**1 952 999**	**24 313**	**(33 723)**	

The net book value presented above corresponds to the fair value. Fair value was determined based on prices in international markets, the unrealised 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 June 30, 2016 there was no objective evidence of impairment.

In 2015 the BPI Group sold bonds issued by Portuguese government entities with a nominal value of 440 000 t. euro.

At June 30, 2016 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 (securitisation of mortgage loans originated by the Greek Millennium bank) in the amount of 46 t. euro (Note 4.5).

The BPI Group’s exposure, excluding the insurance capitalisation 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 June 30, 2016 is as follows, by maturity date:

Maturity	2016	2017 to 2020	> 2021	Total
Portugal	797 695	1 155 136	168	1 952 999
	797 695	**1 155 136**	**168**	**1 952 999**

The ratings of Portugal and Greece are the following:

	Jun. 30, 16			Dec. 31, 15		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
Portugal	BB+	Ba1	BB+	BB+	Ba1	BB+
Greece	B-	Caa3	CCC	CCC+	Caa3	CCC

In addition, at June 30, 2016, some insurance capitalization portfolios of BPI Vida e Pensões, fully consolidated in the financial statements of the BPI Group, held Portuguese sovereign debt bonds.

Insurance capitalization portfolios	**Nominal Value**	**Net book value**	**Market value**	**Impairment**
Held for trading and at fair value through profit or loss	**227 435**	**230 166**	**230 166**	
Portugal	227 435	230 166	230 166	
Loans and other receivables	**50 000**	**50 513**	**50 000**	
Portugal	50 000	50 513	50 000	
Total exposure	**277 435**	**280 679**	**280 166**	

Exposure of the insurance capitalization portfolios of BPI Vida e Pensões to the sovereign debt of Portugal, at June 30, 2016 is made up as follows, by maturity date:

Maturity	**2016**	**2017 to 2020**	**> 2021**	**Total**
Portugal	196 468	83 895	316	280 679
	196 468	**83 895**	**316**	**280 679**

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 June 30, 2016, 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	414 231		414 231
Financial assets held for trading and at fair value through profit or loss	3 828 416		3 828 416
Financial assets available for sale	5 750 821	(142 764)	5 608 057
Loans and advances to credit institutions	989 562		989 562
Loans and advances to customers	24 926 304	(971 411)	23 954 893
Held to maturity investments	16 319		16 319
Derivatives			
Hedging derivatives	46 614		46 614
Trading derivatives[1]	264 419		264 419
	36 236 686	(1 114 175)	35 122 511
Off balance sheet items			
Guarantees provided	1 439 114	(25 883)	1 413 231
Irrevocable credit lines	1 481	(1 205)	276
	1 440 595	(27 088)	1 413 507
	37 677 281	(1 141 263)	36 536 018

[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 December 31, 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 or 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 provided	1 497 070	(33 035)	1 464 035
Irrevocable credit lines	1 646		549
	1 498 716	(33 035)	1 464 584
	39 018 336	(1 131 240)	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.

Breakdown of overdue loans

Overdue loans and interest at June 30, 2016, by non performing classes, are as follows:

	Non performing classes					
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	Total
Loans and advances to customers						
Subject to individual assessment						
Overdue loans and interest	217	8 322	51 701	320 981	114 179	495 400
Impairment	(114)	(6 470)	(26 809)	(201 283)	(83 265)	(317 941)
	103	1 852	24 892	119 698	30 914	177 459
Subject to collective assessment						
Overdue loans and interest	53	4 442	29 061	251 200	131 256	416 012
Impairment	(4)	(1 291)	(10 397)	(123 591)	(83 864)	(219 147)
	49	3 151	18 664	127 609	47 392	196 865

In addition, at June 30, 2016 collective impairment of 434 323 t. euro was recognized on performing loans to customers and loans and advances to credit institutions.

Overdue loans and interest at December 31, 2015, by non performing classes, are as follows:

	Non performing classes					
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	Total
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 December 31, 2015, collective impairment of 447 682 t. 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 June 30, 2016 was as follows:

Coverage	Loans with default			Collateral [1]		Impairment [3]
	Performing amount associated with defaulting loans	Overdue	Total	Mortgages	Other Collateral [2]	
>=100%	124 331	163 467	287 798	280 708	7 090	90 503
>=75% and <100%	69 127	139 320	208 447	179 652	6 231	79 354
>=50% and <75%	1 740	59 315	61 055	38 831	846	31 364
>=25% and <50%	1 487	18 648	20 135	7 965	233	16 849
>=0 and <25%	36 103	10 773	46 876	407	877	39 009
Without Collateral	143 126	519 889	663 015			406 227
Total	**375 914**	**911 412**	**1 287 326**	**507 563**	**15 277**	**663 306**

[1] The value of collateral presented is the lower of the fair value of the collateral received and the amount owed at June 30, 2016.

[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 126 218 t. euro relating to performing loans associated with overdue loans.

The coverage of performing loans on which impairment was determined on an individual basis at June 30, 2016 was as follows:

Loans with impairment		Collateral [1]		Impairment [3]
Coverage	Performing amount	Mortgages	Other Collateral [2]	
Loans not represented by securities				
>=100%	103 715	96 012	7 704	12 079
>=75% and <100%	8 798	6 934	204	5 564
>=50% and <75%	1 375	519	367	715
>=25% and <50%	498	199		20
>=0 and <25%	88 799	228	4 247	11 028
Without collateral	207 485			91 250
	410 670	103 892	12 522	120 656
Guarantees provided				
>=100%	14 800	11 037	3 763	978
>=75% and <100%	2 412	1 910	54	1 179
>=50% and <75%	149	100		37
>=25% and <50%	2 206	605	20	411
Without collateral	94 918			15 789
	114 485	13 652	3 837	18 394
	525 155	**117 544**	**16 359**	**139 050**

[1] The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at June 30, 2016.

[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 June 30, 2016 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 collateral [1]		Properties		Other collateral [1]		Properties		Other collateral [1]	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	653	107 366	1 820	89 398	1 646	204 965	3 589	62 359	146 924	19 966 447	3 415	90 767
≥ 0.5 M€ and < 1 M€	157	110 055	64	43 224	115	78 883	12	7 139	879	552 579	7	4 246
≥ 1 M€ and < 5 M€	244	507 922	93	191 721	94	167 803	11	18 222	81	105 356	2	3 150
≥ 5 M€ and < 10 M€	53	362 888	20	134 370	3	15 771	1	5 150	2	11 137		
≥ 10 M€ and < 20 M€	20	260 127	6	91 463	2	22 994						
≥ 20 M€ and < 50 M€	6	152 230	7	217 644	2	50 195						
≥ 50 M€	1	62 873	2	195 323	5	439 483						
Total	**1 134**	**1 563 461**	**2 012**	**963 142**	**1 867**	**980 094**	**3 613**	**92 869**	**147 886**	**20 635 518**	**3 424**	**98 163**

[1] Includes financial collaterals (shares, bonds, deposits) and other material items.

At June 30, 2016 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		3 758 334	166 189	226 567	239 904
< 60%	749	380 278	24 422	23 948	24 186
≥ 60% and <80%	125	118 247	20 208	20 668	13 214
≥ 80% and <100%	69	130 591	1 237	2 184	1 607
≥ 100%	191	994 274	118 897	49 067	105 006
Construction and CRE					
Without collateral		276 554	4 189	55 834	47 656
< 60%	1 297	91 541	30 660	61 743	42 853
≥ 60% and <80%	276	65 908	867	44 092	26 045
≥ 80% and <100%	100	35 001	481	4 287	1 874
≥ 100%	194	62 695	5 506	30 114	21 559
Housing					
Without collateral		18 809	387	13 568	10 691
< 60%	77 136	3 690 359	56 219	54 312	25 556
≥ 60% and <80%	35 247	3 216 510	54 284	65 006	38 050
≥ 80% and <100%	29 015	2 977 602	69 014	121 824	66 307
≥ 100%	6 488	535 906	24 673	180 909	80 479
	150 887	16 352 607	577 231	954 122	744 987

The coverage of overdue loans by collateral received at December 31, 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
Total	**351 560**	**922 470**	**1 274 029**	**486 033**	**17 582**	**683 987**

[1] The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at December 31, 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 value of impairment shown includes 153 012 t. euro relating to performing loans associated with defaulting loans.

The coverage of performing loans on which impairment was determined on an individual basis at December 31, 2015 was as follows:

Loans with impairment		Collateral[1]		Impairment [3]
Coverage	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
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 December 31, 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 December 31, 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 collateral [1]		Properties		Other collateral [1]		Imóveis		Other 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	0	0
≥ 10 M€ and < 20 M€	22	289 205	3	45 616	2	22 994	0	0	0	0	0	0
≥ 20 M€ and < 50 M€	6	158 617	8	217 476	1	20 950	0	0	0	0	0	0
≥ 50 M€	1	62 873	1	132 634	5	448 722	0	0	0	0	0	0
Total	**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 collaterals (shares, bonds, deposits) and other material items.

At December 31, 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 collateral	0	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 collateral	0	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 collateral	0	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

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 analysed in detail in Note 4.4. In the case of financial assets with ratings assigned by the international rating agencies (Moody, Standard & Poor 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 the 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).

In accordance with National Bank of Angola Notice 3/2012, in force at December 31, 2015, inclusive, BFA's credit operations are classified in ascending order of risk, in 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, 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.

As from January 1, 2016 the methodology for the classification of loans to customers complies with the criteria set out in National Bank of Angola Notice 11/2014 of December 17. In this respect, loans are classified in ascending order of risk, according to the following classes:

Level A: Minimum 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: Maximum risk

Positions at risk relating to the same customer or economic group are classified by reference to those that represent the greatest risk. This approach only applies when the customer or economic group shows at least a position at risk with payment delays exceeding 30 days and when the customer's consolidated exposure at risk represents more than 10% of the economic group's consolidated position at risk.

The individual classification of position at risk for purposes of Notice 11/2014 takes into account the characteristics and risks of the operation and the borrower, being classified based on the following criteria used by the Bank:

- Level A: loans which are (i) assumed by the Angolan State, including their central and local administrations; (ii) assumed by central administrations, central banks of countries included in group 1 (defined in National Bank of Angola Instruction 1/2015 of January 14), international organizations or multilateral development banks; (iii) fully guaranteed by cash deposits or deposit certificates constituted or issued by the lending institution or by controlled institutions or with a group relationship with the lending institution, headquartered in Angola or in a country included in group 1, international organizations and multilateral development banks, provided that both the position at risk and the deposit or certificate are in the same currency; (iv) fully guaranteed by cash deposits or deposit certificates constituted or issued by the lending institution or by its branches not covered in the previous subparagraph, provided that both the position at risk and deposit or certificate are in the same currency; and (v) fully guaranteed by securities or bonds issued by the Angolan State or by the National Bank of Angola.

- Level B: remaining loans.

The exposure at risk classification is reviewed when changes on signs of impairment, on payment delays, on charges and exposure at risk conditions are observed:

Levels of risk	B	C	D	E	F	G
Time elapsed since the entry in default	until 30 days or without signs of impairment	from 30 to 60 days	from 60 to 90 days	from 90 to 150 days	from 150 to 180 days	more than 180 days

The risk is maintained at "Level A: Minimum risk" even in the case of late payments.

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 utilisation 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 June 30, 2016 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Deposits and loans and advances to credit institutions	External rating	AAA to AA-	194 734		194 734
		A+ to A-	474 107		474 107
		BBB+ to BBB-	195 917		195 917
		BB+ to BB-	289 434		289 434
		B+ to B-	176 187		176 187
		< B-	3 372		3 372
	NR	NR	18		18
			1 333 769		1 333 769

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans and advances to costumers, by ratings, at June 30, 2016 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loands and advances to customers	External rating	AAA to AA-	18 564		18 564
		A+ to A-	76 175	902	75 273
		BBB+ to BBB-	340 827		340 827
		BB+ to BB-	1 297 408	467	1 296 941
		B+ to B-	197 893		197 893
		< B-	428	1	427
	Project Finance rating	Strong	110 398	415	109 983
		Good	916 517	10 288	906 229
		Satisfactory	270 429	6 310	264 119
		Weak	123 841	25 154	98 687
		Default	178 243	125 681	52 562
	Internal Rating	E01 to E03	760 443	3 999	756 444
		E04 to E06	2 357 436	10 347	2 347 089
		E07 to E10	1 238 763	33 398	1 205 365
		ED1 to ED3	433 587	270 658	162 929
	Entrepreneurs and Business Rating	N01 to N03	45 711	265	45 446
		N04 to N06	513 325	2 974	510 351
		N07 to N10	715 797	12 646	703 151
		ND1 to ND3	147 161	89 277	57 884
	Scoring	01 to 03	7 658 840	12 420	7 646 420
		04 to 06	2 535 728	8 818	2 526 910
		07 to 10	1 103 246	20 984	1 082 262
		D01 to D03	647 408	218 573	428 835
	Regulation 11/2014 of National Bank of Angola	Level A	459 987		459 987
		Level B	744 519	7 448	737 071
		Level C	7 402	338	7 064
		Level D	15 229	2 996	12 233
		Level E	15 028	5 179	9 849
		Level F	42 160	26 953	15 207
		Level G	33 135	33 135	
	NR	NR	1 841 341	41 785	1 799 556
			24 846 969	971 411	23 875 558

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value.

The Securities portfolio, by ratings, at June 30, 2016 was as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	332 126		332 126
		A+ to A-	93 979		93 979
		BBB+ to BBB-	2 348 870		2 348 870
		BB+ to BB-	2 170 029	354	2 169 675
		B+ to B-	3 202 552	29	3 202 523
		< B-	26 223	19 362	6 861
	NR	NR	1 421 758	123 019	1 298 739
			9 595 537	142 764	9 452 773

Deposits and loans and advances to credit institutions, by ratings, at December 31, 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
	NR	NR	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 includes cheques for collection.

Loans and advances to customers, by ratings, at December 31, 2015 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans and advances 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
	Project Finance rating	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
	Internal 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
	Regulation 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	
	NR	NR	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 value corrections.

The Securities portfolio, by ratings, at December 31, 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
	NR	NR	1 652 799	119 168	1 533 631
			10 072 022	119 551	9 952 471

Restructured loans

At June 30, 2016 and December 31, 2015 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 was applied. In the case of renewable credit operations there must be a reduction of their utilisation to an average level of less than 70% of the limit that was authorised by the institution at the time of their restructuring, during a period of three months;

b) non-existence 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 June 30, 2016 and December 31, 2015:

	Jun. 30, 16				Dec. 31, 15			
	Loans			Impairment	Loans			Impairment
	Performing	Overdue	Total		Performing	Overdue	Total	
Domestic Activity								
Companies	887 794	222 113	1 109 907	294 680	888 155	207 649	1 095 804	288 336
Loans to individuals								
Housing	192 476	55 561	248 037	60 254	202 417	57 213	259 630	63 641
Other loans	93 406	56 001	149 407	55 320	104 882	55 460	160 342	54 151
	1 173 676	333 675	1 507 351	410 254	1 195 453	320 322	1 515 775	406 128

At June 30, 2016 and December 31, 2015 restructured loan operations identified by Banco de Fomento de Angola amounted to 29 128 t. euro and 33 225 t. 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 as follows:

- 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 June 30, 2016 were as follows:

	on demand	up to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	undetermined	Total
Assets							
Cash and deposits at Central Banks	2 401 058						2 401 058
Deposits at other credit institutions	348 492	65 739					414 231
Financial assets held for trading and at fair value through profit or loss		1 029 936	1 273 428	602 080	49 781	873 191	3 828 416
Financial assets available for sale		1 032 996	2 155 366	1 239 316	873 012	430 769	5 731 459
Held-to-maturity investments		2 096	6 287	7 917			16 300
Loans and advances to credit institutions		628 400	220 450	135 107	1 321		985 278
Loans and advances to customers		2 448 934	2 487 077	7 069 075	11 892 211	911 412	24 808 709
Hedging derivatives[1]		1 449 680	2 675 735	3 543 400	117 661		7 786 476
Trading derivatives [1]		2 562 224	632 185	1 594 232	2 135 872		6 924 513
Contractual interest cash flows of derivatives		18 920	48 232	124 902	84 986		277 040
Contractual interest cash flows of other assets		156 731	437 787	1 815 797	2 336 480		4 746 795
	2 749 550	9 395 656	9 936 547	16 131 826	17 491 324	2 215 372	57 920 275
Liabilities							
Resources of central banks		1		2 000 000			2 000 001
Financial liabilities held for trading				9 858	9 558		19 416
Resources of other credit institutions		352 759	149 930	23 022	709 165		1 234 876
Resources of customers and other debts	13 103 848	4 640 610	5 506 267	2 746 944	1 586 260		27 583 929
Debt securities		57 556	285 998	238 576	20 056		602 186
Financial liabilities relating to transferred assets		422 078			235 726		657 804
Hedging derivatives[1]		1 446 552	2 676 422	3 540 670	117 661		7 781 305
Trading derivatives [1]		2 581 992	632 200	1 594 232	2 135 872		6 944 296
Technical provisions		229 932	794 298	499 352	1 157 425		2 681 007
Other subordinated debt and participating bonds		57 195	3 734	8 509			69 438
Contractual interest cash flows of derivatives		18 845	60 490	208 455	102 539		390 329
Contractual interest cash flows of other liabilities		54 414	45 929	115 402	54 401		270 146
	13 103 848	9 861 934	10 155 268	10 985 020	6 128 663		50 234 733

[1] Includes the notional amount of swap operations.

The contractual undiscounted cash flows of financial assets and liabilities at December 31, 2015 were as follows:

	on demand	up to 3 months	from 3 months to 1 year	from 1 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 at 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
Contractual 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 flows 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 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.

Net funding obtained from the ECB increased from 1 500 million euro to 2 000 million euro in June 2016, relating to the funds obtained under the Targeted Longer – Term Refinancing Operations (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) and the TLTRO 2, second loan incentive program which began in June 2016 with a maturity of 4 years.

At June 30, 2016 the Bank had a portfolio of assets eligible for obtaining funding from the ECB, totalling 8 940 million euro net of ECB valuation margins. This amount includes 5 901 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 the first half of 2016 and 2015 the average VaR in the Bank's trading books was as follows:

	Jun. 30, 16		Jun. 30, 15	
	VaR (average)	VaR (maximum)	VaR (average)	VaR (maximum)
Interest rate risk	2 071	5 679	1 664	4 310
Currency risk	46	247	501	2 507
Equity risk	893	2 871	2 174	4 774

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 June 30, 2016 and December 31, 2015 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 presented in the financial statements	Related amounts not set off in the financial statements		Net value
		Financial instruments	Cash collateral received as guarantee	
	Jun. 30, 16			
Financial Institutions	73 696	(59 201)	(12 388)	2 107
Local and Administrative Public Sector	369			369
Other Financial Intermediaries	28 829	56		28 885
Companies	200 958	(23 229)		177 729
Individuals	201	(1)		200
Total	304 053	(82 375)	(12 388)	209 290
	Dec. 31, 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
Total	314 431	(110 238)	(19 846)	184 347

At June 30, 2016 and December 31, 2015 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 liabilities presented in the financial statements	Related amounts not set off in the financial statements		Net value
		Financial instruments	Cash collateral pledged as guarantee	
	Jun. 30, 16			
Financial Institutions	388 133	(59 201)	(325 512)	3 420
Other Financial Intermediaries	3 126	56	(2 900)	282
Companies	25 871	(23 229)		2 642
Individuals	4	(1)		3
Total	417 134	(82 375)	(328 412)	6 347
	Dec. 31, 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
Total	454 373	(110 238)	(314 820)	29 315

[1] Does not include embedded derivatives and listed derivatives in the amounts of 5 377 t. euro and 29 261 t. euro, at June 30, 2016 and December 31, 2015, respectively.

At June 30, 2016 and December 31, 2015 the amount of securities purchased with resale agreements, by counterparty type, was as follows:

Counterparty	Financial assets presented in the financial statements	Securities received with resale agreements	Net value
	Jun. 30, 16		
Financial Institutions	53 246	(53 246)	
Total	53 246	(53 246)	
	Dec. 31, 15		
Financial Institutions	5 161	(5 161)	
Total	5 161	(5 161)	

At June 30, 2016 and December 31, 2015 the amount of debt securities sold with repurchase agreements, by counterparty type, was as follows:

Counterparty	Financial liabilities presented in the financial statements	Securities received with resale agreements	Net value
	Jun. 30, 16		
Financial Institutions	1 832	(1 832)	
Other Financial Intermediaries	160 248	(160 248)	
Total	162 080	(162 080)	
	Dec. 31, 15		
Financial Institutions	25 732	(25 732)	
Other Financial Intermediaries	26 207	(26 207)	
Total	51 939	(51 939)	

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):

	Jun. 30, 16			Jun. 30, 15		
	Financial margin					
Time band	Position	Weighting factor	Weighted position	Position	Weighting factor	Weighted position
on demand	971 296	2.00%	19 426	1 348 788	2.00%	26 976
on demand - 1 month	1 751 562	1.92%	33 630	1 577 549	1.92%	30 289
1 - 2 months	1 365 204	1.75%	23 891	806 120	1.75%	14 107
2 - 3 months	2 835 311	1.58%	44 798	2 287 586	1.58%	36 144
3 - 4 months	279 097	1.42%	3 963	(437 568)	1.42%	(6 213)
4 - 5 months	768 174	1.25%	9 602	230 466	1.25%	2 881
5 - 6 months	1 134 636	1.08%	12 254	1 221 036	1.08%	13 187
6 - 7 months	372 996	0.92%	3 432	651 672	0.92%	5 995
7 - 8 months	20 414	0.75%	153	(113 309)	0.75%	(850)
8 - 9 months	157 565	0.58%	914	438 631	0.58%	2 544
9 - 10 months	(156 363)	0.42%	(657)	(164 392)	0.42%	(690)
10 - 11 months	182 997	0.25%	457	484 302	0.25%	1 211
11 - 12 months	142 694	0.08%	114	(207 187)	0.08%	(166)
Total			151 978			125 414

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 July 1 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[2]. This stress test was based on the following exposures in shares and participating units:

	Jun. 30, 16	Jun. 30, 15
Financial assets held for trading and at fair value through profit or loss	6 463	37 014
Financial assets available for sale - at fair value and without impairment	130 151	162 183
Financial assets available for sale - at fair value and with impairment	107 537	64 476
Financial assets available for sale at historical cost	6 058	6 162
Participating units in liquidity, bond and real estate funds	3 794	3 872
	254 003	**273 707**

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 June 30, 2016 and 2015, would result in a decrease of 48 830 t. euro and 82 735 t. euro, respectively, in their fair value, implying the recognition of a loss of 22 800 t. euro and 20 298 t. euro, the remaining devaluation being reflected in the fair value reserve.

2 Excluding securities held by BPI Vida e Pensões.

Currency risk

Financial assets and liabilities at June 30, 2016, by currency, were as follows:

	EUR	USD	AKZ	Other currencies	Total
Assets					
Cash and deposits at Central Banks	1 042 098	320 290	1 411 160	41 741	2 815 289
Financial assets held for trading and at fair value through profit or loss	2 690 507	349 406	1 049 419	3 503	4 092 835
Financial assets available for sale	3 667 504	1 073 508	866 599	446	5 608 057
Loans and advances to credit institutions	565 792	274 213	147 467	2 090	989 562
Loans and advances to customers	22 415 612	779 940	673 134	86 207	23 954 893
Held-to-maturity investments	16 319				16 319
Hedging derivatives	42 631	3 881		102	46 614
Tangible and intangible assets	80 873		105 585	757	187 215
Investments in associates and jointly controlled entities	145 318			46 295	191 613
Tax assets	448 710		5 690	735	455 135
Other assets	434 146	45 748	13 723	5 435	499 052
	31 549 510	2 846 986	4 272 777	187 311	38 856 584
Liabilities					
Resources of central banks	2 000 615				2 000 615
Financial liabilities held for trading	259 163	2 622	25 335	6	287 126
Resources of other credit institutions	1 167 826	66 510	51	1 562	1 235 949
Resources of customers and other debts	20 149 765	3 531 914	3 839 926	185 267	27 706 872
Debt securities	600 322	4 052			604 374
Financial liabilities relating to transferred assets	657 625				657 625
Hedging derivatives	150 832	195			151 027
Provisions	73 882	20 603	1 316	6	95 807
Technical provisions	2 681 007				2 681 007
Tax liabilities	34 972	565	13 150		48 687
Other subordinated debt and participating bonds	69 501				69 501
Other liabilities [1]	560 740	28 925	31 083	1 356	622 104
Foreign exchange transactions pending settlement and position for term operations	1 278 252	(1 027 108)	(178 611)	(56 793)	15 740
	29 684 502	2 628 278	3 732 250	131 404	36 176 434
Shareholders' equity attributable to the shareholders of BPI	1 872 195	(7 184)	381 064	52 729	2 298 804
Non-controlling interests	1 803		379 543		381 346
Foreign exchange position	(8 990)	225 892	(220 080)	3 178	
Stress Test		45 178	66 024	636	

[1] Excludes the amount recorded in foreign exchange transactions pending settlement and term operation positions.

Financial assets and liabilities at December 31, 2015, by currency, were as follows:

	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 [1]	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	604 638	31 322	37 167	3 467	676 594
Foreign exchange transactions to be settled and position for forward transactions	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	
Stress Test		47 494	69 644	1 021	

[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 euro 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 2.1.). 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, which at June 30, 2016 and December 31, 2015 amounted to 620 120 t. euro and 680 968 t. euro respectively, 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 customers 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 BNA Notice 3/2012. US dollar loans granted after entry into force of Notices 3/2012 (for December 31, 2015) and 11/2014 (for June 30, 2016) amounted to 427 092 t.euro and 385 349 t. euro, respectively.

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 June 30, 2016 and December 31, 2015 amounted to 623 431 t. euro and 570 377 t. 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 June 30, 2016 is made up as follows:

Fair value types of hedge	Hedged items					Hedging instruments			
	Nominal amount	Interest, premiums and potential gain/loss	Impairment	Value corrections	Total	Notional amount	Interest and premiums	Revaluation	Fair Value
Assets									
Loans to customers	322 143	1 045	(1 606)	38 260	359 842	353 696	(6 062)	(40 730)	(46 792)
Fixed rate securities portfolio	810 500	7 694	(19 362)	93 314	892 146	824 088	(7 308)	(93 727)	(101 035)
	1 132 643	8 739	(20 968)	131 574	1 251 988	1 177 784	(13 370)	(134 457)	(147 827)
Liabilities									
Resources of credit institutions									
Customer deposits	6 187 062	41 570		12 803	6 241 435	5 788 503	(27 717)	(13 524)	(41 241)
Debt issues	182 186	(58)		526	182 654	852 577	(574)	(1 599)	(2 173)
	6 369 248	41 512		13 329	6 424 089	6 641 080	(28 291)	(15 123)	(43 414)

Note: Embedded options were not included.

The book value of hedged instruments and fair value of hedging instruments at December 31, 2015 is made up as follows:

Fair value types of hedge	Hedged items					Hedging instruments			
	Nominal amount	Interest, premiums and potential gain/loss	Impairment	Value corrections	Total	Notional amount	Interest and premiums	Revaluation	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 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 the first half of 2016 and 2015 were as follows:

Fair value types of hedge	Jun. 30, 16	Dec. 31, 15
Hedging derivatives	(29 618)	20 878
Hedged items		
Loans to customers	3 067	(8 009)
Fixed rate securities portfolio	(6 351)	(28 938)
Resources of credit institutions	13 792	1 911
Customer deposits	16 925	9 712
Debt issues	1 592	5 227
	29 025	(20 097)
	(593)	781

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 January 1, 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 modelling, 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 analyse the scope, impact and time required to adopt IFRS 9 on a timely basis.

4.47. Share-based variable remuneration programme

As described in Note 2.9,the share-based variable remuneration programme (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 made up of BPI shares and BPI share options.

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.

As regards the RVA Remuneration to be attributed in 2016 to the Executive Directors for their performance in 2015, the Remuneration Committee on July 22 (in line with the same decision made on March 26, 2015 with respect to the RVA Remuneration relating to their performance in 2013) considering:

a) that on April 18 of the current year a preliminary announcement of a public tender offer over BPI shares at the price of 1.113 euro was published;
b) that such event may affect or disturb BPI share prices;
c) that it is intended that the establishment of the conditions of the RVA is based on share price, that is not affected by the aforementioned transaction and, therefore, it will be defined after its conclusion;

Approved, as regards the definition of the value of the shares and share options to be granted (2014 RVA Remuneration), as well as the strike price for each option, that those values will be defined as the result of the weighted average list price of the BPI shares between the 6th (inclusive) and 15th stock exchange sessions following the ending-date of the public purchase offer.

For this purpose the ending-date of the public tender offer should be considered as the date of the special session of the stock exchange in which the results of the public tender offer are determined or, if for some reason the public tender offer does not get to be registered or if after registration and launching, it becomes ineffective, the date on which the event is announced to the market.

The grant price of the shares and share options and the strike price of the share options, as well as the dates of availability of the shares and maturity and exercise of the share purchase options are summarized in the following table:

DIRECTORS

Reference year	Program	Shares		
		Date of assignment	Assignment Price [1]	Date of availability
2010	RVA 2010 CECA	2011-04-29	1.2450	2014-04-29
2012	RVA 2014 CECA	2014-09-03	1.4010	2017-09-03
2013	RVA 2015 CECA	2015-07-10	1.0206	2018-07-10
2015	RVA 2016 CECA [2]			

Reference year	Program	Options					
		Date of assignment	Assignment Price	Strike Price		Strike Period	
				Initial	Adjusted [1]	From	To
2010	RVA 2010 CECA	04.29.2011	0,2765	1,2450	1,1080	04.29.2014	04.29.2017
2012	RVA 2014 CECA	03.09.2014	0,3250	1,4010	1,4010	03.09.2017	04.29.2020
2013	RVA 2015 CECA	07.10.2015	0,2411	1,0206	1,0206	07.10.2018	07.10.2021
2015	RVA 2016 CECA [2]						

[1] Strike price after the effect of the capital increases of Banco BPI made in May 2011, August 2012 and June 2014.

[2] Information to be defined after the conclusion of the public purchase offer launched by the shareholder Caixabank, which was initiated in April 2016.

As regards the Employee Holders of Essential Functions and the other employees of the Bank, taking into consideration that Banco BPI is under a public purchase offer announced by the shareholder CaixaBank in April 2016 and considering the disturbing effect of the event not only on the BPI stock exchange share price, but also on the future execution of the RVA programme, the Executive Committee of the Board of Directors decided that the variable remuneration relating to the performance in 2015 will be paid exclusively in cash, and therefore there will be no RVA remuneration relating to the performance in 2015, without prejudice to full application of the remaining rules established in the Remuneration Policy, which apply to the Employee Holders of Essential Functions, especially those relating to the deferral and application of the suspensive condition.

The grant price of the shares and share options attributed and the strike price of the share options as well as the availability periods of the shares and maturity and exercise of the share purchase options are summarized in the following table:

EMPLOYEES HOLDERS OF ESSENTIAL FUNCTIONS

Cash			
Reference year	Programme	Date of assignment [1]	Date of availability
2015	RVA 2015	2016-06-22	2019-06-22

[1] Date of assignment corresponds to the date when letters were sent to the Employees.

EMPLOYEES

				Shares		
Reference year	Programme	Date of assignment	Assignment Price	Date of availability of tranches		
				2^{nd}	3^{rd}	4^{th}
2011	RVA 2011	2012-05-28	0.3660	2013-05-28	2014-05-28	2015-05-28
2012	RVA 2012	2012-12-19	0.8660	2012-12-19	2014-12-19	2015-12-19
2013	RVA 2013	2014-05-14	1.8060	2015-05-14	2016-05-14	2017-05-14

		Options					
Reference year	Programme	Date of assignment	Assignment Price	Strike Price		Strike Period	
				Initial	Adjusted [1]	From	To
2013	RVA 2013	2014-05-14	0.4430	1.8060	1.8060	2014-08-15	2019-05-14
2012	RVA 2012	2012-12-19	0.2770	0.8660	0.8660	2013-03-19	2017-12-19
2011	RVA 2011	2012-05-28	0.1240	0.3660	0.3580	2012-08-29	2017-05-28

[1] Price adjusted for the capital increases.The technical adjustment to the strike price is made simultaneously with an adjustment of the same nature to the number of options granted.

MODEL FOR VALUING THE EQUITY INSTRUMENTS GRANTED TO THE EMPLOYEES OF THE BPI GROUP

Shares

The Bank, for purposes of the share-based payment programme, 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 the first half of 2016 and in 2015, as well as the fair value of the respective instruments, are as follows:

	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	
		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 in 2014	7 059	8	7	9 168	3	9	60 923	53	74	702 879	1 269	721
Shares made available in 2014	7 059	8	7	6 879	2	7	30 479	26	37	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 December 31, 2014	0			2 289	1	2	30 444	26	37	517 884	935	531
Shares attributted 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 December 31, 2015				0			0			344 222	622	376
Shares attributted in 2016												
Shares made available in 2016										169 018	305	187
Shares made available early in 2016										4 604	8	5
Shares refused in 2016										1 683	3	2
Shares not made available at June 30, 2016										168 917	305	187

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 the first half of 2016 and in 2015 Proforma, as well as their respective fair values are as follows:

	RVA 2009			RVA 2010			RVA 2011			RVA 2012			RVA 2013		
		Fair value			Fair value			Fair value			Fair value			Fair value	
	Number of shares	On the date attributed	On the reference date	Number of shares	On the date attributed	On the reference date	Number of shares	On the date attributed	On the reference date	Number of shares	On the date attributed	On the reference date	Number of shares	On the date attributed	On the reference date
Options attributed in 2014	2 337 808	763	346	2 895 965	711	1 502	1 194 011	145	1 329	2 616 653	725	1 968	3 005 860	1 332	
Options made available in 2014	2 337 808	763	346	2 895 965	711	1 502	1 194 011	145	1 329	2 616 653	725	1 968	2 982 564	1 321	
Options cancelled in 2014	27 758	9	4							412 628	114	310	2 246	1	
Options exercised in 2014	58 187	19	9	266 518	65	138	788 173	96	877	490 747	136	369			
Options in circulation and exercisable at December 31, 2014	2 251 863	735	333	2 629 447	646	1 364	405 838	49	452	1 713 278	475	1 288	3 003 614	1 331	
Options in circulation at December 31, 2014	2 251 863	735		2 629 447	646	414	405 838	49	241	1 713 278	475	492	3 003 614	1 331	326
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	6	28 091	3	17	165 939	46	48			
Options in circulation and exercisable at December 31, 2015				2 588 735	636	407	377 747	46	224	1 547 339	429	444	3 002 441	1 320	326
Options in circulation at December 31, 2015				2 588 735	636	150	377 747	46	237	1 547 339	429	399	3 002 441	1 330	228
Options attributed in 2016				0									0		
Options made available in 2016															
Options cancelled in 2016				389 577	96	23							14 012	6	1
Options exercised in 2016				338 218	83	20	31 090	4	20	117 153	32	30			
Options in circulation and exercisable at June 30, 2016				1 860 940	457	108	346 657	42	218	1 430 186	396	369	2 988 429	1 324	227

The granting and availability of Shares and Options in 2014 under the RVA 2010 and 2013 programmes 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 the first half of 2016 and in 2015, the average price of the shares on the date in which the options were exercised was as follows:

Programme	Options exercised in 2016		Options exercised in 2015	
	Number of options	Average price of the shares	Number of options	Average price of the shares
RVA 2010	338 218	1.26	40 712	1.38
RVA 2011	31 090	1.13	28 091	1.25
RVA 2012	117 153	1.25	165 939	1.16

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 programmes.

The critical factors of the model used to manage the RVA programmes 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 programme to be determined.

The parameters used to determine the financial value of the options under each RVA programme, 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 Programme, as well as their respective fair values at June 30, 2016 were as follows:

	RVA 2010	RVA 2011	RVA 2012	RVA 2013
Number of outstanding options	1 860 940	346 657	1 430 186	2 988 429
Strike price	1.11	0.36	0.87	1.81
Value of option	0.00	0.69	0.29	0.08

The number of outstanding options under each RVA Programme, as well as their respective fair values at December 31, 2015 were as follows:

	RVA 2010	RVA 2011	RVA 2012	RVA 2013
Number of outstanding options	2 588 735	377 747	1 547 339	2 979 145
Strike price	1.11	0.36	0.87	1.81
Value of option	0.06	0.63	0.26	0.08

ACCOUNTING IMPACT OF THE RVA PROGRAMME

Shares

In order to cover the share-based payments, 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 programme not yet made available to the Employees/Directors at June 30, 2016 and December 31, 2015 are as follows:

Shares	Programme	Jun. 30, 16			Dec. 31, 15		
		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, recognised in shareholders´s equity	RVA 2013	388			574		
	RVA 2014	49			35		
	RVA 2015	409			915		
	RVA 2016	339					
		1 185			1 524		
Cost of the shares to be made available to the Group´s employees, not recognised in shareholders´equity	RVA 2013	(83)			48		
	RVA 2015				1 535		
	RVA 2016	1 430					
		1 347			1 583		
	Total	**2 532**	**168 917**	**187**	**3 107**	**344 222**	**376**
Treasury shares to be made available to the Group´s employees	RVA 2013	305	168 917	187	622	344 222	376
	Total	**305**	**168 917**	**187**	**622**	**344 222**	**376**

Options

The BPI Group has created a portfolio of BPI shares to cover its share-based payment programme responsibilities resulting from the issuance of options to purchase BPI shares 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 derecognised together with transfer of share ownership to the Employees. At that time a gain or loss is recognised, 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 programmes, 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 programme attributed to the Employees/Directors at June 30, 2016 and December 31, 2015 were as follows:

Options	Programme	Jun. 30, 16			Dec. 31, 15		
		Book value	Fair Value	Unrealised gain/(loss)	Book value	Fair Value	Unrealised gain/(loss)
Cost of outstanding options (premiums) recognised in shareholders´equity	RVA 2010	369			548		
	RVA 2011	42			46		
	RVA 2012	1 108			947		
	RVA 2013	1 324			1 330		
	RVA 2014						
	RVA 2015				799		
	RVA 2016	348					
		3 191			3 670		
Cost of outstanding options (premium) not recognised in shareholders´equity	RVA 2015				530		
	RVA 2016	809					
		809			530		
	Total	**4 000**	**475**	**3 525**	**4 200**	**595**	**3 605**
Treasury shares hedging the RVA options	RVA 2010	5 847	4 173	(1 674)	6 372	4 478	(1 894)
	RVA 2011	2 054	696	(1 358)	2 156	719	(1 437)
	RVA 2012	3 116	1 173	(1 943)	3 461	1 283	(2 178)
	RVA 2013	27	12	(15)	24	10	(14)
	Total	**11 044**	**6 054**	**(4 990)**	**12 013**	**6 490**	**(5 523)**
Unrealised gain/(loss)				(1 465)			(1 918)

The gain and loss realised 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 June 30, 2016 and December 31, 2015 were as follows:

Gain/loss		Programme	Jun. 30, 16	Dec. 31, 15
Shares	In making the shares available	RVA 2009		21
				21
Options	In the exercise of options	RVA 2009		59
		RVA 2010	29	(65)
		RVA 2011	(87)	(78)
		RVA 2012	(211)	(299)
			(269)	**(383)**
Transaction costs / Dividend devolution				**41**
Premiums of options not exercised at the end of the program		RVA2009		**665**
			(269)	**344**

The cost of the share-based remuneration programme is accrued in personnel costs, by corresponding entry to the "Other equity instruments" caption, as required by IFRS 2 for share-based payment programmes. The cost of the shares and option premiums, when they are granted, is accrued on a straight-line basis from the beginning of the programme (January 1) to the date they are made available to the Employees/Directors.

The total cost of the share-based payment programme recognized in the first half of 2016 and 2015 was as follows:

Programme	Jun. 30, 16			Jun. 30, 15		
	Shares	Options	Total	Shares	Options	Total
RVA 2010					5	5
RVA 2012				2	25	27
RVA 2013	125	(6)	119	248	104	352
RVA 2014	13	194	207	(418)	(463)	(881)
RVA 2015	(505)	(798)	(1 303)	307	399	706
RVA 2016	339	348	687			
Total	**(28)**	**(262)**	**(290)**	**139**	**70**	**209**

4.48. Capital Management

At June 30, 2016 and December 31, 2015 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 June 26, 2013 by the European Parliament and the Council of the European Union in force as of January 1, 2014.

	Jun. 30, 16	Dec. 31, 15
Accounting Capital [1]	2 422 295	2 424 999
Potential gains on fair value reserve	10 559	10 535
Eligible minority interests	347 585	366 836
Actuarial deviations	(86 981)	(63 811)
Deferred tax assets arising from tax losses	(48 006)	(32 912)
Loans granted for acquisition of shares and intangible assets	(24 002)	(15 263)
Investment in banking and insurance institutions	(23 314)	(36 829)
Negative Additional Tier I	(31 939)	(79 240)
Common Equity Tier [1]	**2 566 197**	**2 574 315**
Additional Tier [1]		
Total Equity	2 566 197	2 574 315
Risk-weighted assets	**23 323 816**	**23 702 317**
Common Equity Tier [1]	11.0%	10.9%
Tier [1]	11.0%	10.9%
Total Ratio	11.0%	10.9%

1 Excluding fair value reserve and actuarial deviations.

Considering full implementation of the CRV IV/CRR rules, Banco BPI's Common Equity Tier 1 "fully implemented" at June 30, 2016 was 10.1%. At December 31, 2015 the Common Equity Tier 1 "fully implemented" was 9.8%.

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 April 20, 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 April 19, 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.

4.49. 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 June 30, 2016 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, SA	Portugal	35.0%	35.0%
Cosec - Companhia de Seguros de Crédito, SA	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	
Unicre - Instituição Financeira de Crédito, SA	Portugal	21.0%	21.0%
Pension funds of Employees of the BPI Group			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	9.7%	
Fundo de Pensões Aberto BPI Valorização	Portugal	40.8%	
Fundo de Pensões Aberto BPI Segurança	Portugal	24.2%	
Fundo de Pensões Aberto BPI Garantia	Portugal	10.1%	
Shareholders of Banco BPI			
La Caixa Group	Spain	45.16%	
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 [1]			
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.			
Tomás Jervell [2]			
Vicente Tardio Barutel			

[1] Ceased functions by resigning on June 30, 2016.

[2] Appointed on January 27, 2016.Started in office on August 3, 2016.

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 June 30, 2016 were as follows:

	Associated and jointly controlled entities	Pension funds of Employees of the BPI Group	Total
Assets			
Financial applications	3 408		**3 408**
Financial assets held for trading and at fair value through profit or loss		137	**137**
Loans	10 034		**10 034**
Other assets	10 750	614	**11 364**
	24 192	**751**	**24 943**
Liabilities			
Deposits and technical provisions	20 869	126 800	**147 669**
Resources of other credit institutions	1 792		**1 792**
Provisions	7		**7**
Other financial resources		60 056	**60 056**
Other liabilities	16		**16**
	22 684	**186 856**	**209 540**
Off balance sheet items			
Guarantees provided other contingent liabilities			
Guarantees and sureties	12 001	60	**12 061**
Commitments to third parties			
Revocable commitments	5 318		**5 318**
Irrevocable commitments			
Responsabilities for services rendered			
Deposit and safeguard of assets	1 091 241	1 101 956	**2 193 197**
Other	10 000		**10 000**
	1 118 560	**1 102 016**	**2 220 576**

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 June 30, 2016 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	59 347			**59 347**
Financial assets held for trading and at fair value through profit or loss	7 533	35 351	6 468	**49 352**
Financial assets available for sale	88	73 453	57 115	**130 656**
Loans	226	177 073	216 385	**393 684**
Derivatives	934		9	**943**
Other assets		1	27 450	**27 451**
	68 128	**285 878**	**307 427**	**661 433**
Liabilities				
Deposits and technical provisions	235	581 967	21 988	**604 190**
Resources of other credit institutions	5 311			**5 311**
Provisions	23	95	319	**437**
Other liabilities		1 627	5 387	**7 014**
	5 569	**583 689**	**27 694**	**616 952**
Off balance sheet items				
Guarantees provided and other contingent liabilities				
Guarantees and sureties	14 124	31 746	67 787	**113 657**
Stand-by Letters of credit			51 003	**51 003**
Open documentary credits			210	**210**
Guarantees received		52 415	38 480	**90 895**
Commitments to third parties				
Irrevocable commitments	212	11 390	44 511	**56 113**
Revocable commitments			23 000	**23 000**
Responsabilities for services rendered				
Deposit and safeguard of assets	711 849	417 372	225 098	**1 354 319**
Other			84 700	**84 700**
Foreign exchange operations and derivative instruments				
Purchases	24 228		12 003	**36 231**
Sales	(24 227)		(12 160)	**(36 387)**
	726 186	**512 923**	**534 632**	**1 773 741**

[1] Includes the La Caixa Group led by the "Fundação Bancária La Caixa" and the companies controlled by it.

[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 December 31, 2015 are as follows:

	Associated and jointly controlled entities	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**
Off balance sheet items			
Guarantees provided and other contingent 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 December 31, 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 of 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**
Off balance sheet items				
Guarantees provided and other contingent liabilities				
Guarantees and sureties	27 114	36 501	71 092	**134 707**
Open documentary credits			57 875	**57 875**
Guarantees received		52 393	10 479	**62 872**
Commitments to third parties				
Revocable commitments			51 500	**51 500**
Irrevocable 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**
Other			65 500	**65 500**
Foreign exchange operations and derivatives 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 led by “Fundação Bancária La Caixa” and the companies controlled by it.

[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.

Total income and costs relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at June 30, 2016 are as follows:

	Associated and jointly controlled entities	Pension funds of Employees of the BPI Group	Total
Income			
Financial margin (narrow sense)	133	(850)	**(717)**
Net commissions income	21 966	1 296	**23 262**
General administrative costs	(433)	(7 708)	**(8 141)**
	21 666	**(7 262)**	**14 404**

Total income and costs 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 June 30, 2016 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
Income				
Financial margin (narrow sense)	1 167	2 392	1 695	**5 254**
Income from equity instruments			1 961	**1 961**
Net commissions income		67	51	**118**
Gains and losses in financial operations	6	(2 354)	14	**(2 334)**
Impairment losses and provisions for loans and guarantees, net	11	122	184	**317**
	1 184	**227**	**3 905**	**5 316**

[1] Includes the La Caixa Group led by “Fundação Bancária La Caixa” and the companies controlled by it.

[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.

Total income and costs relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at June 30, 2015 are as follows:

	Associated and jointly controlled entities	Pension funds of Employees of the BPI Group	Total
Income			
Financial margin (narrow sense)	74	(837)	**(763)**
Net comissions income	20 518		**20 518**
General administrative expenses	(371)	(8 084)	**(8 455)**
Impairment losses and provisions for loans and guarantees, net	(3)		**(3)**
	20 218	**(8 921)**	**11 297**

Total income and costs 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 June 30, 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
Income				
Financial margin (narrow sense)	756	(239)	88	**605**
Net comissions income		174	10	**184**
Impairment losses and provisions for loans and guarantees, net	(13)	(28)	(951)	**(992)**
	743	**(93)**	**(853)**	**(203)**

[1] Includes the La Caixa Group led by "Fundação Bancária La Caixa" and the companies controlled by it.

[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.

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 the first half of 2016 the fixed remuneration of the members of the Board of Directors amounted to 1 612 250 euro.

To this amount it must be added, specifically as regards fixed remuneration of the members of the Executive Commission, 22 712 euro relating to seniority and 28 206 euro relating to long service premiums (in accordance with the Collective Labour Agreement for the Portuguese Banking Sector, and in the case of non-executive members, 92 500 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	63 000	14 800	n/a	n/a
Fernando Ulrich	231 000	n/a	4 432	
António Domingues[1]	211 750	n/a	3 601	
Alfredo Rezende	24 500	14 800	n/a	n/a
António Lobo Xavier	24 500		n/a	n/a
Armando Leite de Pinho	24 500	3 700	n/a	n/a
Carla Sofia Bambulo	24 500	3 700	n/a	n/a
Carlos Moreira da Silva	24 500		n/a	n/a
Edgar Alves Ferreira	24 500	14 800	n/a	n/a
Ignacio Alvarez Rendueles	24 500	14 800	n/a	n/a
Isidro Fainé Casas	24 500	n/a	n/a	n/a
João Pedro Oliveira Costa	163 100	n/a	1 939	4 722
José Pena do Amaral	163 100	n/a	3 601	23 484
Lluís Vendrell	24 500	n/a	n/a	n/a
Manuel Ferreira da Silva	163 100	n/a	3 601	
Maria Celeste Hagatong	163 100	n/a	3 601	
Marcelino Armenter	24 500	11 100	n/a	n/a
Mário Leite da Silva	24 500	7 400	n/a	n/a
Pedro Barreto	163 100	n/a	1 939	
Tomás Jervell [2]			n/a	n/a
Vicente Tardio Barutel	24 500	7 400	n/a	n/a

1 Ceased functions by resigning on June 30, 2016.

2 Appointed on January 27, 2016. Started in office on August 3, 2016.

Following the issuance of the opinion of the CNAR relating to the performance of the members of the Executive Committee for 2015 and to the determination of the amount of variable remuneration that should be granted to them in the referred year, the Remuneration Committee decided to attribute to the members of the Executive Committee who were in office in 2015, variable remuneration for their performance in that year, corresponding to 1% of consolidated net income for 2015.

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 the first half of 2016 were also paid the amounts detailed in the following table:

Amounts in euro

Executive Committee of the Board of Directors	Variable Remuneration [1]
Fernando Ulrich	433 945
António Domingues[2]	397 783
João Oliveira Costa	306 392
José Pena do Amaral	306 392
Manuel Ferreira da Silva	306 392
Maria Celeste Hagatong	306 392
Pedro Barreto	306 392

[1] Variable remuneration attributed and paid according to the decision referred to above, in the first half of 2016 relating to the performance of 2015.

[2] Ceased functions by renunciation on June 30, 2016.

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 122 839 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 the approval by the Remuneration Committee of the payment to the members of the Executive Committee that were in office in 2015, 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 in accordance with the RVA Regulation, attributed in shares and/or share options of Banco BPI, the payment of which is subject to the deferral period and to the existence of the acess condition to that deferred remuneration. The breakdown of deferred RVA remuneration by the members of the Executive Committee and the respective granting and strike price will be defined after the conclusion of the public purchase offer ("OPA") that CaixaBank launched over BPI.

Compensation paid or owed to former executive directors in respect of early termination of service during the year.

In the first half 2016 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 June 19.

In the first half of 2016, the total remuneration of the members of the Supervisory Board was 99 400 euro. The amounts earned individually were as follows:

Amounts in euro

Abel Reis	36 400
Jorge Figueiredo Dias	31 500
Rui Guimarães	31 500

Remuneration of the Chairman of the Shareholders' General Meeting Committee

In the first half 2016 the overall remuneration for exercising the function of **Chairman of the Shareholders' General Meeting Committee** was 7 000 euro, paid in 7 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 June 30, 2016 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 (t.euro)	17 411	11 432	28 843

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 (t.euro)	26 551	18 123	44 674

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 first half of 2016 by the members of the Executive Committee relating to old age retirement pensions amounted to 25 060 euro.

Loans to members of the Board of Directors

Mortgage loans

At June 30, 2016 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 1 668 t. 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. At June 30, 2016, the balance of credit given to the members of Banco BPI's Executive Committee was 5 331 t. 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. At June 30, 2016 the credit line balance relating to the members of Banco BPI's Executive Committee was 971 t. euro.

Credit lines for the exercise of RVA options and subscription for BPI shares in the 2008 capital increase

Balance at June 30, 2016

	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	2 321	271
Total	7 741	1 281

[1] Financing obtained for maintenance of the BPI shares which resulted in the exercise of the RVA options.

[2] The members of the Executive Committee of the Board of Directors of Banco BPI are not included.

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) to (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 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 December 11, 2015 and mentioned in section 3.2 of the BPI Group’s Governance Report of 2015.

In the first half of 2016, the universe defined above encompassed 28 employees.

In the first half of 2016 the aggregate remuneration paid to the universe referred to above amounted to 5 147 t. euro, split between a fixed remuneration of 3 143 t. euro, a variable remuneration of 1 389 t. euro paid in the first half of 2016 relating to 2015 and 615 t. euro of variable remuneration relating to 2015 with deferred payment for a period of 3 years and subject to verification of the access condition to the deferred remuneration.

At June 30, 2016 the aggregate amount of annual pension rights acquired by the employees under review was 17 510 t. euro.

The breakdown of the remuneration and pension rights indicated above between the above-mentioned five groups was the following:

	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	4	2	28
Fixed remuneration	1 947 719.12	259 819.42	319 556.47	503 006.11	113 138.97	3 143 240.09
Variable remuneration paid	733 304.00	141 247.83	112 492.80	211 057.02	190 717.20	1 388 818.85
Deferred variable remuneration	224 194.04	0.00	42 336.00	158 137.02	190 717.20	615 384.26
Past service liability	9 515 020.24	1 554 086.13	3 912 885.57	2 322 470.52	205 725.43	17 510 187.89

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 the first half of 2016 who fall within this group.
No payments were made in the first half of 2016 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 June 30, 2016 were as follows:

	Shares										
	Held at Dec. 31, 15	**Purchases**	**Sales**	**Held at Jun. 30, 16**	**Value at Jun. 30, 16[2]**	**Shares unavailable 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	554						
Fernando Ulrich [2,3]	2 092 180			2 092 180	2 318		1 585 040	348 510		4 173	719
Alfredo Rezende de Almeida	2 250 000			2 250 000	2 493						
António Domingues [2,4]	56 042			56 042	62						
António Lobo Xavier											
Armando Costa Leite de Pinho											
Carla Bambulo											
Carlos Moreira da Silva	66 333			66 333	73						
Edgar Alves Ferreira	227 273			227 273	252						
Ignacio Alvarez-Rendueles											
Isidro Fainé Casas											
João Pedro Oliveira e Costa [2]	10 708			10 708	12						
José Pena do Amaral [2]	184 913			184 913	205		132 231			169	
Lluís Vendrell											
Manuel Ferreira da Silva [2,5]	930 884			930 884	1 031	2 721			300 000		
Marcelino Armenter Vidal											
Maria Celeste Hagatong [3,6]	885 151			885 151	981		171 110	48 815		375	99
Mário Leite da Silva											
Pedro Barreto [3]	500 000			500 000	554		378 399	94 600		615	154
Tomaz Jervell [7]	15 680			15 680	17						
Tomás Jervell [8]											
Vicente Tardio Barutel											
Santoro Finance - Prestação de Serviços, S.A.	270 643 372			270 643 372	299 873						

A - Shares attributed under the RVA programme, the availability of which at June 30, 2016 is subject to a resolution condition.

B - Shares which at June 30, 2016 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA programme

C - Shares which at June 30, 2016 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 June 30, 2016 were pledged in guarantee for purposes of article 396 of the Commercial Company Code (Código das Sociedades Comerciais).

E - Amount owed at June 30, 2016 on the loan referred to in B.

F - Amount owed at June 30, 2016 on the loan referred to in C.

[1] Fair value of the shares.

[2] Member of the Executive Committee.

[3] Includes 58 724 shares held by the spouse.

[4] Ceased functions by resigning on June 30, 2016.

[5] Includes 260 884 shares held by the spouse (of which 2 721 are in the situation referred to in the paragraph A above).

[6] Includes 407 316 shares held by the spouse.

[7] Submitted his resignation on January 25, 2016.

[8] Started functions on August 4, 2016.

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 June 30, 2016 was as follows:

	Options			
	Held at Dec. 31, 15	Purchases	Exercise[1]	Held at Jun. 30, 16
Artur Santos Silva				
Fernando Ulrich [2]				
Alfredo Rezende de Almeida				
António Domingues [2] [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 [2]	127 249			127 249
José Pena do Amaral [2]	358 530			358 530
Lluís Vendrell				
Manuel Ferreira da Silva [2] [4]	402 901			402 901
Marcelino Armenter Vidal				
Maria Celeste Hagatong [2]				
Mário Leite da Silva				
Pedro Barreto [2]	358 530			358 530
Tomaz Jervell [5]				
Tomás Jervell [6]				
Vicente Tardio Barutel				
Santoro Finance - Prestação de Serviços, S.A.				

[1] Includes extinction by lapsing.

[2] Member of the Executive Committee.

[3] Ceased functions by resignation on June 30, 2016.

[4] Includes 44 371 options held by the spouse.

[5] Submitted his resignation on January 25, 2016.

[6] Started functions on August 4, 2016.

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 June 30, 2016 was as follows:

	Shares								
	Held at Dec. 31, 15	Purchases	Sales	Held at Jun. 30, 16	Value at Jun. 30, 16[1]	Shares pledged in guarantee A	Shares pledged in guarantee B	Loans C	Loans D
Alexandre Lucena e Vale	155 308			155 308	172	40 594	18 694	89	39
Fernando Costa Lima	81 124	131 654		212 778	236				
José Miguel Morais Alves	35 517			35 517	39				

A - Shares which at June 30, 2016 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA programme.

B - Shares which at June 30, 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 June 30, 2016, on the loan referred to in A.

D - Amount owed at June 30, 2016, 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 June 30, 2016 was as follows:

	Options			
	Held at Dec. 31, 15	Purchases	Exercise[1]	Held at Jun. 30, 16
Alexandre Lucena e Vale	121 305			121 305
Fernando Costa Lima	196 666		131 654	65 012
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 June 30, 2016 was as follows:

	Shares[1]					Options[1]			
	Held at Dec. 31, 15	**Purchases**	**Sales**	**Held at Jun. 30, 16**	**Value at Jun. 30, 16**[2]	**Held at Dec. 31, 15**	**Purchases**	**Exercise**[3]	**Held at Jun. 30, 16**
Manuel Maria Meneses	114 179			114 179	127	42 702			42 702
Francisco Xavier Avillez	200 001			200 001	222	314 410			314 410
Susana Trigo Cabral	38 181			38 181	42				
Luis Ricardo Araújo	70 000			70 000	78	188 868			188 868
Graça Graça Moura	40 228			40 228	45				
Ana Rosas Oliveira	22 098			22 098	24	51 306			51 306
João Avides Moreira	20 892	20 326	20 326	20 892	23	81 566		20 326	61 240

[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 June 30, 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.

Ceased functions by resigning on June 30, 2016.

António Lobo Xavier

Does not hold and has not traded any Banco BPI shares.

Armando Costa Leite de Pinho

Does not hold and has not traded any Banco BPI shares.

At June 30, 2016, Arsopi – Holding, SGPS, S.A., of which he is the President of the Board of Directors owned 2 942 267 of Banco BPI shares.

At June 30, 2016, ROE, SGPS, S.A., of which he is the President of the Board of Directors, owned 4 442 291 of Banco BPI shares.

At June 30, 2016, Security, SGPS, S.A., of which he is the President of the Board of Directors, owned 3 414 404 Banco of BPI shares.

Carlos Moreira da Silva

Has not traded any shares.

Edgar Alves Ferreira

Has not traded any shares.

At June 30, 2016, Violas Ferreira Financial, S.A., of which he is a member of the Board of Directors, owned 38 836 116 of Banco BPI shares.

Carla Bambulo

Does not hold and has not traded any Banco BPI shares.

At June 30, 2016, Allianz Europe, Ltd, owned 120 553 986 of Banco BPI shares.

Ignacio Alvarez Rendueles

Does not hold and has not traded any Banco BPI shares.

Is an Executive Director at CaixaBank, S.A..

For further information about the transactions and participation of CaixaBank, 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 the President of Patronato de la Fundacion Bancaria Caixa d'Estalvis i Pensiones de Barcelona "la Caixa" and President of Criteria Caixa, S.A.U., which owns at June 30, 2016, 46.91% of the capital of CaixaBank, S.A.

Ceased functions as President of CaixaBank, S.A. on June 30, 2016.

At June 30, 2016, CaixaBank, S.A. owned 657 964 542 of 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 Banco BPI shares.

On June 30, 2016 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 the General Director of Criteria Caixa, S.A.U.

For further information about the transactions and participation of Caixa Bank, 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 June 30, 2016 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 June 30, 2016 Santoro Finance – Prestação de Serviços, S.A. owned 270 643 372 of Banco BPI shares.

Pedro Barreto

Has not traded any shares.

Tomaz Jervell

Has not traded any shares.

Ceased functions on January 25, 2016.

At June 30, 2016 Norsócia, SGPS, S.A. of which he is a member of the Board of Directors owned 11 050 105 of Banco BPI shares.

Tomás Jervell

Does not hold and has not traded any Banco BPI shares.

Started functions on August 4, 2016.

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

On March 24 purchased 73 710 shares at the price of 1.108 euro under the 2010 RVA programme.

On March 24 purchased 58 484 shares at the price of 0.0866 euro under the 2012 RVA programme.

José Miguel Morais Alves

Has not traded any shares.

Ceased functions by resigning on June 30, 2016.

Manuel Maria Meneses

Has not traded any shares.

Francisco Xavier Avillez

Has not traded any shares.

Susana Trigo Cabral

Has not traded any shares.

Luís Ricardo Araújo

Has not traded any shares.

Graça Moura

Has not traded any shares.

At June 30, her husband owned 27 677 of Banco BPI shares.

Ana Rosas Oliveira

Has not traded any shares.

At June 30, her husband held 4 659 Banco BPI shares and 7 871 options on of Banco BPI shares.

João Avides Moreira

On March 24, purchased 20 326 shares at the price of 1.108 euro under the 2010 RVA programme.

On March 24, sold 7 844 shares at the price of 1.292 euro.

On March 24, sold 7 570 shares at the price of 1.291 euro.

On March 24, sold 4 912 shares at the price of 1.290 euro.

4.53 Other events

Resolution Fund

Resolution measure applied to Banco Espírito Santo, S.A.

In accordance with a communication of the Bank of Portugal dated August 3, 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 February 10. 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 from 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 process 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 December 21, 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 December 29, 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 December 20, 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 the information necessary to enable it to estimate with reasonable reliability the potential insufficiency of resources in the Resolution Fund following the resolution measures applied to Banco Espirito Santo, S.A. and BANIF – Banco Internacional do Funchal, S.A., nor how the potencial insufficiency will be financed.

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 February 19, 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.

Public Tender Offer over Banco BPI S.A. shares

On April 18, 2016 CaixaBank, S.A., holder on that date of 44.1% of the share capital of Banco BPI, published a preliminary announcement of a public, general and voluntary tender offer (the Offer) covering all shares of Banco BPI, at the price of 1.113 euro per share.

The launch of the Offer is subject to the following conditions set out in paragraph 11. of the preliminary announcement referred to:

a) obtaining the prior registration of the Offer with the Stock Exchange Commission (CMVM), in accordance with article 114 of the Stock Exchange Code (Código dos Valores Mobiliários) at a price of 1.113 euro per share.

b) Obtaining the approvals, non-oppositions and administrative authorisations required under Portuguese, European or foreign law that may apply, namely those described on the paragraph 11 of the preliminary announcement.

Once launched in the terms of the paragraph 12 of the Preliminary Announcement, the effectiveness of the Offer is subject to verification of the following conditions:

a) elimination, on the closing date of the Offer, and even if subject to the Offer's success, of the limitation to the counting or exercise of voting rights at the Shareholders' General Meetings when issued by a single shareholder as established under items 4 and 5 of article 12 of the Statutes of Banco BPI, S.A., in the current text, so that there is no limit to the counting or exercise of voting rights issued by a single shareholder, directly or through a representative, in his / her own name or as representative of another shareholder; and

b) the acquisition by CaixaBank, up to the date and as a result of the physical and financial settlement of the Offer, of a number of shares which, together with Banco BPI shares held by CaixaBank at the date of the preliminary announcement represent more than 50% (fifty percent) of the share capital and voting rights corresponding to the total of the shares of Banco BPI.

c) declaration by the Stock Exchange Commission of derogation of the duty to launch a subsequent offer, as a result of the acquisition of shares under the Offer, in accordance with item 1 of paragraph a) and item 2 of article 189 of the Stock Exchange Code, even if subordinated to the subsistence of the respective assumptions.

On May 17, 2016 the Board of Directors of Banco BPI, S.A. published its report, prepared in accordance with the terms of item 1, article 181 of the Stock Exchange Code, on the opportunity and conditions of the Offer. The report is available on the website of the Stock Exchange Commission and of the Bank.

<u>Decree - Law 20/2016 of April 20</u>

On April 20, 2016 Decree - Law 20/2016 of April 20, which entered into force on July 1, 2016, was published.

The law establishes that the maintenance or revoking of limits on the exercise of shareholder's voting rights of credit institutions should be subject to decision of the shareholders at least once every five years. It also establishes that, for credit institutions whose statutes contain such limits at the date of entry into force of the law, the Shareholders' General Meeting intended to decide upon their maintenance or revoking shall take place up to December 31, 2016. In the absence of a valid and effective decision by that date on the matter under consideration, the limitation to the exercise of voting rights established in the statutes will automatically expire.

Finally it is expected that the decision on the maintenance or revoking of the limit on the exercise of voting rights, when proposed by the board, is not subject to the voting limit in question or subject to any qualified majority requirement in relation to that established in the law.

<u>Shareholders' General Meeting of July 22, 2016</u>

On June 14, 2016 formal notice of a Shareholders' General Meeting of Banco BPI to take place on July 22 of that year was released through the Stock Exchange Commission website. In accordance with the notice calling the meeting, it was called "Following the request of the shareholder Violas Ferreira Financial S.A. received on May 25 (…) and at the request of the Board of Directors received on June 14 (…)". The meeting's agenda was defined as follows:

"Sole item: Decide, under article 3 of Decree-Law 20/2016 of April 20, on the following changes of BPI's Statutes:

i) Suppression of paragraphs 4 and 5 of article 12 and consequent renumbering of paragraphs 6 to 8 of that article.

ii) Change of current paragraph 2 of article 30, in order to eliminate the reference to paragraphs 4 and 5 of article 1"

The provisions in the statutes referred to above are those which establish and refer to the limitation to the counting of the votes of a single shareholder, acting in his/her own name or as representative of another or others, which exceed 20% of the total votes corresponding to the share capital.

In accordance with a communication issued by the Bank on the Stock Exchange Commission website on July 22, 2016 in which information on the Shareholders' General Meeting held on that date: " The representative of the shareholder Violas Ferreira Financial, S.A. informed the Shareholders' General Meeting that a protective order was decreed regarding the fact that the proposal submitted by the Board of Directors for a change of BPI's Statutes cannot be considered and voted upon. Following the proposal presented by the representative of the shareholder CaixaBank, S.A. the Shareholders' General Meeting approved by 85.02% of the votes the suspension of its work and its continuation thereof on September 6, 2016 at 10 a.m."

In accordance with information provided by Banco BPI on the Stock Exchange Commission website on August 23, 2016 regarding the protective order mentioned above, "(…) Banco BPI informs that has already conveyed (…) its opposition, (…) pending a court decision.

Regulation and supervision equivalence in Angola

In accordance with the statement published by Banco BPI on December 16, 2014, the European Commission published under, among other provisions, paragraph 7 of Article 114 of Regulation (EU) 575/2013 of June 26, 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 January 1, 2015 the indirect exposure in kwanzas of Banco BPI: (i) to Angolan State[1], e (ii) to Banco Nacional de Angola[2] (BNA), 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 January 1, 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 December 31, 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 December 31, 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 December 31, 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 January 1, 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 favourably.

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.

In the Shareholders' General Meeting held on February 5, 2016, the demerger project was subject to voting but was not approved, because the necessary qualified majority for the purpose has not been reached.

On June 22, 2016 Banco BPI publicly released the following statement:

"As regards the voluntary tender offer over Banco BPI shares, preliminarily announced by Caixabank S.A. (Caixabank), on 18 April (Offer), Banco BPI publicised that it had received from the European Central Bank (ECB) a communication in which it was informed that the ECB's Supervisory Board decided to give CaixaBank a period of four months to solve BPI's large exposure breach with regard to its Angolan exposures. The four month period is counted as from the date of the conclusion of the acquisition of Banco BPI, on the assumption that such conclusion will take place by the end of October 2016 at the latest.

In that communication, Banco BPI was also informed that ECB's Supervisory Board decided to suspend during that period the on-going enforcement proceedings against BPI relating to the large exposure breach with regard to BPI's Angolan exposures that existed before the end of 2015 and to which item 3 of the press release published by BPI on 19 April 2016 refers.

In the above mentioned communication, Banco BPI was also informed that the decisions of ECB's Supervisory Board were made in the context of the public share offering and are subject to CaixaBank acquiring control over Banco BPI.

[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.

Banco BPI will continue to look for solutions to accommodate the limit of exposure to large risks resulting from exposure of Banco de Fomento Angola to the Angolan State and Banco Nacional de Angola, which is why at this date the impacts to 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.

Statement

DECLARATION REFERRED TO IN ARTICLE 246 (1) C) OF THE SECURITIES CODE

Article 246 (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 the Executive Committee of Banco BPI's Board of Directors, identified here by name, individually subscribe to the declaration transcribed as follows:

"I declare in the terms and for the purposes for article 246 (1) (c) of the Securities Code that, to the best of my knowledge, the financial statements and the directors' report of Banco BPI, S.A., relating to the 1st half of 2016, 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 contains an indication of the important events which occurred in the 1st half of 2016 and their impact on the respective financial statements, as well as a description of the principal risks and uncertainties for the six following months."

Fernando Ulrich	(Chairman)
José Pena do Amaral	(Member)
Maria Celeste Hagatong	(Member)
Manuel Ferreira da Silva	(Member)
Pedro Barreto	(Member)
João Pedro Oliveira e Costa	(Member)

AUDIT REPORT ON THE INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of Euros – t. euro)

(Translation of a report originally issued in Portuguese – Note 5)

REPORT ON THE AUDIT OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Banco BPI, S.A. and its subsidiaries (the Bank), which comprise the consolidated Balance Sheet as of June 30, 2016 (that reflects total assets of 38,856,584 t. euro and total shareholders' equity of 2,680,150 t. euro, including consolidated net income of 105,930 t. euro), the Consolidated Statements of Income, Profit or Loss and Other Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the six-month period then ended, and the Notes to the interim consolidated financial statements which include a summary of significant accounting policies.

In our opinion, the accompanying interim consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco BPI, S.A. and its subsidiaries as of June 30, 2016, the consolidated income and comprehensive income from its operations, the changes in its consolidated shareholders' equity and its consolidated cash flows for the six-month period then ended in conformity with the International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

Our audit was conducted in accordance with the International Standards on Auditing (ISA's) and the standards and technical and ethical standards of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas") (OROC Standards). We are independent of the Bank in accordance with the law and we have fulfilled the other ethical criteria in accordance with the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphases

The indirect exposure of the Bank to the Angolan State and the National Bank of Angola ("Banco Nacional de Angola") held through Banco de Fomento Angola, S.A. exceeds the large exposures limit established in Article 395 of Regulation (EU) 575/2013 of June 26, 2013 (CRR). In a statement made public by the Bank on June 22, 2016 reference is made that, in the context of the voluntary public tender offer over Banco BPI shares, preliminarily announced by Caixabank, S.A. on April 18, 2016 (Offer), the Supervisory Board of the European Central Bank decided to grant Caixabank, S.A. a period of four months to solve the Bank's breach of the referred limit. This four month period will be counted as from the date of the conclusion of the acquisition of the Bank, on the assumption that such acquisition will take place by the end of October 2016 at the latest. This statement also refers that the Supervisory Board of the European Central Bank decided to suspend during that period the ongoing procedures of enforcement against the Bank regarding the breach of the large exposures limit related to Angolan exposures that existed before the end of 2015. As disclosed in Note 4.53, the launch of the Offer and its effectiveness require, among other matters, the amendment of the Bank's statutes in relation to the limitation on the counting of votes issued by a single shareholder. The General Shareholders' Meeting held on July 22, 2016, which had as the only item to decide on the amendments to the statutes of the Bank, was suspended. Continuation of the meeting is scheduled for September 21, 2016, after a new suspension approved at the session held on September 6, 2016. At this date the solution for the Bank to comply with the large exposures limit established in article 395 of the CRR has not yet been defined and therefore the corresponding impacts on the Bank are still unknown.

As described in Note 4.25, at June 30, 2016 the Bank used a discount rate of 2.5% to measure its liability for defined benefits pensions plans of its employees and directors, equivalent to that used in its accounts as of December 31, 2015. The Bank will reassess the suitability of this financial assumption for the preparation of its accounts as of December 31, 2016, due to the decrease that has occurred in the level of market interest rates for the settlement period of that liability. A decrease in the discount rate used to measure the pension liability implies a decrease in the Bank's shareholder's equity, as disclosed in Note 4.25.

Our opinion is not modified in respect of the matters described in the two above emphases of matter.

Responsibilities of the Board of Directors

The Board of Directors is responsible for:

- the preparation of interim consolidated financial statements that present a true and fair view of the Bank's consolidated financial position, the consolidated income and comprehensive income from its operations, the changes in its consolidated shareholders' equity and its consolidated cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union;
- the creation and maintenance of appropriate systems of internal control to permit the preparation of financial statements that are free from material misstatements whether due to fraud or error;
- the adoption of adequate accounting policies and criteria under the circumstances;
- the disclosure of any significant facts that have influenced the Bank's activity, financial position or income;
- assessing the Bank's ability to continue as a going concern, disclosing, where applicable, matters which could raise significant doubts regarding the continuity of its operations; and
- the preparation of the Director's Report in accordance with the law and regulations.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a professional and independent report based on our audit that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's and OROC Standards will always detect a material misstatement when it exists. Misstatement can arise due to fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. Our responsibilities include, for material matters:

- the identification and assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures that allow an adequate response to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtaining an understanding of the internal control relevant to the audit in order to determine the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries;
- verifying that the financial statements of the companies included in the consolidation have been audited and, in the significant cases in which they have not been, verifying, on a sample basis, the supporting documentation of the amounts and disclosures in the financial statements and assessing the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation;
- verifying the consolidation procedures used and the application of the equity method;
- assessing if the accounting policies used are adequate and if the related disclosure is appropriate considering the circumstances;
- verifying the applicability of the going concern assumption; and
- assessing the appropriateness of the overall presentation of the interim consolidated financial statements.

Our responsibility also includes verifying, in all material respects, that the financial information included in the Directors' Report is consistent with the interim consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Regarding the Directors' Report

Based on the work performed for purposes of our audit we have not identified material errors or inconsistencies between the accounting information included in the Directors' Report and the consolidated financial statements as of June 30, 2016.

Lisbon, September 9, 2016

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Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes